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# September 2019 Quarterly Report

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## Highlights

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- Strong results were delivered during the September 2019 quarter:
    - > **Revenue** – up 42% to \$18.5 million (June 19 quarter: \$13.0 million)
    - > **Gross margin** – up 17.0% to 17.2% (June 19 quarter: 14.7%)
    - > **Gross profit** – up 68% to \$3.2 million (June 19 quarter: \$1.9 million)
    - > **Owned brand revenue** – up 67% to \$1.0 million (June 19 quarter: \$0.6 million)
    - > **Online sales** – up 11% to \$3.9 million (June 19 quarter: \$3.6 million)

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  - Tour group visitation is expected to significantly increase during the December quarter

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  - Positive operating cashflow of \$3.5 million

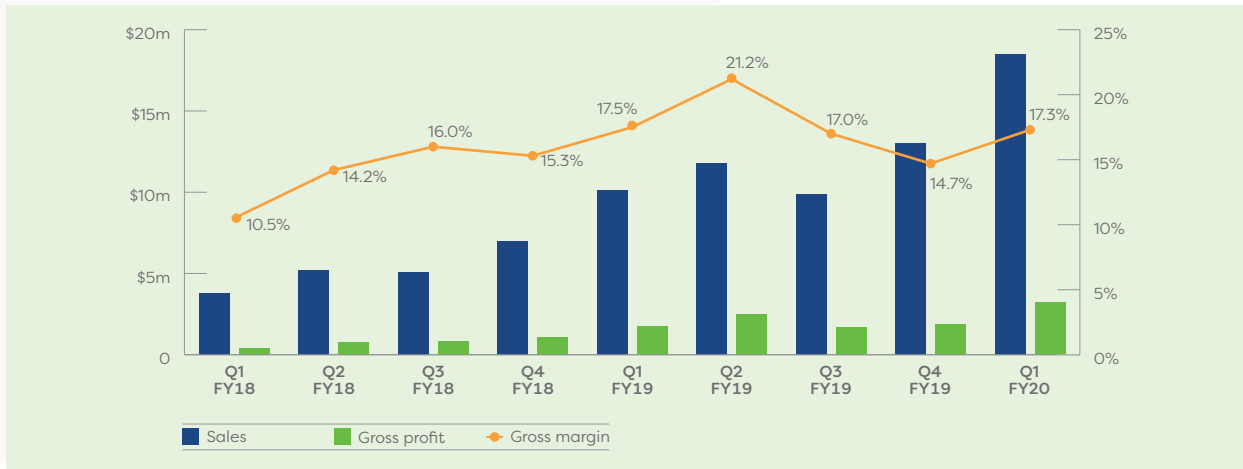
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  - Organisational review and synergies realised during September quarter as AuMake matures into a sustainable high growth and profitable business.
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AuMake International Limited (“**AuMake**” or the “**Company**”) is pleased to provide the following report and associated Appendix 4C in relation to the September 2019 quarter.



## Revenue, gross margin and gross profit

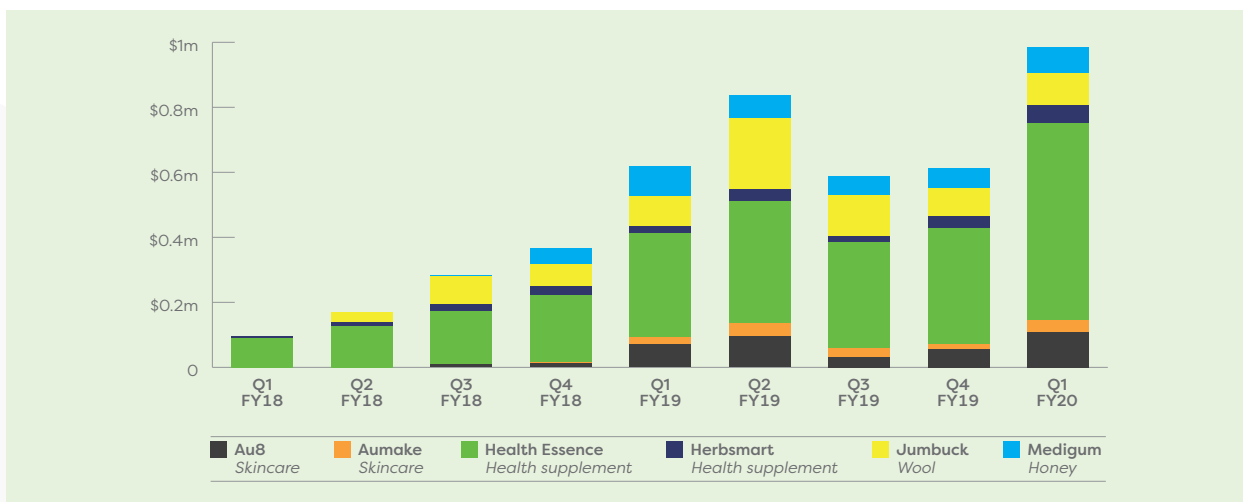


Financial performance during the September 2019 quarter improved materially due to:

- Broadway acquisition: Broadway contributed significantly across all metrics with year-on-year (YoY) increases in tour group visitation and improvement in gross margin due to tourists’ propensity to purchase high margin brands and products; and
- Improvement in general trading conditions: From August 2019 general trading conditions have improved, particularly in the AuMake and Broadway CBD stores where they have seen an increase in Free Independent Tourist (FIT) traffic. Similar to Chinese tour groups, FIT have a propensity to purchase new, high margin brands and products.

Financial performance is anticipated to further improve as synergies between AuMake and Broadway continue to be realised, and with the transition into high season and continued strong YoY increases in tour group visitation across the network.

## Owned brand revenue



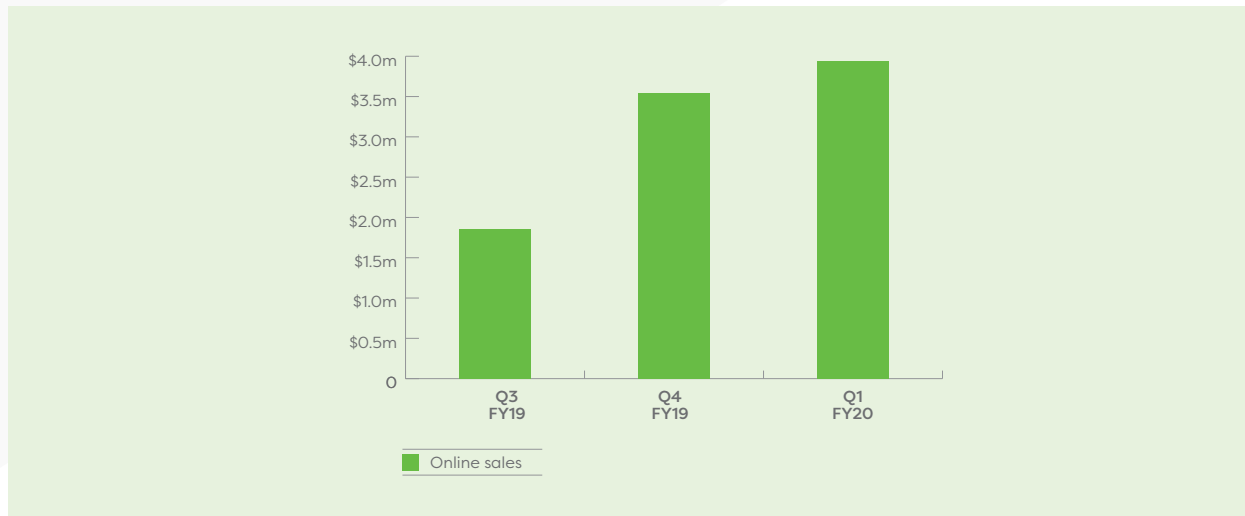
The Health Essence health supplement and Au8 skincare brands performed strongly during the quarter with owned brand sales anticipated to increase with the approaching high season and as Broadway sales staff become more accustomed to promoting AuMake owned brands.

Tourist traffic is repeatedly exposed to AuMake owned brands given their presence in all AuMake and Broadway stores, which they are likely to visit a number of times while on their holiday.

AuMake is currently reviewing its owned brand portfolio to cater for future growth and the needs of tourists.



## Online revenue



Online revenue continued to grow with increased performance across multiple online platforms. (JD.com, Kivibuy.com, AuMake.com, Suning and WeChat applications).

The Company will continue to evolve its online strategy, with current consideration being given to monetising customer data in the context of its value to other Australian brands and retailers.

## Operating cashflow

AuMake's operating cashflow for the period was positive \$3.5 million due to:

- A material increase in the nature and scale of the business following the completion of the Broadway acquisition on 21 July;
- The implementation of a commission working capital facility which is a key feature of the Broadway business model. This working capital facility sees Broadway collecting/disbursing commission payments to travel agents over a period of time and fluctuates depending on the number of tour groups and seasonality;
- A permanent reduction in inventory requirements with a change to new higher margin products purchased on consignment terms and away from less well known/low margin products like infant formula; and
- Streamlining of labour costs and realisation of initial synergies from the merger of the two businesses.

## Organisational synergies

Following the acquisition of Broadway, the Company conducted a thorough organisational review to extract all business synergies and cater for future growth. This resulted in an organisational restructure with streamlining initiatives during the quarter. In addition, key leadership positions have been created and are currently being recruited for with the recent appointment of a Head of Human Resources, and the Head of Marketing and Head of Operations roles expected to be completed before the end of calendar 2019.

A key outcome of these changes will be a leaner, more agile organisation with a lower cost base.

## Outlook

The Company is pleased by the initial financial and operational contribution of Broadway to AuMake's operations which is anticipated to grow over the December 2019 quarter.

The Company notes Broadway's unique ability to draw and direct Asian tour group traffic by leveraging long held relationships with Chinese travel agents. This provides exciting and unique avenues for tour group visitation growth outside officially published figures and opens opportunities for growth into other verticals to complement the sale of high margin products.

–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")**

September 2019

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	18,517	18,517
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(10,658)	(10,658)
(c) advertising and marketing	(932)	(932)
(d) leased assets	(878)	(878)
(e) staff costs	(2,075)	(2,075)
(f) administration and corporate costs	(1,175)	(1,175)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	32	32
1.5 Interest and other costs of finance paid	(29)	(29)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other	707	707
<b>Net cash from / (used in) operating activities</b>	<b>3,509</b>	<b>3,509</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(666)	(666)
(b) businesses (see item 10)	(3,069)	(3,069)
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
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)	-	-
2.6	rental bond guarantee (refundable at end of lease)	(176)	(176)
<b>2.7</b>	<b>Net cash from / (used in) investing activities</b>	<b>(3,911)</b>	<b>(3,911)</b>

<b>3.</b>	<b>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	-	-
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</b>	<b>Net cash from / (used in) financing activities</b>	<b>-</b>	<b>-</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	10,016	10,016
4.2	Net cash from / (used in) operating activities (item 1.9 above)	3,509	3,509
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(3,911)	(3,911)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	(11)	(11)
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>9,603</b>	<b>9,603</b>

5. <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	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	7,603	7,603
5.2 Call deposits	2,000	2,000
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
<b>5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>9,603</b>	<b>9,603</b>

6. <b>Payments to directors of the entity and their associates</b>	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	216
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	

7. <b>Payments to related entities of the entity and their associates</b>	Current quarter \$A'000
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	

8. <b>Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
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

9. <b>Estimated cash outflows for next quarter*</b>	\$A'000
9.1 Research and development	-
9.2 Cost of goods sold (including investment in additional inventory for new stores and own products)	(14,000)
9.3 Advertising and marketing	(500)
9.4 Leased assets	(900)
9.5 Staff costs	(2,900)
9.6 Administration and corporate costs	(700)
9.7 Other (provide details if material)	-
<b>9.8 Total estimated cash outflows</b>	<b>(19,000)</b>

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

10. <b>Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)</b>	Acquisitions \$A'000
10.1 Name of entity	Broadway Group
10.2 Place of incorporation or registration	Australia
10.3 Consideration for acquisition or disposal	\$14,200
10.4 Total net assets / (liabilities)	N/A
10.5 Nature of business	Tourists shopping store network

**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.