



# 1HFY18 RESULTS PRESENTATION

22 FEBRUARY 2018

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# CEO Update

Ruslan Kogan  
Founder & CEO

# 1HFY18 HIGHLIGHTS

1HFY18 saw the start of a watershed period for Kogan.com, as the Company accelerated growth in its existing Product Divisions and laid the foundation for future growth via continued expansion in New Verticals.

## FINANCIAL OUTPERFORMANCE

- Outperformed full year FY17 Pro Forma EBITDA in the first half of FY18, achieving Trading EBITDA of \$14.1 million in 1HFY18

## GROWING BRAND

- 1,166,000 Active Customers – 40.5% increase from 31 December 2016

## STRONG GROWTH FROM KEY INITIATIVES

- Kogan Mobile continues to achieve strong results
- Successful investments in inventory and marketing

## NEW VERTICALS EXPANSION

- Kogan Health launched in February 2018
- Kogan Life due to launch in 4QFY18
- Kogan Pet due to launch in 4QFY18
- Kogan Internet due to launch in 4QFY18

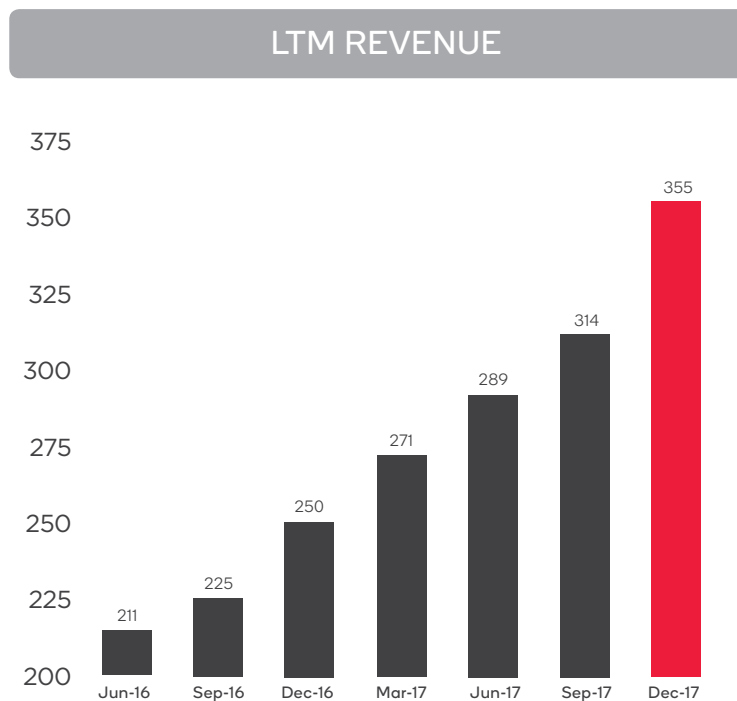
## DIVIDENDS

- Interim dividend up 76.9% YoY to 6.9 cents per share, fully franked

# 1HFY18 RESULTS

Trading EBITDA of \$14.1 million exceeded 1HFY17 Pro Forma EBITDA by 93.2%. The Company exceeded full year FY17 Pro Forma EBITDA in the first half of FY18.

	Pro Forma <sup>1</sup> actual 1HFY17	Trading <sup>1</sup> actual 1HFY18	1HFY18 vs 1HFY17 Growth
Revenue \$m	143.9	209.6	45.7%
Gross Margin	18.0%	19.4%	1.4pp/7.9%
Pro Forma/Trading EBITDA <sup>1</sup> \$m	7.3	14.1	93.2%

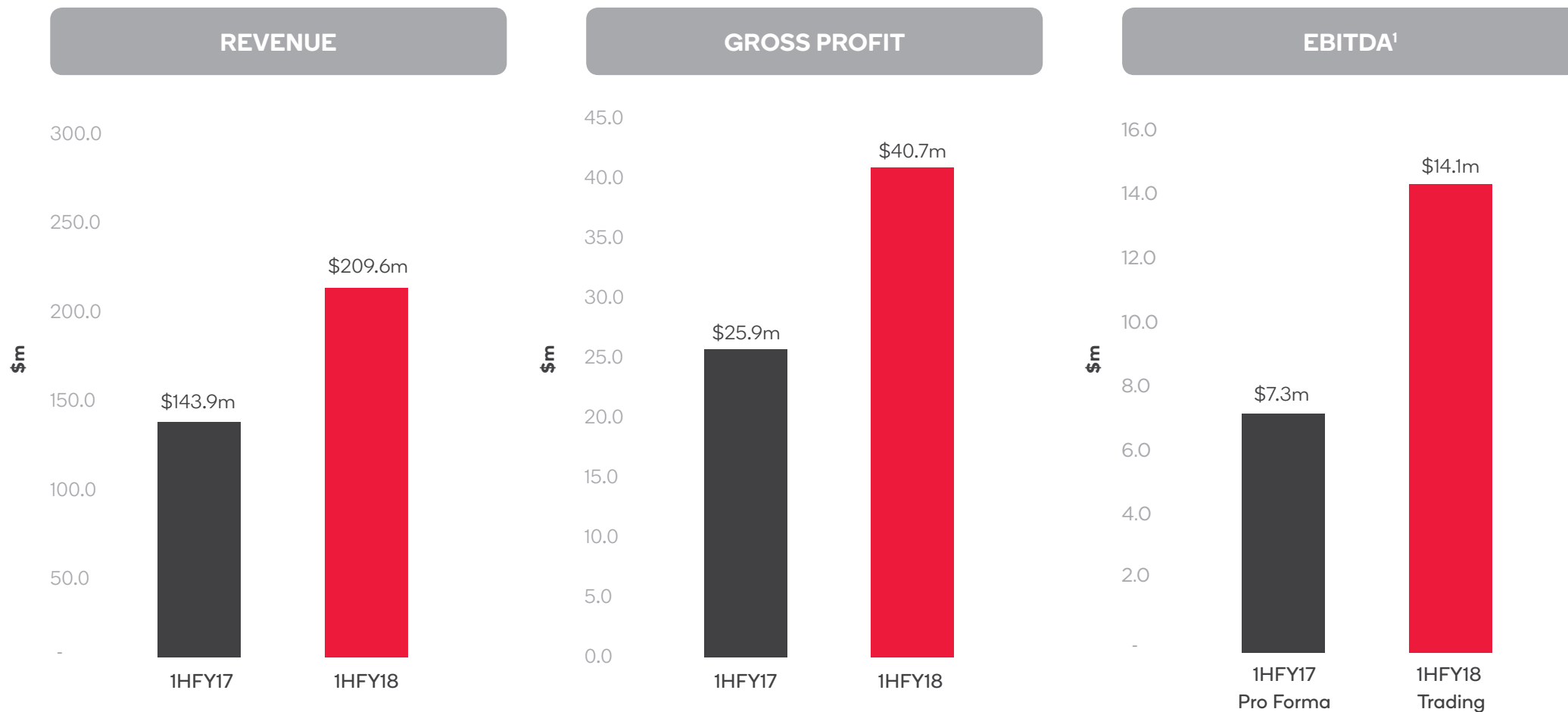


Notes:

1. The basis of the 1HFY17 Pro Forma results is set out in prior period presentations and reports. A reconciliation from statutory to Trading results is provided in Annexure 3.

# FINANCIAL HIGHLIGHTS

Kogan.com outperformed on all key financial metrics in comparison to the prior year.



Notes:  
1. The basis of the 1HFY17 Pro Forma results is set out in prior period presentations and reports. A reconciliation from statutory to Trading results is provided in Annexure 3.

# WHO WE ARE

We have built a company that allows us to be agile, bold and innovative. Our growing portfolio of businesses enables us to scale with minimal capital requirements.

kogan.com

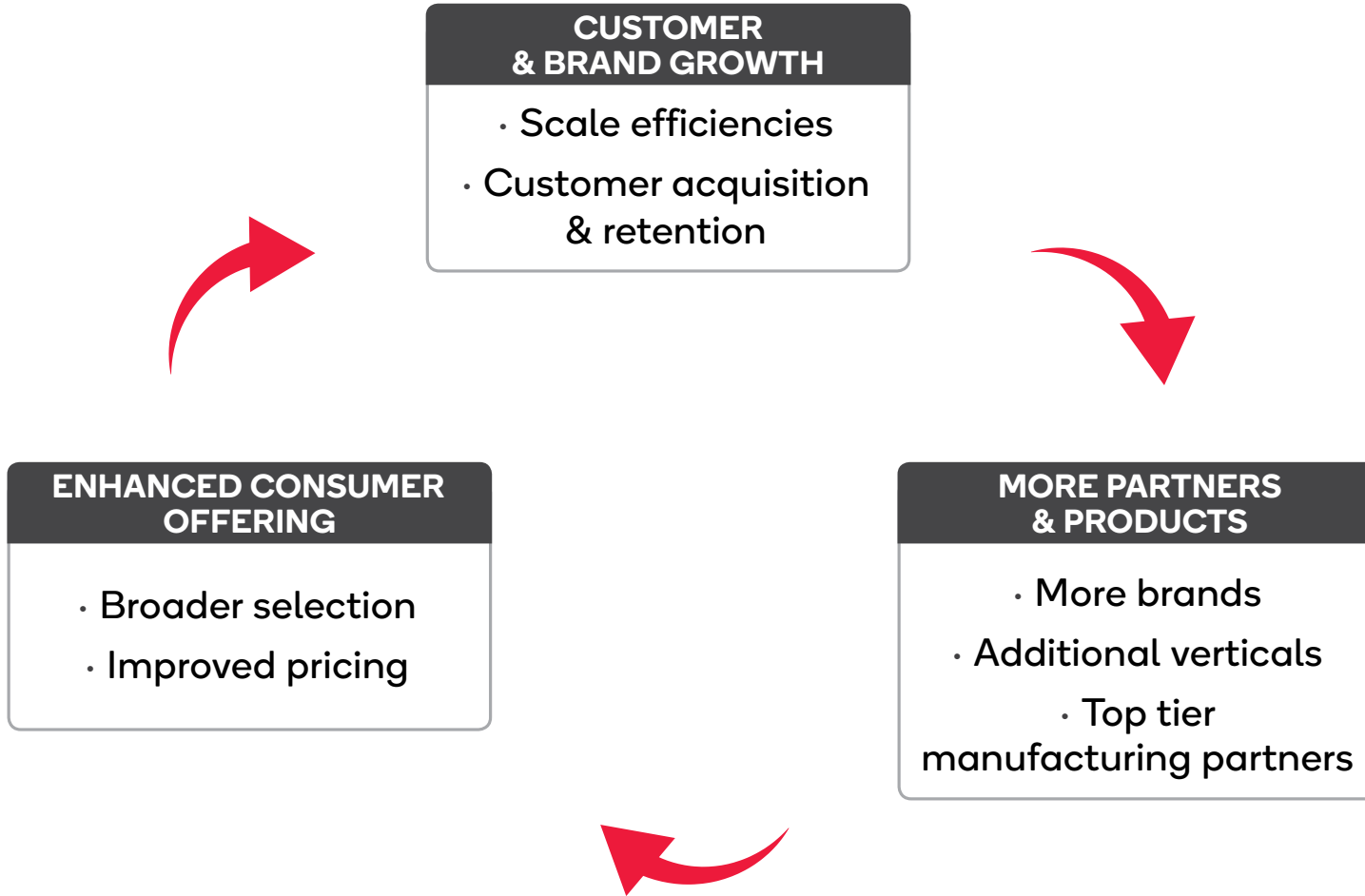
1,166,000  
Active Customers 

8.5 million Active Subscribers



## OUR VIRTUOUS CYCLE

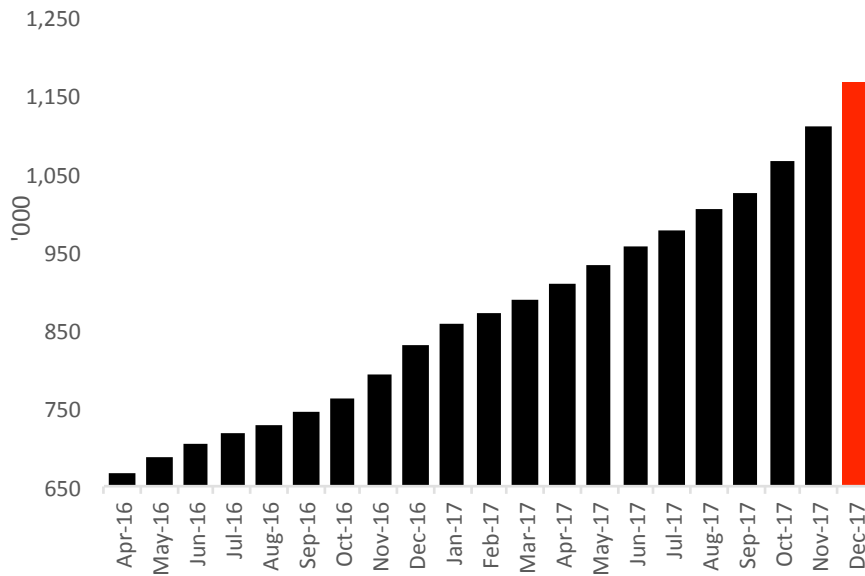


# BUILDING THE KOGAN BRAND

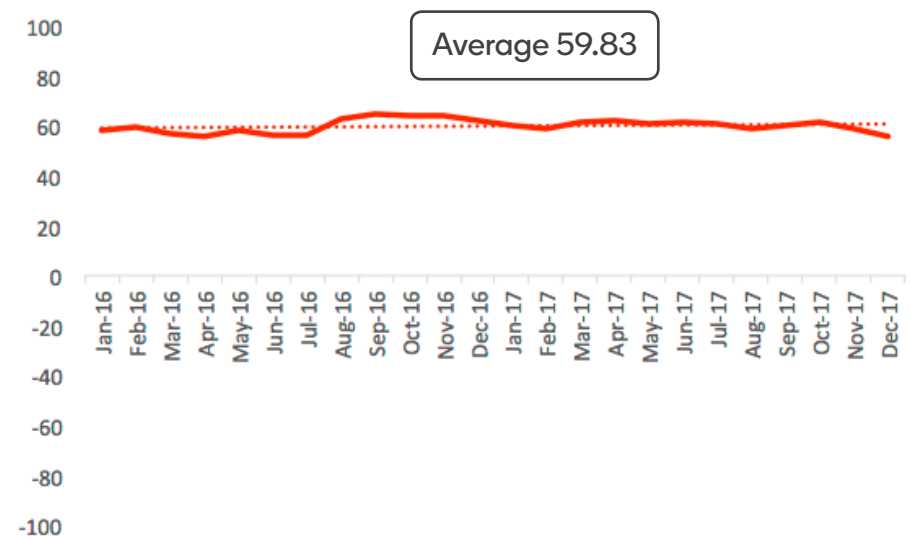
In the twelve months to December 2017, the business achieved 40.5% growth in Active Customers<sup>2</sup>.

	Dec-16	Jun-17	Dec-17	Dec-16 vs Dec-17 Growth
Active Customers	830,000	955,000	1,166,000	40.5%

## ACTIVE CUSTOMERS



## NET PROMOTER SCORE (NPS)<sup>1</sup>



Notes:

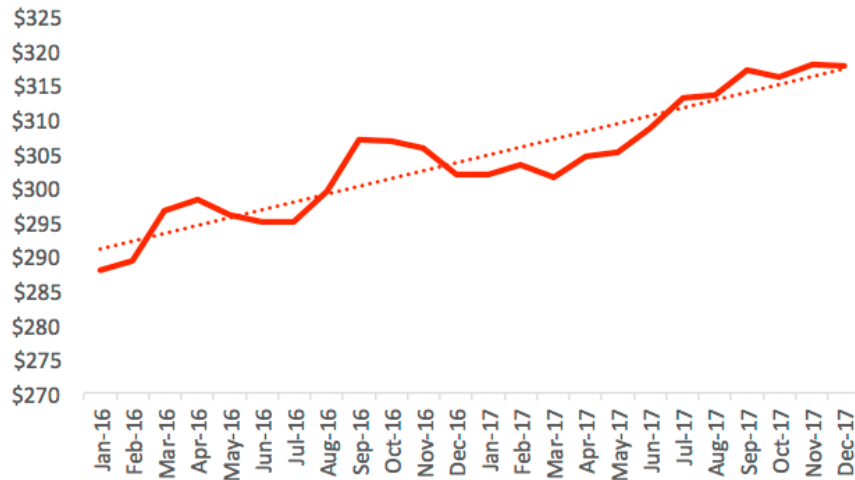
1. Net Promoter Score (NPS) is calculated based on answers to the question, "How likely is it that you would recommend Kogan.com to a friend or colleague?" Kogan.com measures its NPS as the percentage of customers who are "promoters" rating its products and services 9 or 10 out of a possible 10, less the percentage of "detractors", rating its products and services 0 to 6 out of a possible 10. The maximum possible NPS is 100, and the minimum possible NPS is -100.

2. Active Customers only includes customers that transacted through our Retail websites - it does not include the customers from our additional verticals.

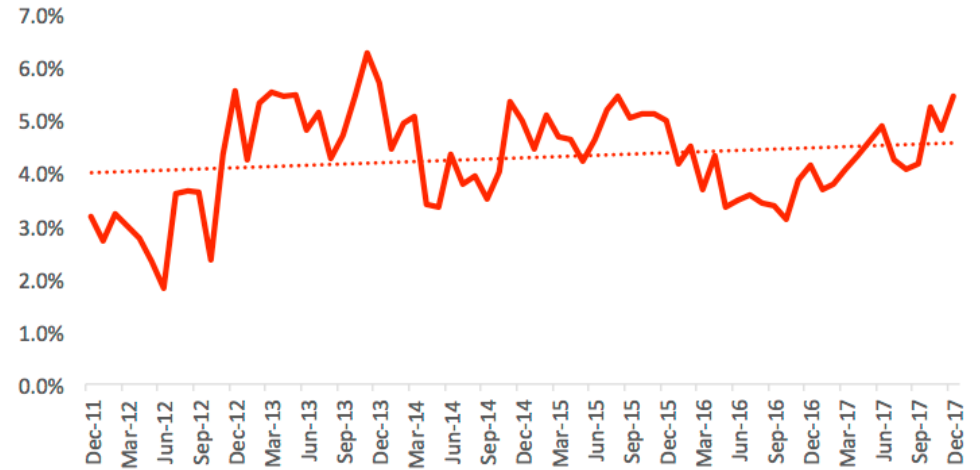
# BUILDING THE KOGAN BRAND

Annual revenue per customer and gross profit per active customer are increasing.

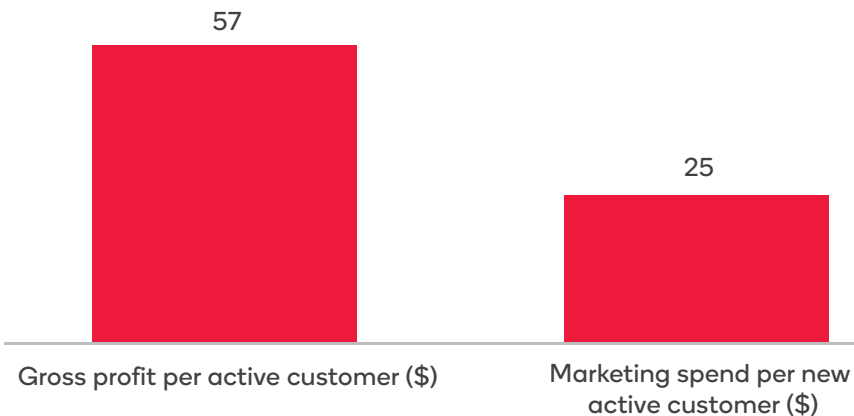
### ANNUAL REVENUE PER CUSTOMER<sup>1</sup>



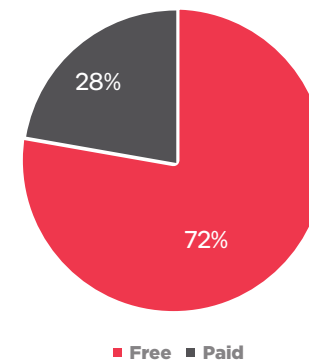
### CONVERSION RATE<sup>3</sup>



### ANNUAL RETURN ON INVESTMENT IN MARKETING<sup>2</sup>



### TRAFFIC - FREE (BRAND DRIVEN) VS PAID MARKETING



#### FREE SOURCES

- Direct website traffic
- Direct App traffic
- Brand searches
- Other organic search queries
- Email based marketing
- Mobile push notifications
- Desktop push notifications

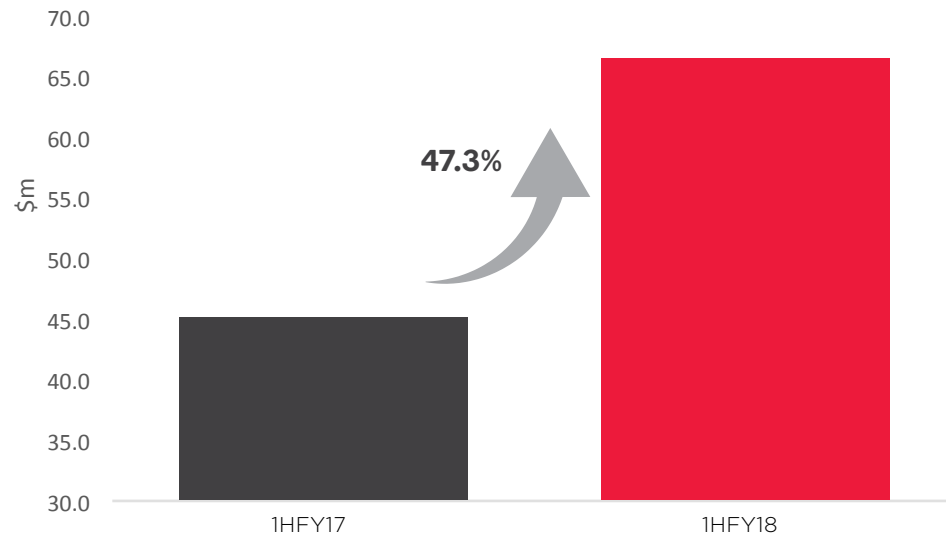
Notes:

1. Revenue per customer is revenue (ex GST) within the prior 365 days/no. of Active Customers within the prior 365 days.
2. LTM Gross Profit/LTM Active Customers as at 31 December 2017; 1HFY18 marketing costs/sum of quarterly new Active Customers in 1HFY18.
3. Conversion rate is defined as the number of transactions divided by unique visitors from Core Website Channels.

# EXCLUSIVE BRANDS STRATEGY

Exclusive Brands strive to demonstrate strong growth, as we continue to meet strong consumer demand across a wide-array of categories.

## STRONG YOY GROWTH IN EXCLUSIVE BRANDS REVENUE



Our Exclusive Brands private label business benefits from:

- Full control of the end-to-end supply chain;
- Strong competitive advantage;
- Compelling consumer offering; and
- Over 11 years' experience.

kogan

KOMODO

bubbl

CERTA

ovela

Scharfen

COOKMASTER

Trafalgar

FORTIS

VOSTOK

SHANGRI-LA

BELLA VITA

Pestill

ERGOLUX

orbis

ESTELLE

KROMO

Pawever Pets

kogan.com

# Financial Update

David Shafer  
CFO/COO

# 1HFY18 RESULTS COMPARED TO 1HFY17

First half FY18 Trading EBITDA increased by 93.2% on the prior year and exceeded the full year FY17 Pro Forma EBITDA.

\$m	Pro Forma <sup>1</sup> actual 1HFY17	Trading <sup>1</sup> actual 1HFY18	% Variance
GTV	162.5	245.6	51.1%
Gross Sales	154.3	221.7	43.7%
Revenue	143.9	209.6	45.7%
Cost of Sales	(118.0)	(168.9)	43.1%
Gross Profit	25.9	40.7	57.1%
Gross Margin (%)	18.0%	19.4%	1.4pp/7.9%
Variable Costs	(5.5)	(6.9)	25.5%
Marketing	(5.3)	(9.5)	79.2%
People Costs	(5.4)	(6.9)	27.8%
Other Expenses	(2.4)	(3.4)	41.7%
Pro Forma/Trading EBITDA <sup>1</sup>	7.3	14.1	93.2%
EBITDA Margin (%)	5.1%	6.7%	1.6pp/32.4%
Depreciation & Amortisation	(1.9)	(2.5)	31.6%
EBIT	5.4	11.6	114.8%
Profit Before Tax	5.6	11.7	108.9%
Income Tax Expense	(1.9)	(3.6)	89.5%
NPAT	3.7	8.1	118.9%
NPATA	4.4	8.8	100.0%

Notes:

1. The basis of the 1HFY17 Pro Forma results is set out in prior period presentations and reports. A reconciliation from statutory to Trading results is provided in Annexure 3.

## OVERVIEW

GTV growth of 51.1% versus Revenue growth of 45.7% is driven by Kogan Mobile transaction values, which are not recorded as revenue.

Revenue exceeded 1HFY17 by 45.7% (\$65.7 million) driven by growth across all product divisions, Active Customers and New Verticals. Kogan Mobile experienced YoY revenue growth of 340.9%.

Successful implementation of our Exclusive Brands strategy led to YoY revenue growth of 47.3% within that Product Division.

Gross margin increased by 1.4pp to 19.4%, as a result of rapid growth in New Verticals and acceleration of the Partner Brands Product Division.

Following improvement in ROI metrics, the business invested further in Marketing in 1HFY18, resulting in a YoY increase in expenditure as a % of revenue.

The investment made in aligning the interests of key staff with shareholders has contributed to the increase in People Costs.

Trading EBITDA of \$14.1 million represents a YoY increase of 93.2% and exceeds the full year FY17 Pro Forma EBITDA of \$13.2 million.

EBITDA margin increased by 1.6pp to 6.7% as the business is benefiting from operating leverage.

# KEY DRIVERS OF KOGAN.COM 1HFY18 FINANCIAL PERFORMANCE

Successful implementation of strategy to grow the brand and invest in inventory in order to accelerate growth.

## BRAND GROWTH

▶ The business achieved solid growth in Active Customers in 1HFY18 of 211,000 (22.1%) and 336,000 (40.5%) in the last 12 months. At 31 December 2017, we had 1,166,000 Active Customers.

Following better than expected ROI, we continued to invest in marketing in 1HFY18. Strong NPS and effective, targeted marketing helped drive revenue growth in the half and build our customer base.

## INVESTMENT IN INVENTORY

▶ Since the IPO, we have invested in inventory across our Product Divisions to expand our product offering and drive revenue growth. Exclusive Brands, Global Brands and Partner Brands all experienced significant YoY growth in 1HFY18. As at 31 December 2017, 93.4% of inventory in warehouse was less than 90 days old.

## KOGAN MOBILE

▶ Kogan Mobile achieved growth of 340.9% YoY with commission of \$4.8 million in 1HFY18.

Kogan Mobile continues to bring a compelling offering to the market, combined with Kogan.com's branding and marketing engine driving customer growth and retention. Due to the commission-based model, Kogan Mobile incurs minimal operating costs, with marketing being the key cost. Consistent with all our marketing, this cost is targeted and variable with ROI metrics.

# KEY DRIVERS OF KOGAN.COM 1HFY18 FINANCIAL PERFORMANCE

High performing team aligned with the interests of shareholders.

## GROSS MARGIN IMPROVEMENT

▶ Rapid growth in New Verticals and acceleration of the Partner Brands Product Division drove gross margin improvement YoY. Kogan Mobile gross profit increased as a % of overall Gross Profit from 7.0% in FY17 to 11.9% in 1HFY18. Partner Brands achieved YoY revenue growth of 56.6%. Exclusive Brands achieved revenue growth of 47.3% YoY and represented 45.1% of overall Gross Profit. The lowest margin Product Division, Global Brands, achieved growth of 34.8% YoY.

## INVESTMENT IN PEOPLE

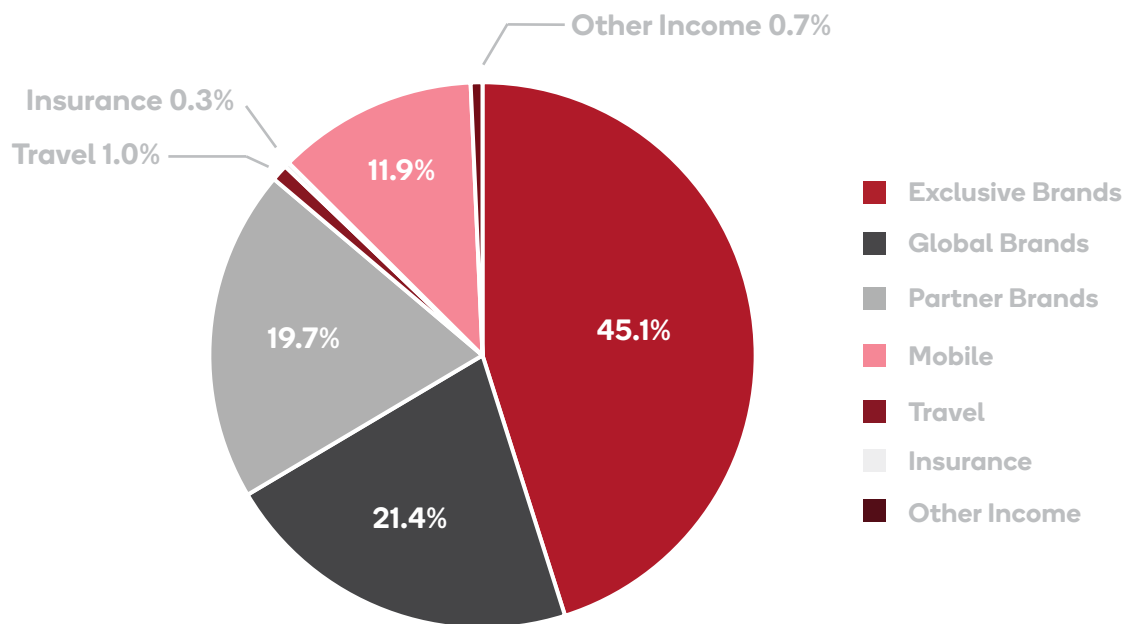
▶ The business invested heavily in people in FY17, in order to retain key talent and align their interests with shareholders. Short-term and long-term incentives remain in place, and People Costs have increased YoY in 1HFY18.



# 1HFY18 GROSS PROFIT PRODUCT & BUSINESS MIX

Kogan Mobile increased as a % of gross profit by 4.9pp compared to FY17 to 11.9% in 1HFY18.

## 1HFY18 GROSS PROFIT MIX



## OVERVIEW

Gross margin improvement was driven by mix shift. Kogan Mobile achieved significant growth in the half, accounting for a higher % of overall gross profit than in FY17.

The business continues to reap the benefits of the investment in inventory. All Product Divisions achieved significant YoY revenue growth, which boosted overall Gross Profit.

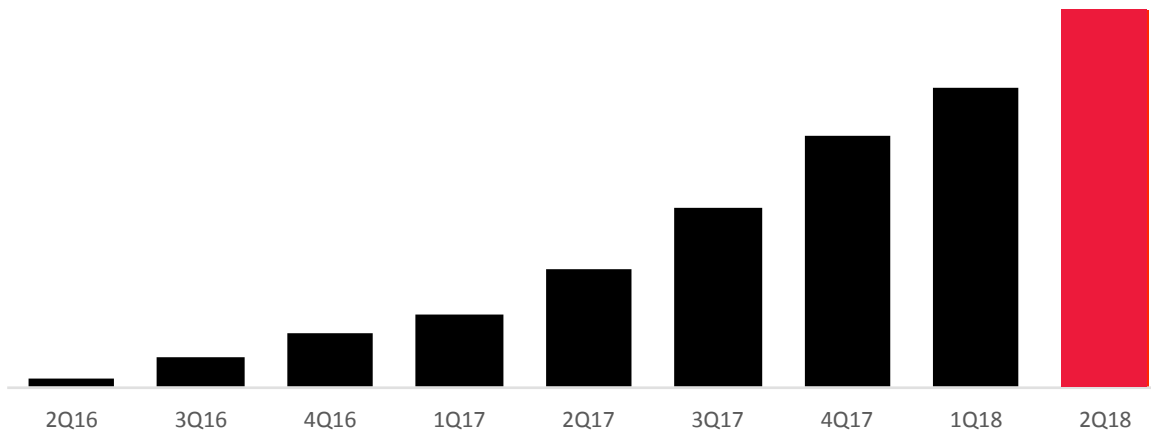
Exclusive Brands continue to be the largest contributor to Gross Profit.

# KOGAN MOBILE

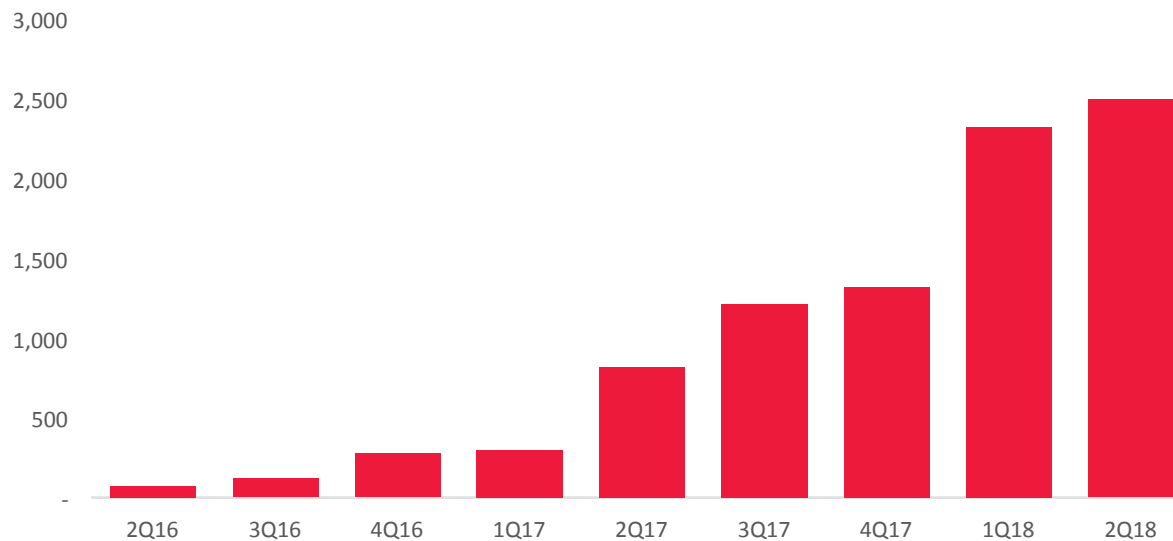
Kogan Mobile achieved YoY growth in commission of 340.9% to \$4.8 million in 1HFY18.



## KOGAN MOBILE ACTIVE CUSTOMERS



## KOGAN MOBILE QUARTERLY COMMISSION (\$000S)



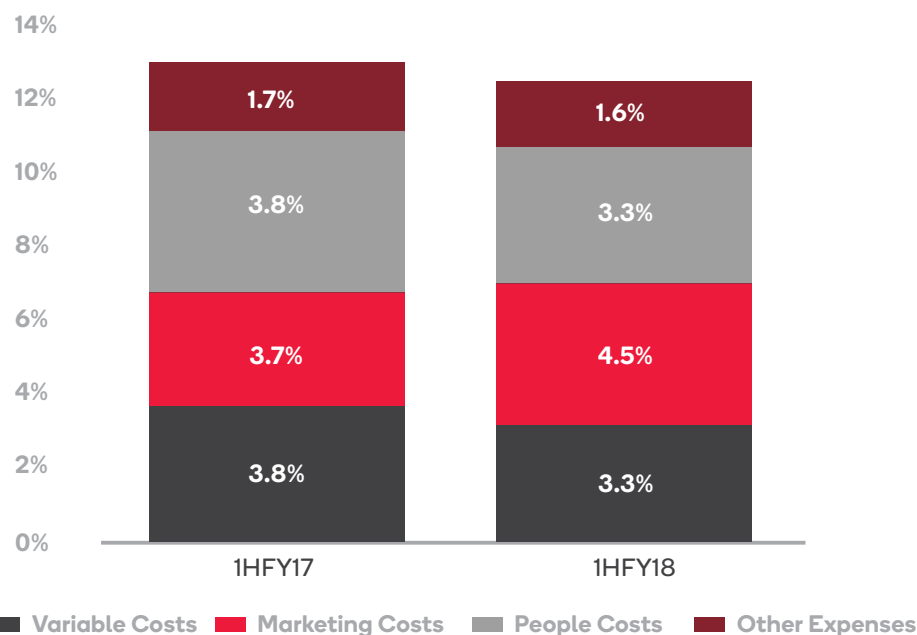
The strong commercial relationship with Vodafone, combined with the strength of the Kogan branding and marketing engine, continues to translate into growth for Kogan Mobile.

The success of Kogan Mobile demonstrates the strength of the Kogan brand in powering New Verticals.

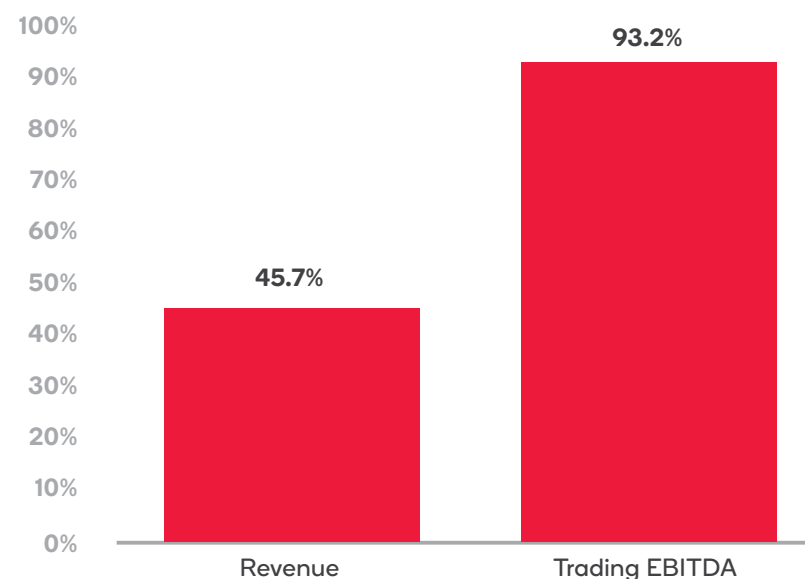
# PRO FORMA/TRADING OPERATING COSTS

Operating costs as a % of revenue were down by 0.2pp year on year to 12.7%.

**PRO FORMA/TRADING<sup>1</sup> OPERATING COSTS  
BREAKDOWN 1HFY17 - 1HFY18**  
(as a % of revenue)



**OPERATING LEVERAGE**  
YoY % increase in Revenue and EBITDA



The business continues to invest in marketing, following better than expected ROI. Effective and targeted marketing is a key component of our growth strategy.

With the exception of marketing, all other operating costs decreased as a % of revenue YoY as the business benefited from operating leverage.

The business is now experiencing significant operating leverage, with acceleration of EBITDA materially outpacing revenue.

Notes:

1. The basis of the 1HFY17 Pro Forma results is set out in prior period presentations and reports. A reconciliation from statutory to Trading results is provided in Annexure 3.

# NET ASSET SUMMARY

Strong balance sheet with \$28.2 million of cash at 31 December 2017.

\$m	Dec-17
<b>CURRENT ASSETS</b>	
Cash & Cash Equivalents	28.2
Trade & Other Receivables	4.8
Inventories	69.8
Total Current Assets	102.7
<b>NON-CURRENT ASSETS</b>	
Property, Plant & Equipment	0.5
Intangible Assets	5.6
Deferred Tax Assets	0.4
Total Non-Current Assets	6.4
Total Assets	109.1
<b>CURRENT LIABILITIES</b>	
Trade & Other Payables	51.4
Current Tax Liability	3.5
Loans and Borrowings	-
Provisions	0.5
Deferred Income	6.1
Total Current Liabilities	61.4
<b>NON-CURRENT LIABILITIES</b>	
Total Liabilities	61.5
Net Assets	47.6

The balance sheet reflects the investments made in inventory since the IPO in July 2016. This investment is partially responsible for the 43.6% increase in revenue from the Product Divisions (excluding the New Verticals) in 1HFY18.

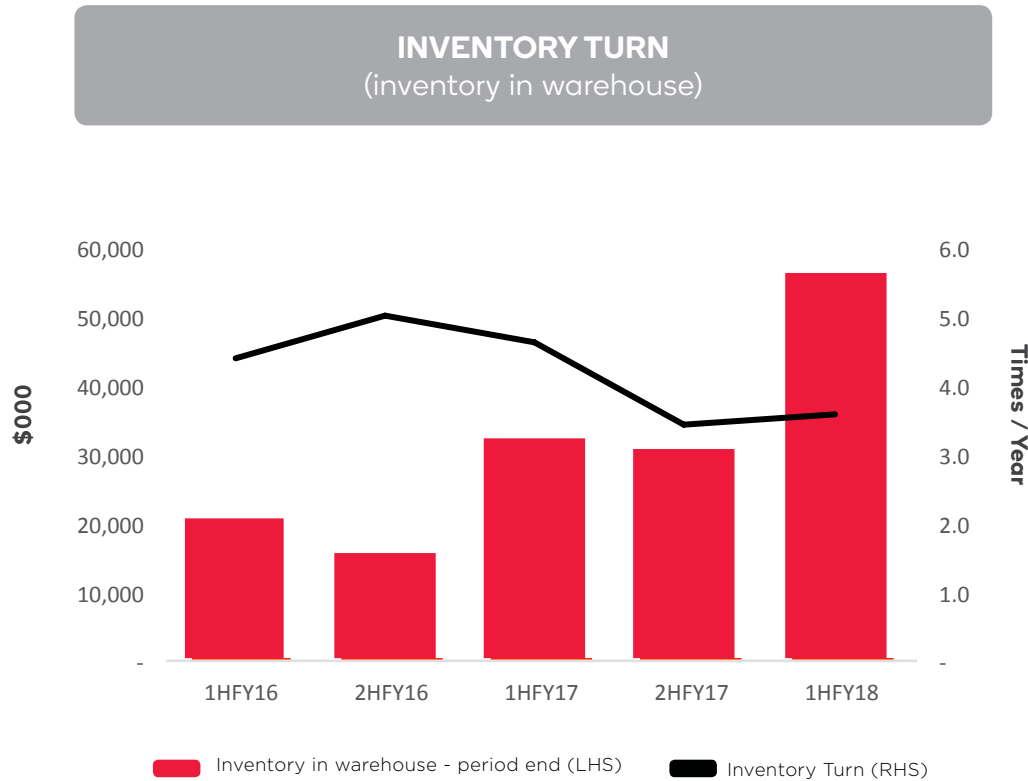
Inventories of \$69.8 million comprised of:

- \$13.8 million of inventory in transit; and
- \$56.0 million of inventory in warehouse.

At 31 December 2017, 93.4% of inventory in warehouse was less than 90 days old.

# INVENTORY TURN

Notwithstanding a significant increase in inventory in warehouse, inventory turn has also experienced a slight increase in comparison to 2HFY17.



Inventory in warehouse has increased significantly following investment to meet consumer demand, support revenue growth and range expansion. Despite the significant increase in inventory levels, Inventory Turn increased slightly on the 2HFY17 level to 3.6 in 1HFY18, demonstrating strong sell-through of the inventory purchased.

# 1HFY18 STATUTORY OPERATING CASH FLOW

The business achieved operating cash conversion of 32.6% in 1HFY18.

<b>\$m</b>	<b>Statutory 1HFY18</b>
Statutory EBITDA	14.4
Unrealised gain on foreign exchange contracts	(0.3)
Trading EBITDA	14.1
Change in net working capital	(9.5)
Operating cash flow before capital expenditure	4.6
Purchase of PP&E	(0.1)
Investment in intangibles	(3.5)
Cash flow before financing & taxation	1.0
<i>Operating cash conversion %<sup>1</sup></i>	32.6%

## OVERVIEW

The business generated operating cash flow before capital expenditure of \$4.6 million in 1HFY18, resulting in an operating cash conversion ratio of 32.6%.

Net working capital increased by \$9.5 million in 1HFY18, driven primarily by increases in inventory, which were partially offset by an increase in payables.

Notes:

1. Operating cash conversion is calculated as Operating cash flow before capital expenditure/Trading EBITDA.

# Outlook

# DELIVERING GROWTH IN 2HFY18 & BEYOND

We expect continued brand growth and to continue to outperform underlying market growth in every portfolio business.



SELECTIVE & OPPORTUNISTIC M&A



LAUNCH ADDITIONAL BUSINESS VERTICALS





## NEW VERTICALS - MARKET SIZE

New vertical	Partner	Launch date	Market size
Kogan Internet	Vodafone	4QFY18	10.9m premises <sup>1</sup>
Kogan Insurance	Hollard	Launched 1QFY18	\$43.0 billion <sup>2</sup>
Kogan Health	Medibank	Launched 3QFY18	\$26.0 billion <sup>3</sup>
Kogan Life	Greenstone	4QFY18	\$66.0 billion <sup>4</sup>
Kogan Pet	PetSure	4QFY18	\$490 million <sup>5</sup>
Kogan Mobile	Vodafone	2QFY16	\$23.0 billion <sup>6</sup>

Notes:

1. Source: NBN Corporate Plan 2017 and NBN Weekly Progress Report (8 June 2017)
2. Source: KPMG General Insurance Industry Review 2017 – Gross Written Premiums
3. Source: IBISWorld Health Insurance – Australia Market Research Report November 2017
4. Source: IBISWorld Life Insurance – Australia Market Research Report October 2017
5. Source: Canstar - [www.canstar.com.au/pet-insurance/how-much-do-we-spend-on-our-pets/](http://www.canstar.com.au/pet-insurance/how-much-do-we-spend-on-our-pets/)
6. Source: IBISWorld Wireless Telecommunications Carriers – Australia Market Research Report September 2017

## 2HFY18 OUTLOOK

Positive outlook for 2HFY18 due to trajectory in revenue, gross profit and strong growth in Kogan Mobile.



As advised at the end of FY17, the Board will not be providing formal EBITDA guidance for FY18. However, the Board will provide updates on the trading performance of the business around the time of the quarterly cash flow releases (Appendix 4C).

2HFY18 has started well, with the January 2018 results, which are unaudited, showing a further acceleration in revenue than that achieved in 1HFY18 versus 1HFY17.

### WE EXPECT 2HFY18 TO BENEFIT FROM:

- Further growth of Active Customer base
- Continued growth in Exclusive Brands
- Continued growth in Partner Brands
- Further growth in Kogan Mobile
- Launch of Kogan Health, Kogan Life, Kogan Pet and Kogan Internet

## DIVIDEND

In line with the company's dividend policy, the Board has declared a fully franked interim dividend of 6.9 cents per share, with a record date of 1 March 2018 and a payment date of 13 March 2018.

	<b>DPS (cents)</b>	<b>Franking (%)</b>	<b>Record date</b>	<b>Payment date</b>
Interim dividend	6.90	100.0	1 March 2018	13 March 2018

# GLOSSARY

**1HFYxx:** the six months ended 31 December 20xx.

**2HFYxx:** the six months ended 30 June 20xx.

**3QFYxx:** the three months ended 31 March 20xx.

**4QFYxx:** the three months ended 30 June 20xx.

**Active Customers:** unique customers who have purchased in the last twelve months from X date, rounded to the nearest thousand. Active customers only includes customers that transacted through our Retail websites; it does not include the customers from our additional verticals.

**Active Subscribers:** unique subscribers as at 31 December 2017, rounded to the nearest million.

**Cancellations and Refunds:** occur when customers cancel an order before it is despatched (cancellations) or when customers return products to Kogan.com following delivery due to a defect or change of mind (refunds).

**Core Website Channels:** Kogan.com, Kogan Apps (iPhone and Android) and Dick Smith Assets.

**Dick Smith Assets:** certain Dick Smith online assets acquired in April 2016 for \$2.6 million.

**EBIT:** earnings before interest and tax.

**EBITDA Margin:** EBITDA divided by revenue.

**EBITDA:** earnings before interest, tax, depreciation and amortisation.

**Exclusive Brands (formerly referred to as Private Label):** products sold under brands owned by Kogan.com.

**FYxx:** Financial year ended 30 June 20xx.

**Global Brands (formerly referred to as Third Party Branded International):** brands owned by third parties, for which products are sourced internationally.

**Gross Margin:** Gross Profit divided by revenue.

**Gross Profit:** revenue less cost of goods sold.

**Gross Sales:** represents sales of products and services, including delivery income and before deducting Cancellations and Refunds.

**GTV:** Gross transaction value, on a cash basis, of products and services sold, before deducting Cancellations and Refunds, but after deducting GST.

**Historical and Forecast Financial Information:** Statutory and Pro Forma Financial Information for FY15, FY16, FY17 and FY18.

**Inventory Turn:** cost of goods sold in the period divided by the average inventory in the period.

**Kogan Health:** Product Division launched in 3QFY18 offering health insurance online.

**Kogan Insurance:** Product Division launched in 1HFY18 offering Insurance online.

**Kogan Internet:** Product Division due to launch in 2HFY18 offering NBN plans via Vodafone's fixed line NBN network.

# GLOSSARY

**Kogan Life:** Product Division due to launch in 2HFY18 offering life insurance online.

**Kogan Mobile:** Product Division offering pre-paid mobile phone plans available online using Vodafone's mobile network.

**Kogan Pet:** Product Division due to launch in 2HFY18 offering pet insurance online.

**Kogan Retail:** product sales through the Core Website Channels and eBay, Amazon.com.au, TradeMe and other platforms.

**Kogan Travel:** Product Division offering online holiday packages and hotel and cruise bookings.

**LTM:** last twelve months.

**New Verticals:** Kogan Travel, Kogan Mobile, Kogan Insurance, Kogan Internet, Kogan Health, Kogan Life, Kogan Pet.

**NPATA:** Net profit after tax and amortisation on the Dick Smith Assets.

**Product Division:** means Exclusive Brands, Partner Brands, and Global Brands

**Pro Forma EBITDA:** represents the results of the business after Pro Forma adjustments, consistent with Prospectus Pro Forma.

**Prospectus:** the replacement Prospectus of Kogan.com Ltd dated 24 June 2016.

**Partner Brands (formerly referred to as Third Party Branded Domestic):** brands owned by third parties, for which products are sourced domestically in Australia.

**Trading EBITDA/results:** represents the results of the business after removing non-trading adjustments, including unrealised FX gains or losses.

**Working Capital:** total of trade and other receivables, inventories and prepayments which are included within other assets, less trade and other payables, deferred income, employee benefits and current provisions.

# ANNEXURE 1

## 1HFY18 RECONCILIATION OF GROSS SALES TO REVENUE

At 31 December 2017, presales were \$6.1 million, representing Gross Sales yet to be dispatched.

\$m	1HFY18
Gross sales	221.7
Change in presales <sup>1</sup>	(1.3)
Refunds and cancellations	(10.9)
Statutory revenue	209.6

Notes:

1. Change in presales relates to the movement in deferred income, which is recognised on product sales that are yet to be dispatched, but for which cash has been received.

## ANNEXURE 2

# 1HFY18 GROSS SALES & REVENUE BY PORTFOLIO BUSINESS

95.7% of total revenue was generated by the product divisions.

\$m	1HFY17		1HFY18		YoY revenue growth %
	Gross Sales	Revenue	Gross Sales <sup>1</sup>	Revenue	
Exclusive Brands	47.3	44.8	71.8	65.9	47.3%
Global Brands	68.7	64.0	90.9	86.2	34.8%
Partner Brands	33.9	30.9	50.1	48.5	56.6%
Product Divisions	150.0	139.7	212.8	200.6	43.6%
Travel	3.1	2.8	3.8	3.8	34.5%
Mobile	1.1	1.1	4.8	4.8	340.9%
Total	154.1	143.6	221.4	209.2	45.7%
Other Income	0.3	0.3	0.4	0.4	33.3%
Total	154.4	143.9	221.7	209.6	45.7%

Notes:

1. A reconciliation of Gross Sales to Revenue is provided in Annexure 1.

# ANNEXURE 3

## STATUTORY RECONCILIATION TO TRADING RESULTS

\$m	Statutory 1HFY18	Unrealised FX gain or loss <sup>1</sup>	Trading actual 1HFY18
Revenue	209.6		209.6
Cost of Sales	(168.9)		(168.9)
Gross Profit	40.7		40.7
Gross Margin %	19.4%		19.4%
Variable costs	(6.9)		(6.9)
Marketing costs	(9.5)		(9.5)
People costs	(6.9)		(6.9)
Other expenses	(3.4)		(3.4)
Total operating costs	(26.6)		(26.6)
Unrealised FX gain or loss	0.3	(0.3)	
EBITDA	14.4	(0.3)	14.1
EBITDA margin %	6.9%		6.7%
Depreciation & amortisation	(2.5)		(2.5)
EBIT	11.8	(0.3)	11.6
Interest	0.1		0.1
PBT	12.0	(0.3)	11.7
Income tax expense	(3.6)		(3.6)
NPAT	8.3		8.1

Notes:

1. Adjustment to remove the impact of the unrealised FX position on forward exchange contracts at 31 December 2017.