

30 September 2020

OliveX Holdings Limited

Delivering tech-enabled home exercise

OliveX Holdings is a digital lifestyle company focused on the health and fitness industry. The company owns the Kara Smart Fitness app which hosts live and on-demand health and fitness content and the Kara Mirror, a display monitor and camera which uses artificial intelligence and gamification to engage with and provide interactive workouts with subscribing customers. OliveX listed on the NSX on August 24 after raising \$2.18m at \$0.20/share to give it a market capitalisation at IPO of \$7.5m. The company was spun out of its parent group, Animoca Brands which continues to own 33% of OliveX. OliveX intends to use the proceeds on further product and AI development, sales, marketing and digital development, content production for the app and Mirror, and expansion of mobile applications and product portfolio.

Business model

Historically OliveX has generated its revenue via its apps through downloads and in-app/game purchases as well as development fees received for its work on third-party apps. In H1 FY20, the bulk (84%) of revenues were generated from services while 8% came from apps and games revenue and 8% from Mirror sales, which were launched in H2 FY19. The company's plan, outlined in its prospectus, is to attract users with limited freemium content and upsell them to a monthly app subscription to access individual and live training sessions with premium and celebrity coaches. The monthly subscription is A\$17 (HK\$91) on a 12-month plan. OliveX will also seek to upsell subscribers to its Kara Mirror, a display monitor and camera in the form of a mirror which, with additional subscription is designed to deliver maximum and personalised engagement with trainers. Subscribers for the Kara mirror pay A\$2,300 (HK\$12,500) up front and A\$36 (HK\$200) per month after the first year.

Recent News

OliveX is actively pursuing brand alliances as part of its revenue generation strategy and to date has secured early stage relationships with two brands – telco CSL.5G and hotel group Marriott. CSL, part of the PCCW Ltd group and responsible for \$600m in annual sales, is showcasing the Kara Mirror in its retail stores in HK and is selling access to the Kara Smart Fitness app for AU\$14 (HK\$78) per month on a 24 month contract as part of its 5G rollout. The Marriott Group is trialling the digital mirrors in the health and fitness gyms in their Hong Kong hotels.

Earnings history (US\$m)

Year ended	Revenue	Gross Profit	EBITDA	NPAT	EV/Sales *
11 months to Jun-18 [^]	0.10	0.09	(0.64)	(0.66)	na
Jun-19	0.54	0.54	(0.31)	(0.43)	35x
H1 FY19	0.31	0.31	0.08	0.05	na
H1 FY20	0.27	0.24	(0.32)	(0.41)	na

Source: Company data *Based on market capitalisation [^]OliveX HK accounts only

Shares Summary

Share Code	OLX
Share price at 30 Sept 20	\$0.52
Market Capitalisation	\$19.5M
Number of Shares	37.45M
Net cash post IPO	~\$2.28M
Share Registry	Link Market Services Ltd

RaaS 5-Point Score* = 2/5

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

Upside Case

- COVID-19 has amplified demand for tech-enabled home exercise
- Tapping into health-conscious millennials with high disposable income
- Opportunity to sell brand/marketing opportunities to active wear companies, sporting goods manufacturers, supplement and nutrition companies

Downside Case

- Very fragmented market with more than 40,000 fitness apps available to consumers
- Relying on third parties to manufacture and deliver the Mirror
- Ongoing investment in content and brand may require further equity raises

Board of Directors

Chairman	Yat Siu
Managing Director/CEO	Keith Rumjahn
Director	Xavier Kris
Director/CoSec	John Bell

Catalysts

- Growth in subscriptions for both Kara app and mirror
- Further evidence of brand alliances
- Geographic expansion into Australia and Singapore

Comparative Companies

Viva Leisure (ASX:VVA)

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FINANCIAL SERVICES GUIDE

RaaS Advisory Pty Ltd

ABN 99 614 783 363

Corporate Authorised Representative, number 1248415

of

BR SECURITIES AUSTRALIA PTY LTD

ABN 92 168 734 530

AFSL 456663

Effective Date: 26th November 2018



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- who we are
- our services
- how we transact with you
- how we are paid, and
- complaint processes

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 - Securities
- deal on behalf of retail and wholesale clients in relation to
 - Securities

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Website: www.afca.org.au; Email: info@afca.org.au; Telephone: 1800931678 (free call)
In writing to: Australian Financial Complaints Authority, GPO Box 3, Melbourne, VIC, 3001.

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