

BIKEEXCHANGE (ASX: BEX) FY22 FULL YEAR RESULTS ANNOUNCEMENT

31 August 2022

Melbourne, Australia - BikeExchange Limited (ASX: BEX) ('BikeExchange'), a leading global operator of online cycling marketplaces, announced today its full year results for the 12 months to 30 June 2022 (FY22).

Key Highlights

- 41% increase in lookthrough revenue to \$6.8m (FY21: \$4.8m) driven by contribution from Kitzuma and Colombia acquisitions, as well as a 15% increase in the BEX core business.
- Successfully raised \$6.3m (net of costs) from institutional and retail investors to support operations during FY23.
- Organisational restructure and implementation of strategies to deliver annualised cost savings of over \$5.5m in FY23, setting a strong foundation for the business.

KEY METRICS	FY22 vs FY21
Lookthrough* total transaction value (TTV)	Up 22% to \$31.0m
Lookthrough* revenue	Up 41% to \$6.8m
<ul style="list-style-type: none"> • Lookthrough* subscription revenue 	Up 18% to \$2.5m
<ul style="list-style-type: none"> • Lookthrough* e-Commerce commissions revenue 	Up 9% to \$2.0m
Transaction volumes	Up 1% to 33,940
Average order value	Up 18% to \$749
Total active retail accounts	Down 1% to 1,585
Average commission rates	Up 0.2% to 7.7%

* Lookthrough Total Transaction Value and Revenue includes 50% of BikeExchange Colombia's TTV up to 2 March 2022, and 100% from then on.

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Commenting on the performance, Acting CEO Sam Salter said:

"FY22 has been a year of growth and evolution. The business continued to expand whilst managing ongoing COVID-19 pandemic effects in the first half of FY22, such as supply chain issues. The Group is increasingly well positioned to support the cycling industry as it transitions to e-Commerce, servicing the modern consumers' growing demand to buy online.

"We recorded robust growth in revenue from our existing operations in FY22, bolstered by contributions from the Kitzuma business in North America and the remaining 50% of BikeExchange Colombia acquired during the year. Overall, lookthrough revenues increased by 41% in FY22 on pcp.

"Sellers continue to value BikeExchange's services, demonstrated through an expanding seller network, increased average order value and higher average commission rates. This supported a 22% increase in lookthrough TTV for FY22, compared with FY21, to \$30.9m.

"We have been working hard to help our retailers expand e-Commerce sales. The e-Commerce first model reduces friction for consumers and drives sales for retailers by leveraging the power of the BikeExchange marketplace. This focus on e-Commerce transactions, in particular for bikes, drove a restructure of our operating model in Q4 FY22 to efficiently drive larger volumes of online sales, while at the same time reducing our cost base for FY23.

"A notable highlight of FY22 is the acquisition of Kitzuma, a North American based 'ready to ride' logistics company, solving the problem for the bicycle industry of delivering fully built bicycles, without the need for boxes. The Kitzuma acquisition integrates BikeExchange deeper into the bicycle e-Commerce ecosystem driving a higher propensity for customers to buy online, knowing their bike purchase can be delivered 'ready to ride.'

"Kitzuma recorded its best ever sales month in June, with nearly 800 shipments in the month on the back of strong customer take up of its ready-to-ride bike shipment service. The integration of Kitzuma is now largely complete and with a new warehouse in Salt Lake City to cater for growing demand, we remain positive about the potential of this business' growth trajectory and its impact on BikeExchange's North American operations.

“Our successful \$6.3m (net of costs) capital raising during June/July 2022 highlights the support of our investors, their belief in our long-term vision and BikeExchange's value in the cycling ecosystem. It is pleasing to see we have some new investors joining the stable of existing shareholders, as well as strong take-up of the entitlement offer from our key management personnel, creating close alignment between performance and business success.

“While we focus on revenue growth, we have also made rapid progress on creating a more appropriate operational and cost structure for our business and are replicating the successful EU model into other regions.”

FY22 Update & Regional Performance Highlights

- Europe (EU), BikeExchange's largest region, continues to perform well with 27% TTV growth for FY22 vs pcp and 26% revenue growth on pcp.
 - Continues to be a strong e-Commerce performer with order volume up 7% on the prior year and average order value up 19%, reflecting consumer demand for bikes. May 2022 was the strongest ever month on record for e-Commerce gross transaction value.
 - Subscription revenues up 40% on the prior year, reflecting strong account growth.
 - The successful European operational structure is being replicated across BikeExchange operations.
- North America (NA) delivered 19% TTV growth in the year and 137% revenue increase in FY22, driven by the addition of Kitzuma revenue.
 - e-Commerce trading shifted focus to increasing volumes of bike sales, with Average Order Value up 63% on FY21 and average number of sellers increasing.
 - Kitzuma delivered record shipments in June with 26% month-on-month growth, with over \$1.2m post-acquisition revenue recorded.
 - Annualised shipment run rate based on Q4 FY22 is equivalent to over 8,000 annual shipments.
 - Demonstrating positive impacts from brand partnerships on e-Commerce of bikes in the BikeExchange NA business.
- Australia (AU) recorded 15% growth in TTV vs pcp and revenue grew 17% on pcp.
 - e-Commerce revenues were up 47% on prior year, with conversion rates up 28% along with Average Order Value and Order volume both up 7%.
 - Subscription revenues increased 13% on prior year, reflecting improved ARPA on greater premium package penetration.

- Colombia was fully acquired on 2 March 2022 for \$0.6m in cash and equity.
 - Operates five retail stores within Colombia, providing a multi-channel offering to brands and distributors.
 - Generated revenue of \$267k in the post-acquisition period, with strong growth opportunities ahead.
- Overall Group lookthrough TTV increased 22% on pcp to \$30.9m and Group lookthrough revenue was up 41% to \$6.8m.
- Group costs increased by 26% on pcp as the Group invested in resources to scale the business post-IPO.
 - Employment costs grew 74% on pcp, reflecting the investment in talent across all geographies to support planned business growth, with additional increases from the Kitzuma and Colombia acquisitions.
 - Marketing costs increased by 48%, reflecting search engine marketing (SEM) and search engine optimisation (SEO) initiatives that were implemented throughout the year to further increase e-Commerce conversion rates (which were up from 0.14% to 0.19% in FY22).
 - Other costs decreased by 38% which was principally driven by \$4.7m of non-recurring IPO related transaction costs incurred in FY21.
- Overall, the Group incurred an EBITDA loss of \$13.7m, up 27% from FY21.
- A significant restructure was implemented in Q4 FY22 which reduced headcount and other expenses. This restructure is anticipated to reduce BikeExchange's core expenses by at least \$5.5m in FY22 (excluding impact on annualisation of acquisitions of Kitzuma and Colombia).

Outlook

During FY23, we will remain focused on our four strategic pillars:

1. EU model replication: The success of BikeExchange's e-Commerce first model in the EU has been demonstrated over the last two years across all seasons. We will continue to work with retailers to convert enquiry-only leads to transactions. The European team has largely centralised the operations for the Group improving quality, consistency and reducing duplication of activities.

2. Integrate Kitzuma into operations to drive growth: Further integrate the Kitzuma team into BikeExchange North America and focus on the same brand, seller and merchant accounts to achieve synergies, drive e-Commerce transactions and ready to ride delivery volumes. With nearly 800 shipments per month in June 2022, up 26% month on month, we expect to significantly improve gross margin in H1 FY23.

3. Reducing operating costs & implementing e-Commerce operating model:

Centralisation of skills and team around functional areas is largely complete, lowering the operational cost foundation for FY23 to a more appropriate level.

The Group is implementing a program of growth initiatives and cost efficiencies as announced during Q4 FY22 and this is expected to significantly reduce net operating cashflows progressively over FY23. In particular:

- Kitzuma is expected to improve profitability as the business scales.
- The Board of Directors will move to receiving a majority of remuneration in shares (subject to shareholder approval) and the Executive team to take 25% of base remuneration in shares.
- Marketing spend is being reduced with a clear focus on only marketing channels that will contribute a positive margin. Other Group overheads and discretionary spending are being scaled back in line with leaner overall Group operations.
- e-Commerce gross margins are expected to improve on enhanced commission rates and lower variable transaction related costs.

4. Activate more strategic partnerships to support e-Commerce strategy: Advance active and progressed discussions across industry and strategic partnerships with potential capital, with a view to finalise in the near term.

Commenting on the outlook, Acting CEO Sam Salter said: "Trading for the first eight weeks of FY23 has been solid with e-Commerce trading above the prior year as consumer take-up and growth in mass market cycling continues.

"Positively, we are seeing the supply chain challenges experienced over the last 18 months ease and bike retailers are now looking for more avenues to market and move inventory. Given BikeExchange's first-mover advantage, presence in four markets, leading technology, and deep customer relationships, we are well positioned to connect retailers with customers.

"The FY23 focus will be on maintaining our reduced cost base and converting existing traffic and enquiries into sales to achieve steady revenue growth. The Directors' have plans to raise further capital and are in advanced discussions with potential debt partners around providing further funding to the Group under a convertible note arrangement. This proposed funding will provide additional working capital and enable the Group to invest in a significant proposed technology project designed to improve sales conversion rates on the platform."

This announcement has been authorised for release by the BikeExchange Board.

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