

## **BIKEEXCHANGE (ASX: BEX) QUARTERLY APPENDIX 4C AND ACTIVITY REPORT**

28 April 2023

Melbourne, Australia - BikeExchange Limited (ASX: BEX) ('BikeExchange'), a leading global operator of online cycling marketplaces, today announced its Appendix 4C and activity report for the March 2023 quarter (Q3 FY23).

### **Key highlights:**

- 13% increase in eCommerce total transaction value<sup>1</sup> (TTV) versus Q3 2022 to \$7.2m, underpinned by improvements across key marketplace health metrics: Conversion Rate +42%, Average Order Value +10%, and Commission Rate Earned per Transaction +27%.
- BikeExchange core operations<sup>2</sup> has halved its fixed cost base<sup>3</sup> versus Q3 2022, while simultaneously investing in developing scalable tech IP that it will launch during Q4 FY23.
- Total employment costs were reduced by 47% versus Q3 FY22, headlined by the BEX core employment cost reductions -62% (and net revenue growth of 21% over the same period), corporate -34%, Kitzuma -39%
- Signed strategic partnerships with leading bike brands and retailers across BikeExchange's global network, in line with the strategy of focusing on high-quality brands and sellers

### **Commenting on the quarter, BikeExchange's Global CEO Ryan McMillan said:**

"BikeExchange core operations achieved eCommerce TTV growth of 13% and net revenue growth of 21% in a global bike market impacted by normalising post-Covid consumer demand and ongoing global economic uncertainty.

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<sup>1</sup> eCommerce TTV is the aggregate of group transaction values from eCommerce sales on the BEX platform and excludes Kitzuma and BICICO transactions.

<sup>2</sup> BikeExchange core operations exclude Kitzuma.

<sup>3</sup> Fixed costs/cost base includes fixed operating costs excluding share based payments and depreciation charges which are non cash and exclude technology project development costs

Most pleasing is that the underlying health metrics that underpin the result are all trending positively with the conversion rate up 42%, Average Order Value up 10%, and commission earned per transaction up 27% compared to Q3 2022.

With an ongoing focus on cash and its pathway to profitability, BikeExchange core operations have not only halved the fixed cost base versus Q3 FY22, but also simultaneously invested in developing scalable technology IP.

BikeExchange is set to launch its new consumer storefront which will significantly improve the buying and selling experience for consumers and sellers. The new platform will upgrade the tech stack to a composable commerce architecture with best-in-class providers across search, content, payments, AI-driven recommendations, and personalisation.

The project will help BikeExchange develop critical skills in-house, scale its eCommerce offering and create bike industry-specific IP designed to generate enterprise value.

The combined impact of improved marketplace fundamentals, a reduced cost base, and investment in technology is expected to significantly accelerate our progress towards profitability.”

#### **Quarterly cashflow report<sup>4</sup>:**

##### ***Product manufacturing and operating costs of sales outflows were \$7,866k***

Payments were broadly in line with Q3 FY22, with the reduction in eCommerce retailer payments in Australia and operating costs in Kitzuma offset by the increased eCommerce retailer payments in the Europe and US regions.

##### ***Payments for staff costs were \$1,503k, down 42% on Q3 FY22***

Employee costs were substantially reduced following the completion of staff exit payments after the company restructured its core business and ceased the Kitzuma bike delivery business. Employee costs are expected to further reduce following the consolidation of US operations in Asheville, North Carolina.

##### ***Administration and corporate outflows were \$1,294k, down 33% on Q3 FY22***

Savings in corporate costs were realised from lower professional fees including M&A fees and the recovery of GST credits in Australia.

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<sup>4</sup> Quarterly cash flows comparisons relate to the prior corresponding period (pcp) Q3 FY22.

*Receipts from customers were \$9,806k in the quarter, down 2% on Q3 FY22*

Additional cash generated from growth in revenue from eCommerce in Europe and US regions was offset by the reduction in cash from the cessation of Kitzuma's bike deliveries and the reduction of eCommerce receipts in Australia.

*Payments to related parties and their associates were \$379k*

Related party payments include directors' fees and expenses, base remuneration for key management personnel, and payments to Marketplacer Pty Ltd which provides platform services for the Group's network of marketplaces. Related party payments were down in the last quarter due to the savings in key management personnel costs and a reduction in payments to Marketplacer.

*Net cash used in operating activities of \$1,286k, down 60% on Q3 FY22*

Net operating cash outflows were down 60% on Q2 FY22. The reduction in overall operating cashflows was realised largely from the cost base savings achieved and cessation of Kitzuma's bike delivery business. The reduction in operating cashflows positions the group well on its path to profitability.

BikeExchange had a cash and equivalents balance of \$2.3m at 31 March 2023.

## Outlook

BikeExchange remains focused on achieving profitability by concentrating on five strategic pillars through Q4 FY23 and into FY24:

- 1. Focus on cash and pathway to profitability** - cost reductions are largely complete but will extend into Q4. The company remains focused on further cost rationalisation and achieving synergies via automation and centralisation.
- 2. New seller partnerships** - BikeExchange will continue to grow its seller base of retail, distributor and brand partnerships, with a focus on sellers who diversify our marketplace offering and drive eCommerce outcomes.
- 3. Creating BikeExchange technology IP** - with a planned Q4 FY23 launch of its consumer storefront, this pillar is a key focus of the business. Our marketplace teams will concentrate on achieving seller and eCommerce performance outcomes, while our technology team will focus on its roadmap of further IP development.
- 4. Operational efficiency** - Beyond automation and centralisation, BikeExchange continues its bike-first, eCommerce strategy, underpinned by improved seller performance and driven by inventory management and on-page conversion supported by its customer teams.

**5. eCommerce profitability and growth** - BikeExchange plans to drive TTV growth via average order value and conversion rate improvements and simultaneously improve eCommerce commissions through new partnerships with brands, distributors and retail sellers.

## **Events Post March 31, 2023**

### **BEX Closes Stage 2 - Capital Plan**

The final stage of BikeExchange's 2022 capital plan to recapitalise the business, funding the restructure and ongoing operations, was largely completed with \$1.7m raised in April 2023 from a placement with investors.

In addition to the funds raised, Director Andrew Ryan and the newly-appointed Chairman Dominic O'Hanlon have also committed to invest \$500k and \$100k respectively. These funds are to be received in mid-to-late May, pending EGM approval.

The funds received allow BikeExchange to continue on its pathway to profitability and execute its strategy, investing to scale the business through bike industry-specific technology.

### **Appointment of Dominic O'Hanlon as Chairman**

In April 2023, the Board of Directors agreed to appoint Mr O'Hanlon to the position of Chairman, effective 1st May 2023. Outgoing Chairman, Gregg Taylor will remain on the BikeExchange Board as a Non-Executive Director.

Mr Taylor said: "The focus now moves to executing the refined business plan and and unlocking the significant strategic value in the global BikeExchange platform on the path to profitability

"Dominic O'Hanlon is arguably one of the best credentialed operators in the Australian market to Chair BikeExchange into the next exciting stage of its growth".

Commenting on the business, Chairman Dominic O Hanlon said "I am very pleased to be working with the BikeExchange Board and with Ryan as CEO on the next stage of the company's growth.

"The significant changes that have been made within the business over the past year have clearly honed BikeExchange's eCommerce strategy and the path towards company profitability. With the completion of the 2022 capital plan, BikeExchange can continue to invest in technology to improve customer experience, conversion and revenue growth."

This announcement has been authorised for release by the BikeExchange Board.

- **Ends** -

**ABOUT BIKEEXCHANGE:**

BikeExchange Limited (ASX: BEX) is a leading operator of global online cycling focussed marketplaces that enable a dedicated and growing global audience of consumers to connect and transact with thousands of retailers and brands. The Company was founded in Melbourne in 2007, with the aim of bringing together the fragmented global cycling industry to trade and scale. Today, it hosts over 1500 brands, 1600+ retailers and 900,000+ products globally, with an annual audience of 21+ million consumers.

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## Appendix 4C

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

**Name of entity**

BikeExchange Ltd

**ABN**

24 625 305 240

**Quarter ended ("current quarter")**

31 March 2023

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	9,806	29,391
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(7,866)	(24,287)
(c) advertising and marketing	(415)	(1,508)
(d) leased assets	-	-
(e) staff costs	(1,503)	(6,812)
(f) administration and corporate costs	(1,294)	(3,616)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	15	29
1.5 Interest and other costs of finance paid	(29)	(62)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,286)</b>	<b>(6,865)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(2)	(110)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	(5)	(22)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	158	186
	(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	Other (provide details if material)	-	48
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>151</b>	<b>102</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	5,915
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	(103)	(872)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(63)	(210)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (premises lease payments)	(207)	(685)
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>(373)</b>	<b>4,148</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	3,797	4,889
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,286)	(6,865)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	151	102

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(373)	4,148
4.5	Effect of movement in exchange rates on cash held	28	43
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>2,317</b>	<b>2,317</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	2,317	3,797
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>2,317</b>	<b>3,797</b>

<b>6.</b>	<b>Payments to related parties of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to related parties and their associates included in item 1	379
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

*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.*

<b>7. Financing facilities</b>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	209	209
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
<b>7.4 Total financing facilities</b>	<b>209</b>	<b>209</b>
<b>7.5 Unused financing facilities available at quarter end</b>		-
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.		
Arteva – Corporate Insurance premium funding which is an unsecured loan facility at an interest rate of 4.5%, maturing on 8th November 2023.		

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (item 1.9)	(1,286)
8.2 Cash and cash equivalents at quarter end (item 4.6)	2,317
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	2,317
<b>8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	<b>1.80</b>
<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?	
<p>Answer:</p> <p>The company expects to have a comparable level of operating cash flows in Q4 to Q3 FY23. Q3 and Q4 have a higher level of operating costs due to the investment in the technology platform, working capital requirements as well as the impact of exiting the Kitzuma bike delivery business, restructuring the US operations and other rationalisation activities.</p> <p>The improved technology platform is expected to be launched in Q4 FY23 and the changes to the platform are expected to support the growth of eCommerce revenues and improve net operating cash flows.</p> <p>The Kitzuma bike delivery business was exited and the restructuring initiatives were undertaken to substantially reduce operating cash outflows. The operating cash flows are expected to materially improve in Q1 FY24.</p>	

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: Yes.

The company has successfully completed a share placement raising \$1.58m after costs from sophisticated and institutional investors on 14th April 2023. In addition, the company has received commitments for \$600k from two non-executive directors, and funds are expected in mid-late May subject to shareholder approval at the upcoming EGM.

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: Yes

The Company expects to be able to continue its operations and meet business objectives on the basis of the:

- further capital raised as outlined in 8.6.2, and
- expected significant improvement in net operating cash flows as a result of the growth initiatives and cost restructures referred to above and in the attached release.

*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.*

## 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: 28 April 2023

Authorised by: By the Board

## 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

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

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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.