



TEMPLE & WEBSTER GROUP LTD
ABN 69 608 595 660

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ASX ANNOUNCEMENT

28 July 2020

FULL YEAR 2020 INVESTOR PRESENTATION

Temple & Webster Group Ltd attaches an Investor Presentation for the full year 2020 results.

This document has been authorised for release by the Board of Directors.

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FY20 Investor Presentation

Mark Coulter CEO
Mark Tayler CFO



Summary

Pre Audit

FY20 Revenue
\$176.3m
74% growth YoY

FY20 EBITDA
\$8.5m
483% growth YoY

Jun-20 Cash
\$38.1m

FY19 Revenue
\$101.6m

FY19 EBITDA
\$1.5m

Jun-19 Cash
\$13.5m

- H2 revenue up 96% vs pcp; Q4 revenue up 130% vs pcp
- Temple & Webster is the online market leader in furniture & homewares
- Large addressable market with accelerating online adoption
- Business is profitable with strong top-line growth and a debt free balance sheet

*FY20 metrics contained in this presentation are pre-audit and subject to change.
Jun-20 cash balance excludes proceeds from recent \$40m placement
Both FY19 and FY20 numbers take into consideration the new lease accounting standard AASB16.*

*Sources: Euromonitor International Limited; Home Furnishings and Homewares System 2019 edition,
IBISWorld Industry Report OD4176 Online Household Furniture Sales in Australia.*

Executive Summary

Significant growth opportunity

- Furniture & homewares is a \$14.6b market (excluding appliances and DIY)
- Online adoption in Australia lags US/UK markets
- Shift to online driven by demographic changes accelerated by the COVID-19 crisis
- Temple & Webster positioned as “affordable beauty”, appealing to value conscious shopper

Best positioned to win

- Temple & Webster best positioned to capture shift of offline spend to online
- Natural advantages of being online market leader and scale benefits, including: forging closer relationships with suppliers for better terms, exclusive product and promotional support; and greater investment in technology, digital capabilities, private label (import) and marketing

Financial Update

- FY20 Revenue up 74% to \$176.3m vs pcp
- H2 revenue growth of 96% vs pcp with Q4 delivering 130% revenue growth vs pcp
- FY20 EBITDA up 483% to \$8.5m vs pcp
- Cash at June 30: \$38.1m (excludes proceeds from recent \$40m placement)

Operational Update

- Second half focused on scaling up business to meet customer demand
- Successful transition to working from home
- Achieved record customer satisfaction levels
- Completed successful placement of \$40m to strengthen balance sheet
- Small investment into an AI based interior design start up

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

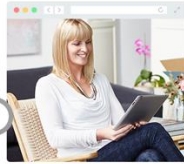
Page impressions (JUNE)

~32m



Website users (JUNE)

~3.8m



Email subscribers

~2.5m



Social media reach

~735k



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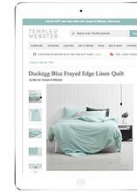


Active customers (LTM)

~480k

Product listings

~180k



Sub-categories

~200



Average time to dispatch

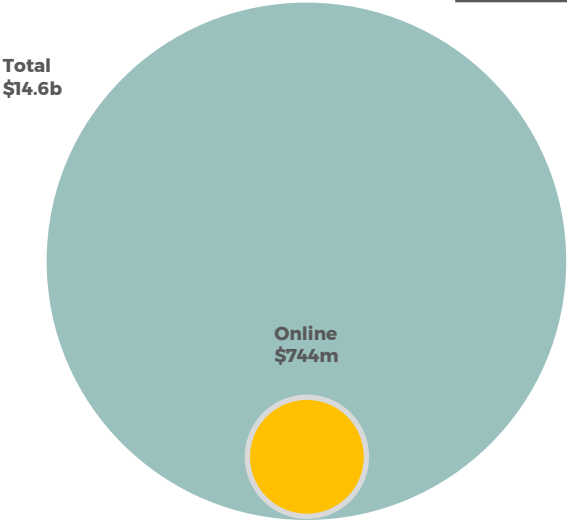
~1.8 days



Our core furniture and homewares category is a \$14.6b market, with accelerating online adoption

Furniture and Homewares Market (AUS)

2019 Data



Source: Euromonitor International Limited; Home Furnishings and Homewares System 2019 edition. Sales in 2019 in retail value (inc. sales tax), current terms, and is to scale.

Hypothetical adoption curve for online penetration in the furniture & homewares market: Australia lags US/UK markets

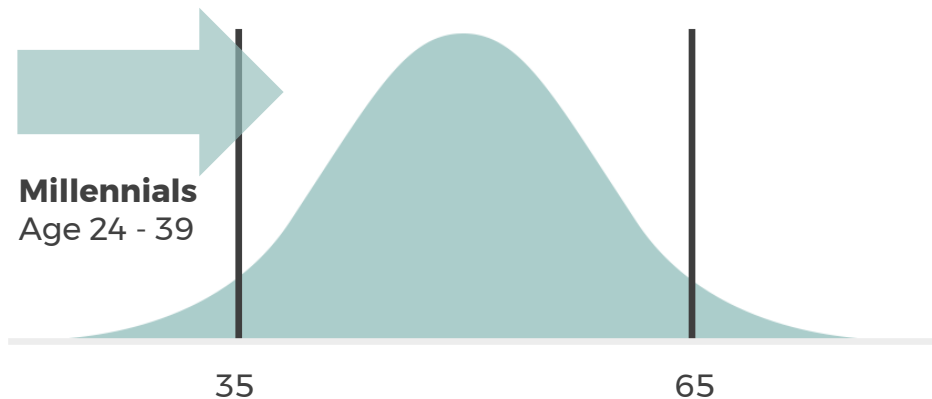


Source: Euromonitor International Limited; Home and Garden system 2019 edition. Internet sales as a percentage of the total retail sales value (inc. sales tax) for home furnishings and homewares in Australia, UK and US. Current terms.

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

- Offline exits/store closures
- New consumer habits forming during lock downs
- 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

Our strategy is based on range, inspiration and service

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

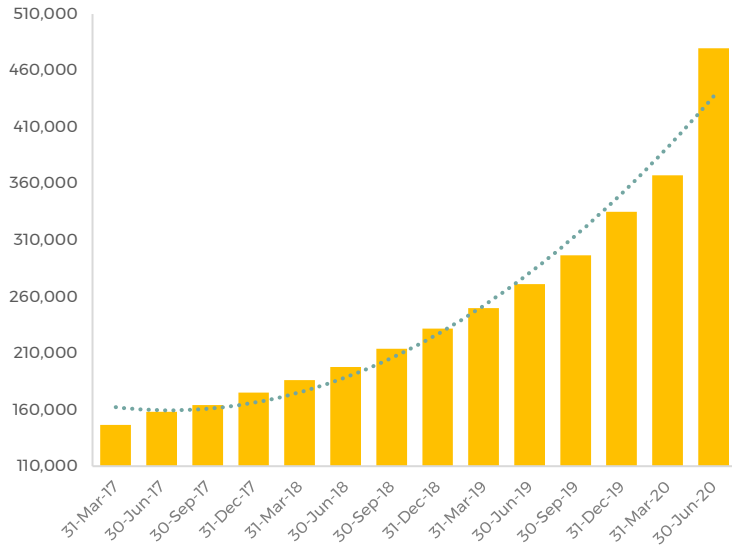
- We want to be famous for having **the biggest and best range** in our category, the **most inspirational content and services** and the **best delivery experience & customer service**.
- Our foundations are built on data-driven marketing, world-class technology and exceptional execution by an amazing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

Active customers up 77% year on year

Active Customers



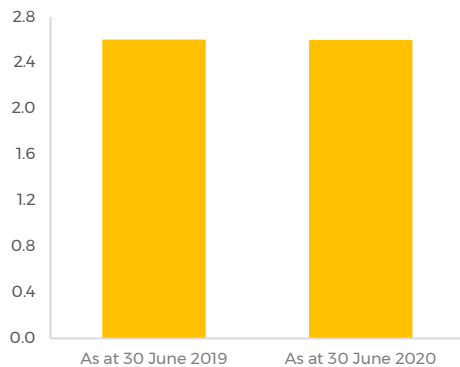
Repeat and First Time Orders



NB. Active customers are the number of unique customers who have transacted in the last twelve months (LTM).

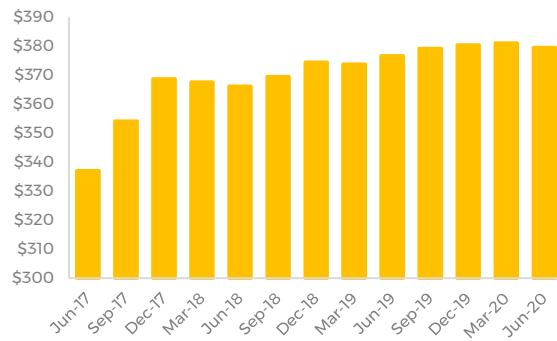
Customer metrics remain strong

12 month Marketing ROI holding at ~2.6x¹

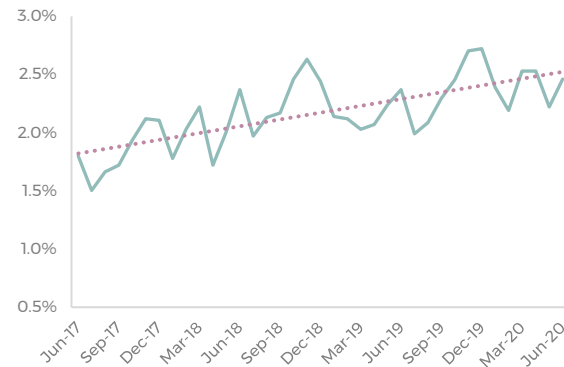


Customer Acquisition Cost (CAC) \$43 \$46

Revenue per Active Customer²



Conversion Rate³



1. Marketing ROI = Margin \$ / CAC

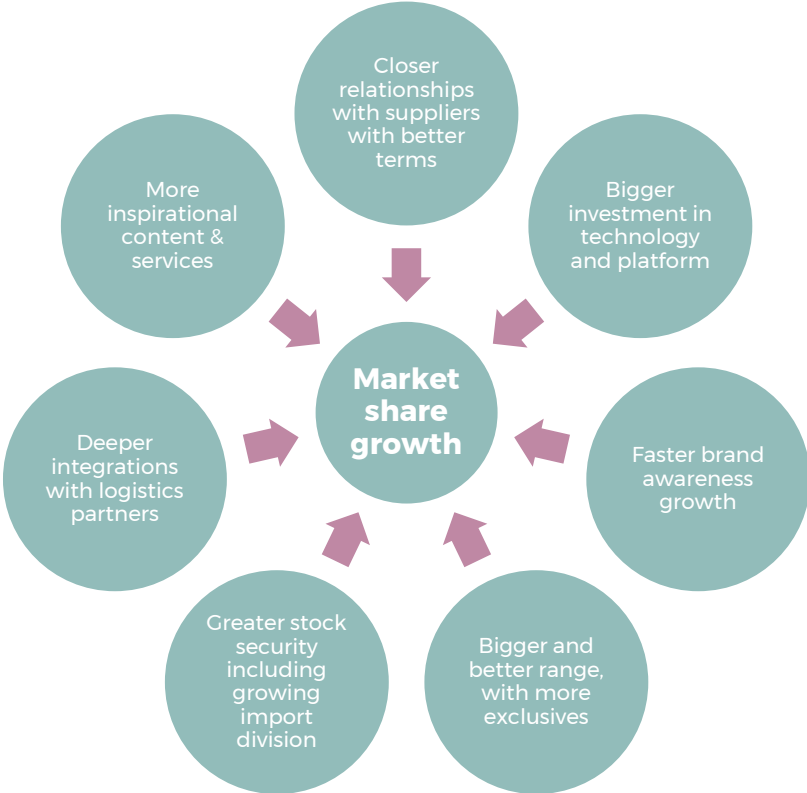
Margin = Revenue / Active Customer as at 30 June 2020 x Delivered Margin % for FY20

CAC = Total marketing spend for FY20 x 78% (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 FY20

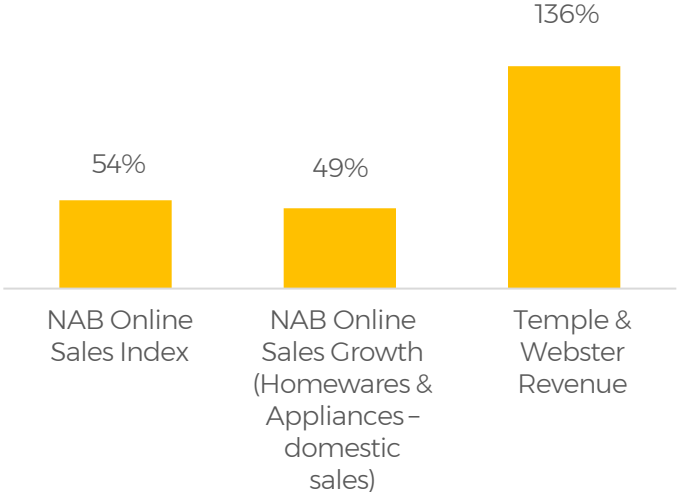
2. Revenue per active customer = Last 12 months revenue divided by Active Customers

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

Market leadership and scale are leading to market share growth



We are growing our market share - Average from April/May vs pcp



Source: NAB Online Retail Sales Index (April 2020) and NAB Online Retail Sales Index (May 2020)
Percentages displayed above reflect the average for April and May 2020.

H2 was focused on scaling the business while keeping a high level of customer satisfaction

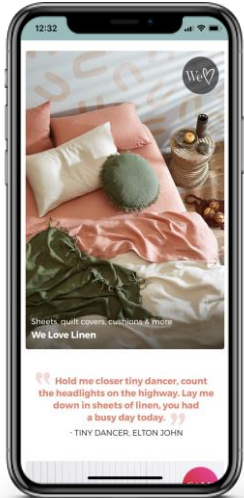


We grew our customer satisfaction scores to our highest levels while adding record volumes of first time customers

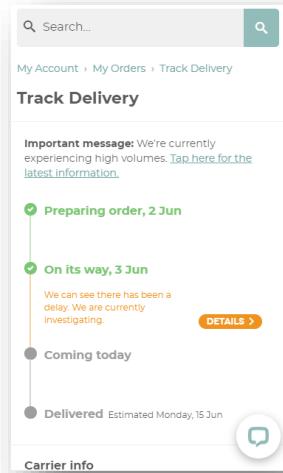
Net Promoter Score
(score range: -100% to 100%)



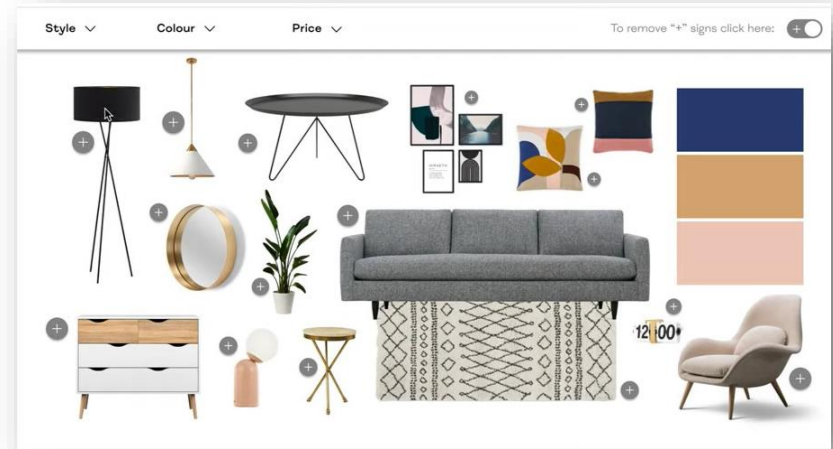
We continue to innovate our digital offering



iOS App approved during H2 by Apple; launch deferred to Q1 FY21



Data integration with each freight carrier to enable full end to end tracking of deliveries, and enable proactive issue resolution

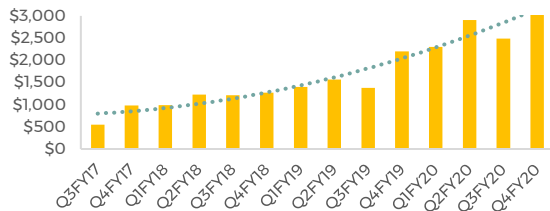


AI generated room idea collections helping customers to navigate our huge range and complete their looks (coming)

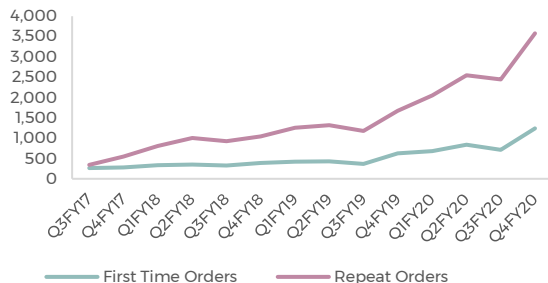
Our Trade and Commercial (B2B) division had a great year despite the challenging conditions

1 Trade & Commercial grew revenue by 68% yoy, despite facing a challenging second half

\$'000s



2 We continue to improve our service model, including the expansion of styling and install services to QLD. Repeats are growing strongly



3 We have set up sector specific teams and increased our range of trade specific products. For example, our developer focused team has launched complete design and install package solutions for display suites and furnished apartments

Display Home Staging



Apartment staging



Drivers to continue growing market share from a position of strength

Add depth and breadth across our core and adjacent categories; grow private label (import) division

Expand digital capabilities: data, personalization, AI, augmented reality

Increase brand awareness from 35% to +80% through digital and non-digital channels

Add inspirational content and service: video; 3D; AR/VR; design help

Focus on exceptional customer service and a great delivery experience to drive repeats

Continue to build out Trade & Commercial division competing on range, value and a full-service offering

FY20 Financial Results

Mark Tayler CFO



We are pursuing a high growth strategy

Short-mid term

High growth / win the market

Longer term

Leverage scale /
grow profit

Revenue

- Market leader takes a disproportionate share of accelerating online penetration
 - Pursue organic and inorganic growth opportunities
- Continue to take advantage of longer-term online market penetration

Contribution margin

- Focus on growing contribution dollars (versus contribution margin %)
 - Use price, promotions, marketing to deliver high growth
- Leverage scale and strategic moats to grow contribution margin %
 - Smarter pricing; better supplier terms due to scale; higher brand awareness

Fixed Costs

- Invest in longer term growth plays e.g. Trade & Commercial and mobile app
 - Invest in capabilities to build strategic moats around business e.g. technology, brand awareness, delivery experience, size of catalogue, private label range, data and personalisation
 - Continue to manage fixed costs base tightly
- Slow investment in fixed costs
 - Take advantage of operating leverage in our business model
 - Disciplined investment in next horizon growth businesses (e.g. international expansion)

Profit

- Focus on growing profit \$
- Focus on growing profit \$ and %

Profit and loss

Pre Audit

A\$m	FY19	FY20
Revenue	101.6	176.3
Cost of Sales	(56.3)	(97.7)
Gross Margin	45.3	78.6
	44.6%	44.6%
Distribution	(14.7)	(24.7)
Delivered Margin	30.6	53.9
	30.1%	30.6%
Advertising & Marketing	(11.1)	(21.0)
Customer Service & Merchant Fees	(3.3)	(5.9)
Contribution Margin	16.2	27.0
	15.9%	15.3%
Wages	(12.0)	(14.8)
Other	(2.7)	(3.7)
EBITDA	1.5	8.5
	1.4%	4.8%
Share Based Payments	1.0	0.9
Adjusted EBITDA	2.5	9.4
	2.5%	5.3%

- Revenue growth for the year vs pcp was 74% with H2 delivering growth of 96% vs pcp and Q4 130% vs pcp
- Delivered margin (gross margin after distribution costs) remains on target at ~30%
- Marketing spend as a % of revenue increased YoY driven by a (pilot) Free-to-air (Syd, Mel, Bris) & National Foxtel TV campaign run May/June
- Contribution dollars grew 67% to \$27.0m, with contribution % remaining within internal targets (~15%)
- Operating leverage being driven by tight management of fixed costs, now at 10.5% of revenue vs 14.5% LY (incl share based payments)
- As a result, EBITDA for the year grew by 483% to \$8.5m (\$9.4m excluding non-cash share-based payments)

For comparability purposes, both current and comparative periods include the impact of the new accounting standard AASB16. The FY19 impact of AASB16 is a decrease of \$0.4m on the "Other" expenses line (from \$3.1m to \$2.7m) and a corresponding increase in EBITDA and Adjusted EBITDA (from \$1.1m to \$1.5m and from \$2.1m to \$2.5m respectively). However, as the Group adopted AASB16 using the modified retrospective method, the same amendment to the FY19 numbers will not be made in the FY20 Annual Report

High growth strategy is already translating into operating leverage

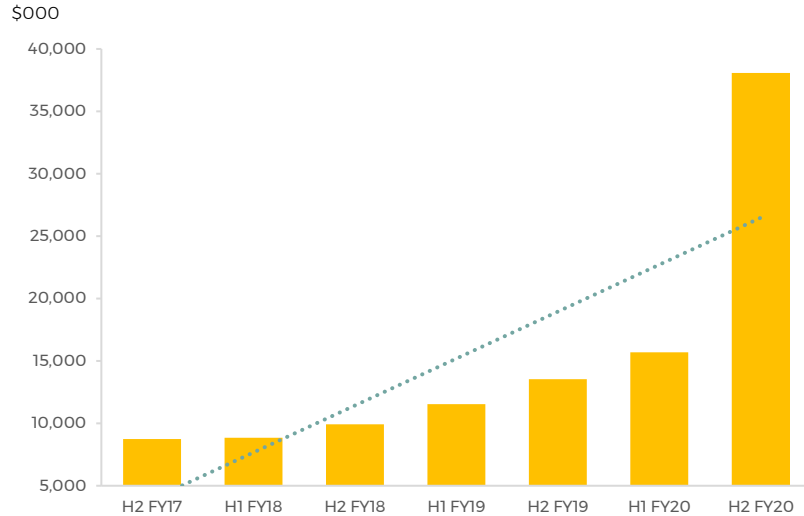
	FY17	FY18	FY19	FY20
Revenue	100%	100%	100%	100%
Gross Margin	42.7%	44.1%	44.6%	44.6%
Delivered Margin (after all distribution costs)	27.6%	31.0%	30.1%	30.6%
Customer Service Staff & Merchant Fees	4.7%	3.3%	3.3%	3.3%
Advertising Costs	12.6%	11.3%	10.9%	11.9%
Contribution Margin	10.3%	16.4%	15.9%	15.3%
Fixed Costs (<i>ex share based payments</i>)	20.3%	16.1%	13.4%	10.0%
Adjusted EBITDA	(10.0%)	0.3%	2.5%	5.3%

Despite investment into the below capabilities, fixed costs as a % of revenue continues to decrease,;

- Technology & data
- Mobile App
- Trade & Commercial
- Private Label
- Logistics

Capital light/cash flow positive business model

Closing cash by half



- Strong balance sheet position with no debt
- Closing cash balance of \$38.1m (excludes proceeds from recent \$40m placement)
- Cash flow positive year +\$24.6m was driven by the positive EBITDA result and benefits from the group's cash flow positive business model
- Inventory and creditor metrics (WOC/DPO/Ageing profile) all continue to track within target ranges

Trading update & outlook

FY21 has started strongly with July's revenue growth rates in line with those experienced throughout Q4.

Temple & Webster is committed to a high growth strategy to take advantage of the structural shift towards online, capitalising on both organic and inorganic opportunities, however we do remain watchful of the competitive and macroeconomic environment.

This 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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