

TEMPLE &  
WEBSTER

# FY19 Investor Presentation

Mark Coulter CEO  
Mark Tayler CFO



FY19 Revenue  
**\$101.6m**  
*~41% Growth YoY*

FY18 Revenue  
**\$72.2m**

FY19 EBITDA  
**\$1.1m**

FY18 EBITDA  
**(\$0.7m)**

Jun-19 Cash  
**\$13.5m**

Jun-18 Cash  
**9.9m**

- Temple & Webster is the online market leader in furniture & homewares
- \$13.9b total market, only 4-5% moved online
- Business is now trading profitably with strong top-line growth and a debt free balance sheet

# FY19 Business Update

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## High growth in a weak housing market

- ~41% revenue growth
- 37% active customer growth
- First \$1 million day in June (checkout revenue)
- Shift to online driven by demographic changes independent of macroeconomic factors
- Temple & Webster positioned as “affordable beauty”, appealing to value conscious shopper

## Market leader in a large, growing market

- Furniture & homewares is a \$13.9b market (excluding appliances and DIY)
- Temple & Webster is the online market leader
- High growth has allowed us to forge closer partnerships with our suppliers and accelerate investment in key differentiating areas e.g. technology, experience

## Strong balance sheet, cash flow positive business model

- Cashflow positive business model as ~80% of sales do not require holding inventory
- Contribution margin (margin after all variable costs including advertising and customer service costs) remains on target (>15%)

## Key FY19 launches

- Range increased to 150,000+ live products
- By appointment showroom for Trade & Commercial customers (e.g. decorators, developers)
- New photographic studio
- New private label homewares range
- Personalisation across desktop, mobile and email

# Temple & Webster is the leading online retailer for furniture & homewares

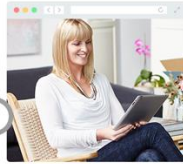
Page impressions (JUNE)

**~14m**



Website users (JUNE)

**~1.6m**



Email subscribers

**~1.8m**



Social media reach

**~560k**



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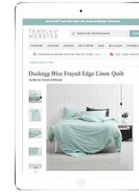


Active customers (LTM)

**~271k**

Product listings

**~150k**



Sub-categories

**~195**



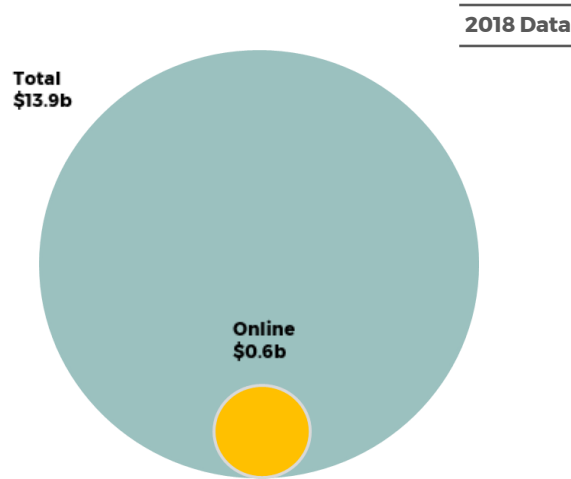
Average time to dispatch

**~1.5 days**



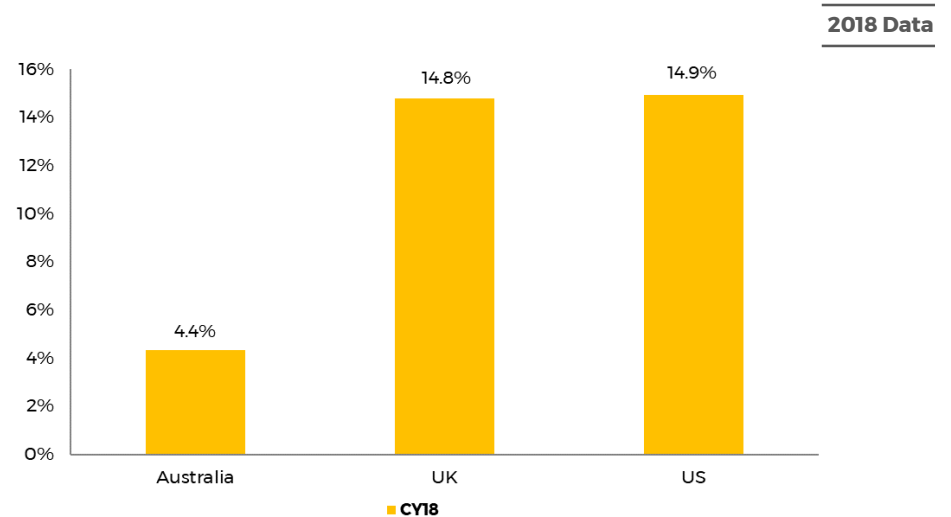
# Our core furniture and homewares category is a \$13.9 billion-dollar market, with only 4-5% migrated online

Furniture and Homewares Market (AUS)



Source: Euromonitor International Limited; Home Furnishings and Homewares System 2018 edition. Sales in 2018 in retail value (inc. sales tax), current terms, and is to scale.

Furniture and homewares online penetration rates by country

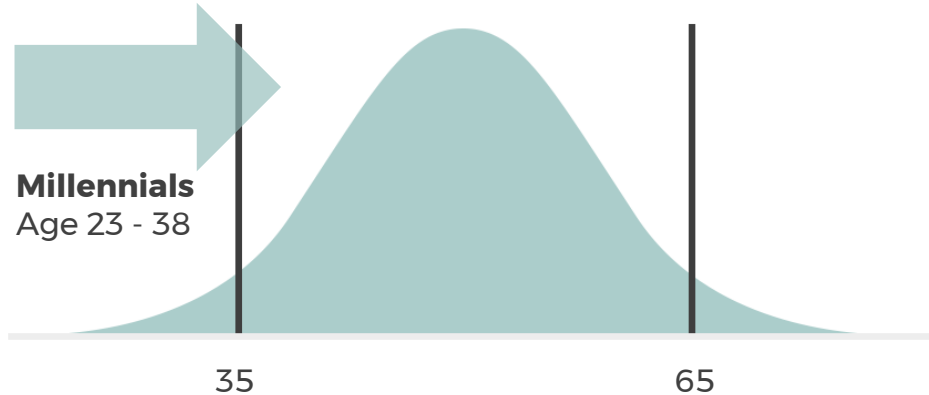


Source: Euromonitor International Limited; Home and Garden system 2018 edition. Internet sales as a percentage of the total retail sales value (inc. sales tax) for home furnishings and homewares in Australia, UK and US. Current terms.

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

**1** Millennials are entering our core demographic

Hypothetical distribution of homewares and furniture spend by age



**2** Structural changes in our favour

- 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

# Our strategy is based on range, inspiration and service

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## Our Core Belief

- We believe everyone wants to live more beautifully.

## Our Vision

- Our vision is to make the world more beautiful, one room at a time.

## Our Mission

- Our mission is to deliver beautiful solutions for our customers' homes and work spaces, and for all of our other stakeholders, including suppliers and shareholders.

## Our Strategic Pillars

- We want to be famous for having **the largest range** in our category, the **most inspirational content** and the **best delivery experience & customer service**.
- Our foundations are built on data-driven marketing, world-class technology and exceptional execution by an amazing team.

## Our Goal

- We believe if we can deliver the above, Temple & Webster will become the first place Australians turn to when shopping for their homes and work spaces.

# It's all about the customer



Temple & Webster 

www.templeandwebster.com.au

★★★★★ 4.3 from 2,561 reviews



Best pureplay finalist 2019



Temple & Webster

Reviews 4,305 • Excellent



2018 AWARDS WINNER

## Net Promoter Score (score range: -100% to 100%)



Key initiatives to further drive customer satisfaction

Taking more control over delivery experience

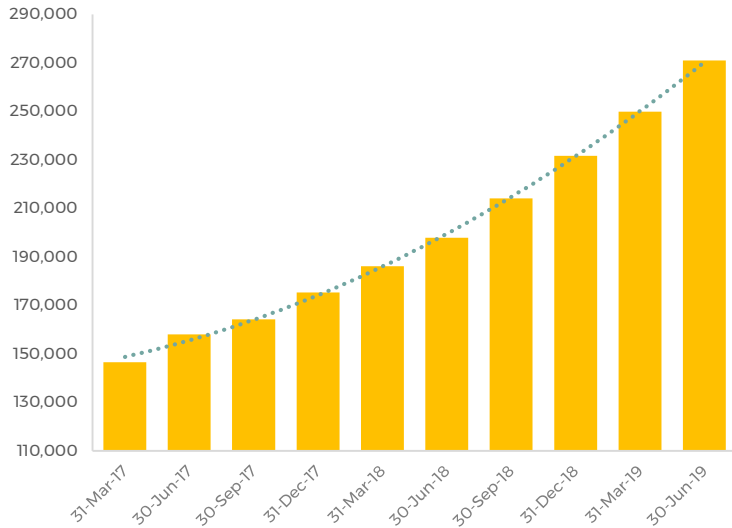
Enforcing quality standards across supplier base

Category experts within customer care team

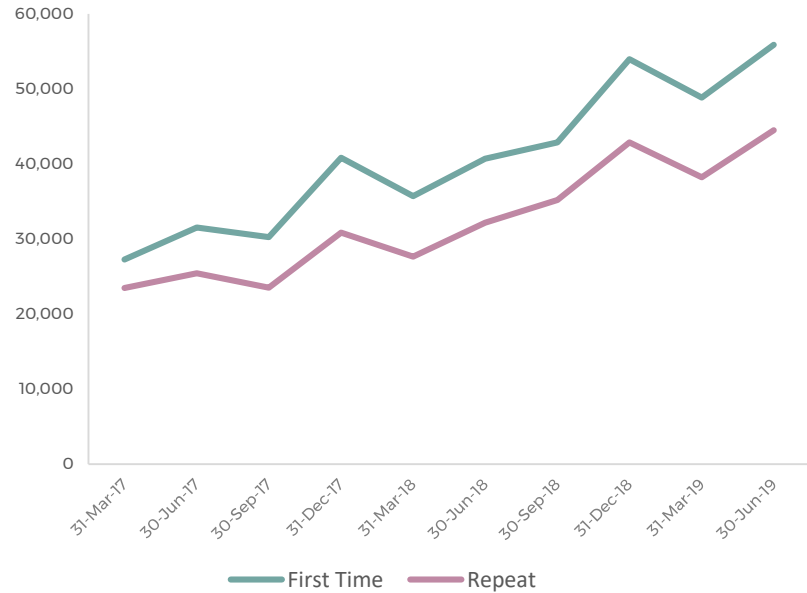


# Active customers up 37% year on year

## Active Customers



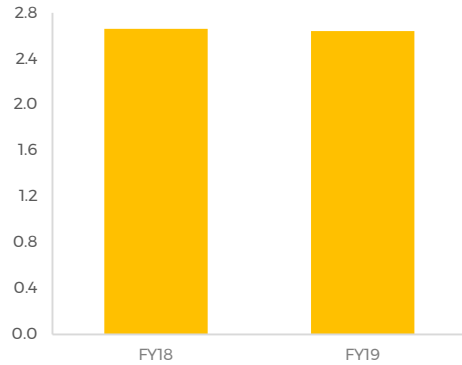
## Repeat and First Time Orders



NB. Active customers are the number of unique customers who have transacted in the last twelve months (LTM). All numbers are Temple & Webster only and exclude Milan Direct.

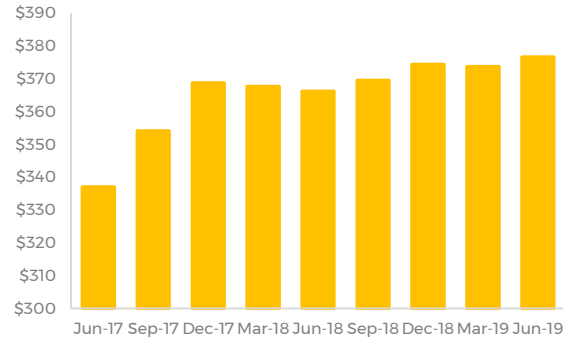
# Customers metrics remain strong

## 12 month Marketing ROI holding at ~2.6x<sup>1</sup>

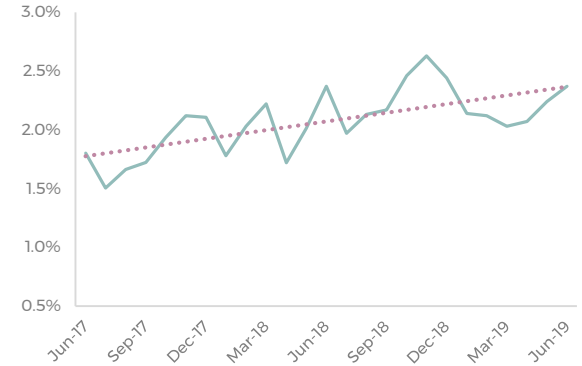


Customer Acquisition Cost (CAC)	FY18	FY19
Customer Acquisition Cost (CAC)	\$43	\$43

## Revenue per Active Customer<sup>2</sup>



## Conversion Rate<sup>3</sup>



1. Marketing ROI = Margin \$ / CAC

Margin = Revenue / Active Customer as at 30 Jun 2019 x Delivered Margin % for FY19

CAC = Total marketing spend for FY19 x 77% (being the estimated percentage of marketing spent on new customer acquisition, i.e. excludes estimated spend on repeat customers), divided by the number of First-Time customers during FY19

The estimate of the proportion of marketing spend on new customers is a change in methodology from previous market announcements, however, provides a more accurate reflection of the CAC calculation.

2. Revenue per active customer = Last 12 months revenue divided by Active Customers

3. Conversion rate = number of transactions divided by number of unique visitors (source: Google Analytics)

# Our Trade and Commercial (B2B) division grew 38% year on year

## Our B2B Customer Proposition

### Program benefits



#### Exclusive Trade Discounts

Our competitive pricing matched with an exclusive members-only discount means extra savings for you while offering clients the very best quality and brands in the industry.



#### Trade-Exclusive Products

We partner with the brands you love to provide insider access to exclusive collections and custom offerings that are exclusive to our Trade & Commercial clients. You'll have more than 150,000 products to choose from every day.



#### Access to the Temple & Webster Design team

Trade & Commercial customers have access to the Temple & Webster Design team for a full design and procurement service. If you need an expert to help you create a beautiful solution for your client, your space or your business, our talented group of stylists and designers is ready to work on your brief.



#### Personalised Service

Our specialist account managers are here for you, so you can complete every project efficiently and flawlessly. They are committed to sourcing the right product for you, matching specs and ensuring your ordering and delivery process is seamless. From quotes to tear sheets to fabric samples, no job is too big or too small.



#### No purchase minimums

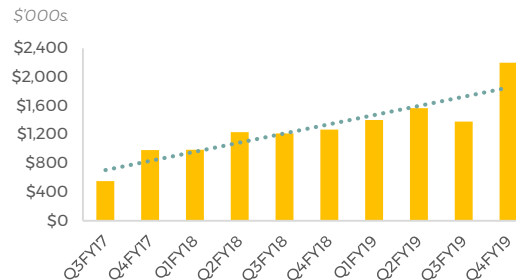
There's no minimum purchase or volume requirement to take advantage of the Temple & Webster trade & commercial discount.



#### White Glove Delivery Options

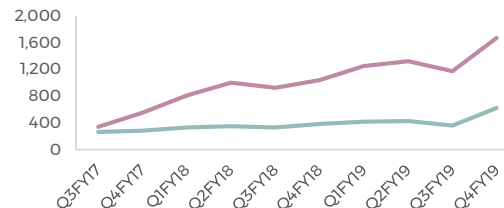
We offer a premium consolidated shipping service to our trade clients with the option of unpacking, assembly, rubbish removal and even styling to provide you with a seamless solution for your installation (on request).

## B2B Sales



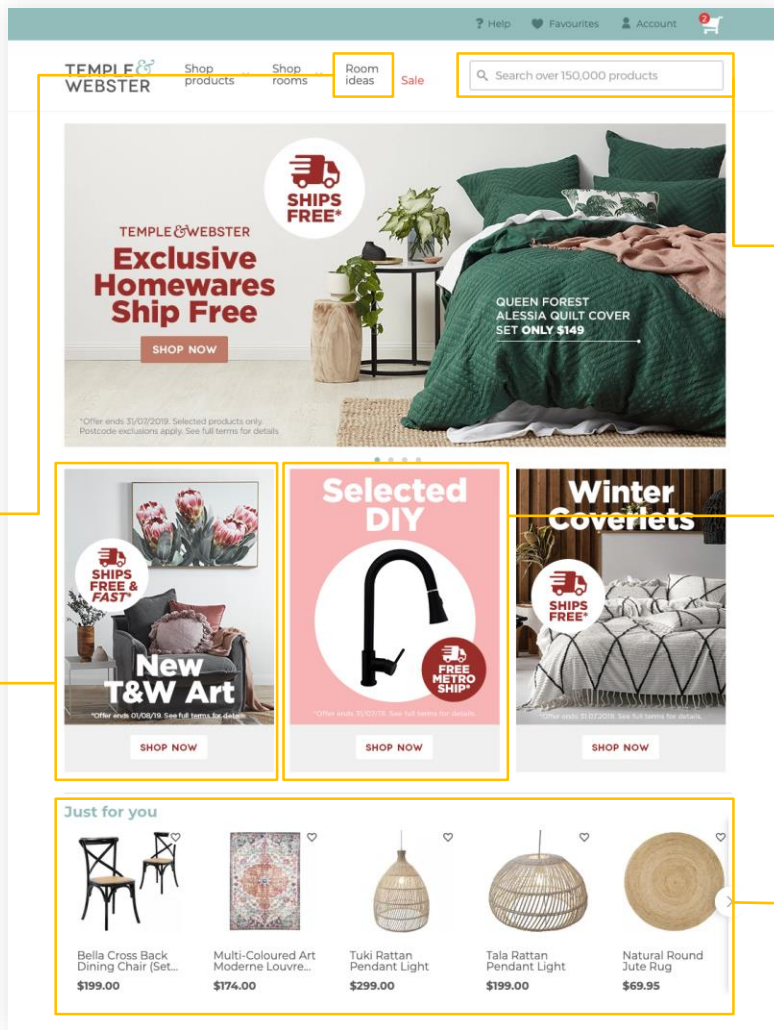
Sales/revenue is pre deferred revenue and refund accounting adjustments

## Repeat and First Time Orders



— First Time Trade & Commercial Customer Orders  
 — Repeat Trade & Commercial Customer Orders

# FY19 Key launches: We continue to innovate our offering



Added "Shop the Look" functionality with 500+ proprietary images

Expanded private label range into homewares

Increased range by 25%, to 150k products

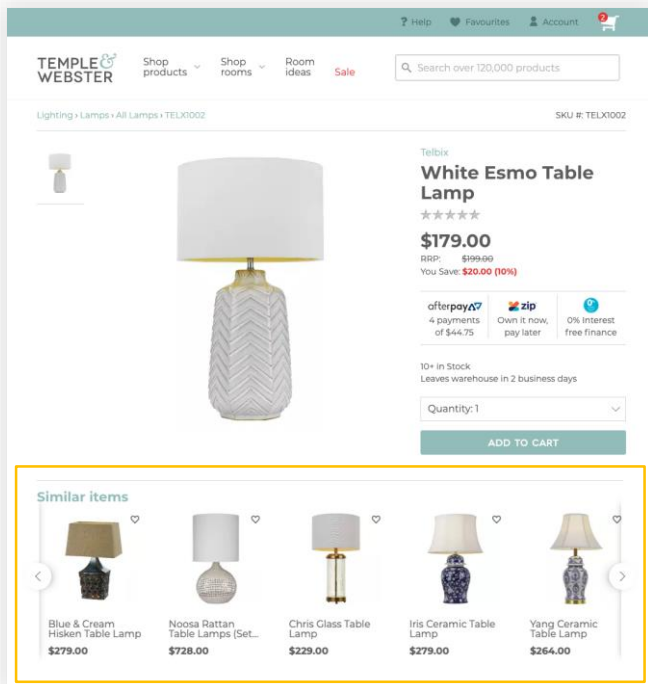
Begun to invest in DIY/ home improvement category

Added personalisation across desktop, mobile and email

# FY19 Key launches: Site functionality

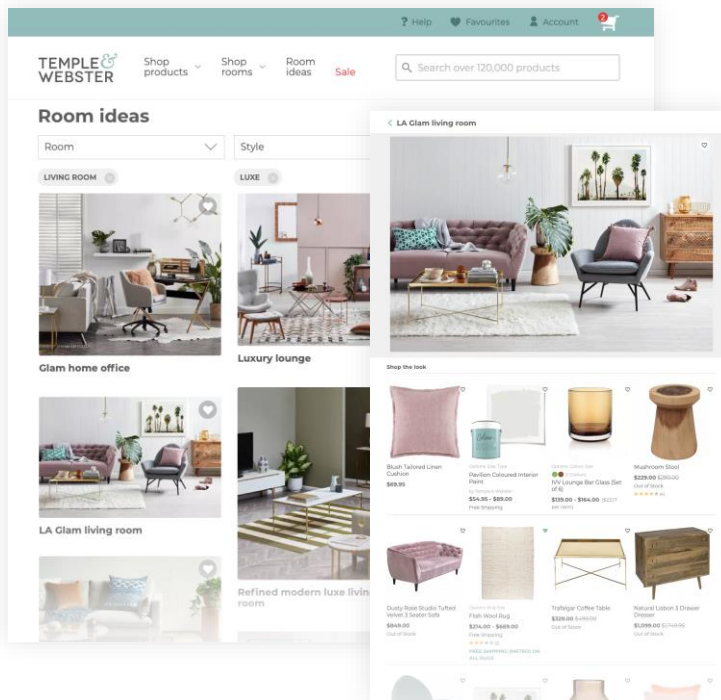
## Product Recommendations

Using AI and machine learning



## Room Ideas / Shop the Look

Leveraging back catalogue of proprietary imagery



# FY19 Key launches: Showroom & Studio



## **By appointment showroom**

Personal service with dedicated account manager for our Trade & Commercial customers; touch & feel key product lines; view samples & swatches; review designs and product selections



## **New photographic studio**

Dedicated photographic studio; multiple room sets; warehouse storage for new products and props

# FY19 Financial Results

Mark Tayler CFO



# Profit and loss

**Pre Audit**

A\$m	FY18	AASB 15	FY18	FY19
	Pre Adj	Adjustment	Post Adj	
<b>Revenue</b>	<b>72.6</b>	<b>(0.4)</b>	<b>72.2</b>	<b>101.6</b>
Cost of Sales	<b>(40.5)</b>	0.2	(40.3)	(56.3)
<b>Gross Margin</b>	<b>32.1</b>	<b>(0.2)</b>	<b>31.9</b>	<b>45.3</b>
	44.2%		44.1%	44.6%
Distribution	(9.6)	0.1	(9.5)	(14.7)
<b>Delivered Margin</b>	<b>22.5</b>	<b>(0.1)</b>	<b>22.4</b>	<b>30.6</b>
	31.1%		31.0%	30.1%
Advertising & Marketing	(8.1)	0.0	(8.1)	(11.1)
Customer Service & Merchant Fees	(2.4)	0.0	(2.4)	(3.3)
<b>Contribution Margin</b>	<b>12.0</b>	<b>(0.1)</b>	<b>11.9</b>	<b>16.1</b>
	16.6%		16.4%	15.9%
Wages	(10.3)	0.0	(10.3)	(12.0)
Other	(2.3)	0.0	(2.3)	(3.0)
<b>EBITDA</b>	<b>(0.6)</b>	<b>(0.1)</b>	<b>(0.7)</b>	<b>1.1</b>
	(0.8%)		(1.0%)	1.1%
Share Based Payments	0.7	0.0	0.7	1.0
<b>Adjusted EBITDA</b>	<b>0.1</b>	<b>(0.1)</b>	<b>0.0</b>	<b>2.1</b>
	0.1%		0.0%	2.1%

- Revenue growth for the year of ~41%
- Delivered margin increased by 37%, however margin % is down slightly YoY due to increased fulfillment costs as a result of investment in private label owned inventory and some shipping cost increases, not all of which were passed onto the customer
- Marketing spend continues to improve with marketing as a % of revenue down to 10.9%, from 11.3% last year
- Contribution margin remains above our target of >15%
- Fixed costs as a % of revenue down ~15%
- EBITDA result of \$1.1m (\$2.1m excluding non cash share-based payments)

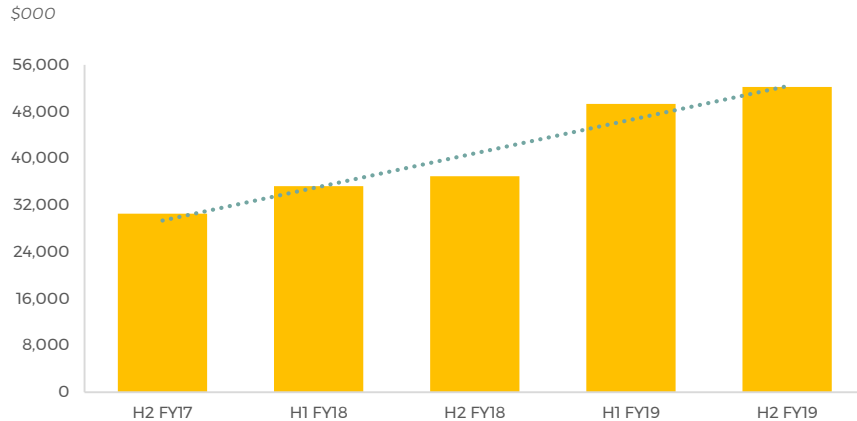
*Under the previous Australian Accounting Standards, revenue for TPW was recognised on shipment of goods in line with TPW's terms and conditions. Under the new standard, revenue is recognised upon receipt of goods by the customer, resulting in more revenue being deferred (~4 days) at the end of the period.*

*Both current and comparable periods have been adjusted to reflect the above change in the revenue accounting policy.*



# We are taking market share in a weak macro environment

## Revenue by Half



- Although macro conditions have been difficult throughout FY19 (weak retail sales, low wages growth, negative housing market), TPW's growth rate has remained consistent.
- At current growth rates, we are taking share from not only our pureplay competitors but also bricks and mortar competitors, as more of the market shifts from offline to online.

# Profitability is allowing the business to reinvest for growth

	FY17	FY18	FY19
<b>Revenue</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
Gross Margin	42.7%	44.1%	44.6%
Delivered Margin (after all distribution costs)	27.6%	31.0%	30.1%
Customer Service Staff & Merchant Fees	4.7%	3.3%	3.3%
Advertising Costs	12.6%	11.3%	10.9%
<b>Contribution Margin</b>	<b>10.3%</b>	<b>16.4%</b>	<b>15.9%</b>
Fixed Costs ( <i>ex share based payments</i> )	20.6%	16.4%	13.8%
<b>Adjusted EBITDA</b>	<b>(10.2%)</b>	<b>0.0%</b>	<b>2.1%</b>

Contribution margin remains on target >15%

Fixed costs include reinvestment into growth initiatives

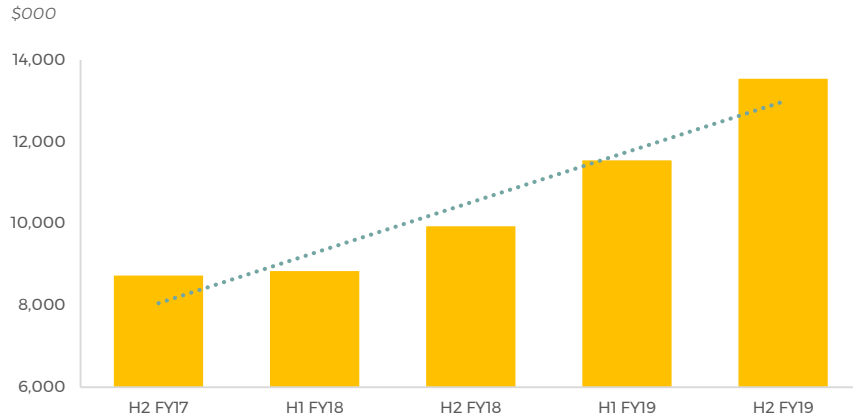
- Mobile App / technology
- Logistics capabilities
- Trade & Commercial division
- Private Label team (furniture & homewares)

FY17 - FY19 numbers take into consideration the new revenue recognition accounting standard AASB15.

# Realising benefits of a cash flow positive model

Pre Audit

## Cash flow by Half

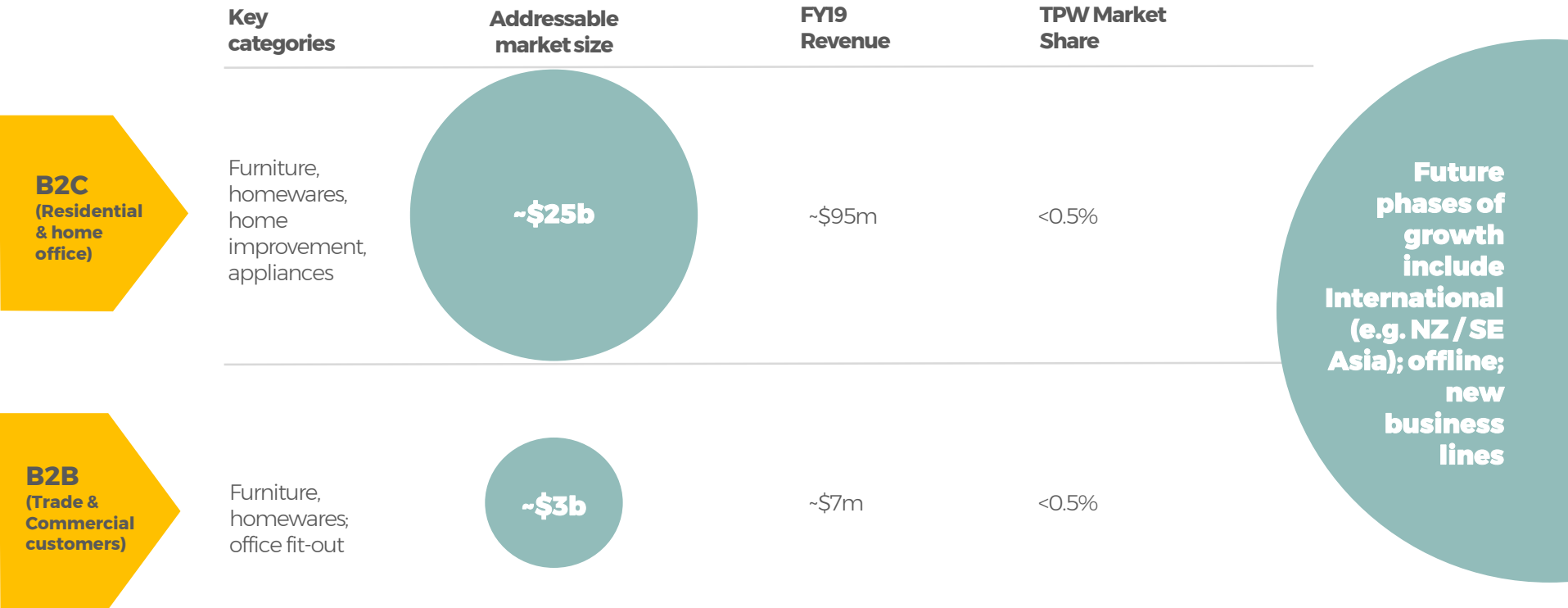


- Closing cash of \$13.5m
- Cash flow positive year +\$3.6m was driven by a positive EBITDA result and benefits from the group's cash flow positive business model
- Strong balance sheet position with no debt
- Inventory and creditor metrics (WOC/DPO/Ageing profile) all continue to track within target ranges

# Strategy & Outlook



# Given the growth opportunity, our focus is on Australia



NB: Relative sizes of market opportunities are indicative only; addressable market sizes are TPW estimates; B2C market includes 100% furniture/homewares/fixing flooring and 25% of Australian DIY and 25% Australian appliance sales - ABS Retail Sale data May 2019

## Our plan to grow our leadership in the online B2C furniture and homewares market

Add depth and breadth across our core categories (including DIY); expand private label offering

Leverage scale to obtain cost advantage and exclusivity on new product ranges

Increase brand awareness from 31% to +80% through digital and non-digital channels

Innovate our offering: mobile app, personalisation, augmented reality

Continue pilot of our own delivery van network to solve bulky delivery

Add design help for all customers (chat, voice, online, in-store)

## Our plan to grow our market share of the B2B furniture and homewares market

Add Trade & Commercial exclusive product ranges

Add inbound sales staff (onshore & offshore); and outbound business development managers

Continue pilot of Sydney by appointment showroom

Continue to improve fulfillment model (consolidation; white glove service)

Innovate offering leveraging B2C tech (augmented reality; personalisation)

Grow brand awareness through trade marketing activities

## Trading update & outlook

FY20 has started strongly with July's YoY revenue growth tracking in line with FY19.

The company remains committed to a high growth strategy to take advantage of the structural shift towards online.

TPW will be reinvesting short term operating leverage into growth initiatives as outlined, while remaining profitable.

This reinvestment strategy supports Temple & Webster's stated goal of becoming the first place Australians turn to when shopping for their homes and work spaces.





**Q&A**



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