

Q4 FY20 Quarterly Report

- Online business set for growth

Sydney, Australia – AuMake International Limited (**AuMake, AU8** or the **Company**), a specialist retailer providing a contemporary shopping experience to Asian customers seeking high-quality and authentic Australian and New Zealand products, is pleased to release its consolidated quarterly cashflow and business update for the quarter ended 30 June 2020 (Q4 FY20).

Financial Highlights

- **Cash at bank of \$8.2m** (at 30 June 2020), with no debt
- Operational cash outflow of \$1.3m for the quarter, including significant investment in online growth and in-store customer experience on re-opening
- Total group revenue for Q4 FY20 of \$4.0m, (down 70% pcp) due to the impact of COVID-19 on temporary physical store closures and inbound tourism to Australia
- Total group gross profit of \$0.73m for Q4 FY20, (down 63% pcp), delivering a gross profit margin of 18.3% (an increase of 25% on the same period last year)
- **Online sales of \$2.3m with gross profit of \$0.47m (up 21% on the pcp) delivering a gross margin of 20.4% (an increase of 87% on pcp)**

Operational Highlights

- Since its launch in February 2020, the Broadway Online platform has experienced growing demand with more than 10,000 unique Asian visitors, driving online purchases from over 1,000 new Asian-based consumers
- The Company is **significantly improving its in-store experience** as it continues to progress re-opening physical stores
- To improve the shopping experience for customers, AuMake's online payment platforms now support leading Chinese owned **Buy-Now-Pay-Later providers Alipay and Tencent**

Outlook

- AuMake's strong financial position allows the business to continue to invest in the acceleration of online growth and to contemporise in-store customer experience with significant changes to store layout, presentation and product category expansion
- The Company will continue to focus on operational readiness ahead of the return of Asian students and tourists

AuMake Executive Chairman Keong Chan said "While COVID-19 has undoubtedly impacted the revenue profile of the business during the June quarter, AuMake has minimised this by materially reducing all non-core expenditure. At the same time, we are increasing our investment in long term growth drivers, enhancing our online offering and in-store customer experience.

"AuMake is strategically positioned to benefit from its growing online presence, leveraging its network of travel agent partners in mainland China to attract repeat purchasers and new customers. We will also benefit from the return of Asian students and tourists to Australia and New Zealand, who along with existing domestic customers, will be greeted with a new in-store experience which exceeds their expectations.



“The safety of our employees and customers remains a key priority for the business. On behalf of the senior management team and Board, I would like to thank all our stakeholders, including employees, suppliers, travel agents, tour guides, landlords and shareholders, for their continued support during these challenging operating conditions. AuMake will emerge as a leaner and more contemporary business as a result of this pandemic.

“AuMake remains committed to providing a premium highly-trusted, native-language physical and online shopping experience for Asian consumers seeking quality Australian and New Zealand products.”

Quarterly Financial Performance Summary

	Total (vs Q4 FY19)	Online (vs Q4 FY19)	Offline (vs Q4 FY19)
Revenue (\$)	\$4.0m (-70%)	\$2.3m (-35%)	\$1.7m (-85%)
Gross Profit (\$)	\$0.73m (-63%)	\$0.47m (+21%)	\$0.26m (-90%)
Gross Margin (%)	18.3% (+25%)	21% (+87%)	15.3% (-36%)

- With the temporary closure of physical stores at the end of March due to COVID-19, offline revenue and gross profit decreased by 85% and 90% pcp respectively
 - The Company actively managed its cost position during the quarter. The closure of the physical stores resulted in the company making the difficult decision to reduce its workforce by 70%
 - The Company received support for the impact of COVID-19 via Jobkeeper and rent assistance
- The reduction in gross profitability from physical stores was materially offset by a 21% increase in gross profitability from the online business
 - Online gross margin improved 87% vs the pcp as the Company **increased the proportion of high margin own-brand goods sold online**

	Q4 FY19	Q3 FY20	Q4 FY20
Operating cashflow	-\$1.8m	-\$1.5m	-\$1.3m

Despite the fall in headline revenue, the impact of improving online margins and cost reduction resulted in an operational cashflow outflow of \$1.3 million for the quarter, significantly lower than the pcp

Whilst managing operational costs, the Company continued to re-deploy resources to increase investment in long term growth drivers, particularly its AuMake and Broadway Online platforms and improving the in-store experience.

Payments made to related parties and their associates shown in the Appendix 4C are as follows:

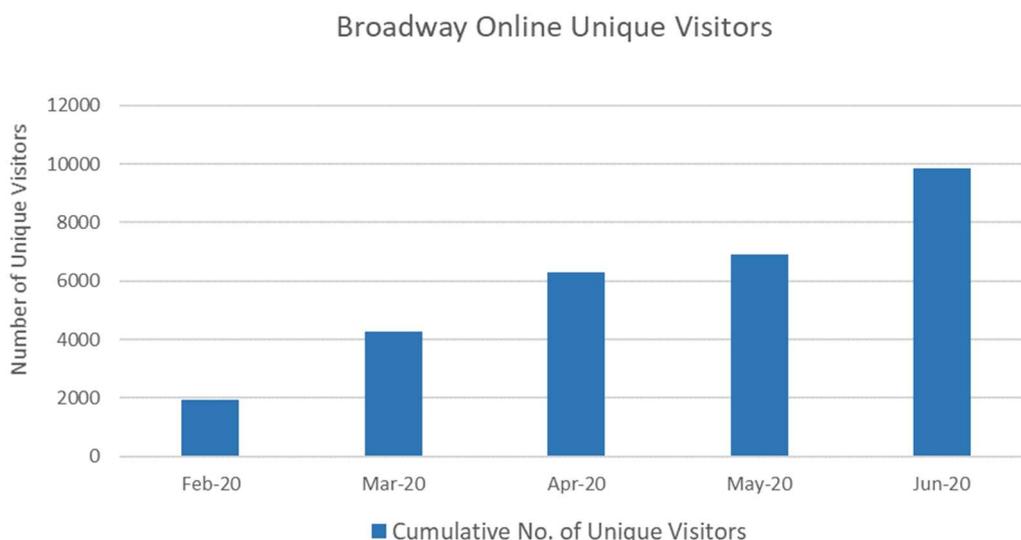
- Item 6.1: consists of \$118,372 directors' fees and \$37,105 rental expenses to a related party; and
- Item 6.2: \$132,938 is related to the consideration payment for the Broadway business to a related party.

Further information relating to the Company's operational activities are provided below.



Online operations

The temporary closure of its physical store network fast-tracked the Company's online development, launching the Broadway Online platform in February, which gained significant momentum during the quarter.



Since launching its Broadway Online platform in February, more than 10,000 unique Asian-based consumers have visited the platform, with over 3,000 unique visitors in the last two weeks of June alone. Growth in the Broadway Online platform is being driven by Chinese travel agencies, a refreshed user interface, and direct marketing promotions to customers such as the 618 online festival period.

The existing AuMake Online platform, which has more than 30,000 unique visitors over the last 12 months, is also performing well due to an improved user experience and the promotion of new higher margin products.

Growth of the Broadway Online platform, alongside a renewed focus on the promotion of new higher margin products via the existing AuMake Online platform, delivered an 87% and 21% increase in gross margin and gross profit respectively over the pcp.

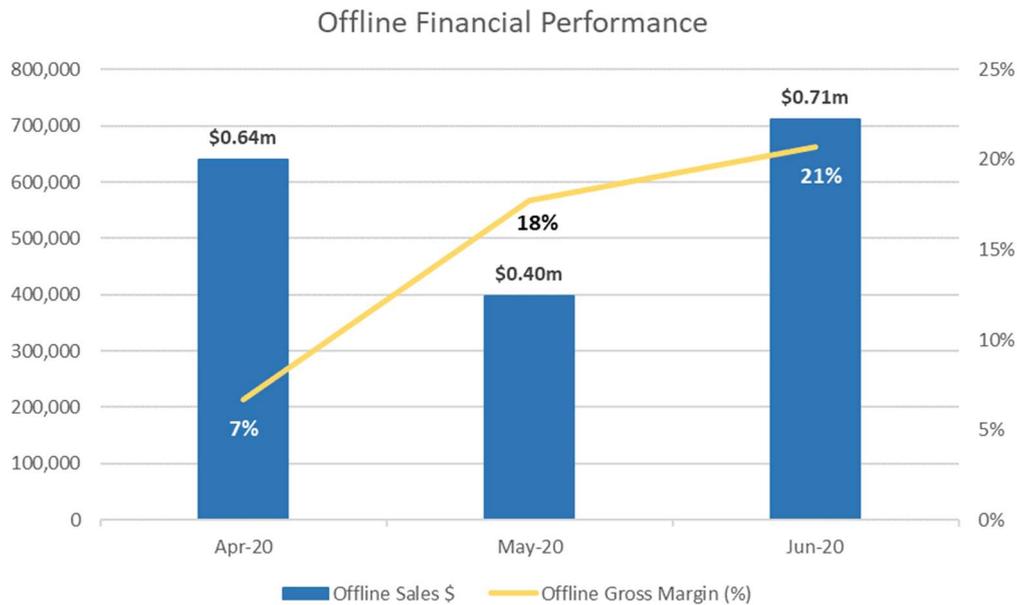
Broadway Online continues to grow with 6% unique visitor growth, three weeks into July. The Company will update the market as it continues to invest in its online offering.

AuMake's database provides a deep target pool for direct online marketing of new high quality and high margin products. The ability to utilise existing customer data for marketing outreach will deliver an increase in repeat online purchasing from customers located in Asia and delivers an important and differentiated source of future sales growth for AuMake.

Offline operations

COVID-19 social distancing restrictions required the temporary closure of AuMake's physical store network between 31 March to 11 May 2020. AuMake has since reopened three of its six metropolitan Sydney stores, which saw an increase in offline revenue and gross profit towards the end of the quarter.

To improve its cash position, the Company cleared excess inventory via wholesale channels which temporarily lowered gross margins for the month of April.



AuMake is in the process of planning and implementing substantial changes to contemporise its in-store customer experience, with significant changes to store layout, presentation and product category expansion.

The Company looks forward to the progressive re-opening of stores during the coming quarter.

Supporting Chinese Buy-Now-Pay-Later Services

To improve the customer experience, AuMake's in-store and online payment platforms have been developed to support leading Chinese owned Buy-Now-Pay-Later (BNPL) providers Alipay and Tencent.

Customers can use Alipay's BNPL Huabei feature which allows purchases to be paid using credit facilities, including interest free or daily incurring interest loans. Huabei has over 190 million users, 93% are less than 35 years old. Tencent is also in the final stages of developing its "Fenfu" credit feature, which will offer similar credit facilities to Huabei, and can be used by its 1.1 billion customer base.

BNPL is revolutionising the way consumers shop globally, including in China, and will be available to AuMake's in-store customers as well as its growing 40,000 online customer database. BNPL will assist AuMake to penetrate a younger Asian customer demographic, including the Free Independent Travellers segment which is anticipated to grow post COVID-19.

Outlook

Despite COVID-19 continuing to temporarily restrict inbound tourism and the inflow of foreign students into Australia and New Zealand, AuMake continues to grow through commitment to these FY21 strategic objectives:

- Improving the in-store customer experience in the Company's flagship physical venues via investment in store fit out
- Reinvigorating product mix to cater for changing consumer tastes and increase the proportion of high-quality & high-margin own brand products that the Company sells via its physical and online stores
- Continued investment in to expanding the Company's online retail platform
- Growing its existing 40,000 unique visitor database and developing the online platforms key partnership network with AuMake's existing portfolio of Asian tourists
- Continuing operational readiness of our physical venues and supply chain for the return of students and tourism during FY21



ENDS

This announcement has been authorised for release by the Board of AuMake International Limited.

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About AuMake International

AuMake is a specialist retailer providing a contemporary shopping experience to Asian customers seeking high-quality and authentic Australian and New Zealand products. The Company operates 15 lifestyle stores under the AuMake and Broadway brands, strategically located on Australia's east coast and in New Zealand. Its physical stores cater to organised inbound tour groups, leveraging established relationships in the Asian tourism industry with a product range tailored to Asian tourist and local Asian shopper desire for authentic premium products across skincare, health supplements, wool, honey and clothing. The Company's physical store network is complemented by a growing online presence through Broadway Online platform. Its online network specifically targets the delivery of repeat product sales to tourists who have previously visited AuMake's physical stores and potential customers via its travel network partners in mainland China.