

# December 2019 Quarterly Report

## Highlights

- **New record for financial performance delivered during the December 2019 quarter:**
  - > Revenue – up 120% pcp\* \$26.0 million (December 18 quarter: \$11.8 million)
  - > Gross margin – up 144% pcp to 51.9% (December 18 quarter: 21.2%)
  - > Gross profit – up 440% pcp to \$13.5 million (December 18 quarter: \$2.5 million)
- **Material improvement in underlying growth drivers:**
  - > Broadway – Record tour group visitation up 120% pcp
  - > AuMake – Same store revenue up 22% pcp
- **Owned brand product revenue up 112% pcp**
- **Online sales up 18%** compared to September 2019 quarter
- **Additional marketing revenue stream** – \$0.5 million for December 2019 quarter (\$0.3 million for September 2019 quarter)
- **Second consecutive quarter of positive operating cashflow** (+\$2.7 million) with \$12.1 million cash at bank and stronger than anticipated EBITDA performance vs prior quarter
- **December quarter anticipated to be first quarter of positive operating EBITDA** (subject to audit)
- **Positive growth outlook to further increase share of inbound Asian tourist retail market**

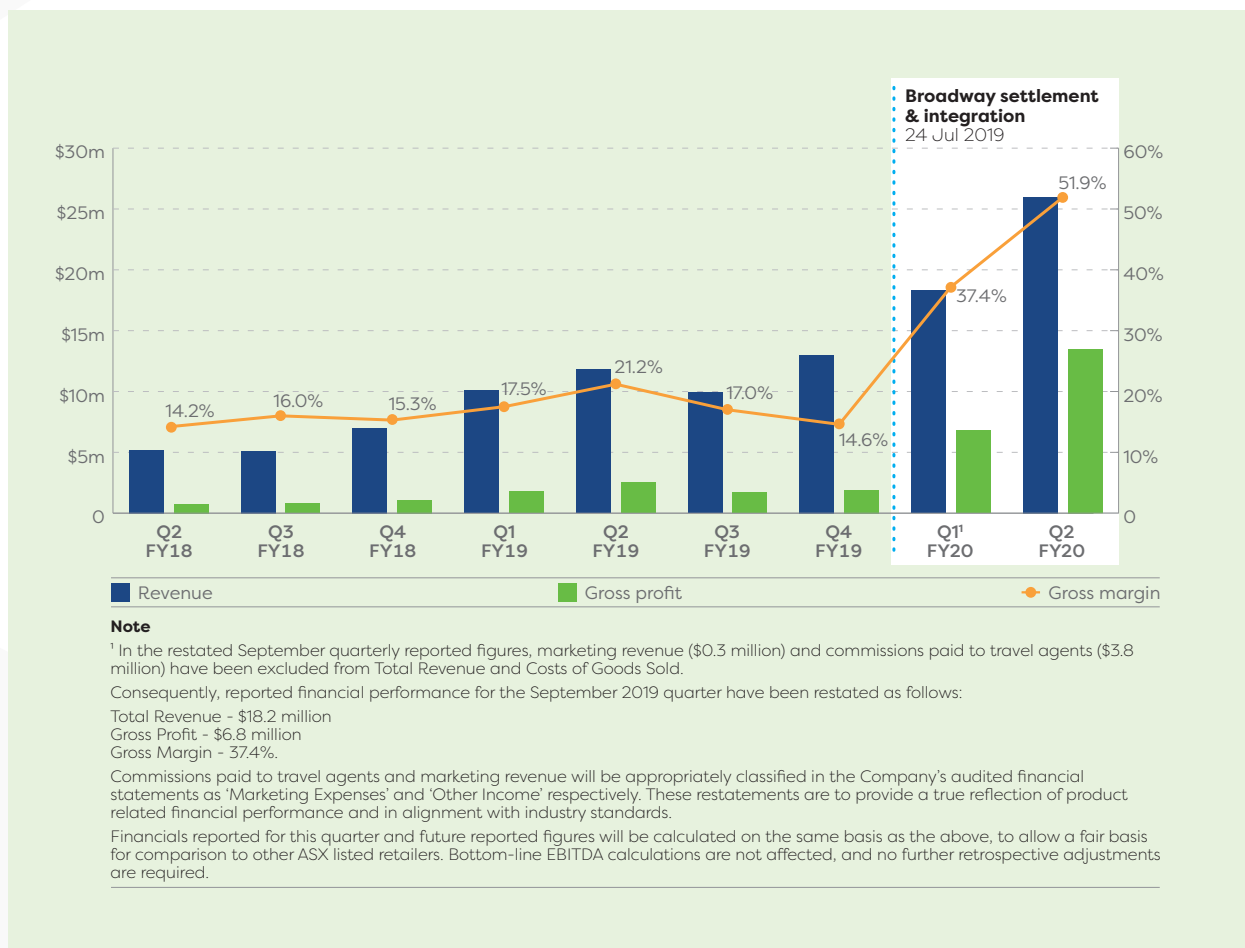
\* Previous Comparable Period



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

A significant improvement in the underlying performance of both the Broadway and AuMake businesses during the quarter has delivered financial results beyond the traditional positive impact of high season. This improvement in underlying operational performance has resulted in the Company’s first anticipated positive EBITDA quarter (subject to audit).

## Total revenue, gross margin and gross profit



## Underlying growth drivers

### Asian inbound tour group visitation

By leveraging existing and forming new relationships with Asian travel agents during the December quarter, Broadway grew inbound tour group visitation by 120% on the previous corresponding period (“pcp”). Further strong growth in inbound tour group visitation is expected with a significant pool of untapped travel agents in China yet to be engaged.

In September, the Company also engaged with Korean travel agents and initiated Korean tour groups visiting the Broadway store network. Korean tour group visitation is anticipated to increase in calendar year 2020 and will provide an additional source of Asian inbound tour group growth.



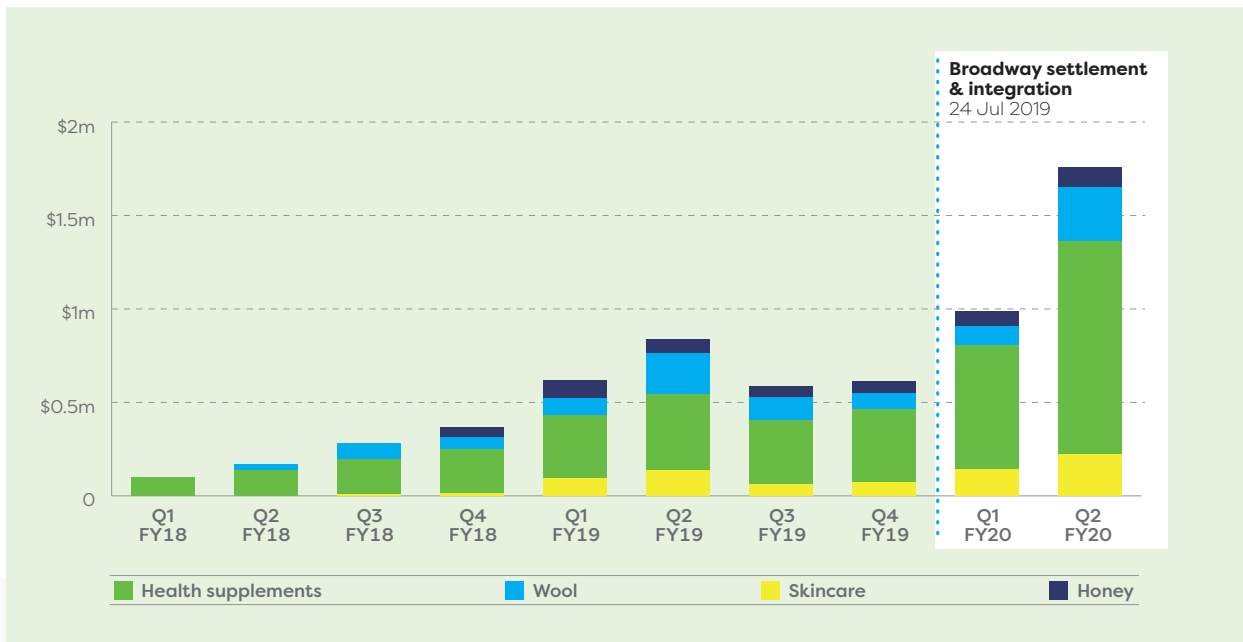
### Gross margin improvement strategies

In October, the Company closed four (4) AuMake branded community stores in Sydney which resulted in improved total gross margins for the quarter with the reduction in sales of lower gross margin products (including infant formula and popular health supplement brands). Sales from these store closures were partially offset by loyal customers migrating to AuMake’s online store in line with our strategic focus outlined below under Online Revenue.

The remaining AuMake branded stores delivered a 22% pcp increase in revenue performance for the quarter.

Key drivers of this improvement came from growing customer familiarity with AuMake store locations and additional word-of-mouth referrals which increased Asian tourist and local customer traffic. A number of operational and service-related initiatives were also implemented during the quarter to improve gross margins.

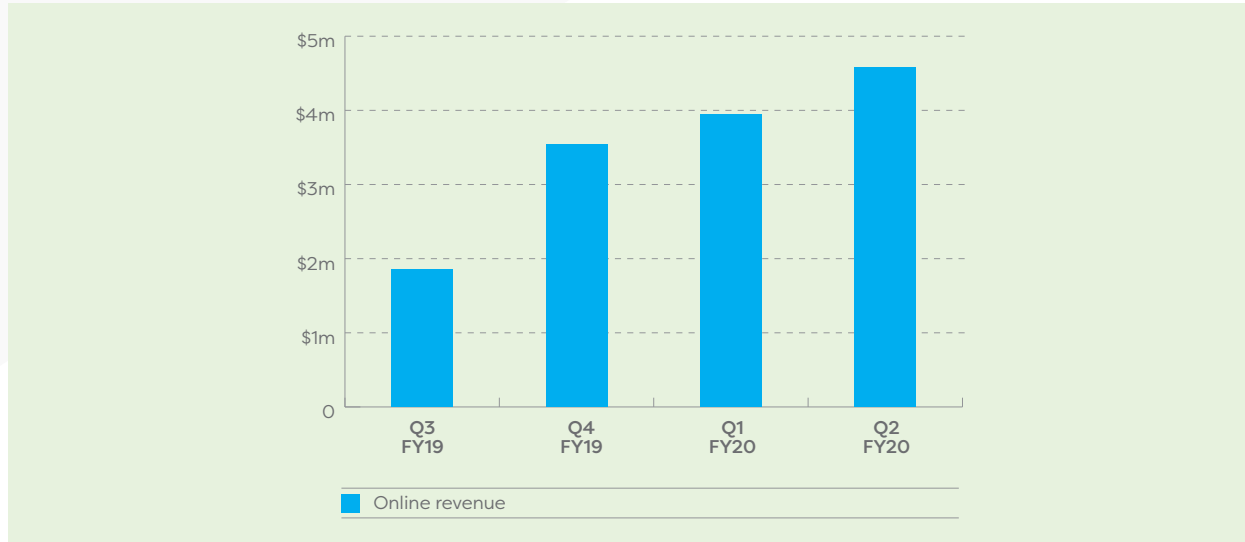
### Owned brand revenue



Owned brand product sales grew by 112% on the pcp to \$1.8 million (December 2018 quarter: \$850,000) due to increased Asian Free Independent Traveller (FIT) visitation rates to AuMake stores and additional distribution of owned brand products via the Broadway store network.



## Online revenue



During the quarter online revenue grew by 18% to \$4.6 million (September 2019 quarter: \$3.9 million).

A significant contributor to the Company's online revenue growth has been AuMake's ability to re-direct its growing store traffic to also shop online.

The Company's online strategy is focused on migrating sales of lower gross margin products from offline to online to improve EBITDA performance, while also providing customers with a more streamlined and convenient ordering experience to encourage repeat purchases.

Currently the Company only provides online services to AuMake branded store customers and is exploring a number of options (organic and inorganic) to provide a convenient way for Broadway customers, who are typically tourist, and including their family and friends, to purchase products and services online on their return to Asia.

## Marketing revenue

In addition to revenue derived from product sales, the Company also derives marketing revenue from third parties that market their brands to the Company's customers. This additional revenue was \$0.5 million for the December 2019 quarter (September 2019 quarter: \$0.3 million).

Minimal commitment of AuMake resources is required to service and grow this additional revenue stream, as any investment required is generally borne by the third party.

## Operating cashflow

The Company has achieved a second consecutive quarter of positive cashflow (+\$2.7 million) with cash at bank of \$12.1 million at the end of the period. This is a result of increased operational profitability, continued inventory reduction and streamlining of store/corporate labour costs.

In addition, due to the timing of payments to suppliers and commission payments to travel agents, cashflow movements reported in the Company's Appendix 4C generally will not correlate precisely to reported gross margin, gross profit figures or indicate specific operating EBITDA performance during a quarter.

As a specific example, EBITDA performance for the December quarter is anticipated to be stronger than the September quarter despite lower positive cashflow than the previous quarter (September 2019 quarter: +3.5 million).



## **EBITDA**

As per the ASX announcement released on 12 December 2019, the Company observed positive operating EBITDA (inclusive of all expenses including rental expenses) for the months of October and November. This momentum has carried over into the month of December and, subject to audit, the December 2019 quarter is anticipated to be the Company's first quarter of positive operating EBITDA.

This has been achieved as a result of significant improvement in operational performance, the closure of four (4) lower EBITDA margin community stores and stability in operating costs.

## **Outlook**

The Company is highly encouraged with the business performance during the December 2019 quarter and the early indications of success with the dedicated and strategic focus on servicing the unique retail requirements of Asian tourists.

The March quarter continues to be a traditional high season for Asian tourist visitation given as it includes the Chinese New Year holiday period. Forward tour group bookings at this stage have been only marginally impacted by the recent Australian bushfires, however the Company will continue to monitor the situation closely.

AuMake will provide further detail in relation to its financial performance in its HY20 financial report.

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This announcement has been authorised for release on behalf of the Board by Keong Chan, Executive Chairman of AuMake International Limited.

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