

TEMPLE & WEBSTER GROUP LTD

ABN 69 608 595 660

The logo for Temple & Webster, featuring the company name in a serif font with an ampersand between the words, set against a teal square background.

ASX Announcement

17 May 2023

Temple & Webster Business Update

Temple & Webster (ASX: TPW), Australia's leading pure-play online retailer for furniture and homewares, today provides a trading update, an overview of its Artificial Intelligence (AI) initiatives and an update on its recent buy-back program.

Trading update

- The business has returned to year-on-year growth as it completes cycling comparisons against COVID impacted periods, with trading in the last 4 weeks up 10%¹ vs pcp
- Trading improved over the half with sales down 5% vs pcp HTD (1st Jan - 15th May), compared to a decline of 7% for the first 5 weeks of 2H23 (1st Jan - 5th Feb)
- Full year guidance range of 3-5% EBITDA reiterated
- Cash levels remain at ~\$100m with no debt

CEO, Mark Coulter, said: "In the face of turbulent macroeconomic conditions, it's incredibly satisfying to see Temple & Webster back in growth mode as we cycle out of periods impacted by COVID. We recognised early that in this inflationary environment, customers would be looking for choice and value and we have successfully adjusted our range, promotional activity, pricing and on-site merchandising to reflect these changing customer needs."

"The Australian furniture & homewares category remains highly under-penetrated in terms of its shift to online compared to other leading markets such as the US and UK. As the pure-play online market leader, we believe this period will allow us to aggressively grow market share as we leverage our data capabilities, asset light model and strong balance sheet."

¹ Period 18th April - 15th May 2023 vs same period 2022. Revenue growth is based on checkout revenue which is pre accounting adjustments (deferred revenue and refund provisioning).

AI update

The business continues to see the significant potential for Artificial Intelligence to drive both conversion and customer benefits, along with productivity gains to lower its overall cost of doing business (CODB).

To capitalise on this accelerating technology, we have recently increased our investment in Renovai², an Israeli AI startup disrupting the way in which customers shop our category through digitising the interior design process. Currently the business powers product recommendation mood boards on site which have shown a significant increase in conversion rate for customers who interact with this tool. Temple & Webster will be working with the Renovai team to further enhance these AI tools and the customer shopping experience.

We have also assembled a dedicated internal team consisting of software engineers, data scientists and product managers. The scope of this team is to implement AI technology across all customer interactions and internal processes.

Early wins include:

- ChatGPT now powers all pre-sale product enquiry live chats (25% of all customer enquiries). This has led to an increase in live chat customer satisfaction, an increase in customers adding products to their carts (add to carts) and an increase in conversion rates from this channel
- We have used AI to generate enhanced product descriptions across all 200,000+ products on site, a task not possible to do at scale efficiently with a human team. Our testing has shown this has led to an increase in conversion rate, add to carts and revenue per visit

CEO, Mark Coulter, said “we have been excited about the potential game-changing technology of AI for many years now, with our first investment in Renovai in 2020. The pace of this next technology revolution is only getting faster. As the leading pure play online retailer, we have the resources and capabilities to ensure we are at the forefront of this revolution. For an online-only business without physical stores or in-person sales staff, the potential for AI to significantly lower our CODB %, drive conversion and customer benefits is going to be material. We believe this will further drive our competitive advantages and allow us to win market share.”

² Investment in Renovai was US\$2m via convertible note, payable in tranches over FY23 and FY24

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Buy-back update

The strength of the business's balance sheet allowed it to recently initiate an on-market buy-back of up to \$30m TPW shares. At the date of this announcement, TPW has bought back \$4.1m of TPW shares. CEO, Mark Coulter, said "the buy-back program shows the strength of the TPW balance sheet, with a cash balance of ~\$100m, there is sufficient capital for a buy-back, funding organic initiatives and also taking advantage of inorganic opportunities should they arise."

This announcement has been authorised by the board of directors.

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Forward Looking Statements

Certain statements contained in this announcement are forward-looking statements or statements about future matters, including any indications of, and guidance or outlook on, the earnings, financial position and/or performance of Temple & Webster. These statements involve known and unknown risks and uncertainties and other factors (many of which are beyond the control of Temple & Webster) and involve significant elements of subjective judgement and assumptions as to future events (which may or may not be correct). No representation, warranty or assurance is given that the occurrence of any of the events expressed or implied in these statements will actually occur or that actual outcomes will not differ materially from the outcomes expressed or implied in these statements.

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About the Temple & Webster Group

Temple & Webster is Australia's largest pure play 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, 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.

The Build by Temple & Webster (www.thebuild.com.au) is a pure play online retailer for home improvement. Sharing the same mission as its leading furniture and homewares sister site Temple & Webster, The Build helps Australians make their homes more beautiful and turn home renovators' visions into reality by providing the biggest and best range, a beautiful and easy shopping experience, and inspirational content.

Temple & Webster Group's registered office and principal place of business is 2, 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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