

30 July 2021

Q4 FY21 Quarterly Report: Commercialising social e-commerce marketplace

Sydney, Australia – Aumake Limited (**ASX: AUK, Aumake, or the Company**), operator of an emerging Australian-based social e-commerce marketplace that connects Asian influencers and consumers with high-quality and authentic Australian and New Zealand brands, is pleased to release its consolidated quarterly cashflow and business update for the quarter ended 30 June 2021 (Q4 FY21).

Summary

- Completed development of unique B2B2C social e-commerce platform, providing a new and easy-to-use channel for high quality Australian and New Zealand brands to reach the Asian market via an existing and growing 30,000 influencer database
- Targeted influencer acquisition strategy gaining traction with improved online profitability and decreased new active user cost
- Forecast 30% decrease in operating expenses Q1 FY22 reflecting transition to a capital light business model with further anticipated growth in new brand revenue as influencer business model gains traction
- During the coming quarter, Aumake will trial its influencer model in Australia and expand its product portfolio with an increase in New Zealand products and the addition of a fresh produce category

Financial

- Robust total quarterly revenue of \$2.6m (Q3 \$2.7m) achieved via influencers despite the June quarter traditionally being the quietest period for retail in China, post Chinese New Year
- Operational cash outflow of \$1.8m, a 10% improvement over the March quarter
 - Cost base to decrease further due to benefits of operational restructure and divestment of four stores in June
- Well-capitalised for growth with a cash balance of \$4.3m as at 30 June 2021

Operational

- Targeted influencer growth strategy increased active users by 25% over the quarter to 30,000, up from 24,000 in Q3
- 140+ Australian and New Zealand brands currently available on Aumake's social e-commerce platform with new brands to be onboarded during the coming quarter
- Senior management appointment with Tony Guarna taking the role of Chief Financial Officer, bringing more than three decades' financial and commercial experience to Aumake

Commenting on the quarter, Aumake Executive Chairman Keong Chan said,

“We are extremely pleased to have completed the development of our new social e-commerce platform this quarter, which now features full social e-commerce functionality. Our new online platform, in conjunction with our highly experienced social e-commerce team in Hangzhou, provides an easy-to-use channel for high quality Australian and New Zealand brands to reach the Asian market.

“Our new online platform is entirely bespoke and was developed by our technology team in Australia and China, and involved the co-ordination of three leading solution providers in China. Through our new platform, anyone with a WeChat account can be an influencer and effectively act as a sales agent for the brands. It is not uncommon for a WeChat user to have in excess of 5,000 people in their address book, providing brands with a cost effective yet sizable and scalable channel to grow their presence in the Asian market.

“We have already observed promising signs in relation to influencer engagement metrics and increasing transaction values per order, which we expect to grow further as influencers start utilising the new functionality now available on our social e-commerce platform. This improving revenue performance against the backdrop of a rapidly decreasing operational cost base provides us with a clear path to profitability.

“As we continue to increase our presence in the Chinese market, we are also assessing a number of exciting opportunities to replicate our influencer business model in markets outside of China, such as Australia, and to add new categories to our product portfolio.”

Financial Overview

Total revenue for the June quarter comprised of online Gross Merchandise Value (GMV) of \$1.8m and physical store revenue of \$0.8m, up 33% on Q3 FY21.

The Company improved operational cash outflow by 10% over the March quarter due to the combination of:

- Increasing profitability from online revenue, with online sales being achieved with little to no marketing spend to acquire new customers (influencer-led growth) or incentives given to customers to purchase;
- Owned brand health supplements being promoted and sold by influencers, accounting for 7% of total revenue and generating 30% of total gross profit;
- Increased in-store physical foot traffic; and
- Benefits from cost restructuring initiatives undertaken during the March quarter.

Significant cost restructuring initiatives have been implemented during the June quarter, including divestment of four stores and continued labour restructuring which is forecast to reduce operational expenses by 30% for Q1 FY22. This reduced cost base combined with improving new brand revenue as the Company transitions from development to growth phase for its new social e-commerce platform, is anticipated to materially improve future operational cashflow.

Payments to related parties and their associates shown in the Appendix 4C is item 6.1, consisting of \$226,985 Director's fees and \$22,226 rental expenses to a related party.

Online commentary

During the quarter, Aumake completed the development of its bespoke B2B2C social e-commerce marketplace, enabling Asian influencers to easily promote and sell Australian and New Zealand products to their social networks. Enhanced platform capability, including group buying and live streaming functionality, combined with higher customer engagement and improved marketing content, increased online profitability during the quarter. In addition, registered users on the platform increased by 6,000 to bring total active users to 30,000, with the overwhelming majority being influencers as opposed to end-consumers. Around 85% of these users are based in mainland China.

Aumake is focused on influencer acquisition with its Hangzhou social e-commerce team onboarding an estimated 1,000 specialist Asian influencers during the quarter. These influencers are highly prized as their main vocation and income stream is the promotion of new brands to their social network. The Hangzhou team utilises Douyin (TikTok) and other social media platforms to promote new Australian and New Zealand brands in China, support influencers, and drive traffic to Aumake's marketplace.

Aumake's B2B2C platform is designed to support influencer interaction with data-driven insights into brands and products that are resonating with their individual social networks. Advanced account management tools

provide detailed purchasing behaviour data, such as products being purchased, quantities and transaction order value, to enable influencers to tailor recommendations to their social network. Influencers are incentivised through loyalty points, which provide access to better pricing on products, discounts and priority access to new brands and products. This focus on influencers differentiates Aumake from the large Chinese B2C e-commerce platforms who tend to target end-users with low-margin commodity products.

Now that the technology development is complete, Aumake is focused on cost-effectively growing influencers, active users and revenue through its social e-commerce marketplace. Over the coming quarter, Broadway will also commence onboarding Asian travel agents and tour guides onto Aumake's platform as influencers. These travel agents and tour guides are ideal influencers as they have extensive contacts within a highly profitable demographic and deep insights into the Australian and New Zealand brands and products that appeal to Asian consumers.

Physical store network commentary

Aumake's five operating physical stores in Sydney generated \$0.8m in revenue in the June quarter, up 10% over Q3 FY21 due to increased foot traffic.

During the quarter, Aumake commenced its physical store rationalisation program, divesting four stores with seven stores remaining, five of which are currently open in Sydney. The Company will continue to divest non-core stores over the coming quarter, which will positively impact future operating cashflow.

Aumake will retain a few key stores to service its local customers and maintain a physical presence within the local Asian influencer community. These stores will serve as showrooms for new brands and products and assist in driving physical traffic to the online e-commerce marketplace.

Q1 FY22 outlook

Over the coming quarter, Aumake will launch a new brand-facing website and targeted marketing campaign to educate and onboard new brands to its social e-commerce platform while simultaneously ramping up direct marketing campaigns to attract new influencers and increase transaction volumes of existing influencers. Aumake expects to see a material uplift in new brand and product orders in Q1 FY22.

The Company will also begin trialling the use of its social e-commerce platform in the local Australian market during Q1 FY22, given that importation of products from overseas into Australia has increased significantly during COVID-19.

Lastly, the Company will be looking to add fresh produce as a new product category and increase its portfolio of New Zealand-based products, leveraging the upgraded Free Trade Agreement between China and New Zealand that came into effect in January 2021. New Zealand exports to China have increased by 17% over the 12 months to June 2021, particularly in agricultural products.

Aumake looks forward to updating shareholders on the above initiatives in due course.

ENDS

This announcement has been authorised for release by the Board of Aumake Limited.

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About Aumake Limited

Aumake Limited (ASX:AUK) operates an online social e-commerce marketplace that directly connect Asian influencers with over 140 Australian and New Zealand brands including:

Dairy (including infant formula)	Health supplements	Skincare	Mother & Baby	Food & Consumables
<ul style="list-style-type: none">• A2 Milk• Aptamil• Bellamys• Bubs• Devondale• Karicare• Maxigenes• Pediasure	<ul style="list-style-type: none">• Bioisland• Blackmores• Health Essence• Healthy Care• Juene• Nutrition Care• Ostelin• Swisse	<ul style="list-style-type: none">• Aesop• Antipodes• Cemoy• Dermatix• Eaoron• G&M• Kissed Earth• Lucas• Unichi	<ul style="list-style-type: none">• Aussia• BioOil• Femfresh• Lifespace• Menevit• QV	<ul style="list-style-type: none">• Brookfarm• Comvita• DU'IT• Ensure• Herbsmart• Hydrodol• MGO• Nulax

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Aumake Limited

ABN

150 110 017

Quarter ended ("current quarter")

June 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	2,616	12,690
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(2,033)	(11,512)
(c) advertising and marketing	(395)	(2,558)
(d) leased assets	(711)	(1,981)
(e) staff costs	(1,009)	(4,253)
(f) administration and corporate costs	(426)	(1,986)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	7
1.5 Interest and other costs of finance paid	(8)	(42)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	105	1,748
1.8 Other (provide details if material)	24	43
1.9 Net cash from / (used in) operating activities	(1,835)	(7,844)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(146)	(324)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	(482)	(2,263)
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	rental bond guarantee paid / (refunded)	(27)	(50)
2.6	Net cash from / (used in) investing activities	(656)	(2,637)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	6,987
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(372)
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	-	6,615

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	6,728	8,175
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,835)	(7,844)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(656)	(2,637)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	6,615
4.5	Effect of movement in exchange rates on cash held	27	(44)
4.6	Cash and cash equivalents at end of period	4,265	4,265

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 \$A'000	Previous quarter \$A'000
5.1	Bank balances	4,265	6,728
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)	4,265	6,728

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	
6.2	Aggregate amount of payments to related parties and their associates included in item 2	
<p><i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i></p>		

Quarterly cash flow report for entities subject to Listing Rule 4.7B

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i>		
<i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	-	-
7.5 Unused financing facilities available at quarter end		-
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.	N/A	

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	1,835
8.2 Cash and cash equivalents at quarter end (item 4.6)	4,265
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	4,265
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	2.3
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer: N/A	
8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer: N/A	
8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
Answer: N/A	
<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>	

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.

Date: 30 July 2021

Authorised by: By the Board
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.