

ASX Announcement

20th April 2021

Temple & Webster COVID-19 Update

Investing to capitalise on strong e-commerce growth in the furniture & homewares market

Temple & Webster (ASX: TPW), Australia's largest pure play online retailer in the furniture and homewares market¹, is pleased to release a trading update and strategy reaffirmation.

As a result of strong trading over H2 FY21 to date and a belief in a permanent shift in consumer shopping behaviours, the business is reaffirming its strategy of investing to capitalise in a once in a generation shift from offline to online shopping in the furniture and homewares category. This will involve investing in both short and long-term growth initiatives as outlined in this update.

Trading Update

Trading continues to exceed expectations despite the fact that prior comparable periods include the impact of the COVID-19 lockdowns:

- Q3 FY21 Revenue up 112% vs pcp
- Active customers reached ~750k at the end of Q3
- April 2021 Revenue up >20% vs pcp, noting this month is comparing April 2020 which was the fastest growing month last year due to the nationwide lockdowns implemented during March 2020
- COVID-19 cohorts continue to perform better than historical cohorts

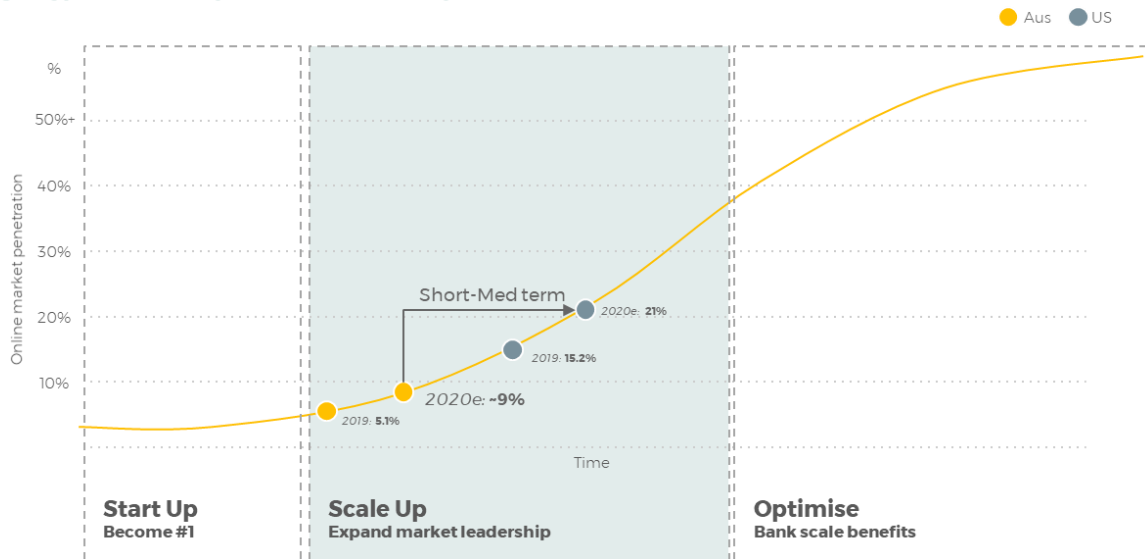
Permanent shift up the online adoption curve

Temple & Webster believes this trading suggests COVID-19 has permanently accelerated online adoption in the Australian furniture and homewares market.

As shown in Figure 1, we estimate more than 20% of furniture & homewares was bought online in the US during 2020, and we believe Australia is following the same trajectory. We estimate that in 2020, ~9% of Australian furniture & homewares were bought online, an almost doubling of the ~5% bought in 2019. Online penetration in both markets is expected to continue to increase significantly.

¹ Source: IBISWorld Industry Report OD4176 Online Household Furniture Sales in Australia

Fig 1. Hypothetical adoption curve for online penetration in the Furniture & Homewares market



Growth strategy reaffirmed – investing to capitalise on strong e-commerce growth

Temple & Webster is reaffirming its growth strategy given its online market leadership position, strong balance sheet and scope for significant online market growth and longer-term returns. This will involve:

- Building strong brand awareness to achieve national brand status within the next 3 years by investing in mainstream media to drive both first time and repeat customers;
- Using tactical pricing and promotions to increase conversion;
- Strengthening our customer experience through enhanced technology, data & personalisation and delivery experience;
- Investing into our 3D and artificial intelligence capabilities to make the customer shopping journey easier;
- Further differentiating our range through new category additions, private label expansion, new product development and launching exclusive ranges with our key drop ship suppliers and;
- Growing our B2B sales and operational teams to capitalise on returning demand in the commercial sector.

During this scale up phase, we will be focused on revenue growth and further expanding our market leadership. This will result in a financial profile similar to the pre COVID-19 period (strong double digit revenue growth and ~2-4% EBITDA levels). We are committed to remaining profitable even during this scale up phase and have set our target EBITDA levels accordingly.

As demonstrated in H1FY21, with scale comes operating leverage and higher levels of profitability (~9% EBITDA in H1FY21). Longer term, as we enter our optimisation phase, we expect higher levels of profitability than have been previously demonstrated due to greater scale benefits, including:

- Improved supplier terms;
- More repeat customers which will reduce marketing expenses;
- A slowing of investment in fixed costs and;
- A higher % of exclusive products with higher gross margins.

As such, longer-term profit margins are expected to be higher than many of our comparable offline peers.

Temple & Webster CEO & Co-founder, Mark Coulter, said “You only need to look at the US to see how the e-commerce market is playing out, and why we remain bullish about the shift from offline to online. We are at the start of this once in a generation shift, and now is the time to put our foot down to secure market leadership and ensure we are the brand for the next generation of furniture shopper”.

The Company expects to report full year numbers for FY21 at the end of July/early August.

This announcement has been authorised by the board of directors.

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For further information please contact:

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About the Temple & Webster Group

Temple & Webster is Australia’s leading pure play retailer of furniture and homewares.

Temple & Webster has over 200,000 products on sale from hundreds of suppliers. The business runs an innovative drop-shipping model whereby products are sent directly to customers by suppliers, enabling faster delivery times and reducing the need to hold inventory, allowing for a larger product range.

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

TEMPLE & WEBSTER GROUP LTD
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Temple & Webster's registered office and principal place of business is Unit 1a, 1-7 Unwins Bridge Road, St Peters, Sydney, Australia and is listed on the Australian Securities Exchange under the code TPW.

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