

TEMPLE & WEBSTER GROUP LTD
ABN 69 608 595 660

REGISTERED OFFICE AND
PRINCIPAL PLACE OF BUSINESS:
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ASX ANNOUNCEMENT

27 July 2021

Full Year 2021 Investor Presentation

Temple & Webster Group Ltd attaches a Full Year 2021 Results Investor Presentation.

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

About Temple & Webster

Temple & Webster is Australia's leading online 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 thereby enabling faster delivery times and reducing the need to hold inventory thereby allowing 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 is listed on the Australian Securities Exchange under the code TPW.

TEMPLE &
WEBSTER

FY21
Investor
Presentation

Mark Coulter CEO
Mark Tayler CFO



Summary

FY21 Revenue

\$326.3m

85% growth vs pcp

FY21 EBITDA

\$20.5m

141% growth vs pcp

Jun-21 Cash

\$97.5m

FY20 Revenue

\$176.3m

FY20 EBITDA

\$8.5m

Jun-20 Cash

\$38.1m

- Temple & Webster is the leading pure play online retailer for furniture & homewares in Australia
- Large addressable market with accelerating online adoption
- Business is profitable with strong top-line growth, capital light and a debt free balance sheet

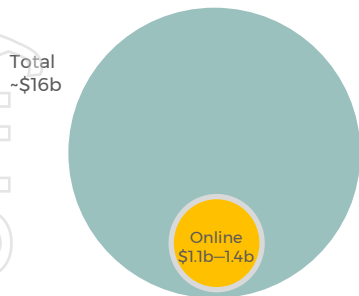


Sources: Euromonitor International Limited; Home Furnishings and Homewares System 2020, edition. IBISWorld Online Home Furnishing Sales in Australia Industry Report and Online Household Furniture Sales in Australia Industry Report
Jun-20 cash balance excludes proceeds from \$40m placement which took place in Jul-20
Financial metrics are pre-audit and subject to change

Temple & Webster at a glance

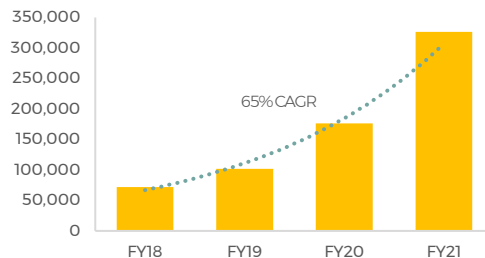
Operating in a large ~\$16b market (excludes B2B), with less than 9% sold online

2020 B2C Furniture & Homewares Market, Australia Only



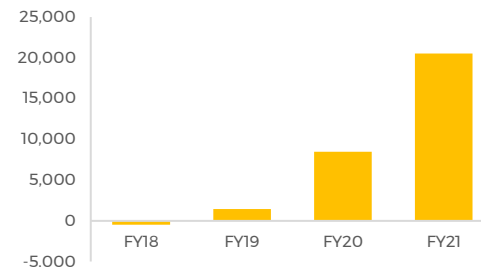
The leading pure play online retailer for furniture & homewares in Australia

Revenue, \$'000s



Leverage to fund reinvestment activity to outgrow the market

EBITDA, \$'000s



Range & content a key differentiator

- Curated range: ~210k products from 500+ suppliers across 210 categories
- 74% drop-ship (no inventory risk) and 26% private label
- Large in-house content team (e.g. stylists, photographers, editors)

Large website traffic and database

- 30m page impressions from 3.6m website users per month
- 3.2m subscribers; ~890k combined social media reach
- 778k active customers
- 55% aided brand awareness (Nov-20)

Asset light business model

- Negative working capital model with 74% of sales drop-ship with no inventory risk
- Leverage 3rd party warehouses and carrier networks
- Average time to dispatch ~1.9 days

Source: Euromonitor International Limited; Home Furnishings and Homewares System 2020 edition. ABS Retail Sales data, TPW estimates, Google analytics, social media platforms, T&W systems. All metrics are as at Jun-21 unless otherwise stated. Active customers are the number of unique customers who have transacted in the last twelve months (LTM). Financial metrics are pre-audit and subject to change.

FY21 Business Update

Strong growth across the year

- Revenue up 85% for the year, EBITDA up 141% to \$20.5m
- Q4 revenue up 26% pcp (which is comparing to Q4 FY20 which in turn grew ~130% over Q4FY19)
- Strong growth across all categories, geographies, channels & demographics
- Scale is increasing operating leverage, enabling significant reinvestment

Launched iOS & Android Apps

- Launch of Android & iOS Apps
- 4.8-star rating from ~4k reviews
- App is leading to higher levels of engagement and repeat purchasing

Customer satisfaction remains a key focus

- Net Promoter Score back to 65%+ after dip post November peak
- Improvements in quality, range and service
- Working with logistics partners on scaling during peak periods

Accelerated tech investment

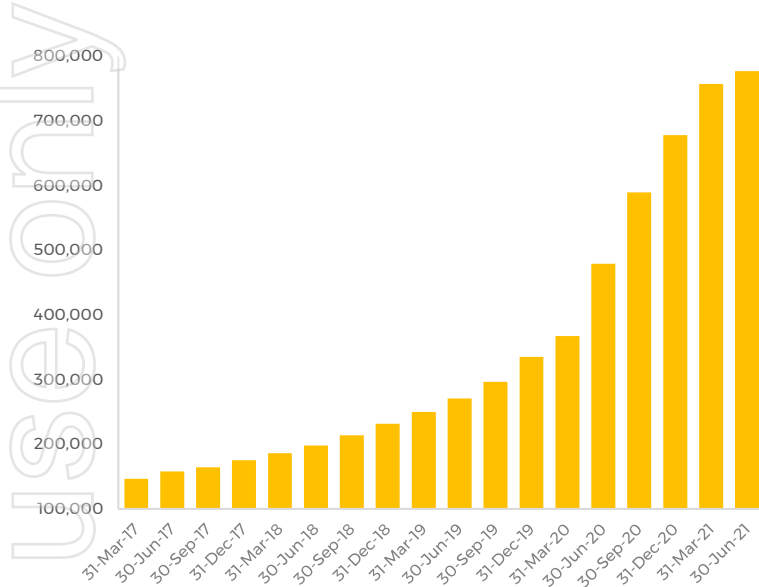
- Further investment in AI interior design start up
- Launched augmented reality
- Expanded tech and product team (onshore & offshore)

*Financial metrics are pre-audit and subject to change
Android app launched 1 July 2021.*



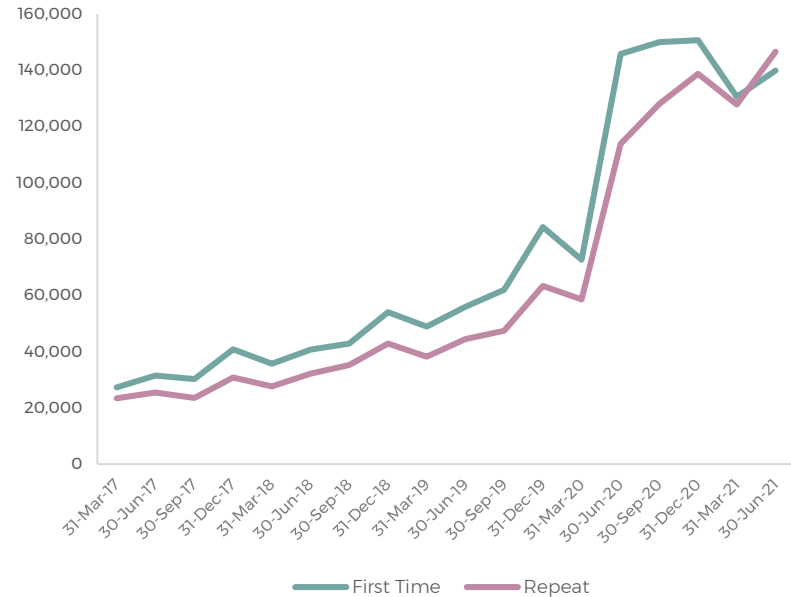
Customer growth remains strong even after comparing against FY20 COVID impacted growth rates

Active Customers grew 62% year on year



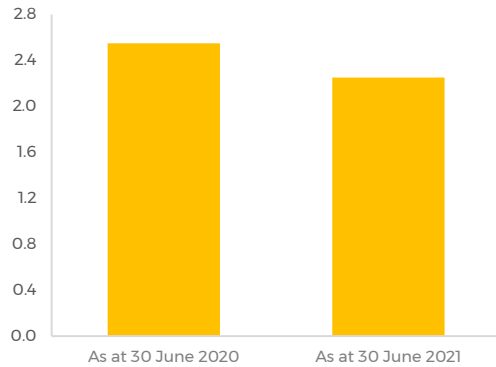
Active customers are the number of unique customers who have transacted in the last twelve months (LTM).

Cohorts are performing well, leading to an increase in repeat rate



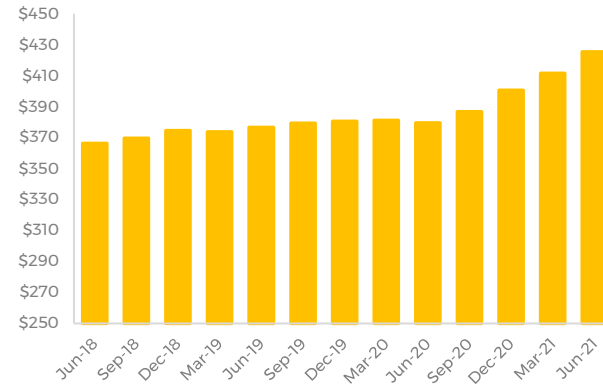
Strong growth in revenue per active customer is partially offsetting an increase in CAC due to longer term brand investments

12 month marketing ROI still strong, even with large brand investment (TV advertising)



Customer Acquisition Cost (CAC)	2020	2021
Customer Acquisition Cost (CAC)	\$46	\$58

Revenue per active customer up 12% due to a higher repeat rate and average order value²



1. Marketing ROI = Margin \$ / CAC

Margin = Revenue per active customer as at 30 June 2021 x delivered margin % for FY21

CAC = Total marketing spend for FY21 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 FY21

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

Key initiatives driving conversion rate and customer satisfaction

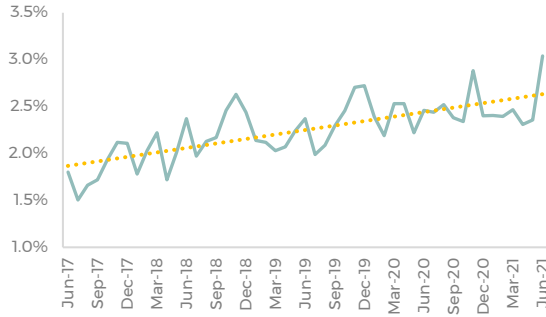
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Key Launches

FY22 Pipeline

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

Conversion rate continues to improve

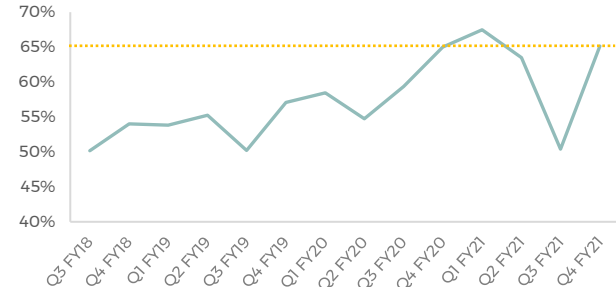


- iOS & Android apps; new desktop/mobile homepage
- Swatch service
- Augmented reality with 3D models
- Relaunch Visual search (search by photo)

- Expand scope of augmented reality offer
- 3D room visualisations
- Virtual designer (AI led)
- Visual search (app)

Customer satisfaction (NPS) has returned to target 65%+ after dip post Christmas peak

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

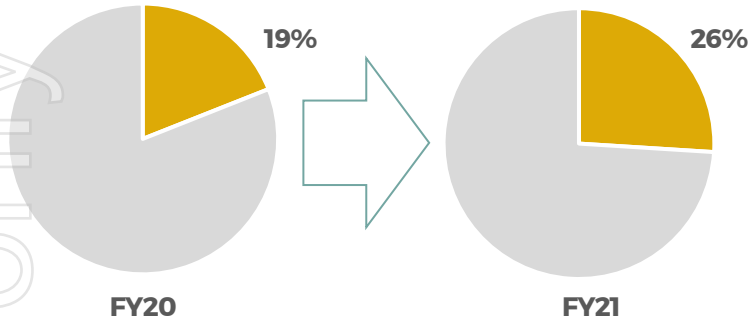


- Expanded care & logistics management team
- Piloted upgraded delivery option
- Increased to 5 x 3PL warehouse locations
- Doubled our capacity in our Customer Care team

- After hours / weekend delivery service
- Category experts for pre-sales
- Data integration for self-service; AI-assisted help
- Working with logistics partners on peak periods

Temple & Webster Private Label

Private label share (% of total sales)



Private label is providing strategic benefits such as a diversification of supply (less dependency on drop-ship network), improved margins, stock assurance and speed of dispatch.

Key Initiatives during FY21

- Expanded Buying and Merchandise Planning teams for range development and inventory forecasting
- Step up investment in private label inventory of \$15m in FY21
- 5 warehouses now in place across VIC & NSW, with multiple 3PL providers, which will enable further scaling and diversification of providers
- Geographical diversification of factories into Indonesia, India and Europe; 15 factories added in FY21 across 5 countries
- Testing machine learning forecasting software for inventory planning
- Expanded Quality & Compliance team

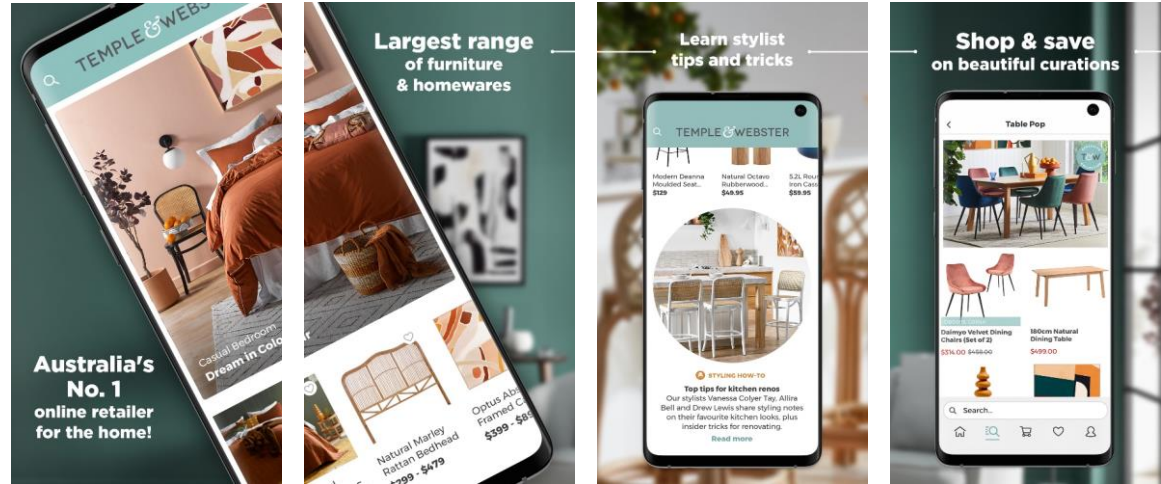
We have now launched both iOS and Android apps

- iOS app launched in H1 FY21
- Android app launched Jul-21

- Customer feedback has been extremely positive:
 - +4,000 reviews
 - Rating: 4.8 out of 5

- App is leading to higher levels of engagement and repeat purchasing

- Mobile (mobile web & app) now accounts for the majority of orders (ex Trade & Commercial)



Ratings & Reviews

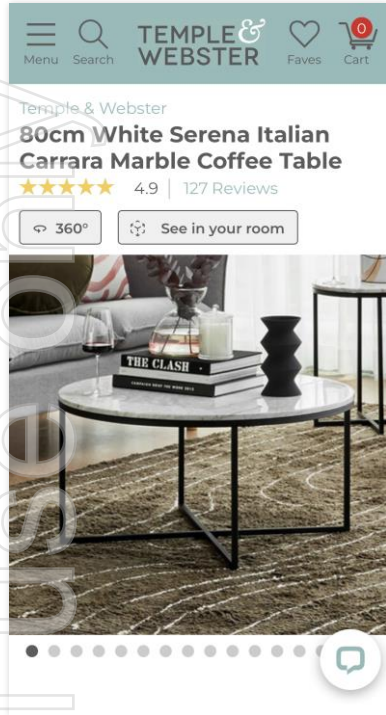
4.8
out of 5



4,134 Ratings

Apple app store

We are merging the online and offline experience through Augmented Reality (AR)



- Augmented Reality (“see in your room”) pilot launched in H2 and will be progressively rolled out
- Removing barriers in the online shopping journey while providing an interactive feature for customers which will drive conversion and customer engagement
- 3D Assets being built to enable Augmented Reality and also 3D imagery
- Combining online and offline worlds, creating a unique experience for customers

We have increased our investment in an AI Interior Design start up

- AI (Artificial Intelligence) Interior Design service, suggesting products to match a customer's selected item
- Next version: 3D generated life-like room
- Drives conversion rate and average order values
- Exposes Temple & Webster's huge range of furniture & homewares
- Developed by an Israel based technology start up, TPW has exclusive rights in Australia/NZ
- We increased our investment and % stake to accelerate the company's growth in July 2021

Complete the look Use our interactive mood board to create your perfect look.

The screenshot displays an AI interior design interface. On the left, a mood board titled "Complete the look" features a central image of a white sofa. Surrounding it are various items: a floor lamp, a framed quote, a clock, a chandelier, a teal cushion, a round mirror, a side table, a potted plant, a coffee table, a TV unit, and a rug. A "Colour" dropdown menu is at the top left, and a "ON" toggle is at the bottom left. The text "Powered by renovoi" is at the bottom right of the mood board.

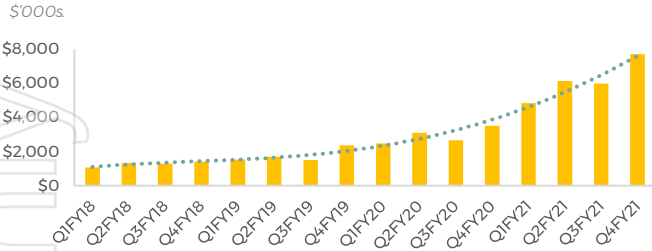
Your look (15 items)

-  Duck Egg Linen Cushion
\$79.00
[SEE SIMILAR](#) [ADD TO CART](#)
-  Davidson Linen-Blend Cushion
\$44.95
[SEE SIMILAR](#) [ADD TO CART](#)
-  Leonora Entertainment Unit
\$349.00
[SEE SIMILAR](#) [ADD TO CART](#)

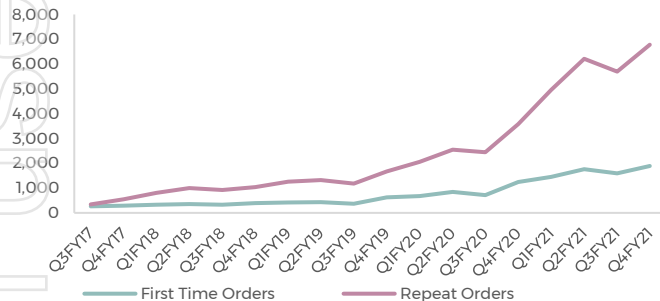
[ADD ALL ITEMS TO CART](#)

Our Trade and Commercial (B2B) division grew 110%

1 T&C has rebounded quickly with revenue up 110%



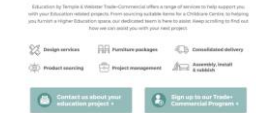
2 Service model improvements, such as extra care resources and specialised sector-based sales teams, have led to high repeat customer rates



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

3 Residential property development sector and regional hospitality remain key areas of focus:

- Successful launch of new service model for the residential property development market including advertising, selling incentive packages, display home design & installation services
- Expanded installation & fit-out capabilities
- Launch of bespoke made to order range of commercial products for hospitality & residential markets
- Capitalised on regional tourism boom with accommodation upgrade packages, glamping campaigns and design services
- Expansion into childcare market including outbound sales, marketing campaign and range additions



One With Nature Glamping

This Glamping Tent concept embraces the raw elements of the bush while incorporating luxury and comfort. The use of furnishings with natural materials give the essence of being outside without having to leave the tent.



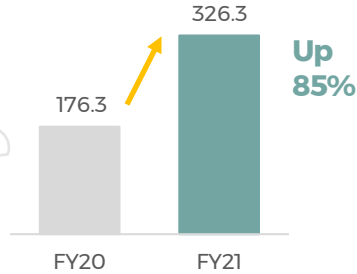
FY21 Financial Results

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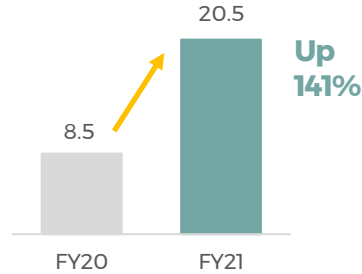


FY21: Strong growth and performance

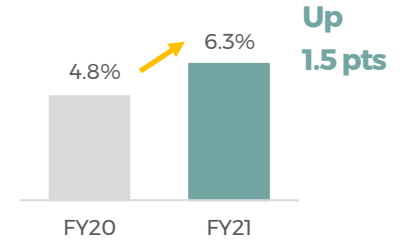
Revenue \$m



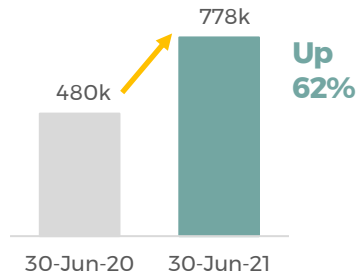
EBITDA \$m



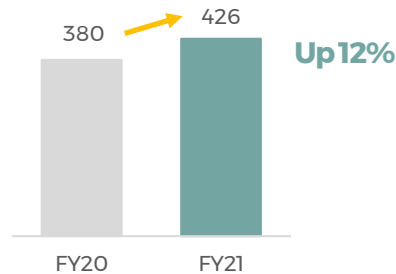
EBITDA %



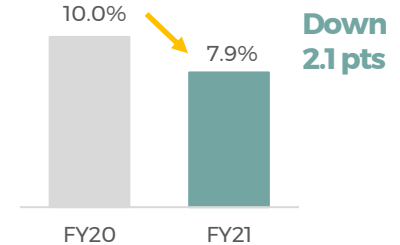
Active Customers



\$ per Active Customer



Fixed Costs (% of Rev)



*NB: Active customers are the number of unique customers who have transacted in the last twelve months (LTM).
Revenue per active customer = Last 12 months revenue divided by active customers.
Financial metrics are pre-audit and subject to change.*

FY21 produced record revenue and profitability

A\$m	FY20	FY21
Revenue	176.3	326.3
Cost of Sales	(97.7)	(178.3)
Gross Margin	78.6	148.0
	44.6%	45.4%
Distribution	(24.7)	(44.4)
One-off distribution	0.0	(2.9)
Delivered Margin	53.9	100.7
	30.6%	30.9%
Advertising & Marketing	(21.0)	(42.4)
Customer Service & Merchant Fees	(5.9)	(10.7)
Contribution Margin	27.0	47.6
	15.3%	14.6%
Wages	(13.9)	(19.0)
Other	(3.7)	(6.9)
Adjusted EBITDA	9.4	21.7
	5.3%	6.7%
Share Based Payments	(0.9)	(1.2)
EBITDA	8.5	20.5
	4.8%	6.3%
Depreciation & Amortisation	(0.6)	(1.6)
EBIT	7.9	18.9
	4.5%	5.8%

Record revenue

- Revenue of \$326.3m for FY21 was up 85% YoY
- Q4 revenue was up 26% YoY which is comparing to Q4 FY20 which grew -130% YoY

Private label now making up 26% of overall sales

- Gross margin % increase was primarily driven by the growth in private label which now represents 26% of sales

One-off distribution costs in H2

- As a result of shortages in available 3PL space and port related issues, there were significant one-off costs of \$2.9m in the 2nd half of FY21, all issues however were resolved by June 30 with new 3PL facilities now in place

Investment into brand building channels

- 12-month marketing ROI remains strong at 2.3x after a significant investment in TV (+\$3m). Investment in brand building will continue into FY22

Contribution margin above target level

- Contribution margin after one off distribution costs was 14.6% (15.5% before one off distribution costs). Updated short-med target range is now 12%-15% to allow for reinvestment activity (*as discussed on the following page*).

Fixed costs do not have to scale in line with revenue growth

- Fixed costs as a % of revenue down to 7.9% from 10.0% last year (ex share based payments)

Record profitability

- Record profitability with EBITDA up 141% to \$20.5m. *Please note EBIT includes the impact of depreciation of right-of-use asset representing long term leases in line with AASB16 Leases*

Financial metrics are pre-audit and subject to change. Adjusted EBITDA excludes share based payments, one-off costs and depreciation and amortisation
 Depreciation and amortisation includes depreciation for dedicated warehousing space which started in Mar-21

Reiterating our 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
- Execute on 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 %)
- Areas of investment:
 - Using price and promotions to drive new customer conversion
 - Brand building initiatives (e.g., TV)

- 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 and capabilities to build strategic moats around business:
 - Mobile, tech, AR/AI/3D
 - Brand awareness
 - Trade and Commercial division
 - Delivery experience
 - Size of catalogue and private label range
 - Data and personalisation

- 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)

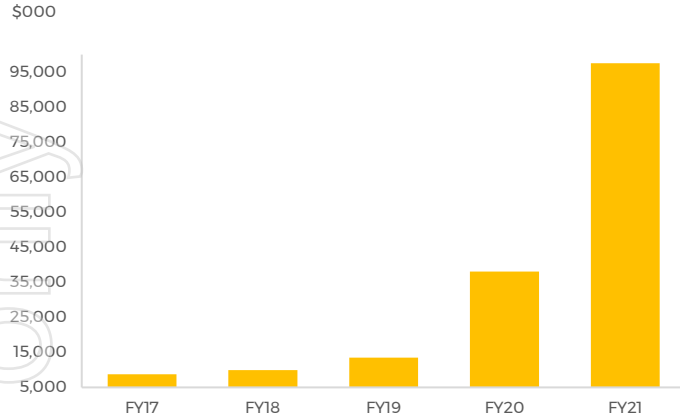
Profit

- **Maintain a 2-4% EBITDA level and reinvest operating leverage to drive above market growth**

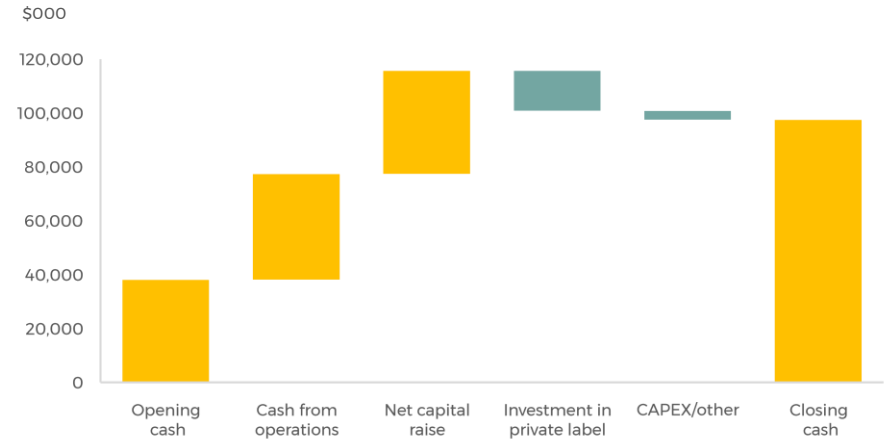
- **Focus on growing profit \$ and % as a result of operating leverage**

Capital light/cash flow positive business model

Closing cash



Net cash flow movement



- Strong balance sheet position with a closing cash balance of \$97.5m and no debt

- Positive cash flows from operations and the group's capital light/negative working capital model were partly offset by a step-up investment (\$15m) in private label inventory

- Investment in private label paying off with growth exceeding drop ship. All metrics (WOC/ageing profile/GMROI) continue to track better than target ranges
- Flexible balance sheet position to take advantage of organic and inorganic opportunities

*Financial metrics are pre-audit and subject to change
A full balance sheet will be presented as part of the finalised audited accounts.*

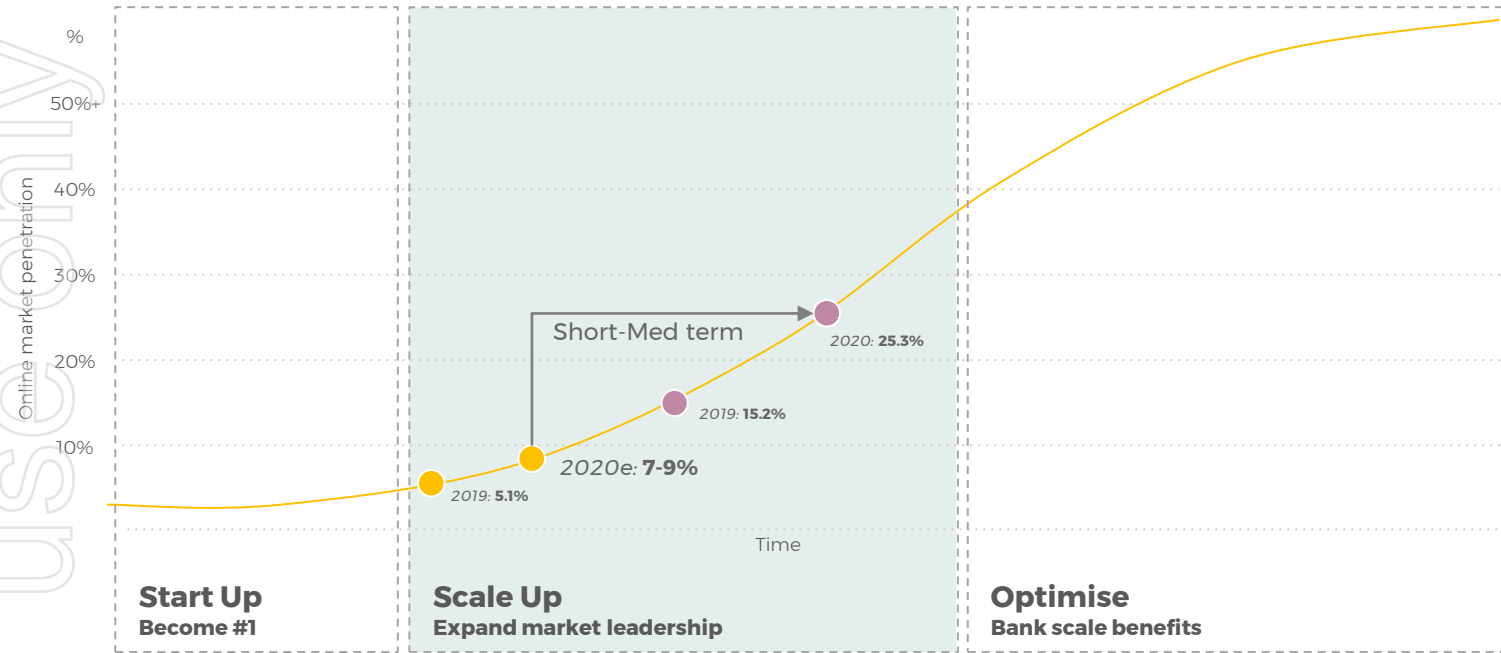
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Strategy & Outlook



Our core B2C furniture and homewares category is a ~\$16b market, undergoing a structural shift towards online

Hypothetical adoption curve for online penetration in the Furniture & Homewares market ● Aus ● US



Source: Euromonitor International Limited; Home Furnishings and Homewares System 2020 edition, ABS Retail Sales data, TPW estimates

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

Millennials
Age 25 - 40

35

65

2 Structural changes in our favour

- **Offline exits/store closures**
- **New consumer habits forming during lockdowns**
- **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
- **COVID-19 has accelerated online penetration**

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

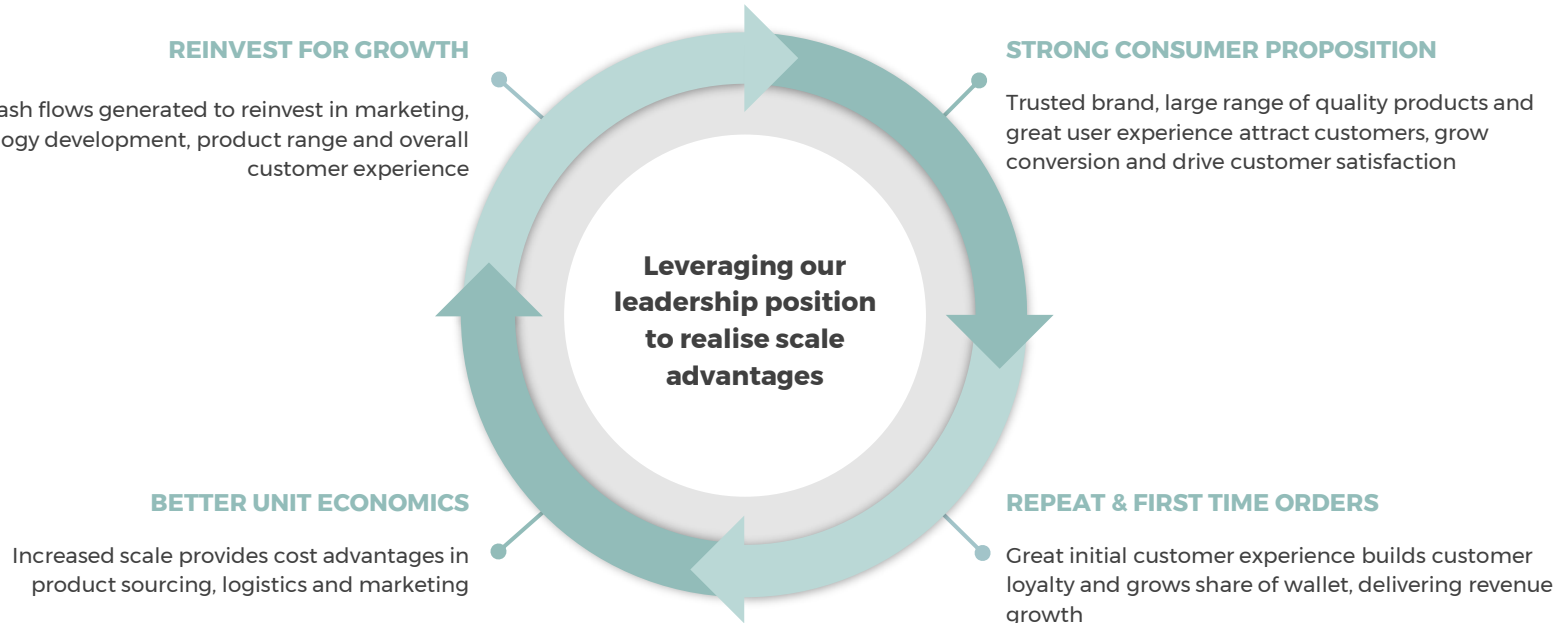
- We want to be famous for having **the biggest and best range** in our category, the **most inspirational content and services** and the **best delivery experience & customer service**.
- Our foundations are built on data-driven marketing, world-class technology and exceptional execution by an amazing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

Scale increases our operating leverage, allowing us to accelerate investment in future growth and take market share

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Growth strategy

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 55% 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 Trade & Commercial division, competing on range, value and a full-service offering

Trading update & outlook

- FY22 has started strongly with YoY revenue growth of 39% for the period 1st July – 24th July 2021.
- We continue to experience strong tailwinds, including:
 - the ongoing adoption of online shopping due to structural and demographic shifts
 - an acceleration of these trends due to COVID-19
 - an increase in discretionary income due to travel restrictions
 - Strong housing market growth
- We will continue our reinvestment strategy, investing into growth areas of the business to grow our online market leadership position with the ultimate goal of becoming the largest retailer (online and offline) for furniture and homewares in our home market.



Revenue growth is based on checkout revenue which is pre accounting adjustments (deferred revenue, refund provision). Financial metrics are pre audit and subject to change.

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Q&A

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