TEMPLE & WEBSTER

FY22

Annual General Meeting

30 November 2022

Acknowledgement of Country

Temple & Webster Group acknowledges the Traditional Owners and Custodians of Country throughout Australia.

We recognise their enduring connection to the lands, the waterways, and the skies.

We acknowledge the Gadigal and Wangal people, on whose lands our corporate head office is located, as well as all other First Nation Countries we operate across.

We pay our respects to Elders past, present and to all Aboriginal and Torres Strait Islander peoples.

Art by Russellina Puruntatameri
Green Yirringarni Waterhole

Chairman’s Report

Stephen Heath

FY22 Summary

FY22 Revenue	FY22 EBITDA	FY22 EBITDA Margin
$426.3m	**$16.2m**	**3.8%**
2-Year CAGR: 55%	2-Year CAGR: 38% *(incl. The Build investment)*	High end of 2-4% guidance

Temple & Webster is the leading pure play online retailer for furniture and homewares in Australia

The furniture and homewares market is large, stable and continues to shift online

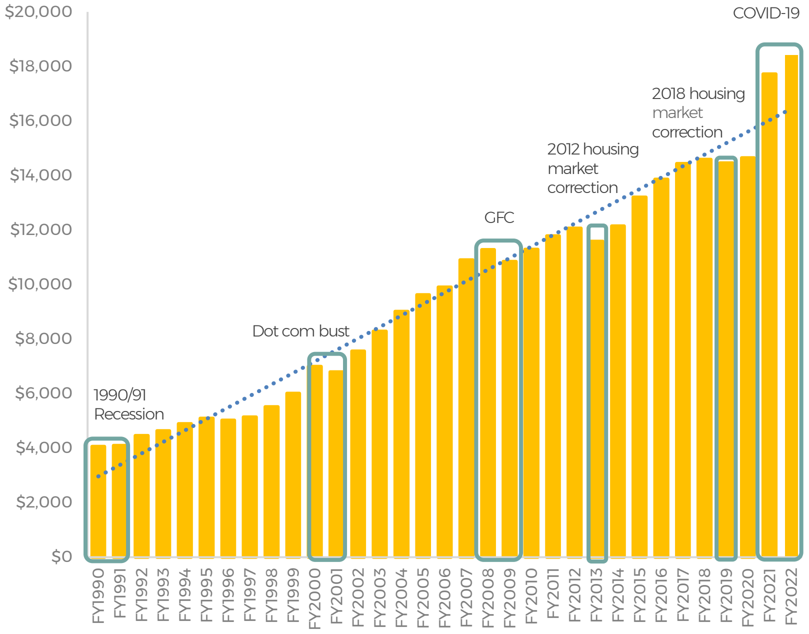
Attractive customer and unit economics with a track record of taking market share

Cash flow positive, strong balance sheet position, $101m cash and no debt

The growth is presented as 2-Year Compound Annual Growth Rate (CAGR) to normalise for the erratic nature of growth over the preceding two years as a result of numerous lockdown periods. Sources: Euromonitor International Limited; Home Furnishings and Homewares System 2022 edition. IBISWorld Online Home Furnishing Sales in Australia Industry Report and Online Household Furniture Sales in Australia Industry Report

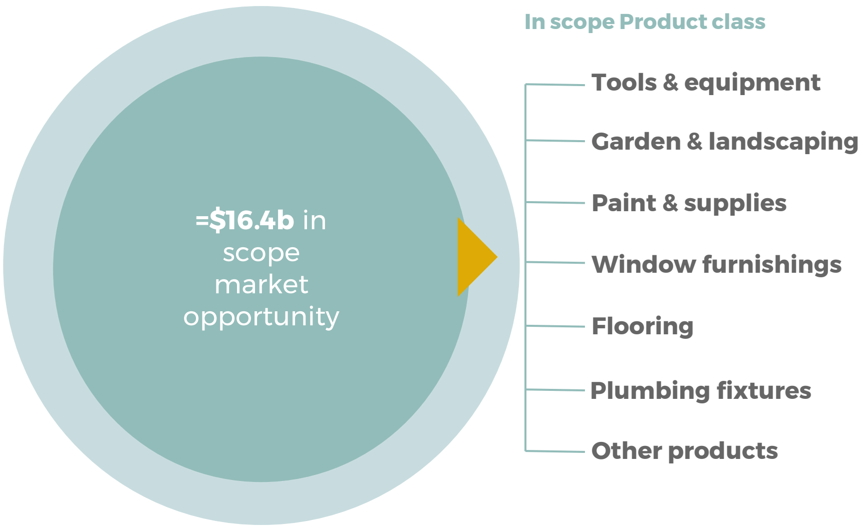
Our Total Addressable Market is now >$30billion

The ~$16b furniture and homewares market is stable and has shown steady growth, even through periods of high interest rates, high inflation, recessionary periods and housing market declines



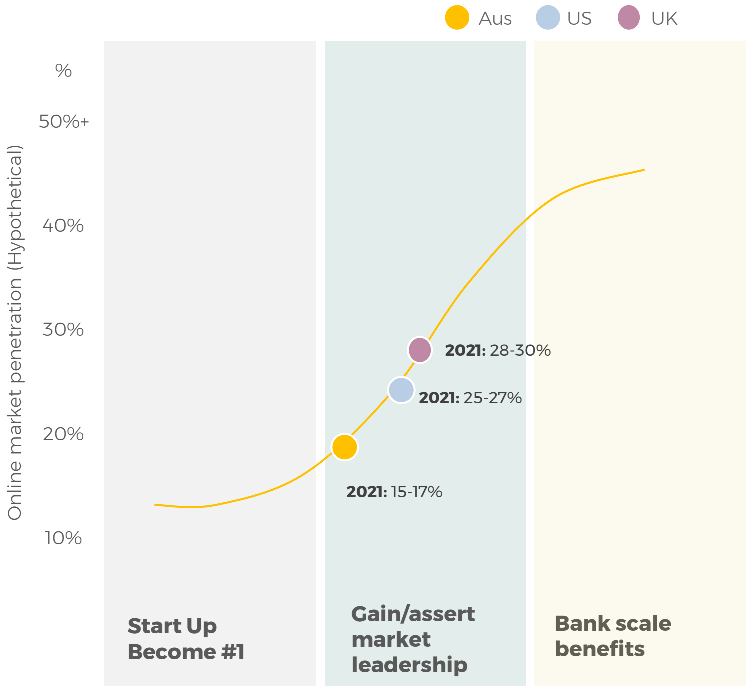
TAM of >$30bn includes furniture and homewares B2C and B2B as well as home improvements markets
Source:, ABS Retail Sales data, Euromonitor 2022 Retailing Ecommerce

Home improvement adds a further ~$16b to our TAM (in-scope categories only)



Our core furniture and homewares category will provide strong growth for many years due to online penetration and market share increases

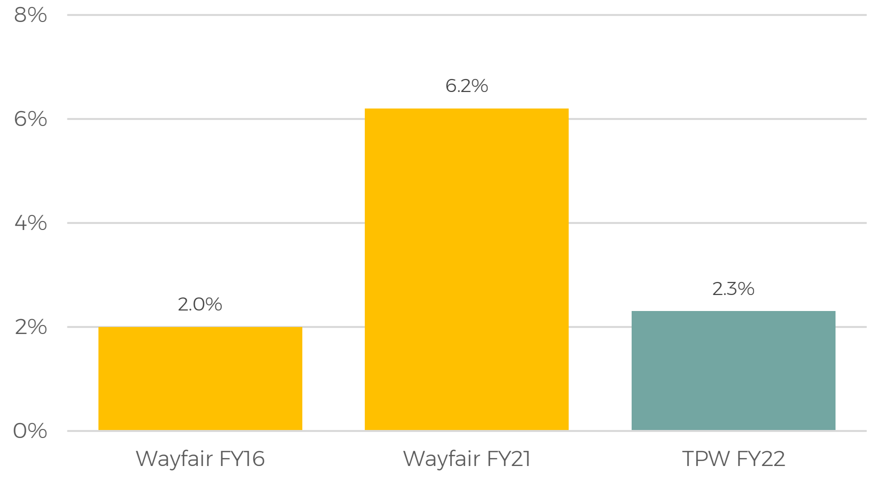
Australia furniture and homewares market significantly lags the online penetration of other countries such as the US and UK



Source:, ABS Retail Sales data, Euromonitor 2022 Retailing Ecommerce

In the US, the online market leader, Wayfair, tripled its market share of the entire furniture and homewares market from 2% to 6% to become one of the largest furniture and homewares retailers (if not the largest)

Market Share of total furniture and homewares market (Wayfair = US; TPW = Australia)



Source: ABS Retail Sales data, Statista, Euromonitor 2022 Retailing Ecommerce, T&W estimates

Our strategy is to deliver a high growth business while growing profit

Substantial progress has been made from FY17 to FY22 in terms of the unit economics of Temple & Webster

We are committed to a profitable growth strategy, targeting an increase in our unit economics each year, even after investment into key areas such as home improvement, data & analytics, private label expansion. We will do this through margin expansion initiatives and phasing investments in growth.

T&W Group	FY17	FY22	Longer Term Goal	Key Levers
Revenue	100%	100%	100%	
Delivered Margin (after distribution costs)	**27.6%**	**30.2%**	**>33%**	**Scale benefits with suppliers, private label/made-to-order share increases, improved logistical efficiencies**
Customer Service Staff & Merchant Fees	4.7%	3.3%	<3%	**CS to return to pre-covid levels with natural cost management and transaction costs to reduce with further optimisation**
Advertising & Marketing Costs	12.6%	13.3%	<10%	**Repeat orders grow to 80%+ total business (which run at a lower marketing cost)**
Contribution Margin	**10.3%**	**13.6%**	**>20%**	
Wages	17.2%	6.3%	<4%	**This will still allow investment into key areas, however fixed costs to grow at a slower pace than top line**
Other	4.1%	2.8%	<2%	**Scale benefits with other fixed costs e.g., tech licensing, in-sourcing consultants costs**
EBITDA Margin	**(11.0%)**	**3.8%**	**>15%**	

All periods include the impact of the new accounting standard AASB16.

We have moved to our new HQ in Q2 FY23

New HQ consolidates multiple facilities

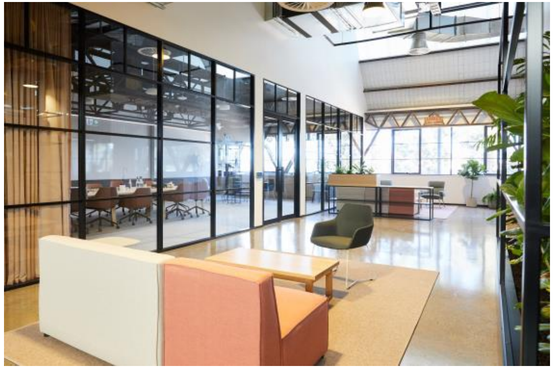
- Single 6,200 m^2 site in Inner West (20 min out of Sydney CBD)
- Consolidates multiple offices, studio and studio warehouse into a single site
- 10-year cost effective lease with multiple expansion options (time & space)

Part of Employer Value Proposition (EVP)

- New office is an important part of our EVP to attract and retain talent
- End of trip facilities, wellbeing/mindfulness room, catering with communal lunchtimes and training rooms enhance departmental communication and employee engagement

Office of the future

- Designed for in person interaction as part of a flexible office of the future (brainstorming, creative interactions, small breakouts)
- Tech throughout for video conferencing
- All departments have had significant input into design requirements

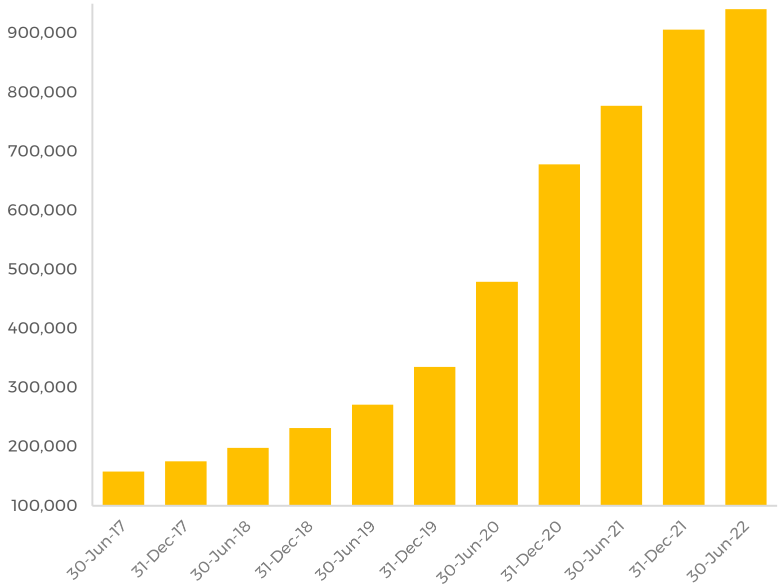


CEO's Report

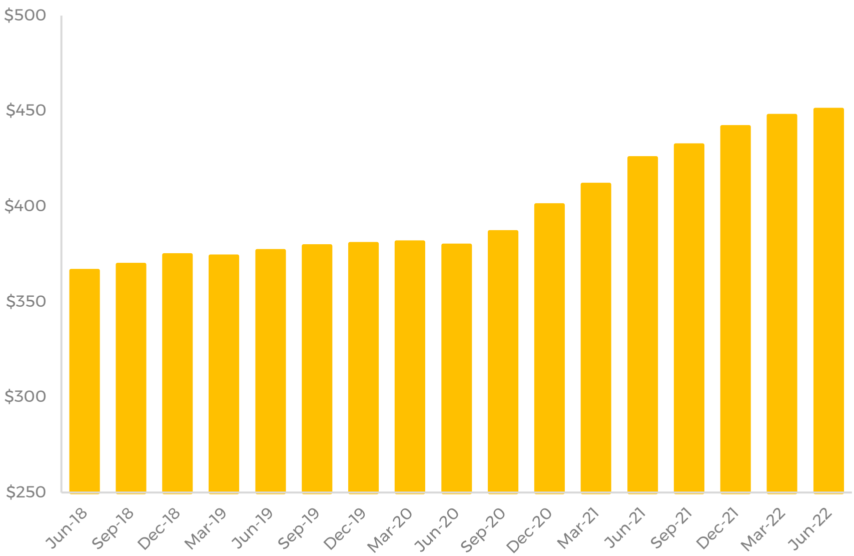
Mark Coulter

FY22 revenue growth was driven by growth in both Active Customers and Revenue per Active Customer

Active customers up 21%



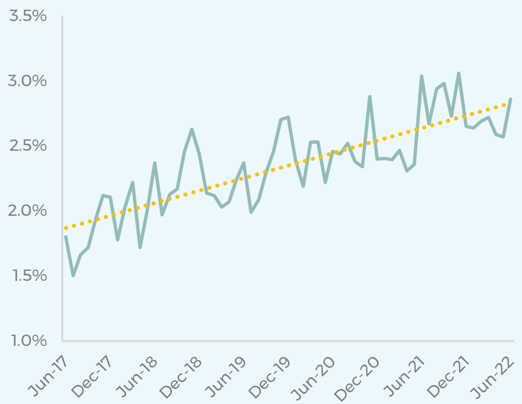
Revenue per active customer up 6%



Active customers are the number of unique customers who have transacted in the last twelve months (LTM). Includes both B2C and B2B customers

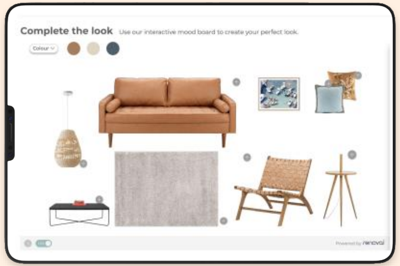
Conversion rate positive trend has maintained its momentum

Conversion rate by month



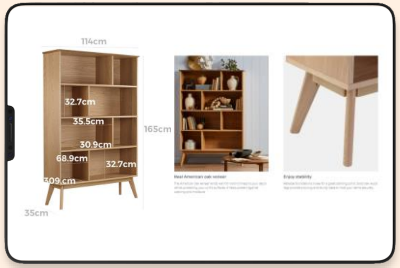
Key Initiative 1: Continued roll-out of AI based recommendations powered by Renovai

- Renovai is an Israeli start up that TPW has invested into which provides exclusive AI/AR tools using proprietary technology
- Complete the look has been rolled out across many categories, impacting, on average, 1 in every 5 visits Initial concepts of using
- Functionality is supporting an increase in both average order value and conversion rate



Key Initiative 2: Enhanced product pages

- Additional content added to the Product pages, enriching product descriptions
- Added new page formats and additional content to drive conversion rate
- Roll-out in progress to best-selling products



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

Our home improvement category grew 61% in FY22

Home improvement is an attractive growth horizon for Temple & Webster

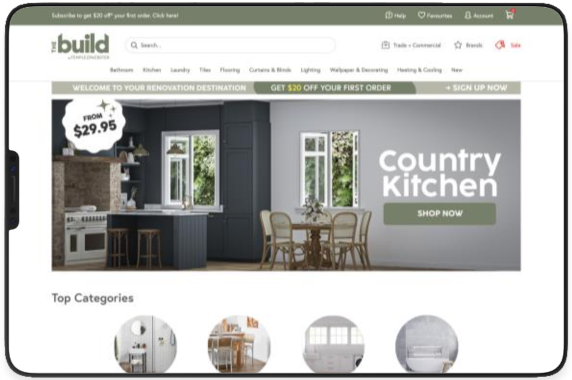
- Large, addressable market (~$26b, with ~$16b addressable to T&W)
- Opportunity to maximise share of spend in the home and cross-sell into our core furniture and homewares business
- Counter cyclical to the housing market (moving vs renovating)

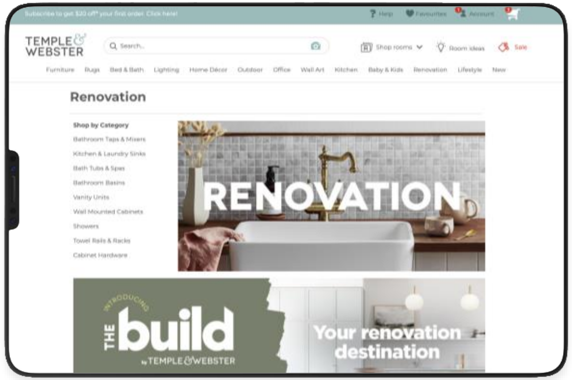
Launch of thebuild.com.au in May-22

- ~220 suppliers on site
- 20,700 products in total across 40 categories
- Recently launched flooring and tiles
- A dedicated team of 23 FTEs (inclusive of 9 offshore FTEs)
- Growing fast, on track to deliver $10-15m revenue in first 12 months

The Build complements T&W home improvement offering

- Home improvement across T&W and The Build up 61% YoY, contributing 5% to Group
- Home improvement range on T&W a subset of The Build's full offering
- We have begun to cross-sell into T&W's customer base

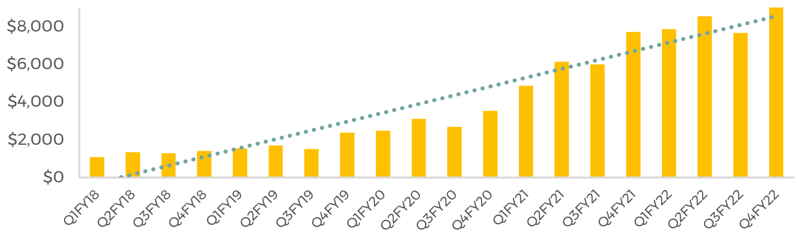




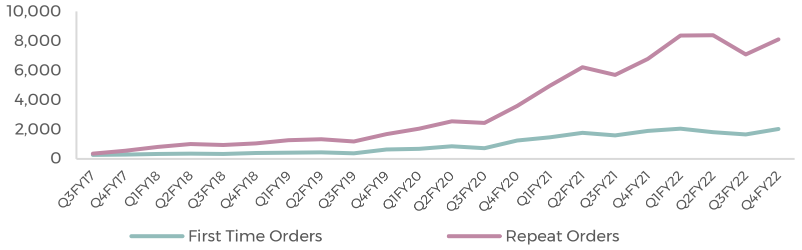
Our trade and commercial division (B2B) grew 39% YoY

Revenue

$'000s



First time & repeats



Our trade and commercial division continued to deliver strong results despite challenging market conditions in the second half of the year.

Key areas of focus included:

- Improving customer acquisition through new marketing programs, sector specific creative and more targeted spend.
- Improving conversion rate of new customers
- The successful launch of furniture package programs to the builder/developer market for both new build and the build to rent/investor market.
- Investment into inventory of key trade ranges for bulk sales opportunities.
- A dedicated Design & Projects team to focus on design, procurement and smooth delivery of large-scale projects
- The introduction of an Internal Lead Gen. program dedicated to identify and convert potential business customers shopping the site.

Revenue based on checkout revenue which is pre accounting adjustments (deferred revenue, refund provision)

We are committed to making the world more beautiful

Carbon & energy management

- Completed carbon assessment of out FY22 emissions
- Identified carbon reduction opportunities for FY23
- Committed to offsetting 100% of our FY22 head office emissions

Advancing reconciliation

- Developed our Acknowledgement of Country
- Established a Reconciliation Action Plan (RAP) working group
- Developed a Reflect RAP

Responsible packaging

- Became a signatory to Australian Packaging Covenant Organisation (APCO)
- Packaging baseline established for 86% of our private label range
- Designed new delivery satchels made from 80% recycled content

Addressing modern slavery

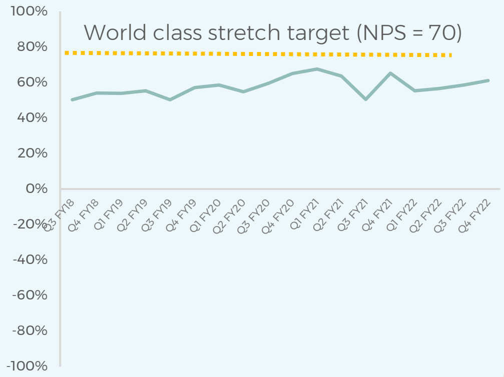
- Audited 100% of private label suppliers for ethical and social compliance
- All Australian-based employees have access to Modern Slavery Awareness training
- Supported suppliers with the implementation of correction action plans

Supporting our people & communities

- Continued employee development through leadership capability programs and online learning platform
- All Australian-based employees have access to LGBTQ Awareness training
- Ongoing support of long-term charity partner, *Women's Community Shelters*

Our diverse and digitally connected supply chain allows us to navigate headwinds, whilst providing a tailored customer experience

Net promoter score (score range: -100% to 100%)



Our asset light supply chain provides operational excellence through a digitally connected physical network of partners, who are collectively focused on providing an industry-leading experience

Our sourcing approach allows us to mitigate single point reliance

1,000s
of factories around the world

100+
Private label factories

240k+
products in stock ready for quick ship

Our fulfilment model allows us to avoid bottlenecks and other impacts

100s
of pick up points

~65%
of population within two hours of our private label facilities

<40 hrs
most customer orders are picked and shipped

Our delivery network allows us to balance demand and capacity

Delivery partners
are integrated providing a diversified network

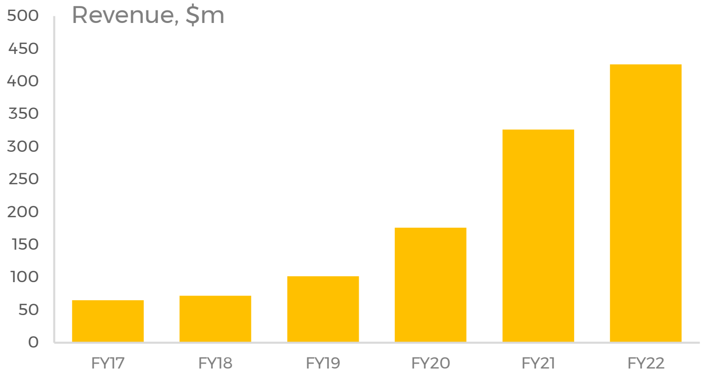
Scale
1,000s of deliveries made daily allow us to gain priority

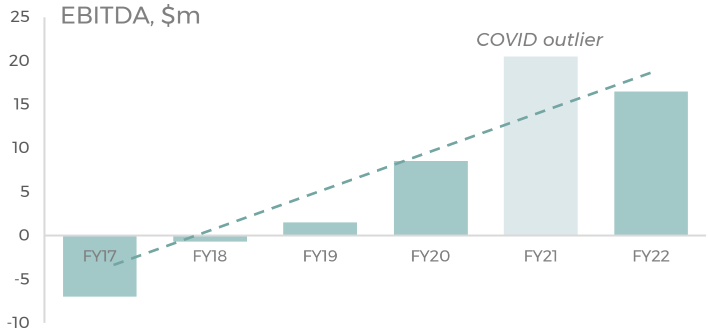
Forecasts
are provided to our network of partners to secure capacity

Transport control tower
anticipates and resolves delivery issues

The ~65% data point in relation to population within 2 hours of our private label facilities reflects expected metrics once all facilities are operational, expected in 2023

Our strategy is to deliver a high growth business while growing profit





High growth

- Capitalise on the structural shift from offline to online
- Increase market share through conversion rate and traffic growth initiatives
- Add further revenue pools (e.g. trade and commercial; home improvement) to increase our Total Addressable Market ('TAM')

Margin expansion

- Increase private label share of business over time
- Drive marketing and other variable cost efficiencies
- Gain scale benefits for key cost lines (e.g. COGS, freight)

Cost control

- Maintain asset light strategy
- Phase investments in longer-term growth (e.g. brand building, new product launches, fixed cost investments)
- Slow/accelerate investment based on macro conditions

Our strategy to continue to take further market share

Add depth and breadth across our core and adjacent categories; **grow private label division**

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

Increase brand awareness from 61% to +80% through digital and non-digital channels

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

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

Continue to build out next growth horizons (trade and commercial and home improvement)

Trading update & outlook

- As previously flagged, H1 was going to be the toughest period for year-on-year comparisons due to the timing of lockdowns during FY22. This resulted in an overall decline in revenue of 14% for the period 1st July to the 27th Nov 2022.

- The pleasing news is that we have now begun the trajectory back to growth, and Q2 (QTD: 1st Oct to the 27th Nov) is only down 3% vs the same period last year and the month of November (1st Nov to the 27th Nov) is running slightly ahead of November last year. This is a good sign as this month is usually our busiest sales period due to Black Friday, suggesting a return to double-digit growth during the financial year.

- Inventory levels remain strong across both our drop-ship network and our own private label range, and deflationary signs are appearing on both factory and container costs.

- While a return to year-on-year growth is important, equally important in this environment is a focus on unit economics and bottom-line profitability. The Group reiterates its stated 3–5% EBITDA range for the full FY23.

- Our cash remains in excess of $100 million, providing the Group with the ability to accelerate organic and/or inorganic initiatives to drive both revenue growth and accretion in earnings per share.

Revenue growth is based on checkout revenue which is pre accounting adjustments (deferred revenue and refund provisioning).

Q&A

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