

TEMPLE &
WEBSTER
GROUP

FY17 Results

Mark Coulter CEO
Mark Tayler CFO





TEMPLE & WEBSTER

Temple & Webster is Australia's leading online retailer for the home. We are famous for offering the greatest range, the most inspiring content and world-class service.

Our vision is to make the world more beautiful, one room at a time. Our mission is to deliver beautiful solutions for our customers' homes and workspaces.

Summary

**FY17
REVENUE
\$64.5M**

↑ 11%
from Australian operations

**FY17
GROSS MARGIN
\$27.5M**

↑ 19%
from Australian operations

**H2
EBITDA
(\$1.8M)**

75% improvement
from Australian operations

**CASH
\$8.7M**

Strong balance sheet
with no debt

**~\$13B
MARKET**

Only ~4%
migrated online

#1

Online retailer in our market,
with clear path to profit and
strong platform for growth

FY17 statutory revenue of \$64.5m includes \$0.6m revenue from Milan Direct UK which was closed during H1 FY17.

FY17 revenue and gross margin from Australian operations were \$63.9m and \$27.5m respectively. FY16 revenue and gross margin from Australian operations were \$57.7m and \$23.1m respectively.

EBITDA is a non-IFRS measure that, in the opinion of the Directors, is useful in understanding and appraising the Company's performance. Revenue, Margin and EBITDA comparisons are performed on a pro forma basis which include the assumption that the Milan Direct AU and ZIZO businesses were part of the group for the entire FY16 but exclude all costs associated with the acquisition and restructuring of Milan Direct and ZIZO, depreciation, amortisation, interest and any costs associated with the Group's IPO.

The Temple & Webster story

Temple & Webster was founded in 2011 with the aim of changing the way Australians shop for their homes.

The business was named after William Temple and John Webster, two convict artisans commissioned by Governor Macquarie to make two ornamental chairs in 1820.

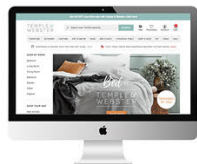
It is this Australian heritage, commitment to teamwork, attention to detail and desire to build something of lasting value that inspired the co-founders and continues to be the motivating force behind the Temple & Webster brand.



templeandwebster.com.au is now the clear market leader with a strong platform for growth

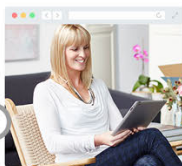
Page impressions (MONTHLY)

10m+



Website users (MONTHLY)

1m



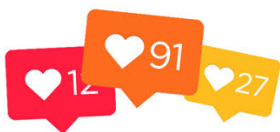
Email subscribers (WEEKLY)

1.3m+



Social media reach

~400k



TEMPLE &
WEBSTER

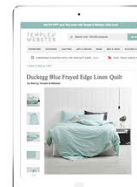


Active customers (LTM)

~160k

Product listings

130k+



Sub-categories

~180



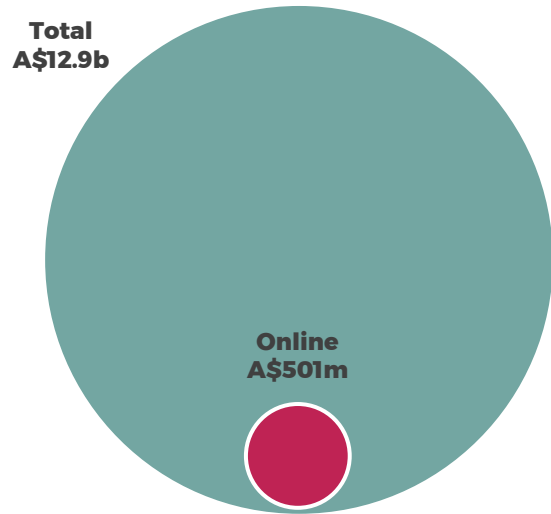
Average time to dispatch

~2.2 days



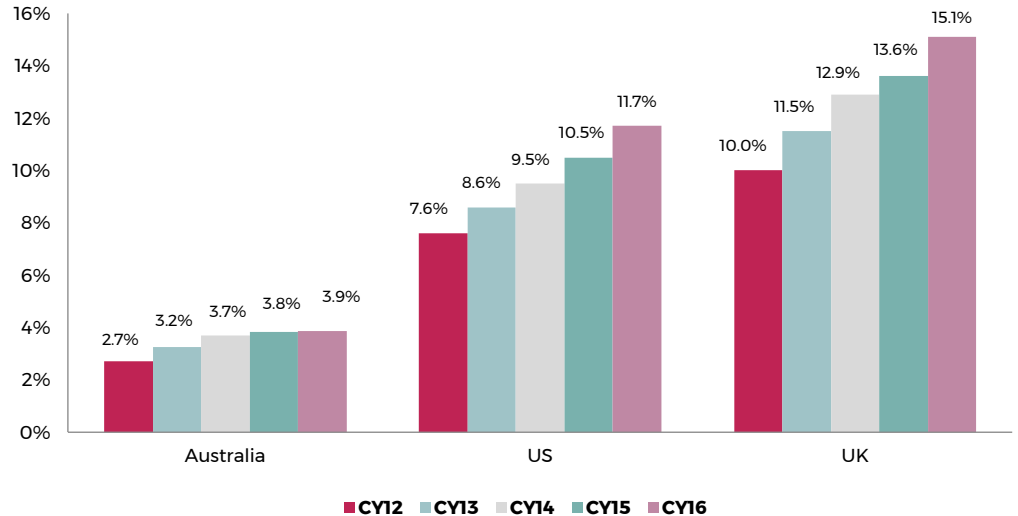
We operate in a \$12.9 billion dollar market, with only ~4% migrated online

A\$12.9 billion addressable market



Source: Euromonitor International Limited; Home Furnishings and Homewares System 2016 edition. Sales in 2016 in retail value (inc. sales tax), current terms, and is to scale. Historical Euromonitor data has been updated based on latest report, some minor changes to historical metrics are present in this year's graphs.

Furniture and homewares online penetration rates by country from CY12 to CY16.

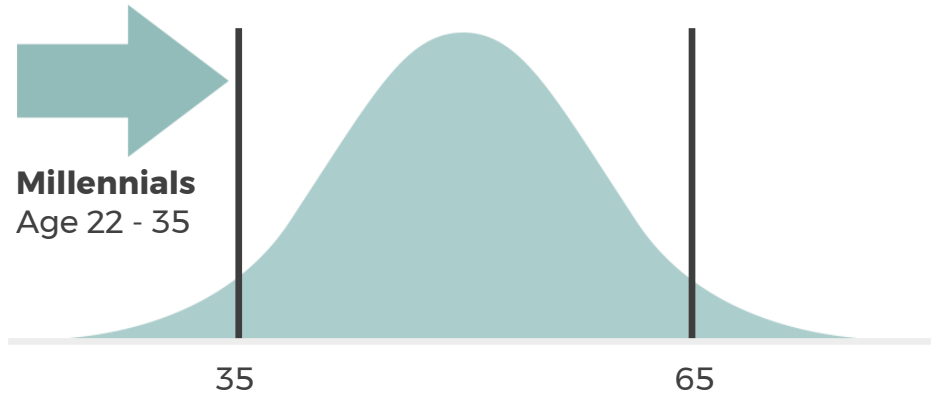


Source: Euromonitor International Limited; Home and Garden system 2016 edition. Internet sales as a percentage of the total retail sales value (inc. sales tax) for home furnishings and homewares in Australia, UK and US. Current terms. Historical Euromonitor data has been updated based on latest report, some minor changes to historical metrics are present in this year's graphs.

Demographic and structural changes will drive strong market growth for years to come

1 Millennials are now entering our core demographic

Hypothetical distribution of homewares and furniture spend by age



2 Structural changes in our favour

- New logistics entrants
eg. SingPost, Japan Post
- Faster internet and mobile speeds
eg. NBN, 5G
- New market entrants accelerating online shopping take-up
eg. Amazon
- New technologies improving experience and conversion
eg. augmented reality
- Offline exits/store closures

FY17 was a year of focusing on the core

	2HFY16	2HFY17
1. Simplified strategy		
Go-to-market strategy	Multi-brand	Single-brand
Retail brands	Temple & Webster, ZIZO, Milan Direct	Temple & Webster
Websites	5	1
Business model	Flash sales / drop-shipping / inventory	Drop-shipping (80%) / inventory (20%)
2. Focussed marketing spend		
Marketing spend	By brand	100% on Temple & Webster
Cost per first time customer	\$89	\$59
First time customers	~60k across 3 brands	~60k on one brand
3. Reduced operating costs		
Staff	131 (onshore) + 17 (offshore)	95 (onshore) + 24 (offshore)
AU Offices	3 (Sydney x2, Melbourne)	1 (Sydney)

This focus has significantly improved our economics

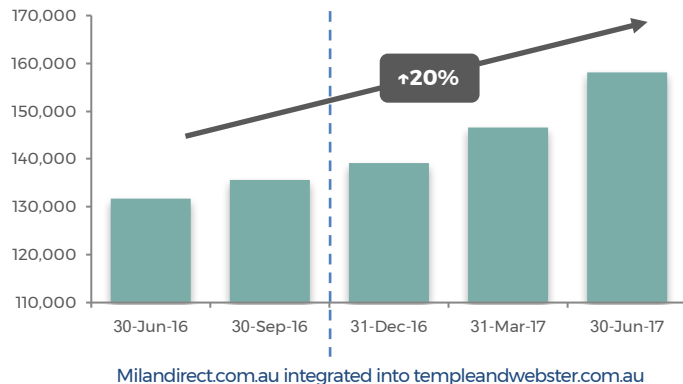
	FY16	Short-Mid Term Target	1HFY17	2HFY17 (post MD integration)
Revenue	100%	100%	100%	100%
Gross Margin	40.0%	42-44%	42.3%	43.6%
Delivered Margin (after all distribution costs)	22.1%	27-29%	26.0%	29.9%
Customer Service & Merchant Fees	5.1%	2-4%	5.0%	4.4%
Marketing	20.1%	9-10%	13.9%	11.6%
Contribution Margin	(3.1%)	13-18%	7.2%	14.0%
Annualised Fixed Costs (people, property, tech, other)	\$13.3	\$12-13m	\$14.7	\$12.1

From Australian operations which exclude results for the Milan Direct UK business which was closed during H1 FY17

Short-mid term targets set at the start of FY17

Our customers have embraced the new templeandwebster.com.au

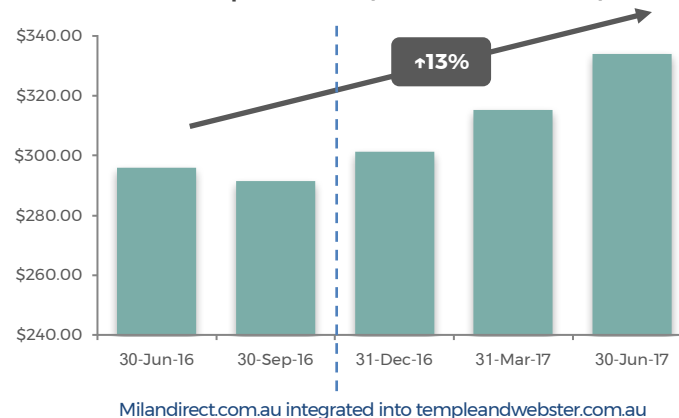
**Active Customers -
Temple & Webster (ex Milan Direct AU & UK)**



Strong growth in templeandwebster.com.au's active customers (up 20% YoY, ~160k LTM) as a result of the focus on the core:

- Growth into target categories supported by Milan Direct integration eg. furniture, office
- Marketing leverage by consolidating spends onto a single brand
- Organic search benefits from combining businesses

**Net Revenue per Active Customer -
Temple & Webster (ex Milan Direct AU & UK)**



Strong growth in templeandwebster.com.au's revenue per active customer (up 13%)

- Significantly larger Average Order Value
- Milan Direct integration has helped the strategic shift towards furniture

Why Temple & Webster is winning

Largest range of furniture and homewares in the Southern Hemisphere

Most inspirational content and services in our category

World-class service and delivery experience

Data-driven marketing

Best-in-class technology

Trade & Commercial division



Temple & Webster has the largest range of furniture and homewares in our category

- Largest range (online & offline)
- One-stop-shop: all styles, all products, all price points
- ~80% of our sales drop-shipped without inventory risk; ~20% imported under the Milan Direct brand
- “Bed by Temple & Webster”: new private label launched FY17, now one of our best-selling manchester brands
- FY18: Strategic supplier relationships; expand under-penetrated categories (eg mattresses, gifting; outdoor; kitchen); continue to add new private label brands and ranges

Search Australia's biggest range

home beautiful
50 BEAUTIFUL ROOMS

820+ dinnerwares

1,200+ lamps

230+ dining tables

150+ buffets

3,600+ rugs

440+ dining chairs

360+ bar stools

With 130,000+ furniture and homewares products online, you'll always find your style.

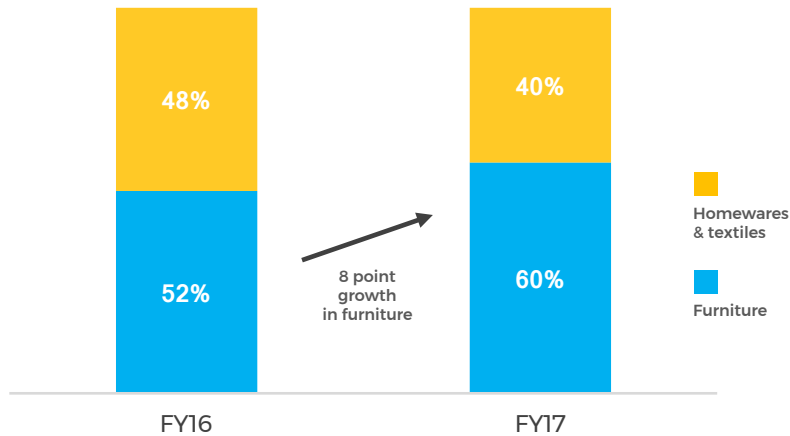
HUGE RANGE MASSIVE SAVINGS FAST DELIVERY

www.templeandwebster.com.au

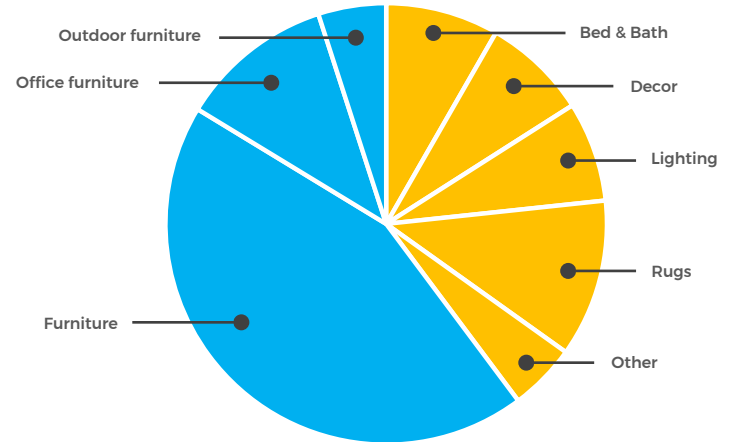
TEMPLE & WEBSTER

In FY17 we made the strategic decision to shift the product mix towards furniture

Furniture vs Homewares Mix



Category Mix FY17



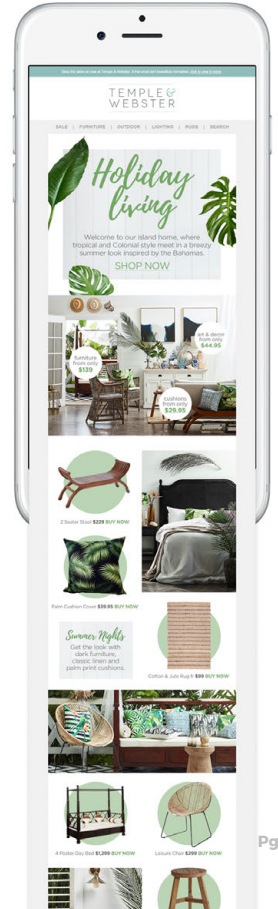
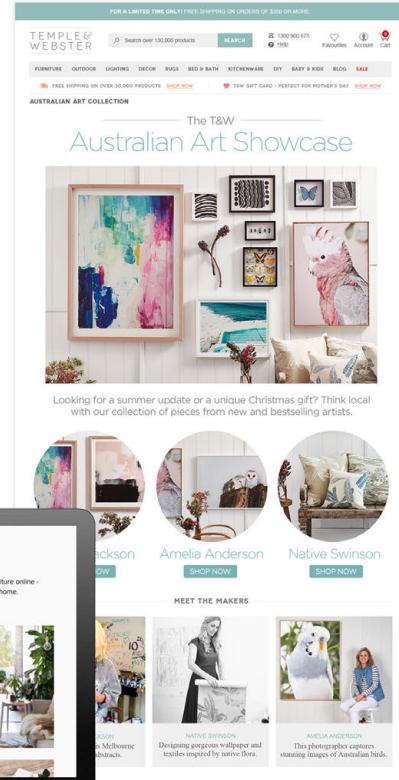
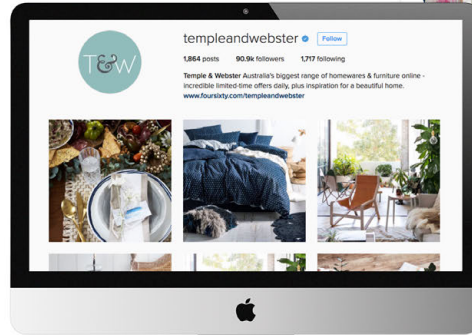
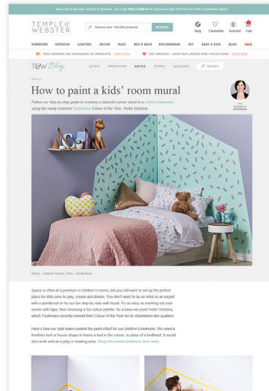
- Furniture is mostly unbranded, which provides an opportunity to differentiate our range
- Furniture in general is less competitive and many online retailers (eg. Amazon) shy away from bulky deliveries
- There is a market opportunity to differentiate our offering around the bulky goods delivery experience

The Temple & Webster content experience is a core strategic advantage

Since launch, Temple & Webster has been an industry leader in creating a seamless content-led shopping environment, resulting in a highly engaged audience that turns to our brand for inspiration as well as purchase.

The T&W world carries through from our on-site experience to beautiful, editorialised emails, an award-winning blog, and our rapidly growing social media reach.

In FY17 we extended our industry leadership with a market first interactive online education series, launched in partnership with Sydney Design School.



World-class customer service and delivery experience

Fast & easy delivery

Hassle free returns

Expert advice;
live-chat

Scalable care team
(Manila)

FY17:
Customer satisfaction up by ~40%

FY18:
Better bulky delivery experience



We continue to invest into our foundations which will allow us to scale

Marketing & Data



FY17

- Reduced cost per customer by 34% (2HFY16 vs 2HFY17)
- Reduced ad-cost as % of revenue from 20.1% to 11.6% (FY16 vs 2HFY17)
- Launched partnership with data company to target furniture buyers
- Integrated new email platform for lifecycle marketing
- Integrated data platform for personalisation

Roadmap

Personalisation (on-site & off-site); up-sells & cross-sells; segmentation; above-the-line trials

Technology



FY17

- Migrated the entire business onto world-class, purpose built platform acquired from Wayfair (US)
- Integrated platform with multiple storefronts; supplier extranet; business intelligence/reporting; mobile site; registered site & tools for trade & commercial customers; sophisticated catalogue management and merchandising tools including pricing; inventory management/operations tools

Roadmap

Augmented reality; machine learning / artificial intelligence; image search

Trade & Commercial



FY17

- Established dedicated trade & commercial team (eg interior designers; developers; SMEs)
- Clients access dedicated account management, bespoke quotes; project tools; design services
- Account growth of ~200%
- Average order value 5x our consumer sales

Roadmap

Outbound sales team; dedicated commercial product ranges; by-appointment showroom

A modern living room interior featuring a wooden coffee table with a black metal base, a brown sofa with a fur throw and patterned pillows, and a wooden chair with a light blue cushion. The room is decorated with a wooden console table, a vase of dried flowers, and a framed picture on the wall. The text "FY17 key financials" is overlaid in the center.

FY17 key financials

Mark Taylor CFO

Pro forma profit and loss

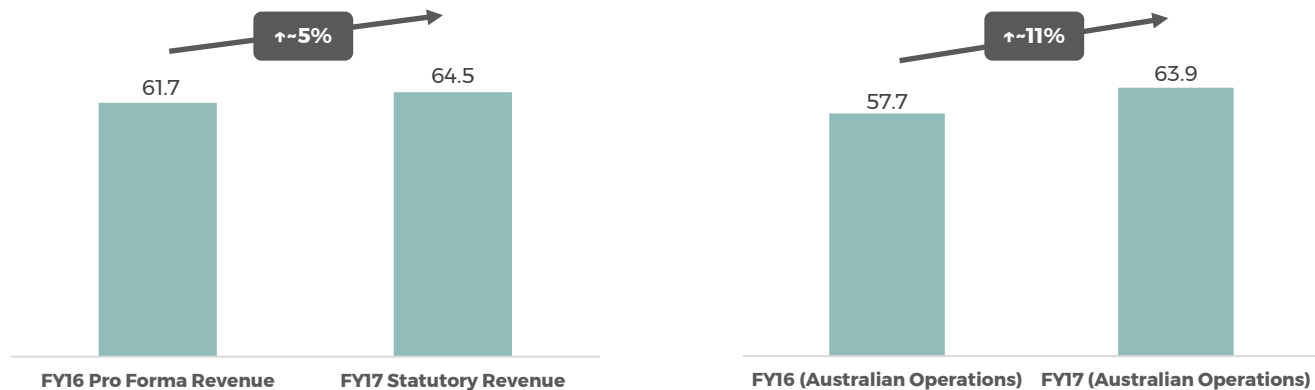
A\$m	FY15	FY16	FY17	Australian Operations		
				FY16	FY17	Growth
Revenue	59.9	61.7	64.5	57.7	63.9	10.7%
Cost of Sales	(35.2)	(37.0)	(37.0)	(34.6)	(36.4)	
Gross Profit	24.7	24.6	27.5	23.1	27.5	19.2%
Gross Profit %	41.2%	39.9%	42.7%	40.0%	43.1%	
Distribution	(11.6)	(11.2)	(9.7)			
Wages	(9.8)	(12.1)	(12.4)			
Advertising & Marketing	(7.1)	(12.0)	(8.2)			
Selling & Admin Expenses	(3.9)	(4.1)	(4.0)			
EBITDA	(7.8)	(14.8)	(6.8)			
Gross Profit %	41.2%	39.9%	42.7%			
Delivered Margin %	21.7%	21.7%	27.6%			
<i>(After distribution costs)</i>						
Cost Base						
Cost of Sales	58.8%	60.0%	57.4%			
Distribution	19.4%	18.2%	15.1%			
Wages	16.4%	19.6%	19.2%			
Advertising & Marketing	11.9%	19.4%	12.7%			
Selling & Admin Expenses	6.5%	6.6%	6.3%			
EBITDA	(12.9%)	(24.0%)	(10.5%)			

- Revenue from Australian operations up ~11%
- Gross margin (in dollar terms) up ~19% or 3.1 basis points from Australian operations
- Marketing spend as a percentage of revenue: 12.7% vs 19.4% last year
- EBITDA loss of \$6.8m, vs a loss of \$14.8m last year, an improvement of 54% YoY

Australian operations exclude results from Milan Direct UK which was closed during H1 FY17. EBITDA is a non-IFRS measure that, in the opinion of the Directors, is useful in understanding and appraising the Company's performance. Revenue, Margin and EBITDA comparisons are performed on a pro forma basis which include the assumption that the Milan Direct AU and ZIZO businesses were part of the group for the entire FY16 but exclude all costs associated with the acquisition and restructuring of Milan Direct and ZIZO, depreciation, amortisation, interest and any costs associated with the Group's IPO.

The Australian operations grew at ~11%

Revenue, \$m



Includes
Temple & Webster
ZIZO
Milan Direct AU
Milan Direct UK

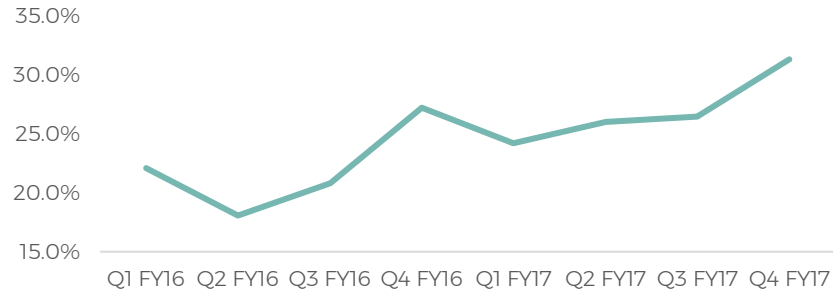
Includes
Temple & Webster
ZIZO
Milan Direct AU

Excludes
Milan Direct UK (closed H1FY17)

While we consciously sacrificed some revenue under the revised plan, the focus on the core allowed us to significantly reduce our operating costs, enhancing our path to profit

Margin levels continue to improve

Delivered Margin %

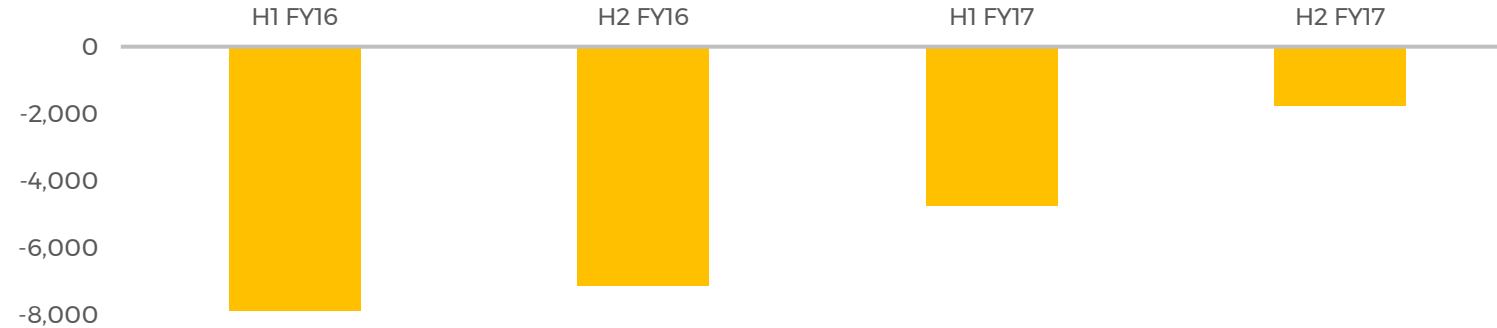


Delivered margin is gross margin including all distribution costs (shipping/warehousing) from Australian operations

- Increased higher margin private label (owned inventory) sales, mostly furniture
- Implemented strategic pricing point increases across the Temple & Webster range
- Lowered warehousing costs as a result of lower inventory levels and renegotiated 3PL agreements
- Improved shipping cost recovery

The group is nearing profitability

EBITDA, \$'000s



- As a result of revenue growth, improved margins and a lower cost base, the EBITDA position continues to improve as the Group pushes towards profitability
- The Group is on track to reach profitability in CY18 with FY19 being our first full year of profit

Balance sheet

A\$m

30-Jun-17

Assets

Cash & Cash Equivalents	8.7
Inventories	1.4
Other current assets	0.9
Intangibles, (inc. goodwill)	7.7
PPE	0.2
Total Assets	18.9

Liabilities

Trade & other payables	5.6
Employee accruals and provisions	1.6
Deferred revenue	1.6
Total Liabilities	8.8

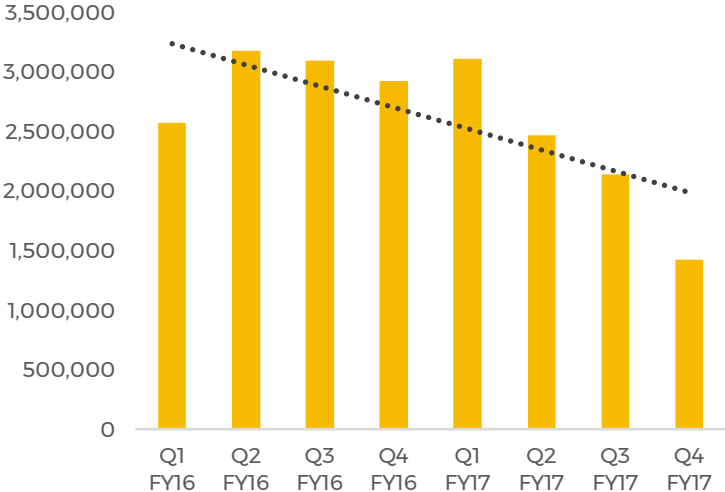
Net Assets

Equity	
Share Capital	76.6
Reserves	0.8
Retained earnings	(67.3)
Total Equity	10.1

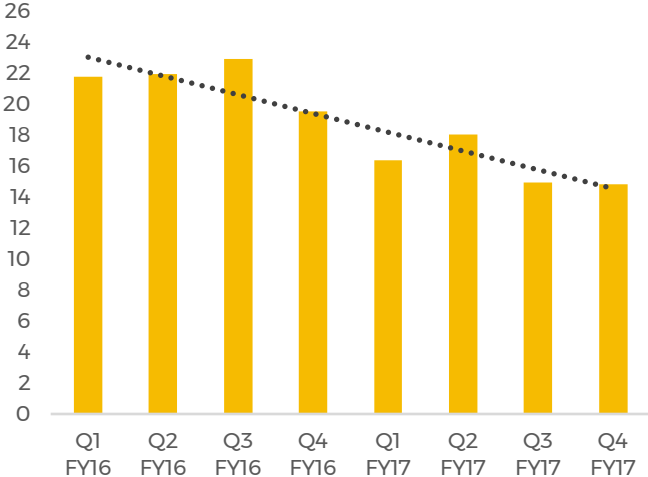
- Strong balance sheet position with \$8.7m cash and no debt
- Cash flow positive Q4
- Inventory metrics continue to improve with owned inventory sales now representing ~20% of total sales
- Trade and other payables balance has reduced by over 38% year on year

Inventory metrics continue to improve

Average inventory



Weeks of cover



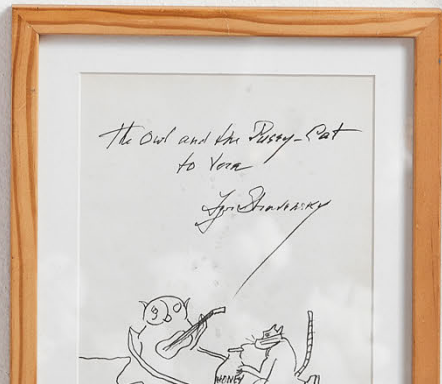
Average inventory levels have reduced by ~50% YoY with owned inventory sales continuing to track at ~20% of total sales

Average inventory is calculated utilising the average for the quarter excluding stock in transit

Outlook

July and August have been a good start to the new financial year with all key metrics in line with expectations.

The Company remains confident that the current trajectory will deliver our plan of reaching profitability during CY18, with FY19 being the first full year of profit.



Why TPW?

Leading online retailer in the furniture and homewares market

~\$13 billion market with only ~4% having moved online

Largest range in the country with the most inspirational content & services

World-class, purpose built technology platform

Clear path to profit

Best positioned for customer, revenue and margin growth



Q&A



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