

BOOKTOPIA GROUP LIMITED FULL-YEAR PRELIMINARY RESULTS

Australia's leading online book retailer Booktopia Group Limited (ASX: BKG) has today released its unaudited results for the 12 months to June 30, 2022. The results include another year of record revenue and growth across several key operational and financial metrics compared to the previous year. Key operational highlights for the year include:

- Revenue up 7.5% to \$240.8 million
- Shipped units up 4% to 8.5 million
- Average Order Value increased 6% to \$75.59
- Average Selling Price (per unit shipped) was up 3.2% to \$28.27
- Average Customer Spend (per customer, per year) was up 6.4% to \$134.94
- Gross profit up 6.3% to \$65.0 million
- Gross profit per unit up 2.3% to \$7.65

Underlying EBITDA was \$6.2 million which despite the uplift in revenue was down from the previous year (FY21: \$13.6 million). Results were impacted by increased customer fulfilment costs associated with COVID and a number of one-off items which had a negative impact of approximately \$8.7 million on EBITDA and \$13.8 million on NPAT. The items include:

- **Restructuring Costs**
Following the announcement to the ASX in May, the Group undertook a review of overhead expenditure to realign costs with the Group's growth trajectory. This involved a small number of redundancies and the removal of the former CEO at a cost of \$1.3 million.
- **New Customer Fulfilment Centre (CFC)**
The company has accelerated depreciation of \$2.8 million associated with the change in useful lives of certain items of property, plant and equipment in part as a result of the Board's decision to proceed with a new customer fulfilment centre.
- **M&A-related costs**
Booktopia explored several M&A opportunities in the first half of FY22 which did not eventuate, resulting in significant legal and consulting fees (\$1.7 million). These costs were detailed in the half-year accounts. The company is not actively pursuing any M&A activity while it focuses on improving operational efficiency.
- **Welbeck Investment Impairment**
Following a detailed review of the investment in Welbeck ANZ and the decision not to take on the distribution services for Welbeck ANZ, the company has determined that an impairment of \$2.1 million is appropriate to reflect the portion of the investment that is expected to be non-recoverable. We continue to see ongoing value in our retail activities from the partnership with Welbeck.

- **ACCC Penalty**

The company has provided \$6 million for an outcome with respect to the agreement reached with the consumer regulator regarding our returns policy being misleading [see below for detail]. Payable over a maximum term of five years, the accounted amount represents the discounted present-day value of the penalty calculated in accordance with accounting standards and associated legal costs.

Booktopia does not expect any material changes between today's results and the final audited results.

Booktopia Acting Chief Executive Officer Geoff Stalley said:

"Booktopia remains Australia's number one choice for book buyers, and we are very proud of how our team has responded to the market conditions over the last 12 months. We have continued to grow our business across our key metrics, even compared to the extraordinary levels of activity in FY20 and FY21.

The last financial year also presented a number of challenges for our business as we dealt with Sydney's lockdowns during the first half and the broader economic, supply chain and human resource challenges of the second half. We have taken decisive action to address rising costs and have developed a comprehensive strategy to return the business to sustainable, profitable growth over the next few years."

CUSTOMER FULFILMENT CENTRE (CFC)

Booktopia announced on 8 August 2022 that it had signed a lease for a new 20,000sqm Customer Fulfilment Centre (CFC) at South Strathfield in Sydney's west. The new facility will provide the company with the opportunity to distribute larger volumes and to operate at a lower cost.

The company will end its lease at Lidcombe and move to the new CFC over the next 12-18 months, which is anticipated to be operational in time for Christmas 2023 with the company formally taking possession of the site in March 2023.

The company is in the process of finalising a finance package to support an investment of \$14 million in new equipment across FY23 and FY24. In addition to the reuse of much of the company's existing equipment, this financing will support the efficient fulfilment of over 12 million units per annum with flexibility built into the design for further expansion whilst reducing labour costs per unit in the CFC compared with existing operations.

CFO APPOINTMENT

The company continues to search for a new Chief Executive Officer with Geoff Stalley (previously CFO) acting in the CEO role until the appointment is complete. The company is pleased to announce that Fiona Levens, previously the Group Financial Controller, has been appointed to the role of CFO effective today. Fiona has a long history with Booktopia having fulfilled multiple finance roles over the past 10 years and is a key member of the company's leadership team.

TRADING UPDATE

Trading conditions remain volatile for retailers and the online retail market in particular, with various economic headwinds impacting consumer behavior and a high level of uncertainty as the economy responds to a post COVID era and adapts to an inflationary economy globally.

Despite these headwinds, demand for books remain strong and we are approaching the Christmas trading period having made a number of operational changes to improve our efficiency during this traditionally busy period.

In the second half of FY22 the company took action to reduce our overall operating costs and improve efficiencies, especially in our customer fulfilment centres. These initiatives had a positive contribution to margin improvement in the final quarter of FY22. Continuing margin improvement will remain a key focus in FY23. In addition, the investment in the company's new CFC is expected to further improve margins in FY24 and beyond

The company is confident of its strategy as an online book retailer and has a number of further initiatives in play, in addition to operational and efficiency improvements, to deliver on our customer obsession and to respond to changes in consumer behaviour including, growing our channels to market, commissioning of a new CFC, and partnerships with Zookal and Welbeck, all of which provide a strong differentiation for Booktopia in the retail environment.

Given the overall market conditions and the uncertainty in the economy, the company will not be providing provide forecasts for the full year

ACCC UPDATE

The company has reached agreement with the ACCC on the terms that the parties will jointly put to the Federal Court to resolve proceedings commenced by the ACCC in December 2021. The company and the ACCC will jointly seek orders from the Federal Court for payment by the company of total pecuniary penalties of \$6 million to be paid in instalments over five years, noting that the final amount of the financial penalty will be determined by the Federal Court in its discretion and any amount jointly put by the parties is not determinative of the final outcome. The five annual instalments of \$1.2 million are payable subject to the orders that the parties will seek from the Federal Court in December 2022.

The proceedings concern two statements that previously appeared on Booktopia's Terms of Business to the effect that customers who receive an item that is incorrect, damaged or faulty, were required to notify Booktopia within 2 business days of delivery and that returns and refunds were not possible for certain types of products, and statements made to 19 customers that it was not obliged to provide a remedy if the customer had not contacted Booktopia within two business days. These website statements were removed from 3 November 2021. The company acknowledges that these statements were not correct and not consistent with the company's obligations under the Australian Consumer Law.

The company has made a provision of \$4.95 million in these FY22 accounts reflecting the present value of the amount of the financial penalty proposed to be sought jointly by Booktopia and the ACCC from the Federal Court and it reflects the company's current best estimate of its exposure to financial penalties in the period to which these accounts relate.

The matter comes before the Federal Court in December 2022 for a hearing on the appropriate amount of financial penalty and other remedial orders.

The company takes its obligations under the Australian Consumer Law and its commitment to customer service very seriously and has cooperated with ACCC throughout the process.

RESULTS TELECONFERENCE

Booktopia executives will hold a webcast briefing for investors with Acting Chief Executive Officer Geoff Stalley, Chairman Chris Beare and Chief Financial Officer Fiona Levens. The details of the briefing are:

- DATE: Monday, 29 August 2022
- TIME: 2:00pm
- REGISTRATION: Participants can register for the conference by navigating to <https://s1.c-conf.com/diamondpass/10023384-bo3km2.html>. Participants will receive their dial-in number upon registration.

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

ENDS

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About Booktopia

Booktopia Group is Australia's largest dedicated online book retailer. It is an Australian home-grown business with more than five million customers since establishment and over \$1 billion in sales since its 2004 inception. Since FY2012, Booktopia Group has sold more than 43 million items to its growing customer base. While approximately 90% of the items the Company sells are books, Booktopia Group also sells eBooks, audiobooks, magazines, maps, calendars, puzzles, stationery and cards. The Company sold one item approximately every 3.4 seconds and shipped about 8.5 million items in the 12 months to 30th June 2022, with revenue of \$241m. The company was listed on the Australian Securities Exchange (ASX) in December 2020 after completing a \$43.1 million capital initial public offering.