

# 2022 ANNUAL GENERAL MEETING

24 November 2022

## Chairman's address

### SLIDE 5: Chairman's address

Before I pass you on to our Founder, CEO and Executive Director - Ruslan Kogan, for a detailed review of the year that was, and the strategic direction moving forward for our business, I would like to take this opportunity to recap some highlights of the 2022 financial year.

In FY22, the Business demonstrated its resilience and strength, managing continuous disruption and volatility driven by the ongoing COVID-19 pandemic. Despite this, the Kogan.com Group was still able to achieve its highest ever Gross Sales, returned to positive operating cash flows and successfully met the needs and desires of millions of shoppers in Australia and New Zealand.

It was another exceptional year for our Kogan Marketplace. Our proprietary Marketplace platform was recognised at a leading industry awards night as the Top Australian Marketplace in 2022. We grew our Marketplace Seller community by over 49% year-on-year, and grew Marketplace Gross Sales by over 20% year-on-year.

We are now partnering with thousands of Marketplace Sellers to offer millions of products to our customers. This is truly a win-win-win. Customers access incredible range and choice, Kogan.com can exponentially grow without increasing capital requirements, and small businesses can grow through a very attractive avenue to reach millions of customers around Australia and New Zealand.

Our Kogan First Loyalty Program grew very rapidly in FY22, as more and more smart shoppers quickly learned of the exceptional value available to them. Over the 12 months of FY22, we more than tripled Kogan First Subscribers to over 372,000. We see enormous potential in our loyalty program as it provides a stronger value proposition for our most loyal customers.

FY22 marked the first full year with Mighty Ape as part of the Group, having joined the Kogan.com family in December 2020. Mighty Ape delivered on some fantastic projects, most notably the Jungle Express delivery services, which is already receiving

huge accolades. Both Kogan.com and Mighty Ape continued to work together to achieve synergies across the Group that will reap benefits in the years ahead.

During the year, Gracie MacKinlay was promoted to the CEO role at Mighty Ape. Gracie has been the Chief Marketing and Sales Officer for the past 10 years at Mighty Ape, and is a very deserving appointment. Simon Barton, the Founder of Mighty Ape, will continue as Chief Financial Officer - Mighty Ape, as he assists Gracie with her transition.

In terms of our Board and Governance, we operated with a majority independent Board, Audit & Risk Committee and Remuneration & Nomination Committee, following the appointments of Janine Allis and James Spenceley as Non-Executive Directors at the end of last year. Our new Directors have brought additional insights and experience to our strategic leadership, and further enhanced our robust governance practices and sound risk management.

### **SLIDE 6: FY22 Group Results**

Turning briefly to the Group results in FY22, there were many highlights, some of which I'll touch on now:

- The Business achieved its highest ever Gross Sales result, despite the challenging trading environment, delivering \$1.18 billion in gross sales;
- Our Loyalty Program tripled in size, reaching 372,000 Kogan First subscribers, with the renewal rate demonstrating the strength of the program.
- We worked through part of the excess inventory issues, reducing our inventory level by almost 30% down to \$159 million, and setting the business on course to fully resolve this issue quickly;
- Importantly, we delighted almost 4 million customers; and
- We returned to positive operating cash flows, generating \$61.8 million of operating cash flow, and ended FY22 with \$31.2 million of net cash;

### **Strategic opportunities**

As a Board, we are extremely excited about the opportunities ahead.

Over the next 12 months we expect to see significant opportunities in Kogan Marketplace, including a new advertising platform to be launched in the second half of FY23. We expect Mighty Ape to continue growing and benefiting from Group synergies. The Kogan First loyalty program is expected to continue building a large loyal customer base who are rewarded with exclusive deals everyday. We also look

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forward to rolling out enhancements across our Verticals, including Kogan Mobile, our largest Vertical.

We are excited by the opportunities we see for our business as we continue to deliver on our mission of making the most in-demand products and services more affordable and accessible for all.

### **Our Team**

I am extremely proud of the Kogan.com team who have been relentless in delivering on our mission each and every day. They have continued to perform at such an incredibly high standard through what has been another challenging operating environment. On behalf of the Board, thank you for your continued commitment to the Kogan.com mission, values and community.

I would now like to invite our Founder, Ruslan Kogan, to address the meeting and provide a more comprehensive review of the business during the 2022 financial year, and an update on trading for FY23 so far.

### **CEO's address**

#### **SLIDE 7: CEO's Address**

Thank you, Chairman.

It's a pleasure to address you all here at our 2022 Annual General Meeting. Thank you for taking the time today.

Despite FY22 presenting significant challenges, I'm pleased to say we continued to make the most in-demand products and services more affordable for our millions of customers when they needed us most. As Greg said, FY22 proved one thing to us — just how resilient and robust our Business and Team is.

This year had many highlights, including our highest ever Gross Sales, incredible growth in Kogan First Subscribers, our 5th consecutive Australia Post People's Choice Award, and recognition as the Top Australian Marketplace at a leading industry awards night, just to name a few.

I'll now take you through an overview of our progress over FY22.

### **SLIDE 8: Delighting our customers**

Our customer metrics speak for themselves. We delighted close to 4 million customers during FY22, and as mentioned earlier, won our 5th consecutive Australia Post People's Choice Award. With more than half our orders coming from customers who have previously shopped with us in the past 12 months, it's a strong endorsement of the value we provide. Our customers keep coming back more and more because we continue to provide them with remarkable value.

Our Marketplace platform has ensured that we are driving choice and competition on our platform. We now offer over 23 million products to our customers.

### **SLIDE 9: Kogan Marketplace**

Kogan Marketplace continued to grow rapidly in FY22. It was another year of record Gross Sales as we continued to onboard more and more sellers. The year included the launch of our Marketplace to New Zealand Customers, which has been a big hit.

Our Marketplace team works tirelessly to deliver a truly world-class shopping experience for our customers and sellers. This effort culminated in being awarded the Top Australian Marketplace at a leading industry awards night. It's a truly fantastic achievement.

As you all know, we don't rest on our laurels here at Kogan.com. In the second half of FY23 we'll be launching a new advertising platform for Kogan Marketplace which will allow sellers to better reach and promote their offers to our customers.

### **SLIDE 10: Exclusive Brands strategy**

Our Exclusive Brands are a pillar of Kogan.com and something customers have loved about us since day one. This division represents the most efficient way to get a product from the point of manufacture to our customers and results in remarkable value. We now have more than 20 Exclusive Brands in our stable and they all represent ridiculously good value for customers.

While cycling an incredibly strong period last year, we continue to see a bright future for our Exclusive Brands division, as we control the entire supply chain, enabling us to deliver incredible value for our customers across the most in-demand products.

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### **SLIDE 11: Kogan First**

Our Kogan First Loyalty Program is going from strength to strength. It delivers remarkable value to our most loyal customers from free shipping, to exclusive deals, Kogan First Rewards Credits and priority Customer Care.

During FY22 the loyalty program tripled in subscribers, to over 372,000 — and as at today's meeting, we have over 387,000 subscribers.

Kogan First members received over \$20 million of benefits in FY22. Anyone who places remarkable value at the center of their purchase decision making can't afford not to be a Kogan First Subscriber.

### **SLIDE 12: Kogan Verticals**

Beyond the millions of products we offer, we also have a stable of Verticals that deliver our customers great value on essential services.

While many of our Verticals were significantly impacted by the COVID-19 pandemic, we are now seeing a return to growth across all our Verticals — Kogan Mobile Australia, Kogan Mobile New Zealand, Kogan Credit Cards, and Kogan Energy.

We're implementing a range of enhancements to our Verticals that will drive further growth in FY23 and beyond, including:

- The provision for eSims on all our Kogan Mobile Australia plans;
- The potential integration with Telstra's rural towers, which would allow broader mobile connectivity throughout Australia;
- The introduction of 5G to selected plans in Australia and all plans in New Zealand;
- The introduction of a purchase and balance transfer offer with Kogan Money Credit Cards; and
- The relaunch of Kogan Insurance with new partner QBE.

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### **SLIDE 13: Mighty Ape**

The Mighty Ape Team enjoyed a fantastic year, with FY22 being their first full year as part of the Kogan.com family.

The Mighty Ape team delivered on a number of key initiatives over the past 12 months. These included Jungle Express, which allows transparency of delivery for the customer as well as improved speed and quality of the delivery experience in New Zealand. We've also worked together on their range to expand their offering, and this will continue to be an ongoing project as our two platforms grow together.

Once again, I'd also like to congratulate Gracie MacKinlay on her promotion to CEO of Mighty Ape. I'd also like to thank Simon Barton, Mighty Ape's Founder, for his continued support as he assists in transitioning the Business to its next growth phase with Kogan.com.

### **SLIDE 14: Operating cost efficiencies**

We've never shied away from transparency with our Business. It's no secret that during the COVID-19 pandemic, the efficiency of our Business suffered.

We are now in a phase of consolidation, with the aim of returning to the levels of profitability and operating leverage that we previously delivered in the years between our IPO and the earlier stage of the pandemic.

In the second half of FY22 we undertook a number of initiatives to reduce operating costs and streamline operations, including:

- Reducing underperforming product categories in order to decrease warehousing costs
- Suspending Kogan Delivery Services due to rising transportation and partner delivery costs; and
- Revising our proprietary marketing algorithm to improve ROI.

We are continuing to implement further aspects of these initiatives in the first half of FY23 to achieve even more efficiencies, and we expect to return to our historical operating margins during the second half of FY23.

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## SLIDE 15: Kogan Group Trading - November update

Turning now to FY23 year-to-date trading covering July 2022 through October 2022. The trading results reflect a period of subdued sales activity in eCommerce, whilst also cycling strong results in the prior COVID-19 year.

Our drive to sell-through the final balance of excess inventory has resulted in a positive cash position. We currently have \$20.1 million net cash, after having paid the third tranche of the Mighty Ape acquisition consideration. We are also seeing continued improvement in operating costs as inventory levels reduce further.

Our businesses have returned to their regular operating rhythm, with continued growth being achieved in Kogan Marketplace, Mighty Ape, Kogan First, and key Verticals including Kogan Mobile Australia.

Once the final sell through of inventory is completed, we plan to have the Kogan Group return to the historic growth trajectory and profitability that it has been able to deliver. We look to the second half of FY23 with confidence as the Kogan Group returns to being an agile, inventory-light business with strong operating margins.

Finally, I would like to echo Greg's sentiment and thank our incredible team at Kogan.com. What we are achieving would not be possible without their relentless dedication, obsession with delighting our customers, and passion for perfection. It's these qualities, while focusing on digital efficiency and innovation, that makes us so successful. I look forward to chatting with many of you after today's formalities are complete.

I will now hand back to our Chair for the formal business of today.

Thank you.

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