

TEMPLE &
WEBSTER

H1 FY20 Results Presentation

Mark Coulter CEO
Mark Tayler CFO



Summary

Pre Audit

H1 FY20 Revenue

\$74.1m

50% Growth YoY

H1 FY19 Revenue

\$49.4m

H1 FY20 EBITDA

\$2.3m

H1 FY19 EBITDA

\$1.0m

Dec-19 Cash

\$15.7m

Jun-19 Cash

13.5m

- Temple & Webster is the online market leader in furniture & homewares
- Large addressable market, of which only 4-5% moved online
- Business is now profitable with strong top-line growth and a debt free balance sheet

HI FY20 Business Update

High growth in a recovering housing market

- 50% revenue growth
- 45% active customer growth
- Record weekend driven by Black Friday and shift of retail spend into November
- Shift to online driven by demographic changes independent of macroeconomic factors
- Temple & Webster positioned as “affordable beauty”, appealing to value conscious shopper

Market leader in a large, growing market

- Furniture & homewares is a \$13.9b market (excluding appliances and DIY)
- Temple & Webster is the online market leader
- High growth has allowed us to forge closer partnerships with our suppliers and accelerate investment in key differentiating areas e.g. technology, experience

Strong balance sheet, cash flow positive business model

- Cashflow positive business model as ~80% of sales do not require holding inventory
- Contribution margin (margin after all variable costs including advertising and customer service costs) remains on target

Key HI FY20 Actions

- Range increased to 180,000+ live products
- Launch of first beta mobile app (testing by real customers)
- Established data team to better leverage our data (eg personalisation, customer acquisition)
- Closed Melbourne pop up showroom (December) to focus on online channel

Temple & Webster is the leading online retailer for furniture & homewares

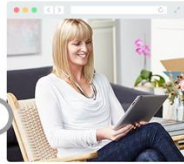
Page impressions (Nov)

~14m



Website users (Nov)

~1.8m



Email subscribers

~2.1m



Social media reach

~610k



TEMPLE &
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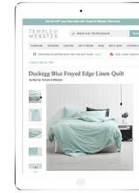


Active customers (LTM)

~335k

Product listings

~180k



Sub-categories

~193



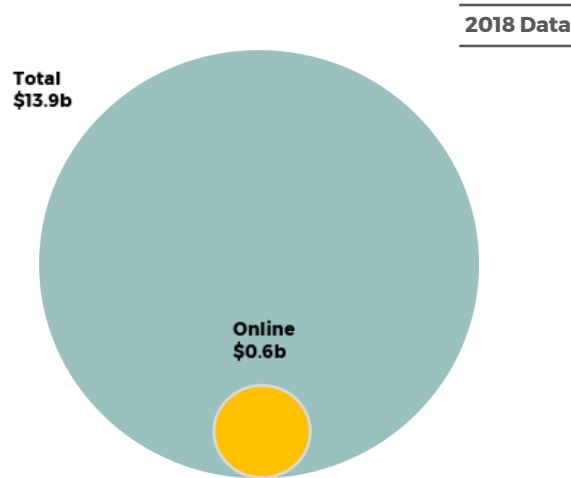
Average time to dispatch

~1.5 days



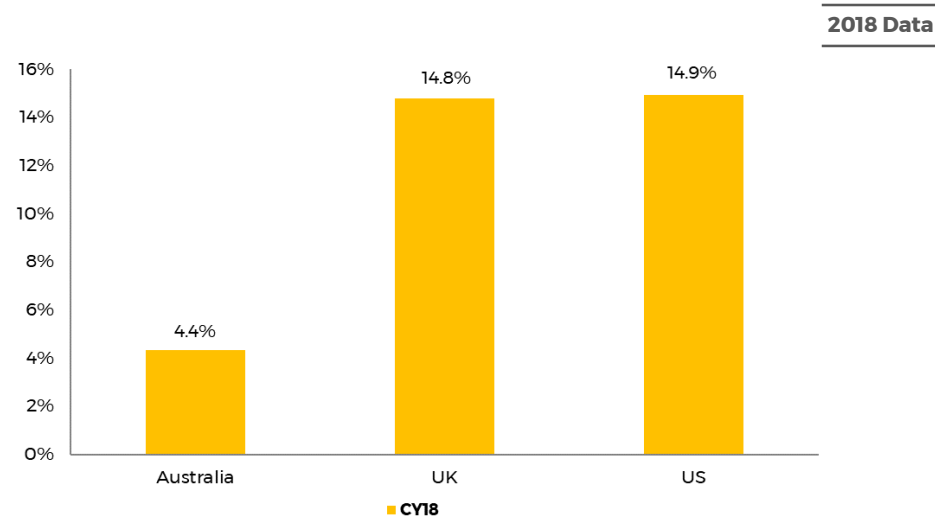
Our core furniture and homewares category is a \$13.9 billion-dollar market, with only 4-5% migrated online

Furniture and Homewares Market (AUS)



Source: Euromonitor International Limited; Home Furnishings and Homewares System 2018 edition. Sales in 2018 in retail value (inc. sales tax), current terms, and is to scale.

Furniture and homewares online penetration rates by country

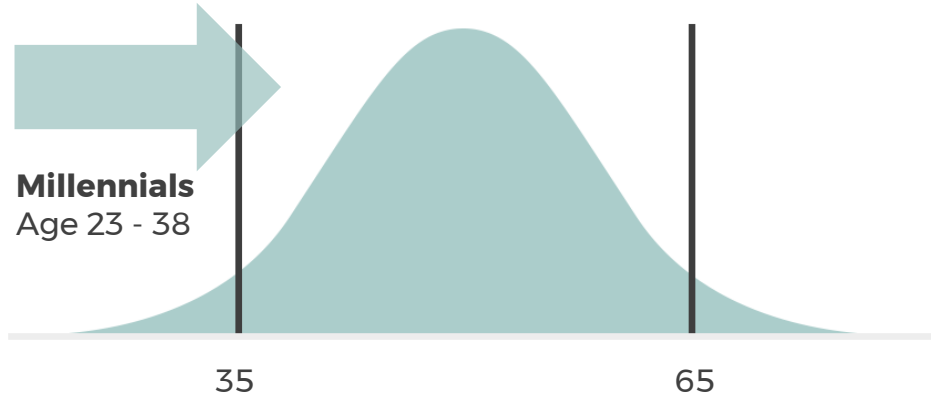


Source: Euromonitor International Limited; Home and Garden system 2018 edition. Internet sales as a percentage of the total retail sales value (inc. sales tax) for home furnishings and homewares in Australia, UK and US. Current terms.

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



2 Structural changes in our favour

- 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
- Offline exits/store closures

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 largest range** in our category, the **most inspirational content** 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.

It's all about the customer



Temple & Webster

www.templeandwebster.com.au

★★★★★ 4.3 from 2,969 reviews



Best pureplay finalist 2019



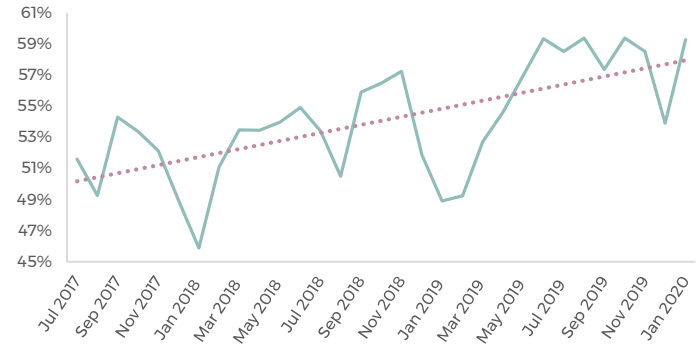
Temple & Webster

Reviews 4,859 • Excellent



2018 AWARDS WINNER

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



Key initiatives to further drive customer satisfaction

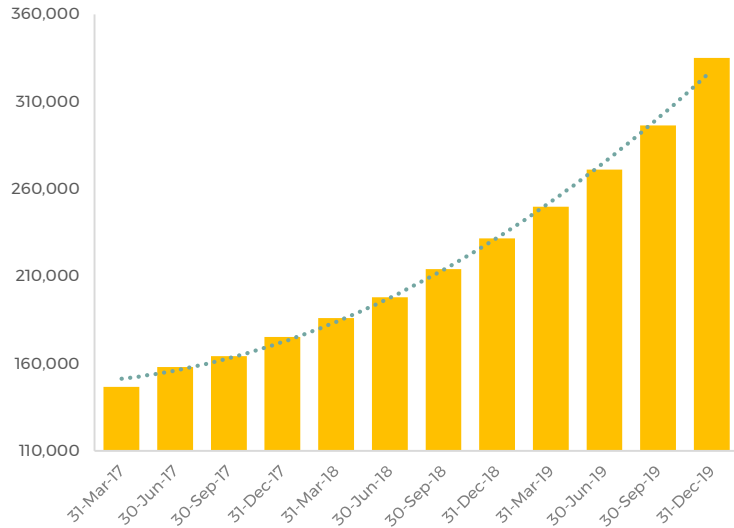
Taking more control over delivery experience

Enforcing quality standards across supplier base

Category experts within customer care team

Active customers up 45% year on year

Active Customers



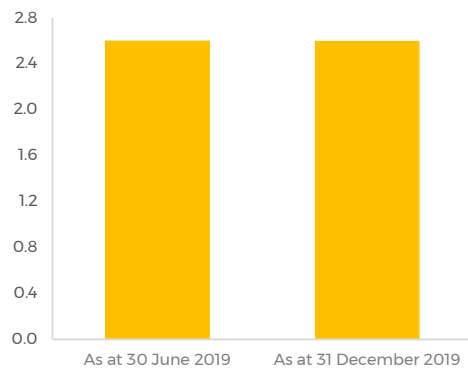
Repeat and First Time Orders



NB. Active customers are the number of unique customers who have transacted in the last twelve months (LTM). All numbers are Temple & Webster only and exclude Milan Direct.

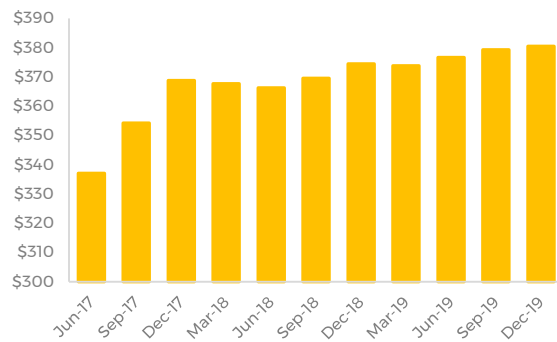
Customers metrics remain strong

12 month Marketing ROI holding at ~2.6x¹

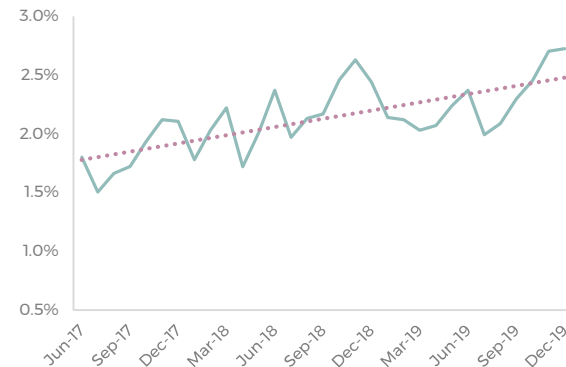


| Customer Acquisition Cost (CAC) | As at 30 June 2019 | As at 31 December 2019 |
|---------------------------------|--------------------|------------------------|
| Customer Acquisition Cost (CAC) | \$43 | \$44 |

Revenue per Active Customer²



Conversion Rate³



1. Marketing ROI = Margin \$ / CAC

Margin = Revenue / Active Customer as at 31 Dec 2019 x Delivered Margin % for CY19

CAC = Total marketing spend for CY19 x 77% (being the estimated percentage of marketing spend on new customer acquisition, i.e. excludes estimated spend on repeat customers), divided by the number of First-Time customers during CY19

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

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

Our Trade and Commercial (B2B) division grew 75% year on year

Our B2B Customer Proposition

Program benefits



Exclusive Trade Discounts

Our competitive pricing matched with an exclusive members-only discount means extra savings for you while offering clients the very best quality and brands in the industry.



Trade-Exclusive Products

We partner with the brands you love to provide insider access to exclusive collections and custom offerings that are exclusive to our Trade & Commercial clients. You'll have more than 150,000 products to choose from every day.



Access to the Temple & Webster Design team

Trade & Commercial customers have access to the Temple & Webster Design team for a full design and procurement service. If you need an expert to help you create a beautiful solution for your client, your space or your business, our talented group of stylists and designers is ready to work on your brief.



Personalised Service

Our specialist account managers are here for you, so you can complete every project efficiently and flawlessly. They are committed to sourcing the right product for you, matching specs and ensuring your ordering and delivery process is seamless. From quotes to tear sheets to fabric samples, no job is too big or too small.



No purchase minimums

There's no minimum purchase or volume requirement to take advantage of the Temple & Webster trade & commercial discount.

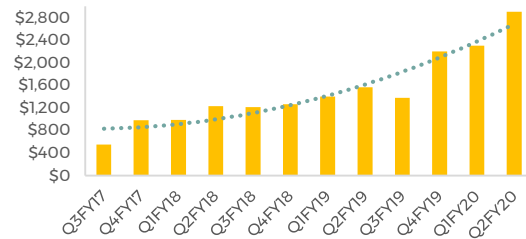


White Glove Delivery Options

We offer a premium consolidated shipping service to our trade clients with the option of unpacking, assembly, rubbish removal and even styling to provide you with a seamless solution for your installation (on request).

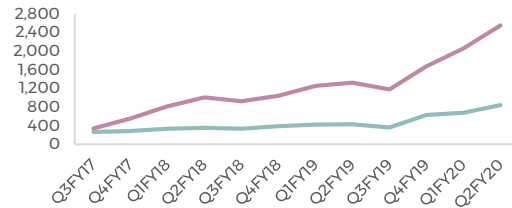
B2B Sales

\$'000s



Sales/revenue is pre deferred revenue and refund accounting adjustments

Repeat and First Time Orders

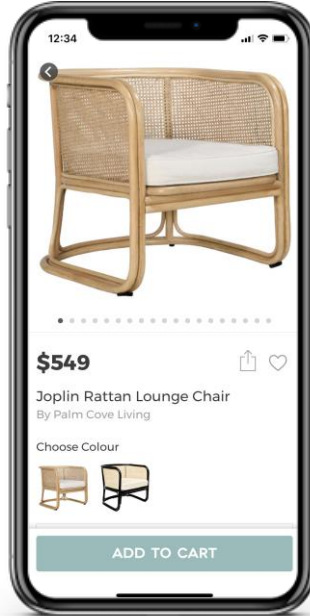


— First Time Trade & Commercial Customer Orders
 — Repeat Trade & Commercial Customer Orders

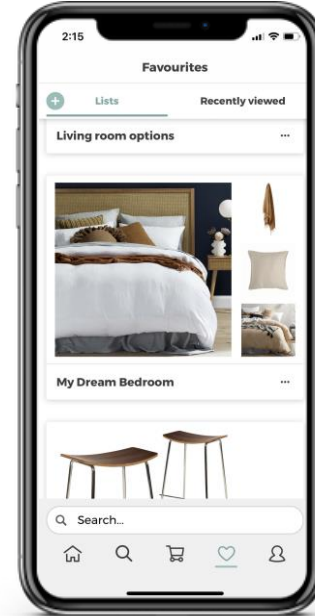
H1 FY20: Beta launch of Mobile App



Content rich homepage, with integrated shoppable editorial



High resolution images, fast native shopping experience



Easy and prominent use of "favourites" functionality helping customers save items for later purchase

FY20 Financial Results

Mark Tayler CFO



We are pursuing a high growth strategy

Short-mid term

Longer term

High Growth / Win the market

Leverage scale /
grow profit

Revenue

- High growth due to accelerating online market penetration and market share gains
- Continue to take advantage of longer-term online market penetration

Contribution margin

- Focus on growing contribution dollars (versus contribution margin %)
- Use price, promotions, marketing to deliver high growth
- Leverage scale and strategic moats to grow contribution margin %
- Smarter pricing; better supplier terms due to scale; more personalised promotions

Fixed Costs

- Invest in longer term growth plays e.g. Trade & Commercial and mobile app
- Invest in capabilities to build strategic moats around business e.g. technology, brand awareness, delivery experience, size of catalogue, 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 profitability
- Focus on growing profit \$ (and %)

H1 Results vs LY

Pre Audit

| A\$m | H1FY19 | H1FY20 |
|----------------------------------|-------------|-------------|
| Revenue | 49.4 | 74.1 |
| Cost of Sales | (27.4) | (41.3) |
| Gross Margin | 22.0 | 32.8 |
| | 44.6% | 44.3% |
| Distribution | (6.9) | (10.7) |
| Delivered Margin | 15.1 | 22.1 |
| | 30.5% | 29.7% |
| Advertising & Marketing | (5.4) | (8.3) |
| Customer Service & Merchant Fees | (1.5) | (2.4) |
| Contribution Margin | 8.1 | 11.4 |
| | 16.5% | 15.3% |
| Wages | (5.9) | (7.0) |
| Other | (1.3) | (2.1) |
| EBITDA | 1.0 | 2.3 |
| | 2.1% | 3.1% |
| Share Based Payments | 0.6 | 0.4 |
| Adjusted EBITDA | 1.6 | 2.7 |
| | 3.2% | 3.6% |

- Revenue growth for the half of 50%, primarily driven by an increase in active customers
- Delivered margin growth for the half of 46% was driven by top line revenue growth, offset by shipping cost increases on bulky freight which came in Nov-18.
- Delivered margin remains on target at ~30%
- Marketing spend tracking in line with historical averages at 11.1% of revenue, albeit with significant \$ spend increases
- Contribution dollars grew 41% to \$11.4m, with contribution % remaining within internal targets
- Fixed costs (excl share based payments) as a % of revenue were down 12%, albeit with investments into Technology & Data, Mobile App, Trade & Commercial, Private label and Logistics
- As a result, EBITDA for the half was \$2.3m (\$2.7m excluding non-cash share based payments)
- *Both current and comparative periods include the impact of the new accounting standard AASB16. The H1 FY19 impact of AASB16 is a decrease of \$0.2m on the "Other" expenses line and a corresponding increase in EBITDA and Adjusted EBITDA for the same amount.*

High growth strategy is already translating into operating leverage

| | FY17 | FY18 | FY19 | HIFY20 |
|---|----------------|--------------|--------------|--------------|
| Revenue | 100% | 100% | 100% | 100% |
| Gross Margin | 42.7% | 44.1% | 44.6% | 44.3% |
| Delivered Margin (after all distribution costs) | 27.6% | 31.0% | 30.1% | 29.7% |
| Customer Service Staff & Merchant Fees | 4.7% | 3.3% | 3.3% | 3.3% |
| Advertising Costs | 12.6% | 11.3% | 10.9% | 11.1% |
| Contribution Margin | 10.3% | 16.4% | 15.9% | 15.3% |
| Fixed Costs (ex share based payments) | 20.3% | 16.1% | 13.3% | 11.7% |
| Adjusted EBITDA | (10.0%) | 0.3% | 2.6% | 3.6% |

Fixed costs as a % of revenue decreasing, albeit with ~25 new people added across the following capabilities over CY19:

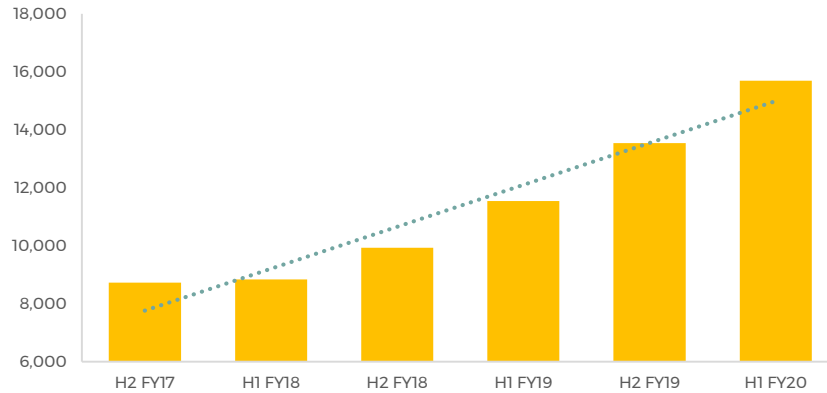
- Technology & data
- Mobile App
- Trade & Commercial
- Private Label
- Logistics

Note full costs of H1 investments will materialise in H2

Capital light/cash flow positive business model

Pre Audit

Closing cash by half

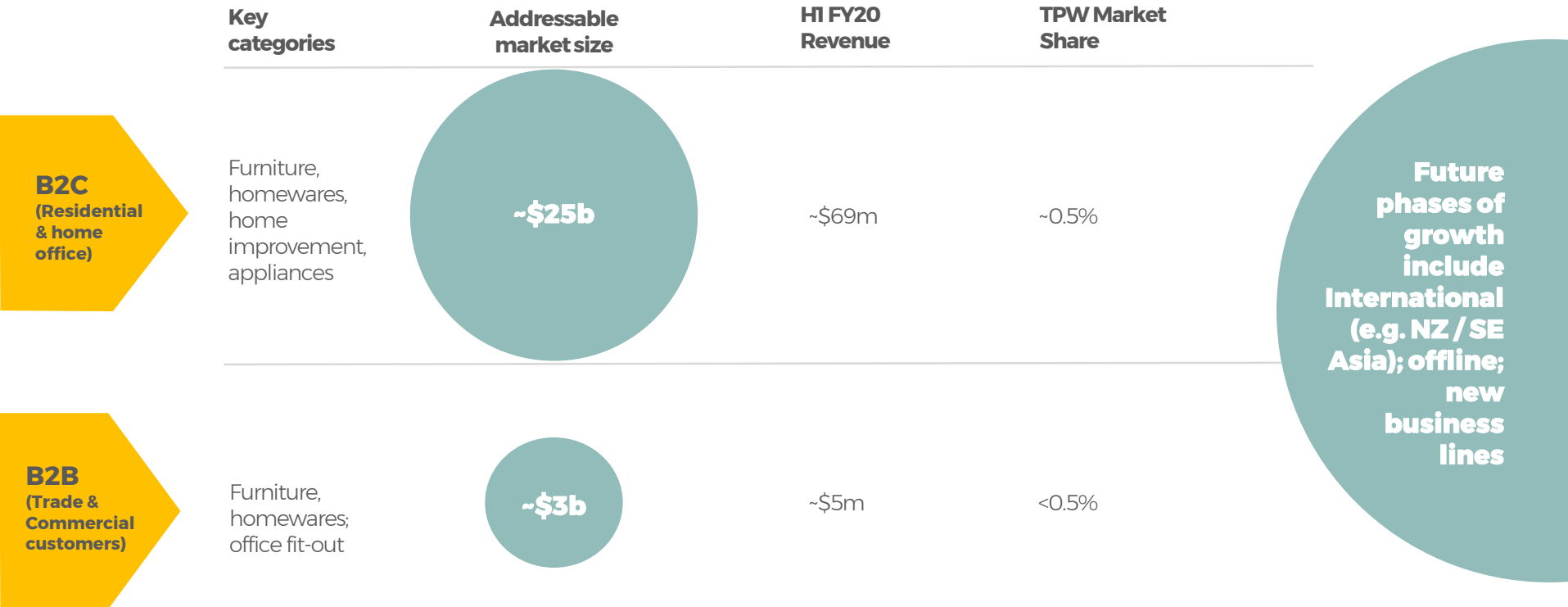


- Positive EBITDA translating into cash with a closing cash balance of \$15.7m for the half
- Cash flow positive half of +\$2.2m was driven by a positive EBITDA result and benefits from the group's cash flow positive business model, offset by investments into Private Label inventory
- Balance sheet position remains strong with no debt (*full balance sheet will be presented as part of the finalised audited accounts*)
- Inventory and creditor metrics (WOC/DPO/Ageing profile) all continue to track within target ranges

Strategy & Outlook



Given the growth opportunity, our focus is on Australia



NB: Relative sizes of market opportunities are indicative only; addressable market sizes are TPW estimates; B2C market includes 100% furniture/homewares/fixing flooring and 25% of Australian DIY and 25% Australian appliance sales - ABS Retail Sale data May 2019
TPW market share % based on annualized revenue for TPW

Our plan to grow our leadership in the online B2C furniture and homewares market

Add depth and breadth across our core categories (including DIY); expand private label offering

Leverage scale to obtain cost advantage and exclusivity on new product ranges

Increase brand awareness from 31% to +80% through digital and non-digital channels

Innovate our offering: mobile app, personalisation, augmented reality

Continue pilot of our own delivery van network to solve bulky delivery

Add design help for all customers (chat, voice, online, in-store)

Our plan to grow our market share of the B2B furniture and homewares market

Add Trade &
Commercial exclusive
product ranges

Add inbound sales staff
(onshore & offshore);
and outbound
business development
managers

Continue pilot of
Sydney by
appointment
showroom

Continue to improve
fulfillment model
(consolidation; white
glove service)

Innovate offering
leveraging B2C tech
(augmented reality;
personalisation)

Grow brand awareness
through trade
marketing activities

Trading update & outlook

The second half has started well with YoY revenue growth >50% (to Jan 31).

Temple & Webster is committed to a high growth strategy to take advantage of the structural shift towards online, however we do remain watchful of the competitive and macroeconomic environment.

TPW will be reinvesting short term operating leverage into growth initiatives as outlined, while remaining profitable.

This reinvestment strategy supports Temple & Webster's stated goal of becoming the first place Australians turn to when shopping for their homes and work spaces



Q&A



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