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Company Announcements Office
ASX Limited

By E-Lodgement

Kabuni shifts to Growth Focus in FY2017

Kabuni Ltd (ASX: **KBU**) ("Kabuni," or "the Company") provides investors with a brief overview of the Company's achievements in the 2016 financial year ("FY2016") and its strategies to generate growth and revenue in the 2017 financial year ("FY2017").

Click [here](#) to view a video of Raquel Hirsch, Chief Revenue Officer, discussing Kabuni's strategies for FY2017.

HIGHLIGHTS

- **Kabuni's omni-channel technology platform & marketplace have gained significant traction with over 1,500 registered designers and nearly 6,000 consumers setting Kabuni up to move to the commercialisation phase.**
- **Company set to grow the Kabuni Marketplace to include 5,000 designers and 200 makers by the end of FY2017.**
- **Kabuni House (formerly Kabuni Design Studio) to provide additional source of revenue, with target of 500 paying members by end of FY2017.**
- **Over 60 Kabuni ambassadors set to be engaged during the upcoming year.**
- **Additional technological features planned to make Kabuni an indispensable business tool for designers and makers.**
- **Additional experienced executives have joined the Company to help commercialise the business.**

WHAT KABUNI HAS BUILT

In FY2016, Kabuni laid the foundations of its innovative omni-channel business for the home design industry. Kabuni's business is comprised of its technology platform (the "Kabuni Platform"), its marketplace of designers, makers, and consumers (the "Kabuni Marketplace") and its physical retail space, the Kabuni House. With these elements now firmly in place, and with recent key appointments to Kabuni's senior executive team, Kabuni is ready to move from a development phase to a commercialisation phase of the business.

BOARD & MANAGEMENT

Mr Tony King
CHAIRMAN

Mr Neil Patel
MANAGING DIRECTOR

Mr Colm O'Brien
NON-EXECUTIVE DIRECTOR

Mr Nik Ajagu
NON-EXECUTIVE DIRECTOR

Mr Nathan Sellyn
NON-EXECUTIVE DIRECTOR

Mr Ajai Sehgal
NON-EXECUTIVE DIRECTOR

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ASX CODE

KBU

Kabuni's Business

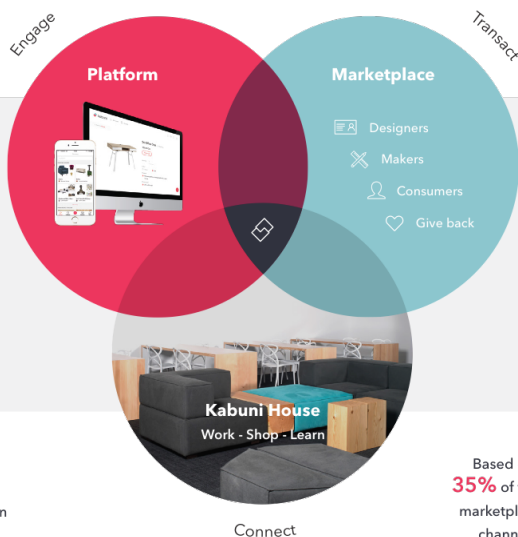
Kabuni is a community-driven marketplace for designers, makers and design lovers, where every purchase makes an impact.



US \$100B

Home furnishings market in US worth over US \$100B annually

(Source: Census Bureau, 2016)



New Features Planned in FY2017

- Website and personalized URL for designers and makers
- Custom online stores for designers (showrooms)
- Extranet for designers and makers to track analytics and manage content
- Education portal

Growth in FY2017

5000
Designers

200
Makers

500
Kabuni House Members

US \$68.5B

Designers responsible for US \$68.5B worth of products specified annually in Canada and US

(Source: ASID and Interior Design Magazine Universe Study, 2014 - includes US & Canadian interior design and architecture firms who work on residential or commercial interior design projects and who specify at least US\$500,000 worth of products annually)

Based on a recent survey of online shoppers **35%** of their online products searches start at marketplaces, compared to **31%** at retailers' channels and only **15%** at search engines

(Source: UPS Whitepaper: The Pulse of the Online Shopper, 2016)

The Kabuni Platform

The Kabuni Platform is made up of Apple iOS and web browser-based applications, which provide the interface for users to interact with a sophisticated database and e-commerce system. In FY2016, the Company launched these applications and made continuous improvements to its technology platform, aimed at improving the user experience and facilitating e-commerce transactions. Users are now offered the complete Kabuni experience, with the ability collaborate, share design ideas and purchase products from Kabuni's product catalogue.

The Kabuni Marketplace

The Kabuni Marketplace is the community of designers, makers and consumers who, through Kabuni's technology, connect and share design ideas based on Kabuni's catalogue of home furniture and furnishings. The Kabuni Marketplace provides each of its core participants with significant advantages over the existing ways in which they typically do business or shop online. Today, the Kabuni Marketplace includes over 6,000 consumers, 1,500 designers, 50 makers, and a catalogue of products which, through customisation options (such as in respect of fabric type and colour), yields over 51,000 Stock Keeping Units (SKUs).



Based on industry sources, the home furnishings industry generates over US\$100 billion dollars in retail sales in the US annually (Source: Census Bureau, 2016). With respect to the United States design industry specifically, industry sources indicate that it is made up of over 68,067 employed interior designers and 12,642 design firms (Source: American Society of Interior Designers (ASID), 2016). It is further estimated that designers in the US and Canada recommend annually over US\$68.5 billion in value of products for clients (Source: ASID and Interior Design Magazine Universe Study, 2014 – includes US & Canadian interior design and architecture firms who work on residential or commercial interior design projects and who specify at least US\$500,000 worth of products annually). A recent survey of online shoppers indicated that marketplaces have a strong appeal, with 35% of their online product searches starting at marketplaces, 31% at retailers' channels and only 15% starting at search engines (UPS Whitepaper: The Pulse of the Online Shopper, 2016). A recent internal survey conducted of users registered as designers on the Kabuni Platform revealed the following trends:

- Approximately 72% of them are interior designers serving the residential market.
- Approximately 80% of them are female.
- A majority of them are highly educated, with some form of secondary education, and have a design industry accreditation.
- Approximately 40% have over 10 years of experience in the interior design industry.

E-commerce transactions from the Kabuni Marketplace are expected to serve as a primary source of revenue for Kabuni. Kabuni earns revenue from e-commerce transactions, by purchasing the item at wholesale price and re-selling it at its retail price, making a profit on the sale. Kabuni's gross profit margin ranges from approximately 50% in the case of most products from suppliers, to 20%, in the case of some, high-value, hand-crafted maker products. Designers are incentivised to promote sales as they earn income by receiving a predetermined share of Kabuni's profit made in respect of a transaction for a product promoted by the designer (currently set at 30% of Kabuni's gross profit on the transaction).

The Kabuni House

The Kabuni House (formerly Kabuni Design Studio) is a 300 square metre retail space located in downtown Vancouver, BC, which serves as a co-working and events space for the design community. In the fourth quarter of FY2016, the Company launched the Kabuni House and started accepting memberships.

Executive Team

Kabuni has made some recent changes and added experienced senior executives to its team in order to help implement its growth strategies for FY2017. Key appointments include Ms. Raquel Hirsch as Chief Revenue Officer, and Ms. Lisa Dea as Chief Financial Officer. The Company is currently seeking to hire a Chief Operating Officer and hopes soon to be in a position to announce an appointment to this key position.

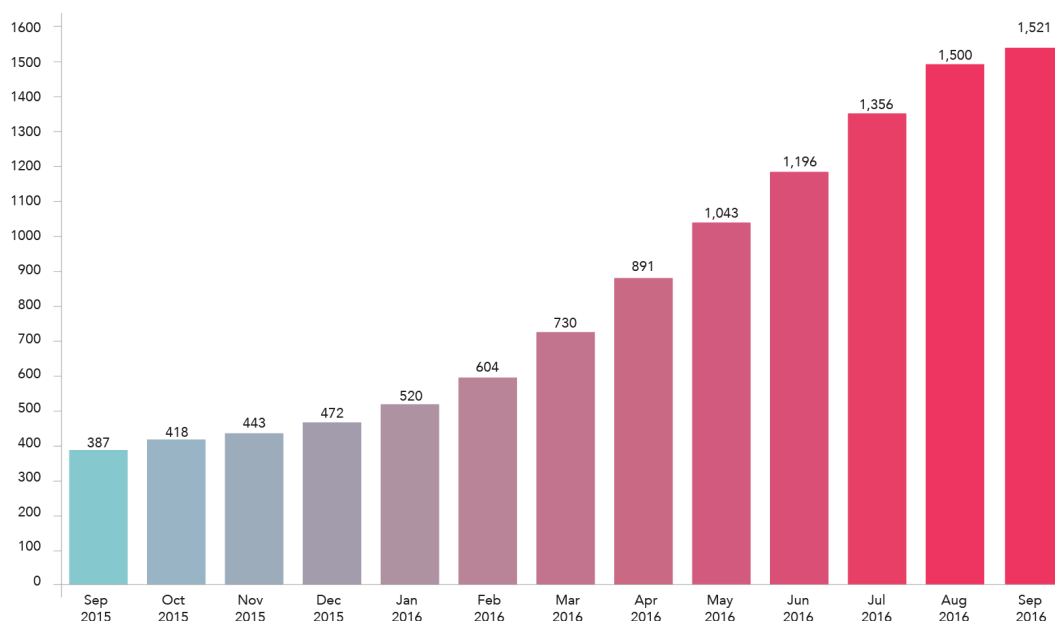


GROWTH STRATEGIES FOR FY2017

Growing the Community of Designers

Growing the number of designers on the Kabuni Marketplace is one of the Company's top priorities. More specifically, the Company's goal is to sign up 5,000 designers on the Kabuni Marketplace by the end of FY2017.

The Company believes that once this critical mass of designers has adopted Kabuni, future adoption will likely be self-sustaining. In addition, the Company believes that reaching this critical mass is achievable, based on current growth trends, as illustrated by the following chart.



Month by month growth chart of designer users – 1 September 2015 to 7 September 2016

Kabuni will seek to boost the rate of adoption by utilising its network of design industry connections, including the American Society of Interior Designers, which has over 26,000 members throughout the United States.

In addition, Kabuni will reactivate its Ambassador Program, which was formally launched in February of this year, and is intended to introduce the Kabuni Platform to designers across Canada and the United States. The initial roster of ambassadors included recognised influencers from Los Angeles, Vancouver, and Seattle. These ambassadors have promoted the Kabuni brand through their social media channels and personal networks, helping to drive designers to the platform. The Ambassador Program was put on hold shortly after the first



quarter while Kabuni awaited the full development of the platform, and launch of the Kabuni House.

In the coming financial year, the Company plans to relaunch the program and increase the number of Kabuni ambassadors to 60 total ambassadors. These ambassadors will be selected from among highly-active Kabuni users and local design industry influencers. They will utilise their influence to introduce their professional networks to the benefits of the Kabuni Platform in enhancing designers' businesses. Through planning and attending events in their local communities, ambassadors are expected to attract new designers and makers to the Kabuni Marketplace.

Growing the Community of Makers

Kabuni aims to offer unique, locally crafted home furniture and furnishings, and artwork on its platform. These unique products are typically less widely available and add to the attractiveness of Kabuni's product offering for designers. These products are created by makers who are members of Kabuni's community, which include both furniture designers and artists.

The Kabuni Marketplace is very beneficial for makers themselves, by giving them an additional channel of distribution. Kabuni makes the process of selling simple for makers, handling payment processing and logistics, allowing makers to focus on their creative work.

The Company is targeting to have products from over 200 distinct makers offered for sale on the Kabuni Marketplace by the end of FY2017. The majority of these makers will be located in British Columbia, Canada, due to the proximity of the Vancouver Kabuni House. The Company considers this to be a first phase in creating its community of makers, which will provide a sufficiently comprehensive variety of products to meet the needs of designers and consumers. This initial group of makers will also help Kabuni to improve its order fulfilment systems and technologies pertaining to makers' products, from which further growth will be achieved. In order to grow the community of makers, Kabuni plans on:

- Attending industry events, such as design award ceremonies, to identify and contact leading makers.
- Encouraging referrals from its current community of designers and makers.
- Joining and participating in local crafting and design organisations.
- Generating leads through its website maker sign-up form and evaluating those leads for suitable maker candidates for the Kabuni Marketplace.

Growing Kabuni's Consumer Base

The Kabuni Platform offers an innovative alternative to consumers who are looking to purchase home furnishings or design their homes. Kabuni addresses the paralysis that is often experienced by consumers when faced with an almost unlimited number of product choices online. Kabuni does this by connecting each consumer with an interior designer at no charge, to help the consumer make those difficult purchasing decisions by sharing design ideas and suggesting products that fit with those ideas. In this way, Kabuni differs from popular platforms like Houzz and Pinterest, where consumers are expected to sift through a large mass of information by themselves.

In order to continue to grow its consumer base in FY2017, Kabuni will capitalise on the designers' social media connections in order to achieve organic growth. The Kabuni Platform now links Inspiration Boards that designers share on social media directly to the Kabuni Marketplace. Designers are accordingly incentivised to share their Inspiration Boards through their social media channels and earn a share of Kabuni's gross profit from each sale made through those boards. The reach of Kabuni's designers is currently estimated at over 2 million connections¹ in total. This number is expected to continue to grow, as new designers join the platform and as they increase the scope of their own social media reach. By sharing their Inspiration Boards in this way, it is anticipated that Kabuni designers will generate solid and steady user growth in the next financial year.

In order to further utilise social media, Kabuni will look to secure arrangements with key brand influencers, such as well-known television personalities in the home design space. Like existing Kabuni designers, these influencers will create Inspiration Boards and share them through their social media channels, helping to drive user growth. Brand influencers will also help increase the visibility of Kabuni's brand with designers and makers, supporting the expansion of those communities.

The Company also plans on putting in place referral programs, in order to incentivise existing users to introduce the Kabuni Platform to new users. By way of illustration, customers will receive a credit to purchase Kabuni products for each new user that they introduce. Kabuni's technology will be developed in such a way as to make the referral process easy and seamless.

In addition, Kabuni will aim to grow its user base through entering into mutually beneficial partnerships with strong, well-known brands. Such partners would endorse Kabuni in the marketplace and give Kabuni access to their own user base, in exchange for visibility with Kabuni's own users. Kabuni believes that people who are in the midst of important life changes, such as buying or selling a home, weddings, and births, are more prone to making important home furniture and decor purchases. As a result, Kabuni will seek to partner with businesses that are related to these events, such as real estate businesses.

Expanding Kabuni's Product Catalogue

The Company intends to grow Kabuni's catalogue of products available for purchase by pursuing two distinct, yet complementary strategies. Firstly, the catalogue is expected to grow with the added products from new makers who join the Kabuni Marketplace (see "*Growing the Community of Makers*", above).

In addition, Kabuni's goal is to provide designers and consumers with the broadest possible range of products to choose from. In order to achieve this, Kabuni is exploring innovative solutions which would involve aggregating products from the catalogues of existing and well-

¹ Calculated using an average estimated number of 1,500 social media connections per designer, for the more than 1,500 designers registered on the Kabuni Platform. In this document, a "social media connection" is defined as a person who is connected to a designer on a social media channel as a "friend", "follower", or in a similar manner. Note that an individual may be connected to the same designer over different channels, and the same individual may be connected to two or more Kabuni designers. Accordingly, the number of social media connections does not necessarily represent a number of unique individuals.



established e-commerce companies in the home furnishings space. Using such a novel approach would allow Kabuni to significantly increase the selection of products that are available for Kabuni users with a minimal investment of time and resources.

Commercialising the Kabuni House

In FY2017, Kabuni plans to leverage the Kabuni House in order to drive online sales in the Kabuni Marketplace. The Kabuni House offers a space for designers, makers and customers to meet. It offers them technologies tools, such as the Holographic “Dream Room”, interactive multi-touch tables and interactive touch walls, through which they can collaborate and access the Kabuni Platform. As such, the Kabuni House allows Kabuni to create an omni-channel retail experience for consumers and provide users with a seamless shopping experience, whether they are shopping online or at the Kabuni House. With all of these features at their disposal, designers who are members of the Kabuni House are expected to generate increased sales.

The Kabuni House also offers a co-working space for interior designers, makers, architects, realtors, and home stagers to work on projects, meet with clients, and network. Members who are local artists or makers are given the added benefit of using the Kabuni House as a gallery space to display their works. The artwork or furnishings displayed in the gallery will represent a sample of those that are available for purchase by designers and clients on the Kabuni Platform. This offers the opportunity for Kabuni to generate subscription fee income by charging for membership to the Kabuni House. Kabuni has implemented a tiered paid membership model, which it estimates may generate a monthly membership fee of approximately C\$125/month on average per member. The model and approach will be further tested during FY2017, including a possible “freemium” model encompassing marketplace and house functions.

By focusing on growing the number of Kabuni House members, Kabuni aims to promote Kabuni Marketplace sales while gaining the ability to generate additional membership revenue.

Specifically, Kabuni aims to grow membership numbers to 500 paying members by end of FY2017. The Company estimates that having this number of paying members would generate sufficient income in the form of membership fees to offset the operating costs of the Kabuni House, making it into a profit centre. However, investors should note that, as the paying membership model remains in its infancy, Kabuni’s strategy in this regard may shift in order to meet business needs.

Kabuni believes that it will be in a position to achieve this target, primarily by increasing its brand awareness within the local design community in Vancouver. Local awareness of the Kabuni brand is anticipated to be increased by developing a robust schedule of educational, industry-specific events to be held at the Kabuni House. Kabuni also intends to develop relationships with larger interior design firms and schools, further giving visibility to Kabuni in the local design industry.

These initiatives are expected to drive potential members into the Kabuni House. Potential members are invited to book a tour of the Kabuni House in order to understand the value that membership can add to their business. Membership leads are also generated through referrals and deep digital marketing campaigns based on internal analytics.

Creating Tools for Designers to Grow their Business

In the next financial year, Kabuni plans to continue to focus on designers by developing purpose-built digital tools to help strengthen and grow their businesses. As indicated above, Kabuni recently conducted a survey of Kabuni designers, which helped to identify several key areas of focus in developing the Kabuni Platform. Among other things, the survey has revealed that:

- 60% of Kabuni designer users have personal websites.
- Over two-thirds of them either consistently, or occasionally, mark-up products that they recommend to clients.
- A large majority work as independent contractors.
- Their primary sources of new business are word of mouth, referrals, social media, and networking events.

In particular, the survey confirmed that designers experience two major obstacles in growing their businesses. The first challenge is promoting their business and finding new clients. The second is sourcing unique products for their design projects.

The Kabuni Platform already addresses many of the designers' challenges, with the following key features:

- Designers can easily get new clients, as Kabuni customers are automatically connected with active Kabuni designers on signing-up.
- In-application messaging allows designers to give design advice to clients.
- Through Inspiration Boards, designers can share and promote their design styles and ideas.
- Designers have the ability to share their Inspiration Boards via their social media channels, increasing the reach of each board and its associated products.
- Designers have access to the Kabuni product catalogue, which contains beautiful and unique products from Kabuni's maker community.
- Designers can earn income by receiving a share of Kabuni's gross profit from sales made by designers from Kabuni's product catalogue.

Kabuni is in the planning stages with a view to developing the following additional features in the coming year, that are intended to help designers grow and manage their business:

- The ability for designers to create and have their own website and a custom, personalised URL, including blogging and video abilities, and social media integration.
- The ability for designers to create and manage their own online store – without significant time spent on money and development – that includes a selected assortment of products from the Kabuni catalogue.
- A designer extranet allowing designers to view analytics and manage Kabuni Platform activity, such as customer visits, transactions, shipments, and revenue.
- An education portal, providing designers with access to continuing professional development and educational resources.



Kabuni is also planning on implementing similar features for its community of makers, to assist them in growing their businesses. This is expected to include a maker extranet feature allowing makers to self-manage their inventory of products available on the Kabuni Marketplace.

The Company thanks you for your support and looks forward to providing regular updates and it continues to grow its business in FY2017.

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ABOUT KABUNI

Kabuni is a North American-based SaaS and e-commerce platform in the home design space that enables independent designers and home design professionals to grow their business through an omni-channel retail experience. Kabuni's platform enables designers worldwide to collaborate with clients anywhere in the US and Canada and earn income from the sale of home décor products and furnishings from Kabuni's catalogue through curated Inspiration Boards. Kabuni leverages proceeds from the platform to benefit local charitable organisations dedicated to combating homelessness. Kabuni believes in Better Homes for Everyone. For more information, please visit: <http://www.kabuni.com/>

Kabuni is owned by Kabuni Ltd (ASX: KBU), an Australian-based company publicly traded on the Australian Securities Exchange (ASX). The company's strategic focus is to build a global business in the home space by developing an ecosystem of innovative technologies and solutions to enhance the industry for professionals and consumers alike. For more information, please visit: <http://investor.kabuni.com/>

FORWARD LOOKING INFORMATION

Certain statements contained in this document constitute forward-looking information. These statements relate to future events or the Company's future performance. The use of any of the words "could", "expect", "predict", "believe", "will", "projected", "estimated", and similar expressions and statements relating to matters that are not historical facts are intended to identify forward-looking information and are based on the Company's current belief or assumptions as to the outcome and timing of such future events. Actual future results may differ materially. The Company's prospectus and other documents filed with securities regulatory authorities (accessible through the ASX website <http://www.asx.com.au/> and the SEDAR website www.sedar.com) describe the risks, material assumptions and other factors that could influence actual results and which are incorporated herein by reference. The Company disclaims any intention or obligation to publicly update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as may be expressly required by applicable securities laws.