

ASX ANNOUNCEMENT

23 August 2022

Kogan.com FY22 Results Announcement

Focus shifts to operational efficiency as profitability recovers in final quarter.

FY22 key items (vs FY21)¹

- **Gross Sales^{2,3} grew 0.1%** to \$1.18 billion, reflecting a CAGR of 23.6% since FY20.
- **Revenue³ declined 8.0%** to \$718.5 million, reflecting a CAGR of 20.1% since FY20.
- **Gross Profit declined 9.3%** to \$184.4 million, reflecting a CAGR of 20.7% since FY20.
- **Adjusted EBITDA⁴** was \$18.9 million, largely as a result of elevated operating costs from excess inventory following COVID-19 related fluctuations in consumer demand. The Business looks forward to returning to positive operating leverage, having commenced the process of driving efficiencies in operating costs and product ranges which has led to a return to Adjusted EBITDA profitability in 4QFY22. EBITDA was \$(21.8) million in FY22.
- **Adjusted NPAT⁴** was \$(2.9) million, with a statutory NPAT of \$(35.5) million, impacted by unrealised losses on financial instruments, non-cash equity-based compensation, the continued provision for the likely payment of Mighty Ape Tranches 3 & 4 and the bitbuy.com domain sale.
- **3,972,000 Group Active Customers**, Kogan.com Active Customer CAGR of 20.9% since FY20. Kogan First Subscribers grew by 209.7% YoY to over 372,000 at 30 June 2022.
- **Operating cash inflow of \$61.8 million with net cash at bank of \$31.2 million** at 30 June 2022, after funding the \$29.9 million Tranche 2 Mighty Ape acquisition payment and reducing loans & borrowings to \$35.0 million (30 June 2021: \$78.9 million).

Kogan.com Limited (the Company; Kogan.com; ASX:KGN) announces its results for the full-year ended 30 June 2022 (FY22).

Key drivers of financial performance over FY22

- **Platform performance** - Group Active Customers at 30 June 2022 grew YoY to 3,972,000. Kogan.com Active Customers were 3,189,000. Mighty Ape Active Customers grew to 783,000.
- **Kogan Marketplace** - Our Marketplace team has been focused on growing and improving our marketplace platform. This included the expansion of the platform to New Zealand.

Kogan Marketplace Gross Sales increased by 20.3% year-on-year, reflecting a CAGR of 51.6% since FY20. Sellers on the platform increased by 49.1% this year, and there continues to be a strong pipeline of local and international sellers ready to be onboarded.

1. FY22 consolidation incorporates the results of both Kogan.com and Mighty Ape. FY21 consolidation incorporates the results of both Kogan.com and Mighty Ape (from December 2020).
 2. Gross Sales is a key metric of the Business, given that gross transaction values of Kogan Marketplace, Kogan Mobile and other New Verticals are not reflected in Revenue.
 3. Gross Sales reflects the total transactional value of Kogan Retail, Kogan Marketplace and Kogan Verticals. Revenue reflects the accounting Revenue of Kogan Retail and only the commission or seller-based fees received from Kogan Marketplace and Kogan Verticals.
 4. Measures the underlying performance of the Business, removing non-cash items including unrealised gain/(loss), equity-based compensation, Mighty Ape Tranche 3 & 4 and one-off non-recurring items from the sale of the Bitbuy.com domain. Post the unaudited January 2022 Business Update released on the ASX on 27 January 2022, the proceeds from the sale of the bitbuy.com domain has been reclassified to Other Income and removed from Adjusted EBITDA. Refer to Annexure 2 of the Results Presentation for a detailed reconciliation of adjusting items.

We are continuously improving our proprietary marketplace platform which enables the Company to achieve ongoing growth without further investment in inventory. These improvements include a current investment in implementing an advertising platform for marketplace sellers to gain further reach within the Kogan.com website. The growth of Kogan Marketplace means that customers have more choice than ever and the Company can become more efficient, without reliance on ongoing investment in inventory to drive sales.

- **Product Division performance** - Exclusive Brands and Third-Party Brands have cycled extreme growth in the prior year, with a decline in Revenue of 17.6% and 35.0%, respectively. However, Exclusive Brands Revenue of \$311.6 million in FY22 had a CAGR of 15.7% since FY20, reflecting the strong long-term growth trajectory of the division.

We have focussed on promotional activity to address the excess inventory levels and associated holding costs, which impacted Gross Profit and Gross Margin across both Exclusive and Third-Party Brands in FY22. As a result of these initiatives, total inventories at 30 June 2022 were \$159.9 million, with \$137.9 million in warehouse and \$22.0 million in transit. This reflects a significant unwinding of inventories from total inventories of \$227.9 million at 30 June 2021.

The Business has been performing extensive range reviews to ensure it is offering the most in-demand products at the most affordable prices, without investing in under-performing product categories. By focusing on in-demand products, and removing inefficiencies in the long-tail of the product range, the Business will offer a curated range of products at lower prices, driven by the efficiencies created.

- **Kogan First growth** - Our medium-term goal is to reach 1,000,000 Kogan First Subscribers⁴. We are investing in marketing and subscriber benefits to achieve this goal.

The Kogan First loyalty program grew to over 372,000 subscribers as at 30 June 2022, with Revenue increasing to \$15.5 million, an increase of 73.4% on the prior year. Kogan First subscribers enjoy incredible value, with more than \$20.5 million in benefits provided to members in FY22. Growth of the program was underpinned by increasing renewal rates, which was 84.7% in FY22 (FY21: 78.2%), demonstrating strong customer satisfaction with the program.

With the ongoing increase and evolution of subscriber benefits, as well as the impacts of inflation in delivery costs, the price of Kogan First will be increasing. Monthly subscriptions will be increased to \$8.99/month and the annual subscription will increase to \$79.00/year. The price increase will allow Kogan to continue to deliver the best experience for Kogan First Members and offer even greater rewards to our loyal customers. As part of the revision of benefits, we will be doubling the Kogan Rewards Credits members earn from purchase of Exclusive Brands products and expanding the reach of the program to Dick Smith.

- **Mighty Ape** - Mighty Ape recorded FY22 Revenue of \$163.4⁵ million, Gross Profit of \$39.1⁵ million and Adjusted EBITDA⁵ of \$12.3 million. Active Customers were 783,000 as at 30 June 2022. The Group funded the \$29.9m Mighty Ape Tranche 2 payment in the first half.

The year included the appointment of Gracie MacKinlay to Chief Executive Officer, following 10 successful years as their Chief Sales and Marketing Officer. As part of the transition, Simon Barton, Mighty Ape's founder, is continuing as the Company's Chief Financial Officer.

- **Kogan Verticals** - Our larger Kogan Verticals grew YoY. These included:
 - Kogan Mobile Australia Active Customers increasing 1.5%;
 - Kogan Mobile New Zealand Active Customers increasing 130.6%; and
 - Kogan Credit Cards approvals increasing 61.3%.

COVID-19 continued to impact a number of our other Verticals, including Kogan Travel and Insurance (inc. Travel Insurance).

4. Kogan First Subscribers excludes Kogan First customers who are in a trial period, and includes only non-trial subscribers.

5. Values stated in AUD using the AU/NZ average rate from 1 July 2021 to 30 June 2022.

- **Investment in our Team** - In order to reward and incentivise key talent and align their interests with our Shareholders, the Business has made strategic investments in team members. Long-Term Incentives remain in place and People Costs have increased YoY, as a result. FY22 included non-cash equity-based compensation expenses driven by the award of options after the Company's AGM in November 2020, which are being expensed as per the accounting treatment described in the Notice of Meeting of the 2020 AGM, and are a significant driver of the difference between Adjusted EBITDA and EBITDA. These options, granted to Ruslan Kogan, CEO, and David Shafer, CFO & COO, are non-cash and are expensed as per the accounting treatment described in the Notice of Meeting of the 2020 AGM. The options have a strike price of \$5.29⁶.
- **Strong Balance Sheet and capital position** - As at 30 June 2022, the Company had a net cash position (total cash less drawn debt) of \$31.2 million given strong operating cash inflows of \$61.8 million. The net cash position was after funding the Tranche 2 payment in respect of the Mighty Ape Acquisition of \$29.9 million, and loans & borrowings repayments of \$49.0 million.

Total inventories were \$159.9 million, comprising \$22.0 million in transit and \$137.9 million in warehouse. In-warehouse inventory reduced by 28.1% from 30 June 2021 as the Business implemented strategies to unwind excess inventory.

- **Operating costs** - Variable costs, comprising warehousing and selling costs, have reduced year-on-year by 27.6%. The reduction has largely been driven by savings in warehousing costs following the continued unwinding of excess inventory.

Also contributing to this reduction was the suspension of Kogan Delivery Services due to rising transportation and delivery partner costs.

Marketing costs increased to drive growth in Kogan First Subscribers, which grew by 209.7%, and promotional activity to reduce inventory levels. Notwithstanding the increase in Marketing costs YoY, the Company has progressively reduced these costs during 2H FY22, and expects Marketing costs to continue to decrease as a proportion of Gross Sales in 1H FY23 as part of the Company's initiative to drive efficiencies in overall operating costs.

Commenting on Kogan.com's performance over FY22, Founder and CEO, Ruslan Kogan said:

"For more than 10 years, eCommerce grew in Australia at a consistent and stable rate. This enabled Kogan.com to plan for growth in a measured and precise way.

The consistency of this growth was rocked by the onset of the COVID-19 pandemic, when customers turned to Kogan.com, and we found that — almost overnight — our business started to double in sales. Kogan.com quickly became the destination that millions of Australians relied on for the most essential items. This acceleration of sales continued for many months in the first year of the pandemic, and we bet that the trend was not going to stop. To ensure we could be there for our customers when they needed us most, we increased both our range and volume of inventory, as well as our logistics footprint to match this expected level of growth.

We were wrong. As the true volatility of the situation settled in — caused by stay at home orders and lockdown ambiguity — eCommerce did not continue to grow as anticipated. This led to us holding excess inventory, and an associated increase in variable costs and marketing costs to sell through the inventory. As we've discussed at length through regular updates this past year, profitability in FY22 was impacted.

When I started Kogan.com 16 years ago, I made a bet that online shopping would define the future of retail. My certainty of that is even stronger today than it's ever been.

The simple fact is this: More Aussies and Kiwis will be online shoppers tomorrow than today. Millions of customers are discovering the benefits of shopping from the comfort of their homes, and having a huge range of products delivered to their door at great prices.

This is what our team has always obsessed over: delighting customers by making the most in-demand

6. The share price of Kogan.com at the close of day on 19.08.2022 was \$3.82.

products and services more affordable and accessible. We were pleased to have this hard work recognised when the Australian public voted Kogan.com, for the fifth time running, the Australia Post ORIAS People's Choice Retailer of the Year.

In order to continue to deliver this outstanding service, we need to increase the cost of access to Kogan First going forward. With the ongoing increase and evolution of subscriber benefits, as well as the impacts of inflation in delivery costs, the price of Kogan First will be increasing to \$79.00 per year. We will continue to enhance the benefits our Kogan First members get with ongoing investment in the program.

We've right-sized our business, optimised for efficiency, and we're pleased to see eCommerce adoption start to normalise and return to its steady and continued growth. As always, we will continue to deliver unbeatable value for our customers."

FY22 Final Dividend

As the Business works through a period of consolidation to return to growth in profits, the Board has decided to not declare a dividend.

Positive outlook in FY23

Kogan.com is a dynamic portfolio of businesses — we are constantly innovating and delivering more to delight millions of Aussie and Kiwi shoppers.

During FY23, Kogan.com is looking forward to the continued expansion of Kogan Marketplace including the anticipated launch of an advertising platform, the roll-out of enhancements across our Kogan Verticals, further growth of Mighty Ape, growing Kogan First Membership as we head toward our medium-term goal of 1,000,000 subscribers and continued strong contribution from our Exclusive Brands Division. The Business also looks forward to returning to positive operating leverage, having commenced the process of driving efficiencies in operating costs and product ranges which has led a return to Adjusted EBITDA profitability in 4QFY22.

As with prior years, the Company will not be providing earnings guidance for FY23. However, it will provide regular business updates during the year.

July 2022 unaudited management accounts showed Group Adjusted EBITDA of \$1.5 million and operating costs reducing by 19.3% year-on-year following ongoing efficiency improvements.

Investor conference call

A presentation of the FY22 result as well as a briefing session for investors and analysts will be held at 10:30am (AEST) today. Participants can register for the briefing session via:

www.koganpresentation.com.

Authorised for release by the Board of Kogan.com Limited.

ENDS

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About Kogan.com

Kogan.com is a portfolio of retail and services businesses that includes Kogan Retail, Kogan Marketplace, Kogan Mobile, Kogan Internet, Kogan Insurance, Kogan Travel, Kogan Money, Kogan Cars, Kogan Energy, Dick Smith, Matt Blatt and Mighty Ape. Kogan.com is a leading Australian consumer brand renowned for price leadership through digital efficiency. The Company is focused on making in-demand products and services more affordable and accessible.