



ASX ANNOUNCEMENT

Trading Update

Appendix 4C trading update and profitability guidance

New York City, USA and Sydney, Australia – 19th October 2016:

APPENDIX 4C and Trading Update for quarter ended 30 September 2016 (Q1)

[Ahalife Holdings Limited](#) (ASX: AHL), AHA (ahalife.com) the online luxury marketplace known for its leadership in the design and lifestyle e-commerce space through curation, today announces its first quarter trading update to accompany the latest Appendix 4C Quarterly Report.

Booked sales in the first quarter of fiscal 2016 ending September 30, 2016 of \$1.35M, was up +13% on pcq for Q1 and up +82% for Last Twelve Months trading (LTM).

AHA's closing cash balance at September 30, 2016 was US\$3.160M. The underlying Net operating cash outflow for the quarter to September 30, 2016 improved by 19% to **US\$1.367M** (compared to the previous quarter of US\$1.687M).

As per the Operating Cash Outflow chart below, the trajectory of reduced cash outflows has continued from approximately US\$0.5M pm in 2H FY 2016 to US\$0.3M pm in Q1 FY 2017. The latest month of September was US\$0.2M outflow.

As reported in the previous quarter update, management expanded on growth channels with higher ROI (resulting in channels with higher customer LTV) and scaled back on channels with lower returns. Management trimmed unprofitable strategies within SEM which led to a reduction in the overall growth of booked sales.

Cost savings strategies initiated in May and June 2016 have yielded further improvements in cash outflow in Q1. These include:

- Reduction in Offers from 14.5% to 7.8%
- Implemented specific merchandising strategies resulting in Average Order Value (AOV) rising 14% from US\$169 to US\$192
- Gross Profit improving from 41% to 44% from a reduction in offers and improved supplier pricing policies
- Shipping
 - Better pricing with shipping providers due to surpassed volume thresholds
 - Minimum order values for free shipping and
 - Optimised routing from designer to consumer
- Fixed cost headcount reductions due to technology automation of repetitive workflow processes



- Reduction in unprofitable paid marketing strategies

As previously disclosed, the business has been operating on a new profitability-driven strategy and after 3 months of learnings and data the company has built a revised model. As a consequence, the budgeted point to reach positive cash flow as disclosed, being November and December 2016, is likely to be deferred as the company focuses on monetising its existing users and customer base, at a lower cost than can be achieved through driving new users. The Company continues to budget for stronger run rate cash flow compared to historical periods and an ongoing reduction in cash out flows.

In parallel, as the company executes on this revised plan the board and management are also exploring potential strategic partners and/or a capital raising to support the pathway to long term profitable growth in the event this is required.

Appointment of Strategic Adviser

The Company has engaged Valkyrie Corporate Advisory Partners (VCA Partners) as exclusive financial advisor in regard to the potential strategic finance options.

Key Trading Highlights for Q1

Earnings Metrics:

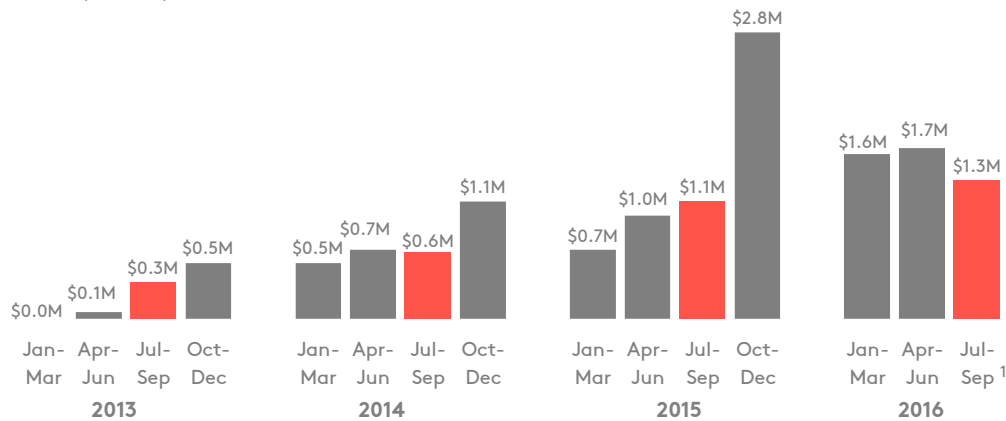
- Booked Sales +82% LTM and +13% for Q1 pcq.
- LTM Booked sales at Q1 end was US\$7.5M
- Gross Margin up 6.6% points for Q1 pcq and up 2.7% points compared to Q4 to 30 June 2016.
- Costs were improved by 22% for Q1 pcq and 28% against Q4
- Shipping costs improved to 7.6% of Gross Revenue in Q1, from 10% in Q1 pcq and Q4 FY16
- Continued improvement in operating cash outflow to a most recent monthly operating outflow of \$0.2M

Other Operating Metrics:

- Q1 pcq growth in Registered Users was up +174% to **1.1M** (including the addition of Kaufmann Mercantile acquisition users).
- Brands / Designers grew 42% on Q1 pcq.
- Integration of the two acquisitions made are progressing well and to plan.



Booked Sales (US\$M)

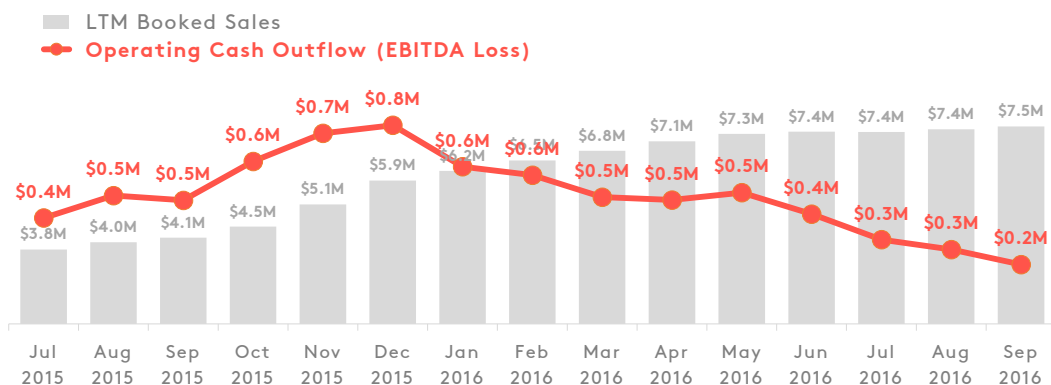


¹ Spending on unprofitable paid sales channels in Q1 FY17 was reduced by US\$0.2M

Reconciliation of Booked Sales to Net Sales Revenue (US\$M)

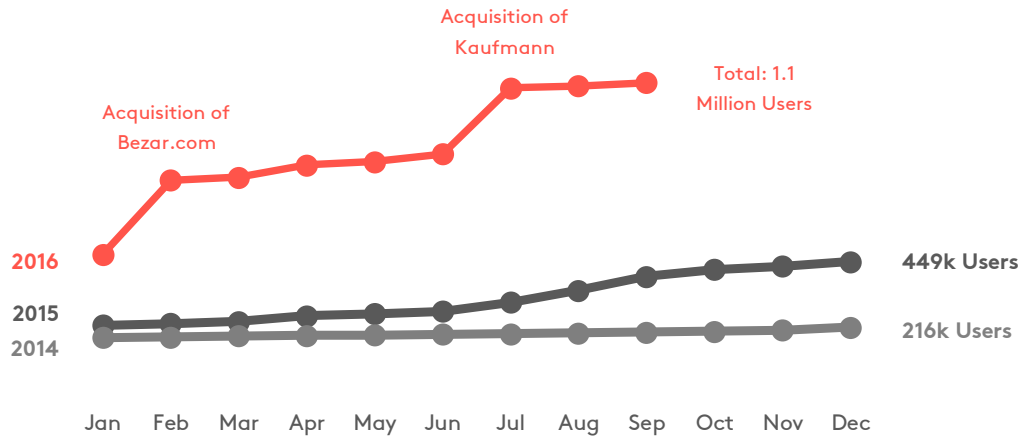
		Jul-16	Aug-16	Sep-16	Q1	Q1 LY
Total Booked Sales	(Orders Placed)	0.3	0.5	0.5	1.3	1.2
	Orders Not Yet Shipped	(0.1)	(0.1)	(0.1)	(0.3)	(0.2)
	Prior Period Orders Shipped	0.1	0.1	0.1	0.2	0.2
	Returns	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
	Cancellations	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Gross Revenue	(Shipped Orders)	0.3	0.4	0.5	1.2	1.1
	Marketing Offers & Discounts	(0.0)	(0.0)	(0.0)	(0.1)	(0.2)
Net Revenue	(per IFRS)	0.2	0.4	0.5	1.1	0.9
% of Booked Sales	Product Returns	4.0%	3.1%	3.7%	3.5%	2.0%
	Customer Cancellations	5.0%	1.9%	0.0%	2.0%	3.8%
	Marketing Offers	9.8%	7.0%	7.3%	7.8%	14.5%

Operating Cash Outflow (EBITDA loss) US\$M





Registered Users



The Company will be holding its AGM on Wednesday 19th October at 10am (AEST) and will address this announcement further with Management available for Q&A.

-ENDS-

For more information

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About AHA

AHALife Holdings Limited (ASX: AHL) is a digital marketplace for consumers of luxury items and designer products. The Company's 1.1M+ users purchase items directly from a community of 4,000 handpicked designers and artisans in 45 countries. AHA's business model involves a drop-ship approach, allowing wholesalers to ship directly to customers leaving no inventory risk for the Company. For more information, please contact AHA Investor Relations on the details above.



About KAUFMANN MERCANTILE

Kaufmann Mercantile is an online store focused on bringing grounded, meaningful experiences into people's busy lives through high-quality products with timeless design, spanning from home wares to accessories, gardening tools and office and kitchen supplies. The company's product ethos lies in choosing only the best products and creating its own when the best is unavailable - doing the hard work for customers.

Kaufmann Mercantile started as a blog, Kaufmann Mercantile 'Field Notes,' which then evolved into an online store, featuring a library of essays on the history of materials, how-to guides and Q&As with makers, artists and designers, delving into the lifestyle and ethos behind the products on its website. The content now serves as a supplement to Kaufmann Mercantile's online store of high-quality everyday classics and tells the story behind the movers and shakers.

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

AHALIFE HOLDINGS LIMITED

ABN

15 006 908 701

Quarter ended ("current quarter")

30-Sep-16

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (three months) \$US'000
1. Cash flows from operating activities		
1.1 Receipts from customers	1,185	1,185
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(906)	(906)
(c) advertising and marketing	(456)	(456)
(d) leased assets		
(e) staff costs	(743)	(743)
(f) administration and corporate costs	(439)	(439)
1.3 Dividends received (see note 3)		
1.4 Interest received		
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid	(8)	(8)
1.7 Government grants and tax incentives		
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	(1,367)	(1,367)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment		
(b) businesses (see item 10)		
(c) investments		
(d) intellectual property		
(e) other non-current assets	(1)	(1)

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (three months) \$US'000
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment		
	(b) businesses (see item 10)		
	(c) investments		
	(d) intellectual property		
	(e) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
2.6	Net cash from / (used in) investing activities	(1)	(1)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares		
3.2	Proceeds from issue of convertible notes		
3.3	Proceeds from exercise of share options		
3.4	Transaction costs related to issues of shares, convertible notes or options		
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings		
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	Net cash from / (used in) financing activities	-	-

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	4,527	4,527
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,367)	(1,367)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1)	(1)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	1	1
4.6	Cash and cash equivalents at end of quarter	3,160	3,160

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$US'000	Previous quarter \$US'000
5.1	Bank balances	3,160	4,527
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	3,160	4,527

6.	Payments to directors of the entity and their associates	Current quarter \$US'000
6.1	Aggregate amount of payments to these parties included in item 1.2	(255)
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	
6.3	Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

7.	Payments to related entities of the entity and their associates	Current quarter \$US'000
7.1	Aggregate amount of payments to these parties included in item 1.2	
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	
7.3	Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$US'000	Amount drawn at quarter end \$US'000
8.1 Loan facilities		
8.2 Credit standby arrangements		
8.3 Other (please specify)		
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

9. Estimated cash outflows for next quarter	\$US'000
9.1 Research and development	0
9.2 Product manufacturing and operating costs	965
9.3 Advertising and marketing	383
9.4 Leased assets	0
9.5 Staff costs	592
9.6 Administration and corporate costs	732
9.7 Other (provide details if material)	0
9.8 Total estimated cash outflows	2,672

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity		
10.2 Place of incorporation or registration		
10.3 Consideration for acquisition or disposal		
10.4 Total net assets		
10.5 Nature of business		

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here: 
Director

Date: **19 October 2016**

Mike Hill
Print name:

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.