

kogan.com



Prospectus

Initial Public Offering of Ordinary Shares

Kogan.com Limited ACN 612 447 293

Lead Manager and Underwriter
Canaccord Genuity (Australia) Limited

Legal Adviser
Arnold Bloch Leibler

CANACCORD Genuity

Arnold Bloch Leibler
Lawyers and Advisers

Important Information

THE OFFER

This “**Prospectus**” is issued by Kogan.com Limited ACN 612 447 293 (“**Company**” or “**Kogan.com**”) for the purposes of Chapter 6D of the Corporations Act 2001 (Cth) (“**Corporations Act**”). The offer contained in this Prospectus is an initial public offering to acquire fully paid ordinary shares (“**Shares**”) in the Company (“**Offer**”). The Offer will comprise a “**Broker Firm Offer**”, a “**Priority Offer**”, an “**Employee Offer**” and an “**Institutional Offer**”. Refer to Section 7 of this Prospectus for further information.

LODGEMENT AND LISTING

This Prospectus is dated 9 June 2016, and a copy was lodged with the Australian Securities and Investments Commission (“**ASIC**”) on that date (“**Prospectus Date**”). The Company will apply to ASX Limited ABN 98 008 624 691 (“**ASX**”) within seven days after the Prospectus Date for admission of the Company to the “**Official List**” and quotation of its Shares on ASX with the “**ASX Code**”, KGN. None of ASIC, ASX or their respective officers takes any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

As outlined in Section 7, it is expected that the Shares will be quoted on ASX initially on a deferred settlement basis. The Company, Computershare Investor Services Pty Limited (“**Share Registry**”), and Canaccord Genuity (Australia) Limited (“**Canaccord**” or “**Lead Manager**”) disclaim all liability, whether in negligence or otherwise, to persons who sell Shares before receiving their holding statements, even if you obtained details of your holding statement from the Kogan.com IPO Information Line or confirmed your firm allocation through a Broker, or otherwise.

EXPIRY DATE

This Prospectus expires on the date which is 13 months after the Prospectus Date (“**Expiry Date**”), and no Shares will be issued on the basis of this Prospectus after the Expiry Date.

NOTE TO APPLICANTS

The information in this Prospectus is not financial product advice and does not take into account your investment objectives, financial situation or particular needs. It is important that you read this Prospectus carefully and in its entirety before deciding whether to invest in the Company.

In particular, you should consider the assumptions underlying the Forecast Financial Information and the risk factors that could affect the performance of the Company. You should carefully consider these risks in light of your personal circumstances (including financial and tax issues) and seek professional guidance from your stockbroker, solicitor, financial adviser, accountant or other independent professional adviser before deciding whether to invest in the Company. Some of the key risk factors that should be considered by prospective investors are set out in Section 5. There may be risk factors in addition to these that should be considered in light of your personal circumstances.

Except as required by law, and only to the extent required, no person named in this Prospectus, nor any other person, warrants or guarantees the performance of the Company or the repayment of capital by the Company or any return on investment made pursuant to this Prospectus.

This Prospectus includes information regarding past performance of Kogan.com. Investors should be aware that past performance is not indicative of future performance.

No person is authorised to give any information or to make any representation in connection with the Offer described in this Prospectus which is not contained in this Prospectus. Any information not so contained may not be relied upon as having been authorised by the Company, the Directors, the Lead Manager or any other person in connection with the Offer. You should rely only on information contained in this Prospectus.

FINANCIAL INFORMATION PRESENTATION

Section 4 sets out in detail the Financial Information referred to in this Prospectus and the basis of preparation of that information.

All references to “FY2014”, “FY2015”, “FY2016” and “FY2017” appearing in this Prospectus are to the financial years ended or ending 30 June 2014, 30 June 2015, 30 June 2016 and 30 June 2017, respectively, unless otherwise indicated. All references to “1H FY2015”, “1H FY2016” and “1H FY2017” appearing in this Prospectus are to the six months ended or ending 31 December 2014, 31 December 2015 and 31 December 2016, respectively,

unless otherwise indicated. All references to “2H FY2013”, “2H FY2015” and “2H FY2016” appearing in this Prospectus are to the six months ended or ending 30 June 2013, 30 June 2015 and 30 June 2016, respectively, unless otherwise indicated. All references to “CY2001”, “CY2014”, “CY2015”, “CY2016” and “CY2019” appearing in this Prospectus are to the calendar years ended or ending 31 December 2001, 31 December 2014, 31 December 2015, 31 December 2016 and 31 December 2019, respectively, unless otherwise indicated.

The Historical Financial Information has been prepared and presented in accordance with the recognition and measurement principles prescribed in the Australian Accounting Standards, except where otherwise stated. The Forecast Financial Information included in this Prospectus is unaudited and is based on the best estimate assumptions of the Directors. The basis of preparation and presentation of the Forecast Financial Information is, to the extent applicable, consistent with the basis of preparation and presentation of the Historical Financial Information.

All financial amounts contained in this Prospectus are expressed in Australian currency, unless otherwise stated. Any discrepancies between totals and sums of components in tables and figures contained in this Prospectus are due to rounding.

The Historical Financial Information and the Forecast Financial Information in this Prospectus should be read in conjunction with, and are qualified by reference to, the information contained in Sections 4 and 5.

FORWARD-LOOKING STATEMENTS

This Prospectus contains forward-looking statements which are identified by words such as ‘may’, ‘could’, ‘believes’, ‘estimates’, ‘expects’, ‘intends’ and other similar words that involve risks and uncertainties. The Forecast Financial Information included in Section 4 is an example of forward-looking statements.

Any forward-looking statements involve known and unknown risks, uncertainties, assumptions and other important factors that could cause actual events or outcomes to differ materially from the events or outcomes expressed or anticipated in these statements, many of which are beyond the control of the Company. The Forecast Financial Information and the forward-looking statements should be

read in conjunction with, and are qualified by reference to, the risk factors as set out in Section 5, the general and specific assumptions set out in Section 4.8.1, the sensitivity analysis set out in Section 4.9 and other information contained in this Prospectus.

Other than as required by law, none of the Company, or its Directors, officers, employees or advisers give any representation, assurance or guarantee that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Prospectus will actually occur, and investors are cautioned not to place undue reliance on such forward-looking statements. The Company does not intend to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

This Prospectus, including in the Industry Overview and Company Overview contained in Sections 2 and 3, uses market data and third party estimates and projections. There is no assurance that any of the third party estimates or projections contained in this information will be achieved. The Company has not independently verified this information. Estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed in the risk factors set out in Section 5.

FOREIGN JURISDICTIONS

This Prospectus does not constitute an offer or invitation to apply for Shares in any place in which, or to any person to whom, it would be unlawful to make such an offer or invitation. No action has been taken to register or qualify the Shares or the Offer, or to otherwise permit a public offering of the Shares, in any jurisdiction outside Australia.

The taxation treatment of Australian securities may not be the same as that for securities in foreign jurisdictions.

The distribution of this Prospectus (including in electronic form) outside Australia may be restricted by law and persons who come into possession of this Prospectus outside Australia should seek advice in relation to, and observe, any such restrictions. Any failure to comply with such restrictions

may constitute a violation of applicable securities laws.

In particular, the Shares have not been, and will not be, registered under the United States Securities Act of 1933, as amended (“**US Securities Act**”), or any state securities law in the United States and may not be offered, sold, pledged or transferred in the United States unless the Shares are registered under the US Securities Act, or an exemption from the registration requirements of the US Securities Act and applicable United States state securities laws is available.

See Section 9.9 for more detail on selling restrictions that apply to the Offer and sale of Shares in jurisdictions outside Australia.

CHANGES TO INFORMATION

Information contained in this Prospectus may change. If a change occurs that will be materially adverse to the Offer, then in accordance with the Corporations Act, the Company will issue a supplementary or replacement prospectus. However, if a change occurs that will not be materially adverse to the Offer, the Company may not issue a supplementary or replacement prospectus.

EXPOSURE PERIOD

The Corporations Act prohibits the Company from processing applications for Shares in the seven-day period after the Prospectus Date (“**Exposure Period**”). ASIC may extend this period by up to a further seven days (i.e. up to a total of 14 days). The purpose of the Exposure Period is to enable the Prospectus to be examined by market participants prior to the raising of funds. The examination may result in the identification of certain deficiencies in this Prospectus, in which case any Application may need to be dealt with in accordance with section 724 of the Corporations Act. Applications received during the Exposure Period will not be processed until after the expiry of the Exposure Period. No preference will be given to applications received during the Exposure Period.

PROSPECTUS AVAILABILITY

During the “**Offer Period**”, which will last from 17 June 2016 until 27 June 2016, a paper copy of this Prospectus is available free of charge to any person under the Broker Firm Offer, Priority Offer or Employee Offer (“**Applicant**”) in Australia by calling the “**Kogan.com IPO Information Line**” on 1300 784 014 (within Australia) or

+61 (3) 9415 4164 (outside Australia) from 8.30am to 5.00pm Australian Eastern Standard Time (“**AEST**”), Monday to Friday (excluding public holidays).

This Prospectus is also available to Applicants in Australia in electronic form at the Company’s website, www.kogancorporate.com. Persons who access the electronic version of this Prospectus should ensure that they download and read the entire Prospectus.

The Offer constituted by this Prospectus in electronic form is available only to persons downloading or printing it within Australia and is not available to persons in any other jurisdiction (including the United States).

APPLICATIONS

“**Applications**” may be made only during the Offer Period on the “**Broker Firm Offer Application Form**”, “**Priority Offer Application Form**” or “**Employee Offer Application Form**” (whichever is relevant to you) (in general referred to as an “**Application Form**”) attached to, or accompanying, this Prospectus in its paper copy form, or in its electronic form, which must be downloaded in its entirety from www.kogancorporate.com. By making an Application, you represent and warrant that you were given access to the Prospectus, together with an Application Form. The Corporations Act prohibits any person from passing on to another person an Application Form unless it is attached to, or accompanied by, the complete and unaltered version of this Prospectus.

NO COOLING-OFF RIGHTS

Cooling-off rights do not apply to an investment in Shares issued under the Prospectus. This means that, in most circumstances, you cannot withdraw your Application once it has been accepted.

DEFINITIONS

Defined terms used in this Prospectus are explained in the Glossary at the end of this Prospectus. Unless otherwise stated or implied, references to times in this Prospectus are to AEST.

PRIVACY

By filling out an Application Form to apply for Shares, you are providing personal information to the Company and its Share Registry, Computershare Investor Services Pty Limited ABN 48 078 279 277, which is contracted by the Company to manage

Applications. The Company, and the Share Registry on its behalf, may collect, hold, use and disclose that personal information in order to process your Application, service your needs as an owner of Shares (“Shareholder”), provide facilities and services that you request and carry out appropriate administration. Some of this personal information is collected as required or authorised by certain laws including the Income Tax Assessment Act and the Corporations Act.

If you do not provide the information requested in an Application Form, the Company and the Share Registry may not be able to process or accept your Application.

Your personal information may also be used from time to time to inform you about other products and services offered by the Company, that it considers may be of interest to you.

Your personal information may also be provided to the Company’s agents and service providers on the basis that they deal with such information in accordance with the Company’s privacy policy. The agents and service providers of the Company may be located outside Australia where your personal information may not receive the same level of protection as that afforded under Australian law. The types of agents and service providers that may be provided with your personal information and the circumstances in which your personal information may be shared are:

- The Share Registry, for ongoing administration of the register of members;
- Printers and other companies, for the purposes of preparation and distribution of statements and for handling mail;
- Market research companies, for the purposes of analysing the Shareholder base and for product development and planning; and
- Legal and accounting firms, auditors, contractors, consultants and other advisers for the purposes of administering, and advising on, the Shares and for associated actions.

If an Applicant becomes a Shareholder, the Corporations Act requires the Company to include information about the Shareholder (including name, address and details of the Shares held) in its public register of members. If you do not provide all the information requested, your Application Form may not be able to be processed.

The information contained in the Company’s register of members must remain there even if a person ceases to be a Shareholder. Information contained in the Company’s register of members is also used to facilitate dividend payments and corporate communications (including financial results, annual reports and other information that the Company may wish to communicate to its Shareholders) and compliance by the Company with legal and regulatory requirements. An Applicant has a right to access and correct the information that the Company and the Share Registry hold about that person, subject to certain exemptions under law.

Applicants can obtain a copy of the Company’s privacy policy by visiting the Company’s website, www.kogancorporate.com. The privacy policy contains further details regarding access, correction and complaint rights and procedures. Applicants may contact the Company regarding privacy matters through the details provided on the Company’s website or in writing addressed to the Company at 10/530 Collins Street, Melbourne, Victoria 3000, Australia.

Computershare Investor Services Pty Limited’s complete Privacy Policy can be downloaded at <http://www.computershare.com/au/privacy-policies>. Alternatively, please contact the Privacy Officer by email at privacy@computershare.com.au or write to:

Privacy Officer
Computershare Investor
Services Pty Limited
Yarra Falls, 452 Johnston Street
Abbotsford Vic 3067
Australia

PHOTOGRAPHS AND DIAGRAMS

Photographs and diagrams used in this Prospectus that do not have descriptions are for illustration only and should not be interpreted to mean that any person shown in them endorses this Prospectus or its contents. Diagrams used in this Prospectus are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in charts, graphs and tables is based on information available at the Prospectus Date.

QUESTIONS

If you have any questions about the Offer or how to apply for Shares, please call the Kogan.com IPO Information Line on 1300 784 014 (within Australia) or +61 (3) 9415 4164 (outside Australia) from 8.30am to 5.00pm (AEST), Monday to Friday (excluding public holidays). Instructions on how to apply for Shares are set out in Section 7 of this Prospectus and on the back of the Application Form.

If you have any questions about whether to invest in the Company, you should seek professional guidance from your stockbroker, solicitor, financial adviser, accountant or other professional adviser.

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Key Dates

Lodgement of Prospectus	Thursday, 9 June 2016
Broker Firm Offer, Priority Offer and Employee Offer open	Friday, 17 June 2016
Broker Firm Offer, Priority Offer and Employee Offer close	Monday, 27 June 2016
Settlement	Wednesday, 29 June 2016
Issue and transfer of Shares under the Offer ("Completion" or "Completion of the Offer")	Thursday, 30 June 2016
Commencement of trading on ASX on a deferred settlement basis	Thursday, 30 June 2016
Expected despatch of holding statements	Friday, 1 July 2016
Expected commencement of trading on ASX on a normal settlement basis	Monday, 4 July 2016

Dates may change

The dates above are indicative only and may change without notice. Kogan.com, in conjunction with the Lead Manager, reserves the right to vary any or all of the dates and times of the Offer (subject to the ASX Listing Rules and the Corporations Act) without prior notice, including closing the Offer or any part of it early, extending the date the Offer closes, deferring Completion, accepting late Applications either generally or in particular cases, rejecting any application or bid, allocating to any Applicant or bidder fewer shares than the amount applied or bid for, or withdrawing the Offer. If the Offer is withdrawn before Completion, all Application Payments will be refunded in full (without interest) as soon as practicable in accordance with the requirements of the Corporations Act. Applicants are encouraged to submit their Application Forms as soon as possible after the Offer opens. The quotation and commencement of trading of the Shares are subject to confirmation from ASX.

How to invest

Applications for Shares can be made in accordance with the procedures described in the Prospectus. Instructions on how to apply for Shares are set out in Sections 7.2.2 and 7.3.2 and 7.4.2.

Offer Statistics

Offer Price under the Broker Firm Offer, Priority Offer and Institutional Offer ⁽¹⁾	\$1.80 per Share
Total number of Shares offered under the Offer	28.4 million
Total number of Shares held by Existing Owners on Completion of the Offer ⁽²⁾	64.9 million
Total number of Shares on issue on Completion of the Offer	93.3 million
Amount to be raised under the Offer	\$50.0 million
Market Capitalisation at the Offer Price ⁽³⁾	\$168.0 million
Pro forma Net Cash on Completion of the Offer ⁽⁴⁾	\$28.0 million
Enterprise Value at the Offer Price ⁽⁵⁾	\$140.0 million
Enterprise Value/pro forma FY2016 revenue (times) ^{(6) (7)}	0.7x
Enterprise Value/pro forma FY2017 revenue (times) ^{(6) (7)}	0.6x
Enterprise Value/pro forma FY2016 EBITDA (times) ^{(7) (8)}	48.3x
Enterprise Value/pro forma FY2017 EBITDA (times) ^{(7) (8)}	20.2x

Notes:

- Shares issued under the Employee Offer are issued for nil consideration
- 100% of these Shares will be subject to Voluntary Escrow Arrangements from Completion of the Offer as described in Section 9.6
- “**Market Capitalisation**” is defined as the Offer Price multiplied by the total number of Shares on issue on Completion. Shares may not trade at the Offer Price after Listing. If Shares trade below the Offer Price after Listing, the Market Capitalisation may be lower
- Pro forma Net Cash on Completion of the Offer reflects the forecast net cash position of Kogan.com after the payment of transaction costs related to the Offer and repayment of drawn down debt facilities of \$4.0 million. For further information, please refer to Sections 4.4 and 4.10
- “**Enterprise Value**” is calculated as the Market Capitalisation, less pro forma Net Cash of \$28.0 million
- Based on pro forma FY2016 revenue of \$201.1 million and pro forma FY2017 revenue of \$241.2 million
- The Forecast Financial Information is based on accounting policies and assumptions set out in Sections 4.2 and 4.8.1 and Appendix B, and is subject to the key risks set out in Section 5. There is no guarantee that forecasts will be achieved. Certain Financial Information included in this Prospectus is described as ‘pro forma’ for the reasons described in Section 4.2.1
- Based on pro forma FY2016 EBITDA of \$2.9 million and pro forma FY2017 EBITDA of \$6.9 million

Chairman's Letter



Dear Investor,

On behalf of the directors of Kogan.com, it is my pleasure to invite you to read this Prospectus and to offer you the opportunity to become a shareholder in Kogan.com.

Kogan.com was founded by Ruslan Kogan in 2006, with an initial product range of two private label LCD televisions. Since then, it has grown without external equity funding to become Australia's leading pure play online retail website, generating more traffic and Google search queries than any other Australian pure play online retail website. In the calendar year ended 31 December 2015, 621,300 unique customers purchased from Kogan.com, driven by a record 52 million visits to Kogan.com's Australian website, in addition to Kogan.com's database of approximately 2.3 million email subscribers as at 31 December 2015.

Kogan.com is part of a "Next Generation" of online retailers. Kogan.com's technology and sourcing-driven business model is more than just a disruptive, low-cost distribution platform. In combining the data analytics systems and culture with the deep technological expertise of its management and team, Kogan.com has created a vertically-integrated business model with a market-leading private label capability. This is complemented by a compelling range of in-demand third party brands, supporting website traffic and cash generation. This combination is unique among Australian online retailers. The Board believes it represents a sustainable source of competitive advantage, and expects it to drive significant growth in revenue and earnings.

Kogan.com harnesses technology-driven efficiencies to deliver price leadership across products and services with established, high consumer demand. Its range of approximately 28,000 private label and third party branded stock keeping units, which include consumer electronics products and a growing range of general merchandise, has been developed using Kogan.com's leading and proprietary data analytics processes.

The Board and management are excited about Kogan.com's strong growth prospects. Kogan Travel and Kogan Mobile, which were launched in 2015, will continue their strong growth. Integration of the Dick Smith online assets, whose potential contribution is not reflected in the forecast financial information, is progressing well, with 1.3 million additional members added to Kogan.com's existing database of approximately 2.3 million email subscribers. Management is focused on the opportunity to invest further in Kogan.com's core strengths, through expanding its highest-margin product ranges, supported by targeted marketing investment to maximise traffic, conversion and frequency of purchase. The Board believes these initiatives will position Kogan.com to deliver strong growth and operating leverage for many years to come, beyond the Prospectus forecast period and in excess of the structural growth which continues to underpin the online retail market in Australia.

The Offer and listing on ASX will assist Kogan.com to fund several of these growth opportunities, reward and incentivise certain senior management, and allow Ruslan Kogan and David Shafer to realise part of their investment. Ruslan and David will together retain a majority ownership interest in Kogan.com following the Offer, and are committed to accelerating the growth of Kogan.com as an ASX-listed company.

This Prospectus contains detailed information about the Offer, the industries in which Kogan.com operates and Kogan.com's historical and forecast operating and financial information. Kogan.com's business is subject to a range of risks, including reduced growth in the Australian retail market, stagnating or declining penetration of online retail in that market and increased competition. These risks, and other key risks relating to an investment in Kogan.com, are detailed in Section 5.

I encourage you to read this document carefully and in its entirety before making your investment decision. On behalf of my fellow Directors, I look forward to welcoming you as a shareholder in Kogan.com.

Yours faithfully,

A handwritten signature in black ink, appearing to read "Greg Ridder". The signature is written in a cursive style and is positioned above a horizontal line that ends in an arrow pointing to the right.

Greg Ridder
Chairman, Kogan.com

Founder and CEO's Letter



Dear Investor,

Just over ten years ago, when I got the idea to create an online business model that sold private label LCD TVs directly to consumers, not everybody was as enthusiastic about it as I was. As a 23-year-old, I approached several business leaders and the overwhelming feedback was that online retail was just for books and CDs and nobody would buy a TV without seeing it in person.

At that point, I realised that in order to get the business off the ground quickly, it would need to be self-funding and grow organically. Since then, Kogan.com has grown to become Australia's largest pure-play online retail website. By focusing on our customers and funding our growth from cash flow, we have been EBITDA positive since inception. Kogan.com has enjoyed strong growth for the past ten years and – up until this point – has never had any external equity funding. I am incredibly proud of Kogan.com's track record and I believe this sets us apart from our peers. It also speaks volumes about our culture, which is underscored by high levels of personal responsibility, and demonstrates the strength and sustainability of our business.

I believe that Kogan.com has become a challenger brand that stands for price leadership through digital efficiency. Our goal is to make in-demand products and services more affordable and accessible. We want to ensure that everyone who invests in Kogan.com and becomes a part of our story, believes in our mission, learns about what makes us tick, and understands why we have had 52 million visits to Kogan.com's core website channels in the past 12 months⁽¹⁾.

The growth and success of the business is testament to the amazing commitment of the Kogan.com team who work relentlessly to ensure that the expectations of our customers are not just met, but exceeded every day.

We are proud of having assembled the most talented team of thought-leaders in the local market. But building this incredible team has been far from easy because when we set out to build Kogan.com we were forging new ground. When we decided to develop a shopping personalisation strategy, we couldn't just place an ad for an "Automated Algorithmic Channel Marketing Specialist". We were defining these roles just as the local market was defining online retail.

We had to build our team from first principles and look at the core skillsets required for certain roles – no matter what role that person was performing in their previous job. For example, we have a lawyer and engineer driving our IT innovation and a PhD (Engineering and Medicine) in charge of our ERP implementation and automation.

As the market continues to expand and redefine itself, we will continue to evolve Kogan.com, inventing exciting roles the likes of which I hope are always new, always enterprising, and always pushing boundaries.

We often joke that "we're a statistics business masquerading as a retailer", but a lot of truth is said in jest. Analytics-driven decision making is at the core of our culture. Our entire team is obsessed with analysing data to improve the efficiency of our business and drive a better customer experience. We make decisions based on facts, not gut feel. The Kogan.com team and culture has facilitated growth at a rapid rate – transporting us from start-up to public company over the past decade.

It's a pleasure to be able to use the Initial Public Offering (IPO) to share some of the company with our key senior management, keeping them incentivised and aligning their interests well into the future. Working with our brilliant team of innovators has been the most rewarding part of my role as CEO.

Incredible teams build incredible things. The backend and operations of the Kogan.com business are a testament to the capabilities of our team. While we think we've got an awesome homepage, in the same way that you can't judge a book by its cover, you can't judge an online retailer by its homepage. At Kogan.com, some of our competitive advantages include our brand, proprietary technology infrastructure, and operations systems, which we believe to be world class. Just some of the features include:

- **Our Brand.** We haven't just built a leading online retailer, we've also built a brand that is synonymous with online retail in Australia. 82% of the traffic to our site is free and driven by our Brand. This is a huge moat around our castle. Our Brand also enables strong partnerships and expansion into new verticals, as we've demonstrated with Kogan Mobile and Kogan Travel.

Note

1. 12 months to 31 December 2015.

- **Private Label.** At inception, Kogan.com was purely a private label business selling consumer electronics. Private Label strategies are at the core of what we do and have been a pillar of Kogan.com since day one. Private Label is a great way to create consumer value through price leadership while maintaining higher margins. Our Private Label strategies have always been driven by our analytical approach which ensures that we allocate capital efficiently to service existing demand. We now have 13 Private Label brands in our stable and there is significant opportunity for us to accelerate growth by expanding the products available within those brands.
- **Private Supplier Marketplace.** Many of our third party products are sourced through a proprietary Private Supplier Marketplace. We built a system where distributors and suppliers log in on a daily basis and bid against each other in a blind auction to fulfil our orders. By creating this level of competition on the supply front, we are able to secure better prices and contribute to our price leadership position.
- **End-To-End Automation.** When a customer purchases one of our in-stock inventory items (the majority of which consist of Private Label products), not a single Kogan.com staff member has to manually interact with the order. This ensures faster and more accurate dispatch, and happier customers. This automation has driven our very high Net Promoter Score (NPS). In most cases, an online customer is not looking to buy a product and a friend. They just want to be able to quickly and easily place an order, receive the tracking details quickly, and have the item arrive quickly.
- **Algorithmic Prediction Engines.** We now have tens of thousands of products on our site. We don't expect every visitor to scroll through every single product when they get to our site. It's our job to show the right product to the right person at the right time. The internet is getting noisier, and we're producing and consuming more information than ever before. I remember when people used to read long news articles that analyse a topic in depth, and now it seems they're clicking on "12 reasons cats are better than dogs - you won't believe reason #7". It's for these reasons that we have invested in our Algorithmic Prediction Engine. We analyse huge amounts of data on purchasing patterns and behaviour in order to show the right product to the right person at the right time. This improves the customer experience and increases our conversion rates. Our proprietary Algorithmic Prediction Engine integrates with our various marketing channels: Website, Mobile, Email and Apps.

These are just some of the innovations unique to Kogan.com and we intend to keep them coming. We love to compete. Competition drives innovation and it's never been more challenging or rewarding to be a retailer.

By inference (and experience) that means there's never been a better time to be a consumer! There are many great retailers out there and we're all driving each other forward while fighting for every consumer dollar. We love this aspect of our job and it makes us jump out of bed in the morning.

One of the great things about being a retailer is that it's not brain surgery or rocket science. If we make a mistake in our business - for example, someone might get the wrong item or an item might be delayed in shipping - we'll know about it pretty quickly and nobody's life will be at risk. We will continue to experiment and innovate to ensure we always stay ahead of the curve when it comes to using technology to drive price leadership and innovation in online retail.

We make a lot of decisions every day and we get most of them right. But we are human, and occasionally, we get some wrong. We're not scared to admit when we get them wrong. But in our mistakes there are gems that help us learn, adapt and improve.

The other great thing about being a retailer is that you quickly learn to respect every dollar. A dollar represents our customers' hard-earned when it's in their hands, and our hard-earned when they choose to exchange it for a Kogan.com product or service.

It's in our DNA to start new initiatives small, prove their value, and scale them organically in a profitable manner. We subscribe to the philosophy that "revenue is vanity, profit is sanity". We will strive to strike a balance between short term profitability and investment in long term vision and growth for the company. We are mindful of both short term targets and long term returns for our shareholders, and our decisions will continue to be shaped by the most efficient use of capital. To put it simply, we don't splash cash.

I would like to thank my business partner and fellow Director, David Shafer. For over a decade, David has been my first port of call when a difficult decision in business or life needs to be made. He has driven many of the critical business growth projects at Kogan.com and been a core contributor to developing our analytics-based culture. I would also like to thank my family and friends for continuing to put up with me checking my phone hundreds of times a day and walking away from the dinner table to take calls. I live and breathe this business.

Finally, and most importantly, I'd like to thank our customers. We've had our critics over the years (which is inevitable when you're changing the fundamentals of an industry), but ultimately it's our customers' feedback that we care about most. It's our customers that have helped shape Kogan.com to become the retailer it is today.

The way people buy goods and services in Australia has undergone significant change in the past ten years. It's a wave of change we have successfully ridden, and at the same time, one that we believe we have helped direct. The way we shop today is completely different to how we did ten years ago. I hope to look back and report the same after another decade of growth and innovation for Kogan.com. On behalf of the company, we look forward to that journey with our current and future shareholders, as we drive our company and industry into the future.

Thank you,



Ruslan Kogan
Founder & CEO

PS. This Prospectus contains detailed information about the Offer, the industry in which Kogan.com operates and Kogan.com's historical and forecast operating and financial information. Kogan.com's business is subject to a range of risks, including reduced growth in the Australian retail market, stagnating or declining penetration of online retail in that market and increased competition. These risks, and other key risks relating to an investment in Kogan.com, are detailed in Section 5. I encourage you to read this document carefully and in its entirety before making your investment decision.

01.

INVESTMENT OVERVIEW



01. Investment Overview

1.1 INTRODUCTION

TOPIC	SUMMARY	FURTHER INFORMATION
What is Kogan.com?	<p>Founded in 2006, Kogan.com is Australia's leading Pure Play Online Retail Website, having grown organically, through the strength of the "Kogan" brand, to generate more traffic and Google search queries than any other Australian Pure Play Online Retail Website.</p> <p>Kogan.com earns the majority of its revenue and profit through the sale of goods to Australian consumers. Its offering comprises both Private Label Products, which include "Kogan" and "Ovela", and Third Party Branded Products. Kogan.com aims to deliver price leadership across both of these business segments, through technology-driven efficiency.</p> <p>Kogan.com launched two new verticals in CY2015. Kogan Travel offers travel packages and hotel and cruise bookings online, while Kogan Mobile offers prepaid mobile phone plans online, in partnership with Vodafone Hutchison Australia Pty Limited ("Vodafone").</p>	Section 3.1
What is the size and growth of the markets in which Kogan.com competes?	<p>Euromonitor estimates that the Australian Retail Market reached \$266 billion sales in CY2015, and will grow at a 5.0% CAGR from CY2015 to CY2019.⁽¹⁾ The Australian Online Retail Market was valued at \$17 billion in CY2015, and is forecast to grow at an 11.5% CAGR over the same period.⁽²⁾</p> <p>Kogan.com's largest and most established category is the Consumer Electronics category, comprising the sale of computer hardware, mobile phones, tablets, televisions ("TVs"), media players and a broad range of electronic gadgets and accessories. In CY2015, the Australian Consumer Electronics category generated sales of approximately \$15 billion, having achieved a 6.5% CAGR from CY2010 to CY2015.⁽³⁾ The online segment of this market ("Online Consumer Electronics") generated sales of approximately \$2 billion in CY2015, having achieved a 21.7% CAGR over the same period.⁽⁴⁾</p> <p>Through its Kogan Travel business segment, Kogan.com competes in the "Australian Travel Bookings Industry", which comprises the provision of travel information and booking services for transport, accommodation and tourist attractions to individuals and business travellers. Through its Kogan Mobile business segment, Kogan.com competes in the "Australian Mobile Communications Industry", which provides telecommunications services, including voice, internet and data services, through mobile handset devices.</p> <p>Notes:</p> <ol style="list-style-type: none"> 1. Euromonitor, <i>Euromonitor Passport Retailing 2016</i>. Retail sales value and CAGR exclude sales tax. Shown in Current Terms 2. Euromonitor, <i>Euromonitor Passport Retailing 2016</i>. Internet retail sales value and CAGR exclude sales tax. Shown in Current Terms 3. Euromonitor, <i>Euromonitor Passport Consumer Electronics 2016</i>. Retail sales value and CAGR include sales tax. Shown in Current Terms 4. Euromonitor, <i>Euromonitor Passport Consumer Electronics 2016</i>. Consumer Electronics System 2016 edition. Internet retail sales value and CAGR include sales tax. Shown in Current Terms 	Sections 2.2, 2.3, 2.4.1 and 2.4.2

TOPIC	SUMMARY	FURTHER INFORMATION
<p>What is Kogan.com’s business model?</p>	<p>Kogan.com operates a number of business segments under the Kogan.com brand umbrella. These include:</p> <ul style="list-style-type: none"> • “Core Website Channels” – Private Label and Third Party Branded Consumer Electronics and General Merchandise sales through kogan.com/au and dicksmith.com.au and associated Apps; • “New Verticals” – Kogan Travel and Kogan Mobile; and • “Other Revenue Streams” – sales through Kogan.com’s eBay store; sales to wholesale customers; sales through kogan.com/nz and dicksmith.co.nz; marketing revenue; delivery income and warranty income. 	<p>Section 3.3</p>
<p>What products and services does Kogan.com sell?</p>	<p>From an initial focus on Consumer Electronics products, Kogan.com’s product range has grown to offer approximately 28,000 Private Label and Third Party Branded SKUs across over 15 departments featured on its websites and Apps. Beyond Consumer Electronics, additional departments (“General Merchandise”) include Appliances; Home and Garden; Baby, Kids and Family; Sports, Outdoors and Luggage; Shoes and Fashion; Health and Beauty; and Pantry, among others.</p> <p>Kogan.com’s Kogan Travel vertical sells directly-sourced travel packages online, in addition to providing online hotel and cruise booking services.</p> <p>Under Kogan Mobile, Kogan.com sells SIM cards and prepaid mobile phone plans online through a unique strategic relationship with Vodafone.</p>	<p>Sections 3.3.1, 3.3.2 and 3.3.3</p>
<p>Who are Kogan.com’s competitors?</p>	<p>Although Kogan.com is a Pure Play Online Retailer, selling goods predominantly online, it operates within the broader Australian Retail Market. As a result, competitors include:</p> <ul style="list-style-type: none"> • Other Australian Pure Play Online Retailers, such as Catch of The Day, GraysOnline and DealsDirect; • International Pure Play Online Retailers, such as eBay, Amazon and AliExpress; and • Australian and international “Omni-channel Retailers”, which offer consumers the opportunity to transact through physical store networks as well as online channels. These include: <ul style="list-style-type: none"> – competitors with a substantial or specialty Consumer Electronics product offering, including JB Hi-Fi, Harvey Norman and The Good Guys; and – General Merchandise retailers and department stores such as Kmart, Target, Big W and The Reject Shop. <p>Within this competitive landscape, Kogan.com believes it is the leading Australian Pure Play Online Retail Website, generating more traffic and Google search queries than any other Australian Pure Play Online Retail Website.</p>	<p>Sections 2.1.1, 2.2 and 3.4</p>

TOPIC	SUMMARY	FURTHER INFORMATION
<p>What is Kogan.com's growth strategy?</p>	<p>Kogan.com's strategy is to harness technology-driven efficiencies to deliver price leadership across products and services with established high consumer demand. Over time, Kogan.com believes that the scalability of its business model, together with the successful execution of its revenue growth strategies, will position the business to deliver significant operating leverage.</p> <p>In addition to underlying market growth, at the time of IPO, Kogan.com will have two specific growth initiatives in place:</p> <ul style="list-style-type: none"> • The continued growth of New Verticals, Kogan Travel and Kogan Mobile, which remain in their infancy; and • Integration of the Dick Smith Assets, which were acquired in April 2016. <p>Moreover, two further significant growth opportunities will be executed following receipt of the Offer Proceeds:</p> <ul style="list-style-type: none"> • Expand and increase the availability of Kogan.com's higher-margin Private Label and Third Party Branded Domestic product ranges, through investment in inventory; and • Continue to strengthen the Kogan Community, increasing website traffic and purchase frequency, through disciplined marketing investment. <p>Longer term, Kogan.com also expects to take advantage of:</p> <ul style="list-style-type: none"> • Launching additional business verticals which leverage Kogan.com's existing infrastructure and customer base; • International expansion opportunities; and • Selective and opportunistic M&A. 	<p>Section 3.9</p>
<p>How does Kogan.com expect to fund its operations?</p>	<p>Kogan.com's principal sources of funds are expected to be cash flow generated from operations and cash on its balance sheet following Completion of the Offer.</p> <p>On 31 May 2016, Kogan Australia signed a new multi-option facility agreement with Westpac Banking Corporation ("Financier"), maturing on 31 May 2019 ("Facility"). The Facility includes a Cash Advance Facility, Trade Finance Facility and LC Facility with a total limit of \$10.0 million. A summary of the material commercial terms and conditions on which the Financier has granted the Facility is set out in section 9.5.</p> <p>On Completion of the Offer, Kogan.com intends to use a portion of the Offer Proceeds to pay down the balance of any amounts drawn under the Facility, which is forecast to be approximately \$4.0 million.</p>	<p>Sections 4.4, 4.5.3, 4.10 and 9.5</p>

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<p>What is Kogan.com's Pro Forma Historical Financial Information and Forecast Financial Information?</p>	<table border="1"> <thead> <tr> <th rowspan="3">(\$m)</th> <th colspan="2" style="text-align: center;">PRO FORMA HISTORICAL ⁽²⁾</th> <th colspan="2" style="text-align: center;">PRO FORMA FORECAST ⁽²⁾</th> <th colspan="2" style="text-align: center;">PRO FORMA HISTORICAL ⁽²⁾</th> </tr> <tr> <th>FY2014</th> <th>FY2015</th> <th>FY2016</th> <th>FY2017</th> <th>1H FY2015</th> <th>1H FY2016</th> </tr> </thead> <tbody> <tr> <td>GTV⁽¹⁾</td> <td>179.6</td> <td>216.3</td> <td>214.0</td> <td>270.1</td> <td>112.2</td> <td>107.7</td> </tr> <tr> <td><i>GTV growth</i></td> <td></td> <td>20.4%</td> <td>(1.1%)</td> <td>26.2%</td> <td></td> <td>(4.0%)</td> </tr> <tr> <td>Revenue</td> <td>170.0</td> <td>200.3</td> <td>201.1</td> <td>241.2</td> <td>108.1</td> <td>104.7</td> </tr> <tr> <td><i>Revenue growth</i></td> <td></td> <td>17.8%</td> <td>0.4%</td> <td>19.9%</td> <td></td> <td>(3.1%)</td> </tr> <tr> <td>Gross Profit</td> <td>21.8</td> <td>28.9</td> <td>29.2</td> <td>36.7</td> <td>17.7</td> <td>15.8</td> </tr> <tr> <td><i>Gross Margin</i></td> <td>12.8%</td> <td>14.4%</td> <td>14.5%</td> <td>15.2%</td> <td>16.4%</td> <td>15.1%</td> </tr> <tr> <td>EBITDA</td> <td>3.7</td> <td>1.6</td> <td>2.9</td> <td>6.9</td> <td>5.0</td> <td>2.6</td> </tr> <tr> <td><i>EBITDA Margin</i></td> <td>2.2%</td> <td>0.8%</td> <td>1.4%</td> <td>2.9%</td> <td>4.6%</td> <td>2.5%</td> </tr> <tr> <td>EBIT</td> <td>3.2</td> <td>0.2</td> <td>0.7</td> <td>3.6</td> <td>4.2</td> <td>1.7</td> </tr> <tr> <td>NPAT⁽³⁾</td> <td>1.8</td> <td>(0.3)</td> <td>0.4</td> <td>2.5</td> <td>2.6</td> <td>1.3</td> </tr> </tbody> </table> <p>Notes:</p> <ol style="list-style-type: none"> "GTV" is the gross transaction value, on a cash basis, of products and services sold, before deducting Cancellations and Refunds, but after deducting GST. As certain businesses recognise revenue on a commission basis, while others recognise the entire value of the product sold, Kogan.com believes this is a more appropriate reflection of customer spend across its various businesses The Pro Forma Historical and Pro Forma Forecast Results are presented as described in Section 4.3.1. A reconciliation between the Pro Forma Historical Results and Statutory Historical Results for Kogan.com is provided in Section 4.3.2 "NPAT" is net profit after tax 	(\$m)	PRO FORMA HISTORICAL ⁽²⁾		PRO FORMA FORECAST ⁽²⁾		PRO FORMA HISTORICAL ⁽²⁾		FY2014	FY2015	FY2016	FY2017	1H FY2015	1H FY2016	GTV ⁽¹⁾	179.6	216.3	214.0	270.1	112.2	107.7	<i>GTV growth</i>		20.4%	(1.1%)	26.2%		(4.0%)	Revenue	170.0	200.3	201.1	241.2	108.1	104.7	<i>Revenue growth</i>		17.8%	0.4%	19.9%		(3.1%)	Gross Profit	21.8	28.9	29.2	36.7	17.7	15.8	<i>Gross Margin</i>	12.8%	14.4%	14.5%	15.2%	16.4%	15.1%	EBITDA	3.7	1.6	2.9	6.9	5.0	2.6	<i>EBITDA Margin</i>	2.2%	0.8%	1.4%	2.9%	4.6%	2.5%	EBIT	3.2	0.2	0.7	3.6	4.2	1.7	NPAT ⁽³⁾	1.8	(0.3)	0.4	2.5	2.6	1.3	<p>Section 4.3</p>
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<p>What is Kogan.com's dividend policy?</p>	<p>The Directors have no current intention to declare and pay a dividend. It is the Directors' current intention to reinvest cash flows generated in future in the further growth of Kogan.com.</p>	<p>Section 4.11</p>																																																																																			

1.2 KEY STRENGTHS

TOPIC	SUMMARY	FURTHER INFORMATION
Australia's #1 Pure Play Online Retail Website	<ul style="list-style-type: none"> • Kogan.com has used technology-driven competitive advantage to build a leading brand and market position over its 10-year history: <ul style="list-style-type: none"> – Kogan.com is the #1 Australian Pure Play Online Retail Website by Alexa Internet traffic ranking⁽¹⁾ – Kogan.com generates more Google search queries than any other Australian “Pure Play Online Retailer” <ul style="list-style-type: none"> – demonstrating the strength of the “Kogan” name, both as a retailer and as a “Consumer Electronics” brand • Kogan.com's leading traffic metrics are supported by a highly engaged community of website visitors, mobile application (“App”) users, database members, email subscribers, Facebook fans and Twitter followers. In CY2015, 621,300 unique customers purchased a product or travel package from Kogan.com (“Active Customers”), driven by a record 52 million visits to Kogan.com's Australian website, in addition to Kogan.com's database of approximately 2.3 million email subscribers (“Active Subscribers”) as at 31 December 2015 • The acquisition of certain Dick Smith online assets (“Dick Smith Assets”) provides Kogan.com with approximately 1.3 million Active Subscribers who were not previously members of Kogan.com's customer database, and provides additional channels to market <p>Note:</p> <p>1. © 2016, Alexa Internet (accessed at www.alexa.com on 31 March 2016)</p>	Sections 3.4 and 3.5
Strong customer proposition supported by product range and price leadership	<ul style="list-style-type: none"> • Kogan.com sells highly complementary offerings of Kogan.com owned brands (“Private Label” or “Private Label Products”) and third party owned brands (“Third Party Branded” or “Third Party Branded Products”). Together, these product ranges comprise approximately 28,000 stock keeping units (“SKUs”), across over 15 product departments • Kogan.com's Private Label offering drives price leadership and captures higher margins: <ul style="list-style-type: none"> – only Australian Pure Play Online Retailer with a Private Label offering of scale – sophisticated product development and sourcing systems built over 10 years of retailing Private Label Products – 45% of Core Website Channels GTV in 1H FY2016 was generated through sales of Private Label Products 	Section 3.3.1

TOPIC	SUMMARY	FURTHER INFORMATION
<p>Strong customer proposition supported by product range and price leadership <i>continued</i></p>	<ul style="list-style-type: none"> • Kogan.com also maintains a large and expanding Third Party Branded Product offering: <ul style="list-style-type: none"> - drives considerable website traffic - provides bundling opportunities with Private Label Products - highly cash generative business segment - internationally-sourced Third Party Branded Products (“Third Party Branded International Products”) in particular are a source of Working Capital funding which can be redeployed into Kogan.com’s Private Label Product range - 55% of Core Website Channels GTV in 1H FY2016 was generated through sales of Third Party Branded Products 	<p>Section 3.3.1</p>
<p>Proprietary technology and scalable infrastructure</p>	<ul style="list-style-type: none"> • Kogan.com has invested heavily in building proprietary systems and putting in place the necessary software architecture to support a scalable Online Retail platform <ul style="list-style-type: none"> - positioning the business to deliver significant operating leverage in future: <ul style="list-style-type: none"> - SAP Implementation completed by the end of August 2015 - positioning the business for its next phase of growth as an ASX-listed company • Kogan.com runs a single, device-responsive desktop, tablet PC and mobile-browser optimised website, developed and maintained internally • Proprietary sourcing, marketing and pricing systems have been developed and refined over 10 years of operation <ul style="list-style-type: none"> - includes an internally-developed proprietary sourcing platform, “Allocate”, which allows suppliers to bid for the right to fulfil orders of Third Party Branded International Products sold on Kogan.com. This technology assists Kogan.com in delivering price leadership within the Third Party Branded International Products segment 	<p>Sections 3.3.1 and 3.6</p>
<p>Attractive exposure to large and growing Australian Online Retail Market</p>	<ul style="list-style-type: none"> • Euromonitor International Limited (“Euromonitor”)⁽¹⁾ estimates that the Australian Online Retail Market reached \$17 billion sales in CY2015, and will grow at an 11.5% compound annual growth rate (“CAGR”) to approximately \$26 billion by CY2019⁽²⁾: <ul style="list-style-type: none"> - this growth is underpinned by significant forecast growth in the Australian Mobile Online Retail Market. Euromonitor estimates that this market reached approximately \$3 billion sales in CY2015, and will grow to approximately \$10 billion by CY2019⁽³⁾ - the \$266 billion Australian Retail Market had relatively low online penetration of 6.4% in CY2015, underscoring significant growth potential - this compares with 13.8% penetration in China, 13.4% in the United Kingdom and 9.3% in the United States in the same period⁽⁴⁾ 	<p>Sections 2.1, 2.2 and 2.3</p>

TOPIC	SUMMARY	FURTHER INFORMATION
<p>Attractive exposure to large and growing Australian Online Retail Market <i>continued</i></p>	<ul style="list-style-type: none"> • Key structural drivers of growth in the Australian Online Retail Market include a significant shift in consumer preferences; ongoing technological innovation, enhancing user experience; and increasing internet usage and download speeds <p>Notes:</p> <ol style="list-style-type: none"> 1. Information in this Prospectus on the Consumer Electronics, Retailing market is from independent market research carried out by Euromonitor International Limited but should not be relied upon in making, or refraining from making, any investment decision. 2. Euromonitor, Euromonitor Passport Retailing 2016. Internet retail sales values and CAGR exclude sales tax. Shown in 2015 prices (“Current Terms”) 3. Euromonitor, Euromonitor Passport Retailing 2016. Mobile internet retail sales values and CAGR exclude sales tax. Shown in Current Terms 4. Euromonitor, Euromonitor Passport Retailing 2016. Online penetration calculated as internet retail sales value divided by total retail sales value, both excluding sales tax, in Australia, China, the United Kingdom and the United States. Calculated using local currency, in Current Terms 	<p>Sections 2.1, 2.2 and 2.3</p>
<p>Significant existing and near-term growth opportunities</p>	<ul style="list-style-type: none"> • In addition to the above underlying market growth, at the time of Listing, Kogan.com will have two specific growth initiatives in place: <ul style="list-style-type: none"> – growth in New Verticals, Kogan Travel and Kogan Mobile, which remain in their infancy – integration of the Dick Smith Assets, which were acquired in April 2016 • Moreover, two further significant growth opportunities will be executed following receipt of the funds raised under the Offer (“Offer Proceeds”): <ul style="list-style-type: none"> – expand and increase the availability of Kogan.com’s higher-margin product ranges, which include its Private Label and domestically-sourced Third Party Branded products (“Third Party Branded Domestic” or “Third Party Branded Domestic Products”), through investment in inventory – continue to strengthen Kogan.com’s base of website visitors, App users, database members, Active Subscribers, Facebook fans and Twitter followers (“Kogan Community”), increasing website traffic, conversion and purchase frequency, through disciplined marketing investment • Longer term, Kogan.com also expects to take advantage of: <ul style="list-style-type: none"> – launching additional business verticals which leverage Kogan.com’s existing infrastructure and customer base – international expansion opportunities – selective and opportunistic M&A • Over time, Kogan.com believes that the scalability of its business model, in combination with the successful execution of its revenue growth strategies, will position the business to deliver significant operating leverage 	<p>Section 3.9</p>

TOPIC	SUMMARY	FURTHER INFORMATION
Entrepreneurial, experienced management team and Board	<ul style="list-style-type: none"> Chief Executive Officer (“CEO”) Ruslan Kogan and Chief Financial Officer (“CFO”) and Chief Operating Officer (“COO”) David Shafer have built the business since 2006 without external equity funding. They are committed to overseeing the business through its next phase of growth as an ASX-listed company. Following the Offer, they will together retain a majority shareholding in Kogan.com. Shares retained will be subject to selling restrictions, pursuant to a “Voluntary Escrow Arrangement” Ruslan and David are supported by six additional “Key Management Personnel” with deep expertise in sourcing and procurement, logistics and distribution, software development and IT and marketing and merchandising. There has been no turnover among Key Management Personnel in the past four years. Each has been incentivised to maximise long-term shareholder value through an equity incentive plan Kogan.com has an experienced board of Directors (“Board”), comprising Greg Ridder as Independent, Non-Executive Chairman and Harry Debney as Independent, Non-Executive Director in addition to Ruslan and David. The Board possesses a strong mix of complementary skills and is well placed to oversee Kogan as an ASX-listed company 	Sections 6 and 9.6

1.3 KEY RISKS

TOPIC	SUMMARY	FURTHER INFORMATION
Australian retail environment and general economic conditions may worsen	<p>Many of Kogan.com’s products are discretionary goods and, as a result, sales levels are sensitive to Consumer Sentiment. Kogan.com’s offering of products, and its financial and operational performance, may be affected by changes in consumers’ disposable incomes, or their preferences as to the utilisation of their disposable incomes.</p> <p>Any reduction in the disposable incomes of Kogan.com’s customers as a result of changes to factors such as economic outlook, interest rates, unemployment levels, and taxation may decrease consumer confidence and consumer demand, which may subsequently result in lower levels of revenue and profitability.</p>	Section 5.2.1
Stagnation or decline in the Australian Online Retail Market	<p>Growth in the Australian Online Retail Market is expected to be driven partly by the migration of customers from traditional retail formats to Online Retail platforms.</p> <p>There is no guarantee that the Australian Online Retail Market will continue to grow in the future, or as currently forecast. If online penetration of the Australian Retail Market does not increase in line with Kogan.com’s expectations, Kogan.com may not be able to acquire new customers or engage existing customers, and its business, financial condition and operating results may suffer.</p>	Section 5.2.2

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<p>Kogan.com's forecast growth may not eventuate</p>	<p>Kogan.com has assumed future growth rates for its business based on a number of factors, including historical growth rates and growth strategies for the business, which are set out in Section 3.9.</p> <p>The success of Kogan.com's growth strategies is key to Kogan.com's future financial performance. However, there is a risk that Kogan.com's growth strategies are ineffective or are not executed effectively or in accordance with the timetable anticipated. Such execution failure may adversely affect Kogan.com's ability to grow its revenue, and this may adversely affect its financial and operational performance in the future. Investors should not rely on the historical rate of revenue growth as an indication of future performance. If Kogan.com's future growth and operating performance fail to meet investor or analyst expectations, Kogan.com's financial condition and the Share price could be materially adversely affected.</p>	<p>Section 5.2.3</p>
<p>Competition may increase and change</p>	<p>Kogan.com could be adversely affected by increased competition in the various segments in which it operates. The Australian Online Retail Market is highly competitive and is subject to changing customer preferences. Kogan.com competes for customers with a wide variety of other businesses including Australian Bricks and Mortar Retailers, catalogue retailers, television-based home shopping channels and Australian and international Online Retailers. Competition may also come from third party suppliers establishing their own online presence, as opposed to utilising Kogan.com's customer network.</p> <p>Kogan.com's competitors may strengthen through industry consolidation, or through financial or operational advantages which allow them to compete aggressively on pricing. Kogan.com's competitive position may deteriorate as a result of factors including actions by existing competitors (such as increasing their focus on growing online sales), the entry of new competitors or a failure by Kogan.com to successfully respond to changes in the industry. Any deterioration in Kogan.com's competitive position may have a material adverse effect on its financial and operational performance in the future.</p>	<p>Section 5.2.4</p>

TOPIC	SUMMARY	FURTHER INFORMATION
<p>Changes in customer preferences or trading patterns</p>	<p>There is a risk that Kogan.com fails to anticipate and adapt to changing consumer preferences in a timely manner. While Kogan.com undertakes rigorous demand analysis in relation to product launches and ordering, as outlined in Section 3, the products available on Kogan.com’s websites must appeal to a broad range of consumers whose preferences cannot be predicted with certainty and are subject to change. A large number of products sold by Kogan.com are manufactured internationally, which means that any significant delay between ordering and delivery further exposes Kogan.com to the risk that customer preferences may change between the time products are ordered and the time they are available for purchase. Kogan.com continues to explore different sales categories and there can be no guarantee that such categories will be accepted by Kogan.com’s existing and prospective customers or address their preferences. If Kogan.com misjudges customer preferences or fails to convert market trends into appealing product offerings on a timely basis, these may result in lower revenue and margins and could adversely impact Kogan.com’s financial and operational performance. In addition, any change in customer preferences may lead to increased obsolete inventory risk.</p> <p>Additionally, Kogan.com tailors a portion of its marketing towards trading patterns. Its offering is reflective of predicted customer preferences and trading periods. Any misjudgement in predicting customers’ needs or any significant decreases in customer demand patterns during peak trading periods could have a material adverse effect on Kogan.com’s financial and operational performance. An unexpected decrease in sales over Kogan.com’s traditionally high-volume trading periods could result in surplus inventory, which Kogan.com could seek to sell before it becomes too old or obsolete. This clearance activity is typically effected through heavy and broad-based discounting. If Kogan.com were to sell a significant volume of its products at deep discounts, this would reduce its business revenue and Gross Profit, and would adversely affect Kogan.com’s financial performance.</p>	<p>Section 5.2.5</p>
<p>Inability to manage inventory levels effectively</p>	<p>Kogan.com holds inventory for its business, particularly in relation to its Private Label Products and Third Party Branded Domestic Products. Kogan.com relies on its data analytics and inventory management system to manage its stock levels relative to forecast stock purchases.</p> <p>If Kogan.com’s inventory management system or data analytics fail, or provide inaccurate information, Kogan.com may experience a disruption in the supply of specific products, including “out of stock” issues. This may result in lost sales, increased holding costs, and reputational damage, and may have a material adverse effect on Kogan.com’s financial and operational performance.</p>	<p>Section 5.2.6</p>

TOPIC	SUMMARY	FURTHER INFORMATION
<p>Key supplier, service provider and counterparty factors</p>	<p>Kogan.com's ability to offer a wide variety of brands, services, categories and product types, including both Private Label Products and Third Party Branded Products, is a key contributor to the appeal of its business to customers. Kogan.com has a large number of international suppliers and service providers, from which it sources a broad range of products and services. There is a risk that Kogan.com may be unable to continue to source products or services from existing suppliers or service providers, and in the future, to source products from new suppliers or services from new service providers, at favourable prices, on favourable terms, in a timely manner or in sufficient volume. All current supply and service arrangements are based on commercial terms, and the interruption or termination of these agreements may have a material adverse impact on Kogan.com's financial and operational performance in the future. Many of Kogan.com's agreements are informal, short-term and/or terminable at will. Kogan.com cannot guarantee that its existing arrangements with key suppliers or service providers will be renewed, or renewed on terms similar to their current terms. The loss or deterioration of Kogan.com's relationships with these suppliers or service providers, an inability to renew informal or contractual arrangements with such parties, or an inability to negotiate agreements with new parties on terms which are not materially less favourable than existing arrangements, may have a material adverse effect on Kogan.com's financial and operational performance.</p> <p>Kogan.com's suppliers and service providers are also subject to various risks which could limit their ability to provide Kogan.com with sufficient, or any, products or services. Some of these risks include raw material costs, inflation, labour disputes, union activities, boycotts, financial liquidity, product merchantability, safety issues, natural disasters, disruption in exports, trade restrictions, currency fluctuations and general economic and political conditions. In addition, as a consequence of the fact that Kogan.com sources a large proportion of its products and services from foreign providers, Kogan.com is exposed to risks including political instability, increased security requirements for foreign goods, costs and delays in international shipping arrangements, imposition of taxes and other charges as well as restrictions on imports, exchange rate and hedging risks. Kogan.com is also exposed to risks related to labour practices, environmental matters, disruptions to production and ability to supply, and other issues in the foreign jurisdictions where suppliers and service providers operate. Any of these risks, individually or collectively, could materially adversely affect Kogan.com's financial and operational performance.</p> <p>In addition, there is also a risk that parties with whom Kogan.com has dealings (including, but not limited to, its suppliers and service providers) may experience financial or other difficulties which may in turn affect their ability to perform their obligations to Kogan.com.</p>	<p>Section 5.2.7</p>

TOPIC	SUMMARY	FURTHER INFORMATION
<p>Performance and reliability of Kogan.com's websites, databases and operating systems</p>	<p>Kogan.com's websites, Apps, databases, IT and management systems, including its SAP and security systems, are critically important to its success. The satisfactory performance, reliability and availability of Kogan.com's websites, Apps, databases, IT and management systems are integral to the operation of the business. There is a risk that if Kogan.com's IT and management systems do not function properly, there could be system disruptions, corruption in databases or other electronic information, delays in sales events, delays in transaction processing, website slowdown or unavailability, loss of data or the inability to accept and fulfil customer orders which, if sustained or regular, could materially adversely affect Kogan.com's financial and operational performance. Kogan.com's financial and operational performance could be adversely affected by a system failure that causes prolonged disruption to its websites or Apps, or to suppliers of its products or services. This could directly damage the reputation and brand of the relevant platform and could reduce visitors to the affected website, directly influencing sales to customers.</p> <p>Kogan.com's websites, Apps, databases and management systems are all hosted on servers owned by third party providers. Kogan.com is subject to the disaster planning contingencies of those third party providers to deal with events that are beyond the control of those parties such as earthquakes, floods, fires, power grid issues, telecommunication and network failures, terrorist attacks, computer viruses and other similar events. A catastrophic failure in the systems of a third party provider is likely to have a material impact on the systems and operations of Kogan.com.</p>	<p>Section 5.2.8</p>
<p>Factors associated with the recent acquisition of Dick Smith Assets</p>	<p>Kogan.com acquired certain Dick Smith Assets in April 2016. There is a risk that Kogan.com will not successfully integrate the Dick Smith Assets, or that the Dick Smith Assets will not result in the revenue or cost synergies expected. If this were to occur, Kogan.com might not receive a return on its investment in the Dick Smith Assets, which in turn might damage Kogan.com's reputation.</p>	<p>Section 5.2.9</p>
<p>Changes in GST and other equivalent taxes</p>	<p>Changes in local indirect tax, such as the goods and services tax in Australia ("GST"), and duty treatment of any of the markets in which Kogan.com operates, could have an impact on the sales of imported brands. Given that many of the products sold by Kogan.com are discretionary goods, and that the customers for such products tend to be price sensitive, the imposition of GST (or equivalent sales taxes) on the sale of imported goods at lower than current value thresholds in any of the jurisdictions in which Kogan.com operates could reduce the attractiveness of Kogan.com's products and have a material adverse effect on Kogan.com's financial condition and financial results.</p>	<p>Section 5.2.29</p>

TOPIC	SUMMARY	FURTHER INFORMATION
Changes in GST and other equivalent taxes <i>continued</i>	In particular, investors in Kogan.com should be aware that the Federal Government of Australia has announced a proposal to reduce the GST-free threshold on online purchases. Consumers currently do not pay GST on goods shipped from outside Australia which are worth less than \$1,000. If the threshold is reduced, any relevant sale by Kogan.com exceeding that threshold will attract GST. Such a proposal could reduce the demand for a portion of Kogan.com's Third Party International Products (but not its Third Party Branded Domestic Products or Private Label Products, both of which may benefit from the proposed change) and could have a material adverse effect on Kogan.com's financial and operational performance in the future.	Section 5.2.29
Other key risks	The above risks are a summary of some of the key risks associated with an investment in Kogan.com, but they are not an exhaustive list of all the key risks that may affect Kogan.com or that may be associated with an investment in the Shares. A number of other key risks are included in Section 5, and investors should review all of these carefully before making an investment decision.	Section 5

1.4 DIRECTORS AND KEY MANAGEMENT

TOPIC	SUMMARY	FURTHER INFORMATION
Who are the directors of Kogan.com?	<p>Greg Ridder, Independent, Non-Executive Chairman</p> <p>Ruslan Kogan, CEO and Executive Director</p> <p>David Shafer, CFO, COO and Executive Director</p> <p>Harry Debney, Independent Non-Executive Director</p>	Section 6.1
Who are the Key Management Personnel of Kogan.com?	<p>Ruslan Kogan, CEO and Executive Director</p> <p>David Shafer, CFO, COO and Executive Director</p> <p>Goran Stefkovski, Chief Technology Officer</p> <p>Daniel Taft, Head of Operational Development</p> <p>Ross Metherell, Chief Marketing Officer</p> <p>Russell Proud, Import and Sourcing Manager</p> <p>Joanne Smith, Financial Controller</p> <p>Daniel Beahan, Operations Manager</p>	Section 6.2

1.5 SIGNIFICANT INTERESTS OF KEY PEOPLE AND RELATED PARTY TRANSACTIONS

TOPIC	SUMMARY	FURTHER INFORMATION																							
Who are the Existing Owners, and what will be their interest in Kogan.com upon Completion of the Offer?	<table border="1"> <thead> <tr> <th rowspan="2">SHAREHOLDER</th> <th>INTEREST PRIOR TO COMPLETION OF THE OFFER⁽¹⁾</th> <th colspan="2">INTEREST FOLLOWING COMPLETION OF THE OFFER AND THE KOGAN GROUP RESTRUCTURE⁽²⁾</th> </tr> <tr> <th>%</th> <th>Shares (m)</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>Ruslan Kogan</td> <td>70.0</td> <td>47.1</td> <td>50.5</td> </tr> <tr> <td>David Shafer</td> <td>30.0</td> <td>17.8</td> <td>19.1</td> </tr> <tr> <td>New Shareholders</td> <td>-</td> <td>28.4</td> <td>30.5</td> </tr> <tr> <td>Total⁽³⁾</td> <td>100.0</td> <td>93.3</td> <td>100.0</td> </tr> </tbody> </table> <p>Notes:</p> <ol style="list-style-type: none"> Based on the Shares held following completion of the Kogan Group Restructure but prior to the issue of Shares under the Offer. See Section 7.1.4 for further detail The Shares held by the Existing Owners upon Completion of the Offer will be subject to Voluntary Escrow Arrangements. For further detail, please see Section 9.6 Total may not sum to individual components due to rounding 	SHAREHOLDER	INTEREST PRIOR TO COMPLETION OF THE OFFER ⁽¹⁾	INTEREST FOLLOWING COMPLETION OF THE OFFER AND THE KOGAN GROUP RESTRUCTURE ⁽²⁾		%	Shares (m)	%	Ruslan Kogan	70.0	47.1	50.5	David Shafer	30.0	17.8	19.1	New Shareholders	-	28.4	30.5	Total⁽³⁾	100.0	93.3	100.0	Sections 7.1.4 and 9.6
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What are the Voluntary Escrow Arrangements for the Existing Owners?	<p>The Existing Owners have agreed to enter into Voluntary Escrow Arrangements in relation to the Shares they will hold on Completion of the Offer, as described below.</p> <table border="1"> <thead> <tr> <th colspan="4">VOLUNTARY ESCROW SHARES UPON COMPLETION OF THE OFFER</th> </tr> <tr> <th></th> <th>Voluntary Escrow Shares (m)</th> <th>% share-holding</th> <th>% Shares on issue</th> </tr> </thead> <tbody> <tr> <td>Ruslan Kogan</td> <td>47.1</td> <td>100.0</td> <td>50.5</td> </tr> <tr> <td>David Shafer</td> <td>17.8</td> <td>100.0</td> <td>19.1</td> </tr> <tr> <td>Total⁽¹⁾</td> <td></td> <td>100.0</td> <td>69.5</td> </tr> </tbody> </table> <p>Note:</p> <ol style="list-style-type: none"> Total may not sum to individual components due to rounding 	VOLUNTARY ESCROW SHARES UPON COMPLETION OF THE OFFER					Voluntary Escrow Shares (m)	% share-holding	% Shares on issue	Ruslan Kogan	47.1	100.0	50.5	David Shafer	17.8	100.0	19.1	Total⁽¹⁾		100.0	69.5	Section 9.6			
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What are the significant benefits and interests of Directors and other persons connected with Kogan.com?	<table border="1"> <thead> <tr> <th>KEY PEOPLE</th> <th>NATURE OF INTEREST OR BENEFIT</th> <th>FOR MORE INFORMATION</th> </tr> </thead> <tbody> <tr> <td>Non-Executive Directors</td> <td>Directors' fees</td> <td>Section 6.3.1</td> </tr> <tr> <td>Executive Directors - Ruslan Kogan and David Shafer</td> <td>Remuneration</td> <td>Section 6.3.1</td> </tr> <tr> <td>Key Management Personnel (other than Executive Directors)</td> <td>Remuneration, EIP and Listing bonus</td> <td>Section 6.3.1</td> </tr> <tr> <td>Other senior management</td> <td>Remuneration, EIP and Listing bonus</td> <td>Section 6.3.1</td> </tr> <tr> <td>Advisers and other service providers</td> <td>Fees for services provided</td> <td>Section 6.3.4</td> </tr> </tbody> </table>	KEY PEOPLE	NATURE OF INTEREST OR BENEFIT	FOR MORE INFORMATION	Non-Executive Directors	Directors' fees	Section 6.3.1	Executive Directors - Ruslan Kogan and David Shafer	Remuneration	Section 6.3.1	Key Management Personnel (other than Executive Directors)	Remuneration, EIP and Listing bonus	Section 6.3.1	Other senior management	Remuneration, EIP and Listing bonus	Section 6.3.1	Advisers and other service providers	Fees for services provided	Section 6.3.4	Section 6.3
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Advisers and other service providers	Fees for services provided	Section 6.3.4																		
<p>On Completion, Ruslan Kogan will hold 47,095,205 Shares and David Shafer will hold 17,802,705 Shares. Each of Greg Ridder and Harry Debney intend to apply for Shares under the Priority Offer. Applications under the Priority Offer will be determined in accordance with Section 7.3. Final Directors' shareholdings will be notified to the ASX following Listing.</p>																				
Related party arrangements	<p>Kogan Australia Pty Ltd ("Kogan Australia") has entered into a Logistic Services Agreement with eStore Logistics Pty Ltd ("eStore") in relation to the provision of warehousing, distribution and logistics services by eStore to Kogan Australia. Ruslan Kogan is a minority shareholder and director of eStore. The agreement was entered into on arm's length terms.</p>	Section 6.5																		

1.6 PROPOSED USE OF FUNDS AND KEY TERMS AND CONDITIONS OF THE OFFER

TOPIC	SUMMARY	FURTHER INFORMATION
Who is the issuer of this Prospectus?	Kogan.com Limited ACN 612 447 293 is the issuer of this Prospectus.	Section 7.1
What is the Offer?	<p>This Prospectus relates to an initial public offering of up to 28.4 million Shares, to be issued by Kogan.com.</p> <p>A summary of the rights attaching to the Shares is set out in Section 7.13.</p>	Sections 7.1 and 7.13

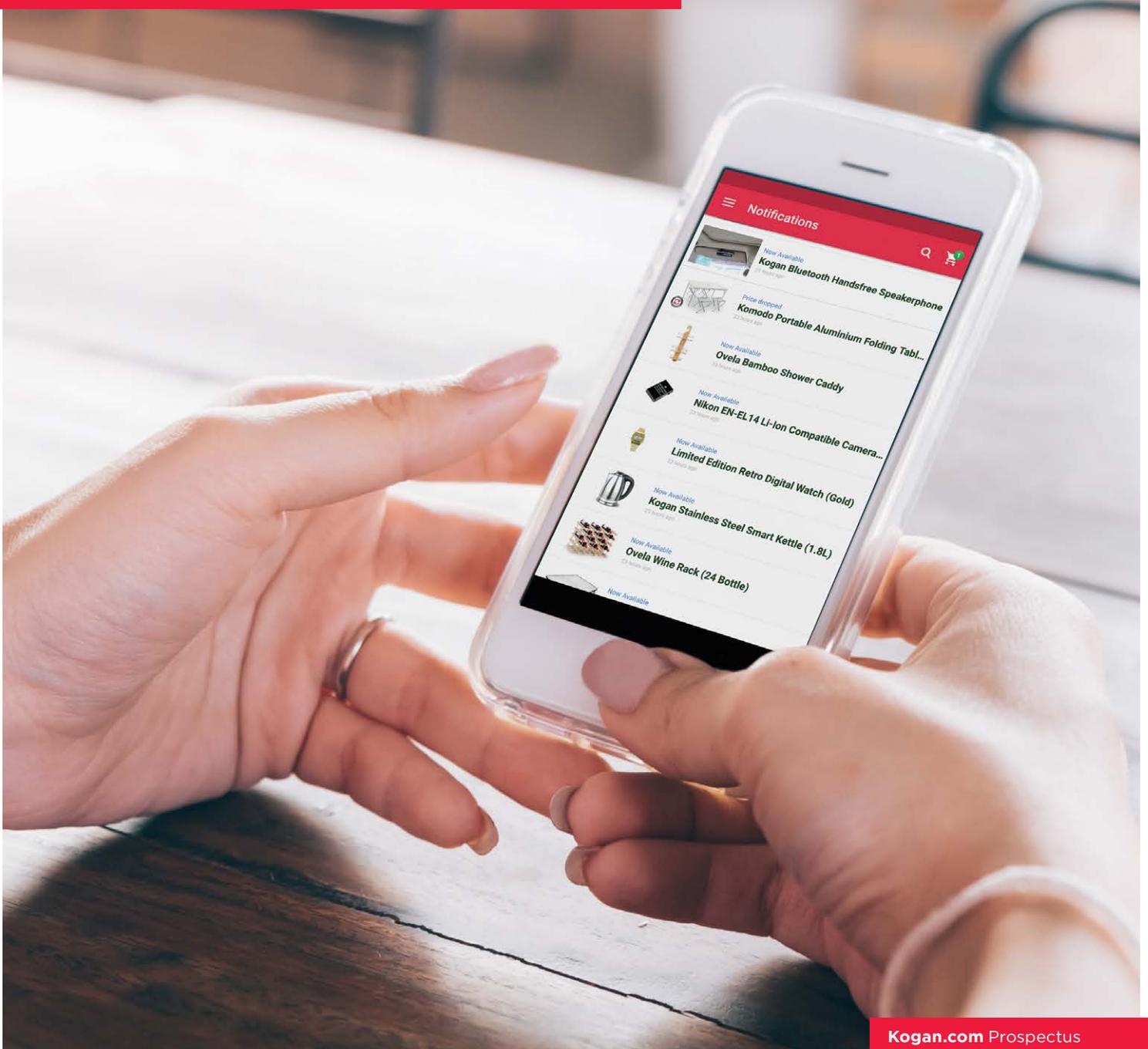
TOPIC	SUMMARY	FURTHER INFORMATION
<p>What is the purpose of the Offer, and how will proceeds be used?</p>	<p>The purpose of the Offer is to:</p> <ul style="list-style-type: none"> • Provide funding to support Kogan.com’s growth strategy, which includes investment in inventory and marketing; • Enable the paydown of all amounts drawn under the Facility, which is expected to be drawn to approximately \$4.0 million on Completion of the Offer; • Establish a liquid market for Shares; • Enable the Existing Owners to realise part of their investment in Kogan.com; • Reward and incentivise certain senior management; • Establish an appropriate platform for Kogan.com’s future growth, including through providing access to capital markets and increasing its ability to attract and retain talented employees; and • Provide funding for general corporate purposes, including payment of certain expenses incurred in relation to the Offer. <p>The Offer is expected to raise approximately \$50.0 million.</p>	<p>Section 7.1.2</p>
<p>Will the Shares be quoted on ASX?</p>	<p>Kogan.com has applied for admission to the Official List of ASX and quotation of Shares on ASX under the ASX Code, KGN.</p> <p>Completion of the Offer is conditional on ASX approving this application. If approval is not given within three months after such application is made (or any longer period permitted by law), the Offer will be withdrawn and all Application Payments received will be refunded without interest, as soon as practicable in accordance with the requirements of the Corporations Act.</p>	<p>Section 7.12</p>
<p>How is the Offer structured?</p>	<p>The Offer will comprise:</p> <ul style="list-style-type: none"> • The Broker Firm Offer; • The Priority Offer; • The Employee Offer; and • The Institutional Offer. <p>No general public offer of Shares will be made under the Offer.</p>	<p>Section 7.1.1</p>
<p>Is the Offer underwritten?</p>	<p>The Broker Firm Offer, Priority Offer and Institutional Offer are fully underwritten by the Lead Manager, pursuant to the Underwriting Agreement.</p>	<p>Section 7.6</p>

TOPIC	SUMMARY	FURTHER INFORMATION
<p>What is the allocation policy?</p>	<p>The allocation of Shares between the Broker Firm Offer, the Priority Offer and the Institutional Offer was determined by the Lead Manager and Kogan.com. 657,638 Shares will be offered under the Employee Offer to Eligible Employees. Allocations between Eligible Employees were determined by Kogan.com.</p> <p>With respect to the Broker Firm Offer, it will be a matter for Brokers as to whom among their eligible clients they allocate Shares.</p> <p>With respect to the Priority Offer, allocations will be made at the absolute discretion of Kogan.com, subject to the guaranteed minimum allocation for Applications under the Priority Offer.</p> <p>With respect to the Employee Offer, it is at the absolute discretion of Kogan.com, provided that those allocations (in aggregate) do not exceed \$1,183,750 in value (based on the Offer Price).</p> <p>Institutional Offer allocations were determined by Kogan.com in consultation with the Lead Manager.</p>	<p>Sections 7.2.6, 7.3.5, 7.4.4 and 7.5.2</p>
<p>Is there any brokerage, commission or stamp duty payable by Applicants?</p>	<p>No brokerage, commission or stamp duty is payable by Applicants on the acquisition of Shares under the Offer.</p>	<p>Section 7.9</p>
<p>What are the tax implications of investing in the Shares?</p>	<p>The taxation consequences of an investment in Kogan.com will depend upon the investor's particular circumstances. As such, it is the obligation of the investors to make their own enquiries concerning the taxation consequences of an investment in Kogan.com.</p> <p>If you are in doubt as to the course you should follow, you should consult your solicitor, accountant, tax adviser or other independent and qualified professional adviser.</p> <p>An overview of the tax treatment for Australian tax resident investors is included in Section 9.10.</p>	<p>Section 9.10</p>
<p>What is the guaranteed, minimum and maximum Application size under the Broker Firm Offer, Priority Offer and Employee Offer?</p>	<p>The minimum Application size under the Broker Firm Offer is \$2,000 worth of Shares (equivalent to 1,112 Shares at the Offer Price). There is no maximum value of Shares for which Applicants may apply under the Broker Firm Offer.</p> <p>Invited Applicants under the Priority Offer will receive a guaranteed minimum allocation of \$2,000 worth of Shares (equivalent to 1,112 Shares at the Offer Price). The minimum Application amount under the Priority Offer is \$2,000 worth of Shares (equivalent to 1,112 Shares at the Offer Price). There is no maximum value of Shares for which Applicants may apply under the Priority Offer.</p>	<p>Sections 7.2.2, 7.3.2 and 7.4.2</p>

TOPIC	SUMMARY	FURTHER INFORMATION
<p>What is the guaranteed, minimum and maximum Application size under the Broker Firm Offer, Priority Offer and Employee Offer? <i>continued</i></p>	<p>Under the Employee Offer, Eligible Employees can only apply for their full allocation of Shares, as set out in their personalised Employee Offer Application Form.</p> <p>Kogan.com, in consultation with the Lead Manager, reserves the right to reject any Application made under the Broker Firm Offer, Priority Offer or Employee Offer or to allocate a lesser number of Shares than that for which has been applied. In addition, Kogan.com and the Lead Manager reserve the right to aggregate any Applications which they believe may be multiple Applications from the same person, or reject or scale back any Applications.</p>	<p>Sections 7.2.2, 7.3.2 and 7.4.2</p>
<p>How can I apply for Shares?</p>	<p>If you are an eligible investor under the Broker Firm Offer or Priority Offer, or an Eligible Employee under the Employee Offer, you may apply for Shares under the Offer by completing a valid Application Form attached to or accompanying this Prospectus, or available online for Applicants in Australia at www.kogancorporate.com. You may also apply for Shares under the Offer by following the instructions provided by your Broker.</p> <p>To the extent permitted by law, an Application by an Applicant under the Offer is irrevocable.</p>	<p>Sections 7.2.2, 7.3.2 and 7.4.2</p>
<p>When will I receive confirmation that my Application has been successful?</p>	<p>Confirmation of successful Applications, in the form of holding statements, is expected to be mailed on or around 1 July 2016.</p> <p>Refunds to Applicants who are scaled back will be made as soon as possible following settlement, which is expected to occur on 29 June 2016.</p>	<p>'Key Dates' on page "Key Dates" on page 4</p>
<p>Can the Offer be withdrawn?</p>	<p>Kogan.com reserves the right not to proceed with the Offer at any time before the issue of Shares to successful Applicants.</p> <p>If the Offer does not proceed, Application Payments will be refunded.</p> <p>No interest will be paid on any Application Payments refunded as a result of the withdrawal of the Offer.</p>	<p>Section 7.1.6</p>
<p>Where can I find out more information about this Prospectus or the Offer?</p>	<p>Call the Kogan.com IPO Information Line on 1300 784 014 (within Australia) or +61 (3) 9415 4164 (outside Australia) from 8.30am to 5.00pm (AEST), Monday to Friday (excluding public holidays).</p> <p>If you are unclear in relation to any matter or are uncertain as to whether an investment in Kogan.com is suitable for you, you should consult with your stockbroker, solicitor, financial advisor, accountant or other independent professional adviser before deciding whether to invest.</p>	<p>Section 7.14</p>

02.

INDUSTRY OVERVIEW



02. Industry Overview

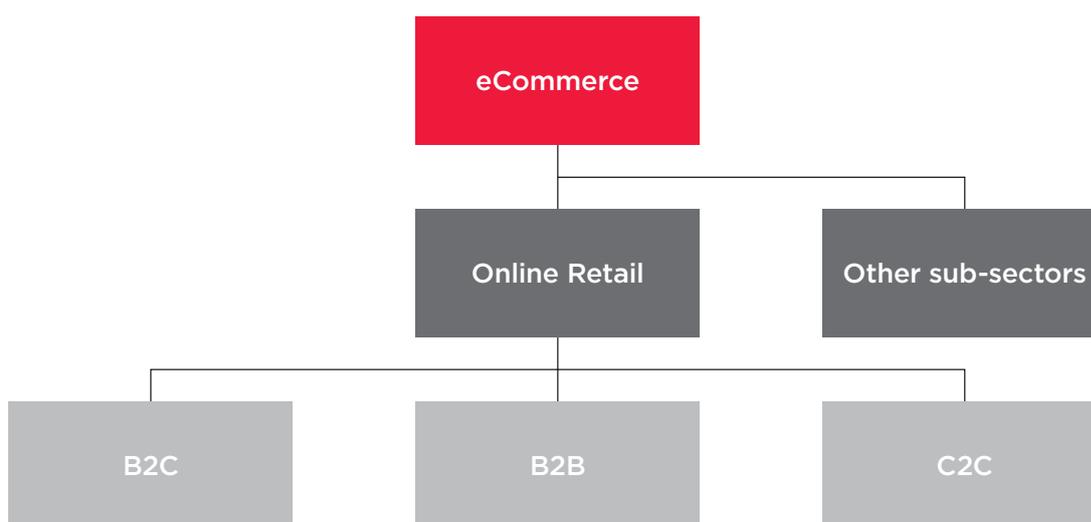
2.1 THE ECOMMERCE INDUSTRY AND ONLINE RETAIL MARKET

Electronic commerce (“**eCommerce Industry**”) describes a broad range of digitally-enabled commercial transactions between and among organisations and individuals using the internet. Such transactions can be bilateral or multilateral, and involve the transfer of money, data, goods or services. Examples include internet banking, subscribing to digital content such as an online newspaper or a video hosting service, seeking “crowd-funding”, email communication between commercial parties, online advertising or purchasing physical and digital goods. The segment of the global eCommerce Industry which concerns transactions for the provision of physical and digital goods in exchange for money is known as “**Online Retail**” or the “**Online Retail Market**”. Market participants are known as “**Online Retailers**”. Those who sell goods exclusively or predominantly online, as opposed to through a combination of retailing formats, are known as Pure Play Online Retailers.

There are three types of Online Retail transactions:

- **Business-to-Consumer transactions (“B2C”)** - where businesses transact with consumers (discussed below);
- **Business-to-Business transactions (“B2B”)** - where businesses transact with other businesses; and
- **Consumer-to-Consumer transactions (“C2C”)** - where consumers transact with each other.

Figure 2.1: eCommerce Industry overview



eCommerce transactions can take place on any device which offers internet connectivity, including smartphones, tablets, computers, payments devices and televisions. Where these devices are portable and wireless, transactions can be classified as mobile eCommerce transactions, which make up the segment of the broader Online Retail Market known as the Mobile Online Retail Market.

2.1.1 B2C Online Retail

Within the Online Retail Market, Kogan.com’s core business, discussed in Section 3.3.1, operates within the B2C segment. This segment encompasses a broad range of business models which either sell or facilitate the sale of goods to consumers by businesses. Table 2.1 contains an overview of selected business models within the segment.

Kogan.com’s core business operates predominantly through a Direct Sales model.

Table 2.1: Key business models within B2C Online Retail

BUSINESS MODEL	DESCRIPTION	EXAMPLES
Omni-channel Retailers	<p>Omni-channel Retailers offer consumers the opportunity to transact through physical store networks as well as online channels. These businesses typically originated as traditional retailers or “Bricks and Mortar Retailers”, selling goods predominantly through a physical store footprint and adding a transactional website and/or App over time.</p> <p>Today, many Omni-channel Retailers leverage their store footprints as a separate delivery channel for their Online Retail Market operations e.g. through services such as “click and collect”, “ship to store” and “ship from store”.</p> <p>Because they operate physical stores, where products generally need to be in stock to enable a sale, the majority of Omni-channel Retailers have significant existing warehousing and logistics infrastructure. As a result, like “Online Direct Sellers”, they purchase inventory before delivering it to consumers, holding it on their balance sheets in the interim.</p>	<p>JB Hi-Fi</p> <p>Harvey Norman</p> <p>Bing Lee</p> <p>The Good Guys</p> <p>Myer</p> <p>David Jones</p>
Online Direct Sellers	<p>Online Direct Sellers source and purchase products from suppliers, bearing the risks associated with ownership and recognising inventory on their balance sheets in advance of selling or delivering those goods to consumers (“Direct Sales”). To compensate for the assumption of inventory risk, Direct Sales transactions usually generate the highest margins (calculated as a percentage of the purchase price) of all Online Retail transactions.</p> <p>These products are sold through a Direct Sales business model which leverages proprietary systems and long-standing relationships with key suppliers to manage Working Capital requirements.</p> <p>Taking inventory allows Online Direct Sellers to pursue a greater degree of vertical integration than other Online Retailers, including through stocking Private Label Products. Private Label Products are commissioned and purchased directly from manufacturers. As a result, they can be offered at lower price points, while achieving higher Gross Margins than branded products, which are often purchased through licensed wholesalers rather than directly from a manufacturer.</p>	<p>kogan.com</p> <p>The Iconic</p> <p>Appliances Online</p>

BUSINESS MODEL	DESCRIPTION	EXAMPLES
<p>Consignment Sales, Flash Sales and Group Buying</p>	<p>When products are sold on consignment (“Consignment Sales”), the Online Retailer acts as intermediary between the vendor and the purchaser without necessarily taking ownership of the product. The consumer transacts with the Online Retailer, who in turn pays the owner of the product based on the number of units sold. At the end of an agreed period, any unsold goods held in stock are returned to the owner. The Online Retailer generates a commission on the price at which products are sold to consumers. Because the inventory risk remains with the supplier, margins (calculated as a percentage of the purchase price) are generally lower than in Direct Sales.</p> <p>A portion of online Consignment Sales are known as “Flash Sales”, where the selling period agreed between the vendor and Online Retailer is very short (e.g. one working day). This type of structure is used by suppliers to clear excess inventory without cannibalising existing channels through heavy discounting. For this reason, the consumer is offered a limited time window in which to purchase a product, typically at a large discount to its recommended retail price.</p> <p>“Group Buying” websites offer products at significantly reduced prices on the condition that a certain number of consumers agree to make a purchase. Typically, these Online Retailers create databases of users, who must subscribe to the website in order to access the products offered. Blast emails are sent periodically to this database, offering deals which consumers can access once a sufficient number agree to transact.</p> <p>The retailer negotiates these deals in advance with the vendor, who is enticed to offer the goods in question at a substantial discount because of the fixed minimum volume required for the transaction to go ahead. In addition, the vendor gains the opportunity to access a new market, namely, the Group Buying website’s database of users. As the transactions only proceed if the supplier’s minimum volume threshold is reached, the Online Retailer does not bear any of the risks associated with carrying inventory.</p>	<p>Catch of The Day Scoopon Ozsale TheHome</p>
<p>Online Marketplaces</p>	<p>“Online Marketplaces” host Online Retail Market transactions between two or more third parties. Rather than acting as vendor or purchaser of a product, the Online Marketplace connects these parties, in addition to offering adjacent transaction services such as protecting parties against fraud and processing payments.</p> <p>Online Marketplaces earn revenues through taking commissions on the value of transactions hosted. In addition, B2C Online Marketplaces in particular also earn revenues through assisting vendors in advertising their goods within the online marketplace.</p> <p>Operators of Online Marketplaces do not typically control which products are listed on their website, or at which prices.</p>	<p>eBay Gumtree GraysOnline</p>

2.2 THE AUSTRALIAN RETAIL MARKET AND ONLINE RETAIL MARKETS

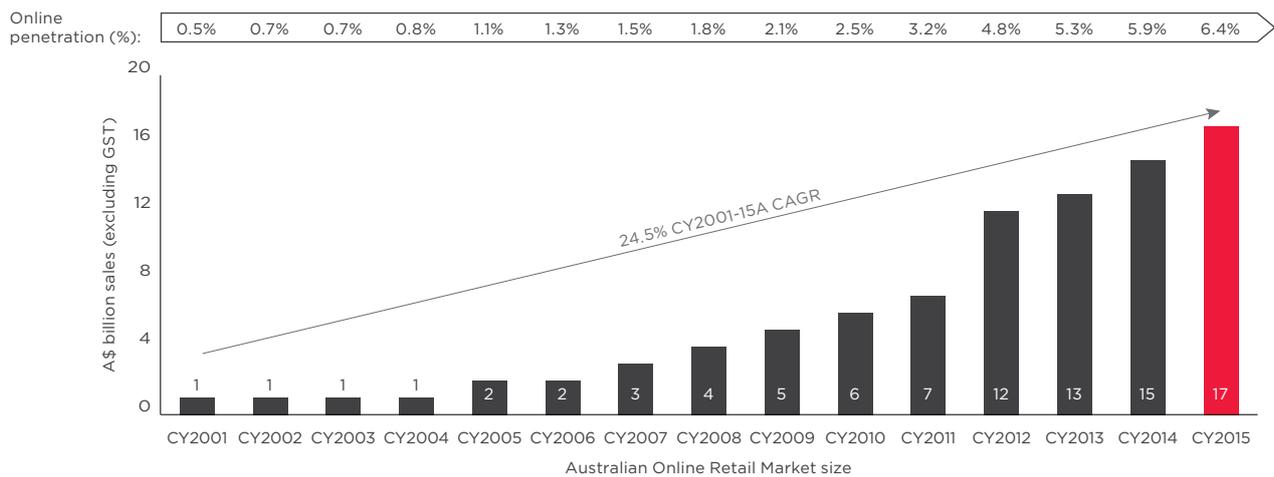
Globally, the Online Retail Market is relatively young, having grown since the early 2000s through capturing market share from existing formats, including Bricks and Mortar Retailers, catalogue retailers and television-based home shopping channels. As such, Online Retailers do not compete exclusively in the Online Retail Market. Rather, they participate in the broader market for the sale of goods (“Retail Market”) in the geographies in which they operate. Although Kogan.com is a Pure Play Online Retailer, it competes in the broader Australian Retail Market, predominantly against Bricks and Mortar Retailers as well as Australian and international Online Retailers.

Euromonitor estimates that the Australian Retail Market reached \$266 billion sales in CY2015, having grown at a CAGR of 4.5% since CY2001.⁽¹⁾ Over the same period, the Australian Online Retail Market, including the Australian Mobile Online Retail Market, grew at a CAGR of 24.5%, to \$17 billion in sales.⁽²⁾ Due to its faster growth rate, the Online Retail Market has substantially increased its share of the Australian Retail Market over the last fifteen years, as illustrated in Figure 2.2.

Notes:

1. Euromonitor, *Euromonitor Passport Retailing 2016*. Retail sales value and CAGR exclude sales tax. Shown in Current Terms
2. Euromonitor, *Euromonitor Passport Retailing 2016*. Internet retail sales value and CAGR exclude sales tax. Shown in Current Terms

Figure 2.2: Australian Online Retail Market size⁽¹⁾



Note:

1. Euromonitor, *Euromonitor Passport Retailing 2016*. Retail sales value and Online Retail penetration, calculated as internet retail sales value divided by retail sales value, exclude sales tax. Shown in Current Terms

As the Australian Online Retail Market continues to grow, sales mix by category is increasingly mirroring sales mix by category in the broader Australian Retail Market. Nevertheless, certain categories, such as Consumer Electronics, have a higher degree of online penetration than other categories, such as beauty and personal care. This tends to reflect certain characteristics of products within the category, including the value of individual items relative to their shipping cost, and the degree to which consumers require physical access to a product in order to be able to make an informed purchasing decision.

Key product categories in the Australian Online Retail Market are outlined in Table 2.2. Kogan.com operates in each of these categories.

Table 2.2: Key categories in the Australian Online Retail Market

CATEGORY	PRODUCT OVERVIEW	APPROXIMATE CY2015 ONLINE RETAIL MARKET SIZE
Groceries	Packaged and fresh food and beverages, including alcoholic drinks and hot beverages; consumer health products, including vitamins and supplements; home care products	\$2,250 million ⁽¹⁾
Consumer Electronics	Computers and associated accessories, mobile phones, tablets, fitness gadgets, home and car entertainment devices including televisions and stereos	\$2,100 million ⁽²⁾
Apparel and footwear	Men's, women's and children's clothing and footwear, including baby- and toddler-wear	\$2,100 million ⁽³⁾
Consumer appliances	Large and small kitchen appliances, laundry appliances, home care appliances, heating and cooling appliances	\$700 million ⁽⁴⁾
Home and garden	Cooking utensils, dishes, tableware, cutlery, glassware, home furnishings, gardening products, home improvement products and computer hardware	\$650 million ⁽⁵⁾
Personal accessories	Wearable accessories and eyewear, including glasses and lenses	\$607 million ⁽⁶⁾
Beauty and personal care	Bath and shower products, deodorants, hair care, cosmetics, men's grooming, oral hygiene, fragrances, skincare, depilatories, sun care and baby and child-specific products	\$320 million ⁽⁷⁾

Notes:

1. Euromonitor, *Euromonitor Passport Retailing 2016*. Internet retail sales value excluding sales tax. Shown in Current Terms. Groceries calculated as the sum of the "Consumer health", "Food and drink" and "Home care" segments
2. Euromonitor, *Euromonitor Passport Retailing 2016*. Consumer Electronics internet retail sales value excluding sales tax. Shown in Current Terms
3. Euromonitor, *Euromonitor Passport Retailing 2016*. Apparel and footwear internet retail sales value excluding sales tax. Shown in Current Terms
4. Euromonitor, *Euromonitor Passport Retailing 2016*. Consumer appliances internet retail sales value excluding sales tax. Shown in Current Terms
5. Euromonitor, *Euromonitor Passport Retailing 2016*. Home and garden internet retail sales value excluding sales tax. Shown in Current Terms
6. Euromonitor, *Euromonitor Passport Retailing 2016*. Personal accessories internet retail sales value excluding sales tax. Shown in Current Terms
7. Euromonitor, *Euromonitor Passport Retailing 2016*. Beauty and personal care internet retail sales value excluding sales tax. Shown in Current Terms

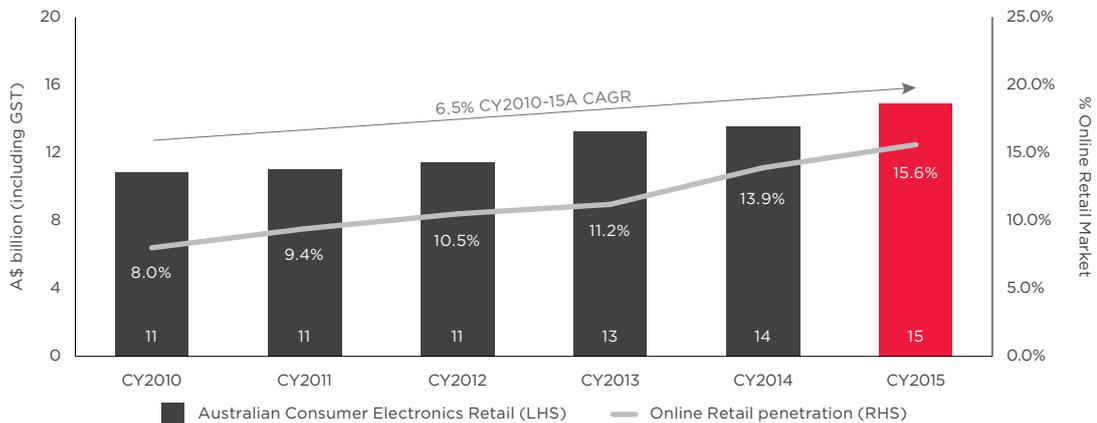
2.2.1 The Consumer Electronics category

The Consumer Electronics category is Kogan.com’s largest and most established category. It comprises the sale of computer hardware, mobile phones, tablets, TVs, media players and a broad range of electronic gadgets and accessories. Euromonitor estimates that in the 12 months to 31 December 2015, the category generated sales of approximately \$15 billion, representing 5.1% of the Australian Retail Market and 12.5% of the Australian Online Retail Market.⁽¹⁾ Consumer Electronics sales are estimated to have grown at a 6.5% CAGR in current prices in the five years to 31 December 2015,⁽²⁾ while Online Consumer Electronics sales are estimated to have grown at a 21.7% CAGR over the same period, to approximately \$2 billion in CY2015.⁽³⁾

Notes:

1. Euromonitor, *Euromonitor Passport Consumer Electronics 2016* and *Euromonitor Passport Retailing 2016*. Consumer Electronics retail sales value and penetration rates, calculated as Consumer Electronics retail sales value divided by retail sales value and Consumer Electronics internet retail sales value divided by internet retail sales value, include sales tax. Shown in Current Terms
2. Euromonitor, *Euromonitor Passport Consumer Electronics 2016*. Consumer Electronics retail sales value and CAGR exclude sales tax. Shown in Current Terms
3. Euromonitor, *Euromonitor Passport Consumer Electronics 2016*. Consumer Electronics internet retail sales value and CAGR exclude sales tax. Shown in Current Terms

Figure 2.3: Australian Consumer Electronics Retail – market size and online penetration⁽¹⁾



Note:

1. Euromonitor, *Euromonitor Passport Consumer Electronics 2016* and *Euromonitor Passport Retailing 2016*. Consumer Electronics retail sales value and online penetration, calculated as Consumer Electronics internet retail sales value divided by Consumer Electronics retail sales value, include sales tax. Shown in Current Terms

The Online Retail Market has achieved relatively high penetration in this category, at 15.6% of total Consumer Electronics sales in CY2015.⁽¹⁾ This has occurred for several reasons, including:

- Consumer Electronics is a highly price-sensitive category, due to the standardised nature of products in combination with the relatively high cost of individual items. Online Retailers often have a lower cost base than Bricks and Mortar Retailers. Moreover, there is a low level of vertical integration in the segment, limiting the cost advantage enjoyed by established industry retailers. As a result, Online Retailers are able to compete more effectively on price against their Bricks and Mortar Retailer counterparts, relative to other categories;
- Consumers are able to make informed purchasing decisions without having to see or touch many Consumer Electronics products first-hand, through reading summaries of their standardised, quantifiable characteristics (often referred to as “Specs”) or user-submitted reviews;
- Many Consumer Electronics products are comparatively easy and inexpensive to ship, relative to their retail price; and
- Many Consumer Electronics products sold online to Australian customers have benefited from falling below the “Low Value Threshold”, whereby no GST is collected on physical goods shipped from internationally-based retailers for under \$1,000.

Note:

1. Euromonitor, *Euromonitor Passport Consumer Electronics 2016* and *Euromonitor Passport Retailing 2016*. Consumer Electronics online penetration, calculated as Consumer Electronics internet retail sales value divided by Consumer Electronics retail sales value, includes sales tax. Shown in Current Terms

2.2.2 Private Label in the Australian Retail Market

In line with other geographies, retailers in Australia have increasingly supplemented branded product offerings with Private Label Products. These products either explicitly indicate their Private Label status e.g. by displaying the retailer's name or other branding on the product or are issued under a brand which is owned by the retailer without being designated as such. Kogan.com sells Private Label Products both through its eponymous "Kogan" brand, and through a range of other in-house brands including Ovela, Certa, Fortis and others.

The superior value proposition of both explicitly designated Private Label Products and in-house brands has resonated strongly with Australian consumers in recent years, as demonstrated by the increasing penetration of Private Label in many categories. This trend has been most pronounced in the packaged food category, in which Euromonitor estimates that Private Label brands (sold predominantly by Australian supermarkets) accounted for approximately 17.6% of retail value in that category in CY2015, up from approximately 13.8% in CY2010.⁽¹⁾ However, the trend has also held true for other categories. Over the same period, Private Label penetration in the Consumer Electronics category increased from approximately 1.1% to approximately 1.6% by volume,⁽²⁾ while in the consumer appliances category it increased from approximately 9.0% to approximately 11.5% by volume.⁽³⁾

Notes:

1. Euromonitor, *Euromonitor Passport Packaged Food 2016*. Packaged food Private Label penetration, calculated as the sum of all Private Label Brands found under Packaged Food brand share, includes sales tax. Shown in Current Terms
2. Euromonitor, *Euromonitor Passport Consumer Electronics 2016*. Consumer Electronics Private Label penetration, calculated as the sum of all Private Label brands found under Consumer Electronics brand share, includes sales tax. Shown in Current Terms
3. Euromonitor, *Euromonitor Passport Consumer Appliances 2016*. Consumer appliances Private Label penetration, calculated as the sum of all Private Label brands found under consumer appliances brand share, includes sales tax. Shown in Current Terms

2.3 KEY GROWTH DRIVERS

Drivers of growth in the Australian Online Retail Market include growth drivers of the Australian Retail Market, in addition to specific growth drivers of the Australian Online Retail Market.

2.3.1 Australian Retail Market growth drivers

Euromonitor estimates that the Australian Retail Market reached \$266 billion in sales in CY2015, having achieved a 4.5% CAGR since CY2001.⁽¹⁾ Forecast growth in the Australian Retail Market is illustrated in Figure 2.4, implying a CAGR of 5.0% from CY2015 to CY2019.⁽²⁾ Key drivers of this anticipated growth are outlined below.

Notes:

1. Euromonitor, *Euromonitor Passport Retailing 2016*. Retail sales value and CAGR exclude sales tax. Shown in Current Terms
2. Euromonitor, *Euromonitor Passport Retailing 2016*. Retail sales CAGR excludes sales tax. Shown in Current Terms

Figure 2.4: Forecast size and growth of the Australian Retail Market⁽¹⁾



Note:

1. Euromonitor, *Euromonitor Passport Retailing 2016*. Retail sales value and CAGR exclude sales tax. Shown in Current Terms

2.3.1.1 Household Discretionary Income

“**Household Discretionary Income**” refers to the proportion of earnings available for expenditure to a given household after all income taxes and other compulsory expenses (such as rent or minimum mortgage payments, food bills, utilities and medical expenses) have been paid. Household Discretionary Income in Australia is strongly linked to wages, cost of living and interest rates. As a result, low unemployment, wage growth in excess of inflation and falling interest rates are often associated with increased consumer spending and growth in the Australian Retail Market.

2.3.1.2 Consumer Sentiment

“**Consumer Sentiment**” is an aggregate measure of several interrelated states of mind which, taken together, provide an indication of the Australian population’s propensity to consume at a given point in time. These states of mind include confidence in current and future individual financial health, confidence in current and future macroeconomic conditions and expectations of future purchasing behaviour. Consumer Sentiment is heavily influenced by individuals’ perceptions of their own wealth, which in turn is highly correlated with low unemployment, wage growth and rising house prices. Strong Consumer Sentiment may indicate that the Australian population has a heightened propensity to consume, and is associated with increased spending and growth in the Australian Retail Market.

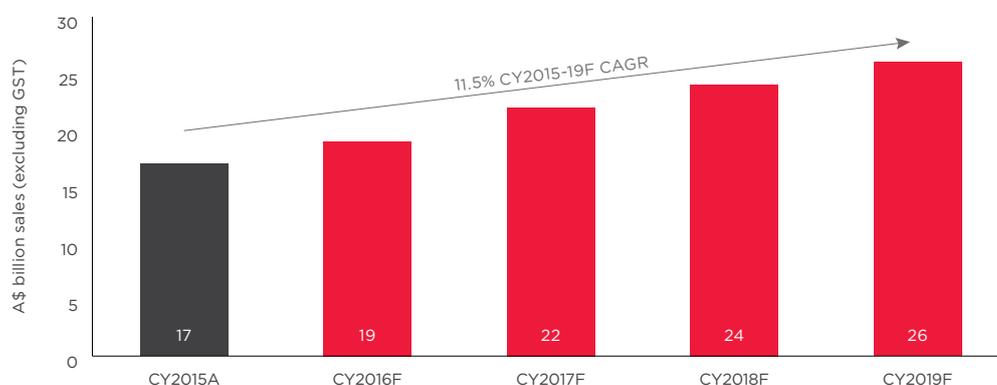
2.3.2 Australian Online Retail Market growth drivers

Euromonitor estimates that the Australian Online Retail Market reached \$17 billion in sales in CY2015, having achieved a 24.5% CAGR from CY2001 to CY2015.⁽¹⁾ Growth in excess of growth in the Australian Retail Market is expected to continue in the medium term, as illustrated in Figure 2.5. Key drivers of this anticipated outperformance are outlined below.

Note:

1. Euromonitor, *Euromonitor Passport Retailing 2016*. Internet retail sales value and CAGR exclude sales tax. Shown in Current Terms

Figure 2.5: Forecast size and growth of the Australian Online Retail Market⁽¹⁾



Note:

1. Euromonitor, *Euromonitor Passport Retailing 2016*. Internet retail sales value and CAGR exclude sales tax. Shown in Current Terms

2.3.2.1 Changing consumer preferences

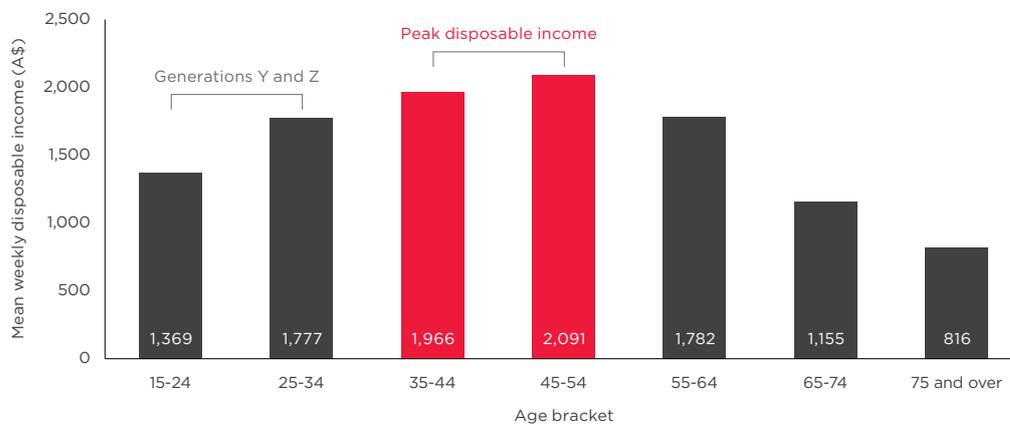
Growth in the Australian Online Retail Market has been supported by significant changes in consumer behaviour. Consumers increasingly accept online shopping as a reliable, secure and convenient alternative to shopping in a Bricks and Mortar Retailer store. Among other things, this has been supported by:

- Growing disposable and discretionary income among Generations Y and Z, also commonly known as “millennials” and “digital natives”. Members of these demographic cohorts, born from the early 1980s onwards and predominantly aged 35 years and under, are often considered to be more likely to embrace digital or online alternatives to traditional modes of service delivery. In Australia, these age groups are still approaching peak disposable income, as shown in Figure 2.6;
- The increasing breadth and depth of products available online;

02. Industry Overview continued

- Better pricing transparency and comparability online relative to Bricks and Mortar Retailers;
- Reducing geographical boundaries to purchasing online;
- Improving ability to make informed purchasing decisions through the use of first-hand user experience reviews posted online;
- The greater convenience of shopping online relative to shopping at a Bricks and Mortar Retailer store; and
- Ongoing momentum, as the industry achieves critical mass and moves from a niche, “early adopter” phase into a mass-market acceptance phase. This momentum is expected to continue, as the proportion of Australians who have never transacted online continues to reduce.

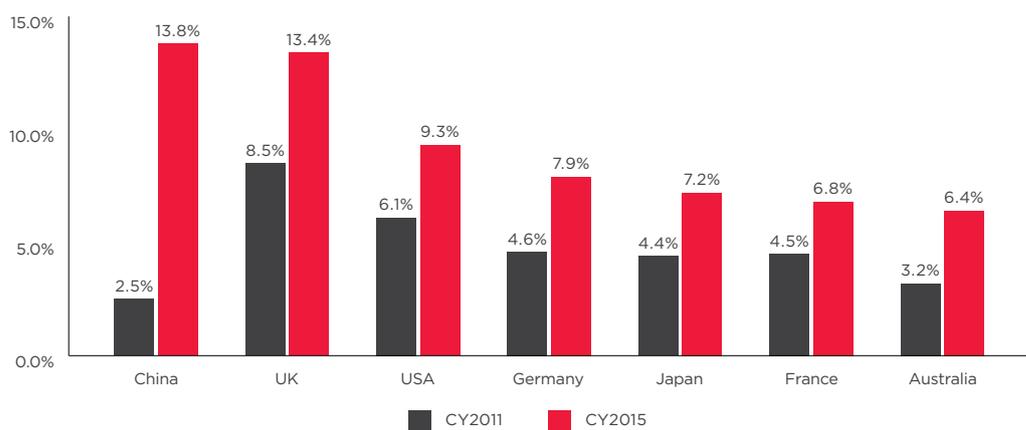
Figure 2.6: Weekly household disposable income in the 12 months to 30 June 2014



Source: Australian Bureau of Statistics (2015)

Despite Australians' growing willingness to transact online, significant opportunity remains for increased online penetration in the Australian Retail Market. As Figure 2.7 illustrates, Australia lags many other nations in its adoption of Online Retail, as measured by the proportion of overall retail spending incurred online.

Figure 2.7: Online retail penetration in selected geographies⁽¹⁾

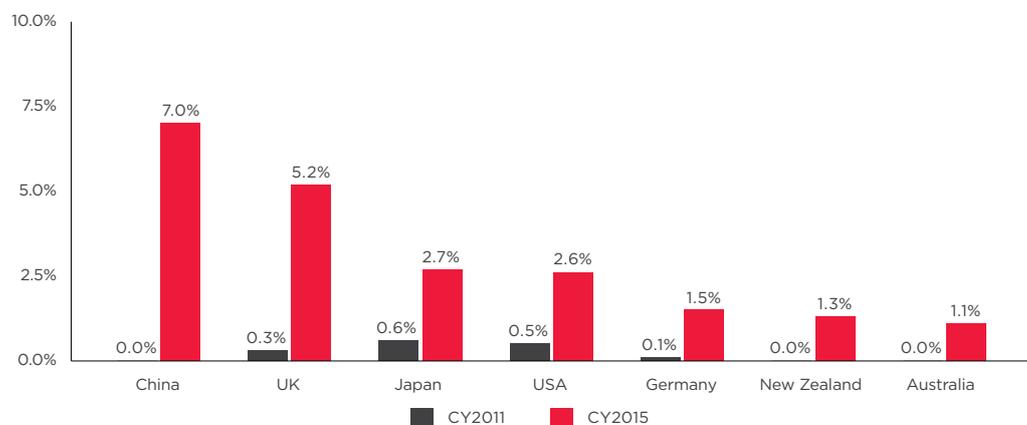


Note:

1. Euromonitor, *Euromonitor Passport Retailing 2016*. Online penetration, calculated as internet retail sales value divided by retail sales value for China, the United Kingdom, the United States, Germany, Japan, France and Australia, excludes sales tax. Shown in Current Terms. Calculated in local currency

This significant scope for increased Online Retail adoption is mirrored by the relatively low penetration of the Mobile Online Retail Market in Australia, as outlined in Figure 2.8.

Figure 2.8: Mobile Online Retail penetration in selected geographies⁽¹⁾



Note:

1. Euromonitor, *Euromonitor Passport Retailing 2016*. Mobile Online Retail penetration, calculated as mobile internet retail sales value divided by retail sales value for China, the United Kingdom, Japan, the United States, Germany, New Zealand and Australia, excludes sales tax. Shown in Current Terms. Calculated in local currency

2.3.2.2 Technological innovation enhancing user experience

Significant technological advances are continuously enhancing Online Retailers' ability to offer a browsing, purchasing and delivery experience which is fast, seamless and tailored. Examples of such advances include:

- Improvements in data capture and analytics capabilities, helping Online Retailers automate and personalise customer service and marketing, including:
 - real-time data analytics, facilitating personalised display advertising; and
 - the use of customers' recent browsing and purchasing history to generate targeted and responsive direct marketing e.g. through email;
- Improved multimedia content integration, offering a more engaging browsing experience, including:
 - more seamless embedding of videos; and
 - dynamic display advertising;
- Advances in optimising platforms, content, advertising and payments infrastructure for mobile phones through dedicated mobile websites and Apps;
- "Intelligent supply chains" – advances in enterprise resource planning software ("ERP") enabling smarter and increasingly automated inventory management, ordering and warehousing. This is resulting in faster delivery times and fewer out of stocks; and
- Focus by payments providers, banks and Online Retailers on transactional security, including fraud protection, increasing consumer trust in Online Retail transactions.

As the sophistication of technological platforms continues to improve, and the value proposition of the Online Retail Market for Australian consumers continues to strengthen, Online Retailers with strong internal technological capabilities and supporting infrastructure may achieve further market share gains from traditional retail channels, including Bricks and Mortar Retailers.

2.3.2.3 Internet usage and speeds

Internet access

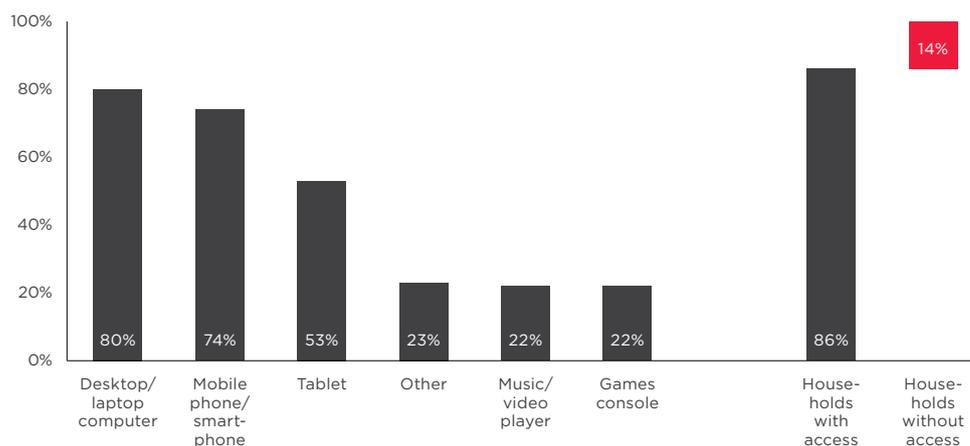
Australian Online Retail Market transactions can be effected through a range of devices including desktop and laptop computers, smartphones and tablets, through either fixed or mobile internet connections. Fixed connection technologies include ADSL, cable, dial-up, satellite and fibre. Mobile connection technologies include mobile wireless connections such as dongles, data cards and USB modem services, in addition to mobile phone connections. According to the Australian Communications and Media Authority ("ACMA"), there were 33.8 million fixed and mobile internet connections in operation as at 30 June 2015, of which

02. Industry Overview continued

6.8 million were fixed, 6.0 million were through mobile wireless technologies (excluding mobile phones) and 21.0 million were through mobile phones.

Despite the number of services in operation, as Figure 2.9 illustrates, a proportion of Australian households do not yet have access to the internet, or can access the internet only through fixed internet connection technologies. An increase in the number of households with internet access is expected to increase the proportion of Australian consumers who engage in Online Retail Market transactions.

Figure 2.9: Households with internet access, by device as at 30 June 2015



Source: Australian Bureau of Statistics (2015)

Investment in network infrastructure increasing download speeds

Both the public and private sectors are investing to increase the quality of internet services available in Australia.

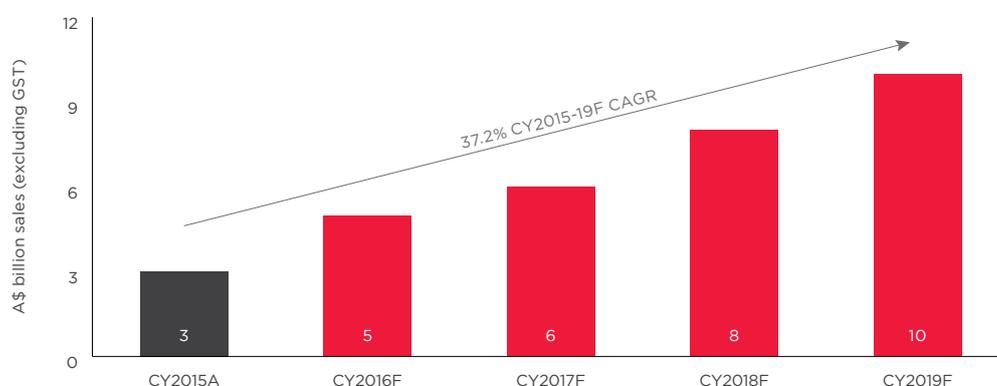
The Federal Government of Australia is in the process of rolling out the National Broadband Network (“NBN”), a wholesale-only, open-access network which will deliver high-speed broadband across Australia via a combination of fibre, fixed wireless and satellite internet technologies. As at 30 June 2015, NBN access had been activated for 0.5 million premises, with plans for 9.5 million premises to be NBN enabled or have NBN connectivity under construction by September 2018.

In addition to Federal Government investment in fixed internet download speeds, Australia’s three mobile network operators, Telstra, Optus and Vodafone, have also invested in improving the internet speeds available across their networks. Each of these providers has at least partially rolled out “4G”, a mobile network technology which enables faster data transfer (including voice calls, messages and internet) than its precedent, “3G” mobile network technology. 4G was built to accommodate the high volumes of mobile data transfer arising from increased smartphone uptake. Further rollout of 4G will continue to improve mobile internet download speeds, increasing the ease with which Australian consumers can use mobile devices to transact online.

Uptake of mobile internet technologies increasing time spent online

While internet access is a threshold requirement for engaging in Online Retail Market transactions, a significant additional growth driver is the increasing amount of time spent online by Australian consumers. This trend is driven in part by increased adoption of mobile connection technologies, including smartphones and tablets. According to ACMA, the number of Australians aged eighteen years and over who used a smartphone in the past six months reached 74% as at 31 May 2015, up from 49% as at 31 May 2012. In enabling internet browsing away from a desktop or laptop computer, these devices provide Australian consumers with additional opportunities to transact online. In addition, they further increase the convenience of online shopping relative to shopping in a Bricks and Mortar Retailer, as consumers can transact anytime and anywhere.

These factors are expected to contribute to growth in the Australian Mobile Online Retail Market in excess of growth in the Australian Retail Market and Australian Online Retail Market in coming years, as illustrated in Figure 2.10.

Figure 2.10: Forecast market size and growth of the Australian Mobile Online Retail Market⁽¹⁾**Note:**

1. Euromonitor, *Euromonitor Passport Retailing 2016*. Mobile internet retail sales value and CAGR exclude sales tax. Shown in Current Terms

2.4 ADJACENT MARKETS IN WHICH KOGAN.COM OPERATES

2.4.1 Australian Travel Bookings Industry

Kogan.com competes in the Australian Travel Bookings Industry through its Kogan Travel business.

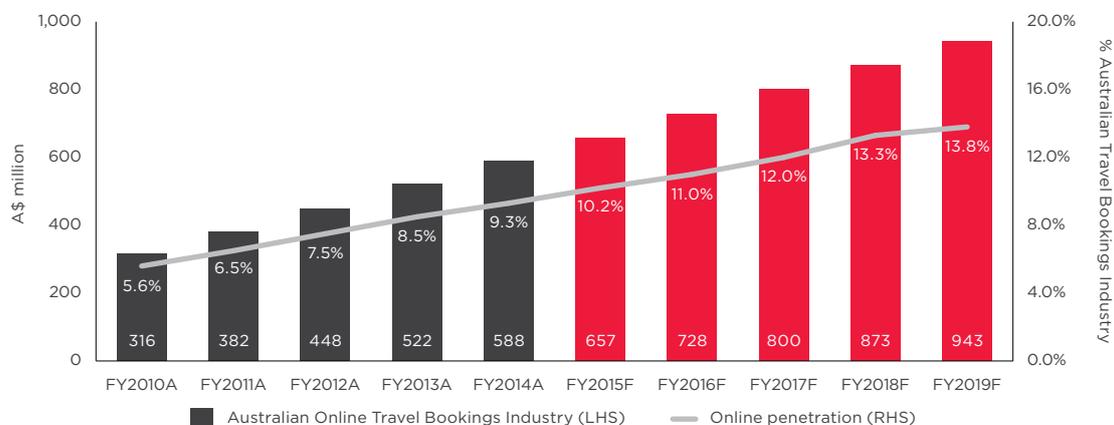
The Australian Travel Bookings Industry comprises the provision of travel information and booking services for transport, accommodation and tourist attractions to individuals and business travellers. The industry includes services provided both online (“**Online Travel Bookings**”) and via physical travel agency outlets, but excludes bookings made directly with service providers. Industry participants generally earn revenue on a commission basis, as a percentage of the value of the booking made. IBISWorld estimates that in the 12 months to 30 June 2015, bookings and other services provided through online-only operators (“**Australian Online Travel Bookings Industry**”) comprised 10.2% of total industry revenue.

In the five years to 30 June 2015, IBISWorld estimates that total revenue generated by the Australian Online Travel Bookings Industry grew at an average 15.7% per annum to reach \$657 million, significantly outgrowing the broader Australian Travel Bookings Industry, which grew at an estimated 2.6% per annum over the same period, to \$6.4 billion revenue. This divergence in growth rates resulted in significant market share gains by online-only operators, as highlighted in Figure 2.11.

Growth in online penetration of the Australian Travel Bookings Industry has been driven by a number of structural advantages which online providers have enjoyed, including:

- Travel bookings are by definition services which must be purchased before they can be experienced. As a result, consumers gain no additional first-hand experience of the service from visiting a physical store to make purchases;
- Due to the high cost of individual purchases, consumers enjoy the opportunity to review and compare a range of providers before agreeing to transact. These purchasing habits are well suited to the offerings of online providers, whose services can easily be compared and contrasted with other offerings available online;
- Online Travel Bookings providers, like Online Retailers, have traditionally enjoyed a cost advantage over their Bricks and Mortar Retailer counterparts because they do not have physical store networks. These savings, in turn, can be passed on to consumers; and
- The internet has increasingly become a first point of reference for consumers researching and planning their holiday. Many online providers have successfully pursued targeted online marketing, reaching the consumer while they are considering whether to transact and placing themselves within arm’s reach once this decision has been made.

Figure 2.11: Online penetration in the Australian Travel Bookings Industry



Source: IBISWorld (2016)

2.4.2 Mobile Communications Industry

In addition to its Online Retail and Online Travel Bookings businesses, Kogan.com is also a mobile virtual network operator (“**MVNO**”), through its Kogan Mobile business.

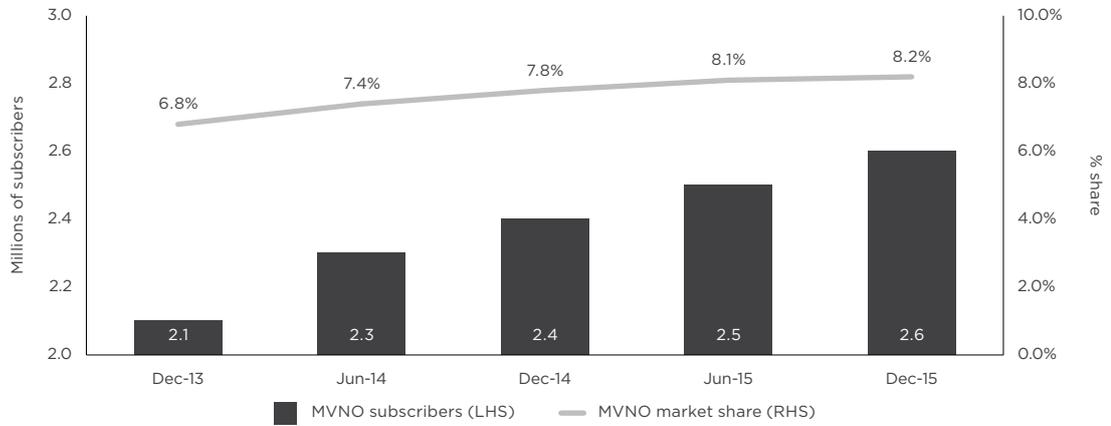
MVNOs provide mobile telecommunications services, including voice, internet and data services, to consumers through wireless network infrastructure owned by a third party Mobile Network Operator (“**MNO**”). The service is known as a “virtual” network because the infrastructure is not directly owned by the MVNO. MVNOs and MNOs both compete with each other in the Australian Mobile Communications Industry. IBISWorld estimates that this industry will reach \$22 billion in annual revenue by 30 June 2016, having grown at an average 1.8% per annum from 30 June 2011 to 30 June 2016. Of this, TeleGeography estimates that MVNOs’ share of subscribers reached 8.2% market share as at 31 December 2015, representing 2.6 million subscribers.

In Australia, Vodafone, Optus and Telstra each own and operate mobile networks, which comprise transmission equipment affixed to mobile towers. All other mobile communications providers are MVNOs, offering services through agreements with one of the three aforementioned MNOs. MVNOs typically offer inexpensive prepaid mobile services.

Beyond these similarities, business models vary significantly between different MVNOs. MVNOs can operate predominantly online, or they can have a physical store network, either through third party Bricks and Mortar Retailer SIM card distributors (such as convenience stores or supermarkets) or through their own store networks. Some MVNOs act as full-service mobile communications providers, offering technical support, account management and customer relations services in addition to supporting a full corporate head office, including legal, finance, human resources and other back-office staff. Other MVNOs (including Kogan.com) sell differently-branded versions of their partner MNO’s existing offering, generating additional subscribers on behalf of the MNO, which is responsible for all service provision once the subscriber has joined the network. In this instance, the MVNO generates revenue through charging a commission on payments by the subscriber to the MNO.

As outlined in Figure 2.12, the segment has enjoyed strong subscriber growth in recent years relative to the broader mobile services market, as providers’ low-cost offerings have resonated with Australian consumers. However, the low-margin, high-volume nature of the MVNO business model means businesses which operate full-service mobile communications offerings must build significant scale in order to achieve profitability. In contrast, operators (such as Kogan.com) which sell differently-branded versions of their MNO’s existing offering are not required to support significant corporate overheads, and as a result, commissions generated from each plan sale or recharge largely represent incremental operating profit.

Figure 2.12: MVNO subscribers in the Australian Mobile Communications Industry



Source: TeleGeography's GlobalComms Database (2016)



03.

COMPANY OVERVIEW

03. Company Overview

3.1 INTRODUCTION

Founded in 2006, Kogan.com has grown organically and without external equity funding to become Australia's leading Pure Play Online Retail Website. Through the strength of the "Kogan" brand, Kogan.com generates more traffic, according to Alexa Internet¹, and more Google search queries, than any other Australian Pure Play Online Retail Website.

Kogan.com earns the majority of its revenue and profit through the sale of goods and services to Australian consumers, placing it within the B2C segment of the Australian Online Retail Market. Its offering comprises both Private Label Products and Third Party Branded Products, delivering price leadership across both of these business segments through technology-driven efficiency.

From an initial focus on Private Label Consumer Electronics products, Kogan.com's product range has grown to offer approximately 28,000 SKUs across over 15 departments featured on its websites and Apps, including Appliances; Home and Garden; Baby, Kids and Family; Sports, Outdoors and Luggage; Shoes and Fashion; Health and Beauty; and Pantry, among others. These products are sold through a Direct Sales business model which leverages proprietary systems and long-standing relationships with key suppliers to manage Working Capital requirements.

Kogan.com also launched two New Verticals in 2015. Kogan Travel offers travel packages and hotel and cruise bookings online, while Kogan Mobile offers prepaid mobile phone plans online, in partnership with Vodafone.

Kogan.com's growth over the past 10 years has been supported by a large and highly-engaged user base, the Kogan Community. The Kogan Community comprises website visitors, App users, database members, Active Subscribers, Facebook fans and Twitter followers. They can access Kogan.com's products through a single, device-responsive desktop- and mobile-optimised website, as well as Apps for Android and iOS.

Kogan.com's vision is to harness its technological competencies to deliver accessible, affordable, in-demand consumer goods and services. To support this vision, Kogan.com intends to expand through continued growth in its recently launched New Verticals, Kogan Travel and Kogan Mobile; integrating the Dick Smith Assets (discussed in greater detail in Section 3.8); increasing the depth and availability of its Private Label and Third Party Branded Domestic Product ranges; and continuing to grow the Kogan Community, through disciplined, intent-based marketing. Kogan.com's growth strategy is discussed in greater detail in Section 3.9.

3.2 COMPANY HISTORY

In 2006, Ruslan Kogan established a supply chain which "cut out the middle men" to source Consumer Electronics products directly from international contract manufacturers. Sourced directly and sold online, Ruslan was able to offer these products at lower price points than equivalent products sold by Australian Bricks and Mortar Retailers. David Shafer became a business partner in 2010, joining the business full-time to focus on driving further growth.

From an initial product range of two LCD televisions, Kogan.com expanded its Private Label Product offering to include additional Consumer Electronics products and appliances in 2007.

Kogan.com introduced Third Party Branded International Products in 2011, initially focusing predominantly on Consumer Electronics, and added Third Party Branded Domestic Products and General Merchandise categories in 2014. Their addition leveraged the marketing power of international and Australian brand names to attract new customers to Kogan.com, while facilitating cross-selling of, and bundling with, Kogan.com's Private Label Products.

The range of Private Label Products was rapidly expanded in 2014, when Kogan.com added additional product categories such as homewares, power tools and sporting equipment.

In 2015, Kogan.com launched two new businesses, offering travel packages and hotel and cruise bookings services online under Kogan Travel, and prepaid mobile phone plans online in partnership with Vodafone under Kogan Mobile. These New Verticals provide additional opportunities to grow and engage the Kogan Community, while continuing Kogan.com's vision of offering accessible, affordable, in-demand consumer goods and services.

In April 2016, Kogan.com acquired the Dick Smith Assets, which include the "Dick Smith" brand name, associated domain names, the DSE private label brand and Dick Smith's database of approximately

Note:

1. © 2016, Alexa Internet (accessed at www.alexa.com on 31 March 2016)

03. Company Overview continued

1.5 million email subscribers, of which an estimated 1.3 million were not previously Active Subscribers of Kogan.com. The acquisition is discussed in greater detail in Section 3.8.

Kogan.com is supported by 113 employees based in South Melbourne, Australia and Shenzhen, China.

Table 3.1: Key milestones in Kogan.com's growth

DEVELOPMENT PHASE	KEY MILESTONES...
<p>FY2006-FY2010 Building a profitable start-up</p> <ul style="list-style-type: none"> Ruslan Kogan starts a direct-to-consumer Online Retail business, sourcing LCD TVs directly from international contract manufacturers Kogan.com expands its product range to include additional Private Label Products, focusing on the Consumer Electronics and appliances categories 	<p>...since FY2006</p> <ul style="list-style-type: none"> EBITDA positive since inception
<p>FY2011-FY2012 Driving rapid expansion via Third Party Branded International Products</p> <ul style="list-style-type: none"> Kogan.com launches its Third Party Branded International range with Consumer Electronics products from international brands including Apple, Samsung, Canon and Sony Kogan.com pioneers the use of mobile-optimised website formats through the launch of a designated mobile website 	<p>... by FY2012</p> <ul style="list-style-type: none"> -9 million LTM website visitors⁽¹⁾
<p>FY2013-FY2014 Building Australia's leading Pure Play Online Retail Website</p> <ul style="list-style-type: none"> Kogan.com further develops its technological platform, including through its patented "KESPA" marketing software, and a patented anti-customer fraud system Kogan.com launches Apps for Android and iOS Kogan.com establishes a sourcing office in Shenzhen, China to manage relationships with Private Label contract manufacturers Kogan.com expands its Private Label Product offering through developing brands in General Merchandise categories, including Homewares, Outdoor and camping and Fitness and sport Kogan.com adds Third Party Branded Domestic Products to its range 	<p>...by FY2014</p> <ul style="list-style-type: none"> -35 million LTM website visitors -0.9 million Active Subscribers
<p>FY2015-FY2016 Investing in future growth</p> <ul style="list-style-type: none"> Kogan.com implements SAP Enterprise Resource Planning system ("SAP") to enhance reporting, data analytics, inventory management and business planning capabilities Following completion of the SAP Implementation in August 2015, Kogan.com extracts significant operational efficiencies, improves financial reporting and enhances customer experience, including through achieving fully-automated despatch of all in-stock SKUs Kogan.com strategically focuses on broadening the product offering to diversify further beyond Consumer Electronics, including through developing new Private Label brands and adding additional Third Party Branded Products Kogan.com launches Kogan Travel Kogan.com launches Kogan Mobile Kogan.com acquires the Dick Smith Assets 	<p>... by 1H FY2016</p> <ul style="list-style-type: none"> 52 million LTM website visitors -2.3 million Active Subscribers

Note:

1. "LTM" means "in the last 12 months"

3.3 BUSINESS MODEL

Next Generation Online Retailer

Kogan.com believes that it is part of a “Next Generation” of Online Retailers who are evolving the Online Retail format beyond its origins as a disruptive, low-cost distribution platform.

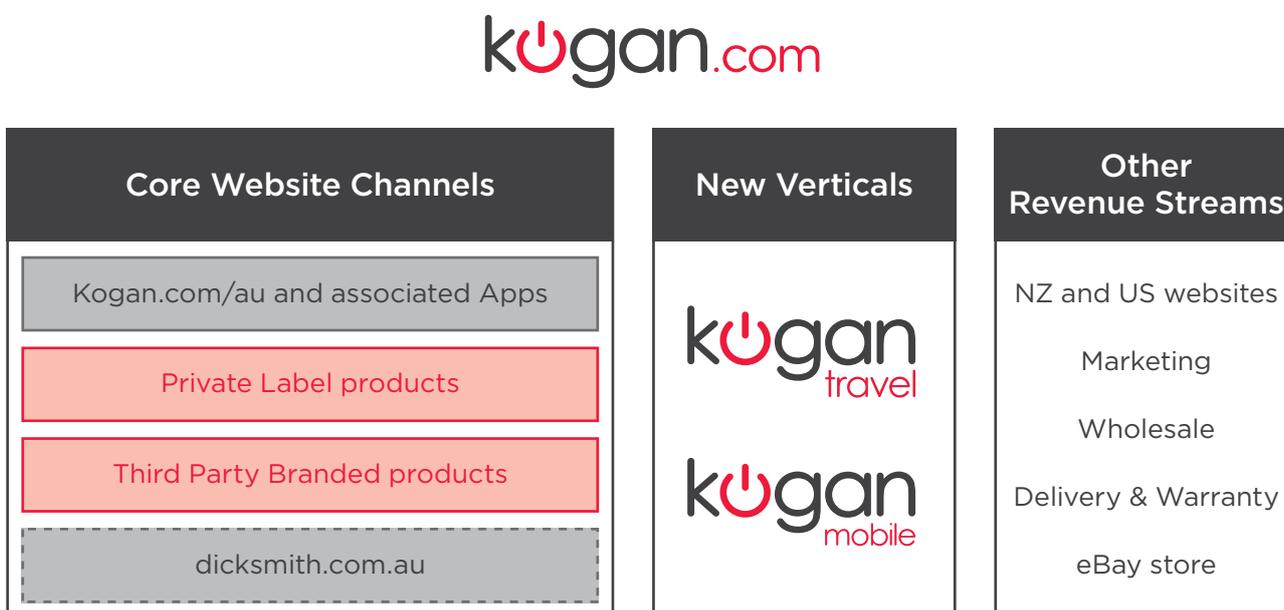
Kogan.com’s technology and sourcing-driven business model extends much further along the value chain than that of a traditional Online Retailer. In combining the data analytics opportunity offered by Online Retail with the deep technological expertise of its management and team, Kogan.com has created a vertically-integrated business model with a market-leading Private Label capability, outlined in detail in Section 3.3.1.1.

Complementing this core capability is a compelling range of in-demand Third Party Branded Products, which support website traffic and cash generation. Kogan.com’s Third Party Branded Product business is detailed in Section 3.3.1.2.

Kogan.com operates a number of business segments. These include:

- Core Website Channels – Private Label Product and Third Party Branded Product sales through kogan.com/au and dicksmith.com.au and associated Apps (discussed in Section 3.3.1);
- New Verticals – Kogan Travel and Kogan Mobile (discussed in Section 3.3.2); and
- Other Revenue Streams – sales through Kogan.com’s eBay store; sales to wholesale customers; sales through kogan.com/nz, kogan.com/us and dicksmith.co.nz; marketing revenue; delivery income; and warranty income (discussed in Section 3.3.3).

Figure 3.1: Kogan.com’s businesses



Business mix

Due to the differing methods of revenue recognition employed by Kogan.com’s various businesses, Kogan.com believes its business mix is best represented on a GTV basis. As certain businesses recognise revenue on a commission basis, while others recognise the entire value of the product sold, Kogan.com believes that this is a more appropriate reflection of customer spend across its various businesses.

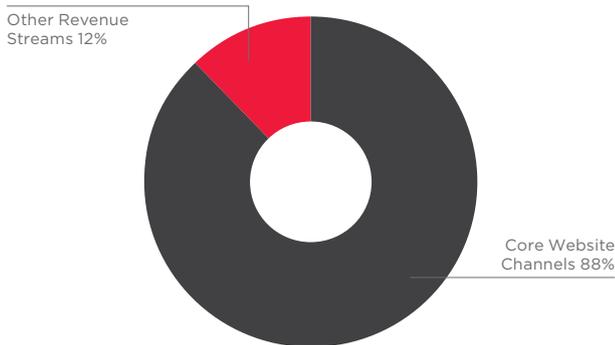
Kogan.com’s GTV increased from \$180 million in FY2014 to \$216 million in FY2015, and is forecast to be \$214 million in FY2016 and \$270 million in FY2017. These forecasts exclude historical or potential future GTV generated through the Dick Smith Assets.

03. Company Overview continued

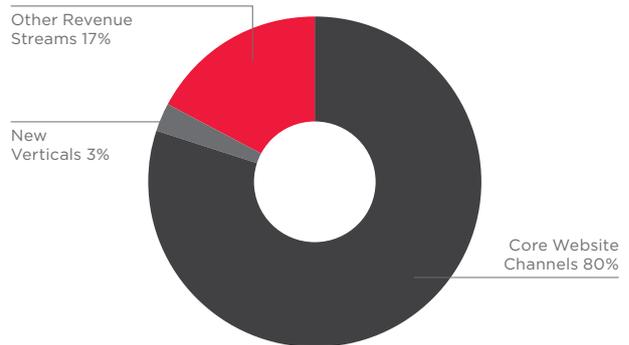
Figure 3.2 outlines GTV contribution from each of Kogan.com's businesses. Since FY2014, Kogan.com has taken steps to diversify its business, including through launching Kogan Travel in May 2015 and Kogan Mobile in October 2015. In addition, expanding its Private Label Product range has resulted in greater GTV contribution from Private Label Products. Expansion into new Private Label and Third Party Branded Product categories - including Appliances; Home and Garden; Sports, Outdoors and Luggage; and others - has also supported diversification of Kogan.com's product mix, resulting in higher GTV contribution by General Merchandise categories in 1H FY2016 in comparison with FY2014.

Figure 3.2: Change in Kogan.com's business mix over time

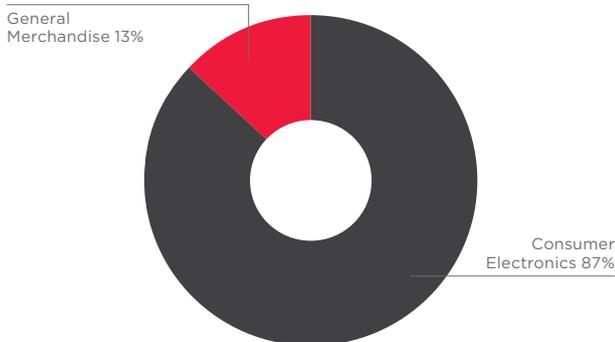
FY2014 GTV - all channels



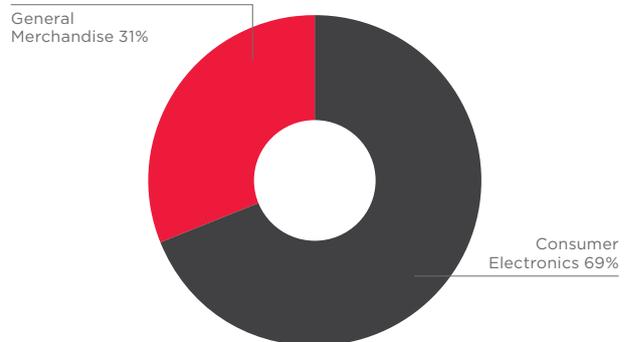
1H FY2016 GTV - all channels



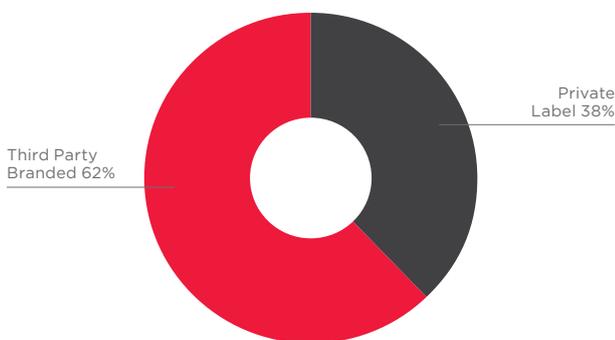
FY2014 GTV - Core Website Channels



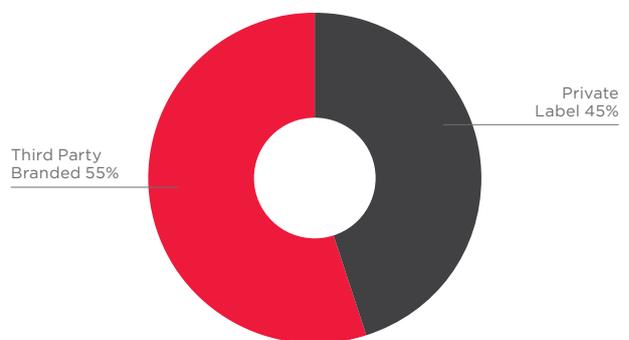
1H FY2016 GTV - Core Website Channels



FY2014 GTV - Core Website Channels



1H FY2016 GTV - Core Website Channels

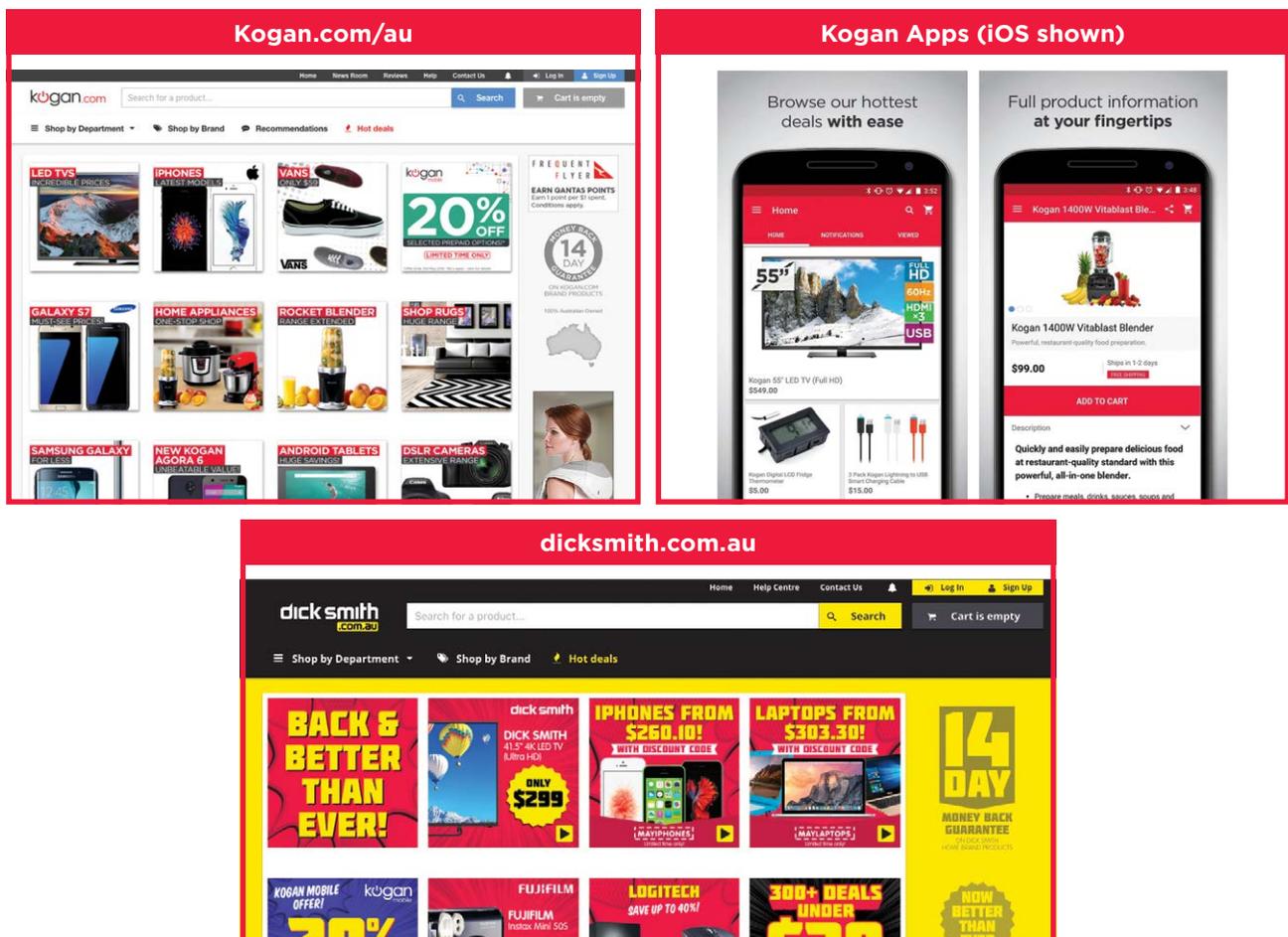


3.3.1 Core Website Channels

The Core Website Channels business comprises sales made through its Australian websites, kogan.com/au and dicksmith.com.au, in addition to its Kogan.com Apps for Android and iOS. A snapshot of these interfaces is provided in Figure 3.3.

While it is currently anticipated that Dick Smith will sell Private Label Products and Third Party Branded Products across only the Consumer Electronics and appliances categories, kogan.com/au sells Private Label Products and Third Party Branded Products across a range of additional General Merchandise categories, including Home and Garden; Baby, Kids and Family; Sports, Outdoors and Luggage; Shoes and Fashion; Health and Beauty; and Pantry.

Figure 3.3: Core Website Channels – snapshot of channels to market



3.3.1.1 Private Label Products

As at 30 March 2016, Kogan.com's Private Label business comprised the sale of approximately 1,600 SKUs under 13 brands developed and owned by Kogan.com. In 1H FY2016, sales of Private Label Products through the Core Website Channels represented approximately 45% of Kogan.com's GTV through Core Website Channels and 36% of Kogan.com's total GTV.

Kogan.com has sold Private Label Products since its inception in 2006, and has continued to strengthen its offering over 10 years of operation, including through:

- Expanding into new products and categories;
- Broadening its supplier base, with relationships managed through a dedicated sourcing office in Shenzhen, China;
- Improving product quality;

03. Company Overview continued

- Refining new product development procedures; and
- Building brand awareness with Australian consumers.

Kogan.com believes that these capabilities are difficult to replicate, and hence constitute a source of sustainable competitive advantage.

Brands and categories

Table 3.2 provides an overview of Kogan.com's 13 internally-developed brands. Figure 3.4 provides an overview of Consumer Electronics and General Merchandise category contribution to Private Label GTV generated through the Core Website Channels, illustrating increased GTV contribution from General Merchandise over time as additional Private Label brands have been developed.

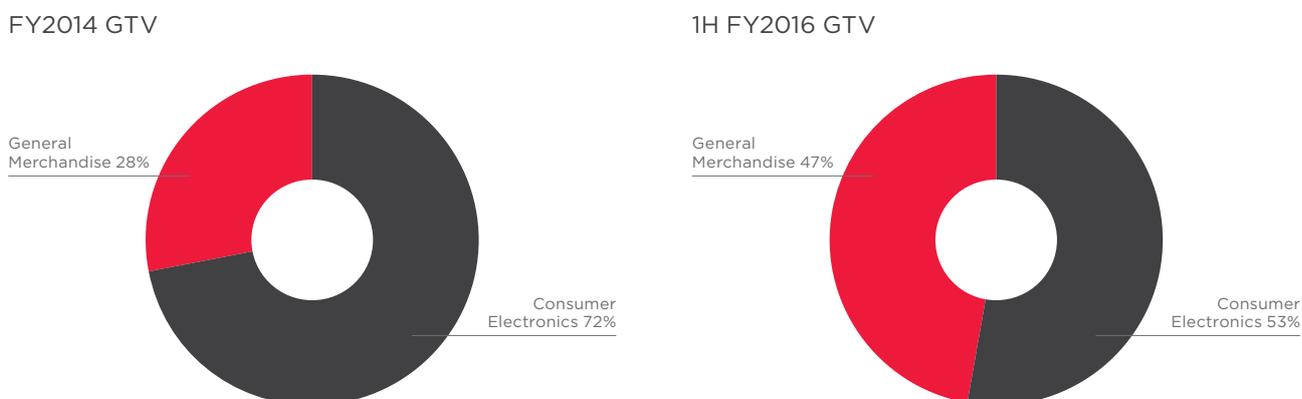
Table 3.2: Kogan.com's Private Label brands⁽¹⁾

BRAND	CATEGORY	SELECTED PRODUCTS
	Consumer Electronics and appliances	LED TVs, phones, heaters, air conditioners and kitchen appliances
	Fitness and sport	Exercise machines, fitness equipment, compression wear and gym accessories
	Homewares	Manchester, Egyptian cotton bed sheets, goose down quilts, furniture and linen
	Outdoor and camping	Tents, sleeping bags, portable fridges, air mattresses and backpacks
	Hardware	Tools, power tools and gardening equipment
	Men's grooming	Razors and shaving products
	Women's personal care	Tanning products and skin care
	Baby and toddler products	Playpens, changing tables, high chairs and bottle sterilisers
	Travel products	Luggage, travel bags and travel accessories
	Pet accessories	Beds, playpens, hutches and training accessories
	Bathroom fittings	Stainless steel bathroom accessories and towel racks
	Anti-pest products	Snake repellents, possum repellents, mouse zappers and mosquito repellents
	Footwear	Ugg boots

Note:

1. As part of its acquisition of the Dick Smith Assets, Kogan.com acquired all rights attaching to the DSE private label brand. Management may decide to release products under the DSE brand in the future, including in the Prospectus Forecast Period

Figure 3.4: Private Label Products – Core Website Channels change in business mix over time



New product development

Kogan.com operates a “second to market” new product development strategy for its Private Label Product lines, seeking to fulfil established demand for consumer products, rather than create demand for new products or those without established demand. Consequently, rather than relying on research and development spend to drive new product launches, the Kogan.com team assesses product opportunities through identifying existing items or categories with strong consumer demand, where Kogan.com can leverage its sourcing infrastructure to deliver price leadership.

These opportunities are identified through various processes, including analysis of Google search trends, analysis of product sales on competitor websites, and other methodologies. Potential opportunities undergo rigorous demand analysis, with strict internal processes in place to ensure a sound business case is established for each individual product prior to launch.

The product development process is undertaken in consultation with Kogan.com’s extensive base of contract manufacturers, in addition to new manufacturers, who are invited to tender for orders, ensuring Kogan.com receives the most competitive terms on purchases of stock.

Finally, in order to manage the risk associated with new product launches, demand is generally tested through trials with reduced quantities before Kogan.com commits to larger orders.

Over 10 years of developing Private Label Products, Kogan.com has refined the efficiency and speed with which it brings new products to market. The demand analysis which underpins assessment of new product opportunities is undertaken on an ongoing, daily basis. Once an opportunity is identified, Kogan.com can quickly mobilise its existing sourcing infrastructure, including contract manufacturers managed through its dedicated Shenzhen sourcing office.

As a result, Kogan.com is capable of bringing new Private Label Products to market from the demand analysis phase to website listing within 2-4 months, depending on the nature of the product.

Supply chain

Private Label Products are manufactured predominantly in China, leveraging supplier relationships developed over 10 years of manufacturing Private Label Products. In addition to Kogan.com's existing supplier base of contract manufacturers, new suppliers are invited to tender for orders on an ongoing basis.

Once a decision has been made to contract manufacture a particular product, Kogan.com's sourcing teams in Shenzhen, China or Melbourne invite manufacturers to tender for the contract, creating competition between suppliers. The team selects the winning manufacturer based on price, quality, terms and the supplier's previous track record with Kogan.com.

For its Consumer Electronics products, Kogan.com uses some of the world's largest contract manufacturers, including manufacturers used by leading global consumer electronics brands.

Kogan.com employs dedicated engineers who assess product samples prior to awarding contracts for new product to a supplier. While products are being assembled, Kogan.com uses third party inspection agencies for quality control and inspections.

Warehousing and logistics

Private Label Products are stored in third party owned and operated facilities in Melbourne, Sydney, Hong Kong and Shenzhen. Using a third party logistics warehousing strategy minimises fixed costs, as warehousing is charged per product or pallet stored.

Since completion of the SAP Implementation in August 2015, Kogan.com has been able to move to fully-automated despatch of all in-stock inventory, the majority of which consists of Private Label Products. Once a product is purchased and payment has been verified, an order is sent to the warehouse by Kogan.com's underlying technological infrastructure. The process is fully automated from the moment a customer places an order, to the moment the order is despatched. Delivery details are automatically sent to the customer, requiring neither involvement from, nor active oversight by, Kogan.com personnel.

Due to its inherent scalability and minimal resource requirement, Kogan.com expects that the automation of its delivery function will be a key driver of operating leverage in the future. In addition, this process allows in-stock Private Label Products to be despatched within 24 hours, in most cases. As a result, Kogan.com believes that the automation enabled by SAP has been a key contributor to improved customer satisfaction metrics in the time since developing the capability.

Kogan.com uses a number of third party logistics providers to ship products domestically. A least-cost routing system automatically calculates the best delivery service for each parcel to each customer according to a freight pricing matrix.

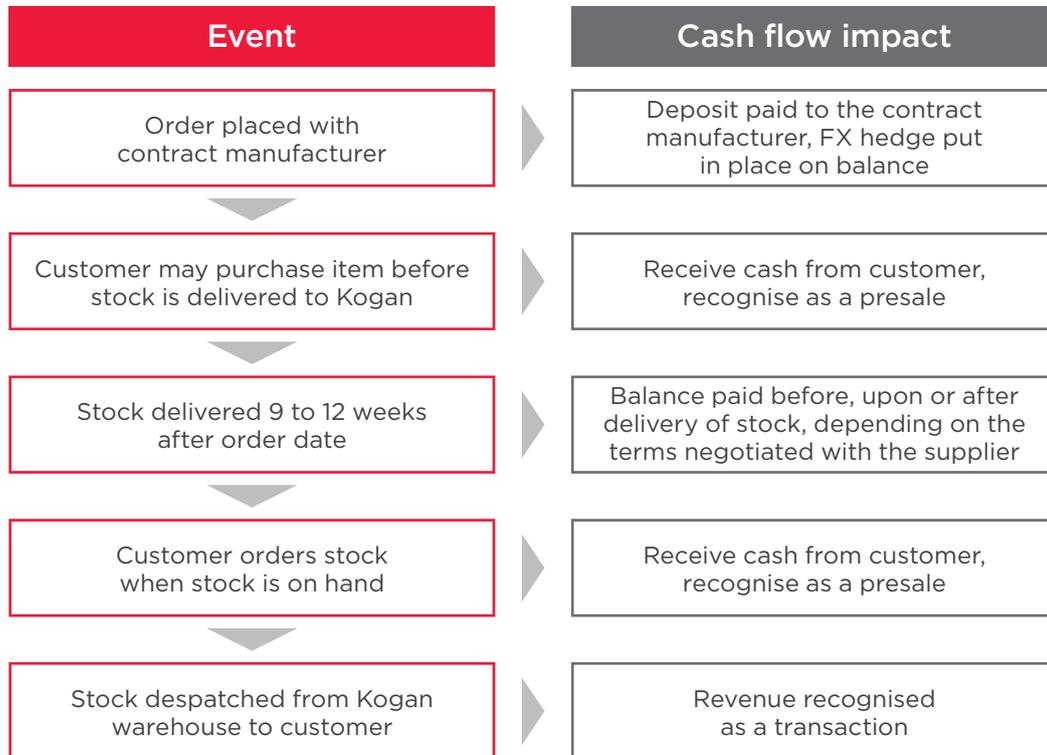
Working Capital management

As Kogan.com holds inventory of its Private Label Product lines, it uses a number of initiatives to manage Working Capital and minimise inventory risk. These include:

- Using data analytics to form assessments of the likely demand for each SKU, including data generated through historical sales, Kogan Community engagement statistics, proprietary systems monitoring external retailer promotions, and third party data on sales and search trends;
- Submitting Private Label Product orders for tender to ensure Kogan.com receives the best possible terms and pricing;
- Running Presales on selected Product lines, where products are sold 4-6 weeks before they are in stock; and
- Having contractual arrangements in place for on-sale of returned items and factory seconds.

Working Capital requirements relating to Kogan.com's Private Label Products vary depending on the terms negotiated with suppliers. Figure 3.5 outlines an example of a cash flow cycle for a typical Private Label Product.

Figure 3.5: Cash flow cycle for a typical Kogan.com Private Label Product



3.3.1.2 Third Party Branded Products

Kogan.com's Third Party Branded Product business was launched in 2011, and as at 30 March 2016, comprised approximately 26,000 SKUs sold under hundreds of international and Australian brand names. In 1H FY2016, sales of Third Party Branded Products through the Core Website Channels represented approximately 55% of Kogan.com's GTV generated through Core Website Channels and 45% of Kogan.com's total GTV.

The Third Party Branded Domestic segment comprises both Australian and international brands, in relation to which Kogan.com works in partnership with the brand, or an agent of the brand, to feature its products. As a result, products are typically sourced domestically. The Third Party Branded International segment predominantly comprises products which are sourced in the international wholesale market.

Inventory relating to Third Party Branded Domestic Products is typically sourced in Australian dollars. In contrast, inventory related to Third Party Branded International Products is generally sourced in United States dollars. Following a sharp fall in the Australian dollar relative to the United States dollar from September 2014 to September 2015, and a resulting reduction in volumes for Kogan.com's Third Party Branded International business, Kogan.com commenced a strategic focus on broadening the range of products and brands sourced domestically, to reduce reliance on Third Party Branded International Products, and provide a degree of protection against future sharp currency fluctuations. As a result, the Third Party Branded Domestic business grew, both in absolute terms and in terms of GTV contribution.

While Third Party Branded International Products fall predominantly within the Consumer Electronics category, Third Party Branded Domestic Product sales reflect a relatively balanced mix of Consumer Electronics and General Merchandise categories.

03. Company Overview continued

Third Party Branded Domestic Products are generally higher margin than Third Party Branded International Products, but require an investment in inventory in most cases. Increased contribution from Third Party Branded Domestic Products also has an overall positive impact on customer satisfaction and Net Promoter Score, as products are held in stock and are generally available for immediate despatch, whereas Third Party Branded International Products can take 1-2 weeks to despatch, as they are ordered from suppliers through Kogan.com's proprietary Allocate system after a customer makes their purchase.

Figure 3.6 provides an overview of business mix, illustrating Third Party Branded Product GTV by business segment and product category generated through the Core Website Channels. GTV contribution from the Third Party Branded Domestic business segment and General Merchandise product categories has increased over time.

Figure 3.6: Third Party Branded Products - Core Website Channels change in business mix over time

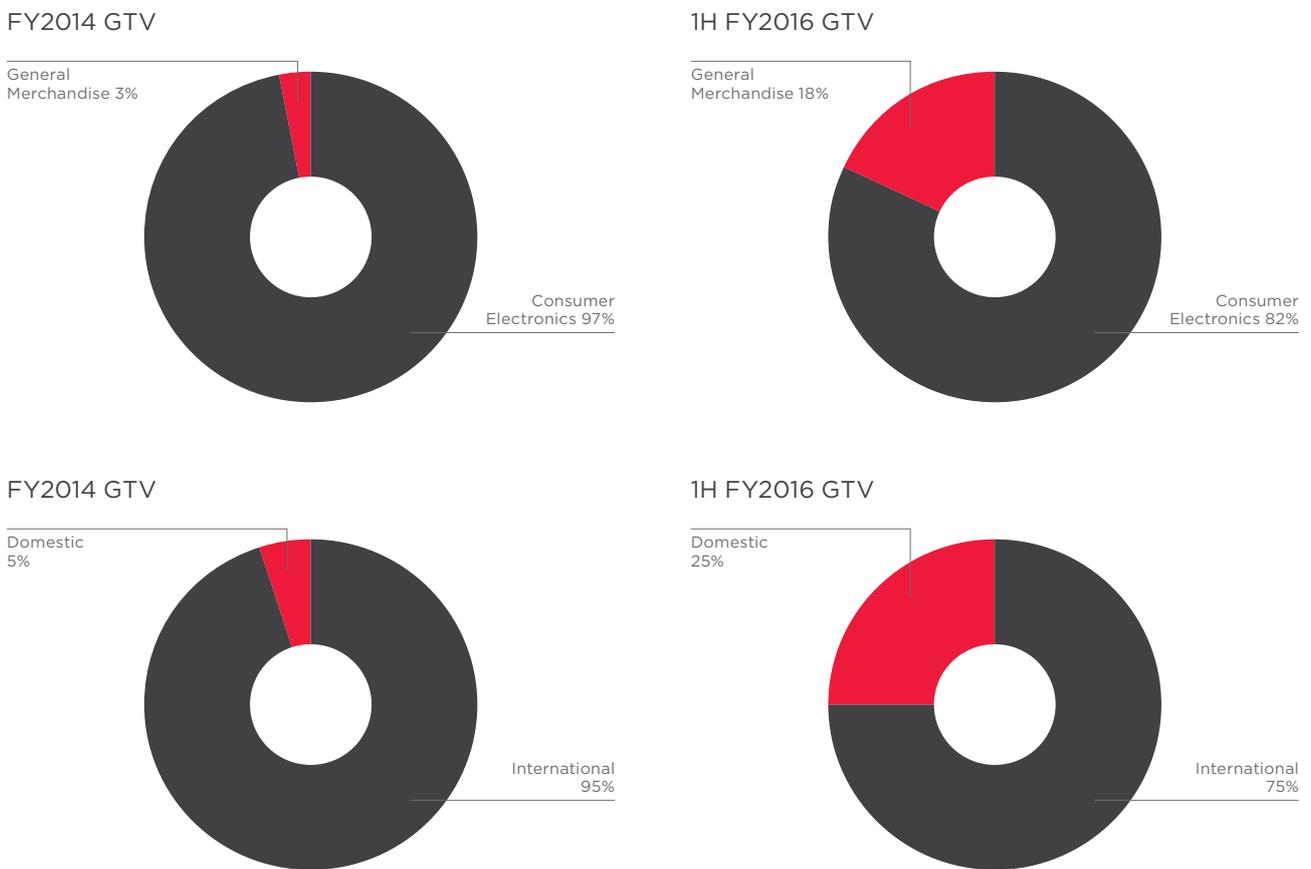


Table 3.3: Pricing of a Private Label Product and equivalent Third Party Branded Product⁽¹⁾

PRODUCT SPECIFICATIONS	SAMSUNG GALAXY S6	KOGAN AGORA 6 PLUS
		
Price on Kogan.com's websites ⁽¹⁾	\$649.00	\$349.00
Screen size	5.1"	5.5"
Screen resolution	QHD AMOLED	FHD IPS
Operating system	Android 6.0	Android 6.0
Processor	Quadcore 1.5GHz	Octacore 2.0GHz + Quad Core 1.2GHz
RAM	4GB	3GB
Storage	32GB	32GB
Expansion	None	MicroSD up to 128GB
Battery	3000mAh	3000mAh
Front Camera	5MP	8MP
Rear Camera	16MP	21MP
Fingerprint Sensor	Yes	Yes
Near field communication	Yes	Yes
On-the-ground support	Yes	Yes
G-Sensor	Yes	Yes
Light Sensor	Yes	Yes
Proximity Sensor	Yes	Yes
A-GPS	Yes	Yes
4G	Yes	Yes

Note:

1. Pricing data as at 1 June 2016

Sourcing model

Kogan.com sources its Third Party Branded Products from a global network of suppliers.

For the majority of Third Party Branded International Products, Kogan.com sources and purchases from suppliers after customers have placed their orders, using an internally-developed, proprietary software platform, Allocate, rather than purchasing products prior to making a sale. Allocate invites distributors to place bids to fulfil product orders, creating a competitive auction platform which allows Kogan.com to deliver Third Party Branded International Products at leading prices. Suppliers maintain a reputation within Allocate's database, and bids are penalised for errors, faults and delays.

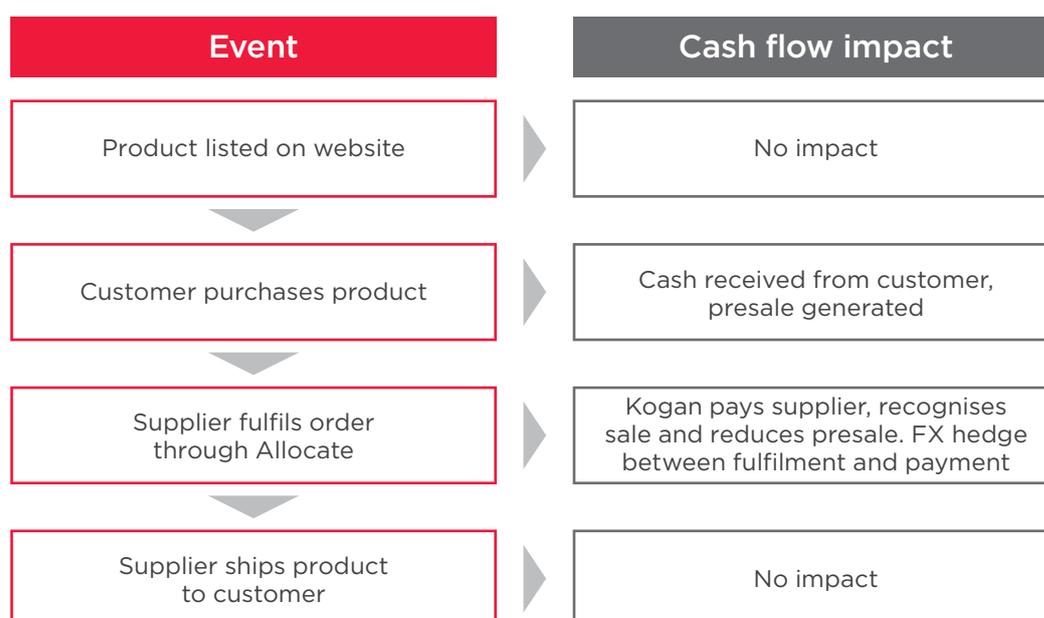
Retail pricing displayed on Kogan.com's websites in advance of sourcing products is based on the most recent bid price on a prior run of that product within Allocate, with supply availability regularly tested and scrutinised. In an environment where wholesale prices of current models of Consumer Electronics products typically decline in value as time passes, the most recent bid price is generally equal to, or higher than, a later bid price.

For Third Party Branded Domestic Products, Kogan.com typically orders and receives products in advance of selling them to customers, storing them in third party operated warehouses in Sydney or Melbourne. For this business segment, payment is made by Kogan.com following delivery of the stock on credit terms negotiated with each supplier.

The majority of international suppliers fill orders through a drop shipping model, handling picking and packing according to processes and quality standards set and enforced by Kogan.com. For the remainder, which includes the majority of domestic suppliers, Kogan.com uses third party logistics providers. As with in-stock Private Label Products, since Kogan.com implemented SAP, Third Party Branded Domestic Products, can be despatched on the same day an order is logged. This capability is discussed in greater detail in Section 3.3.1.1.

For Third Party Branded International Products, Kogan.com receives payment from customers prior to paying its suppliers, as outlined in Figure 3.7. Third Party Branded Domestic Products require a Working Capital investment, although this investment is lower than that required for Private Label Products, due to the more favourable payment terms which are typically negotiated in that segment.

Figure 3.7: Cash flow cycle for a typical Third Party Branded International Product



Complementary Third Party Branded and Private Label offering

Kogan.com’s Third Party Branded Product strategy is highly complementary to its Private Label offering. As outlined above, Third Party Branded International Products generate incremental revenue and Gross Profit without generally requiring an investment in Working Capital. The Working Capital which the business segment provides is redeployed into purchasing Private Label and Third Party Branded Domestic inventory, which generates higher margins.

Furthermore, consumer awareness of, and demand for, the Third Party Branded Products offered through Kogan.com’s websites generate significant traffic, creating cross-selling and bundling opportunities with Kogan.com’s Private Label offering.

Finally, offering both Private Label and Third Party Branded Products allows Kogan.com to target two distinct types of customers, namely, both brand-conscious shoppers, and value-driven consumers who buy “on spec” and are more likely to purchase Private Label Products.

3.3.2 New Verticals

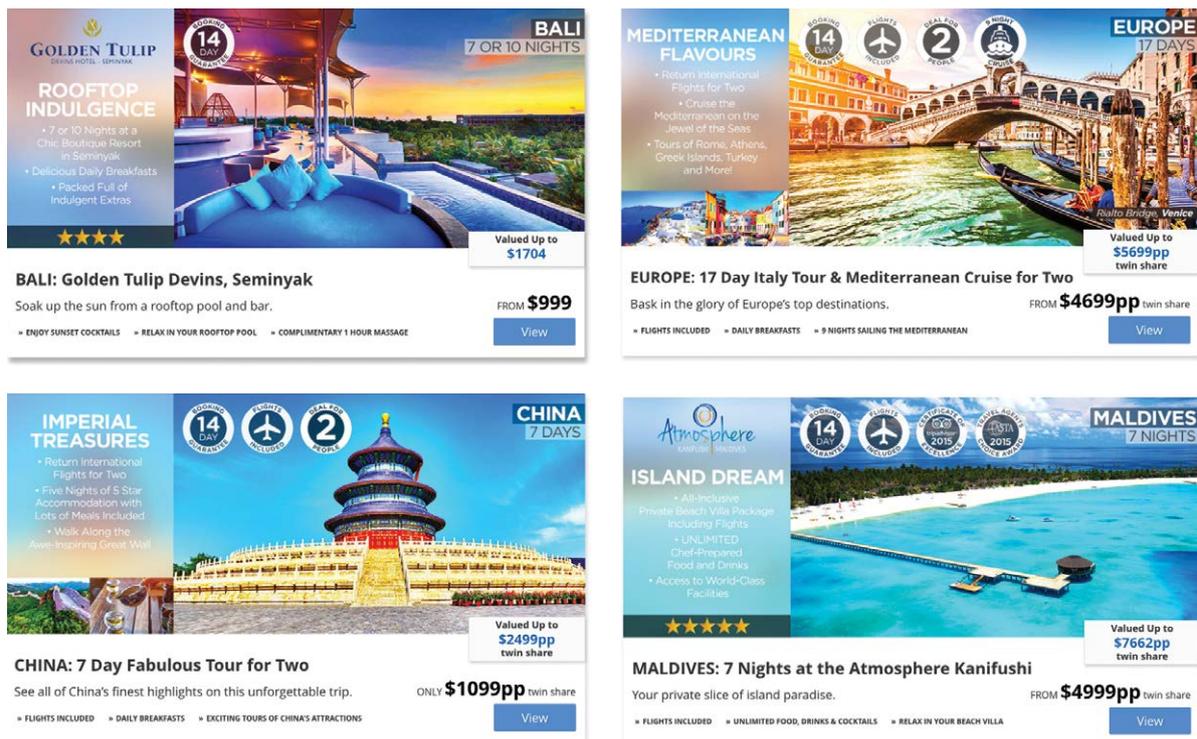
In 2015, Kogan.com expanded into two New Verticals, continuing to broaden its customer value proposition while leveraging the Kogan Community to deliver incremental revenue and earnings without requiring investment in Working Capital.

3.3.2.1 Kogan Travel

Kogan Travel was launched in May 2015 to market low-priced holiday packages and travel bookings, including luxury packages, online to the Kogan Community. The business sells directly-sourced travel packages through Kogan.com’s websites in addition to hotel bookings through hotels.kogan.com and cruises through cruises.kogan.com. Kogan Travel is an accredited travel agent under the ATAS Accreditation Scheme, and holds membership with the Australian Federation of Travel Agents (AFTA).

Kogan.com’s travel package offering is a curated selection sourced by the Kogan Travel team from hotels and tour operators, predominantly in Australia and Asia. The entire value of the travel package sold translates into revenue, with a corresponding cost reflecting the price at which the package or deal was sourced. Examples of travel packages presented on Kogan.com’s websites are featured in Figure 3.8.

Figure 3.8: Example of travel packages featured on Kogan.com’s websites



The hotels and cruises businesses operate as standalone bookings websites, presenting visitors with a range of accommodation and cruise options based on their preferred destination and travel dates. The underlying databases are “white label” products sold using the “Kogan” brand through agreements with Booking.com and Cruise Republic, respectively. For both of these businesses, Kogan.com recognises revenue through generating commissions on the total value of the booking.

While Kogan Travel has enjoyed strong growth to date, the business remains in its infancy. Kogan Travel generated \$2.2 million Gross Sales in 1H FY2016, and is expected to generate \$4.3 million and \$5.4 million Gross Sales in FY2016 and FY2017, respectively. As at 29 February 2016, Kogan.com had sold approximately 4,000 travel packages, cruises and hotel bookings since launch.

3.3.2.2 Kogan Mobile

Kogan Mobile, launched in October 2015, is an online-only MVNO offering low-cost, prepaid mobile plans in partnership with Vodafone. On 29 April 2016, Kogan Mobile announced that all current and future customers with a 4G-capable handset would be provided with 4G network connectivity by June 2016, where available.

Under its agreement with Vodafone, Kogan.com provides branding and marketing services for competitively-priced plans on the Vodafone network. Kogan.com achieves this through leveraging traffic to its kogan.com/au channel as well as marketing to its database of Kogan Community members, including purchasers of its mobile phone handsets, each of whom is offered a Kogan Mobile SIM card with their purchase. In turn, Vodafone is responsible for providing all aspects of service delivery, including the use of its mobile network and customer service. Kogan.com generates revenue through earning a commission on all customer expenditure, such as recharges of prepaid plans. The initial agreement with Vodafone commenced in April 2015 and runs for four years, with rolling annual extensions thereafter. Refer to Section 9.7 for further information.

Kogan Mobile’s plans, which operate under a “bring your own device” concept, are sold and recharged online through www.koganmobile.com.au or through the Kogan Mobile Android and iOS Apps. At the Prospectus Date, available plans included:

- **UNLIMITED standard national talk and text:** month-to-month plans across three price points with unlimited national voice allowances, unlimited SMS/MMS and data inclusions from 1.0GB to 5.0GB;
- **Data:** a 2GB data bolt-on which subscribers purchase on a 30-day basis. Packages can be used standalone or in combination with the UNLIMITED plan; and
- **International:** voice bolt-on which subscribers purchase on a 30-day basis. International direct dialling can be used in combination with the UNLIMITED plan.

In addition, Kogan.com sells Kogan Mobile SIM cards through its Kogan.com website. These SIM cards are then loaded with a Kogan Mobile prepaid plan on www.koganmobile.com.au, or through the Kogan Mobile Android and iOS Apps.

Kogan Mobile generated \$0.1 million Gross Sales in 1H FY2016, and is expected to generate \$0.4 million and \$1.4 million Gross Sales in FY2016 and FY2017, respectively. As Kogan Mobile generates Gross Sales on a commission basis, and no Refunds are recognised in relation to Kogan Mobile products, 100% of Gross Sales translates into Gross Profit.

In March 2016, prior to announcing that all customers would be transitioned to 4G, Kogan Mobile plan activations exceeded 1,600 per week. Kogan.com expects that 4G network connectivity will drive continued acceleration in plan activations, and by extension, further growth for Kogan Mobile.

Kogan Mobile won Money Magazine’s “Best of the Best” award in the *Best-Value Mobile Plan – High Usage* category for 2016. Table 3.4 outlines pricing for Kogan Mobile’s prepaid plans.

Table 3.4 Kogan Mobile prepaid plans⁽¹⁾

SELECT 'BYO' PLAN	COST/30 DAYS ⁽²⁾	DATA (GB)/ 30 DAYS	VOICE AND SMS/MMS (STANDARD NAT.)
1 XL - 30 days	\$16.95	1.0	Unlimited voice and SMS/MMS
3 XL - 30 days	\$29.95	3.0	Unlimited voice and SMS/MMS
5 XL - 30 days	\$36.95	5.0	Unlimited voice and SMS/MMS
1 XL - 90 days	\$46.95	1.0	Unlimited voice and SMS/MMS
3 XL - 90 days	\$79.95	3.0	Unlimited voice and SMS/MMS
5 XL - 90 days	\$99.95	5.0	Unlimited voice and SMS/MMS
1 XL - 365 days	\$179.95	1.0	Unlimited voice and SMS/MMS
3 XL - 365 days	\$299.95	3.0	Unlimited voice and SMS/MMS
5 XL - 365 days	\$369.95	5.0	Unlimited voice and SMS/MMS

Notes:

1. Data as at 12 April 2016
2. Full price of plans shown. Kogan.com's policy is to offer promotions from time to time. As Kogan Mobile's revenue is earned on a commission basis, and 100% of revenue translates into Gross Profit, Kogan.com's promotional strategy has no impact on Gross Margin

Previous Kogan Mobile business

From 2012 to 2013, Kogan.com operated a different business, also named Kogan Mobile. The previous business achieved a great deal of success in a short time, growing to over 118,000 active prepaid services by August 2013, its ninth month of operation.

In its previous form, Kogan Mobile contracted with ispONE, which was Telstra's sole distributor of prepaid 3G mobile services at the time, to form a MVNO using Telstra's mobile network. Telstra took steps to terminate its contract with ispONE, and ispONE subsequently entered voluntary administration, leading to ispONE's administrators terminating the agreement under which ispONE had agreed to distribute mobile services to Kogan Mobile. Although it was not itself a party to the dispute between ispONE and Telstra, as a result of ispONE's administration, Kogan Mobile was unable to continue offering its services to customers. Kogan Mobile customers who had remaining prepaid credit at the time their services were terminated by Telstra had their entire remaining balance refunded to them by Kogan Mobile.

Kogan Mobile was extremely popular with Australian customers. However, in light of this experience, Kogan.com waited to relaunch a prepaid mobile business until a suitable partnership could be established directly with a MNO, namely, Vodafone. The contract between Kogan.com and Vodafone is a direct strategic relationship, without any middle men. Further, under the current model, Vodafone is responsible for providing all aspects of service delivery, including the use of its mobile network and customer service.

3.3.3 Other Revenue Streams

In addition to sales through its Core Website Channels, Kogan.com also uses eBay as well as New Zealand and United States transactional websites, kogan.com/nz, kogan.com/us and dicksmith.co.nz, to sell selected Private Label Products and Third Party Branded Products. Products are available at similar price points to those sold on kogan.com/au and dicksmith.com.au.

From time to time, Kogan.com sells products to wholesale customers. Sales through this channel are largely generated through in-bound enquiries, and are typically made to businesses seeking to purchase Kogan.com's products either for resale, or for use in their own businesses.

Kogan.com generates marketing revenue e.g. through including a third party's promotional materials in packages sent to customers, banner advertising on Kogan.com's websites, and emails sent to Kogan.com subscribers.

Kogan.com also earns delivery and warranty revenue on products sold through its Core Website Channels.

3.4 COMPETITIVE POSITIONING

The majority of Kogan.com's revenues and earnings are generated through the sale of goods in the Australian Online Retail Market. Within this market, Kogan.com is the most-visited Australian Pure Play Online Retail Website, with a higher Australian traffic ranking than any of its domestic Pure Play Online Retail competitors. Table 3.5 demonstrates both its absolute traffic ranking among Australian websites, and its relative traffic ranking among Australian Pure Play Online Retailers.

Table 3.5: Relative and absolute traffic rankings of the top 10 Australian Pure Play Online Retail Websites^{(1) (2)}

RELATIVE RANK ⁽¹⁾	WEBSITE	ABSOLUTE RANK ⁽²⁾
1	kogan.com	187
2	graysonline.com	188
3	theiconic.com.au	193
4	theshome.com.au	206
5	ozsale.com.au	209
6	catchoftheday.com.au	266
7	booktopia.com.au	363
8	scoopon.com.au	490
9	surfstitch.com	525
10	appliancesonline.com.au	551

Source: © 2016, Alexa Internet (accessed at www.alexacom on 31 March 2016)

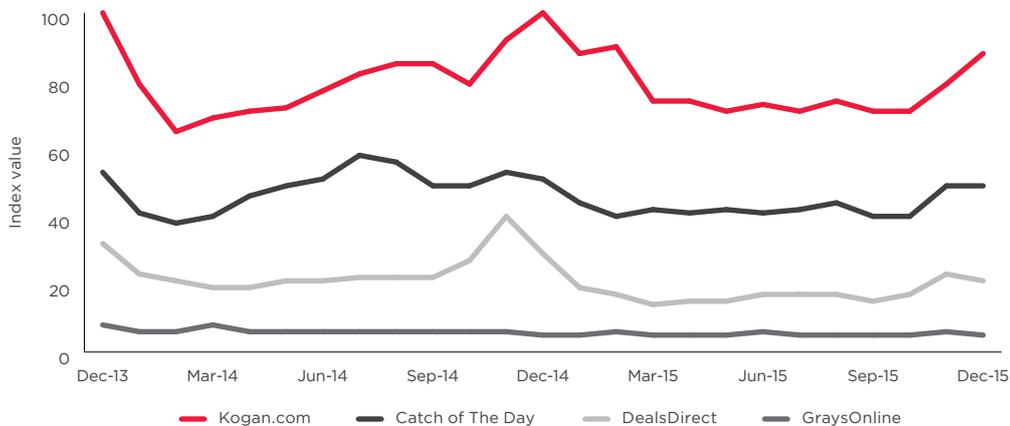
Notes:

1. Relative traffic ranking compared to other Australian Pure Play Online Retail Websites featured above
2. Absolute traffic ranking by level of Australian traffic generated, compared to other Australian websites featured in Alexa Internet's database

Strength of “Kogan” brand a source of competitive advantage

Kogan.com competes with all of the other above websites, both within specific product categories, and for share of online traffic and spending. However, Kogan.com considers that its key competitors are those which, like Kogan.com, offer consumers a multi-category or General Merchandise retail destination. In relation to these competitors, Kogan.com has generated the highest number of Google search queries since November 2012. Given the “active” brand engagement required to spur consumers to initiate a Google search, Kogan.com believes this achievement is a highly positive reflection of the strength of the “Kogan” brand, and its front-of-mind-status with Australian consumers. This is illustrated in Figure 3.9.

Figure 3.9: Google search queries for selected Australian Pure Play Online Retail Websites⁽¹⁾⁽²⁾



Source: Google Trends (accessed 11 March 2016)

Note:

1. Google Trends data is indexed to 100, with the highest data point in the set being 100, and all other data points expressed relative to that value
2. Google Trends has not provided its consent for the inclusion of Figure 3.9 or any other statement attributed to it, or other statement which refers to Google

3.5 CUSTOMER ACQUISITION AND RETENTION

3.5.1 The Kogan Community

Kogan.com’s website visitors, App users, database members, Active Subscribers, Facebook fans and Twitter followers together form the Kogan Community. Increasing its size (“**Customer Acquisition**”) and encouraging active engagement, including repeat purchasing (“**Customer Retention**”), are key components of Kogan.com’s growth strategy. Finding new ways to leverage this asset, through offering new products and services to existing Kogan.com customers, has been and will continue to be one of the drivers of new business initiatives which may be launched in future.

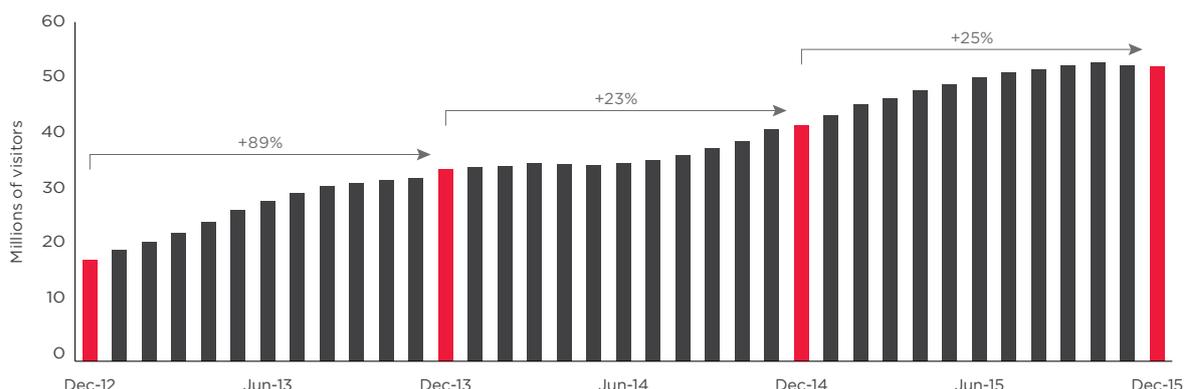
As at 31 December 2015, excluding incremental Active Subscribers, Facebook fans or Twitter followers added through acquisition of the Dick Smith Assets, the Kogan Community comprised approximately 2.3 million Active Subscribers, 631,350 Facebook fans and 30,450 Twitter followers. Of these, approximately 621,300 were Active Customers as at 31 December 2015, having purchased either a product from the Core Website Channels or a travel package in the preceding year. In the last 12 months to 31 December 2015, Kogan.com generated approximately 52 million visits to kogan.com/au and its Android and iOS Apps, representing 25% growth from the 12 months to 31 December 2014.

Figures 3.10, 3.11 and 3.12 illustrate growth in website visitors, Active Subscribers and Active Customers over time.

03. Company Overview continued

In April 2016, Kogan.com acquired approximately 1.5 million new database members, including approximately 1.3 million members who were not already Active Subscribers to Kogan.com, as part of its acquisition of the Dick Smith Assets. Kogan.com intends for these members to continue to receive Dick Smith branded email direct marketing (“EDM”) directing them to dicksmith.com.au and dicksmith.co.nz, which will be run as additional channels to market. All of these subscribers elected not to opt out when contacted by the previous owners of Dick Smith and advised that the Dick Smith Assets had been acquired by Kogan.com. Acquisition of the Dick Smith Assets is discussed in greater detail in Section 3.8.

Figure 3.10: Website visitors (rolling last 12 months total)⁽¹⁾



Note:

1. Visitors to kogan.com/au and its Android and iOS Apps only. Does not include visitors to kogan.com/nz, dicksmith.com.au, dicksmith.co.nz, koganmobile.com.au, hotels.kogan.com or cruises.kogan.com

Figure 3.11: Active Subscribers

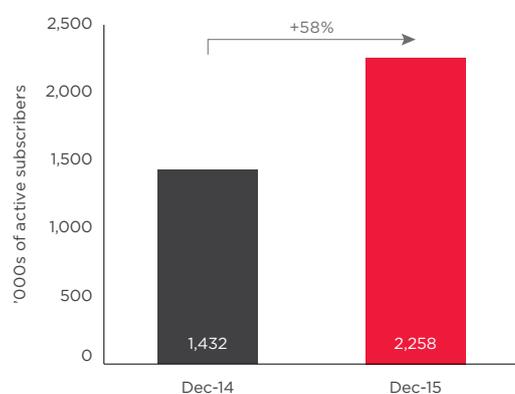
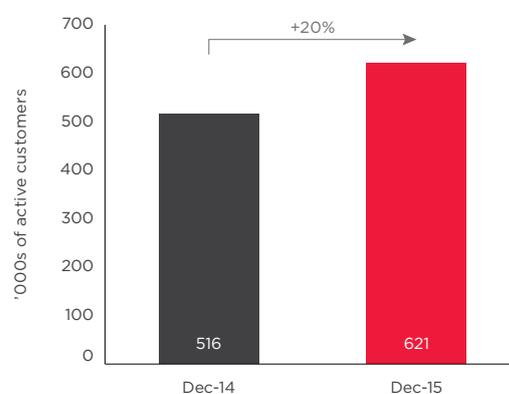


Figure 3.12: Active Customers⁽¹⁾



Note:

1. Active Customers of Kogan.com and its Android and iOS Apps only. Does not include customers of kogan.com/nz, dicksmith.com.au, dicksmith.co.nz, koganmobile.com.au, hotels.kogan.com or cruises.kogan.com

3.5.2 Marketing and traffic generation

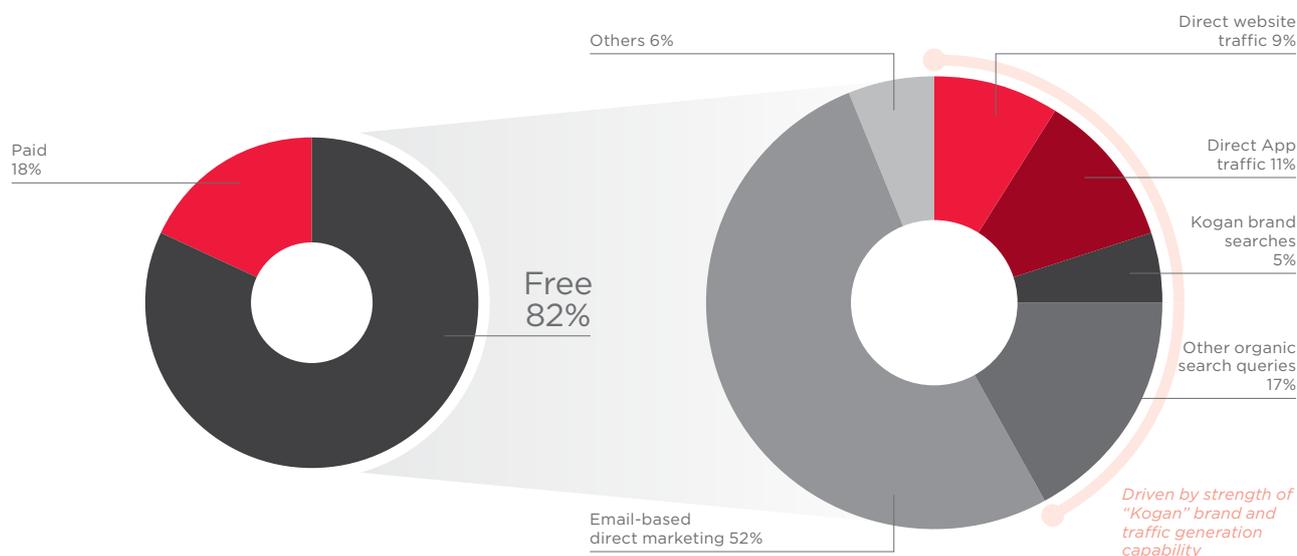
Kogan.com uses a combination of free and paid online marketing strategies to attract new customers and retain existing customers, as outlined in Table 3.6. Due to the strength of the “Kogan” brand and Kogan.com’s disciplined marketing expenditure, the vast majority of this traffic is generated through free sources, as shown in Figure 3.13. Kogan.com believes that this is a sustainable source of competitive advantage, as new entrants to the Australian Online Retail Market must typically pay, in the form of marketing expenditure, to generate all website traffic.

Table 3.6: Sources of website traffic⁽¹⁾

	SOURCE	DESCRIPTION
FREE TRAFFIC GENERATION	EDM	Kogan.com email subscribers receive daily emails containing featured products, promotions and news about new product launches
	Other organic search queries	Due to the high volumes of traffic generated by Kogan.com, the kogan.com/au website is returned as a highly-ranked search result for many other relevant search queries
	Direct App traffic	Kogan.com's Apps for Android and iOS had been downloaded 154,400 and 94,400 times, respectively as at 29 February 2016, providing an important source of traffic
	Direct website traffic	Due to high brand awareness among Australian consumers, a significant proportion of Kogan.com website traffic is generated through visitors typing "Kogan.com" directly into their web browser
	"Kogan" brand search queries	A significant proportion of Kogan.com's website traffic is generated through consumers typing the term "Kogan" into a search engine
	Others, including social media marketing	Kogan.com uses social media channels such as Facebook and Twitter for direct response and brand awareness campaigns
PAID TRAFFIC GENERATION	Search engine marketing	Kogan.com pays search engines such as Google and YAHOO! to increase the visibility of its websites on results pages
	Display advertising	Kogan.com uses display advertising, typically targeting previous visitors and/or Kogan Community members
	Price comparison marketing	From time to time, Kogan.com pays price comparison websites such as myshopping.com.au and shopbot.com.au to feature Kogan.com's products, illustrating its price leadership

Note:

- Does not include traffic generation strategies employed by the previous owners of dicksmith.com.au

Figure 3.13: Paid vs. unpaid traffic generation (12 months to 31 December 2015)⁽¹⁾**Note:**

1. Does not include traffic to the Dick Smith Assets, or traffic generation strategies employed by the previous owners thereof

3.5.2.1 Cost of Customer Acquisition

Kogan.com adopts a disciplined approach to acquiring new customers, and seeks to optimise the allocation of its marketing budget. For example, while paid marketing channels have historically been important in acquiring new customers, Kogan.com focuses on free marketing channels such as EDM to encourage repeat purchasing.

In FY2015, the cost of acquisition for a new customer, defined as total marketing spend divided by gross new Active Customers, was approximately \$14. This compares with an indicative Gross Profit per Active Customer in FY2015 of approximately \$44.

3.5.3 User experience and conversion**Interfaces ease of use**

Kogan.com's website interfaces are designed to be easy to navigate, searchable, fast to load and personalised, through targeted display advertising.

To optimise ease of use, Kogan.com runs a single, device-responsive desktop, tablet PC and mobile-browser optimised format for both Kogan.com and dickmith.com.au. In addition, Kogan.com offers Apps for Android and iOS. Together, these interfaces provide a high-quality, device-agnostic user experience.

Conversion

Kogan.com believes the most important driver of customer conversion is its ability to deliver price leadership, and the quality of the user's experience in navigating its websites and Apps.

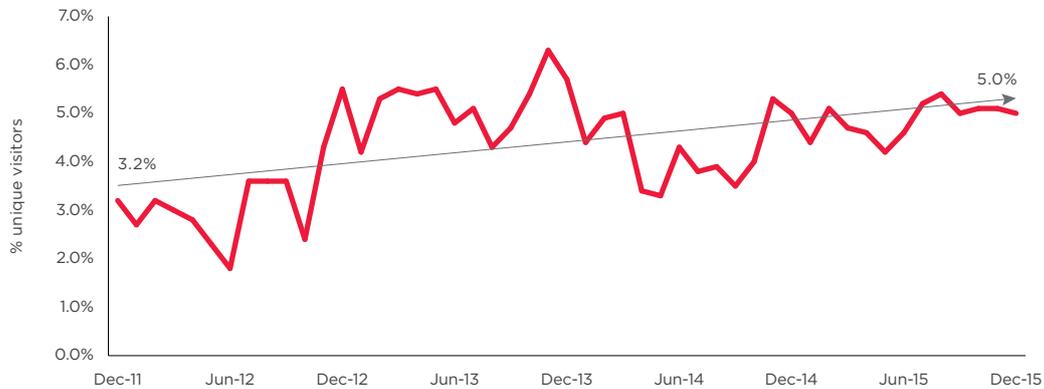
In addition to these core drivers, Kogan.com uses a number of specific strategies to maximise conversion, including the following:

- While on Kogan.com's websites, visitors receive ongoing notifications about purchases made by other customers. This is intended to create a feeling of community among shoppers while reducing psychological barriers to purchase via a "social proof";
- Emails are directed at Kogan Community members who have recently abandoned a cart, or otherwise viewed products without making a purchase;
- Kogan.com's websites are designed to minimise the number of steps required to check out and make a purchase; and
- Targeted promotions, including offers of free shipping, are used from time to time.

03. Company Overview continued

“**Conversion Rate**” is defined as the number of transactions on kogan.com/au and its associated Apps, divided by unique visitors to those platforms. Kogan.com’s initiatives have been successful in enhancing average Conversion Rates, outlined in Figure 3.14.

Figure 3.14: Core Website Channels Conversion Rate^{(1) (2)}



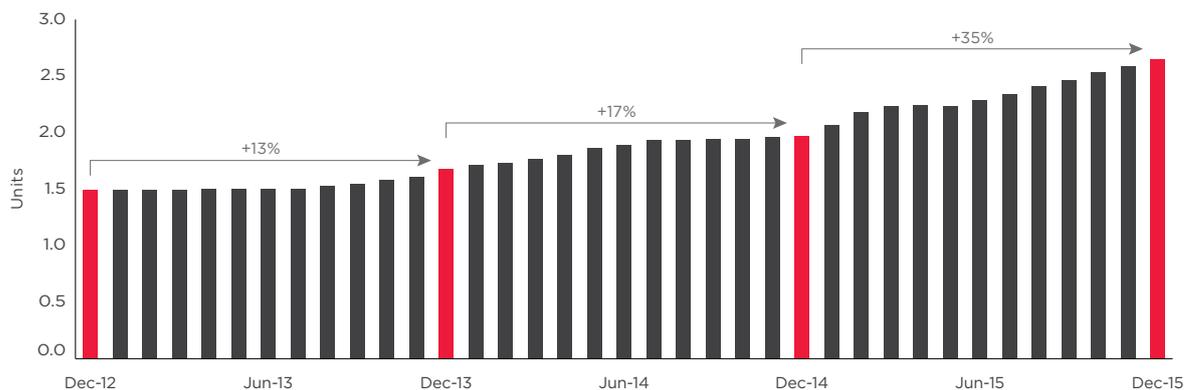
Notes:

1. Conversion Rate shown includes transactions and unique visitors relating to Apps from July 2015
2. Excludes Conversion Rate achieved by the Dick Smith Assets under previous ownership

Bundling

Since launching Third Party Branded Products in 2011, a key profit driver for Kogan.com has been its ability to channel website traffic generated by these products to drive purchases of its higher-margin Private Label Products. An important component of this strategy includes encouraging customers to bundle multiple products into a single order, often through encouraging customers to add a complementary, lower-value but higher margin Private Label Product to a Third Party Branded Product order. Kogan.com’s range of Private Label Consumer Electronics accessories is an example of a product range which is designed to fulfil this purpose. Kogan.com believes that the success of this strategy is reflected in the average number of products per transaction, which has increased over time, as outlined in Figure 3.15.

Figure 3.15: Number of products purchased per transaction (rolling last 12 months average)⁽¹⁾



Note:

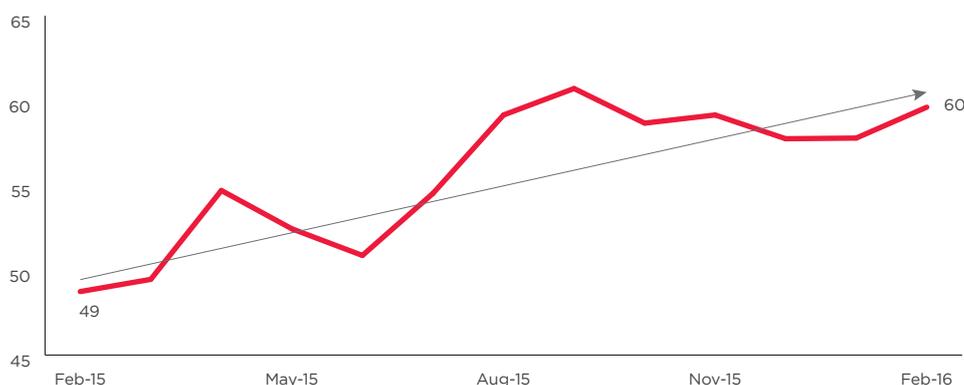
1. Calculated as the number of products purchased in a 12-month period, divided by the total number of transactions in that period

3.5.4 Customer Retention

Kogan.com believes the most important drivers of Customer Retention are its ability to deliver price leadership and the quality of its service delivery. These drivers are enabled through Kogan.com's low-cost Private Label Product and Third Party Branded Product sourcing models, discussed in Section 3.3.1, and its technological infrastructure, discussed in Section 3.6. Kogan.com believes that its success in fulfilling these drivers is reflected in its strong and improving net promoter score ("**NPS**" or "**Net Promoter Score**"), outlined in Figure 3.16. In particular, the increased automation and enhanced service delivery enabled by SAP have been key drivers of increased NPS since the SAP Implementation commenced, despite a reduction in the number of customer service personnel.

NPS is calculated based on answers to the question, "How likely is it that you would recommend Kogan.com to a friend or colleague?" Kogan.com measures its NPS as the percentage of customers who are "promoters", rating its products and services 9 or 10 out of a possible 10, less the percentage who are "detractors", rating its products and services 0 to 6 out of a possible 10. The maximum possible NPS is 100, and represents 100% of respondents selecting 9 or 10 out of 10, while the minimum possible NPS is -100, and represents 100% of respondents selecting 0 to 6 out of 10.

Figure 3.16: Net Promoter Score



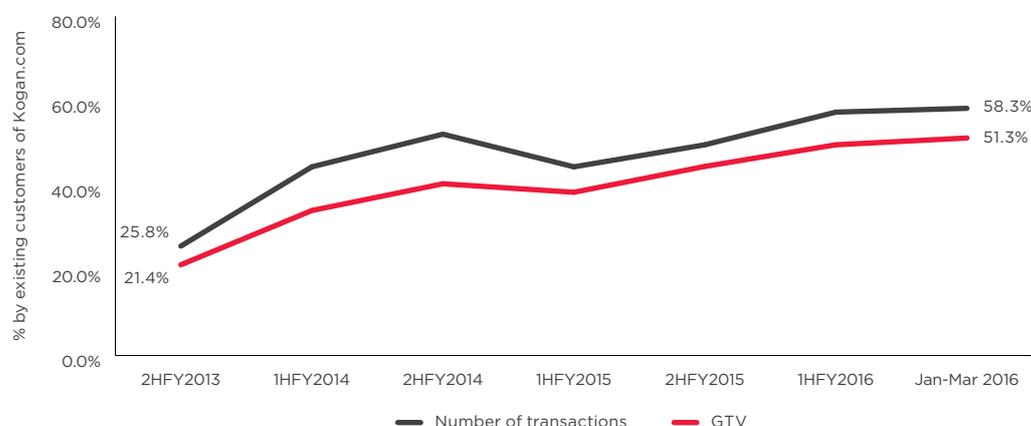
Repeat purchasing

In addition to the key drivers outlined above – namely, price leadership and the quality of service delivery – Kogan.com has a number of specific initiatives in place which actively seek to encourage repeat purchasing activity. Expanding Kogan.com's product range beyond Consumer Electronics to offer a broader range of products and services has been a key enabler of repeat purchasing over time, as Kogan Community members can fulfil a greater proportion of their shopping needs with Kogan.com, and have an increasing number of reasons to visit Kogan.com's websites and Apps. In addition, Kogan.com has put a number of specific initiatives in place, including the following:

- Kogan.com's analytics technology enables it to personalise the EDM sent to Kogan Community members based on prior purchasing habits and frequently-visited pages or product categories;
- Kogan.com makes disciplined use of remarketing display advertising on external websites, targeting previous visitors; and
- Kogan.com partnered with the Qantas Frequent Flyer program in April 2015 to reward its customers with Qantas Points, based on the amount spent on Kogan.com's websites and Apps. Qantas Points can be redeemed for flights, upgrades and other products and services.

The success of Kogan.com's Customer Retention strategy is illustrated by the strong increase in repeat purchasing behaviour by previous customers of Kogan.com ("**Existing Customers**"). As shown in Figure 3.17, both the proportion of transactions and the proportion of GTV generated by Existing Customers has more than doubled since 2H FY2013.

Figure 3.17: Repeat purchasing behaviour by Existing Customers



3.6 TECHNOLOGY

3.6.1 Proprietary technologies

Kogan.com’s strategy is to deliver price leadership through technology-driven efficiency. As a result, the business’ success is underpinned by internally-developed, proprietary or patented systems. A number of these are outlined in Table 3.7. Kogan.com believes that these systems would be extremely difficult to replicate for both new entrants and existing industry participants, and are hence a source of sustainable competitive advantage. Kogan.com believes the scalability of these platforms will be a key driver of operating leverage in the future.

Table 3.7: Proprietary technologies developed by Kogan.com

TECHNOLOGY	DESCRIPTION	PROPRIETARY/PATENTED?
Kogan.com websites and Apps	<p>Kogan.com’s websites and Apps are device-agnostic interfaces developed and refined over a long time, reflecting substantial investment.</p> <p>Kogan.com’s websites are designed to automatically scale up and down based on the number of users on the site, allowing it to handle more traffic, including traffic spikes, without additional ongoing expense. Architecturally, Kogan.com’s website structure consists of a number of independent services which can be scaled out individually, enabling targeted and independent infrastructure growth. Each service is monitored at the host level as well as the application code level via application performance monitoring tools.</p> <p>The websites leverage Akamai’s content delivery network to accelerate and deliver content to end users via a distributed network comprising of tens of thousands of edge-nodes. This significantly boosts page download speeds to end users and reduces page load time – resulting in increased customer engagement and Conversion Rates.</p> <p>New features and updates are pushed frequently to the Kogan.com websites by the development team, passing through research and analysis, development, testing and user acceptance workflows. Code is then processed through automated continuous integration testing – with multiple test runs executed in parallel, using production-simulated Docker environments. Software is deployed frequently to production servers via automated tooling.</p>	Proprietary

03. Company Overview continued

TECHNOLOGY	DESCRIPTION	PROPRIETARY/ PATENTED?
Kogan.com websites and Apps <i>continued</i>	Each development, staging and production environment is secured in a Virtual Private Cloud, and only authorised users with Secure Shell keys have access to each environment via a tightly firewalled enclave.	Proprietary
Allocate	<p>Allocate is a bidding platform which allows Third Party Branded Product suppliers to compete against each other to win Kogan.com's orders. Allocate is discussed in greater detail in Section 3.3.1.2.</p> <p>Allocate communicates and synchronises with the Kogan.com websites and SAP – providing an operational connection between customer orders, supplier fulfilment and the customer receiving their purchases. It is hosted “in the cloud”, on Heroku, a Salesforce company.</p>	Proprietary
Consumer fraud prevention	In addition to customary fraud prevention methods, Kogan.com uses internally-developed consumer fraud prevention technology which provides additional security against credit card fraud on higher-value items.	Patented
KSUB subscriber management system	KSUB is a subscriber preference centre and EDM platform manager.	Proprietary
Algorithmic prediction engine	Kogan.com has developed software which enables fully-automated, personalised product recommendations on its websites, and in EDM. Given Kogan.com's extensive range of approximately 28,000 SKUs, a key component of its merchandising strategy is to put “the right product in front of the right person at the right time”. The algorithmic prediction engine's personalised product recommendations improve the Conversion Rate through making customer choice easier.	Proprietary
KESPA marketing system	KESPA is marketing software which offers participants in competitions, incentives to refer the competition to friends, maximising reach and enabling “viral” marketing.	Patented
LivePrice	<p>LivePrice is a system which facilitates pricing of “Presales” customer purchases i.e. purchases made while items are still being manufactured.</p> <p>The price of the product gradually increases at a rate that depends on a number of key factors until the product is sold out, the expected despatch date is reached, or the ordinary selling price is reached.</p> <p>LivePrice incentivises consumers to purchase a product with a longer lead time than typically experienced, boosting cash flow to Kogan.com.</p>	Proprietary

3.6.2 SAP Enterprise Resource Planning system

Kogan.com undertook preparations for the implementation of a SAP Enterprise Resource Planning system in late 1H FY2015, to ready the business for its next phase of growth.

In February 2015, Kogan.com commenced SAP Implementation, a phase in which SAP was being used but was not yet functioning without error. This lasted until and including August 2015 (“**SAP Implementation Period**”). In the lead up to and throughout the SAP Implementation Period, Kogan.com experienced significant business disruption. The impact of this disruption is discussed in detail in Section 4.7.1.1. SAP was fully operational and performing as expected by September 2015.

Migrating Kogan.com’s business onto SAP has significantly enhanced financial reporting, data analytics, inventory management and business planning capabilities. SAP is maintained and extended by internal IT and operational developments teams using Microsoft SQL Server and C# .NET technologies.

Among other benefits, SAP has enabled fully-automated despatch of in-stock products. SAP sends despatch reports around the clock to over 20 warehouses or suppliers, and keeps track of every touch point on every order line. Orders are monitored with alerts, dashboards and reports, and require minimal oversight by Kogan.com personnel. This capability is discussed in greater detail in Section 3.3.1. Kogan.com believes that the level of automation enabled by SAP positions Kogan.com to deliver significant operating leverage in the future.

3.6.3 Other IT systems and infrastructure

System architecture

Kogan’s IT systems and infrastructure broadly fall into two categories: web-based systems for sales and marketing, and fulfilment systems for fulfilment and customer service. As outlined in Sections 3.6.1 and 3.6.2, Kogan uses proprietary software systems for its websites and sales channels, and SAP for all post purchase fulfilment. Both systems synchronise data with each other and are cloud-hosted with high availability and redundancy. Kogan.com uses the latest Agile software development methodologies to develop and maintain its software.

Hosting

The Kogan.com websites and SAP are primarily hosted using Amazon Web Services data centres in Sydney. The environment is specified through ‘infrastructure as code’ using AWS CloudFormation configuration management, and modifications to the infrastructure are run through automated quality assurance testing before being promoted to production environments.

Internal processes

Kogan.com uses cloud-based Software as a Service systems to support internal workflows and productivity, providing secure, backed-up data which is available to any staff member, from any location with an internet connection. This includes but is not limited to using Google Apps for staff productivity, Oracle software for email channel management, Zendesk for customer relationship management, Google Analytics for key performance indicator tracking and Google Drive and Dropbox as document repositories.

Backup and redundancy

Kogan.com is committed to ensuring a seamless user experience, and has strategies in place to minimise site disruption, including maintaining redundant data storage capacity.

SAP is duplicated across two AWS data centres in real time, and is backed up to an offsite Microsoft Azure storage account every 15 minutes.

The Kogan.com website database has five-minute point-in-time recovery, which allows for rollbacks in five-minute increments going back 10 days. Additionally, daily snapshots are taken and backed up across multiple data centres. The production database is replicated across availability regions with automatic failover to provide reliability and maintain availability.

Backups of the databases and server logs are securely transmitted to external locations and stored across multiple data centres, including Microsoft Azure storage.

3.7 EMPLOYEES AND CULTURE

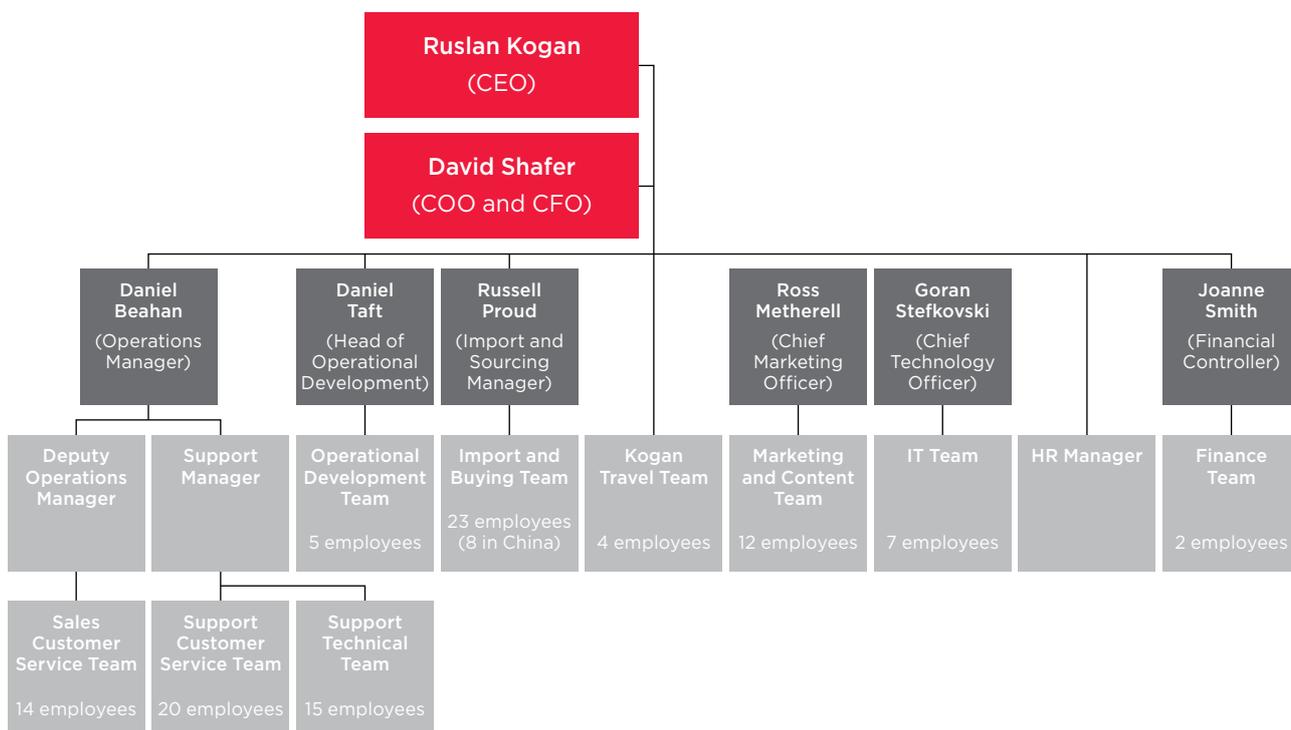
Kogan.com has 113 employees, of which 105 are based in South Melbourne, Australia, and eight in Shenzhen, China. In addition, a number of functions are outsourced, such as Kogan.com’s call centre and warehousing operations, the providers of which retain staff who are not directly employed by Kogan.com. Kogan.com’s websites and proprietary systems are developed and maintained internally.

Kogan.com has strived to build a high-performance culture which supports its role as industry innovator through fostering innovation. The internal philosophy of the business is that “there is always a better way”, a phrase which is printed and displayed throughout the business’ offices. Staff are encouraged to “challenge management, and swim upstream”. Kogan.com believes that this culture has been central to its ability to evolve over the past 10 years, growing from an Online Private Label TV retailer to Australia’s largest Pure Play Online Retail Website. Kogan.com believes that this strong culture and track record of success and innovation make it an employer of choice within the Australian Online Retail Industry.

Ruslan Kogan will remain CEO, an Executive Director and major Shareholder of Kogan.com, and long-term business partner David Shafer will be CFO, COO, an Executive Director and Shareholder. Both have been fundamental in the evolution and success of the business to date. They remain committed to the business, and will oversee its next phase of growth as an ASX-listed company. In this, they are supported by six other Key Management Personnel with deep technological, operational, retailing and marketing experience, among whom there has been zero turnover in the past four years. Interests of the team are aligned with those of Shareholders through an employee incentive plan outlined in Section 6.3.3.

The team is discussed in greater detail in Section 6.2.

Figure 3.18: Organisational structure



3.8 ACQUISITION OF THE DICK SMITH ASSETS

3.8.1 Background

On 1 April 2016, Kogan.com completed the acquisition of a number of assets of Dick Smith Holdings Limited for total consideration of \$2.6 million. The Dick Smith Assets include:

- The Dick Smith brand name and associated goodwill;
- The Dick Smith trademarks;
- The dicksmith.com.au and dicksmith.co.nz transactional domains; and
- Dick Smith's member base of approximately 1.5 million email subscribers, of which approximately 1.3 million were not previously Kogan.com Active Subscribers.

Kogan.com did not acquire any inventory from Dick Smith, nor any liabilities which may have been associated with the above assets under previous ownership.

Dick Smith subscribers were contacted by the previous owners of Dick Smith, advising them that the Dick Smith Assets had been acquired by Kogan.com. For a period of time ("**Opt-out Period**"), all Dick Smith subscribers were offered the ability to opt out of receiving marketing communications from Kogan.com. The Opt-out Period finished on 31 March 2016. Membership numbers quoted above exclude all previous members who opted out.

Kogan.com assumed operational control of the Dick Smith Assets on 4 May 2016.

3.8.2 Strategy for the Dick Smith Assets

The acquisition significantly increases the size of the Kogan Community, adding approximately 1.3 million unique Active Subscribers to Kogan.com's existing Active Subscriber database, which comprised approximately 2.3 million on 31 December 2015, prior to the acquisition.

Kogan.com's intended strategy is to operate dicksmith.com.au and dicksmith.co.nz as separate channels to market to Kogan.com, retaining the Dick Smith branding, but leveraging common underlying technological infrastructure, a shared supply chain and a single inventory pool. Private Label and Third Party Branded Consumer Electronics products and appliances currently featured on kogan.com/au will also be featured on dicksmith.com.au, and some of these on dicksmith.co.nz, while products outside these categories will only be featured on kogan.com/au.

This strategy will allow management to leverage sourcing and other supply chain efficiencies across the business. These synergies, coupled with the added scale provided by the Dick Smith Assets and the minimal additional overheads which Kogan.com expects to incur, position Kogan.com to benefit from significant operating leverage.

Kogan.com may release products under the DSE private label brand in the future, including in the Prospectus Forecast Period.

3.8.3 No reliable basis upon which to estimate pro forma historical or forecast performance of the Dick Smith Assets

Kogan.com believes that significant financial benefits will arise from the integration of the Dick Smith Assets, in the form of increased revenue and earnings. However, given the Dick Smith Assets were not acquired as a going concern, Kogan.com has no reliable basis upon which to quantify the financial or operating performance of the Dick Smith Assets under Kogan.com's ownership. As such, beyond the exceptions outlined in Section 4.2.4, the Historical Financial Information and Forecast Financial Information have not been adjusted to take into account any revenue, operating earnings and cash flow impact which may result from the acquisition. Potential revenue which may be generated by the Dick Smith Assets is therefore a significant growth opportunity for Kogan.com within the Prospectus Forecast Period and beyond, which is expected to drive further operating leverage.

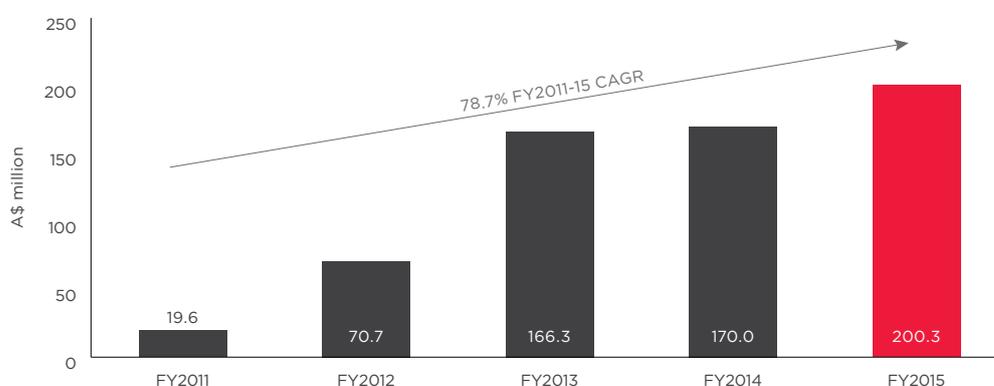
3.9 KOGAN.COM'S GROWTH STRATEGY

Kogan.com's vision is to be Australasia's premier Online Retail destination, with a comprehensive, price-leading offering featuring the most in-demand goods and services, supported by a sourcing model and supply chain which deliver products from the point of manufacture to the customer in the most efficient manner possible.

Kogan.com believes that it is part of a "Next Generation" of Online Retailers. Core to Kogan.com's vertically-integrated business model is its market-leading Private Label offering. Its technological capability, unique among Australasian retailers, is key to the success of its vision, delivering efficiencies across the value chain from product development, sourcing and procurement, to marketing, service delivery and customer engagement.

Management believes that the success of Kogan.com's unique business model in delivering this vision to date is evidenced by the business' exceptional track record of revenue growth, outlined in Figure 3.19.

Figure 3.19: Kogan.com's track record of revenue growth – last five years⁽¹⁾

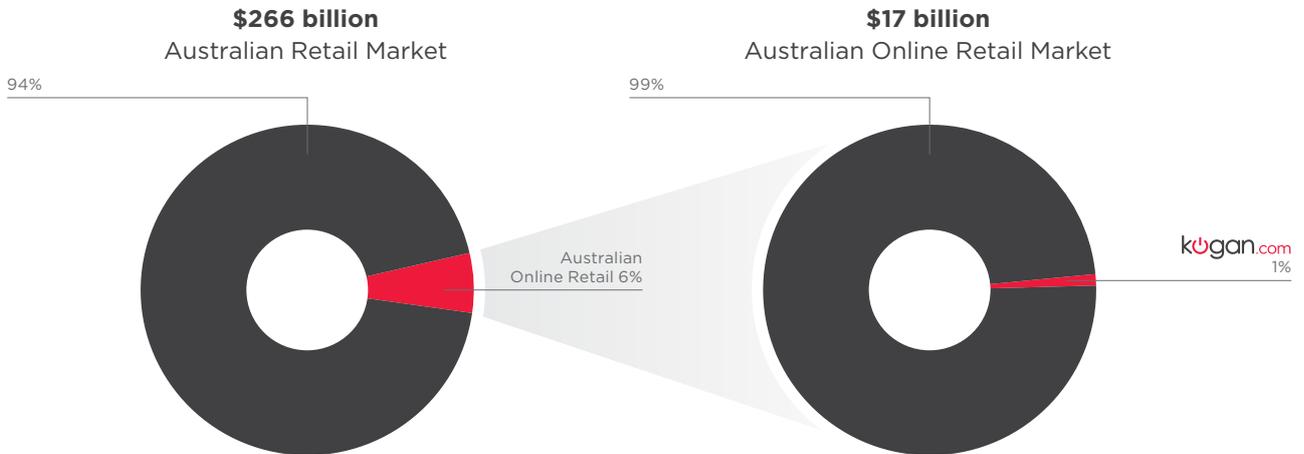


Note:

1. FY2011-FY2013 revenue has been taken from unaudited management accounts

Notwithstanding its position as Australia's leading Pure Play Online Retailer, Kogan.com represents only approximately 1% of the Australian Online Retail Market, as illustrated in Figure 3.20. Management believes there is significant opportunity for Kogan.com to further grow within Australia. As Kogan.com has broadened its range to include General Merchandise categories, it has substantially broadened its addressable market, which remains largely unpenetrated. In addition, Kogan.com continues to identify opportunities to monetise its core technological capabilities and assets, including the Kogan Community, through the launch of New Verticals – which to date include Kogan Travel and Kogan Mobile. In time, Kogan.com also expects that it will focus substantively on the New Zealand market, supporting its vision to be the leading Australasian Online Retailer.

Figure 3.20: Addressable market for Kogan.com in Australia⁽¹⁾



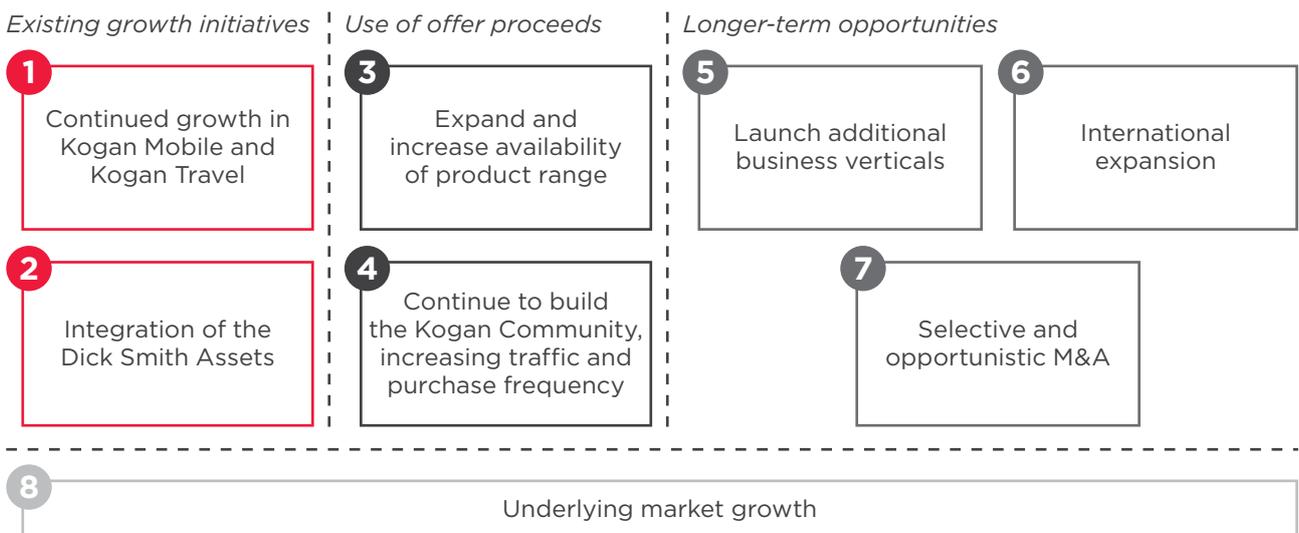
Note:

1. Euromonitor, *Euromonitor Passport Retailing 2016*. Retail sales value and internet retail sales value shown for 2015, excluding GST, in Current Terms

Kogan.com’s specific revenue growth initiatives, outlined below, are designed to support its vision through leveraging its core business strengths. Each growth initiative is underpinned by a focus on harnessing technology-driven efficiencies to deliver price leadership across products and services with established high consumer demand.

Management expects to deliver continued strong growth, beyond the Prospectus Forecast Period and in excess of the structural growth which continues to underpin the Australian Online Retail Market, through leveraging Kogan.com’s scalable technological infrastructure, compelling product offering, unique sourcing model and committed, entrepreneurial team. In addition, the scalability of its business model, in combination with the successful execution of the revenue growth strategies outlined below, positions the business to benefit from significant operating leverage.

Figure 3.21: Specific initiatives underpinning Kogan.com’s growth strategy



3.9.1 Continued growth in Kogan Travel and Kogan Mobile

- Kogan.com launched Kogan Travel in May 2015 and Kogan Mobile in October 2015.
- Both initiatives remain in their infancy, but have shown pleasing early results:
 - as at 29 February 2016, Kogan Travel had sold approximately 4,000 travel packages, cruises and hotel bookings since launch;
 - Kogan Mobile was awarded Money Magazine's "Best of the Best" award in the *Best-Value Mobile Plan - High Usage* category for 2016; and
 - in March 2016, prior to announcing that all customers would be transitioned to 4G, Kogan Mobile plan activations exceeded 1,600 per week. Kogan.com expects that 4G network connectivity will drive continued acceleration in plan activations, and by extension, further growth for Kogan Mobile.
- Kogan.com believes both initiatives have significant further growth potential, both through taking market share and through growing with the market:
 - as outlined in Section 2.4.1, IBISWorld estimates that the Australian Travel Bookings Industry generated \$6.4 billion revenue in the 12 months to 30 June 2015. Online penetration in the Australian Travel Bookings Industry was 10.2% in the 12 months to 30 June 2015, and is estimated to increase to 13.8% by 30 June 2019; and
 - as outlined in Section 2.4.2, IBISWorld estimates that the Australian Mobile Communications Industry will reach \$22 billion in annual revenue by 30 June 2016. TeleGeography estimates that MVNOs' share of subscribers reached 8.2% as at 31 December 2015, representing 2.6 million subscribers.

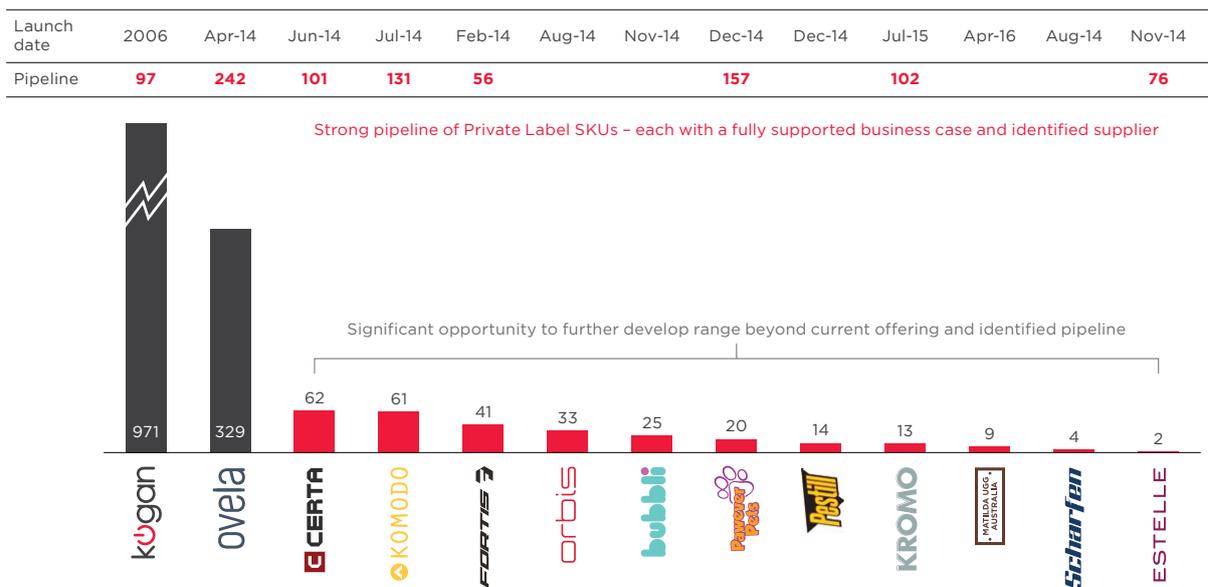
3.9.2 Integration of the Dick Smith Assets

- Kogan.com acquired the Dick Smith Assets on 1 April 2016, and assumed operational control on 4 May 2016, when dicksmith.com.au and dicksmith.com.nz were formally launched. Kogan.com believes that this launch date, which was a month ahead of the original schedule, is testament to the scalability of its technological infrastructure.
- In addition to Dick Smith's domain names, which include dicksmith.com.au and dicksmith.co.nz, the acquisition added approximately 1.3 million unique Active Subscribers to Kogan.com's existing database, which comprised approximately 2.3 million Active Subscribers on 31 December 2015, prior to the acquisition.
- Significant synergies are expected, including through:
 - selling Kogan.com Private Label, Third Party Branded International and Third Party Branded Domestic Products through dicksmith.com.au and dicksmith.co.nz;
 - marketing to Dick Smith's email database members, who represent a significant addition to the Kogan Community; and
 - extracting sourcing and operating efficiencies which are expected to arise as a result of operating two brands using common underlying technological infrastructure, a shared supply chain and a single inventory pool.
- Management is confident that no material incremental fixed operating expenditure, including people costs, will be required to support its operation of the Dick Smith Assets. Increased amortisation resulting from the acquisition has already been reflected in the Pro Forma Forecast Results. By contrast, while Kogan.com believes that significant financial benefits will arise from the integration of the Dick Smith Assets, in the form of increased revenue, operating earnings and cash flows, these benefits have not been reflected in the Forecast Financial Information. Potential revenue which may be generated by the Dick Smith Assets is therefore a significant growth opportunity for Kogan.com within the Prospectus Forecast Period and beyond, which is expected to drive further operating leverage.

3.9.3 Expand and increase availability of product range

- Kogan.com has been cash constrained in the last 12 months. The causes and effects of these cash constraints are outlined in greater detail in Sections 4.7 and 4.8.
- These cash constraints have restricted Kogan.com’s ability to invest in sufficient inventory of Private Label and Third Party Branded Domestic Products to meet demand for SKUs already listed on its websites, and Kogan.com has also been unable, in many cases, to launch new products where strong consumer demand has been identified.
- A portion of the Offer Proceeds will be used to fund increased inventory of existing, high-demand product lines, particularly in Private Label Products.
- There is also scope to increase the breadth of range available in many of Kogan.com’s existing Private Label brands, through the launch of additional products. Currently, as outlined in Figure 3.22, there is a pipeline of over 960 potential Private Label SKUs for which Kogan.com has completed the initial phases of product development, but has been unable to progress further due to cash constraints. For each of these products, a business case has been finalised in accordance with the demand and pricing analysis outlined in Section 3.3.1, and a supplier identified. A portion of the Offer Proceeds will be used to launch products in this pipeline, as well as other Private Label Products for which business cases may be established in the future.

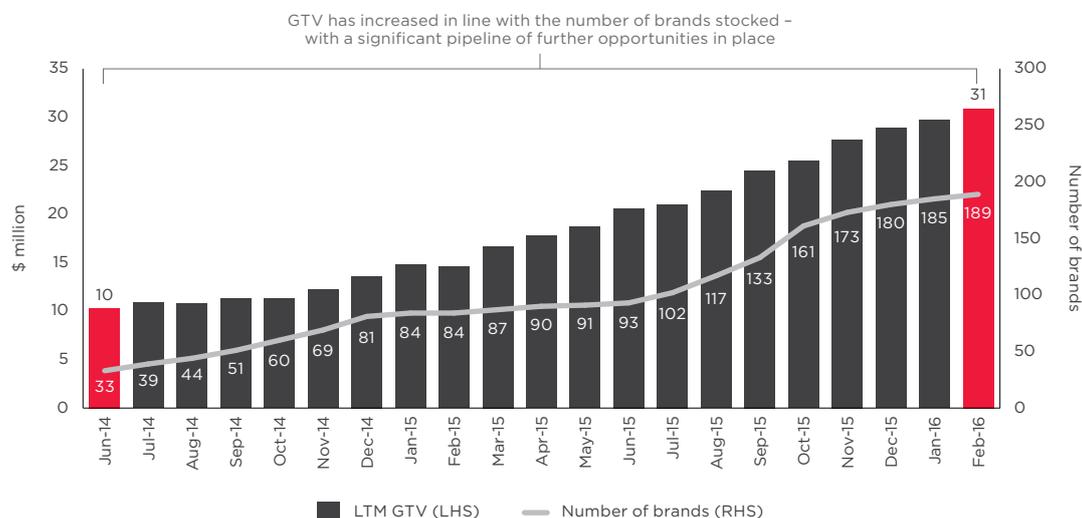
Figure 3.22: Overview of SKUs by Private Label brand⁽¹⁾



Note:

1. Number of SKUs as at 30 March 2016
- Finally, a portion of the Offer Proceeds will be used to fund increased inventory of selected Third Party Branded Domestic Products. Kogan.com launched this business in January 2014, with fewer than 20 domestically-sourced Australian and international brands. Since then, GTV for the segment has followed a strong growth trajectory in line with the number of brands featured, as shown in Figure 3.23. Given the historical correlation between the number of brands and GTV, in addition to a strong pipeline of brands identified through its demand analysis processes, Kogan.com is confident that deploying additional capital in this business segment presents a compelling investment opportunity.

Figure 3.23: LTM Third Party Branded Domestic GTV vs. the number of Third Party Branded Domestic brands stocked



3.9.4 Continue to build the Kogan Community, increasing traffic and purchase frequency

- Kogan.com has been successful in encouraging repeat purchasing behaviour by the Kogan Community. This is reflected in the proportion of GTV derived from previous customers, which has increased over time, as demonstrated in Figure 3.17.
- Kogan.com intends to use a portion of the Offer Proceeds to scale its intent-based digital marketing spend, in which marketing of a particular product or service is targeted at consumers who have demonstrated an intention to buy that product or service e.g. through typing it into a search engine. This expenditure will support repeat buying by existing members of the Kogan Community, in addition to taking advantage of Kogan's high return on Customer Acquisition cost and marketing expenditure:
 - as outlined in Figure 3.24, in FY2015, the cost of acquiring a new customer was approximately \$14. This compares with indicative Gross Profit per Active Customer of approximately \$44 in the same period; and
 - as outlined in Figure 3.25, Kogan.com's marketing spend has historically been low as a proportion of revenue in comparison with other Pure Play Online Retailers.
- In addition, Kogan.com will continue to make enhancements to its websites and Apps to improve user experience and increase conversion:
 - for example, in 2H FY2016, Kogan.com has launched a single, device-responsive desktop, tablet and mobile-optimised website format, replacing discrete desktop and mobile-browser optimised formats which were previously operated in parallel.

Figure 3.24: Kogan.com Year 1 indicative return on Customer Acquisition cost

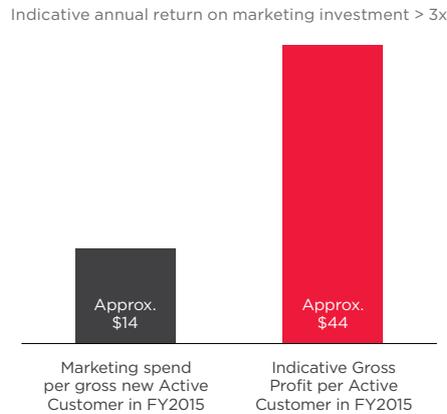
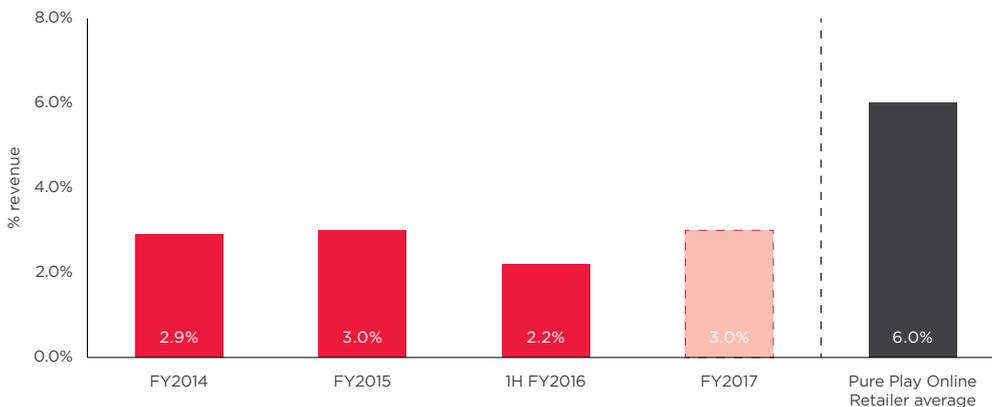


Figure 3.25: Kogan.com marketing costs vs. other Pure Play Online Retailer average⁽¹⁾



Source: The State of Online Retailing 2015, a National Retail Federation/Shop.org study conducted by Forrester Research

Note:

1. Based on a sample of US Pure Play Online Retailers

3.9.5 Launch additional business verticals

- Successful launches of Kogan Travel and Kogan Mobile have demonstrated Kogan.com’s ability to leverage its technological infrastructure, core capabilities and the Kogan Community to enter New Verticals adjacent to its core business.
- Management continues to proactively identify and review opportunities of this nature, and may launch additional business verticals, including in the Prospectus Forecast Period.
- Kogan.com’s experience in developing and launching the Kogan Travel and Kogan Mobile businesses has demonstrated that third parties are eager to partner with Kogan.com, due to the significant value which Kogan.com can offer – including a strong brand, a large and engaged customer base and low-cost, far-reaching distribution platform.
- Future initiatives will be consistent with Kogan.com’s strategy to focus on services with proven high consumer demand, where Kogan.com can lead on price.

3.9.6 International expansion

- While there is significant opportunity to grow further within the Australian market, in the future, Kogan.com expects to build its presence in other geographies, with the initial focus expected to be on building Kogan.com's nascent existing presence in New Zealand.
- Kogan.com currently maintains several international websites (such as kogan.com/nz, dicksmith.co.nz and kogan.com/us) which have the ability to leverage the technology, product range and supply chain of the existing business. Due to capital constraints, these international websites have not been substantively promoted in Kogan.com's marketing to date.
- Kogan.com has globally scalable technological infrastructure and an international supply chain already in place, including a dedicated sourcing office in Shenzhen, China, and third party logistics facilities in Hong Kong, Shenzhen and Los Angeles, in addition to Sydney and Melbourne.
- Any business case for international expansion will be evaluated on a case-by-case basis according to a number of criteria, including but not limited to the geography's Online Retail Market size, level of penetration and competitive structure, logistics feasibility, expected cost efficiencies and expected margins.

3.9.7 Selective and opportunistic M&A

- From time to time, Kogan.com encounters strategic acquisition opportunities.
- Such acquisitions have the potential to grow the Kogan Community, provide additional platforms for the sale of Kogan.com's Private Label Products and Third Party Branded Products, or leverage Kogan.com's technological capabilities to drive operational efficiencies in the potential target.
- In line with its opportunistic acquisition of the Dick Smith Assets, Kogan.com intends to continue to evaluate such opportunities as they arise.

3.9.8 Underlying Australian Online Retail Market growth

- As outlined in Section 2.3.2, the Australian Online Retail Market is expected to continue to grow at levels significantly above the broader Australian economy. Euromonitor estimates that this growth will include:
 - a 5.0% forecast CAGR from CY2015 to CY2019 in the Australian Retail Market;⁽¹⁾
 - an 11.5% forecast CAGR over the same period in the Australian Online Retail Market;⁽²⁾ and
 - a 37.2% forecast CAGR over the same period in the Australian Mobile Online Retail Market.⁽³⁾
- Specific drivers of growth in the Australian Online Retail Market include changing consumer preferences, technological innovation enhancing user experience, and increasing internet usage and download speeds. These drivers, and features of the Australian Retail Market more broadly, are discussed in further detail in Section 2.3.

Notes:

1. Euromonitor, *Euromonitor Passport Retailing 2016*. Retail sales value CAGR excludes sales tax. Shown in Current Terms
2. Euromonitor, *Euromonitor Passport Retailing 2016*. Internet retail sales value CAGR excludes sales tax. Shown in Current Terms
3. Euromonitor, *Euromonitor Passport Retailing 2016*. Mobile internet retail sales value CAGR excludes sales tax. Shown in Current Terms

04.

FINANCIAL INFORMATION



04. Financial Information

4.1 INTRODUCTION

The financial information for Kogan.com contained in Section 4 includes:

- Statutory historical financial information for Kogan.com, comprising the:
 - Statutory historical consolidated income statements for the years ended 30 June 2014 (“**FY2014**”) and 30 June 2015 (“**FY2015**”) and the six month periods ended 31 December 2014 (“**1H FY2015**”) and 31 December 2015 (“**1H FY2016**”) (“**Statutory Historical Results**”);
 - Statutory historical consolidated cash flows for FY2014, FY2015, 1H FY2015 and 1H FY2016 (“**Statutory Historical Cash Flows**”); and
 - Statutory historical consolidated balance sheet as at 31 December 2015 (“**Statutory Historical Balance Sheet**”),together the “**Statutory Historical Financial Information**”;
 - Pro forma historical financial information for Kogan.com, comprising the:
 - Pro forma historical consolidated income statements for FY2014, FY2015, 1H FY2015 and 1H FY2016 (“**Pro Forma Historical Results**”);
 - Pro forma historical consolidated cash flows for FY2014, FY2015, 1H FY2015 and 1H FY2016 (“**Pro Forma Historical Cash Flows**”); and
 - Pro forma historical consolidated balance sheet as at 31 December 2015 (“**Pro Forma Historical Balance Sheet**”),together the “**Pro Forma Historical Financial Information**”;
- The Statutory Historical Financial Information and Pro Forma Historical Financial Information together form the “**Historical Financial Information**”;
- Statutory forecast financial information for Kogan.com, comprising the:
 - Statutory forecast consolidated income statements for the years ending 30 June 2016 (“**FY2016**”) and 30 June 2017 (“**FY2017**”) (“**Statutory Forecast Results**”); and
 - Statutory forecast consolidated cash flows for FY2016 and FY2017 (“**Statutory Forecast Cash Flows**”),together the “**Statutory Forecast Financial Information**”; and
 - Pro forma forecast financial information for Kogan.com, comprising the:
 - Pro forma forecast consolidated income statements for FY2016 and FY2017 (“**Pro Forma Forecast Results**”); and
 - Pro forma forecast consolidated cash flows for FY2016 and FY2017 (“**Pro Forma Forecast Cash Flows**”),together the “**Pro Forma Forecast Financial Information**”.
- The Statutory Forecast Financial Information and Pro Forma Forecast Financial Information together form the “**Forecast Financial Information**”.
- The Historical Financial Information and Forecast Financial Information together form the “**Financial Information**” in this Prospectus.
 - The Pro Forma Historical Financial Information and Pro Forma Forecast Financial Information together form the “**Pro Forma Financial Information**” in this Prospectus.

In addition, Section 4 summarises:

- The basis of preparation and presentation of the Financial Information (see Section 4.2);
- Key operating metrics for Kogan.com (see Section 4.3);
- Management discussion and analysis of the key business drivers for Kogan.com (see Section 4.6);
- Management discussion and analysis of the Historical Financial Information (see Section 4.7);
- Foreign currency impacts on Kogan.com (see Sections 4.6.3 and 4.7.1.2);

- Management's best estimates of general and specific assumptions underlying the Forecast Financial Information (see Section 4.8.1);
- Management discussion and analysis of the Forecast Financial Information (see Sections 4.8.2 and 4.8.3);
- An analysis of the sensitivity of the Forecast Financial information to changes in certain key assumptions (see Section 4.9);
- A summary of Kogan.com's debt facility (see Section 4.10);
- A summary of Kogan.com's proposed dividend policy (see Section 4.11); and
- A description of Kogan.com's significant accounting policies (see Appendix B).

The information in Section 4 should be read in conjunction with the risk factors set out in Section 5 and other information contained in this Prospectus.

Kogan.com operates on a financial year ending 30 June. All amounts disclosed in Section 4 are presented in Australian dollars and, unless otherwise noted, are rounded to the nearest \$0.1 million. Rounding in the Financial Information may result in some discrepancies between the sum of components and the totals outlined within the tables and percentage calculations.

4.2 BASIS OF PREPARATION AND PRESENTATION OF THE FINANCIAL INFORMATION

4.2.1 Overview

The Directors are responsible for the preparation and presentation of the Financial Information.

The Financial Information included in this Prospectus is intended to present potential investors with information to assist them in understanding the historical financial performance, cash flows and financial position of Kogan.com, together with Forecast Financial Information.

The Statutory Financial Information has been prepared in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards ("AAS") (including the Australian Accounting Interpretations), issued by the Australian Accounting Standards Board, which are consistent with International Financial Reporting Standards ("IFRS") and Interpretations issued by the International Accounting Standards Board.

The Pro Forma Financial Information has been prepared in accordance with the recognition and measurement requirements of AAS, other than that it includes certain adjustments which have been prepared in a manner consistent with AAS, which reflect (a) the exclusion of certain transactions that occurred in the relevant periods and (b) the impact of certain transactions as if they had occurred on or before 1 July 2013 in the Historical Financial Information, or on or before 1 January 2016 in the Forecast Financial Information.

The Pro Forma Historical Financial Information does not reflect the actual financial results and cash flows of Kogan.com for the periods indicated. Kogan.com believes that it provides useful information as it permits investors to examine what it considers to be the underlying financial performance and cash flows of the business, presented on a consistent basis with the Pro Forma Forecast Financial Information. The Financial Information is presented in an abbreviated form and does not include all of the disclosures, statements or comparative information required by AAS applicable to annual financial reports prepared in accordance with the Corporations Act.

Accounting policies have been consistently applied throughout the periods presented. Significant accounting policies of Kogan.com relevant to the Financial Information are set out in Appendix B.

4.2.2 Preparation of Historical Financial Information

The Historical Financial Information is presented on both a statutory and pro forma basis.

The Statutory Historical Financial Information for FY2014 and FY2015 for Kogan.com has been derived from the FY2014 and FY2015 audited special purpose historical financial reports of "Kogan Group". The Statutory Historical Financial Information for 1H FY2015 and 1H FY2016 has been derived from the reviewed interim special purpose financial report of Kogan Group. The financial statements of Kogan Group for FY2014 and FY2015 were audited by KPMG, which issued unqualified audit opinions. The special purpose interim

04. Financial Information continued

financial report of Kogan Group for 1H FY2015 and 1H FY2016 was reviewed by KPMG, which issued an unqualified review opinion.

The Pro Forma Historical Financial Information has been prepared for the purposes of inclusion in this Prospectus. The Pro Forma Historical Financial Information has been derived from the Statutory Historical Financial Information, adjusted to reflect:

- Removal of discontinued operations;
- Certain one-off items (e.g. transaction costs and costs associated with an instance of supplier fraud); and
- Incremental costs associated with Kogan.com being a listed company, as if they were incurred from 1 July 2013, including Board costs and incremental compliance costs.

Reconciliations between the Statutory Historical Financial Information and the Pro Forma Historical Financial Information are provided in Sections 4.3.2, 4.4 and 4.5.2.

In preparation for Listing, an internal restructure will take place (“**Kogan Group Restructure**”), resulting in a newly incorporated company, Kogan.com Limited, becoming the legal parent of the Kogan Group, subject to the issue of Shares under the Offer, and the transfer of all the shares in Kogan.com Holdings Pty Ltd by the Existing Owners to Kogan.com Limited. See Section 9.2 for further details.

The Directors have elected to account for the effect of the Kogan Group Restructure as a common control transaction. In the Directors’ opinion, the continuation of existing accounting values is consistent with the accounting that would have occurred if the assets and liabilities had already been in a structure suitable for Listing on ASX, and most appropriately reflects the substance of the Kogan Group Restructure.

While there is no requirement under AAS to do so, if Kogan.com were to account for the Kogan Group Restructure, which is conditional on Completion of the Offer, using a fair value approach, this would require an assessment of the fair value of assets and liabilities as at Completion. If this view were to be taken, it is estimated that the fair value of the net assets of Kogan.com would have been increased by \$125.3 million, based on an assumed market capitalisation at Listing of \$168.0 million, with consequential impacts on the statement of profit or loss and other comprehensive income and balance sheet. The Directors anticipate that the excess of the fair value compared to the book value of net assets would primarily be allocated to inventory (estimated to be \$6.0 million based on the pro forma inventory position as at 31 December 2015), with the residual booked to amortisable intangible assets and goodwill. A fair value uplift to inventory and amortisable intangibles under this approach, had it been adopted, would have resulted in reduced profitability in the FY2017 Prospectus Forecast Period, although this would not impact the underlying cash flow for Kogan.com.

The Pro forma Historical Financial Information presented in this Prospectus has been reviewed by KPMG Transaction Services, whose Investigating Accountant’s Report is contained in Section 8. Investors should note the scope and limitations of that report (refer to Section 8).

4.2.3 Preparation of Forecast Financial Information

The Forecast Financial Information is presented on both a statutory and pro forma basis.

The Forecast Financial Information has been prepared solely for inclusion in this Prospectus. The Directors believe the Forecast Financial Information has been prepared with due care and attention, and consider all best estimate assumptions when taken as a whole to be reasonable at the time of preparing this Prospectus.

However, this information is not fact, and investors are cautioned not to place undue reliance on the Forecast Financial Information.

Investors should note that past results are not a guarantee of future performance.

The Statutory Forecast Financial Information represents the best estimate of the financial performance that the Directors expect to report in Kogan.com financial statements under AAS, based on a measured assessment of key business drivers and current sales trends. The Statutory Forecast Financial Information for FY2016 includes the reviewed actual results of Kogan.com for 1H FY2016 and incorporates unaudited actual trading results to 29 February 2016, with forecast results for the remainder of FY2016.

The Pro Forma Forecast Financial Information differs from the Statutory Forecast Financial Information, as the Pro Forma Forecast Financial Information reflects the forecast full-year effect of the operations and the capital structure that will be in place upon Completion of the Offer. Examples of these effects include the

estimated incremental costs associated with Kogan.com being a listed company, but exclude the one-off IPO transaction costs of the Offer.

Section 4.3.2 provides a reconciliation of the Statutory Forecast Results to the Pro Forma Forecast Results. Section 4.5.2 provides a reconciliation of the Statutory Forecast Cash Flows to the Pro Forma Forecast Cash Flows.

4.2.4 Acquisition of the Dick Smith Assets

As outlined in Section 3.8, Kogan.com acquired the Dick Smith Assets on 1 April 2016, and assumed operational control on 4 May 2016. Kogan.com believes that significant financial benefits will arise from the integration of the Dick Smith Assets, which include an additional 1.3 million email subscribers, in the form of increased revenue, operating earnings and cash flows.

The following items relating to the Dick Smith Assets have been reflected in the Historical Financial Information and Forecast Financial Information:

- A \$0.9 million amortisation expense, in relation to the intangible assets acquired, which is reflected in the FY2017 Pro Forma Forecast Results and Statutory Forecast Results;
- The \$2.6 million purchase price of the Dick Smith Assets, which was paid in cash and which is reflected in the FY2016 Pro Forma Forecast Cash Flows and Statutory Forecast Cash Flows; and
- The \$2.6 million value of the Dick Smith Assets acquired, which is reflected on the Pro Forma Historical Balance Sheet as an intangible asset.

Kogan.com's strategy is to operate the "Dick Smith" and "Kogan" brands using common underlying technological infrastructure, a shared supply chain and a single inventory pool. As such, management is confident that no material incremental fixed operating expenditure, including people costs, will be required to support its operation of the Dick Smith Assets.

Given the Dick Smith Assets were not acquired as a going concern, Kogan.com has no reliable basis upon which to quantify the financial or operating performance of the Dick Smith Assets under Kogan.com's ownership. As such, the Historical Financial Information and Forecast Financial Information has not been adjusted to take into account any revenue, operating earnings and cash flow impact which may result from the acquisition. Potential revenue which may be generated by the Dick Smith Assets is therefore a significant growth opportunity for Kogan.com within the Prospectus Forecast Period and beyond, which is expected to drive further operating leverage.

4.2.5 Use of Non-IFRS Financial Measures

Certain financial measures included in this Prospectus are not recognised under AAS. These measures are collectively referred to as "**Non-IFRS Financial Measures**". The principal Non-IFRS Financial Measures to which this Prospectus refers are as follows:

- "**GTV**" is the gross transaction value, on a cash basis, of products and services sold, before deducting Cancellations and Refunds, but after deducting GST;
- "**Change in Presales**" represents movement in deferred income, which is recognised on product sales that are yet to be despatched, but for which cash has been received;
- "**Gross Sales**" represents revenue from the sale of products and services, before deducting Cancellations and Refunds;
- "**Cancellations and Refunds**" occur when customers cancel an order before it is despatched from a Kogan.com warehouse or drop shipper ("**Cancellations**") or when customers return products to Kogan.com following delivery due to a defect or change of mind ("**Refunds**"). The majority of Cancellations and Refunds consist of Cancellations, rather than Refunds;
- "**Gross Profit**" is revenue, less cost of sales;
- "**Gross Margin**" is Gross Profit, divided by revenue;
- "**EBITDA**" is earnings before interest, tax, depreciation and amortisation;
- "**EBITDA Margin**" is EBITDA, divided by revenue;
- "**EBIT**" is earnings before interest and tax;

04. Financial Information continued

- “**Working Capital**” is the total of trade and other receivables, inventory and prepayments which are included within other assets, less trade and other payables, employee benefits, current provisions and deferred income; and
- “**Net Debt**” or “**Net Cash**” represents total borrowings, less cash and cash equivalents.

Although the Directors believe that these measures provide useful information about the financial performance of Kogan.com, they should be considered as supplementary to the Financial Information and not as a replacement for it. These Non-IFRS Financial Measures are not based on AAS and do not have standard definitions, and the way that Kogan.com calculates these measures may differ from similarly titled measures by other companies. Readers should therefore not place undue reliance on these Non-IFRS Financial Measures.

4.3 SUMMARY HISTORICAL AND FORECAST CONSOLIDATED INCOME STATEMENTS AND KEY OPERATING METRICS

4.3.1 Pro Forma Historical Results and Pro Forma Forecast Results

Table 4.1 sets out the Pro Forma Historical Results for FY2014, FY2015, 1H FY2015 and 1H FY2016 and the Pro Forma Forecast Results for FY2016 and FY2017. The Pro Forma Historical Results and Pro Forma Forecast Results are reconciled to the Statutory Historical Results and Statutory Forecast Results in Tables 4.6, 4.7 and 4.8.

Table 4.1: Pro Forma Historical Results and Pro Forma Forecast Results

(\$m)	PRO FORMA HISTORICAL		PRO FORMA FORECAST		PRO FORMA HISTORICAL	
	FY2014	FY2015	FY2016	FY2017	1H FY2015	1H FY2016
Revenue	170.0	200.3	201.1	241.2	108.1	104.7
Cost of sales	(148.2)	(171.4)	(171.9)	(204.5)	(90.4)	(88.9)
Gross Profit	21.8	28.9	29.2	36.7	17.7	15.8
Variable costs	(3.5)	(7.3)	(8.1)	(9.0)	(3.2)	(4.3)
Marketing costs	(4.9)	(6.0)	(5.1)	(7.2)	(3.3)	(2.3)
People costs	(6.7)	(9.7)	(8.9)	(9.0)	(4.5)	(4.5)
Other fixed costs	(3.0)	(4.3)	(4.2)	(4.6)	(1.7)	(2.1)
EBITDA	3.7	1.6	2.9	6.9	5.0	2.6
Depreciation and amortisation	(0.5)	(1.4)	(2.2)	(3.3)	(0.8)	(0.9)
EBIT	3.2	0.2	0.7	3.6	4.2	1.7
Interest	(0.1)	(0.1)	(0.1)	0.1	(0.1)	(0.1)
Profit before tax	3.1	0.1	0.7	3.6	4.1	1.6
Income tax expense	(1.3)	(0.4)	(0.3)	(1.1)	(1.5)	(0.3)
NPAT	1.8	(0.3)	0.4	2.5	2.6	1.3

Tables 4.2, 4.3, 4.4 and 4.5 provide a summary of Kogan.com’s historical key operating metrics for FY2014, FY2015, 1H FY2015 and 1H FY2016, derived from the Pro Forma Historical Results, and the forecast key operating metrics for FY2016 and FY2017, derived from the Pro Forma Forecast Results. A reconciliation from GTV to revenue is provided in Table 4.4.

04. Financial Information continued

Table 4.2: Summary pro forma historical and pro forma forecast GTV

(\$m)	PRO FORMA HISTORICAL		PRO FORMA FORECAST		PRO FORMA HISTORICAL	
	FY2014	FY2015	FY2016	FY2017	1H FY2015	1H FY2016
GTV by business segment						
Private Label GTV	60.5	77.5	76.7	94.8	38.8	38.8
Third Party Branded International GTV	92.2	83.0	65.6	74.4	51.9	35.0
Third Party Branded Domestic GTV	4.6	14.2	26.4	41.9	5.2	12.7
Core Website Channels GTV	157.3	174.7	168.7	211.1	95.9	86.5
New Verticals GTV	-	0.4	9.6	22.1	-	2.9
Other Revenue Streams GTV	22.3	41.2	35.7	36.9	16.3	18.3
Total GTV	179.6	216.3	214.0	270.1	112.2	107.7
Core Website Channels GTV by product type						
Consumer Electronics	43.7	44.8	40.6	49.1	24.0	20.7
General Merchandise	16.8	32.7	36.1	45.7	14.8	18.1
Private Label GTV	60.5	77.5	76.7	94.8	38.8	38.8
Consumer Electronics	90.6	80.7	62.4	70.8	50.5	33.3
General Merchandise	1.6	2.3	3.2	3.6	1.4	1.7
Total Third Party Branded International GTV	92.2	83.0	65.6	74.4	51.9	35.0
Consumer Electronics	3.0	7.4	11.9	18.9	3.3	5.7
General Merchandise	1.6	6.8	14.5	23.0	1.9	7.0
Total Third Party Branded Domestic GTV	4.6	14.2	26.4	41.9	5.2	12.7
Total Core Website Channels GTV	157.3	174.7	168.7	211.1	95.9	86.5

Table 4.3: Summary pro forma historical and pro forma forecast Gross Sales⁽¹⁾

(\$m)	PRO FORMA HISTORICAL		PRO FORMA FORECAST		PRO FORMA HISTORICAL	
	FY2014	FY2015	FY2016	FY2017	1H FY2015	1H FY2016
Gross Sales by business segment						
Private Label Gross Sales	60.5	77.5	76.7	94.8	38.8	38.8
Third Party Branded International Gross Sales	92.2	83.0	65.6	74.4	51.9	35.0
Third Party Branded Domestic Gross Sales	4.6	14.2	26.4	41.9	5.2	12.7
Core Website Channels Gross Sales	157.3	174.7	168.7	211.1	95.9	86.5
Kogan Mobile Gross Sales	-	-	0.4	1.4	-	0.1
Kogan Travel Gross Sales	-	0.3	4.3	5.4	-	2.2
New Verticals Gross Sales	-	0.3	4.7	6.8	-	2.3
Other Revenue Streams Gross Sales	22.3	41.2	35.7	36.9	16.3	18.3
Change in Presales	0.6	(2.1)	3.8	-	0.7	3.6
Total Gross Sales	180.2	214.1	212.9	254.8	112.9	110.7

Note:

1. Gross Sales includes orders subsequently cancelled or refunded, and does not constitute an accounting measure of revenue

Table 4.4: Reconciliation of pro forma historical and pro forma forecast GTV to revenue

(\$m)	Note	PRO FORMA HISTORICAL		PRO FORMA FORECAST		PRO FORMA HISTORICAL	
		FY2014	FY2015	FY2016	FY2017	1H FY2015	1H FY2016
Total GTV		179.6	216.3	214.0	270.1	112.2	107.7
Revenue recognition adjustments:							
Kogan Travel and Kogan Mobile	1	-	(0.1)	(4.9)	(15.3)	-	(0.6)
Change in Presales	2	0.6	(2.1)	3.8	-	0.7	3.6
Gross Sales		180.2	214.1	212.9	254.8	112.9	110.7
Refunds and Cancellations		(10.2)	(13.8)	(11.8)	(13.6)	(4.8)	(6.0)
Revenue		170.0	200.3	201.1	241.2	108.1	104.7

Notes:

- Adjustments for Kogan Travel and Kogan Mobile relate to the difference between the full value of goods and services transacted and the accounting recognition of the related commission income
- Change in Presales relates to the movement in deferred income, which is recognised on product sales that are yet to be despatched, but for which cash has been received

Table 4.5: Summary pro forma historical and pro forma forecast key operating metrics

(%)	PRO FORMA HISTORICAL		PRO FORMA FORECAST		PRO FORMA HISTORICAL	
	FY2014	FY2015	FY2016	FY2017	1H FY2015	1H FY2016
GTV growth	n/a	20.4%	(1.1%)	26.2%	n/a	(4.0%)
Revenue growth	n/a	17.8%	0.4%	19.9%	n/a	(3.1%)
Gross Margin	12.8%	14.4%	14.5%	15.2%	16.4%	15.1%
EBITDA Margin	2.2%	0.8%	1.4%	2.9%	4.6%	2.5%
Period end inventory as a percentage of Private Label and Third Party Branded Domestic Gross Sales	21.8%	26.7%	18.8%	22.0%	42.4%	25.2%
Period end Working Capital as a percentage of Private Label and Third Party Branded Domestic Gross Sales	11.5%	13.7%	8.3%	12.2%	28.5%	5.4%

4.3.2 Pro forma adjustments to the Statutory Historical Results and the Statutory Forecast Results

Tables 4.6, 4.7 and 4.8 set out the reconciliation of revenue, EBITDA and NPAT from the Statutory Historical Results and the Statutory Forecast Results to the Pro Forma Historical Results and Pro Forma Forecast Results, respectively. The Statutory Financial Information is provided in Appendix A.

Table 4.6: Reconciliation of historical and forecast statutory revenue to pro forma revenue

(\$m)	Note	HISTORICAL		FORECAST		HISTORICAL	
		FY2014	FY2015	FY2016	FY2017	1H FY2015	1H FY2016
Statutory revenue		174.7	200.3	201.1	241.2	108.1	104.7
Discontinued operations	1	(4.7)	-	-	-	-	-
Pro forma revenue		170.0	200.3	201.1	241.2	108.1	104.7

Note:

- Adjustment relating to the removal of prior operations of a prepaid mobile services business operated by Kogan.com in conjunction with ispONE. The operation was discontinued on 19 August 2013, as a result of ispONE entering administration

Table 4.7: Reconciliation of historical and forecast statutory EBITDA to pro forma EBITDA

(\$m)	Note	HISTORICAL		FORECAST		HISTORICAL	
		FY2014	FY2015	FY2016	FY2017	1H FY2015	1H FY2016
Statutory EBITDA		8.8	1.8	0.7	6.9	4.9	3.2
Discontinued operations	1	(4.2)	0.1	-	-	-	-
Supplier fraud	2	-	0.7	-	-	0.7	-
Transaction costs	3	0.2	0.1	-	-	-	-
IPO transaction costs	4	-	-	3.3	-	-	-
Incremental listed company costs	5	(1.1)	(1.1)	(1.1)	-	(0.6)	(0.6)
Pro forma EBITDA		3.7	1.6	2.9	6.9	5.0	2.6

Notes:

1. Refer to Table 4.6 notes
2. Adjustment relating to costs incurred as a result of a supplier fraud, which is considered to represent a non-recurring event. This cost largely relates to the replacement cost of items for customers whose orders were part of the fraud. This has been the only instance of supplier fraud in Kogan.com's 10 years of operations. Management has since improved controls surrounding new suppliers and therefore supplier fraud is expected to be unlikely in the future
3. Represents the removal of one-off transaction costs, predominantly related to advisers, incurred in relation to a previous corporate transaction which was not completed
4. Adjustments to remove one-off IPO-related costs, including: (a) \$2.1 million relating to underwriting and adviser fees; and (b) \$1.2 million pertaining to a one-off IPO bonus to certain senior management (excluding Ruslan Kogan and David Shafer) in the form of Shares
5. Represents the incremental listed company costs expected to be incurred following Listing, including Director fees and senior management salaries, the cost of obtaining company secretarial and investor relations services and other public company-related costs

Table 4.8: Reconciliation of historical and forecast statutory NPAT to pro forma NPAT

(\$m)	Note	HISTORICAL		FORECAST		HISTORICAL	
		FY2014	FY2015	FY2016	FY2017	1H FY2015	1H FY2016
Statutory NPAT		5.4	(0.1)	(2.9)	2.5	2.5	1.7
Discontinued operations	1	(3.0)	-	-	-	-	-
Supplier fraud	2	-	0.5	-	-	0.5	-
Transaction costs	3	0.2	0.1	-	-	-	-
IPO transaction costs	4	-	-	2.6	-	-	-
Incremental listed company costs	5	(0.8)	(0.8)	(0.8)	-	(0.4)	(0.4)
Tax consolidation costs	6	-	-	1.5	-	-	-
Pro forma NPAT		1.8	(0.3)	0.4	2.5	2.6	1.3

Notes:

1. Refer to Table 4.6 notes
2. Refer to Table 4.7 notes
3. Refer to Table 4.7 notes
4. Refer to Table 4.7 notes
5. Refer to Table 4.7 notes
6. Represents an estimated one-off tax cost to be incurred as a result of the Kogan Group Restructure and formation of a tax consolidated group

4.4 PRO FORMA HISTORICAL BALANCE SHEET

Table 4.9 sets out the pro forma adjustments that have been made to the Statutory Historical Balance Sheet in order to prepare the Pro Forma Historical Balance Sheet. These adjustments reflect the events and assumptions discussed in the notes to Table 4.9, including the receipt of the Offer Proceeds and the impact of the operating and capital structure that will be in place following Completion of the Offer, as though they had occurred or were in place as at 31 December 2015.

Kogan.com will issue new equity of \$50.0 million as part of the Offer, which, combined with existing available cash and after certain IPO cash transaction costs of \$3.0 million have been paid (assuming an Offer size of \$50.0 million), will be used to provide funding to invest in additional inventory and marketing to support Kogan.com's growth strategy, discussed in greater detail in Section 3.9.

Table 4.9: Pro Forma Historical Balance Sheet

(\$m)	Statutory as at 31 December 2015	Acquisition of the Dick Smith Assets ⁽¹⁾	Kogan Group restructure ⁽²⁾	Impact of equity raise ⁽³⁾	Completion of the Offer (pro forma 31 December 2015)
Current assets					
Cash ⁽⁴⁾	1.7	(2.6)	-	32.0	31.1
Trade and other receivables	1.3	-	-	-	1.3
Inventory	25.3	-	-	-	25.3
Other current assets	0.3	-	-	-	0.3
Total current assets	28.6	(2.6)	-	32.0	58.0
Non-current assets					
Property, plant and equipment	0.6	-	-	-	0.6
Intangible assets ⁽⁵⁾	2.3	2.6	-	-	4.9
Deferred tax assets	0.5	-	-	0.9	1.4
Total non-current assets	3.4	2.6	-	0.9	6.9
Total assets	32.0	-	-	32.9	64.9
Current liabilities					
Trade and other payables	18.8	-	-	-	18.8
Current tax liabilities	0.6	-	-	-	0.6
Employee benefits	0.3	-	-	-	0.3
Provisions	0.2	-	-	-	0.2
Deferred income	2.3	-	-	-	2.3
Total current liabilities	22.2	-	-	-	22.2
Total non-current liabilities	-	-	-	-	-
Total liabilities	22.2	-	-	-	22.2
Net assets	9.8	-	-	32.9	42.7
Issued capital	-	-	135.0	35.6	170.6
Merger and other reserves	(0.3)	-	(124.9)	-	(125.2)
Retained earnings	10.1	-	(10.1)	(2.7)	(2.7)
Total equity	9.8	-	-	32.9	42.7

Notes:

- Adjustment to show the impact of the acquisition of the Dick Smith Assets as though the transaction had occurred on 31 December 2015. The adjustment has been calculated on a provisional basis, allocating the purchase price to the fair value of amortisable intangible assets acquired. Under AAS, Kogan.com has up to 12 months from the date of acquisition to complete its initial acquisition accounting. Any adjustment to the fair values, including associated tax adjustments, will impact the provisional intangible assets recorded on acquisition. Acquisition of the Dick Smith Assets was funded through a combination of operating cash flows and debt in 2H FY2016
- The Kogan Group Restructure has been treated as a group reorganisation for accounting purposes, and no fair value adjustments have been made. Consequently, the difference between issued capital and the book value of net assets is recorded within merger and other reserves
- As a consequence of the Offer, issued capital increases by \$35.6 million through the issue of Shares in relation to the Offer representing the issue of shares in relation to the Offer of \$50.0 million, less the cash consideration payable to the Existing Owners under the Kogan Group Restructure of \$15.0 million, plus \$1.2 million of IPO Bonus Shares issued to senior management, less \$0.6 million of tax-effected transaction costs allocated to the issued capital account. Cash transaction costs of \$3.0 million are accounted for as follows: a) Offer costs directly attributable to the issue of shares to the new Shareholders of \$0.9 million are offset against equity. These Offer costs are assumed to be deductible over a five-year period, resulting in a deferred tax asset of \$0.3 million; b) other transaction costs of \$2.1 million, offset by an additional deferred tax asset of \$0.6 million, are expensed. The allocation of transaction costs between issued capital and the profit and loss account is based on the expected proportion of respective interests of New Shareholders and Existing Owners post the Offer. The one-off non-cash \$1.2 million IPO bonus issue of Shares to certain senior management is expensed, and a corresponding increase in issued capital of \$1.2 million is recognised

04. Financial Information continued

- Following the full repayment of borrowings in 1H FY2016, Kogan.com drew down an estimated \$4.0 million of borrowings in 2H FY2016 to support its Working Capital requirements. Kogan.com does not intend to repay this outstanding debt until receipt of the Offer Proceeds. Pro forma Net Cash on Completion of the Offer is estimated to be \$28.0 million. For further information, please refer to Section 4.10
- Intangible assets, including those acquired with the Dick Smith Assets, relate to capitalised software and web development costs and acquired customer lists. All are amortised over 2-3 year periods, in line with the significant accounting policies outlined in Appendix B

4.5 SUMMARY HISTORICAL AND FORECAST CONSOLIDATED CASH FLOWS

4.5.1 Pro Forma Historical Cash Flows and Pro Forma Forecast Cash Flows

Table 4.10 sets out the Pro Forma Historical Cash Flows for FY2014, FY2015, 1H FY2015 and 1H FY2016 and the Pro Forma Forecast Cash Flows for FY2016 and FY2017. The Statutory Financial Information is provided in Appendix A.

Table 4.10: Pro Forma Historical Cash Flows and Pro Forma Forecast Cash Flows^{(1) (2)}

(\$m)	PRO FORMA HISTORICAL		PRO FORMA FORECAST		PRO FORMA HISTORICAL	
	FY2014	FY2015	FY2016	FY2017	1H FY2015	1H FY2016
EBITDA	3.7	1.6	2.9	6.9	5.0	2.6
Non-cash items in EBITDA	0.1	0.1	0.1	0.1	0.1	0.1
Change in Working Capital	0.1	(5.2)	4.0	(8.1)	(4.2)	7.2
Operating cash flow before capital expenditure	3.9	(3.5)	7.0	(1.1)	0.9	9.9
Purchase of property, plant and equipment	(0.1)	(0.8)	(0.1)	(0.1)	(0.7)	-
Purchase of Dick Smith Assets	-	-	(2.6)	-	-	-
Investment in intangibles	(0.6)	(2.7)	(1.7)	(2.5)	(1.8)	(0.6)
Cash flow before financing and taxation	3.2	(7.0)	2.6	(3.7)	(1.6)	9.3
Income tax paid	(2.5)	(2.7)	(0.5)	(0.9)	(0.8)	0.3
Interest paid	(0.1)	(0.1)	(0.1)	0.1	(0.1)	(0.1)
Proceeds from/ (repayment of) borrowings	1.4	6.7	(3.1)	-	(1.4)	(8.1)
Net cash flow	2.0	(3.1)	(1.1)	(4.5)	(3.9)	1.4

Notes:

- The FY2017 Working Capital outflow is primarily linked to investment in inventory to drive revenue growth. This investment will be funded through the proceeds of the Offer
- The Offer Proceeds and use thereof to pay cash transaction costs and repay debt are reflected in the FY2016 Statutory Forecast Cash Flows only, as outlined in Appendix A

4.5.2 Pro forma adjustments to the Statutory Historical Cash Flows and the Statutory Forecast Cash Flows

The Pro Forma Historical Cash Flows and Pro Forma Forecast Cash Flows are reconciled to the Statutory Historical Cash Flows and Statutory Forecast Cash Flows in Table 4.11.

Table 4.11: Reconciliation of Pro Forma Historical Cash Flows and Pro Forma Forecast Cash Flows to Statutory Historical Cash Flows and Statutory Forecast Cash Flows

(\$m)	Note	HISTORICAL		FORECAST		HISTORICAL	
		FY2014	FY2015	FY2016	FY2017	1H FY2015	1H FY2016
Statutory net cash flow		(0.1)	(3.5)	27.3	(6.0)	(4.1)	1.3
Pro forma adjustments							
Discontinued operations	1	2.8	-	-	-	-	-
Other pro forma adjustments	2	(0.7)	(0.1)	(1.0)	-	0.2	(0.5)
IPO transaction costs	3	-	-	3.0	-	-	-
Repayment of borrowings	4	-	-	4.0	-	-	-
Issued capital	5	-	-	(35.0)	-	-	-
Tax consolidation costs paid	6	-	-	-	1.5	-	-
Distributions	7	-	0.5	0.6	-	-	0.6
Pro forma net cash flow		2.0	(3.1)	(1.1)	(4.5)	(3.9)	1.4

Notes:

1. Represents cash flow impact of the adjustments outlined in Table 4.6
2. Represents cash flow impact of adjustments 1, 2, 3 and 5 outlined in Table 4.7
3. Represents cash flow impact of adjustment 4 outlined in Table 4.7
4. Represents the repayment of amounts drawn under the Facility which will be funded through the Offer Proceeds
5. Represents cash proceeds received as a consequence of the Offer, adjusted for the cash consideration payable to the Existing Owners under the Kogan Group Restructure of \$15.0 million
6. Represents the cash flow impact of adjustment 6 in Table 4.8
7. Represents distributions to the Existing Owners, which will cease post Offer

4.5.3 Funding Working Capital and capital expenditure requirements

Following Completion of the Offer, Kogan.com will use cash raised together with cash generated by its operations to fund Working Capital and capital expenditure requirements for FY2017 and, subject to material unforeseen changes to Kogan.com's strategy or the occurrence of the key risks identified in Section 5, thereafter. The Directors believe that there will be sufficient cash available to fund Kogan.com's Working Capital and capital expenditure requirements to meet its stated objectives as outlined in this Prospectus, including its Forecast Financial Information.

4.6 MANAGEMENT DISCUSSION AND ANALYSIS: KEY BUSINESS DRIVERS

4.6.1 Revenue

Over the last three years, Kogan.com has expanded its product range, entering General Merchandise categories by leveraging the systems and processes that were established for its Consumer Electronics range. The continued expansion and diversification of its product offering into these General Merchandise categories are a key driver of forecast revenue growth. Recently-launched New Verticals Kogan Travel and Kogan Mobile are also expected to contribute to revenue growth.

Kogan.com analyses consumer demand data and trends to inform its product development decisions, in line with processes described in Section 3.3.1. In using this approach, Kogan.com ensures that new product offerings have proven customer demand, which in turn drives website traffic, as consumers use search engines to find retailers of those products. Coupled with Kogan.com's strategy of price leadership, management believes this represents a compelling offer to consumers. This strategy is expected to continue to attract new customers, engage the existing customer base and drive increased sales volume.

The systems and processes used to develop the Private Label Product range are proprietary to Kogan.com, and have been developed and refined over 10 years.

Specific strategies of Kogan.com to drive revenue growth in the near term include:

- Continued execution of Kogan.com's strategy to feature in-demand products through active monitoring of consumer demand trends, with technology-driven efficiency supporting price leadership;
- Further growth of the New Verticals, Kogan Travel and Kogan Mobile, through both leveraging the existing "Kogan" brand and Kogan Community. In turn, the New Verticals are expected to grow the Kogan Community further, as a result of attracting customers to their unique product and service offering;
- Integration of the Dick Smith Assets, which added approximately 1.3 million new unique members of the Kogan Community. Management expects the acquisition will drive significant financial benefits including revenue, operating earnings and cash flows, which have not been reflected in the Forecast Financial Information;
- Expansion of the range of Private Label Products offered, which are typically sold at higher margins;
- Expansion of the range of Third Party Branded Products offered. These are a key driver of website traffic, and provide bundling opportunities with higher margin Private Label Products, reflected in the increasing quantity of items sold per transaction (outlined in greater detail in Section 3.5.3 and specifically, Figure 3.15); and
- Investment in marketing expenditure to drive website traffic and Customer Acquisition, in addition to intent-based marketing to Existing Customers and other Active Subscribers, to increase the frequency and value of their purchases (refer to Section 3.9.4 and comments below for further detail on the nature of Kogan.com's marketing expenditure).

Further information about Kogan.com's existing, near-term and longer-term revenue growth initiatives is provided in Section 3.9.

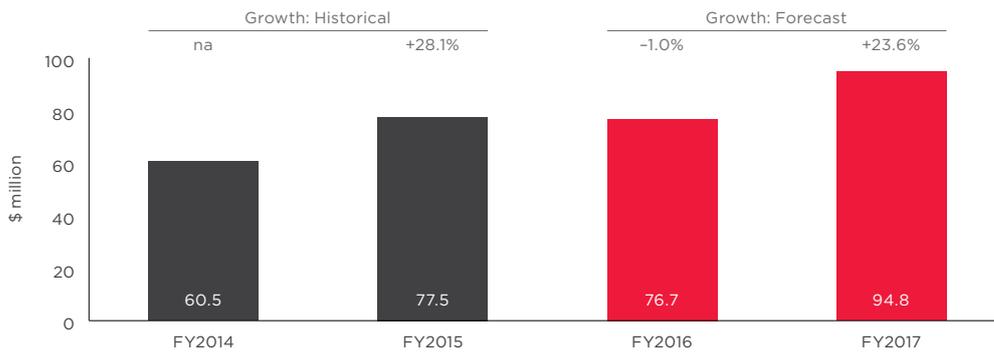
Like any retailer, Kogan.com remains exposed to the changes in consumer confidence and broader macroeconomic factors which drive customer spending patterns in the Australian Retail Market. These are discussed in greater detail in Sections 2.3.1 and 5.2.1.

Core Website Channels

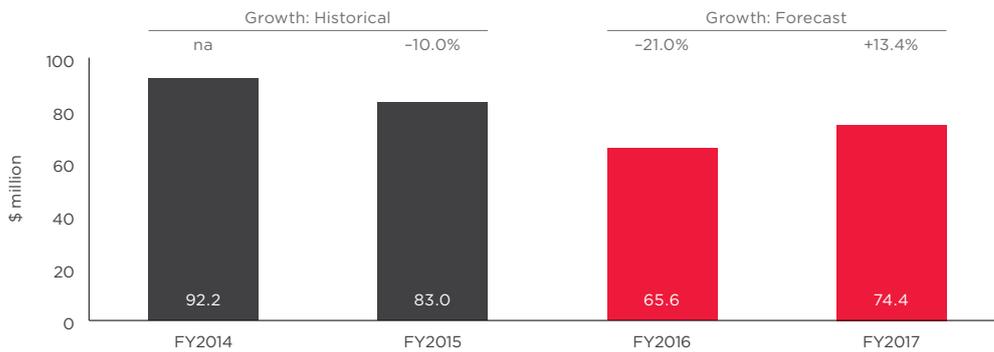
The Website Channels generate the majority of Kogan.com’s revenue. As a result, growth in this business segment drives revenue growth for the business as a whole. Figure 4.1 outlines historical and forecast GTV for this segment by product type, while Figure 4.2 demonstrates GTV by category. Specific movements in historical and forecast GTV and revenue from period to period are discussed in Sections 4.7.2, 4.7.3, 4.8.2 and 4.8.3.

Figure 4.1: Core Website Channels – GTV and growth by product type

Private Label GTV



Third Party Branded International GTV



Third Party Branded Domestic GTV

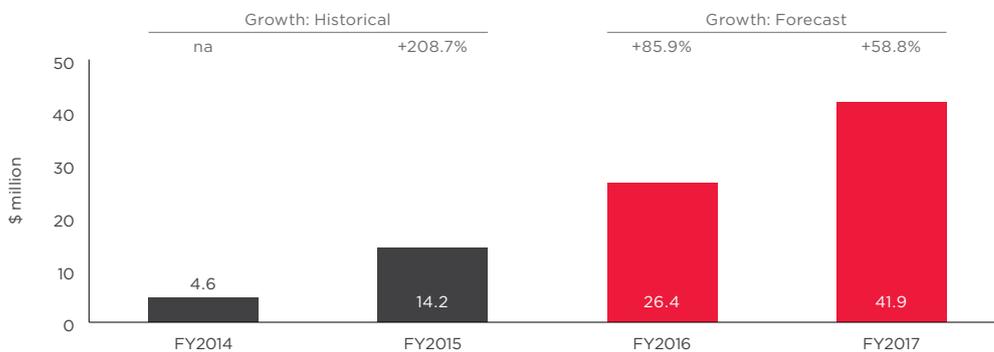
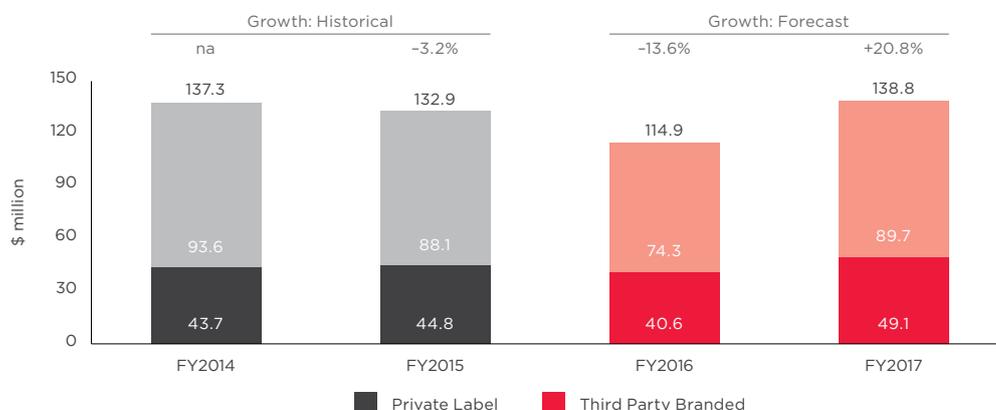
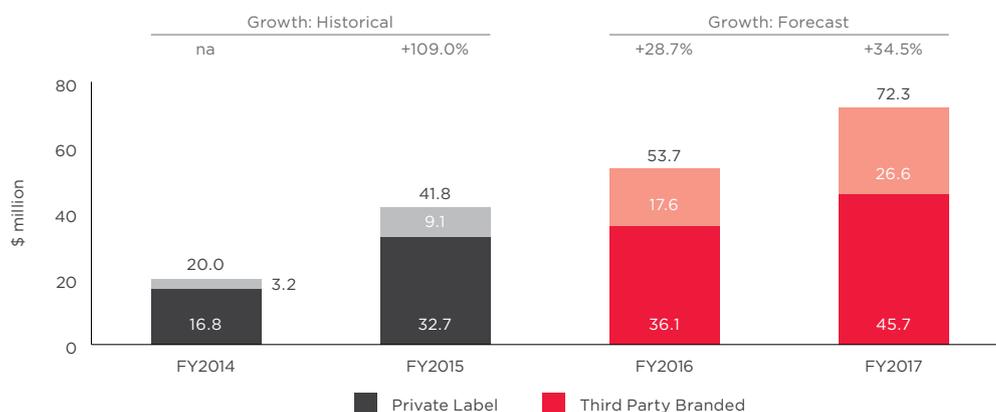


Figure 4.2: Core Website Channels – GTV and growth by product category

Consumer Electronics GTV



General Merchandise GTV



4.6.2 Gross Margin

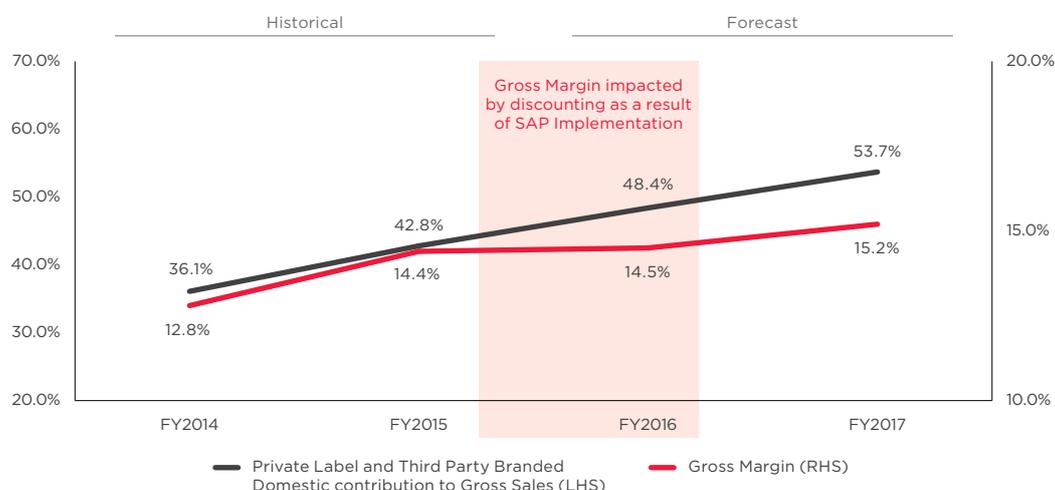
In addition to undertaking analysis of consumer demand data and trends, when assessing new product launches, management focuses on ensuring that an appropriate target Gross Margin can be realised on each product line, while maintaining price leadership.

Private Label Products typically have higher Gross Margins than Third Party Branded Products, while Third Party Branded Domestic Products typically have higher Gross Margins than Third Party Branded International Products. Kogan.com holds inventory of Private Label Products, and of the majority of Third Party Branded Domestic Products. Kogan.com does not typically hold inventory of Third Party Branded International Products.

As Private Label Products typically have higher Gross Margins than Third Party Branded Products, management has greater flexibility in strategically discounting to clear any slow-moving inventory, while still maintaining appropriate Gross Margins. In relation to Third Party Branded Domestic Products, there are sometimes opportunities to seek supplier assistance in clearing ageing inventory, including through receiving credits or swapping ageing inventory for alternative products.

The shift in Kogan.com’s revenue towards Private Label and Third Party Branded Domestic Products, in lieu of Third Party Branded International Products, is expected to increase Kogan.com’s Gross Margin. Section 4.8.1.3 outlines relative Gross Margins between Kogan.com’s various product and business segments. Figure 4.3 outlines historical and forecast overall Gross Margin in relation to the change in Kogan.com’s Gross Sales mix. Specific movements in historical and forecast Gross Margin from period to period are discussed in Sections 4.7.2, 4.7.3, 4.8.2 and 4.8.3.

Figure 4.3: Gross Margin and Gross Sales mix



4.6.3 Foreign currency

Changes in the value of the Australian dollar can impact Kogan.com’s revenue and Gross Profit, particularly in relation to Third Party Branded International Products.

The majority of Kogan.com’s Private Label and Third Party Branded International revenues are derived from products sourced from suppliers located overseas, primarily in Hong Kong and China. For most of these products, the purchase cost and any inbound freight costs are denominated in United States dollars, while Kogan.com’s sales are denominated in Australian dollars.

Kogan.com hedges payments for purchases made in currencies other than the Australian dollar. In the case of Third Party Branded International Products, a payment is hedged from the point at which the customer makes a purchase, and in the case of Private Label Products, it is hedged at the point at which Kogan.com makes an order of stock. However, Kogan.com does not maintain a forward-looking hedge book in respect of potential, but as yet unconfirmed, future purchases, as its policy is not to take speculative positions in relation to future movements in the Australian dollar.

It is Kogan.com’s policy to manage pricing of its products (with the exception of ageing and obsolete inventory) according to specified target Gross Margins, rather than to sacrifice Gross Margin in order to drive sales volumes. In an environment in which the Australian dollar is declining, in particular relative to the United States dollar, Kogan.com’s ability to price Third Party Branded International Products competitively in comparison with other Australian retailers deteriorates (to the extent that those retailers have not adjusted retail prices). As a result, lower volumes of Third Party Branded International Products are generally sold during periods of sharp decline in the Australian dollar, leading to lower revenues in that product segment. The reverse occurs in periods in which there is a sharp increase in the Australian dollar, while there has historically been neutral revenue impact in periods in which the currency is relatively stable, whether that is at high or low levels.

4.6.4 Operating expenses

Kogan.com has a combination of variable and fixed operating costs.

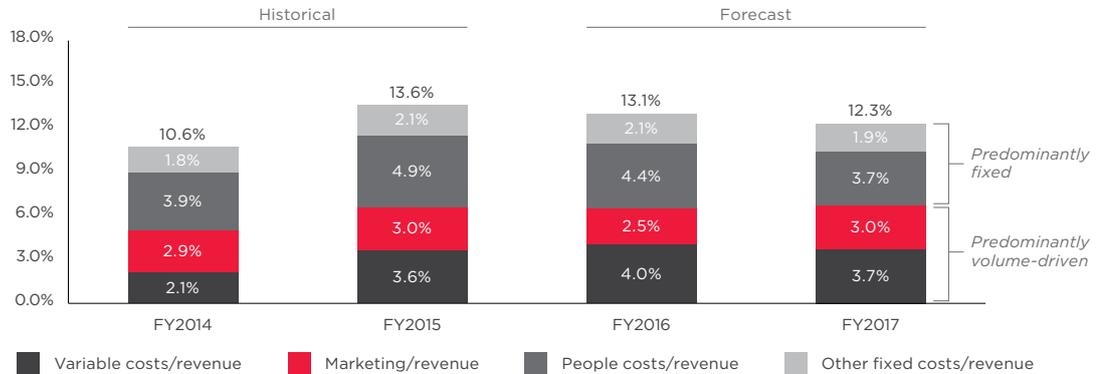
Variable costs primarily relate to warehousing costs, marketing costs and selling expenses:

- Warehousing costs (reported as part of “variable costs”), which are outsourced to third party providers. Costs are primarily driven by the volume of inventory held and the number of transactions incurred. In FY2015, Kogan.com expanded warehousing capacity through the addition of a new facility in Sydney, in order to facilitate growth and reduce delivery costs to consumers in certain parts of Australia. Kogan.com also uses warehouses in Shenzhen (China), Hong Kong and Los Angeles;
- Marketing costs, which are discretionary in nature, but underpin Kogan.com’s strategy to increase its customer base and encourage repeat purchasing; and
- Selling expenses (reported as part of “variable costs”), which include merchant fees and fees for selling goods via other channels.

Fixed costs relate to employee costs, occupancy and general and administrative costs. Kogan.com has recently invested in establishing an appropriate level of overheads, to provide a scalable platform capable of supporting the business in its next phase of growth as an ASX-listed company. Kogan.com does not anticipate significant increases in fixed costs in the Prospectus Forecast Period.

Given the relatively high proportion of operating expenditure which is fixed in nature, Kogan.com believes it has significant operating leverage, with revenue and Gross Profit growth expected to drive higher EBITDA Margins. The expected decline in operating expenses as a percentage of revenue in the Forecast Period is outlined in Figure 4.4. Specific movements in historical and forecast operating expenses from period to period are discussed in Sections 4.7.2, 4.7.3, 4.8.2 and 4.8.3.

Figure 4.4: Operating expenses as a percentage of revenue



4.6.5 Working Capital

As Kogan.com has minimal trade receivables, inventory and trade payables are the key drivers of Kogan.com's Working Capital. Kogan.com holds inventory for its Private Label Products and most of its Third Party Branded Domestic Products.

Kogan.com receives credit terms from key suppliers of Private Label Products and Third Party Branded Domestic Products.

On Private Label Product orders, payment terms can be up to 90 days following delivery of goods, after paying an initial deposit, typically in the order of 10%. Kogan.com also offers extended Presales periods on some Private Label Products, providing a Working Capital benefit.

Third Party Branded International Products are generally shipped directly from the supplier to the customer upon receipt of payment. Given Kogan.com generally receives payment from its customers for Third Party Branded International Products prior to paying its suppliers, these products are a source of Working Capital funding for Kogan.com. A decline in the proportion and value of Third Party Branded International sales has historically had an adverse impact on cash flows and Working Capital to revenue ratios.

Kogan.com's peak Working Capital funding requirement is typically in the months of October to December, in line with the peak sales period in the year.

4.7 MANAGEMENT DISCUSSION AND ANALYSIS OF THE HISTORICAL FINANCIAL INFORMATION

This Section 4.7 includes a discussion of the key factors affecting Kogan.com's operations and relative financial performance over FY2014, FY2015, 1H FY2015 and 1H FY2016.

The discussion of the key factors is intended to provide a brief summary only, and does not detail all factors that affected Kogan.com's historical operating and financial performance.

4.7.1 Key factors impacting FY2015 and 1H FY2016 performance

The period spanning 2H FY2015 and 1H FY2016 was one of transition for Kogan.com. A number of key factors impacted financial performance, discussed in greater detail below.

4.7.1.1 SAP Implementation

As discussed in Section 3.6.2, Kogan.com commenced preparations for the implementation of SAP, an ERP, in late 1H FY2015, to ready the business for its next phase of growth. From February 2015 up to and including August 2015, Kogan.com undertook SAP Implementation, during which SAP was being used but was not yet functioning without error.

While preparing for, and throughout, the SAP Implementation Period, Kogan.com experienced significant business disruption. This included a lack of visibility in relation to a substantial portion of Kogan.com's inventory, which prevented Kogan.com from implementing its usual inventory management procedures, including procedures for the management and marketing of inventory. As a result, Kogan.com's aged inventory increased significantly, and led to unusually heavy discounting to clear aged stock following completion of the SAP Implementation, when full visibility over inventory was regained.

In addition, implementation issues led to incorrect and delayed despatch of products, including double despatches of stock, which resulted in stock loss and a heightened level of goodwill credits and Cancellations by customers. For example, while Cancellations and Refunds amounted to approximately 4.3% of Gross Sales in 1H FY2015, before the SAP Implementation Period, in 2H FY2015, in which the SAP Implementation took place, Cancellations and Refunds more than doubled as a percentage of Gross Sales, to 8.9%. Stock loss also contributed towards the decline in Gross Margin experienced during this period.

SAP was fully operational and performing as expected by September 2015, following the end of the SAP Implementation Period, with Kogan.com benefiting from improved reporting, enhanced service delivery, and significant operating efficiencies, which Kogan.com believes will deliver operating leverage in the future. Kogan.com's Net Promoter Score has improved significantly, from 49 in February 2015 to 60 in February 2016, and Kogan.com has been able to reduce its call centre costs following completion of the SAP Implementation Period.

04. Financial Information continued

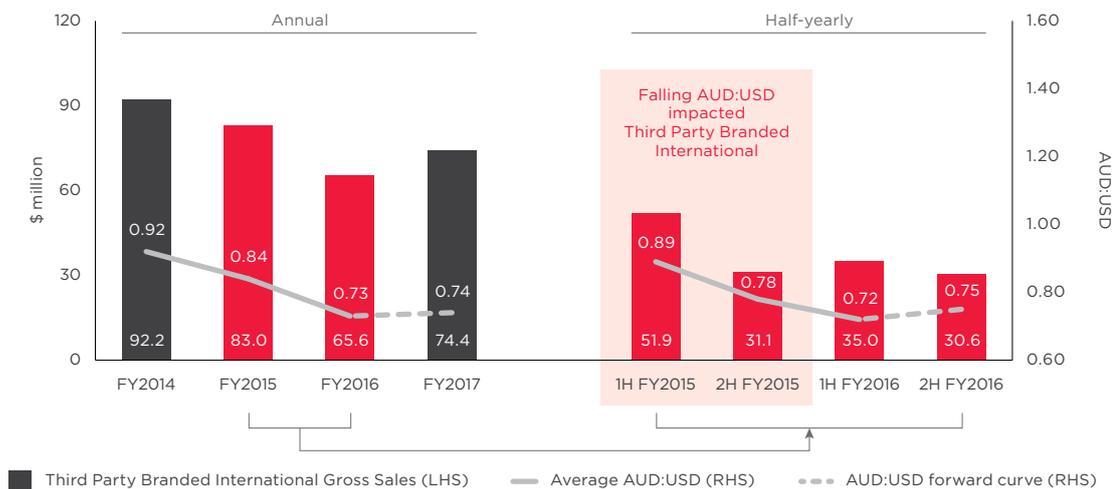
However, lost revenue opportunities, the negative Gross Margin impact experienced as a result of stock loss in 2H FY2015 and discounting undertaken in 1H FY2016 to clear aged inventory, and significant distraction placed on employee and management time, impacted the FY2015 and 1H FY2016 Historical Financial Information and created cash constraints (discussed in greater detail in Section 4.7.1.5).

4.7.1.2 Foreign exchange fluctuations

As outlined in Section 4.6.3, it is Kogan.com's policy to manage pricing of its products (with the exception of ageing and obsolete inventory) according to specified target Gross Margins, rather than discounting further to drive sales volumes. As a result, as outlined in Figure 4.5, the sharp decline in the Australian dollar from September 2014 to September 2015 resulted in lower sales volumes, and hence lower revenue, from Third Party Branded International Products, due to a reduction in Kogan.com's price competitiveness relative to that of retailers who maintained a forward-looking hedge book, and retailers who discounted throughout the period.

As a secondary impact, the decline also led to cash constraints in the business, discussed in greater detail below, as a result of a reduction in the Working Capital benefit typically provided by sales of Third Party Branded International Products.

Figure 4.5: Third Party Branded International Gross Sales vs. AUD:USD



4.7.1.3 Introduction of New Verticals

Kogan.com launched Kogan Travel in May 2015 and Kogan Mobile in October 2015. While both businesses remain in their infancy, they have performed well since launch and do not require Kogan.com to hold inventory. A component of revenue earned through Kogan Travel, and all of the revenue earned through Kogan Mobile, is earned on a commission basis, in contrast with revenues earned through the Core Website Channels and Other Revenue Streams. 100% of commission revenue translates into Gross Profit, positively impacting Kogan.com's Gross Margin.

4.7.1.4 Expansion of selected product lines

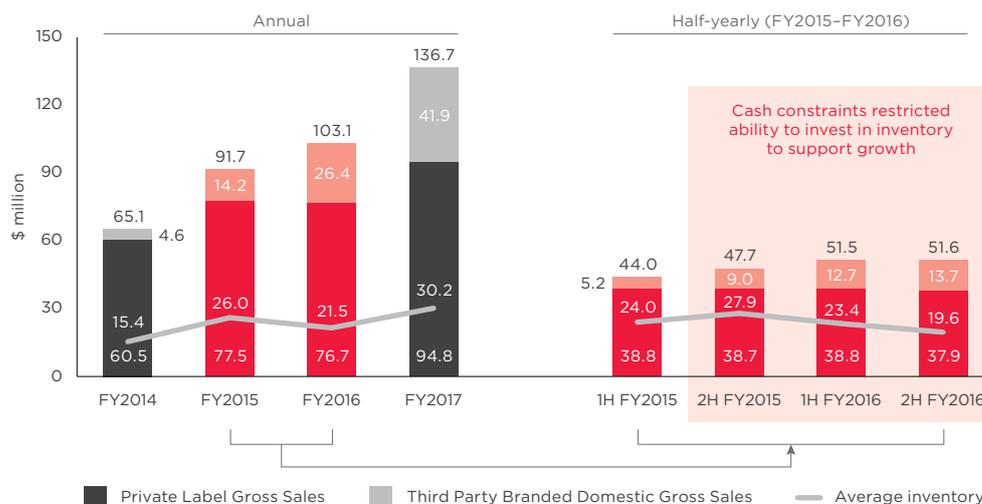
Despite cash constraints, discussed in greater detail below, Kogan.com implemented its strategic plan to further diversify its business mix throughout FY2015 and FY2016. This included expanding and launching certain product lines to increase the revenue and profit contribution of its General Merchandise categories, particularly in Private Label Products. Kogan.com decreased reliance on Third Party Branded International Products, the supply of which is highly sensitive to foreign exchange fluctuations, through growing the number of brands stocked under its higher margin Third Party Branded Domestic Product segment.

4.7.1.5 Cash constraints

Kogan.com was cash constrained during 2H FY2015 and 1H FY2016, as a result of a difficult SAP Implementation Period and a sharp decline in the Australian dollar (both described above). These factors negatively impacted Kogan.com’s operating cash flows, in particular during the 1H FY2016 Christmas inventory ordering period, which typically takes place in August and September. As a result of these cash constraints, and in partnership with its bank, Kogan.com reduced the size of its credit facility from \$9.0 million to \$5.5 million in November 2015. While appropriate in the context of events impacting the business at the time, this paydown exacerbated existing cash constraints experienced throughout the period. As outlined in Section 4.10, Kogan.com will use a portion of the Offer Proceeds, estimated to be approximately \$4.0 million, to pay down all amounts drawn under its Facility.

The cash constraints described above prevented Kogan.com from investing in sufficient Private Label and Third Party Branded Domestic inventory required to support sales growth, in particular. Kogan.com was also unable to meet customer demand for certain products, leading to a number of “out of stocks”. Figure 4.6 outlines part of the impact of these cash constraints on Kogan.com’s ability to purchase inventory ahead of the 1H FY2016 Christmas period. While Kogan.com was able to grow combined sales of its Private Label and Third Party Branded Domestic business segments, both of which require investment in inventory, Kogan.com believes the reduction in inventory represents a significant lost revenue opportunity over the period.

Figure 4.6: Private Label and Third Party Branded Domestic Gross Sales vs. average inventory in period



4.7.2 Pro Forma Historical Results and Pro Forma Cash Flow items: FY2015 compared to FY2014

Table 4.12: Pro Forma Historical Results and Pro Forma Cash Flow for FY2015 compared to FY2014

(\$m)	FY2014	FY2015	Change
GTV	179.6	216.3	36.7
Revenue	170.0	200.3	30.3
Cost of sales	(148.2)	(171.4)	(23.2)
Gross Profit	21.8	28.9	7.1
Variable costs	(3.5)	(7.3)	(3.8)
Marketing costs	(4.9)	(6.0)	(1.1)
People costs	(6.7)	(9.7)	(3.0)
Other fixed costs	(3.0)	(4.3)	(1.3)
EBITDA	3.7	1.6	(2.1)
Depreciation and amortisation	(0.5)	(1.4)	(0.9)
EBIT	3.2	0.2	(3.0)
Interest	(0.1)	(0.1)	-
Profit before tax	3.1	0.1	(3.0)
Income tax expense	(1.3)	(0.4)	0.9
NPAT	1.8	(0.3)	(2.1)
Revenue growth	n/a	17.8%	n/a
Gross Margin	12.8%	14.4%	1.6%
EBITDA Margin	2.2%	0.8%	(1.4%)
EBITDA	3.7	1.6	(2.1)
Non-cash items in EBITDA	0.1	0.1	-
Change in Working Capital	0.1	(5.2)	(5.3)
Operating cash flow before capital expenditure	3.9	(3.5)	(7.4)
Purchase of property, plant and equipment	(0.1)	(0.8)	(0.7)
Investment in intangibles	(0.6)	(2.7)	(2.1)
Cash flow before financing and taxation	3.2	(7.0)	(10.2)

Revenue

Revenue increased by \$30.3 million to \$200.3 million in FY2015, up 17.8% from \$170.0 million in FY2014, primarily due to:

- Higher revenue from Private Label Products, driven by a \$17.0 million increase in GTV. Private Label revenue growth was driven by increased sales of General Merchandise products as Kogan.com focused on diversifying its product range beyond Consumer Electronics. Categories which achieved significant traction with the Kogan Community and sales growth in FY2015 included Appliances; Home and Garden; and Sports, Outdoors and Luggage;
- A decline in revenue from Third Party Branded International Products, which was driven primarily by the declining Australian dollar and subsequent reduced price competitiveness of some of Kogan.com's products; and
- Growth in revenue from Third Party Branded Domestic Products, due to an increase in products and brands available.

Gross Profit

Gross Profit increased by \$7.1 million to \$28.9 million in FY2015, from \$21.8 million in FY2014. This was driven by increased revenue, together with Gross Margin improvement from 12.8% to 14.4%. Gross Margin improvement was mainly the result of higher revenue contribution from Private Label Products, which generally have higher Gross Margins. However, the increase in Gross Profit was partially offset by SAP Implementation issues and costs in 2H FY2015. Specific negative impacts of SAP Implementation included double despatch of some customer orders, resulting in stock loss and higher than usual levels of goodwill credits and Cancellations.

EBITDA

EBITDA declined by \$2.1 million in FY2015, from \$3.7 million to \$1.6 million, and EBITDA Margin declined from 2.2% to 0.8%. This was primarily the result of higher operating expenses of \$9.2 million, which included increased variable expenses to support higher revenues as well as investment in the fixed cost base to support the future growth of Kogan.com. Variable costs increased by \$3.8 million, predominantly as a result of:

- A \$2.2 million increase in warehousing costs, due to the addition of a new third party warehousing facility in Sydney, higher despatch volumes from warehouses and higher inventory levels as a result of the disruption caused by SAP Implementation; and
- \$1.5 million higher selling expenses due to the full-year impact of fees relating to a component of Other Revenue Streams.

Marketing costs increased by \$1.1 million, as Kogan.com invested to increase its customer base.

Fixed costs increased by \$4.3 million, driven by a \$3.0 million increase in people costs as a result of the full-year impact of maintaining an overseas call centre, which commenced operation in February 2014, new senior management team members and formation of an operational development team to manage and optimise internal systems and processes, including SAP. Additionally, IT expenses increased by \$0.6 million, linked to hosting costs associated with the adoption of SAP.

NPAT

NPAT declined by \$2.1 million, from \$1.8 million to a loss of \$0.3 million, as a result of the same factors which impacted EBITDA. A \$0.9 million increase in depreciation and amortisation in FY2015 resulting from SAP Implementation, website development and investment in intellectual property was partially offset by a reduced income tax expense.

Change in Working Capital

Working Capital increased by \$5.2 million in FY2015, driven primarily by investment in inventory, as Kogan.com invested in Private Label Products and the expansion of its Third Party Branded Domestic business. The investment in inventory was partially funded by an increase in payables, due to more favourable payment terms negotiated with some Private Label suppliers and growth in the Third Party Branded Domestic business.

Capital expenditure

Capital expenditure increased by \$2.8 million in FY2015, primarily due to a \$2.1 million increase in capital expenditure relating to intangible assets as a result of SAP Implementation, website development and investment in intellectual property.

4.7.3 Pro Forma Historical Results and Pro Forma Historical Cash Flow items: 1H FY2016 compared to 1H FY2015

Table 4.13: Pro Forma Historical Results and Pro Forma Historical Cash Flow for 1H FY2016 compared to 1H FY2015

(\$m)	1H FY2015	1H FY2016	Change
GTV	112.2	107.7	(4.5)
Revenue	108.1	104.7	(3.4)
Cost of sales	(90.4)	(88.9)	1.5
Gross Profit	17.7	15.8	(1.9)
Variable costs	(3.2)	(4.3)	(1.1)
Marketing costs	(3.3)	(2.3)	1.0
People costs	(4.5)	(4.5)	-
Other fixed costs	(1.7)	(2.1)	(0.4)
EBITDA	5.0	2.6	(2.4)
Depreciation and amortisation	(0.8)	(0.9)	(0.1)
EBIT	4.2	1.7	(2.5)
Interest	(0.1)	(0.1)	-
Profit before tax	4.1	1.6	(2.5)
Income tax expense	(1.5)	(0.3)	1.2
NPAT	2.6	1.3	(1.3)
Revenue growth	n/a	(3.1%)	n/a
Gross Margin	16.4%	15.1%	(1.3%)
EBITDA Margin	4.6%	2.5%	(2.1%)
EBITDA	5.0	2.6	(2.4)
Non-cash items in EBITDA	0.1	0.1	-
Change in Working Capital	(4.2)	7.2	11.4
Operating cash flow before capital expenditure	0.9	9.9	9.0
Purchase of property, plant and equipment	(0.7)	-	0.7
Investment in intangibles	(1.8)	(0.6)	1.2
Cash flow before financing and taxation	(1.6)	9.3	10.9

Revenue

Revenue decreased 3.1%, by \$3.4 million, to \$104.7 million in 1H FY2016, from \$108.1 million in 1H FY2015. This was driven by:

- Lower revenue from Third Party Branded International Products, driven by a \$16.9 million reduction in Third Party Branded International GTV, due to the impact of a lower AUD, which resulted in Kogan.com products being less price competitive;
- Growth in revenue from Third Party Branded Domestic Products, driven by a \$7.5 million increase in GTV, as a result of product range expansion and the addition of new brands; and
- Stable Private Label revenue in 1H FY2016, as a result of cash constraints discussed in Section 4.7.1.5, which prevented Kogan.com from investing in the inventory levels and updated products required to grow its Private Label Product segment.

Furthermore, cash constraints necessitated a reduction in marketing spend, which impacted overall business revenue.

Gross Profit

Gross Profit declined by \$1.9 million to \$15.8 million in 1H FY2016, from \$17.7 million in 1H FY2015, and Gross Margin declined from 16.4% to 15.1%. The reduction in Gross Margin was the result of discounting in 1H FY2016 in order to generate cash flow and clear increased aged stock following the SAP Implementation, offset by a change in sales mix to higher Gross Margin product segments. Cash constraints led to a temporary suspension of further investment in Private Label Products in 2H FY2015, resulting in a reduction in new Private Label models, which would otherwise have been expected to sell at normal Gross Margins in the first few months of 1H FY2016.

EBITDA

EBITDA declined by \$2.4 million in 1H FY2016 to \$2.6 million, from \$5.0 million in 1H FY2015, and EBITDA Margin declined from 4.6% to 2.5%. This was driven by the impact of lower Gross Profit, as discussed above. Warehousing costs were higher in 1H FY2016, due to:

- The addition of a new third party warehousing facility in Sydney;
- Higher volumes of aged inventory as a result of the SAP Implementation; and
- Increased despatch volumes for Private Label and Third Party Branded Domestic Products.

However, this was offset by a \$1.0 million reduction in marketing expenditure to conserve cash.

NPAT

NPAT declined \$1.3 million in 1H FY2016 to \$1.3 million, from \$2.6 million in 1H FY2015, driven by the same factors which impacted EBITDA, partially offset by a reduced income tax expense.

Change in Working Capital

Working Capital reduced by \$7.2 million in 1H FY2016, driven predominantly by an \$8.8 million increase in trade payables as a result of improved payment terms negotiated with some Private Label suppliers. This benefit was partially offset by movements in other Working Capital items.

Capital expenditure

Capital expenditure reduced by \$1.9 million in 1H FY2016 as a result of cash constraints, which resulted in lower investment.

4.8 MANAGEMENT DISCUSSION AND ANALYSIS OF FORECAST FINANCIAL INFORMATION

4.8.1 Assumptions underlying the Forecast Financial Information

The Forecast Financial Information is based on various best estimate assumptions, including those set out below. In preparing the Forecast Financial Information, Kogan.com has undertaken an analysis of historical performance and applied assumptions where appropriate. However, actual results are likely to vary from those forecasts, and any variation may be materially positive or negative. The assumptions upon which the Forecast Financial Information is based are by their nature subject to significant uncertainties and contingencies, many of which are beyond the control of Kogan.com, the Directors and management and are not reliably predictable.

Accordingly, none of Kogan.com, the Directors or any other person can give any assurance that the Forecast Financial Information or any prospective statement contained in this Prospectus will be achieved. Events and outcomes might differ in amount and timing from the assumptions, with a material consequential impact on the Forecast Financial Information.

As discussed in Section 4.2.4, the Forecast Financial Information does not include the impact of any revenues, earnings or cash flows which may be generated by the Dick Smith Assets during FY2016 or FY2017, as Kogan.com believes it does not have a reliable basis upon which to forecast this.

The assumptions set out below should be read in conjunction with the sensitivity analysis set out in Section 4.9, the risk factors set out in Section 5 and the Investigating Accountant's Report set out in Section 8.

4.8.1.1 Key factors driving the FY2016 and FY2017 forecast

Given the current cash constraints on the business, Kogan.com is not forecasting significant revenue growth in 2H FY2016 on the prior year comparative period.

In FY2017, Kogan.com expects an improvement in performance to be achieved through the following:

- **Release of cash constraints:** The release of cash constraints following the receipt of the Offer Proceeds at the start of FY2017 will allow the business to invest in additional inventory and marketing to drive Customer Acquisition and sales growth;
- **Growth in Private Label Product sales:** Investment in the range and availability of Private Label Products, notably a refresh of the Consumer Electronics Private Label range and the expansion of the range of products offered within existing General Merchandise categories. With a refreshed and more diversified product offering, Kogan.com intends to accelerate its marketing activities, driving increased frequency of purchases by existing members of the Kogan Community;
- **Growth in Third Party Domestic Product sales:** Continued expansion of the range of brands sold via the Kogan.com websites is expected to drive sales growth in the segment, in addition to driving additional traffic to Kogan.com;
- **Growth in New Verticals:** Following strong performance to date in Kogan Travel and Kogan Mobile, introduced in May 2015 and October 2015; respectively, these New Verticals are expected to continue to grow. Neither New Vertical requires Working Capital investment, or significant operating expenditure. For Kogan Mobile, revenue is purely commission based, and therefore generates 100% Gross Margin;
- **Change in product mix to drive Gross Margin uplift:** As outlined in Table 4.2, Kogan.com has forecast stronger revenue growth in business segments with higher average Gross Margins, namely Private Label Products, Third Party Branded Domestic Products and Kogan Mobile, than in business segments with lower average Gross Margins;
- **Improvement in sales of Third Party Branded International Products:** The forecast assumes no further sharp declines in the Australian dollar, and therefore Kogan.com expects Third Party Branded International Products to be more price competitive, with sales increasing, albeit not to levels reported in FY2014;
- **SAP efficiencies:** SAP has been fully operational and performing in line with Kogan.com's expectations since September 2015. As a result, Kogan.com has benefited from improved reporting, enhanced service delivery and significant operating efficiencies. This is evidenced by an improvement in key performance indicators, including Net Promoter Score (as discussed in Section 3) and a reduction in call centre staff;
- **Operating leverage:** Kogan.com does not expect fixed costs to increase significantly in FY2017. Hence, increased in Gross Profit is expected to drive improvements in EBITDA and EBITDA Margin; and
- **The Dick Smith Assets:** As discussed in Section 4.2.4, Kogan.com's strategy is to operate the "Dick Smith" and "Kogan" brands using common underlying technological infrastructure, a shared supply chain and a single inventory pool. As such, management is confident that no material incremental fixed operating expenditure, including people costs, will be required to support its operation of the Dick Smith Assets. Given the Dick Smith Assets were not acquired as a going concern, Kogan.com has no reliable basis upon which to quantify the financial or operating performance of the Dick Smith Assets under Kogan.com's ownership. As such, the Historical Financial Information and Forecast Financial Information have not been adjusted to take into account any revenue, operating earnings and cash flow impact which may result from the acquisition. Potential revenue which may be generated by the Dick Smith Assets is therefore a significant growth opportunity for Kogan.com within the Prospectus Forecast Period, and is expected to drive further operating leverage.

4.8.1.2 General assumptions

The following general assumptions have been made in preparing the Forecast Financial Information:

- No significant change in macroeconomic conditions, including foreign exchange rates and interest rates, that could have a material impact on Kogan.com's customer demand;
- No material change in the competitive and operating environments in which Kogan.com operates;

04. Financial Information continued

- No material changes in national, state or territory government legislation or regulations, including tax legislation, regulatory requirements or government policy, for any country in which Kogan.com operates that will have a material impact on the financial performance or cash flows, financial position, accounting policies, financial reporting or disclosure of Kogan.com;
- No material change in Key Management Personnel or other senior management;
- No material industry strikes or other disruptions to Kogan.com's supply chain or business operations;
- No material fine, penalty, dispute, litigation or other contingent liabilities to arise or be settled to the detriment of Kogan.com;
- No material change in Kogan.com's corporate or capital structure other than as contemplated by the Kogan Group Restructure and Offer;
- No change in AAS or the Corporations Act that will have a material effect on Kogan.com's accounting policies;
- None of the risks listed in Section 5 have a material impact on Kogan.com; and
- The Offer Proceeds are received in accordance with the timetable set out on page 5 of this Prospectus.

4.8.1.3 Specific assumptions

The Forecast Financial Information has been prepared by management on a "bottom up" basis. Key aspects of the basis of preparation are as follows:

- **Revenue:** revenue is forecast based on volume and average price assumptions across product groups. Specifically:
 - Revenue growth from FY2016 to FY2017 is predominantly driven by a GTV increase in sales through the Core Website Channel of 23.6% for Private Label, 58.8% for Third Party Branded Domestic and 13.4% for Third Party Branded International;
 - No significant revenue growth is forecast for Other Revenue Streams;
 - 51% of revenue is forecast to be earned in 1H FY2017. This level of revenue contribution reflects the lead time from inventory and marketing investment to sales generation. In the ordinary course of business, Kogan.com would expect revenue contribution to be more heavily weighted towards the first half of the financial year. FY2015 and FY2016 do not provide meaningful comparatives of a normal seasonality profile, given SAP Implementation and significant foreign exchange volatility which took place in those years;
- **Cancellations and Refunds:** Cancellations and Refunds are forecast at 5.4% of total Gross Sales (excluding Gross Sales relating to Kogan Mobile), in line with recent historical trends excluding the SAP Implementation Period;
- **Gross Margins:** In FY2017, Kogan.com's Gross Margins are expected to be as follows:
 - Gross Margins of Private Label Products are expected to be on average more than four times those of Third Party Branded International Products;
 - Gross Margins of Third Party Branded Domestic Products are expected to be on average approximately three times those of Third Party Branded International Products;
 - Kogan Mobile Gross Margin is expected to be 100%;
 - Kogan Travel Gross Margin is expected to be approximately 13.0%-13.5%; and
 - Products sold through Other Revenue Streams business segment have comparable Gross Margins to those sold through the Core Website Channels. However, due to the inclusion of other items including delivery and warranty income and expenditure and stock adjustments in this business segment, Gross Margin for Other Revenue Streams is expected to be approximately 5.5%-6.0%;
- **Variable costs:** These consist of warehousing costs and selling expenses, and are forecast as a percentage of Gross Sales based on recent historical trends;

04. Financial Information continued

- **Marketing costs:** Due to the return hurdles Kogan.com employs in relation to its planned marketing spend, which are driven in part by ongoing analysis of sales trends, marketing costs are forecast as a percentage of Gross Sales, with reference to historical trends, in addition to planned new marketing initiatives funded by the Offer Proceeds aimed at driving customer and volume growth
 - Marketing costs are forecast to increase from 2.5% of revenue in FY2016 to approximately 3.0% of revenue in FY2017;
- **People costs:** Due to Kogan.com's business model as a Pure Play Online Retailer, people costs do not grow in line with sales. After investing in senior members of the team in recent years, and making allowance for certain senior managements' and Directors' remuneration as part of expected public company costs, Kogan.com does not expect that further material investment in people costs will be required to achieve the forecast growth. Forecast wages reflect an estimate of the costs associated with senior management remuneration and the EIP, described in Section 6;
- **Other fixed costs:** These costs consist mainly of general and administrative costs, occupancy costs, IT costs and compliance and quality assurance costs, and are forecast to increase by assumed annual growth rates of between 1.0%-2.5%;
- **Working Capital:** Inventory levels have been forecast to support sales growth in Private Label Products and Third Party Branded Domestic Products, taking into account the cash constraints in the business leading up to Listing, and its relatively low inventory position through 2H FY2016. The investment of the Offer Proceeds in inventory is expected to return inventory to targeted levels and fund the peak Working Capital requirements of the business ahead of the November and December trading periods. Trade payables and underlying creditor day assumptions assume that Kogan.com's current trading terms will continue in the Prospectus Forecast Period
 - As at 30 June 2017, Working Capital is forecast to represent approximately 12.2% of FY2017 Gross Sales from Private Label Products and Third Party Branded Domestic Products; and
- **Capital expenditure:** Capital expenditure includes website development costs, software investment and the acquisition of customer lists. FY2017 forecast capital expenditure is in line with that for FY2016, excluding expenditure associated with the acquisition of the Dick Smith Assets.

4.8.2 Pro Forma Forecast Results and Pro Forma Historical Results: FY2016 compared to FY2015

Table 4.14: Comparison of selected Financial Information for FY2016 and FY2015

(\$m)	FY2015	FY2016	Change
GTV	216.3	214.0	(2.3)
Revenue	200.3	201.1	0.8
Cost of sales	(171.4)	(171.9)	(0.5)
Gross Profit	28.9	29.2	0.3
Variable costs	(7.3)	(8.1)	(0.8)
Marketing costs	(6.0)	(5.1)	0.9
People costs	(9.7)	(8.9)	0.8
Other fixed costs	(4.3)	(4.2)	0.1
EBITDA	1.6	2.9	1.3
Depreciation and amortisation	(1.4)	(2.2)	(0.8)
EBIT	0.2	0.7	0.5
Interest	(0.1)	(0.1)	-
Profit before tax	0.1	0.7	0.6
Income tax expense	(0.4)	(0.3)	0.1
NPAT	(0.3)	0.4	0.7
Revenue growth	n/a	0.4%	n/a
Gross Margin	14.4%	14.5%	0.1%
EBITDA Margin	0.8%	1.4%	0.6%
EBITDA	1.6	2.9	1.3
Non-cash items in EBITDA	0.1	0.1	-
Change in Working Capital	(5.2)	4.0	9.2
Operating cash flow before capital expenditure	(3.5)	7.0	10.5
Purchase of property, plant and equipment	(0.8)	(0.1)	0.7
Purchase of Dick Smith Assets	-	(2.6)	(2.6)
Investment in intangibles	(2.7)	(1.7)	1.0
Cash flow before financing and taxation	(7.0)	2.6	9.6

Revenue

Revenue is forecast to increase 0.4%, by \$0.8 million, to \$201.1 million in FY2016 from \$200.3 million in FY2015 due to:

- Third Party Branded Domestic Products are expected to deliver strong revenue growth, driven by a GTV increase of \$12.2 million due to brand and product range expansion;
- Kogan Travel and Kogan Mobile are also forecast to contribute to revenue growth, having been launched in May 2015 and October 2015, respectively;
- Private Label Product sales are expected to be broadly flat, due to capital constraints; and
- Sales of Third Party Branded International Products are expected to decline, driven by a \$17.4 million decrease in GTV as a result of sharp falls in the Australian dollar negatively impacting the competitiveness of Kogan.com's pricing in 1H FY2016. Sales of Third Party Branded International Products in 2H FY2016 are forecast to be in line with the prior year comparable period.

04. Financial Information continued

Clearance activity during 2Q FY2016 and 3Q FY2016 by Dick Smith Holdings Limited, which entered voluntary administration on 1 January 2016, contributed negatively to Consumer Electronics volumes across Kogan.com's Private Label and Third Party Branded Product segments, as heavy discounting on behalf of Dick Smith Holdings Limited reduced the relative price competitiveness of Kogan.com's products. In March and April 2016, since this clearance activity reduced, Kogan.com has seen a rebound in demand for Consumer Electronics products, reflected in positive sales momentum across the category.

Gross Profit

Gross Profit is forecast to increase by \$0.3 million to \$29.2 million in FY2016, from \$28.9 million in FY2015, driven by a 0.4% increase in revenue, in addition to a relatively stable Gross Margin, at 14.5% in FY2016 compared with 14.4% in FY2015. The modest improvement in Gross Margin is the result of a mix shift in favour of Third Party Branded Domestic Products, which carry higher Gross Margins than Third Party Branded International Products. This positive impact was partially offset by lower Gross Margins from Private Label Products, which experienced heavy discounting in 1H FY2016 to clear increased aged inventory levels stemming from the SAP Implementation, discussed in Section 4.7.1.1. Kogan Mobile, launched in October 2015, is expected to contribute \$0.4 million to Gross Profit. Due to its commission-based business model, 100% of revenue for Kogan Mobile translates into Gross Profit.

EBITDA

EBITDA is forecast to increase by \$1.3 million in FY2016 to \$2.9 million, from \$1.6 million in FY2015. EBITDA Margin is expected to increase from 0.8% to 1.4% over the period. This is expected to be driven by a \$0.9 million reduction in marketing expenditure to conserve cash in response to the cash constraints discussed in Section 4.7.1.5 and a \$0.8 million reduction in people costs as a result of lower headcount post SAP Implementation. These benefits are expected to be partially offset by a \$0.8 million increase in variable costs, driven by \$0.6 million higher warehousing costs in 1H FY2016 due to the full-year impact of a new third party warehousing facility in Sydney, and increased despatch volumes of Private Label and Third Party Branded Domestic Products.

NPAT

NPAT is forecast to increase by \$0.7 million, from a net loss of \$0.3 million in FY2015 to a net profit of \$0.4 million in FY2016, in line with the factors driving the improvement in EBITDA, partially offset by higher depreciation and amortisation due to increased investment in intellectual property, and a higher income tax expense.

Change in Working Capital

Working Capital is forecast to reduce by \$4.0 million in FY2016, primarily driven by a reduction in inventory.

Capital expenditure

Capital expenditure is expected to increase by \$0.9 million in FY2016. A reduction in capital expenditure relating to property, plant and equipment and intangibles is more than offset by increased capital expenditure of \$2.6 million relating to the acquisition of the Dick Smith Assets in April 2016.

4.8.3 Pro Forma Forecast Results: FY2017 compared to FY2016

Table 4.15: Comparison of selected Forecast Financial Information for FY2017 and FY2016

(\$m)	FY2016	FY2017	Change
GTV	214.0	270.1	56.1
Revenue	201.1	241.2	40.1
Cost of sales	(171.9)	(204.5)	(32.6)
Gross Profit	29.2	36.7	7.5
Variable costs	(8.1)	(9.0)	(0.9)
Marketing costs	(5.1)	(7.2)	(2.1)
People costs	(8.9)	(9.0)	(0.1)
Other fixed costs	(4.2)	(4.6)	(0.4)
EBITDA	2.9	6.9	4.0
Depreciation and amortisation	(2.2)	(3.3)	(1.1)
EBIT	0.7	3.6	2.9
Interest	(0.1)	0.1	0.2
Profit before tax	0.7	3.6	2.9
Income tax expense	(0.3)	(1.1)	(0.8)
NPAT	0.4	2.5	2.1
Revenue growth	n/a	19.9%	n/a
Gross Margin	14.5%	15.2%	0.7%
EBITDA Margin	1.4%	2.9%	1.5%
EBITDA	2.9	6.9	4.0
Non-cash items in EBITDA	0.1	0.1	-
Change in Working Capital	4.0	(8.1)	(12.1)
Operating cash flow before capital expenditure	7.0	(1.1)	(8.1)
Purchase of property, plant and equipment	(0.1)	(0.1)	-
Purchase of Dick Smith Assets	(2.6)	-	2.6
Investment in intangibles	(1.7)	(2.5)	(0.8)
Cash flow before financing and taxation	2.6	(3.7)	(6.3)

Revenue

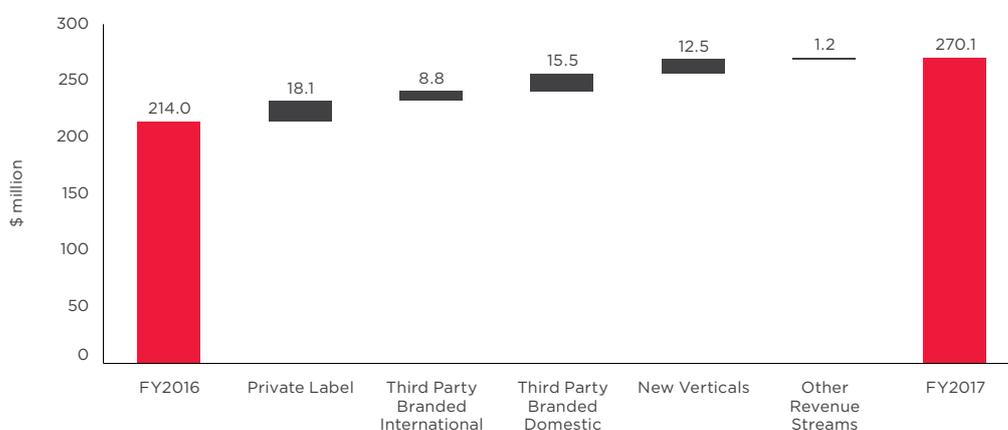
Revenue is forecast to increase 19.9%, by \$40.1 million, to \$241.2 million in FY2017 from \$201.1 million in FY2016. As outlined in Figure 4.7, this is expected to be achieved as a result of:

- Increased revenue from Private Label Products. Private Label GTV is forecast to increase by \$18.1 million, driven by:
 - higher average selling prices, following a refresh of the Private Label Consumer Electronics range, which management believes will lead to higher average prices than those obtained on the existing range; and
 - higher volumes, driven by increased availability and range of products following investment in inventory using a portion of the Offer Proceeds;

04. Financial Information continued

- Increased revenue from Third Party Branded International Products. Third Party Branded International Product GTV is forecast to increase by \$8.8 million, driven by:
 - lower average selling prices, reflecting an expected product mix shift in favour of lower value items; and
 - increased volumes, driven by a return to stability in the Australian dollar relative to the US dollar, and hence increased price competitiveness of Kogan.com in this segment; and
- Increased revenue from Third Party Branded Domestic Products. Third Party Branded Domestic Product GTV is expected to increase by \$15.5 million, driven by:
 - lower average selling prices, reflecting an expected product mix shift in favour of lower value items; and
 - increased volumes, driven by increased availability and range of products following investment in inventory using a portion of the Offer Proceeds, including an increase in the number of brands featured.

Figure 4.7: Bridge from FY2016 to FY2017 GTV



Gross Profit

Gross Profit is forecast to increase by \$7.5 million to \$36.7 million in FY2017, from \$29.2 million in FY2016, driven by an increase in revenue, in addition to improved Gross Margin, which is forecast to increase from 14.5% to 15.2%. Gross Margin is forecast to increase as a result of a change in business mix, with expected revenue growth in higher margin Private Label Products and Third Party Branded Domestic Products outpacing the recovery in Third Party Branded International Products. Kogan Mobile is expected to contribute an additional \$1.0 million to Gross Profit in FY2017, through continued growth in the number of activations and a full-year of operations in FY2017 compared with eight months in FY2016. Due to its commission-based business model, 100% of revenue for Kogan Mobile translates into Gross Profit. Excluding the impact of Kogan Mobile, Gross Margin is forecast to increase from 14.2% in FY2016 to 14.8% in FY2017.

Heavy discounting employed during 1H FY2016, to clear aged inventory accumulated as a result of the SAP Implementation, is not expected to be repeated. However, no Gross Margin improvement resulting from the reduction in discounting is included in the forecast.

EBITDA

EBITDA is forecast to increase by \$4.0 million from \$2.9 million in FY2016 to \$6.9 million in FY2017. EBITDA Margin is expected to increase from 1.4% to 2.9%. This is expected to be driven by revenue growth and Gross Margin improvement, offset by a \$2.1 million increase in marketing expenditure following the receipt of the Offer Proceeds. This marketing investment is expected to support revenue growth, as outlined in Section 3.9.4.

Variable costs, including warehousing costs, are expected to increase in line with revenue growth. Fixed costs are expected to increase modestly, in line with an assumed percentage growth rate based on historical trends.

NPAT

NPAT is forecast to increase by \$2.1 million, from \$0.4 million in FY2016 to \$2.5 million in FY2017, in line with the improvement to EBITDA, partially offset by higher depreciation and amortisation due to the impact of an additional \$0.9 million amortisation as a result of acquiring the Dick Smith Assets, and increased income tax expense as a result of higher earnings.

Change in Working Capital

Working Capital is forecast to increase by \$8.1 million in FY2017. This is driven by investment in inventory, particularly in Private Label Products and Third Party Branded Domestic Products, following receipt of the Offer Proceeds.

As a result of cash constraints experienced in FY2015, Kogan.com reduced its investment in inventory, such that it was unable to maintain sufficient inventory levels required to support targeted growth. For a period in 2H FY2015, Kogan.com imposed a “freeze” on inventory purchases, including purchases of both Private Label and Third Party Branded Domestic Products. While this policy was lifted in 1H FY2016, Kogan.com continued to operate with Working Capital below normal levels, as it paid down a portion of its credit facility and experienced a relative reduction in Working Capital benefit from its Third Party Branded International Product segment, which was impacted by a falling Australian dollar.

Part of the planned investment in inventory in FY2017 is expected to be one-off in nature (to return the business to a targeted level of inventory). While absolute inventory levels are expected to continue to grow in future, in line with Kogan.com’s Private Label and Third Party Branded Product revenues, subject to a significant change in strategy, or a negative manifestation of the risks outlined in Section 5, the ratio of inventory to Private Label and Third Party Branded Domestic Product sales is expected to remain stable in the foreseeable future.

The increased inventory forecast in FY2017 is partially offset by an increase in trade creditors. Trade creditors and underlying creditor day assumptions assume that Kogan.com’s current trading terms will continue in the Prospectus Forecast Period.

Capital expenditure

Capital expenditure is expected to reduce by \$1.8 million in FY2017. This reduction will be driven by the non-recurring nature of the \$2.6 million acquisition of the Dick Smith Assets, which took place in FY2016, partially offset by a \$0.8 million increase in investment in intangible assets in FY2017, relating to purchases of customer lists, to support Kogan.com’s revenue growth.

4.9 SENSITIVITY ANALYSIS

The Forecast Financial Information is based on a number of estimates and assumptions, as described in Section 4.8.1. These estimates and assumptions are subject to business, economic and competitive uncertainties, many of which are beyond the control of Kogan.com, the Directors and management. These estimates are also based on assumptions in relation to future business developments, which are subject to change.

The changes in the key assumptions set out in the sensitivity analysis are intended to provide a guide only and are not intended to be indicative of the complete range of variations that may be experienced. Variations in actual performance could exceed the ranges shown.

For the purposes of this analysis, each sensitivity is presented in terms of the impact on the pro forma forecast EBITDA and pro forma forecast NPAT for FY2017 and is set out in Table 4.16.

Care should be taken in interpreting these sensitivities. The estimated impact of changes in each of the variables has been calculated in isolation from other sensitivities in order to illustrate their likely impact on a full-year basis for FY2017 for both the pro forma forecast EBITDA and NPAT. In practice, changes in assumptions may offset each other or be additive, and it is likely that management would respond to any adverse change in one item to seek to minimise the net effect on the Kogan.com’s EBITDA and cash flow.

Kogan.com’s financial and operating sensitivity to currency is discussed in Section 4.6.3 above.

Table 4.16: Sensitivity analysis on pro forma forecast EBITDA and NPAT

	Impact	FY2017 EBITDA		FY2017 NPAT	
		\$m	%	\$m	%
Private Label revenue ⁽¹⁾	+/- 500 bps	+/- 1.0	+/- 14.3%	+/- 0.7	+/- 28.4%
Third Party Branded revenue ⁽¹⁾	+/- 500 bps	+/- 0.2	+/- 2.3%	+/- 0.1	+/- 4.4%
Private Label Gross Margin	+/- 100 bps	+/- 1.0	+/- 14.5%	+/- 0.7	+/- 28.1%
Third Party Gross Margin	+/- 100 bps	+/- 1.3	+/- 18.8%	+/- 0.9	+/- 36.7%
Kogan Mobile revenue ⁽¹⁾	+/- 500 bps	+/- 0.1	+/- 0.9%	+/- 0.0	+/- 1.8%

Note:

1. Although marketing costs are generally forecast to grow in line with Gross Sales, when flexing revenue growth assumptions in the financial forecast model, it has been assumed that marketing costs remain fixed

4.10 DEBT FACILITY

On 31 May 2016, Kogan Australia signed a new multi-option facility agreement with Westpac Banking Corporation (“**Financier**”), maturing on 31 May 2019 (“**Facility**”). The Facility Agreement includes a Cash Advance Facility, Trade Finance Facility and LC Facility with a total limit of \$10.0 million. A summary of the material commercial terms and conditions on which the Financier has granted the Facility is set out in section 9.5.

On Completion of the Offer, Kogan.com intends to use a portion of the Offer Proceeds to pay down the balance of any amounts drawn under the Facility, which is forecast to be approximately \$4.0 million.

4.11 DIVIDEND POLICY

It is the Directors’ intention to reinvest future cash flows to further grow the business. As such, there is no current intention to pay a dividend.

05.

RISKS

05. Risks

5.1 INTRODUCTION

Kogan.com is subject to a variety of risk factors. Some of these are specific to its business activities, while others are of a general nature. Individually, or in combination, these risk factors may affect the future operating and financial performance of Kogan.com, its investment returns and the value of the Shares.

The risks set out in this Section 5, if they eventuate, could have a material adverse impact on Kogan.com's business, financial condition and results of operations. The occurrence or consequences of some of the risks described in this Section 5 are partially or completely outside the control of Kogan.com, its Directors and its management team. There is no guarantee that Kogan.com will achieve its stated objectives or that any forward-looking statements or forecasts will eventuate.

The risks set out in this Section 5 are not an exhaustive list of the risks associated with Kogan.com's business or the industry in which it operates, or an investment in the Shares either now or in the future, and this information should be used as guidance only and read in conjunction with all other information presented in this Prospectus. There is no guarantee or assurance that the importance of different risks will not change or other risks will not emerge.

Before applying for Shares, you should be satisfied that you have a sufficient understanding of the risks in this Section 5 and you should consider whether an investment in the Shares is suitable for you, having regard to your own investment objectives, financial circumstances and tax position. We recommend you seek professional advice from your stockbroker, solicitor, financial advisor, accountant or other independent professional adviser before deciding whether to invest.

5.2 RISKS SPECIFIC TO AN INVESTMENT IN KOGAN.COM

5.2.1 Australian retail environment and general economic conditions may worsen

Many of Kogan.com's products are discretionary goods and, as a result, sales levels are sensitive to Consumer Sentiment. Kogan.com's offering of products, and its financial and operational performance, may be affected by changes in consumers' disposable incomes, or their preferences as to the utilisation of their disposable incomes. Any reduction in the disposable incomes of Kogan.com's customers as a result of changes to factors such as economic outlook, interest rates, unemployment levels, and taxation may decrease consumer confidence and consumer demand, which may subsequently result in lower levels of revenue and profitability.

5.2.2 Stagnation or decline in the Australian Online Retail Market

Investors in Kogan.com should be aware that there is no guarantee that the Australian Online Retail Market will continue to grow into the future, or as currently forecast. As outlined in Section 2.3.2, growth in the Australian Online Retail Market is expected to be driven partly by the migration of customers from traditional retail formats to Online Retail platforms. This factor is in part outside the control of Online Retailers, including Kogan.com, and there is no guarantee that the migration of customers observed in recent years will continue in the future. If online penetration of the Australian Retail Market does not increase in line with Kogan.com's expectations, Kogan.com may not be able to acquire new customers or engage existing customers, and its business, financial condition and operating results may suffer.

5.2.3 Kogan.com's forecast growth may not eventuate

Kogan.com has assumed future growth rates for its business based on a number of factors, including historical growth rates and Kogan.com's ability to retain and acquire customers in a cost-effective manner. Kogan.com's historical growth rates may not be sustainable or indicative of future growth. In addition, there is a risk that Kogan.com may need to spend more than it anticipates to retain and acquire customers, or may generate less revenue per customer than anticipated, either of which could have a negative impact on the business and the results of operations. Kogan.com believes that its continued revenue growth will depend upon, among other factors, its ability to: build the "Kogan" brand; increase its Private Label and Third Party Branded product offering; develop new features to enhance the customer experience on its websites and Apps; increase the frequency with which new and existing customers purchase products on its websites and Apps through merchandising, data analytics and technology; add new suppliers and deepen its relationship with its existing suppliers; enhance the systems consumers use to interact with its websites and Apps; and invest in its infrastructure platform.

Achievement of any of the foregoing cannot be assured. Kogan.com's management has developed a number of growth strategies for the business, which are set out in Section 3.9. The success of Kogan.com's growth strategies is key to Kogan.com's future financial performance. However, there is a risk that Kogan.com's growth strategies are ineffective or are not executed effectively or in accordance with the timetable anticipated. Such execution failure may adversely affect Kogan.com's ability to grow its revenue and this may adversely affect its financial and operational performance. Investors should not rely on the historical rate of revenue growth as an indication of future performance. If Kogan.com's future growth and operating performance fail to meet investor or analyst expectations, Kogan.com's financial condition and the Share price could be materially adversely affected.

5.2.4 Competition may increase and change

Kogan.com could be adversely affected by increased competition in the various market segments in which it operates. The Australian Online Retail Market is highly competitive and is subject to changing customer preferences. Kogan.com competes for customers with a wide variety of other businesses including Australian Bricks and Mortar Retailers, catalogue retailers, television-based home shopping channels and Australian and international Online Retailers. Competition may also come from third party suppliers establishing their own online presence, as opposed to utilising Kogan.com's customer network. Competition is based on a variety of factors including merchandise selection, price, parallel importing, international price harmonisation, marketing and customer service. Kogan.com's competitors may strengthen through industry consolidation, or through financial or operational advantages which allow them to compete aggressively on pricing. Kogan.com's competitive position may deteriorate as a result of factors including actions by existing competitors (such as increasing their focus on growing online sales), the entry of new competitors or a failure by Kogan.com to successfully respond to changes in the industry. Any deterioration in Kogan.com's competitive position may have a material adverse effect on its financial and operational performance in the future.

5.2.5 Changes in customer preferences or trading patterns

There is a risk that Kogan.com fails to anticipate and adapt to changing consumer preferences in a timely manner. Kogan.com's financial performance depends on its ability to identify and respond to retail product trends, as well as to anticipate, gauge and react to changing consumer preferences in a timely manner. While Kogan.com undertakes rigorous demand analysis in relation to product launches and ordering, as outlined in Section 3.3.1.1, the products available on Kogan.com's websites must appeal to a broad range of consumers whose preferences cannot be predicted with certainty and are subject to change. A large number of products sold by Kogan.com are manufactured internationally, which means that any significant delay between ordering and delivery further exposes Kogan.com to the risk that customer preferences may change between the time products are ordered and the time they are available for purchase. Kogan.com continues to explore different sales categories and there can be no guarantee that such categories will be accepted by Kogan.com's existing and prospective customers or address their preferences. If Kogan.com misjudges customer preferences or fails to convert market trends into appealing product offerings on a timely basis, these may result in lower revenue and margins and could adversely impact Kogan.com's financial and operational performance. In addition, any change in customer preferences may lead to increased obsolete inventory risk.

Additionally, Kogan.com tailors a portion of its marketing towards trading patterns. Its offering is reflective of predicted customer preferences and trading periods. As a result, a portion of Kogan.com's financial and operational systems are strategically geared towards accurately reflecting customers' needs in the forthcoming trading period. Any misjudgement in predicting customers' needs, or any significant decreases in customer demand patterns during peak trading periods, could have a material adverse effect on Kogan.com's financial and operational performance. An unexpected decrease in sales over Kogan.com's traditionally high-volume trading periods could result in surplus inventory, which Kogan.com could seek to sell before it becomes too old or obsolete. This clearance activity is typically effected through heavy and broad-based discounting. If Kogan.com were to sell a significant volume of its products at deep discounts, this would reduce its business revenue and Gross Profit, and would adversely affect Kogan.com's financial performance.

5.2.6 Inability to manage inventory levels effectively

Kogan.com holds inventory for its business, particularly in relation to its Private Label Products and Third Party Branded Domestic Products. Kogan.com relies on its data analytics and inventory management system to manage its stock levels relative to forecast stock purchases. If Kogan.com's inventory management system or data analytics fail, or provide inaccurate information, Kogan.com may experience a disruption in supply of specific products, including "out of stock" issues. This may result in lost sales, increased holding costs, and reputational damage, and may have a material adverse effect on Kogan.com's financial and operational performance.

5.2.7 Key supplier, service provider and counterparty factors

Kogan.com's ability to offer a wide variety of brands, services, categories and product types, including both Private Label Products and Third Party Branded Products, is a key contributor to the appeal of its business to customers. Kogan.com has a large number of international suppliers and service providers, from which it sources a broad range of products and services. There is a risk that Kogan.com may be unable to continue to source products or services from existing suppliers or service providers, and in the future, to source products from new suppliers or services from new service providers, at favourable prices, on favourable terms, in a timely manner or in sufficient volume. All current supply and service arrangements are based on commercial terms, and the interruption or termination of these agreements may have a material adverse impact on Kogan.com's financial and operational performance in the future. Many of Kogan.com's agreements are informal, short-term and/or terminable at will. Kogan.com cannot guarantee that its existing arrangements with key suppliers or service providers will be renewed, or renewed on terms similar to their current terms. The loss or deterioration of Kogan.com's relationships with these suppliers or service providers, an inability to renew informal or contractual arrangements with such parties, or an inability to negotiate agreements with new parties on terms which are not materially less favourable than existing arrangements, may have a material adverse effect on Kogan.com's financial and operational performance.

Kogan.com's suppliers and service providers are also subject to various risks which could limit their ability to provide Kogan.com with sufficient, or any, products or services. Some of these risks include raw material costs, inflation, labour disputes, union activities, boycotts, financial liquidity, product merchantability, safety issues, natural disasters, disruption in exports, trade restrictions, currency fluctuations and general economic and political conditions. In addition, as a consequence of the fact that Kogan.com sources a large proportion of its products and services from foreign providers, Kogan.com is exposed to risks including political instability, increased security requirements for foreign goods, costs and delays in international shipping arrangements, imposition of taxes and other charges as well as restrictions on imports, exchange rate and hedging risks. Kogan.com is also exposed to risks related to labour practices, environmental matters, disruptions to production and ability to supply, and other issues in the foreign jurisdictions where suppliers and service providers operate. Any of these risks, individually or collectively, could materially adversely affect Kogan.com's financial and operational performance.

In addition, there is also a risk that parties with whom Kogan.com has dealings (including, but not limited to, its suppliers and service providers) may experience financial or other difficulties which may in turn affect their ability to perform their obligations to Kogan.com.

5.2.8 Performance and reliability of Kogan.com's websites, databases and operating systems

Kogan.com's websites, Apps, databases, IT and management systems, including its SAP and security systems, are critically important to its success. The satisfactory performance, reliability and availability of Kogan.com's websites, Apps, databases, IT and management systems are integral to the operation of the business. There is a risk that if Kogan.com's IT and management systems do not function properly, there could be system disruptions, corruption in databases or other electronic information, delays in sales events, delays in transaction processing, website slowdown or unavailability, loss of data or the inability to accept and fulfil customer orders which, if sustained or regular, could materially adversely affect Kogan.com's financial and operational performance. Kogan.com's financial and operational performance could be adversely affected by a system failure that causes prolonged disruption to its websites or Apps, or to third party suppliers of its products or services. This could directly damage the reputation and brand of the relevant platform and could reduce visitors to the affected websites or Apps, directly influencing sales to customers.

Kogan.com's websites, Apps, databases and management systems are all hosted on servers owned by third party providers. Kogan.com is subject to the disaster planning contingencies of those third party providers to deal with events that are beyond the control of those parties such as earthquakes, floods, fires, power grid issues, telecommunication and network failures, terrorist attacks, computer viruses and other similar events. A catastrophic failure in the systems of a third party provider is likely to have a material impact on the systems and operations of Kogan.com.

5.2.9 Factors associated with the recent acquisition of the Dick Smith Assets

Kogan.com acquired the Dick Smith Assets in April 2016. There is a risk that Kogan.com will not successfully integrate the Dick Smith Assets, or that the Dick Smith Assets will not result in the revenue or cost synergies expected. If this were to occur, Kogan.com might not receive a return on its investment in the Dick Smith Assets, and this might damage Kogan.com's reputation.

5.2.10 Exposure to product recall and warranty obligations

Kogan.com provides Private Label Products sourced from a range of suppliers. Associated with these products are various recall and warranty obligations. Any significant product recall or warranty obligation may result in a warranty cost that is borne by Kogan.com, net of insurance and other recoverable costs and, as such, Kogan.com's potential exposure could be material.

5.2.11 Reputational and Private Label brand factors

The Kogan.com portfolio of Private Label brand names and related intellectual property are key assets of the business. The reputation and value associated with these brands and related intellectual property could be adversely impacted by a number of factors, including failure to provide customers with the quality of products and services they expect, disputes or litigation with third parties such as employees, suppliers and customers, failure to adequately protect Kogan.com's intellectual property or adverse media (including social media) coverage. Significant erosion in the reputation of, or value associated with, these brands could have an adverse effect on website traffic, customer loyalty, relationships with key suppliers, employee retention rates and demand for Kogan.com's Private Label Products, all of which could adversely affect Kogan.com's future financial performance.

In addition, customer complaints or negative publicity about any of Kogan.com's businesses, websites, products, product delivery times, customer data handling and security practices or customer support, especially on blogs, social media websites and Kogan.com's own websites, could rapidly and severely diminish website traffic and consumer and supplier confidence in Kogan.com, could result in harm to Kogan.com's reputation and could adversely affect Kogan.com's financial performance.

5.2.12 Kogan.com may experience marketing strategy fatigue

Kogan.com may experience marketing strategy fatigue with a growing customer base. The frequency of Kogan.com's marketing may be underestimated or overestimated and have the result of reducing Conversion Rates. If Kogan.com does not make efficient use of data analytics, update its segment listings and decide accurately when to deploy re-engagement campaigns to improve performance metrics, this could have a material adverse effect on Kogan.com's financial and operational performance.

5.2.13 Kogan.com's websites may be excluded from or ranked lower in organic search results due to changes to search engines' algorithms or terms of services

Organic search results are not dependent on payments or marketing costs, but are the result of a search engine's "organic" listing. Customers sourced through organic listings generate higher net margins for Kogan.com, as there are less marketing costs associated with the transactions. Search engines will typically modify their algorithms to prevent manipulation of the rankings. Historically, search engines have not accepted payments to manipulate these rankings. These algorithms may be confidential or proprietary information and Kogan.com may not have access to the methods used. If Kogan.com is unable to adapt quickly to algorithm changes, Kogan.com may suffer financially from a significant decrease in customer traffic or Conversion Rates. This could significantly affect Kogan.com margins which could have a material adverse effect on Kogan.com's financial and operational performance in the future.

5.2.14 Kogan.com may experience a significant increase in the cost of, or become more reliant on, search engine marketing

A minority component of Kogan.com's revenues are attributable to customers who accessed Kogan.com's websites by clicking on links that Kogan.com paid to list on search engine's results pages. From time to time, Kogan.com places bids on key words at a certain cost per click, the cost of which are subsequently paid to the search engine in order to place these listings with a search engine. Under the bidding system, the order in which websites appear in a search engine's paid search results is determined by a combination of the price bid by the websites and the historical and expected rate at which consumers click through to the website. Bids on general search terms are typically higher cost, whereas bids on branded search terms (such as "Kogan") are typically lower cost. The click-through rate is, in turn, influenced by the strength of the websites' brand and the popularity of the website.

The cost of search engine marketing generally increases as the importance of online advertising increases and competition to be ranked higher in paid listings increases. Furthermore, businesses might have to submit higher bids in order to purchase certain key words to offset a reduction in their click-through rate. This may occur if Kogan.com were to suffer negative publicity or if its market share were to decline, or if any other factor impacted on its brand or reputation. In addition, if Kogan.com's websites were to experience a reduction in natural search visibility in search engines, it could increase Kogan.com's reliance on search engine marketing. Kogan.com's business, financial performance and operations may be materially adversely affected by any increase in the cost of, or in reliance on, search engine marketing, or any decrease in the effectiveness of its search engine marketing.

5.2.15 Data loss, theft or corruption

Kogan.com's databases of customers, suppliers and data analytics are a valuable asset for its continued success. However, such databases are subject to various risks including computer viruses, electronic theft, physical terminal theft, physical damage resulting in a loss or corruption of data, operating system failures, third party provider failures and similar disruptions. This could render the websites unavailable for a period of time while data is restored.

Kogan.com's efforts to combat such risks (including firewalls, encryption of client data, a privacy policy and policies to restrict unauthorised access), might not be successful and there is a risk that a data breach may occur, or a third party may gain access to the confidential information of Kogan.com's customers or its internal systems and databases. The failure of Kogan.com to maintain the confidentiality of this information (in particular, its customer database) could result in a breach of law by Kogan.com and cause significant operational, reputational, legal and cost ramifications for Kogan.com, any of which could adversely affect Kogan.com's future financial performance.

5.2.16 Changes in technology and technology updates

Technology changes could drive a change in the level of demand for certain products. The rate of technology changes, such as a lower rate of new product development, could adversely impact Kogan.com's financial and operational performance in the future. Rapid changes in technology are a key driver of demand for new products in certain segments in which Kogan.com operates. While many of these technological changes provide growth opportunities, there is a risk that competitors will introduce technologies that provide them with a competitive advantage relative to Kogan.com. Further, any rapid technology changes may lead to increased obsolete inventory risk, if change results in a shift in customer preferences for certain products, and may impact the prices that Kogan.com's customers are willing to pay for products.

Further, the Australian Online Retail Market is influenced by changing technologies. Kogan.com may be impacted by its ability to maintain and update its technology platforms. Maintaining and updating its technology could involve a significant cost and no assurance can be given that Kogan.com will have the capital required to develop or acquire new technologies in the future, required to maintain competitive advantage or market share.

5.2.17 Kogan.com's reliance on services provided by third party payment and logistics providers

Kogan.com relies on the services provided by third party banking and payment providers such as credit card companies. It also relies on the services of third party logistic providers to deliver ordered products to customers. Kogan.com has limited influence over these third parties. Any system or service failure that causes an interruption to Kogan.com's ability to effect payment transactions or receive payments could adversely affect its business. A system or service failure that affects the delivery of ordered products to customers could adversely affect the customer experience and reduce the attractiveness of Kogan.com's websites to customers and limit future sales. Any of these system or service failures could have an adverse impact on the reputation and brand of the business which could materially adversely affect Kogan.com's business, financial performance and operations.

Kogan.com is exposed to risks in relation to the methods of payment that it currently accepts, including credit card, PayPal and vouchers, or that it may accept in the future. Several of these payment methods have associated rules and regulations. If Kogan.com fails to comply with the applicable rules and regulations (which may change and become more onerous over time), Kogan.com may become subject to higher transaction fees or fines and may lose or face restrictions upon its ability to accept credit and debit card payments from customers or to facilitate other types of online payments. If any of these events were to occur, this may have a material adverse effect on Kogan.com's financial and operational performance. Kogan.com may incur losses from fraud, erroneous transactions and customers which have closed bank accounts or have insufficient funds in them to satisfy payments. In addition to any direct losses from any such fraudulent activity, failure to adequately control fraudulent transactions could damage Kogan.com's reputation and brand, or result in litigation or regulatory action, causing an increase in legal expenses and fees and materially adversely affecting Kogan.com's financial and operational performance.

5.2.18 Exposure to litigation

Kogan.com may be subject to litigation, claims, disputes and regulatory investigations, including by customers, suppliers, government agencies, regulators or other third parties. These disputes may be related to warranties, product descriptions, personal injury, health, environmental, safety or operational concerns, nuisance, negligence or failure to comply with applicable laws and regulations. There can be no assurance that legal claims will not be made against Kogan.com, or that Kogan.com's insurance will be adequate to cover liabilities resulting from any such claim. From time to time, Kogan receives notices or inquiries from government regulators. In May 2016, Kogan Group received a notice to provide information to a Government regulator in relation to certain promotional sales events. While the extent of any litigation, claims, disputes or regulatory investigations cannot be ascertained at this time, any such claims may be costly, have an adverse effect on Kogan.com's reputation, divert its financial and management resources from company operations, or have a material adverse effect on Kogan.com's financial and operational performance in the future. In particular, Kogan.com is exposed to litigation risk in the jurisdictions in which it operates, for instance under the applicable consumer protection regimes. There is the potential for one or more claims that are material in cumulative quantum to occur, with the result that costs are increased or its brand is damaged.

5.2.19 Foreign currency exposure

The majority of products sourced by Kogan.com are purchased directly in foreign currency and, accordingly, Kogan.com is exposed to the foreign exchange rate movements, in particular movements in the AUD/USD exchange rate.

Kogan.com passes on to its customers the movement in the cost of goods attributed to foreign exchange. There is a risk that where there is a decrease in the exchange rate of the AUD relative to the USD, consumer demand for Kogan's products may decrease. A decrease in Third Party Branded Product sales may, in turn, reduce the amount of negative Working Capital generated which can be reinvested in Private Label inventory.

5.2.20 Loss of Key Management Personnel or reduced ability to attract and retain staff

Kogan.com relies on the expertise, experience and strategic direction provided by its Executive Directors and other Key Management Personnel. Kogan.com's success depends to a significant extent on its Key Management Personnel, in particular Ruslan Kogan and David Shafer, and the rest of Kogan.com's management team discussed in Section 6.2. These individuals have extensive experience in, and knowledge of, Kogan.com's business and the Australian Online Retail Market. Additionally, successful operation of Kogan.com's business depends on its ability to attract and retain quality employees. Competition within the Australian Online Retail Market could increase the demand for, and cost of hiring, quality employees. Kogan.com's ability to meet its labour needs while controlling costs associated with hiring and training employees is subject to external factors such as unemployment rates, prevailing wage legislation and changing demographics. Kogan.com's financial and operational performance could be materially adversely affected if it cannot attract and/or retain employees or Key Management Personnel or other employees.

5.2.21 Domain names

Kogan.com is the registrant of the internet domain names for the websites www.kogan.com, www.kogan.com.au, www.kogan.co.nz, www.dicksmith.com.au and www.dicksmith.co.nz as well as various related domain names. Domain name registrants may change the requirements for continued registration or renewal. If Kogan.com fails to re-register these names when required to do so, or loses control of any domain name, it would lose all website traffic directed to that domain. This could lead to a significant reduction in Kogan.com's revenue, even if were ultimately able to re-direct users to other domain names.

5.2.22 Unauthorised use of intellectual property or independent development of technology

Substantial parts of Kogan.com's online platforms, distribution software, applications, data analytics and customer databases are seen as proprietary information. Unauthorised parties may obtain or copy, or seek to imitate, all or portions of this intellectual property or independently develop technology that is similar and may be in breach of proprietary rights. In this instance, Kogan.com may seek legal actions to remedy the breach of proprietary information. This may incur legal or other fees and if unsuccessful may have a material adverse effect on Kogan.com's financial and operational performance in the future.

Actions taken by Kogan.com to protect its intellectual property may not be adequate, complete or enforceable and may not prevent the misappropriation of its intellectual property and proprietary information or deter independent development of similar technologies by others.

5.2.23 Intellectual property infringement claims against Kogan.com

Other parties may develop and patent substantially similar or substitutable products, processes, or technologies as those used by Kogan.com. In addition, other parties may allege that Kogan.com's Private Label Products incorporate intellectual property derived from third parties without their permission. Claims of this kind may be received in future, and if successful, injunctions may be granted against Kogan.com which could affect its operations and the sale of its Private Label Products.

5.2.24 Inadvertent sale of infringing Third Party Branded Products

Kogan.com can offer no assurances that Third Party Branded Products will not attempt to infringe rights associated with other products sold by other third parties. There is a risk that Third Party Branded Products offered and supplied for sale through Kogan.com's online platforms may infringe the intellectual property rights of other products. The inadvertent sale of such products could result in damage to Kogan.com's reputation or brands and may have a material adverse effect on Kogan.com's financial and operational performance.

5.2.25 Insurance factors

Kogan.com maintains insurance coverage in relation to many different aspects of its business. However, no assurance can be given that such insurance will be available in the future on a commercially reasonable basis or that Kogan.com will have adequate insurance cover against claims made. If Kogan.com incurs uninsured losses or liabilities, its assets, profits and prospects may be materially adversely affected. In particular, there is a risk that Kogan.com may be subject to claims in respect of both historical and future incidents. If such claims arise, there is a risk that Kogan.com's insurance cover may not adequately protect Kogan.com against those claims, which may have a material adverse effect on Kogan.com. Further, Kogan.com may not be able to recover under its insurance if the company or companies providing the insurance (or any reinsurance) are under financial distress or fail. Additionally, various factors may influence insurance premiums, which may have a detrimental impact on Kogan.com's profitability. Finally, if Kogan.com does not maintain an appropriate level of insurance coverage, it may be exposed to a wide range of liabilities.

5.2.26 Kogan.com's efforts to expand into new jurisdictions, products and markets, and its strategies, may not be successful

Kogan.com has recently expanded its product categories and entered into new verticals (e.g. Kogan Travel and Kogan Mobile). Kogan.com will continue to seek to expand its business by expanding the breadth of products offered and/or by offering new services, markets or sales categories to its customers. Kogan.com may be unable to expand its business in these ways in a cost-effective or timely manner. Furthermore, any such expansion of Kogan.com's business that is not favourably received by consumers could damage Kogan.com's reputation and brands.

Any such expansion of Kogan.com's business or strategies could require additional investment, together with operations and resources, which could strain Kogan.com's management, financial and operational resources. The lack of market acceptance of such efforts or Kogan.com's inability to generate satisfactory revenue from expanded products or services to offset their costs could have a material adverse effect on Kogan.com's business, financial condition and results of operations.

In addition, Kogan.com will likely have to compete in new jurisdictions, markets and sales categories with companies already operating in the relevant market, which may understand the market better than Kogan.com. Unsuccessful attempts at expansion into new jurisdictions, markets and sales categories could damage Kogan.com's reputation, incur significant unanticipated costs and as a result could have a material adverse effect on Kogan.com's financial and operational performance.

5.2.27 Integration of acquisitions may not be successful

Kogan.com may consider acquisitions in the future where it believes they are supportive of Kogan.com's growth strategy. There are a number of difficulties associated with acquisitions, including but not limited to the integration of financial, operational and managerial resources. If the assets or businesses are not successfully integrated, this may have a material adverse effect on Kogan.com's financial and operational performance.

In addition, while Kogan.com will conduct due diligence on proposed acquisitions, there is no assurance that an acquisition will perform as forecast once fully integrated, or successfully achieve the desired objectives, including, where applicable, any synergies.

5.2.28 Laws and regulations may change

Kogan.com is subject to, and must comply with, a variety of laws and regulations in the ordinary course of its business. These laws and regulations include those that relate to fair trading and consumer protection, product safety, employment, property, taxation (including goods and services taxes and stamp duty) and customs and tariffs. Changes to laws and regulations may adversely affect Kogan.com, including by increasing its costs either directly or indirectly (including by increasing the cost to the business of complying with legal requirements). Any such adverse effect may impact Kogan.com's future financial performance. In particular, there is a risk that laws or regulations may be introduced that restrict Kogan.com's use of its customer database and customers' personal information and/or otherwise restricts its interactions with consumers, sales tactics and marketing campaign efforts. Such changes could impact the normal operations of Kogan.com and reduce Kogan.com's ability to generate revenue which may have an adverse effect on Kogan.com's financial and operational performance in the future.

Changes to government or regulatory policies could also have an impact on economic and retail market conditions and Kogan.com's operations. Depending on the nature of any such changes, it may adversely impact the operations or future financial performance of Kogan.com.

5.2.29 Changes in GST and other equivalent taxes

Changes in local indirect tax, such as the GST, and duty treatment of any of the markets in which Kogan.com operates, could have an impact on the sales of imported brands. Given that many of the products sold by Kogan.com are discretionary goods, and that the customers for such products tend to be price sensitive, the imposition of GST (or equivalent taxes) on the sale of imported goods at lower than current value thresholds in any of the jurisdictions in which Kogan.com operates could reduce the attractiveness of Kogan.com's products and have a material adverse effect on Kogan.com's financial condition and financial results.

In particular, investors in Kogan.com should be aware that the Federal Government of Australia has announced a proposal to reduce the GST-free threshold on online purchases. Consumers currently do not pay GST on goods shipped from outside Australia which are worth less than \$1,000. If the threshold is reduced, any relevant sale by Kogan.com exceeding that threshold will attract GST. Such a proposal could reduce the demand for a portion of Kogan.com's Third Party International Products (but not its Third Party Branded Domestic Products or Private Label Products, both of which may benefit from the proposed change) and could have a material adverse effect on Kogan.com's financial and operational performance in the future.

5.2.30 Financial indebtedness and interest rate exposure

Kogan.com may be required in the future to raise capital through public or private financing or other arrangements. Such financing may not be available on acceptable terms, or at all, and a failure to raise capital when needed could harm Kogan.com's business. Kogan.com's ability to raise funds from either debt or equity markets in the future on acceptable terms depends on a number of factors, including the state of debt and equity markets at the time, the general economic and political climate, the performance, reputation and financial strength of Kogan.com and the value of Kogan.com's business. If Kogan.com cannot raise funds on acceptable terms, Kogan.com may not be able to grow its business or respond to competitive pressures. Further, adverse movements in market interest rates could cause Kogan.com to incur losses which may reduce its profitability and ability to service any debt it may take on in the future.

5.2.31 Insolvency

In the event of any liquidation or winding up of Kogan.com, the claims of Kogan.com's secured and unsecured creditors will rank ahead of those of its Shareholders. Under such circumstances, Kogan.com will first repay or discharge all claims of its creditors. Any surplus assets will then be distributed to Shareholders. All Shareholders will rank equally in their claim and will be entitled to an equal share per Share. If there is a shortfall of funds on a winding up of Kogan.com, Shareholders will lose all or some of their investment.

5.2.32 Financial information and basis of forecasts

The forward-looking statements, opinions and estimates provided in this Prospectus (including any forecast financial information provided) rely on various contingencies and assumptions, some of which are described in Section 4.8.1. Various factors and risks, both known and unknown, many of which are outside the control of Kogan.com, may impact upon Kogan.com's performance and cause actual performance to vary significantly from expected results. While the forecasts have been prepared with due care and attention, and Kogan.com considers the assumptions to be reasonable, future events and conditions cannot be reliably predicted and the assumptions are subject to significant uncertainties. Actual results are likely to vary from the forecast and any variation may be materially positive or negative. There is no guarantee that Kogan.com will achieve its stated objectives or that any forward-looking statements or forecasts outlined in the Prospectus will eventuate.

5.3 GENERAL RISKS OF AN INVESTMENT IN KOGAN.COM

5.3.1 Price of the Shares and general investment factors

Once Kogan.com is admitted to the Official List of the ASX, it will become subject to general market risk that is inherent in all securities listed on a securities exchange. This may result in fluctuations in its share price that are not explained by the fundamental operations and activities of Kogan.com. The price at which the Shares are quoted on ASX may increase or decrease due to a number of factors. These factors may cause the Shares to trade at prices above or below the price at which the Shares are being offered under this Prospectus. There is no assurance that the price of the Shares will increase following the quotation of Shares on ASX, even if Kogan.com's operating and financial performance improves. Some of the factors which may affect the price of the Shares include fluctuations in the domestic and international market for listed stocks, general economic conditions in Australia and globally, including interest rates, inflation rates, exchange rates, Consumer Sentiment and commodity and oil prices, changes to government policy, legislation or regulation, inclusion in or removal from market indices, the nature of the markets in which Kogan.com operates and general and operational business risks. Other factors which may negatively affect investor sentiment and influence Kogan.com, specifically or the stock market more generally, include acts of terrorism, breaks of international hostilities, fires, floods, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease or other man-made or natural events.

5.3.2 Trading and liquidity in the Shares

Once the Shares are quoted on ASX, there can be no guarantee that an active trading market for the Shares will develop or that the price of the Shares will increase. There may be relatively few potential buyers or sellers of the Shares on ASX at any time and as such, Shareholders with large holdings of Shares choosing to trade out of their positions may adversely affect the market. This may increase the volatility of the market price of the Shares. It may also affect the prevailing market price at which Shareholders are able to sell their Shares. This may result in Shareholders receiving a market price for their Shares that is less than the price that they paid.

5.3.3 Existing Owners will hold a significant stake in Kogan.com post Listing

Following quotation of the Shares on ASX, the Existing Owners will hold, in aggregate, approximately 69.5% of the issued capital in Kogan.com. The Existing Owners may be in a position to exert significant influence over the outcome of matters relating to Kogan.com, including the election of Directors and approval of transactions. The interests of the Existing Owners may be different from the interests of investors who purchase Shares under this Prospectus.

Further, Shares held by the Existing Owners will be subject to Voluntary Escrow Arrangements which will restrict the Existing Owners from dealing in those Shares until they are released from escrow. These disposal restrictions may cause, or at least contribute to, limited liquidity in the market for the Shares until the Voluntary Escrow Shares are released from escrow. This could affect the market price at which Shareholders are able to sell their Shares. At the end of the escrow period, the Voluntary Escrow Shares will be able to be freely traded on ASX. The sale of the Voluntary Escrow Shares released from escrow, or the perception that such sales may have occurred or might occur, may adversely affect the price of the Shares. Alternatively, the absence of any sale of the Voluntary Escrow Shares released from escrow may cause or contribute to a diminution in the liquidity of the market for the Shares. Refer to Section 9.6 for further details regarding the escrowed Shares and relevant escrow arrangements.

5.3.4 Changes in tax rules or their interpretation

Changes in tax law (including goods and services taxes and stamp duty), or changes in the way taxation laws are interpreted, may impact the tax liabilities of Kogan.com or the tax treatment of a Shareholder's investment. In particular, both the level and basis of taxation may change. Any change to the current tax rates imposed on Kogan.com is likely to affect returns to Shareholders.

In addition, from time to time the Australian Taxation Office may review the tax treatment of transactions entered into by Kogan.com. Any actual or alleged failure to comply with, or any change in the application or interpretation of tax rules applied in respect of such transactions, may increase Kogan.com's tax liabilities or expose it to legal, regulatory or other actions. Further, tax rules or their interpretation in relation to equity investments, divestments and other transactions entered into in the ordinary course of Kogan.com's business may change. Both the level and basis of taxation may change.

5.3.5 Tax considerations for Shareholders

An investment in the Shares involves tax considerations which may differ for each Shareholder. Each investor considering an investment in Kogan.com is encouraged to seek professional tax advice in connection with any investment in Kogan.com. The taxation comments in Section 9.10 of this Prospectus are general in nature by necessity. They do not, for example, apply to non-residents or those who carry on a business trading in securities or take into consideration individual circumstances of investors. Tax liabilities are the responsibility of each investor and Kogan.com is not responsible for taxation or penalties incurred by investors.

5.3.6 Future issues of Shares may dilute the holdings of Shareholders

Other than the proposed offering of Shares under the Offer, Kogan.com has no current plans for an offering of Shares and will be subject to the constraints of the ASX Listing Rules regarding the Shares it is able to issue within a 12-month period (subject to certain limited exceptions). It is possible that in the future, Kogan.com may elect to issue additional Shares, either to raise capital or for other purposes. Subject to any applicable statutory pre-emption rights, any future issues of Shares may have a dilutive effect on the holdings of Shareholders and could have a material adverse effect on the market price of Shares as a whole.

5.3.7 Australian Accounting Standards may change

Australian Accounting Standards are set by the Australian Accounting Standards Board (“AASB”) and are outside the control of either Kogan.com or its Directors and senior management. The AASB is due to introduce new or refined Australian Accounting Standards in the coming years, which may affect future measurement and recognition of key income statement and balance sheet items, including revenue and receivables. There is also a risk that interpretations of existing Australian Accounting Standards, including those relating to the measurement and recognition of key income statement and balance sheet items, including revenue and receivables, may differ. Changes to Australian Accounting Standards issued by the AASB, or changes to the commonly held views on the application of those standards, could materially adversely affect the financial performance and position reported in Kogan.com’s consolidated financial statements.

5.3.8 Force majeure events

Events may occur within or outside Australia that may have potential impacts on the global and Australian economies, Kogan.com’s (and its suppliers) operations and the price of the Shares. These events include, but are not limited to, acts of terrorism, outbreaks of international hostilities, fires, floods, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease or other natural or man-made events or occurrences, any of which could (and particularly if such occurred in Kogan.com’s key trading periods) adversely affect Kogan.com’s financial and operational performance. Kogan.com has a limited ability to insure against some of the risks mentioned above.



06.

KEY PEOPLE, INTERESTS AND BENEFITS

06. Key People, Interests and Benefits

6.1 BOARD OF DIRECTORS

The Directors bring to the Board relevant skills including experience in financial management and corporate governance, and knowledge of Kogan.com's industry.

6.1.1 Experience and background

DIRECTOR	EXPERIENCE
	<p>Greg Ridder <i>Independent, Non-Executive Chairman</i></p> <p>Greg Ridder was appointed to the board of Kogan.com in May 2016 as Independent, Non-Executive Chairman. Greg also serves as chairman of the Remuneration and Nomination Committee.</p> <p>Formerly Asia Pacific Regional President at NYSE listed Owens-Illinois, Greg led growth and diversification from its traditional Australian base through joint ventures and acquisitions in China and Southeast Asia. Recently he has focused on intensive business improvement, acting as CEO at the Australian Institute of Architects, CEO at Phoenix Australia and as CFO at World Vision Australia. Greg is experienced in leading businesses in multiple countries, cultures, economic circumstances and market conditions.</p> <p>Greg is also chairman at privately held Tibaldi Smallgoods and is a director at B Lab Australia & New Zealand and Phoenix Australia.</p> <p>Greg holds a Bachelor of Business in Accounting from RMIT, a Graduate Diploma in Marketing from Monash University, and has completed the Advanced Management Programme at INSEAD in France. Greg is a CPA and graduated member of the Australian Institute of Company Directors.</p>
	<p>Ruslan Kogan <i>Chief Executive Officer and Executive Director</i></p> <p>Ruslan Kogan founded Kogan.com in 2006, and has been its CEO since inception, growing the business into Australia's leading Pure Play Online Retailer in under a decade.</p> <p>Prior to founding Kogan.com, Ruslan held roles in the IT departments of Bosch and GE, and as consultant at Accenture.</p> <p>Ruslan holds a Bachelor of Business Systems from Monash University.</p>
	<p>David Shafer <i>Chief Financial Officer, Chief Operating Officer and Executive Director</i></p> <p>David Shafer has worked with Kogan.com since 2006, moving to a full-time role as Chief Operating Officer and Executive Director in November 2010.</p> <p>Prior to joining Kogan.com, David was a Senior Associate at Arnold Bloch Leibler.</p> <p>David holds a Bachelor of Law (Honours) and Bachelor of Commerce from The University of Melbourne. David is a Chartered Financial Analyst.</p>

DIRECTOR	EXPERIENCE
	<p>Harry Debney <i>Independent, Non-Executive Director</i></p> <p>Harry Debney was appointed to the board of Kogan.com in May 2016, as an Independent, Non-Executive Director. Harry also serves as Chairman of the Audit and Risk Management Committee.</p> <p>Harry was appointed CEO of Costa Group in September 2010. Since then, he has overseen the business' transition from privately-owned company to a member of the S&P/ASX 200 Index.</p> <p>Prior to joining Costa Group, Harry spent 24 years at Visy Industries, including eight years as CEO. During this time, he substantially grew the Visy business, both organically and through acquisitions.</p> <p>Harry holds a Bachelor of Applied Science (Honours) from The University of Queensland.</p>

The composition of the Board committees, and a summary of its key corporate governance policies, is set out in Section 6.4.

Each Director above has confirmed to Kogan.com that he anticipates being available to perform his duties as a Non-Executive Director or Executive Director, as the case may be, without constraint from other commitments.

The Board considers that Greg Ridder and Harry Debney are free from any business or other relationship that could materially interfere with, or reasonably be perceived to interfere with, the independent exercise of their judgement, and are able to fulfil the role of an Independent Director.

The Board has adopted a definition of independence that is based on the definition set out in the ASX Recommendations.

Ruslan Kogan and David Shafer are not currently considered by the Board to fulfil the role of Independent Directors. Ruslan is the CEO of Kogan.com, and David is the CFO and COO of Kogan.com.

The Board has considered Kogan.com's immediate requirements as it transitions to an ASX-listed company and is satisfied that the composition of the Board reflects an appropriate range of independence, skills and experience for Kogan.com following its Listing on ASX.

Kogan.com has engaged Mertons Corporate Services Pty Ltd to provide company secretarial services, with Mark Licciardo as Kogan.com's company secretary. Mark Licciardo (B Bus(Acc), GradDip CSP, FGIA, GAICD) is the founder and Managing Director of Mertons Corporate Services. A former company secretary of Top 50 ASX listed companies Transurban Group and Australian Foundation Investment Company Limited, his expertise includes working with boards of directors in the areas of corporate governance, administration and company secretarial. Mark is also the former Chairman of the Governance Institute of Australia (GIA) Victoria division and Melbourne Fringe Festival and a current non-executive director of a number of public and private companies.

6.1.2 Directors' disclosures

The following information is about any legal or disciplinary action against a Director that is less than 10 years old.

In 2007, the Federal Court of Australia imposed a penalty of \$36 million on Visy Industries Holdings Pty Limited ("Visy") for contraventions of price fixing and market sharing provisions of the Trade Practices Act 1974 (Cth) (now the Australian Competition and Consumer Act 2010 (Cth)). Mr Debney was CEO of Visy at the time of the contraventions. Consent orders were led in the Federal Court to conclude the matter, pursuant to which the Federal Court also fined Mr Debney \$1.5 million for being directly or indirectly, knowingly concerned in, or party to, Visy's contraventions under the Trade Practices Act 1974 (Cth) and made an order restraining Mr Debney from engaging in similar conduct in the future.

6.2 KEY MANAGEMENT PERSONNEL

EXECUTIVE	EXPERIENCE
	<p>Ruslan Kogan <i>Chief Executive Officer</i></p> <p>See Section 6.1 for details.</p>
	<p>David Shafer <i>Chief Financial Officer and Chief Operating Officer</i></p> <p>See Section 6.1 for details.</p>
	<p>Goran Stefkovski <i>Chief Technology Officer</i></p> <p>Goran Stefkovski is the Chief Technology Officer at Kogan.com. He has been involved with Kogan.com since its inception, and moved to full-time services in August 2010.</p> <p>Prior to joining Kogan.com, Goran was a Solicitor at HWL Ebsworth Lawyers and a Consulting Engineer at Coffey International (formerly Asia Pacific Rail).</p> <p>Goran holds a Bachelor of Law and a Bachelor of Engineering in Software with Honours from The University of Melbourne.</p>
	<p>Daniel Taft <i>Head of Operational Development</i></p> <p>Daniel Taft joined Kogan.com in 2014 as Head of Operational Development.</p> <p>Prior to joining Kogan.com, Daniel was Chief Technology Officer at Blamey Saunders Hears.</p> <p>Daniel holds a PhD from the School of Engineering at The University of Melbourne, as well as a Bachelor of Science in Physiology and a Bachelor of Engineering with Honours from The University of Melbourne.</p>
	<p>Ross Metherell <i>Chief Marketing Officer</i></p> <p>Ross Metherell re-joined Kogan.com as the Chief Marketing Officer in 2015, having been involved with the business between 2012 and 2014 as Marketing Manager.</p> <p>Prior to joining Kogan.com, Ross was a Business Development Manager at Experian Asia Pacific and TAFMO (now Touchcorp).</p> <p>Ross holds a Master's Degree in Business Administration from Melbourne Business School, and Bachelors in Marketing and Management from Monash University.</p>

EXECUTIVE	EXPERIENCE
	<p>Russell Proud <i>Import and Sourcing Manager</i></p> <p>Russell Proud joined Kogan.com in 2012 as Import and Sourcing Manager. Prior to joining Kogan.com, Russell was Head of Infrastructure for Asia Pacific at Knight Frank Australia.</p> <p>Russell holds a Masters of Management in Information Technology from Charles Sturt University.</p>
	<p>Joanne Smith <i>Financial Controller</i></p> <p>Joanne Smith joined Kogan.com in 2013 as Financial Controller. Prior to joining Kogan.com, Joanne was a Manager in the Transaction Services team at KPMG.</p> <p>Joanne is a Chartered Accountant and holds a Bachelor of Arts with Honours in Finance from the University of Strathclyde in the United Kingdom.</p>
	<p>Daniel Beahan <i>Operations Manager</i></p> <p>Daniel Beahan was Kogan.com's first employee, having joined in 2007 as Operations Manager.</p> <p>Daniel is responsible for managing the Customer Service and Technical Support Teams, and also oversees Kogan.com's logistics and warehousing, managing relationships with third party logistics and freight providers.</p> <p>From 2008 to 2014, Daniel was also responsible for certain Human Resources functions within Kogan.com.</p>

6.3 INTERESTS AND BENEFITS

This Section 6.3 sets out the nature and extent of the interests and fees of certain persons involved in the Offer. Other than as set out below or elsewhere in this Prospectus, no:

- Director or proposed Director;
- person named in this Prospectus and who has performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- promoter of Kogan.com; or
- underwriter to the Offer or financial services licensee named in this Prospectus as a financial services licensee involved in the Offer,

held at the time of lodgement of this Prospectus with ASIC, or has held in the two years before lodgement of this Prospectus with ASIC, an interest in:

- the formation or promotion of Kogan.com;
- property acquired or proposed to be acquired by Kogan.com in connection with its formation or promotion, or in connection with the Offer; or
- the Offer,

and no amount (whether in cash, Shares or otherwise) has been paid or agreed to be paid, nor has any benefit been given or agreed to be given to any such persons for services in connection with the formation

or promotion of Kogan.com or the Offer or to any Director or proposed Director to induce them to become, or qualify as, a director of Kogan.com.

6.3.1 Directors' interests and remuneration

6.3.1.1 Chief Executive Officer

Ruslan Kogan is employed in the position of Chief Executive Officer of Kogan.com.

Kogan.com has entered into an employment contract with Ruslan to govern his employment with Kogan.com.

Ruslan is entitled to a base salary of \$350,000 (exclusive of superannuation), as payment for his services as CEO of Kogan.com.

Ruslan or Kogan.com may terminate Ruslan's employment by giving 12 months' notice. Kogan.com may elect to make payment in lieu of notice. Kogan.com may terminate Ruslan's employment without notice in circumstances warranting summary dismissal.

Upon termination of Ruslan's employment, Ruslan will be subject to a restraint of trade period of 12 months during which time Ruslan Kogan cannot compete with Kogan.com or provide services in any capacity to a competitor of Kogan.com or solicit suppliers, clients or employees of Kogan.com. The enforceability of the restraint clause is subject to all usual legal requirements.

The Board may invite Ruslan to participate in Kogan.com's incentive programs, but as at the Prospectus Date, Ruslan has not been granted any additional incentives under Kogan.com's incentive programs.

Ruslan Kogan is an Existing Owner, and will hold approximately 50.5% of the Shares on issue following Completion. Ruslan has entered into a Voluntary Escrow Agreement, which restricts the sale of Shares he holds on Completion. Refer to Section 9.6 for further detail.

6.3.1.2 Chief Financial Officer and Chief Operating Officer

David Shafer is employed in the position of Chief Financial Officer and Chief Operating Officer of Kogan.com.

Kogan.com has entered into an employment contract with David to govern his employment with Kogan.com.

David is entitled to a base salary of \$300,000 (exclusive of superannuation), as payment for his services as Chief Financial Officer and Chief Operating Officer of Kogan.com.

David or Kogan.com may terminate David Shafer's employment by giving 6 months' notice. Kogan.com may elect to make payment in lieu of notice. Kogan.com may terminate David's employment without notice in circumstances warranting summary dismissal.

Upon termination of David's employment, David will be subject to a restraint of trade period of 6 months during which time David cannot compete with Kogan.com or provide services in any capacity to a competitor of Kogan.com or solicit suppliers, clients or employees of Kogan.com. The enforceability of the restraint clause is subject to all usual legal requirements.

The Board may invite David to participate in Kogan.com's incentive programs, but as at the Prospectus Date, David has not been granted any additional incentives under Kogan.com's incentive programs.

David Shafer is an Existing Owner and will hold approximately 19.1% of the Shares on issue following Completion. David has entered into a Voluntary Escrow Arrangement, which restricts the sale of Shares he will hold on Completion. Refer to Section 9.6 for further detail.

6.3.1.3 Non-Executive Director remuneration

Each of the Non-Executive Directors has entered into appointment letters with Kogan.com, confirming the terms of their appointment, their roles and responsibilities and Kogan.com's expectations of them as Directors.

Under the Constitution, the Board may decide the remuneration from Kogan.com to which each Director is entitled for their services as a Director. However, under the ASX Listing Rules, the total amount paid to all Non-Executive Directors for their services must not exceed in aggregate in any financial year the amount fixed at Kogan.com's general meeting.

06. Key People, Interests and Benefits continued

This amount has been fixed by Kogan.com at \$500,000 per annum. Any change to that aggregate annual sum needs to be approved by Shareholders.

As at the Prospectus Date, the annual Non-Executive Directors' fees to be paid to Greg Ridder (as Chairman) and to Harry Debney are \$160,000 and \$85,000, respectively.

No additional fees are presently proposed to be paid for membership or Chairmanship of the Audit and Risk Management Committee or the Remuneration and Nomination Committee. In subsequent years, additional fees for membership or Chairmanship of these Committees may apply.

All Directors' fees include superannuation payments, to the extent applicable.

6.3.1.4 Deeds of indemnity, insurance and access for Directors

Kogan.com has entered into a deed of indemnity, insurance and access with each Director which confirms the Director's right of access to Board papers and requires Kogan.com to indemnify the Director, on a full indemnity basis and to the full extent permitted by law against all losses or liabilities (including all reasonable legal costs) insured by the Director as an officer of Kogan.com or of a related body corporate.

Under the deeds of indemnity, insurance and access, Kogan.com must maintain a Directors' and Officers' insurance policy insuring a Director (among others) against liability as a director and officer of Kogan.com and its related bodies corporate until seven years after a Director ceases to hold office as a Director or a related body corporate (or the date any relevant proceedings commenced during the seven-year period have been finally resolved).

6.3.1.5 Other remuneration arrangements

Directors may also be reimbursed for travel and other expenses incurred in attending to Kogan.com's affairs, including attending and returning from Board meetings or any meetings of committees of Directors and in attending and returning from any general meetings of Kogan.com.

There are no retirement benefit schemes for Directors, other than statutory superannuation contributions.

6.3.1.6 Directors' shareholdings

The Directors are not required under the Constitution to hold any shares in Kogan.com. Directors have informed Kogan.com that they, or entities they are associated with, will hold Shares following Completion of the Offer in accordance with the information presented in Table 6.1.

Table 6.1: Directors' shareholdings

Director	INTEREST PRIOR TO COMPLETION OF THE OFFER ⁽¹⁾	SHARES ON COMPLETION OF THE OFFER ⁽²⁾	
	%	Shares (m)	%
Greg Ridder	-	-	-
Ruslan Kogan	70	47.1	50.5
David Shafer	30	17.8	19.1
Harry Debney	-	-	-

Notes:

1. Based on the Shares held following completion of the Kogan Group Restructure but prior to the issue of Shares under the Offer. See Section 7.2 for further detail. Prior to completion of the Kogan Group Restructure (and acquisition by Kogan.com of the Kogan Group), Kogan.com's sole shareholder is A.B.L. Fiduciary Corporation Pty Ltd, holding two Shares
2. Directors may hold their interests directly, including through holdings by companies or trusts.

Each of Greg Ridder and Harry Debney intend to apply for Shares under the Priority Offer. Applications under the Priority Offer will be determined in accordance with Section 7.3. Final Directors' shareholdings will be notified to the ASX following Listing.

The Shares held by entities associated with Ruslan Kogan and David Shafer will be subject to Voluntary Escrow Arrangements (see Section 9.6).

6.3.2 Management's interests and remuneration

6.3.2.1 Chief Executive Officer

Kogan.com has entered into an employment contract with Ruslan Kogan to govern Ruslan's employment with Kogan.com. Ruslan is employed in the position of CEO of Kogan.com. Refer to Section 6.3.1.1 for further details.

6.3.2.2 Chief Financial Officer and Chief Operating Officer

Kogan.com has entered into an employment contract with David Shafer to govern David's employment with Kogan.com. David is employed in the position of CFO and COO of Kogan.com. Refer to Section 6.3.1.2 for further details.

6.3.2.3 Other Key Management Personnel remuneration arrangements

The six most senior members of management after the CEO and CFO and COO (as outlined in Section 6.2) are party to individual contracts of employment with Kogan.com. These establish:

- Total compensation including a base salary (and participation in applicable incentive schemes at the Board's discretion);
- Notice and termination provisions of four to eight weeks;
- Confidentiality provisions;
- Leave entitlements; and
- A restraint provision of 12 months in Australia and New Zealand.

6.3.2.4 IPO bonus

In the event of Listing, certain Key Management Personnel and other senior management (excluding Ruslan Kogan and David Shafer) notified by Kogan.com will receive a one-off bonus in the form of Shares. The aggregate amount of the bonuses is \$1,183,750 worth of Shares (calculated at the Offer Price). The Shares will be offered to those Key Management Personnel and senior management under the Employee Offer for nil consideration.

6.3.3 Senior management and employee incentive arrangements

Kogan.com has established incentive arrangements to assist in the attraction, motivation and retention of the executive team and other selected employees of Kogan.com.

Kogan.com has determined that to align the interests of its senior management team and the goals of Kogan.com, the remuneration packages of the executive team should consist of the following components:

- Fixed remuneration (inclusive of superannuation); and
- Equity-based long-term incentives.

As at the Prospectus Date, Kogan.com does not propose to pay any cash-based short-term incentives to its senior managers. The award of equity under the long-term incentives will be subject to the achievement of performance criteria or hurdles set by the Board. The remuneration packages of the senior management team are determined by the Remuneration and Nomination Committee and reported to the Board. The remuneration of senior managers will be reviewed annually by the Remuneration and Nomination Committee. At the absolute discretion of the Remuneration and Nomination Committee, Kogan.com may seek external advice on the appropriate level and structure of the remuneration packages of the senior management team from time to time.

A summary of the Equity Incentive Plan ("EIP") and the long-term incentives proposed to be granted for FY2017 are set out below.

6.3.3.1 Equity Incentive Plan

Kogan.com has adopted the EIP in order to assist in the motivation and retention of senior management and other selected employees of Kogan.com. The EIP is designed to align the interests of eligible employees more closely with the interests of Shareholders, by providing an opportunity for eligible employees to

receive an equity interest in Kogan.com. Under the EIP, eligible employees may be offered Restricted Shares, Options or Rights (“**Incentive Securities**”) which may be subject to vesting conditions.

Kogan.com may offer additional long-term incentive schemes to senior management and other employees over time.

The key terms of the EIP are outlined in Table 6.2.

Table 6.2: Key terms of the EIP

TERM	SUMMARY
Eligibility	Offers of Incentive Securities may be made to any employee of the Kogan Group (including a director employed in an executive capacity) or any other person who is declared by the Board to be eligible to receive a grant of Incentive Securities under the EIP.
Offers	The Board may make offers of Incentive Securities to eligible participants at its discretion.
Terms and conditions	<p>The Board has the absolute discretion to determine the terms and conditions applicable to an offer under the EIP, including:</p> <ul style="list-style-type: none"> • The type or types of Incentive Securities being offered; • The number of Incentive Securities being offered; • The amount (if any) payable for the grant of Incentive Securities; • Any vesting conditions or other conditions that apply (including performance, service or other conditions); • The procedure for exercising an Option (including any exercise price that will be payable) following vesting; • The circumstances in which Rights and/or Options will lapse; • The circumstances in which Shares allocated to eligible participants may be forfeited; • How Incentive Securities may be treated in the event that the eligible participant ceases employment; • Any restrictions on dealing in relation to a Restricted Share or Share allocated under the EIP; and • Any circumstances in which a participant’s entitlement to Incentive Securities may be reduced or extinguished.
Ranking of Shares	<p>Any Shares issued under the EIP will rank equally in all respects with existing Shares.</p> <p>A participant holding Options or Rights is not entitled to participate in any new issue of securities unless the participant has become entitled to exercise his or her Options or Rights, and does so, before the record date for the determination of entitlements to the new issue of securities and participates as a result of being the holder of Shares.</p>

06. Key People, Interests and Benefits continued

TERM	SUMMARY
Rights attaching to all Shares issued under the EIP	<p>Unless otherwise specified in the particular offer, a participant has the following rights in respect of any Shares allocated to a participant under the EIP (including Restricted Shares):</p> <ul style="list-style-type: none"> • The participant is entitled to receive all dividends and other distributions or benefits payable in respect of the Shares; • The participant is entitled to exercise the voting rights attaching to the Shares; • Any bonus shares that are issued in respect of the Shares will be issued to the participant and will be subject to the same terms, conditions and restrictions on dealing (if any) as the Shares in respect of which they were issued; and • If rights arise on a rights issue in respect of the Shares, the participant may deal with or exercise those rights.
Restricted Shares	<p>Each Restricted Share confers on its holder the entitlement to acquire one Share. Each Restricted Share is subject to restrictions on dealing, vesting conditions and/or other applicable conditions.</p>
Rights attaching to Restricted Shares	<p>The Board must allocate the Restricted Shares to the participant by:</p> <ul style="list-style-type: none"> • Issuing Restricted Shares to; • Procuring the transfer of Restricted Shares to; or • Procuring the setting aside of Restricted Shares for, <p>the participant.</p> <p>No payment is required for the grant of a Restricted Share.</p>
Vesting of Restricted Shares	<p>A Restricted Share vests (and becomes an unrestricted Share) only where each vesting condition has been satisfied and where Kogan.com has notified to the participant that the Restricted Share has vested.</p>
Forfeiture of Restricted Shares	<p>A Restricted Share will be forfeited upon the earliest to occur of:</p> <ul style="list-style-type: none"> • Failure to meet a vesting condition or any other condition applicable to the Restricted Share within the vesting period; • If the participant's employment is terminated (see Cessation of employment below); • The participant electing to surrender the Restricted Share; • In other circumstances specified in the EIP (e.g. see Preventing inappropriate benefits below); or • Where, in the opinion of the Board, a participant deals with a Restricted Share in contravention of any dealing restrictions under the EIP.
Options	<p>Each Option confers on its holder the entitlement to acquire one Share (or, in certain circumstances a cash payment in lieu of a Share) at the exercise price (if any) upon the exercise of the Option, subject to satisfaction of applicable conditions.</p>
Rights	<p>Each Right confers on its holder an entitlement to a Share (or, in certain circumstances, to a cash payment in lieu of a Share) subject to satisfaction of applicable conditions.</p>

TERM	SUMMARY
<p>Rights attaching to Options and Rights</p>	<p>A participant has no right or interest in a Share the subject of an Option or Right held by the participant until the Share is issued or transferred to that participant pursuant to the exercise of the Option or Right.</p> <p>Options and Rights do not carry any rights to dividends, rights to vote or rights to capital.</p> <p>No payment is required for the grant of a Right or an Option.</p>
<p>Vesting and exercise of Options and Rights</p>	<p>If Options or Rights are offered subject to vesting conditions, vesting only occurs where each vesting condition has been satisfied and upon notification by Kogan.com to the participant that the Options or Rights have vested.</p>
<p>Payment of cash equivalent</p>	<p>Where the Board exercises its discretion to make a cash payment to a participant in lieu of an allocation of Shares, Kogan.com must pay an amount equivalent to the value of the Options that can be exercised or Rights that have vested, based on the volume weighted average market price of Shares during the previous 20 trading days (or such other calculation determined by the Board).</p>
<p>Lapse of Options and Rights</p>	<p>An Option will lapse upon the earliest to occur of:</p> <ul style="list-style-type: none"> • Five years after vesting of the Option or any other date nominated as the expiry date in a participant’s invitation; • Failure to meet a vesting condition or any other condition applicable to the Option within the vesting period; • If the participant’s employment is terminated (see Cessation of employment below); • The participant electing to surrender the Option; • In other circumstances specified in the EIP (e.g. see Preventing inappropriate benefits below); or • Where, in the opinion of the Board, a participant deals with an Option in contravention of any dealing restrictions under the EIP. <p>A Right will lapse upon the earliest to occur of:</p> <ul style="list-style-type: none"> • Failure to meet a vesting condition or any other condition applicable to the Right within the vesting period; or • If the participant’s employment is terminated (see Cessation of employment below); • The participant electing to surrender the Right; • In other circumstances specified in the EIP (e.g. see Preventing inappropriate benefits below); or • Where, in the opinion of the Board, a participant deals with a Right in contravention of any dealing restrictions under the EIP.

06. Key People, Interests and Benefits continued

TERM	SUMMARY
Restrictions on dealing in Incentive Securities	<p>Subject to Kogan.com's Security Trading Policy, any dealing in respect of an Incentive Security is prohibited unless:</p> <ul style="list-style-type: none"> • The Board determines otherwise; or • The dealing is required by law and the participant has provided satisfactory evidence to Kogan.com of that fact. <p>The Board may also implement any procedure it considers appropriate to enforce such restrictions.</p> <p>For the purposes of the EIP, in addition to a sale, transfer, assignment or creation of encumbrance, dealing also includes any hedging (including any dealing with a derivative instrument intended to "lock in" a profit relating to an Incentive Security), and any other transactions in financial products that operate to limit the economic risk associated with holding an Incentive Security.</p>
Waiver of vesting conditions	<p>The Board may at any time waive in whole or in part any terms or conditions (including any vesting condition) in relation to any Incentive Securities or Shares granted to a participant.</p>
Bonus issues, pro-rata issues and capital reorganisations	<p>The EIP provides for adjustments to be made to the number of Shares which a participant would be entitled to receive on the exercise of Options or Rights or the exercise price (if any) of the Options or Rights in the event of a bonus issue or pro-rata issue to existing holders of Shares (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) or a reorganisation of capital.</p>
Preventing inappropriate benefits	<p>Where the Board determines that:</p> <ul style="list-style-type: none"> • A participant has: <ul style="list-style-type: none"> - acted fraudulently or dishonestly; - engaged in gross misconduct; - brought Kogan.com into disrepute; - breached his or her obligations to Kogan.com; or - is convicted of an offence in connection with the affairs of Kogan.com; • There has been a material misstatement or omission in the financial statements of Kogan.com which in the Board's opinion may, or are likely to, affect Kogan.com's financial soundness or require restatement of Kogan.com's financial accounts; or • Kogan.com is required by or entitled under law or company policy to reclaim remuneration from a participant, <p>the Board may determine that:</p> <ul style="list-style-type: none"> • Incentive Securities issued to the participant will lapse or deemed to be forfeited; and/or • A participant must pay or repay to Kogan.com all or part of the net proceeds of sale where Shares allocated under the EIP have been sold (or any cash payment in lieu of the allocation of Shares), together with any dividends.
Cessation of employment	<p>The EIP contains certain provisions concerning the treatment of vested and unvested Restricted Shares, Options and/or Rights in the event that the participant ceases employment. The Board has the discretion to determine whether the participant's Incentive Securities lapse, are forfeited, vest (immediately or subject to conditions), are only exercisable for a prescribed period, or are no longer subject to some of the restrictions that previously applied.</p>

TERM	SUMMARY
<p>Change of control</p>	<p>In the event of a change of control of Kogan.com:</p> <ul style="list-style-type: none"> • The Board has the discretion to determine that all or a specified number of a participant's unvested Incentive Securities vest or cease to be subject to restrictions. The Board may also specify in a participant's invitation an additional or different treatment that will apply to unvested Incentive Securities where a change of control event occurs; • Unless the Board determines otherwise, any vested Options will be exercisable for a period specified by the Board, and will lapse if not exercised within the specified period; and • Unless the Board determines otherwise, any restrictions on dealing imposed on vested Incentive Securities will cease to have effect on the occurrence of a change of control event.
<p>Quotation</p>	<p>Options and Rights will not be quoted on ASX. Subject to the ASX Listing Rules, Kogan.com will apply to ASX for the official quotation of any Shares issued to participants for the purposes of the EIP.</p>
<p>Trustee</p>	<p>Kogan.com may appoint a trustee to acquire and hold Shares on behalf of participants, for transfer to future participants or otherwise for the purposes of the EIP.</p> <p>Unless provided otherwise in the terms of an offer to a participant, when a Share that is held by a trustee on behalf of a participant ceases to be a Restricted Share, the trustee will continue to hold the Share on trust on behalf of the participant until such time as the participant, or Kogan.com on behalf of the participant, directs the trustee to:</p> <ul style="list-style-type: none"> • Transfer the Share into the participant's name; or • Sell the Share and pay the net proceeds of sale to the participant.
<p>Compliance with laws</p>	<p>Notwithstanding any rule, Incentive Securities and Shares will not be allocated, issued, acquired, transferred or otherwise dealt with under the EIP if to do so would:</p> <ul style="list-style-type: none"> • Contravene the Corporations Act, the ASX Listing Rules, or any other applicable laws; or • Require Kogan.com to pay, provide, or procure the payment or provision of, any money or benefits to the participant which would require Shareholder approval under Part 2D.2, Division 2 of the Corporations Act.
<p>Amendments</p>	<p>The Board may, in its absolute discretion amend the EIP rules, amend the terms or conditions of any Incentive Security granted under the EIP, or suspend or terminate the operation of the EIP, provided that (except in specified circumstances) the Board must obtain the consent of a participant if such amendment would reduce the rights of the participant in respect of any Incentive Security or Share already granted.</p>
<p>Other terms</p>	<p>The EIP also contains terms for dealing with administration, variation, suspension and termination of the EIP.</p>

6.3.3.2 Grants under the EIP

Current grants

Kogan.com proposes to issue, on or around the date of Listing, \$891,250 worth of performance rights to selected Key Management Personnel and other senior managers (excluding Ruslan Kogan and David Shafer) under Kogan.com's long-term incentive plan. It is intended that the proposed offer of performance rights will be in accordance with following terms:

Grant date	On or around the date of Listing.
Number and exercise price	\$891,250 worth of performance rights, with nil exercise price.
Consideration	Nil.
Performance period	The period commencing from the grant date and ending on 30 June 2021.
Service condition on vesting	Individual must remain employed by the Kogan Group during the entire performance period and at the time of vesting.
Performance conditions	<p>The performance rights will vest subject to a relative total shareholder return ("TSR") performance hurdle over the performance period.</p> <p>Kogan.com's TSR from the date of Listing will be assessed against the relative performance of the constituent companies in the S&G ASX Emerging Companies Index, excluding mining and energy companies, over the performance period.</p> <p>The relative TSR performance targets and corresponding vesting percentages are as follows:</p> <ul style="list-style-type: none"> • below the median TSR growth - 0%; • at the median TSR growth - 50%; • between the median and 75th percentile TSR growth - pro-rata straight-line between 50% and 100%; and • above the 75th percentile growth - 100%.
Other terms	As per the EIP - refer to Section 6.3.3.1.

In addition, Kogan.com will issue a one-off bonus in the form of Shares to certain Key Management Personnel and other senior management (excluding Ruslan Kogan and David Shafer). Refer to Section 6.3.2.4.

Further grants

Further grants of Incentive Securities under the EIP (or under an alternative long-term incentive arrangement) may be made by Kogan.com as part of the Kogan Group's remuneration practices.

Other information

Details of performance rights issued under the EIP to key management personnel will be published in each annual report of Kogan.com, in accordance with regulations applicable to Kogan.com.

6.3.4 Interests of advisers

Kogan.com has engaged the following professional advisers in relation to the Offer:

- Canaccord has acted as Lead Manager to the Offer. Kogan.com has agreed to pay Canaccord the fees described in Section 9.4.1 for these services;
- Arnold Bloch Leibler has acted as Australian legal adviser (other than in respect of taxation and stamp duty) to Kogan.com in relation to the Offer. Kogan.com has paid, or agreed to pay, approximately \$675,000 (excluding GST) for these services up until the Prospectus Date. Further amounts may be paid to Arnold Bloch Leibler for other work in accordance with its normal time-based charges;
- KPMG Transaction Services has acted as the Investigating Accountant, has provided taxation advice and due diligence services, and has prepared the Investigating Accountant's Report included in this Prospectus in Section 8. Kogan.com has paid or agreed to pay approximately \$0.3 million (excluding disbursements and GST) for services rendered up to the Prospectus Date. Further amounts may be paid to KPMG Transaction Services in accordance with its normal time-based charges; and
- KPMG has provided audit services in relation to the financial statements described in Section 8. Kogan.com has paid or agreed to pay approximately \$0.1 million (excluding disbursements and GST) for the audit services specifically performed in connection with the Offer up to the Prospectus Date. Further amounts may be paid to KPMG in accordance with its normal time-based charges.

These amounts, and other expenses of the Offer, will be paid by Kogan.com out of the Offer Proceeds or available cash. Further information on the use of the Offer Proceeds and payment of expenses of the Offer is set out in Sections 7.1.2 and 7.1.3.

6.4 CORPORATE GOVERNANCE

This Section 6.4 explains how the Board will oversee the management of Kogan's business. The Board is responsible for the overall corporate governance of Kogan.com. Details of Kogan.com's key policies and practices and the charters for the Board and each of its committees will be available from Listing at www.kogancorporate.com.

The Board monitors the operational and financial position and performance of Kogan.com and oversees its business strategy, including approving the strategic objectives, plans and budgets of Kogan.com. The Board is committed to maximising performance, generating appropriate levels of Shareholder value and financial return, and sustaining the growth and success of Kogan.com. In conducting business with these objectives, the Board seeks to ensure that Kogan.com is properly managed to protect and enhance Shareholder interests, and that Kogan.com, and its Directors, officers and personnel operate in an appropriate environment of corporate governance. Accordingly, the Board has created a framework for managing Kogan.com, including adopting relevant internal controls, risk management processes and corporate governance policies and practices which it believes are appropriate for Kogan.com's business and which are designed to promote the responsible management and conduct of Kogan.com. The main policies and practices adopted by Kogan.com, which will take effect from Listing, are summarised below. In addition, many governance elements are contained in the Constitution. Kogan.com's code of conduct outlines the standards of conduct expected of Kogan.com's business and personnel in a range of circumstances. In particular, the code requires Kogan.com's personnel to be familiar and comply with the applicable laws and regulations of the locations in which they work and the policies and procedures of Kogan.com.

6.4.1 ASX Recommendations

Kogan.com is seeking a Listing on ASX. The ASX Corporate Governance Council has developed and released its Corporate Governance Principles and Recommendations (3rd Edition) ("**ASX Recommendations**") for entities listed on ASX in order to promote investor confidence and to assist companies to meet stakeholder expectations. The ASX Recommendations are not prescriptions, but guidelines. However, under the ASX Listing Rules, Kogan.com will be required to provide a statement in its annual report or on its website, and also in the Appendix 4G that it must lodge with ASX at the same time as it lodges its annual report, disclosing the extent to which it has followed the ASX Recommendations during each reporting period. Where Kogan.com does not follow an ASX Recommendation, it must identify the recommendation that has not been followed and give reasons for not following it.

06. Key People, Interests and Benefits continued

As at the date of admission to ASX, Kogan.com will be compliant with the ASX Recommendations, except as set out below.

ASX Recommendation 1.5 provides that a company should have a diversity policy. Kogan.com will not have a formal diversity policy. However, Kogan.com is committed to creating a culture within the workplace that reflects the highest standards of ethics, integrity and behaviour, and has adopted a formal code of conduct which outlines how Kogan.com expects its Directors and other employees to behave during the course of their employment. Kogan.com is satisfied that its current policies and procedures are suitable given its resources, size and operations.

ASX Recommendations 2.1, 2.4, 4.1, 7.1 and 8.1 provide (among other things) that a listed entity's board and committees should comprise a majority of independent directors. ASX Recommendation 4.1 also provides (among other things) that a listed entity's audit committee should comprise only non-executive directors. As at the date of Listing, neither the Board nor its committees comprise a majority of independent directors. Further, the Audit and Risk Management Committee will not comprise only Non-Executive Directors. However, Kogan.com is satisfied that the current composition of the Board and its committee members are suitable for Kogan.com given its resources, size and operations. In particular, the current structure and composition of the Board and its committees has been determined having regard to the nature and size of Kogan.com's operations, the skill set of Kogan.com's directors both individually and collectively, and the best interests of Shareholders.

6.4.2 Board appointment and composition

On Completion of the Offer, the Board will be made up of four Directors, comprising the Independent, Non-Executive Chairman, an additional Independent, Non-Executive Director and two Executive Directors (being the CEO and the CFO and COO). The Board considers a Director to be independent where he or she is free of any interest, position, association or relationship that might influence, or reasonably be perceived to influence, in a material respect his or her capacity to bring an independent judgement to bear on issues before the Board and to act in the best interests of Kogan.com and Shareholders generally.

The Board Charter sets out guidelines for the purposes of determining independence of the Directors in accordance with the ASX Recommendations and has adopted a definition of independence that is based on that set out in the ASX Recommendations. The Remuneration and Nomination Committee is required to regularly, but at least annually, assess the independence of each Director. In the case of a change in a Non-Executive Director's interests, positions, associations or relationships, this assessment is required to be made as soon as practicable after the Remuneration and Nomination Committee becomes aware of the change.

The Board considers that each of Greg Ridder (Non-Executive Chairman) and Harry Debney (Non-Executive Director) are able to fulfil the role of an independent director for the purposes of the ASX Recommendations.

Ruslan Kogan and David Shafer, as Executive Directors and substantial Shareholders, are not considered by the Board to be independent.

6.4.3 Board Charter

The Board has adopted a written charter to provide a framework for the effective operation of the Board, which sets out:

- The Board's composition;
- The Board's role and responsibilities;
- The relationship and interaction between the Board and management of Kogan.com; and
- The authority delegated by the Board to management of Kogan.com and the Board committees (to the extent established).

The Board's role is, among other things, to:

- Protect the rights and interests of Kogan.com and its Shareholders by overseeing and appraising Kogan.com's strategies, policies and performance. This includes overseeing the financial and human resources Kogan.com has in place to meet its objectives and reviewing management performance;
- Protect and enhance the value of the assets of Kogan.com in accordance with any duties and obligations imposed on the Board by law and Constitution and within a framework of prudent and effective controls that enable risk to be assessed and managed;
- Set, review and ensure compliance with Kogan.com's values and governance framework; and
- Ensure Shareholders are kept informed of material information concerning Kogan.com in accordance with Kogan.com's continuous disclosure obligations.

The CEO is in charge of the day-to-day operations and management of Kogan.com. Management must supply the Board with information in a form, timeframe and quality that will enable the Board to perform its responsibilities.

The Directors have the right to seek independent professional advice, subject to the approval of the Chair or by resolution of the Board.

6.4.4 Board committees

The Board may from time to time establish committees to assist in the execution of its responsibilities. The Board has established an Audit and Risk Management Committee and a Remuneration and Nomination Committee. Other committees may be established by the Board as and when required.

6.4.4.1 Audit and Risk Management Committee

Under its charter, each member of this committee must be financially literate and have familiarity with financial management and an understanding of the industries in which Kogan.com operates. Also, at least one member must have relevant qualifications and experience (i.e. a qualified accountant or other finance professional with experience of financial and accounting matters) (however, the lack of any such member shall not invalidate, or otherwise affect, the actions taken by the committee). As at the date of Listing, the Audit and Risk Management will comprise:

- Harry Debney (chair);
- Greg Ridder;
- David Shafer; and
- Joanne Smith.

The Audit and Risk Management Committee will assist the Board in fulfilling its corporate governance and oversight responsibilities relating to:

- The integrity of Kogan.com's financial reporting;
- The effectiveness of Kogan.com's systems of financial risk management and internal control;
- The external audit functions;
- Kogan.com's risk profile and risk policy; and
- The effectiveness of Kogan.com's risk management framework and supporting risk management systems.

As at the date of Listing, Kogan.com will not have an internal audit function in place. However, the Audit and Risk Management Committee Charter puts in place processes to monitor Kogan.com's financial and risk management procedures and the Board currently considers these processes appropriate for the size and level of operations of Kogan.com. The Audit and Risk Management Committee is required to periodically review Kogan.com's operations to evaluate the effectiveness of the risk management and internal control processes of Kogan.com. In addition, the Audit and Risk Management Committee is responsible for monitoring the potential exposures facing Kogan.com through ongoing reporting by the CFO. As and when required, the Audit and Risk Management Committee will engage external consultants to also review and evaluate the effectiveness of Kogan.com's risk management and internal control processes.

06. Key People, Interests and Benefits continued

All Directors who are not members of the committee are entitled to attend any meeting of the committee. The committee may invite any Directors, members of the executive team of Kogan.com or other individuals to attend meetings of the committee as they consider appropriate.

6.4.4.2 Remuneration and Nomination Committee

As at the date of Listing, the Remuneration and Nomination will comprise:

- Greg Ridder (chair);
- Harry Debney;
- Ruslan Kogan; and
- David Shafer.

The responsibilities of the Remuneration and Nomination Committee include to:

- Develop criteria for Board membership and identify specific individuals for nomination;
- Establish processes for the review of the performance of individual Directors, Board committees and the Board as a whole and implementation of such processes;
- Review and make recommendations to the Board on Board succession plans generally;
- Review and make recommendations to the Board on the process for recruiting a new Director, including evaluating the balance of skills, knowledge, experience, independence and diversity on the Board;
- Review and make recommendations to the Board on Kogan.com's remuneration framework, remuneration packages and policies applicable to senior management and Directors;
- Review and make recommendations to the Board on equity-based remuneration plans for the executive team and other employees;
- Define levels at which the CEO must make recommendations to the committee on proposed changes to remuneration and employee benefit policies;
- Ensure that remuneration packages and policies attract, motivate and retain high calibre executives; and
- Ensure that remuneration policies demonstrate a clear relationship between executives' performance and remuneration.

All Directors who are not members of the committee are entitled to attend any meeting of the committee. The committee may invite any Director, member of senior management or other individuals to attend meetings of the committee as they consider appropriate.

6.4.5 Corporate governance policies

The Board has adopted the following corporate governance policies, each having regard to the ASX Recommendations, which are available on Kogan.com's website at www.kogancorporate.com.

6.4.5.1 Risk management policy

The identification and proper management of Kogan.com's risks are an important priority of the Board. The Board has adopted a risk management policy appropriate for its business. This policy highlights the risks relevant to Kogan.com's operations and Kogan.com's commitment to designing and implementing systems and methods appropriate to minimise and control its risks.

The Board is responsible for ensuring that Kogan.com has in place an appropriate risk management framework and setting the risk appetite within which the Board expects senior management to operate, including ensuring the significant risks facing Kogan.com have been identified and adequate control monitoring and reporting mechanisms are in place. The Board may delegate these functions to the Audit and Risk Management Committee or a separate risk committee in the future. As at the date of Listing, the risk management function of the Board is supported by the Audit and Risk Management Committee. Kogan.com's risk management policy and its risk management framework are reviewed at least annually by the Audit and Risk Management Committee.

6.4.5.2 Continuous disclosure policy and communication with Shareholders

Post Listing, Kogan.com is required to comply with the continuous disclosure requirements of the ASX Listing Rules and the Corporations Act. Subject to the exceptions contained in the ASX Listing Rules, Kogan.com will be required to disclose to ASX any information concerning Kogan.com which is not generally available and which a reasonable person would expect to have a material effect on the price or value of the Shares. Kogan.com is committed to observing its disclosure obligations under the ASX Listing Rules and the Corporations Act.

The Board has adopted a Continuous Disclosure Policy to take effect from Listing which establishes procedures that are aimed at ensuring that the Directors and management are aware of and fulfil the obligations of Kogan.com in relation to the timely disclosure of material price-sensitive information.

Kogan.com also aims to communicate all important information relating to Kogan.com to its Shareholders. Additionally, Kogan.com recognises that potential investors and other interested stakeholders may wish to obtain information about Kogan.com from time to time. To achieve this, Kogan.com intends to communicate information to Shareholders and other stakeholders through a range of forums and publications, including the Kogan.com website, at the annual general meeting, and through the annual report and ASX announcements. Kogan.com also has in place a Shareholder Communication Policy to facilitate communication with Shareholders.

6.4.5.3 Security Trading Policy

The Board has adopted a Security Trading Policy which summarises the types of conduct in relation to dealings in Kogan.com securities that are prohibited under the Corporations Act, and establishes procedures for the buying and selling of Kogan.com securities in relation to the Key Management Personnel of Kogan.com.

Certain aspects of the Security Trading Policy apply only to the Key Management Personnel and each Kogan.com Director) and their connected persons.

The Security Trading Policy provides that the Key Management Personnel of Kogan.com and their connected persons may not deal in Kogan.com's securities during any of the following blackout periods (except in exceptional circumstances):

- The period commencing six weeks prior to the release of Kogan.com's half-year financial results to ASX and ending at the beginning of trading on the next trading day after such release;
- The period commencing six weeks prior to the release of Kogan.com's full-year financial results to ASX and ending at the beginning of trading on the next trading day after such release;
- The period commencing two weeks prior to Kogan.com's annual general meeting and ending at the beginning of trading on the next trading day after the annual general meeting; and
- Any other time imposed by the Board, including (without limitation) when it is considering matters which are subject to the exceptions to the continuous disclosure requirements set out in ASX Listing Rule 3.1A.

For all periods during which the Key Management Personnel of Kogan.com and their connected persons are entitled to deal in Kogan.com's securities, a Key Management Person may only deal in Kogan.com's securities after notifying the relevant designated officer of the proposed dealing in securities and in doing so, confirming (among other matters) that they are not in possession of any inside information that might preclude them from trading at that time.

The Security Trading Policy also provides that the Key Management Personnel of Kogan.com and their connected persons:

- Are prohibited from entering into a margin loan or other security arrangement in respect of Kogan.com's securities, unless they obtain the prior written approval of the prescribed designated officer;
- Are prohibited from short selling Kogan.com's securities; and
- Must not enter into hedging arrangements in relation to Kogan.com securities, including, without limitation, arrangements that would have the effect of limiting the exposure of the person to risk relating to an element of their remuneration that has not vested, or has vested but remains subject to a holding lock.

In all instances, buying or selling of Shares is not permitted at any time by any person who possesses price-sensitive information.

6.4.5.4 Code of Conduct

The Board recognises the need to observe the highest standards of ethics, integrity and behaviour. Accordingly, the Board has adopted a formal code of conduct which outlines how Kogan.com expects its Directors and employees to behave during the course of their employment. The key aspects of this code are to:

- Comply with Kogan.com policies and procedures and operate in a manner consistent with the laws of the jurisdictions in which Kogan.com operates;
- Be honest and fair in dealings with customers, clients, co-workers, management and the general public;
- Maintain the confidentiality of any information, records or other materials acquired during the course of employment; and
- Use Kogan.com's resources and property properly.

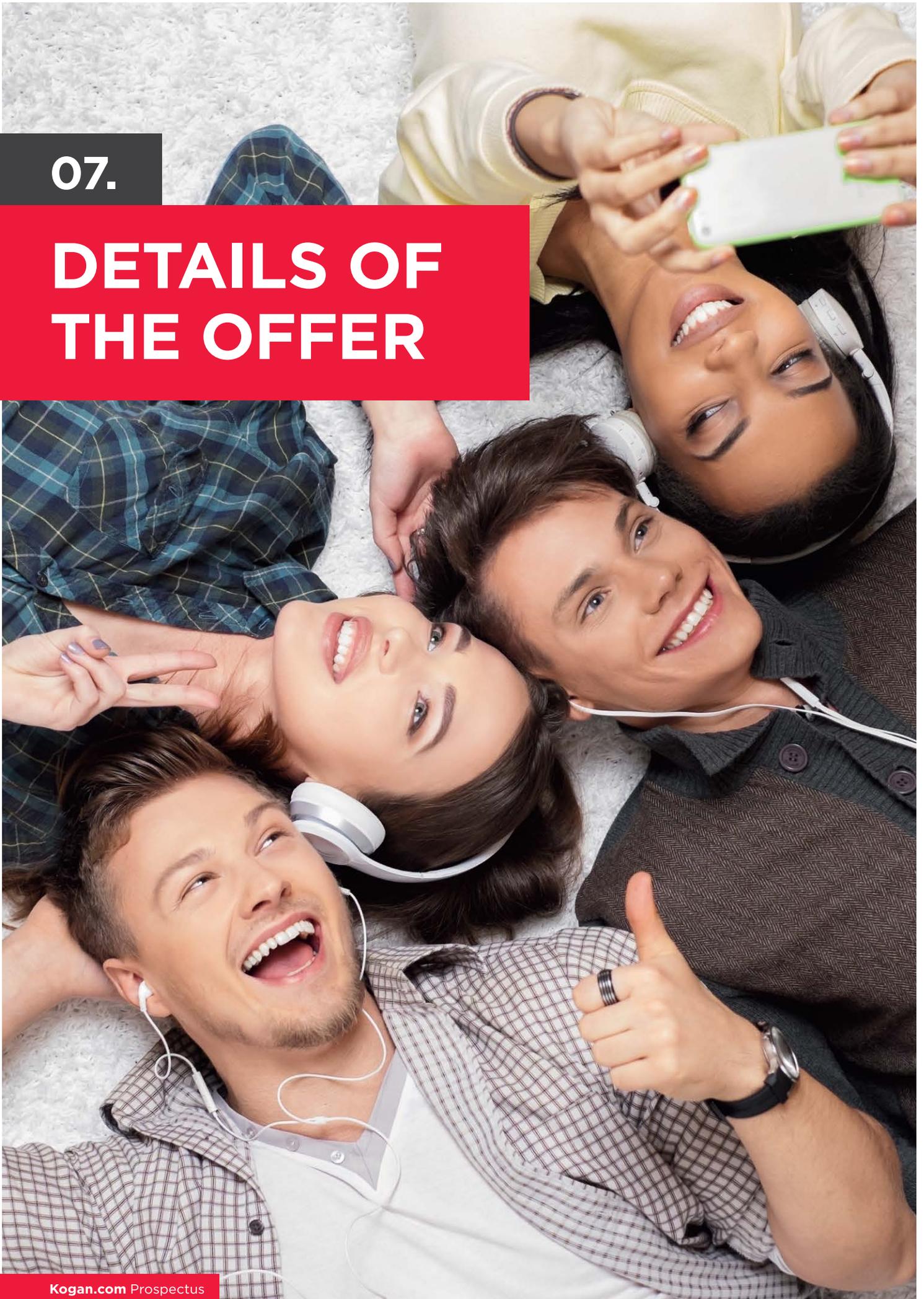
The Code of Conduct also sets out Kogan.com's policies on various matters including ethical conduct, business and personal conduct, compliance, security of information, financial integrity and conflicts of interest.

6.5 RELATED PARTY ARRANGEMENTS

Kogan Australia has entered into a Logistic Services Agreement with eStore in relation to the provision of warehousing, distribution and logistics services by eStore to Kogan Australia. Ruslan Kogan is a minority shareholder and director of eStore. Given Ruslan Kogan has a right to appoint a director to the eStore board, and there are various matters pertaining to eStore which require the unanimous consent of its directors, Kogan.com considers that eStore may be a related party of Kogan.com for the purposes of Chapter 2E of the Corporations Act. The agreement was entered into on arm's length terms and shareholder approval has not been sought. Under the agreement, Kogan Australia pays eStore according to the nature of the services and based on an agreed rates schedule. Kogan.com does not consider that there are any risks associated with the related party arrangement. Kogan.com has various policies and procedures in place to manage any risks arising in respect of related party arrangements.

07.

DETAILS OF THE OFFER



07. Details of the Offer

7.1 THE OFFER

This Prospectus relates to an initial public offering of 27,777,784 Shares for issue by Kogan.com to Applicants at an Offer Price of \$1.80 per Share. In addition, this Prospectus relates to an offer of 657,638 Shares for issue by Kogan.com to Eligible Employees for nil consideration. In total, 28,435,422 Shares are being offered under the Offer.

On Completion of the Offer, 64,897,910 Shares will be held by the Existing Owners and will be subject to the Voluntary Escrow Arrangements, as described in Section 9.6). The total number of Shares on issue at Completion of the Offer will be 93,333,334 and all Shares will rank equally with each other.

The Offer is expected to raise \$50.0 million.

The Offer comprises the Broker Firm Offer (see Section 7.2), the Priority Offer (see Section 7.3), the Employee Offer (see Section 7.4) and the Institutional Offer (see Section 7.5). There is no general public offer of Shares.

The Broker Firm Offer, Priority Offer and Institutional Offer will be fully underwritten by the Lead Manager. A summary of the Underwriting Agreement, including the events which would entitle the Lead Manager to terminate the Underwriting Agreement, is set out in Section 9.4.

The Offer is made on the terms and is subject to the conditions set out in this Prospectus.

7.1.1 Structure of the Offer

The Offer comprises:

- The Broker Firm Offer (see Section 7.2);
- The Priority Offer (see Section 7.3);
- The Employee Offer (see Section 7.4); and
- The Institutional Offer (see Section 7.5).

No general public offer of Shares will be made under the Offer.

The allocation of Shares under the Broker Firm Offer, the Priority Offer, the Employee Offer and the Institutional Offer has been made after consultations between Kogan.com and the Lead Manager. No guarantee of allocation of any Shares may be made to any Applicant.

Until the Shares are issued and transferred to successful Applicants, any Application Payments for Shares offered under the Offer will be held on trust for Applicants. If the Offer is withdrawn, Application Payments will be fully refunded. No interest will be paid on the Application Payments.

7.1.2 Purpose of the Offer

The purpose of the Offer is to:

- Provide funding to support Kogan.com's growth strategy, which includes investment in inventory and marketing;
- Enable the paydown of all amounts drawn under the Facility, which is expected to be drawn to approximately \$4.0 million on Completion of the Offer;
- Establish a liquid market for Shares;
- Enable the Existing Owners to realise part of their investment in Kogan.com;
- Reward and incentivise senior management;
- Establish an appropriate platform for Kogan.com's future growth, including through providing access to capital markets and increasing its ability to attract and retain talented employees; and
- Provide funding for general corporate purposes, including payment of certain expenses incurred in relation to the Offer.

7.1.3 Source and uses of funds

The Offer is expected to raise approximately \$50.0 million.

Table 7.1 sets out in detail the sources and uses of Offer funds.

Table 7.1: Source and uses of funds

Source of funds	\$m	%	Uses of funds	\$m	%
Offer Proceeds	50.0	100.0	Acquisition of Kogan.com business from Existing Owners ⁽¹⁾	15.0	30.0
			Repayment of existing debt	4.0	8.0
			Additional marketing expenditure	2.0	4.0
			Inventory investment	14.0	28.0
			Cash to balance sheet to support growth	12.0	24.0
			Costs of the Offer	3.0	6.0
Total source of funds	50.0	100.0	Total uses of funds	50.0	100.0

Note:

1. The consideration payable by Kogan.com for the Kogan.com business under the Kogan Group Restructure comprises \$15.0 million, payable to the Existing Owners, and the issue of 64.9 million new Shares to the Existing Owners. The aggregate consideration payable represents the equity value of the Kogan.com business after paying costs and expenses associated with the Offer

The above table is a statement of Kogan.com's current intentions at the Prospectus Date. The anticipated use of funds may vary from the actual use of funds, and the assumptions upon which the use of funds is based are by their nature subject to significant uncertainties and contingencies. Accordingly, none of Kogan.com, its Directors or any other person can give any assurance that the use of funds will be applied in the manner set out in the above table.

7.1.4 Shareholders

Details of the ownership of Shares immediately prior to Completion, and of the expected ownership of Shares immediately following Completion of the Offer and completion of the Kogan Group Restructure, are shown in Table 7.2. As at the Prospectus Date, the sole shareholder of Kogan.com is A.B.L. Fiduciary Corporation Pty Ltd, holding two ordinary shares. See Section 9.2 for a description of the Kogan Group Restructure.

Table 7.2: Ownership of Shares

Shareholder	INTEREST PRIOR TO COMPLETION OF THE OFFER ⁽¹⁾	INTEREST FOLLOWING COMPLETION OF THE OFFER AND THE KOGAN GROUP RESTRUCTURE ⁽²⁾	
	%	Shares (m)	%
Ruslan Kogan ⁽³⁾	70	47.1	50.5
David Shafer ⁽³⁾	30	17.8	19.1
New Shareholders	-	28.4	30.5
Total⁽⁴⁾	100.0%	93.3	100.0%

Notes:

- Based on the Shares held following completion of the Kogan Group Restructure but prior to the issue of Shares under the Offer. See Section 9.2 for further detail. Prior to completion of the Kogan Group Restructure (and acquisition by Kogan.com of the Kogan Group), Kogan.com's sole shareholder is A.B.L. Fiduciary Corporation Pty Ltd, holding two ordinary shares
- Information about the number of Shares to be held on Completion that will be subject to the Voluntary Escrow Arrangements, and details of the Voluntary Escrow Arrangements, are outlined in Section 9.6
- Ruslan Kogan's Shares are held through Kogan Management Pty Ltd ATF the Ruslan Tech Trust and David Shafer's Shares are held through Shafer Corporation Pty Ltd ATF the Shafer Family Trust
- Total may not sum to individual components due to rounding

7.1.5 Corporate information about Kogan.com

Details of Kogan.com's formation, registration and tax status, along with information regarding the Kogan Group Restructure and the acquisition from the Existing Owners, are set out at Section 9.

7.1.6 Terms and conditions of the Offer

TOPIC	SUMMARY
What is the type of security being offered?	Shares (being fully paid ordinary shares in Kogan.com).
What are the rights and liabilities attached to the Shares?	A description of the Shares, including the rights and liabilities attaching to them, is set out in Section 7.13.
What is the consideration payable for each Share?	The Offer Price is \$1.80 per Share under the Broker Firm Offer, Priority Offer and Institutional Offer. The Shares under the Employee Offer are being issued for nil consideration.
What is the Offer Period?	Key dates, including details of the Offer Period, are set out on page 4. No Shares will be issued on the basis of this Prospectus later than the Expiry Date.
What are the cash proceeds to be raised under the Offer?	\$50.0 million will be raised from successful Applicants under the Offer.

TOPIC	SUMMARY
<p>What is the minimum and maximum Application size under the Broker Firm Offer?</p>	<p>The minimum Application size under the Broker Firm Offer is \$2,000 worth of Shares (equivalent to 1,112 Shares at the Offer Price). There is no maximum value of Shares that may be applied for under the Broker Firm Offer.</p> <p>The Lead Manager and Kogan.com reserve the right to reject any Application or to allocate a lesser number of Shares than that applied for. Kogan.com and the Lead Manager also reserve the right to aggregate any Applications which they believe may be multiple Applications from the same person.</p>
<p>What is the guaranteed, minimum and maximum Application size under the Priority Offer?</p>	<p>Invited Applicants under the Priority Offer will receive a guaranteed minimum allocation of \$2,000 worth of Shares (equivalent to 1,112 Shares at the Offer Price). The minimum Application amount under the Priority Offer is \$2,000 worth of Shares (equivalent to 1,112 Shares at the Offer Price). There is no maximum value of Shares for which Applicants may apply under the Priority Offer.</p> <p>The Lead Manager and Kogan.com reserve the right to reject any Application or to allocate a lesser number of Shares than that applied for. Kogan.com and the Lead Manager also reserve the right to aggregate any Applications which they believe may be multiple Applications from the same person.</p>
<p>What is the Application size under the Employee Offer?</p>	<p>Under the Employee Offer, Eligible Employees can only apply for their full allocation of Shares, as set out in their personalised Employee Offer Application Form.</p>
<p>What is the allocation policy?</p>	<p>The allocation of Shares between the Broker Firm Offer, the Priority Offer and the Institutional Offer was determined by the Lead Manager and Kogan.com having regard to the allocation policies outlined in Sections 7.2.6, 7.3.5 and 7.4.4.</p> <p>With respect to the Broker Firm Offer, it will be a matter for Brokers as to whom among their eligible clients the allocate Shares.</p> <p>With respect to the Priority Offer, allocations will be made at the discretion of Kogan.com, subject to the guaranteed minimum allocation for Applicants under the Priority Offer.</p> <p>With respect to the Employee Offer, it is at the absolute discretion of Kogan.com, provided that those allocations (in aggregate) do not exceed \$1,183,750 million in value (based on the Offer Price).</p> <p>Institutional Offer allocations were determined by Kogan.com in consultation with the Lead Manager.</p>
<p>When will I receive confirmation whether my Application has been successful?</p>	<p>It is expected that initial holding statements will be despatched by standard post on or about 1 July 2016.</p>

07. Details of the Offer continued

TOPIC	SUMMARY
Will the Shares be quoted?	<p>Kogan.com has applied for admission to the Official List of the ASX and quotation of Shares on ASX under the ASX code, KGN.</p> <p>Completion of the Offer is conditional on ASX approving this application. If approval is not given within three months after such application is made (or any longer period permitted by law), the Offer will be withdrawn and all Application Payments received will be refunded without interest, as soon as practicable in accordance with the requirements of the Corporations Act.</p> <p>Kogan.com will be required to comply with the ASX Listing Rules, subject to any waivers obtained by Kogan.com from time to time.</p> <p>The ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that the ASX may admit Kogan.com to the Official List is not to be taken as an indication of the merits of Kogan.com or the Shares offered for subscription.</p>
When are the Shares expected to commence trading?	<p>It is expected that trading of the Shares on ASX will commence on or about 30 June 2016, initially on a deferred settlement basis and until Kogan.com has advised the ASX that holding statements have been despatched to Shareholders. Normal settlement trading is expected to commence on or about 4 July 2016.</p> <p>It is the responsibility of each Applicant to confirm their holding before trading in Shares. Applicants who sell Shares before they receive an initial statement of holding do so at their own risk.</p> <p>Kogan.com and the Lead Manager disclaim all liability, whether in negligence or otherwise, to persons who sell Shares before receiving their initial statement of holding, whether on the basis of a confirmation of allocation provided by any of them, by the Kogan.com IPO Information Line, by a Broker or otherwise.</p>
Is the Offer underwritten?	Yes. The Lead Manager has fully underwritten the Broker Firm Offer, Priority Offer and Institutional Offer. Details are provided in Section 9.4.
Are there any escrow arrangements?	Yes. Details are provided in Section 9.6.
Has any ASIC relief or ASX waiver been obtained or been relied on?	No. Certain confirmations have been received from ASX in respect of the application of the Listing Rules. No relief is being sought from ASIC. Details are provided in Section 9.13.
Are there any tax considerations?	Yes. Refer to Section 9.10.
Are there any brokerage, commission or stamp duty considerations?	No brokerage, commission or stamp duty is payable by Applicants on acquisition of Shares under the Offer. See Sections 6.3 and 9.4 for details of various fees payable by Kogan.com to the Lead Manager and by the Lead Manager to the Co-Managers that have been appointed to the Offer in certain circumstances.

TOPIC	SUMMARY
<p>What should I do with any enquiries?</p>	<p>All enquiries in relation to this Prospectus should be directed to the Kogan.com IPO Information Line on 1300 784 014 (within Australia) or +61 (3) 9415 4164 (outside Australia) from 8.30am to 5.00pm (AEST), Monday to Friday (excluding public holidays).</p> <p>If you are unclear in relation to any matter or are uncertain as to whether Kogan.com is a suitable investment for you, you should consult with your stockbroker, solicitor, financial advisor, accountant or other independent professional adviser before deciding whether to invest.</p>

7.2 BROKER FIRM OFFER

7.2.1 Who can apply?

The Broker Firm Offer is open to persons who have received a firm allocation of Shares from their Broker and who have a registered address in Australia. If you have been offered a firm allocation by a Broker, you will be treated as an Applicant under the Broker Firm Offer in respect of that allocation. You should contact your Broker to determine whether they may allocate Shares to you under the Broker Firm Offer.

7.2.2 How to apply

Applicants under the Broker Firm Offer must lodge their Broker Firm Offer Application Form and Application Payment with the relevant Broker in accordance with the relevant Broker's directions in order to receive their firm allocation. Applicants under the Broker Firm Offer must not send their Broker Firm Offer Application Forms to the Share Registry.

Applications for Shares under the Broker Firm Offer may only be made on a Broker Firm Offer Application Form attached to or accompanying this Prospectus, or in its electronic copy form which may be downloaded in its entirety from www.kogancorporate.com. If you are an investor applying under the Broker Firm Offer, you should complete and lodge your Broker Firm Offer Application Form with the Broker from whom you received an invitation to participate. Broker Firm Offer Application Forms must be completed in accordance with the instructions given to you by your Broker and the instructions set out on the Broker Firm Offer Application Form.

By making an Application, you declare that you were given access to this Prospectus (or any supplementary or replacement prospectus), together with a Broker Firm Offer Application Form. The Corporations Act prohibits any person from passing an Application Form to another person unless it is attached to, or accompanied by, a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

The minimum Application size under the Broker Firm Offer is \$2,000 worth of Shares (equivalent to 1,112 Shares at the Offer Price). There is no maximum value of Shares that may be applied for under the Broker Firm Offer. However, Kogan.com and the Lead Manager reserve the right to aggregate any Applications which they believe may be multiple Applications from the same person or reject or scale back any Applications in the Broker Firm Offer. Kogan.com may determine a person to be eligible to participate in the Broker Firm Offer, and may amend or waive the Broker Firm Offer application procedures or requirements, in its discretion in compliance with applicable laws.

The Broker Firm Offer opens on 17 June 2016 and is expected to close on 27 June 2016. Kogan.com and the Lead Manager may elect to extend the Offer or any part of it, or accept late Applications either generally or in particular cases. The Offer, or any part of it, may be closed at any earlier date and time, without further notice. Your Broker may also impose an earlier closing date. Applicants are therefore encouraged to submit their Applications as early as possible. Please contact your Broker for instructions.

The Applicant's Broker will act as the Applicant's agent in processing the Application Form and providing Application details to the Share Registry.

7.2.3 How to pay

Applicants under the Broker Firm Offer must pay their Application Payments in accordance with instructions received from their Broker.

7.2.4 Application Payments

Application Payments will be held on trust for Applicants until the issue and transfer of Shares to successful Applicants. Application Payments will be refunded if the Offer is withdrawn and/or cancelled, or ASX does not grant permission for Shares to be quoted within three months after Kogan.com has applied for admission to the Official List of ASX. No interest will be payable on refunded amounts.

Kogan.com reserves the right to decline any Application in whole or in part, without giving any reason. Applicants under the Broker Firm Offer whose Applications are not accepted, or who are allocated a lesser number of Shares than the amount applied for, will receive a refund of all or part of their Application Payments, as applicable. Interest will not be paid on any monies refunded.

Applicants whose Applications are accepted in full will receive the whole number of Shares calculated by dividing the Application amount by the Offer Price. Where the Offer Price does not divide evenly into the Application amount, the number of Shares to be allocated will be determined by the Applicant's Broker. Your Application Payment should be for the entire Application amount.

Cheque(s) or bank draft(s) must be in Australian dollars and drawn on an Australian branch of an Australian bank, must be crossed 'Not Negotiable' and must be made payable in accordance with the directions of the Broker from whom the Applicant received a firm allocation.

Applicants should ensure that sufficient funds are held in the relevant account(s) to cover the amount of the cheque(s) or bank draft(s). If the amount of your cheque(s) or bank draft(s) for Application Payments (or the amount for which those cheque(s) or bank draft(s) clear in time for allocation) is less than the amount specified on your Broker Firm Offer Application Form, you may be taken to have applied for such lower dollar amount of Shares as for which your cleared Application Payments will pay (and to have specified that amount on your Broker Firm Offer Application Form) or your Application may be rejected.

7.2.5 Acceptance of Applications

An Application in the Broker Firm Offer is an offer by an Applicant to Kogan.com to subscribe for Shares in the amount specified on the Broker Firm Offer Application Form at the Offer Price on the terms and conditions set out in this Prospectus (including any supplementary or replacement Prospectus) and the Broker Firm Offer Application Form. To the extent permitted by law, an Application by an Applicant under the Offer is irrevocable.

An Application may be accepted by Kogan.com and the Lead Manager in respect of the full number of Shares specified in the Broker Firm Offer Application Form or any of them, without further notice to the Applicant. Acceptance of an Application will give rise to a binding contract.

7.2.6 Broker Firm Offer allocation policy

The allocation of firm stock to Brokers under the Broker Firm Offer has been determined by Kogan.com, in consultation with the Lead Manager.

Shares which have been allocated to Brokers for allocation to their Australian resident clients will be issued or transferred to the Applicants who have received a valid allocation of Shares from those Brokers (subject to the right of Kogan.com and the Lead Manager to reject or scale back Applications). It will be a matter for those Brokers how they allocate Shares among their clients, and they (and not Kogan.com or the Lead Manager) will be responsible for ensuring that clients who have received an allocation from them, receive the relevant Shares.

Applicants under the Broker Firm Offer will be able to confirm their firm allocation through the Broker from whom they received their allocation.

Holding statements are expected to be despatched on or around 1 July 2016. Kogan.com and the Lead Manager disclaim all liability, whether in negligence or otherwise, to persons who sell Shares before receiving their initial statement of holding, whether on the basis of a confirmation of allocation provided by any of them, by the Kogan.com IPO Information Line, by a Broker or otherwise.

7.3 PRIORITY OFFER

7.3.1 Who can apply?

The Priority Offer is open to investors who have received an invitation to participate in the Offer from Kogan.com, and who have a registered address in Australia. If you have been invited by Kogan.com to participate in the Priority Offer, you will be treated as an Applicant under the Priority Offer in respect of those Shares that are allocated to you, unless otherwise notified to you by Kogan.com.

7.3.2 How to apply

If you have received a personalised invitation to apply for Shares under the Priority Offer and you wish to apply for Shares, you should follow the instructions on your personalised Application Form.

By making an Application, you declare that you were invited to participate in the Priority Offer and were given access to this Prospectus (or any supplementary or replacement prospectus), together with a Priority Offer Application Form. The Corporations Act prohibits any person from passing an Application Form to another person unless it is attached to, or accompanied by, a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

Invited Applicants under the Priority Offer will receive a guaranteed minimum allocation of \$2,000 worth of Shares (equivalent to 1,112 Shares at the Offer Price).

There is no maximum value of Shares that may be applied for under the Priority Offer. However, Kogan.com and the Lead Manager reserve the right to aggregate any Applications which they believe may be multiple Applications from the same person or reject or scale back any Applications in the Priority Offer. Kogan.com may determine a person to be eligible to participate in the Priority Offer, and may amend or waive the Priority Offer application procedures or requirements, in its discretion in compliance with applicable laws.

The Priority Offer opens on 17 June 2016 and is expected to close on 27 June 2016. Kogan.com and the Lead Manager may elect to extend the Offer or any part of it, or accept late Applications either generally or in particular cases. The Offer, or any part of it, may be closed at any earlier date and time, without further notice.

7.3.3 How to pay

Applicants under the Priority Offer must pay by BPAY[®] (registered by BPAY Pty Ltd ABN 69 079 137 518) following the instructions outlined in their personalised invitation and Priority Offer Application Form.

When completing your BPAY payment, please make sure to use the specific biller code and unique Customer Reference Number provided to you on your online Priority Offer Application Form. It is the Applicant's responsibility to ensure payments are received by the end of the Offer Period, being 5.00pm AEST on 17 June 2016. If you make a BPAY payment, your bank, credit union or building society may impose a limit on the amount that you can transact on BPAY, or other policies with respect to timing for processing BPAY transactions, which may vary between banks, credit unions and building societies. Kogan.com and the Lead Manager take no responsibility for any failure to receive Application Payments by BPAY before the end of the Offer Period arising as a result of, among other things, delays in processing of payments by financial institutions.

If the amount of your BPAY payment for Application Payments (or the amount for which those BPAY payments clear in time for allocation) is insufficient to pay for the number of Shares you have applied for in your Priority Offer Application Form, you may be taken to have applied for such lower number of Shares as your cleared Application Payments will pay for (and to also have specified that amount in your Priority Offer Application Form) or your Application may be rejected.

For more details, you should contact the Kogan.com IPO Information Line on 1300 784 014 (within Australia) or +61 (3) 9415 4164 (outside Australia) from 8.30am to 5.00pm AEST, Monday to Friday (excluding public holidays).

7.3.4 Acceptance of Applications

An Application in the Priority Offer is an offer by an Applicant to Kogan.com to subscribe for Shares in the amount specified the Priority Offer Application Form at the Offer Price on the terms and conditions set out in this Prospectus (including any supplementary or replacement prospectus) and the Priority Offer

Application Form. To the extent permitted by law, an Application by an Applicant under the Offer is irrevocable.

An Application may be accepted by Kogan.com and the Lead Manager in respect of the full number of Shares specified in the Priority Offer Application Form or any of them, without further notice to the Applicant. Acceptance of an Application will give rise to a binding contract.

7.3.5 Priority Offer allocation policy

Allocations under the Priority Offer will be at the absolute discretion of Kogan.com.

7.3.6 Confirming your priority allocation

Applicants under the Priority Offer will be able to confirm their allocation by contacting Kogan.com directly.

Holding statements are expected to be despatched on or around 1 July 2016. Kogan.com and the Lead Manager disclaim all liability, whether in negligence or otherwise, to persons who sell Shares before receiving their initial statement of holding, whether on the basis of a confirmation of allocation provided by any of them, by the Kogan.com IPO Information Line, by a Broker or otherwise.

7.4 EMPLOYEE OFFER

7.4.1 Who can apply?

The Employee Offer is open to Kogan.com employees who have received an invitation to bid from Kogan.com (“**Eligible Employees**”). Kogan.com reserves the right to determine whether a person is an Eligible Employee.

Eligible Employees can only apply for their full allocation of Shares, as set out in their personalised Employee Offer Application Form.

The Employee Offer will be limited to \$1,183,750 in value of Shares (based on the Offer Price under the Broker Firm Offer and Institutional Offer).

7.4.2 How to apply

To participate in the Employee Offer, Eligible Employees must complete and return their personalised Employee Offer Application Form in accordance with the procedures set out in their Application Form. Eligible Employees can only apply for their full allocation of Shares, as set out in their personalised Employee Offer Application Form.

Eligible Employees do not need to pay any money to apply for Shares under the Employee Offer.

By making an Application, you declare that you were given access to this Prospectus (or any supplementary or replacement prospectus), together with an Employee Offer Application Form. The Corporations Act prohibits any person from passing an Application Form to another person unless it is attached to, or accompanied by, a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

Eligible Employees must complete and return their personalised Employee Offer Application Form in accordance with the instructions on their Application Form and ensure that it is returned to the Share Registry by the closing date.

The Employee Offer opens on 17 June 2016 and is expected to close on 27 June 2016. Kogan.com may elect to extend the Employee Offer or any part of it, or accept late Applications either generally or in particular cases.

7.4.3 Acceptance of Applications

An Application in the Employee Offer is an offer by an Applicant to Kogan.com to subscribe for Shares in the amount specified on the Eligible Employee’s personalised Employee Offer Application Form on the terms and conditions set out in this Prospectus (including any supplementary or replacement prospectus) and the Employee Offer Application Form. To the extent permitted by law, an Application by an Applicant under the Offer is irrevocable.

Kogan.com reserves the right to decline any Application in whole or in part, without giving any reason. Acceptance of an Application will give rise to a binding contract.

7.4.4 Employee Offer allocation policy

657,638 Shares will be offered under the Employee Offer to Eligible Employees. Allocations between Eligible Employees have been determined by Kogan.com.

Eligible Employees will be able to confirm their allocation by referring to their personalised Employee Offer Application Form.

Holding statements are expected to be despatched on or around 1 July 2016. Kogan.com and the Lead Manager disclaim all liability, whether in negligence or otherwise, to persons who sell Shares before receiving their initial statement of holding, whether on the basis of a confirmation of allocation provided by any of them, by the Kogan.com IPO Information Line, by a Broker or otherwise.

7.5 INSTITUTIONAL OFFER

7.5.1 Invitations to bid

The Institutional Offer consisted of an invitation to certain Institutional Investors in Australia and a number of other eligible overseas jurisdictions to apply for Shares prior to the Prospectus Date. The Lead Manager has separately advised Institutional Investors of the application procedures for the Institutional Offer. Offers made under the Institutional Offer were made at the Offer Price per Share. Shares to be issued pursuant to the Institutional Offer will be on the same terms and conditions as Share under the Broker Firm Offer and Priority Offer.

7.5.2 Institutional Offer allocation policy

The allocation of Shares among Applicants in the Institutional Offer was determined by Kogan.com in consultation with the Lead Manager. Kogan.com, in consultation with the Lead Manager, had absolute discretion regarding the basis of allocation of Shares among Institutional Investors (having regard to the factors described below) and there was no assurance that any Institutional Investor would be allocated any Shares, or the number of Shares for which it had bid.

The allocation policy for the Institutional Offer was determined with reference to a number of factors including:

- The number of Shares bid for by particular bidders;
- The timeliness of the bid by particular bidders;
- Kogan.com's desire for an informed and active trading market following Completion of the Offer;
- Kogan.com's desire to establish a wide spread of institutional Shareholders;
- The overall level of demand under the Institutional Offer, and estimated level of demand under the Broker Firm Offer and Priority Offer;
- The size and type of funds under management of particular bidders;
- The likelihood that particular bidders will be long-term Shareholders; and
- Other factors that Kogan.com and the Lead Manager considered appropriate.

7.6 UNDERWRITING ARRANGEMENTS

The Broker Firm Offer, Priority Offer and Institutional Offer is fully underwritten. The Lead Manager and Kogan.com have entered into an Underwriting Agreement under which the Lead Manager has been appointed as manager and underwriter of the Offer. The Lead Manager agrees, subject to certain conditions and termination events, to, severally, underwrite Applications for all Shares under the Broker Firm Offer, Priority Offer and Institutional Offer in equal proportions. The Underwriting Agreement sets out a number of circumstances under which the Lead Manager may terminate the Underwriting Agreement and its underwriting obligations.

A summary of certain terms of the agreement and underwriting arrangements, including the termination provisions, is provided in Section 9.4.

7.7 POTENTIAL EFFECT OF THE FUNDRAISING ON THE FUTURE OF THE KOGAN.COM

The Directors believe that on Completion, Kogan.com will have sufficient funds available from the Offer Proceeds and its operations to meet its stated business objectives.

7.8 CONTROL IMPLICATIONS OF THE OFFER

The Directors expect that Ruslan Kogan will control (as defined by section 50AA of the Corporations Act) Kogan.com on Completion as Ruslan Kogan will hold 50.5% of the Shares on issue.

In addition, on Completion, it is expected that approximately 69.5% of Shares will be subject to the Voluntary Escrow Arrangements described in Section 9.6 and Kogan.com will be treated as having a relevant interest in those Shares following Listing.

7.9 BROKERAGE, COMMISSION AND STAMP DUTY

No brokerage, commission or stamp duty is payable by Applicants who apply for Shares using an Application Form. Investors who buy or sell Shares on ASX may be subject to brokerage and other transaction costs.

7.10 TAXATION ISSUES

A summary of Australian tax consequences of investing in Kogan.com is contained in Section 9.10.

However, the summary provides general information only. Applicants should seek appropriate independent professional advice that considers the taxation implications in respect of their own specific circumstances.

7.11 DISCRETION REGARDING THE OFFER

Kogan.com may withdraw the Offer at any time before the issue or transfer of Shares to successful Applicants or bidders in the Broker Firm Offer, Priority Offer and Institutional Offer. If the Offer, or any part of it, does not proceed, all relevant Application Payments will be refunded (without interest).

The Offer timetable is indicative only. Kogan.com, in conjunction with the Lead Manager, reserves the right to vary any or all of the dates and times of the Offer (subject to ASX Listing Rules and the Corporations Act) without prior notice, including closing the Offer or any part of it early, extending the date the Offer closes, deferring Completion, accepting late Applications either generally or in particular cases, rejecting any application or bid, allocating to any Applicant or bidder fewer shares than the amount applied or bid for, or withdrawing the Offer. If the Offer is withdrawn before Completion, all Application Payments will be refunded in full (without interest) as soon as practicable in accordance with the requirements of the Corporations Act. Applicants are encouraged to submit their Application Forms as soon as possible after the Offer opens. The quotation and commencement of trading of the Shares are subject to confirmation from ASX.

7.12 ASX LISTING, REGISTERS AND HOLDING STATEMENTS, DEFERRED SETTLEMENT TRADING

7.12.1 Application to ASX for Listing of Kogan.com and quotation of Shares

Kogan.com has applied for admission to the Official List of ASX and quotation of the Shares on ASX. Kogan.com's expected ASX Code will be KGN.

It is expected that Kogan.com will issue Shares to successful Applicants under the Offer on Completion of the Offer, being 30 June 2016.

ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that ASX may admit Kogan.com to the Official List is not to be taken as an indication of the merits of Kogan.com or the Shares offered for issue and sale.

If Kogan.com does not make such an application within seven days after the date of this Prospectus, or permission is not granted for the official quotation of the Shares on ASX within three months after Kogan.com has applied for admission to the Official List of ASX (or any later date permitted by law), all Application Payments received by Kogan.com will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.

Kogan.com will be required to comply with ASX Listing Rules, subject to any waivers obtained by Kogan.com from time to time.

7.12.2 CHESS and issuer sponsored holdings

Kogan.com will apply to participate in ASX's Clearing House Electronic Subregister System ("CHESS") and will comply with the ASX Listing Rules and the ASX Settlement Operating Rules. CHESS is an electronic transfer and settlement system for transactions in securities quoted on ASX under which transfers are affected in an electronic form.

When the Shares become approved financial products (as defined in the ASX Settlement Operating Rules), holdings will be registered in one of two subregisters, being an electronic CHESS subregister or an issuer sponsored subregister.

For all successful applicants, the Shares of a Shareholder who is a participant in CHESS or a Shareholder sponsored by a participant in CHESS will be registered on the CHESS subregister. All other Shares will be registered on the issuer sponsored subregister.

Following Completion of the Offer, Shareholders will be sent a holding statement that sets out the number of Shares that have been allocated to them. This statement will also provide details of a Shareholder's Holder Identification Number ("HIN") for CHESS holders or, where applicable, the Securityholder Reference Number ("SRN") of issuer sponsored holders. Shareholders will subsequently receive statements showing any changes to their Shareholding. Certificates will not be issued. Shareholders will receive subsequent statements during the first week of the following month if there has been a change to their holding on the register and as otherwise required under the ASX Listing Rules and the Corporations Act. Additional statements may be requested at any other time either directly through the Shareholder's sponsoring broker in the case of a holding on the CHESS subregister or through the Share Registry in the case of a holding on the issuer sponsored subregister. Kogan.com and the Share Registry may charge a fee for these additional issuer sponsored statements.

7.12.3 Deferred settlement trading and selling Shares on market

It is expected that trading of the Shares on ASX (on a deferred settlement basis) will commence on or about 30 June 2016.

It is the responsibility of each person who trades in Shares to confirm their own holding before trading in Shares. If you sell Shares before receiving a holding statement, you do so at your own risk. Kogan.com and the Lead Manager disclaim all liability, whether in negligence or otherwise, to persons who sell Shares before receiving their initial statement of holding, whether on the basis of a confirmation of allocation provided by any of them, by the Kogan.com IPO Information Line, by a Broker or otherwise.

7.13 SUMMARY OF RIGHTS AND LIABILITIES ATTACHING TO SHARES AND OTHER MATERIAL PROVISIONS OF THE CONSTITUTION

7.13.1 Introduction

The rights and liabilities attaching to the ownership of Shares arise from a combination of the Constitution, statute (including the Corporations Act), the ASX Listing Rules, the ASX Settlement Operating Rules and general law.

A summary of the significant rights, liabilities and obligations attaching to the Shares and a description of other material provisions of the Constitution are set out below. This summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities of Shareholders. The summary assumes that Kogan.com is admitted to the Official List of the ASX. The Constitution may be inspected during normal business hours at Kogan.com's registered office.

7.13.2 Voting at a general meeting

Subject to the Constitution, the ASX Listing Rules and any rights or restrictions attached to a share, at a general meeting of Kogan.com, every Shareholder present in person or by proxy, representative or attorney has one vote on a show of hands and, on a poll, one vote for each Share held (with adjusted voting rights for partly paid shares).

A poll may be demanded by the chairperson of the meeting, or by at least five Shareholders entitled to vote on the resolution or by Shareholders with at least 5% of the votes that may be cast on the resolution on a poll.

7.13.3 Meetings of members

Each Shareholder is entitled to receive notice of, attend, be heard and vote at, general meetings of Kogan.com and to receive all notices, reports and accounts required to be sent to Shareholders under the Constitution, the Corporations Act and the ASX Listing Rules. Kogan.com must give at least 28 days' written notice of a general meeting.

7.13.4 Dividends

Subject to the Constitution, the Corporations Act and the ASX Listing Rules, Directors may resolve to pay any interim, final or bonus dividend they think appropriate and may fix the time and method for payment. Interest is not payable in respect of a dividend.

For further information in respect of Kogan.com's proposed dividend policy, see Section 4.11.

7.13.5 Dividend reinvestment plan

The Constitution contains a provision allowing Directors to implement a dividend reinvestment plan.

7.13.6 Transfer of Shares

A Shareholder may transfer all or any of their Shares by:

- In the case of an ASX Settlement and Transfer Corporation ("ASTC") regulated transfer, in the form required or permitted by the Corporations Act or the ASX Settlement Operating Rules;
- In the case of a transfer by any other electronic system established or recognised by the ASX Listing Rules, in accordance with the rules of that system; and
- In other cases, using any written transfer instrument in any common form or in any other form approved by Directors.

The Board may refuse to register a transfer of Shares or apply a holding lock to prevent a transfer where permitted to do so under the Corporations Act, the ASX Listing Rules or the ASX Settlement Operating Rules.

7.13.7 Issue of shares

The Board may, subject to the Constitution, Corporations Act, the ASX Listing Rules and ASX Settlement Operating Rules and any rights and restrictions attached to a class of shares, issue, allot or grant options for, or otherwise dispose of, shares in Kogan.com on such terms as the Board decides.

7.13.8 Winding up

If Kogan.com is wound up, subject to the Constitution, the Corporations Act and any special resolution or preferential rights or restrictions attached to any shares or classes of shares, shareholders will be entitled to a share in any surplus assets of Kogan.com in proportion to the number of Shares held by them (with partly paid shares counted as fractions of fully paid shares).

7.13.9 Non-marketable parcels

In accordance with the ASX Listing Rules, the Board may sell Shares which constitute less than a marketable parcel by following the procedures set out in the Constitution. An unmarketable parcel of shares is defined in the ASX Listing Rules and is generally, a holding of shares with a market value of less than \$500.

7.13.10 Proportional takeover provisions

The Constitution contains provisions requiring Shareholder approval in relation to any proportional takeover bid. These provisions will cease to apply unless renewed by Shareholders passing a special resolution by the third anniversary of either the date those rules were adopted or the date those rules were last renewed.

7.13.11 Variation of class rights

On Completion of the Offer, Kogan.com's only class of shares on issue will be fully paid ordinary shares. Subject to the Corporations Act and the terms of issue of a class of shares, whenever the capital of Kogan.com is divided into different classes of shares, the rights attaching to any class of shares may be varied or cancelled:

- With the written consent of the holders of 75% of the shares of that class; or
- By a special resolution passed at a separate meeting of the holders of those shares.

7.13.12 Directors - appointment and removal

Under the Constitution, the minimum number of Directors that may comprise the Board is three.

Members may by resolution passed in general meeting:

- Appoint a person to be a Director;
- Remove a Director from office;
- Appoint another person in a Director's place; and
- Fix the maximum number of Directors and increase or reduce that number.

Retirement will occur on a rotational basis so that any Director who has held office for three or more years or three or more annual general meetings (excluding any managing director) faces re-election. Directors may also appoint a Director to fill a casual vacancy on the Board or in addition to the existing Directors, which Director will then hold office until the next annual general meeting of Kogan.com.

7.13.13 Directors - voting

Questions arising at a meeting of the Board must be decided by a majority of votes of the Directors present at the meeting and entitled to vote on the matter. In the case of an equality of votes on a resolution, the chairperson of the meeting does not have a casting vote.

7.13.14 Directors – remuneration

Under the Constitution, Directors are to be remunerated for their services.

Under the Constitution, Non-Executive Directors will be paid by way of fees for services up to the aggregate sum per annum as may be approved from time to time by Shareholders at a general meeting. The current aggregate sum per annum is \$500,000.

The Constitution also makes provision for Kogan.com to pay all reasonable travelling and other expenses the Directors properly incur in attending to Kogan.com's business, including attending general meetings of Kogan.com or meetings of the Board or of committees of the Board. Kogan.com may further remunerate any Director who performs extra services or makes special exertions.

See Section 6.3.1 for a description of the remuneration arrangements for Directors.

7.13.15 Powers and duties of Directors

The business and affairs of Kogan.com are to be managed by or under the direction of the Board, which (in addition to the powers and authorities conferred on it by the Constitution) may exercise all powers and do all things that are within Kogan.com's power and the powers that are not required by law or by the Constitution to be exercised by Kogan.com in general meeting.

7.13.16 Preference shares

Kogan.com may issue preference shares including preference shares which are, or at the option of Kogan.com or holder are, liable to be redeemed or convertible to ordinary shares. The rights attaching to preference shares are those set out in the Constitution unless other rights have been approved by special resolution of Kogan.com. There will be no preference shares on issue upon Completion.

7.13.17 Officers' indemnity

Subject to and to the extent permitted by the Corporations Act, Kogan.com must indemnify, or enter into and pay premiums on a contract insuring, every person who is or has been an officer of Kogan.com or its subsidiaries against any liability incurred in their capacity as an officer, including legal costs.

7.13.18 Amendment

The Constitution may be amended only by special resolution passed by Shareholders.

7.14 ENQUIRIES

If you have further enquiries relating to aspects of this Prospectus, please call your Broker in the first instance. Additionally, the Kogan.com IPO Information Line will be available on 1300 784 014 (within Australia) or +61 (3) 9415 4164 (outside Australia) from 8.30am to 5.00pm (AEST), Monday to Friday (excluding public holidays) during the Offer Period.

If you are unclear in relation to any matter or are uncertain as to whether Kogan.com is a suitable investment for you, you should consult with your stockbroker, solicitor, financial advisor, accountant or other independent professional adviser before deciding whether to invest.



08.

INVESTIGATING ACCOUNTANT'S REPORT

08. Investigating Accountant's Report



KPMG Transaction Services

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The Directors
Kogan.com Limited
136 Buckhurst Street
South Melbourne VIC 3205

GPO Box 2291 U
Melbourne Vic 3001
Australia

9 June 2016

Dear Directors

Limited Assurance Investigating Accountant's Report and Financial Services Guide

Investigating Accountant's Report

Introduction

KPMG Financial Advisory Services (Australia) Pty Ltd (of which KPMG Transaction Services is a division) ("KPMG Transaction Services") has been engaged by Kogan.com Limited ("Kogan.com") to prepare this report for inclusion in the prospectus to be dated 9 June 2016 ("Prospectus"), and to be issued by Kogan.com, in respect of the proposed initial public offering of shares in Kogan.com ("the Offer"). Kogan.com will wholly own the Kogan group of controlled entities ("Kogan Group") post the Offer.

Expressions defined in the Prospectus have the same meaning in this report.

Scope

You have requested KPMG Transaction Services to perform a limited assurance engagement in relation to the pro forma historical and forecast financial information described below and disclosed in the Prospectus.

The pro forma historical and forecast financial information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the *Corporations Act 2001*.

Pro Forma Historical Financial Information

You have requested KPMG Transaction Services to perform limited assurance procedures in relation to the pro forma historical financial information of Kogan.com (the responsible party) included in the Prospectus.

The pro forma historical financial information has been derived from the historical financial information of the Kogan Group, after adjusting for the effects of pro forma adjustments

KPMG Financial Advisory Services (Australia) Pty Ltd is affiliated with KPMG.

KPMG is an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

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described in sections 4.3, 4.4 and 4.5 of the Prospectus. The pro forma financial information consists of Kogan.com's:

- pro forma historical consolidated Balance Sheet as at 31 December 2015;
- pro forma historical consolidated Income Statements for the financial years ended 30 June 2014 and 30 June 2015 and six month periods ended 31 December 2014 and 31 December 2015; and
- pro forma historical consolidated Statements of Cash Flows for the financial years ended 30 June 2014 and 30 June 2015 and six month periods ended 31 December 2014 and 31 December 2015

and related notes as set out in sections 4.3, 4.4 and 4.5 of the Prospectus (collectively the "Pro Forma Historical Financial Information"). The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards applied to the historical financial information and the event(s) or transaction(s) to which the pro forma adjustments relate, as described in section 4.2 of the Prospectus. Due to its nature, the Pro Forma Historical Financial Information does not represent the company's actual or prospective financial position, financial performance, and/or cash flows.

The Pro Forma Historical Financial Information has been compiled by Kogan.com to illustrate the impact of the Offer on Kogan.com's financial position as at 31 December 2015 and Kogan.com's financial performance and cash flows for the financial years ended 30 June 14 and 30 June 2015 and six month periods ended 31 December 2014 and 31 December 2015. As part of this process, information about Kogan.com's financial position, financial performance and cash flows has been extracted by Kogan.com from the Kogan Group's financial statements for the financial years ended 30 June 2014 and 30 June 2015 and six month periods ended 31 December 2014 and 31 December 2015.

The financial statements of the Kogan Group for the years ended 30 June 2014 and 30 June 2015 were audited by KPMG in accordance with Australian Auditing Standards. The audit opinions issued to the members of the Kogan Group relating to those financial statements were unqualified.

The interim financial statements of the Kogan Group for the six month periods ended 31 December 2014 and 31 December 2015 were reviewed by KPMG in accordance with Australian Auditing Standards. The review opinions issued to the members of the Kogan Group relating to those financial statements were unqualified.

For the purposes of preparing this report we have performed limited assurance procedures in relation to Pro Forma Historical Financial Information in order to state whether, on the basis of the procedures described, anything comes to our attention that would cause us to believe that the Pro Forma Historical Financial Information is not prepared, in all material respects, by the directors in accordance with the stated basis of preparation. As stated in section 4.2 of the Prospectus, the stated basis of preparation is:

- the extraction of Historical Financial Information, comprising the historical consolidated Balance Sheet as at 31 December 2015, historical consolidated Income Statement for the financial years ended 30 June 2014 and 30 June 2015 and six month periods ended 31 December 2014 and 31 December 2015, and historical consolidated Statement of Cash Flows for the financial years ended 30 June 2014 and 30 June 2015 and six month periods

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ended 31 December 2014 and 31 December 2015 (together the "Historical Financial Information") from the audited financial statements of the Kogan Group for the years ended 30 June 2014 and 30 June 2015 and the reviewed interim financial statements of the Kogan Group for the six month period ended 31 December 2015; and

- the application of pro forma adjustments, determined in accordance with Australian Accounting Standards and Kogan.com's accounting policies, to the Historical Financial Information of Kogan.com to illustrate the effects of the Offer on Kogan.com described in sections 4.3, 4.4 and 4.5 of the proposed public document.

We have conducted our engagement in accordance with the Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

The procedures we performed were based on our professional judgement and included:

Historical financial information

- consideration of work papers, accounting records and other documents, including those dealing with the extraction of the Historical Financial Information of the Kogan Group from its audited financial statements for the years ended 30 June 2014 and 30 June 2015 and from its reviewed financial statements for the six month period ended 31 December 2015;

Pro forma adjustments:

- consideration of the pro forma adjustments described in the Prospectus;
- enquiry of directors, management, personnel and advisors;
- the performance of analytical procedures applied to the Pro Forma Historical Financial Information; and
- a review of accounting policies for consistency of application.

The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, an audit. As a result, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed an audit. Accordingly, we do not express an audit opinion about whether the Pro Forma Historical Financial Information is prepared, in all material respects, by the directors in accordance with the stated basis of preparation.

Directors' Forecast and directors' best-estimate assumptions

You have requested KPMG Transaction Services to perform limited assurance procedures in relation to the forecast consolidated Income Statement of Kogan.com (the responsible party) for the periods ending 30 June 2016 and 30 June 2017, as described in section 4 of the Prospectus (the "Directors' Forecast"). The directors' best-estimate assumptions underlying the Directors'

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Forecast are described in section 4.8.1 of the Prospectus. As stated in section 4.2.3 of the Prospectus, the basis of preparation of the Directors' Forecast is the recognition and measurement principles contained in Australian Accounting Standards and Kogan.com's accounting policies.

We have performed limited assurance procedures in relation to the Directors' Forecast, set out in section 4 of the Prospectus, and the directors' best-estimate assumptions underlying it in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that:

- the directors' best-estimate assumptions do not provide reasonable grounds for the Directors' Forecast;
- in all material respects the Directors' Forecast is not:
 - prepared on the basis of the directors' best-estimate assumptions as described in the Prospectus; and
 - presented fairly in accordance with the recognition and measurement principles contained in Australian Accounting Standards and Kogan.com's accounting policies;
- the Directors' Forecast itself is unreasonable.

We have conducted our engagement in accordance with the Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

Our limited assurance procedures consisted primarily of:

- comparison and analytical review procedures;
- discussions with management and directors of Kogan.com of the factors considered in determining their assumptions; and
- examination, on a test basis, of evidence supporting:
 - the assumptions and amounts in the Directors' Forecast; and
 - the evaluation of accounting policies used in the Directors' Forecast.

The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, an audit. As a result, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed an audit. Accordingly, we do not express an audit opinion.

Directors' responsibilities

The directors of Kogan.com are responsible for the preparation of:

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- the Pro Forma Historical Financial Information, including the selection and determination of the pro forma transactions and/or adjustments made to the historical financial information and included in the Pro Forma Historical Information; and
- the Directors' Forecast, including the directors' best-estimate assumptions on which the Directors' Forecast is based and the sensitivity of the Directors' Forecast to changes in key assumptions.

The directors' responsibility includes establishing and maintaining such internal controls as the directors determine are necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

Conclusions

Review statement on the Pro Forma Historical Financial Information

Based on our procedures, which are not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Historical Financial Information, as set out in section 4 of the Prospectus, comprising:

- the pro forma historical consolidated Income Statement of Kogan.com for the years ended 30 June 2014 and 30 June 2015 and six month periods ended 31 December 2014 and 31 December 2015;
- the pro forma historical consolidated Statement of cash flows of Kogan.com for the years ended 30 June 2014 and 30 June 2015 and six month periods ended 31 December 2014 and 31 December 2015; and
- the pro forma historical consolidated Balance Sheet of Kogan.com as at 31 December 2015,

is not prepared or presented fairly, in all material respects, on the basis of the pro forma transactions and/or adjustments described in sections 4.3, 4.4 and 4.5 of the Prospectus, and in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards, and Kogan.com's accounting policies.

Directors' Forecast and the directors' best-estimate assumptions

Based on our procedures, which are not an audit, nothing has come to our attention which causes us to believe that:

- the directors' best-estimate assumptions used in the preparation of the Directors' Forecast for the years ending 30 June 2016 and 30 June 2017 do not provide reasonable grounds for the Directors' Forecast; and
- in all material respects, the Directors' Forecast:
 - is not prepared on the basis of the directors' best-estimate assumptions as described in section 4.8.1 of the Prospectus; and

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- is not presented fairly in accordance with the recognition and measurement principles contained in Australian Accounting Standards, and Kogan.com's accounting policies; and
- the Directors' Forecast itself is unreasonable.

The Directors' Forecast has been prepared by Kogan.com management and adopted and disclosed by the directors in order to provide prospective investors with a guide to the potential financial performance of Kogan.com for the years ending 30 June 2016 and 30 June 2017.

There is a considerable degree of subjective judgement involved in preparing forecasts since they relate to event(s) and transaction(s) that have not yet occurred and may not occur. Actual results are likely to be different from the Directors' Forecast since anticipated event(s) or transaction(s) frequently do not occur as expected and the variation may be material. The directors' best-estimate assumptions on which the Directors' Forecast is based relate to future event(s) and/or transaction(s) that management expects to occur and actions that management expects to take and are also subject to uncertainties and contingencies, which are often outside the control of Kogan.com. Evidence may be available to support the directors' best-estimate assumptions on which the Directors' Forecast is based however such evidence is generally future-oriented and therefore speculative in nature. We are therefore not in a position to express a reasonable assurance conclusion on those best-estimate assumptions, and accordingly, provide a lesser level of assurance on the reasonableness of the directors' best-estimate assumptions. The limited assurance conclusion expressed in this report has been formed on the above basis.

Prospective investors should be aware of the material risks and uncertainties in relation to an investment in Kogan.com, which are detailed in the Prospectus, and the inherent uncertainty relating to the Directors' Forecast. Accordingly, prospective investors should have regard to the investment risks and sensitivities as described in sections 4.9 and 5 of the Prospectus. The sensitivity analysis described in section 4.9 of the Prospectus demonstrates the impact on the Directors' Forecast of changes in key best-estimate assumptions. We express no opinion as to whether the Directors' Forecast will be achieved.

We have assumed, and relied on representations from certain members of management of Kogan.com, that all material information concerning the prospects and proposed operations of Kogan.com has been disclosed to us and that the information provided to us for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

Independence

KPMG Transaction Services does not have any interest in the outcome of the proposed Offer, other than in connection with the preparation of this report and participation in due diligence procedures for which normal professional fees will be received. KPMG is the auditor of Kogan.com and from time to time, KPMG also provides Kogan.com with certain other professional services for which normal professional fees are received.

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General advice warning

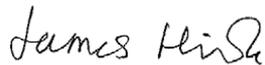
This report has been prepared, and included in the Prospectus, to provide investors with general information only and does not take into account the objectives, financial situation or needs of any specific investor. It is not intended to take the place of professional advice and investors should not make specific investment decisions in reliance on the information contained in this report. Before acting or relying on any information, an investor should consider whether it is appropriate for their circumstances having regard to their objectives, financial situation or needs.

Restriction on use

Without modifying our conclusions, we draw attention to section 4.2.1 of the Prospectus, which describes the purpose of the financial information, being for inclusion in the Prospectus. As a result, the financial information may not be suitable for use for another purpose. We disclaim any assumption of responsibility for any reliance on this report, or on the financial information to which it relates, for any purpose other than that for which it was prepared.

KPMG Transaction Services has consented to the inclusion of this Investigating Accountant's Report in the Prospectus in the form and context in which it is so included, but has not authorised the issue of the Prospectus. Accordingly, KPMG Transaction Services makes no representation regarding, and takes no responsibility for, any other statements, or material in, or omissions from, the Prospectus.

Yours faithfully



James Hindle
Authorised Representative

*Kogan.com Limited
Limited Assurance Investigating Accountant's Report and
Financial Services Guide
9 June 2016*

**Financial Services Guide
Dated 9 June 2016**

What is a Financial Services Guide (FSG)?

This FSG is designed to help you to decide whether to use any of the general financial product advice provided by **KPMG Financial Advisory Services (Australia) Pty Ltd ABN 43 007 363 215**, Australian Financial Services Licence Number 246901 (of which KPMG Transaction Services is a division) ('**KPMG Transaction Services**'), and James Hindle as an authorised representative of KPMG Transaction Services, authorised representative number 404268.

This FSG includes information about:

- KPMG Transaction Services and its Authorised Representative and how they can be contacted
- the services KPMG Transaction Services and its Authorised Representative are authorised to provide
- how KPMG Transaction Services and its Authorised Representative are paid
- any relevant associations or relationships of KPMG Transaction Services and its Authorised Representative
- how complaints are dealt with as well as information about internal and external dispute resolution systems and how you can access them; and
- the compensation arrangements that KPMG Transaction Services has in place.

The distribution of this FSG by the Authorised Representative has been authorised by KPMG Transaction Services. This FSG forms part of an Investigating Accountant's Report (Report) which has been prepared for inclusion in a disclosure document or, if you are offered a financial product for issue or sale, a Product Disclosure Statement (PDS). The purpose of the disclosure document or PDS is to help you make an informed decision in relation to a financial product. The contents of the disclosure document or PDS, as relevant, will include details such as the risks, benefits and costs of acquiring the particular financial product.

Financial services that KPMG Transaction Services and the Authorised Representative are authorised to provide

KPMG Transaction Services holds an Australian Financial Services Licence, which authorises it to provide, amongst other services, financial product advice for the following classes of financial products:

- deposit and non-cash payment products;
- derivatives;
- foreign exchange contracts;
- government debentures, stocks or bonds;

- interests in managed investments schemes including investor directed portfolio services;
- securities;
- superannuation;
- carbon units;
- Australian carbon credit units; and
- eligible international emissions units,

to retail and wholesale clients. We provide financial product advice when engaged to prepare a report in relation to a transaction relating to one of these types of financial products. The Authorised Representative is authorised by KPMG Transaction Services to provide

financial product advice on KPMG Transaction Services' behalf.

KPMG Transaction Services and the Authorised Representative's responsibility to you

KPMG Transaction Services has been engaged by Kogan.com Limited (Client) to provide general financial product advice in the form of a Report to be included in the Prospectus (Document) prepared by Client in relation to the initial public offering of shares in Kogan.com Limited (Transaction).

You have not engaged KPMG Transaction Services or the Authorised Representative directly but have received a copy of the Report because you have been provided with a copy of the Document. Neither KPMG Transaction Services nor the Authorised Representative are acting for any person other than the Client.

KPMG Transaction Services and the Authorised Representative are responsible and accountable to you for ensuring that there is a reasonable basis for the conclusions in the Report.

General Advice

As KPMG Transaction Services has been engaged by the Client, the Report only contains general advice as it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of the general advice in the Report having regard to your circumstances before you act on the general advice contained in the Report.

You should also consider the other parts of the Document before making any decision in relation to the Transaction.

Fees KPMG Transaction Services may receive and remuneration or other benefits received by our representatives

KPMG Transaction Services charges fees for preparing reports. These fees will usually be agreed with, and paid by, the Client. Fees are agreed on either a fixed fee or a time cost basis. In this instance, the Client has agreed to pay KPMG Transaction Services \$0.25 million for preparing the Report. KPMG Transaction Services and its officers, representatives, related entities and associates

will not receive any other fee or benefit in connection with the provision of the Report.

KPMG Transaction Services officers and representatives (including the Authorised Representative) receive a salary or a partnership distribution from KPMG's Australian professional advisory and accounting practice (the KPMG Partnership). KPMG Transaction Services' representatives (including the Authorised Representative) are eligible for bonuses based on overall productivity. Bonuses and other remuneration and benefits are not provided directly in connection with any engagement for the provision of general financial product advice in the Report.

Further details may be provided on request.

Referrals

Neither KPMG Transaction Services nor the Authorised Representative pay commissions or provide any other benefits to any person for referring customers to them in connection with a Report.

Associations and relationships

Through a variety of corporate and trust structures KPMG Transaction Services is controlled by and operates as part of the KPMG Partnership. KPMG Transaction Services' directors and Authorised Representatives may be partners in the KPMG Partnership. The Authorised Representative is a partner in the KPMG Partnership. The financial product advice in the Report is provided by KPMG Transaction Services and the Authorised Representative and not by the KPMG Partnership.

From time to time KPMG Transaction Services, the KPMG Partnership and related entities (KPMG entities) may provide professional services, including audit, tax and financial advisory services, to companies and issuers of financial products in the ordinary course of their businesses.

KPMG entities have provided, and continue to provide, a range of audit, tax and advisory services to the Client for which professional fees are received. Over the past two years professional fees of \$0.43 million have been received from the Client. None of those services have related to the transaction or alternatives to the transaction.

No individual involved in the preparation of this Report holds a substantial interest in, or is a substantial creditor

of, the Client or has other material financial interests in the transaction.

Complaints resolution

Internal complaints resolution process

If you have a complaint, please let either KPMG Transaction Services or the Authorised Representative know. Formal complaints should be sent in writing to The Complaints Officer, KPMG, PO Box H67, Australia Square, Sydney NSW 1213. If you have difficulty in putting your complaint in writing, please telephone the Complaints Officer on 02 9335 7000 and they will assist you in documenting your complaint.

Written complaints are recorded, acknowledged within 5 days and investigated. As soon as practical, and not more than 45 days after receiving the written complaint, the response to your complaint will be advised in writing.

External complaints resolution process

If KPMG Transaction Services or the Authorised Representative cannot resolve your complaint to your satisfaction within 45 days, you can refer the matter to the Financial Ombudsman Service (FOS). FOS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOS are available at the FOS website www.fos.org.au or by contacting them directly at:

Address: Financial Ombudsman Service Limited, GPO Box 3, Melbourne Victoria 3001

Telephone: 1800 367 287

Facsimile: (03) 9613 6399

Email: info@fos.org.au.

The Australian Securities and Investments Commission also has a freecall infoline on 1300 300 630 which you may use to obtain information about your rights.

Compensation arrangements

KPMG Transaction Services has professional indemnity insurance cover as required by the Corporations Act 2001(Cth).

Contact Details

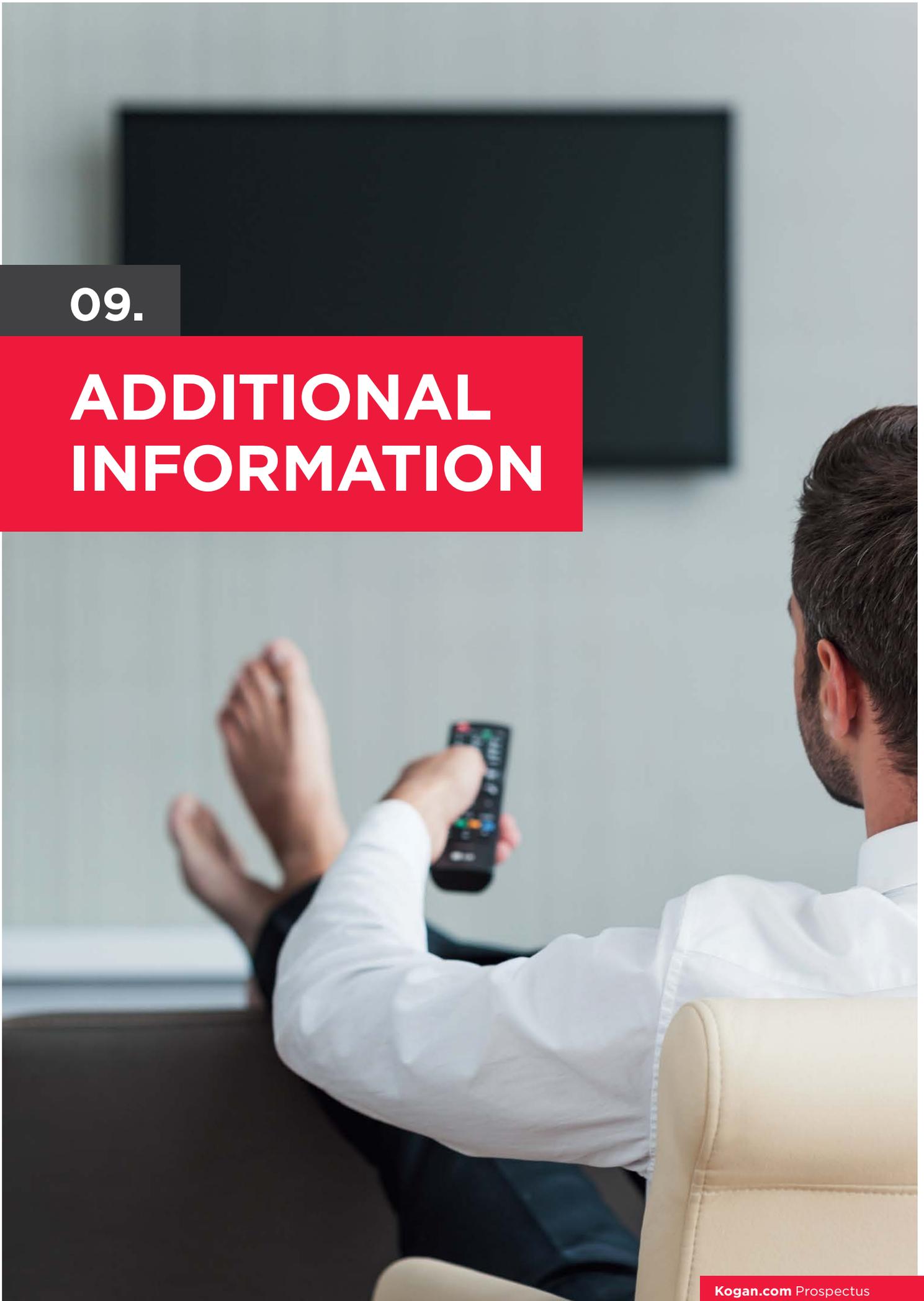
You may contact KPMG Transaction Services or the Authorised Representative using the contact details:

KPMG Transaction Services
A division of KPMG Financial Advisory
Services (Australia) Pty Ltd
10 Shelley St
Sydney NSW 2000
PO Box H67
Australia Square
NSW 1213
Telephone: (02) 9335 7000
Facsimile: (02) 9335 7200

James Hindle
C/O KPMG
PO Box H67
Australia Square
NSW 1213
Telephone: (02) 9335 7000
Facsimile: (02) 9335 7200

09.

ADDITIONAL INFORMATION



09. Additional Information

9.1 REGISTRATION, COMPANY TAX STATUS AND CORPORATE STRUCTURE

9.1.1. Registration

Kogan.com was incorporated in Victoria on 19 May 2016 as a public company under the name Kogan.com Limited ACN 612 447 293.

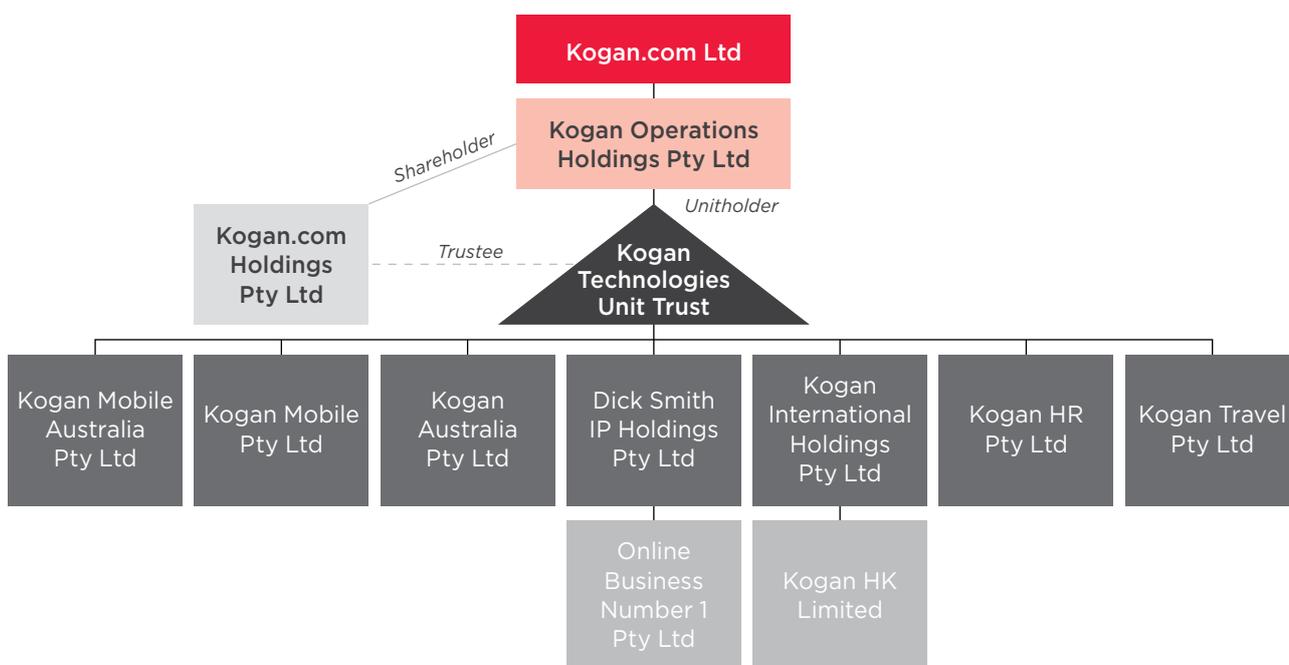
9.1.2 Kogan.com tax status and financial year

Kogan.com is and will be subject to tax at the Australian corporate tax rate on its taxable income. The financial year of Kogan.com ends on 30 June annually.

9.1.3 Corporate structure

The following diagram is a simplified representation of the Kogan.com corporate structure on Completion of the Offer (and following the Kogan Group Restructure). Refer to Section 9.2 for further details of the Kogan Group Restructure, which will occur pursuant to the Sale Agreement on settlement. The effect of the Kogan Group Restructure is reflected in Figure 9.1.

Figure 9.1: Kogan Group Restructure



9.2 KOGAN GROUP RESTRUCTURE AND CAPITAL STRUCTURE

9.2.1 Summary of Sale Agreement

On 8 June 2016, Kogan.com entered into a sale agreement with the Existing Owners, pursuant to which the Existing Owners have agreed to sell all of their shares in Kogan Operations Holdings Pty Ltd (which as at the Prospectus Date is the parent entity of the Kogan Group). The aggregate consideration payable by Kogan.com for the Kogan Operations Holdings Pty Ltd shares under the Sale Agreement is \$131,816,250. The consideration will be payable by way of \$15,000,012 in cash (payable out of the Offer Proceeds) and the issuance of 64,897,910 Shares (representing a value of \$116,816,238 based on the Offer Price).

The cash consideration payable by Kogan.com to the Existing Owners will be allocated 50% to Ruslan Kogan's shareholder entity and 50% to David Shafer's shareholder entity, with the balance by way of the issuance of Shares.

The Shares consideration payable by Kogan.com to the Existing Owners will be allocated 70% to Ruslan Kogan's shareholder entity and 30% to David Shafer's shareholder entity.

Completion under the Sale Agreement will occur on, and is conditional upon, Completion of the Offer.

Following completion under the Sale Agreement, the Existing Owners' aggregate holding in Kogan.com will decrease from 100% to 69.5%.

9.2.2 Capital structure

There are two Shares on issue in Kogan.com as at the Prospectus Date and the capital structure on Completion is described below.

The total number of Shares to be issued under the Offer will be 28,435,422. Under the Sale Agreement, it is expected that 64,897,910 Shares will be issued to the Existing Owners as part consideration for the transfer of all of the shares in Kogan Operations Holdings Pty Ltd. to Kogan.com (such that on Completion, Kogan.com will be the parent entity of the Kogan Group).

9.3 PARTICIPATION IN ISSUES OF SECURITIES

Except as described in this Prospectus, Kogan.com has not granted, or proposed to grant, any rights to any person, or to any class of person, to participate in an issue of Kogan.com's securities.

9.4 UNDERWRITING AGREEMENT

Kogan.com and the Lead Manager have entered into an underwriting agreement dated 8 June 2016 ("**Underwriting Agreement**"), pursuant to which the Lead Manager agrees to underwrite subscriptions for Shares under the Offer (excluding the Employee Offer).

Pursuant to the Underwriting Agreement, Kogan.com has also appointed the Lead Manager to act as exclusive manager of the Offer and to allocate Shares as the Lead Manager determines, in consultation with Kogan.com. This summary of the key terms of the Underwriting Agreement does not purport to be complete and is qualified by the text of the agreement itself.

For the purpose of this Section 9.4, Offer Documents includes any of the following documents issued or published by, or on behalf of, and with the authorisation of, Kogan.com in respect of the Offer, and in the form agreed by the Lead Managers:

- this Prospectus, any Application Form and any supplementary Prospectus;
- the pathfinder version of this Prospectus and any document which supplements or replaces the pathfinder (including any cover email); and
- any investor, marketing or roadshow presentation and/or any ASX announcements used in connection with the Institutional Offer or the Broker Firm Offer.

9.4.1 Fees and costs

Kogan.com has agreed to pay the Lead Manager underwriting and managements fees totalling 4% of the total proceeds of the Offer.

Kogan.com has also agreed to pay the Lead Manager for certain costs incurred by the Lead Manager in respect of the Offer, including legal fees up to a prescribed limit, and reasonable travel and other out of pocket expenses.

9.4.2 Representations, warranties, undertakings and other terms

The Underwriting Agreement contains certain standard representations, warranties and undertakings provided by Kogan.com to the Lead Manager.

The representations and warranties given by Kogan.com relate to such matters include as to its power and capacity to enter into and comply with the Underwriting Agreement, compliance with applicable laws and the ASX Listing Rules, the content of the Offer Documents (including that it does not contain any statements that are misleading or deceptive), not being subject to any actual, pending or threatened litigation that would be material to the outcome of the Offer, the due diligence process for the Offer, undertaking the Offer will not constitute conduct which is misleading or deceptive, no material adverse change and solvency.

The undertakings given by Kogan.com include that it will not breach any of its representations, warranties or undertakings; withdraw the Offer; during the 120 days after completion of the Offer, amend its constitution, alter the capital structure, dispose of the Kogan Group's business, vary any material contract or permit the occurrence of any prescribed occurrences; and without the Lead Manager's prior written consent, during the 180 days after completion of the Offer, issue any further shares or other securities.

The representations and warranties given by the Lead Manager to Kogan.com relate to matters such as due incorporation, performance of obligations and capacity and power.

9.4.3 Indemnity

Kogan.com has agreed to indemnify the Lead Manager and certain affiliated persons against all losses directly or indirectly suffered in connection with the Offer. The indemnity is subject to certain exceptions, including fraud, gross negligence, wilful default and wilful misconduct.

9.4.4 Termination events not subject to materiality

The Lead Manager may terminate the Underwriting Agreement at any time prior to the issue of Shares under the Offer if certain events occur before settlement, including:

- a statement in the Offer Documents is or becomes misleading or deceptive or is likely to mislead or deceive, or a matter required to be included is omitted from the Offer Document;
- at any time the S&P/ASX 200 Index falls to a level that is 90% or less of the level as at the close of trading on the last trading day before the date of the Underwriting Agreement and is at or below that level at the close of trading:
 - for 2 consecutive business days during any time after the date of the Underwriting Agreement; or
 - the business day immediately prior to, settlement;
- any Voluntary Escrow Deed is withdrawn, terminated, rescinded or breached or failed to be complied with;
- Kogan.com or any of its respective directors or officers engage, or have engaged since the date of the Underwriting Agreement, in any fraudulent conduct or activity, whether or not in connection with the Offer;
- approval is refused or not granted (or subsequently withdrawn), or approval is granted subject to conditions other than customary conditions, to Kogan.com's admission to the official list of ASX on or before Completion, or to the quotation of all of Kogan.com's Shares on ASX;
- if any of the obligations of the relevant parties under any of the contracts that are material to the business of the Kogan Group or any of the material contracts summarised in this Prospectus are not capable of being performed in accordance with their terms (in the reasonable opinion of the Lead Manager) or if all or any part of any of such contracts:
 - is amended or varied without the consent of the Lead Manager;
 - is terminated;
 - is breached (in circumstances where the breach may have a material adverse effect on the Offer);
 - ceases to have effect, otherwise than in accordance with its terms; or
 - is or becomes void, voidable, illegal, invalid or unenforceable (other than by reason only of a party waiving any of its rights) or capable of being terminated, rescinded or avoided or of limited force and effect, or its performance is or becomes illegal;
- Kogan.com withdraws an Offer Document or the Offer or indicates that it does not intend to proceed with the Offer or any part of the Offer;
- any member of the Kogan Group becomes insolvent, or there is an act or omission which is likely to result in a member of the Kogan Group becoming insolvent;
- an event specified in the Offer timetable in the Underwriting Agreement is delayed by more than 2 business days (other than a delay agreed to between the parties);

09. Additional Information continued

- Kogan.com is prevented from allotting and issuing the Shares within the time required by the Offer timetable, the Offer Documents, the ASX Listing Rules, by applicable laws, an order of a court of competent jurisdiction or a governmental authority;
- without the prior written consent of the Lead Manager, Kogan.com:
 - alters the issued capital of Kogan.com or a member of the Kogan Group; or
 - disposes or attempts to dispose of a substantial part of the business or property of Kogan.com or a member of the Kogan Group,
- if a regulatory body withdraws, revokes or amends any regulatory approvals required for Kogan.com to perform its obligations under the Underwriting Agreement or to carry out the transactions contemplated by the Offer Documents;
- there is an event or occurrence, including any statute, order, rule, regulation, directive or request (including one compliance with which is in accordance with the general practice of persons to whom the directive or request is addressed) of any governmental agency which makes it illegal for the Lead Manager to satisfy an obligation under the Underwriting Agreement, or to market, promote or settle the Offer;
- either of Ruslan Kogan or David Shafer vacates his office;
- any of the following occur:
 - a director or proposed director named in the Offer Documents is charged with an indictable offence (in circumstances where the breach may have a material adverse effect on the Offer);
 - any governmental agency commences any public action against Kogan.com or its directors in their capacity as a director of Kogan.com, or announces that it intends to take action; or
 - any director or proposed director named in Offer Documents is disqualified from managing a corporation under Part 2D.6 of the Corporations Act;
- in the reasonable opinion of the Lead Manager, there are not, or there ceases to be, reasonable grounds for any statement or estimate in the Offer Documents which relate to a future matter;
- any statement or estimate in the Offer Documents which relate to a future matter is, in the reasonable opinion of the Lead Manager, unlikely to be met in the projected timeframe (including in each case financial forecasts); or
- Kogan.com varies any term of its Constitution without the prior written consent of the Lead Manager.

9.4.5 Termination events subject to materiality

The Lead Manager may also terminate the Underwriting Agreement before settlement of the Offer if certain events occur which the Lead Manager has reasonable grounds to believe that the event (i) has or is likely to have a materially adverse effect on the success, settlement, outcome or marketing of the Offer or on the ability of the Lead Manager to market or promote or settle the Offer or on the likely price at which the Offer Shares will trade on ASX, or the willingness of investors to subscribe for the Shares; or (ii) will, or is likely to, give rise to a liability of the Lead Manager under, or give rise to, or result in, a contravention by the Lead Manager or its affiliates, or the Lead Manager or its affiliates being involved in a contravention of, any applicable law:

- there occurs a new circumstance that arises after the Prospectus is lodged that would have been required to be included in the Prospectus if it had arisen before lodgement;
- Kogan.com issues or, in the reasonable opinion of the Lead Manager, is required under section 719 of the Corporations Act to lodge a supplementary or replacement prospectus; or
- Kogan.com lodges a supplementary or replacement prospectus with ASIC in a form and substance that has not been approved by the Lead Manager;
- a Voluntary Escrow Deed is varied, altered or amended;
- any of the following notifications are made in respect of the Offer:
 - ASIC issues an order (including an interim order) under section 739 of the Corporations Act;
 - ASIC holds a hearing under section 739(2) of the Corporations Act;

09. Additional Information continued

- an application is made by ASIC for an order under Part 9.5 of the Corporations Act in relation to the Offer or an Offer Document or ASIC commences any investigation or hearing under Part 3 of the Australian Securities and Investments Commission Act 2001 (Cth) in relation to the Offer or an Offer Document;
- any person (other than the Lead Manager) who has previously consented to the inclusion of its name in any Offer Document withdraws that consent; or
- any person (other than the Lead Manager) gives a notice under section 730 of the Corporations Act in relation to an Offer Document;
- Kogan.com does not provide a closing certificate as and when required by the Underwriting Agreement;
- a change in senior management or the Board occurs;
- the due diligence report or verification material provided and any other information supplied by or on behalf of Kogan.com to the Lead Manager in relation to the Kogan Group or the Offer is (or is likely to), or becomes (or becomes likely to be), misleading or deceptive, including by way of omission;
- any adverse change occurs in the assets, liabilities, financial position or performance, profits, losses or prospects of Kogan.com, including any adverse change in the assets, liabilities, financial position or performance, profits, losses or prospects of Kogan.com or the Group from those respectively disclosed in any Offer Document;
- there is introduced, or there is a public announcement of a proposal to introduce, into the Parliament of Australia, New Zealand, Hong Kong, Singapore, the Peoples Republic of China or the United States or any State or Territory of Australia a new law, or the Reserve Bank of Australia or New Zealand, or any Commonwealth or State authority, including ASIC, adopts or announces a proposal to adopt a new policy (other than a law or policy which has been announced before the date of the Underwriting Agreement);
- there is a contravention by Kogan.com or any other member of the Kogan Group of the Corporations Act, the Competition and Consumer Act 2010 (Cth), Australian Securities and Investments Commission Act 2001 (Cth) (any regulations under those acts) or any other applicable law or regulation;
- any of the Offer Documents or any aspect of the Offer does not comply with the Corporations Act or any other applicable law or regulation;
- a representation, warranty, undertaking or obligation contained in the Underwriting Agreement on the part of Kogan.com is breached, becomes not true or correct or is not performed;
- Kogan.com defaults on 1 or more of its obligations under the Underwriting Agreement;
- any of the following occurs:
 - the commencement of legal proceedings against Kogan.com or any other member of the Kogan Group or against any director of any member of the Kogan Group in that capacity; or
 - any regulatory body commences any enquiry or public action against a member of the Kogan Group;
- any information supplied by or on behalf of a member of the Kogan Group to the Lead Manager in respect of the Offer or the Kogan Group is, or is found to be, misleading or deceptive, or likely to mislead or deceive (including, by omission);
- hostilities not presently existing commence (whether war has been declared or not) or an escalation in existing hostilities occurs (whether war has been declared or not) involving any one or more of Australia, New Zealand, Hong Kong, Singapore, the United Kingdom, the People's Republic of China or the United States or a major terrorist act is perpetrated anywhere in the world;
- a statement in any closing certificate is false, misleading, inaccurate or untrue or incorrect; and
- any of the following occurs:
 - a general moratorium on commercial banking activities in Australia, New Zealand, The People's Republic of China, Japan, Singapore, Hong Kong, the United Kingdom, the United States, the United Arab Emirates, Switzerland, Norway or a Member State of the European Union is declared by the relevant central banking authority in those countries, or there is a disruption in commercial banking or security settlement or clearance services in any of those countries;
 - any adverse effect on the financial markets in Australia, New Zealand, The People's Republic of China, Japan, Singapore, Hong Kong, the United Kingdom or the United States or in foreign exchange rates

09. Additional Information continued

or any development involving a prospective change or break up in political, financial or economic conditions in any of those countries; or

- trading in all securities quoted or listed on ASX, the New Zealand Stock Exchange, New York Stock Exchange, London Stock Exchange, Hong Kong Stock Exchange or the Tokyo Stock Exchange is suspended or limited in a material respect for 1 day (or a substantial part of 1 day) on which that exchange is open for trading.

9.5 DEBT FACILITY

Kogan Australia Pty Ltd entered into a multi-option facility agreement with Westpac Banking Corporation (“**Financier**”) on 31 May 2016. A summary of the material commercial terms and conditions on which the Financier has granted the Facility is set out in this section.

1. Parties	<p>Borrower: Kogan Australia Pty Ltd (ABN 53 152 570 351)</p> <p>Guarantors: Certain Kogan Group subsidiaries</p> <p>Obligors: The Borrower and each Guarantor</p> <p>Group: The Borrower, each Guarantor and all other subsidiaries of these entities</p> <p>Financier: Westpac Banking Corporation ABN 33 007 457 141</p> <p>On Completion, each of Kogan.com and Kogan Operations Holdings Pty Ltd will be required to accede to the Facility as Guarantors.</p>
2. Facility Type and Limit	<p>\$10 million multi-option Facility comprising a Cash Advance Facility (sub-limit of \$5 million), Trade Finance Facility and a LC Facility (Bankers undertaking/performance guarantee facility). The sub-limits for the Trade Finance Facility and the LC Facility can be determined and set by the Borrower.</p>
3. Purpose	<p>All facilities to be used to fund the ongoing working capital requirements of the Group.</p>
4. Termination Date and repayment	<p>3 years from the date of the facility agreement.</p>
5. Interest rate and fees	<p>Interest is payable under the Cash Advance Facility and the Trade Finance Facility which is calculated on a bank bill swap rate (BBSY) plus a margin. The Margin will be set relative to the Group’s leverage ratio.</p> <p>In addition, the Borrower is required to pay an establishment fee, commitment fee, bank guarantee fees and certain other administrative fees which are usual for facilities of this nature.</p>
6. Prepayments	<p>The Borrower may prepay each Facility in whole or in part on the last day of an Interest Period, by a minimum of A\$500,000 and A\$250,000 thereafter. All amounts prepaid may be redrawn. Break costs (if any) will be payable to the Financier if the prepayment is made other than on the last day of the Interest Period.</p>
7. Security	<p>The facilities are secured by:</p> <p>(a) general security interests over each Obligors’ assets and undertakings; and</p> <p>(b) guarantee and indemnity by each Guarantor.</p>
8. Conditions precedent	<p>Conditions precedent to drawdown are standard for facilities of this nature and are within the control of Kogan.com.</p>

<p>9. Financial Covenants and undertakings</p>	<p>The Facility contains the following financial covenants which will be tested on 31 March, 30 June, 30 September and 31 December of each year:</p> <ol style="list-style-type: none"> 1. Fixed charge cover ratio: The ratio of EBIT plus operating lease expense of the Group for the previous 12 months, and Interest Expense plus operating lease expense of the Group for the previous 12 months, must be no less than 1.25 from the time of the first draw to 30 June 2016, and 1.50 times from 1 July 2016 onwards. 2. Borrowing Base: the amount of Debtors (aged less than 90 days) and the amount of certain eligible inventory divided by the amount of Finance Debt of the Group shall be greater than 2.25 at all times. 3. Shareholders' Funds/Total Assets ratio: total assets less total liabilities of the Group plus Subordinated Shareholder Loans (but excluding the entitlements of any beneficiary under the Kogan Technologies Unit Trust unless subordinated to the satisfaction of the Financier) ("Shareholders' Funds") shall be greater than the higher of: <ol style="list-style-type: none"> (a) A\$7,500,000; and (b) 85% of Shareholders' Funds for the previous Financial Year. <p>Calculations under the covenants are subject to a number of specific adjustments. Terms used in this section take the definitions as defined in the Facility Agreement.</p>
<p>10. Reporting Requirements</p>	<p>Reporting requirements are standard for a facility of this nature and include the provision of annual financial statements; half-yearly financial statements; quarterly financial statements; aged inventory reports; and an annual budget.</p>
<p>11. Key undertakings</p>	<p>Undertakings given by each Obligor are standard for a facility of this nature and include the following:</p> <ol style="list-style-type: none"> 1. Capital Expenditure: Each Obligor must obtain the Financier's consent before paying for or incurring capital expenditure that in aggregate exceeds 110% of the budgeted capital expenditure in any Financial Year. 2. Distributions: Distributions may be made at any time, but can only be made with Financier's prior consent if: <ol style="list-style-type: none"> (a) a review event, default or potential default is subsisting (or would result from that distribution); or (b) the aggregate of distributions in any one Financial Year would exceed the lesser of 100% of net profit after tax and 100% of Free Cash Flow for that Financial Year. 3. Guarantors: Ensuring that: <ol style="list-style-type: none"> (a) each Borrower, Kogan.com Holdings Pty Ltd in its own capacity and as trustee of the Kogan Technologies Unit Trust and any entity of which a Borrower or Kogan.com Holdings Pty Ltd as trustee of the Kogan Technologies Unit Trust is a wholly owned subsidiary are Guarantors under the Facility Agreement; (b) the combined EBITDA of the Guarantors must at all times comprise an amount no less than 95% of the combined EBITDA of all members of the Group; and (c) the combined total assets of the Guarantors must comprise an amount no less than 95% of the combined total assets of all members of the Group. 4. Shares/Units: Other than in the case of issuing shares in Kogan.com, issuing any further securities in the Group other than to another Obligor and where those securities are the subject of security.

12. Representations and warranties	Representations and warranties given by the Obligors are standard for a facility of this nature, including trust representations and warranties.
13. Events of Default	<p>The Facility contains certain events of default which are standard for a facility of this nature and include the events listed below:</p> <ol style="list-style-type: none"> 1. Non-Payment: Any payment obligation is not met at any time. 2. Financial Covenants: Any financial covenant not complied with at any time. 3. Breach of obligation: Breach of any obligation under the Facility. 4. Misrepresentation: The misrepresentation of any facts pertaining to any finance document. 5. Insolvency: An insolvency event occurring in respect of any Obligor or a Trust. 6. Reduction of Capital: An Obligor without the Financier's consent: <ol style="list-style-type: none"> (a) takes any action to reduce its capital (other than by redeeming redeemable preference shares) or buy back its shares; or (b) passes a resolution or summons or convenes a meeting to consider the calling up of unpaid share capital if the company becomes an externally-administered body corporate, or to provide financial assistance (in accordance with sections 254N and 260B of the Corporations Act). 7. Review Event: A review event occurs and an Obligor fails to comply with its obligations in respect of that review event. A review event occurs if any Obligor lodges a prospectus (or similar disclosure document) in respect of an equity raising and/or listing on ASX other than in respect of the Offer. 8. Cross-default: A cross default occurs in respect of: <ol style="list-style-type: none"> (a) Finance Debt in an aggregate amount exceeding A\$1,000,000 or its equivalent; (b) non-compliance or default under any Finance Document; and (c) entitlement to terminate or rescind a Material Document, or failure to comply with any material obligation or an event of default occurs under a Material Document. 9. Material Adverse Effect: Any event or series of events, occurs which will have a material adverse effect on, for example, the business, operation or financial condition of the Group. 10. Change in Control prior to Permitted Initial Public Offering: There is (in the Financier's opinion) a change (whether direct or indirect) in the management, ownership or control of any Obligor or the Trust without the prior written consent of the Financier, other than: <ol style="list-style-type: none"> (a) a transfer of ownership as between shareholders as at the date of the agreement so long as no shareholder holds less than 20% of the issued shares or units in the Obligor or the Kogan Technologies Unit Trust; or (b) certain other transfers of Obligors required as part of the Kogan Group Restructure. 11. Change in Control after a Permitted Initial Public Offering: There is a change of control in the Group prior to Completion of the Offer, subject to permitted exceptions including in relation to the Kogan Group Restructure.

<p>13. Events of Default <i>continued</i></p>	<p>12. Delisting or suspension: Kogan.com is removed from the official list of ASX or is suspended from trading for 5 consecutive trading days.</p> <p>13. Key Management: any of Ruslan Kogan, David Shafer or any subsequent CEO of the Group ceases to perform their role or is no longer employed by a member of the Group and an acceptable replacement is not made within 120 days of vacating the role.</p>
<p>14. Other Provisions</p>	<p>The Facility Agreement includes other provisions which are standard for a facility of this nature and includes, but is not limited to, assignment, goods and services tax, costs and expenses, indemnities, market disruption, stamp duty, increased costs and illegality, governing law, AML and PPS.</p>

9.6 VOLUNTARY ESCROW ARRANGEMENTS

Each of the Existing Owners has agreed to enter into a voluntary escrow arrangement with Kogan.com under which each Existing Owner will be restricted from dealing with their Shares from Completion (“**Voluntary Escrow Shares**”). The escrow arrangements do not prevent the Existing Owners from exercising their voting entitlements or any rights to receive dividends and distributions or participate in any rights issue or bonus issue.

These escrow arrangements will prevent the Existing Owners from disposing of:

- any of their Voluntary Escrow Shares until the first trading day after the announcement to the ASX of Kogan.com’s audited financial results for FY2017; and
- 50% of their Voluntary Escrow Shares until the first trading day after the announcement to the ASX of Kogan.com’s audited financial results for FY2018.

There are limited circumstances in which the Voluntary Escrow Shares may be released from escrow, namely:

- To allow an Existing Owner to accept an offer under a takeover bid in relation to its Voluntary Escrow Shares where holders of at least half of the Shares which are subject of the bid that are not held by the Existing Owners have accepted the takeover bid;
- To allow the Voluntary Escrow Shares to be transferred or cancelled as part of a merger or scheme of arrangement under Part 5.1 of the Corporations Act;
- To allow the Voluntary Escrow Shares to be bought-back pursuant to a buy-back, redemption or return of capital, but only in proportion to the number of Voluntary Escrow Shares that are being bought-back by Kogan.com over the total number of Shares on issue and where the buy-back is available to all Shareholders of Kogan.com; or
- Where required pursuant to a court order compelling any Voluntary Escrow Shares to be disposed of or a security interest granted over them.

The restriction on dealing is broadly defined and includes, among other things, selling, assigning, transferring or otherwise disposing of any interest in the Voluntary Escrow Shares, creating any mortgage, charge, pledge, lien or other security interest over the Voluntary Escrow Shares, or doing any other thing in respect of the voting or distribution rights attaching to the Voluntary Escrow Shares.

Table 9.1: Summary of the Voluntary Escrow Arrangements

Existing Owner	Number of Voluntary Escrow Shares on Completion of the Offer	Voluntary Escrow Shares as a % of Shares on issue on Completion of the Offer
Kogan Management Pty Ltd ATF the Ruslan Tech Trust	47,095,205	50.5
Shafer Corporation Pty Ltd ATF the Shafer Family Trust	17,802,705	19.1
Total⁽¹⁾	64,897,910	69.5

Note:

1. Total may not sum to individual components due to rounding

9.7 VODAFONE AGREEMENT

Kogan Mobile entered into a Mobile Cooperation Agreement with Vodafone on 13 April 2015, pursuant to which Kogan Mobile operates an online-only MVNO offering low-cost, pre-paid mobile plans supplied by Vodafone. A summary of the key commercial terms of this agreement is set out in Section 3.3.2.2.

The agreement has an initial term of 4 years, with automatic extensions of 12 months.

Either party may elect not to renew the agreement at the end of the initial term or each rolling 1-year term by paying a fee and providing no less than 180 days' written notice to the other party.

Either party may immediately terminate the agreement in circumstances where the other party is in material breach (which has not been remedied), an insolvency event occurs, or there is an extended force majeure event.

In addition, Vodafone has certain rights to terminate the agreement in circumstances where Kogan or its officers have received significant fines or penalties or found guilty of serious misconduct, or a competitor of Vodafone acquires 20% ownership of Kogan.com, appoints a director to the Board or becomes able to materially influence Kogan.com's business decisions.

Ruslan Kogan and David Shafer are each a "key person" under the agreement, and Kogan.com has an obligation to ensure that at least one of them remains associated with the day to day management of Kogan.com. Either may be replaced as a "key person" under the agreement by Kogan.com with the written consent of Vodafone, which may only be withheld where Vodafone has reasonable concerns as to the character or ability of the proposed replacement.

9.8 OWNERSHIP RESTRICTIONS

The sale and purchase of Shares are regulated by Australian laws that restrict the level of ownership or control by any one person (either alone or in combination with others). This Section 9.8 contains a general description of these laws.

9.8.1 Corporations Act

The takeover provisions in Chapter 6 of the Corporations Act restrict acquisitions of shares in listed companies, and unlisted companies with more than 50 members, if the acquirer's (or another party's) voting power would increase to above 20%, or would increase from a starting point that is above 20% and below 90%, unless certain exceptions apply.

While the Voluntary Escrow Arrangements are in place, a person who acquires more than 20% of the Shares in Kogan.com may be deemed to hold the relevant interest that Kogan.com holds in the Voluntary Escrow Shares pursuant to the operation of section 608(3) of the Corporations Act.

The Corporations Act also imposes notification requirements on persons having voting power of 5% or more in Kogan.com.

9.8.2 Foreign Acquisition and Takeovers Act 1975 (Cth)

Generally, the Foreign Acquisitions and Takeovers Act 1975 (Cth) applies to acquisitions of shares and voting power in a company of 15% or more by a single foreign person and its associates (“**Substantial Interest**”), or 40% or more by two or more unassociated foreign persons and their associates (“**Aggregate Substantial Interest**”). Where an acquisition of a Substantial Interest meets certain criteria, the acquisition may not occur unless notice of it has been given to the Federal Treasurer and the Federal Treasurer has either stated that there is no objection to the proposed acquisition in terms of the Federal Government of Australia’s Foreign Investment Policy or a statutory period has expired without the Federal Treasurer objecting.

An acquisition of a Substantial Interest or an Aggregate Substantial Interest meeting certain criteria may also lead to divestment orders unless a process of notification, and either a statement of non-objection or expiry of a statutory period without objection, has occurred.

9.9 SELLING RESTRICTIONS

9.9.1 General

This Prospectus does not constitute an offer or invitation to apply for Shares in any place in which, or to any person to whom, it would be unlawful to make such an offer or invitation. No action has been taken to register or qualify the Shares or the Offer, or to otherwise permit a public offering of the Shares, in any jurisdiction outside Australia, except to the extent permitted below.

9.9.2 New Zealand

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013 (“**FMC Act**”). The Shares are not being offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) other than to a person who:

- Is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- Meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- Is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- Is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- Is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

9.9.3 Singapore

This document and any other materials relating to the Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other materials in connection with the offer or sale, or invitation for subscription or purchase, of Shares, may not be issued, circulated or distributed, nor may the Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (“**SFA**”), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This document has been given to you on the basis that you are (i) an existing holder of Kogan.com’s shares, (ii) an “institutional investor” (as defined in the SFA) or (iii) a “relevant person” (as defined in section 275(2) of the SFA). In the event that you are not an investor falling within any of the categories set out above, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

9.9.4 Hong Kong

WARNING: This document has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (“SFO”). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the Shares have not been and will not be offered or sold in Hong Kong other than to “professional investors” (as defined in the SFO).

No advertisement, invitation or document relating to the Shares has been or will be issued, or has been or will be in the possession of any person for the purposes of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors (as defined in the SFO and any rules made under that ordinance). No person allotted Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

9.9.5 United Kingdom

Neither the information in this document nor any other document relating to the offer has been delivered for approval to the Financial Conduct Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended (“FSMA”)) has been published or is intended to be published in respect of the Shares. This document is issued on a confidential basis to “qualified investors” (within the meaning of section 86(7) of the FSMA) in the United Kingdom, and the Shares may not be offered or sold in the United Kingdom by means of this document, any accompanying letter or any other document, except in circumstances which do not require the publication of a prospectus pursuant to section 86(1) of the FSMA. This document should not be distributed, published or reproduced, in whole or in part, nor may its contents be disclosed by recipients to any other person in the United Kingdom.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received in connection with the issue or sale of the Shares has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) of the FSMA does not apply to Kogan.com.

In the United Kingdom, this document is being distributed only to, and is directed at, persons (i) who have professional experience in matters relating to investments falling within Article 19(5) (investment professionals) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 (“FPO”), (ii) who fall within the categories of persons referred to in Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the FPO or (iii) to whom it may otherwise be lawfully communicated (together “**relevant persons**”). The investments to which this document relates are available only to, and any invitation, offer or agreement to purchase will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

9.10 AUSTRALIAN TAXATION CONSIDERATIONS

The following tax comments are based on the tax law in Australia in force as at the Prospectus Date. Australian tax laws are complex. This summary is general in nature and is not intended to be an authoritative or complete statement of all potential tax implications for each investor or relied upon as tax advice. During the period of ownership of the Shares by investors, the taxation laws of Australia, or their interpretation, may change. The precise implications of ownership or disposal of Shares will depend upon each investor’s specific circumstances. Investors should seek their own professional advice on the taxation implications of holding or disposing of Shares, taking into account their specific circumstances.

The following information is a general summary of the Australian income tax implications for Australian tax resident individuals, complying superannuation entities, corporate investors, trusts and partnerships. These comments do not apply to tax non-resident investors, investors that hold Shares on revenue account or as

trading stock, investors who are exempt from Australian income tax or investors subject to the Taxation of Financial Arrangements regime in Division 230 of the Income Tax Assessment Act 1997 (Cth) which have made elections to apply the fair value or reliance on financial reports methodologies.

9.10.1 Dividends paid on Shares

Kogan.com may declare and pay dividends on shares held by Shareholders of Kogan.com. Kogan.com may attach 'franking credits' to such dividends. Franking credits broadly represent the extent to which a dividend is paid by Kogan.com out of profits that have been subject to Australian income tax. It is possible for a dividend to be fully franked, partly franked or unfranked.

Where dividends are paid by Kogan.com, those dividends will constitute assessable income of an Australian tax resident investor.

9.10.2 Australian tax resident individuals and complying superannuation entities

Dividends paid by Kogan.com on a Share will constitute assessable income of an Australian tax resident investor in the income year in which the dividends are received by the investor. Australian tax resident investors who are individuals or complying superannuation entities should include the dividend in their assessable income in the year the dividend is paid, together with any franking credit attached to that dividend.

Such investors should be entitled to a tax offset equal to the franking credit attached to the dividend. The tax offset can be applied to reduce the tax payable on the investor's taxable income. Where the tax offset exceeds the tax payable on the investor's taxable income, the investor should be entitled to a tax refund equal to the excess.

To the extent that the dividend is unfranked, the investor will generally be taxed at his or her prevailing marginal rate on the dividend received with no franking tax offset available.

9.10.3 Corporate investors

Corporate investors are also required to include both the dividend and the associated franking credit in their assessable income.

Corporate investors are then entitled to a tax offset up to the amount of the franking credit attached to the dividend.

An Australian resident corporate investor should be entitled to a credit in its own franking account to the extent of the franking credits attached to the distribution received. This will allow the corporate investor to pass on the franking credits to its investor(s) on the subsequent payment of dividends.

Excess franking credits received by corporate investors will not give rise to a refund entitlement for a company, but can be converted into carry forward tax losses instead.

9.10.4 Trusts and partnerships

Investors who are trustees (other than trustees of complying superannuation entities) or partnerships should include the franking credit in determining the net income of the trust or partnership. The relevant beneficiary or partner may be entitled to a tax offset equal to the beneficiary or partner's share or distribution of the net income of the trust or partnership.

9.10.4 Shares held at 'risk'

The benefit of franking credits can be denied where an investor is not a 'qualified person', in which case the investor will not need to include the amount of the franking credits in their assessable income and will not be entitled to the corresponding tax offset.

Broadly, to be a 'qualified person', two tests must be satisfied, namely the holding period rule and the related payments rule.

Under the holding period rule, an investor is required to hold Shares 'at risk' for more than 45 days continuously (which is measured as the period commencing the day after the Shares were acquired and ending on the 45th day after the Shares become ex-dividend) in order to qualify for franking benefits, including franking credits. This holding period rule is subject to certain exceptions, including where the total franking offsets of an individual in a year of income do not exceed \$5,000.

Under the related payments rule, a different testing period applies where the investor has made, or is under an obligation to make, a related payment in relation to the dividend. The related payments rule requires the investor to have held the Shares at risk for the continuous 45-day period as above but within the period commencing on the 45th day before, and ending on the 45th day after, the day the Shares become ex-dividend.

Investors should seek professional advice to determine if these requirements, as they apply to them, have been satisfied.

The Federal Government of Australia has recently enacted a specific integrity rule that prevents taxpayers from obtaining a tax benefit from additional franking credits where dividends are received as a result of 'dividend washing' arrangements. On 30 June 2014, the measure received royal assent and the new rule will apply to distributions made on or after 1 July 2013. Shareholders should consider the impact of this legislative change and any guidance issued by the Australian Taxation Office in this regard, given their own personal circumstances.

9.10.6 Disposal of Shares

Most Australian tax resident investors will hold their Shares on capital account and will, therefore, be subject to Australian capital gains tax ("CGT") on the disposal of their Shares. Some investors may hold their Shares on revenue account as trading stock, or be subject to the Taxation of Financial Arrangements regime. These investors should seek their own professional advice in respect of the consequences of a disposal of Shares.

An investor will derive a capital gain on the disposal of Shares where the capital proceeds received on disposal exceeds the CGT cost base of the Shares. The CGT cost base of the Shares is broadly the amount paid to acquire the Shares plus any transaction or incidental costs.

A CGT discount may be available to apply to the net capital gain for individual investors, trustee investors and investors that are complying superannuation entities provided the particular Shares are held for at least 12 months prior to sale. Any current year or carry forward capital losses incurred by those investors deriving the capital gain can be applied to offset all or part of the capital gain, before the CGT discount is applied.

The CGT discount for individuals and trusts is 50% and for complying superannuation entities is 33 $\frac{1}{3}$ %. In relation to trusts, the CGT discount rules are complex, but the discount may, generally flow through to eligible presently entitled beneficiaries of the trust.

Conversely, an investor will incur a capital loss on the disposal of their particular Shares to the extent that the capital proceeds on disposal are less than the CGT reduced cost base of the Shares.

Capital gains and losses recognised by an investor for an income year can be offset against each other, subject to the application of the loss integrity rules, where applicable. If an investor derives a net capital gain for an income year, this amount is, subject to the comments below, included in the investor's assessable income. If an investor incurs a net capital loss in a year, this amount is carried forward and is available to offset against capital gains derived in subsequent years, subject in some cases to the investor satisfying certain rules relating to the recoupment of carried forward losses.

9.10.7 Tax file numbers and Australian Business Numbers

An investor is not required to quote their tax file number ("TFN"), or where relevant, Australian Business Number ("ABN") to Kogan.com. However, if a TFN or ABN is not quoted and no exemption is applicable (i.e. exemption details are not provided by the investor), Australian income tax may be required to be deducted by Kogan.com from dividends at the maximum marginal tax rate plus the Medicare levy. An additional Temporary Budget Repair levy of 2% will be imposed on the portion of an individual investor's taxable income that exceeds \$180,000 for the 2016 and 2017 income years.

An investor who holds Shares as part of an enterprise may quote its ABN instead of its TFN.

9.10.8 Stamp duty

No duty should be payable by investors on the issue or acquisition of Shares pursuant to the Offer. Further, under current duty legislation, duty would not ordinarily be payable on any subsequent acquisition of Shares by a Shareholder provided Kogan.com remains listed on ASX and the Shareholder does not hold 90% or more of the issued shares in Kogan.com (alone or with associates).

Investors should seek their own tax advice as to the impact of stamp duty in their own particular circumstances.

9.10.9 Australian goods and services tax

Under current Australian law, GST should not be payable in respect of the issue, acquisition or transfer of Shares. An Australian resident investor will generally not be entitled to claim full input tax credits for GST included in any costs associated with acquiring, holding or disposing of Shares.

No GST should be payable in respect of dividends paid to investors.

Investors should seek their own tax advice on the impact of GST in their own particular circumstances.

9.10.10 Employee Offer

Kogan.com will provide a general summary of Australian tax issues relating to the Employee Offer to Eligible Employees in the separate offer letter.

9.11 CONSENTS TO BE NAMED AND DISCLAIMERS OF RESPONSIBILITY

Each of the parties referred to below (each a “**Consenting Party**”), to the maximum extent permitted by law, expressly disclaims all liabilities in respect of, makes no representations regarding and takes no responsibility for any statements in or omissions from this Prospectus, other than the reference to its name in the form and context in which it is named and a statement or report included in this Prospectus with its consent as specified below.

Each Consenting Party has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its written consent to being named in the Prospectus in the form and context in which it is named. No Consenting Party referred to below has made any statement that is included in this Prospectus or any statement on which a statement is made in this Prospectus is based, other than as specified below:

- Canaccord Genuity (Australia) Limited, as Lead Manager to the Offer;
- Arnold Bloch Leibler, as Australian legal adviser (other than in respect of taxation and stamp duty) to Kogan.com;
- KPMG Financial Advisory Services (Australia) Pty Ltd, as Investigating Accountant and as financial and taxation advisor to Kogan.com;
- KPMG, as Kogan.com’s auditor;
- Computershare, as Kogan.com’s Share Registry;
- Mertons Corporate Services, and Mark Licciardo as Kogan.com’s Company Secretary;
- Euromonitor International Limited;
- Alexa Internet, Inc.;
- IBISWorld;
- Forrester Research, Inc.;
- Shop.org (National Retail Federation); and
- TeleGeography (PriMetrica, Inc.).

KPMG Financial Advisory Services (Australia) Pty Ltd has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Investigating Accountant to Kogan.com in relation to the Financial Information in the form and context in which it is named and to the inclusion of its Investigating Accountant's Report on the Financial Information in Section 8 in the form and context in which it appears in this Prospectus.

Each of:

- Euromonitor International Limited;
- Alexa Internet, Inc.;
- IBISWorld;
- Forrester Research, Inc.;
- Shop.org (National Retail Federation); and
- TeleGeography (PriMetrica, Inc.),

has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to the inclusion of statements in this Prospectus of statements by it, including the statements attributed to it in the text of, or by a footnote in, this Prospectus, in the form and context in which they are included (and all other references to those statements) in this Prospectus.

Google Trends has not provided its consent for the inclusion of Figure 3.9 or any other statement attributed to it, or other statement which refers to Google.

9.12 EXPENSES OF THE OFFER

If the Offer proceeds, the total estimated costs in connection with the Offer (including advisory, legal, accounting, tax, Listing and administrative fees, the Lead Manager's management fees, Prospectus design and printing, advertising, marketing, Share Registry and other expenses) are currently estimated to be \$3.0 million. This amount has been or will be paid by Kogan.com.

9.13 ASX CONFIRMATION

Kogan.com has obtained confirmation from ASX that any Shares held by the Existing Owners are not restricted securities for the purposes of Chapter 9 of the ASX Listing Rules.

9.14 LEGAL PROCEEDINGS

So far as Kogan.com is aware, as at the Prospectus Date, there are no legal proceedings to which Kogan.com is a party that it believes are likely to have a material adverse impact on its future financial results and Kogan.com is not aware of any such legal proceedings that are pending or threatened.

9.15 GOVERNING LAW

This Prospectus and the contracts that arise from the acceptance of the Applications and bids under this Prospectus are governed by the law applicable in Victoria, Australia and each Applicant and bidder submits to the exclusive jurisdiction of the courts of Victoria, Australia.

9.16 STATEMENT OF DIRECTORS

The issue of this Prospectus has been authorised by each Director. Each Director has consented to lodgement of the Prospectus and issue of the Prospectus and has not withdrawn that consent.



APPENDIX A:

STATUTORY FINANCIAL INFORMATION

Appendix A: Statutory Financial Information

Table A.1: Statutory Historical Results and Statutory Forecast Results

(\$m)	STATUTORY HISTORICAL		STATUTORY FORECAST		STATUTORY HISTORICAL	
	FY2014	FY2015	FY2016	FY2017	1H FY2015	1H FY2016
Revenue	174.7	200.3	201.1	241.2	108.1	104.7
Cost of sales	(148.2)	(171.4)	(171.9)	(204.5)	(90.4)	(88.9)
Gross Profit	26.5	28.9	29.2	36.7	17.7	15.8
Variable costs	(3.6)	(7.3)	(8.1)	(9.0)	(3.2)	(4.3)
Marketing costs	(4.9)	(6.0)	(5.1)	(7.2)	(3.3)	(2.3)
People costs	(5.9)	(8.9)	(9.3)	(9.0)	(4.1)	(4.1)
Other fixed costs	(3.3)	(4.9)	(6.0)	(4.6)	(2.2)	(1.9)
EBITDA	8.8	1.8	0.7	6.9	4.9	3.2
Depreciation and amortisation	(0.5)	(1.4)	(2.2)	(3.3)	(0.8)	(0.9)
EBIT	8.3	0.4	(1.4)	3.6	4.0	2.3
Interest	(0.1)	(0.1)	(0.1)	0.1	(0.1)	(0.1)
Profit before tax	8.2	0.3	(1.5)	3.6	4.0	2.2
Income tax expense	(2.8)	(0.4)	(1.4)	(1.1)	(1.5)	(0.5)
NPAT	5.4	(0.1)	(2.9)	2.5	2.5	1.7

Table A.2: Statutory Historical Cash Flows and Statutory Forecast Cash Flows

(\$m)	STATUTORY HISTORICAL		STATUTORY FORECAST		STATUTORY HISTORICAL	
	FY2014	FY2015	FY2016	FY2017	1H FY2015	1H FY2016
EBITDA	8.8	1.8	0.7	6.9	4.9	3.2
Non-cash movements included in EBITDA	-	-	1.2	0.1	-	-
Change in net Working Capital	(7.0)	(5.2)	4.7	(8.1)	(4.2)	7.2
Operating cash flow before capital expenditure	1.8	(3.4)	6.6	(1.1)	0.7	10.4
Purchase of property, plant and equipment	(0.1)	(0.8)	(0.1)	(0.1)	(0.7)	-
Purchase of Dick Smith Assets	-	-	(2.6)	-	-	-
Investment in intangibles	(0.6)	(2.7)	(1.7)	(2.5)	(1.8)	(0.6)
Cash flow before financing and taxation	1.1	(6.9)	2.2	(3.7)	(1.8)	9.8
Income tax paid	(2.5)	(2.7)	(1.1)	(2.4)	(0.8)	0.3
Interest (paid)/received	(0.1)	(0.1)	(0.1)	0.1	(0.1)	(0.1)
Proceeds from/ (repayment of) borrowings	1.4	6.7	(7.1)	-	(1.4)	(8.1)
Issued capital	-	-	35.0	-	-	-
Transaction costs offset against equity	-	-	(0.9)	-	-	-
Distributions	-	(0.5)	(0.6)	-	-	(0.6)
Net cash flow	(0.1)	(3.5)	27.3	(6.0)	(4.1)	1.3



APPENDIX B:

SIGNIFICANT ACCOUNTING POLICIES

Appendix B: Significant Accounting Policies

BASIS OF PREPARATION

The principal accounting policies adopted in the preparation of the Financial Information included in Section 4 of this Prospectus are set out below. These accounting policies are consistent with the last special purpose financial statements of the Kogan Group for FY2015 which were audited in line with AAS.

(a) Consolidation

The Kogan Group's consolidated Financial Information is prepared by combining the financial information of all the entities that comprise the Kogan Group, being Kogan.com (the parent entity) and its subsidiaries as defined in AASB 10 *Consolidated Financial Statements*. Consistent accounting policies are employed in the preparation and presentation of the consolidated Financial Information.

The consolidated Financial Information includes the information and results of each subsidiary from the date on which Kogan.com obtains control until such time as Kogan.com ceases to control such entity. In preparing the Financial Information, all intercompany balances, transactions and unrealised profits arising within the Kogan Group are eliminated in full.

(b) Basis of measurement

The Financial Information has been prepared on the historical cost basis except for the following material items, which are measured on an alternative basis at each reporting date:

Item	Measurement basis
• Derivative financial instruments at fair value through profit or loss	Fair value
• Non-derivative financial instruments at fair value through profit or loss	Fair value

(c) Functional and presentation currency

The Financial Information is presented in Australian dollars, which is the functional currency of the majority of the entities in the Kogan Group.

(d) Uses of judgements and estimates

The preparation of the Financial Information requires management to make judgements, estimates and assumptions that affect the application of Kogan.com's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

SIGNIFICANT ACCOUNTING POLICIES

(a) Revenue

(i) Sale of goods

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. Revenue is measured net of Refunds, trade discounts and volume rebates.

The timing of transfer of risks and rewards varies depending on the individual terms of the sale agreement. For sale of goods, the transfer usually occurs upon despatch of the goods, where risks and rewards contractually transfer to the customer.

Revenue from the sale of goods is deferred when a customer has paid for the goods but the risks and rewards of ownership are yet to be transferred.

(ii) Rendering of services

Revenue from the rendering of services is recognised when management has fulfilled its service obligations in providing services to Kogan.com's customers, recovery of the consideration is probable and the amount of revenue can be measured reliably. Revenue is measured net of Returns and trade discounts.

The timing of revenue recognition varies depending on the individual terms of the services agreement and the contractual obligations of the Kogan Group.

Revenue from the rendering of services is deferred when a customer has paid up front but the Kogan Group has not yet provided the services to the customer.

(b) Finance income and finance costs

The Kogan Group's finance income and finance costs include:

- interest income;
- interest expense; and
- the foreign currency gain or loss on financial assets and financial liabilities.

Interest income or expense is recognised using the effective interest method.

(c) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Kogan Group at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the exchange rate when the fair value was determined. Foreign currency differences are generally recognised in profit or loss. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

(d) Employee benefits

(i) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under shortterm cash bonus or profitsharing plans if the Kogan Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(ii) Defined contribution plans

Obligations for contributions to defined contribution plans are recognised as the related service is provided.

(iii) Other longterm employee benefits

The Kogan Group's net obligation in respect of longterm employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognised in profit or loss in the period in which they arise.

(e) Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in Other Comprehensive Income.

(i) Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the period and any adjustment to tax payable or receivable in respect of previous period. It is measured using tax rates enacted or substantively enacted at the reporting date.

(ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Kogan Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(iii) Tax exposures

In determining the amount of current and deferred tax, the Kogan Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Kogan Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

(f) Inventory

Inventory is measured at the lower of cost and net realisable value. The cost of inventory is based on the weighted average cost principle and includes all direct costs attributable to purchase, such as freight and insurance.

(g) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Kogan Group.

(iii) Depreciation

Depreciation is calculated to write off the cost of property, plant and equipment less their estimated residual values using either the straight-line basis or reducing balance basis over their estimated useful lives, and is generally recognised in profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Kogan Group will obtain ownership by the end of the lease term. Land is not depreciated.

Appendix B: Significant Accounting Policies continued

The estimated annual depreciation rates of property, plant and equipment for the current and comparative periods are as follows:

• Computer equipment (reducing balance basis)	67%
• Office equipment and furniture (reducing balance basis)	10%-25%

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(h) Intangible assets

(i) Website development and software costs

Website development and software costs are measured at cost less any accumulated amortisation and accumulated impairment losses. Such development costs are only capitalised if they can be reliably measured, the process is technically and commercially feasible, future economic benefits are probably, and the Kogan Group has sufficient resources to complete development.

(ii) Acquired customer lists – intellectual property

Acquired customer lists which enable direct marketing of Kogan.com products and services are capitalised to the extent it is probable that expected future economic benefits attributable to the asset will flow to the entity, and the cost can be reliably measured.

(iii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

(iv) Amortisation

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss.

Intangibles that are considered to have indefinite useful lives are not subject to amortisation.

The estimated useful lives for the current and comparative periods are as follows:

• Patents and trademarks	2 to 3 years
• Website development costs	2 to 3 years
• Software costs	2 to 3 years
• Customer lists	2 to 3 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(i) Financial instruments

(i) Derivative financial assets and financial liabilities

The Kogan Group uses financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. The Kogan Group does not hold or issue financial instruments for trading purposes.

Financial instruments are recognised initially at cost. Subsequent to initial recognition, financial instruments are stated at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. The Kogan Group does not use hedge accounting.

(ii) Non-derivative financial assets and financial liabilities – recognition and de-recognition

The Kogan Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables, and available-for-sale financial assets.

The Kogan Group classifies non-derivative financial liabilities into the other financial liabilities category.

The Kogan Group initially recognises loans and receivables issued on the date that they are originated. All other financial assets and financial liabilities are recognised initially on the trade date.

The Kogan Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire. Any interest in such transferred financial assets that is created or retained by the Kogan Group is recognised as a separate asset or liability.

The Kogan Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Financial assets and financial liabilities are offset and the net amount presented in the balance sheet when, and only when, the Kogan Group has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(iii) Non-derivative financial assets – measurement

Loans and receivables

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

(iv) Non-derivative financial liabilities – measurement

Non-derivative financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest rate method.

(v) Issued capital

Share capital

Incremental costs directly attributable to the issue of share capital/trust units, net of any tax effects, are recognised as a deduction from equity.

(j) Impairment

(i) Non-derivative financial assets

Financial assets not classified as at fair value through profit or loss, including an interest in an equity-accounted investee, are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes:

- default or delinquency by a debtor;
- indications that a debtor or issuer will enter bankruptcy; and
- adverse changes in the payment status of borrowers or issuers.

Financial assets measured at amortised cost

The Kogan Group considers evidence of impairment for these assets measured at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Kogan Group uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account. When the Kogan Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

(ii) Non-financial assets

At each reporting date, the Kogan Group reviews the carrying amounts of its non-financial assets (other than inventory and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units ("CGUs").

The recoverable amount of an asset or CGU is the greater of its value in use, and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss. They are allocated to reduce the carrying amount of assets in the CGU on a pro rata basis. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(k) Provisions

Provisions are determined by discounting the expected future cash flows at a pretax rate that reflects current market assessments of the time value of money and the risks specific to the liability (where material). The unwinding of the discount is recognised as finance cost.

(i) Warranties

A provision for warranties is recognised when the underlying products or services are sold, based on historical warranty data and a specific review of warranty claims outstanding.

(ii) Refunds

A provision for sales returns is recognised for the expected value of returns, based on historical sales return data and a specific review of the profile of sales for the period and post period-end.

(I) Leases

(i) Leased assets

Assets held by the Kogan Group under leases, which transfer to the Kogan Group substantially all the risks and rewards of ownership, are classified as finance leases. The leased asset is measured initially at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognised in the Kogan Group's balance sheet.

(ii) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term, so as to produce a constant periodic rate of interest on the remaining balance of the liability.

A woman with curly brown hair, wearing a blue and white striped button-down shirt, is looking down at a white tablet computer she is holding with both hands. She has red lipstick and dark blue nail polish. In the background, another woman with blonde hair is blurred, also looking at a device. The scene is set in a bright, modern office environment.

APPENDIX C:

GLOSSARY

Appendix C: Glossary

TERM	MEANING
1H FY2015, 1H FY2016 and 1H FY2017	The six month periods ended or ending 31 December 2014, 31 December 2015 and 31 December 2016, respectively
2H FY2013, 2H FY2015 and 2H FY2016	The six month periods ended or ending 30 June 2013, 30 June 2015 and 30 June 2016, respectively
AAS and AASB	Australian Accounting Standards and Australian Accounting Standards Board
ABN	Australian Business Number
ACMA	Australian Communications and Media Authority
Active Customers	The number of unique customers who purchased either a product or a travel package from Kogan.com in the preceding 12 months to a given date
Active Subscribers	Kogan.com's database of email subscribers at a given date
AEST	Australian Eastern Standard Time
Aggregate Substantial Interest	Shares and voting power amounting to a 40% or greater interest in a company held by a two or more foreign persons and their associates
Allocate	An internally-developed, proprietary software platform through which suppliers are invited to bid for the right to fulfil orders of Third Party Branded International Products
App	Mobile application
Applicant	Any person who makes an Application
Application	An application for Shares under the Broker Firm Offer, Priority Offer or Employee Offer
Application Form	A Broker Firm Offer Application Form, Priority Offer Application Form or Employee Offer Application Form
Application Payment	Payment for Shares made by Applicants pursuant to an Application
ASIC	Australian Securities and Investments Commission
ASTC	ASX Settlement and Transfer Corporation
ASX	ASX Limited ABN 98 008 624 691
ASX Code	KGX, or the ticker through which Kogan.com Shares are intended to trade following successful Completion of the Offer
ASX Listing Rules	The listing rules of ASX

TERM	MEANING
ASX Recommendations	ASX Corporate Governance Council Corporate Governance Principles and Recommendations (3rd Edition)
ASX Settlement Operating Rules	The settlement operating rules of ASX Settlement Pty Ltd ACN 008 504 532
Australian Mobile Communications Industry	An industry which provides telecommunications services, including voice, internet and data services, through mobile handset devices
Australian Online Travel Bookings Industry	The portion of the Australian Travel Bookings Industry comprising industry participants who operate exclusively online
Australian Travel Bookings Industry	An industry which provides travel information and booking services for transport, accommodation and tourist attractions to individuals and business travellers, but which excludes the service providers themselves
B2B	Business-to-Business transactions
B2C	Business-to-Consumer transactions
Board	Board of Directors
Bricks and Mortar Retailers	Businesses which sell goods predominantly through a physical store footprint
Broker Firm Offer	The component of the Offer allocated by Brokers among their eligible clients
Broker Firm Offer Application Form	The form through which an Applicant may make an application for Shares pursuant to the Broker Firm Offer
Brokers	Any ASX participating organisation selected by the Lead Manager to participate in the Broker Firm Offer
C2C	Consumer-to-Consumer transactions
CAGR	Compound annual growth rate
Cancellations	Occurs when a customer cancels an order before it is despatched from a Kogan.com warehouse or drop shipper
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CGT	Australian capital gains tax
CGUs	Cash generating units

TERM	MEANING
Change in Presales	Movement in deferred income, which is recognised on product sales which are yet to be despatched, but for which cash has been received
CHESS	ASX's Clearing House Electronic Subregister System
Completion, or Completion of the Offer	The date of the issue and transfer of Shares under the Offer, being 30 June 2016
Consenting Party	A party who has given, and has not, before lodgement of the Prospectus with ASIC, withdrawn, their written consent to being named in the Prospectus in the form and context in which they are named
Consignment Sales	A business model in which the retailer acts as intermediary between the vendor and the purchaser without necessarily taking ownership of the product
Constitution	Constitution of Kogan.com
Consumer Electronics	A category of products sold within the Australian Retail Market which includes computer hardware, mobile phones, tablets, TVs, media players and a broad range of electronic gadgets and accessories
Consumer Sentiment	Aggregate measure of several interrelated states of mind which, taken together, provide an indication of the Australian population's propensity to consume at a given point in time
Conversion Rate	The number of transactions on kogan.com/au and its associated Apps, divided by unique visitors to those platforms
COO	Chief Operating Officer
Core Website Channels	A business segment of Kogan.com comprising sales generated through kogan.com/au and dicksmith.com.au, and associated Apps
Corporations Act	Corporations Act 2001 (Cth)
Current Terms	Indicates that values are shown using 2015 equivalent prices
Customer Acquisition	Involves increasing the size of the Kogan Community
Customer Retention	Involves encouraging engagement on behalf of the Kogan Community
CY2001, CY2014, CY2015, CY2016 and CY2019	The calendar years ended or ending 31 December 2001, 31 December 2014, 31 December 2015, 31 December 2016 and 31 December 2019, respectively
Dick Smith Assets	Certain Dick Smith online assets acquired in April 2016, which include the assets listed in Section 3.8.1

TERM	MEANING
Directors	The directors of Kogan.com, being Greg Ridder, Ruslan Kogan, David Shafer and Harry Debney
Direct Sales	The sourcing and purchasing of products from suppliers, bearing the risks associated with ownership and recognising inventory on a company's balance sheets in advance of selling or delivering those goods to consumers
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
EBITDA Margin	EBITDA, divided by revenue
eCommerce Industry	An industry describing a broad range of digitally-enabled commercial transactions between and among organisations and individuals using the internet
EDM	Email direct marketing
EIP	The Equity Incentive Plan outlined in Section 6.3.3
Eligible Employees	Employees of Kogan.com who have received an invitation to bid from Kogan.com
Employee Offer	The component of the Offer which is open to Kogan.com employees who have received an invitation to bid from Kogan.com
Employee Offer Application Form	The form through which an Applicant may make an application for Shares pursuant to the Employee Offer
Enterprise Value	\$140.0 million being the Market Capitalisation, less pro forma Net Cash on completion
ERP	Enterprise resource planning software
eStore	eStore Logistics Pty Ltd
Euromonitor	Euromonitor International Limited
Existing Customers	Previous customers of Kogan.com
Existing Owners	Kogan Management Pty Ltd ATF the Ruslan Tech Trust (an entity associated with Ruslan Kogan) and Shafer Corporation Pty Ltd ATF the Shafer Family Trust (an entity associated with David Shafer)
Expiry Date	10 July 2017, the date which is 13 months after the Prospectus Date
Exposure Period	The seven-day period after 9 June 2016, which is the Prospectus Date

TERM	MEANING
Facility	The multi-option facility agreement between Kogan Australia and the Financier entered into on 31 May 2016, the key terms of which are summarised in Section 9.5.
Financial Information	The Historical Financial Information and Forecast Financial Information
Financier	Westpac Banking Corporation ABN 33 007 457 141
Flash Sales	A form of Consignment Sales in which the period or which a given product is offered is very short (e.g. one working day)
Forecast Financial Information	The Statutory Forecast Financial Information and Pro Forma Forecast Financial Information
FY2014, FY2015, FY2016 and FY2017	The financial years ended or ending 30 June 2014, 30 June 2015, 30 June 2016 and 30 June 2017, respectively
General Merchandise	Kogan.com General Merchandise departments include Appliances; Home and Garden; Baby, Kids and Family; Sports, Outdoors and Luggage; Shoes and Fashion; Health and Beauty; and Pantry, among others
Gross Margin	Gross Profit, divided by revenue
Gross Profit	Revenue, less cost of sales
Gross Sales	Revenue from the sale of products and services, before deducting Cancellations and Refunds
Group Buying	A form of Consignment Sales in which proposed transactions only go ahead if a certain number of consumers agree to make a purchase
GST	Australian goods and services tax
GTV	Gross transaction value, on a cash basis, of products and services sold, before deducting Cancellations and Refunds, but after deducting GST
HIN	Holder Identification Number for CHESS
Historical Financial Information	The Statutory Historical Financial Information and Pro Forma Historical Financial Information
Household Discretionary Income	The proportion of earnings available for expenditure to a given household after all income taxes and other compulsory expenses (such as rent or minimum mortgage payments, food bills, utilities and medical expenses) have been paid
IFRS	International Financial Reporting Standards
Incentive Securities	Restricted Shares, Options or Rights which may be offered to eligible employees under the EIP

TERM	MEANING
Institutional Investor	An investor to whom offers or invitations in respect of securities can be made without the need for a lodged prospectus and, in Australia, an investor who is a “wholesale client” for the purposes of section 761G of the Corporations Act and who is either a “professional investor” or “sophisticated investor” under sections 708(11) and 708(8) of the Corporations Act
Institutional Offer	An invitation to certain Institutional Investors in Australia and a number of other eligible overseas jurisdictions to apply for Shares prior to the Prospectus Date
Investigating Accountant or KPMG Transaction Services	KPMG Financial Advisory Services (Australia) Pty Ltd (of which KPMG Transaction Services is a division)
Investigating Accountant’s Report	The Limited Assurance Investigating Accountant’s Report contained within Section 8
IPO	Initial Public Offering
Key Management Personnel	Ruslan Kogan, David Shafer, Goran Stefkovski, Daniel Taft, Ross Metherell, Russell Proud, Joanne Smith and Daniel Beahan
Kogan Australia	Kogan Australia Pty Ltd
Kogan Community	Kogan.com’s website visitors, App users, database members, Active Subscribers, Facebook fans and Twitter followers
Kogan Group	The consolidated grouping of Kogan.com’s parent and subsidiary corporations and entities
Kogan Group Restructure	The internal restructure of Kogan.com which took place in preparation for Listing
Kogan.com or Company	Kogan.com Limited ACN 612 447 293, except references to Kogan.com prior to the Prospectus Date are references to Kogan.com Holdings Pty Ltd ACN 125 684 184
Kogan.com IPO Information Line	1300 784 014 (within Australia) or +61 (3) 9415 4164 (outside Australia) from 8.30am to 5.00pm Australian Eastern Standard Time (“AEST”), Monday to Friday (excluding public holidays)
Lead Manager	Canaccord Genuity (Australia) Limited
Listing	30 June 2016, being the expected date on which Shares will commence trading on ASX
Low Value Threshold	Under the Low Value Threshold, no GST is collected on physical goods worth up to \$1,000 (at the Prospectus Date) shipped from internationally-based retailers to Australian consumers
LTM	In the last 12 months

TERM	MEANING
M&A	Mergers and acquisitions
Market Capitalisation	The Offer Price multiplied by the total number of Shares on issue on Completion of the Offer
MNO	Mobile network operator
Mobile Online Retail Market	The segment of a given Online Retail Market which encompasses transactions made through portable, wireless devices such as smartphones and tablets
MVNOs	Mobile virtual network operators provide mobile telecommunications services, including voice, internet and data services, to consumers through wireless network infrastructure owned by a third party MNO
NBN	National Broadband Network
Net Debt or Net Cash	Net Debt or Net Cash represents total borrowings, less cash and cash equivalents
New Shareholders	Persons or entities who become Shareholders through the Offer
New Verticals	A business segment of Kogan.com comprising the operations of Kogan Travel and Kogan Mobile
Non-IFRS Financial Measures	Certain financial measures included in this Prospectus which are not recognised under AAS
NPAT	Net profit after tax
NPS or Net Promoter Score	NPS has the meaning described in Section 3.5.4
Offer	Initial public offering to acquire fully paid ordinary shares in Kogan.com
Offer Period	The period in which an Applicant may apply for Shares under the Broker Firm Offer, Priority Offer or Employee Offer, which lasts from 17 June 2016 until 27 June 2016
Offer Price	The price of one Share issued under the Broker Firm Offer, Priority Offer or Institutional Offer
Offer Proceeds	Funds raised under the Offer
Official List	The official list of ASX
Omni-channel Retailers	Omni-channel Retailers offer consumers the opportunity to transact through physical store networks as well as online channels

TERM	MEANING
Online Consumer Electronics	Online segment of the Consumer Electronics category
Online Direct Sellers	Retailers participating in Direct Sales
Online Marketplaces	Online Marketplaces host Online Retail Market transactions between two or more third parties
Online Retail or Online Retail Market	The segment of the global eCommerce Industry which concerns transactions for the provision of physical and digital goods in exchange for money
Online Retailers	Market participants within an Online Retail Market
Opt-out Period	The period of time in which all Dick Smith subscribers were offered the ability to opt out of receiving marketing communications from Kogan.com. The Opt-Out Period finished on 31 March 2016
Other Revenue Streams	A business segment of Kogan.com comprising sales through Kogan.com's eBay store; sales to wholesale customers; sales through kogan.com/nz and dicksmith.co.nz; marketing revenue; delivery income and warranty income
Presales	Product sales which are yet to be despatched
Priority Offer	The offer of Shares under this Prospectus to certain persons invited by Kogan.com, as described in Section 7.3
Priority Offer Application Form	The form through which an Applicant may make an application for Shares pursuant to the Priority Offer
Private Label or Private Label Products	Products released under Kogan.com's in-house brands. Private Label Products are commissioned and purchased directly from manufacturers
Prospectus Forecast Period	The period from 2H FY2016 to FY2017
Pro Forma Financial Information	The Pro Forma Historical Financial Information and Pro Forma Forecast Financial Information
Pro Forma Forecast Cash Flows	The pro forma forecast consolidated cash flows for FY2016 and FY2017
Pro Forma Forecast Financial Information	The Pro Forma Forecast Results and Pro Forma Forecast Cash Flows
Pro Forma Forecast Results	The pro forma forecast consolidated income statements for FY2016 and FY2017
Pro Forma Historical Balance Sheet	The pro forma historical consolidated balance sheet as at 31 December 2015

TERM	MEANING
Pro Forma Historical Cash Flows	The pro forma historical consolidated cash flows for FY2014, FY2015, 1H FY2015 and 1H FY2016
Pro Forma Historical Financial Information	The Pro Forma Historical Results, Pro Forma Historical Cash Flows and Pro Forma Historical Balance Sheet
Pro Forma Historical Results	The pro forma historical consolidated income statements for FY2014, FY2015, 1H FY2015 and 1H FY2016
Prospectus	This document, which is issued by Kogan.com for the purposes of Chapter 6D of the Corporations Act
Prospectus Date	9 June 2016, the date upon which a copy of the Prospectus was lodged with ASIC
Pure Play Online Retailer	A retailer which sells products either predominantly or exclusively online
Pure Play Online Retail Website	The website of a retailer which sells products either predominantly or exclusively online
Refund	Occurs when a customer returns a product to Kogan.com following delivery due to a defect or change of mind
Retail Market	A market for the sale of goods
Sale Agreement	Sale Agreement between Kogan.com and the Existing Owners, pursuant to which the Existing Owners have agreed to sell all of their shares in Kogan Operations Holdings Pty Ltd ACN 612 166 926, effective on Completion of the Offer
SAP	SAP Enterprise Resource Planning system
SAP Implementation	The “live” implementation phase of SAP, in which SAP was being used but was not yet functioning without error
SAP Implementation Period	The period of SAP Implementation, which lasted from February 2015 until and including August 2015
Share Registry	Computershare Investor Services Pty Limited ABN 48 078 279 277
Shareholder	An owner of Shares
Shares	Fully paid ordinary shares in Kogan.com
SKUs	Stock keeping units
SRN	Securityholder Reference Number

Appendix C: Glossary continued

TERM	MEANING
Statutory Financial Information	The Statutory Historical Financial Information and Statutory Forecast Financial Information
Statutory Forecast Cash Flows	The statutory forecast consolidated cash flows for FY2016 and FY2017
Statutory Forecast Financial Information	The Statutory Forecast Results and Statutory Forecast Cash Flows
Statutory Forecast Results	The statutory forecast consolidated income statements for FY2016 and FY2017
Statutory Historical Balance Sheet	The statutory historical consolidated balance sheet as at 31 December 2015
Statutory Historical Cash Flows	The statutory historical consolidated cash flows for FY2014, FY2015 1H FY2015 and 1H FY2016
Statutory Historical Financial Information	The Statutory Historical Results, Statutory Historical Cash Flows and Statutory Historical Balance Sheet
Statutory Historical Results	The statutory historical consolidated income statements for FY2014, FY2015 1H FY2015 and 1H FY2016
Substantial Interest	Shares and voting power amounting to a 15% or greater interest in a company held by a single foreign person and its associates
TFN	Tax file number
Third Party Branded Domestic or Third Party Branded Domestic Products	Domestically-sourced Third Party Branded Products
Third Party Branded International or Third Party Branded International Products	Internationally-sourced Third Party Branded Products
Third Party Branded or Third Party Branded Products	Products released under brands owned by third parties
TVs	Televisions
Underwriting Agreement	The agreement pursuant to which the Lead Manager agrees to underwrite subscriptions for the number of Shares offered under the Broker Firm Offer, Priority Offer and Institutional Offer for which valid Applications are not received, at the Offer Price

TERM	MEANING
US Securities Act	United States Securities Act of 1933, as amended
Vodafone	Vodafone Hutchison Australia Pty Limited
Voluntary Escrow Arrangements	The arrangements between the Existing Owners and Kogan.com, under which each Existing Owner will be restricted from dealing in Shares that they hold on Completion
Voluntary Escrow Shares	Shares to which the Voluntary Escrow Arrangements apply
Working Capital	The total of trade and other receivables, inventory and prepayments which are included within other assets, less trade and other payables, deferred income, employee benefits and current provisions

Corporate Directory

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10/530 Collins Street
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1300 784 014 (within Australia) or
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