

BIKEEXCHANGE (ASX: BEX)

QUARTERLY APPENDIX 4C AND ACTIVITY REPORT

31 January 2023

Melbourne, Australia - BikeExchange Limited (ASX: BEX) ('BikeExchange'), a leading global operator of online cycling marketplaces, today announced its Appendix 4C and activity report for the December 2022 quarter (Q2 FY23).

Key highlights:

- 17% increase in lookthrough¹ total transaction value (TTV) to \$8.2m and 49% increase in lookthrough¹ revenue to \$2.1m for Q2 FY23
- Implementation of meaningful cost base² reductions resulting in 44% of fixed cost savings for Q2 FY23 for BikeExchange core operations excluding Kitzuma
- Signed strategic partnerships with leading bike brands and retailers across BikeExchange's global network, in line with strategy of focusing on high quality brands and sellers
- Recorded busiest ever trading days during November with Q2 FY23 conversion rate and eCommerce revenues up 22% and 16% vs pcip
- Successfully raised \$4.4 million of capital (prior to costs) from professional and sophisticated investors as well as launched a Share Purchase Plan (SPP) to fund the ongoing operations of the business.

Commenting on the quarter, BikeExchange's Global CEO Ryan McMillan said:

"We achieved revenue growth of 17% during the quarter, despite a significant reduction in our cost base and market demand normalising to pre-Covid levels. With a consistent focus on automation, consolidation of skills and synergies, we have decreased our annualised cost base for FY23 by \$4m or 43% compared with FY22.

¹Lookthrough Total Transaction Value (TTV) and Revenue includes 50% of BikeExchange Colombia's TTV up to 2 March 2022, and 100% from then on (post acquisition). All metrics relating to FY22 exclude BikeExchange Colombia except for those marked as lookthrough.

² Fixed costs/cost base includes fixed operating costs excluding share based payments and depreciation charges which are non cash and exclude technology project development costs.

"The market environment has resulted in additional opportunities for BikeExchange as retailers and brands look for ways to manage excess inventory and reduce overstocking.

"Our eCommerce performance remained strong, with positive development across three metrics including conversion rates, average order values, and average commission earned on sales, resulting in our highest ever trading days during November and a 16% increase in net eCommerce revenues for the quarter vs Q2 FY22. This achievement highlights the strength of BikeExchange's fundamentals and reinforcing our eCommerce first strategy.

"We are investing in our technology stack to provide customers with a better online experience with search, content and payment improvements, as well as AI recommendations to drive a more modern and personalised buyer journey. We envisage this will improve our key conversion metrics and better enable BikeExchange to scale globally and ultimately change the way bikes are bought and sold.

"The reduction in the operating cost base, combined with our investment in technology to improve customer experience is expected to significantly accelerate our progress towards profitability.

"During the quarter, we raised \$4.4m (prior to costs) from existing and new investors as well as through our Share Purchase Plan which will be used to fund ongoing operations."

Q2 FY23 update & regional performance highlights:

- Europe (EU): BikeExchange's largest region continues to grow with revenue up 16% in Q2 FY23 vs pcip.
 - With Germany recording its strongest ever November eCommerce TTV period, EU eCommerce TTV and net eCommerce Revenue were both up 24% on Q2 FY22. Growth was underpinned by Order Volume's and Conversion Rate improvements (39% and 84% vs on Q2 FY22 respectively).
- North America (NA): 212% increase in revenue in Q2 FY23 vs pcip, driven by growth in the eCommerce business and the addition of Kitzuma's revenue.
 - eCommerce TTV maintained with eCommerce revenues up 69% driven by a substantial increase in commission rates (up 62% to 8.5% for the quarter)
- Australia (AU): recorded an increase in revenues of 4% in Q2 FY23 vs pcip supported by the sale of owned goods.
 - Average order values and commission rates increased by 4% and 3% respectively on pcip. Additionally, more efficient marketing strategies resulted in improved marketing return on a 79% reduction of marketing spend vs pcip.
- Colombia: Revenue increased by 296% to \$0.366m for Q2 FY23, reflecting the full ownership of the Colombian operations (Q2 FY22 50% joint venture).

- Improved synergies between owned stores and the BikeExchange platforms grew owned goods revenue to \$328k for the quarter.
- Improved inventory and marketplace seller mix with an increased number of participating brands, distributors and retail sellers with average order value and traffic, increasing by 25% and 10% respectively.

Quarterly cashflow report³:

Receipts from customers were \$10,095k in the quarter, up 17% on Q2 FY22

Additional cash was generated from growth in revenue from the eCommerce business and the addition of Kitzuma and Colombian revenues.

Product manufacturing and operating costs of sales outflows were \$7,822k

Payments were broadly in line with Q2 FY22, with the reduction in eCommerce retailer payments in Australia offset by the outflows from the addition of Kitzuma and Colombia business.

Payments for staff costs were \$2,545k, up 28% on Q2 FY22

Additional payments in the quarter relating to PAYG and exiting employees in Australia and the US. Employee costs are expected to reduce significantly over the remainder of FY23.

Administration and corporate outflows were \$992k, down 15% on Q2 FY22

Savings in corporate costs were realised from lower professional fees including M&A fees and the recovery of GST credits in Australia.

Proceeds from financing activities - \$4.4m

The Group raised \$4.4m in share capital during the quarter, with a net amount of \$4.1m received after capital raising costs.

Payments to related parties and their associates were \$717k

Related party payments include directors' fees and expenses, base remuneration for key management personnel and payments to Marketplacer Pty Ltd who provide platform services for the Group's network of marketplaces. Related party payments were up on last quarter due to key management personnel exit payments.

Net cash used in operating activities of \$1,697k

Net operating cash outflows were down 41% on Q2 FY22, with the substantial reduction in outflows attributable to BEX core operations. The reduction in overall operating cashflows was realised from the increase in receipts and cost base savings achieved.

BikeExchange had a cash and equivalents balance of \$3.8m at 31 December 2022.

³ Quarterly cash flows comparisons relate to the prior year corresponding period (pcp) Q2 FY22.

Kitzuma business update:

At the AGM in October, the Board announced BikeExchange will pause Kitzuma's bike delivery service from early November, over the seasonal low period and conduct a review of the business. In the meantime, Kitzuma has pivoted to other revenue streams including warehousing, 3PL fulfilment and shipping label service income. The review of Kitzuma's operational and funding model is expected to be completed by mid-late February. The pause in operations has resulted in a reduction in logistics revenues, a reduction in cash outflows, and reduced group losses. Pending the outcome of the review, the carrying value of the group's investment in Kitzuma will also be reviewed.

Outlook

BikeExchange remains focused on achieving profitability by concentrating on five strategic pillars throughout FY23:

- 1. Focus on cash and pathway to profitability** - Cost reductions are largely complete with a 43% reduction in average cost base for FY23 forecast v actual FY22. BikeExchange remains focussed on achieving synergies via automation and centralisation of key skills and functions.
- 2. New seller partnerships** - BikeExchange plans to grow its seller base of retail, distributor and brand partnerships, taking advantage of increased demand driven by inventory oversupply in market.
- 3. Creating BikeExchange technology IP** - BikeExchange plans to launch its new customer storefront and seller integration platforms in H2 FY2023, driving improved on-page conversion and eCommerce performance and providing the foundation for market or revenue model extension.
- 4. Operational efficiency** - Beyond automation and centralisation, BikeExchange continues its bike first, eCommerce strategy, underpinned by improved seller performance driven by inventory management and on-page conversion supported by its customer teams.
- 5. eCommerce profitability and growth** - BikeExchange plans to drive TTV growth via average order value and conversion rate improvements and simultaneously improve eCommerce commissions through new partnerships with brands, distributors and retail sellers.

Capital plan:

The second stage of BikeExchange's capital plan to recapitalise the business to fund the restructure and ongoing operations is well advanced with \$4.4m raised in Q2 FY23. The Company has shareholder approval to place the remaining SPP shortfall offer funds up until March 2023. At the EGM on 21 December 2022, approval was granted for the issue

of up to 187.5m SPP Shortfall shares at 1.6c a share. Following the issue of 77.4m SPP shortfall shares in December 2022, the company still has capacity to issue an additional 110m shares within three months of shareholder approval and is in active discussions with a number of wholesale investors.

The program of growth initiatives including investment in the improvement of the technology platform, the eCommerce first strategy resulting in the signing of strategic partnerships with leading brands, together with the ongoing reduction in the operating cost base is expected to significantly accelerate progress towards profitability and further reduce net operating cash flows.

BikeExchange continues to target positive operating cash flows in Q4 FY23.

Further updates will be provided once funding is finalised.

This announcement has been authorised for release by the BikeExchange Board.

- Ends -

ABOUT BIKEEXCHANGE:

BikeExchange Limited (ASX: BEX) is a leading operator of global online cycling focussed marketplaces that enable a dedicated and growing global audience of consumers to connect and transact with thousands of retailers and brands. The Company was founded in Melbourne in 2007, with the aim of bringing together the fragmented global cycling industry to trade and scale. Today, it hosts over 1500 brands, 1600+ retailers and 900,000+ products globally, with an annual audience of 21+ million consumers.

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Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

BikeExchange Ltd

ABN

24 625 305 240

Quarter ended ("current quarter")

31 Dec 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	10,095	19,585
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(7,822)	(16,421)
(c) advertising and marketing	(429)	(1,093)
(d) leased assets	-	-
(e) staff costs	(2,545)	(5,309)
(f) administration and corporate costs	(992)	(2,322)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	9	14
1.5 Interest and other costs of finance paid	(13)	(33)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(1,697)	(5,579)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(35)	(108)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	(17)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	8	28
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	24	48
2.6	Net cash from / (used in) investing activities	(3)	(49)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	4,410	5,915
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(352)	(769)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(67)	(147)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	(224)	(478)
3.10	Net cash from / (used in) financing activities	3,767	4,521

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,693	4,889
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,697)	(5,579)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(3)	(49)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	3,767	4,521
4.5	Effect of movement in exchange rates on cash held	37	15
4.6	Cash and cash equivalents at end of period	3,797	3,797

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	3,797	4,889
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	3,797	4,889

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	717
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

7. Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	31	31
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	-	-
7.5 Unused financing facilities available at quarter end		-
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
Arteva – Corporate Insurance premium funding which is an unsecured loan facility at an interest rate of 5.4%, maturing on 1st June 2023.		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(1,697)
8.2 Cash and cash equivalents at quarter end (item 4.6)	3,797
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	3,797
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	2.2
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer: N/A	
8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer: N/A	
8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
Answer: N/A.	
<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>	

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 31 January 2023

Authorised by: By the Board

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.