



ASX ANNOUNCEMENT

24 January 2023

January 2023 Business Update

Kogan.com ends the period with a strong cash balance, having substantially right-sized inventory levels

Kogan.com Limited (the Company; Kogan.com; ASX: KGN) is pleased to announce significant progress in the sell-through of excess inventory during the half, having reduced inventory in-warehouse by 39.0% since 30 June 2022. The reduction in inventory levels supported growth in net cash (after loans & borrowings) to \$74.0 million, after having funded the Mighty Ape Tranche 3 payment (\$14.2 million), repaid loans & borrowings of \$25.0 million and successfully acquired Brosa¹. The half also saw Kogan First subscribers² grow to 404,512 by 31 December 2022 (47.6% growth YoY) and Kogan Mobile Australia reach the most ever Active Customers in its history (4.2% growth YoY).

The half did, however, reflect subdued sales activity for the Company, whilst cycling a half in the prior year that was impacted by COVID-19 lockdown orders. During the half, the Company focused on selling through the final balance of excess inventory which involved unprecedented discounting for customers, impacting Gross Profit and Gross Margin. The reduction in inventory did result in reduced operating costs, across both warehousing and marketing.

Having now cleared through the bulk of this excess inventory, the Company will continue optimising operating costs and streamlining the Business to return to the levels of operating margins previously delivered prior to the COVID-19 pandemic. The Company expects gross margins to improve from January 2023, and to further optimise operating costs progressively through the second half of the financial year. The Company looks to 2HFY23 with confidence in its ability to return to an agile, nimble and inventory-light business that achieves strong operating margins and profitability.

¹ For details on this transaction, please refer to the ASX announcement 'Kogan.com acquires Brosa' released on 22/12/2022.

² Excludes Kogan First customers who are in a trial period, and includes only non-trial subscribers.

Founder and CEO of Kogan.com, Ruslan Kogan, said:

“The impacts of inflation and interest rates have begun to affect the lives of Australians and New Zealanders. We’ve been growing Kogan.com for more than 16 years now, so we’ve been through many cycles and we know that when customers are watching their costs carefully, ecommerce becomes even more important. Since Kogan.com launched out of a garage in 2006, we’ve been obsessed with making the most in-demand products and services more affordable. We are proud to be making that possible for our millions of customers and the growing base of loyal Kogan First Subscribers.

We are also proud and excited to have added Brosa to the Kogan Group, expanding our share of the online furniture retail market. Along with our acquisition, we are now looking forward to welcoming, delighting and delivering great value to the 500,000 Brosa customers, as we relaunch the brand in the second half of the financial year.”

The Company provides the following update which, where applicable, is based on unaudited management accounts for 1H FY23. The update compares the 1H FY23 management accounts to the audited 1H FY22 results, unless stated otherwise:

- **Net Cash (after loans & borrowings)** grew to \$74.0 million as at 31 December 2022. This result was achieved after having funded the Tranche 3 payment in respect of the Mighty Ape Acquisition of \$14.2 million, repaid loans & borrowings of \$25.0 million (with a remaining balance of \$10.0 million at 31 December 2022) and payment of the Brosa acquisition purchase price of \$1.5 million, during the half.
- **Inventories** reduced to \$98.3 million (comprising \$84.1 million in-warehouse and \$14.2 million in transit) as at 31 December 2022 from \$159.9 million (comprising \$137.9 million in-warehouse, and \$22.0 million in transit) as at 30 June 2022.
- **Group Active Customers**³ were 3,323,000. Kogan.com ended the period with 2,550,000 Active Customers and Mighty Ape had Active Customers of 773,000.
- **Kogan First members** grew 47.6% YoY to 404,512 as at 31 December 2022.
- **Gross Sales** of \$471.1 million declined 32.5% YoY. Performance was impacted by soft trading conditions and the cycling of a period in the prior year impacted by COVID-19 lockdown orders.
- **Gross Profit** of \$62.9 million was impacted by soft topline performance mentioned above along with significant discounting to clear through the bulk of excess inventory.
- **Operational Cost** efficiencies continued to be achieved during the half, as excess inventory reduced. Variable costs as a percentage of Gross sales reduced to 7.6% in 1H FY23 from 8.5% in 1H FY22.
- **Adjusted EBITDA**⁴ was \$(4.4) million. EBITDA was \$(23.0) million.
- **Adjusted EBIT**⁴ was \$(12.7) million. EBIT was \$(31.3) million.

³ These Active Customer metrics exclude any customers of Brosa¹.

⁴ Adjusted EBITDA and Adjusted EBIT are measures of the underlying performance of the Business, it removes non-cash items including the unrealised FX gain/(loss), equity-based compensation and one-off non-recurring items. In respect of the results, there are significant equity-based compensation expenses driven by the award of options after the Company's AGM in November 2020 and the inclusion of Mighty Ape Tranche 3 & 4 which are considered compensation for post-combination services, and as such, treated as employee remuneration. The Group will proportionately account for these expenses up until the respective payment dates.

Annexure

Gross Sales (\$m)

			1HFY23 vs 1HFY22	
Gross sales	1HFY22	1HFY23	Mvmt (\$)	Mvmt (%)
Kogan Marketplace	221.1	142.2	(78.9)	(35.7%)
Exclusive Brands	200.4	118.2	(82.2)	(41.0%)
Mighty Ape	95.6	87.0	(8.7)	(9.1%)
Third-Party Brands	113.9	57.9	(56.1)	(49.2%)
Kogan Mobile Australia	33.1	33.6	0.4	1.3%
Kogan First	10.7	14.5	3.8	35.9%
Kogan Energy	6.6	8.9	2.4	36.2%
Kogan Internet	6.4	5.7	(0.7)	(11.2%)
Advertising income	8.1	0.2	(7.9)	(97.1%)
Other	2.0	2.9	0.9	46.5%
Total	698.0	471.1	(226.9)	(32.5%)

Gross Profit (\$m)

			1HFY23 vs 1HFY22	
Gross Profit	1HFY22	1HFY23	Mvmt (\$)	Mvmt (%)
Kogan.com	86.5	41.3	(45.2)	(52.2%)
Mighty Ape	21.6	21.6	0.0	0.2%
Total	108.1	62.9	(45.1)	(41.8%)

Adjusted EBITDA⁴ (\$m)

			1HFY23 vs 1HFY22	
Adjusted EBITDA ⁴	1HFY22	1HFY23	Mvmt (\$)	Mvmt (%)
Kogan.com	10.2	(11.2)	(21.4)	(209.2%)
Mighty Ape	7.1	6.8	(0.4)	(5.2%)
Total	17.4	(4.4)	(21.7)	(125.2%)

Adjusted EBIT⁴ (\$m)

			1HFY23 vs 1HFY22	
Adjusted EBIT ⁴	1HFY22	1HFY23	Mvmt (\$)	Mvmt (%)
Kogan.com	1.8	(18.6)	(20.4)	(1161.7%)
Mighty Ape	6.3	5.9	(0.4)	(6.3%)
Total	8.1	(12.7)	(20.8)	(258.2%)

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

ENDS

For further information please contact:

relations@kogancorporate.com

Subscribe to Kogan.com Investor Relations Updates:

<https://www.kogancorporate.com/subscribe/>

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, Mighty Ape and Brosa. Kogan is a leading consumer brand renowned for price leadership through digital efficiency. The company is focused on making in-demand products and services more affordable and accessible.