

China Tourism, Online and Strategy Update

Highlights

AuMake's acquisition of Broadway has created the largest China focussed offline and online retail platform in Australia and New Zealand ("ANZ") to sell high margin new, owned brand and existing popular ANZ brands to Chinese customers

The acquisition lays the foundation for AuMake's future plans

- Every Chinese tourist holidaying on Australia's east coast and in New Zealand can now visit an AuMake or Broadway store at least once on their trip
 - > Leveraging Broadway's relationships with over 100 travel agencies in China
- Targeting the transformation of AuMake's online sales to comprise 50% of total sales and developing ANZ's largest online database of daigou and Chinese tourists
- Creation of an offline & online retail platform to develop and introduce new brands to Chinese consumers
 - > Aspirational FY20 owned brand product revenue target of \$15m-\$20m (FY19: \$4m)
- Partnering with JD.com, one of the world's largest e-commerce companies, to create an owned distribution channel into China

Aspirational FY20 group revenue target in excess of \$100m and materially EBITDA positive

(Sydney, Australia) - AuMake International Limited ("AuMake" or the "Company") is pleased to provide a strategy update following the acquisition of Broadway ("acquisition") as announced on 17 April 2019.

The acquisition adds significant scale to the AuMake business and positions the Company as the largest Chinese focussed offline & online retailer in ANZ servicing daigou and Chinese tourists, with a unique business platform consisting of:

- 25 offline stores (AuMake, Kiwibuy and Broadway) positioned in all strategically important locations on the east coast of Australia and north island of New Zealand;
- Online stores including WeChat, Kiwibuy.com and flagship store on JD Worldwide (JD.hk); and
- A corporate head office providing marketing, warehousing, procurement, logistics, finance and administrative support across each of the retail brands.

At this stage the Company is unable to provide specific EBITDA guidance (pending full operational integration of the Broadway business), however the Company anticipates aspirational FY20 revenue target in excess of \$100m (Proforma FY19: \$75m¹) and materially positive EBITDA. Following the acquisition, the AuMake business is anticipated to be profitable and is no longer assessing its breakeven status.

The Company is focused on delivering the following initiatives to drive financial growth and profitability:

- Opening of four (4) new AuMake stores (as announced 15 March 2019);
- Significantly increasing the number of Chinese tourists visiting AuMake/Broadway stores via Broadway's relationships with over 100 travel agencies in China;
- Significantly increasing sales of owned brand products across all channels;
- Provision of online sales functionality to Broadway customers (currently not provided); and
- Natural maturation of existing offline/online stores (including AuMake's online store on JD.hk).



A major benefit of the acquisition is Broadway's relationships with over 100 travel agencies in China and their ability to control the flow and number of Chinese tourists visiting AuMake/Broadway stores. Consequently, the Company's near-term growth can now be accelerated by increasing Chinese tourist store traffic, rather than relying on store network expansion and organic growth.

AuMake is confident that with the continued maturation of the AuMake/Broadway brand and business model, financial performance can grow well in excess of the aspirational FY20 targets.

Alongside strong financial performance, the acquisition lays the foundation for AuMake's future:

Every Chinese holidaying on Australia's east coast and in New Zealand can now visit an AuMake or Broadway store at least once on their trip

As a result of the acquisition, AuMake now has a presence in all strategically important locations in ANZ: Australia – Cairns (2), Gold Coast (2), Brisbane (1), Sydney (16), Melbourne (1); and New Zealand –Auckland (2) and Rotorua (1).

Positioned as the pre-eminent brand in this market and with Broadway's established relationships in China, AuMake has the opportunity to host every Chinese tourist holidaying on Australia's east coast and New Zealand at one of the Company's stores at least once on their trip.

For many of these tourists, particularly those travelling in tour groups, this will be their first experience with genuine & new ANZ products and brands at competitive prices, in a contemporary retail setting with bilingual staff and access to instore logistics if required. It will also provide an opportunity to introduce these new Chinese tourist customers to AuMake's online stores for repeat purchases on their return to China.

Broadway will continue to operate under its own brand given its existing strong credibility and brand equity within the Chinese tourist market.

The combination of Broadway's relationships, with AuMake's supply chain and expertise in positioning new and known brands with Chinese consumers will revolutionise the traditional Chinese tourist market and clearly positions the Company as the market leader.

During FY19, 35,000 Chinese tourists visited AuMake and Broadway stores. The Company aims to increase the number of Chinese tourists to at least 70,000 for FY20, with potential to materially exceed this figure pending ongoing discussions with Chinese travel agencies. 1.8m Chinese tourists are forecast to visit Australia in FY20 (Tourism Research Australia).

Transforming AuMake's online business to 50% of sales and developing ANZ's largest online database of daigou and Chinese tourists

AuMake's current online sales account for 30% of total Company sales, with plans to increase this to 50% as soon as possible. Currently over 80% of daigou and Chinese tourists visiting AuMake stores, scan the instore QR code to join the AuMake WeChat store for future online and repeat purchases. AuMake's WeChat store will be replicated in Broadway stores, to allow Broadway customers to purchase products online on their return to China.

The act of scanning QR codes and shopping via WeChat is extremely common in China and does not require education, providing essentially 'free' online member growth and online sales from customers visiting AuMake/Broadway offline stores.

With the acquisition of Broadway, AuMake is positioned to create ANZ's largest online database of daigou and Chinese tourists. This database can be monetised by repeat product purchases, promotion of new products/brands and opportunities to integrate vertically with services such as travel, accommodation and insurance.

Currently, AuMake holds approximately 130,000 members on its online database. AuMake has plans to convert at least 80% of AuMake and Broadway offline customers to online customers, which will at least double the number of online members over the next 12 months. AuMake has the unique opportunity of growing this figure exponentially into the millions over the coming years with the growth of the AuMake and Broadway brands in the Chinese market.



A platform to develop and introduce new brands to Chinese consumers

Depending on store location, 25-40% of Broadway sales comprise of owned brand products. AuMake will transition its owned brands into Broadway's product mix during the June 2019 quarter.

AuMake has owned brand products in health supplements (Health Essence), skincare (au8), wool (Jumbuck) and honey (Medigum).

The combination of both Chinese tourists and daigou purchasing significant volumes of AuMake owned brand products, over a sustained period across multiple locations online and offline, provides an incredible opportunity for the popularity and brand recognition of AuMake owned brand products to grow in the Chinese market.

Currently, 10% of AuMake sales are owned brand. With Broadway, the Company has set an aspirational target of 20% of total group sales comprising of AuMake owned brand products for FY20 equating to \$15-20m. If growth in Chinese tourist visitation grows beyond 70,000, owned brand sales will materially exceed this aspirational FY20 target.

Partnering with JD.com, one of the world's largest e-commerce companies to create an owned distribution channel into China

Whilst the AuMake's immediate focus is becoming the market leading retail brand in ANZ, the Company remains cognisant of the size and scale of opportunities that exist in China.

Already, the Broadway acquisition has made a significant impact in the Australian Chinese tourist market, with many China based travel agencies (offline and online) and travel related businesses, seeking to work with AuMake and Broadway.

Currently, AuMake holds an exclusive strategic agreement with JD Worldwide. The importance of this strategic agreement extends beyond the online flagship store, but the opportunity to work with the actual JD.com business in Beijing.

To this end, AuMake continues to work closely with JD.com to leverage opportunities in other parts of the JD.com business for the ANZ market. Opportunities to co-brand offline stores, create co-owned brand products and synergise supply chains are currently being explored.

The Company looks forward to updating the market shortly on JD.com related initiatives.

Summary

Keong Chan, Executive Chairman, states:

"The acquisition of Broadway has transformed AuMake into a significant and influential business in the ANZ Chinese tourist and daigou market.

However, AuMake is more than a simple retail business. AuMake's Chinese focussed retail platform is underpinned by a unique business model that utilises the strength of its online and offline sales to incubate, promote and sell ANZ brands to Chinese consumers.

As a Board and Management team we are confident of achieving the aspirational targets we have outlined. And we would like to thank our existing and incoming shareholders for their support and confidence in us to deliver on these goals.

Our Company is better placed than ever to shape the Chinese tourist and daigou markets in ANZ over the coming decade by seizing on the amazing opportunities we have before us. We look forward to continuing to update the market regularly on our progress."

-Ends-

About AuMake

AuMake International Limited is an ASX listed retail company connecting Australian suppliers directly with daigou and Chinese tourists.

AuMake engages with the growing and influential daigou and Chinese tourist markets, by offering a one-stop-shop retail network. This includes a range of Australian products across four main categories including:

- healthcare (supplements and food)
- skin, body care and cosmetics
- dairy products and baby food (including infant formula)
- wool and leather products.

Customers of AuMake value the full service offering which includes knowledgeable bilingual staff, multiple payment options (including WeChat, Alipay and UnionPay) and an in-store logistics service for the delivery of products to anywhere in the world including China.

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