

ASX ANNOUNCEMENT

17 August 2020

Kogan.com shines through adversity as preparation meets opportunity

Surge in Active Customers, Kogan Marketplace, and Kogan First drives record performance

FY20 HIGHLIGHTS

- **Gross Sales¹** of \$768.9 million, up 39.3% on prior year (FY19: \$551.8 million)
- **Revenue** of \$497.9 million, up 13.5% on prior year (FY19: \$438.7 million)
- **Gross Profit** of \$126.5 million, up 39.6% on prior year (FY19: \$90.7 million)
- **Adjusted EBITDA²** of \$49.7 million, up 57.6% on prior year (FY19: \$31.5 million)
- **NPAT** of \$26.8 million, up 55.9% on prior year (FY19: \$17.2 million)
- **Active Customer base** of 2,183,000, up 35.7% from prior year (30 June 2019: 1,609,000)
- **Fully franked final Dividend** of 13.5 cents per share, up 64.6% on prior year (final Dividend 2HFY19: 8.2 cents per share)
- **Growth in Gross Sales¹, Gross Profit and Adjusted EBITDA²** accelerated through the period with 2HFY20 YoY growth of 62.5%, 68.3% and 74.1% respectively

Kogan.com Limited (the Company; the Business; Kogan.com; ASX:KGN) today announced financial results for the year ended 30 June 2020 (FY20).

The Company reported Gross Sales¹ of \$768.9 million, up 39.3% on prior year (FY19: \$551.8 million), and Revenue of \$497.9 million, up 13.5% on prior year (FY19: \$438.7 million). Gross Profit was \$126.5 million, up 39.6% on prior year (FY19: \$90.7 million), which reflected an increase in Gross Margin of 4.7pp to 25.4% (FY19: 20.7%). Adjusted EBITDA² increased 57.6% to \$49.7 million (FY19: \$31.5 million), and NPAT grew 55.9% to \$26.8 million (FY19: \$17.2 million).

Business growth accelerated significantly in the second half with 2HFY20 Gross Sales¹, Gross Profit and Adjusted EBITDA² growing 62.5%, 68.3% and 74.1% respectively.

During the financial year the Company delivered the acquisition and integration of Matt Blatt, a pioneer in Australian online furniture retail. The new Matt Blatt was operating within one day of signing the deal, and customers can now access more products from Matt Blatt than at any time in its nearly 40 year history.

As at 30 June 2020, the Company had cash of \$146.7 million, and an undrawn bank debt facility of \$30.0 million. This cash balance excluded the \$20.0 million share purchase plan proceeds which were received in July.

1. The Company believes Gross Sales is a key metric of the Business, given that gross transaction values of Kogan Marketplace, Kogan Mobile, and other New Verticals are not reflected in Revenue.
2. Adjusted EBITDA is a measure of the underlying performance of the Business, it removes non-cash items including the unrealised FX gain/ (loss), equity-based compensation and one-off non-recurring items.

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The Company ended the period with inventories of \$112.9 million, which comprised \$32.5 million of inventory in transit and \$80.4 million of inventory in warehouse. This reflects the Company's investment over the course of the half in inventory in order to meet growing customer demand — particularly of Exclusive Brands. More than 99% of inventory in warehouse at 30 June 2020 was less than 365 days old.

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

“The second half of FY2020 was an extremely turbulent and challenging period for the world, the country, and the Company. We have built a diversified, resilient business over many years, which enabled us to help Australians in their time of need. In the midst of the crisis, our teams mobilised all our resources to ensure our supply chains remained open, our logistics operations continued functioning, and in-demand products remained available for speedy delivery.”

There is a retail revolution taking place as more and more shoppers learn about the benefits of eCommerce. We're seeing record numbers of first time customers, who then go on to make repeat purchases at a 40% faster pace than previously. For us this is a very exciting trend that shows that once customers learn about shopping online, they change their ongoing behaviour. Once someone discovers the benefits of online shopping, I struggle to see why they would ever go back to the old way of doing things. After almost 15 years of preparation, the revolution occurring in retail represents a significant opportunity for Kogan.com.

Kogan Marketplace was a standout performer during the year, exceeding all our expectations and providing our customers with more choice than ever. Importantly, the emergence of Kogan Marketplace has made Kogan.com even more scalable by enabling us to grow infinitely without a corresponding investment in inventory. This will enable us to delight more customers in more ways.

The Kogan First community of members grew exceptionally during the second half, and importantly these loyal members on average purchase and save much more often than non-members, demonstrating loyalty to the platform, and also demonstrating the significant savings and other benefits available through the loyalty program.”

Key drivers of financial performance in FY20

- **Platform Growth** - The Business achieved growth in Active Customers of 35.7% in FY20. At 30 June 2020 the Business had 2,183,000 Active Customers.

Kogan First memberships scaled significantly during FY20 as more and more customers recognise the significant value we are offering via our loyalty program.

The Business strategically increased its marketing activities in order to grow Active Customers. The significant investment to grow our platform and Active Customers had an immediate impact on growth in Active Customers and is also expected to have ongoing long-term benefits to our Business.

- **Product Divisions** - Exclusive Brands continued to achieve year-on-year Revenue growth with an increase of 26.4% on FY19. Exclusive Brands also achieved Gross Profit growth of 43.7%, resulting in a contribution of 51.3% to overall Gross Profit in FY20. This was achieved through ongoing investment in Exclusive Brands inventory to broaden our range and meet consumer demand from the growing base of Active Customers.

Third-Party Brands returned to growth in Gross Profit, delivering an increase of 3.3% on FY19, through improved product selection and sourcing.

- **Kogan Marketplace** - The success of Kogan Marketplace has resulted in Gross Sales¹ increasing by 71.2% in 2HFY20 compared to 1HFY20. The platform continues to resonate with sellers, with Kogan Marketplace having increased the number of sellers significantly, while there continues to be a long backlog of sellers ready to be onboarded.

The exceptional growth of Kogan Marketplace has led to a period of transition for the Business. We are continually improving our proprietary marketplace platform which enables the Business to achieve ongoing growth without a corresponding investment in inventory. The growth of Kogan Marketplace means that customers have more choice than ever.

- **New Verticals** - Kogan Mobile performed relatively in line with FY19, contributing over 10% of total Gross Profit and setting up a solid foundation for growth of Kogan Mobile New Zealand. Kogan Internet Customers grew 90.9% year-on-year, resulting in commission-based Revenue increasing by 144.9% over the same time period.

Kogan Insurance, which includes our suite of insurance products, continues to scale. Commission-based Revenues grew 36.0% year-on-year.

New Verticals launched in 1HFY20, Kogan Cars, Kogan Credit Cards, Kogan Superannuation, Kogan Energy and Kogan Mobile NZ, are growing. Customers continue to receive great deals on the services they need.

- **Variable Costs** - Variable Costs predominantly consist of warehousing and selling costs. The increase in these costs is largely driven by growing volumes of transactions and stock holdings that has allowed the Business to deliver its largest Gross Sales¹ and Gross Profit ever.
- **Investment in our Team** - In order to retain key talent and align their interests with our Shareholders, the Business has made strategic investments in team members. People Costs are inclusive of the annual Short-Term Incentive of \$0.9 million for Senior Management following significant outperformance of budget. Long-Term Incentives remain in place and People Costs have increased year-on-year, partly as a result. The majority of equity-based compensation was issued in the period surrounding the IPO.

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Dividend

The Kogan.com Board has declared a fully franked final Dividend of 13.5 cents per share (Dividend).

The Dividend has not been provided for in the FY20 financial statements. The Dividend Reinvestment Plan will apply to the final Dividend at a 2.5% discount.

Outlook

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 FY21, we are due to further develop and enhance the Kogan Marketplace, grow our Active Customer base by investing in our platform, expanding our Exclusive Brands and Third-Party Brands product divisions, and reviewing ongoing acquisition opportunities.

Consistent with prior years, the Company will not be providing earnings guidance for FY21. However, the Company will provide regular business updates during the period.

July 2020 unaudited management accounts show:

- Gross Sales¹ grew more than 110% YoY
- Gross Profit grew more than 160% YoY
- Adjusted EBITDA² was more than \$10.0 million.

Authorised for release by the Board of Kogan.com Limited.

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 Insurance, Kogan Travel, Kogan Money, Kogan Cars, Kogan Energy, Dick Smith and Matt Blatt. Kogan.com 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.

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ANNEXURE A

Kogan.com announced the introduction of a Dividend Reinvestment Plan on 24 January 2020.

Kogan.com invites all eligible Shareholders to participate in the DRP, subject to the DRP rules (as announced on 24 January 2020). Eligible Shareholders have the option to participate in the DRP by submitting the DRP Election Form by the DRP Election Date via www-au.computershare.com/Investor.

Under the DRP rules, participation in the DRP is open to Kogan.com Shareholders with a registered address in Australia or New Zealand (unless otherwise determined by the Board).

Eligible Shareholders may elect to reinvest all or part of their dividends into Kogan.com Shares, free of brokerage, commission and other transaction costs.

EVENT	DATE
Announce FY20 result and Dividend	Monday 17 August 2020
Record date to identify holders entitled to Dividend	7.00pm, Monday 24 August 2020
Last date for elections under DRP	Tuesday 25 August 2020
Date of Dividend payment	Monday 19 October 2020

Eligible Shareholders considering participation in the DRP should read the DRP rules (as announced on 24 January 2020), and seek their own independent financial and taxation advice about the consequences of participation in the DRP.

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