

ASX Announcement

21 October 2020

AGM Address

Chairman's address to AGM

Good morning everyone. The financial year ended June 30 was a year that will be marked as one of tremendous change for corporate Australia and indeed for most Australians personally. Company Boards and management teams have needed to respond to circumstances never previously experienced, nor contemplated, and were required to do so at a challenging pace.

Our company has been amongst the fortunate who have management teams that have demonstrated a capacity to adapt and pivot nimbly to change and have benefited from the structural shift in how people have worked and shopped during the changes that have occurred.

Key highlights for the year included:

- Having been able to mobilise the entire team to work from home productively, safely and securely without any interruption to customer service or experience.
- A record full year revenue of \$176.3m up 74% on the year before. This growth accelerated during the year, with the second half growing 96% and the fourth quarter up 130% vs the prior comparable period ('pcp').
- Accelerated operational leverage delivered 483% growth in EBITDA to \$8.5m v the pcp with adjusted EBITDA margins improving from 2.5% in FY19 to 5.3% in FY20.
- The strong bottom-line result, combined with the negative working capital nature of the business model, allowed us to finish the year with \$38.1m in cash and zero debt. That excludes the proceeds from the \$40m capital raise conducted at the beginning of FY21. The strength of our balance sheet will not only protect us in any down-side scenario, but also allow us to pursue strategic opportunities as they arise.

On behalf of the Board I would like to thank Mark and his entire management team for their ongoing commitment and hard work during this period but in particular for the speed at which the Human Resources and Occupational Health and Safety Frameworks, the IT access and Cyber Security infrastructure and the staff engagement and communication programs were implemented to allow a seamless remote working environment during a time of tremendous change. Our continued growth and customer satisfaction are a testament to their efforts.

I would also like to extend a thank you to my fellow Directors, Sue Thomas and Conrad Yiu and Company Secretary, Mike Egan for their contribution throughout what can only be described as an extraordinary year. And finally, to our fellow shareholders, thank you for your continued support – we look forward to being able to continue to deliver a profitable high growth business.

CEO's address to AGM

Thank you Stephen and good morning everyone.

From the worst bushfire season on record, to fighting a global pandemic, FY20 was an incredibly tough period for the country. Temple & Webster's core belief has always spoken to the desire of humans to have safe, beautiful spaces in which to live and work. We are proud that we have been able to keep helping our customers achieve that during these challenging times.

H2 focused on scaling the business while keeping a high level of customer satisfaction

Most of our efforts during the second half concentrated on scaling the business during these unprecedented times. We worked hard to ensure all of our key vendors were stable; we deployed our buying teams to work with onshore and offshore suppliers to secure stock; we added 180 people across the business, all while moving to a work from home environment both onshore and offshore. We also raised \$40m in July 2020 to secure our balance sheet and provide us the flexibility to act on strategic plays as they develop.

And while our Active Customers grew 77% year on year to almost half a million with growth across both first time and repeat customers, I am most proud of the fact that we were able to achieve this growth while significantly improving our customer satisfaction which is running at record levels. We want to ensure the customers who are trialling online shopping for their homes for the first time have a great experience with us and therefore come back.

Market leadership and scale are leading to market share growth

The good news is that we are growing our market share even as our competitors take online more seriously. The NAB online sales index suggests our category grew around 57% during the months of April to July, while we grew around 150% for the same period. We believe this is due to the increasing benefits of scale as we get larger. We are forging closer relationships with our suppliers as we become a more significant part of their business which allows us to obtain stock security, better terms and exclusive product ranges. We are also making larger investments in areas such as technology and data, brand awareness and our private label products; and we can produce more content by having more creative resources. In effect, the bigger we get, the better and stronger our customer proposition becomes, which is a virtuous cycle.

Our core furniture and homewares category is a ~\$15 billion market, with accelerating online adoption

It is important to reiterate that we operate in a big market, with Temple & Webster's core furniture and homewares retail market worth ~\$15b. While the Australian online retail market continues to grow, it remains underpenetrated compared to other markets. Lock-downs and forced offline retail closures have no doubt accelerated the adoption of online shopping in our category, however we believe these trends were already at play as the oldest millennials enter their prime furniture buying years (35-65 years). This generation of shopper has already adopted online shopping to a high degree in other categories such as fashion and appliances, and we believe the furniture and homewares category is next.

We continue to innovate our offering

Some other highlights of the year include:

- During the second half we received approval from the iOS store for the launch of Temple & Webster's first mobile app, which is now live in the app store and is being piloted to understand usage before pushing further into this space. We already see more than half of our traffic coming from mobile devices to use our mobile optimised website, so a mobile app is the next step to capitalise on this shift in consumer behaviours.
- One of the main projects completed this year was the data integration with our freight carriers which allows us to provide end to end tracking of each order, allowing a better customer experience and early identification and resolution of problems.
- We completed a small investment into an offshore AI based interior design start-up, along with a long-term commercial partnership. We are working on the first product launch being AI generated room ideas, allowing customers to complete a room look based on the product they are browsing. Shopping for your home can be tricky and our job is to make it as easy and as risk free as possible for our customers. Tools such as these can only help with that goal.

Our Trade and Commercial (B2B) division had a great year despite the challenging conditions

Our Trade & Commercial division (B2B) grew a healthy 68% over the year despite a tough Q4 in which many businesses reduced their capital spend. Over the half, the team launched our full service offering in Queensland which includes preparing design concepts, installing and assembling the product, and styling the space. We also reorganised ourselves into sector specific teams which allows a greater focus on the client's needs and ensures we have the right products for that vertical. We remain bullish about the long-term potential of this area of the business.

Our Growth Strategy

Our strategy is simple;

- We will keep improving our range to ensure it remains the biggest and best, including expanding our private label range.
- We will continue to drive our digital advantage, including making better use of our immense amounts of data through initiatives such as personalisation.
- We will continue the march towards national brand status to ensure we are the first place Australians turn to when shopping for their homes, across both online and offline channels
- One of our key pillars is inspiration, and this year we are increasingly turning to 3D, and we are in the process of building our 3D model library and adding resources and tools to make use of those assets.
- We will continue to improve our customer experience through better training and platforms for our care team and adding more delivery options such as after hours and weekend delivery to continue to improve our offer.
- And of course Trade & Commercial provides another growth opportunity outside of our core B2C market, and we will continue to invest into our team, range and service proposition to win market share in this segment.

Even though the world is in uncertain times, we remain committed to our longer-term strategy of investing to ensure Temple & Webster is the brand for the next generation of furniture shoppers. We want Temple & Webster to be the first place Australians turn to when shopping for their homes and work spaces. We believe that online shopping habits are being formed right now, and provided we keep putting the customer at the heart of everything we do, those habits will remain.

Trading Update

FY21 has started strongly with high growth continuing to deliver operating leverage;

- YTD Revenue (1 Jul to 19 Oct) up 138% vs pcp
- Q1 FY21 EBITDA was \$8.6m – greater than the full year FY20 EBITDA
- October revenue growth still in excess of 100% which is pleasing given we have entered our peak trading months
- Contribution margins continue to run ahead of our 15% target
- Customer satisfaction remains at record levels, with our Net Promoter Score ~70% and cohorts continuing to perform better than their historical comparisons

We are committed to a high growth strategy to take advantage of the structural shift towards online, capitalising on both organic and inorganic opportunities.

Thank you to the Temple & Webster team

This year the adaptability and resilience of the Temple & Webster team really shone through. Doubling the size of the business in the space of a few months, while dealing with the pain that goes

with working from home is no mean feat. I am proud of the entire team for stepping up during this time and delivering our customers a great experience.

Finally thank you to all of shareholders. We continue to believe Temple & Webster will become the first place the next generation of furniture and homewares buyers turn to when shopping for their homes, which should deliver growth for many years to come.

- ends -

This announcement has been authorised by the board of directors.

Melissa Shawyer, PR Group
M: +61 (0) 412 066 048
melissa@prgroup.com.au

About the Temple & Webster Group

Temple & Webster is Australia's leading online retailer of furniture and homewares.

Temple & Webster has over 180,000 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's registered office and principal place of business Group is Unit 1a, 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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FY20 AGM Presentation

21 October 2020



Summary

FY20 Revenue
\$176.3m
74% growth YoY

FY20 EBITDA
\$8.5m
483% growth YoY

Jun-20 Cash
\$38.1m

FY19 Revenue
\$101.6m

FY19 EBITDA
\$1.5m

Jun-19 Cash
\$13.5m

- H2 revenue up 96% vs pcp; Q4 revenue up 130% vs pcp
- Temple & Webster is the online market leader in furniture & homewares
- Large addressable market with accelerating online adoption
- Business is profitable with strong top-line growth and a debt free balance sheet

*Jun-20 cash balance excludes proceeds from recent \$40m placement
Both FY19 and FY20 numbers take into consideration the new lease accounting standard AASB16.*

*Sources: Euromonitor International Limited; Home Furnishings and Homewares System 2019 edition,
IBISWorld Industry Report OD4176 Online Household Furniture Sales in Australia.*

H2 was focused on scaling the business while keeping a high level of customer satisfaction

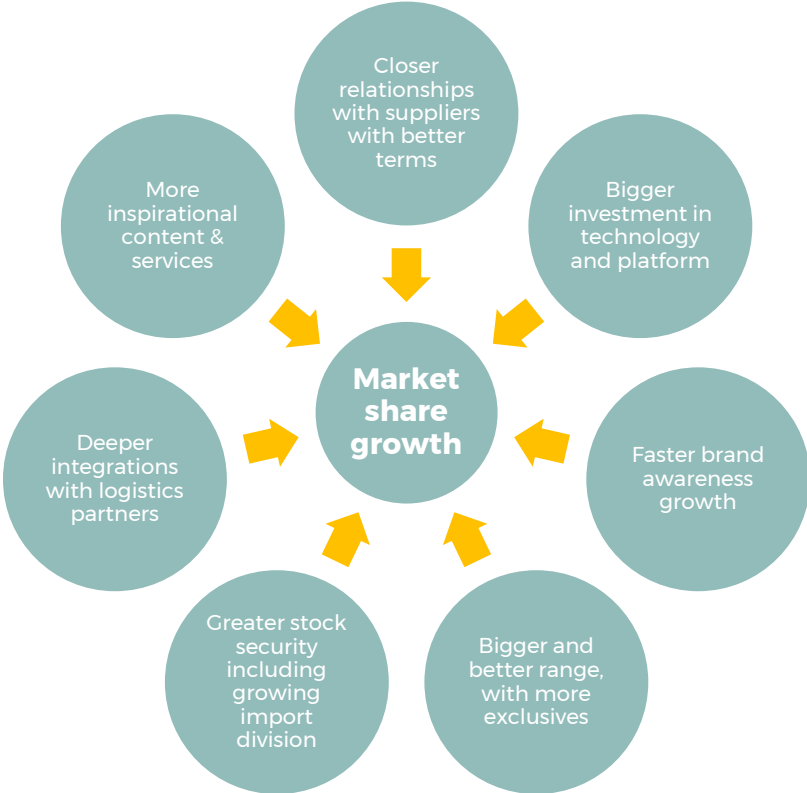


We grew our customer satisfaction scores to our highest levels while adding record volumes of first time customers

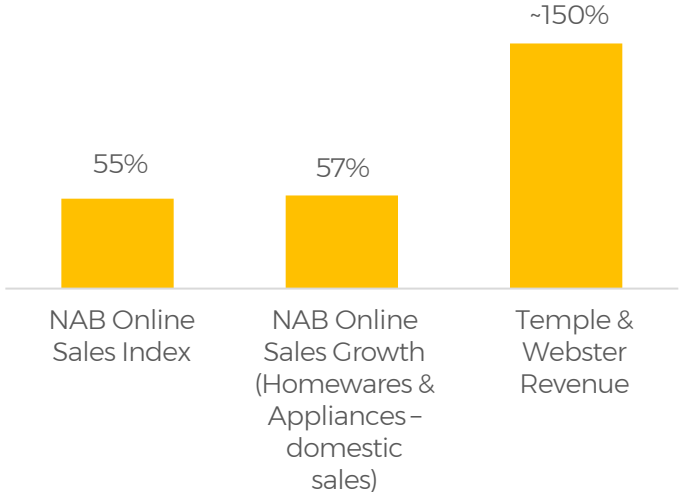
Net Promoter Score
(score range: -100% to 100%)



Market leadership and scale are leading to market share growth



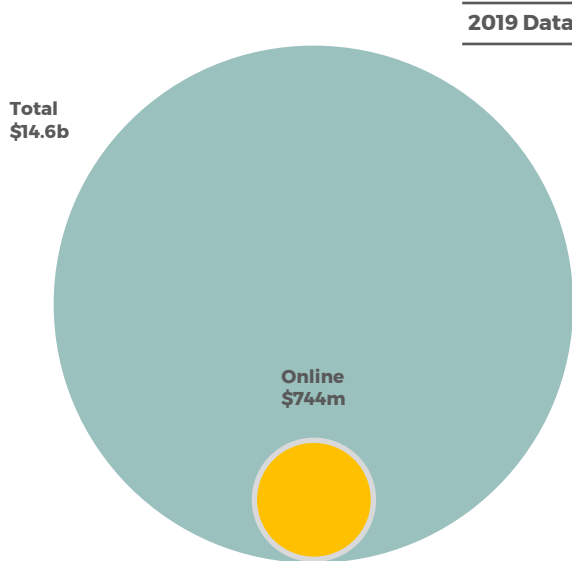
We are growing our market share - Average from April-July vs pcp



Source: NAB Online Retail Sales Index (April, May, June, July 2020). Percentages displayed above reflect the average for April, May, June, July 2020

Our core furniture and homewares category is a \$14.6b market, with accelerating online adoption

Furniture and Homewares Market (AUS)



Source: Euromonitor International Limited; Home Furnishings and Homewares System 2019 edition. Sales in 2019 in retail value (inc. sales tax), current terms, and is to scale.

Hypothetical adoption curve for online penetration in the furniture & homewares market: Australia lags US/UK markets

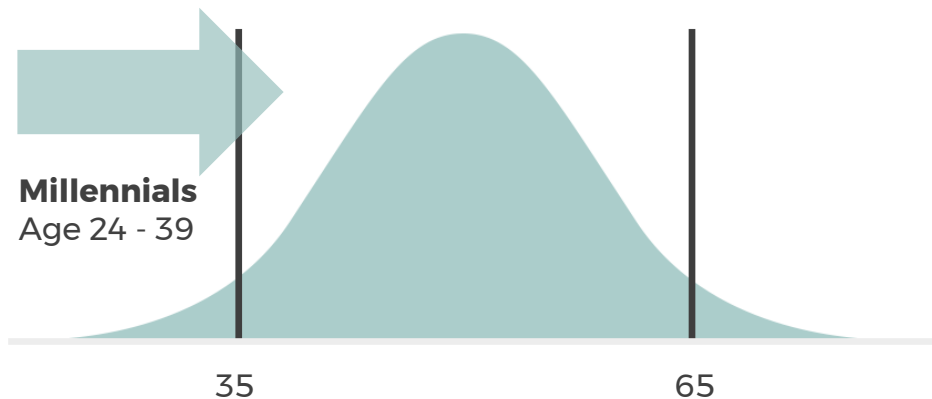


Source: Euromonitor International Limited; Home and Garden system 2019 edition. Internet sales as a percentage of the total retail sales value (inc. sales tax) for home furnishings and homewares in Australia, UK and US. Current terms.

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



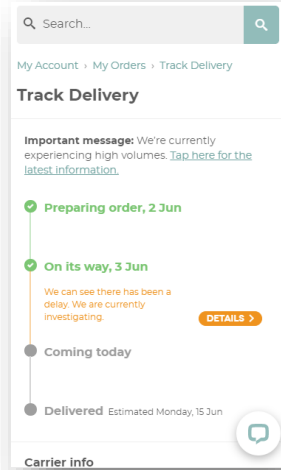
2 Structural changes in our favour

- Offline exits/store closures
- New consumer habits formed during lock downs
- 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

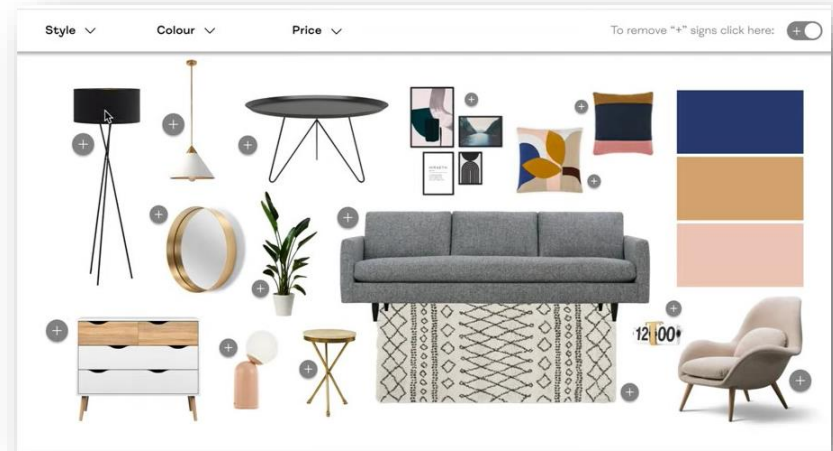
We continue to innovate our digital offering



iOS Mobile app has launched into the app store providing a faster, better shopping experience



Data integration with our main freight carriers to enable full end to end tracking of deliveries, and enable proactive issue resolution

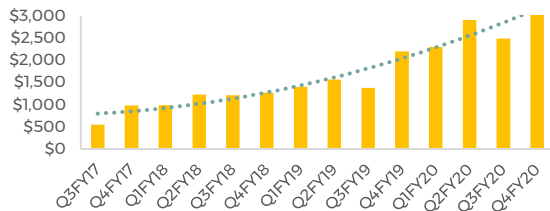


AI generated room idea collections helping customers to navigate our huge range and complete their looks (coming)

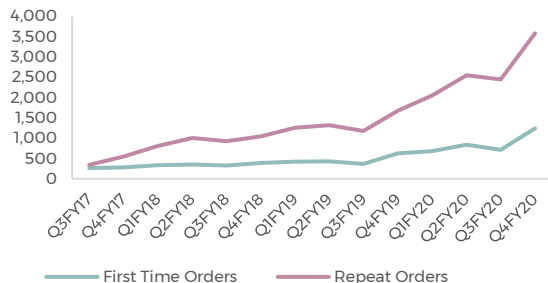
Our Trade and Commercial (B2B) division had a great year despite the challenging conditions

1 Trade & Commercial grew revenue by 68% yoy, despite facing a challenging second half

\$'000s



2 We continue to improve our service model, including the expansion of styling and install services to QLD. Repeats are growing strongly



3 We have set up sector specific teams and increased our range of trade specific products. For example, our developer focused team has launched complete design and install package solutions for display suites and furnished apartments

Display Home Staging



Apartment staging



Our Growth Strategy

Add depth and breadth across our core and adjacent categories; grow private label (import) division

Expand digital capabilities: data, personalization, AI, augmented reality

Increase brand awareness from 35% to +80% through digital and non-digital channels

Add inspirational content and service: video; 3D; AR/VR; design help

Focus on exceptional customer service and a great delivery experience to drive repeats

Continue to build out Trade & Commercial division competing on range, value and a full-service offering

Brand awareness survey conducted by independent marketing agency in May 2020

Trading update & outlook

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Q&A



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