

OneMarket Limited (FY2019 Results)  
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C: Joseph Polverari; OneMarket Limited; CEO

C: Todd Suko; OneMarket Limited; Chief Financial and Legal Officer

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Operator^ Good day, ladies and gentlemen, and welcome to the OneMarket Investor Conference Call. (Operator Instructions) As a reminder, this call may be recorded.

Before we start, I would like to call your attention to the safe harbor statement on the first slide in the presentation accompanying this call and released to the ASX regarding forward-looking information. The safe harbor statement also applies to this call and to the Q&A.

I would now like to introduce your host for today's conference, CEO of OneMarket, Joe Polverari. You may begin.

Joseph Polverari^ Thank you. Good afternoon from San Francisco. Good morning in Australia and thank you for joining our call today. My name is Joe Polverari, I'm the CEO of OneMarket. I'm joined today by Todd Suko, our Chief Financial and Legal Officer.

As you know, OneMarket is a retail technology company developing a cloud-based connected platform and ecosystem of customer-centric solutions we call the OneMarket Customer Activation Platform. The platform is designed to identify, understand and activate customers both online and offline, creating meaningful and continuing relationships between customers, retailers, brands and venues.

I'm excited to tell you about the progress OneMarket has made to date in developing our Customer Activation Platform. However, before I do that, I'd like to turn the presentation over to Todd, who will take you through the financial and operating highlights of our just completed financial year. Todd?

Todd Suko^ Thank you, Joe. I'd like to start by noting that unless otherwise stated, all figures in the presentation or discussed in this call are in U.S. dollars.

OneMarket's net loss after tax attributable to OneMarket Limited for the 15-month period ending March 31, 2019 was \$92,016,000. As mentioned in our ASX announcement on May 10th, this loss includes \$12,346,000 related to the payout of certain Westfield employee equity incentive plans in connection with the demerger of OneMarket from the Westfield Group. This expense was funded by Westfield through a capital contribution and did not impact OneMarket's cash or operating position.

Net assets as of March 31, 2019 were \$118,992,000. Net assets attributable of the OneMarket Limited after adjusting for minority interest were \$106,134,000. Net assets per share attributable

to OneMarket were \$1.02 per share or a \$1.44 Australian. Net assets per share attributable to OneMarket Limited adjusted for 2.7 million restricted stock units issued to employees as of March 31, 2019 were \$0.88 or \$1.24 per share Australian.

OneMarket's revenue during the financial year from current products was \$8.7 million. Revenue from current products excludes products that were transferred to Westfield as part of the demerger.

As of March 31, 2019, OneMarket had cash and term deposits of \$120.5 million, which is ahead of what we forecasted of the demerger book. The primary drivers of this improvement was: cash receipts from customers, the sale of unlisted investment and interest income and a reduction in operating expense from \$6.9 million per month to \$3.6 million per month. On an annualized basis, the reduction on operating expense is approximately \$40 million.

As a result, the period for which OneMarket has sufficient resources to meet its anticipated cash needs without additional financing has been extended by approximately 24 months compared to the forecast in the demerger booklet. Note that this calculation excludes potential revenues and includes potential wind-up cost.

Moving over to operational highlights. The financial year has been a period of significant activity and change for OneMarket. In June 2018, OneMarket was established as an independent ASX listed company through a demerger from Westfield Corporation. During the financial year, OneMarket has been focused on executing our business plan while undertaking the significant challenge of realigning our operational expenses and organizational structure to be consistent with the cash resources, revenues and product and technical development focus of the business.

OneMarket also has established the corporate functions necessary to stand-alone as an independent listed company - no small accomplishment for any company, much less an early stage start-up.

In December 2018, the board of OneMarket Limited appointed Joe Polverari as Chief Executive Officer following Don Kingsborough stepping down due to health reasons. Following the appointment of Joe, OneMarket completed a strategic and operational review that resulted in the refinement of OneMarket's product portfolio to better leverage the data and advanced analytic capabilities of OneMarket's advanced technical platform and drive revenue growth.

OneMarket also reduced ongoing cash expense through a rationalization of the workforce as well as the reorganization of the reporting structure to better align the organization with strategic growth objectives.

OneMarket's platform continues to gain traction. Earlier this year, we announced multiyear contracts with Pandora and Marks & Spencer. OneMarket's Customer Activation Platform is generating encouraging early results, significantly improving retailer-to-shopper relationship management and achieving sales uplift and customer servicing cost reduction. Today, more than 30 retailers and venues, over 100 brands and millions of consumer users are engaged in the OneMarket platform.

I'll now hand the presentation back to Joe to provide you with more information on OneMarket's Customer Activation Platform.

Joseph Polverari^ Thank you, Todd. Since the biggest strategic evolution for OneMarket this past year is this notion of the Customer Activation Platform, I'd like to spend a few minutes and go through a few slides explaining what exactly it is, why we believe it's important and valuable and to whom.

In order to do that, we have to put the retail problem in context. In general, when an industry is disrupted by digitization, it happens because the relationships fundamentally change in their character and nature. How and where interactions with customers or partners occur can change dramatically and overnight. These sorts of changes we have seen, historically, typically evolve in two phases.

Phase 1 is where digitization creeps in, in the form of point solutions and small incremental problem solving. As industries mature and the transformation continues, you see the rise of platforms in than even larger platform still that drive real innovation, lasting efficiency and significant change.

One example that's readily apparent is in online banking. When online banking began to arise in the early to mid-90s, it was a simple feature of banks providing access through a website to one of their accounts. The user could go on, look at one account and it would take literally days, if not longer, to understand one's full financial profile.

As that market began to develop, platforms began to be built, most of them not by banks. Those platforms enabled greater functionality and greater customer utility. One example being the ability to see all of your accounts in a single place and then more importantly to transact upon them. So as a customer and as a participant in that ecosystem, you could actually step back and do in a manner of seconds what typically it would take days or weeks to do in terms of understanding your financial position and profile and taking actions in response.

The same sorts of things are happening in retail in terms of evolution. Retail, we would argue, from a traditional retailer's perspective, has been what I would call a case of arrested disruption. And by this, we mean retailers started out in Phase 1 of the disruption trajectory where point solutions would come in and solve minor problems, but they got left behind at the platform level.

They got left behind quite frankly because other players, who are not traditionally retailers in the conventional sense, came in with no rules and no technology restrictions. If you're a conventional retailer, it was almost as if you were building horse-drawn carriages and you woke up one morning to find out your newest competitor was Henry Ford. The future state of your business, whether you like it or not, was fundamentally changing and there was little you could do about it.

Fortunately, in the traditional retailer context, some digital vendors came in and delivered, true to Phase 1 of disruption, point solutions that help solve small problems and helped somewhat level the playing field as the market further transformed.

These were hardly effective in practice because they're not connected, there are too many of them for any retailer alone to afford, and the experience they provide from a consumer perspective is disjointed and not friction-free. Really, if you're a retailer, the way we look at it here at OneMarket is you're plugging holes in the boat that is still generally sinking. The question is how fast.

So, what you need from our perspective to put it in a very plain terms is a better boat. One that's not limited by where you've been but one that can help you get to where you need to go. And that's owning the customer relationship and providing a friction-free customer experience. So, that's what we're building here at OneMarket now. We're building boats for retailers or cruise ships really, our passengers, our customers or shoppers and we called that boat the Customer Activation Platform.

What the Customer Activation Platform is, at a simple level, is an easy to approach, easy to get started with cloud-based connected platform and solutions ecosystem that helps retailers do a few fundamental things. Importantly, identify and understand customers - who they are, where they are, how they are, whether online or offline - and then importantly, to activate those customers in an automated way down to the individual level. So, it's something that's easy to get customers onboard with and even easier to keep them there as you go through the journey of the customer life cycle.

We've actually been building and developing this platform at OneMarket for quite some time. We've been doing it to a large extent internally and then supplementing our capabilities with selective acquisitions. Now, for the first time, we've recently brought it all together in a unified format and launched what we called the Customer Activation Platform.

On Slide 11, as we look at our consolidated platform, what you do on that platform depends on who you are. It should be easy to get on and take you where you need to go, where you need to go depends on who you are. In retail, the place customers have clearly demonstrated they want to go is to the most compelling, friction-free, shopping and commerce experience possible.

From a retailer perspective, in particular, a conventional retailer perspective and not the Amazons of the world, what they need to do is engage customers, sufficient that they are bound to that customer for life, so they can sell them more with higher customer satisfaction over greater periods of time. Something that Amazon and comparable players do very well, but conventional retailers have struggled with.

So what we've built, out of the box, is the ability for retailers to identify, understand, engage and monetize their customers without making significant technology or operational investments. We believe this is revolutionary in the industry.

Our platform contains three primary components, a technology and communications layer that we called the core platform; solutions categories that focus around the activities customers need to engage with relative to retailers in order to buy, return, sell and consume goods; and then finally, features or applications on top of those categories of activities that customers engage in which facilitate and constitute our ecosystem.

So as we go forward in time, when we talk about OneMarket and we talk about the unified Customer Activation Platform, keep three things in mind. Core services exist to make sense of data and communicate with customers in an automated and semi-automated way. The solutions categories exist and revolve around functions that customers necessarily undertake relative to retailers as part of a longstanding and sustainable customer lifecycle. And then the features that sit on top of those categories are the actual applications or components that customers engage with.

In the future, we expect not only that the categories and features will be our own but open to third-parties, retailers and others as well.

So, now, let's take a quick look at our three current categories, all of which are OneMarket-derived and some of the key features within each of them.

The first category, and in many respects the heritage of the firm, is what we call the Engagement Solutions category. Engagement Solutions are predicated around the transaction that occurs between customers and retailers. And then we look at it in three phases. There's the moment of purchase, there's post-purchase and then there's getting ready for the next purchase. On our platform, we deliver capabilities that allow a retailer to understand, from a data perspective and an identity perspective, the engagement path and interaction with each customer relative to each transaction. And to put it in plain terms as a customer or as a shopper, when you make a purchase, you need to get a receipt, that's our Live Receipt capability. It's an interactive digital receipt that provides much more information comprehensively than most other receipt forms out there.

It has capabilities that are inherent in it like order tracking. So when you buy something, you necessarily want to know where it is in the process, whether it's bought online or offline. You may want to return it. We have that capability integrated as well. And you want to communicate in a way that is friction-free, which these days, is automated and chatbot driven.

So with this combination of capabilities of receipts tracking, returns and chat, we're able to seamlessly and frictionlessly allow customers to engage in commerce all the while gathering data about them and their purchases, their preferences and their ability to continue to consume and buy more goods from you as a retailer that you typically would not get. And that applies importantly and uniquely online and offline, so we're agnostic to the channel. We expect to capture and do capture that transaction history and that order flow regardless of the retailers channel.

Moving on to our Integrated Advertising Solutions. The theory here is, and it's been proving itself true, if you engage your customers, which is specifically what the Engagement Solutions

category revolves around, you can understand them better, which means you can market or advertise to them better. The question is how do you do that?

We have a facility that's a component of our platform, the Integrated Advertising Solutions, that are predicated on three primary tenants. The first is retail media and this is effectively the first implementation of our automated advertising platform. It's built for multibrand retailers to allow brands to express themselves and advertise the sale of products by brand through that retailer.

We've also got two expansions of the product that we're introducing. One is called Retailer Direct and one is called Brand Direct that allows the retailer or the brand to automatically and, again, with the benefit of the highly targeted data we get through the Engagement Solutions and other data streams that are available, to specifically target customers on their site or out in the wild.

So if you're a retailer or you're a brand, what you can do is have one solution that trades on a single set of data and a common identity across users and customers that allows you to do highly precise targeting. And if you go back to our theory that all transactions revolve around transaction, post transaction engagement and getting ready for the next transaction when you layer in federated identity and a common identity set and you build around that, consistent data about retail behavior, what you get is much higher uplift and much better targeting.

Finally, our newest category is Analytics and Analytics exist for us at two levels in terms of features and applications. The first is, again, if you go back to understanding this federated identity and the common data set that persists by customer, you'll be able to actually infuse everything you do with the higher level of intelligence in automation because overtime, you build up a nucleus and a basis of customer behavior and preference. So, the features that you can deliver are benchmarking, shopper profiling, shopper personalization and shopper prediction. So, basically what do I like to do as a customer, what am I likely to do and what may cause me to do more of it from a retail perspective. Again, all from a federated identity and a data perspective, not typically possible in a single, easy to approach system like ours.

Importantly, not only does it exist at the platform level, but the data intelligence can exist outside the platform into complementary systems that are operated by the retailer or others, adding a higher level of precision and targeting to everything that occurs in the retailer-shopper relationship.

Finally, we intend to build additional service categories or have them built by third parties and additional features as we go forward in time that again play into the specific retailer-customer relationship life cycle.

So, who can use this platform and why would they? Well, because it's a platform and because it's not a point solution, we believe anyone can use the platform or a piece of the platform. It depends what their needs are and needs vary by customer and vary by retailer.

What we've come to discover as we have unified and launched the platform is that thousands of retailers in the \$2 billion top-line revenue category and below are candidates for the whole thing.

They can use every aspect of Engagement Solutions, Advertising Solution and Analytics to understand customers better and deepen that relationship. Why? Because we see many of these retailers tell us they're typically data deficient. That means they don't have the systems in place to capture data efficiently and they're too expensive to implement or the systems they do have in place are disjointed or older and inflexible. They're perfect candidates for our sort of solution.

So, we think now that we have unified the platform, now that we put it in an easy to approach turn-key solution set that you can take some, all or the entirety of at your choice, that we've got the right approach and at the right time when retailers are literally on a burning platform and need to change, the right approach where we can land, easily prove value, expand capabilities all while controlling that important customer dataset in our own systems where upon we become essential and level the playing field for retailers so they can finally capitalize on the ongoing disruption.

While it's early days for the Customer Activation Platform, we are seeing across Engagement Solutions double-digit uplift in sales frequency and total market basket size of sales and we're seeing double-digit uplift on the ad platform as well in terms of return on advertising spend for brands in particular and for some retailers that are early to the platform.

So with the platform settled, we're now focused on evolving the ecosystem of features across the solutions categories, beginning to further build out and realize our pipeline through sales.

At this point, I'll pause and we'll open the floor to any questions. Thank you.

+++ q-and-a

Operator^ Thank you. (Operator Instructions)

Our first question comes from the line of Fred Willard of Samuel Terry Asset Management. Your line is open.

Fred Willard^ Hi, good morning, gentlemen. I just like to ask a question to the CFO about the balance sheet. You said in that -- in the presentation that the net assets at March 31 attributable to shareholders of OneMarket Limited were \$106.1 million. Looking at the annual -- at the statement of financial position in the annual report, I'm a little bit confused. It shows there total equity of the group of \$135 million, non-controlling interest of \$20 million relating to \$118.9 million of total equity attributable to shareholders of OneMarket Limited. How does that \$106 million in the presentation reconcile to the \$118 million shown here in the -- in the statement of financial position?

Todd Suko^ Yes. So first, we adjusted -- so net assets per share attributable to OneMarket Limited is adjusted for minority interest, so that does that include vested RSUs, but that's also -- it's also an issue with the calculation of equity that makes that a confusing calculation. So, that is -- (unintelligible). We did it using the dilution of the -- at the holdings level including shareholders, the OneMarket employees who vested stock.

Fred Willard^ Hang on, but so where did the \$139 million -- I was looking at the statement of financial position, where does the \$139 million number fit in and where does the \$20 million number fit it and then where does -- take it to 100 -- I don't see where the \$106 million number appears here on the balance sheet.

Todd Suko^ Yes, it doesn't. We calculated it using the dilution at the holdings level. So for Unibail's 10% ownership and then the increased dilution of the vested employee shares, which are 0.1444%.

Fred Willard^ Okay. So you're treating the RSUs as if they had vested whereas (multiple speakers) --

Todd Suko^ No, -- (multiple speakers) -- for that calculation, we only treated the ones that actually have vested in that calculation.

Fred Willard^ Okay.

Todd Suko^ In adjusted net assets per share, we included all of the issued RSUs in the calculation.

Fred Willard^ Okay, cool. That answers that question, thank you.

My second question, I saw in the quarterly cash flow statement that our receipts from customers have gone up from \$1.6 million in the December quarter, the \$2.7 million in the March quarter, which I thought was quite encouraging. I'm interested if you could comment more on that.

Todd Suko^ Yes, so that's timing -- of receipts from the fall quarter. So, the holiday season is typically the best time and we receive payment of that in the March quarter. So, that's why you typically see a bump in customer receipts on a cash flow basis in the March quarter.

Operator^ Thank you. (Operator Instructions) For those having difficulties dialing from Australia, you may dial 282-239 -- I'm sorry that's 282-239-773, conference ID 7772577. Again if you're having difficulties dialing from Australia, you can dial 282-239-773, conference ID 7772577.

And ladies and gentlemen, at this moment, we will pause for dial-ins. Please standby and thank you for your patience.

(Operator Instructions)

Thank you for your patience, ladies and gentlemen. We are going to conclude the call at this time. If you're unable to ask a question due to technical difficulties, please feel free to reach out to the company directly to schedule a follow-up.

Thank you so much for participating in today's conference. This concludes today's program. You may all disconnect. Everyone, have a great day.