ASX ANNOUNCEMENT

23 August 2016

Kogan.com outperforms FY2016 Prospectus forecast

- Revenue of $211.2 million (FY2015: $200.3 million) exceeding Prospectus forecasts by 5.0%
  - Successful launch of Dick Smith on 4 May 2016, with Dick Smith delivering revenue of $6.5 million in FY2016
  - Excluding Dick Smith, Kogan.com outperformed forecasts by $3.6 million
- Pro forma[1] EBITDA of $4.0 million (FY2015: $1.6 million), exceeding Prospectus forecast by 37.9%, reflecting revenue growth and gross margin expansion (FY2016 statutory EBITDA $3.9 million)
- Pro forma and statutory NPAT of $0.8 million (FY2015 Pro forma: $(0.3) million; FY2015 statutory: $(0.1) million), exceeding Prospectus forecast by 100%
- Stronger balance sheet than anticipated pre-IPO, with pro forma net debt of $2.6 million on 30 June 2016, whereas Prospectus forecast assumed $4.0 million on the IPO, due to better than expected inventory turn
- Third Party Domestic product division performing strongly, contributing to gross margin of 15.5%, which exceeded Prospectus forecast by 6.9%
- Gross Sales of Kogan Travel and Kogan Mobile exceeded Prospectus forecasts by 11.6% and 25.0%, respectively

Kogan.com Limited (Kogan.com; ASX:KGN), Australia's leading pure-play online retail website today announced the financial results of Kogan Operations Holdings Pty Ltd (Kogan Group) for the full year ended 30 June 2016 (FY2016). Kogan.com listed on the ASX on 7 July 2016, having acquired the Kogan Group prior to listing.

Kogan Group has outperformed the Kogan.com Prospectus forecast for FY2016. Kogan Group's statutory total revenue of $211.2 million exceeded Prospectus forecasts by 5.0%. Statutory EBITDA of $3.9 million reflects revenue growth and gross margin expansion.

After adjusting for the impact of one-off costs related to the IPO of Kogan.com and other listing-related pro forma adjustments consistent with the Prospectus, pro forma EBITDA was $4.0 million, up 37.9% on the Prospectus forecast. Pro forma NPAT was $0.8 million, exceeding the Prospectus forecast by 100%.

Kogan.com Founder & CEO Ruslan Kogan said the results reflected:

- solid growth in Active Customers and Active Subscribers;
- the successful integration of Dick Smith;
- the accelerated growth of the Third Party Domestic product division;
- efficiencies arising from the optimisation of back-end systems including the SAP (ERP) implementation;
- automation initiatives; and
- the growth of Kogan Travel and Kogan Mobile.

[1] Pro forma adjustments to statutory results include adjustments for IPO transaction costs, listed company costs, and historical governance and transaction costs. A detailed reconciliation is included in the FY16 Results Presentation which was lodged with the ASX on 23 August 2016. The basis of the Pro Forma adjustments is consistent with the Prospectus.

"Today Kogan.com is Australia's leading pure play online retail website, generating more traffic and Google search queries than its peers[2]. Kogan.com is built on a strong sustainable foundation of brand-equity, efficient 'next generation' supply chain, technological expertise and a world class management team.

"We are pleased to deliver results for our shareholders that exceed Prospectus forecasts and demonstrate that we are on track to continue to build the Kogan.com business in line with our long term business strategy. Our launch of Dick Smith ahead of schedule demonstrates the capability of our team to rapidly deliver major complex projects, as does our successful launch of Kogan Mobile and Kogan Travel in 2015. Following the IPO, we have released the capital constraints on the business, allowing us to aggressively pursue our growth ambitions."

Key drivers of financial performance in FY2016

The following factors positively impacted the Kogan.com result:

Growing customer base – Kogan.com had 3.7 million active subscribers at 30 June 2016, up 60.8% from CY2015. Excluding the impact of Dick Smith, subscriber numbers achieved 26.1% organic growth in the six months to June 2016. Active customer numbers were up 13.0% in total, and 8.2% excluding Dick Smith, demonstrating the strength of the Kogan.com brand.

Launch of Dick Smith – Delivered $6.5 million in revenue after launching on 4 May 2016, exceeding management's expectations. The Dick Smith online business provides a new channel to market while leveraging the existing operating platforms and cost base of Kogan.com.

Growth in Third Party Domestic sales – Additional brands and an expanded range of products boosted this channel, reflecting increased interest from domestic brands in the Kogan.com Active Subscriber and Customer base.

Gross margin expansion – Gross margin was 15.5%, exceeding the Prospectus forecast by 6.9%. Margin expansion was largely driven by a mix shift with Third Party Domestic representing 24.2% of gross sales (Prospectus forecast of 18.4%).

Steady growth in New Verticals – Kogan Mobile is continuing to grow at a steady pace with new customer acquisitions and repeat customers following the successful roll out of 4G in May 2016. Kogan Travel has achieved strong deal generation and customer conversion, outperforming management's expectations.

SAP efficiencies and stable cost base – The hard work undertaken by the team to implement SAP has delivered efficiencies in time and cost. The business has achieved automation across various functions, improved reporting and business insights.

Focus on growth FY2017 and beyond

The majority of funds raised from Kogan.com's recent IPO are being invested in accelerating the company's growth strategy, including investment in new products and categories as well as marketing.

The Australian online retail market has grown rapidly, but remains underpenetrated compared to other developed economies. Euromonitor estimates that the Australian online retail market was valued at $17 billion in CY2015, and is forecast to grow at an 11.5% compound annual growth rate (CAGR) to CY2019. Key structural drivers of growth include a significant shift in consumer preferences; ongoing technological innovation; enhancing user experience; and increasing internet usage and download speeds.

It is clear that Kogan.com's performance in FY2016, while pleasing, was constrained by cashflow. Average inventory during FY2016 was $3.8 million lower than FY2015, impacting investment in Private Label revenue, a key driver of Kogan.com's future growth.

IPO proceeds are progressively being deployed into Private Label products that meet or exceed the company's strict demand requirements. Management expects to see the benefit of Private Label investment flow though to company performance in FY2017 and beyond.

Mr Kogan said: *"Following the IPO, Kogan.com is now well positioned to capitalise on growth opportunities in Private Label, with new and expanded product lines under production in advance of the peak Christmas trading period.*

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[2] Peer group of Australian online pure-play retailers defined in the Kogan.com Prospectus.

"The above-forecast expansion of the Third Party Domestic product division demonstrates the increased propensity of third party brands to choose Kogan.com as an online retail channel partner. Our ability to instantly talk to over 3.7 million Aussie consumers provides a compelling platform for leading consumer brands. Today, almost one in every six Australians subscribes to our sites. We will continue to see that influence grow as the Australian online consumer becomes more discerning on convenience and online experience.

"Kogan Mobile is continuing to deliver new plans and promotions into market, demonstrating a strong commercial relationship with Vodafone. Kogan Travel is delivering unique deals to our subscribers.

"We are encouraged by the opportunities to deliver top-line growth in line with our strategy. Having done the hard work to bolster our systems, 48% of our overhead cost base is now predominantly fixed giving Kogan.com a great platform from which to scale and generate operating leverage."

Outlook

Following stronger than expected results in FY16 and trading results for July that are ahead of the FY17 Prospectus forecast monthly projection, the directors reaffirm FY17 Prospectus forecast.

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