

# AHL

## AHALIFE HOLDINGS LIMITED

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**FY 2020**

**Investor Presentation**

August 2020

# AHL

AHALIFE HOLDINGS LIMITED

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@karnistudio

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## 2020 Highlights

### FY 2020 vs. FY 2019

June 20 Cash      AUD \$1.17M

Operating Expenses      -36%

EBITDA Improvement      +25%

### Since Relaunch

e-commerce Sales (Net)      +85%

Conversion (Quarterly average, all 3 sites)      +139%

CAC (Customer Acquisition Cost)      -68%

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## 2020 Highlights

### Since Relaunch

Audience  
(Design Milk) +18%

Website  
Traffic +32%

Monthly  
Pageviews +18%

Shop  
Sessions  
(Design Milk) +34%

AOV  
(Average Order Value) +5%

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## AHALIFE HOLDINGS LIMITED

### Our Brands

Ahalife Holdings operates three online lifestyle marketplaces that are dedicated to sharing a curated selection of products, news and launches from our favorite independent creators, brands, designers and stores with our community of nine million subscribers.

Our integrated editorial, media and e-commerce model lets us efficiently discover emerging brands, add them to one of our marketplaces, support them through advertising, editorial and social media content, and in-house customer service, which ensures a complete and positive customer experience.



Audience: Men + women inspired by modern design and architecture

Categories: Editorial + Media, Furniture, Lighting, Home Decor, Jewelry, Tech, Pets, Bags + Accessories

Trade / B2B: Interior Designers, Architects, Developers, Industry Professionals



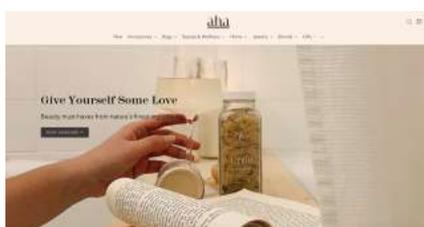
Audience: Men, casual, outdoors, an appreciation of craftsmanship and quality

Categories: Home/Cabin, Bags, Accessories, Gadgets & Tools, Wellness



Audience: Women, urban lifestyle, premium position

Categories: Jewelry, Bags, Accessories, Home Decor, Beauty & Wellness

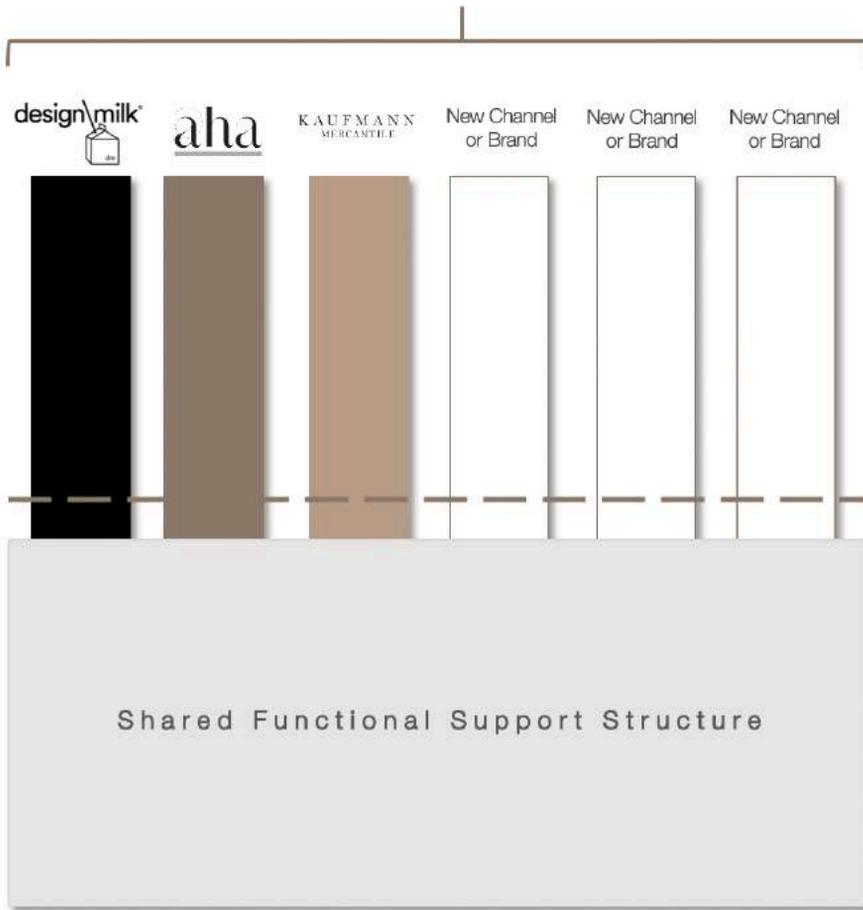


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## AHALIFE HOLDINGS LIMITED

### Our Brands

Common AHL Group brand values and mission



AHL continues to seek growth opportunities via acquisition of businesses with:

- \\ \ Complimentary lifestyle, revenue or geography
- \\ \ Revenue range of US\$2M to US\$10M
- \\ \ A proven, loyal customer base

Meets our group values of:

- \\ \ Craftmanship
- \\ \ Community
- \\ \ Conscious Living

Benefits from leveraging our core competencies of:

- \\ \ Large global audience
- \\ \ Operational shared service structure
- \\ \ Industry, Trade and B2B expertise

# AHL

## AHALIFE HOLDINGS LIMITED



### Chairman's Report

#### Dear shareholders,

On behalf of the Board of Directors, it gives me great pleasure to present the 2020 Annual Report

#### A year of rebuilding

Following the acquisition of Design Milk in late FY 2019, our FY 2020 began with the difficult decision to completely rebuild the AHL platform and operating structure. We focused on maximizing the potential of Design Milk's large, engaged community of now 9 million followers.

Our previous operating model was unsustainable in the new e-commerce landscape. The system and economics struggled with changing vendor and customer requirements, motivating us to walk away from unprofitable sales and expensive customer acquisition activities.

We have completed our operational restructure and successfully diversified and broadened our revenue channels through e-commerce, advertising and media sales, and affiliate publishing revenue. We've made further cost savings and recently shifted the business from "build" to "grow" mode.

#### Consistent growth

In November 2019, we launched a new integrated Design Milk e-Commerce and Editorial website, rebranding several elements to create a single Design Milk brand, combining multiple categories, social media and email channels, and our advertising business. Bringing our 9 million aggregate followers, 21,000+ published articles, and our media and vendor network together under one roof.

As part of our reset goals we made significant cost savings when we moved the Ahalife and Kaufmann Mercantile websites off our proprietary system and renegotiated all our commercial agreements, providing a cleaner, more predictable view of growth.

#### Looking ahead

The Board and Management are very pleased with the depth and speed of changes Rob and the team implemented in FY2020. It is sad to see how COVID-19 has rocked every country, individual and industry. We have adapted and remained agile. As an online e-commerce business with a respected market position, very large audience, diversified revenue streams, and multiple product categories, we are in a strong position to continue growing. We are very excited about the potential of this business.

Lastly, further supporting our belief that Design Milk has a very positive future and reflecting the energy and focus we have toward building the brand, we will propose the renaming of AHL to the Design Milk Co. later this year. More information on this will be shared during our AGM.

I would like to thank you for your continued support and thank our Board, Rob, the management team, and the staff who work tirelessly to continue to build our business and capitalize on this fantastic market opportunity.

**Mike Hill**  
Board Chairman

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## AHALIFE HOLDINGS LIMITED



### CEO Report

#### Dear shareholders,

FY 2020 was our reset year. We looked at every element of the business and the external trading environment, deciding a full rebuild was the best, most efficient way to create a significantly stronger, sustainable business with a visible path to profitability.

#### 2020 Summary

- Shuttered the old, inefficient platforms. Created three new e-commerce websites
- Positioned each website to connect with a different demographic, maximizing potential sales and marketing opportunities
- Significantly reduced our operating costs and CAC, materially improved our EBITDA, and established a path to profitability
- Restructured the team and moved the business to a fully remote operation
- Grew our audience to over 9 million  
*(8.5 million social media, and 500k email subscribers)*
- Increased our website traffic, pageviews, e-commerce sales, conversion rates and vendor base across all three websites
- Rebuilt our entire vendor and product catalogue, and reset our SEO, affiliate, email and digital marketing systems
- Remained agile. Created new media and advertising sales opportunities with the launch of Design Milk TV, and new media packages post-Covid-19

Since relaunching all three websites in Nov/Dec 2019, we have seen consistent growth month over month. We have grown our vendor base from less than 40 brands in December to over 350 today (target max. 900). As we expanded our portfolio of brands, categories and products, combined with more coordinated editorial and shop content, we have grown our conversion rates and revenue.

Our advertising and media revenue was impacted by Covid-19, although not as much as we initially expected. Our quick creative response through the launch of DMTV, digital “Pop-Up” Milk Stand events, and repackaged media offers enabled us to maintain our core ad-revenue.

Positively, new bookings are coming through. With our community of 9 million subscribers, young audience demographic, and online focus, we are well positioned and confident about ad-revenue in the future.

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### CEO Report (cont.)

#### Customer acquisition and conversion

A measure of our future potential is our Customer Acquisition Cost (CAC). In 2018/19 our CAC was high and unsustainable, at points hitting US \$80 when all promotion costs were considered.

Our 2020 sales growth and conversion metrics are entirely organic. We have not spent money on advertising. Instead we have focused on building our product portfolio and the relationship between editorial content and those products. If we share engaging, authentic content with our community, do they appreciate our product choices and purchase? The answer is yes.

As we increase our product assortment and selectively link our community with our e-commerce shops, the conversion rates of all three websites have grown. Since launching, e-commerce conversion is up an average of +139% across all three websites on a quarterly basis.

Simultaneously, as we navigate these new ways to engage with our audience, our CAC has dropped significantly, including all promotions we average approx. US \$17 CAC, sometimes this drops as low as US \$0.10c via a specific channel, message or product.

We are still low vs. industry standard conversion rates, putting us in a strong go-forward growth position as we add more vendors and begin to invest in targeted marketing and PR activities.

#### Efficiencies and savings

FY 2020 Operating costs have reduced -36% vs. 2019 to a predictable and controlled level.

Resetting our business resulted in significant process and cost benefits, whilst maintaining our core values and partnerships. Migrating away from our old system saved both money and time, and it allowed us to consolidate resources and focus on key areas of the business.

Reducing costs forced us to prioritize projects, ensuring we choose which initiatives we invest in. Positively, once we complete the final updates, we have several very cool projects planned for Q2 and Q3 2021. The decision to rebuild was a painful one but now we've gone through the process, and I am excited about the future growth opportunities we have in front of us.

I would like to thank the Board for their continued support and give special thanks to the management and entire AHL team, without their effort and personal sacrifices FY 2020 would have been considerably harder to navigate.

**Robert Mancini**

**Chief Executive Officer**

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## AHALIFE HOLDINGS LIMITED

### FY2020 Objectives Update

#### ❧ Rebrand holding company to Design Milk by end 2020

*Having proven Design Milk's potential, we are fully behind this initiative.*

*We will track the required ASX announcements & timing at our AGM to begin the process in Q1.*

#### ❧ Continue toward a sustainable, profitable business in 12 months

*Covid-19 hitting our advertising revenue in the short term impacted our profitability path. We made Q3/Q4 changes, cut costs and grew our e-commerce sales to achieve this goal in FY2021.*

#### ❧ Maintain high-margin ad-revenue. Increase +20% in FY 2020

*This didn't happen. Our early positive trend in Q3 FY 2020 slowed when Covid-19 froze media clients' ad-spending. Positively, we are seeing signs of recovery, new orders and bookings are growing.*

#### ❧ Expand our pop-up retail events in the US and internationally

*We had more Design Milk Stand pop-ups scheduled for 2020*

#### ❧ Launch Design Milk Trade by end of this fiscal

*We have built the infrastructure and platform and began bringing new vendors onto the Trade platform. When Covid-19 hit, we pivoted away from this initiative, shifting the team and resources toward advertising revenue opportunities. We instead moved the new vendors onto the main Design Milk website in order to maximize any sales potential, and we continue to service any corporate/B2B sales enquires we receive.*

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### FY2020 Objectives Update

#### Redesign the Kaufmann Mercantile and AHA websites

*Done. We redesigned both sites in in Q3 FY2020 and added a new blog, The KM Guide to Kaufmann Mercantile in Q4. We will add a blog to Aha later this year.*

#### Grow the number of vendors / brands

*We launched the three new websites in November / December with approximately 40 vendors. Today we partner with over 350 brands. Our target is approximately 900 brands, although this will flex based on our product portfolio and category depth. Now that we've built the basic categories and brand partnerships, we have shifted our focus toward brands and products we want to support through editorial content. This is proving to be a successful conversion channel, one which we'll sensitively grow in future.*

#### Continue to increase DM audience conversion rate

*In November, with only a few products on the new e-commerce shop our conversion rate was .023% (industry standard is between 1% - 4%). We have more than doubled this, as we've expanded our product assortment and tested our community's appetite for shopping. We have not invested in any above-the-line marketing since launch. Our sales and conversion growth have been entirely organic. Giving us confidence in our future growth trajectory as we blend more content with shopping opportunities, expand our product assortment, and invest in new marketing opportunities.*

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### FY2021 Objectives

#### Sales

!!! Expand ecommerce and media sales via our new DMTV Instagram channel. Create a series of TV style shopping events with additional advertising revenue opportunities.

!!! Launch the DM Augmented Reality service. Enhances our customer experience and adds to our media package value.

!!! Take our Design Milk Stand pop-up retail concept digital

#### Merchandising

!!! Double our vendor base across all three websites – Target 700+

!!! Expand our new Retail Store program – grow our support program for US based independent retail stores. Broaden our product catalogue, and marketing opportunities.

#### Marketing

!!! Invest in targeted marketing and SEO activities.

!!! Continue to grow our audience, expand our communication topics.

#### Growth

!!! With our now established and efficient shared-service structure we will look at strategic partnerships that leverage our operations and accelerates revenue growth.

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## AHALIFE HOLDINGS LIMITED

### Board + Management



**Rob Mancini – Chief Executive Officer**

- Appointed CEO in July 2018
- Extensive global luxury goods background across all areas, and channels of the retail industry, including brands such as Ralph Lauren, Victoria's Secret, Alfred Dunhill & Richemont



**Jaime Derringer – Chief Creative Officer**

- Appointed Chief Creative Office upon acquisition of Design Milk in February 2019
- 18 years experience in the design and media industries
- A leading authority within the modern design community



**Mike Hill – Chairman**

- 20+ years Private Equity and Advisory experience in Australia and the UK
- Founder and Co-CIO of Bombora Special Investment Growth Fund
- Currently Chairman of Janison Education Limited and PKS Holdings Limited



**Chris Colfer – Director**

- 20+ years experience in luxury goods, branded goods and e-commerce
- Served as a Board Member of Net-A-Porter, and LYST
- Currently sits on the Board of several consumer goods companies, including Woolworths Holdings Group, Nude by Nature and Grown Alchemist



**Arnaud Massenet – Director**

- Joined Board following capital raising completed in September 2017
- Founding partner of Net-A-Porter and an active Board member for 10 years
- Previously an Investment Banker with Morgan Stanley and Lehmann Brothers



**Mike Everett – Director**

- 25+ years capital markets and advisor experience
- Established leading independent capital markets advisory firm, Reunion Capital in 2013
- Previously Managing Director of Equity Capital Markets at Goldman Sachs

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