



ASX ANNOUNCEMENT

26 April 2023

Kogan.com 3QFY23 Business Update & Share buy-back

Kogan.com Limited (the Company; Kogan.com; ASX: KGN) is pleased to announce that over the three months ended 31 March 2023 (3QFY23), the Company achieved three consecutive months of positive Group Adjusted EBITDA.

The Company's return to consistent underlying profitability is a result of more than a year of optimising and refocusing of the business to align to the rapidly changing trading conditions. Specific operational strategies implemented included:

- significantly correcting inventory levels, with inventory reducing to \$78.3 million as at 31 March 2023;
- rationalising inventory categories;
- renegotiating supplier contracts;
- recalibrating marketing spend; and
- optimising operational efficiency and capital management.

The quarter did continue to reflect subdued sales activity, as interest rate rises and inflationary pressures across the economy impacted consumer spending. Further operational efficiencies are being implemented through the remainder of FY23.

Kogan.com concluded the quarter with a strong Balance Sheet underpinned by \$49.1 million of net cash, with the reduction in cash since 31 December 2022 offset by a corresponding reduction in trade payables.

Founder and CEO of Kogan.com, Ruslan Kogan, said

"After a series of challenging periods, I'm proud that Kogan.com has returned to sustained underlying profitability, reflecting the efforts of our brilliant team and the agile and robust business we have built. The journey to get here has been one of the toughest in our 17 year history, but also one of our most rewarding. It goes without saying – we are a far stronger Company today than ever."

“Whilst it’s nice to celebrate this milestone, what I’m most excited about now is returning to what we do best – delivering incredible value to our millions of customers across Australia and New Zealand.”

“In these current tough economic conditions, we are a proven and loved shopping destination that helps millions of shoppers save on products and essential services. We are dedicated to helping our customers live life to the fullest.”

Trading Update

Kogan.com provides the following business update based on unaudited management accounts for 3QFY23. This update compares the 3QFY23 results to 3QFY22:

- **Net Cash (after loans & borrowings)** grew to \$49.1 million as at 31 March 2023 compared to a balance of \$(6.3) million at 31 March 2022. The reduction in cash since 31 December 2022 was offset by a corresponding reduction in Trade Payables. As at the date of this announcement, all debt within Kogan.com has been repaid while a small advance remains drawn within Mighty Ape.
- **Inventories** reduced to \$78.3 million (comprising \$68.2 million in-warehouse and \$10.1 million in-transit) as at 31 March 2023 from \$193.9 million (comprising \$169.5 million in-warehouse and \$24.4 million in-transit) as at 31 March 2022. The reduction reflects the significant right-sizing of inventory levels to match prevailing levels of demand.
- **Group Active Customers** were 3,056,000. Kogan.com ended the period with 2,296,000 Active Customers and Mighty Ape had Active Customers of 760,000.
- **Kogan First** Kogan First Subscribers grew by 24.3% to over 407,000 as at 31 March 2023.
- **Gross Sales** of \$188.7 million declined 28.0% YoY. Performance continues to be impacted by soft market conditions caused by interest rate rises and inflationary pressure.
- **Gross Profit** of \$34.3 million was impacted by soft topline performance mentioned above.
- **Gross Margin** increased 6.5pp to 31.6% over the quarter. Key drivers of the improvement include the conclusion of significant discounting to sell-through aged inventory at the start of 3QFY23 and an increased proportional contribution from the Marketplace, Verticals and Kogan First commission streams.
- **Operational Cost** efficiencies continued to be achieved during the quarter, as inventory was right-sized. Variable & Marketing costs as a percentage of Gross Sales reduced to 8.1% from 10.0% in 3QFY22.

- **Adjusted EBITDA**¹ was \$4.4 million. EBITDA was \$(4.0) million.
- **Adjusted EBIT**¹ was \$0.2 million. EBIT was \$(8.1) million.

On-market Share Buy-Back

In line with the Board's commitment to actively and effectively manage the Company's capital position, and having regard to Kogan.com's strong Balance Sheet, the Board intends to undertake an on-market share buy-back program up to a maximum of 10% of issued Ordinary Shares, commencing 12 May 2023 and ceasing on 10 May 2024.

In accordance with ASX Listing Rules, prices paid for shares purchased under the buy-back will be no more than 5% above the VWAP of KGN shares over the five trading days prior to the purchase. The buy-back will not exceed 10% of issued capital over the 12-month period.

Today's announcement takes into account Kogan.com's return to positive Adjusted EBITDA, strong Balance Sheet and positive net cash position, increasingly inventory-light business model, efficiencies created and expected in operating costs, and improving Gross Margins caused by the growing contribution from commission-based revenue streams. As part of its growth strategy, the Board deems the acquisition of shares at prevailing prices to be a prudent approach to effective capital management, while also ensuring the retention of financial flexibility to fund accretive organic and inorganic growth opportunities.

The number of shares purchased under the buy-back, and the average price, will be notified to the ASX on the business day following the date on which those shares are bought back. Shares bought back will be cancelled upon acquisition, so the number of shares on issue will reduce accordingly.

Kogan.com will buy-back shares at such times and in such circumstances as it is considered beneficial to the efficient capital management of the Company and the buy-back is therefore dependent on market conditions, volumes and other relevant factors. The Company reserves the right to suspend without notice or terminate the buy-back program at any time.

¹ 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

Mighty Ape transitions

The end of March 2023 reflected the end of the earn-out period for Simon Barton, the Founder, Former CEO and CFO of Mighty Ape.

As announced on 2 June 2022, Gracie MacKinlay was appointed to the role of CEO on 6 June 2022 after working with the business for more than 10 years, and has delivered a seamless transition during her first 10 months in the role.

In early April 2023 Simon Barton stepped down as CFO of Mighty Ape to enjoy time with his family. Kogan.com thanks Simon for his founding and stewardship of the Mighty Ape business, and for his careful and meticulous transition of the business into Kogan.com's ownership. The Company wishes Simon every happiness and success in the next stage of his life.

The Company is also pleased to announce the appointment of Dan Balasoglou as CFO of Mighty Ape, commencing in May 2023. Dan joins Mighty Ape following more than 10 years at Lotto NZ, where he led a large team as the CFO.

Annexure 1

Gross Sales

			3QFY22 vs 3QFY23	
Gross sales	3QFY22	3QFY23	Mvmt (\$)	Mvmt (%)
Kogan Marketplace	78.0	60.4	(17.6)	(22.5%)
Exclusive Brands	71.0	39.8	(31.2)	(43.9%)
Mighty Ape	35.4	33.4	(2.0)	(5.5%)
Third-Party Brands	48.0	19.8	(28.2)	(58.8%)
Kogan Mobile Australia	18.5	18.9	0.4	2.4%
Kogan First	4.2	7.7	3.5	81.6%
Kogan Energy	2.5	3.5	1.0	38.2%
Kogan Internet	3.1	2.7	(0.4)	(12.8%)
Kogan Mobile New Zealand	0.5	1.0	0.5	115.8%
Advertising & Other income	0.9	1.4	0.5	54.2%
Total	262.1	188.7	(73.4)	(28.0%)

Gross Profit

			3QFY22 vs 3QFY23	
Gross Profit	3QFY22	3QFY23	Mvmt (\$)	Mvmt (%)
Kogan.com	32.0	25.5	(6.4)	(20.1%)
Mighty Ape	9.1	8.7	(0.3)	(3.8%)
Total	41.0	34.3	(6.8)	(16.5%)

Adjusted EBITDA

			3QFY22 vs 3QFY23	
Adjusted EBITDA	3QFY22	3QFY23	Mvmt (\$)	Mvmt (%)
Kogan.com	(3.5)	3.0	6.5	184.2%
Mighty Ape	2.8	1.4	(1.4)	(50.1%)
Total	(0.8)	4.4	5.1	670.3%

Adjusted EBIT

			3QFY22 vs 3QFY23	
Adjusted EBIT	3QFY22	3QFY23	Mvmt (\$)	Mvmt (%)
Kogan.com	(8.1)	(0.7)	7.4	91.2%
Mighty Ape	2.3	0.9	(1.4)	(60.2%)
Total	(5.8)	0.2	6.0	103.5%

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, Matt Blatt, Mighty Ape and Brosa. Kogan is a leading consumer brand renowned for price leadership through digital efficiency. The Company is focused on making in-demand products and services more affordable and accessible.