

# TEMPLE & WEBSTER GROUP LTD

ABN 69 608 595 660



## ASX Announcement

25 October 2016

### CHAIRPERSON AND CEO ADDRESSES TO AGM: 25 October 2016

#### CHAIRPERSON'S ADDRESS

##### *Transformative Year*

The 2016 financial year has been a period of rapid transformation for our Company, most notably through the move to publicly-listed life with our debut on the ASX.

As a business, we have transitioned from an entrepreneurial, privately owned, online retailing company, to become Australia's largest, listed pureplay online retailer in the furniture and homewares segment of the market.

The transition from private to public is a huge undertaking and I would like to take this opportunity to acknowledge the senior management team and all our employees for their effort and commitment in achieving this.

While the evolutionary process has seen our people better understand the requirements of life as a listed company, we have been keen to preserve the many positive, entrepreneurial attributes of our company. We believe these are essential in developing an online business, particularly in the fast-moving and ever-changing retail sector.

In April, the Board announced a Revised Business Plan aimed at setting the business up for longer term success. The plan actively positions the company for the future and accelerates its pathway to profitability, through leveraging our unique scale as the number one online shopping destination for the home.

##### *2016 Results*

Behind the scenes it was a story of tremendous work carried out across the Company. Prior to listing on the ASX we acquired the Wayfair and Milan Direct businesses. Wayfair was subsequently rebranded ZIZO and fully integrated, leading to the relaunching of Temple & Webster as Australia's largest open e-commerce site in the furniture and homewares segment. In March, the company opened its first showroom under the Milan Direct brand, targeting a new segment of customers who do not shop online for furniture, and enabling a Click and Collect offering in Melbourne.

Importantly, the inaugural full year result demonstrated the initial success achieved during the fourth quarter through executing the new strategy.

As a result, the Company achieved revenues of \$61.7 million during the financial year, which was at the top end of our revised guidance, an EBITDA loss of \$14.8 million and ended the year with \$18.4 million in cash at bank.

##### *Future Focus*

Turning to the future, our Company will continue to focus on the execution of its revised strategy. The Board remains confident that the Company is well positioned for growth, enhanced profitability and achieving breakeven during 2018.

There is, however, no magic wand. The execution of our strategy will require a continuing focus on innovation, differentiation and leveraging our scale and unique content.

To that end, management and employees are committed to continue doing the things that work, changing the things that could be done better, being more efficient and seeking out new opportunities to expand the business.

As part of our plan for the future, the Board has been working to ensure we have stability in our management team. Yesterday I was pleased to announce the full-time appointment of Mark Coulter as CEO and Mark Tayler as CFO.

Mark Coulter is one of the original co-founders of the business and an experienced executive. He is well-positioned to take the Company to the next stage of its growth, and has done a great job in implementing the revised business plan over the last 6 months. Mark Tayler has been an excellent interim CFO, and it is great to see him accept the offer of the permanent CFO.

### *Conclusion*

In conclusion, 2016 has been a transformational year for the Temple & Webster Group.

The Company has moved quickly during its first year as a listed company to actively position itself for the future. The inaugural full year result represented an inflection point in the company's development, providing an appropriate and timely opportunity to consider Board composition. Consequently, I decided the time was right for me to retire by rotation.

It has been a privilege to Chair the company through its listing and to support the management team in its positioning of the company for long-term, sustainable growth.

I am delighted that the Board has announced its intention to appoint Stephen Heath as its new Chairperson. This allows for an orderly and seamless transition, subject to shareholders electing him as a Director under Resolution 3 at today's meeting. Stephen has been an outstanding retail executive with a distinguished career. He has the leadership experience and personal attributes to successfully lead this company through its next phase of development and guide the executive team in driving the Revised Business Plan.

I would like to take this opportunity to thank all of our shareholders for their support during this momentous year. I would also like to wish the company all the very best in pursuing its exciting vision for e-commerce retailing in Australia and in delivering beautiful solutions for our customers.

### **CEO'S ADDRESS**

Good morning and thank you for joining us here today.

In 2011, I was fortunate enough to be part of a passionate group who launched Temple & Webster with a core belief to change the way Australian's shop for their homes. We combined digital content with online retail and the result was an innovative and inspirational shopping experience which quickly saw Temple & Webster become the number one online shopping destination for the home.

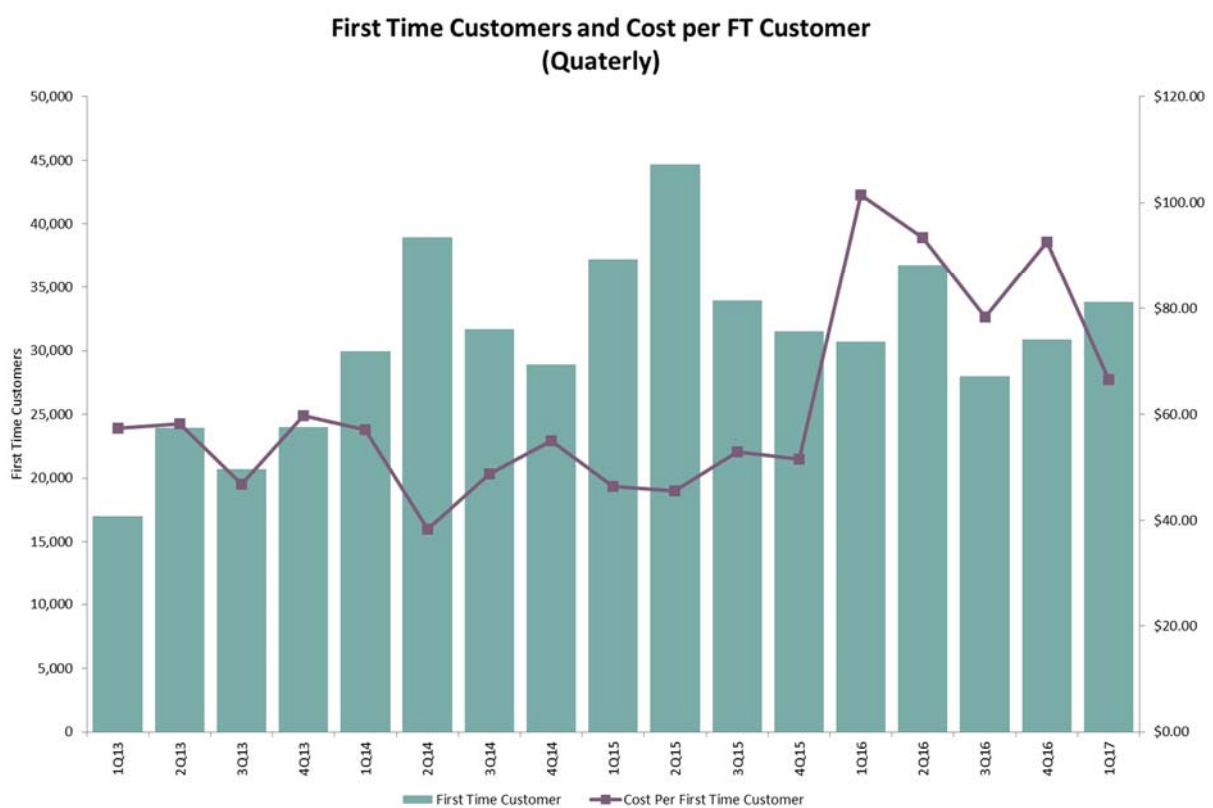
The plan to make Temple & Webster into a household name was strengthened by the acquisitions of Wayfair Australia and Milan Direct in FY16, which allowed us to establish the group as the leading online retailer in the homewares and furniture category. This category is valued at around \$12.6 billion (retail sales per annum), of which only 4.1 percent is sold online in Australia. This compares to the United States at 10.5 per cent and the United Kingdom at 13.6 per cent. Like many other industries, we believe Australia lags the US and the UK in the adoption of new markets and technologies, therefore we are expecting healthy market growth in the years to come.

Since taking the reins in April, I have focused on 4 key areas:

Firstly, we completed the integration of the ZIZO business by using its technology platform, supplier relationships and team to relaunch Temple & Webster as the largest open ecommerce site in our category. The Temple & Webster site now has the largest range in the country with 140k products, most of which are shipped within 2 days, and still has the most inspirational content out of any of its peers.

Secondly, we refreshed our management team, including bringing in myself as CEO and Mark Tayler as CFO, elevating Mike Henriques (former Wayfair Australia GM) to CIO, and bringing in Sven Lindell as the new CMO (ex Bras N’ Things, Woolworths and Rebel). While online retail is a relatively new industry, we have been lucky enough to find some of the best and brightest in the country. I am confident we have the team to lead the business through its next stages of growth.

Thirdly, we have focused on improving our marketing performance. The Company has previously talked about the issues we faced with marketing in FY16, including the non-performance of some offline channels and the decreased effectiveness of some of the digital channels. To counter this, we redeployed our spend to the channels which we were most familiar with (mainly digital), we added new internal & external resources into the marketing function including a new CMO and we changed our digital marketing agency. The results of these efforts are now paying off, and I am happy to state that our first time customers are now growing year on year (Q1 FY17 vs Q1FY16), while the costs to acquire these customers have fallen by ~25% over the same period.



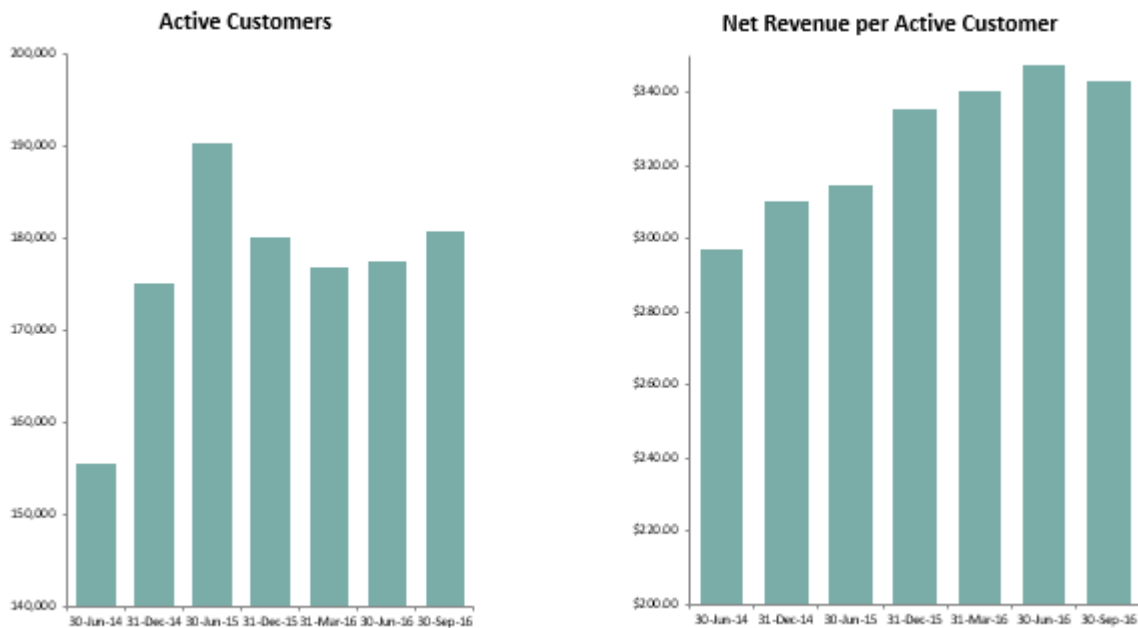
Finally, we have completed the first phase of our cost efficiency program through reductions in our fixed and variable cost base, which has led to our monthly EBITDA loss improving by over \$400k per month. This improvement in our EBITDA loss has continued through Q1 FY17, and each month continues to be better than the last. These savings came from payroll, marketing spend, logistics and general operating expenditure. While there is still more work to be done to become a more efficient retailer, the trends are positive.

Looking ahead, we are focused on 4 key areas:

1. Delivering beautiful solutions for our customers’ homes and workspaces by expanding our range and improving our catalogue; continuing to produce beautiful consumer content; incorporating innovations in technology, including new mobile experiences; and integrating services that help our customers shop such as styling advice;
2. Achieving double digit revenue growth by focusing on best practice e-commerce basics to become a world class retailer; and leveraging our scale to set us further apart from our competitors.

3. Accelerating our path to profitability by reducing costs, maximising marketing ROI, and improving our margins. This year we are further integrating the Milan Direct business and continue to work towards establishing a single technology platform for the group.
4. Setting up the business for future growth primarily by continuing to experiment in the offline channel and refining our omni channel approach; and also continuing to invest in our trade & commercial division which has already seen some good early wins with corporate clients.

I am also pleased to report growth in active customers has continued into Q1FY17 with revenue per active customer continuing to trend well up year on year. Our revenue for Q1FY17 was \$16.5m which is up year on year, giving me confidence that we can meet our stated objective of double digit revenue growth during FY17.



In summary, I'm confident that with our vision, our revised strategy, along with the passion of our talented team, our respected brands and our world-class assets and technologies, we are on track to achieve our mission to be the first place Australians turn to when shopping for their home and work spaces.

I would like to acknowledge our experienced and committed management team and employees for their ongoing dedication, creativity and diligence. It has been a period of significant transformation for the Company and I'm personally thankful for how our teams have embraced the change and continued to deliver on our vision.

To our outgoing Chairperson and the whole Board, I thank you for your support and guidance during my tenure as interim CEO, and offering me the role of the permanent CEO going forward. To come back to a company I love, in a market which is exciting and growing, and a team that is passionate and talented was not a hard decision.

Finally, thank you to our shareholders. Your interest and support of the Company is greatly appreciated. You can be assured the Company has a clear objective to deliver improved returns to shareholders through enhanced performance, both operationally and financially.

I look forward to an exciting 2017 and beyond as we continue to develop Temple & Webster into a market leader in the furniture and homeware sector to ensure you, our shareholders, realise true value.

**About the Temple & Webster Group:**

The Temple & Webster Group is one of Australia's leading online retailers of furniture and homewares. The Group's vision is to deliver beautiful solutions for our customers and be the first place Australians turn to when shopping for the home & work spaces, and currently operates the Temple & Webster and Milan Direct platforms.

The Temple & Webster brand provides a curated offering of over 10,000 different products a month from over 400 suppliers together with one of the largest marketplaces for furniture and homewares with over 130,000 products on sale from over 700 suppliers. The business runs an innovative drop-shipping model, whereby products are sent directly to customers by suppliers thereby enabling faster delivery times, reducing the need to hold inventory allowing a larger product range. Milan Direct is one of Australia's largest online retailers of furniture which has operations in Australia and the UK, with almost 10 years of experience in sourcing private label products under the Milan Direct brand.

The Temple & Webster Group is headquartered in Sydney, Australia and is listed on the Australian Securities Exchange under the code TPW.