

16 September 2020

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Kogan.com Ltd

Retailing

BUY

KGN A\$20.20

TARGET PRICE A\$21.29

Kogan.com is a portfolio of retail and services businesses that includes Kogan Retail, Kogan Marketplace, Kogan Mobile, Kogan Broadband, Kogan Insurance and Kogan Travel. Kogan is a leading Australian consumer brand renowned for price leadership through digital efficiency. The company is focused on making in-demand products and services more affordable and accessible.

Company Data

Number of shares	105.6M
Market Capitalisation	\$2,031.1M
Free float (%)	76.6
12-month high/low	\$3.450/\$22.990
Average Daily Turnover (\$m)	19.7920
% S&P/ASX200	0.13%
DDM Ranking	186
% All Ordinaries	0.11%
GICS Industry Group	Consumer Discretionary

Source: FactSet, Barclay Pearce Capital

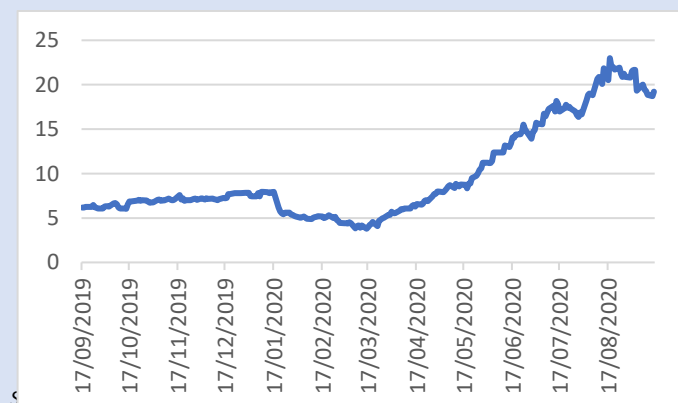
Earnings Summary (AUD)

Year end Adjusted EPS - c	2020A	2021F	2022F	2023F
Revenue (\$M)	497.9	717.2	815.7	929.0
EBITDA (\$M)	48.1	83.3	93.9	115.1
Reported NPAT (\$M)	26.9	53.4	60.6	74.9
Adjusted NPAT (\$M)	27.1	53.4	60.6	74.9
Reported EPS (c)	27.7	50.9	55.6	69.8
Adjusted EPS (c - FD)	28.4	51.0	57.9	71.5
Adjusted EPS growth (%)	58.0	79.4	13.5	23.5
Adjusted P/E (x)	67.6	37.7	33.2	26.9
Dividend (c/sh)	21.0	37.4	42.2	52.1
Gross yield (%)	1.6	2.8	3.1	3.9
Net yield (%)	1.1	1.9	2.2	2.7
ROIC (%)	147.0	162.1	156.4	181.7

Source: Barclay Pearce Capital

Barclay Pearce Capital contributes all company estimates to Thomson Reuters, FactSet and Capital IQ.

Share price performance



Largest Month on Month Increase in Customers

On 16 September Kogan.com Ltd (KGN) announced a business update for August 2020 with the following highlights.

August 2020 Update

- **Active Customers:** Active Customers grew to 2,461,000 as at 31 August 2020, an incremental 152,000 in the month of August 2020, and the largest monthly increase in the history of the Business;
- Gross Sales grew more than 117% YoY;
- Gross Profit grew more than 165% YoY;
- Marketing Costs reflected the largest monthly marketing investment in the history of the Company
- Adjusted EBITDA grew by more than 466% YoY

Outlook

- The Company advises that it intends to provide the next Business Update at the Company's AGM on 20 November 2020.

On 17 August KGN announced their FY20 results which contained the following highlights:

- Consistent with prior years, the Company will not be providing formal Adjusted EBITDA guidance for FY21. However, the Company will provide regular business updates during the year.
- July 2020 unaudited management accounts show:
- Gross Sales growth of more than 110% YoY
- Gross Profit growth of more than 160% YoY
- Adjusted EBITDA of more than \$10.0 million

Earnings changes

KGN's August Update specified an adjusted EBITDA growth of 466%. This is in addition to the \$10m EBITDA reported for the month of July. This compares to market expectations of FY21 EBITDA of \$77.5m representing a growth of 61%.

Hence, we expect positive earnings revisions in the order of 5-10%.

We are initiating on KGN with a 12-month price target to \$21.29/sh and a BUY recommendation. The price target is underpinned by our DDM valuation.

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Barclay Pearce Capital provides research services to its client. Mr Wright is General Manager of Research and has over twenty (26) years' experience in the financial services industry, particularly in financial analysis and research report writing. Mr Wright joined the Barclay Pearce team in 2017 where he has been involved in the research and publication of reports. Prior to this Mr Wright worked at a number of entities where he held Director/Head of Research and General Manager of Research positions. Mr Wright holds a Bachelor of Mathematics (Honours) from Edinburgh University and has completed the SDIA Accreditation Program (RG146) through DeakinPrime.

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NR – The investment rating and price target have been temporarily suspended. Such suspensions are in compliance with applicable regulations and/or Barclay Pearce Capital policies.

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