

ASX ANNOUNCEMENT

29 October 2018

Kogan.com Business Update

Kogan.com Limited (the Company; Kogan.com; ASX:KGN) is no longer required by the ASX to provide quarterly Appendix 4C cash flow statements, but the Company today provides the following business update which, where applicable, is based on unaudited management accounts:

- Kogan.com achieved 41.6% year-on-year Active Customer growth as at September 2018. The Company had Active Customers of 1,450,000 as at 30 September 2018 (compared with 1,024,000 as at 30 September 2017).
- While July 2018 Revenue grew 33% on July 2017 Revenue, in respect of the full first quarter of FY19 (1QFY19):
 - Exclusive Brands revenue has grown 15.7% compared with 1QFY18.
 - Global Brands revenue has decreased 27.4% compared with 1QFY18, which was driven by the changes in the GST law effective from 1 July 2018 and, in particular, the now apparent avoidance of GST by a number of foreign websites selling into Australia.
 - Partner Brands revenue has grown 73.0% compared with 1QFY18, which was driven by on-boarding of new brands and some brands transitioning from Global Brands to Partner Brands.
- Gross Margin has decreased as a result of competition from foreign websites selling into Australia without GST, a general decline in the strength of the AUD, and other factors.
- Kogan Mobile Active Customers has grown 102.9% year-on-year, as at 30 September 2018.
- The Company's expenditure on marketing grew by more than 30% year-on-year in 1QFY19, on the back of both addressing the decline in sales of Global Brands, and bolstering growth in other Product Divisions. The Company intends to continue to invest in the long-term strategy to build our brand, scale and customer base.

- The Company's expenditure on variable costs grew by more than 40% year-on-year as the Company strategically expanded its warehousing footprint into additional distribution centres around Australia and grew inventory levels in the lead up to the peak Christmas quarter.
- New GST laws on low value eCommerce import transactions were introduced on 1 July 2018. Initially, this saw some competitors exit the market and the Company's July Revenue grew 33% year-on-year. More recently, widespread avoidance of GST has become apparent. At this stage, the Company is unable to determine whether the recent widespread avoidance of GST will be temporary.
- In October 2018, Kogan.com received a notice from the ACCC requiring the Company to provide certain information relating to the marketing and pricing of a promotion that was run in June 2018. Kogan.com has strict processes and procedures in place to ensure compliance with the Australian Consumer Law and takes its obligations under law very seriously. The Company is in the process of compiling all information the ACCC has requested and will cooperate with the ACCC in its enquiry.

Kogan.com Founder & CEO Ruslan Kogan said the team continues to execute the company's long-term strategy:

"We continue to execute our long-term strategy to grow our eCommerce footprint and make the most in-demand products and services more affordable for all Australians.

While growth in the Global Brands division presents a challenge to the business in the short term, we have built a resilient portfolio of businesses, with the core divisions of Exclusive Brands, Partner Brands and Kogan Mobile continuing to show healthy growth.

We are better prepared for this busy Christmas sales period than we've ever been with warehouses in Victoria, New South Wales, Queensland and Western Australia fully stocked with the most in-demand products. We look forward to working closely with Santa this Christmas to ensure we get the right product, to the right customer at the right time!"

ENDS

For further information please contact:

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About Kogan.com

Kogan.com is a portfolio of retail and services businesses that includes Kogan Retail, Kogan Marketplace, Kogan Mobile, Kogan Internet, Kogan Insurance and Kogan Travel. Kogan is a leading Australian consumer brand renowned for price leadership through digital efficiency. The company is focused on making in-demand products and services more affordable and accessible.