

Shoply Ltd - ASX:SHP

28 July 2014

## ASX and Media Release

### Shoply's strategy to become a pure-play online retailer drives Q4 cash growth

Shoply Limited (ASX: SHP) is pleased to present its consolidated Quarterly Cash Flow Report for the three months ended 30 June 2014 (4Q14). Key highlights include:

- **Cash receipts up 21% to \$1.1 million (4Q13: \$0.89 million)**
- **Online Shopping customer receipts up 94% to \$0.93 million (4Q13: \$0.0 million)**
- **Online Advertising Division to be discontinued in line with pure-play online retailer strategy**
- **No debt and cash balance, up to \$3.5 million (1 April 2014: \$2.84 million) supporting acquisitive and organic growth strategy**
- **Continued investment in the Online Shopping Division – acquisition of Your Home Depot and Warcom, and launch of Toystore.com.au**

Commenting on the Company's 4Q14 cash performance, Shoply CEO Simon Crean said: "We are very pleased with the strides the Company is making as a pure-play online retailer. Receipts from customers in the Online Shopping Division, which included less than 3 weeks' contribution from the Your Home Depot and Warcom acquisitions, were up 94% on the previous quarter."

During 4Q14 the Company deployed approximately \$0.25 million of working capital to Your Home Depot, which compared favorably to the \$0.44 million estimated at the time of the acquisition. This capital was used to purchase additional inventory and for the upgrading of IT systems.

Net investing cash outflow for the quarter was \$3.0 million as a result of the acquisitions of Your Home Depot and Warcom. The Your Home Depot acquisition was completed for \$2.85 million, which also included the acquisition of \$1.5 million of fast moving inventory. The cash consideration component of the completed Warcom acquisition was \$0.15 million.

The Company raised additional equity capital during the quarter of \$3.65 million before costs, comprising a fully-underwritten rights issue raising \$1.8 million, and \$1.85 million from the exercise of 123.4 million listed options (ASX: SHPO).

Cash at bank as at 30 June 2014 was \$3.5 million. With no debt, Shoply is well placed to fund attractive growth opportunities. Total Group costs were in line with management expectations.

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## Trading update

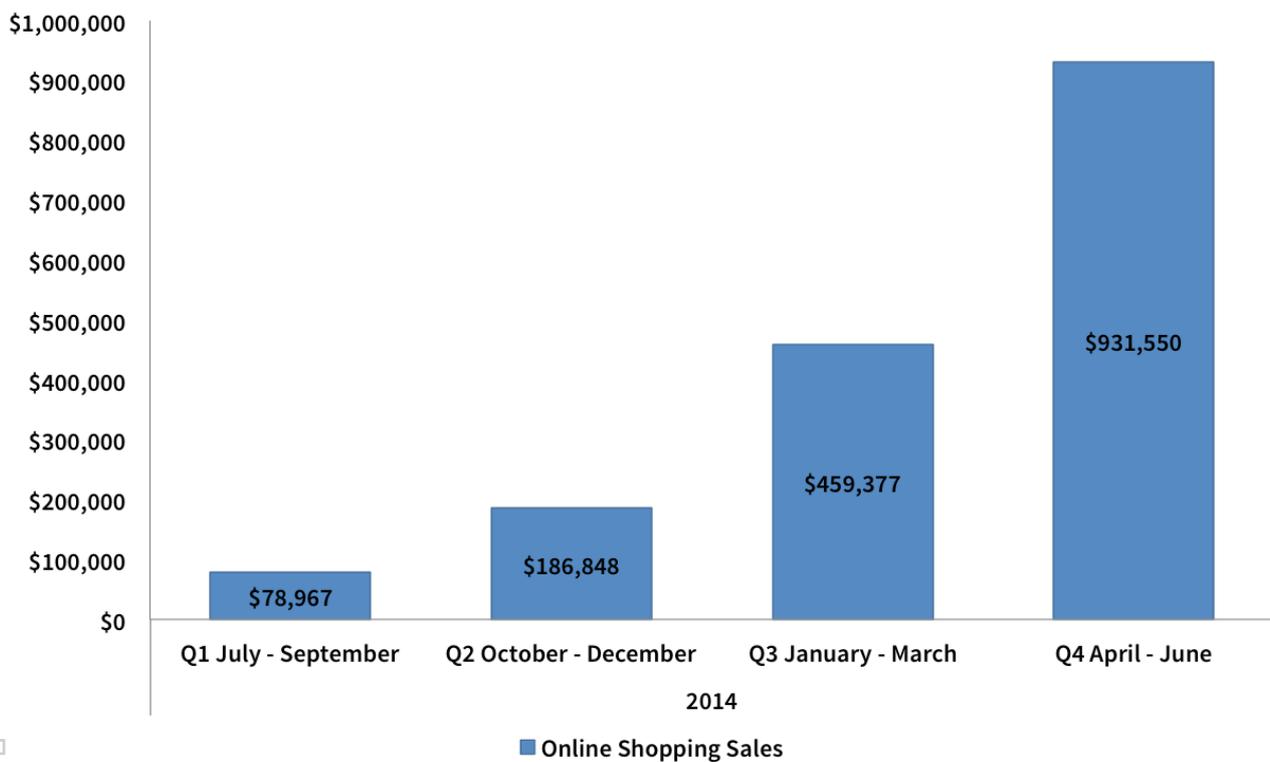
Shoply's strategy to become a leading Australian online shopping company continues to build momentum with another quarter of encouraging revenue growth in the Online Shopping Division.

The Company remains committed to the strategic focus on the growth of its Online Shopping Division, via both organic growth and acquisitions in targeted market segments.

### Online Shopping Division

The Online Shopping Division continues to develop, recording four consecutive quarters of two-fold revenue growth.

The chart below presents the growth of the Online Shopping Division over the financial year ended 30 June 2014. Shoply anticipates continued quarter on quarter growth over the coming quarters.



### Acquisitive growth

In mid-June 2014 Shoply completed the acquisitions of:

- the assets of leading kitchenware online retailer Your Home Depot ([yourhomedepot.com.au](http://yourhomedepot.com.au)) for \$2.85 million (including \$1.5 million of fast-moving inventory); and
- the assets of online premier e-commerce IT supply company Warcom ([warcom.com.au](http://warcom.com.au)) for \$150,000 cash plus share consideration totalling \$550,000 contingent on the achievement of revenue and profit margin targets over a two year earn-out period.

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The pro-forma combined sales for these two companies is \$15 million.

The acquisition of YHD and Warcom significantly progresses Shoply's strategy of becoming a leading ASX-listed online shopping company. The acquisitions will leverage Shoply's existing online shopping platform with significant distribution and cross-selling synergies expected.

## Organic growth

Shoply announced the broadening of its product categories with the launch of ToyStore.com.au, an online toy retailer on 7 July 2014.

As part of Shoply's dual organic and acquisitive growth strategy, the ToyStore launch marked the Company's entry into the growing online toy market. ToyStore was launched with an initial range of approximately 500 products from leading toy brands.

## Online shopping categories/departments

Over the past 12 months Shoply has broadened its presence in a number of online retail categories including home, baby, and consumer electronics. Shoply intends to have leading market positions in key departments and then aggregate these departments into an online department store at Shoply.com.au.

Home Appliances



homeappliances.com.au  
Coming Q3 2014

Consumer Electronics



eljo.com.au

Kitchen/Cookware



yourhomedepot.com.au

Office Technology



warcom.com.au

Baby



wowbaby.com.au

Toys



toystore.com.au

## Cessation of Online Advertising Division

As previously flagged as part of the Company's refocused growth strategy, on 1 August Shoply will cease operating its Online Advertising Division. The Company will consolidate its focus and resources on its Online Shopping Division to accelerate its vision of becoming a leading ASX-listed online shopping company.

The online advertising landscape in which Shoply participated has changed considerably. Online advertising revenues have declined to unprofitable levels and the opportunities for growth are becoming increasingly constricted.

Commenting on the closure of the Company's Online Advertising Division, Shoply CEO Simon Crean said: "The future of the Company is Online Shopping. Beginning the new financial year as a focused pure-play

online shopping company is an exciting progression. We anticipated this change and have successfully countered this decline with significant growth in the Online Shopping Division.”

The unaudited accounts for the Online Advertising division indicate \$1.3 million of revenue and \$0.3 million of net profit for the 12 months ended 30 June 2014. Shoply’s Online Shopping Division eclipsed the Online Advertising Division’s revenue in 3Q14 and continues quarter-on-quarter growth. Going forward, the Company estimates it will achieve an annual cost saving of approximately \$360k with the closure of the Online Advertising Division.

## Outlook

Shoply has been rapidly building its Online Shopping Division over the past 12 months and is well positioned to consolidate and capitalise on the growth of online shopping in Australia.

The Company expects approximately 250% revenue growth over 1Q15 as the benefits of the Your Home Depot and Warcom acquisitions continue to flow through to the Company. The integration of both businesses is well underway, and the Company is embarking on upgrading both businesses’ web and mobile shopping experiences. Shoply continues to explore the market for further suitable acquisition opportunities consistent with the company’s strategy and complementary to the infrastructure and skills already in place.

Shoply CEO Simon Crean said: “We are very excited with the presence that Shoply is building in the burgeoning online retail market. There are a number significant organic and acquisitive growth opportunities that we look forward to capitalising on in order to continue the momentum of the company.”

**-ENDS**

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## About Shoply Limited

Shoply is a fast growing ASX-listed online shopping Company. Shoply is rapidly executing a dual, acquisitive and organic growth strategy, acquiring or creating positions in attractive online retail categories. The categories will ultimately roll up to a Department Store at Shoply.com.au.

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

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# Appendix 4C

## Quarterly report for entities admitted on the basis of commitments

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10

Name of entity

**Shoply Limited**

ABN

**93 085 545 973**

Quarter ended ("current quarter")

**30 June 2014**

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date ( 12 months) \$A'000
1.1 Receipts from customers	1,082	3,468
1.2 Payments for		
(a) staff costs	(317)	(1,043)
(b) advertising and marketing	(56)	(120)
(c) research and development	-	-
(d) leased assets	-	-
(e) other working capital	(498)	(2,708)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	18	32
1.5 Interest and other costs of finance paid	(29)	(45)
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
<b>Net operating cash flows</b>	<b>200</b>	<b>(416)</b>

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**Appendix 4C**  
**Quarterly report for entities**  
**admitted on the basis of commitments**

	Current quarter \$A'000	Year to date ( 12 months) \$A'000
1.8 Net operating cash flows (carried forward)	<b>200</b>	<b>(416)</b>
<b>Cash flows related to investing activities</b>		
1.9 Payment for acquisition of:	-	-
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	(1)	(111)
(e) other non-current assets/assets purchased	(2,992)	(2,992)
1.10 Proceeds from disposal of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	-	-
(e) other non-current assets	-	-
1.11 Loans to other entities	-	-
1.12 Loans repaid by other entities	-	-
1.13 Other (provide details if material)	-	-
<b>Net investing cash flows</b>	<b>(2,993)</b>	<b>(3,103)</b>
<b>1.14 Total operating and investing cash flows</b>	<b>(2,793)</b>	<b>(3,519)</b>
<b>Cash flows related to financing activities</b>		
1.15 Proceeds from issues of shares, options, etc.	3,651	6,885
1.16 Proceeds from sale of forfeited shares	-	-
1.17 Proceeds from borrowings	-	-
1.18 Repayment of borrowings	-	-
1.19 Dividends paid	-	-
1.20 Other (Capital Raising Cost)	(196)	(421)
<b>Net financing cash flows</b>	<b>3,455</b>	<b>6,464</b>
<b>Net increase (decrease) in cash held</b>	<b>662</b>	<b>2,945</b>
1.21 Cash at beginning of quarter/year to date	2,847	564
1.22 Exchange rate adjustments to item 1.20	-	
<b>1.23 Cash at end of quarter</b>	<b>3,509</b>	<b>3509</b>

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**Payments to directors of the entity and associates of the directors**

**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	36
1.25	Aggregate amount of loans to the parties included in item 1.11	-

1.26 Explanation necessary for an understanding of the transactions

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

**Financing facilities available**

*Add notes as necessary for an understanding of the position.*

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	5,000	-
3.2	Credit standby arrangements	-	-

**Reconciliation of cash**

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter \$A'000	Previous quarter \$A'000
4.1	Cash on hand and at bank	3,523	2,847
4.2	Deposits at call	-	-
4.3	Bank overdraft	-	-
4.4	Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.23)</b>		<b>3,523</b>	<b>2,847</b>

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### Acquisitions and disposals of business entities

	Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
5.1 Name of entity	-	-
5.2 Place of incorporation or registration	-	-
5.3 Consideration for acquisition or disposal	-	-
5.4 Total net assets	-	-
5.5 Nature of business	-	-

### Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does give a true and fair view of the matters disclosed.



**Simon Crean**  
 Chief Executive Officer  
 28 July 2014

### Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report except for any additional disclosure requirements requested by AASB 107 that are not already itemised in this report.
3. **Accounting Standards.** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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