

# March 2019 Quarterly Report

## Highlights

### Record sales post Chinese New Year

- \$4.1 million for the month of March is the second largest in the company's history; reinforcing there has been no impact from 1 January 2019 e-commerce legislation

### Strong YoY March 19 Quarter

- Sales – up 93% to \$9.9m (March 2018 quarter: \$5.13m)
- Gross profit – up 104% to \$1.68m (March 2018 quarter: \$0.82)
- Gross margin – 17% (March 2018 quarter: 16.05%)
- Owned brand sales – up 107% to \$564,000 (March 2018 quarter: \$273,000)
- Operating cash outflow \$1.32m (down by 57% from \$3.05m in March 2018 quarter)
  - > Material investment during quarter in online infrastructure and packing facility to cater for future online sales growth

### Online sales

- Online database grew to 130,000 members (March 2018 quarter: 20,000)
- Market leading 30% of total sales are online primarily via WeChat
  - > Investing in online infrastructure to grow online sales to 50% of total sales

### Introducing new and innovative brands to the market

- Strengthened relationships with Australia and New Zealand's market leading brands
- AuMake being utilised by these market leaders to introduce new and innovative products to Chinese market

### Exclusive strategic agreement with JD.com

- AuMake and JD Worldwide teams, based in Beijing, are working closely together with initial sales from the online flagship store anticipated during June 19 quarter
- The teams working in Beijing continue to assess potential opportunities and synergies between AuMake and various business units within JD.com

### Strong Balance Sheet

- \$5.6m cash at bank with inventory of \$5.0m and no debt
- Capital light business with majority of new brands/products sold on consignment basis

## Post quarterly events

### Acquisition of Broadway and capital raising

- Transformative acquisition to materially improve future operational and financial performance
- Contemporaneous capital raising of \$7m
- Company retail footprint now across 25 locations in Australia and New Zealand (ANZ); making AuMake the largest operator in the cross-border retail and Chinese tourist markets in the region
  - > Aspirational FY20 revenue target in excess of \$100m+ and materially EBITDA positive (Proforma FY19<sup>1</sup>: \$75m revenue)



(Sydney, Australia) AuMake International Limited (**AuMake** or the **Company**) is pleased to provide the following report and associated Appendix 4C in relation to the March 2019 quarter.

## Quarterly financial review

Despite seasonality, AuMake has continued to perform strongly over the March 2019 quarter, with sales and gross profit increasing 93% and 104% relative to the same period in 2018. Gross margin was 17% which is an increase from 16.05% during the same period in 2018. The March quarter traditionally sees a slight decline in gross margin due to greater supply of infant formula and lower prices in the market as daigou restock after returning from Chinese New Year holidays.

Owned brand product sales for the March 2019 quarter increased by 107% (\$564,000) relative to March 2018 quarter (\$273,000).

Post Chinese New Year, AuMake recorded its second best ever sales month in March of \$4.1 million, which reflects the strength of the domestic daigou market and reinforces that there has been no material impact from the new 1 January 2019 e-commerce legislation in China.

## Seasonality

The March quarter is generally the most subdued trading period for the year as it includes a four-week period around Chinese New Year where Chinese logistics companies close and a large number of daigou return home for the holiday period.

The June quarter will generally see a material improvement in trading conditions and during this time, the Company will begin to prepare the appropriate inventory for the upcoming high season. The Company will also integrate the Broadway business from early June 2019.

## Chinese Regulation Commentary

The Company continues to observe commentary in the public arena and among stakeholders regarding the potential impact of the 1 January 2019 e-commerce legislation on the daigou market.

To date, AuMake has seen continued strength in the domestic daigou market particularly since Chinese New Year with no material changes in buying behaviour experienced by the Company. The total demand for ANZ products from China continues to be strong, with daigou and Chinese tourists playing an irreplaceable role in marketing ANZ products and brands back to China.

The introduction of the new legislation, with its requirement for daigou to register and pay tax, brings the daigou market into line with other channels for products to reach China. The legislation validates daigou as a legitimate and sustainable channel. AuMake anticipates that over the course of time, the mix and scale of daigou will change, with a greater proportion being larger corporate daigou that will effectively take the place of smaller daigou, which is advantageous to AuMake as a legitimate operator in the market.

The Company will continue to monitor the operating environment, along with any perceived or proposed regulatory risks, via its established relationships with Chinese couriers and industry contacts both in Australia and in China.

Following the acquisition of Broadway, AuMake has diversified its customer base with greater exposure to the Chinese tourist market, however daigou will continue to play a key role in the Company's future growth.

## Online Sales

AuMake's online membership database grew to 130,000 members in the March 2019 quarter, from 20,000 in the March 2018 quarter with online sales continuing to comprise 30% of total sales. The acquisition of Broadway is anticipated to increase the rate of online member growth exponentially.

With this ongoing momentum from new and repeat online purchasers, AuMake has been investing in its online infrastructure during the quarter to cater for current and future growth. This includes a packing facility, online customer service team and various online sales platforms including websites, WeChat and a JD.hk flagship store.

As online sales grow as a percentage of total sales, AuMake anticipates EBITDA margin to increase with further streamlining of its online supply chain and most importantly, this will allow the Company to reach a wider proportion of Chinese consumers.



## Introduction of new and innovative brands

AuMake's relationship with suppliers and distributors, including market leading brands, continues to strengthen and has resulted in improved economics, trading terms, marketing support and unique exposure for AuMake customers to new and innovative products. For example, during the March quarter:

- Comvita – produced two (2) exclusive products for AuMake and provided significant marketing support;
- Swisse – partnered with AuMake to promote its new infant formula brand 'Biostime' in the cross-border retail market. Swisse has an extensive marketing program and utilised the AuMake platform for the introduction and promotion of its new product;
- Bayer – AuMake has an ongoing marketing program in place to promote 25 Bayer product lines (e.g. Bepanthen ointment, Canesten cool cream gel and Novalac anti-colac); and
- GSK – invested significantly in marketing to promote its laxative product, 'Benefiber'.

AuMake is considered the market leader in its ability to introduce and promote new brands and products to the cross-border retail and Chinese tourist markets.

## Exclusive strategic partnership with JD Worldwide

The Company and JD Worldwide continue to work collaboratively on the AuMake online flagship store and will update the market on progress in the June quarter. In addition to the flagship store, the Company and JD.com are assessing opportunities within other business units of JD.com that can be applied to the ANZ markets via AuMake. The Company will provide an update shortly on JD.com related developments.

## Balance Sheet

At the end of the March quarter, the Company has \$5.6m in cash with \$5.0m in inventory and is well capitalised to execute strategies for FY20.

## Post quarterly events

### Transformative acquisition of Broadway and Capital Raising

AuMake acquired Broadway and raised \$7m in capital via placement on 17 April 2019. The acquisition of Broadway has transformed the Company and will materially improve operational and financial performance. The Company has an aspirational FY20 revenue target in excess of \$100m with materially positive EBITDA (proforma FY19<sup>1</sup> revenue \$75m).

Please refer to the announcement and investor presentation released to the market on 17 April 2019 for future information on the acquisition.

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–Ends–

## Appendix 4C

### Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

**Name of entity**

AuMake International Limited (formerly Augend Ltd)

**ABN**

150 110 017

**Quarter ended ("current quarter")**

March 2019

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	9,905	31,874
1.2 Payments for		
(a) research and development	-	-
(b) cost of goods sold	(8,230)	(25,905)
(c) forward purchased inventory	(955)	(1,537)
(d) advertising and marketing	(297)	(1,108)
(e) leased assets	(615)	(1,740)
(f) staff costs	(1,679)	(4,779)
(g) administration and corporate costs	(426)	(1,231)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	20	196
1.5 Interest and other costs of finance paid	-	(4)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other	-	37
<b>Net cash from / (used in) operating activities</b>	<b>(2,277)</b>	<b>(4,197)</b>
Forward purchased inventory	955	1,537
<b>Net cash from / (used in) operating activities (excluding forward purchased inventory)</b>	<b>(1,322)</b>	<b>(2,660)</b>

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(47)	(634)
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	(45)	(73)
2.6 rental bond guarantee (refundable at end of lease)	(72)	(227)
<b>2.7 Net cash from / (used in) investing activities</b>	<b>(164)</b>	<b>(934)</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares	-	-
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	-	-
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	(17)	(46)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (proceeds from shares issue pending on allotment)	-	-
<b>3.10 Net cash from / (used in) financing activities</b>	<b>(17)</b>	<b>(46)</b>

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of quarter/year to date	8,042	10,737
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,277)	(4,197)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(164)	(934)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(17)	(46)
4.5	Effect of movement in exchange rates on cash held	45	69
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>5,629</b>	<b>5,629</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	<b>3,629</b>	<b>5,042</b>
5.2	Call deposits	2,000	3,000
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>5,629</b>	<b>8,042</b>

**6. Payments to directors of the entity and their associates**

6.1 Aggregate amount of payments to these parties included in item 1.2

6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

N/A

**Current quarter  
\$A'000**

226

-

<b>7. Payments to related entities of the entity and their associates</b>	<b>Current quarter \$A'000</b>
7.1 Aggregate amount of payments to these parties included in item 1.2	-
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	
N/A	

<b>8. Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		
N/A		

<b>9. Estimated cash outflows for next quarter*</b>	<b>\$A'000</b>
9.1 Research and development	(100)
9.2 Cost of goods sold (including investment in additional inventory for new stores and own products)	(12,000)
9.3 Advertising and marketing	(400)
9.4 Leased assets	(620)
9.5 Staff costs	(1,500)
9.6 Administration and corporate costs	(500)
9.7 Other (provide details if material)	-
<b>9.8 Total estimated cash outflows</b>	<b>(15,120)</b>

\* Table does not include estimated cash inflows in relation to receipts from customers

<b>10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)</b>	<b>Acquisitions</b>
10.1 Name of entity	N/A
10.2 Place of incorporation or registration	N/A
10.3 Consideration for acquisition or disposal	N/A
10.4 Total net assets / (liabilities)	N/A
10.5 Nature of business	N/A

**Compliance statement**

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here: ..... Date: .....  
(Director/Company secretary)

Print name: .....

**Notes**

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.



# 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.

[aumake.com.au](http://aumake.com.au)

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International Limited