

NEW CEO AND TRADING UPDATE

Booktopia Group Limited (ASX: BKG) would like to update the market on its trading position and foreshadow several important changes to be implemented over the coming months.

NEW CEO

Booktopia co-founder and CEO Tony Nash has informed the Board of his intention to step aside from the role of CEO. He will continue as a full-time senior executive and Director with the company in a new position focused exclusively on growth.

The Board of Booktopia has commenced a search to identify and secure a new CEO and will make announcements in due course. Mr Nash will remain as CEO until a replacement is appointed and then transition responsibilities to the new CEO.

Mr Nash said the decision to step aside from the CEO role was in the best interests of Booktopia and would give the company the best opportunity to balance the demands of complex operations, whilst remaining a high growth business.

“Building Booktopia from a budget of just \$10 a day in 2004 into Australia’s leading online book retailer has been an incredibly rewarding journey,” he said.

“As an entrepreneur, my natural talent is making the invisible visible. I look forward to continuing to find ways to grow the business while handing over the duties that come with being the CEO of a larger and listed entity. It’s time to hand over the leadership reins to someone who is more capable than me at that job description. I am genuinely looking forward to working with, and for, the new CEO.”

Booktopia Chairman Chris Beare said Mr Nash’s decision to take on a new role in the business reflected his commitment to Booktopia and the desire to see the company reach its full potential.

“Tony has an unyielding commitment to Booktopia, its staff and customers, and he has demonstrated this over the last two decades,” he said. “We look forward to his enthusiasm continuing to drive the company forward in his new position.”

TRADING UPDATE*

Key performance indicators for the nine months to 31 March 2022 were:

- Revenue up 9% to \$194.7 million (YTD21: \$177.8 million).
- EBITDA down 63% to \$5.5 million (YTD21: \$12.1 million).
- Units shipped up 7% to 6.75 million (YTD21: 6.33 million)
- Distribution Labour Cost per Unit of \$1.66 (YTD21: \$1.35)
- Average customer spend up 7% to \$127.00 (YTD21: \$118.78)
- Average order value up 6% to \$75.68 (YTD21: \$71.47)
- Average selling price up 4% to \$25.94 per unit (YTD21: \$25.00)

The trading environment for e-commerce companies remains volatile and unpredictable. Online book sales were a major beneficiary of lockdowns and other restrictions, but as the economy returns to normal, the growth in online books sales has moderated.

While pandemic-level sales growth has receded, there are still positive signs, and the company expects online book sales as a market segment to continue to grow in the high single digits per annum in the foreseeable future from this new post-pandemic baseline.

Mr Nash said “All major and pureplay e-commerce retailers continue to invest heavily in their online offerings in anticipation that online sales will continue to grow over the next several years.”

Revenue for the three months to 31 March 2022, of \$64.5 million, was down 1% on the same period last year due to the disrupted start to the academic year, resulting in lower overall revenue from academic book sales which have traditionally contributed strongly to third quarter performance.

Lower sales in the academic division were driven by a reduction in the number of students commencing university in the first semester. The company believes this is a combination of international students still concerned about studying in Australia due to border closures and a strong employment market that encourages school-leavers to postpone studying and take up employment opportunities.

Although the third quarter saw many COVID restrictions lifted, Booktopia still faced a range of challenges with its distribution centre, with the higher cost base experienced in the first half continuing into the second half.

EBITDA in the third quarter fell 65% to \$1.5 million due to the combined impact of increased operating expenses and lower academic book sales.

The company is now operating smoothly and will improve again when the second distribution centre is fully commissioned in the next few months. Inventory is at a level that means the company can reliably ship quickly to customers and not be impacted by industry wide inbound supply chain issues. These improvements are reflected in a tangible improvement in levels of customer satisfaction.

OPERATIONAL IMPROVEMENTS

Whilst the company is pleased to see revenues continue to grow and expects that to continue, the Board believes it needs to reassess its cost base to be flexible to cope with lower short term revenue growth rates. The Board and management are developing several initiatives which will be implemented during the fourth quarter to ensure business costs and investments are more aligned with the company's current growth trajectory.

These initiatives will provide the company with a solid foundation for the next financial year (FY23) and beyond. They are designed to create the step-change needed to reset the business thus allowing Booktopia to return to a sustainable level of growth and profitability as soon as possible.

FULL-YEAR OUTLOOK

Based on the third quarter performance and forecast for the remaining three months, Booktopia expects to deliver full year revenue of approximately \$242 million. Before adjustments for operational improvements, that are currently being finalised by the business, we expect an EBITDA of between \$3 – \$4 million. Included in this are one off costs outlined at the half year. NPAT for the year is expected to be a loss.

The company's full-year results may also be impacted by a penalty from the ongoing proceedings by the ACCC.

*all trading data is based on management figures and has not been externally audited.

Authorised for lodgment by Chris Beare, Chairman on behalf of the Board.

ENDS

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About Booktopia

Booktopia Group is the largest Australian online book retailer by market share. Established in 2004, Booktopia has sold items to more than five million customers. In the 12 months to the end of June 2021, the company sold one item approximately every 3.9 seconds and shipped approximately 8.2 million items, averaging 32,800 items per business day. In FY21, the company reported revenue of \$223 million, up from \$165 million in FY20, and underlying EBITDA of \$13.6million, up 125% on the \$6 million reported in FY20. The company was listed on the Australian Securities Exchange (ASX) in December 2020 after completing a \$43.1 million initial public offering.