

AHL

AHALIFE HOLDINGS LIMITED

Sydney, Australia and Columbus, OH, USA
31st July 2019: Ahalife Holdings Limited (ASX: AHL)

Acceleration of plans for an integrated Design Milk e-commerce website and Q4 FY19 update

Following the launch of our Design Milk test websites the Board and Management of AHL are pleased to announce the acceleration of our plans for a fully integrated Design Milk content and commerce platform.

The Design Milk Everyday and Travels websites enabled management to fully test our operational structure and commercial efficiencies as we sought to reverse the trend of unprofitable sales on the AHALife platform. This strategic change in our focus contributed positive margins month-over-month in Q4, confirming that we have now achieved a healthy base from which to grow.

To support the company's growth plan, AHL announced a A\$2.127m (before costs) capital raise in May 2019. Proceeds of US\$584k were received in Q4 FY19 and the remainder in Q1 FY20. In addition, the company received A\$205k from its SPP in Q1 FY20.

The consistent challenge for the Ahalife brand has been the cost of customer acquisition. The lack of product curation, content or a differentiating point of view for customers to engage with has resulted in an unsustainably high level of cost of customer acquisition through paid marketing and discounting.

Having found a healthy base for the broader business the management is accelerating plans for a single, integrated Design Milk commerce and content platform. This will blend our 20,000+ published articles, growing 7.5M engaged followers (+300K social media followers in Q4), and a curated assortment of unique products within a single integrated environment.

"Our accelerated plans have started with two significant cost saving steps, the first was to walk away completely from low margin, unprofitable Ahalife sales and focus on the Design Milk in the immediate term. The second is to replace elements of our in-house platform with more agile and cost efficient 3rd party services. This will allow us to reduce our operating costs further and means the path to a profitable business is clearer. We estimate the recent costs savings combined with our healthy advertising revenue will result in a breakeven business at a topline revenue figure half of what was needed 12 months ago." - Robert Mancini, Chief Executive Officer – AHL

Our shared service model provides brands and vendors with in-house merchandising, marketing, editorial and creative services, a secure payment system, dedicated customer service and access to our brand portal with direct website integration for product updates, inventory and order management.

Over the coming months we will launch our integrated Design Milk content and commerce platform and focus our marketing investments and energy on the large, established and trusted Design Milk community, shifting away from the more costly Ahalife acquisitions. We will expand further via new Trade/B2B services, additional ad-revenue opportunities and an expansion of our pop-up retail concept, "Milk Stand" which makes its first international appearance at London Design Festival in September, showcasing 20+ unique independent brands and designers under one Design Milk roof.

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Design Milk at a glance:

Channel	AHL	designmilk
Social media <small>(Aggregate across all sites)</small>	150k	7.5m
Direct traffic <small>(Direct and Organic Search sessions)</small>	1.0m p.a.	3.6m p.a.
Email subscribers <small>(Total subscribers)</small>	600k	200k
Email click through rate	0.3%	3.0%
Free vs. Paid audience	<div style="display: flex; align-items: center;"> <div style="margin-right: 10px;"> <p><i>Free</i></p> <p><i>Paid</i></p> </div> <div style="text-align: center;">  <p>57% 43%</p> </div> </div>	<div style="display: flex; align-items: center;"> <div style="margin-right: 10px;"> <p>1%</p> <p>99%</p> </div> <div style="text-align: center;">  </div> </div>
E-commerce		
Average Order Value <small>(All transactions)</small>	\$207	n/a
Conversion rate <small>(All transactions)</small>	0.74%	n/a

Note: Based on CY 2018

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For further inquiries, please contact:

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Andrew Whitten (Company Secretary):	+61 (2) 8072 1400
Investor Relations:	ir@ahalife.com

About Ahalife Holdings Limited (ASX: AHL)

AHL owns and operates multiple e-Commerce platforms for premium lifestyle and design products. The Company recently acquired Design Milk, a world-renowned, award-winning digital media company that has thrived through the support of an engaged community over the past 13 years, becoming the lead supporter and global resource for independent brands, designers, and industry specialists across the worlds of art, architecture, interior design, furniture, fashion, and technology.

For more information, please contact AHL Investor Relation

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Appendix 4C
Quarterly report for entities subject to Listing Rule 4.7B
Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

AHALIFE HOLDINGS LIMITED

ABN

15 006 908 701

Quarter ended ("current quarter")

30-Jun-19

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (12 months) \$US'000
1. Cash flows from operating activities		
1.1 Receipts from customers	273	2,888
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(247)	(2,355)
(c) advertising and marketing	(10)	(802)
(d) leased assets	65	309
(e) staff costs	(450)	(1,440)
(f) administration and corporate costs	(405)	(1,367)
1.3 Dividends received (see note 3)		
1.4 Interest received	0	0
1.5 Interest and other costs of finance paid	(2)	(9)
1.6 Income taxes paid		
1.7 Government grants and tax incentives		
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	(776)	(2,776)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(2)	(4)
(b) businesses (see item 10)		
(c) investments		
(d) intellectual property	0	(500)
(e) other non-current assets		
2.2 Proceeds from disposal of:		
(a) property, plant and equipment		
(b) businesses (see item 10)		
(c) investments		
(d) intellectual property		
(e) other non-current assets		
2.3 Cash flows from loans to other entities		
2.4 Dividends received (see note 3)		
2.5 Other (provide details if material)		
2.6 Net cash from / (used in) investing activities	(2)	(504)
3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	617	617
3.2 Proceeds from issue of convertible notes		
3.3 Proceeds from exercise of share options		
3.4 Transaction costs related to issues of shares, convertible notes or options	33	33
3.5 Proceeds from borrowings		
3.6 Repayment of borrowings		
3.7 Transaction costs related to loans and borrowings		
3.8 Dividends paid		
3.9 Other (provide details if material)		
3.10 Net cash from / (used in) financing activities	584	584

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Consolidated statement of cash flows		Current quarter \$US'000	Year to date (12 months) \$US'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	735	3,237
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(776)	(2,776)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(2)	(504)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	584	584
4.5	Effect of movement in exchange rates on cash held	0	0
4.6	Cash and cash equivalents at end of quarter	541	541

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$US'000	Previous quarter \$US'000
5.1	Bank balances	541	735
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	541	735

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter \$US'000
0

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Current quarter \$US'000
0

8. Financing facilities available
Add notes as necessary for an understanding of the position

- 8.1 Loan facilities
- 8.2 Credit standby arrangements
- 8.3 Other (please specify)
- 8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.

Total facility amount at quarter end \$US'000	Amount drawn at quarter end \$US'000

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9. Estimated cashflows for next quarter	\$US'000
9.1 Research and development	0
9.2 Product manufacturing and operating costs	(58)
9.3 Advertising and marketing	(6)
9.4 Leased assets	91
9.5 Staff costs	(367)
9.6 Administration and corporate costs (includes share issuance proceeds)	282
9.7 Other (customer receipts)	344
9.8 Total estimated cashflows	286

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity		
10.2 Place of incorporation or registration		
10.3 Consideration for acquisition or disposal		
10.4 Total net assets		
10.5 Nature of business		

Compliance statement

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

Sign here:
(Director/Company secretary)

Date: 31 July 2019

Print name: Andrew Whitten

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

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