

ASX Announcement
23 October 2019

AGM Address

Chairman's address to AGM

The 2019 financial year was a great one for the company;

- The group delivered a full year revenue result of \$101.6m, up 41% year on year, which in the context of weak retail and housing markets is an impressive result
- As promised, FY19 was the first full year of profit for the group with an EBITDA result of \$1.1m. NPAT was helped by the recognition of a deferred tax asset to finish at \$3.8m
- The year ended with \$13.5m in cash with zero debt, which represents net cash flows of +\$3.6m for the year

The board is very happy with progress to date and believes the Company is well positioned to take advantage of the continuing high growth of the online furniture and homewares market.

I'd like to take this opportunity to acknowledge Mark and his team for their passion and dedication in delivering the business plan to date and extend my thanks to my fellow Directors Sue Thomas and Conrad Yiu and Company Secretary, Mike Egan for their contribution and stewardship. And on behalf of the directors of the Group, I would also like to thank you, our shareholders, for your support.

I'd also like to announce that this morning Mark was appointed a director of the group. Mark's appointment will no doubt be welcomed as a further sign of his commitment to Temple & Webster, and on behalf of the other directors, I welcome Mark to the board. I will now hand over to Mark for his address.

CEO'S Address to AGM

Thank you Stephen and good morning everyone.

As Stephen mentioned, the year was headlined by two incredible milestones. Firstly, our revenue for the year crossed into 9 figures, ending at \$101.6m, up 41% on the year before. The second, as promised, FY19 was our maiden year of profit.

This slide shows how we got there. Over the year, we built upon the work completed in the years prior. Importantly, our gross margin improved to 44.6% due to smarter pricing, private label growth and securing better terms from our suppliers. Our advertising as % of sales also improved due to our continued innovation in our digital marketing channels which has led to efficiency improvements. What is critical to note, is that you can now see the operating leverage of the business. While our fixed costs in absolute terms grew by almost 18% due to investments in future growth initiatives such as our trade & commercial team, our mobile app, new categories and our technology team, as a percentage of revenue our fixed costs decreased by 15%. It is this operating leverage, combined with the group's healthy 41% revenue growth, which propelled us to our first year of profit.

Our revenue growth has been driven by a record number of active customers which were up 37% year on year to 271,000, due to increases in both first time and repeat customers. We also achieved our first \$1 million revenue day, a great result considering the challenges in the broader retail and housing markets. And importantly we have been able to scale our growth while keeping our customer acquisition costs steady.

Our hypothesis remains that the shift to online, which is being driven by the older Millennials and those that have grown up buying everything online, is independent of broader macroeconomic factors. We believe the shift from offline to online will continue regardless of what's happening macroeconomically. Also, our brand positioning is around affordable beauty, and when economic conditions get tough, we believe consumers become even more value conscious, and Temple & Webster definitely offers good value.

The year as always was a busy one. Some of our key achievements included:

- Increasing our range by 25% to have over 150,000 products for sale. Range expansion included entering into the home improvement or DIY category with select product additions. We also added resources into our private label division to expand our ranges particularly in homewares categories such as art, manchester and rugs. Importantly we use the data that we are collecting from the millions of user sessions on our site to inform our buying decisions around categories, price points and styles to lower the risk of our buying decisions.
- Increasing the number of products we sell has been combined with the development of technologies to help our customers find what they are looking for faster. All of our product pages now feature AI powered visual search product recommendations; our homepage and emails now feature product recommendations which use our immense quantities of data along with machine learning to intelligently suggest what products you're likely to be interested in. During the year we also launched a new section on the website which we call "room ideas", leveraging our back catalogue of proprietary images so our customers can easily "shop the look" they want to recreate in their homes

- We also opened our first “by appointment” showroom in Sydney for our Trade & Commercial customers. This space allows our clients to meet their dedicated account manager, review designs and product selections, and touch and feel key lines and samples. We moved our creative team into a dedicated photographic studio which has space for multiple simultaneous room builds, ample storage for props and samples and is probably the best equipped dedicated interiors photography studio in Australia.
- Finally, we made countless improvements to our customer experience both onsite and offsite. Our net promoter score continues to climb, hitting our target score of 60% due to improving the delivery experience, primarily by working more closely with our freight carriers, enforcing stricter quality standards across our supplier base and upskilling our customer care team. Note that the Net Promoter Score ranges from -100% to +100%, so a score of 60 is very good and means that the vast majority of our customers are very happy.

So where to from here?

Our estimated market share for both our Australian B2C and B2B divisions is less than 0.5%, so we have a lot of growth ahead of us if we can continue to execute our disruptive proposition.

Our plan to extend our market leadership of the B2C online furniture & homewares market has not changed:

- Firstly, we will continue to add depth and breadth to our product categories, including expanding our private label offering which we see as a big opportunity to not only add exclusive ranges but also improve our margins
- We will continue to leverage our scale, working with our suppliers on better terms but also obtaining exclusivity on new product ranges
- However as big as we are, only ~30% of Australians have even heard of Temple & Webster, so we will continue to build our brand awareness using both digital and non-digital channels with the aim of becoming a nationally recognised brand over the next 5 years
- Next up on innovating our offer is launching our mobile app and getting real world feedback. We will be expanding our personalisation efforts across all customer touch

points and are getting ready for the augmented/virtual reality trend which we see as becoming increasingly important for our sector over the next few years

- We continue to run our own delivery pilot and are working with our freight partners on what an improved service offering looks like for our Temple & Webster customers.
- And lastly, we continue to add customer advice touch points across our customer care channels

B2B / Trade & Commercial

Our B2B division, which we call Trade & Commercial, also had a strong finish to the year. While the NSW and Federal elections did not help trading during the half, Q4 recovered some of the general weakness we saw in Q3. The net result was revenue growth of 38% year on year. We remain bullish on this division as an alternative growth channel to the main game in B2C.

Our plan for the B2B division includes:

- The addition of exclusive trade only ranges
- The expansion of our inbound sales team (both onshore & offshore)
- The addition of business development managers with category and/or geographic specialisation for outbound sales
- Continuing the pilot of our Sydney by appointment showroom
- Further rolling out our turnkey solution for our clients including delivery consolidation, install and assembly, rubbish removal and styling
- And lastly, we also see an opportunity to increase the brand awareness of our B2B offering through dedicated trade marketing activities

Trading Update

In terms of outlook, FY20 has started strongly with YTD trading (to Oct 15) up 45% year on year and contribution margins within our target ranges. Having said that, we do remain watchful of broader

retail and housing market conditions.

Given the nascent stage of the online furniture and homewares market and the positive structural changes, we remain committed to our strategy of investing now to ensure Temple & Webster is the brand for the next generation of furniture and homewares buyers. We want Temple & Webster to be the first place Australians turn to when shopping for their homes and work spaces. As such our strategy is to pursue high growth while remaining profitable.

Team

Finally, thank you to the Tempster team, some of whom are here today. While it has been a big 3 years, you have set the business up for an incredibly exciting future, one that will continue to deliver high growth for many years to come. I would also like to thank the board for their counsel and stewardship, and I look forward to continuing our work together as a fellow director.

- ends -

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About the Temple & Webster Group

Temple & Webster is Australia's leading online retailer of furniture and homeware.

Temple & Webster has over 150,000 products on sale from hundreds of suppliers. The business runs an innovative drop-shipping model, where products are sent directly to customers by suppliers, enabling a larger product range, faster delivery times and reducing the need to hold inventory.

The drop ship range is complemented by a private label range which is sourced directly by Temple & Webster from overseas suppliers.

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

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FY19 AGM Presentation

23 October 2019



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Stephen Heath
Chairman



Summary

FY19 Revenue

\$101.6m

41% Growth YoY

FY19 EBITDA

\$1.1m

Jun-19 Cash

\$13.5m

FY18 Revenue

\$72.2m

FY18 EBITDA

(\$0.7m)

Jun-18 Cash

9.9m

- Temple & Webster is the online market leader in furniture & homewares
- Large addressable market, of which only 4-5% moved online
- Business is now trading profitably with strong top-line growth and a debt free balance sheet

Both FY18 and FY19 numbers take into consideration the new revenue recognition accounting standard AASB15

*Sources: Euromonitor International Limited; Home Furnishings and Homewares System 2018 edition
IBISWorld Industry Report OD4176 Online Household Furniture Sales in Australia.*

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Mark Coulter
CEO



Operating leverage delivered the Group's first full year of profit

	FY17	FY18	FY19
Revenue	100%	100%	100%
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%
Contribution Margin	10.3%	16.4%	15.9%
Fixed Costs (<i>ex share based payments</i>)	20.6%	16.4%	13.8%
Adjusted EBITDA	(10.2%)	0.0%	2.1%

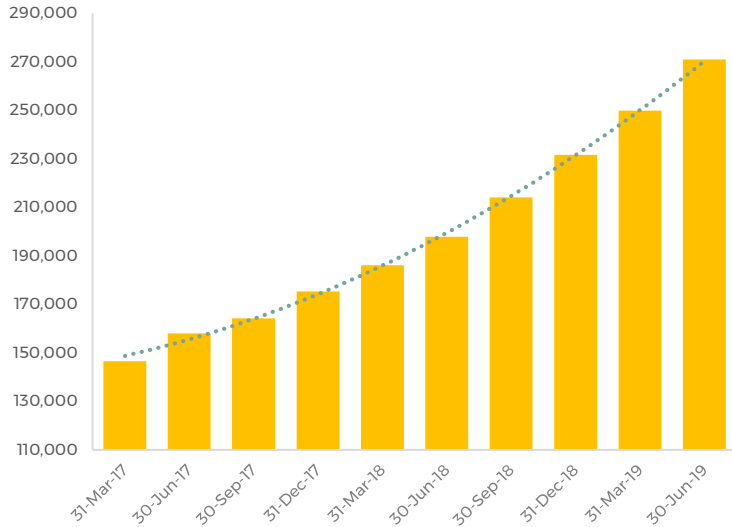
- Better terms; more private label

- Increased digital efficiency

- Operating leverage (costs increased ~18% in absolute terms due to investment)

Active customers up 37% year on year

Active Customers



Repeat and First Time Orders

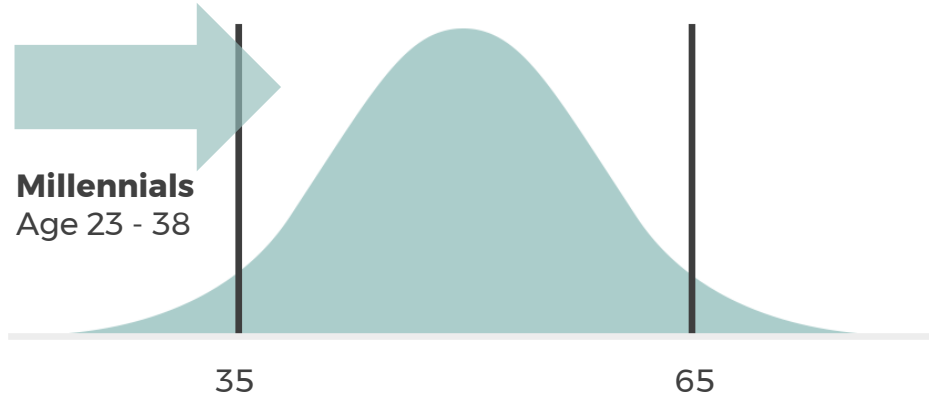


NB. Active customers are the number of unique customers who have transacted in the last twelve months (LTM). All numbers are Temple & Webster only and exclude Milan Direct.

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

1 Millennials are entering our core demographic

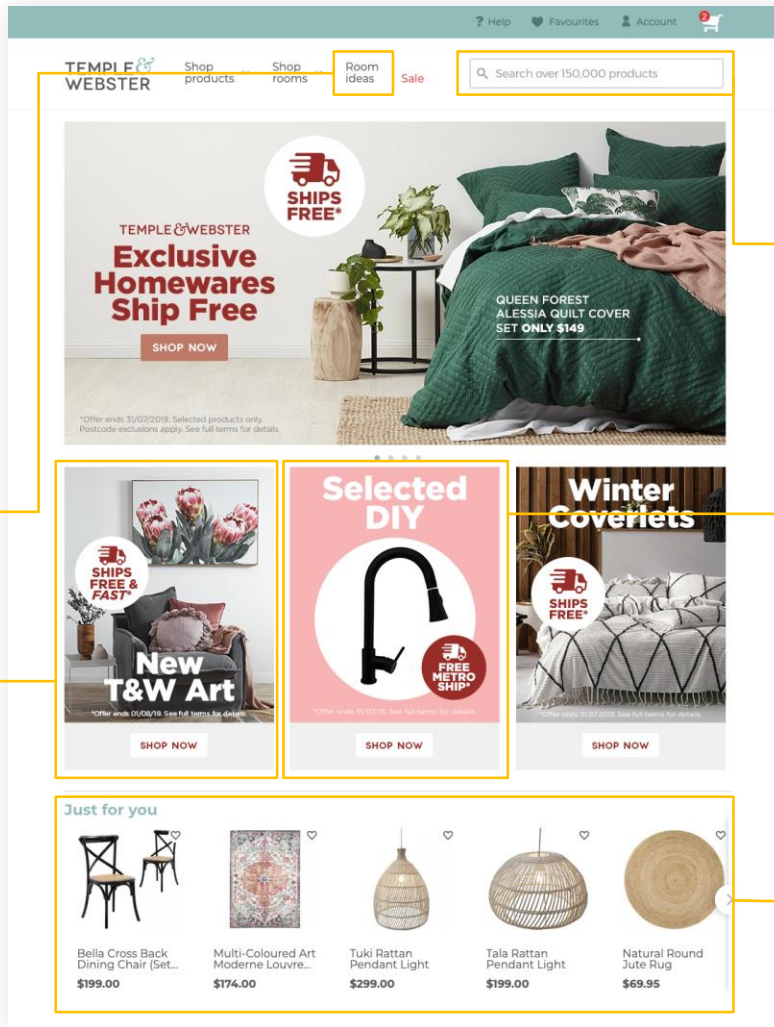
Hypothetical distribution of homewares and furniture spend by age



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

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

The screenshot displays the product page for the 'White Esmo Table Lamp'. The page includes a navigation bar with 'Shop products', 'Shop rooms', and 'Room ideas'. A search bar is present with the text 'Search over 120,000 products'. The product details section shows the lamp's name, a 5-star rating, a price of \$179.00 (RRP \$199.00), and financing options like 'afterpay' and 'zip'. A 'Quantity: 1' dropdown and an 'ADD TO CART' button are visible. Below the product, a 'Similar items' section is highlighted with a yellow border, featuring five other lamp models with their respective prices: Blue & Cream Hisken Table Lamp (\$279.00), Noosa Batten Table Lamps (Set...) (\$728.00), Chris Glass Table Lamp (\$229.00), Iris Ceramic Table Lamp (\$279.00), and Yang Ceramic Table Lamp (\$264.00).

Room Ideas / Shop the Look

Leveraging back catalogue of proprietary imagery

The screenshot shows the 'Room ideas' section of the website. It features a 'Room' dropdown menu set to 'LIVING ROOM' and a 'Style' dropdown menu set to 'LUXE'. Below these are two room idea images: 'Glam home office' and 'Luxury lounge'. A 'Shop the look' overlay is positioned on the right, displaying a grid of products from the 'LA Glam living room' set. The products include a 'Blue Tailored Linen Cushion' (\$69.95), 'Daydream Coloured Interior Paint' (\$54.95 - \$99.00), 'Mushroom Stool' (\$29.00), 'Natural Linen 3 Drawer Chest' (\$1099.00), 'Danya Blue Shaded Tubed velvet 3 Seater Sofa' (\$949.00), 'Felix Wood Rug' (\$274.00 - \$449.00), 'Tadpole Coffee Table' (\$329.00), and 'Natural Linen 3 Drawer Chest' (\$1099.00). The overlay also includes a search bar and navigation icons.

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

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



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



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 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

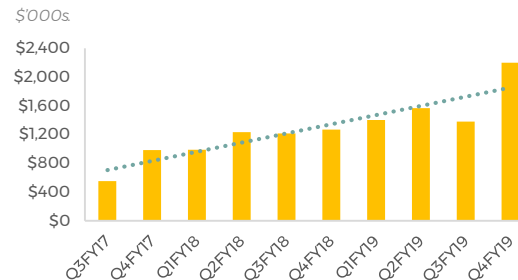
There's no minimum purchase or volume requirement to take advantage of the Temple & Webster trade & commercial discount.



White Glove Delivery Options

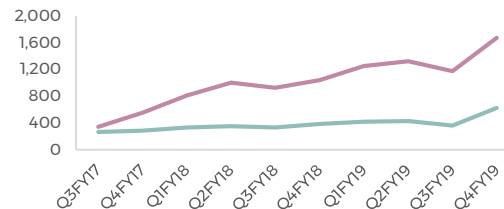
We offer a premium consolidated shipping service to our trade clients with the option of unpacking, assembly, rubbish removal and even styling to provide you with a seamless solution for your installation (on request).

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

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 YTD trading (to Oct 15) up 45% year on year and contribution margins within our target ranges.

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.



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Questions



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Resolutions



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Meeting Closed



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