

Full Year Results FY20

Sydney, Australia – AuMake International Limited (**AuMake** 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 financial results for the 2020 Financial Year (FY20).

Financial Results Summary

	FY20 Pro forma \$000'	FY19 Pro forma \$000'	Movement
Revenue	60,057	44,347	+35%
Gross Profit	25,349	7,626	+232%
Gross Margin	42.2%	17.2%	+145%
Operating EBITDA¹	(2,947)	(4,708)	+37%
NPAT¹	(4,361)	(8,044)	+46%

The Company's financial performance significantly improved in FY20 with the strategic acquisition and integration of Broadway Group during 1HFY20, which substantially increased Asian tourist visitation to AuMake.

However early in 2HFY20, the COVID-19 pandemic resulted in the closure of Australian & New Zealand international borders which materially reduced Asian tourist traffic to AuMake and associated revenue.

AuMake responded immediately by taking steps to significantly reduce operating costs including downsizing its labour force, temporarily closing physical stores and deferring/cancelling all non-core expenditure. In addition to discretionary operating expenditure measures, the Company has worked closely with key creditors and been assisted by government subsidies such as JobKeeper, to allow the Company to effectively manage its cash position.

After a short period of consolidation, the Company turned its attention to growth with increased investment into its online business. The launch of Broadway Online in March and the renewed focus from AuMake online towards the promotion of higher margin products, materially improved total online financial performance during 2HFY20.

Keong Chan, Executive Chairman said:

"COVID-19 has had a profound impact on AuMake.

Despite traditional revenue streams being impacted during 2HFY20, our financial performance improved significantly across all key metrics for FY20. This financial performance and ability to navigate COVID-19 is attributed to the talent and commitment of the AuMake team and our partners.

COVID-19 has challenged our very DNA and I am proud to say that our response has been emphatic. We have deeply considered the 'big picture' and are firmly focused on growth in the context of a vastly different world.

¹ Pro forma EBITDA loss and NPAT exclude the impact of AASB 16 lease accounting to better demonstrate the underlying trading performance of the business and, in the case of AASB 16, to aid comparisons with prior periods. Further information on the reconciliation of pro forma to statutory results are contained in the section below "Pro forma income statement – AASB 16 impact reconciliation".



An important step in our future growth is our recently announced partnership with Shenzhen Jiezhou Technology Co, Ltd., who are partly owned by leading fintech Ant Financial Services Group, to develop our next generation online platform to be launched in October 2020.

Our new online platform will not simply cater for the trading our retail products in the traditional sense but most importantly usher in a new online era in Australia by incorporating the very latest E-commerce trends from China and around the world, which blends previously separate concepts of social networks and commerce into one.

The evolution of AuMake is also not just isolated to our online business but will be entirely holistic as we fully embrace a complete transformation of our business.

We are incredibly excited for the future of AuMake and I look forward to updating our shareholders in the near future.”

Financial Highlights

- FY20 total group revenue of \$60m (up 35% vs FY19) due to acquisition of Broadway business
- Total group gross profit of \$25.3m (up 232% vs FY19) delivering a gross profit margin of 42.2% (up 145% vs FY19)
- Online sales of \$14.7m (up 130% vs FY19) with gross profit of \$2.1 m (up 158% vs FY19)
- Gross margin of 42.2% (up 145% vs FY19), due to increase in sales of higher margin products
- Pro forma Operating EBITDA¹ loss of \$2.9m (37% improvement vs FY19) due to increased online sales as inbound tourism to Australia was impacted by COVID-19
- Pro forma NPAT¹ was a loss of \$4.4m (a 46% improvement vs FY19)
- Cash at bank of \$8.2m as at 30 June 2020 with no debt (\$10m at 30 June 2019)
- Operational cash inflow of \$3.0m for FY20 (outflow of \$6m in FY19), including significant investment in online growth and in-store customer experience on re-opening

Revenue

- Total Revenue for FY20 was \$60m, consisting of \$45.3m physical store revenue and \$14.7m online revenue
- Online revenue of \$14.7m represented growth of 130% on the prior corresponding period, indicative of AuMake's increased traction with its digital marketing and platform investments.

Gross Margin

- Gross margin grew by 145% over the year to 42.2%, reflecting the significant increase in sales of high margin owned brand products to \$12m (27% of total revenue); and
- Online gross profit margin increased considerably over the period to 14.2% (up 12% vs FY19).

Cashflow

- Cash on hand as at 30 June 2020 was \$8.2m (\$10m at 30 June 2019); and
- Cash inflow from operations over the year was \$3m, largely contributed by strong revenue growth.

Inventory

- Inventory decreased by 67% to \$1.7m as at 30 June 2020 (\$5.1m at 30 June 2019), indicating significant improvement in operational leverage and effectiveness in inventory management.



Operating Expenses

- Cost of Doing Business (“CODB”) comprised 50% of total revenue and marketing expenses and included commissions paid to travel agents, which delivers customers to Broadway stores.
- AuMake actively managed its cashflow position during the year. The closure of its physical stores resulted in the Company making the difficult decision to reduce its workforce by 70%.
- The Company received all eligible government support to mitigate the impact of COVID-19, including JobKeeper and rent assistance.
- The Company will continue to monitor and effectively manage both CODB and marketing expenses to maximise profitability.

Operational Highlights

- AuMake has grown its online database to more than 40,000 unique visitors
- Since its launch in February 2020, the Broadway Online platform has experienced growing demand with more than 10,000 unique visitors, driving online purchases from over 1,000 new China-based consumers
- The Company is significantly improving its in-store experience as it continues to progressively re-open physical stores

Outlook

Whilst welcomed, AuMake’s growth during FY21 is not be reliant on the return of Asian tourists.

During FY21, AuMake will:

- Significantly enhance online capability and online experience in partnership with technology partner Shenzhen Jiezhou Technology Co, Ltd
- Aggressively grow its existing 40,000 unique visitor database via key partnerships
- Reinvigorate product mix to provide new exciting choices for customers and catering for changing consumer tastes; and
- Selectively reduce physical store footprint to key strategic locations; and
- Incorporate new retail concepts in remaining physical stores to significantly improve customer experience and support the growth of customer database, which will be further expedited with the eventual return of Asian tourists.

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.



Pro forma income statement – AASB 16 impact reconciliation

	FY20 Pro forma \$000'	Recognition of AASB16 impact \$000'	FY20 Statutory \$000'	FY19 Proforma \$000'
Income Statement as per Financials:				
Revenue	60,057	–	60,057	44,347
Cost of sales	(34,708)	–	(34,708)	(36,720)
Gross profit	25,349	–	25,349	7,626
Gross margin	42.2%	–	42.2%	17.2%
Other income	1,263	–	1,263	165
Total operating costs	(29,558)	2,865	(26,693)	(12,500)
EBITDA Loss	(2,947)		(81)	(4,708)
Depreciation	(975)	(2,649)	(3,624)	(578)
Finance costs	(3)	(753)	(755)	–
Other expenses	(687)	–	(687)	(2,457)
Loss before income tax expenses	(4,610)	–	(5,147)	(7,743)
Income tax	–	–	–	(14)
Loss after income tax expense for the year	(4,610)	–	(5,147)	(7,757)
Exchange difference on translation of foreign operations	249	–	249	(287)
Net Loss After tax	(4,361)	(537)	(4,898)	(8,044)

● Reversal of operating leases expenses

● Recognition of AASB 16 depreciation and interests