

kogan.com

Covid beneficiary - Structural change in Australians using online retailers. Penetration relatively low in Aus vs US.

Founder run business (20.9% of shares held by insiders), recently added New directors, Janine Allis (Boost Juice) and James Spenceley (Vocus & Airtasker)

Improving gross margin with scale and growth of Kogan Marketplace

Average gross sale per customer is growing, repeat orders/customers growing (Brand Loyalty)

1HFY21 Highlights: Gross Sales +97.4% PCP, Revenue +88.6%, Gross Profit +126.2%, EBITDA +184.4%, NPAT +250.2% (EBITDA & NPAT Adjusted)

Active Customers +76.8% PCP, Marketplace Sales +194.3% PCP, Exclusive Brands Revenue and Gross Profit grew by 114.9% and 174.9% respectively (Profit growing faster than revenue), Third-Party Brands Revenue and Gross Profit grew by 50.5% and 77.0% respectively, Kogan Mobile/Internet +12.9%/17.9%

Acquisition of mighty ape (NZ Online Retailer)

Notes: Working capital increased due to investment into inventory, marketing spend + 251.7% on PCP (Land Grab), Exclusive brands make up 56% of gross profit, marketplace 12%, repeat orders trending up indicating customer satisfaction, operating costs decreasing as % of gross sales, strong balance sheet, \$30 gross profit per active customer (Up \$1 from PCP), Marketing spend per new customer \$28 (up from \$17 PCP) - Attempt to grow the business and gain market share (likely to fall over time)

Risks: Competition - Kogan competes with Amazon, JB-Hi-Fi etc. Unlikely to be a winner takes all but KGN needs to continue its land grab and build brand loyalty

Economic risk - Economic down turn (increasing unemployment) will lead to customers spending less and hence put pressure on the top line. Current state of the economy looks good with unemployment falling despite covid headwinds (Job Keeper ending March 2021)

DCF & Calculation:	1	2	3	4	5	6	7	8	9	10	
	30/06/2021	30/06/2022	30/06/2023	30/06/2024	30/06/2025	30/06/2026	30/06/2027	30/06/2028	30/06/2029	30/06/2030	
	Analyst	Analyst	Analyst	P	P	P	P	P	P	P	
Total Revenue	800.00	915.00	1023.00	1145.76	1283.25	1424.41	1566.85	1707.87	1844.50	1973.61	
% Change YoY	61%	14%	12%	12%	12%	11%	10%	9%	8%	7%	
Gross Profit	220.00	256.20	291.56	332.27	378.56	427.32	477.89	529.44	581.02	631.56	
Gross Margin %	28%	28%	29%	29%	30%	30%	31%	31%	32%	32%	
OE	145.32	155.55	173.91	183.32	205.32	213.66	235.03	239.10	258.23	276.31	
% OE	18%	17%	17%	16%	16%	15%	15%	14%	14%	14%	
EBITDA	74.68	100.65	117.65	148.95	173.24	213.66	242.86	290.34	322.79	355.25	
EBITDA Margin %	9%	11%	12%	13%	14%	15%	16%	17%	18%	18%	
Effective Tax Rate %	32%	32%	31%	30%	29%	28%	28%	28%	28%	28%	
CAPEX (5% Per Yr)	6.00	6.30	6.62	6.95	7.29	7.66	8.04	8.44	8.86	9.31	
Shares On Issue	105.70	107.81	109.97	112.17	114.41	116.70	119.04	121.42	123.84	126.32	
Dilution %	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	Terminal
Net Income	50.63	68.44	81.18	104.26	123.00	153.84	176.07	210.49	234.02	257.56	Value
FCF	44.63	62.14	74.56	97.32	115.71	146.18	168.03	202.05	225.16	248.25	3392.72
Discount Factor	1.10	1.21	1.33	1.46	1.61	1.77	1.95	2.14	2.36	2.59	2.59
PV of Future FCF	40.57	51.36	56.02	66.47	71.84	82.51	86.23	94.26	95.49	95.71	1308.04
Enterprise Value	2048.51										
Present Value	\$ 16.22										
Current Share Price	\$ 12.47										
Upside %	30%										