

ASX ANNOUNCEMENT

27 February 2023

Return to profitability on track as excess inventory largely resolved Kogan.com shifts focus back to efficiency and profitability

1HFY23 key items (vs 1HFY22)

- **Net cash (after loans & borrowings)** grew to \$74.0 million as at 31 December 2022.
- **Inventories** reduced to \$98.3 million (comprised of \$84.1 million in-warehouse and \$14.2 million in-transit) as at 31 December 2022, from \$159.9 million (comprised of \$137.9 million in-warehouse and \$22.0 million in-transit) as at 30 June 2022.
- **Brosa**, one of Australia's largest online luxury furniture retailers, was purchased by the Company out of administration in late December 2022.
- **Group Active Customers¹** were 3,323,000. Kogan.com ended the period with 2,550,000 Active Customers and Mighty Ape ended the period with 773,000.
- **Kogan First** continued to grow, with Kogan First Subscribers increasing 47.6% to over 404,000 as at 31 December 2022, and Kogan First subscription revenue increasing 83.1%.
- **Verticals** growth was achieved in our largest offerings - Kogan Mobile Australia, Kogan Mobile New Zealand and Kogan Money Credit Cards. Revenue for each grew 5.9%, 75.3% and 6.9%, respectively.
- **Gross Sales² & Revenue** of \$471.1 million and \$275.6 million declined by 32.5% and 34.3%, respectively. Major impacts on performance included the cycling of COVID-19 related lockdown orders and subdued sales for the Company.
- **Gross Profit** of \$62.9 million declined 41.8%. Profitability during the period was impacted by the substantial right-sizing of inventory involving unprecedented discounting.
- **Operational costs** reduced following the substantial right-sizing of inventory.
- **Adjusted EBITDA³** was \$(4.4) million and EBITDA was \$(23.0) million.
- **Adjusted NPAT³** was \$(9.6) million and Statutory NPAT was \$(23.8) million.
- **Adjusted Earnings per Share³** was \$(0.09) and EPS was \$(0.22).
- **Statutory NPAT and EPS** include non-cash items including unrealised gains/(losses), equity-based compensation and one-off non-recurring items.

¹ Excludes Brosa customers.

² 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.

³ Measures the underlying performance of the Business, removing non-cash items including unrealised FX gains/(losses), equity-based compensation and one-off non-recurring items. Refer to Annexure 2 of the 1HFY23 Results Presentation for a detailed reconciliation of adjusting items.

For personal use only

- **Return to Profitability** occurred in January 2023 with Kogan.com recording its first positive Adjusted EBITDA month since July 2022 and Mighty Ape continuing its steady trend of profitability.

Kogan.com Limited (The Company; Kogan.com; ASX:KGN) announces its results for the six months ended 31 December 2022 (1HFY23).

Key drivers of financial performance over 1HFY23

- Prior to this period, the Company had heavily invested in inventory and operational capacity to meet the significant growth in demand during the COVID-19 pandemic. As lockdown orders associated with the pandemic eased, the shift in online demand resulted in the Company holding surplus inventory and increased operational expenses. To address this, and return the Company to profitability, Kogan.com accelerated the correction of both issues in 1HFY23.
- **Inventory** - The right-sizing of inventory was accelerated during 1HFY23, with Group inventory levels reducing to \$98.3 million at 31 December 2022. This is compared to \$137.9 million at 30 June 2022 and \$159.9 million at 31 December 2021. The substantial right-sizing of inventory allowed the Business to achieve operational efficiencies during the first half, and these operational efficiencies are set to continue through 2HFY23.
- **Strong Balance Sheet** - The Business ended the period with net cash (after loans & borrowings) of \$74.0 million. This result was achieved after funding the \$14.2 million Mighty Ape Tranche 3 payment, repaying loans & borrowings of \$25.0 million and making the Brosa acquisition payment of \$1.5 million.
- **Operational efficiencies** - The Business continued cost reduction initiatives in 1HFY23 to recalibrate the Cost of Doing Business (CODB). Variable costs as a percentage of Gross Sales were reduced from 2HFY22 to 1HFY23. These initiatives included reducing the scope of underperforming product categories, redirecting marketing spend as excess inventory progressively resolved and managing fixed costs to align with current trading conditions.
- **Acquisitions** - Kogan.com's strong cash position supported the acquisition of Brosa, one of Australia's largest online luxury furniture retailers, out of administration for \$1.5 million. The acquisition includes welcoming the 500,000 Brosa subscribers to the Kogan.com community.
- **Mighty Ape** - This period marked the successful transition of Gracie MacKinlay to CEO of Mighty Ape. The Mighty Ape business continued to deliver exceptional service to its customers, winning multiple New Zealand customer service awards. Top line performance declined YoY with Gross Sales and Revenue down 9.1% and 7.9%, respectively. However this decline was offset by an improvement in Gross Margins reflecting the benefits of selling Kogan.com Exclusive Brands products and reducing international shipping rates. Adjusted EBITDA was \$6.8 million, Adjusted EBIT was \$5.9 million and Adjusted NPAT was \$4.1 million for the period.

- For personal use only
- **Kogan First** - The Kogan First loyalty program grew to over 404,000 Subscribers as at 31 December 2022, with Revenue increasing to \$10.8 million, up 83.1% YoY. Growth of the program was underpinned by a strong renewal rate of over 75% in 1HFY23, demonstrating that the program continues to provide incredible value to customers.
 - **Marketplace** - Kogan Marketplace Gross Sales declined 35.7% YoY due to soft market conditions. However, overall seller-fees reduced by a lesser percentage due to improvements in seller management and experience. The team also grew the platform rapidly in New Zealand, having launched the platform there in late June 2022.
 - **Product Division performance** - During this period, the Company substantially right-sized inventory levels, which was the key factor for elevated operational costs over the past year. Unprecedented discounting was offered to customers in order to reduce this inventory, impacting Gross Margins through the period for both Exclusive Brands and Third-Party Brands. The Business is continuing to perform extensive range reviews in order to offer a more focussed range of only the most in-demand products at the most affordable prices.
 - **Kogan Verticals** - Our larger Kogan Verticals grew Revenue YoY. These included:
 - Kogan Mobile Australia, which grew Revenue by 5.9%;
 - Kogan Mobile New Zealand, which continued to accelerate, growing Revenue by 75.3%; and
 - Kogan Money Credits Cards, which grew Revenue by 6.9%.The Business also relaunched Kogan Travel, relaunched Kogan Travel Insurance, and transitioned the partnership for Kogan Insurance Home, Contents, Landlord, Car and Life, offering even better value than ever before.
 - **Investment in our Team** - In order to reward and incentivise key talent and align their interests with our Shareholders, Kogan.com made strategic investments in team members. Long-term Incentives remain in place and people costs have increased YoY, as a result.

Commenting on Kogan.com's performance over 1HFY23, Founder and CEO Ruslan Kogan said:

"We're pleased to be emerging from a turbulent few years. The ship has steadied, we have a renewed focus on the ruthless efficiency that's underpinned our entire existence, and we have doubled down on delivering great value for customers.

"The first half delivered on multiple fronts. We were pleased to welcome 500,000 Brosa subscribers to the Kogan.com community following our acquisition of one of Australia's largest online furniture retailers. Our Verticals, namely Kogan Mobile Australia, Kogan Mobile New Zealand and Kogan Money Credit Cards, grew YoY as we provided services at incredible prices. Mighty Ape saw the successful transition of Gracie Mackinlay to CEO and received multiple awards

for exceptional customer service. And Kogan First continued to grow as we delivered more and more value for our most loyal customers.

“For more than 16 years we have been delivering incredible value to our millions of customers. We’ve been able to do so by running a lean organisation that has a razor sharp focus on efficiency. During these financially difficult times, the ability to continue delivering value is more important than ever. That’s why I’m so proud of our team’s ability to navigate turbulent demand and inventory levels and continue progressing with operational efficiencies. In such a dynamic environment, our team never took their eyes off our mission — making the most in demand products and services more affordable and accessible.

“We look forward to the second half of this financial year with confidence. We have reset Kogan.com for success, and in doing so, have ensured we continue to delight our millions of Customers during these challenging times.”

Positive outlook for 2HFY23

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 2HFY23, we expect to enhance and develop Kogan Marketplace, gain further efficiencies in operating costs, launch additional verticals in New Zealand, grow Kogan Mobile and other Australian verticals, and further enhance Kogan First.

January 2023 unaudited management accounts demonstrate the expected return to Adjusted EBITDA profitability in 2HFY23. Key items of that month’s results include:

- Gross Sales of \$68.8 million, down 33.2% YoY
- Gross Margin of 32.9%, up 7.9pp YoY (reflecting the reduction of excess inventory sold with heavy discounting);
- Operating costs reducing by 22.1% YoY; and
- A return to positive Adjusted EBITDA of \$1.5 million.

Capital management

While the trading results for January reflect some positive momentum, the Kogan.com Board is mindful that this reflects only one month of trading activity and has decided not to declare a FY23 Interim Dividend. The Board will continue to assess appropriate capital management practices over the remainder of 2HFY23, having regard to the trading performance of the Company and its capital requirements.

Investor conference call

A presentation of the 1HFY23 results as well as a briefing session for investors and analysts will be held at 9:30 am (AEDT) today. Participants can register for the briefing session via: www.koganpresentation.com.

For personal use only

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

ENDS

For further information please contact:

relations@kogancorporate.com

Subscribe to Kogan.com Investor Relations Updates:

<https://www.kogancorporate.com/subscribe/>

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, Matt Blatt, Mighty Ape and Brosa. 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.

For personal use only