booktopia

An e-commerce leader

Investor Presentation
Year ended 30 June 2023

28 August 2023

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Presentation

Peter George

Chairman

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Chief Executive Officer

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Our Mission

Booktopia is in a unique position to deliver on its mission

to provide Australians the best book buying experience

Capitalising on our single product focus, our data, our capability, our heritage for the benefit of our customer.

FY23 Metrics

FY23 Revenue

$197.6m ▼ 17.9%

FY22: $240.8m | 5 Year CAGR: 12.1%

FY23 Distribution Wages Per Unit

$2.27 ▲ 37.4%

FY22: $1.65 | 5 Year CAGR: 17.4%

FY23 Average Order Value

$79.29 ▲ 4.9%

FY22: $75.59 | 5 Year CAGR: 8.0%

FY23 Gross Profit Margin

27.1% ▲ 0.5%

FY22: 27.0% | 5 Year CAGR: (0.5%)

FY23 Underlying EBITDA

($4.6m) ▼ 173%

FY22: $6.2m | 5 Year CAGR: (202%)

FY23 Units Shipped

6.8m ▼ 19.6%

FY22: 8.5m | 5 Year CAGR 7.2%

FY23 Average Customer Spend

$134.13 ▼ 0.6%

FY22: $134.94 | 5 Year CAGR 8.3%

FY23 Business and Performance Review

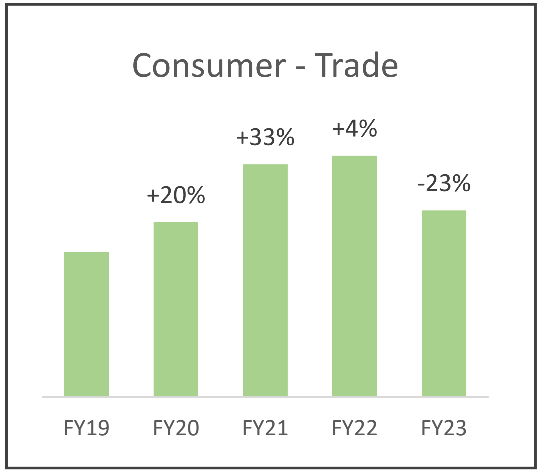
Financial Performance

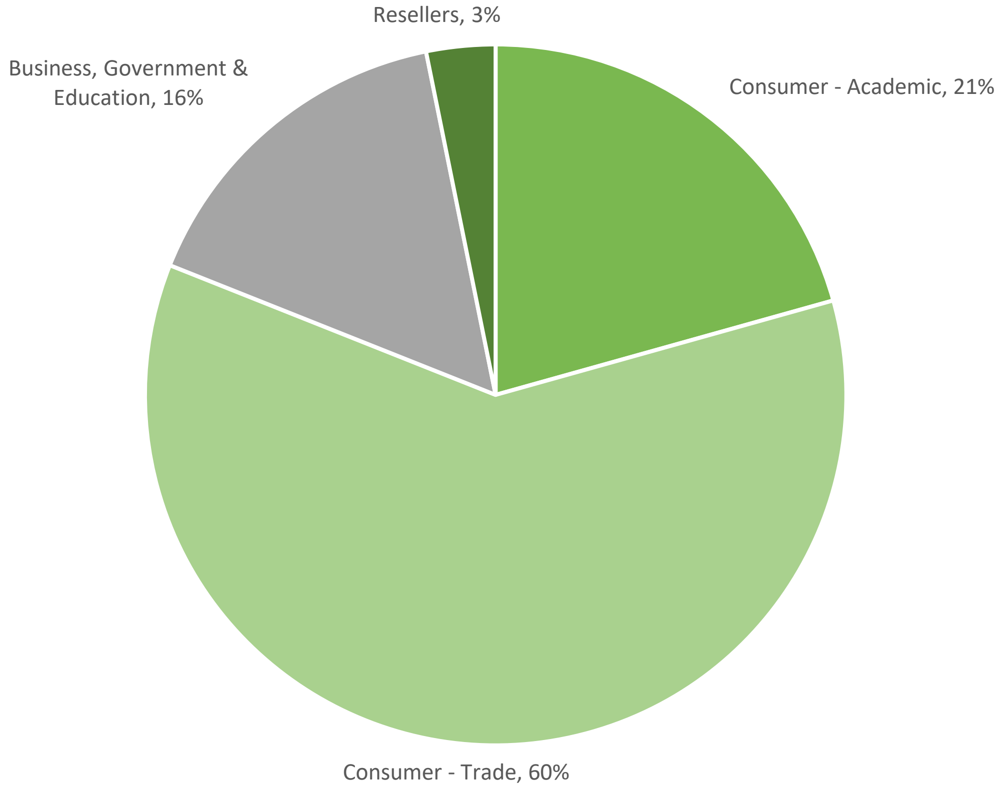
- Revenue down 18% to $197.6 million (FY22: $240.8 million) due to soft trading conditions and the execution of a deliberate strategy in H2 to reduce inventory in preparation for the move to the new Customer Fulfilment Centre (CFC). Shipped 6.8 million units (FY22: 8.5 million)
- Gross profit per unit shipped up $0.20 or 2.6% on prior year following the implementation of margin optimisation strategies
- Underlying EBITDA of ($4.6m) down $10.8m on FY22 primarily due to lower revenue ($43.1m) and gross profit ($11.4m)

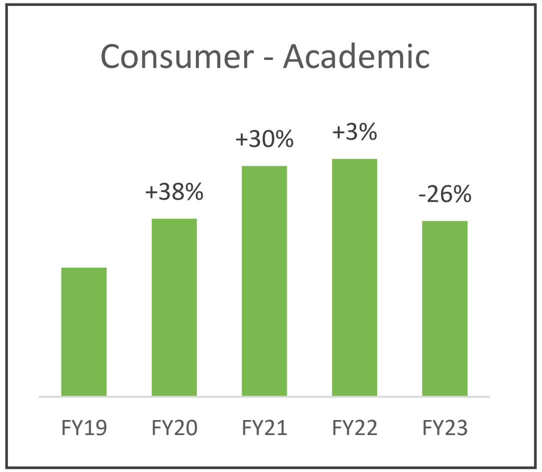
Operational and strategic focus shifts to sustainable profitability

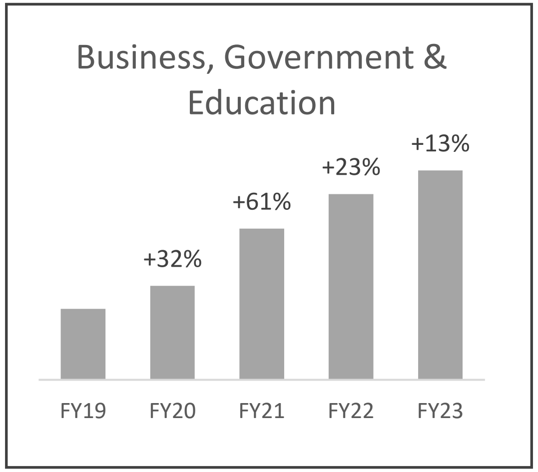
- Management prioritised actions to improve future profitability while balancing ongoing investment in people, technology and infrastructure to support future growth.
- Board transformation completed with new Chairman and three new Non-Executive Directors. New CEO appointment.
- Rationalised leasing obligations by consolidating the company's logistics operations. Exit Lidcombe CFC expected in October 23, the sublease of CFC2 commenced May 23 and the new Customer Fulfilment Centre lease commenced in March 23.
- New CFC operational which will reduce operational costs, improve efficiencies and support future growth.
- $10.9m Capital raise successfully completed in August 2023.
- Even with economic uncertainty, the Board and management remain optimistic about future prospects and will continue to prepare the business for growth.

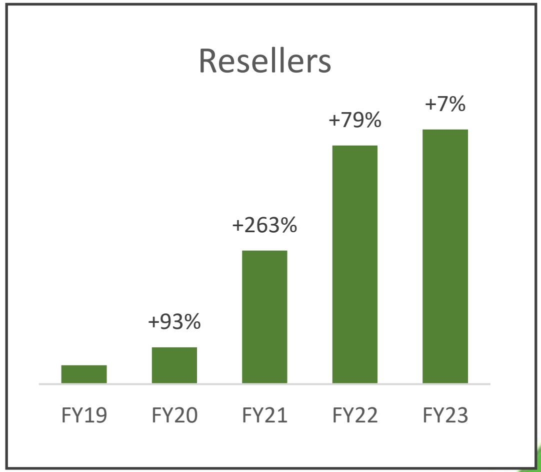
FY23 Revenue Mix











Total Revenue FY23 - $197.6 million

How Are We Adapting?

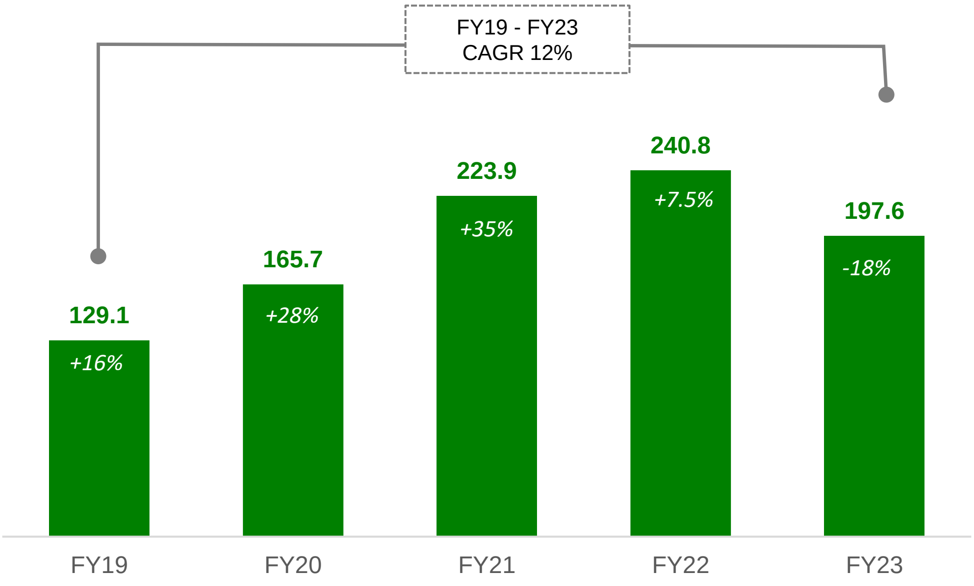
Cost base	**"Right-size" the Business** The company has and will continue to implement a range of **cost rationalisation** and **margin optimisation** measures.
Capacity Constraints	**Build our new CFC** The company **consolidated it's logistics operations** into a single, modern, purpose-built facility. This will reduce the operational costs, improve efficiencies and support future growth. The CFC Labour cost per unit is projected to go from $2.27 per unit in FY23 down to an average of $1.06 by FY24 H2.
Capital Raise	**Working Capital Injection** The company successfully completed a **capital raise** to support the completion of the new CFC and improve the company's working capital in preparation for the 2023 Christmas period.
Board and Management Changes	**Return to Stability** With the appointment of a new Chair, three new Non-executive Directors, and the appointment of a new CEO, the business is now focused on execution and delivering for customers.

SECTION 3

Financials

Key Performance Indicators

Revenue ($m)



Key Performance Indicators

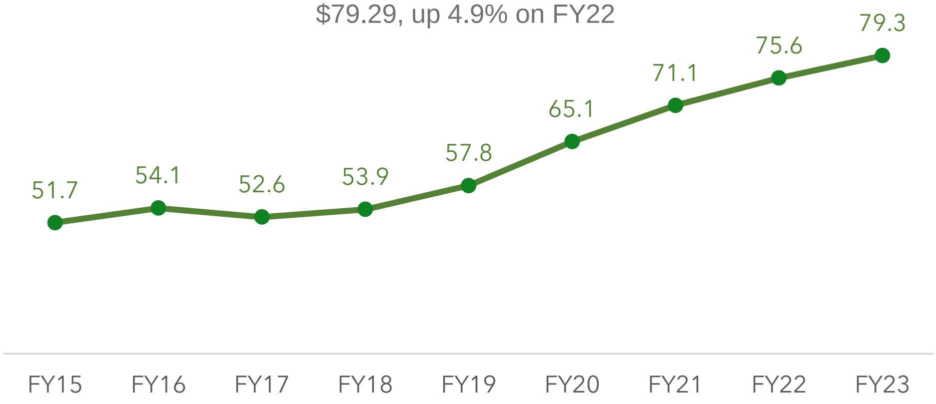
	FY19	FY20	FY21	FY22	FY23
Key Operating Metrics					
Average Order Value ($ per order) (1)	$57.81	$65.08	$71.07	$75.59	$79.29
Average Selling Price ($ per unit shipped) (2)	$24.73	$25.80	$27.39	$28.27	$28.70
Average Customer Spend ($ per customer per year) (3)	$98.54	$111.43	$126.85	$134.94	$134.13
Units shipped (000s)	5,370	6,451	8,173	8,490	6,828
Key Financial Metrics					
Revenue growth on PCP	15.8%	28.4%	35.0%	7.5%	(17.9%)
Gross profit growth (%) on PCP	11.1%	25.9%	39.2%	6.3%	(17.5%)
Gross profit ($ per unit shipped) (4)	$6.42	$6.82	$7.48	$7.65	$7.85
CFC wages per unit shipped (5)	$1.26	$1.42	$1.42	$1.65	$2.27
Marketing expenses ($ per unit shipped) (6)	$1.69	$1.53	$1.25	$1.20	$1.72
Underlying EBITDA margin (EBITDA / revenue %)	2.8%	3.6%	6.1%	2.6%	(2.3%)

1. Average Order Value is based on sales including GST but excluding any freight charged to customers, divided by the total number of orders in each financial year from Booktopia, Angus & Robertson, eBay and TradeMe sales channels.
2. Average Selling Price means average selling price per unit, calculated as revenue for the period including GST but excluding any freight charged to customers divided by the number of units shipped for that period.
3. Average Customer Spend inc GST but excludes freight income and orders places through marketplaces.
4. Gross profit per unit means gross profit divided by the number of units shipped.
5. Distribution Centre wages per unit is the wages and contractor expense for the Distribution Centre divided by the total number of units shipped.
6. Marketing expenses per unit means marketing expenses divided by the number of units shipped.

Key Revenue Drivers

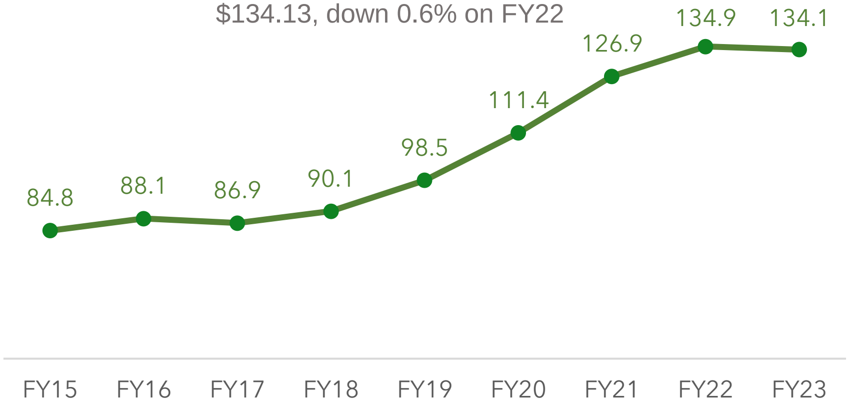
Average Order Value[1] ($)

$79.29, up 4.9% on FY22



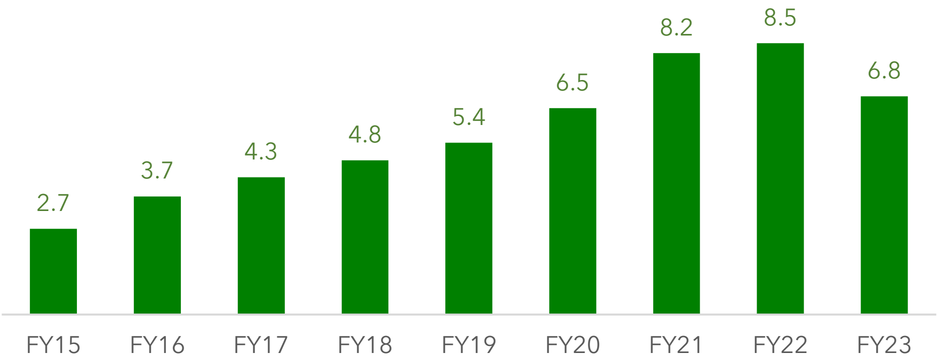
Average Spend Per Customer[2] ($)

$134.13, down 0.6% on FY22



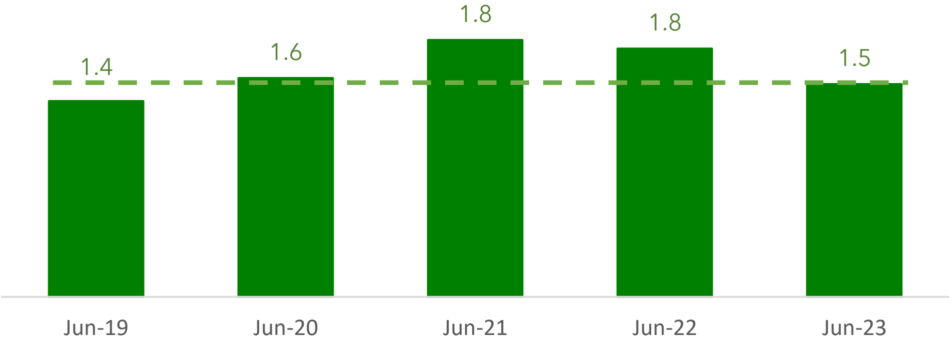
Shipped units (m)

down 20% compared to 30 June 2022 but up 27% on pre-covid FY19



Active customers (m)

down 14% compared to June 2022 but up 9% on pre-covid June 2019



1. Based on sales including GST and excluding freight income divided by the total number of orders in each financial year from Booktopia, Angus & Robertson, eBay, TradeMe and Amazon sales channels.
2. Based on sales including GST and excluding freight income divided by the total number of customers in each financial year from Booktopia, Angus & Robertson, eBay, TradeMe and Amazon sales channels.

Focus on Unit Economics

Drivers of Per Unit Economics

- Gross Profit per unit up 2.5% on the prior year reflecting the focus on margin optimisation strategies.
- Advertising & marketing expenses per unit up $0.52 per unit off the back of a prior year period where paid marketing was restricted during periods of high demand driven by covid lockdowns.
- Other variable costs per unit have increased 26% or $0.55 on the prior year driven entirely by increased direct labour costs associated with operating multiple CFCs.
- Overall Net Margin per unit was down 20% or $0.87. This is expected to be substantially improved in FY24 with a refocused advertising strategy and substantial direct labour savings being delivered as part of the implementation of the new CFC.

Per Unit Economics

	FY19	FY20	FY21	FY22	FY23
Total Revenue (1)	$24.04	$25.68	$27.39	$28.36	$28.94
Product and freight costs	$17.62	$18.88	$19.91	$20.70	$21.10
Gross Profit	**$6.42**	**$6.81**	**$7.48**	**$7.65**	**$7.85**
+ / - on Prior Year		*6.0%*	*9.9%*	*2.3%*	*2.5%*
Advertising and marketing expense	$1.69	$1.53	$1.25	$1.20	$1.72
GPAPA (2)	**$4.73**	**$5.28**	**$6.23**	**$6.45**	**$6.13**
Other Variable Costs (3)	$1.76	$1.86	$1.96	$2.08	$2.63
Net Margin per Unit	**$2.98**	**$3.42**	**$4.27**	**$4.37**	**$3.50**
+ / - on Prior Year		***15.0%***	***24.8%***	***2.3%***	***-19.9%***

1) Total Revenue per unit includes freight revenue and other accounting adjustments which do not form part of the calculation of "ASP" on slide 9.
2) Gross Profit After Paid Acquisition
3) Other Variable Costs include direct labour costs and merchant fees.

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Summary Profit & Loss

Statutory P&L ($m)	FY22	FY23	Change $
Shipped Units	*8.5*	*6.8*	*(1.7)*
Revenue	**240.8**	**197.6**	**(43.1)**
Product and freight costs	(175.8)	(144.0)	31.7
Gross profit	**65.0**	**53.6**	**(11.4)**
Employee expenses	(38.7)	(35.1)	3.5
Merchant expenses	(3.0)	(2.6)	0.5
Marketing expenses	(10.2)	(11.7)	(1.5)
Other income & expenses	(15.4)	(7.2)	8.3
Operating expenses	(67.4)	(56.6)	10.8
EBITDA	**(2.4)**	**(3.0)**	**(0.6)**
Amortisation, depreciation, & impairment expense	(12.8)	(20.1)	(7.2)
EBIT	**(15.2)**	**(23.1)**	**(7.9)**
Net interest expense	(2.5)	(2.8)	(0.4)
Profit / (loss) before tax	**(17.7)**	**(25.9)**	**(8.2)**
Income tax benefit / (expense)	2.6	(3.1)	(5.8)
Net profit / (loss) after tax	**(15.0)**	**(29.0)**	**(14.0)**

Revenue was down 18% as a result of FY22 impacted by covid lockdowns, the reduction in inventory in preparation for the move to a new CFC and challenging trading conditions.

Employee expenses were down 9% as the business recovers from increased costs associated with COVID. Organisational restructures in June 2022 and February 2023, and a deliberate strategy to moderate the long term investment in staff has resulted in a decrease in office head count of 27% compared to June 2022.

Marketing expenses were up 15% off the back of prolonged periods in FY22 where paid search was significantly moderated to curtail demand caused by last year's covid lockdowns.

Other income & expenses were down $8.3m or 54% as one-off expenses related to M&A costs and other legal expenses were not repeated in this year.

Amortisation, depreciation & impairment expenses driven up by the acceleration of depreciation on equipment that will not be moved to the new CFC, along with the deprecation on new assets that were not in the PCP.

Summary Balance Sheet

Balance sheet ($m)	FY22	FY23	Change $
Trade and other receivables	1.7	3.6	2.0
Inventory	17.3	13.4	(4.0)
Trade and other payables	(28.7)	(27.8)	0.9
Prepaid customer orders	(9.7)	(12.2)	(2.5)
Working capital	**(19.4)**	**(23.0)**	**(3.6)**
Right of use assets	22.7	32.6	9.8
Lease incentive receivables	0.6	0.3	(0.3)
Lease liabilities	(31.0)	(41.3)	(10.3)
Net lease balances	**(7.6)**	**(8.4)**	**(0.8)**
Cash and equivalents	8.5	0.7	(7.8)
Other current assets	1.3	2.4	1.1
Welbeck investment	0.9	-	(0.9)
Plant and equipment	22.4	17.1	(5.3)
IT Systems	9.1	9.0	(0.0)
Other NC assets	8.2	6.1	(2.1)
Provisions	(8.8)	(6.2)	2.6
Borrowings	-	(12.3)	(12.3)
NET ASSETS	**14.6**	**(14.5)**	**(29.1)**

Commentary on Key Movements

- Inventory - reduction of $4m compared to the prior period to right-size inventory holdings for current market conditions and reduce movements required to transition the stock from Lidcombe to the new CFC
- Prepaid Customer Orders (Contract Liabilities) – increased by $2.5m compared to prior period due to a temporary increase in the backlog of orders created (but not shipped) by the transition to the new CFC
- Net Lease balances – increases in the right of use assets and lease liabilities reflect the recording of the lease for the new CFC which commenced in March 2023
- Cash – cash balance decreased as funds were reinvested in the new CFC infrastructure and associated systems
- Plant and Equipment – an overall decrease despite adding $8.6m of assets under construction. Reduction driven by the acceleration of depreciation on assets that are not being used in the new CFC fitout[1].
- Borrowings – increase reflects the 2 loan facilities currently held, along with the capitalised borrowing costs[2]:
    i. Trade Finance facility - $7m
    ii. AFSG Loan - $5m (more recently reduced to $3.4m)

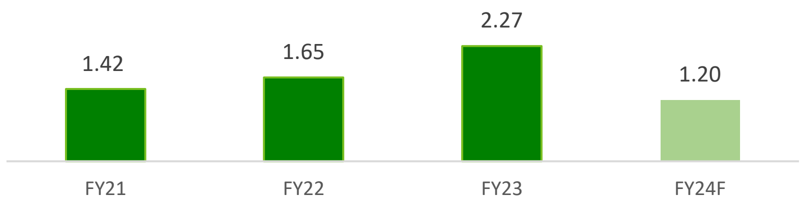
1. Refer Note 9 of the Financial Statements for a full reconciliation of Property, Plant and Equipment
2. Refer Note 20 of the Financial Statements for further details

SECTION 3

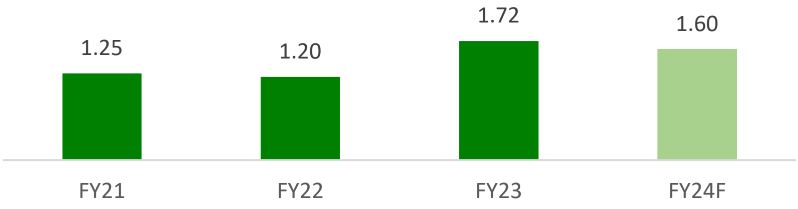
Trading Update and Outlook

Cost Saving Initiatives

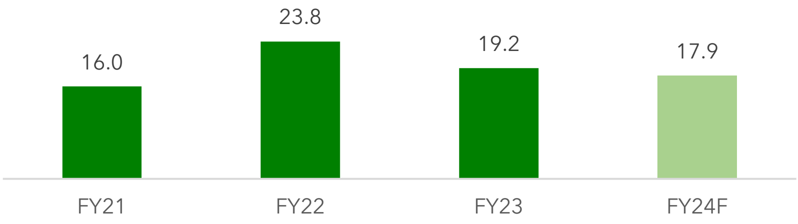
CFC Labour cost per unit shipped ($)[1]



Advertising & Marketing cost per unit shipped ($)[2]



Office employment costs ($m)[3]



CFC Labour Costs

- FY24 is projected to see a significant reduction in CFC labour costs with the new CFC completed by the end of August 2023.
- With an overall reduction of 47% compared to FY23, CFC Labour costs per unit are projected to be $1.35 per unit in FY24 H1 reducing to $1.06 in H2.

Advertising and Marketing Costs

- FY23 saw an increase in marketing spend post covid restrictions
- FY24 is expected to return to levels similar to pre-covid. The company is focused on improving efficiency in our marketing activities.

Office Employment Costs

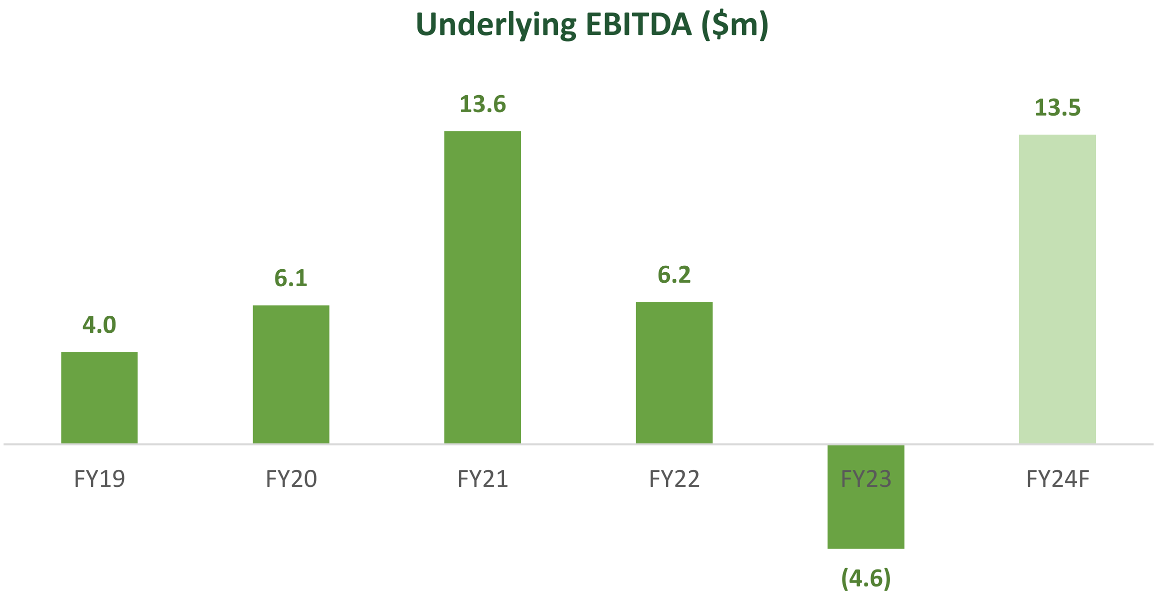
- Following the restructure in June 2022 and February 2023 , FY23 office employment costs reduced by $4.6m or 19%.
- FY24 will exhibit the full year impact of the restructuring undertaken in February 2023 and will provide a solid base on which to achieve the growth objectives for FY24

1. *CFC Labour Cost per Unit (CFC Labour CPU) is calculated as the salaries and wages (excluding on-costs) of staff directly attributable to the customer fulfilment centre including contract labour costs divided by the number of units shipped. The FY24 forecast CFC Labour CPU is based on internal management and external vendor models and forms part of the Board-approved budget for FY24.*
2. *Marketing expenses per unit means marketing expenses per statutory account classification divided by the number of units shipped*
3. *Office employment costs include all non-CFC related labour and are shown net of capitalised development costs*

Trading Update & Business Outlook

The business is well placed to return the business to growth

- A Board of Directors and new CEO are in place who have extensive experience in finance, strategy and business transformation
- The cost base of the business has been right-sized following the implementation of the business improvement initiatives
- Transitioning to a new CFC to improve operational efficiencies and enable further growth of the business
- Successful completion of a capital raise in August 2023
- Business expected to deliver an underlying EBITDA of $13.5m in FY24 off the back of volume growth, business improvement initiatives to reduce costs including CFC Labour costs and other overheads



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Questions?

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