

Shoply Ltd - ASX:SHP

28 August 2015

FY15 Results and Market Update

Record quarterly revenue, \$18m+ in revenue for FY 2015

Shoply Limited (ASX: SHP) ("**Shoply**" or the "**Company**") is pleased to announce its preliminary unaudited financial results for the 12 months ended 30 June 2015 ("**FY15**").

Highlights

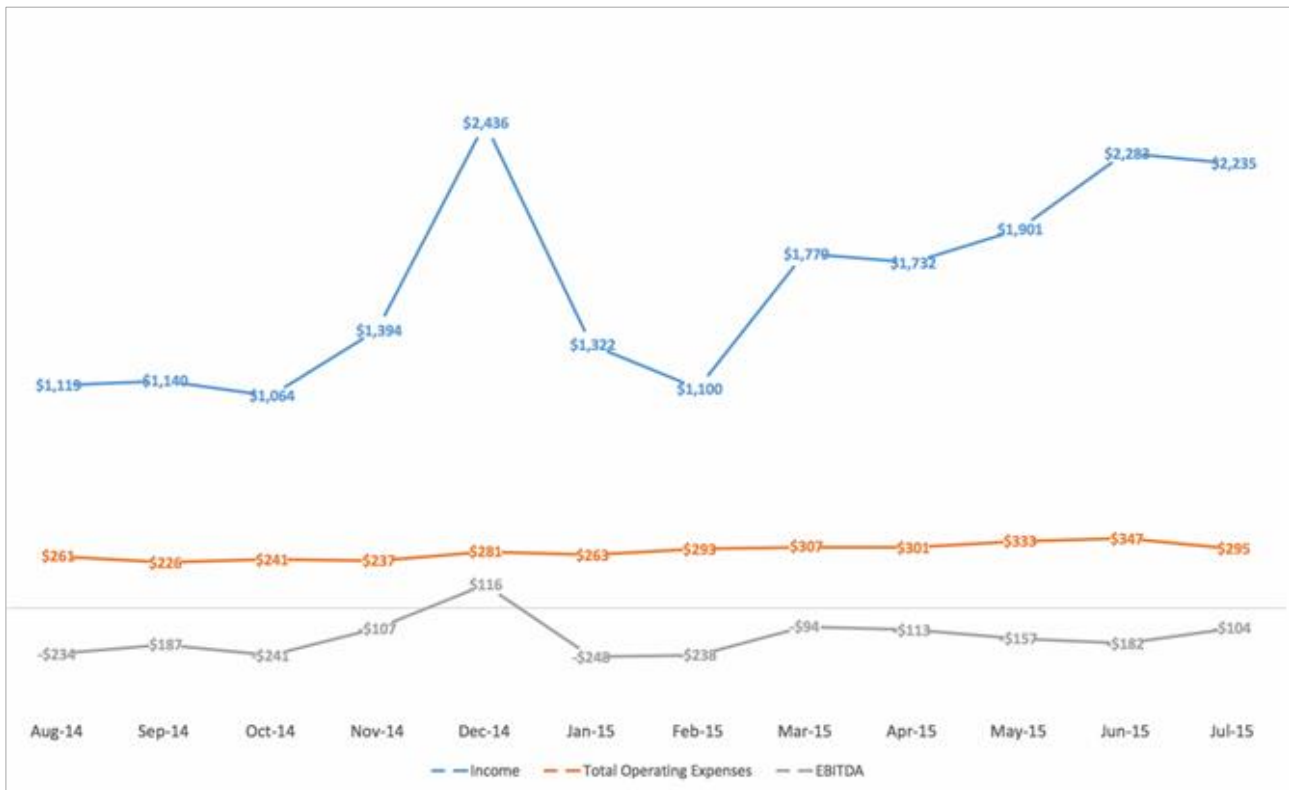
- Revenues of \$18.5m up 995% on FY14 (Guidance: \$18m, FY14: \$1.7m).
- Non-seasonal monthly revenue, doubled from \$1.1m to \$2.2m.
- Expenses remained similar with the doubling of revenue over the period.
- Revenue run-rate baseline of \$2.0m per month set (non seasonal periods).
- EBITDA losses (including corporate costs) halved over the same period.
- Product margin improvements from 18% to 23%.
- Expansion of sales opportunities through the acquisition of eStore business assets.
- Increased purchasing power through the combined Warcom and eStore assets.
- Establishment and maintenance of strong key supplier relations.
- Reduced operating losses over the period.
- Re-organisation from brands/stores to functions.
- Appointment of key personnel to fortify management team.
- Appointment of Non-Executive Directors Lorenzo Coppa and Matthew Dickinson to further strengthen the Board in online retail and marketing respectively.

EBITDA - Profit/(Loss): (\$2.2M)

Shoply incurred an EBITDA loss \$2.2m during FY15 (FY14: \$1.5m). This result reflects a number of initiatives undertaken by Shoply during the year, including:

- Integration of four independent online retail stores onto the Shoply operating platform (continued work in progress);
- Repositioning Your Home Depot from lowest price to semi-premium retailer to ensure trading continuity and margin improvements;
- Reduction of margins to facilitate the disposal of slow moving inventory that was inherited as part of Shoply's acquisitions;
- Initial downturn in sales and margin, which have now been regained and exceeded;
- Establishment of relationships with international suppliers;
- Restructure of business, including redundancies and associated redundancy costs;
- Transformation of business practices to ensure future sustainable profits; and
- Acquisitions costs of eStore business and assets.

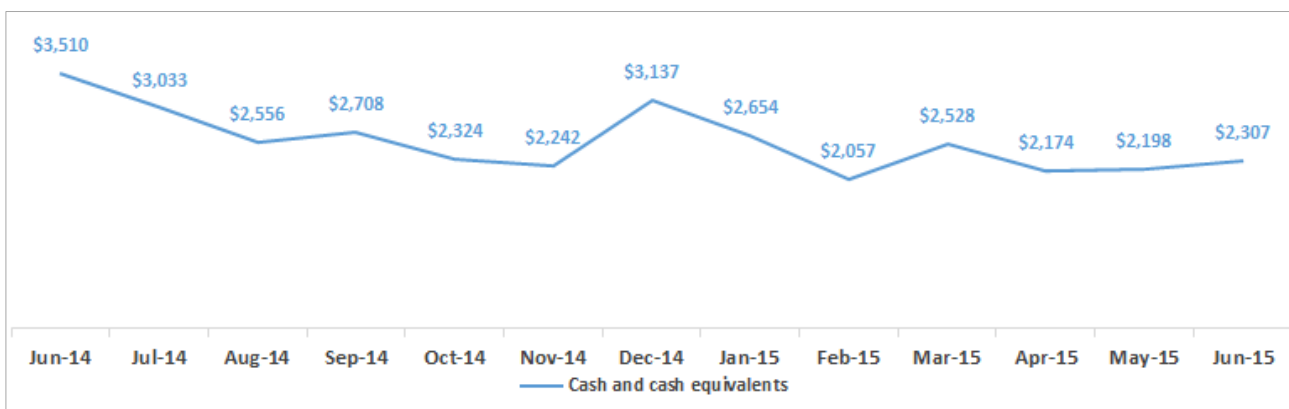
Revenue, operating expenses and EBITDA (including corporate costs) for August 2014 to July 2015



Cash position

Based on the cash position at end of FY15 (cash and term deposits of \$2.3m at 30 June 2015) and as a result of a stringent budgeting process, the Company believes it is in a position to meet planned operational and capital expenditure throughout FY16.

Cash and cash equivalents for June 2014 to June 2015



Sales and operational milestones

Shoply achieved a number of key sales and operational milestones during FY15, including:

- Sales growth during their first full year of trading during FY15 was up 23% on the above purchased assets.
- The purchased assets of Warcom, eStore and Wow Baby all stores achieved consistent organic growth over the period.
- Your Home Depot faced a number of challenges with supply and margins in its first half.
- As stated above Your Home Depot was re-positioned from lowest price to semi-premium retailer to ensure trading continuity and margin improvements.
- In Q4, Your Home Depot began to post growth on pre-acquisition revenues and continues to grow into FY16.
- Your Home Depot established supply arrangements with distributors who previously did not transact with pure play online retailers.
- Shoply commenced the process of providing delayed payment opportunities for B2C customers.

Overall

The Company faced significant challenges throughout FY15. It was imperative to redesign processes to ensure that the Company is known in the market-place as a provider of high quality products with a diverse product range, excellent customer service and a retailer who will look for the next big thing.

Business processes and IT systems were improved to ensure that the customer experience is enjoyable, quick and seamless. Shoply created a platform where customers can use mobile devices to purchase on the go.

Shoply developed strong relationships with suppliers and recruited staff who shared the Company's vision. Shoply employed and promoted key management and developed middle management.

During the year, the Company worked to successfully bring its four stores (each with different IT systems, cultures, processes, and customer expectations) together under the one Shoply banner. Whilst in achieving this, the Company incurred significant but necessary associated costs and an initial impact on sales, the Company is pleased to report that the integration has produced and continues to produce a positive result.

FY16 outlook

- Revenue: \$18.5m to \$26.5m in organic growth.
- EBITDA: (\$619K) down \$1.5m through revenue increases, margin improvement, cost reduction and management.
- Expansion of suppliers and products to develop a more comprehensive product offering.
- The launch of a mobile app for all individual brands.
- Enhancement of the shopping experience.
- Extracting greater value from expenditure in online marketing tools.
- Developing marketing programs to increase brand awareness of stores and products.
- Reductions in freight costs, merchant transaction fees and employment costs.
- Fixed overheads reduced.
- Continual improvement in business processes.
- Seek appropriate acquisition opportunities.

Commenting on Shoply's FY15 results and the year ahead, Chairman Andrew Plympton said,

"During the year, Shoply faced a multitude of challenges arising from its newly acquired business Your Home Depot. There are risks inherent in purchasing a business and integrating it with existing operations, and in the case of Your Home Depot, a number of these risks materialised despite the implementation of comprehensive due diligence processes.

Shoply's EBITDA loss in FY15 is in part attributable to the challenges encountered by management in relation to YHD, including a protracted acquisition settlement period that resulted in loss of business continuity, which in turn led to a reduction of revenue; slow moving inventory inherited as part of the acquisition; and the complexity of integrating Your Home Depot's platform with Shoply's existing operating platform.

Notwithstanding that the performance of the YHD business during the year was not aligned with our initial expectations, our subsequent acquisitions of the Warcom and eStore businesses have served to validate our instincts as those businesses continue to be worthwhile and important contributors to the Group.

During the year, management undertook a strategic review of the Group's business operations with a particular focus on YHD, and implemented a number of measures aimed at enhancing performance, including expanding product ranges and repositioning the YHD online store as a semi-premium retailer. Recent performance demonstrates that these initiatives are effective, and the Board is optimistic that whilst FY15 proved to be a difficult transitional phase for Shoply, it has paved the way for an optimistic FY16 outlook.

The Board takes this opportunity to extend its gratitude to the management team for its efforts during the year, and looks forward to their contribution to solid growth in the year ahead."

-ENDS

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About Shoply Limited

Shoply's objective is to be a leading ASX listed online shopping company. Shoply is rapidly executing a dual, organic and acquisitive growth strategy, acquiring or creating positions in attractive retail categories.

<http://www.shoply.com.au>



**SHOPLY LIMITED
and Controlled Entities
ABN 93 085 545 973**

**ASX APPENDIX 4E - FINANCIAL REPORT
FOR THE FULL YEAR ENDED 30 JUNE 2015**

ASX Announcement - Appendix 4E

FULL YEAR REPORT TO 30 JUNE 2014

Name of Entity	Shoply Limited
Australian Business Number	93 085 545 973
Report for Financial Year Ending	30 June 2015
Previous corresponding Financial Year Ending	30 June 2014

RESULTS FOR ANNOUNCEMENT TO THE MARKET

		% Change		\$
Revenues from ordinary activities	up	994.9	to	18,495,857
Loss from ordinary activities after tax attributable to members	up	68.2	to	(2,574,631)
Loss for the period attributable to members	up	66.5	to	(2,481,432)
Dividends (distributions)	Amount per share		Franked amount per share	
Final dividend Interim dividend	Nil ¢		Nil ¢	
Previous corresponding period	Nil ¢		Nil ¢	
Record date for determining entitlements to the dividends	N/A			
Brief explanation of any of the figures reported above necessary to enable the figures to be understood:				
Revenue for the financial year ended 30 June 2015 was \$18,495,857 an increase of 994.9% over the previous corresponding period (2014: \$1,689,304).				
Net loss from continuing operations was \$2,574,631 an increased loss of 68.2% over the previous corresponding period (2014: operating net loss \$1,530,548).				
Net tangible asset backing per ordinary share at 30 June 2015 was 0.13 cents (2014: 0.73 cents).				
The Company does not propose to pay a dividend. No dividend or distribution plans are in operation.				

SHOPLY LIMITED AND CONTROLLED ENTITIES

DIRECTORS' REPORT

FOR THE PERIOD ENDED 30 JUNE 2015

Review and results of operations

Shoply's results reflect a considerable increase in sales brought about by the significant change in focus over the past year on becoming a leading online retailer. During the course of the year the Company's revenues grew almost 11 times as the Company progresses towards its objectives of reaching profitable scale.

The Company's results for the full-year ended 30 June 2015 was a net loss of \$2,481,432 reflective of the investment in building a scalable operating platform, associated capability.

Shoply generated revenue of \$18,495,857 in the full-year ended 30 June 2015, up 995% on the previous year of \$1,689,304. Full year 2015 produced a net loss from continuing operations of \$2,574,631.

During the financial year 2015 the Company negotiated more favourable terms with its distribution and merchant transaction providers. Following a review of all administrative costs, new arrangements will deliver savings throughout FY16.

Depreciation and amortisation was (\$392,974) for the full-year ended 30 June 2015 up from (\$32,291) in the prior year. The depreciation and amortisation consists primarily of the goodwill and intangible assets associated with the acquisition of Your Home Depot, Warcom and eStore and the capital works associated with the development of the Shoply operating platform.

Professional fees were (\$445,720) inclusive of one off costs of approximately \$100,000 relating to the acquisition of Your Home Depot, Warcom and eStore business assets.

Forward Strategy

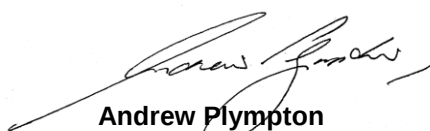
The Company continues its growth plan capitalising on the growing number of Australian shoppers seeking the convenience and value provided by shopping online. The Company now has a stable of organically growing assets and will continue to focus on executing another year of growth.

Outlook

The Company remains optimistic about the outlook for Shoply as the monthly revenue has stabilised in the vicinity of \$2,000,000 and blended product margin of 23%. The Company and the Directors are encouraged by the sales growth in the year ended 30 June 2015.

The Company plans to further expand its Shoply operating platform to support the growth of existing assets and future acquisitions.

The Company's strategy continues to be generating organic growth of its online retail assets together with a proactive search for appropriate acquisition opportunities to broaden its scope and economies of scale.



Andrew Plympton
Non-Executive Chairman
28 August 2015

**SHOPLY LIMITED
& CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2015**

	Notes	Full Year to 30 June 2015 \$	Full Year to 30 June 2014 \$
Revenue			
Sales revenue	1	18,453,912	1,656,743
Finance revenue	1	41,945	32,561
		18,495,857	1,689,304
Direct costs		(15,297,214)	(1,520,568)
Gross profit		3,198,643	168,736
Distribution expense	2	(108,326)	(17,279)
Performance marketing expense		(834,566)	-
Transaction expense		(366,447)	-
Selling expenses		-	(177,039)
Employee contractor and director expenses	2	(2,655,466)	(698,848)
Occupancy costs		(509,307)	-
Professional fees		(445,720)	-
Administration expenses		-	(686,029)
Depreciation and amortisation expenses	2	(392,974)	(32,291)
Other expenses		(345,038)	-
Performance rights issued (non-cash)		(61,489)	(42,616)
Finance costs	2	(53,941)	(45,182)
(Loss) / Profit before income tax		(2,574,631)	(1,530,548)
Income tax benefit / (expense)		-	-
(Loss) / Profit from continuing operations		(2,574,631)	(1,530,548)
Discontinued operations		93,199	40,612
Other Comprehensive Income		-	-
Total Comprehensive (loss) / profit for the period		(2,481,432)	(1,489,936)
Earnings per share from continuing operations (cents per share)			
- Basic earnings/(loss) per share		(0.47)	(0.54)
- Diluted earnings/(loss) per share		(0.47)	(0.55)

The accompanying notes form part of these financial statements.

**SHOPLY LIMITED
& CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2015**

	Note	Consolidated 30 Jun 2015 \$	Consolidated 30 Jun 2014 \$
Current Assets			
Cash and cash equivalents	3	2,307,247	3,504,504
Trade and other receivables	4	650,686	102,791
Inventories		1,756,381	1,537,488
Prepayments and deposits	5	189,801	14,971
Assets classified as held for disposal		-	47,104
Total Current Assets		4,904,115	5,206,858
Non-current Assets			
Property, plant and equipment	6	243,364	262,244
Intangible Assets	7	3,116,510	1,822,838
Total Non-current Assets		3,359,874	2,085,082
Total Assets		8,263,989	7,291,940
Current Liabilities			
Trade and other payables	8	3,618,925	960,999
Financial liability	9	564,135	271,250
Employee benefit liabilities	10	58,076	12,426
Liabilities classified as held for disposal		-	119,036
Total Current Liabilities		4,241,136	1,363,711
Non-current Liabilities			
Financial liability	9	173,369	255,449
Employee benefit liabilities	10	12,459	17,424
Total Non-current Liabilities		185,828	272,873
Total Liabilities		4,426,964	1,636,584
Net Assets		3,837,025	5,655,356
Equity			
Contributed equity		33,469,847	32,868,235
Reserves		128,105	66,616
Accumulated losses		(29,760,927)	(27,279,495)
Total equity		3,837,025	5,655,356

The accompanying notes form part of these financial statements.

**SHOPLY LIMITED
& CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FULL YEAR ENDED 30 JUNE 2015**

	Share Capital	Reserves	Accumulated Losses	Total Equity
	\$	\$	\$	\$
At 1 July 2014	32,868,235	66,616	(27,279,495)	5,655,356
Loss for the period	-	-	(2,481,432)	(2,481,432)
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	(2,481,432)	(2,481,432)
Transactions with owners in their capacity as owners				
Placement and rights issued	603,604	-	-	603,604
Cash on exercise of share options	181	-	-	181
Performance rights expense	-	61,489	-	61,489
Transaction costs on shares issued	(2,173)	-	-	(2,173)
At 30 June 2015	33,469,847	128,105	(29,760,927)	3,837,025

	Share Capital	Reserves	Accumulated Losses	Total Equity
	\$	\$	\$	\$
At 1 July 2013	26,404,522	24,000	(25,789,559)	638,963
Loss for the period	-	-	(1,489,936)	(1,489,936)
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	(1,489,936)	(1,489,936)
Transactions with owners in their capacity as owners				
Placement and rights issued	4,442,004	-	-	4,442,004
Cash on exercise of share options	2,442,960	-	-	2,442,960
Performance rights expenses	-	42,616	-	42,616
Transaction costs on shares issued	(421,251)	-	-	(421,251)
At 30 June 2014	32,868,235	66,616	(27,279,495)	5,655,356

The accompanying notes form part of these financial statements.

**SHOPLY LIMITED
& CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FULL YEAR ENDED 30 JUNE 2015**

Notes	2015 \$	2014 \$
Cash flows from operating activities		
Receipts from customers	19,742,103	3,468,060
Payments to suppliers and employees	(19,897,878)	(3,929,188)
Interest received	41,945	32,561
Finance costs	(9,453)	(45,182)
Net cash flows (used in) / provided by operating activities	(123,283)	(473,749)
Cash flows from investing activities		
Acquisition of intangible assets	(376,598)	(99,383)
Acquisition of businesses, net of cash consideration	(500,000)	(2,833,871)
Payments for property, plant and equipment	(16,191)	(110,674)
Net cash flows used in investing activities	(892,789)	(3,043,928)
Cash flows from financing activities		
Proceeds from placement and rights issued	-	4,442,004
Payment for security deposits	(145,408)	-
Cash from the exercise of share options	181	2,442,960
Capital raising costs	(41,712)	(421,251)
Net cash flows provided by financing activities	(186,939)	6,463,713
Net increase in cash and cash equivalents	(1,203,011)	2,946,036
Cash and cash equivalents at the beginning of the financial year	3,510,259	564,223
Cash and cash equivalents at the end of the financial year	2,307,247	3,510,259

The accompanying notes form part of these financial statements.

**SHOPLY LIMITED
& CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FULL YEAR ENDED 30 JUNE 2015**

1. Revenue	Consolidated 2015 \$	Consolidated 2014 \$
Sales	18,453,912	1,656,743
Interest received	41,945	32,561
Total	18,495,857	1,689,304

2. Operating profit (loss)	Consolidated 2015 \$	Consolidated 2014 \$
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Net profit (loss) and expenses

Profit (loss) before income tax includes the following specific expenses

Distribution expenses		
Packing materials	97,106	17,279
General warehouse expenses	11,220	-
Total distribution expenses	108,326	17,279

Employee benefits expenses		
Wages, salaries and contractors	2,189,406	638,376
Defined contribution plan expense	174,897	29,748
Other employee benefits	163,672	13,200
Payroll tax expense	127,491	17,524
Total employee benefits expenses	2,655,466	698,848

Depreciation		
Plant and equipment	45,071	3,547
Total depreciation	45,071	3,547

Amortisation		
Intangible assets	270,522	28,744
Software development	77,381	-
Total amortisation	347,903	28,744

Finance costs		
Interest costs	44,502	-
Bank and merchant fee	9,439	45,182
Total finance costs	53,941	45,182

The accompanying notes form part of these financial statements.

3. Current assets – Cash and cash equivalents	Consolidated 2015 \$	Consolidated 2014 \$
Cash at bank and on hand	2,307,247	3,504,504
Cash at bank attributable to discontinued operations	-	5,755
Total	2,307,247	3,510,259
4. Current assets – Trade and other receivables	Consolidated 2015 \$	Consolidated 2014 \$
Trade receivables	426,510	-
Allowance for impairment loss	-	-
	426,510	-
Other receivables	224,176	102,791
Total	650,686	102,791
5. Prepayments	Consolidated 2015 \$	Consolidated 2014 \$
Prepaid insurance	2,846	2,163
Prepaid market campaign	-	1,308
Rental deposit	29,500	7,500
Hosting servers	12,048	-
Deposits	145,407	-
Business asset purchased	-	4,000
Total	189,801	14,971
6. Non-current assets – Property, plant and equipment	Consolidated 2015 \$	Consolidated 2014 \$
Improvements		
At cost	205,310	200,000
Less: accumulated amortisation	(21,176)	(1,095)
Total improvements	184,134	198,905
Office equipment		
At cost	10,280	1,600
Less: accumulated depreciation	(1,215)	(16)
Total office equipment	9,065	1,584
Computer equipment		
At cost	75,145	64,190
Less: accumulated depreciation	(24,980)	(2,435)
Total computer equipment	50,165	61,755
Total property plant and equipment	243,364	262,244

The accompanying notes form part of these financial statements.

7. Non-current assets – Intangible assets

	Consolidated 2015 \$	Consolidated 2014 \$
Goodwill	2,177,857	1,276,682
Software development	328,515	-
Less: accumulated amortisation	(77,381)	-
	<u>251,134</u>	<u>-</u>
Identified intangible assets	996,112	574,900
Less: accumulated amortisation	(308,593)	(28,744)
	<u>687,519</u>	<u>546,156</u>
Total	3,116,510	1,822,838

8. Current liabilities – Trade and other payables

	Consolidated 2015 \$	Consolidated 2014 \$
Trade payables	2,954,073	689,150
Other payables	664,852	241,918
Related payables	-	29,931
Total	3,618,925	960,999

9. Financial liability

	Consolidated 2015 \$	Consolidated 2014 \$
<i>Current</i>		
Deferred consideration	564,135	271,250
<i>Non - current</i>		
Deferred consideration	173,369	255,449
Total	737,504	526,699

10. Employee Entitlements

	Consolidated 2015 \$	Consolidated 2014 \$
<i>Current</i>		
Provision for annual leave	58,076	12,426
<i>Non - current</i>		
Provision for long service leave	12,459	17,424
Total	70,535	29,850

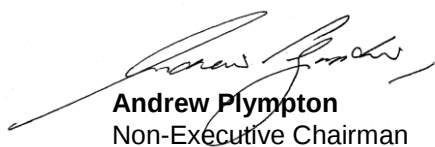
The accompanying notes form part of these financial statements.

11. Reconciliation of net (loss) / profit after tax to net cash flows from operations

	Consolidated 2015 \$	Consolidated 2014 \$
Net loss before tax from continuing operations	(2,574,631)	(1,530,548)
Net profit before tax from discontinued operations	93,199	40,612
Net (loss) / profit before tax	(2,481,432)	(1,489,936)
Adjustments to reconcile (loss) / profit before tax to net cash flows		
Depreciation of non-current assets	45,098	3,547
Amortisation	347,876	28,744
Finance costs	44,489	-
Capital raising costs	39,539	-
Performance rights expense	61,489	42,616
Net receivables written off to profit and loss	-	231,955
Changes in assets and liabilities		
Decrease in trade and other receivables and prepayments	(577,316)	124,720
Decrease in inventory	(223,950)	-
Increase / (decrease) in trade and other payables	2,620,924	584,605
Net cash used in operating facilities	(123,283)	(473,749)

13. This report is based on accounts that are in the process of being audited.

Signed in accordance with a resolution of the Directors



Andrew Plympton
Non-Executive Chairman

Melbourne, 28 August 2015

The accompanying notes form part of these financial statements.