

Kogan.com

H218 revenue growth accelerating

Kogan.com (KGN) is a portfolio of retail, marketplace and consumer services including kogan.com, DickSmith.com, Kogan Marketplace, Kogan Mobile, Kogan Internet, Kogan Insurance and Kogan Travel. The company is focused on delivering in-demand products and services in a more affordable, digitally efficient and accessible manner. KGN listed on the ASX in July 2016, after raising \$50m at \$1.80/share, and subsequently outperformed its FY16 and FY17 prospectus forecasts. The company delivered H118 NPAT adjusted for one-time costs of \$8.1m, more than a two-fold year on year increase and declared a \$0.069/share interim dividend, up from \$0.039/share in H117.

Strategy

Kogan.com started life as an online electronics retailer offering in-demand products at affordable prices and has subsequently leveraged its brand into marketplace and consumer services in mobile, broadband, insurance, travel, and has just commenced Kogan Health, Kogan Pet and Kogan Life. The company's objective is to deliver value-for-money consumer services and products through partnering with brands. Its strategy has taken it into exclusive brands (45.1% of gross profit), global brands (21.4% of gross profit) and partner brands (19.7% of gross profit). Mobile is now just under 12% of gross profit. Kogan.com has 1.166m active customers, up 40.5% year-on-year.

Interim result

The company reported H118 trading NPAT (excluding unrealised FX gains/losses) of \$8.1m, up 118.9% on H117's NPAT of \$3.7m. Statutory NPAT was \$8.3m compared with \$1.5m in pcp. Gross margins expanded to 19.4% from 18% in H117 as a result of the expansion into new partner brands and new retail verticals. Revenue increased 45.7% to \$209.6m in H118 from \$143.9m in H117.

Outlook and consensus

The company noted that H218 trading had started well with January demonstrating a further acceleration in revenue growth ahead of that achieved in H118. Consensus (1 broker) is for 87.5% growth in pro-forma NPAT in FY18e on the back of 38% revenue growth. Given the company's commentary on H218 trading, we anticipate that there will be upgrades to consensus for FY18. We note, however, that the company is trading on a current PER of 55.1x, well in excess of the broader market.

Earnings history and Consensus forecasts (A\$m)

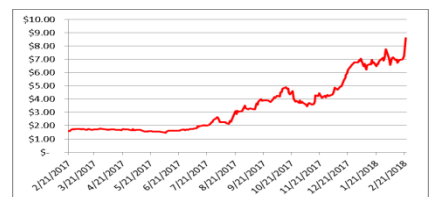
Y/E	Revenue	EBITDA	EBIT	Pro forma NPAT*	Stat. NPAT	DPS (c)	Pro Forma EPS (c)*	PE (x)	Yield (%)
6/16	211.2	4.0	1.6	0.8	0.8	-	1.5	562.1	-
6/17	289.5	13.2	9.2	7.2	3.7	7.7	5.2	164.1	0.9
6/18 (f)	398.9	n/p	n/p	13.5	13.5	10.2	15.6	55.1	1.2
6/19(f)	475.0	n/p	n/p	18.7	18.7	14.0	21.6	39.8	1.6

Source: Company data; Consensus for FY18 and FY19 derived from Stockopedia.com

Share details

ASX Code	KGN
Share Price (at 22 Feb)	\$8.60
Market Capitalisation	\$676M
Number of shares	93.5M
Enterprise Value	\$648M
Sector	Retailing
Free Float	42.4%

Share price performance



RaaS RAP 5-point score* = 3/5

Revenue increasing (1); EPS increasing (1); Return on Capital Employed [ROCE] (0); EBIT interest cover >3x (1) Gross Operating cash flow/EBITDA >90%(0))

Upside Case

- Strong private label online retail brand
- End to end automation keeps costs down
- Leveraging brand into other verticals, consumer services

Downside Case

- Potential competition from global heavyweight Amazon
- Barriers to entry in internet retailing are low
- Can be subject to currency fluctuations from sourcing offshore products

Catalysts

- Delivering H218 revenue growth in excess of 46%
- Expansion of brand partners/consumer services

Comparative companies (Australia & NZ)

JBH, HVN

Substantial Shareholders

Kogan Management and Ruslan Kogan 51.8%, Shafer Corporation and David Shafer 13.7%

RaaS Advisory contacts

Finola Burke	+61 414 354 712 finola.burke@raasgroup.com
Moirra Daw	+61 418 697 275 moirra.daw@raasgroup.com

DISCLAIMER and DISCLOSURES

This report has been prepared and issued by RaaS Advisory Pty Ltd (A.B.N. 99 614 783 363) and should be read in conjunction with RaaS Advisory's Financial Services Guide at www.raasgroup.com. All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable; however RaaS Advisory cannot guarantee the accuracy or completeness of this report. Opinions contained in this report represent those of the principals of RaaS Advisory at the time of publication. RaaS Advisory is a Corporate Authorised Representative under AFSL licence No 456663. This is not a solicitation or inducement to buy, sell, subscribe, or underwrite any securities mentioned or in the topic of this document. This document is provided for information purposes only and should not be construed as an offer or solicitation for investment in any securities mentioned or in the topic of this document. Forward-looking information or statements in this report contain information that is based on assumptions, forecasts of future results, estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of their subject matter to be materially different from current expectations. Past performance is not a guarantee of future performance. To the maximum extent permitted by law, RaaS Advisory, its affiliates, the respective directors, officers and employees will not be liable for any loss or damage arising as a result of reliance being placed on any of the information contained in this report and do not guarantee the returns on investments in the products discussed in this publication. Copyright 2018 RaaS Advisory Pty Ltd (A.B.N. 99 614 783 363). All rights reserved.