



# Shoply – Investor presentation

March 2015



# Strongly positioned for growth



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Strong customer proposition – premium brands at great prices

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Scalable platform in place

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Dual growth strategy – organic and M&A

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Business moving closer to profitability

5

Attractive growth fundamentals in online retail market

6

Strong Board and management

# Corporate overview

A rapidly growing eCommerce Group

# Corporate snapshot

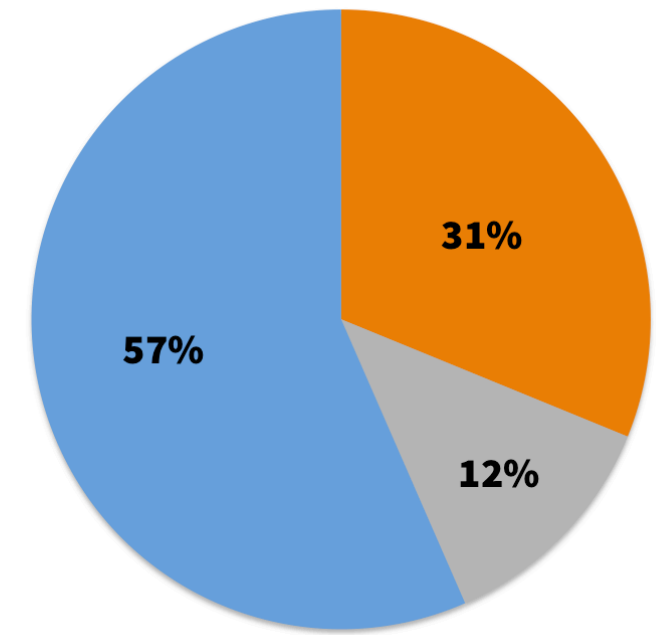


**Vision: to become a leading ASX-listed online shopping company, via organic growth and consolidation across targeted market segments**

ASX Code: SHP	
Ordinary Shares	529m
Listed options (SHPOA, 3.5¢, 31/7/15)	60.0m
Unlisted options	12.6m
Market cap (@ 1.6 cents)	\$8.5m
Cash (31 December 2014)	\$3.3m

Directors & Senior Management
Simon Crean – CEO
Andrew Plympton – Chairman
Sophie Karzis – Non-Executive Director
Mark Goulopoulos – Non-Executive Director
Domenic Carosa – Non-Executive Director
Graeme Lay – CFO

Shareholding breakdown



- Top 20 (excluding Board & Management):
- Board & Management:
- Other:

\*As of March 12, 2015

# A rapidly growing eCommerce group & mid-market consolidator



\$18m FY 2015 Forecast revenue

3.7m annual visits

330k active customers

182k email list

106 supplier partners

## Business-to-Consumer and Business-to-Business



# First-Half FY 2015

A half of acquisition integration and capitalising on Christmas

# Financial summary First-Half FY15

## transition of Shoply to a pure online retailer



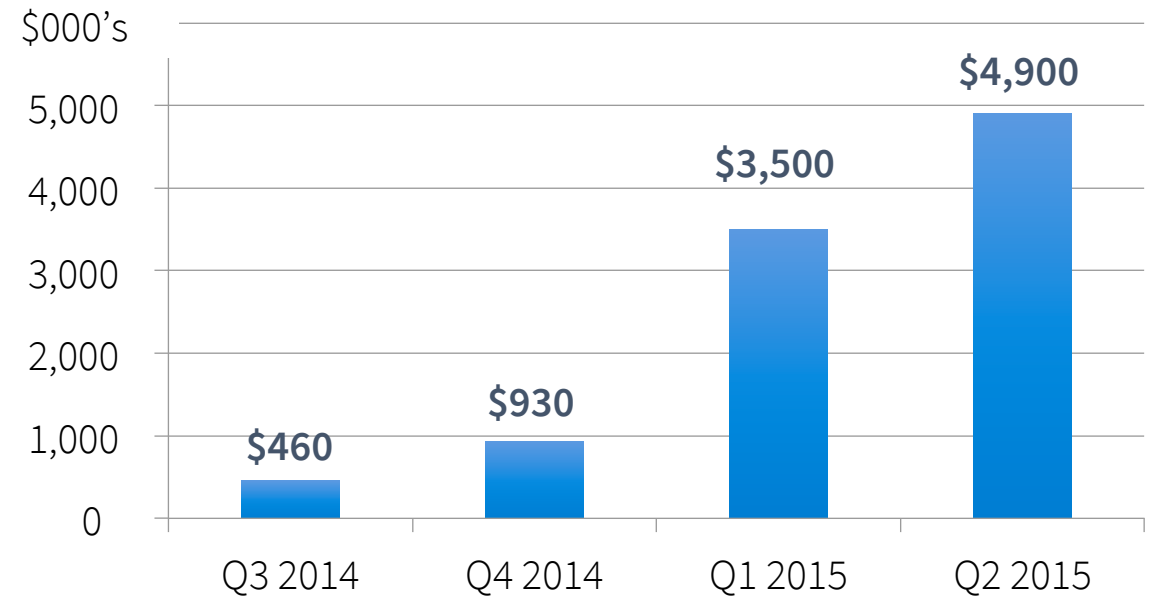
### ▶ Revenue

- ▶ 10 times revenue growth over the last four quarters
- ▶ Continued integration and management of acquisitions
- ▶ TV advertising in eastern states and increased email marketing to existing customers
- ▶ Increased product range driving customer traffic
- ▶ Expected revenue of \$18m in FY 2015

### ▶ Profitability

- ▶ Net loss of \$1.1M for H1 2015
- ▶ Investment in integrating and consolidating acquisitions
- ▶ Increased investment in advertising for Christmas rush

### Online Shopping Sales



### ▶ Cashflow

- ▶ Net operating cash outflow for H1 2015 of \$99k (\$387k for H12014)
- ▶ Total net outflow for H1 2015 of \$227k due to investments in working capital for Your Home Depot, Warcom and Wow Baby

## **Acquisition of eStore.com.au**

Increasing revenue ~40%, increasing depth in Business Technology



# eStore.com.au

- ▶ Premier eCommerce business technology retailer
  - ▶ Ranked 89th in Power Retail's 2015 Top 100 Online Retailers
  - ▶ Number 1 online reseller of Microsoft digital download products
  - ▶ Database of over 82,000 active customers
  - ▶ 25,000 products online
- ▶ Acquisition benefits:
  - ▶ Lorenzo Coppa adds 23 years of multichannel retail experience
  - ▶ Increases Shoply's depth in Office Technology market
  - ▶ Operational and supplier relationship synergies
  - ▶ Adds a dedicated Australian call center to answer and deal with customer queries and returns
  - ▶ A team of highly experienced industry professionals in the business technology market

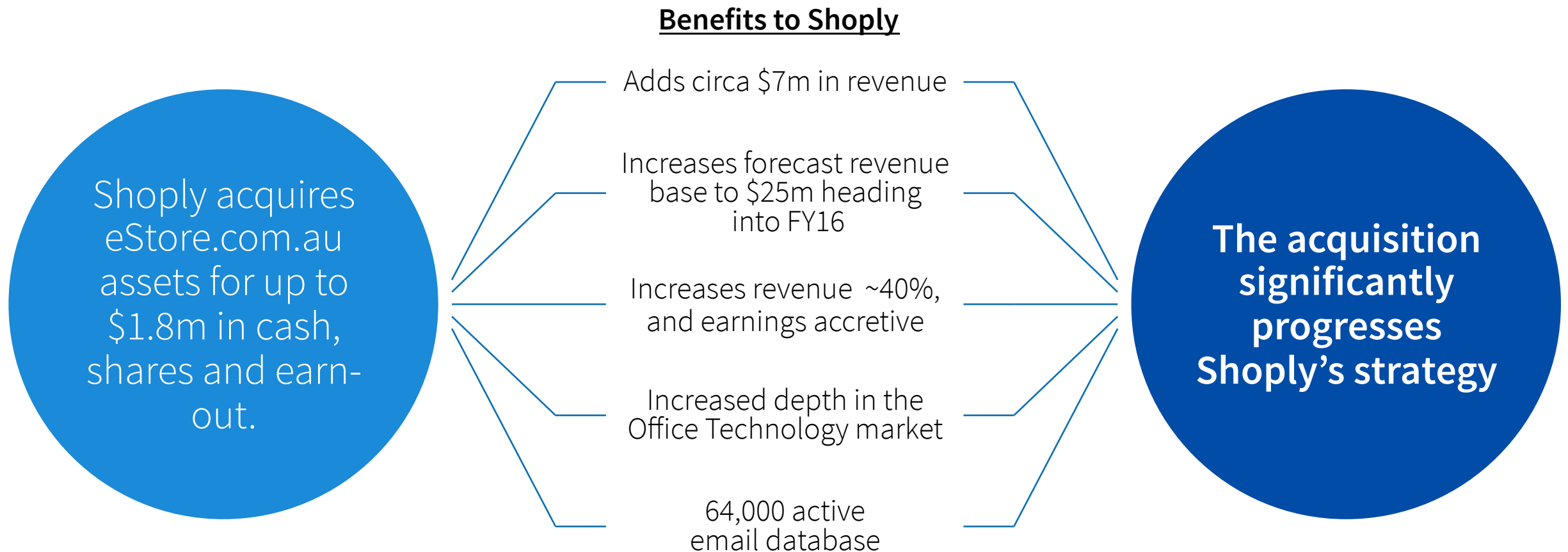
The screenshot displays the eStore.com.au website interface. At the top, there is a navigation bar with links for Home, Contact Us, About Us, and Support. The main header features the eStore logo, a search bar with the text 'Enter keyword or part number', and a 'Search' button. To the right, there are links for 'Hello. Sign In Your Account' and a shopping cart icon showing '0' items.

Below the header is a category navigation bar with links for Software, Computers, Tablets & Phones, Printing, Networking, Storage, Electronics, LED Lighting, and Specials.

The main content area is divided into several promotional banners and product listings:

- TRUSTED BY OVER 500,000 CUSTOMERS SINCE 1991**: A banner with a thumbs-up icon.
- TALK TO AN EXPERT Live Chat**: A banner with a speech bubble icon.
- CALL US ON 1300 658 600**: A banner with a telephone icon.
- brother at your side RAPID CASH BACK**: A large banner for a promotion. It includes the text: 'Register and choose your payment method online at [www.brother-money.com.au](http://www.brother-money.com.au). Payment is made within 5 days of approval. Promotion Period: 1st November 2014 - 31st March 2015'. It also features a '\$200 CASH BACK' badge and a 'SEE THE RANG' button.
- FREE DELIVERY**: A banner stating 'for orders over \$200 and under 10KG\*'. Below it is a **FREE RETURNS** banner: 'We pay shipping on all approved returns\*'. Further down is a **PRICE GUARANTEE** banner: 'On identical stocked items\*'. At the bottom of this section are 'MEGA DEAL OF THE DAY', 'Weekly IT Business Review', and 'Red Hot Offers' with a 'Sign Up Now' button.
- Office**: A banner with the Office logo and the text 'Don't want to wait? Start using your new office today!' and a 'Shop Now' button.
- Best Sellers**: A section displaying four product listings:
  - ALLOCACOC POWERCUBE**: Extended USB Grey-4 Outlets with 2. Price: **\$23,109.00**. Includes 'Free Delivery' and an 'Add to Cart' button.
  - ROMOSS Solo 5 Power Bank**: Synchronous Charging &. Price: **\$39.00**. Includes 'Save \$19 off RRP' and an 'Add to Cart' button.
  - Microsoft Office 365 University**: (Instant Download). Price: **\$85.00**. Includes 'Save \$21 off RRP' and 'Instant Digital Delivery'. An 'Add to Cart' button.
  - Mbeat Gorilla Power 4 Port USB World Travel Charger - 6.8A 34W**. Price: **\$34.00**. Includes 'Save \$2 off RRP' and an 'Add to Cart' button.

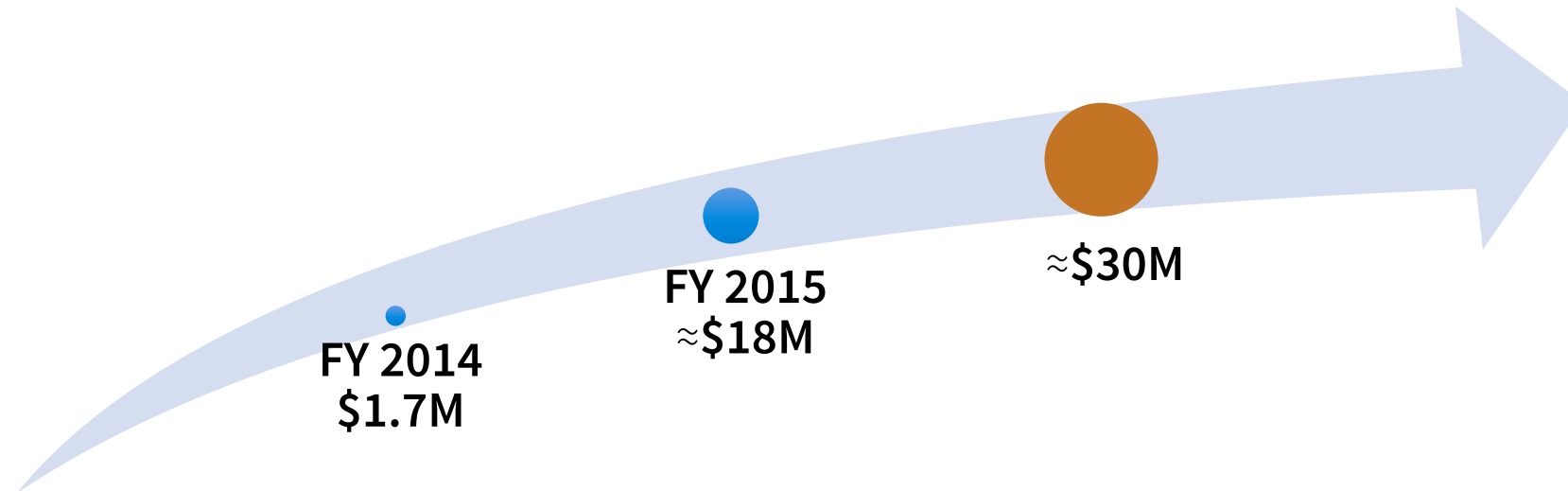
# eStore.com.au transaction overview



Attractive acquisition, \$500k in cash, \$250k in SHP shares and an earn-out of up to \$1.05m in SHP shares, subject to satisfaction of performance hurdles

# Moves Shoply closer to profitability

Targeting ~\$30m revenue through organic & acquisitive growth to achieve economies of scale



## Organic growth

- ▶ Increasing traffic and reaching new customers through new marketing channels
- ▶ Optimising conversion rate through A/B testing
- ▶ Expanding into new product categories
- ▶ Leveraging synergies from eStore acquisition

## Acquisitive growth

- ▶ Continuing to increase depth in kitchenware and office technology segments
- ▶ Continuing to pursue acquisitions in other attractive online retail categories

# Shoply Strategy

Mid-market consolidation and organic growth

# Shoply's strategy

## Premium brands at great prices...all online

- ▶ Shoply is a pure online retailer
  - ▶ positioned to capitalise on ecommerce growth fundamentals
- ▶ Shoply offers only leading consumer brands
  - ▶ brands bring customers to the site
  - ▶ brands already have a high level of customer trust
  - ▶ fosters strong supplier relationships
  - ▶ reduced risk to Shoply's brand and balance sheet for any product faults
- ▶ Hybrid inventory model
  - ▶ higher turnover and higher margin products purchased and warehoused – this offers speed and reliability of delivery
  - ▶ 'drop shipping' for remaining products to allow a wide breadth and depth range



# Mid-market consolidation opportunities



Large-end  
\$30m+

## Currently too large for Shoply

- Generally broken through to profitability
- Strong foundations generally seeking growth capital

Mid-market  
\$5m-\$30m  
profitable

## Limited natural buyers

- Generally have taken a strong market position
- Require resources to expand

Small-end  
Sub \$5m in revenue

## Too small for Shoply

- Limited opportunities for meaningful growth and cost outs

Purchasing on EBITDA multiples, in a combination of cash, shares and earn-out

Revenues

\$5m+

Profitable



Increased depth in existing verticals



Entry into a new vertical

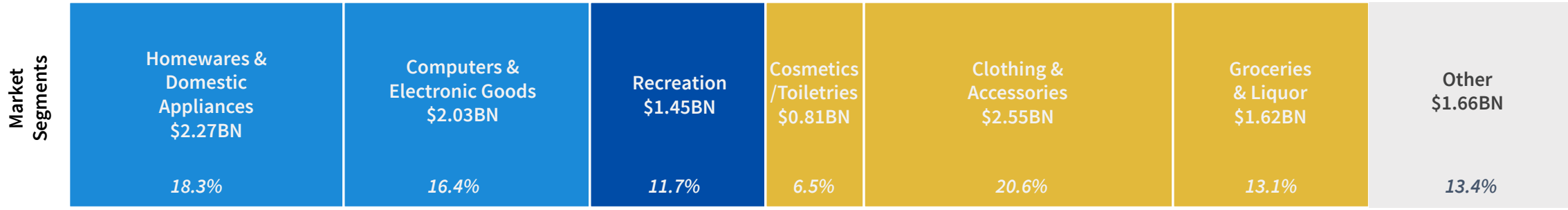


# Market & customer segments



**Australian Online Shopping Market: \$12.4BN<sup>1</sup>**

Shoply Target Markets: \$10.73BN – 86.6%<sup>1</sup>



← Currently operating and building in these segments →      ← Currently building online stores →      ← Potential acquisitions in these segments →

**Shoply Online Stores**

- Strong position in complementary Homewares & Home Appliances market
- Market position in three of the four largest online market segments
- Relevant customer databases for effective cross-selling

<sup>1</sup> IBISWorld Online Shopping in Australia October 2013

# Summary and priorities

Positioned to grow



# Strategic priorities looking ahead

Capitalising on significant growth opportunities



## Short term

- ▶ Integration of eStore
- ▶ Consolidation of costs and operations
- ▶ Accelerate organic growth through marketing and cross-sell enhancements

## Medium term

- ▶ Enhanced marketing activities across existing Shoply businesses to ensure organic growth
- ▶ Further acquisitions of private businesses
- ▶ Continue to build market share, scale and position in online retail in order to move to profitability

# Appendix

# Board of Directors



**Andrew Plympton**

*Non-Executive Chairman*

- Brings considerable financial management skills to the Board
- Director of a number of ASX listed companies



**Sophie Karzis**

*Non-Executive Director*

- Practising lawyer with 20 years' experience
- Corporate counsel for a number of public companies



**Mark Goulopoulos**

*Non-Executive Director*

- Associate Director at Patersons Securities
- 15 years' experience in equity capital markets and investments



**Domenic Carosa**

*Non-Executive Director*

- Chairman of the future capital development fund ltd
- Co-founded and listed destra Corporation growing to revenues of \$100M

# Management team



**Simon Crean**  
*Chief Executive Officer*

- 20 years of international retail & technology start-up experience
- Masters or Entrepreneurship and Innovation



**Vaughan Clark**  
*Chief Operating Officer*

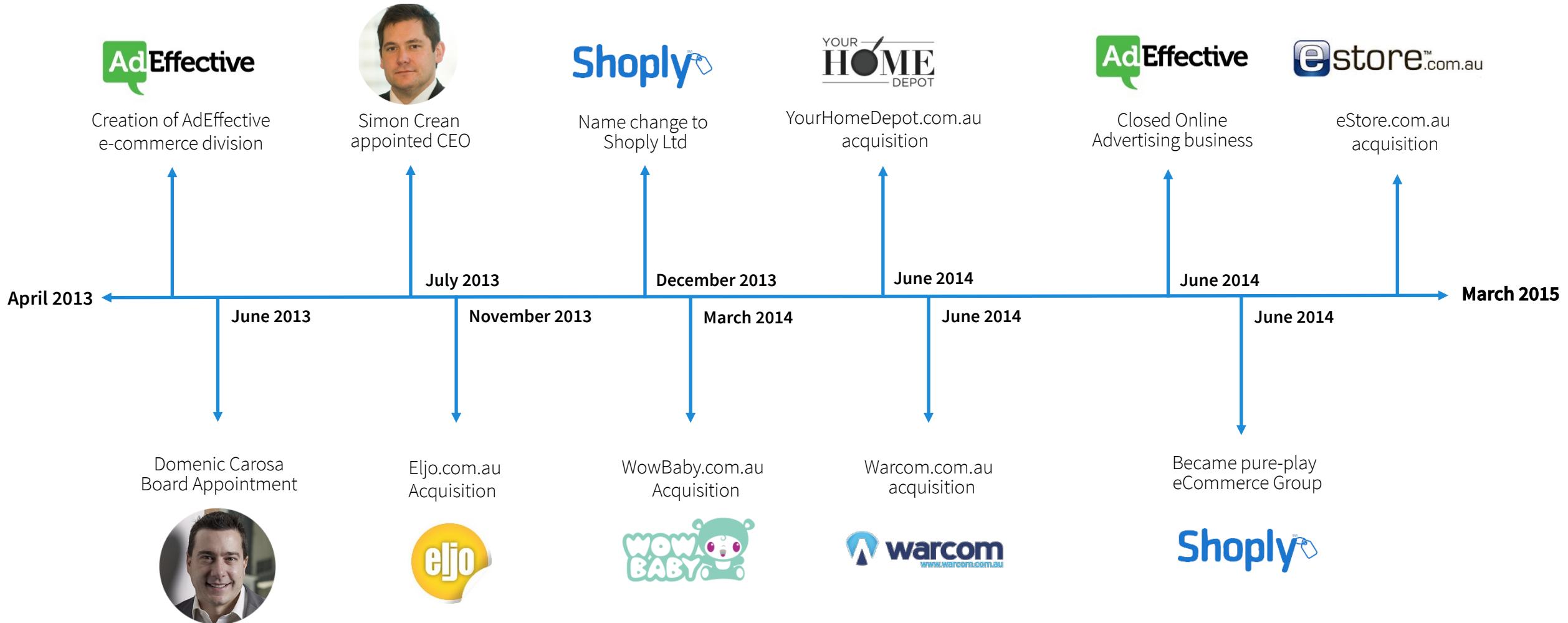
- 30 years of retail experience including 10 years in eCommerce
- Has work with companies; DealsDirect, BigPond Shopping, Telstra , Bob Jane T-Marts



**Graeme Lay**  
*Chief Financial Officer*

- CPA / MBA
- 27 years experience in commercial accounting (retail, manufacturing, warehousing and distribution)

# Shoply - Corporate Evolution



# Shoply history and short-term objectives



## FY 2014 Transition

Transition from  
Online Advertising  
to Online  
Shopping

## H1 2015 Foundation

Integration of  
Your Home Depot  
and Warcom

## H2 2015 Growth

Increase revenue  
through organic  
and acquisitive  
growth

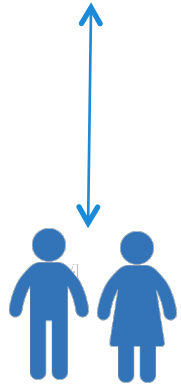
**Low volume advertising business to high volume eCommerce business**

# Hybrid inventory model

Consolidated back office

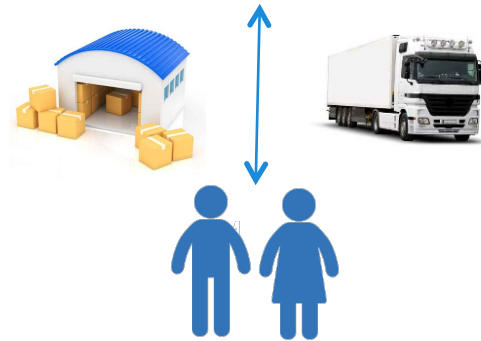
Low turnover products

'Drop shipped' to customers directly from suppliers



High turnover products

Inventory holdings shipped to customers from New South Wales (2,268 sqm) & Victoria



- ▶ Breadth and depth of product offering through 'Drop Shipping' (i.e. products shipped directly from suppliers to customers)
- ▶ Higher turnover and higher margin products purchased and warehoused ('inventory holdings')
- ▶ Ability to test and understand demand prior to inventory holdings
- ▶ Daily dispatched inventory orders at peak is 1400 (pre-Christmas 2014)
- ▶ Average daily dispatched inventory orders ~300, drop shipped ~150

# Scalable platform in place



Consolidated Back Office

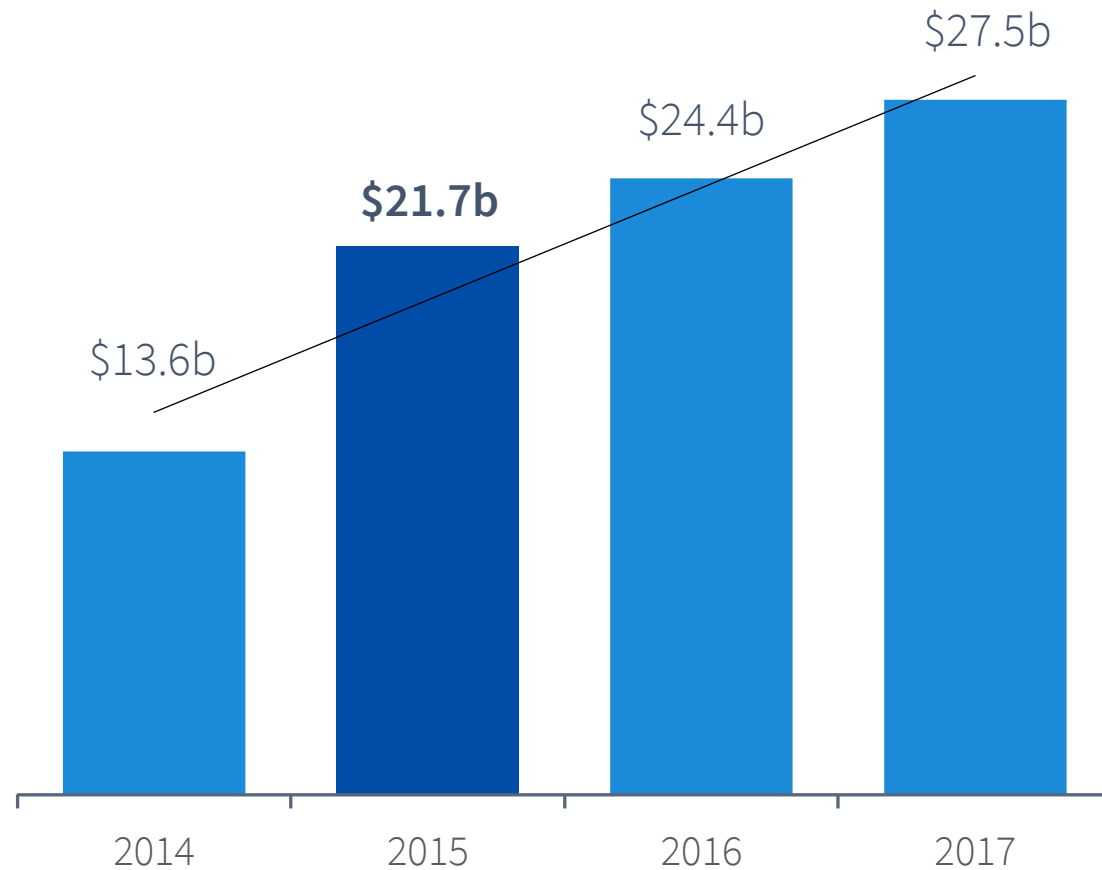


- Proven ability to acquire and absorb businesses
- Warehousing and distribution facilities in Melbourne and Sydney – 2 largest online retail markets

- Castle Hill, NSW
  - 2,300 m2, 80% utilisation
- Brunswick, VIC
  - 220 m2, 65% utilisation



# Australian online shopping market



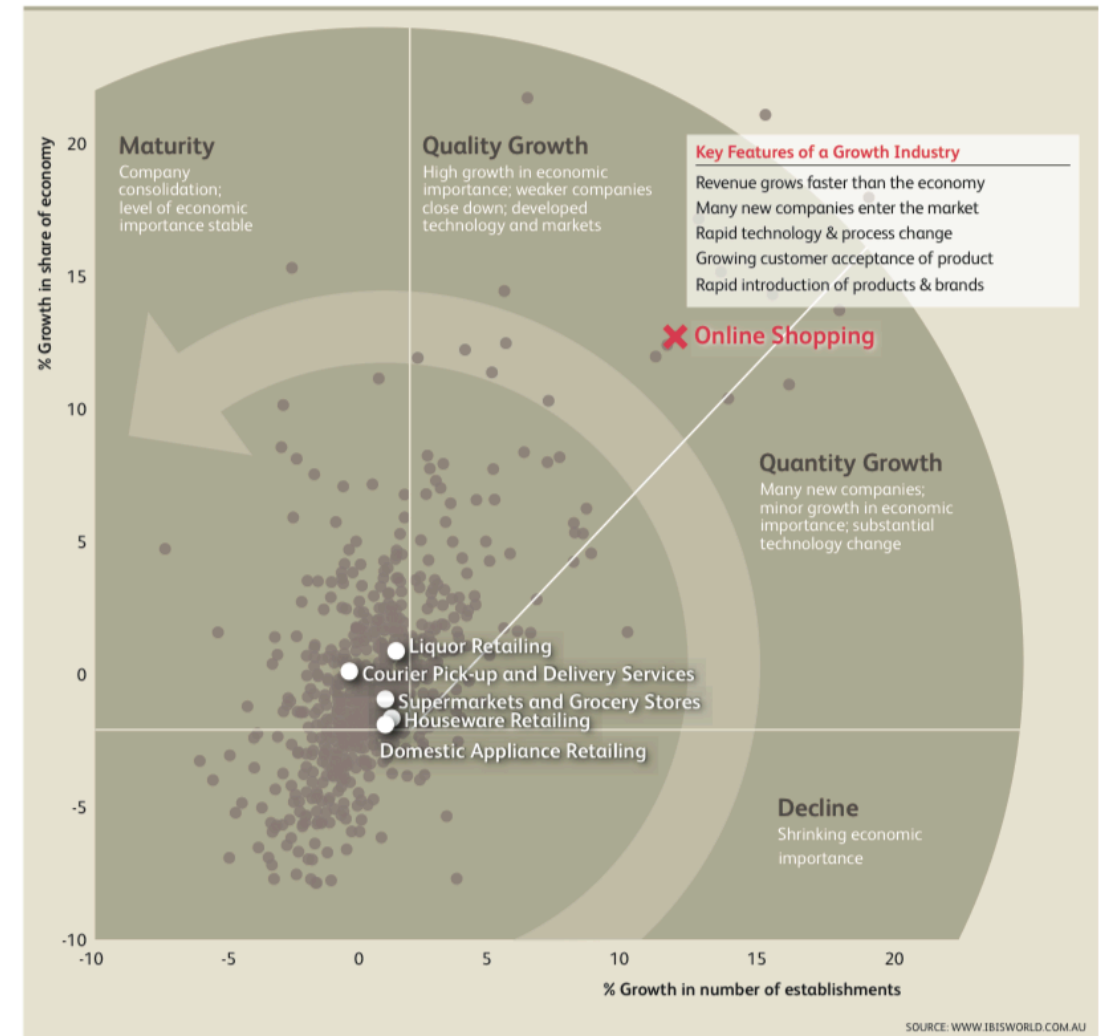
- ▶ Frost & Sullivan predicts Australian online shoppers to spend as much as \$21.7b in 2015
- ▶ Australian online shopping market is expected to grow at around twice the rate of the retail sector overall
- ▶ 12.6% compound annual growth rate for online shopping expenditures over the next four years
- ▶ The average Australian will spend around \$600 online this year

Source: Frost & Sullivan & Price Waterhouse Coopers (PWC) Joint Research

# Australian online shopping snapshot



- ▶ Frost & Sullivan predicts Australian online shoppers to spend as much as \$21.7b in 2015 and \$27.5b by 2017
- ▶ Australian online shopping market is expected to grow at around twice the rate of the retail sector overall
- ▶ 12.6% compound annual growth rate for online shopping expenditures over the next four years
- ▶ The average Australian will spend around \$600 online this year
- ▶ Limited opportunities for local investors to gain exposure to Online Shopping



# Online shopping growth drivers



- ▶ Consumers seeking convenience and value for money
- ▶ Increasing level of sophistication and comfort amongst consumers
- ▶ Continued growth in consumers using mobile devices to browse and purchase products
- ▶ The entry of more online retailers and proliferation of group buying sites
- ▶ Product and service expansion by current online retailers and traditional bricks & mortar retailers improving their offerings



Source: IBISWorld & Price Waterhouse Coopers (PWC)

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