



Kogan.com Ltd (KGN.ASX)

Kogan.com improves FY17 EBITDA guidance and records strong growth in customers.

Event:

- 2016 Annual General Meeting.

Investment Highlights:

- KGN held its maiden AGM on 18th November.** Management expressed positive views on the growth momentum that continues to build in FY17e and revised upwards FY17e EBITDA guidance from \$6.9M to between \$8M and \$9M.
- KGN's revised FY17e EBITDA guidance is in line with our expectation.** Our expected EBITDA for FY17e is \$9.1M based on a total revenue of \$290.1M up 37% from \$211.1M in FY16a. In our view, KGN's prospectus EBITDA of \$6.9M for FY17e was a conservative estimate and the revised guidance of between \$8M and \$9M reflects a better estimate of business growth.
- Strong growth in active unique customers.** At the end of October, KGN had 763k active unique customers compared to 702k at the end of June. A 9% growth in active unique customers from June to October equates to a 26% growth rate on an annualized basis. We believe that KGN's actual growth rate in active unique customers for FY17e will be higher than 26%, after we consider additional growth from the impact of seasonality like the peak December trading season. We anticipate KGN will have more than 900k active customers by the end of FY17e.
- Amazon.com's (AMZN) possible arrival in Australia will be advantageous rather than disadvantageous to the KGN's business model.** We anticipate that KGN will benefit if AMZN decides to launch operations in Australia. AMZN will provide a new sales channel to sell its private label brands and will boost overall online retail sales. AMZN is already a competitor to KGN as they are ranked among the top 20 most popular retail website in Australia.

Valuation and Earnings

- As the revised EBITDA guidance from KGN is in line with our expectation, we are not changing our revenue growth estimates for FY17e and FY18e.** We expect sales revenue of \$290.1M and \$361.2M. NPAT forecasts for FY17e and FY18e are \$4.5M and \$7.0M.
- KGN continues to grow strongly and we believe there is a risk EBITDA guidance for FY17e could be revised upwards.** A better than expected revenue run rate, margin expansion opportunity due to scale and automation, continued growth in active customers, and investment in inventory are all factors building a good growth momentum.
- Our DCF valuation of A\$2.44 remains unchanged.**

Recommendation

- We see 2Q17 result announcement as the key near term catalyst.** The peak December shopping season, launch of new verticals and potential acquisition opportunities are other short term catalysts.
- We maintain our **BUY** rating on KGN with a price target of **A\$2.44** in line with our valuation.

Rating	Buy
Previous	Buy
Price Target (A\$)	A\$ 2.44
Previous	\$2.44
Risk	Low
Share price	A\$ 1.455
ASX code	KGN
52 Week Low-High	\$1.40-1.80

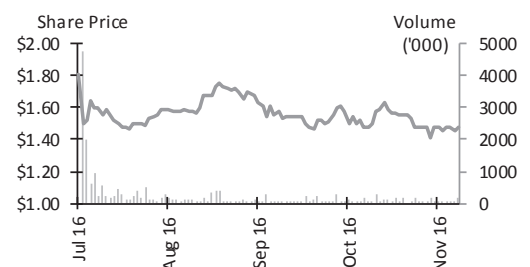
Capital Structure	
Shares on Issue (M)	93.3
Market Cap (A\$M)	135.8
Net Cash (Debt) (A\$M)	31.7
EV (A\$M)	104.1
Options on issue (M)	0.0
Performance rights	0.6
Diluted mkt cap (A\$M)	136.7
1mth Av Daily Volume ('000)	203

Y/e Jun (A\$M)	2016a	2017e	2018e	2019e
Sales Revenue	211.2	290.1	361.2	433.5
Gross Profit	32.7	48.3	61.4	75.9
EBITDA \$M	4.0	9.1	12.6	17.3
NPAT \$M	0.8	4.5	7.0	10.6
EPS (\$)	0.01	0.05	0.07	0.11
PER x	179.7	30.5	19.6	13
EV/EBITDA x	26.0	11.4	8.2	6

Board of Directors	
Greg Rider	Chairman
Ruslan Kogan	CEO & Executive Director
David Shafer	CFO & Executive Director
Harry Debney	Non-Executive Director

Major Shareholders	
Kogan Management Pty Ltd	50.4%
Shafer Corporation Pty Ltd	19.1%

Share Price Graph



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