

ASX ANNOUNCEMENT

22 February 2019

Record trading in peak Christmas period

Kogan.com delivers double digit top-line and gross profit growth, while continuing to invest in the future

1H FY19 HIGHLIGHTS

- Record trading in peak Christmas period as the business reaped benefits of ongoing investment in Logistics, Operations and Marketing
- **Gross Transaction Value** of \$277.3 million, up 12.9% on prior year (1H FY18¹: \$245.6 million)
- **Revenue** of \$231.8 million, up 10.6% on prior year (1H FY18¹: \$209.6 million)
- **Gross Profit** of \$45.1 million, up 10.8% on prior year (1H FY18 Trading¹: \$40.7 million)
- **EBITDA** of \$13.3 million (1H FY18 Trading¹: \$14.1 million)
- **NPAT** of \$7.4 million (1H FY18¹: \$8.3 million)
- **Growth in Active Customer base** to 1,542,000, up 32.2% from 31 December 2017, driven by growth in the Kogan Brand and New Verticals
- **Fully franked dividend** per share of 6.1c in respect of 1H FY19

Note 1: The Company has applied AASB 15 at 1 July 2018. Under the transition methods chosen, comparative information is not restated. Please see Annexure 2 of the 1H FY19 Results Presentation for a reconciliation. Comparative performance in 1H FY19 revenue, gross profit and EBITDA is superior without the adoption of AASB 15. The basis of the 1H FY18 Trading result is set out in prior period presentations and reports – refer to Annexure 3 of the 1H FY19 Results Presentation.

Kogan.com Limited (Kogan.com; ASX:KGN) today announced financial results for the half year ended 31 December 2018 (1H FY19).

After record trading in the peak Christmas trading period, the Company reported Gross Transaction Value of \$277.3 million, up 12.9% on prior year (1H FY18¹: \$245.6 million), and Revenue of \$231.8 million, up 10.6% on prior year (1H FY18¹: \$209.6 million). Gross Profit was \$45.1 million, up 10.8% on prior year.

EBITDA was \$13.3 million (1H FY18 Trading EBITDA¹: \$14.1 million). During 1H FY19, the Company continued to invest in marketing to build the Kogan brand, and in expanding its warehousing footprint, which involved some up-front costs. The Company has already started to gain efficiencies in these costs, and expects these efficiencies to continue.

As at 31 December 2018, the Company had cash of \$15.5 million and Inventories of \$92.9 million, which comprised \$21.8 million of inventory in transit; and \$71.1 million of inventory in warehouse. This reflects the Company's ongoing investment in inventory in order to meet consumer demand. 92.3% of inventory in warehouse was less than 120 days old, and more than 99.5% was less than 365 days old.

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

"In the first half of financial year 2019, we have continued our significant investments in our improved customer offering. We now have a nationwide logistics network, enabling us to delight customers all over Australia with faster and more cost efficient delivery options. We now operate in more industries than ever

with a very compelling offer in each industry. We have continued to invest in our brand to drive our growing portfolio of businesses and improve our value proposition. The Kogan retail business currently represents around 2% of the Australian eCommerce market — continuing to invest in our brand, and spreading our message, is an important part of our strategy to capture market share. I am incredibly proud of the Kogan.com team who are executing our long term strategy and delighting our growing customer base.”

“During the half, we also continued to lay the foundation for future growth by forming long-term partnerships with Bendigo & Adelaide Bank, Pepper, Citi and Mercer. These partnerships enable us to launch multiple offerings under the Kogan Money brand, which we expect to scale in 2019.”

“2019 has started well, with January unaudited management results showing continuing strong growth and increased operating leverage.”

Key drivers of financial performance in 1HFY19

The following factors positively impacted Kogan.com’s 1HFY19 result:

- **Brand Growth** – The Company continued to achieve strong growth in Active Customers in the last 12 months of 376,000 (32.2%). At 31 December 2018, the business had Active Customers of 1,542,000. ROI on marketing continues to be closely monitored and our NPS remains strong at an average of 59.9. The business improved marketing efficiency and ROI over the half, and is comfortable with the current ROI on marketing. Close monitoring of and flexibility in key operating costs allows us to maintain our price leadership position and respond to changes in the competitive environment.
- **Product Divisions** – Exclusive Brands continues to achieve significant year-on-year revenue growth with an increase of 26.1% on 1HFY18. Exclusive Brands represented 50.9% of overall gross profit in 1HFY19. This growth was achieved through ongoing investment in Exclusive Brands inventory to broaden our range — including into whitegoods — and meet consumer demand from the growing base of Active Customers.

1HFY19 also saw the business continue to reap the rewards of investment in our Partner Brands Product Division. Partner Brands achieved year-on-year growth of 96.5% and represented 27.2% of overall gross profit. The team is consistently on-boarding new and market-leading brands to bring our customers the most in-demand products, further demonstrating the strength of our proposition as a partner for leading brands and distributors. In addition, various brands that were previously part of the Global Brands Product Division transferred to the Partner Brands Product Division during the period.

Global Brands, our internationally sourced third party brand product division, has experienced a year-on-year decrease in revenue following the change to GST laws and the apparent avoidance of GST by foreign websites. Also, various brands have moved from Global Brands to our Partner Brands Product Division, which impacts the comparative growth. Finally, subdued demand for new release Apple products tempered growth in revenue.

- **New Verticals** - Kogan Mobile continued to achieve strong growth in Active Customers over the period. We provided compelling promotional introductory offers, which impacted ARPU over the period. As promotional

offers apply for a limited period, we expect to increase ARPU progressively as customers roll off their promotional plans and onto everyday plans.

Kogan Internet and Kogan Insurance continue to grow in Active Customers, and we are working with our partners to implement strategies to accelerate growth.

- **Operating costs** – During 1H FY19, the Company continued to make investments in the future, specifically through expanding our warehouse footprint and investing in marketing. Operating costs in 2Q FY19 represented 12.9% of revenue, compared to 13.7% for the first half of FY19 (1H FY18: 12.7%) demonstrating that some of the costs are not ongoing, and also the successful implementation of various efficiency measures. These investments are expected to provide efficiencies in 2H FY19 and beyond, in addition to enhancing the customer experience in certain geographic areas.

Dividend & Outlook

The Kogan.com Board has declared a fully franked final dividend of 6.1 cents per share.

At Kogan.com we are relentless in our pursuit to continue growth of our existing businesses and in expanding our portfolio of businesses. Kogan.com is a dynamic portfolio of businesses – there is always more that we can do and new ways we can delight our customers. During 2019, we are due to launch Kogan Mobile New Zealand, Kogan Money Super and Kogan Money Credit Cards, with significant upfront incentives due in one instance. In addition, we expect Kogan Mobile to continue its growth in active customers and the investments in marketing and inventory to drive further growth in Exclusive Brands and Partner Brands Product Divisions.

As noted previously, the Board will not be providing EBITDA guidance for FY19.

2H FY19 has started well with January 2019 unaudited management accounts showing YoY:

- Revenue growth of 13.1%;
- Gross profit growth of 19.9%; and
- Operating costs (Variable Costs, Marketing Costs, People Costs and Other Costs collectively) growth of 7.3%.

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 Money, 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.