

ASX ANNOUNCEMENT

22 August 2023

Kogan.com FY23 Results Announcement

Return to profitability; transitions toward a majority platform-based business

FY23 summary (vs FY22)

- Platform-based Sales¹, which deliver higher margin revenue with lower operating costs, became the majority of the Kogan.com business, outgrowing the Product Divisions (excluding Mighty Ape) for the first time.
- **Net cash** grew \$34.2 million during FY23 to \$65.4 million as at 30 June 2023.
- **Inventories** reduced down to \$68.2 million as at 30 June 2023, a reduction of over 57%. We now enter FY24 with inventory levels aligned to the current levels of demand.
- **Group Active Customers** were 2,945,000 comprising 2,190,000 for Kogan.com and 755,000 for Mighty Ape.
- **Kogan First Subscribers** grew to over 401,000 as at 30 June 2023, compared to over 372,000 as at 30 June 2022.
- **Gross Sales² & Revenue** of \$844.8 million and \$489.5 million declined by 28.4% and 31.9%, respectively, reflecting general market trading conditions and realignment of inventory levels.
- **Gross Profit** of \$136.6 million declined 26.0% year-on-year, impacted by the soft topline performance and suppressed margins in 1HFY23 in order to correct inventory levels.
- **Gross Margin** in FY23 improved 2.2pp year-on-year, and accelerated to an improvement of 8.9pp in 2HFY23 year-on-year following the correction to inventory levels and a proportional increase in Platform-based Sales¹.
- **Verticals** Revenue grew by over 6% year-on-year, with the return to growth of Kogan Mobile Australia being a highlight. Additionally, positive results in Kogan Mobile New Zealand, Kogan Money and Kogan Insurance all contributed significantly to the overall growth.
- **Operational efficiency** was improved as the Business recalibrated its operations to the prevailing market conditions.
- **Adjusted EBITDA³** was \$6.8 million and EBITDA was \$(20.8) million.
- **Adjusted NPAT³** was \$(7.7) million and Statutory NPAT was \$(25.9) million.
- **Adjusted Earnings per Share³** was \$(0.07) and EPS was \$(0.24).
 - EBITDA, Statutory NPAT and EPS include non-cash items including unrealised gains/(losses), equity-based compensation and one-off non-recurring items.

¹ Platform-Based Sales refers to sales generated by Kogan Marketplace, Kogan Verticals and Advertising & Other Income. It excludes inventory-based sales by Exclusive Brands, Third-Party Brands and Mighty Ape.

² Gross Sales is a key metric of the Business, given that gross transaction values of Kogan Marketplace, Kogan Mobile and other Verticals are not reflected in Revenue.

³ Measures the underlying performance of the Business, removing non-cash items including unrealised FX gains/(losses), equity-based compensation and one-off non-recurring items. Refer to Annexure 2 of the FY23 Results Presentation for a detailed reconciliation of adjusting items.

Kogan.com Limited (The Company; Kogan.com; ASX:KGN) announces its results for the full year ended 30 June 2023 (FY23).

Key drivers of financial performance over FY23

- **Evolution of Business model** - For Kogan.com (excluding Mighty Ape), FY23 marked the first year that Gross Sales and Gross Profit contribution from Platform-based Sales¹ have outgrown the Product Divisions, with over 57% of Gross Sales and 71% of Gross Profit generated from Platform-Based Sales¹. This evolution marks a shift towards a business model with lower risk, lower cost-of-doing-business, lower inventory, higher margin, higher recurring income, and ongoing high standards of customer satisfaction.
- **Inventory** - The Business finalised the correction of inventory levels caused by volatile demand following the COVID-19 pandemic. This correction has led to a rapid improvement in Gross Margin in the second half of the financial year, continued improvement in operating efficiency, and a transition to Platform-based Sales.
- **Kogan First** - The Kogan First loyalty program grew to over 401,000 Subscribers as at 30 June 2023, with Revenue up 69.6% to \$26.3 million. The Business has continued to work on new benefits and features for the program, which are expected to see an acceleration in growth of Kogan First during FY24.
- **Kogan Verticals** - The larger Kogan Verticals grew Revenue YoY:
 - Kogan Mobile Australia grew Revenue by 3.1%;
 - Kogan Mobile New Zealand, which continued to accelerate, grew Revenue by 71.5%; and
 - Kogan Money grew Revenue by 22.0%.

The Business also relaunched Kogan Travel Insurance, and transitioned the partnership for Kogan Insurance Home, Contents, Landlord, Car and Life, offering even better value than before.

- **Marketplace** - Kogan Marketplace Gross Sales declined 28.5% year-on-year due to soft market trading conditions. However, overall seller-fees reduced by a lesser percentage due to improvements in seller management and experience. The team also grew the platform rapidly in New Zealand following its launch in late June 2022.
- **Mighty Ape** - The year marked the successful transition of Gracie MacKinlay to CEO of Mighty Ape, and the welcoming of Daniel Balasoglou, its new CFO. While Gross Sales and Revenue declined year-on-year by 5.9% and 5.3%, respectively, the Division grew Gross Margin and was awarded multiple customer service awards in New Zealand. The improved Gross Margins reflected the benefits of selling Kogan.com Exclusive Brands products and the expansion of Jungle Express deliveries. Adjusted EBITDA was \$9.0 million, Adjusted EBIT was \$7.2 million and Adjusted NPAT was \$5.0 million for FY23. In FY24, Mighty Ape expects to launch its first Vertical, Mighty Mobile, and commence its evolution toward more Platform-based Sales.
- **Product Divisions** - Inventory levels were optimised in line with the strategy of the business. This significantly impacted Gross Margins, particularly in the first half of the year, for both Exclusive and Third-Party Brand sales. With the Business' inventory now aligned, there was a significant improvement in profitability during the latter half of FY23, and this is expected to continue in FY24.
- **Group inventories** - Reduced to \$68.2 million at 30 June 2023. This is compared to \$159.9 million at 30 June 2022, a reduction of over 57%. The Company now enters FY24 with inventory levels aligned to the prevailing levels of demand.

- **Operational efficiencies** - As inventory levels progressively corrected, the Business focused on cost reduction initiatives to recalibrate the Cost of Doing Business (CODB). Group Variable & Marketing costs as a percentage of Gross Sales reduced to 8.0% in FY23, compared to 8.8% in FY22. The improvements in operational efficiency are anticipated to continue in FY24.
- **Strong Balance Sheet** - Cash at 30 June 2023 of \$65.4 million, compared to a net cash balance (after loans & borrowings) of \$31.2 million as at 30 June 2022. The growth in cash balance has been delivered after the repayment of bank debt, completion of Mighty Ape Tranche 3 payment and the payment of more than \$10 million in respect of the share buy-back program that commenced in May 2023.
- **Acquisitions** - Kogan.com's strong cash position supported the acquisition of Brosa, one of Australia's largest online luxury furniture retailers, for \$1.5 million.
- **Investment in our Team** - Kogan.com has strategically invested in its team members to recognise and motivate key talent while ensuring their interests are aligned with our Shareholders. In doing so, long-term incentives have been maintained.

Commenting on Kogan.com's performance over FY23, Founder and CEO Ruslan Kogan said:

"Kogan.com was launched over 17 years ago with one key mission - to make the most in demand products more affordable and accessible. That mission has never been more important for our customers than now. We are obsessed with delivering Aussies and Kiwis great value products to help them through these difficult times of increased cost-of-living pressures.

"FY23 marked a significant milestone in the history of our Business. For the first time ever, Kogan.com's platform-based sales contributed the majority of our Gross Sales and Gross Profit. Importantly this has enabled us to deliver better quality earnings as we successfully transitioned into a higher margin, lower risk, platform and software based business while offering our customers increased competition and improved value.

"We have set ourselves up for success in FY24 and beyond, and in doing so, we have ensured we're in the best position possible to deliver exceptional value products and services to millions of customers."

Commenting on the Company's positive outlook for FY24, Ruslan Kogan said:

"Having returned Kogan.com to sustained and increasing underlying profitability in the second half of FY23, we look to FY24 with confidence. We expect the number of Kogan First Subscribers to accelerate following the expansion of the program, continued growth in our Verticals, a return to growth in Kogan Marketplace as well as our recently introduced Advertising Platform, the launch of a new Vertical in New Zealand and continued improvement in our Product Division's profitability. These initiatives are expected to underpin continued growth in the business and support ongoing growth in shareholder value."

July 2023 unaudited management accounts showed Adjusted EBITDA of \$3.5 million.

Capital management

With consideration of the on-going share buy-back, which is scheduled to complete on 10 May 2024, the Board has not declared a FY23 Dividend.

Investor briefing

A presentation of the FY23 results as well as a briefing session for investors and analysts will be held at 10:00 am (AEST) today. Participants can register for the briefing session via: www.koganpresentation.com.

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

ENDS

For further information please contact:

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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, Mighty Ape and Brosa. 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.