

## BIKEEXCHANGE (ASX: BEX) QUARTERLY APPENDIX 4C AND ACTIVITY REPORT

28 July 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 June 2023 quarter (Q4 FY23).

### Key highlights:

- BEX Core markets North America, EU and Australia reported a 45% increase (0.6m vs PCP) in Net Revenues versus PCP (excluding Kitzuma revenues from PCP)
- Successful restructuring and repurposing in North America to offer a combined Marketplace plus 3PL and Boxed logistics solutions, largely replacing the income lost from Kitzuma (KZ) door deliveries, with total revenues down (-0.7m vs PCP)
- BEX reported a 6% increase in eCommerce total transaction value<sup>1</sup> (TTV) versus Q4 2022 to \$8.0m, underpinned by improvements across key marketplace health metrics: Conversion Rate +28%, Average Order Value +33%, and Commission Rate Earned per Transaction +24%
- BEX has delivered its fifth consecutive quarter of cost reduction and more than halved its fixed and employment cost base over that period. Compared to PCP BEX fixed cost base down -49% to 1.9m
- During the last two quarters, BEX has been developing its new Consumer Frontend, with final development and testing being completed the new frontend is expected to be launched in Germany in August, with the remaining geographies being progressively launched throughout the rest of this calendar year. This bike industry-specific IP has been designed to generate enterprise value, by driving marketplace performance & scaling BEX via technology
- BEX exited its retail business operations in Colombia, selling its wholly owned subsidiary BICICO S.A.S on 30th June for \$96k and \$335k relating to the repayment of BikeExchange Group loans. The sale of BICICO reduces working capital requirements and enables BikeExchange to focus on core eCommerce operations in regions with the greatest opportunity for profitable growth.

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<sup>1</sup> eCommerce TTV is the aggregate of group transaction values from eCommerce sales on the BEX platform.

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

"BikeExchange started the year with a clear plan to focus on its pathway towards profitability, by concentrating on cash and cost base, new seller relationships and marketplace fundamentals.

The company has since delivered four consecutive quarters of TTV growth (vs PCP) in a global bike market impacted by normalising post-Covid consumer demand and ongoing economic uncertainty. Importantly, this growth was delivered on top of five consecutive quarters of cost base reduction with overall fixed and employment costs more than halving across the period.

Bike Exchange has achieved a lot in a short space of time, stabilising its revenue base and significantly cutting costs. With limited possibilities for ongoing cost savings in FY24, BEX will concentrate on growing revenue and is excited by the imminent launch of its new consumer storefront, which is expected to significantly impact on-page conversion, and help BEX to build upon already positively developing Marketplace health metrics.

Consistent with earlier quarters, Q4 saw sizeable increases in Conversion Rate (up 28% vs PCP), Average Order Value (up 33%) and Average Commissions (up 24%), so we are optimistic about what we can achieve by bringing in a consumer platform with best in class partners and integrations across search, payments, ecommerce engine, content, AI Driven recommendations, as well as the impact that the new platform will have on the entire shopping experience.

Having taken difficult decisions to shutdown Kitzuma door delivery services and exit BICICO S.A.S retail bicycle store network in Colombia, BikeExchange has simplified its business operations and narrowed its focus.

BikeExchange starts 2024 with a clear intention to drive the business to profitability and scale its eCommerce offering with its own technology IP."

## Quarterly cashflow report<sup>2</sup>:

### *Receipts from customers were \$12,228k in the quarter, down 2% on Q4 FY22*

Additional cash was generated in the current quarter due to the seasonally higher period in Europe. Overall receipts were down on PCP due to the reduction in cash from the cessation of Kitzuma's bike deliveries and reduced receipts due to the economic downturn in the Colombian region.

### *Product manufacturing and operating costs of sales outflows were \$10,345k, down 14% on Q4 FY22*

Payments product manufacturing and operating costs of sales reduced on PCP largely due to the reduction in operating costs from the cessation of Kitzuma bike deliveries.

### *Payments for staff costs were \$1,274k, down 51% on Q4 FY22*

Employee costs were substantially reduced on PCP following the restructure of the BEX core business including the consolidation of US operations and cessation of Kitzuma bike delivery business.

### *Administration and corporate outflows were \$2,073k, up 15% on Q4 FY22*

BEX has incurred project development costs in Q4 to develop its new consumer platform. Once off costs restructuring and other costs were incurred relating to the Colombia region to rationalise and reduce ongoing operating costs.

### *Payments to related parties and their associates were \$377k*

Related party payments include directors' fees and expenses, base remuneration for key management personnel, and payments to Marketplacer Pty Ltd which provides platform services for the Group's network of marketplaces. Related party payments were in line with the last quarter.

### *Net cash used in operating activities of \$1,897k, down 60% on Q4 FY22*

Net operating cash outflows were down 60% on Q4 FY22. The reduction in overall operating cash flows was realised largely from the cost base savings achieved and cessation of Kitzuma's bike delivery business offset by additional costs to rationalise the Colombian eCommerce operations. The total non-recurring cash outflows relating to the Colombian operations and Kitzuma delivery business in Q4 were \$444k. In addition, \$203k was spent in Q4 on external project development costs (excluding licence costs) relating to the new consumer platform which was substantially complete as at 30 June 2023.

BikeExchange had a cash and equivalents balance of \$1.9m at 30 June 2023.

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<sup>2</sup> Quarterly cash flows comparisons relate to the prior corresponding period (pcp) Q4 FY22.

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## Outlook

BikeExchange focuses on achieving profitability by concentrating on five strategic pillars through FY24:

- 1. Execute on new Consumer Platform** - driving increased revenue performance via new tech stack, including optimization of the search / checkout / SEO / content / merchandising functionality.
- 2. New seller partnerships** - growing its seller base of retail, distributor and brand partnerships, with a focus on targeting sellers who improve our marketplace and drive eCommerce revenue performance.
- 3. eCommerce profitability and growth** - growing eCommerce profitably, focussing on inventory management to improve seller performance and driving online conversion thru technology and customer teams.
- 4. Operational efficiency** - an ongoing optimization of operational efficiency and cost base, thru centralization, adoption of a global approach to all business and further integration and automation of business processes
- 5. Develop Competitive Advantage via Technology** - continue to create IP that develops solutions for sellers and buyers, integrating services that create revenue / solve problems for the bike industry as well as binding customers and creating revenues from the new features of the new consumer platform.

BikeExchange expects to have a significantly reduced level of committed operating cash outflows in Q1 FY24 taking into account the substantial completion of the investment in the technology platform, and the completion of the rationalisation of the eCommerce operations in Colombia and exit of Kitsuma bike delivery business. The sale of BICICO on 30th June, will further reduce operating cash outflows. In addition, the new consumer platform is expected to generate returns as the platform is launched during Q1 and Q2 FY24 positioning the group well on its path to profitability.

### Board Update:

Following the recent appointment of Dominic O'Hanlon as Chair of the Board, the company advises that the consultancy agreement with Flare Ventures Pty Ltd, an entity controlled by Mr O'Hanlon has been terminated with effect from 30 June 2023.

## Capital Plan:

Stage 2 of BikeExchange's 2022 capital plan to recapitalise the business, funding the restructure and ongoing operations, was largely completed with \$1.7m raised in April 2023 from a placement with investors. An additional \$600k was invested by Directors Andrew Ryan and Chairman Dominic O'Hanlon which was received in July 2023, following EGM approval. The additional capital received in July 2023 and the expected reduction in operating cash flows from rationalised and exited businesses combined with the anticipated increase in revenues from the launch of the new consumer front end will support the business well into FY24.

The company is currently in the process of finalising its strategic plans for the business and has identified opportunities to significantly increase its profitable growth, based on continuing to invest in its own technology IP and has had discussions with investors regarding opportunities to leverage BEX technology. The capital required for these initiatives including working capital requirements is currently being reviewed and further details will be provided shortly.

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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### **MEDIA ENQUIRIES:**

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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")**

30 June 2023

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	12,228	41,619
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(10,345)	(34,632)
(c) advertising and marketing	(429)	(1,937)
(d) leased assets	-	-
(e) staff costs	(1,274)	(8,086)
(f) administration and corporate costs	(2,073)	(5,689)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	12	41
1.5 Interest and other costs of finance paid	(16)	(78)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,897)</b>	<b>(8,762)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(1)	(111)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	(7)	(29)

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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	138	324
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	48
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	(6)	(6)
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>124</b>	<b>226</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	1,700	7,615
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	(123)	(995)
3.5	Proceeds from borrowings	47	47
3.6	Repayment of borrowings	(88)	(298)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (premises lease payments)	(206)	(891)
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>1,330</b>	<b>5,478</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	2,317	4,889
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,897)	(8,762)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	124	226

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,330	5,478
4.5	Effect of movement in exchange rates on cash held	23	66
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>1,897</b>	<b>1,897</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	1,897	1,897
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>1,897</b>	<b>1,897</b>

<b>6.</b>	<b>Payments to related parties of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to related parties and their associates included in item 1	377
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

*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.*



7. <b>Financing facilities</b>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
<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>		
7.1 Loan facilities	121	121
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 <b>Total financing facilities</b>	121	121
7.5 <b>Unused financing facilities available at quarter end</b>		-
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 4.5%, maturing on 8th November 2023.		

8. <b>Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (item 1.9)	(1,897)
8.2 Cash and cash equivalents at quarter end (item 4.6)	1,897
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	1,897
8.5 <b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	1.00
<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?	
<p>Answer:</p> <p>The company expects to have a significantly reduced level of committed operating cash outflows in Q1 FY24 taking into account the completion of the investment in the technology platform, and the substantial completion of the rationalisation of the eCommerce operations in Colombia and exit of Kitzuma bike delivery business. The sale of the loss-making BICICO bicycle stores in Colombia will also reduce operating cash outflows from Q1 FY24. The new consumer technology platform is expected to be launched in the regions during Q1 and Q2 FY24 and the improvements to the platform are expected to support the growth of eCommerce revenues and increase operating cash flows from late Q1 FY24 onwards.</p>	

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: Yes.

Following the company's recent share placement in April 2023, additional funding of \$600k was received from two non-executive directors in July-23 following EGM approval on 10th July 2023 which will support operations into FY24. The additional capital received in July 2023 and the expected reduction in operating cash flows from rationalised and exit of loss making businesses combined with the anticipated increase in revenues from the launch of the new consumer front end will support the business in the latter part of FY24.

The company is currently in the process of finalising its strategic plans for the business and has identified opportunities to significantly leverage its profitable growth based on continuing to invest in its own technology IP. The company is in discussions with investors regarding the provision of funding for this investment in technology as well as funding to support working capital to support ongoing operations into FY24.

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: Yes

The Company expects to be able to continue its operations and meet business objectives on the basis of the additional \$600k funding received from Directors in July 2023 and the expected significant improvement in ongoing net operating cash flows and further capital to be raised as outlined in 8.6.1 & 8.6.2.

The Group forecasts reduced operating cash outflows from Q1 FY24, after allowing for the completion of restructure activities in Colombia and the US. The Group also expects the new consumer platform launch as well as the programme of strategic growth initiatives will further improve operating cash flows over FY24 and the Group is putting in place plans to have sufficient cash reserves to continue its operations and meet its business objectives.

*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.*

## 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: 28 July 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.

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