

ASX ANNOUNCEMENT

22 February 2018

Kogan.com delivers strong 1HFY18 result

Half year revenue exceeds \$200m, Active Customer base passes 1.1m, half year Trading¹ EBITDA exceeds full year FY17 Pro Forma EBITDA

FIRST HALF FY18 HIGHLIGHTS

- Trading¹ EBITDA in the first half of FY18 outperformed full year FY17 Pro Forma¹ EBITDA
- Revenue of \$209.6 million, up 45.7% on prior year (1HFY17: \$143.9 million)
- 1HFY18 Trading¹ EBITDA of \$14.1 million, up 93.2% on prior year (1HFY17 Pro Forma: \$7.3 million), reflecting revenue growth and margin expansion
- Trading¹ NPAT of \$8.1 million, up 118.9% on prior year (1HFY17 Pro Forma: \$3.7 million) and outperformed full year FY17 Pro Forma NPAT of \$7.2 million.
- Statutory NPAT of \$8.3 million (1HFY17: \$1.5 million) and outperformed full year FY17 Statutory NPAT of \$3.7 million
- Growth in active customer base to 1,166,000, up 40.5% from 31 December 2016, driven by growth in the Kogan Brand, New Verticals and strategic marketing initiatives
- Gross margin expansion to 19.4% (1HFY17: 18.0%) as a result of rapid growth in New Verticals and acceleration of the Partner Brands Product Division
- Strong balance sheet with net cash of \$28.2 million, operating cash flow before capital expenditure of \$4.6 million and operating cash conversion of 32.6%
- Fully franked interim dividend up 76.9% YoY to 6.90 cents per share

Kogan.com Limited (Kogan.com; ASX:KGN) today announced financial results for the half year ended 31 December 2017 (1HFY18). The Company reported Statutory Revenue of \$209.6 million, up 45.7% on prior corresponding period (1HFY17: \$143.9 million).

Trading¹ EBITDA was \$14.1 million after adjusting for the movement in unrealised foreign exchange gains and losses. Trading¹ EBITDA was up 93.2% on prior year (1HFY17 Pro Forma EBITDA¹: \$7.3 million), driven by growth in Kogan Mobile and investments in marketing and inventory. In addition, the business is now experiencing significant operating leverage, with acceleration of EBITDA materially outpacing revenue.

Trading¹ NPAT and NPATA² were \$8.1 million and \$8.8 million, respectively - both outperforming the prior corresponding period (1HFY17: Pro Forma NPAT and NPATA were \$3.7 million and \$4.4 million), and also exceeding the full year FY17 results (FY17 Pro Forma NPAT and NPATA were \$7.2 million and \$8.6 million). 1HFY18 statutory EBITDA and NPAT were \$14.4 million and \$8.3 million, respectively.

As at 31 December 2017, Kogan.com was in a strong net cash position of \$28.2 million, with inventory levels of \$69.8 million. This comprised of \$13.8 million of inventory in transit; and \$56.0 million of inventory in warehouse. 93.4% of inventory in warehouse was less than 90 days old.

Investment in inventory was a driver of revenue growth and margin expansion in 1HFY18. Operating cash flow was \$4.6 million, representing a cash conversion ratio of 32.6%.

Ruslan Kogan, Founder & CEO of Kogan.com, said:

"I'm incredibly proud of the Kogan.com team and the work they have been doing over the last few years as part of our investment in our infrastructure and our brand to drive our growing portfolio of businesses. The Kogan.com team is executing our long term strategy with precision and delighting our customers along the way."

"Our consumer offering is always improving and we continue to exceed customer expectations as our business grows. We are always mindful of the fact that our customers have a lot of choice and we're humbled by the fact that more and more Aussies are voting for us with their wallets."

"The business is in the best shape it's ever been and our team is excited about our pipeline of initiatives that will further enhance our consumer offering."

Key drivers of financial performance in 1HFY18

The following factors positively impacted Kogan.com's 1HFY18 result:

- **Growing Brand** – At 31 December 2017, the business had 1,166,000 Active Customers, reflecting solid growth of 336,000 (40.5%) in the last 12 months. The business invested further in Marketing in 1HFY18 following strong ROI metrics, resulting in a YoY increase in expenditure as a percentage of revenue. A strong NPS and effective, targeted marketing helped drive revenue growth in the half and build the business's customer base.
- **Investment in inventory** – A significant investment in inventory across Product Divisions has led to an expansion of the product offering and has helped drive growth. Exclusive Brands, Global Brands and Partner Brands all achieved significant YoY growth in 1HFY18.
- **Exclusive Brands** – Utilising our proprietary systems and processes that drive an analytical approach to sourcing decisions enabled the business to respond to consumer demand for Kogan's Exclusive Brand products, and maintain healthy levels of quality inventory throughout the period. Exclusive Brands achieved revenue growth of 47.3% YoY and represented 45.1% of overall Gross Profit.
- **Kogan Mobile** – Kogan Mobile achieved revenue growth of 340.9% YoY with commission of \$4.8 million in 1HFY18. The strong commercial relationship with Vodafone, combined with the strength of the Kogan branding and marketing engine, continues to translate into growth for Kogan Mobile.

- **Gross margin improvement** – Rapid growth in new verticals and acceleration of our Partner Brands division drove YoY gross margin improvement.
- **Operating leverage** – In 1HFY18 the business outperformed 1HFY17 Pro Forma EBITDA by 93.2% while revenue grew by 45.7% YoY. As such, the business is now experiencing the benefits of significant operating leverage.
- **Investment in the team** – The business invested heavily in people in FY17, in order to retain key staff and align their interests with shareholders. Short-term and long-term incentives remain in place, and People Costs have increased YoY in 1HFY18.

Focus on growth 2HFY18 and beyond

In 2HFY18 Kogan.com will focus on the following growth initiatives:

- Continued investment to expand Exclusive Brands product ranges;
- Continued investment in the Kogan.com brand to grow Active Customers;
- New partnerships with select brands and distributors through Partner Brands, giving those brands an effective channel to market via a direct voice with the Kogan Community;
- Continued growth of Kogan Mobile, which is win-win-win proposition for the Kogan Community, our partner Vodafone, and Kogan.com;
- Acceleration of Kogan Insurance – which launched in 1HFY18 in partnership with Hollard Insurance Company – with the objective of delivering value for money in home, contents, landlord, car and travel insurance;
- Launch of Kogan Internet in 2HFY18, also in partnership with Vodafone, offering competitively priced fixed-line NBN services;
- Acceleration of Kogan Health – which launched on 20 February 2018 in partnership with Medibank – with the objective of delivering value for money health insurance;
- Launch of Kogan Life and Kogan Pet;
- Continued assessment of opportunities to expand the Kogan Portfolio of products and services in ways that serve the Kogan Community and continue to build goodwill; and
- Continued assessment of opportunities to grow via selective and opportunistic M&A.

Dividend & Outlook

In line with the Company's dividend policy and following strong performance in 1HFY18, the Kogan.com Board has declared a fully franked interim dividend of 6.9 cents per share, representing 80% of Trading¹ NPAT in the half year.

The Board will not be providing formal EBITDA guidance for FY18. However, the Board will continue to provide updates on the trading performance of the business around the time of the quarterly cash flow releases (Appendix 4C).

2HFY18 trading has started well with the January 2018 results, which are unaudited, showing a further acceleration in revenue above the growth achieved in 1HFY18 versus 1HFY17.

At Kogan.com we are relentless in our mission to both continue to grow our existing businesses and to expand our portfolio. The second half of FY18 has already seen the launch of Kogan Health, and will see the launch of Kogan Internet, Kogan Life and Kogan Pet. In addition, we expect Kogan Mobile to continue its strong growth trajectory and the

investments in marketing and inventory to drive further growth in our Product Divisions. The Kogan.com Board is looking to the future with confidence and is excited about the opportunities that lie ahead.

ENDS

For further information please contact:

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About Kogan.com

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

[1] Trading EBITDA/results represents the results of the business after removing non-trading adjustments, including unrealised FX gains or losses. A reconciliation from statutory to Trading results is provided in Annexure 3 of the 1H FY18 Results Presentation. The basis of the Pro Forma results is set out in prior period presentations and reports.

[2] NPATA reflects NPAT plus the non-cash amortisation of the Dick Smith Assets. The Dick Smith Assets were acquired in April 2016 and are being amortised over two years.