

## **SYDNEY, 19 October 2016: AHAlife Holdings Limited (ASX:AHL)**

### **CHAIRMAN'S ADDRESS**

#### **Welcome**

Welcome to the second AGM for AHAlife Holdings Limited.

It is with great pleasure I open this annual general meeting.

#### **Introduction**

I would like to introduce the Board of Directors here with me today.

From the Executive team, we have Ms Shauna Mei, founder and CEO and Mr Sachin Devand, President and CTO, on line from New York.

Also with the New York team we have Mr Stuart Halls, the CFO.

In person here in Sydney, we have Mr Mike Everett and Mr Chris Colfer, both non-executive Directors who join me here today and bring a wealth of experience to the Board.

To recap, AHAlife Holdings Inc. was listed on the ASX in July 2015. As part of this transaction the Company was over-subscribed in raising approximately AUD20.4m for growth funding which has since been deployed through FY16 and will continue into FY17.

AHA is a luxury online marketplace which connects discerning individuals seeking premium items with over 4,000 independent designers and artisans from all over the world.

The business was founded in 2010 and operates a drop-ship model from its headquarters in Brooklyn, New York.

Being a drop ship marketplace AHA avoids the costs and inherent supply chain risks of a traditional inventory retail model, and by focusing on the premium/luxury market AHA it is also able to achieve high average order values of circa US\$190 and product margins of approximately 50%.

#### **Shareholder Address**

The 2016 financial year marked some significant achievements for AHAlife as a public company listed on the ASX.

Fiscal 2016 will also be remembered as the year AHA exceeded 1m registered users, continued to grow revenue and added a significant number of brands.

#### **Growth**

In the twelve months to June 2016 the Company delivered Net Revenue growth of 113% on the prior year (US\$5.3m, FY15: US\$2.5m).

In that same time AHA's registered user base increased from 270,000 to over 1.1m, a growth of more than 300%.

Brands on the site also increased by 52% to over 4,000 and Gross Margin increased from 38.1% to 39.1%.

## **Acquisitions**

Shauna will be available for Q&A to talk in more details to these acquisitions and the integration status.



Bezar.com

In February 2016 AHA agreed to acquire a competitor marketplace – Bezar.com in exchange for 501,499 fully paid ordinary shares in AHL (equivalent to US\$200,000).

The acquisition removed one of AHA's competitors and provided a boost to AHA's user growth of an additional 150,000 users.

## **K A U F M A N N M E R C A N T I L E**

More recently in July 2016, AHA acquired Kaufmann Mercantile with a consideration of approximately 400,000 AHL fully paid ordinary shares.

The acquisition delivers AHA a further 270,000 new users and approximately 500 new brands to be on-boarded into the AHAlife.com platform.

Sebastian Kaufmann, the former CEO of Kaufmann has joined the AHA executive team to lead content and curation as Chief Curation Officer.

## **Business Update**

Today the Company released its Appendix 4C Quarterly Trading update. The update sets out key metrics achieved in Q1 and the Boards decision to appoint an adviser to review various strategic options available to the company as it assesses future cashflows and growth scenarios.

Key points to make for Q1 are as follows:

Booked sales in the first quarter of fiscal 2016 ending September 30, 2016 of \$1.35M, was up +13% on pcp 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 approx. \$500k pm in 2H FY 2016 to \$300k pm in Q1 FY 2017. The latest month of September was \$200k outflow.

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

Earnings Metrics:

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

Other Operating Metrics:

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

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.

We will now move to the formalities of the AGM to consider the various resolutions and votes received.

Thanks and I'll now close the formal part of the meeting.

Mike Hill

**Shauna and Sachin are now available to take any Q&A**