

ASX ANNOUNCEMENT

23 February 2017

Kogan.com outperforms full year FY17 Prospectus forecast within the first half¹ and raises guidance

- Pro Forma Trading² EBITDA of \$7.3 million (1H16: \$2.6 million), exceeding the FY17 full year Prospectus forecast of \$6.9 million, reflecting revenue growth and gross margin expansion
- Pro Forma Trading NPAT of \$3.7 million (1H16: \$1.3 million), exceeding the FY17 full year Prospectus forecast of \$2.5 million. Statutory NPAT in 1H17 was \$1.5 million
- Revenue of \$143.9 million (1H16: \$104.7 million)
- Growth in active customer base to 830,000, up 18.2% from 30 June 2016, driven by strategic marketing initiatives and growth in the Kogan brand
- Gross margin improvement to 18.0% (1H16 15.1%) due to precision purchasing and analytics
- Strong balance sheet with net cash of \$26.5 million and inventories of \$42.4 million, where ~90% of inventories in warehouse are less than 90 days old
- Kogan.com is now further upgrading its FY17 Pro Forma Trading EBITDA forecast to between \$10.5 million to \$11.5 million
- The Board has declared an interim dividend of 3.9 cents per share (fully franked)

Kogan.com Limited (Kogan.com; ASX:KGN), Australia's leading pure-play online retail website today announced the financial results for the half year ended 31 December 2016 (1H17).

Within the first half, Kogan.com has exceeded the full year FY17 forecast for Pro Forma Trading EBITDA and Pro Forma Trading NPAT as set out in the Prospectus. Kogan.com's 1H17 Revenue of \$143.9 million reflects growth of 37.3% on the prior corresponding half.

Statutory EBITDA for 1H17 was \$5.1 million. Adjusting for the impact of one-off costs related to the IPO of Kogan.com and other pro forma adjustments², Pro Forma EBITDA was \$8.0 million, which includes an unrealised foreign exchange gain of \$0.7 million on foreign exchange forward contracts outstanding as at 31 December 2016. 1H17 Pro Forma Trading EBITDA of \$7.3 million exceeded the FY17 full year Prospectus forecast of \$6.9 million. First half Pro Forma Trading NPAT of \$3.7 million exceeded the FY17 full year Prospectus forecast of \$2.5 million.

As at 31 December 2016, Kogan.com was in a strong net cash position of \$26.5 million with inventory levels of \$42.4 million, of which 90% is less than 90 days old. Inventories are now at a level that should support growth for FY17 and beyond, and is maintainable through operating cash flow.

Kogan.com Founder & CEO Ruslan Kogan commented on the 1H17 results:

"We are pleased to deliver results for our shareholders that exceed full year Prospectus earnings forecasts and demonstrate that we are on track to continue to build the Kogan.com business in line with our long term business strategy."

¹ Pursuant to ASIC relief granted on 26 September 2016, the interim reporting period represents the period from 19 May 2016 to 31 December 2016. As Kogan.com Ltd acquired the Kogan group of companies just prior to the date of listing on the Australian Stock Exchange on 7 July 2016, and was previously non-operational, the reporting period represents the trading results of the Kogan group of companies for the six months ended 31 December 2016.

² Pro forma adjustments to statutory results include adjustments for IPO transaction costs, listed company costs, and historical governance costs. The basis of the Pro Forma adjustments is consistent with the Prospectus. Pro Forma Trading EBITDA represents Pro Forma EBITDA less the impact of an unrealised foreign exchange gain of \$0.7 million in 1H17 under foreign exchange forward contracts outstanding as at 31 December 2016. A detailed reconciliation is included in the 1H17 Results Presentation which was lodged with the ASX on 23 February 2017.

“Following the IPO, we have deployed proceeds into precision purchasing of inventory. This is enabling us to respond to demand for our products. We have also expanded our gross margin as a result of our investments in systems and analytics.

Key drivers of financial performance in 1H17

The following factors positively impacted Kogan.com’s 1H17 result:

- **Growing Brand** – in the twelve months to 31 December 2016, active customers grew by 33.7% to 830,000.
- **Proprietary eCommerce Platform** – Kogan.com’s multi-channel proprietary world class platform allows personalisation in marketing and scalability of the consumer offering.
- **Precision purchasing of Private Label** – Kogan.com deployed proceeds from the IPO to respond to pent up demand for its Private Label products. Utilising an analytical approach to purchasing decisions enabled Kogan.com to diligently service demand while maintaining healthy inventory levels.
- **Strong growth in Kogan Mobile** – Kogan Mobile is continuing to grow at a strong pace with new customer acquisitions and repeat customers, demonstrating the strength of the Kogan brand in launching and growing new verticals.
- **Gross margin expansion** – Gross margin was 18.0%, exceeding the Prospectus forecast by 2.8pp. The drivers of margin expansion included precision purchasing of Private Label inventory, enhanced analytics and the accelerated growth of Kogan Mobile.
- **ERP efficiencies and stable cost base** – The years of work undertaken by the team to optimise the business’ proprietary ERP implementation is continuing to deliver efficiencies in time and cost. The business is continuing to achieve further automation across various functions, and is continually improving reporting and business insights.

Focus on growth 2H17 and beyond

Significant funds raised from Kogan.com’s IPO have been invested in accelerating the company’s growth strategy, including investment in new Private Label products and categories, as well as marketing.

Mr Kogan said: *“Following the IPO, we have sought to capitalise on growth opportunities in Private Label, while being disciplined in our purchasing decisions. Most of the products ordered with the IPO proceeds arrived in our warehouse in the second quarter and, as a result, that quarter saw strong growth in the Private Label product division.*

“Kogan Mobile is continuing to deliver new plans and promotions into market, demonstrating the strength of the Kogan brand in launching and growing new verticals.

“Our trading results reflect the culmination of years of work from our world-class team in building the systems, processes, and platforms that allow us to scale our diversified portfolio of product divisions and new verticals.

Outlook

Following stronger than expected results in 1H17 and trading results for January 2017 that are ahead of the FY17 Prospectus forecast monthly projection and the updated guidance announced at the company’s AGM in November 2016, the Directors now further revise guidance for FY17 Pro Forma Trading EBITDA.³

Kogan.com is now forecasting Pro Forma Trading EBITDA of between \$10.5 million and \$11.5 million for FY17.

³ FY17 Pro Forma EBITDA forecast was previously revised from \$6.9 million in the Prospectus to between \$8 million and \$9 million at Kogan.com’s FY16 AGM in November 2016.

Dividend

As a result of the significant outperformance in 1H17, the Board has declared a fully franked interim dividend of 3.9 cents per share, with a record date of 9 March 2017 and a payment date of 24 March 2017. The Board's current intention is to pay a final dividend at the conclusion of the 2017 financial year, provided that the business continues to perform in line with expectations and that the capital requirements of the business allow for it. The Board also intends to implement a formal dividend policy at the conclusion of the 2017 financial year.

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