
International and interstate store network expansion

Highlights

Four new cross-border retail store locations

- **Sydney (2)** – New stores in Campsie (daigou) and Haymarket (Chinese tourist)
 - **Brisbane (1)** – Acquisition of existing store and management
 - > \$150,000 cash and \$300,000 fully paid ordinary shares (30-day vwap) with escrow of 12 months from date of issue
 - > Acquired at replacement value
 - > Springboard to open further stores in Brisbane
 - **Auckland (1)** – Acquisition of existing store and management
 - > NZ\$200,000 in AuMake fully paid ordinary shares (30-day vwap) with escrow of 12 months from date of issue
 - > Acquired below replacement value
 - > Springboard to open further stores in Auckland and New Zealand
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Financial commentary

- With these acquisitions and the opening of own stores, AuMake's sales forecast has increased by an estimated 30-40% over the next 12 months
 - > Further new store openings planned in near future
 - Fixed costs are expected to remain stable with minor increases in direct costs (rent and labour)
 - > New stores anticipated to materially increase the profitability of the overall business, in line with the performance of the Company's existing 13 stores
 - Significant financial improvement expected with minimal investment (\$580,000) required to refurbish and rebrand the four new stores
 - > Attractive rate of return on investment and payback period within 12 months
 - Additional inventory cost well serviced utilising existing working capital facilities
 - Opportunity to capture online traffic and repeat customers not currently serviced in Brisbane and Auckland stores
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AuMake is leading the rapid consolidation of the \$2.5 billion cross-border retail market in Australia and New Zealand



AuMake International Limited (“**AuMake**” or the “**Company**”) is pleased to announce the expansion of its retail store network, with the opening of a further two (2) stores in Sydney, one (1) store in Brisbane and one (1) store in Auckland, New Zealand.

This takes the Company’s total store count to 17 and includes the opening of the Company’s first stores outside Sydney, both interstate and overseas.

Sydney

Sydney remains the largest and most lucrative market for Australian cross-border retail trade and these two additional stores will consolidate AuMake’s position as the premier cross-border retail brand in Sydney. The stores will be branded AuMake and are located in:

- Haymarket Chinatown (Dixon Street) focusing on Chinese tourists – opening June ‘19 quarter; and
- The highly populated daigou area of Campsie (Beamish Street) – opened 5 March 2019.

Brisbane

Acquisition of a 300 sqm retail store located on the Queen Street Mall in the heart of Brisbane’s CBD, including retention of the existing management team which have focused on servicing the Chinese tourist market over the last 15 years.

AuMake believes there is an opportunity to significantly improve the financial performance of this store by implementing the following changes:

- Recalibrating and optimising the product mix sold in the store;
- Catering for the daigou market;
- Training existing management to improve sales conversion rates;
- Launching targeted local area marketing (LAM); and
- Streamlining supply chain to AuMake standards.

Commercial terms

The Company has executed an agreement to acquire the retail store (subject to final customary final due diligence) for \$150,000 in cash and \$300,000 in fully paid ordinary shares (30-day vwap and 12 month escrow period from date of issue).

The consideration paid by the Company for the acquisition of this store represents replacement value (had AuMake opened its own store) with a component of the consideration comprising of ordinary shares in AuMake, to align vendor interests. Sales are expected to occur immediately post settlement which is anticipated to be the end of March 2019.

The Company believes this store has the potential to be a flagship store in Brisbane, similar in trade and financial performance to the Town Hall store in Sydney’s CBD, which is one of the best performing in AuMake’s retail network.

Auckland

AuMake will open its first retail store in Auckland, New Zealand through the acquisition of an existing 400sqm Chinese tourist focused store located in Mount Eden Road, Grafton. This store represents AuMake’s entry into a new and exciting market given many of the Chinese tourists visiting New Zealand do not visit Australia on their journey.

Whilst the New Zealand cross-border retail market is smaller than the Australian market, the Company’s due diligence indicates New Zealand is significantly under serviced. Consequently, an opportunity exists for AuMake to quickly establish itself as the dominant cross-border retail brand in New Zealand.

Similar to the acquisition of the Brisbane store, the Company will implement strategic changes to materially improve this store’s financial performance.

Commercial terms

The Company has executed an agreement to acquire this store (subject to customary final due diligence) for NZ\$200,000 in AuMake fully paid ordinary shares (calculated on a 30-day vwap and escrowed for 12 months from date of issue).

The consideration paid to acquire this store is below replacement value and is comprised entirely of ordinary shares in AuMake, to align vendor interests. The acquisition also includes the retention of the store’s existing management team with over 10 years’ experience in the Auckland market. Sales are expected to occur immediately post settlement which is anticipated at the end of March 2019.



Financial commentary

The opening of four new store stores is anticipated to increase AuMake's current internal sales forecast by 30-40% over the next 12 months. In addition, the entry into two completely new markets (Brisbane and Auckland) will provide additional opportunities to convert new AuMake customers to online and repeat purchases.

Refurbishment and branding costs for these four additional stores has been budgeted at \$580,000, with overall payback period to be less than 12 months, providing a highly attractive rate of return on investment. Inventory costs to service these stores are well covered utilising existing working capital facilities.

Fixed costs are expected to remain stable as the additional stores will utilise existing infrastructure such as the Auburn Warehouse for storage and distribution, as well as the head office for marketing and brand promotion. The Company expects each new store to be profitable shortly after opening, net of direct operating costs, thus materially increasing the profitability of the overall business.

Strategic outlook

Keong Chan, Executive Chairman, states:

"The opening of these four new stores, including entry into two completely new markets, is consistent with the Company's strategic focus to rapidly grow our share of the \$2.5 billion Australia and New Zealand cross-border retail market.

Over the last 12 months, we have continued to test and refine our business to get to a point where the model is both scalable and highly profitable. We know what locations will work and how to create a store that becomes a destination for daigou and/or tourists. We are highly proficient in identifying locations, which products will sell in that location, how to assess the capability of store management, what supply chain is most efficient to get the products to market quickly and how to tailor store marketing campaigns to deliver the greatest return on investment.

The current retail network is highly profitable and we are confident that future stores, including the four stores that we have announced today, will follow the same profitable growth path. This growth in store profit will soon surpass the costs to run our business and will ultimately deliver long term and sustainable returns to our shareholders. As a business we are focussed on delivering this outcome as quickly as possible.

As highlighted in our recent strategic outlook, the Company continues to assess opportunities to increase market share domestically and in New Zealand.

It is important to note that AuMake's future growth is not limited to just Australia and New Zealand. By increasing our market share and brand profile we are increasing our relevance in China. The potential for a trusted Australian retail brand like AuMake in China is unprecedented and we are unwavering on this end goal."

Ends

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.

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