

BikeExchange acquires Kitzuma, the US-based 'Ready to Ride' bike delivery service and logistics business

23rd December, 2021

BikeExchange Limited (ASX:BEX) is pleased to announce it has acquired 100% of the US-based 'Ready to Ride' bike delivery and logistics business, Kitzuma, for US\$3.375 million (~A\$4.75 million.)

The acquisition is aligned with BikeExchange's overall e-Commerce first strategy and pursuing M&A opportunities which enhance the customer journey for purchasing everything bike.

The acquisition of Kitzuma provides a key and unique service for cycling retailers, brands and customers to enable greater e-Commerce bike transactions. With its proprietary logistics capability, Kitzuma streamlines the journey for both sellers and customers buying bikes online and instore by shipping the bike 'Ready to Ride' and importantly removing the need to have the bikes shipped in boxes.

Highlights

- Kitzuma is a high growth business servicing all major regions of North America. The service overcomes the difficulties of shipping all types of bikes including e-bikes.
- Complementary business to the current BikeExchange North American operations providing a value-add service with proven appeal to retailers, brands and customers.
- Significant potential to scale considerably in 2022 from the strong foundation of 30+ key existing North American retailer and brand accounts.
- The Kitzuma logistics model and technology platform is globally scalable and can be replicated by market. The primary ambition is to roll out the service across the other BikeExchange existing regions.
- Three co-founders, and majority shareholders, Taylor Essick, Chris Cosgrove and Tony Eggers, highly-engaged with extensive experience, will all remain in the business.
- 100% acquisition of shares for US\$3.375 million as of 22 December, 2021. Majority of the consideration is paid via equity (deferred BEX shares) with a US\$1.113m upfront cash payment. Funded by existing cash reserves of A\$11.5 million (as at 30 November, 2021) without the requirement for a capital raise.
- The acquisition is expected to add over A\$2 million of revenue to the Group in the second half of FY22.
- Accelerates BikeExchange's North American growth plans and reduces planned organic growth spend in H2 FY22.

BikeExchange's Global CEO Mark Watkin said: "Kitzuma's purpose-built logistics platform, which allows bikes to be transported box-free and fully-built, will eliminate a significant barrier for

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many customers purchasing a bike online – having to unpack and assemble it. Kitzuma will be a compelling white-glove service for retailers and brands using the BikeExchange marketplace and broader.”

“From the early meetings with the Kitzuma team there was clear chemistry and alignment on the synergies and opportunities for the collective business. The Kitzuma acquisition is transformative for BikeExchange and will be a significant driver for our e-Commerce first strategy and enhancing both the seller and customer journeys for buying and selling bikes. In a short space of time, Kitzuma is now delivering across the entire US and we aim to replicate the business in Australia and Europe in time.”

The three founders of the Asheville, North Carolina-based Kitzuma, Taylor Essick, Chris Cosgrove and Tony Eggers, will remain with the business and will play pivotal roles in the continued growth of Kitzuma and integration with BikeExchange.

Kitzuma CEO and Founder Taylor Essick said: “We are clearly delighted with the acquisition announcement. Since the initial meetings with Mark and the team at BikeExchange we could see the significant opportunity and potential to create a strong end to end process for buying, selling and shipping bikes.

“The Kitzuma service is already providing a unique service with the ‘Ready to Ride’ bike deliveries. We want to see this model grow and expand in North America and around the world. The breadth of choice across retailers and brands and the regional footprint of BikeExchange is an excellent foundation to build from with the Kitzuma model. Chris, Tony and myself are excited for the transition and growth to come.”

About Kitzuma

- Weekly pick-ups from stores, bikes already built by retailers.
- Bespoke logistics and planning platform for helping schedule all deliveries.
- Bespoke booking platform that retailers can access for all bookings and customers can track their bike delivery.
- Average shipment revenue of over US\$200 per bike delivery charged to the retailer.
- Achieved run rate of over US\$1.4m annualised sales (based on Oct 2021) in first 10 months of trading.
- Annualised shipments over 6,200 (based on Oct 2021) off a base of 30+ active accounts.
- Brands include Wahoo, Ventum, Litespeed, Quintana Roo, LeMond, Alchemy and ENVE.
- Planned launch of a consumer service early in 2022 for shipping ready to ride bikes for people travelling with a bike. Designated travel hubs across North America to service pick up and drop off locations.
- Working from an extensive fleet of specially equipped vans.

Consideration for Acquisition

The majority of the consideration for the Kitzuma acquisition is equity funded. The consideration comprises of US\$2,250,000 satisfied in deferred BEX shares at an issue price of \$0.157 per share (totaling 19.93 million shares - representing 67% of the acquisition price) and a smaller cash component of US\$1.113m (33% of the acquisition price - paid on completion out of existing cash reserves.) The deferred shares will be issued to the vendors over a period of up to 5 years. The vendors can receive up to 50% of the BEX deferred shares 12 months after completion, with the remaining 50% to be received no earlier than 24 months after completion (and up to 5 years from the completion date.). An Appendix 3B in relation to the deferred BEX shares will be lodged today.

The acquisition has completed today, and there are no further conditions to be satisfied for completion.

The acquisition is expected to add over A\$2 million of revenue to the Group in the second half of FY22.

ENDS

INVESTOR CALL:

BikeExchange will be hosting an investor call at **11.30am on Thursday, 23rd December 2021.**

To join the Zoom Meeting please use this link / details: <https://zoom.us/j/95632655220>

Meeting ID: 956 3265 5220

Or dial +61 2 8015 6011 if in Australia

Or to find your local number, look here: <https://us02web.zoom.us/j/kq65hHUGs>

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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. BikeExchange listed on the Australian Stock Exchange (ASX) in February, 2021. Today, it hosts over 1500 brands, 1650+ retailers and 900,000+ products globally, with an annual audience of 28+ million consumers.

AUTHORISED BY BikeExchange Ltd Board of Directors.

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