booktopia
An e-commerce leader

Booktopia Group Limited

prospectus

Initial Public Offer of approximately 18.8 million ordinary Shares in Booktopia Group Limited (ACN 612 421 388) to raise approximately $43.1 million

Financial Advisers

ANZ | AFSG Capital

Joint Lead Managers and Underwriters

morgans | ShawandPartners an EFG company

Legal Adviser

HERBERT SMITH FREEHILLS

IMPORTANT NOTICES

Offer

The Offer contained in this Prospectus is an invitation for you to apply for fully paid ordinary shares (**Shares**) in Booktopia Group Limited (ACN 612 421 388) (the **Company**). This Prospectus is issued by the Company and Booktopia SaleCo Limited (ACN 612 413 395) under the Corporations Act 2001 (Cth) (**Corporations Act**).

Lodgement and listing

This Prospectus is dated 2 November 2020 and was lodged with the Australian Securities and Investments Commission (**ASIC**) on that date.

The Company will apply to the Australian Securities Exchange (**ASX**) within seven days after the date of this Prospectus (**Prospectus Date**) for admission to the Official List and quotation of the Shares on the ASX. Neither ASIC nor the ASX takes any responsibility for the content of this Prospectus or for the merits of the investment to which this Prospectus relates.

Expiry date

No Shares will be issued or transferred on the basis of this Prospectus after the expiry date, being the date 13 months after 2 November 2020.

Note to applicants

The information contained in this Prospectus is not financial product advice and does not take into account the investment objectives, financial situation or particular needs (including financial and tax issues) of any prospective investor.

It is important that you read this Prospectus carefully and in its entirety before deciding whether to invest in the Company. In particular, in considering the prospects of the Company, you should consider the risk factors that could affect the performance of the Company. You should carefully consider these risks in light of your investment objectives, financial situation and particular needs (including financial and tax issues) and seek professional guidance from your stockbroker, solicitor, accountant, financial adviser or other independent professional adviser before deciding whether to invest in the Shares. Some of the key risk factors that should be considered by prospective investors are set out in Section 5. There may be risk factors in addition to these that should be considered in light of your personal circumstances.

You should also consider the best estimate assumptions underpinning the Forecast Financial Information set out in Section 4 and the risk factors that could affect the Company's business, financial condition and results of operations and the value of your investment in it.

No person named in this Prospectus, nor any other person, guarantees the performance of the Company, the repayment of capital by the Company or the payment of a return on the Shares.

No person is authorised to give any information or make any representation in connection with the Offer which is not contained in this Prospectus. Any information or representation not so contained may not be relied on as having been authorised by Booktopia Group's directors or any other person in connection with the Offer. You should rely only on information in this Prospectus.

Disclosing entity

Once admitted to the Official List of ASX, the Company will be a disclosing entity for the purposes of the Corporations Act and as such will be subject to regular reporting and disclosure obligations under the Corporations Act and the official listing rules of ASX (**ASX Listing Rules**).

Exposure Period

The Corporations Act prohibits the Company from processing applications to apply for, or acquire, Shares offered under this Prospectus in the seven day period after lodgement of this Prospectus with ASIC (**Exposure Period**). This Exposure Period may be extended by ASIC by up to a further seven days.

The purpose of the Exposure Period is to enable this Prospectus to be examined by market participants prior to the raising of funds. The examination may result in the identification of deficiencies in this Prospectus, in which case any application may need to be dealt with in accordance with section 724 of the Corporations Act. Applications received during the Exposure Period will not be processed until after the expiry of the Exposure Period. No preference will be conferred on any applications received during the Exposure Period.

During the Exposure Period, this Prospectus will be made available to Australian residents, without the Application Form, at the Company's Offer website, http://events.miraqle.com/booktopia-ipo/.

No cooling-off rights

Cooling-off rights do not apply to an investment in Shares issued under this Prospectus. This means that, in most circumstances, you cannot withdraw your Application once it has been accepted.

Obtaining a copy of this Prospectus

This Prospectus is available in electronic form to Australian residents on the Company's Offer website, http://events.miraqle.com/booktopia-ipo/. The Offer constituted by this Prospectus in electronic form is available only to Australian residents accessing the website within Australia and certain eligible investors in other jurisdictions as specifically set out in this Prospectus. Hard copy and electronic versions of this Prospectus are not available to persons in other jurisdictions, including the United States.

Persons who access the electronic version of this Prospectus should ensure that they download and read the entire Prospectus. Persons who have received a copy of this Prospectus in its electronic form may, during the Offer Period, obtain a hard copy of the Prospectus by calling the Booktopia Group Offer Information Line on 1800 500 095 (toll free within Australia) or +61 1800 500 095 (outside Australia) between 8:30am and 5:30pm (**AEDT**), Monday to Friday.

Applications for Shares may only be made on the Application Form attached to, or accompanying, this Prospectus in its hard copy form, or in its soft copy form available online at http://events.miraqle.com/booktopia-ipo/, together with an electronic copy of this Prospectus. By making an application, you declare that you were given access to the Prospectus, together with an Application Form.

The Corporations Act prohibits any person from passing the Application Form on to another person unless it is attached to, or accompanied by, this Prospectus in its paper copy form or the complete and unaltered electronic version of this Prospectus. Refer to Section 7 for further information.

Financial information presentation and amounts

Section 4 sets out in detail the Financial Information referred to in this Prospectus. The basis of preparation of the Financial Information is set out in Section 4.

All references to FY2018, FY2019, FY2020 and FY2021 appearing in this Prospectus are to the financial years ended or ending 30 June (as relevant), unless otherwise indicated. The Financial Information has been prepared in accordance with the recognition and measurement principles prescribed by the Australian Accounting Standards (**AAS**) (as issued by the Australian Accounting Standards Board (**AASB**)), which are consistent with International Financial Reporting Standards (**IFRS**) and interpretations issued by the International Accounting Standards Board (**IASB**).

All financial amounts contained in this Prospectus are expressed in Australian currency, unless otherwise stated. Any discrepancies between totals and sums of components in tables, figures and diagrams contained in this Prospectus are due to rounding.

The Financial Information in this Prospectus is presented in abbreviated form insofar as it does not include all of the presentation disclosures, statements or comparative information required by the AAS (as issued by the AASB), applicable to annual financial reports prepared in accordance with the Corporations Act.

This Prospectus includes Forecast Financial Information that has been prepared by the Company based on an assessment of current economic and operating conditions and the Directors' best estimate of general and specific assumptions regarding future actions and events as set out in Section 4. The basis of preparation and presentation of the Forecast Financial Information, to the extent relevant, is consistent with the basis of preparation and presentation for the Historical Financial Information. The Forecast Financial Information presented in this Prospectus is unaudited.

The Financial Information in this Prospectus should be read in conjunction with, and it is qualified by reference to, the information contained in Section 4 and Appendix A and in the case of the Forecast Financial Information, the general and specific best estimate assumptions, sensitivity analysis, the risk factors in Section 5 and the additional information in Section 9.

Unless otherwise stated or implied, all pro forma data in this Prospectus gives effect to the pro forma adjustments referred to in Section 4.

Readers should be aware that certain financial data included in this Prospectus is 'non-IFRS financial information' under Regulatory Guide 230 'Disclosing non-IFRS financial information' published by ASIC. Booktopia Group believes this non-IFRS financial information provides useful information to users in measuring the financial performance and conditions of Booktopia Group. The non-IFRS financial information does not have standardised meanings prescribed by AAS and, therefore, may not be comparable to similarly titled measures presented by other entities, nor should it be construed as an alternative to other financial information determined in accordance with AAS. Readers are cautioned, therefore, not to place undue reliance on any non-IFRS financial information or ratio included in this Prospectus.

This Prospectus includes information regarding the past performance of Booktopia Group. Investors should be aware that past performance is not indicative of future performance.

The Financial Information, including the Forecast Financial Information, has been reviewed and reported on by Deloitte Corporate Finance Pty Limited (Deloitte) whose Investigating Accountant's Report is contained in Section 8. Investors should note the scope and limitations of the report.

Financial Services Guide

The provider of the independent review of the Forecast Financial Information is required to provide Australian retail clients with a Financial Services Guide in relation to that review under the Corporations Act. The Financial Services Guide is provided in Section 8.

Forward looking statements

This Prospectus contains forward looking statements which are identified by words such as "believes", "considers", "could", "estimates", "expects", "intends", "may", "targets" and other similar words that involve risks and uncertainties. The Forecast Financial Information is an example of forward looking statements.

Any forward looking statements are subject to various risk factors that could cause Booktopia Group's actual results to differ materially from the results expressed or anticipated in these statements. Such statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, the Directors of the Company, and management of the Company. Forward looking statements should therefore be read in conjunction with, and are qualified by reference to the discussion of the Pro Forma Historical Financial Information in Section 4, general assumptions as set out in Section 4.10, specific assumptions as set out in Section 4.10, the sensitivity analysis as set out in Section 4.12, risk factors as set out in Section 5 and other information in this Prospectus.

Booktopia Group cannot and does not give any assurance that the results, performance or achievements expressed or implied by the forward looking statements contained in the Prospectus will actually occur and investors are cautioned not to place undue reliance on these forward looking statements. Booktopia Group has no intention of updating or revising forward looking statements, or publishing prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information, contained in this Prospectus, except where required by law.

Market and industry data

The information attributed to Frost & Sullivan in this document has been prepared by Frost & Sullivan Australia Pty Ltd (**Frost & Sullivan**) for Booktopia Group.

This Prospectus contains statistics, data and other information relating to markets, market sizes, market shares, market positions and other industry data pertaining to Booktopia Group's business and markets.

Where indicated, such information is based on a report dated 6 October 2020 based on a market study that Booktopia Group commissioned from Frost & Sullivan (**Industry Report**), and, in some instances Booktopia Group's analysis of such information.

While the Industry Report provides that the views, opinions, forecasts and information contained in it are based on information reasonably believed by Frost & Sullivan in good faith to be reliable, Frost & Sullivan has not independently verified or audited the information or material provided to it by or on behalf of Booktopia Group. In addition, Booktopia Group has not independently verified, and cannot give any assurances as to the accuracy and completeness of the market and industry data contained in this Prospectus that has been extracted or derived from the Industry Report. Accordingly, the accuracy and completeness of such information is not guaranteed.

Photographs and diagrams

Photographs and diagrams used in this Prospectus that do not have descriptions are for illustration only and should not be interpreted to mean that any person shown in them endorses this Prospectus or its contents or that the assets shown in them are owned by the Company. Diagrams used in this Prospectus are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in charts, graphs and tables is based on information available at the Prospectus Date.

Company website

Any references to documents included on Booktopia Group's website at investors.booktopia.com.au are for convenience only, and none of the documents or other information available on Booktopia Group's website, or any other website referred to in this Prospectus, is incorporated in this Prospectus by reference.

Defined terms and time

Defined terms and abbreviations used in this Prospectus have the meanings given in the Glossary to this Prospectus.

Unless otherwise stated or implied, references to times in this Prospectus are to AEDT. All monetary amounts referred in this Prospectus are, unless otherwise noted, in Australian dollars and rounded to the nearest $0.1 million.

Unless otherwise stated or implied, references to dates or years are calendar year references.

Disclaimers

Neither Booktopia Group nor any other person warrants or guarantees the future performance of Booktopia Group, or any return on any investment made pursuant to this Prospectus.

Booktopia Group, Booktopia Group's service provider Link Market Services Limited (**Share Registry**), the Joint Lead Managers and the Existing Shareholders disclaim all liability, whether in negligence or otherwise, to persons who trade Shares before receiving their holding statements.

This disclaimer does not purport to disclaim any warranties or liability which cannot be disclaimed by law.

Morgans Corporate Limited and Shaw and Partners Limited have acted as Joint Lead Managers to the Offer. Neither of the Joint Lead Managers has authorised, permitted or caused the issue or lodgement, submission, dispatch or provision of this Prospectus and there is no statement in this Prospectus which is based on any statement made by either of them or by any of their affiliates, officers or employees. To the maximum extent permitted by law, each of the Joint Lead Managers and each of their respective affiliates, officers, employees

IMPORTANT NOTICES

and advisers expressly disclaim all liabilities in respect of, and make no representations regarding, and take no responsibility for, any part of this Prospectus other than references to their name and make no representation or warranty as to the currency, accuracy, reliability or completeness of this Prospectus.

Selling restrictions

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify the Shares or the Offer, or to otherwise permit a public offering of Shares, in any jurisdiction outside Australia. The distribution of this Prospectus (including in electronic form) outside Australia may be restricted by law and persons who come into possession of this Prospectus outside Australia should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

The Shares to be offered under the Offer have not been, and will not be, registered under the US Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold, directly or indirectly, in the United States unless the Shares are registered under the US Securities Act or are offered and sold in a transaction exempt from, or not subject to, the registration requirements of the US Securities Act and applicable US state securities laws.

Privacy

By filling out the Application Form to apply for Shares, you agree to providing your personal information to Booktopia Group and SaleCo through the Share Registry, which is contracted by Booktopia Group to manage applications. Booktopia Group, SaleCo, and the Share Registry on their behalf, may collect, hold, use and disclose personal information about you for the purpose of processing your application, conducting identification checks, servicing your needs as a Shareholder, providing facilities and services that you need or request, maintaining and updating records, and carrying out appropriate administration. Some of this information is collected as required or authorized by certain laws, including the Income Tax Assessment Act 1997 (Cth) and the Corporations Act.

If you do not provide the information requested in the Application Form, Booktopia Group, SaleCo and the Share Registry may not be able to process or accept your application.

You also agree that your personal information may also be provided to Booktopia Group's agents and service providers on the basis that they deal with such information in accordance with Booktopia Group's privacy policy.

The agents and service providers of Booktopia Group may be located outside Australia, including in the United Kingdom and the United States. While these agents and service providers will generally have obligations to protect the personal information they have access to, they may not be subject to the specific requirements of Australia's Privacy Act, and Booktopia Group will not be responsible for ensuring they meet those requirements. The types of agents and service providers that may be provided with your personal information and the circumstances in which your personal information may be shared are:

- the Share Registry for ongoing administration of the register of members;
- printers and other companies for the purpose of preparation and distribution of statements and for handling mail;
- market research companies for the purpose of analysing the Shareholder base; and
- legal and accounting firms, auditors, contractors, consultants and other advisers for the purpose of administering, and advising on, the Shares and for associated actions.

If an applicant becomes a Shareholder, the Corporations Act requires Booktopia Group to include information about the Shareholder (including name, address and details of the Shares held) in its public register of members. The information contained in Booktopia Group's register of members must remain there even if that person ceases to be a Shareholder. Information contained in Booktopia Group's register of members is also used to facilitate dividend payments and corporate communications (including Booktopia Group's financial results, annual reports and other information that Booktopia Group may wish to communicate to its Shareholders) and compliance by Booktopia Group with legal and regulatory requirements.

An Applicant has a right to gain access to his or her personal information that Booktopia Group, SaleCo and the Share Registry hold about that person, subject to certain exemptions under law. A fee may be charged for access. Access requests must be made in writing or by telephone call to Booktopia Group's registered office or the Share Registry's office, details of which are disclosed in the Corporate Directory on the final page of this Prospectus.

Applicants agree to Booktopia Group's privacy policy, which can be obtained by visiting the Booktopia Group website http://www.booktopia.com.au/privacy-policy, or by asking Booktopia Group for a copy. The Privacy Policy covers more details about the personal information collected, how it is collected, what is done with it, who it is shared with, where it is sent and individuals' rights to access and correct their personal information and make a privacy complaint.

By submitting an application, you agree that Booktopia Group and the Share Registry may communicate with you in electronic form or contact you by telephone in relation to the Offer.

Offer management and underwriting

The Offer is being arranged, managed and underwritten by Morgans Corporate Limited and Shaw and Partners Limited.

Questions

Instructions on how to apply for Shares are set out in Section 7 of this Prospectus and on the back of the Application Forms. If you have any questions in relation to the Offer, contact the Booktopia Group Offer Information Line on 1800 500 095 (toll free within Australia) or +61 1800 500 095 (outside Australia) between 8:30am and 5:30pm (AEDT), Monday to Friday.

If you have any questions about whether to invest in Booktopia Group, you should seek professional advice from your accountant, financial adviser, stockbroker, lawyer or other professional adviser before deciding whether to invest in Booktopia Group.

This Prospectus is important and should be read in its entirety.

Contents

KEY INFORMATION

Key Dates

Prospectus Date	Monday, 2 November 2020
Broker Firm and Priority Offers opens	Tuesday, 10 November 2020
Employee Gift Offer opens	Tuesday, 10 November 2020
Priority Offer closes	Tuesday, 24 November 2020
Broker Firm Offer closes	Tuesday, 24 November 2020
Employee Gift Offer closes	Tuesday, 24 November 2020
Settlement of the Offer	Friday, 27 November 2020
Issue and transfer of Shares under the Offer (Completion)	Monday, 30 November 2020
Dispatch of holding statements	Monday, 30 November 2020
Shares to commence trading on ASX on a normal settlement basis	Thursday, 3 December 2020

Note:
All the above dates are indicative only. The Company, in agreement with the Joint Lead Managers, reserves the right to vary these dates, including to close the Offer early or to withdraw the Offer, to extend the closing date or to accept late applications (either generally or in particular cases) or allot shares at different times to investors without notifying any recipient of this Prospectus or any Applicants.
If the Offer is cancelled or withdrawn before the issue and transfer of Shares, then all amounts accompanying an Application Form will be refunded in full (without interest) as soon as possible in accordance with the requirements of the Corporations Act. Investors are encouraged to submit their applications as soon as possible after the Offer opens.
The quotation and commencement of trading of the Shares is subject to confirmation from ASX.

Key Offer Statistics

Offer Price per Share	$2.30
Total proceeds of the Offer	$43.1 million
Total proceeds from the issue of New Shares under the Offer	$25.0 million
Total proceeds from the sale of existing Shares under the Offer	$18.1 million
Number of New Shares available under the Offer	10.9 million
Number of existing Shares to be sold under the Offer	7.9 million
Total number of Shares on issue at Completion	137.3 million
Market Capitalisation at the Offer Price[1]	$315.8 million
Pro forma net cash position at Completion[2]	$16.3 million
Enterprise value on Completion of Offer[3]	$299.5 million
Enterprise value/FY2021 Pro forma forecast revenue[4,6]	1.5x
Enterprise value/FY2021 Pro forma forecast Gross Profit[5,6]	5.4x

Notes
1. Calculated as the Offer Price multiplied by the total number of Shares at Completion.
2. Calculated as cash and cash equivalents less current and non-current interest bearing borrowings as at 30 June 2020, adjusted to reflect the impact of the Offer.
3. Enterprise value is calculated by multiplying the number of Shares on issue at Completion by the Offer Price, adding pro forma 30 June 2020 short and long term borrowings and subtracting pro forma 30 June 2020 cash and cash equivalents.
4. Enterprise value/FY2021 Pro forma forecast revenue is calculated as the enterprise value of the Company at the Offer Price divided by FY2021 forecast revenue of $204.5 million.
5. Enterprise value/FY2021 Pro forma forecast Gross Profit is calculated as the enterprise value of the Company at the Offer Price divided by the Pro Forma Forecast FY2021 Gross Profit of $55.7 million.
6. The Forecast Financial Information set out in Section 4 has been prepared on the basis of the assumptions set out in Section 4 and the accounting policies set out in Appendix A and should be read in conjunction with the discussion of the Financial Information in Section 4 (including the sensitivities set out in that section), and the risk factors set out in Section 5. There is no guarantee that the forecasts will be achieved.

CHAIRMAN'S LETTER

Dear Investor,

On behalf of the Board of Directors, it is with great pleasure that I present you with the opportunity to participate in the initial public offer of Booktopia Group Limited (Booktopia Group or the Company), an online retailer of books (including eBooks) and ancillary products in Australia and New Zealand.

Booktopia Group was established in 2004 in Sydney by Chief Executive Officer and Managing Director Tony Nash, Simon Nash, and Steven Traurig. In FY20 Australians spent approximately $2.5 billion on books (including eBooks) and bought 36% of those online[1]. In FY20, Booktopia Group had approximately 6% market share of Australian book sales, making Booktopia Group the largest Australian-owned online book retailer by market share[1]. In the 12 months to 30 June 2020 Booktopia Group shipped over 6.5 million items or on average 25,000 items per business day.

Booktopia Group has built an experienced senior management team most of whom have been with the business for many years. The business has earned several accolades from the industry over that time. Booktopia Group prides itself in knowing and understanding the needs of its book buying public. We are proud to have 2.3 million repeat customers.

Booktopia Group has grown rapidly and made the AFR/BRW Fast 100 8 times between 2009 to 2017. In FY2015, the Company successfully acquired and integrated Angus & Robertson. In FY2020 Booktopia Group grew again and successfully acquired and integrated the University Co-Op Bookshop to increase the Company's exposure to the academic book segment.

The Company is forecasting a continuation of strong revenue growth with forecast pro forma revenue of $204.5 million for FY2021, representing a 23.4% increase on FY2020. The Board is committed to growing the business both organically and through value enhancing acquisitions where appropriate, but with a continuing focus on sound capital and business management.

The Offer will raise $43.1 million at $2.30 per Share. Funds raised through this Offer will provide Booktopia Group with capital to invest for further growth.

The Offer will also allow Existing Shareholders in Booktopia Group to realise some of their investment. Following completion, the Existing Shareholders will still retain 86.3% of the Company. These Shares will be the subject of escrow arrangements outlined in Section 9.8 of this Prospectus.

This Prospectus contains detailed information about the Offer and the financial performance of Booktopia Group. Booktopia Group is exposed to a range of risks that each investor should consider before making their investment decision including risks in relation to the performance, reliability or failure of Booktopia Group's websites, databases and operating systems, hacking attacks and data security breaches, disruptions at the Distribution Centre, increased competition and downturns in the online retail and book markets, and reliance on third party suppliers to provide products for sale. The key risks associated with investing in the Company are set out in Section 5 of this Prospectus.

We strongly encourage you to carefully read this Prospectus in its entirety before making your investment decision and, if necessary, consult your financial adviser.

The Directors and senior management team are excited about the future of Booktopia Group and we look forward to welcoming you as a shareholder.

Yours faithfully,

Chris Beare
Chairman

1. Australian book market data sourced from Frost & Sullivan Market Report October 2020 Frost & Sullivan.

The Directors and senior management team are excited about the future of Booktopia Group and we look forward to welcoming you as a shareholder.

— **Chris Beare**
Chairman

CHIEF EXECUTIVE OFFICER AND MANAGING DIRECTOR'S LETTER

Dear Investor,

Booktopia Group was started on a marketing budget of just $10 per day in 2004. It took three days to sell the first book and now we sell, on average, one item every 4.7 seconds.

Twelve years ago we operated from 500 square metres on Sydney's Lower North Shore. Now we are headquartered in 14,000 square metres in Lidcombe, Western Sydney with over 600,000 items in stock across approximately 145,000 titles ready-to-ship to customers.

Booktopia Group is an Australian company that has grown significantly since its establishment, invested in an automated Distribution Centre, attracted a hard-working team, won a multitude of industry awards, sold products to over 5 million customers since inception, developed sophisticated proprietary software, made two successful acquisitions and grown revenue.

This Prospectus outlines our past, present and future.

We have articulated who we are, what we have achieved, why we have been successful, how we are different from others and where we see opportunities in the future.

Up until today, we have always said that our customers have been our investors. Why? Over the years, we simply sold more books and used the proceeds to reinvest in the business by hiring more people, writing more software, holding more stock and expanding our operations.

Today that is all about to change. While our customers will continue to contribute to our growth we are providing an opportunity for others to invest in our business and share in the successes of future growth of Booktopia Group.

We strongly encourage you to carefully read this Prospectus in its entirety, including the risks outlined in Section 5, some of which our Chairman has listed in his letter on the preceding page, before making your investment decision and, if necessary, consult your financial adviser.

On behalf of Booktopia Group I thank you for considering this opportunity to make an investment in our growing, award-winning Australian business. We look forward to welcoming new investors to the Booktopia Group, with the entire Booktopia team committed to continuing to build a successful business of which all existing and new investors can be proud.

Yours faithfully,

Tony Nash

Tony Nash
Chief Executive Officer and Managing Director

We look forward to welcoming new investors to the Booktopia Group, with the entire Booktopia team committed to continuing to build a successful business of which all existing and new investors can be proud.

— **Tony Nash**
CEO and Managing Director

1. Investment overview

1.1 Introduction

TOPIC	SUMMARY	FOR MORE INFORMATION
Overview of Booktopia Group	Booktopia Group is the largest Australian-owned online book retailer by market share with revenue in FY2020 of $165.8 million. Over 85% of the items the Booktopia Group sold in FY2020 were books, however it also sells eBooks, DVDs, audiobooks, magazines, maps, calendars, puzzles, stationery and cards. The Sydney based business was launched in 2004. It sells its products through the websites www.booktopia.com.au and www.angusrobertson.com.au and distributes product from its modern Distribution Centre located in Lidcombe, Sydney. Booktopia Group's success in online book retailing has been driven by its capabilities in information technology, logistics, innovation, internet marketing, product knowledge and online retail. The Company's revenue has grown at a CAGR of approximately 26.4% from FY2015 to FY2020 and Booktopia Group has made the AFR/BRW Fast 100 8 times between 2009 to 2017. Since inception, Booktopia Group has sold over 35.5 million items to more than 5 million customers across Australia and New Zealand.	Section 3, particularly Section 3.1
Why is the Offer being conducted?	As at the date of the Prospectus, the Company plans to use the Offer proceeds to: • Invest in and expand the Company's Distribution Centre to allow for increased operating efficiency and growth; • Increase stock and for working capital purposes; and • Allow the Company to repay debt. The Offer will also provide an opportunity for Selling Shareholders to sell some of their Shares.	Section 7.1, particularly 7.1.2

1.2 Key features of the Booktopia Group business model

TOPIC	SUMMARY	FOR MORE INFORMATION
Which industry does Booktopia Group operate in?	Booktopia Group operates predominantly in the Australian book industry. Frost & Sullivan estimates that in FY20: • Australians spent $2.54 billion on books (including eBooks); • Of this total market, 36% was spent online accounting for approximately $920 million; • Booktopia Group had 6% market share by value of all consumer book sales (offline and online), and almost 15% share of online consumer book sales; and • Booktopia is the largest Australian-owned online book retailer by market share.	Sections 2.1 and 2.4

1. INVESTMENT OVERVIEW

TOPIC	SUMMARY	FOR MORE INFORMATION
What are some of the key features of the Australian online retail and book industries?	Key features of the Australian online retail and book industries include the following[1]: • In FY2020, online book sales reached $920 million, 15% higher than the previous year; • Online consumer book sales have increased at a CAGR of 7.5% since 2015, compared to -2.1% CAGR in offline consumer book sales; • In FY2021, online book sales penetration is forecast to be 46.8%, an increase of 4.2 basis points over 2020, and reflecting the acceleration in the shift to online caused by COVID-19; • A major trend in the book market has been the ongoing migration from offline to the online channel. In FY2020, online accounted for almost 43% of consumer book sales, having increased from 32% in 2015; and • By FY2022, online is forecast to reach $1,111 million and account for approximately 50% of consumer book sales.	Section 2
How does Booktopia Group generate income?	Booktopia Group generates the majority of its revenue from the sale of books. It also sells eBooks, DVDs, audiobooks, magazines, maps, calendars, puzzles, stationery and cards. Customers largely consist of retail consumers, with a growing number of corporate and government customers including schools, libraries, universities and government departments. In 2020, Booktopia completed the acquisition of the University Co-op Bookshop, increasing its presence and establishing a more extensive connection with leading universities, TAFEs and other academic institutions. Sales are generated via a number of channels including the Company's proprietary websites, third party sites such as eBay and TradeMe (in New Zealand) and from an extensive affiliate network through which third parties refer traffic to Booktopia Group websites. Launched in 2019, Booktopia Publishing is Booktopia's trade publishing division that publishes books in print and digital formats under the Booktopia Editions imprint. All titles are sold and distributed to book retailers across the region via Booktopia's distribution division, Booktopia Publisher Services. Booktopia Group's two main sales channels are: **Booktopia www.booktopia.com.au** • Booktopia's customers largely comprise of retail consumers, with a significant and growing percentage of corporate and government customers including schools, libraries and universities. Operating for over 16 years, the Booktopia website enjoys significant repeat customer sales. Booktopia is focused on continually enhancing the website's user experience, speed and reliability. The underlying website infrastructure has been developed in-house and currently has 5.9 million products displayed on the website at prospectus date. **Angus & Robertson www.angusrobertson.com.au** • Booktopia Group successfully acquired and integrated Angus & Robertson in August 2015. The Angus & Robertson brand is 134 years old. Angus & Robertson manages a diverse and complex catalogue, including a leading selection of Australian and international bestsellers, from multiple suppliers. Angus & Robertson's loyalty program has attracted over 156,000 members since inception of the program. In FY2020 over 260.6 million emails (broad and targeted) were sent to over 5.3 million subscribed Booktopia email recipients and over 50.2 million emails (broad and targeted) to over 1.2 million subscribed Angus & Robertson email recipients. These emails generate traffic prompting existing customers to place new orders. Booktopia Group also derives revenue from postage charges including general charges as well as express shipping, gift wrapping and gift certificates.	Sections 3.3, 3.4, 3.5.2, 3.8 and 3.9.5

1. Australian book market data sourced from Frost & Sullivan Market Report October 2020.

TOPIC	SUMMARY	FOR MORE INFORMATION
What are Booktopia Group's key expenses incurred in generating revenue?	Booktopia Group's key expenses incurred in generating revenue include: book purchases, marketing and advertising costs, for example Pay-Per-Click advertising and affiliate commissions; marketing staff who manage the Booktopia Group's marketing initiatives; distribution costs and email marketing costs.	Sections 3.4 and 4
What is Booktopia Group's approach to stock and its supply chain?	Booktopia Group purchases and holds in stock a significant number of items (referred to as Stocked Titles) in anticipation of subsequent customer orders. It does this to reduce delivery times and offer competitive prices to its customers. Booktopia Group currently holds over 145,000 Stocked Titles. In FY2020, Stocked Titles (excluding eBooks and magazines) accounted for 85% of Booktopia Group's total units sold. Booktopia Group has developed an extensive supply chain with over 150 suppliers providing products from around the globe[2]. Its supply chain includes strong working relationships with Australia Post, publishers, distributors, wholesalers, suppliers, freight and courier companies. This permits the Company to source products both locally and globally to ensure customers have ready access to the latest domestic and international titles.	Sections 3.6 and 3.7
Where are Booktopia Group's operations?	Booktopia Group's 14,000 square metre headquarters and Distribution Centre is located in Lidcombe in Western Sydney. Booktopia Group has an office in Melbourne housing a team of Angus & Robertson IT specialists.	Sections 3.3 and 3.7.3
Who are Booktopia Group's competitors?	Key domestic competitors include Australian physical and online retailers such as Dymocks, QBD Bookshop, The Nile, Berkelouws and Readings. Other traditional book retailers and discount department stores also compete with Booktopia Group. Key competitors with global brands who may compete through Australian or internationally based operations include Amazon (including Book Depository), Apple's iTunes and Google Play.	Section 2.4
What has been the impact of eBooks on the Company?	Frost & Sullivan estimates that in 2020 eBook revenues (including sales of devices like the Kindle and Kobo eReaders) represented approximately 14% of the total $2.54 billion Australian book market. eBook sales are an important part of the Booktopia Group's product offering, however the Company believes that purchasing habits suggest that Australian consumers continue to have a strong preference for traditional paper books.	Section 2.8
What key technologies does Booktopia Group employ?	In addition to the websites and eBook platforms referred to above, Booktopia Group: • Operates a Content, Customer and Order Management System which allows staff to manage and alter website content and ensures customer service staff can easily find, review and modify customer account details and orders; and • Has built and operates a Warehouse Management System that supports the movement of product through the Distribution Centre; allows staff to place electronic purchase orders and receive electronic invoices; delivers custom-built interfaces for handheld devices (e.g. barcode scanners) in the Distribution Centre; and calculates daily desired stock levels and reorder values through a series of in-house developed demand-based algorithms.	Section 3.6

2. Includes products brought in from BPS Suppliers, the majority of which is on consignment.

TOPIC	SUMMARY	FOR MORE INFORMATION
What is Booktopia Group's growth strategy?	Frost & Sullivan estimates the Australian book market to be a $2.64 billion market in FY21. The Company considers that continued overall industry growth, a continued consumer shift towards buying books and other products online and its strong customer service focus will provide the Company with an opportunity to grow its share of this market. In particular, the Company's aim is to significantly grow its share of the total Australian online book market, estimated by Frost & Sullivan to reach $1.05 billion in FY21. Booktopia Group has identified a number of initiatives to drive revenue and earnings growth going forward including: • Increasing website traffic; • Improving the rate at which website visitors purchase products (conversion rates); • Continued expansion into the educational and corporate book sales sectors; • Continued investment in the Distribution Centre to deliver additional automation and efficiency and in doing so increasing its operating margins; • Continue to seek further partnerships, to leverage brand, customer database and website traffic; • Potential acquisitions of other synergistic companies; • Continue to roll out the Booktopia customer loyalty program; • Leveraging the Company's customer database to improve customer marketing initiatives; and • Expand distribution and publishing businesses.	Section 3.9

1.3 Key strengths

TOPIC	SUMMARY	FOR MORE INFORMATION
Leading Australian online book retailer	• Largest Australian-owned online book retailer by market share • Forecast revenue of $204.5 million in FY2021 • Over 5 million customers have bought from Booktopia, Angus & Robertson (with 2.3 million repeat customers) • Since 2015 revenue has grown at a CAGR of 26.4% per year	Section 3
Proprietary software and algorithms	• In-house team of experienced e-commerce software developers creating purpose-built software, custom built websites and back-end systems have driven the success of the business • Proprietary algorithms enable dynamic pricing and maintenance of demand driven stock levels to enhance stock turnover, faster delivery times and increased revenues	Section 3.6
Industry leading automation and infrastructure	• 14,000 square metre Distribution Centre with automation facilities that holds over 600,000 ready to ship units (representing over 145,000 separate Stocked Titles) • The current building has capacity to stock, with further investment and approvals, approximately three times this level • Delivery and dispatch docks built for express receipting and shipping (current outbound capacity of 30,000 items per day, increasing to 60,000 items per day by November 2020) • Custom built design allows for the integration of other product lines	Section 3.7

TOPIC	SUMMARY	FOR MORE INFORMATION
Strategic supplier relationships in Australia and overseas	• Accounts with major publishers and distributors across Australia, the United Kingdom and the United States • Business has enjoyed the benefits of many strong and established relationships, including competitive prices and trading terms • The top 10 suppliers made up approximately 80% of Booktopia's products FY2020, with approximately 74% of product sourced from suppliers based in Australia, and the remaining product sourced from suppliers based in the US and UK	Section 3.7
Experienced Board and dedicated founder-led management team	• Established by experienced internet entrepreneurs who have been working together since 1998 – original executives Tony Nash and Steven Traurig remain active full-time across the business • The Board and Executive team have significant experience in sales, information technology, finance and logistics • 210 full-time employees of which approximately 35% have been with Booktopia Group for three years or more	Section 6
Multiple levers for business growth	• Increasing website traffic and sales • Continued expansion into the education and corporate book segments • Continued investments into the Distribution Centre • Growth into adjacent product lines • Domestic bolt on opportunities • Customer loyalty programs	Section 3.9
Local, knowledgeable customer service	• Comprehensive customer service operation based in Sydney • Multiple support channels including phoning the Sydney call centre or contacting via email or live web chat • Staffed by knowledgeable customer service personnel, many previously employed at traditional book stores	Sections 3.5 and 3.8
In-house merchandising and product experts	• Employs a team of book merchandisers to work with publishers to promote upcoming new releases • Merchandisers interview authors, create promotional podcasts and videos, and email marketing campaigns to alert customers to sales, free shipping offers and category newsletters (eg. Romance, Crime etc.) • Merchandisers also curate the websites to ensure that the bestsellers are at the top of the important categories, and that new titles which are expected to be popular are given appropriate prominence	Section 3.8.5

1.4 Key risks

TOPIC	SUMMARY	FOR MORE INFORMATION
Performance and reliability of the Group's websites, databases and its operating systems	There is a risk that Booktopia Group may experience a prolonged disruption (for example due to systems failure) to its websites, databases or operating systems. This could also directly damage the reputation and brand of the relevant platform and could reduce visitors to the affected website and directly influence sales to customers. Booktopia Group's information technology systems are hosted on platforms provided by third party providers or located at the head office. A catastrophic failure in the systems of a third party provider may have a material impact on the systems and operations of Booktopia Group, cause data loss and affect sales. Such events may also lead to customer disenchantment or reputational damage. There is a risk that Booktopia Group's databases and electronically stored information, including its customer and third party supplier databases and data analytics information are affected or subject to computer viruses, electronic theft, physical terminal theft or physical damage. There is also a risk that algorithms, systems and processes (for example Booktopia Group's inventory management system) may give rise to errors or prove to be inadequate in the future. Significant or prolonged IT system failures may disrupt Booktopia Group's business operations and may adversely affect its financial performance.	Section 5.2
Hacking attacks and technology platform failure	Booktopia Group may experience material disruptions to its websites and technology platform on which it relies to display content to customers from targeted hacking attacks, cyber attacks, ransomware attacks, distributed denial of service attacks or other disruptive attacks. Booktopia Group is also exposed to the risk of interference with internet services generally or through failure of the systems of outsourced IT service providers. Unavailability of its websites or technology platform could lead to a loss of revenue which could have an adverse impact on Booktopia Group's business operations or financial performance.	Section 5.2
Distribution Centre disruption	There is a risk that a major disruption to the Distribution Centre caused by fire, flooding, power interruption, industrial action or other similar events could impact Booktopia Group's ability to deliver products to schedule. There is also a risk that the Distribution Centre may need to be closed for a day or more to allow it to be 'deep cleaned' in response to a staff member testing positive to COVID-19, or any similar contagious virus or illness, and this would also adversely impact Booktopia Group's ability to deliver products to schedule. The Distribution Centre may also be required by a government or other authority to be closed for an extended period of time, including in response to a health or other crisis. Booktopia Group's automation program may experience delays or failure that could reduce service levels, stock availability and delay despatch times. Booktopia Group's financial and operational performance could be adversely affected by such events.	Section 5.2
Internet and data security breaches	Sophisticated tools and methods used by hackers and cyberterrorists may result in a failure by Booktopia Group to adequately protect sensitive customer and supplier information it collects, transmits and stores. In an effort to protect sensitive information, Booktopia Group relies on a variety of security measures. There is a risk that the preventive measures which Booktopia Group takes to address these risks become more costly in the future, which may adversely affect its profitability. If Booktopia Group or any of its third party service providers experience security breaches that result in the loss or unauthorised disclosure of sensitive information, people may become unwilling to provide Booktopia Group the information necessary to become registered users. This could harm Booktopia Group's reputation, and could have an adverse impact on Booktopia Group's business operations or financial performance.	Section 5.2

TOPIC	SUMMARY	FOR MORE INFORMATION
Growth of online retail in general and growth in demand for books may not continue	There is a risk that the online retail market, and the book segment in Australia in particular will not continue to grow or maintain its current volumes. These markets, and Booktopia Group itself, are subject to factors outside Booktopia Group's control including Australia's outlook for economic growth, consumer sentiment, global economic outlook, foreign economic shocks, and adverse exchange rate movements. Additionally, the lockdowns associated with the COVID-19 pandemic have led to increased online book sales, however once those lockdowns are eased, the growth in online sales may not continue as consumers have the ability to access physical retail stores. One or more of these factors could cause a slowing or contraction in the growth in the market and industry, and in Booktopia Group's growth.	Section 5.2
Recruitment and retention of key personnel and other employees	The Company's success is dependent on its ability to attract individuals that will complement its culture and retain experienced key management personnel including CEO Tony Nash. There is a risk that competition within the online retail market could increase the demand and cost for quality employees. Booktopia Group's financial and operational performance could be adversely affected if it cannot attract and/or retain employees or key management personnel to implement its growth strategy and maintain its market position.	Section 5.2
Booktopia Group relies on third-party suppliers for its products	Booktopia Group has a large number of suppliers that provide a broad range of products. Its supply agreements are not based on long term contracts and vary from case to case, with many terminable at will or on short notice. Some of these contracts also expire within the next 12 months. There is a risk that Booktopia Group's relationships or terms of trade with these suppliers deteriorate or these suppliers are unwilling or unable to renew contractual agreements, or that they are unwilling to continue dealing with Booktopia on the same credit and other terms of trade as they currently do, which may have an adverse effect on Booktopia Group's financial and operational performance. Third party suppliers may also have a 'stock out' during which they may have insufficient quantities of products available. They may also enter into preferential or exclusive arrangements with Booktopia Group's competitors. Booktopia Group's suppliers may also incur unforeseen costs, or seek changes in credit terms, which in turn may also have an adverse effect on Booktopia Group's financial and operational performance.	Section 5.2
Customer service	Booktopia's business model is based on generating revenue through the provision of a service. Booktopia may be unable to encourage sales from existing and new customers including its larger government and education customers at their current volume of orders over the timeframes or with the pricing Booktopia currently expects. Booktopia may fail to encourage repeat sales from existing customers for a number of reasons, such as the failure to meet customer expectations, poor customer service, technology disruptions, pricing, competition or if the brand equity Booktopia has built since inception is eroded for any reason. If any of these occur, it may adversely impact the Company's revenue and financial performance.	Section 5.2
New and existing competitors could adversely affect prices and demand for books and decrease Booktopia Group's market share	There is a risk that existing international and domestic competitors, including traditional Physical Only retailers, Bricks & Clicks retailers and other Online Only retailers, compete aggressively against Booktopia Group in the future, including on pricing or by strengthening their Australian presence through the establishment or enlargement of Australian distribution centres, or through financial or operational investment. Some of Booktopia's competitors are many times larger than Booktopia Group. This may increase Booktopia Group's costs of customer acquisition and lower its margins due to pricing pressure.	Section 5.2

TOPIC	SUMMARY	FOR MORE INFORMATION
Booktopia Group's recent growth rates may not be sustainable or indicative of future growth	Booktopia Group's growth depends upon many factors such as customer service, the ability to efficiently ship orders and the ability to acquire customers in a cost-effective manner. The risks listed in this Prospectus may materially affect these factors and adversely impact the ability of Booktopia Group to achieve its assumed growth rates. In addition, Booktopia Group's historical growth rates may not be sustainable and may not be indicative of future performance.	Section 5.2
Integration of future acquisitions may not be successful	Booktopia Group will consider future acquisitions where the Company believes that those acquisitions are complementary to the future growth strategy of the Group. There are a number of risks associated with acquisitions such as the integration of financial, operational and managerial resources.	Section 5.2
The growth in online penetration and rate of migration to online platforms may not continue	Growth in online retail is being driven partly by the migration of customers from a traditional offline retailing experience to online retailing platforms across a number of segments. These drivers are largely outside Booktopia Group's control and there is no guarantee that the migration of customers will continue to grow in the future. The lockdowns associated with the COVID-19 pandemic have also led to increased online book sales, however once those lockdowns are eased, the growth in online sales may not continue as consumers have the ability to access physical retail stores. If the rate of penetration and migration to online platforms does not continue to increase or stay at increased levels, this could have an adverse effect on Booktopia Group's financial and operational performance.	Section 5.2
Changes in customer preferences	Booktopia Group derives its revenue from the sale of books, eBooks and related products online, to consumers, government, academic and corporate customers. Retail consumer spending is primarily discretionary in nature, and customers may allocate this discretionary spend across different product categories or other services from time to time. Failure by Booktopia Group to accurately predict or respond to customer preferences could result in lower sales or margins and could have an adverse effect on its financial and operational performance.	Section 5.2
Booktopia Group relies on services provided by third party payment and logistics providers	The Group relies on the services provided by third party banking and payment providers such as credit card companies. It also relies on the services of third party logistic providers to deliver products to customers. The Group has limited ability to influence these third parties and the contracts with these providers are generally short term in nature. System or service failures could have an adverse impact on the reputation and brand of the business, which could materially adversely affect Booktopia Group's business operations and financial performance.	Section 5.2
Changes in technology and technology updates	Booktopia Group may be unable to effectively maintain and update its technology and logistic platforms and infrastructure. Further, maintaining and updating its technology and infrastructure could involve a significant cost and there is a risk that Booktopia Group will not have the capital required to develop new technologies and infrastructure in the future that are required to maintain competitive advantage or its market share.	Section 5.2
Inventory management and business systems	Booktopia Group relies on its data analytics, proprietary algorithms and inventory management system to manage its business, in particular its stock levels and stock purchasing. If Booktopia Group's systems including those relating to inventory management system or data analytics fail or provide inaccurate information, the company may experience a disproportion in demand and supply for specific products or be exposed to other loses. This may result in an increase in holding costs, lower margins, damage to reputation, and may have an adverse effect on Booktopia Group's financial and operational performance.	Section 5.2

TOPIC	SUMMARY	FOR MORE INFORMATION
Booktopia Group may experience a significant increase in the cost of, or become more reliant on, search engine marketing	A proportion of Booktopia Group's revenues were attributable to customers who accessed the Company's websites by clicking on links that Booktopia Group paid to list on search engine's results pages. Under the bidding system, the order in which websites appear in a search engine's paid search results is determined by a combination of the price bid by the website and the historical and expected rate at which consumers click through to the website. If Booktopia Group's websites were to experience a reduction in natural search visibility in search engines, it may increase Booktopia Group's reliance on search engine marketing. Booktopia Group's business, financial performance and operations may be materially adversely affected by any increase in the cost of, or in reliance on, search engine marketing.	Section 5.2
Other risks	A number of other key risks specific to an investment in Booktopia Group and general investment risks are set out in Section 5.	Sections 5.2 and 5.3

1.5 Financial information summary

The table below is a summary of the Company's historical pro forma financial information for the pro forma financial years ended 2018, 2019 and 2020 as well as the Forecast Financial Information for the financial year ending 30 June 2021. This information is intended as a summary only and should be read in conjunction with the more detailed discussion on the Historical Financial Information and Forecast Financial Information in Sections 4.10 and 4.11, including the assumptions, management discussion and analysis, as well as the risk factors set out in Section 5.

	PRO FORMA			
$ MILLIONS	**FY2018**	**FY2019**	**FY2020**	**FY2021(F)**
Total Revenue	111.5	129.1	165.8	204.5
Gross Profit	31.0	34.5	43.4	55.7
EBITDA[1]	4.1	3.6	6.0	9.4
Profit Before Tax	(0.1)	(0.9)	0.4	0.9
NPAT	(0.0)	(0.9)	0.2	0.7

	STATUTORY			
$ MILLIONS	**FY2018**	**FY2019**	**FY2020**	**FY2021(F)**
Total Revenue	111.5	129.1	165.8	204.5
Gross Profit	31.0	34.5	43.4	55.7
EBITDA[1]	3.8	4.9	7.3	5.2
Profit Before Tax	1.9	0.4	0.8	(9.8)
NPAT	1.6	0.0	0.2	(10.1)

Notes
1. These summary financials contain a number of pro forma adjustments which are outlined in detail in Section 4.3.3 of this Prospectus.

Questions

If you have any questions in relation to the Offer, please contact the Offer Information Line on 1800 500 095 (toll free within Australia) or +61 1800 500 095 (outside Australia) between 8:30am and 5:30pm (**AEDT**), Monday to Friday, or speak to your financial adviser.

1.6 Directors and key management

TOPIC	SUMMARY	FOR MORE INFORMATION
Who are the Directors and key personnel of Booktopia Group?	• Christopher (Chris) Beare, Chairman and Independent Non-executive Director • Antony (Tony) Nash, Chief Executive Officer and Managing Director • Steven Traurig, Chief Commercial Officer and Executive Director • Wayne Baskin, Deputy CEO, Chief Technology Officer, Executive Director • Geoff Stalley, Chief Financial Officer • Marina Go, Independent Non-executive Director • Fiona Pak-Poy, Independent Non-executive Director • Su-Ming Wong, Independent Non-executive Director	Sections 6.1 and 6.2

1.7 Significant interests of key people and related party transactions

TOPIC	SUMMARY	FOR MORE INFORMATION
Who are the Existing Shareholders and what will their interest in Booktopia Group be at Completion?	The ownership structure of Booktopia Group as at the Prospectus Date and on Completion and listing on the ASX is shown in the table below:	Section 7.1.3

	AS AT PROSPECTUS DATE		UPON COMPLETION	
SHARES	**QUANTITY**	**%**	**QUANTITY**	**%**
Tony Nash[1]	25,536,192	20.20%	25,536,192	18.59%
Steven Traurig	25,682,139	20.31%	20,691,877	15.06%
Simon Nash	16,974,321	13.43%	14,974,321	10.90%
Other Existing Shareholders[2,3]	58,230,246	46.06%	57,360,246	41.76%
New Shareholders[4]	–	–	18,797,218	13.68%
Total	**126,422,898**	**100.00%**	**137,359,854**	**100.00%**

1. Tony has agreed to transfer 1,139,827 Shares from Tony Nash Enterprises to a third party in part settlement of a family law matter. The Shares will be transferred on or around Completion.
2. Shareholdings and percentages in the table above are shown on a 'post-conversion' basis assuming that all redeemable preference shares currently on issue and held by Libertopia Management Pty Ltd (ACN 637 998 577) in its capacity as trustee for Booktopia Investment Trust No. 1 (**Libertopia Management**) have been converted into Shares, and that some of those Shares have been transferred to the unitholders of the Booktopia Investment Trust No. 1 as a distribution in specie. Conversion of the redeemable preference shares and the distribution in specie will occur on or about the date of Settlement of the Offer.
3. Prior to the date of this Prospectus, the Company issued 310,082 Shares at $1.215 per Share to an entity associated with AFSG Capital Pty Limited for services up to the date of this Prospectus (as described in section 6.3.1).
4. This includes 67,391 Employee Gift Offer shares to New Shareholders upon Completion.

Booktopia Group's management will also be eligible to participate in the Booktopia Group LTIP. For further details, refer to Section 6.7.2.

TOPIC	SUMMARY	FOR MORE INFORMATION
What will each Director's interest in Booktopia Group be at Completion?	*(see table below)*	Section 7.9 and 9.8

DIRECTOR	SHARES ON COMPLETION	SHAREHOLDING ON COMPLETION (%)
Chris Beare	400,000	0.29%
Tony Nash[1]	25,536,192	18.59%
Steven Traurig	20,691,877	15.06%
Wayne Baskin	5,442,978	3.96%
Marina Go	Nil	Nil
Fiona Pak-Poy	Nil	Nil
Su-Ming Wong[2]	6,707,472	4.88%

Note: The shareholdings and percentage in the above table do not include any Shares acquired under the Offer.

1. Tony has agreed to transfer 1,139,827 Shares from Tony Nash Enterprises to a third party in part settlement of a family law matter. The Shares will be transferred on or around Completion.
2. Shareholdings and percentages in the table above are shown on a 'post-conversion' basis assuming that all redeemable preference shares currently on issue and held by Libertopia Management have been converted into Shares, and that some of those Shares have been transferred to the unitholders of the Booktopia Investment Trust No. 1 (including Su-Ming Wong) as a distribution in specie. Conversion of the redeemable preference shares and the distribution in specie will occur on or about the date of Settlement of the Offer.

TOPIC	SUMMARY	FOR MORE INFORMATION
Will any Shares be subject to restrictions on disposal following Completion?	Yes. Escrowed Shares held at Completion of the Offer by the escrowed Shareholders (other than any Shares acquired by them under the Offer) will be subject to voluntary escrow arrangements and will be subject to the exceptions and release dates outlined in Section 9.8. Each escrowed Shareholder has entered into a voluntary escrow deed in respect of their escrowed Shares, which prevents them from dealing in their escrowed Shares for the applicable escrow period. The restriction on 'dealing' is broadly defined and includes, among other things, to dispose of, or agree or offer to dispose of, the escrowed Shares or any legal, beneficial or economic interest in the escrowed Shares or to create or agree or offer to create any security interest in the Shares.	Sections 7.9 and 9.8
Are there any related party transactions?	Yes. Booktopia Group and its subsidiaries have entered into employment arrangements. Some of those arrangements are with Directors. Booktopia Group has entered into a deed of indemnity with each Director. Prior to becoming a subsidiary of Booktopia Group, Booktopia Pty Ltd entered into a deed of indemnity with each Executive Director that requires Booktopia Pty Ltd to indemnify the Director on a full indemnity basis and to the full extent permitted by law against all claims, against all losses or liabilities (including all reasonable legal costs) pursuant to personal guarantees given by them to suppliers to Booktopia Pty Ltd while they are or were a director for the supply of materials to Booktopia Pty Limited. Prior to the Prospectus Date, Booktopia Pty Ltd provided loans to Tony Nash, Wayne Baskin and Ainsley Henderson which total approximately $1,009,564 and which will be repaid on or about Completion.	Section 6.9

1.8 Proposed use of funds and key terms and conditions of the Offer

TOPIC	SUMMARY	FOR MORE INFORMATION
What is the Offer?	The Offer comprises an offer to issue approximately 10.9 million Shares by the Company, and the sale of approximately 7.9 million Shares by SaleCo through the Offer.	Section 7.1
What is the Offer Price?	$2.30 per Share.	Section 7.2
What is the Offer size?	The Offer is for approximately 18.8 million Shares. The Shares issued under the Offer will represent approximately 13.68% of the total Shares on issue following Completion, with the remaining 86.32% held by Existing Shareholders. All Shares under the Offer (excluding those issued under the Employee Gift Offer, which will be issued to Eligible Employees for nil consideration) will be issued at the Offer Price, being $2.30 per Share.	Sections 7.1 and 7.2
What is the minimum application amount?	**Broker Firm Offer** The minimum application under the Broker Firm Offer is as directed by the applicant's Broker. There is no maximum value of Shares that may be applied for under the Broker Firm Offer. **Priority Offer** The minimum application size under the Priority Offer is $2,000, and in multiples of $500 thereafter. Under the Priority Offer, applicants are able to apply for Shares up to the value provided on their personalised invitation. **Employee Gift Offer** Under the Employee Gift Offer, Eligible Employees will be offered the opportunity to apply for an amount of $1,000 worth of Shares. **Institutional Offer** There is no minimum or maximum value of Shares that may be applied for under the Institutional Offer.	Section 7.2
Who are the issuers of this Prospectus?	Booktopia Group Ltd (ACN 612 421 388) (**Company**). Booktopia SaleCo Ltd (ACN 612 413 395) (**SaleCo**).	Important Notices
What is SaleCo?	SaleCo is a special purpose vehicle established to enable the Selling Shareholders to sell Shares under the Offer.	Section 9.3
What is the proposed use of funds raised pursuant to the Offer?	The planned use of the Offer proceeds is set out in the table below:	Section 7.1.2

USE OF OFFER PROCEEDS	AMOUNT $ MILLION
Received by the Company	
Funds to invest in and expand the Distribution Centre	7.0
Funds for working capital, inventory purchase, growth strategy and future opportunities	6.8
Repayment of debt	3.0
Payment of Offer costs	8.2
Received by SaleCo	
Payments to Selling Shareholders	18.1
TOTAL	**43.1**

<table>
<tr><th>TOPIC</th><th>SUMMARY</th><th>FOR MORE INFORMATION</th></tr>
<tr><td>Will the Shares be quoted on the ASX?</td><td>The Company will, within seven days after the date of this Prospectus, apply for admission to the official list of ASX and for official quotation on ASX of the Shares offered under this Prospectus and the Shares held by Existing Shareholders. Trading of Shares on ASX is expected to commence on 3 December 2020.

The Company's ASX code is expected to be 'BKG'.

It is expected that the initial Shareholder statements will be dispatched by post on 30 November 2020 and that trading of Shares on a normal settlement basis will commence on 3 December 2020. It is your responsibility to determine your allocation before you trade in Shares. If you trade in Shares before you receive your initial Shareholding statement, then you do so at your own risk.</td><td>Section 7.2</td></tr>
<tr><td>How is the Offer structured/ who is eligible to participate in the Offer?</td><td>The Offer comprises:
The Broker Firm Offer, which is open to Australian resident retail clients of Brokers who receive a firm allocation of Shares from their Broker;
The Priority Offer, which is open to investors who have received a personalised invitation to participate in the Priority Offer from Booktopia Group and who have a registered address in Australia;
An Employee Gift Offer which is open to Eligible Employees who have received a personalised invitation to participate in the Employee Gift Offer from Booktopia Group; and
The Institutional Offer, which consists of an offer to Institutional Investors in Australia and certain other jurisdictions around the world, made under this Prospectus.
There is no general public offer.</td><td>Section 7.1 to 7.7</td></tr>
<tr><td>What are the key financial metrics?</td><td>Key financial metrics of the Offer are described in the Key Offer Statistics, the historical and forecast income statement in Section 4.3 and historical and forecast cashflows in Section 4.4 and include:
The enterprise value of the Company at the time of listing implies a Revenue multiple of 1.5 times (based on pro forma forecast FY2021 Revenue);
The enterprise value of the Company at the time of listing implies a Gross Profit multiple of 5.4 times (based on pro forma forecast FY2021 Gross Profit);
Forecast revenue growth of 23.4% and forecast EBITDA growth of 57.1% for FY2021; and
A pro forma net cash position upon Completion of $16.3 million.</td><td>Key Offer Statistics and Sections 4.3 and 4.4</td></tr>
<tr><td>Is the Offer underwritten?</td><td>Yes. The Offer will be managed and is underwritten by Morgans Corporate Limited and Shaw and Partners Limited as Joint Lead Managers, Joint Bookrunners and underwriters subject to the terms of the Underwriting Agreement. Details of the Underwriting Agreement, including the termination provisions and the fees payable, are set out in Section 9.6.</td><td>Section 9.6</td></tr>
<tr><td>What is the allocation policy?</td><td>The allocation of Shares between the Institutional Offer and the other Offer components will be agreed by the Joint Lead Managers and the Company.

For Broker Firm Offer participants, the relevant Broker will decide how to allocate Shares among its retail clients.

The allocation of Shares under the Priority Offer will be determined by the Company in consultation with the Joint Lead Managers.

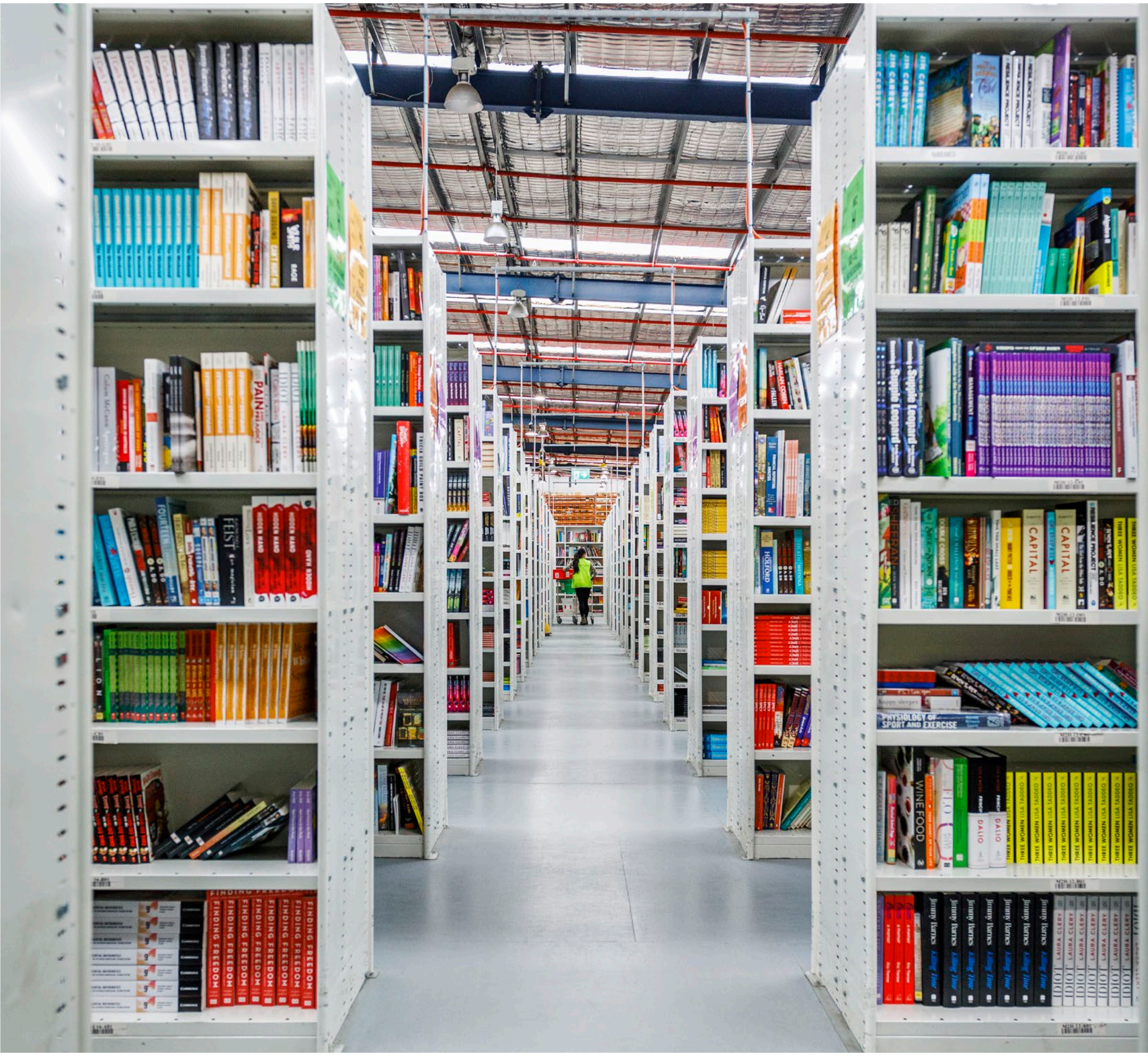
The allocation of Shares under the Institutional Offer will be determined by the Joint Lead Managers in agreement with the Company.

There is no assurance that any person will be allocated any Shares or the number of Shares for which they have applied for.</td><td>Section 7.2</td></tr>
</table>

1. INVESTMENT OVERVIEW

TOPIC	SUMMARY	FOR MORE INFORMATION
Is there any brokerage commission or stamp duty payable by applicants?	No. Applicants do not have to pay brokerage, commission or stamp duty if they acquire Shares under the Offer.	Section 7.2
What are the tax implications of investing in the Shares?	Shareholders will generally be subject to Australian tax on any dividends paid by the Company. The tax consequences for investors will differ depending on their individual circumstances, particularly for non-resident Shareholders. Applicants should obtain their own tax advice prior to deciding whether to invest.	Section 9.12
When will I receive confirmation that my application has been successful?	Shareholder statements confirming allocations under the Offer are expected to be dispatched to Shareholders on 30 November 2020.	Section 7.2
What is Booktopia Group's dividend policy?	There is no intention for the Company to pay a dividend in respect of the forecast period outlined in this Prospectus. It is the Directors' intention to reinvest future cash flows in further growing the business. The payment of dividends by Booktopia Group beyond the forecast period is at the discretion of the Directors and will be a function of a number of factors including Booktopia Group's operating results, cash flows, financial condition, availability of franking credits and any other factors the Directors may consider relevant.	Section 4.13
How can I apply for Shares?	You may apply for Shares by submitting a valid Application Form accompanying this Prospectus in accordance with the instructions contained within. Broker Firm Offer applicants may apply for Shares by completing an Application Form and lodging it with the Broker who invited them to participate in the Offer. To the extent permitted by law, an application under the Offer is irrevocable.	Sections 7.1 and 7.3
Can the Offer be withdrawn?	Yes. The Company and SaleCo reserve the right to withdraw the Offer at any time before the issue of Shares to successful applicants. If the Offer is withdrawn, then application monies will be refunded. No interest will be paid on any application money refunded as a result of the withdrawal of the Offer or otherwise.	Section 7.2
Where can I find more information about this Prospectus or the Offer?	Further information can be obtained by reading this Prospectus in its entirety, by speaking to your accountant, stockbroker or other professional adviser, by calling the Offer Information Line on 1800 500 095 (toll free within Australia) or +61 1800 500 095 (outside Australia) between 8:30am and 5:30pm (**AEDT**), Monday to Friday, or by visiting the Company offer website at http://events.miraqle.com/booktopia-ipo/.	Sections 7.1 and 7.2

2. Industry overview



This report has been commissioned from Frost & Sullivan by Booktopia Group Limited (hereafter referred to as the Company).

2.1 Background, Definitions and Methodology

2.1.1 Background

Booktopia Group is the largest Australian-owned online book retailer by market share, reaching over 5 million customers through its Booktopia, Angus & Robertson and Co-operative Bookshop brands since inception. This report describes the book market in Australia.

2.1.2 Definitions

As defined in this report, the book market includes sales of consumer and educational/academic books through offline and online channels. This includes sales by book retailers to consumers (B2C), businesses (B2B) and government (B2G). Physical books and digital books (eBooks and readers and audiobooks) are included in the market scope, but second-hand books are excluded. Market size data is inclusive of GST and delivery charges (when payable). All data is in Australian dollars ($).

2.1.3 Methodology

Information in this report has been taken from various sources, including national statistical offices, company websites, reports and presentations, bank transaction data, analyst reports and news articles.

Data on the Australian online retail market in this report is based on that provided by the Australian Bureau of Statistics (ABS) (8501.0 – Retail Trade, Australia). Online retail penetration is calculated as online retail sales as a percentage of total retail sales (for consistency in comparison with other markets, this excludes retail sales in the cafes, restaurants and takeaway food category). Online retail in Australia has been compared to other markets, such as the UK and US, which are culturally similar to Australia, and where data is also released by national statistical offices.

The 2020 COVID-19 pandemic has led to a significant increase in online retail sales, both in terms of total dollar value and as a percentage of total retail sales. This impact is described in this report. Market forecasts are based on the significant uplift in online retail sales occurring in 2020, with historic growth rates anticipated to resume from 2021 onwards.

2.2 The Australian Book Retail Market

2.2.1 Overview

Book retailing in Australia is undertaken by retailers with physical stores only (bricks-and-mortar), as well as those operating both through physical premises and online (bricks-and-clicks), and online-only retailers such as Booktopia Group (online pure-plays). The industry can be further divided into book specialists and aggregators (both online and offline) who sell books amongst a broader range of product categories. These include department stores and online aggregators, such as Amazon.

2.2.2 Trends and Market Drivers

a. Book Reading Trends

Despite the growth in time spent on leisure activities such as media streaming and use of social media, book reading remains a very common activity in Australia, with 65% of the population reading at least once per week. Only 8% of the adult population are categorised as non-readers (defined as not having read all or part of a print book, eBook or audiobook for pleasure or interest in the last twelve months). Reading books is the third most common leisure activity, behind browsing the internet and watching TV, but ahead of activities such as exercise, playing sport, video games and craft activities.[1] Book reading levels in Australia are significantly higher than in the US, where 27% of the adult population are non-readers,[2] and in the UK where 24% had not read a book in the past year.[3]

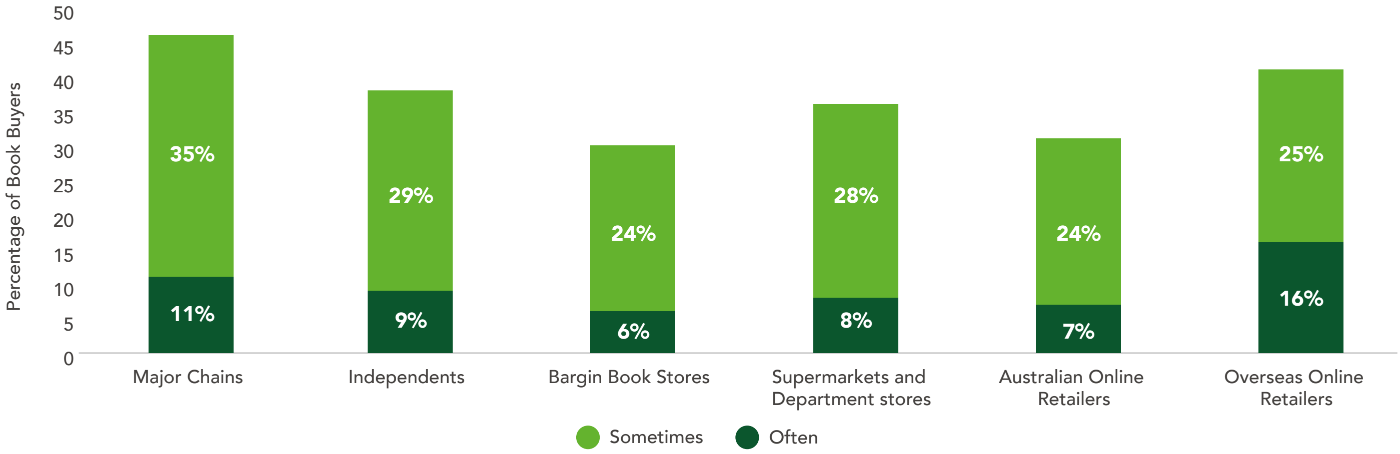
Book reading is linked to gender, education level and socio-economic group, with females, the tertiary educated and those from higher socio-economic groups more likely to be frequent book readers. Despite the fact that book reading remains a very common activity, there has been a slight decline in the amount of time that adults spend reading books compared to five years ago, although the time spent reading across all media has increased.[4] However, as the population ages, levels of book reading are likely to increase, given that readership levels are significantly higher amongst older Australians.

1. Macquarie Economics Research Papers, Australian Book Readers: Survey Method and Results, 2017.
2. Pew Center, Who doesn't read books in America, (accessed from https://www.pewresearch.org/fact-tank/2019/09/26/who-doesnt-read-books-in-america/).
3. YouGov, Reading is alive and well in Britain, (accessed from https://yougov.co.uk/topics/politics/articles-reports/2014/04/09/reading-alive-and-well-britain).
4. Macquarie Economics Research Papers, Australian Book Readers: Survey Method and Results, 2017.

b. Book Buying Trends

Based on a 2017 survey, 43% of Australian adults had bought a book in the past month.[5] On average, Australian households spend approximately $177 on books annually, with average expenditure highest in the ACT and Victoria.[6] Despite the general trend towards consumption of other digital content (such as social media and video streaming), the size of the book market in Australia has remained relatively stable over recent years. A notable trend, however, has been the growth in online sales, and sales through department stores (including discount department stores). 41% of Australian book buyers often or sometimes buy from overseas online retailers, and 31% of them buy from Australian online retailers. This trend has primarily impacted independent book stores, who often lack an online capability, and do not have the buying power of larger chains, making them less able to compete on price.

Figure 1: Percentage of Book Buyers who often or sometimes buy from Different Types of Retailers, Australia, 2017



Source: Macquarie Economics Research Papers, Australian Book Readers: Survey Method and Results, 2017.

c. Book Format Trends

A significant development in the book market over recent years has been the emergence of books in new formats to complement traditional physical books in hardback or paperback. The commercial launch of Amazon's Kindle in 2007 stimulated the development of the eBook market, and audiobook sales have been boosted following the move from physical format (cassettes and CDs) to digital downloads, facilitated by improved internet speeds and data caps. Whilst these developments have stimulated use of eBooks and audiobooks, physical books still remain the dominant book format. Approximately 90% of Australian book-readers read physical books, 53% read eBooks and 12% use audiobooks.[7]

d. Book Market Drivers

The book market in Australia is being stimulated by a number of factors, including population growth, population ageing, and the increased number of students, driving demand for educational and academic books. Additionally, use of social media is stimulating book sales, as a significant proportion of book readers use social media as a source of information about what books to buy.

Population growth in Australia over recent years has averaged approximately 1.7% annually,[8] and is among the highest in the OECD.[9] This has primarily been driven by net overseas migration (NOM). Approximately 4 million people are forecast to be added to the population between 2017 and 2027 (although the impact of COVID-19 is likely to reduce previously forecast population growth through lower NOM whilst international borders remain closed).[10]

The percentage of the population aged 65 years and over is forecast to increase from 15.4% in 2017 to 17.5% in 2027, with an extra 1.25 million aged people. This will significantly impact the book market, as book readership increases with age, and 38% of frequent book readers are aged over 60.[11]

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5. Ibid.
6. ABS, 6530.0 – Household Expenditure Survey, Australia: Summary of Results, 2015-16.
7. Macquarie Economics Research Papers, Australian Book Readers: Survey Method and Results, 2017.
8. ABS, 3222.0 – Population Projections, Australia, 2017 (base) – 2066.
9. World Bank, annual population growth.
10. ABS, 3222.0 – Population Projections, Australia, 2017 (base) – 2066, Series B.
11. Macquarie Economics Research Papers, Australian Book Readers: Survey Method and Results, 2017.

At the same time, demand for educational and academic books has been stimulated by growth in student numbers at both school and higher-education level. From 2006 to 2019, the number of school students increased from 3.37 million to 3.94 million,[12] and between 2006 and 2018, the number of enrolled higher-education students increased from 984,000 to 1.56 million.[13]

Social media is a significant influence on book buying, particularly Facebook, with 27% of book readers using Facebook as a source of information on books. However, word-of-mouth and browsing in physical bookstores remain the most common activities that influence book buying, at 66% and 53% respectively.[14]

2.2.3 Size and Growth of the Book Market

a. Overview

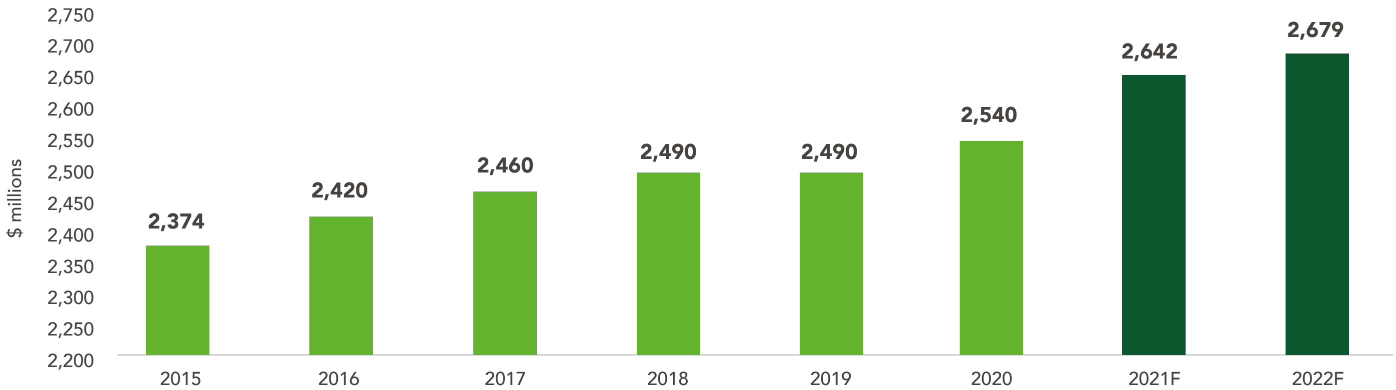
The size and growth of the book market in Australia has been estimated by Frost & Sullivan based on analyst reports, industry interviews, and analysis of bank transaction data. The book market, as defined in this report, includes consumer, business and government book sales (primarily to educational institutions and libraries). Consumer book sales include domestic offline and online purchases of books by Australian residents, and purchases by Australian residents from overseas online retailers (where the transaction is processed in a foreign currency). Domestic sales in Australia to overseas residents are excluded.

Forecasts for the growth of the book market in FY2021 and FY2022 are based on available data on growth in book sales in Q1 of FY2021 when compared to the prior corresponding period (PCP), and the average historic growth rate in the book market.

b. Book Market Size and Growth

In FY2020, the Australian book market was $2.54 billion. Since 2015, the book market has been broadly stable, with growth of 1.4% CAGR between 2015 and 2020. In the first quarter of FY2021, however, growth in book sales is around 4% when compared to the PCP. This results from increased disposable household income from government stimulus payments and superannuation withdrawals, lower expenditure on mortgages, diversion of household spending from areas such as vacations and social activities, and individuals spending more time at home with increased available time for reading. Frost & Sullivan forecasts that the book market will grow at 4% in FY2021, with the historic average growth rate of 1.4% returning in FY2022. By FY2022, the book market is forecast to reach $2.68 billion.[15]

Figure 2: Book Market, Australia, FY2015 to FY2022F

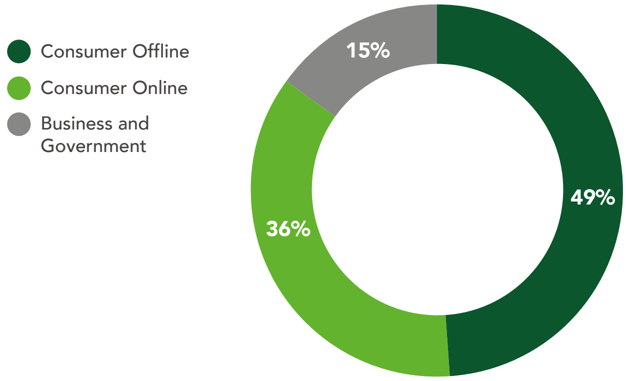


Source: Frost & Sullivan.

In FY2020, online sales to consumers represented 36% of the book market, offline sales to consumers 49%, and business and government sales 15%. When business and government sales are excluded, online sales accounted for 43% of consumer book sales.[16] Online penetration in the book market is very high when compared to most other retail categories, reflecting factors such as early entry into the book market by online retailers such as Amazon, the ease of browsing books online, and the fact that digital books bought online can be accessed almost immediately.

12. ABS, 4221.0 – Schools, Australia, 2019.
13. Department of Education, Skills and Employment, Selected Higher Education Statistics – 2018 Student data.
14. Macquarie Economics Research Papers, Australian Book Readers: Survey Method and Results, 2017.
15. Frost & Sullivan.
16. Ibid.

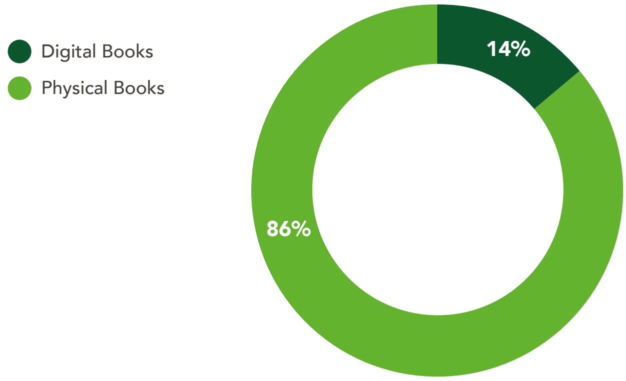
Figure 3: Book Market by Channel, Australia, FY2020



Source: Frost & Sullivan.

Digital books accounted for 14% of book sales in FY2020. [17]

Figure 4: Book Market by Format, Australia, FY2020



Source: Frost & Sullivan.

By genre, academic/educational books are estimated to account for $804 million of sales in the consumer book market in FY2020 (recognising that in many cases students buy their own books).[18] A significant portion of sales to business and government also comprise academic/educational books.

2.2.4 Competitive Environment

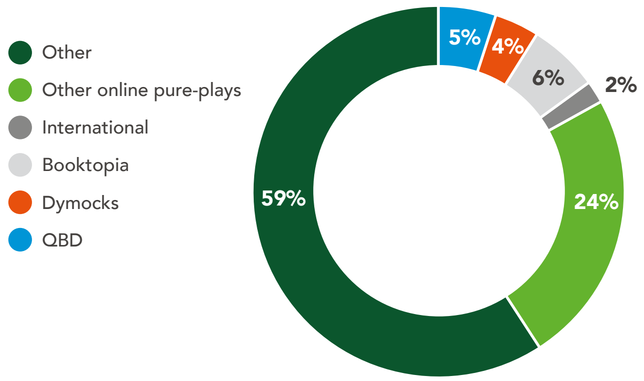
Book retailers include those operating physical bookstores (including those that also have an online store), domestic online pure-plays,[19] and international online retailers that sell to Australian consumers. Amazon (including its Kindle, Book Depository and Audible brands) is the largest book retailer in Australia, with approximately 17% of the consumer book market. Amazon's online store in Australia came online in December 2017. Prior to Amazon arriving in Australia in 2017 Amazon's sites including Amazon.com, Bookdespository.co.uk, Kindle.com.au and audible.com.au were already operating in the Australian market. Australians had been able to purchase from these entities prior to Amazon's physical Australian launch in 2017.

Booktopia Group is the largest Australian-owned online book retailer by market share.

The largest physical book store operator is QBD, which operates 76 physical book stores,[20] and also has an online store. QBD is estimated to have a 5% share of the book market. The next largest are Dymocks, operating 56 physical stores plus an online store, Collins/Hill of Content (24 physical stores plus an online store) and Koorong, which focuses on Christian literature and has 15 physical stores plus an online store.[21] A significant proportion of book sales are also through aggregators such as Big W, Target and other department stores, Australia Post and others that sell books both through physical stores and online, together with other product categories.

17. Frost & Sullivan.
18. PwC, Consumer and Educational books, 2019 (accessed from https://www.pwc.com.au/industry/entertainment-and-media-trends-analysis/outlook/consumer-and-educational-books.html).
19. Overseas-owned online retailers that sell through an Australian store are included.
20. QBD website, accessed September 16 2020.
21. Booktopia Group websites.

Figure 5: Book Market Share (Consumer Market), Australia, FY2020

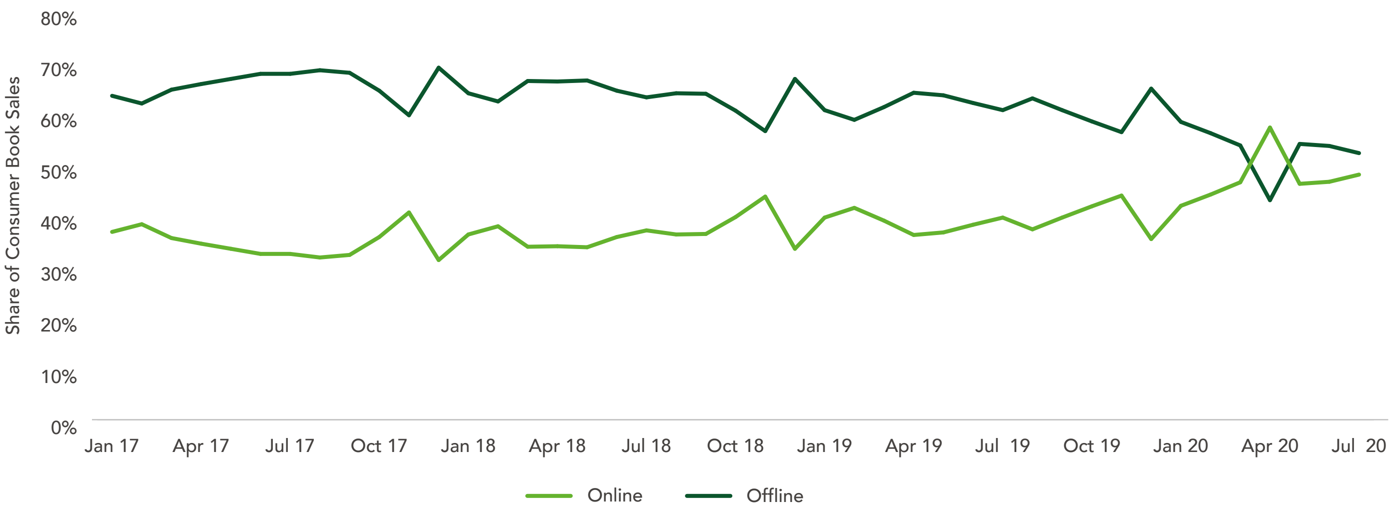


Source: Frost & Sullivan. Other online pure-plays are primarily Amazon (including Amazon Kindle, Book Depository and Audible), Google apps and Apple iTunes. Other includes BIG W, Target, Kmart, Australia Post, Collins, Koorong, independents, and others.

2.2.5 Impact of COVID-19

The implementation of social and economic restrictions caused by the COVID-19 pandemic in March 2020 had a significant impact on book sales, with a surge in book buying in the week prior to the implementation of restrictions, followed by a decline in sales in April 2020 as many physical book stores closed. However, since late-April 2020, book sales have been ahead of the PCP in 2019, and online book sales have been significantly boosted, with one major publisher reporting that at one point 60% of its sales were through the online channel.[22] In April 2020, online book sales exceeded offline book sales by value, the first month when this has occurred. Although online share dipped below 50% from May onwards as physical bookstores started to re-open, online share is still significantly ahead of the pre-Covid situation. In June 2020, online share was over 8 basis points ahead of the PCP.[23]

Figure 6: Offline and Online Consumer Book Sales Market Share by Value, Australia, January 2017 to July 2020



Source: Frost & Sullivan.

COVID-19 is therefore likely to further accelerate the growth of the online channel in book retail, a trend which is also underway in other retail sectors.

22. Books + Publishing, The unequal impact of COVID-19 on publishers, July 29 2020.
23. Frost & Sullivan.

2.3 The Australian Online Retail Market

Online book retailing is a category within the broader online retail market. This section describes the size, growth and key trends within the online retail market in Australia.

2.3.1 Online Retail Sales

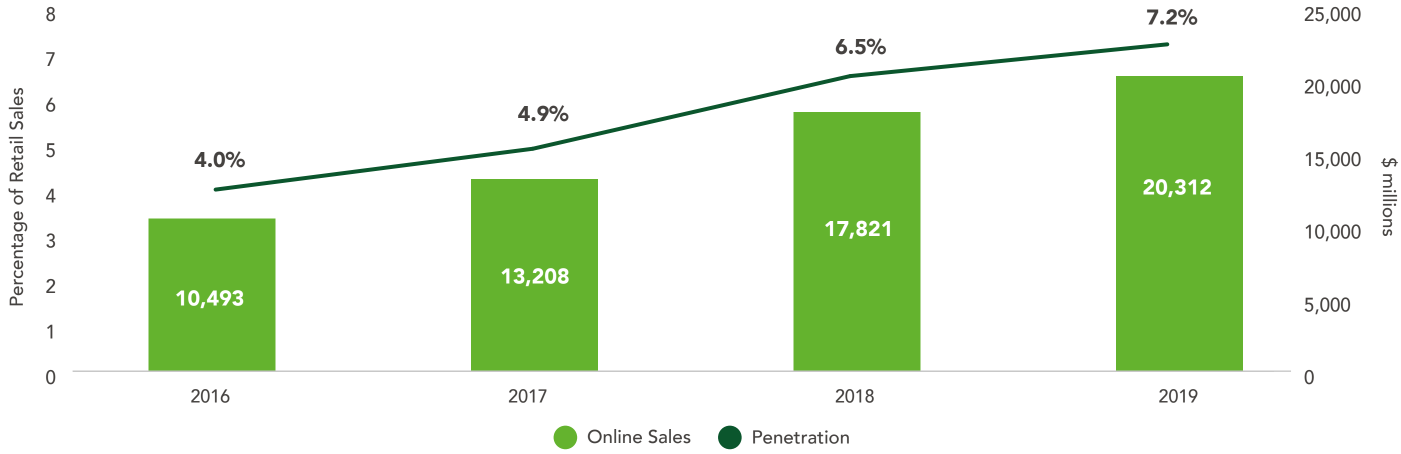
There has been significant growth in online retail sales in Australia over recent years, as more Australians buy goods and services online, and increase the value of their online spending. In 2019, 90% of adult Australians used the internet, with 76% (approximately 15 million individuals) using it three or more times per day. 78% of internet users had bought goods or services online in the past six months.[24] This is an increase from 60% in 2015,[25] and represents approximately 13.8 million online shoppers.

Factors behind the long-term growth in online retail sales include:

- The rapid growth in the use of smartphones, which are now the most common device to access the internet, with 87% of internet users accessing via a smartphone, compared to 69% for laptop computers and 56% for tablets.[26] This stimulates online retail as online shoppers are now able to purchase whilst on the move.
- Improvements in the speed and reliability of fixed and mobile internet access, driven by investments in 4G and 5G networks by mobile telephony service providers and the roll-out of the National Broadband Network (NBN), which as at July 2020 connected 7.4 million homes and businesses.[27]
- Innovations by online retailers, for example in payment options (e.g. buy-now-pay-later), delivery models (such as click-and-collect), and innovations in customer experience such as through the use of artificial intelligence to deliver more personalised services to consumers.

In CY2019, total online retail sales in Australia were $20.3 billion, 7.2% of total retail sales (excluding cafes, restaurants and takeaway food). Since CY2016, online retail sales have almost doubled, at a CAGR of 24.6%. The penetration level of online retail has increased from 4.0% to 7.2% over this period.[28]

Figure 7: Online Retail Sales and Online Penetration, Australia, CY2016 to CY2019



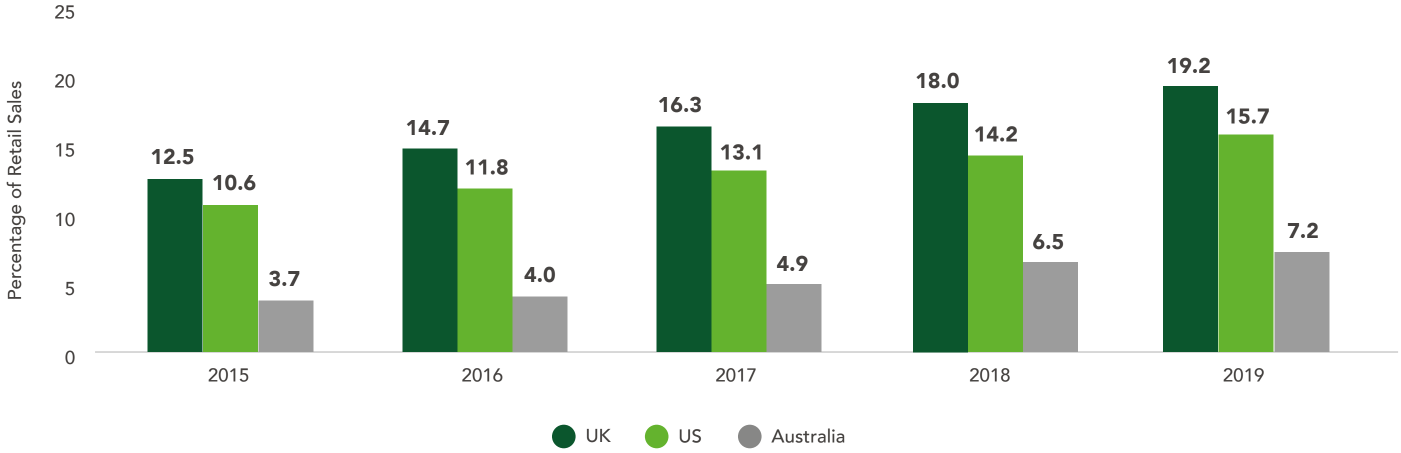
Source: ABS, 8501.0 – Retail Trade, Australia, July 2020.

24. Australian Communications and Media Authority (ACMA), Communications Report, 2018-19.
25. ABS, Household use of Information Technology, 2014-15.
26. Australian Communications and Media Authority (ACMA), Communications Report, 2018-19.
27. NBN, How we're tracking: July 2020, (accessed from https://www.nbnco.com.au/corporate-information/about-nbn-co/updates/dashboard-july-2020).
28. ABS, 8501.0 – Retail Trade, Australia, July 2020.

2.3.2 Comparison with Other Markets

Despite the growth in online retail sales, the overall penetration level in Australia is significantly lower than culturally-similar markets such as the UK and US. In CY2019, online retail penetration in the UK was 19.2%, and 15.7% in the US, compared to 7.2% in Australia.[29] The penetration level in Australia is therefore eight to nine years behind these other markets.

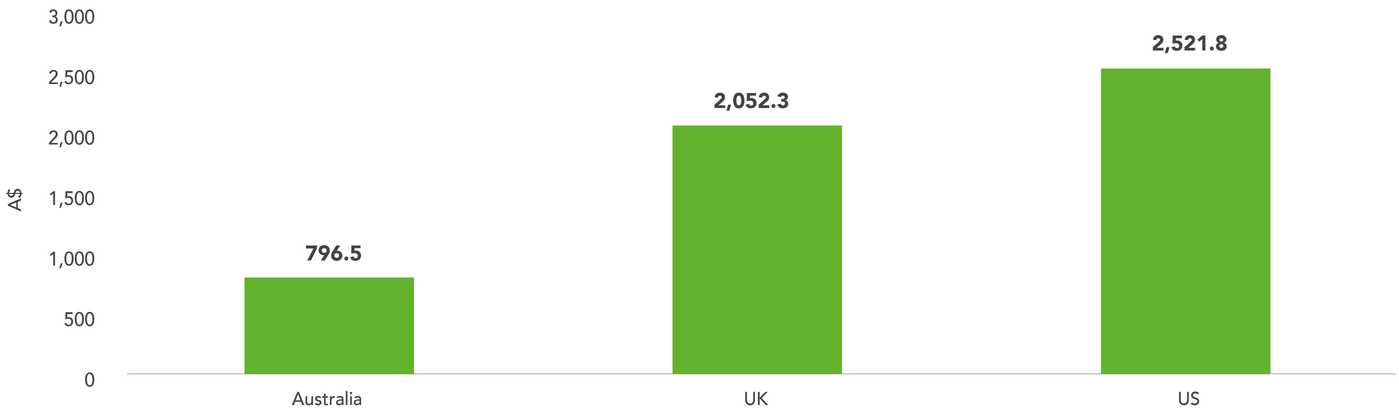
Figure 8: Online Retail Penetration, Australia, UK and US, CY2015 to CY2019



Sources: ABS, 8501.0 – Retail Trade, Australia, July 2020; Office of National Statistics (ONS), Internet sales as a percentage of total retail sales, August 2020; US Census Bureau, Retail e-Commerce Sales, August 2020. US data is Adjusted Retail Sales, excluding food service, automobile and other motor vehicle dealers and gasoline stations.

The difference between these markets is also reflected in per capita online retail sales (adjusted to A$), with Australia only about one-third of the per capita expenditure in the US, and less than half that in the UK.

Figure 9: Per Capita Online Retail Expenditure, Australia, UK and US, CY2019



Sources: ABS, 8501.0 – Retail Trade, Australia, ONS, Internet sales as a percentage of total retail sales, August 2020, US Census Bureau, Retail e-Commerce Sales, August 2020.

The slower adoption of online retail in Australia can be attributed to a number of factors, including a heritage of catalogue shopping in the UK and US which did not exist in Australia, relatively more dispersed populations in the UK and US, and earlier innovation in online retail by retailers in the UK and US markets.

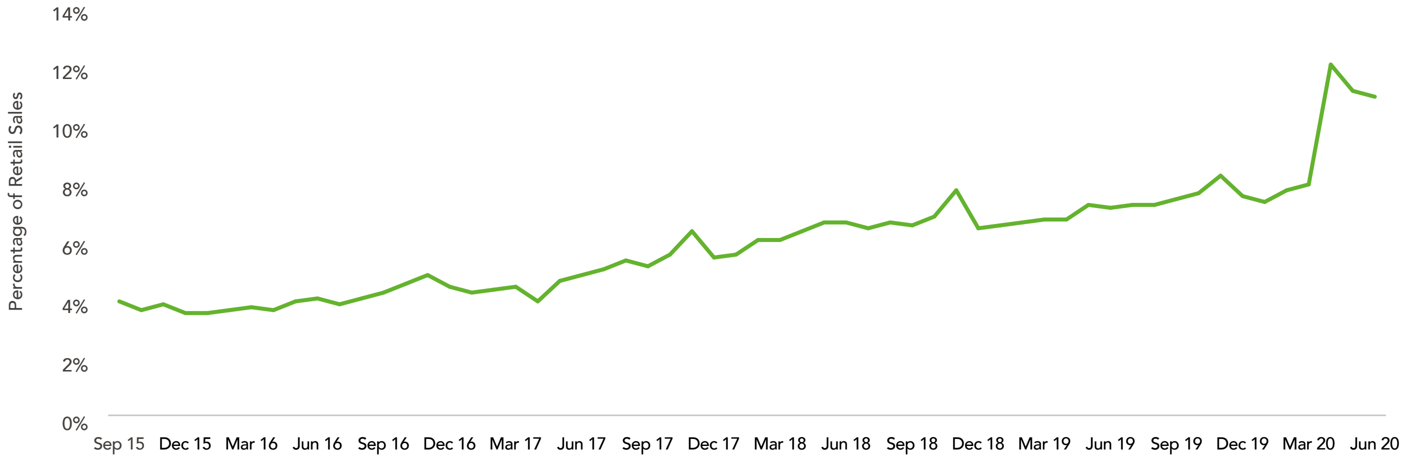
The lower online penetration in Australia when compared with the UK and US markets indicates that Australia still has significant potential for further growth in online retail.

29. ABS, 8501.0 – Retail Trade, Australia, July 2020; Office of National Statistics (ONS), Internet sales as a percentage of total retail sales, August 2020; US Census Bureau, Retail e-Commerce Sales, August 2020.

2.3.3 Impact of COVID-19

The introduction of restrictions related to the COVID-19 pandemic in March 2020 had an immediate and significant impact on online retail sales. In Australia, online retail penetration jumped from 7.5% in December 2019 to 12.0% in April 2020, before a slight decline from May 2020 as restrictions were eased and most physical shops re-opened (although there was a second round of restrictions in Victoria from August 2020). It remains unclear at the time of this report, whether additional waves of COVID-19 infections may present themselves in Australia in the months ahead. However, online penetration remains elevated by around 3 basis points above its 2019 level, and increased again in July 2020.[30]

Figure 10: Online Retail Penetration by Month, Australia, 2015 to 2020



Source: ABS, 8501.0 – Retail Trade, Australia, July 2020.

This reflects the trend seen in the UK and US. In the UK, online penetration increased from 21.4% in December 2019 to 32.8% in May 2020, and in the US (where only quarterly data is available), online penetration in Q2 2020 was 4.3 basis points ahead of Q1.[31]

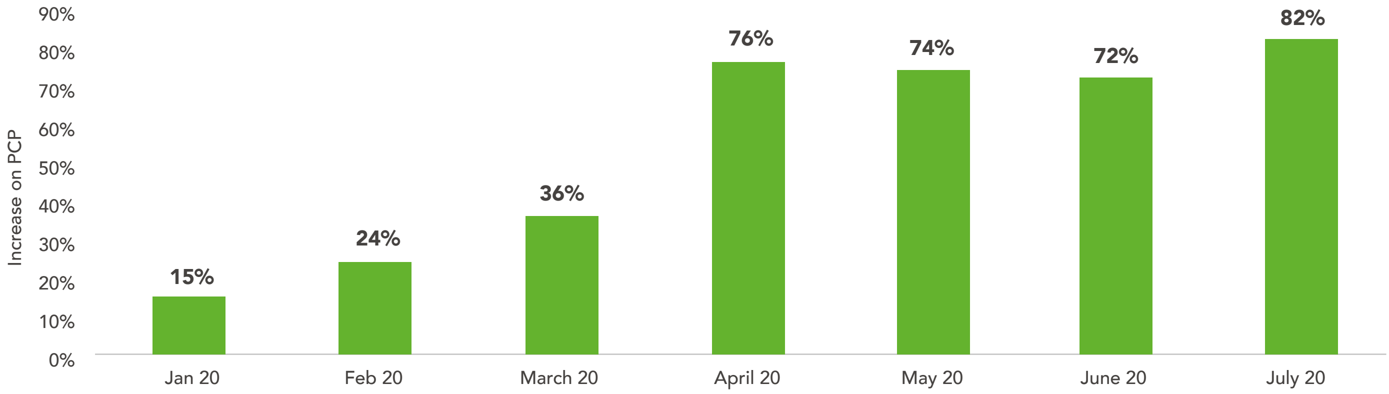
There are several reasons for this rapid growth in online retail in Australia, including the significant boost to household spending resulting from government stimulus payments and early superannuation withdrawals which have stimulated retail sales in general, diversion of spending from social activities and holidays, the physical closures of many retail stores, and concerns by consumers over visiting bricks-and-mortar outlets, which has led to a switch to online shopping. In April 2020, over 200,000 Australians were estimated to have shopped online for the first time, and existing online shoppers increased their purchase frequency. The number of households shopping online in April 2020 was 5.2 million, an increase of 31% from the PCP in 2019.[32]

On a month-by-month basis, online retail sales in value terms in Australia have increased by over 70% when compared to the PCP in every month since April 2020, with the highest increase occurring in July 2020. This indicates that, despite the large-scale easing of restrictions from June 2020, online retail sales remain at a significantly elevated level. Assuming online retail sales grow by 70% each month on the PCP for the period August to December 2020, then for the full year of CY2020 they will reach $32.95 billion, an increase of 62% over CY2019.[33]

Assuming online retail sales grow by 70% each month on the PCP for the period August to December 2020, then for the full year of CY2020 they will reach $32.95 billion, an increase of 62% over CY2019.[34]

30. ABS, 8501.0 – Retail Trade, Australia, July 2020.
31. ONS, Internet sales as a percentage of total retail sales, August 2020, US Census Bureau, Retail e-Commerce Sales, August 2020.
32. Australia Post, Inside Australian Online Shopping, 2020.
33. Frost & Sullivan.
34. Frost & Sullivan.

Figure 11: Online Retail Sales, Difference with PCP, Australia, January to July 2020



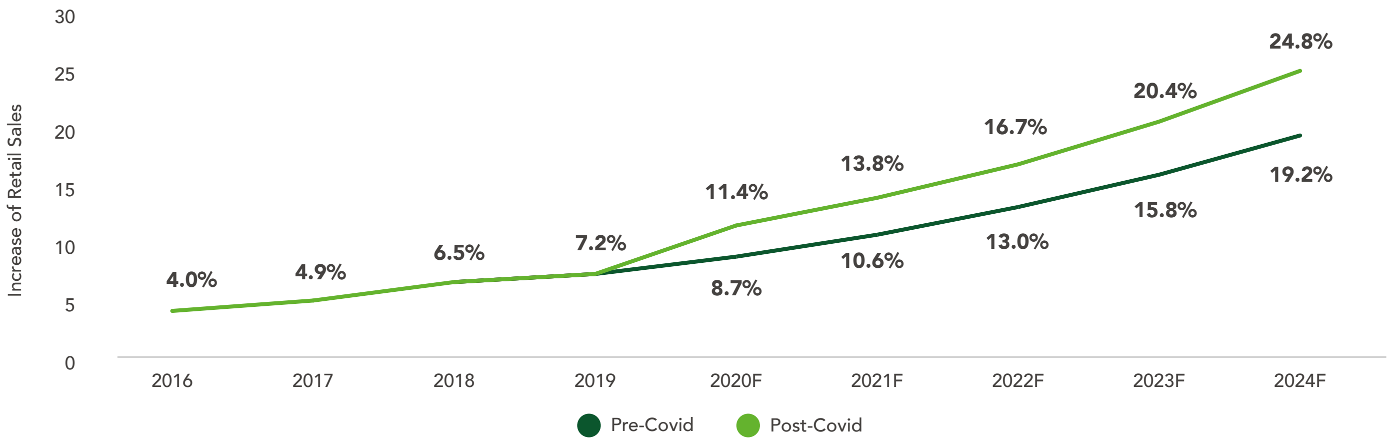
Source: ABS, 8501.0 – Retail Trade, Australia, July 2020.

2.3.4 Online Retail Forecasts

The COVID-19 pandemic has caused a significant uplift in online retail, with many first-time online shoppers entering the market and existing shoppers increasing the frequency of purchasing. Hence, the pandemic is likely to significantly accelerate the growth of online retail in Australia.

Without the impacts of COVID-19, assuming that online retail penetration had continued to increase at the same average annual rate as in CY2016 to CY2019, online penetration would have reached 8.7% in CY2020 and 19.2% by CY2024. In CY2020, penetration is now forecast to reach 11.4%, based on the actual increase in online retail sales for the period January to July 2020, and assuming online retail sales for the months of August to December 2020 are 70% above the PCP. Assuming the historic growth rate in online retail sales resumes from CY2021, online retail penetration will reach 24.8% in CY2024. COVID-19 is therefore forecast to accelerate online retail penetration by about two years.[35]

Figure 12: Online Retail Penetration, Australia, CY2016 to CY2024F



Sources: ABS, 8501.0 – Retail Trade, Australia, July 2020; Frost & Sullivan.

2.4 Australian Online Consumer Book Market

2.4.1 Overview

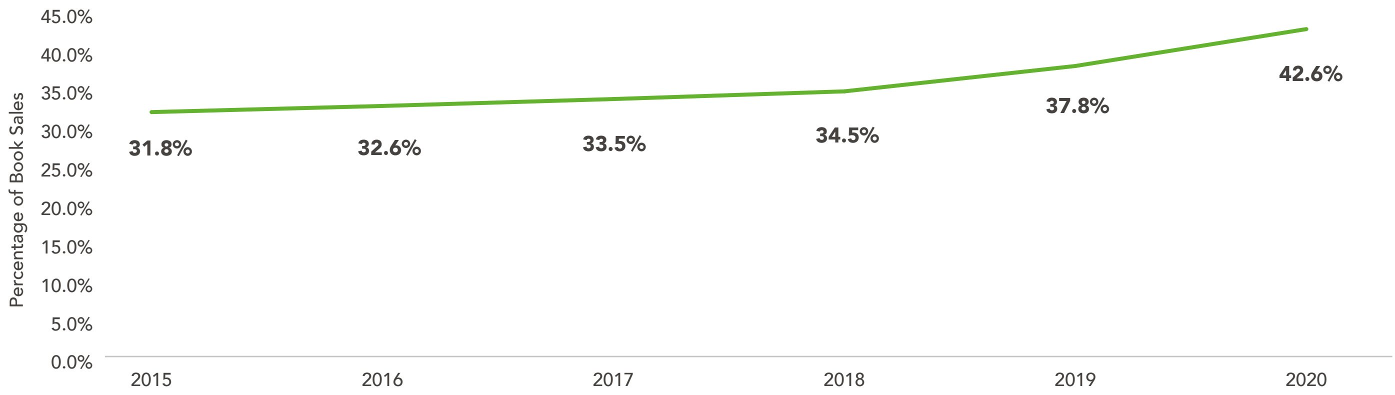
This section describes the online consumer book market in Australia (excluding B2B and B2G sales), including sales by online pure-plays and bricks-and-clicks book stores.

35. Frost & Sullivan.

2.4.2 Size and Growth

In FY2020, online sales accounted for 42.6% of consumer book sales. Online penetration has increased from 31.8% in FY2015. Between FY2015 and FY2020, online book sales penetration has increased at an average of 2.2 basis points per year, but the rate of growth has increased in the most recent years.[36]

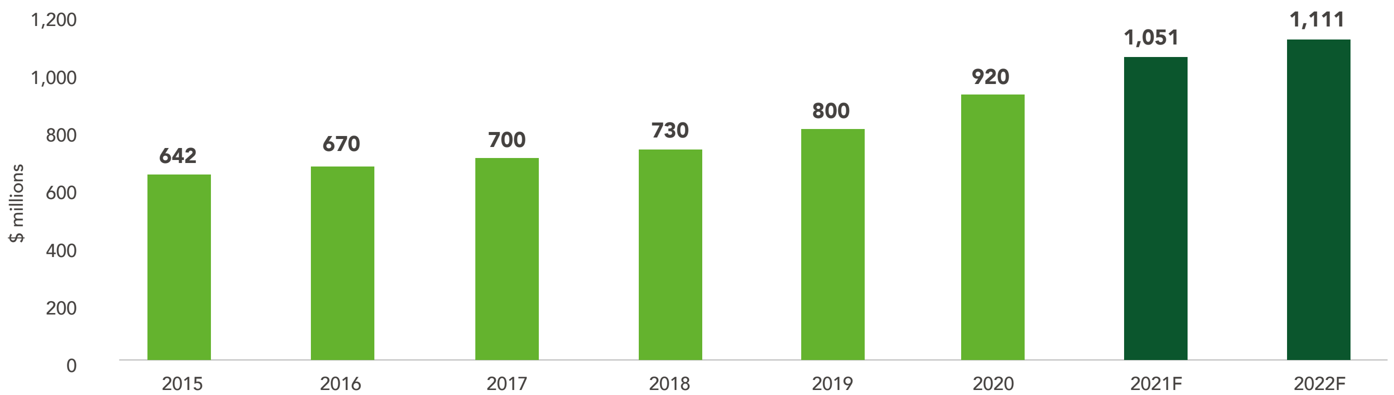
Figure 13: Online Book Sales Penetration (Consumer Market), Australia, FY2015 to FY2020



Source: Frost & Sullivan.

In FY2020, online book sales reached $920 million. Online consumer book sales have increased at a CAGR of 7.5% since 2015, compared to -2.1% CAGR in offline consumer book sales.[37] In FY2021, online penetration is forecast to be 46.8%, an increase of 4.2 basis points over 2020, and reflecting the acceleration in the shift to online caused by COVID-19. In FY2022, online penetration is forecast to be 49.0%. On this basis, online consumer book sales will reach $1,051 million in FY2021 and $1,111 million in FY2022.

Figure 14: Online Book Sales by Value (Consumer Market), Australia, FY2015 to FY2022F



Source: Frost & Sullivan.

2.4.3 Competitive Environment

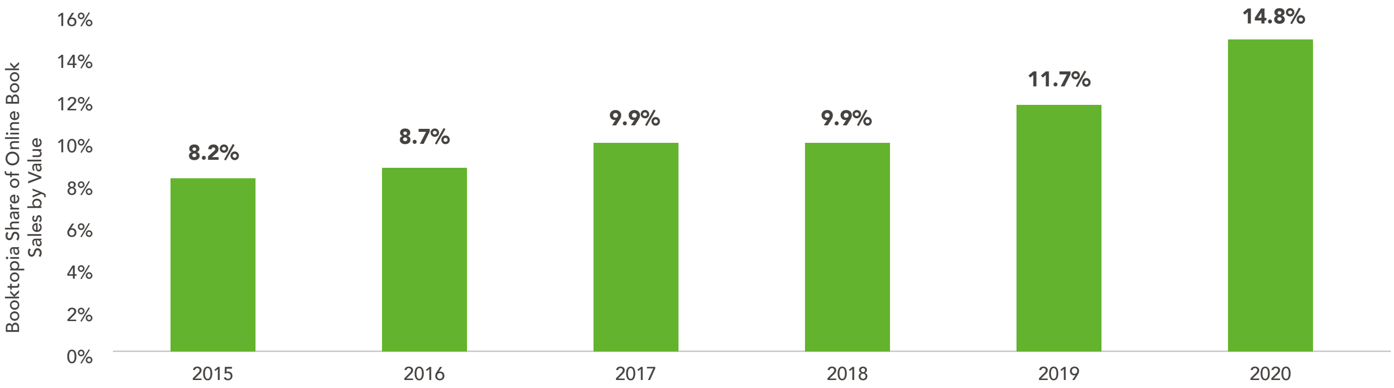
The largest online book retailer in Australia is Amazon, including its Amazon, Kindle, Book Depository (based in Gloucester, UK) and Audible brands. Amazon's Australian sales from its .com.au website also include any orders that are fulfilled from its overseas businesses.

Booktopia Group is the largest Australian-owned online book retailer by market share.

In FY2020, Booktopia Group's share of the online consumer book market by value was 14.8%, and has increased from 8.2% in FY2015.[38] This growth in Booktopia Group's market share is despite the launch of Amazon's Australian site in late-2017.

36. Frost & Sullivan.
37. Frost & Sullivan.
38. Calculated based on Booktopia Group consumer book sales.

Figure 15: Booktopia Share of Online Consumer Book Sales, Australia, FY2015 to FY2020



Source: Frost & Sullivan.

2.5 Australian B2B/B2G Book Market

The B2B/B2G segment of the book market includes sales of books to businesses and governmental bodies, primarily educational institutions. This is estimated to account for 15% of the total book market, a share which has remained constant since FY2015. In FY2020, book sales into the B2B/B2G segment were estimated at $381 million.[39] Booktopia Group had a 10% share of the B2B/B2G book market in FY2020.[40]

2.6 Conclusion

The Australian book market is valued at $2.54 billion in FY2020, and since FY2016 has grown at a CAGR of 1.4%.[41] The main drivers have been population growth, population ageing and the increased number of students at both school and higher education levels. These drivers are anticipated to continue to favourably impact the book market, although population growth has been slowed by the COVID-19 pandemic.

The COVID-19 pandemic is likely to positively impact book sales in FY2021, as a result of higher household incomes, diversion of spending from other areas, and an increase in time spent at home. In FY2021 the book market is forecast to grow by 4%, returning to 1.4% growth in FY2022, by when it will reach $2.68 billion.[42]

A major trend in the book market has been the ongoing migration from offline to the online channel. In FY2020, online accounted for almost 43% of consumer book sales, having increased from 32% in 2015. This migration is expected to accelerate in FY2021 as a result of COVID-19 which has stimulated online retail sales in general. By FY2022, online is forecast to account for almost 50% of consumer book sales.[43]

Booktopia Group is the largest Australian-owned online book retailer by market share, with 6% market share by value of all consumer book sales (offline and online), and almost a 15% share of online consumer book sales.[44]

Disclosure

This is an independent report prepared by Frost & Sullivan. Save for the preparation of this report and services rendered in connection with this report for which normal professional fees will be received, Frost & Sullivan has no interest in Booktopia Group Limited and no interest in the outcome of the initial public offer (IPO). Payment of these fees to Frost & Sullivan is not contingent on the outcome of the transaction. Frost & Sullivan has not and will not receive any other benefits (including any commissions) and there are no factors which may reasonably be assumed to have influenced the contents of this report nor which may be assumed to have provided bias or influence. Frost & Sullivan consents to the release of this report in the Prospectus in the form and context in which it is included. As at the date of this report, this consent has not been withdrawn. Frost & Sullivan does not hold a dealer's license or Financial Services License. This report does not constitute advice in respect of the transaction.

39. Frost & Sullivan.
40. Calculated based on Booktopia Group's B2B/B2G book sales.
41. Frost & Sullivan.
42. Frost & Sullivan.
43. Ibid.
44. Frost & Sullivan based on Booktopia Group consumer book sales.

3. Company overview

3.1 Introduction

Booktopia Group is the largest Australian-owned online book retailer by market share. It is an Australian home-grown business having sold items to more than 5 million customers since establishment, with 2.3 million repeat customers.[1] Since FY2012 Booktopia Group has sold in excess of 32.6 million items to its growing customer base.[2] While approximately 85% of the items the Company sold in FY2020 were books, Booktopia Group also sells eBooks, DVDs, audiobooks, magazines, maps, calendars, puzzles, stationery and cards. The Company sold one item approximately every 4.7 seconds and shipped approximately 6.5 million items in the 12 months to 30th June 2020, averaging 25,000 items per business day.

The business was launched in February 2004. Since 2015, its revenue has grown at a CAGR of 26.4% per year. The business achieved $165.8 million in revenue for FY2020 up 28.4% from $129.1 million in the previous year.

Booktopia Group takes a technology-based and customer-centric approach to its operations, investing significantly in its Distribution Centre, websites and back-end administration systems. This approach assists in providing customers with fast delivery times and targeted information, enhancing the Booktopia Group's customer experience.

Booktopia Group is an award-winning business having won the Telstra Business Awards' NSW Business of the Year in 2018 as well as the National People's Choice Award in 2018. It also won the Medium Sized Business Award in NSW in 2014 and 2018 as well as being a finalist in 2011, 2012, 2013, 2014, 2016, 2017 and 2018. Booktopia Group has made the AFR/BRW Fast 100 8 times between 2009 to 2017. In 2019 Booktopia Group was voted Australian Book Retailer of the Year for the third time. Booktopia Group also won the Australian Pureplay Website of the Year in 2018 at the Online Retailer Industry Awards.

Frost & Sullivan estimates that Booktopia Group represented 15% of the total online book market of $920 million in Australia, and 6% of the total $2.54 billion Australian book market in FY2020[3].

3.2 The evolution of Booktopia Group

The Booktopia Group business was established in Sydney in 2004 by Tony Nash, Steven Traurig and Simon Nash.

Prior to 2004, Tony Nash, Steven Traurig and Simon Nash owned an internet recruitment agency specialising in IT roles. After selling this business, they started an internet software business that developed and sold live-help chat software products. In the early 2000s they started providing internet marketing consulting services, including Search Engine Optimisation and Pay-Per-Click management. They also performed website marketing projects for Australian and New Zealand companies, assisting clients to drive traffic to their websites and increasing sales or leads for customers.

Tony, Steven and Simon understood that successful physical book stores featured one-on-one interactions between staff members and customers. Customers would appreciate staff members that understand the customer's needs and point them in the direction of their book or even a book that the customer never knew they wanted to read, and consequently would be grateful for the advice and knowledge.

Booktopia Group's strategy has been to meet these historical drivers of book purchasers, through a targeted technology-focused approach, supported by the convenience of online purchasing. Booktopia Group uses technology-based algorithms which are designed to display relevant and related products to potential customers on its websites, supporting its customer-centric selling strategy. Booktopia Group also employs product experts to curate its websites and complement these algorithms to organise its products, in particular for the bestselling categories, to enhance the customer experience and sales.

Another important strategy applied from inception (and which continues today) has been to offer a committed customer service team, with a prominent phone number displayed on the website, to take calls and deal with ordering questions to enhance customer satisfaction. The team also offers live chat 7 days a week on the website serviced by real people from the customer service team. This distinguished Booktopia Group from many other online book retailers who may only have offered the ability for customers to fill out a form if they had queries and did not provide a contact number on their website.

The business model of the Company has helped differentiate Booktopia Group from many of its competitors, and has assisted it to achieve strong year-on-year growth since inception to become one of the leading book retailers in Australia.

1. Repeat customers are those who have purchased products from Booktopia Group on more than one occasion since its inception.
2. Items sold are recorded from FY2012 coinciding with the year that audited accounts began.
3. Australian book market data sourced from Frost & Sullivan Market Report October 2020.

3.3 History of Booktopia Group

Figure 3.1: History of Booktopia Group

2004	Launched on 4 February 2004 by Tony Nash, Steven Traurig and Simon Nash on a marketing budget of $10 per day under a third party website and fulfilment model. It took three days to sell the first book; within two months over $5,000 of orders were taken. In the fourth month, sales were over $30,000 and by the 12th month sales had hit over $436,000 for the year.
2006	Moves from 60 square metre premises in North Sydney to a 450 square metre facility in Artarmon. Sales grow to $1.8 million for FY2006.
2007	Launches a new standalone website with an in-house fulfilment model, backed by customised in-house IT systems. In November it adds its first Stocked Title, facilitating fast delivery times.
2009	Moves to Lane Cove West into a 2,000 square metre office and warehouse facility.
2010	Leases a second 1,500 square metre warehouse in Lane Cove, with an additional 500 square metres leased in the first building for a total of more than 4,000 square metres of office and warehouse space.
2011	Commences sales of eBooks and DVDs.
2013	Revenue grows to $27.2 million for FY2013.
2014	Relocates to 10,000 square metre Distribution Centre in Lidcombe. Maintains approximately 58,000 Stocked Titles. Ships 500,000 books over the Christmas period (a record for Booktopia Group). Revenue grows to approximately $39.3 million in FY2014.
2015	Successfully acquires and integrates Angus & Robertson. Over 3.1 million customers have purchased from Booktopia Group since inception with over four million orders been placed since inception. Stocked Titles reach approximately 100,000. Revenue grows to $51.4 million in FY2015.
2017	Revenue grows to $99.8 million for FY2017. BPS launched (Booktopia Publisher Services – book distribution). Distribution centre increases to 13,000 sqm.
2019	Revenue grows to $129.1 million for FY2019. Booktopia Publishing launched.
2020	Revenue grows to $165.8 million for FY2020. $20 million capital raise, proves to be pandemic proof, $12 million automation investment. Distributions centre increase to 14,000 sqm. Acquires assets of University Co-op Bookshop.

ESTABLISHED 2004	**3 DAYS**	**2ND MONTH**	**4TH MONTH**	**12TH MONTH**	**24TH MONTH**
	1st book sold	over $5,000 sales	over $30,000 sales	over $436,000 sales	over $1,800,000 annual sales

3.4 Business model

Booktopia Group generates the majority of its revenue from the sale of physical books. It also sells eBooks, DVDs, audiobooks, magazines, maps, calendars, puzzles, stationery and cards. Customers largely consist of retail consumers, with a growing number of corporate and government customers including schools, libraries, universities and government departments. Booktopia Group also provides distribution services for third-party publishers and publishing services for authors.

Sales are generated via the Booktopia Group's two websites (www.booktopia.com.au and www.angusrobertson.com.au) as well as listing select titles on marketplaces in Australia and New Zealand, described further in Section 3.5. Booktopia Group invests heavily in online advertising and retargeting programs to market to new and previous customers with the aim of increasing sales.

Booktopia Group engages with consumers through social media and online content to help drive brand recognition and sales. Social media channels include Facebook, YouTube, Instagram, Twitter and LinkedIn, where the business shares a variety of activities, including live author events. Online content is also created and shared through its blog, 'The Booktopian', and through their growing Podcast channel. All channels host customised, locally-developed content.

Booktopia Group also has an extensive affiliate program through which third parties refer traffic to Booktopia Group websites for a commission on sales. Affiliates include author and publishing websites, blogs, forums and shopping and service directories. Corporate affiliates are an important component of this program and include Qantas Frequent Flyer, Virgin Velocity, HCF, ANZ, NewsCorp and Commonwealth Bank and assist Booktopia Group to broaden the source of its revenue base.

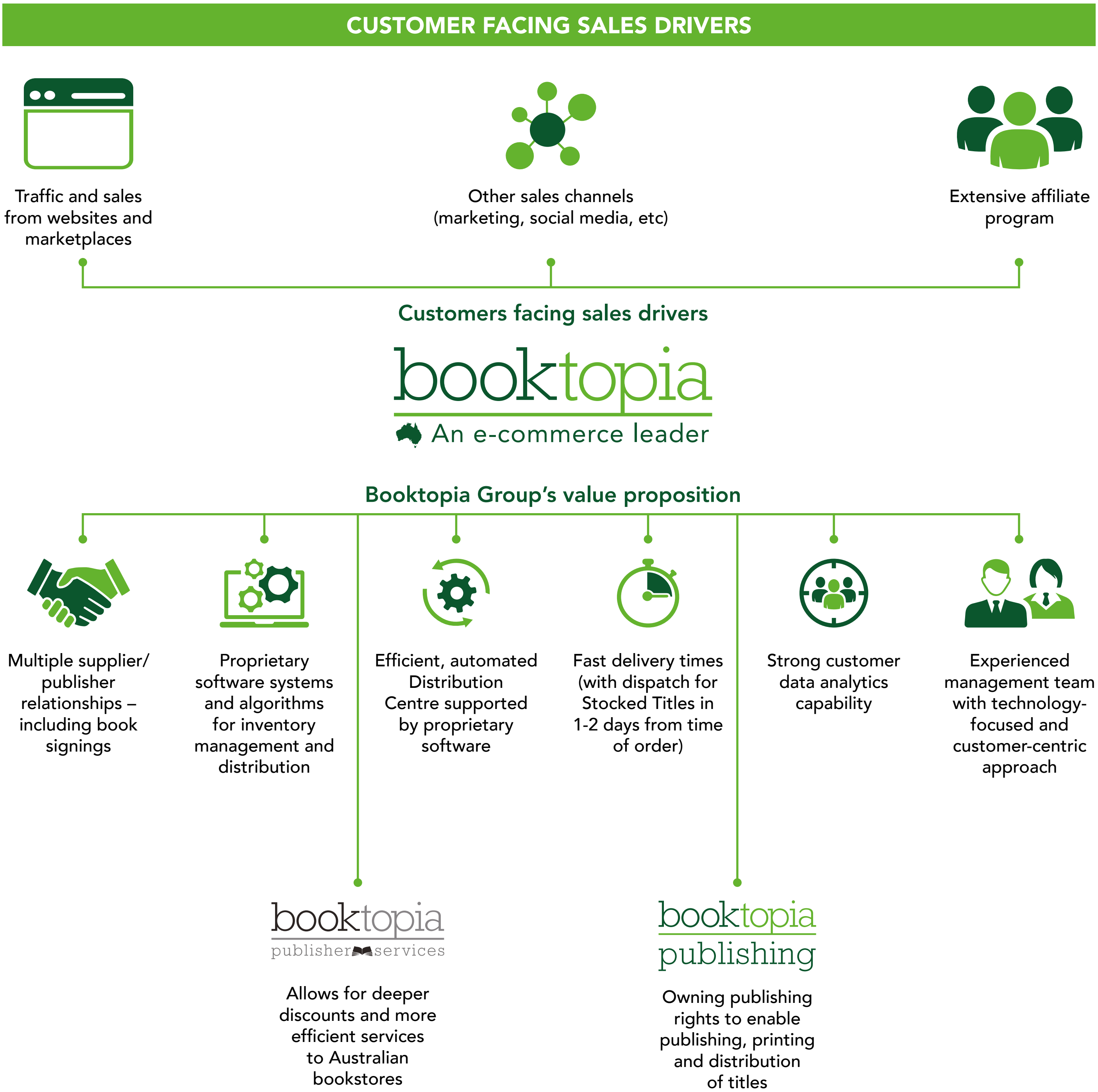
A portion of total revenue is also derived from postage charges (including general charges as well as express shipping), gift wrapping and the sale of gift certificates.

Booktopia Group's key expenses incurred in generating revenue include: book purchases, marketing and advertising costs, for example Pay-Per-Click advertising and affiliate commissions; marketing staff who manage the Booktopia Group's marketing initiatives; distribution costs and email marketing costs.

Booktopia Group's business model is supported by the following key factors that have been drivers to its success:

- **In-house technology expertise:** Booktopia Group's in-house software expertise assists it to understand its customer and inventory needs and supplier relationships. Refer to Section 3.6;
- **Specialist online marketing knowledge:** Booktopia's management has significant experience in Search Engine Optimisation. Booktopia's strong in-house Search Engine Optimisation and paid search marketing skills further allow the business to target attractive customers with the goal of ensuring optimal return for its marketing spend;
- **Stock availability and fast delivery times:** The Company's supplier relationships and efficient Distribution Centre, in addition to its commitment to holding Stocked Titles "ready-to-ship", enhances the customer experience through titles being both available and able to be delivered quickly. Refer to Section 3.8; and
- **Customer-centric focus:** Booktopia Group's customer focus from its senior management team to its Distribution Centre staff and Australian-based call centre, is a key differentiator to many competitors. Other initiatives it employs include in-house book experts who curate and enhance content (including conducting author interviews and books signings) and also enhance customer experience that leads to and drives repeat business and customer loyalty. Refer to Section 3.8.

Figure 3.2: Key elements of Booktopia Group's business model



3.5 Key brands

Booktopia Group's key brands are displayed in Figure 3.3 below.

Figure 3.3: Key brands

	booktopia	ANGUS & ROBERTSON	booktopia publisher services	booktopia publishing
Overview (Numbers below refer to FY2020 unless otherwise indicated)	Booktopia is Booktopia Group's premium retail brand. Booktopia was established in 2004 and is the largest Australian owned online book retailer. Booktopia's revenue is primarily derived through the sale of books and eBooks.	Angus & Robertson (A&R) was established in 1886 and was successfully acquired by Booktopia Group in 2015. A&R has a diverse selection of Australian and international bestsellers. A&R leverages Booktopia Group's technology, infrastructure and distribution centre to continually operate under its 134 year old Australian brand.	Booktopia Publisher Services (BPS) was established in 2017 to offer publishers a distribution solution to the ANZ market. Over 700 bookstores and businesses buy from BPS. BPS receives deeper discounts and stock on consignment which flows through to the Booktopia Group.	Booktopia Publishing ("Booktopia Editions") was established in 2019 to acquire the rights for, and publish and print books for distribution and sale to consumers and bookstores. Booktopia Publishing uses BPS as its distribution channel.
Website	www.booktopia.com.au	www.angusrobertson.com.au	www.publisherservices.com.au	
Established/ brand first used	2004	1886	2017	2019
% revenue	87%	12%	1%	
Average monthly units sold	474,796	62,778		
Products displayed on website (as at Prospectus Date)	5.9 million	5.9 million		
Stocked Titles (unique lines of product)	145,025 separate titles			
Downloadable product	2.4 million eBooks	2.4 million eBooks		
When is free shipping offered?	Through frequent special offers to existing customers	If customer spends more than $60		
Core stocked product	94% of stocked items are physical books			
Customer locations	Australia – 99%	Australia – 100%[4]		

4. A&R website only.

	booktopia	ANGUS & ROBERTSON	booktopia publisher services	booktopia publishing
Phone number on website	✓	✓		
Live Chat on Website	✓	×		
Stocked product sales	85% of all product	88% of all product		
Curated content	✓	✓		
Algorithms organising search results	✓	✓		

3.5.1 Booktopia

Booktopia is the Company's premium retail brand, generating the majority of revenue and profit for Booktopia Group through its award-winning website, www.booktopia.com.au. Revenue is derived primarily through the sale of books and eBooks, with supplementary revenue arising from postal charges, gift wrapping and gift certificates. The Booktopia website has over 31,500[5] external product reviews and over 158,000 onsite reviews by customers helping prospective buyers make better purchasing decisions.

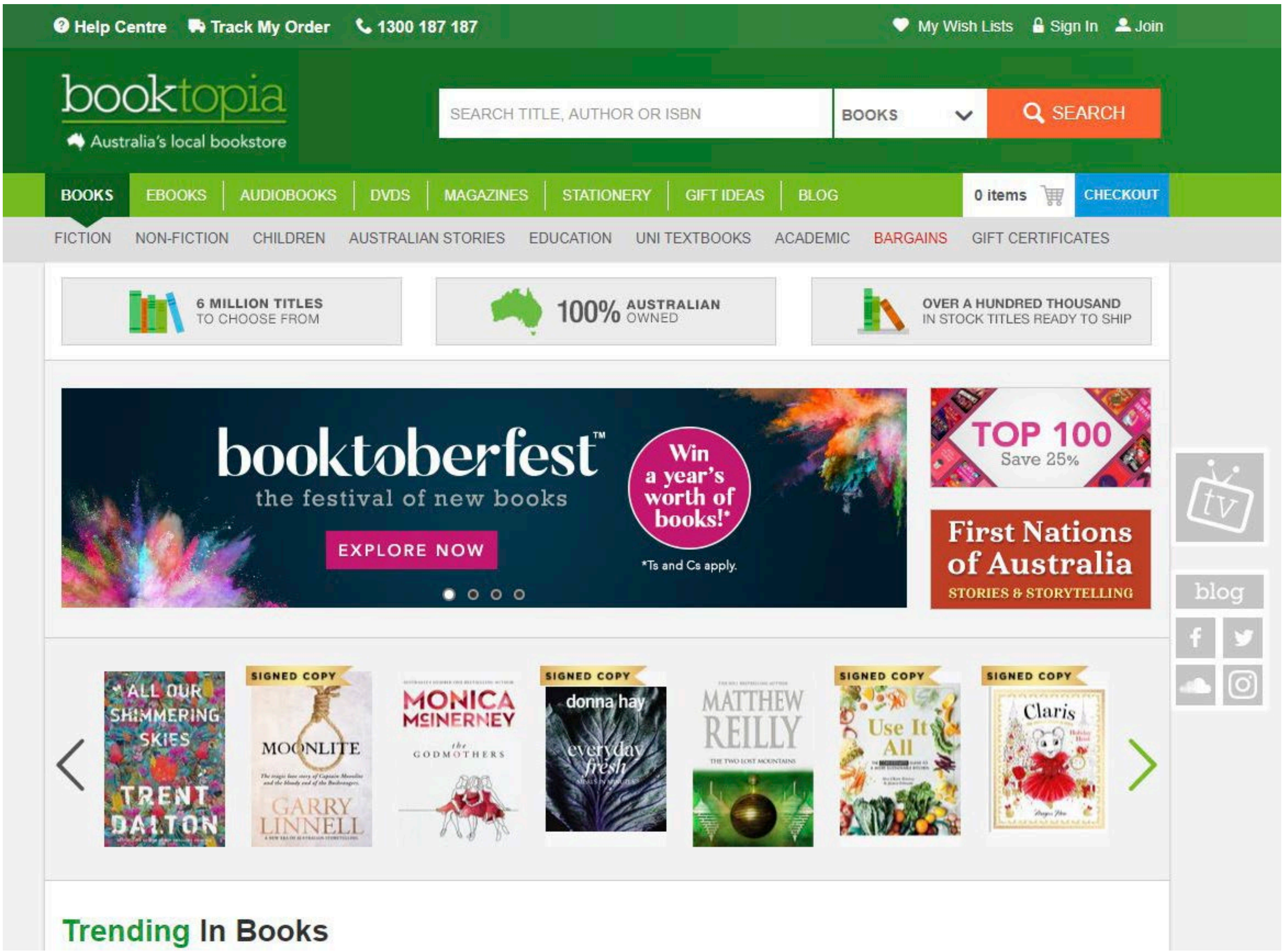
Booktopia is focused on continually enhancing the website's user experience, speed and reliability. The underlying website infrastructure has been developed in-house and has the capacity for customers to search 5.9 million products through the website (as at the Prospectus Date). Booktopia selects these products from approximately 33.8 million products which are potentially available to the brand from Booktopia Group's suppliers.

Booktopia has an arrangement with Rakuten Kobo to promote the sale of eBooks and audiobook downloads through Kobo. Booktopia earns commission on the sale of eBooks and audiobooks that are purchased on the Kobo website or Kobo devices sold through the Booktopia website. Customers can also purchase Kobo eBooks and audiobooks on the Booktopia website. Through the Kobo partnership, a Booktopia customer can also subscribe to a monthly offer and the first month's subscription is free.

For the 12 months to 30 June 2020 the website invoiced on average 474,796 units per month and with an average order value per customer of $67.45 inc GST[6].

5. 31,571 reviews listed on productreview.com.au and 158,660 review on the Booktopia website.
6. Booktopia Average Order Value including GST (excludes orders from DCC, Amazon, Catch, Kogan, Myer, My Deal).

Screenshot of Booktopia website



3.5.2 Angus & Robertson

Angus & Robertson is an Australian brand that manages a diverse catalogue, including a selection of Australian and international bestsellers from multiple suppliers. The Australian brand is 134 years old.

Booktopia Group acquired the Angus & Robertson business (www.angusrobertson.com.au) and brands from Penguin Random House in August 2015. Booktopia Group's strategy is to continue to leverage an Australian brand that has been of service to several generations of Australians, using the technology systems, efficient business practices and infrastructure it has applied to the Booktopia brand to date. The business now shares the same distribution channels, logistics and data feeds as Booktopia, and is fully integrated into Booktopia Group's custom-built Warehouse Management System. The ability to leverage Booktopia Group's technology, efficient business practices and infrastructure across the Angus & Robertson platform has been integral in reducing delivery times and increasing customer satisfaction with Angus & Robertson.

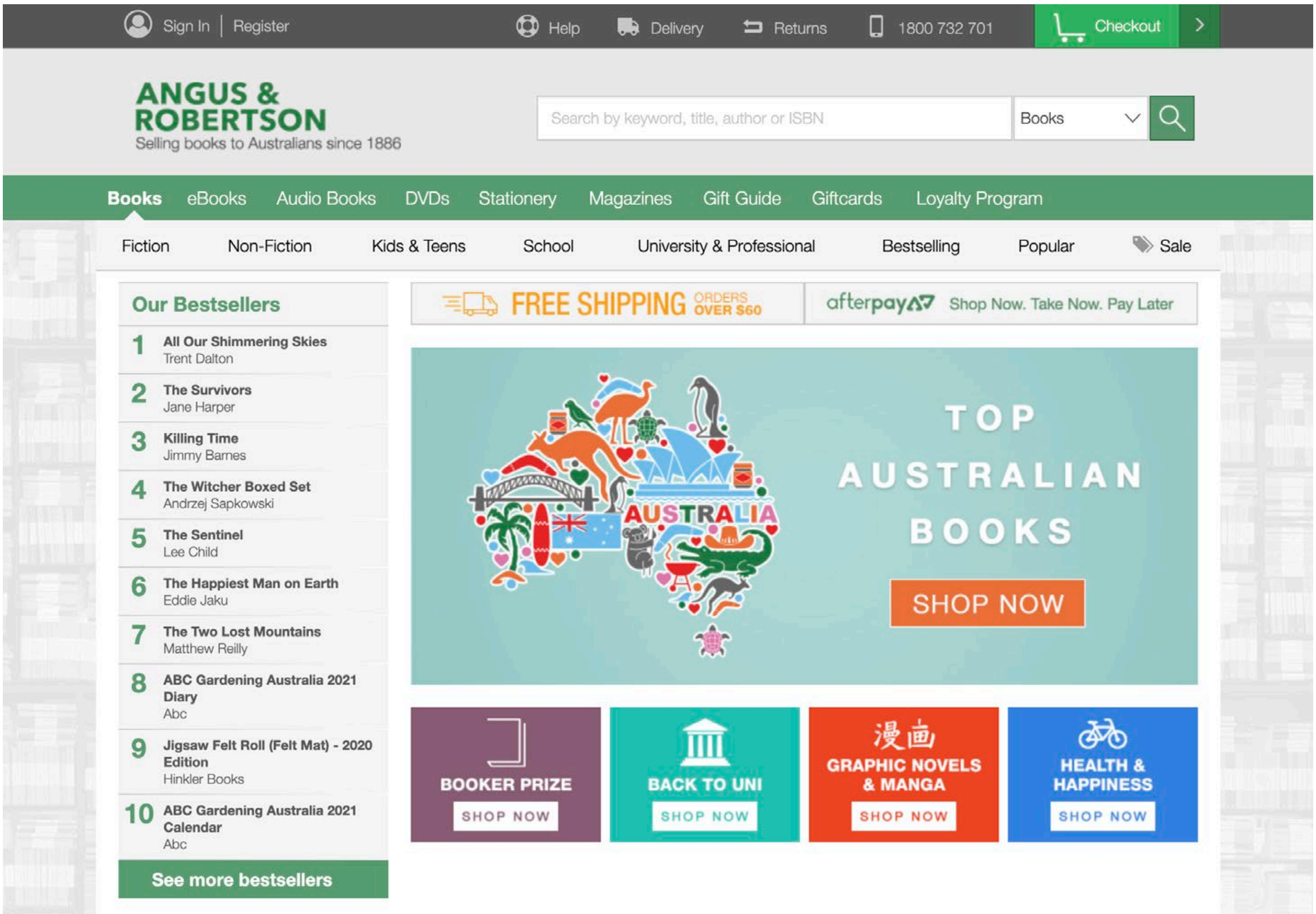
Angus & Robertson also has a similar arrangement with Rakuten Kobo that is outlined in the Booktopia brand in Section 3.6.1 except that it currently does not offer audiobook downloads.

The website offers customers a different experience from that offered by Booktopia through different shipping offers, pricing, merchandising and promotions.

For the 12 months to 30 June 2020 the website invoiced on average 62,778 units per month at an average order value of $52.09 inc GST[7].

7. Angus & Robertson Average Order Value including GST (excludes orders from DCC, Amazon, Catch, Kogan, Myer, My Deal).

Screenshot of Angus & Robertson website



3.5.3 Booktopia Publisher Services

Booktopia Publisher Services (BPS) was established in 2017 as a division of Booktopia to offer publishers a distribution solution to the Australian and New Zealand market.

BPS leverages Booktopia's state-of-the-art logistics and warehousing capabilities. BPS distributes books to more than 700 bookstores and businesses across Australia.

BPS represents over 50 publishers including Sage, Corwin, Rebels Girls, Human Kinetics, O'Reilly, New Harbinger, Thieme, Kogan Page, Chelsea Green and many more. BPS also distributes Booktopia's own publishing imprint, Booktopia Editions.

BPS sets internationally competitive Recommended Retail Prices and offers its B2B customers excellent discounts.

As the ANZ distributor BPS is offered deeper discounting than if it was a retailer and holds the stock on consignment rather than purchasing it up front.

3.5.4 Booktopia Publishing

Launched in 2019, Booktopia Publishing is Booktopia's trade publishing division that publishes books in print and digital formats under the Booktopia Editions imprint. All titles are sold and distributed to book retailers across the region via Booktopia's distribution division, Booktopia Publisher Services.

With a focus on commercial fiction, non-fiction and children's books, highlights include new titles from the iconic Stan Lee, international literary superstar Joanne Harris, and a range of experts and bestselling authors like Brian Smith, Dr Howard Chilton, Hanny Allston, Vincent Connolly, Jennifer Bacia, Tim Ash, Poppy Gee, Bryn Greenwood and Emma Ångström.

Booktopia Publishing offers royalties to authors that are higher than comparable offers, because Booktopia believes authors should be properly rewarded for their creative work.

3.6 Software systems overview

Booktopia Group's proprietary software systems form a key part of its competitive strengths and support its business processes and practices. The Company uses a live data feed system that retrieves, manages and updates product data from suppliers' websites, email and File Transfer Protocol (FTP) locations, for millions of products (including bibliographic, pricing and stock information) which are potentially available for sale by Booktopia Group. Booktopia Group's proprietary systems also conduct "dynamic pricing" for products (i.e. automatic price adjustment), maintain stock levels in line with expected demand and manage foreign currency exposure, to enhance stock turnover and revenue.

The Company's software is developed by an in-house team of developers using a range of predominantly open source applications and platforms.

3.6.1 Web and mobile sites

Booktopia Group has two main websites (www.booktopia.com.au and www.angusrobertson.com.au). Booktopia Group builds and maintains its websites, platforms and applications with industry standard, enterprise-level and open source development tools, databases, and application servers that can manage the volumes of traffic with high performance. All websites are designed for mobile device usage to enhance user experience and drive sales by focusing on ease of use, search, speed and navigation. Booktopia Group uses "agile development methodologies" providing streamlined and improved development cycles allowing for regular and constant updates. It employs in-house application developers and user experience (UX) experts which ensures the development team understands the needs of the business and its customers.

Booktopia Group also offers eBooks for sale on its Booktopia and Angus & Robertson websites. Booktopia Group has partnered with Rakuten Kobo to deliver a seamlessly integrated eBook and streaming audiobook service on the Booktopia website. This includes an audiobook subscription model and a Booktopia app that allows customers to read and listen to their purchases without having to download the content. It also has an arrangement with Kobo to direct eBook sales on the Angus & Robertson website to Kobo in return for a commission on resulting sales.

3.6.2 Content, Customer and Order Management System

Booktopia Group built and operates a Content, Customer and Order Management System which allows staff to manage and alter website content including product details, categories, series and collection merchandising. It also ensures that customer service staff can easily find, review and efficiently manage customer orders and communicate via a ticketing system which is integrated into the Booktopia website and back-end systems.

3.6.3 Warehouse Management System

Booktopia Group built and operates a Warehouse Management System which has evolved and improved over the last 10 years to support the growing movement of product through the Distribution Centre. The system manages the full-cycle of product movement, from ordering through to dispatch. In addition, it allows staff to place electronic purchase orders with suppliers and receive electronic acknowledgments and invoices prior to the product arriving. The Warehouse Management System also delivers custom-built interfaces for handheld devices in the Distribution Centre, which are used for picking, put away, inventory management and other warehousing and logistics functions.

Booktopia Group's Warehouse Management System is tightly integrated into its automation providing for a seamless and efficient operation of all areas of the Distribution Centre.

Booktopia Group purchases and holds in stock a significant number of items (referred to as Stocked Titles), particularly books, in anticipation of subsequent customer orders. It does this to reduce delivery times and offer competitive prices to its customers. Desired stock levels and reorder values are calculated daily by Booktopia Group's Warehouse Management System, through a series of in-house developed demand-based algorithms that promote the sale of stock, clear any excess and aged stock and enhance stock turnover. In FY2020, Booktopia Group had stock turns of 11 times[8].

3.7 Supply chain

3.7.1 Overview of Booktopia Group's supply chain

Booktopia Group has developed an extensive supply chain with suppliers providing products from around the globe. Its supply chain includes strong working relationships with Australia Post, publishers, distributors, wholesalers, suppliers, freight and courier companies.

This permits the Company to source products both locally and globally to ensure customers have ready access to the latest domestic and international titles.

Central to the support of this supply chain is Booktopia Group's custom-built Warehouse Management System referred to in Section 3.6.3, which integrates tightly with supplier systems via electronic data interchange (EDI) and with Booktopia Group's websites, Distribution Centre and internal systems to assist in the efficient process and dispatch of customer orders.

The supply chain process highlighted in figure 3.4 (below) can be summarised as follows:

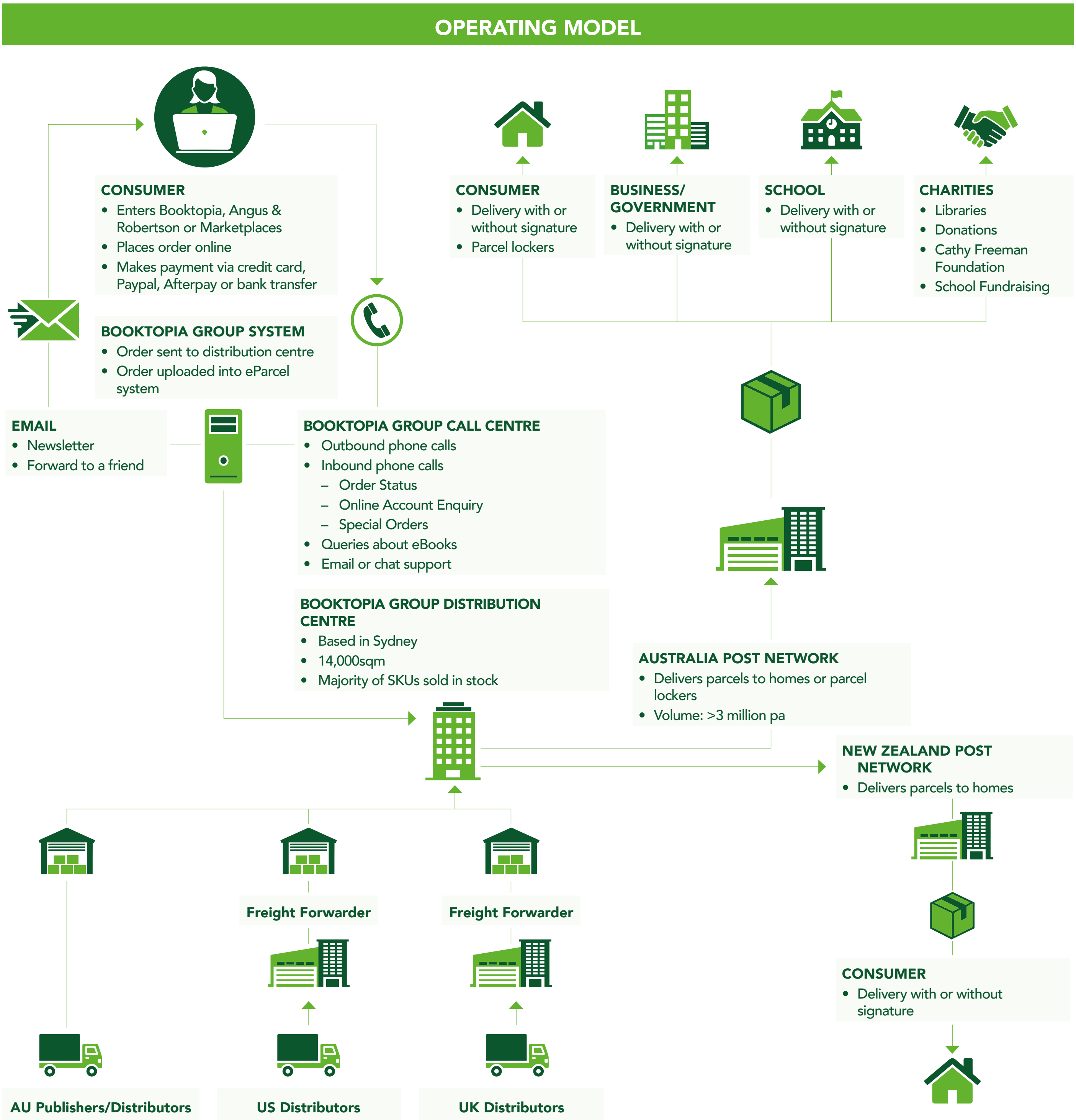
1. A customer places an order through www.booktopia.com.au or www.angusrobertson.com.au (or any of the marketplaces that the Company lists its products on).
2. The order is automatically processed ensuring stock is available in the Distribution Centre otherwise ordering it from the best supplier.
3. The Warehouse Management System generates a picking wave for Stocked Titles which are then picked, packed and dispatched from the Distribution Centre.
4. Algorithms analyse stock levels, with stock being ordered automatically in advance of expected demand. Stocked Titles are generally shipped the next business day after the order, with non-Stocked Titles shipped once they are received from the distributor in the Distribution Centre. Orders of in stock titles that are placed before 10am can be shipped same day to customers from Booktopia Group's distribution centre.
5. Purchase orders are sent electronically to suppliers in Australia, the US and UK.
6. Orders are delivered to the Distribution Centre and items are unpacked and processed via the Distribution Centre's conveyor systems and sent directly to dispatch or placed in storage.

8. Stock turns measures the rate at which stock is sold or used throughout the course of a year.

Figure 3.4: Booktopia Group supply chain

Over the years, Booktopia has established a number of working partnerships including Australia Post, publishers, distributors, wholesalers, suppliers, freight and courier companies.

booktopia ANGUS & ROBERTSON



3.7.2 Product suppliers

Booktopia Group sources products from over 150 suppliers globally, with the majority of inventory procured from publishers. Supplier relationships have been developed since the Company was established in 2004, and the business has enjoyed the benefits of many strong and established relationships, including competitive prices and trading terms, access to signed copies and other special promotions.

The Company deals with most major and many minor publishers and distributors across Australia including United Book Distributors, Alliance Distribution Services, HarperCollins Publishers and Random House (via United Book Distributors), as well as major international book distributors such as Ingram Content Group and Baker & Taylor Books in the United States, and Gardners International in the United Kingdom. The Company works closely with many publishers and distributors on marketing initiatives such as author signings, promotions, giveaways and live internet chats between authors and readers.

Booktopia Group buys almost all books "firm sale" in volume from publishers and does not tend to return stock except for limited special campaigns eg start-of-semester purchasing. This is contrary to other bookshops who buy on a "sale or return" basis (which means product can be returned after three months and before twelve months). This has assisted Booktopia Group to secure competitive terms from publishers as volumes increase, benefiting both Booktopia Group and its customers.

In aggregate, supply contracts are material to Booktopia Group as they are the source of products offered for sale. Booktopia Group purchases stock from suppliers on credit with prices being supplied through data feeds from the suppliers. While the terms of various supply contracts differ between suppliers, they are not long or fixed-term in nature and provide the ability for either party to terminate on notice. However, many of the supplier relationships are established and Booktopia Group serves as a significant distribution platform for their products.

As illustrated in Figure 3.5 and 3.6, the top 10 suppliers made up approximately 80% of Booktopia's products FY2020, with approximately 74% of product sourced from suppliers based in Australia, and the remaining product sourced from suppliers based in the US and UK.

Figure 3.5: Breakdown of Booktopia's key suppliers by ranking (FY2020)

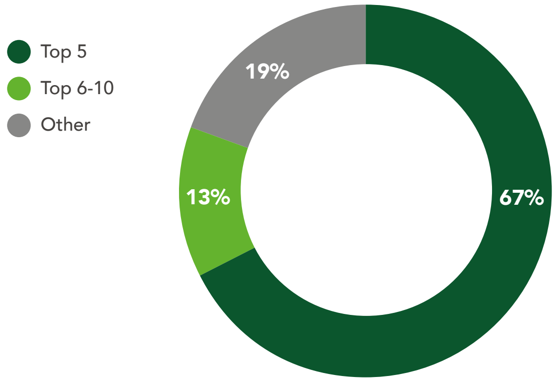
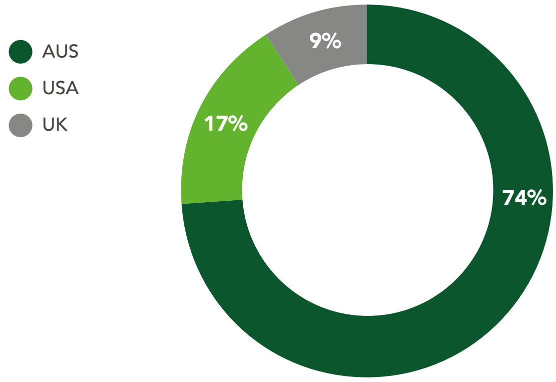


Figure 3.6: Breakdown of Booktopia's suppliers by country based on product sourced (FY2020)



3.7.3 Distribution Centre

One of the key elements of Booktopia Group's success is its modern 14,000 square metre Distribution Centre located in Lidcombe, Western Sydney which comprises a warehouse facility with an ancillary office that it leases from Goodman Capital Trust. The lease has a remaining term of 3 years terminating on 23 October 2023 with an option exercisable by Booktopia Group to extend for a further 7 years. The facilities in the Distribution Centre have been custom-designed and built from the ground up to promote efficiency. This allows for the integration of other product lines and provides the ability to scale warehousing and logistics operations.

The Distribution Centre currently holds over 600,000 ready to ship units (representing over 145,000 separate Stocked Titles), with further investment at Booktopia's current facility the Distribution Centre will be able to hold approximately 1.8 million units. In FY2020, Stocked Titles (excluding eBooks and magazines) accounted for 85% of Booktopia Group's total units sold. Booktopia Group holds products in stock that customers want, uses high-quality packaging materials and machinery, efficient picking and packing technologies and trained staff to enable the Company to keep its customer promise of shipping quality products backed by local customer service anywhere in Australia as quickly as possible.

The Distribution Centre comprises 1,968 square metres of office space and 12,032 square metres of warehouse distribution space, with 12 metre high ceilings (which can accommodate a second floor when required subject to requisite landlord and planning approvals). Two mezzanine floors already exist in parts of the warehouse creating 2 floors in those areas. A mixture of fit-for-purpose shelving, multi-bay racking and "Very Narrow Aisle" high-bay racking systems can potentially accommodate over 1.8 million books (approximately three times the current stock levels). The Distribution Centre is highly automated through over 1,600 lineal meters of Australian-steel manufactured conveyor lines and IT and proprietary software systems which are central to efficiently moving products into, within, and out of the centre. The installation of Autonomous Mobile Robots ("AMR") integrated with new shelving currently underway will provide further automation to the distribution centre. Its custom-built design allows for the integration of other product lines. The facility has separate dispatch and delivery docks to promote daily throughput and has a current outbound capacity of 30,000 items per day and increasing to 60,000 items per day by November 2020.

Almost all of Booktopia Group's orders are delivered by Australia Post. The Distribution Centre is located near Australia Post's main Sydney parcel processing centre at Chullora. Australia Post typically collects parcels for dispatch five times per business day, including an evening last-dispatch time for faster delivery to customers. This proximity to Australia Post's main processing centre has contributed significantly towards reducing delivery times to customers and the capability to dispatch more orders in the same day than at previous locations.

The Company has had a long and successful relationship with Australia Post, enabling it to deliver fully-tracked orders to metropolitan, regional and remote customers. Arrangements with Australia Post are currently established in a service agreement with the Australian Postal Corporation which prescribes the price at which the Australian Postal Corporation will provide postal services to Booktopia Group. Booktopia Group's contracts with Australia Post have historically had a one year term and have been renegotiated and renewed more than 6 times since 2007. The current term of this contract has an option to extend for a further year, at Booktopia Group's discretion. The current Australia Post contract has restrictions on the change of control of the Booktopia Group counterparty to that contract without the consent of Australia Post.

In addition to the Distribution Centre, Booktopia Group has an office in Melbourne housing a team of Angus & Robertson IT specialists.

3.8 Customer acquisition and retention

3.8.1 Marketing

Booktopia Group's marketing channels are illustrated in Figure 3.7 below.

Figure 3.7: Booktopia Group's marketing channels

Booktopia Group has adopted a multi-channel marketing approach which includes the following:

- **Search Engine Marketing (SEM)**: using sites such as Google and others to drive paid traffic for each click;
- **Search Engine Optimisation (SEO)**: Booktopia Group uses in-house capabilities to implement strategies aimed at improving organic rankings in search engine results;
- **Email direct marketing**: over 260.6 million emails (broad and targeted) sent in FY2020 to over 5.3 million subscribed email recipients on Booktopia's database and 50.2 million emails (broad and targeted) sent in FY2020 to over 1.2 million subscribed email recipients on Angus & Robertson's database;
- **Affiliates**: programs that enable third parties to refer online traffic to Booktopia Group websites for a commission. Affiliates include author and publishing websites, blogs, forums and shopping and service directories. Corporate affiliates are an important component of this program and include Qantas Frequent Flyer, Virgin Velocity, HCF, ANZ, NewsCorp and Commonwealth Bank;
- **Online marketplaces**: including eBay, Catch, Amazon, Kogan, MyDeal and TradeMe (New Zealand);
- **Re-targeting and shopping cart abandonment**: Booktopia Group uses Criteo and Facebook to re-target potential customers. Abandoned cart emails are sent to customers who have added products to their cart but failed to checkout; and
- **Social media**: Booktopia Group's brands have a presence on major social media platforms which act as a contact point with customers to increase engagement with the brand, inform clients of upcoming events and help drive purchase decisions.

Figure 3.8: Select Booktopia Groups social media presence

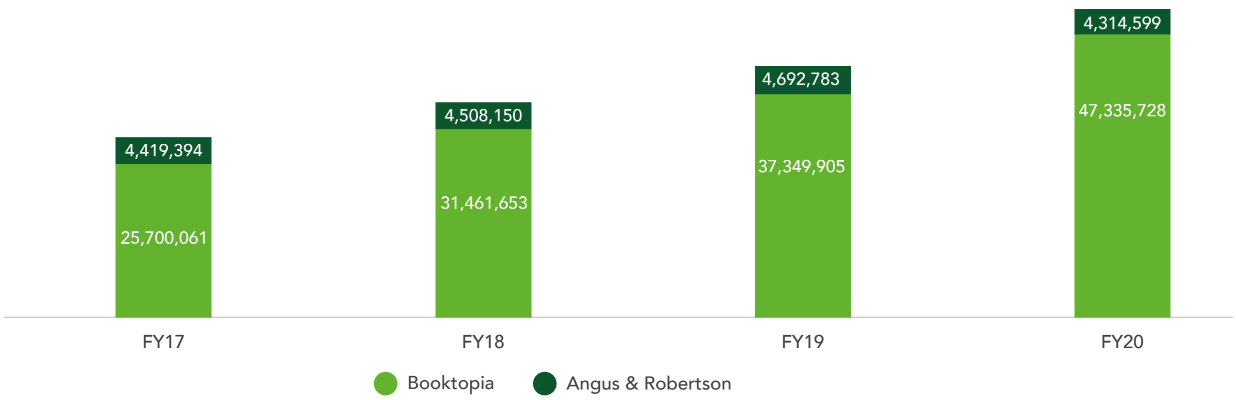
	FOLLOWERS (AS AT 6 OCTOBER 2020)		
	FACEBOOK	TWITTER	INSTAGRAM
booktopia	128.5k	20k	32.1k
ANGUS & ROBERTSON	85.8k	10.2k	4.5k

3.8.2 Site traffic

Booktopia Group is focused on continually enhancing the user experience of its websites and their speed and reliability, with the aim of increasing conversion rates. Booktopia Group continuously develops and tests new features and functionality. The Booktopia Group monitors user behaviour through heat mapping tools and recorded user sessions which helps the user experience (UX) team understand the customer and improve the customer's experience with a goal of increasing the websites' conversion rates. As an online retailer, Booktopia Group benefits from improved internet accessibility and speed across Australia and New Zealand, as well the proliferation of mobile devices such as smartphones and tablets.

Highlighted in Figure 3.9 are the visitor numbers to the Booktopia and Angus & Robertson websites. The number of visits for both websites has grown at a CAGR of 19.7% since FY2017, increasing from approximately 30 million in FY2017 to approximately 52 million in FY2020.

Figure 3.9: Booktopia website (www.booktopia.com.au) and Angus & Robertson website (www.angusrobertson.com.au) traffic FY2017 to FY2020



3.8.3 Customer contracts

Booktopia's products are sold on standard terms of business which provide:

- that customers have the right in certain circumstances to return products that are in "perfect re-saleable condition" for store credit with Booktopia Group;
- agreed delivery times; and
- that the responsibility for incorrectly provided customer information rests with the customer.

3.8.4 Customer acquisition strategies

Booktopia Group seeks to allocate strategically its marketing budget in a disciplined manner to acquire new customers. Search Engine Marketing has been an important customer acquisition tool, however the Company also focuses on in-house capabilities by developing its Search Engine Optimisation techniques to improve the organic ranking of search results over time. Booktopia Group has over 16 years of Search Engine Optimisation rankings and Search Engine Marketing campaigns that drive a positive ranking profile via quality scores in search engines.

Booktopia Group also trials new marketing opportunities with select customers and measures their success before committing to a new strategy or provider more broadly.

Booktopia Group allocates its marketing budget by reference to profitability and "cost per acquisition" principles. This applies to new campaigns and modifications of existing ones. For example, the business case supporting marketing campaigns is assessed by management prior to commencement, and the results of those campaigns are tracked and reviewed. This assists Booktopia Group to cease poorly-performing campaigns and scale up well-performing campaigns.

3.8.5 In-house merchandising and product experts

Booktopia Group employs book merchandisers to curate (i.e. rank and organise) its websites to promote customer shopping experience, for example by displaying the best possible selection of titles when browsing the major and popular categories rather than relying entirely on algorithms to place products at the top of popular categories.

Booktopia Group believes this process is an important supplement to its algorithm and assists to deliver a more relevant, up-to-date experience to customers than relying on an algorithm alone. In particular, some titles have little or no sales history however a merchandiser can assess the potential for that title to become one of the new bestselling titles and make sure it appears at the top of the category to stimulate and satisfy demand. A merchandiser will carefully list the titles in order for a specific category based on the bestselling, new releases and not-yet-published titles to maximise sales for that day, week or month.

The company has employed this strategy for many years and believes it is a key competitive strength of its business model.

3.8.6 Customer retention

Once a customer is acquired, Booktopia Group actively seeks to encourage repeat purchases through ongoing customer engagement and targeted marketing. Booktopia and Angus & Robertson all have individual customer retention and cross-selling programs that offer shipping and product discounts, coupons and early access to sales.

- Booktopia Group regularly engages its customers through brand and targeted retention and growth-driven campaigns, for example targeted emails are sent to customers for specific categories such as romance, children, crime fiction and business; and
- Angus & Robertson offers a loyalty program that promotes repeat purchases through member offers.

Booktopia Group's core customer service team of 24 people (as at FY20) is based in Australia and forms an important part of the customer retention strategy, by providing specialised service, and assisting customers to become comfortable to make frequent and higher value purchases. The customer service team also have a satellite team in the Philippines that answer emails and perform basic live help chat for easy to answer questions, such as, estimated order arrival dates.

In FY2020, 75% of total shipped revenue came from repeat customers, with the remaining 25% having only placed their first purchase. The significant majority of Booktopia Group's revenues (approximately 70%, cumulatively, since FY15) have been generated from repeat customers.

Angus & Robertson's loyalty program has attracted over 156,000 members since inception of the program.

Figure 3.10: Number of customers since FY15 (Booktopia Group)

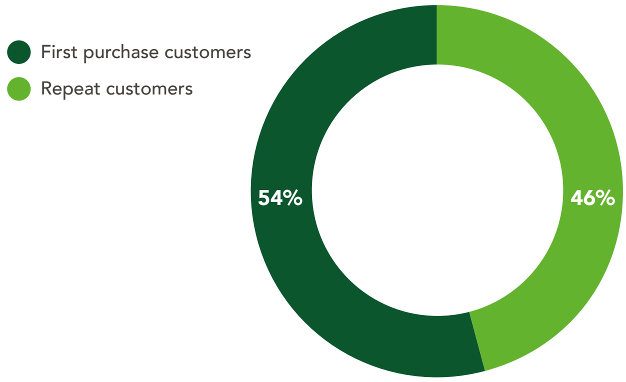
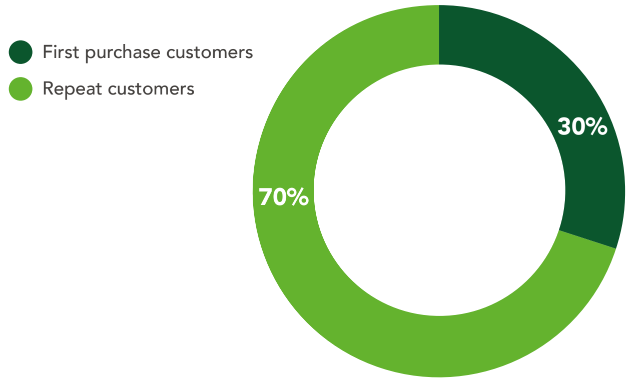


Figure 3.11: Cumulative revenue by customer since FY15 (Booktopia Group)

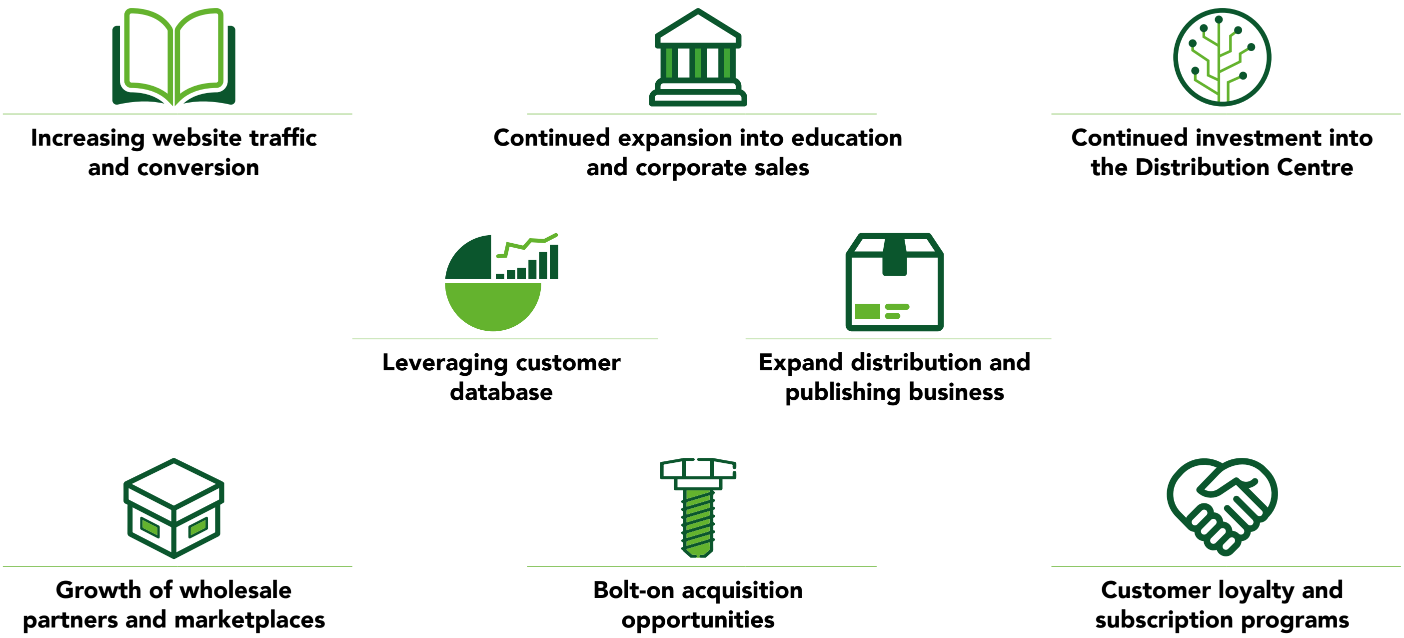


3.9 Growth strategies

As discussed in Section 2, the Australian book market is estimated to be a $2.54 billion market. The Company considers that continued overall industry growth, a continued consumer shift towards buying books and other products online and its strong customer service focus will provide the business with an opportunity to grow its share of this market. In particular, the Company's aim is to significantly grow its share of the $920 million Australian online book market. Booktopia Group has identified a number of initiatives to drive revenue and earnings growth going forward including the following.

Booktopia Group's key growth strategies are illustrated in Figure 3.12 below.

Figure 3.12: Booktopia Group's key growth strategies



3.9.1 Increasing website traffic and conversion rate

Visits to Booktopia Group's websites increased to more than 51.6 million sessions in FY2020[9], driven by initiatives such as Search Engine Optimisation, pay per click advertising, affiliate marketing and retargeting of customers and potential customers. Booktopia Group is focused on investing in the look, feel and functionality of its websites to increase website visits and conversion rates even further.

Booktopia Group also intends to continue evolving and enhancing its eBook and audiobook offering to drive increased sales.

9. Website visits for www.booktopia.com.au and www.angusrobertson.com.au in FY20.

3.9.2 Continued expansion into education and corporate sales

Booktopia Group will seek to continue its expansion into education and corporate sales through targeted merchandising, website development and expanding its corporate and education sales team. The Australian educational book sector was estimated to account for $804 million of sales in the consumer book market in FY2020[10]. In practice, a significant proportion of B2B/B2G book sales will also be educational. Management estimate the total educational book market (consumer and B2B/B2G) to have exceeded $1 billion in FY2020. Booktopia Group believes there is a substantial growth opportunity for it to increase sales in the pre-school, primary, secondary and tertiary sectors.

In 2020, Booktopia completed the acquisition of assets from the University Co-op Bookshop, increasing its presence and establishing a more extensive connection with leading universities, TAFEs and other academic institutions.

3.9.3 Continued investment into the Distribution Centre

Booktopia Group plans to invest $20 million into the Distribution Centre between FY21 and FY22. This investment aims to advance automation further within the Distribution Centre (for example by adding more conveyor lines, packing machines and put away/picking technologies) to increase efficiency and reduce required man hours per unit shipped. It also aims to increase the capacity to hold more stock to enable faster delivery times and improving customer service. As a key growth strategy, Booktopia Group is targeting Stocked Titles to increase to 200,000 across 1.5 million units by the end of CY2021.

3.9.4 Growth of partnerships and marketplaces

Booktopia Group plans to continue seeking more partnerships' leveraging its brand, customer databases and website traffic to allow it to sell wherever the Australian book buyer is shopping.

Booktopia Group sells through a range of online stores including Kogan, eBay, MyDeal, Catch and Amazon.

The Company intends to increase sales through digital marketplaces by expanding its range and presence on marketplaces that it currently partners with and continually seek and assess new marketplace partnerships.

3.9.5 Bolt on acquisition opportunities

Booktopia Group intends to continue to seek further acquisitions of businesses in Australia and New Zealand which offer similar products to Booktopia Group and which may benefit from the application of Booktopia Group's expertise and existing infrastructure and systems. The acquisition of Angus & Robertson is a previous example of the successful implementation of this strategy where the Angus & Robertson business has been improved by website redevelopment and back-end systems improvements made by Booktopia Group, including utilisation of Booktopia Group's logistics network.

Booktopia Group believes that its investment in its websites, its Content, Customer and Order Management System, its Warehouse Management System and its internet marketing expertise, could be applied to businesses operating in Asia Pacific. While the Company's immediate focus is Australia and New Zealand, expansion into other markets may represent an attractive medium-term potential growth opportunity where Booktopia Group believes it can achieve appropriate returns.

The acquisition of the University Co-operative Bookshops (Co-op) business was a slightly different acquisition. The use of the Co-op name was not possible as Booktopia Group is not a co-operative. It was possible to re-direct all traffic from the www.coop.com.au website to Booktopia and therefore the acquisition of assets had a very different outcome.

All acquisitions will continue to be considered based on their merits, the long-term revenue goals and most importantly their ability to contribute to the profits of the Group.

3.9.6 Customer loyalty and subscription programs

Booktopia Group plans to continue to roll out the Booktopia loyalty program to reward and encourage repeat purchasing from its customers. Offers such as free shipping offers, gift vouchers and discounts will be available at the customer level through its website and various sales and marketing channels. Booktopia Group believes this will form an important aspect of its customer service offering and assist in increasing customer loyalty in the future.

The Booktopia Group currently partners with the Qantas Frequent Flyer (QFF) program. In the FY20 year customers received 2.8 million points. The Average Order Value, Gross Margin per order, and number of items per order were greater than customers that did not connect their account to their QFF membership number.

10. PwC, Consumer and Educational books, 2019 (accessed from https://www.pwc.com.au/industry/entertainment-and-media-trends-analysis/outlook/consumer-and-educational-books.html).

3.9.7 Leveraging customer database

Booktopia Group has access to a substantial amount of historical customer data. The Booktopia Group does not sell or permit access to its customer data to any other organisation other than for transaction processing. Through analysis of this information, Booktopia Group intends to assemble focused information on customers and customer groups, to facilitate more relevant and targeted marketing. For example, events in a customer's life can be determined from the subject matter they purchase; a customer buying baby books may create opportunities to market over the following years toddler books, early-readers, young fiction, child-rearing books, school textbooks, and teen content.

3.9.8 Expand distribution and publishing businesses

In 2017 Booktopia Group launched a distribution arm of the business called Booktopia Publisher Services (BPS). The Company is appointed by Australian and International publishers as their distributor in the ANZ market. BPS has been able to leverage off the investment in automation, software and logistics to accelerate the expansion of this division.

As the ANZ distributor, BPS gets titles and stock at much deeper margins than Booktopia Group could achieve as a retailer. BPS also gets the stock on consignment (no charge until it is sold) rather than buying it up front as a retailer.

BPS currently has over 700 bookstores and businesses buying from it at competitive discounts. BPS also sets pricing at internationally competitive levels to make its offers more attractive to customers in the ANZ market in its efforts to reduce leakage to international retailers. By holding more titles and more stock BPS has accelerated sales for many of the publishers it represents in the ANZ market.

BPS is focused on adding more publishers to its list that it represents as its core growth strategy. The Company views BPS as a unique growth opportunity. The division provides an attractive value proposition to publishers and bookstores by providing available inventory or competitive margins.

BPS allows Booktopia Group's retail business to have fast access to products as if they were in stock without the cost of purchasing the inventory but more importantly it does not need to be ordered from another distributor because BPS stock is in the same location sitting aside the retail stock, ready-to-ship.

Booktopia Publishing is planning to publish over 50 new books in the FY21 year. This is forecast to grow to 100 in FY22. The Publishing division uses BPS to distribute its books to retailers and resellers across ANZ.

booktopia publishing

3.10 Employees and culture

As at 30 June 2020, Booktopia Group had 210 full-time employees[11] of which approximately 35% have been with Booktopia Group for three years or more. Figures 3.13 and 3.14 below provides a breakdown of staff by function and the increase in fulltime employees over time.

Figure 3.13: Fulltime employees by function as at 30 June 2020

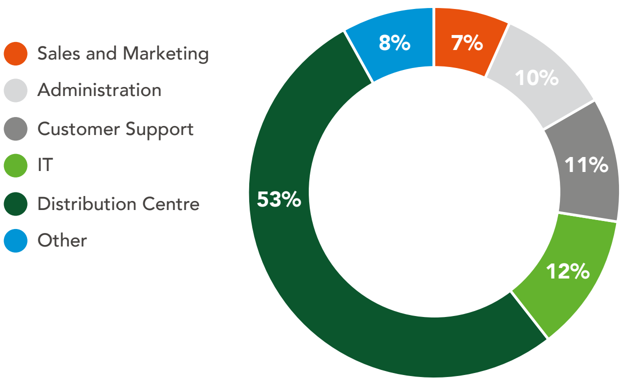
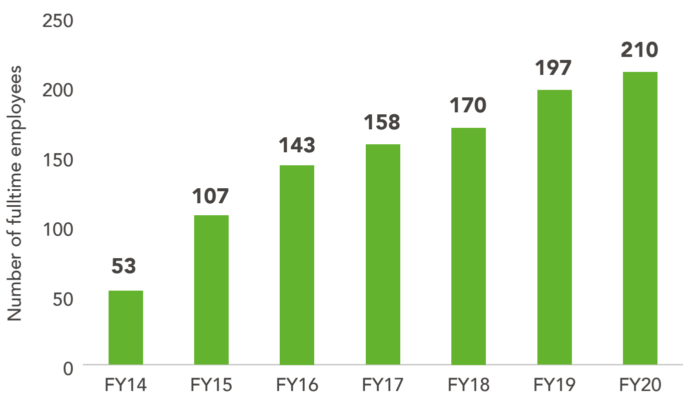


Figure 3.14: Fulltime employees (FY2014 – FY2020)



Booktopia Group has built a culture of innovation and productivity and seeks to create an environment that promotes freedom and responsibility where teams are small and diverse and hierarchies are low.

11. Includes fulltime equivalent (FTE) permanent part-time and casual employees. Does not include labour hire or contractors.

3.11 Awards and accreditations

Booktopia Group has been recognised as the largest Australian-owned online book retailer by market share and as a high growth business. Some of the business' awards include:

- Telstra Business Awards: NSW Business of the Year in 2018 as well as the National People's Choice Award in 2018. It also won the Medium Sized Businesses in NSW in 2014 and 2018 as well as being a finalist in 2011, 2012, 2013, 2014, 2016, 2017 and 2018;
- Booktopia Group made the AFR/BRW Fast 100 8 times between 2009 to 2017;
- Book Retailer of the Year at the Australian Book Industry Awards (ABIAs) in 2019, for the third time;
- Australian Online Retail Industry Awards (ORIAs), Best Pureplay Website of the Year 2018, Best Mobile Commerce Website 2016, Best Online Retail Marketing Initiative, Best Social Commerce Initiative 2014, Tony Nash won the Industry Recognition Award in 2018 and Wayne Baskin won the Industry Recognition Award in 2019 (Booktopia is the only business to have two people win this prestigious award);
- Power Retail All Star Bash Top 100 in 2016, 2017, 2018, 2019 and 2020 (ranked its highest in 2020 as the 15th best website in Australia), Tony Nash was recognised as an All Star Legend in 2020;
- IBIS World Top 500 Private Australian Companies, Booktopia has been ranked in the Top 500 in 2017, 2018, 2019 and 2020 with the highest ranking of 372nd achieved in 2020; and
- Numerous other awards e.g., Smart Company Smart 50 – Top Community SME 2015, ranks in Deloitte Technology Fast 500 Asia Pacific Region 2015, Deloitte Aspire Award – Private Growth and Transformation Companies revenues $10-$100m 2015.

3.12 Community support

Being an Australian business, Booktopia Group is active in local and remote communities and supports a number of Australian based charities and schools that have a focus on literacy. Some of these initiatives include:

- Corporate partner to the Cathy Freeman Foundation's project on Palm Island and three other communities in the Northern Territory and Queensland to support indigenous children who perform well and attend school by providing book packs twice a year;
- Sponsor of the Australian Book Industry Awards;
- Major sponsor of the Australian Book Designer Awards;
- Major sponsor of the Ned Kelly Awards for Crime Fiction and True Crime;
- Major sponsor of the Australian Romance Reader Awards;
- Sponsor of the Indigenous Literacy Foundation;
- Major sponsor of the Boundless Indigenous Writer's Mentorship;
- Book donations to many library fundraising projects;
- Being a participant in the Australian book industry's initiative to support literacy of indigenous Australians; and
- Many other literacy based fundraising projects, smaller Writers' Festivals and Readers' Events.

4. Financial information

4.1 Introduction

The financial information of the Company contained in this Section 4 includes the historical and pro forma historical financial information for the years ended 30 June 2018 (FY18), 30 June 2019 (FY19), and 30 June 2020 (FY20), the statement of financial position as at 30 June 2020 and the forecast financial information for the financial year ending 30 June 2021 (FY21F) collectively the **Financial Information** as summarised in Table 4.1 below.

Table 4.1: Overview of the Company's Financial Information

DEFINITIONS	STATUTORY FINANCIAL INFORMATION	PRO FORMA FINANCIAL INFORMATION
Historical Financial Information	**Statutory Historical Financial Information** comprises the following: • statutory historical consolidated income statements for FY18, FY19 and FY20 (**Statutory Historical Income Statements**); • statutory historical consolidated cash flows for FY18, FY19 and FY20 (**Statutory Historical Cash Flows**); and • statutory historical consolidated statement of financial position as at 30 June 2020 (**Statutory Historical Statement of Financial Position**).	**Pro Forma Historical Financial Information** comprises the following: • pro forma historical consolidated income statements for FY18, FY19 and FY20 (**Pro Forma Historical Income Statements**); • pro forma historical consolidated cash flows for FY18, FY19 and FY20 (**Pro Forma Historical Cash Flows**); and • pro forma historical consolidated statement of financial position as at 30 June 2020 (**Pro Forma Historical Statement of Financial Position**).
Forecast Financial Information	Statutory Forecast Financial Information comprises the following: • statutory forecast consolidated income statement for FY21F (**Statutory Forecast Income Statement**); and • statutory forecast consolidated cash flows for FY21F (**Statutory Forecast Cash Flows**).	Pro Forma Forecast Financial Information comprises the following: • pro forma forecast consolidated income statements for FY21F (**Pro Forma Forecast Income Statement**); and • pro forma forecast consolidated cash flows for FY21F (**Pro Forma Forecast Cash Flows**).

The Financial information in this Section 4 should also be read in conjunction with the risk factors set out in Section 5, the significant accounting policies of the Company as set out in Appendix A and the other information contained in this Prospectus.

Also summarised in this Section 4 are:

- the basis of preparation and presentation of the Financial Information (see Section 4.2) including the application of relevant new and revised accounting standards had they applied to the Statutory Historical Financial Information (see Sections 4.2.3, 4.2.4 and 4.2.5);
- an explanation of certain financial measures that are neither recognised by the Australian Accounting Standards Board (**AASB**) or under the International Financial Reporting Standards (**IFRS**) issued by the International Accounting Standards Board (**IASB**) that are used by the Company and included in this Prospectus to assist investors in understanding the financial performance of the business (see Section 4.2.8) (**non-IFRS financial measures**);
- a summary of the Company's key pro forma operating and financial metrics (see Section 4.3.2);
- the pro forma adjustments to the Statutory Historical Financial Information and the Statutory Forecast Financial Information, and reconciliations to the Pro Forma Historical Financial Information and the Pro Forma Forecast Financial Information respectively (see Sections 4.3.3, 4.4.3 and 4.5);
- details of the Company's net debt as at 30 June 2020 (see Section 4.6);
- reconciliations of capitalised software development costs (see Section 4.9);
- the Directors' best-estimate general and specific assumptions underlying the Forecast Financial Information (see Sections 4.10.2 and 4.10.5);
- Management discussion and analysis of the Pro Forma Financial Information (see Section 4.11);
- an analysis of the key sensitivities in respect of the Forecast Financial Information (see Section 4.12); and
- a summary of the Company's proposed dividend policy (see Section 4.13).

The Financial Information, has been reviewed by Deloitte Corporate Finance Pty Limited (**Investigating Accountant**) in accordance with the Australian Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*, as stated in its Investigating Accountant's Report on the Financial Information. Investors should note the scope and limitations of the Investigating Accountant's Report on the Financial Information (see Section 8).

All amounts disclosed in the tables are presented in Australian dollars and unless otherwise noted, are in millions rounded to one decimal place (the nearest hundred thousand). Rounding of figures provided in the Financial Information may result in some immaterial differences between the sum of components and the totals outlined within tables and percentage calculations.

4.2 Basis of Preparation and Presentation of the Financial Information

4.2.1 Overview

The Directors are responsible for the preparation and presentation of the Financial Information.

The Financial Information included in this Prospectus is intended to present potential investors with information to assist them in understanding the historical financial performance, cash flows and financial position of the Company, together with the forecast financial performance and cash flows for FY21F.

The Statutory Financial Information has been prepared and presented in accordance with the recognition and measurement principles of Australian Accounting Standards (**AAS**) issued by the AASB, which are consistent with IFRS and interpretations issued by the IASB.

The Significant Accounting Policies adopted in the preparation of the Financial Information are set out in Appendix A and have been consistently applied throughout the financial periods presented in this Prospectus unless stated otherwise.

The Pro Forma Historical Financial Information and Pro Forma Forecast Financial Information have been prepared solely for inclusion in this Prospectus and have been derived from the Statutory Historical Financial Information and the Statutory Forecast Financial Information adjusted for certain transactions and pro forma adjustments as described further below.

The Pro Forma Historical Financial Information and Pro Forma Forecast Financial Information have been prepared in accordance with the recognition and measurement principles contained in AAS, other than that they include adjustments that have been prepared in a manner consistent with AAS that reflects: (i) the exclusion of certain transactions that occurred or are forecast to occur in the relevant periods; and (ii) the impact of certain transactions as if they occurred on or before 30 June 2017 in the Pro Forma Historical Financial Information and in the Pro Forma Forecast Financial Information.

Due to their nature, the Pro Forma Historical Financial Information and Pro Forma Forecast Financial Information do not represent the actual or prospective financial position, financial performance or cash flows of the Company. The Company believes that the Pro Forma Historical Financial Information provides useful information as it permits investors to examine what it considers to be the underlying financial performance and cash flows of the business presented on a consistent basis with the Pro Forma Forecast Financial Information.

This Prospectus includes Forecast Financial Information based on the specific and general assumptions of the Company as described in Section 4.10.

The Financial Information is presented in an abbreviated form insofar as it does not include all the presentation and disclosures required by AAS and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act.

In addition to the Financial Information, Section 4.2.8 describes certain non-IFRS financial measures that are used to manage and report the Company's business that are not defined under or recognised by AAS or IFRS.

4.2.2 Segment Information

The Company manages its operations as a single business operation and there are no parts of the business that qualify as operating segments under AASB8 *Operating Segments*. The Directors assess the financial performance of the Company on an integrated basis only and accordingly the Company is managed on the basis of a single segment.

4.2.3 Preparation of the Historical Financial Information

The Statutory Historical Financial Information has been extracted from the special purpose financial statements for the year ended 30 June 2018 and the general purpose financial statements for the financial year ended 30 June 2020 (which included restated comparative financial information for the year ended 30 June 2019).

The consolidated financial statements for FY18, FY19 and FY20 were audited by PricewaterhouseCoopers (**PwC**) in accordance with Australian Auditing Standards. PwC issued an unmodified audit opinion on each of the financial reports.

The FY18 audit report included a material uncertainty paragraph in relation to the adoption of the going concern basis in preparing those financial statements, which highlighted the expectation of the Directors that the Company would continue to receive support of its existing shareholders, creditors and its financiers.

The Pro Forma Historical Financial Information has been prepared for the purposes of inclusion in this Prospectus and has been derived from the Statutory Historical Income Statements and the Statutory Historical Cash Flows after reflecting the following pro forma adjustments:

- the application of AASB 16 Leases (AASB 16) as if this had been applied from 1 July 2017 to 30 June 2018 (see Section 4.3.3 below);
- the impact of the Offer, including Offer costs that are expensed;
- the estimated incremental costs of being a publicly listed company, including additional Board and governance costs, incremental audit, tax, legal and compliance related costs, and ASX listing fees assuming Completion had occurred on 1 July 2017;
- the add back of the costs associated with the redeemable preference shares that will be converted into Shares as a result of the Offer;
- the Employee Gift Offer, which is a one-off grant of Shares to eligible employees of the Company as part of the Offer; and
- the income tax effect of the above pro forma adjustments.

Investors should note that past results are not a guarantee of future performance.

Table 4.4 sets out the pro forma adjustments made to the Statutory Historical Income Statements and a reconciliation of the Statutory Historical Income Statements to the Pro Forma Historical Income Statements. Table 4.9 sets out the pro forma adjustments made to the Statutory Historical Cash Flows and a reconciliation of the Statutory Historical Cash Flows to the Pro Forma Historical Cash Flows.

The Pro Forma Historical Statement of Financial Position is derived from the Statutory Historical Statement of Financial Position, and is adjusted to reflect the following:

- the impact of the Offer (tax effected), including costs directly attributable to the Offer being offset against share capital (with the remainder expensed in Retained Earnings);
- the repayment of loans by a number of senior management, including Tony Nash and Wayne Baskin, which is due to occur on or about completion of the Offer;
- the conversion of redeemable preference shares into Shares; and
- the full repayment of the debt facility provided by Longreach Credit Investors on Completion.

The Pro Forma Historical Statement of Financial Position is provided for illustrative purposes only and is not represented as being necessarily indicative of the future financial position of the Company.

Table 4.10 sets out the pro forma adjustments made to the Statutory Historical Statement of Financial Position and a reconciliation of the Statutory Historical Statement of Financial Position to the Pro Forma Historical Statement of Financial Position.

4.2.4 Preparation of the Forecast Financial Information

The Forecast Financial Information is presented on both a statutory and pro forma basis and has been prepared solely for inclusion in this Prospectus.

The basis of preparation and presentation of the Statutory Forecast Financial Information and the Pro Forma Forecast Financial Information is consistent with the basis of preparation and presentation of the Statutory Historical Financial Information and Pro Forma Historical Financial Information, respectively.

The Forecast Financial Information has been prepared by the Company based on an assessment of the current economic and operating conditions, including the impact of the COVID-19 pandemic, and should be read in conjunction with the general and specific best estimate assumptions set out in Section 4.10.2 and Section 4.10.5, the sensitivity analysis described in Section 4.12, the risk factors described in Section 5, the Significant Accounting Policies set out in Appendix A, and the other information in this Prospectus.

The inclusion of these best estimate assumptions and these risks is intended to assist investors in assessing the reasonableness and likelihood of the assumptions occurring and is not intended to be a representation that the assumptions will occur.

The Directors believe the general and specific best estimate assumptions, when taken as a whole, to be reasonable at the time of preparing the Prospectus. However, the information is not fact, and investors are cautioned not to place undue reliance on the Forecast Financial Information. Investors should be aware that the timing of actual events and the magnitude of their impact might differ from that assumptions made in preparing the Forecast Financial Information and that this may have a material positive or negative effect on the Company's actual financial performance, cash flows or financial position.

In addition, the assumptions upon which the Forecast Financial Information is based are, by their very nature subject to significant uncertainties and contingencies, many of which will be outside the control of the Company, the Directors and management, and are not reliably predictable. Accordingly, none of the Company, its directors and management or any other person can give investors any assurance that the outcomes disclosed in the Forecast Financial Information will arise. Events and outcomes might differ in amount and timing from the assumptions, with a material consequential impact on the Forecast Financial Information.

The Company has no intention to update or revise the Forecast Financial Information or other forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

The Statutory Forecast Financial Information represents the Company's best estimate of the financial performance and cash flows that it expects to report in its consolidated financial statements in FY21F. The Statutory Forecast Financial Information includes the actual (but unaudited) results of the Company for the three months to 30 September and nine months of forecast financial results.

The Pro Forma Forecast Financial Information has been derived from the Statutory Forecast Financial Information, after applying pro forma adjustments, as if those adjustments took effect from the beginning of the forecast period, to reflect:

- the incremental costs of being a publicly listed entity;
- the conversion of redeemable preference shares;
- the impact of the Offer including capital raised and the capital structure in place following the Offer; and
- income tax effect of the above pro forma adjustments.

Section 4.3.3 sets out the pro forma adjustments made to the Statutory Forecast Income Statements and a reconciliation of the Statutory Forecast Income Statements to the Pro Forma Forecast Income Statements. Section 4.4.3 sets out the pro forma adjustments made to the Statutory Forecast Cash Flows and a reconciliation to the Pro Forma Cash Flows.

Due to its nature, the Pro Forma Forecast Financial Information does not represent the actual or prospective financial performance or cash flows of the Company.

4.2.5 Change in accounting standards

The Company adopted AASB 9 Financial Instruments (AASB 9) on 1 July 2018. AASB 9 required that the Company adopt the expected credit loss model for accounting for impairment of financial assets accounted for at amortised cost rather than the incurred loss model required by AASB 139 Financial Instruments (AASB 139). An expected credit loss model results in the impairment provision being recognised in a period earlier than the incurred loss model because it requires judgements to be made about expected future losses rather than reflecting actual losses. Adoption of the standard has not materially impacted the measurement of any financial assets and, as such, no pro forma adjustment to the Historical Financial Information has been made.

The Company adopted AASB 15 Revenue from Contracts with Customers (AASB 15) on 1 July 2018. The standard applies a five-step model to all revenue arising from contracts to determine when to recognise revenue and at what amount. Under AASB 15, the Company recognises revenue relating to the transfer of goods to customers, using values that reflect the consideration to which it expects to be entitled in exchange for those goods or services. Adoption of the standard has not materially impacted the measurement of any revenues and as such, no pro forma adjustment to the Historical Financial Information has been made.

The Company adopted AASB 16 Leases (AASB 16) retrospectively from 1 July 2018 in preparing the general purpose financial statements for the financial year ended 30 June 2020 (i.e. the FY19 comparative financial information was restated). The accounting treatment for a lessee under AASB 117 Leases (AASB 117) was based on categorising the lease either as a finance lease (recognised on balance sheet) or an operating lease (not recognised on balance sheet). Under AASB 16 the Company is required to recognise a lease liability and a right-of-use asset on the balance sheet for most leases. As a result of the adoption of AASB 16, operating expenses decrease and depreciation and interest expense increase, and the timing of expense recognition changes due to the change from a straight-line rental expense to depreciation and interest expense (with interest expense having an accelerated profile). This Prospectus presents the Pro Forma Historical Financial Information for FY18 on a consistent basis to illustrate the impact of AASB 16, had the standard been applied at 1 July 2017. Refer to Section 4.3.3 for further detail on the quantification of this impact.

4.2.6 Acquisition of UCB Assets

In January 2020, the Company completed the acquisition of certain intangible assets from the administrator of the University Co-op Bookshop (**UCB**) (the **UCB Assets**). The UCB assets included customer relationships, the website and a small number of staff who transferred to the Company. Given the nature of the acquisition no pro forma adjustment has been made to the Statutory Historical Financial Information as it is not possible to accurately determine the historical revenues and expenses that would have been generated from the acquired assets.

4.2.7 Disposal of DC Camera business

In May 2019, the Company sold its underperforming DC Camera (**DCC**) business. While DCC generated revenue of $2.4 million in FY18 and $1.7 million in FY19, DCC contributed losses of $39 thousand and $54 thousand in FY18 and FY19 respectively. Given the immaterial contribution to NPAT from the DCC business in FY18 and FY19 as well as the statutory accounts disclosing these results as separate line in the income statement titled "Losses from discontinued operations", we have not made a pro forma adjustment to the Statutory Historical Financial Information to remove the contribution from the DCC business.

4.2.8 Explanation of certain non-IFRS financial measures

The Company uses certain measures to manage and report on business performance that are not recognised under AAS or IFRS. These measures are collectively referred to in this Section 4 and under ASIC Regulatory Guide 230 Disclosing non-IFRS financial information as "non-IFRS financial measures".

These non-IFRS financial measures do not have a prescribed definition under AAS or IFRS and therefore may not be directly comparable to similarly titled measures presented by other entities. These should not be construed as an indication of, or an alternative to, corresponding financial measures determined in accordance with AAS or IFRS. Although the Company believes these non-IFRS financial measures provide useful information for measuring the financial performance and condition of the business, they should be considered as supplements to the consolidated statement of profit or loss and consolidated statement of cash flow measures that have been presented in accordance with the AAS and IFRS, nor as a replacement for them. Investors are cautioned not to place undue reliance on any non-IFRS financial measures included in the Prospectus.

These non-IFRS financial measures that are referred to in this Prospectus include the following:

- **Sales** means products (including books, eBooks, DVDs, stationery and related products and includes any freight charged to customers) sold through the Company's website or other channels such as eBay and includes products sold through Booktopia Publishing Services.
- **Revenue** means products (as defined above in sales) that have been invoiced and shipped to the customer and includes freight charged to the customer unless otherwise stated.
- **Cost of sales** means the cost of purchasing products and any royalties paid, packaging, customs clearance expenses as well as any stock obsolescence write-downs.
- **Gross profit** means revenue less cost of sales.
- **Capital expenditure** means expenditure primarily related to property, plant and equipment.
- **Capitalised software development costs** are related to significant enhancements to software and systems that are expected to derive a future benefit to the Company and are capitalised in accordance with AASB.
- **Marketing expenses** means the costs associated with advertising such as pay per click advertising, email and direct marketing activities, commissions associated with online marketplace sales and affiliations such as the Qantas Frequent Flyer program.
- **Net cash flow before interest and tax** means cash flow from operating activities after the removal of cash flows for capitalised development expenses and payments for other capital expenditure.
- **Net cash flow before Offer impacts** means net cash flow before interest and tax after proceeds from (repayment of) lease payments, debt drawdowns (repayments), net interest payments and tax paid.
- **Net cash flow** means Net cash flow before Offer impacts after proceeds from issue of shares, repayments of borrowings and costs of the Offer.
- **Working capital** means the sum of current trade and other receivables, inventory less the sum of trade and other creditors, provisions and advance payments from customers.
- **EBITDA** means earnings before interest, tax depreciation and amortisation (discussed in Section 4.3.3).
- **EBIT** means earnings before interest and tax.

4.3 Historical and Forecast Income Statements

4.3.1 Pro Forma Historical and Forecast Income Statements

Table 4.2: Pro Forma and Statutory Income Statements

		PRO FORMA HISTORICAL			PRO FORMA FORECAST	STATUTORY FORECAST
$ MILLIONS	**NOTES**	**FY18**	**FY19**	**FY20**	**FY21F**	**FY21F**
Revenue	1	**111.5**	**129.1**	**165.8**	**204.5**	**204.5**
Cost of sales	2	(80.5)	(94.6)	(122.4)	(148.9)	(148.9)
Gross profit		**31.0**	**34.5**	**43.4**	**55.7**	**55.7**
Employee expenses		(14.1)	(16.5)	(20.6)	(26.3)	(26.5)
Merchant expenses		(1.6)	(1.9)	(2.4)	(3.1)	(3.1)
Marketing expenses		(7.7)	(9.1)	(10.3)	(12.7)	(12.7)
Other expenses		(3.5)	(3.4)	(4.0)	(4.1)	(8.3)
Operating expenses		**(26.9)**	**(30.9)**	**(37.4)**	**(46.2)**	**(50.5)**
EBITDA		**4.1**	**3.6**	**6.0**	**9.4**	**5.2**
Depreciation		(1.7)	(1.9)	(1.9)	(3.0)	(3.0)
Amortisation	3	(0.7)	(0.9)	(1.3)	(2.4)	(2.4)
EBIT		**1.7**	**0.8**	**2.7**	**4.0**	**(0.2)**
Net interest expense	4	(1.8)	(1.7)	(2.4)	(3.1)	(9.5)
Profit/(loss) before tax		**(0.1)**	**(0.9)**	**0.4**	**0.9**	**(9.8)**
Income tax benefit/(expense)		0.1	(0.0)	(0.2)	(0.2)	(0.3)
Net profit/(loss) after tax		**(0.0)**	**(0.9)**	**0.2**	**0.7**	**(10.1)**

Notes:

1. Revenue is derived from the selling of books, Ebooks, DVDs, stationery and related products and is inclusive of freight charged to customers as well as product supplied by Booktopia Publisher Services.
2. Cost of sales represents the cost of cost of purchasing books and other products as well as any royalties paid, packaging and customs clearance expenses which is disclosed as "Product and freight costs" in the Statutory Historical Income Statement.
3. Amortisation expense relates primarily to the amortisation of Capitalised Software Development Costs as well as amortisation of acquired intangible assets arising from previous acquisitions made by the Company.
4. Net interest expense included in the Pro Forma Historical and Forecast Income Statements represents the interest component of the leases accounted for under AASB16 (primarily the Lidcombe site). The FY21F Statutory Forecast Income Statement also includes the mark to market conversion expense in relation to the redeemable preference shares when they convert to ordinary shares at the time of the Offer and the interest payable to the Longreach Credit Investors up to completion of the Offer when the debt facility is repaid.

4.3.2 Key Pro Forma Operating and Financial Metrics

Table 4.3: Key operating and financial metrics for FY18 to FY21F

		PRO FORMA HISTORICAL			PRO FORMA FORECAST
	NOTES	FY18	FY19	FY20	FY21F
Key operating metrics					
Average Order Value ($ per order)	1	53.88	57.81	65.08	68.34
Average Selling Price ($ per unit shipped)	2	23.79	24.73	25.80	27.28
Units shipped (000s)		4,824	5,370	6,451	7,470
Key financial metrics					
Revenue growth (% increase)			15.8%	28.4%	23.4%
EBITDA margin % (EBITDA/revenue)		3.7%	2.8%	3.6%	4.6%
Gross profit growth (% increase)			11.1%	25.9%	28.2%
Gross profit ($ per unit shipped)	3	6.43	6.42	6.73	7.45
Net freight cost ($ per unit shipped)	4	0.71	0.74	0.53	0.45
Distribution Centre wages ($ per unit shipped)	5	1.02	1.26	1.42	1.16
Marketing expenses ($ per unit shipped)	6	1.61	1.69	1.60	1.70

Notes:
1. Average Order Value is based on sales including GST but excluding any freight charged to customers, divided by the total number of orders in each financial year from Booktopia, Angus & Robertson, eBay and TradeMe sales channels.
2. Average Selling Price means average selling price per unit, calculated as revenue for the period including GST but excluding any freight charged to customers divided by the number of units shipped for that period.
3. Gross profit per unit means gross profit divided by the number of units shipped.
4. Net freight cost per unit is the difference between freight received from customers and postage costs incurred by the Company divided by the total number of units shipped. In FY20 this decreased by $0.21 predominantly due to a $1 (including GST) increase in the postage fees charged to customers when placing an order on the Booktopia website. This change was made in September 2019. The full year impact of this change will be realised in FY21F.
5. Distribution Centre wages per unit is the wages and contractor expense for the Distribution Centre divided by the total number of units shipped. In FY19 wages per unit increased by $0.24 due to an increase in the use of labour hire (contractors) to supplement the casual labour force and a reallocation of wages which were previously captured elsewhere in the income statement. In FY20 an increase in labour hire (contractors) to further supplement the casual labour force and cover increasing absenteeism rates towards the latter half of FY20 due to COVID-19, together with running Saturday shifts led to an increase of $0.16. In FY21F this metric is expected to decrease as a result of a significant investment in automation.
6. Marketing expenses per unit means marketing expenses divided by the number of units shipped.

4.3.3 Pro Forma adjustments to the Statutory Historical Income Statements and Statutory Forecast Income Statement

TABLE 4.4: Pro Forma Adjustments to Statutory Historical and Forecast EBITDA

$ MILLIONS	NOTES	FY18	FY19	FY20	FY21F
Statutory EBITDA		**3.8**	**4.9**	**7.3**	**5.2**
AASB 16 adoption	1	1.7	–	–	–
Offer costs	2	–	–	–	4.5
Public company costs	3	(1.3)	(1.3)	(1.3)	(0.3)
Employee gift shares	5	–	–	–	0.1
Pro Forma EBITDA		**4.1**	**3.6**	**6.0**	**9.4**

Table 4.5: Pro Forma Adjustments to Statutory Historical and Forecast NPAT

$ MILLIONS	NOTES	FY18	FY19	FY20	FY21F
Statutory profit/(loss) after tax		**1.6**	**0.0**	**0.2**	**(10.1)**
AASB 16 adoption	1	(0.7)	–	–	–
Offer costs	2	–	–	–	4.5
Public company costs	3	(1.3)	(1.3)	(1.3)	(0.3)
Redeemable preference shares	4	–	–	0.9	6.4
Employee gift shares	5	–	–	–	0.1
Tax adjustment	6	0.4	0.4	0.4	0.1
Pro Forma profit/(loss) after tax		**(0.0)**	**(0.9)**	**0.2**	**0.7**

Notes:
1. The Company adopted AASB16 from FY19 onwards and a pro forma adjustment has been applied in FY18 that results in recording an interest expense and a depreciation charge in relation to the right of use asset recognised on the balance sheet.
2. Total costs of the Offer will be approximately $8.2 million. Of this amount, approximately $4.5 million (before tax) relates to the sale of existing shares and will be expensed in the Income Statement. The remaining costs estimated at $3.7 million are attributed to the issue of new Shares by the Company and will be offset against equity in the Balance Sheet.
3. Public company costs reflect the Company's estimate of the incremental annual costs that the Company will incur as a listed entity. These costs include non-executive director fees, additional audit and compliance costs, listing fees, share registry fees, legal fees as well as investor relations and communications costs.
4. As at the date of this Prospectus, the Company has on issue $8.0 million of redeemable preference shares. The redeemable preference shares will be converted to Shares as part of the Offer and the pro forma adjustment removes the impact of the cost until the date of the IPO.
5. The pro forma adjustment removes the one-off cost of the Employee Gift Offer. For further details of the Employee Gift Offer, refer to Section 7.4.
6. The pro forma adjustment represents the pro forma impacts to the Statutory Historical and Forecast taxation expense arising from the other pro forma adjustments based on the prevailing tax rates in each year.

4.3.4 Statutory Historical Income Statements

Table 4.6: Statutory Historical Income Statements for FY18 to FY20

		STATUTORY HISTORICAL		
$ MILLIONS	**NOTES**	**FY18**	**FY19**	**FY20**
Revenue	1	**111.5**	**129.1**	**165.8**
Product and freight costs*	2	(80.5)	(94.6)	(122.4)
Employee benefits expense		(14.1)	(16.5)	(20.6)
Merchant expenses		(1.6)	(1.9)	(2.4)
Marketing expenses		(7.7)	(9.1)	(10.3)
Other expenses		(3.8)	(2.1)	(2.7)
Expenses		**(107.7)**	**(124.2)**	**(158.4)**
EBITDA		**3.8**	**4.9**	**7.3**
Depreciation and amortisation	3	(1.6)	(2.8)	(3.3)
EBIT		**2.2**	**2.1**	**4.1**
Net interest expense	4	(0.3)	(1.7)	(3.2)
Profit/(loss) before tax		**1.9**	**0.4**	**0.8**
Income tax benefit/(expense)		(0.3)	(0.4)	(0.6)
Net profit/(loss) after tax		**1.6**	**0.0**	**0.2**

* Product and freight costs are described as cost of sales in Table 4.2.

Refer to notes to Table 4.2.

4.4 Historical and Forecast Cash Flows

4.4.1 Pro Forma Historical and Forecast Cash Flows

Table 4.7: Pro Forma Historical and Pro Forma and Statutory Forecast Cash Flows

		PRO FORMA HISTORICAL			PRO FORMA FORECAST	STATUTORY FORECAST
$ MILLIONS	**NOTES**	**FY18**	**FY19**	**FY20**	**FY21F**	**FY21F**
EBITDA	1	**4.1**	**3.6**	**6.0**	**9.8**	**5.6**
Change in working capital	2	(1.4)	2.9	1.3	5.5	5.5
Cash flow from operating activities		**2.7**	**6.6**	**7.3**	**15.2**	**11.1**
Capitalised Software Development Costs	3	(1.8)	(2.6)	(3.8)	(3.2)	(3.2)
Payments for property, plant and equipment	4	(0.5)	(1.5)	(8.8)	(14.0)	(14.0)
Lease repayments		(2.2)	(0.3)	(1.4)	(0.5)	(0.5)
Net cash flow before interest and tax		**(1.8)**	**2.2**	**(6.7)**	**(2.5)**	**(6.7)**
Repayment of borrowings						(11.4)
Net interest payments						(3.1)
Taxes paid						–
Net cash flow before Offer impacts						**(21.1)**
Proceeds from issue of shares	5					25.0
Repayment of shareholder loans	6					1.0
Cost of the Offer and other	7					(3.7)
Net cash flow						**1.2**

Notes:
1. Includes addback of non cash items in FY21F, being the Employee Gift Offer and LTI scheme.
2. Changes in working capital have been positive principally due to improved terms of trade payables during FY18 – FY20.
3. Capitalised Software Development Costs relate to enhancements and additions to the Company's IT systems used in the Distribution Centre to support operations as well as to the Company's website and related supporting system infrastructure.
4. Payments for property, plant and equipment in FY20 and FY21F primarily relates to investments in automation, additional storage and enhanced efficiency and capability in the Distribution Centre which will be funded through the net proceeds raised from the Offer.
5. Proceeds from issue of shares represents the cash inflow from the primary raise of $25.0 million.
6. Represents $1.0 million of shareholder receivables which will be repaid by the relevant shareholders following completion of the Offer.
7. The costs of the Offer which have been offset against equity, with the remainder included in the Income Statement.

4.4.2 Statutory Historical Cash Flows

Table 4.8: Statutory Historical Cash Flows

		STATUTORY HISTORICAL		
$ MILLIONS	**NOTES**	**FY18**	**FY19**	**FY20**
EBITDA		**3.8**	**5.0**	**7.3**
Change in working capital	2	(1.4)	2.9	1.3
Cash flow from operating activities		**2.4**	**7.9**	**8.6**
Capitalised Software Development Costs	3	(1.8)	(2.6)	(3.8)
Payments for property, plant and equipment	4	(0.5)	(1.5)	(8.8)
Lease repayments		(0.6)	(0.3)	(1.4)
Net cash flow before interest and tax		**(0.5)**	**3.6**	**(5.4)**
Proceeds from (repayment of) borrowings		0.9	(1.4)	10.5
Net interest payments		(0.3)	(1.7)	(2.8)
Cash taxes paid		–	(0.2)	(0.3)
Net cash flow before Offer impacts		**0.2**	**0.3**	**1.9**

Refer notes to Table 4.7.

4.4.3 Pro Forma adjustments to the Statutory Historical Cash Flows and Statutory Forecast Cash Flow

Table 4.9: Reconciliation of Statutory net cash flow before interest and tax to Pro Forma net cash flow before interest and tax for FY18, FY19, FY20 and FY21F

		PRO FORMA HISTORICAL			PRO FORMA FORECAST
$ MILLIONS	**NOTES**	**FY18**	**FY19**	**FY20**	**FY21F**
Statutory net cash flow before interest and tax		**(0.5)**	**3.6**	**(5.4)**	**(6.7)**
Offer costs	1	–	–	–	4.5
Public company costs	2	(1.3)	(1.3)	(1.3)	(0.3)
Pro Forma net cash flow before interest and tax		**(1.8)**	**2.2**	**(6.7)**	**(2.5)**

1. Offer costs of $4.5 million relate to the sale of existing shares and will be expensed in the Income Statement.
2. Public company costs reflect the Company's estimate of the incremental annual costs that the Company will incur as a listed entity. These costs include non-executive director fees, additional audit and compliance costs, listing fees, share registry fees, legal fees as well as investor relations and communications costs.

4.5 Statutory and Pro Forma Historical Statements of Financial Position

Table 4.10: Statutory and Pro Forma Historical Statements of Financial Position as at 30 June 2020

	STATUTORY HISTORICAL	PRO FORMA ADJUSTMENTS			PRO FORMA HISTORICAL
NOTES		1	2	3	
$ MILLIONS	**30-JUN-20**	**CONVERSION OF REDEEMABLE PREFERENCE SHARES**	**IMPACT OF THE OFFER**	**DEBT REPAYMENT**	**30-JUN-20**
Cash and cash equivalents	10.8	–	16.8	(11.0)	16.6
Trade and other receivables	0.9	–	–	–	0.9
Inventories	12.2	–	–	–	12.2
Financial assets (security deposits)	1.2	–	–	–	1.2
Other current assets	1.5	–	–	–	1.5
Total current assets	**26.5**	**–**	**16.8**	**(11.0)**	**32.3**
Financial assets at amortised cost	1.0	–	–	(1.0)	–
Property, plant and equipment	14.1	–	–	–	14.1
Right of use assets	9.7	–	–	–	9.7
Deferred tax assets	0.8	–	2.5	–	3.3
Intangible assets	8.0	–	–	–	8.0
Total non-current assets	**33.6**	**–**	**2.5**	**(1.0)**	**35.1**
Total assets	**60.1**	**–**	**19.2**	**(12.0)**	**67.3**
Trade and other payables	20.7	–	–	–	20.7
Contract liabilities	7.7	–	–	–	7.7
Borrowings	6.7	(6.4)	–	(0.2)	0.1
Lease liabilities	0.5	–	–	–	0.5
Derivative financial instruments	2.5	(2.5)	–	–	–
Current tax liabilities	0.1	–	–	–	0.1
Employee benefit obligations	1.4	–	–	–	1.4
Total current liabilities	**39.6**	**(8.9)**	**–**	**(0.2)**	**30.5**
Borrowings	11.3	–	–	(11.1)	0.2
Lease liabilities and other	11.3	–	–	–	11.3
Employee benefit obligations	0.9	–	–	–	0.9
Total non-current liabilities	**23.5**	**–**	**–**	**(11.1)**	**12.4**
Total liabilities	**63.2**	**(8.9)**	**–**	**(11.4)**	**42.9**
Net assets	**(3.1)**	**8.9**	**19.2**	**(0.6)**	**24.4**
Contributed equity	0.3	15.3	22.5	–	38.1
Accumulated losses	(3.4)	(6.4)	(3.3)	(0.6)	(13.8)
Total Equity	**(3.1)**	**8.9**	**19.2**	**(0.6)**	**24.4**

Notes:

1. Redeemable preference shares were issued in January 2020 with a face value of $6.4 million. As at 30 June 2020 an additional interest expense (accounted for as an embedded derivative) had been recognised of $2.5 million. The redeemable preference shares will be converted to Shares immediately prior to the Offer with the carrying value at 30 June 2020 converting to contributed equity at the time of the Offer. An additional interest expense of $6.4 million relating to the embedded derivative will be recognised in the FY21F Income Statement which has been included as an adjustment to contributed equity and accumulated losses.
2. Proceeds of $25.0 million will be raised through the issue of new Shares which will be partly used to fund the costs of the Offer of $8.2 million. $3.7 million ($2.6 million tax effected) of Offer costs have been determined to relate to the primary raise and will be offset against equity, while $4.5 million ($3.2 million tax effected) will be expensed to the income statement and are recognised in accumulated losses in Table 4.10. The $0.1 million cost of the Employee Gift Offer is also expensed and recognised in accumulated losses. A deferred tax asset of $2.5 million is recognised based on the income tax benefit of the future deductibility of Offer costs offset against equity, calculated by applying the Australian tax rate of 30% to deductible Offer costs of $8.2 million.
3. Loans receivable from certain shareholders ($1.0 million) will be repaid to the Company within 30 days of the Offer. The outstanding borrowings from Longreach Credit Investors, amounting to $12.0 million at 30 June 2020, will be repaid in full from existing cash balances at the time of the Offer ($9.0 million) and from the Offer proceeds ($3.0 million). Capitalised borrowing costs of $0.6 million will be expensed upon repayment of the Longreach facility and has been adjusted against accumulated losses.

4.6 Net Debt

Table 4.11: Statutory and Pro forma net debt position as at 30 June 2020

$ MILLIONS	NOTES	STATUTORY AS AT 30 JUNE 2020	PRO FORMA ADJUSTMENTS[1]	PRO FORMA AT 30 JUNE 2020
Cash and cash equivalents		10.8	5.8	16.6
Short term debt				
Current loans and borrowings		6.7	(6.6)	0.1
Long term debt				
Non-current loans and borrowings		11.3	(11.1)	0.2
Lease liabilities	2	11.3	–	11.3
Net debt (cash)		**18.6**		**(4.9)**

Notes:

1. Cash and cash equivalents will increase by a net amount of $5.8 million as a result of the $25.0 million proceeds from the issue of Shares and $1.0 million repayment of loans from certain shareholders, offset by the $12.0 million repayment of the Longreach facility (split between $0.2 million current and $11.1 million non-current loans and borrowings, plus $0.6 million borrowing costs which were capitalised and offset against the loan liability) and the costs of the Offer of $8.2 million.
2. Lease liabilities primarily relate to the premises occupied by the Company at Lidcombe, NSW which houses the Company's Distribution Centre and administrative offices, as described in Section 3.7.3 of this Prospectus. The property lease is accounted for under AASB 16 which results in the recognition of the present value of the liability for future lease payments being recorded on the balance sheet.

4.6.1 Summary of existing banking facilities

Booktopia Pty Ltd currently has a credit card facility of $85,000 (**Credit Card Facility**) and bank guarantee facility of $1,247,177 (**Bank Guarantee Facility**) with the Commonwealth Bank of Australia (**CBA**).

As at the date of this Prospectus, the Company intends to establish a new borrowing facility with the Commonwealth Bank of Australia (CBA). CBA has provided the Company a credit approved letter of offer. The key terms of the letter offer include total limits of $7.2 million, comprised of $6.0 million of new limits for working capital (initially undrawn), as well as financing $1.2 million of existing bank guarantees and $0.1 million of existing credit card facilities (which will have no change on overall indebtedness).

After including the effects of repaying borrowings, Offer costs and partially offset by repayment of shareholder loans from certain shareholders, the Company had pro forma net cash of $4.9 million as at 30 June 2020.

4.7 Liquidity and Capital Resources

Following Completion of the Offer, the Company's principal sources of funds will be cash flow from operations and cash held at Completion of the Offer. The Company expects that it will have sufficient cash flow from operations to meet its business needs during the forecast period and will have sufficient working capital to carry out its stated objectives, including the new CBA facility.

The Company's ability to generate sufficient cash depends on its future performance which, to a certain extent, is subject to a number of factors beyond the Company's control including general economic, financial and competitive conditions.

4.8 Net Asset Deficiency as at 30 June 2020

The Company had a net asset deficiency of $3.1 million on a statutory basis as at 30 June 2020 primarily resulting from the fact that the redeemable preference shares (valued at $8.9 million as at 30 June 2020) are accounted for as a liability. Following completion of the Offer, the Company will not have negative net assets.

4.9 Reconciliations of Capitalised Software Development Costs

In line with AASB 138, the Company capitalises a portion of employee salaries and wages (including superannuation), contractor costs and any other external costs incurred that directly relate to the development of software used to operate the Company's core systems. These primarily relate to the automation of machinery installed in the Distribution Centre, as well as the Company's website and customer-facing systems. The capitalised costs are amortised on a straight-line basis over a ten year period.

The total cost to the income statement in a year is the proportion of costs which are expensed (typically relating to research time and maintenance of the software) and the amortisation expense.

The cash outflow includes both the amount capitalised in that given year as well as the expense recognised in the Income Statement (ignoring any working capital impacts at the start and end of the year).

Table 4.12: Reconciliation of Capitalised Software Development Costs FY18 to FY21F

	PRO FORMA HISTORICAL			PRO FORMA FORECAST
$ MILLIONS	**FY18**	**FY19**	**FY20**	**FY21F**
Research and development cash outflow				
Research and development expensed	1.0	0.3	0.5	0.8
Capitalised Software Development Costs	1.4	2.4	2.9	3.2
Total research and development cash outflow	**2.4**	**2.7**	**3.4**	**4.0**
Research and development expensed	1.0	0.3	0.5	0.8
Amortisation of Capitalised Software Development Costs	0.6	0.5	0.8	1.8
Impact on NPBT	**1.6**	**0.8**	**1.4**	**2.6**

4.10 Forecast Financial Information

4.10.1 Assumptions in relation to the Forecast Financial Information

The Forecast Financial Information has been prepared based on the significant accounting policies adopted by the Company, which are in accordance with AAS and are disclosed in Appendix A. The Forecast Financial Information is based on various general and specific assumptions concerning future events, including those set out below. This information is intended to assist investors in assessing the reasonableness and likelihood of the assumptions occurring but is not intended to be a representation that the assumptions will occur.

In preparing the Forecast Financial Information, the Company has undertaken an analysis of historical performance and applied assumptions in order to forecast future performance for FY21F. The Company believes the assumptions, when taken as a whole, to be reasonable at the time of preparing this Prospectus, including each of the general and specific assumptions set out in Sections 4.10.2 and Section 4.10.5 respectively. However, the actual results are likely to vary from the forecast and any variation may be materially positive or negative. The assumptions upon which the Forecast Financial Information is based are by their nature subject to significant uncertainties and contingencies, many of which are outside the control of the Company and the members of its Board and are not reliably predictable.

Accordingly, no assurance is given that the Forecast Financial Information or any prospective statement contained in this Prospectus will be achieved. Events and outcomes might differ in amount and timing from the assumptions, with a material positive or negative impact on the Forecast Financial Information. The assumptions set out below should be read in conjunction with the sensitivity analysis set out in Section 4.12, the risk factors set out in Section 5 and the Investigating Accountant's Report set out in Section 8.

4.10.2 General Assumptions

The following general assumptions are relevant to the Forecast Financial Information:

- there is no material change in the competitive and operating environments in which the Company operates;
- current market conditions impacted by COVID-19 begin to recover in the second half of FY21F. An easing of Government-imposed restrictions and a slow economic recovery may see a change in consumer behaviour and a resulting increase or decrease in the Company's revenue. The Company has taken a conservative position and assumed that growth in the second half of FY21 is not as positively impacted by COVID-19 as was the first half of FY21F. The impacts of COVID-19 on the business are discussed in 4.10.3 below;
- other than the expected easing of the Government imposed COVID-19 restrictions, there is no significant deviation from current market expectations of the Australian or global economic conditions relevant to the Company, including the market in which it operates;
- there is no material change in the legislative regimes (including tax) and regulatory environment in which the Company operates;
- there is no material amendment to, or termination of, any material agreement (or across a range of similar contracts like book or information technology supplier contracts which are in aggregate material) relating to the Company's business other than as disclosed in this Prospectus;
- there are no significant disruptions to the continuity of operations of the Company, in particular in the operation of the Distribution Centre, and there are no other material changes in the Company's business;
- there are no material acquisitions, disposals, restructures or investments for the Company;
- there are no material changes to the Company's corporate and funding structure other than as set out in, or contemplated by, this Prospectus;
- there is no loss of key management personnel and the Company will maintain the ongoing ability to recruit and retain required personnel;
- there is no material litigation that will arise or be settled to the benefit or detriment of the Company;
- there are no contingent liabilities that will arise or be realised to the detriment of the Company;
- there is no change in applicable Australian Accounting Standards and IFRS that would have a material impact on the Company's accounting policies, financial reporting or disclosure requirements, or its financial performance or position;
- none of the key risks set out in Section 5 eventuate, or if they do, none of them has a material adverse impact on the operations of the Company; and
- the Offer proceeds are received in accordance with the timetable set out on page 3 of this Prospectus.

4.10.3 Impact of COVID-19

As highlighted in the risk described in Section 5.2, whilst the full impact of the COVID-19 pandemic on online retailing is still unclear, the pandemic appears to have had a positive impact on the online retailing industry and the Company. The Company traded strongly in the final quarter of FY20 which continued through the first quarter of FY21F as the Company saw increased demand from customers who took advantage of being able to order books online from their homes. The Company was able to continue operating during the peak of the COVID-19 pandemic, including being able to maintain deliveries in cities and regions which were subject to quite strict Government-imposed lock-down measures via its delivery partners, although social distancing measures and other precautions implemented at the Company's Distribution Centre did result in some additional operating expenses. The sales run rate over the past six months supports the Company's expectations for the final quarter, given the seasonal trading highs around Cyber-Monday and Black Friday events at the end of November and the following Christmas sales period. For the remainder of FY21F the Company is not expecting any disruption of its operations to arise from COVID-19 but is assuming that growth in the second half of FY21F moderates to trends more in line with the Company's expectations prior to the onset of the COVID-19 pandemic.

4.10.4 Other forecast assumptions

The following other assumptions have been made in preparing the FY21F forecast:

- Depreciation: depreciation policy and useful life assumptions are forecast to remain consistent with historical levels;
- Amortisation: amortisation policy and useful life assumptions are forecast to remain consistent with historical level;
- Interest expenses: interest expenses in relation to AASB 16 and lease liabilities; and
- Income tax benefit/expense: pro forma income tax expense is assumed to be based on the profit (or loss) before tax at the relevant Australian company tax rate after adjusting for permanent tax differences.

4.10.5 Specific assumptions

The Forecast Financial Information has been prepared with consideration of the actual, unaudited, trading performance of the Company through to 30 September 2020 and is based on various specific assumptions. The key specific assumptions are summarised below.

The Company generates revenue through online customer purchases via the Company's websites, online market places where the Company also offers its products and the Company's affiliate network.

Operating expenses comprise freight and distribution expenses to deliver products to customers and overheads to support the business, including marketing, merchant, employment and other expenses.

a. Revenue

Revenue is forecast based on the expected number of units shipped multiplied by the Average Selling Price. Revenue is inclusive of income from freight and net of returns, transaction taxes (GST), trade allowances, rebates and amounts collected on behalf of third parties. Revenue is recognised on receipt of the goods by customers.

The Company has achieved year on year growth since its launch in 2004. The forecast assumes revenue growth of 23.4%. In the historical period revenue growth has averaged over 20% due to:

- A compound annual growth rate (**CAGR**) increase of approximately 15.6% in the volume of units shipped from 4.8 million in FY18 to 6.5 million in FY20, combined with
- A CAGR of approximately 4.1% in the Average Selling Price from $23.79 in FY18 to $25.80 in FY20.

The growth has been a function of the successful implementation of various sales channel initiatives, including the introduction of market places and an affiliate program as well as investment in direct marketing which has driven underlying organic growth in the Company's online platform. These factors are assumed to contribute to FY21F revenue growth in a similar fashion compared to historical achievements.

The revenue forecast for the Company has been prepared at a granular level based on the significant data that the Company is able to collect in relation to sales at a product category (including distinguishing broadly between trade and academic sales as well as the different genres of book), sales channel and customer (i.e. direct to consumer or business to business sales). These detailed assumptions flow up to the overall metrics which the Company monitors as key performance indicators which are set out in Table 4.3.

Units shipped

FY21F units shipped are assumed to increase by 1.0 million units to 7.5 million units. This represents an annual increase of 15.8%, compared to an average 15.6% over the historical period. The forecast increase in units shipped is predominantly expected from growth in the Australian online book market, through enhancements across booktopia.com.au, angusrobertson.com.au, and relevant marketplaces. Growth in online retail sales channels is achieved through additional retention and acquisition programs to acquire first-time customers while stimulating growth in spend and order cadence of existing customers. The Company also expects to be able to apply some of the net proceeds from the Offer towards investment in inventory, increasing the volume of titles in stock when the customer orders, which is a key factor in converting sales.

In FY21F the Company expects to increase the sales of academic and professional books, given the acquisition of the UCB Assets and a focused sales and marketing strategy to penetrate further into this market. The Company was pleased with the results in this business area in July and August (typically the second highest sales period in this category given the academic year) and has assumed continuous growth in the second half of FY21F that is consistent with this trend.

Average Selling Price

The Company expects the sales channel mix in FY21F to remain largely consistent with historical experience, with the Average Selling Price assumed to increase by 5.7% to $27.28 in FY21F (compared with a CAGR growth of 4.1% between FY18 and FY20).

The forecast price increase is based on CPI related increases across the trade category but also reflects the anticipated change in the product mix towards higher value books, particularly as a result of higher units being sold in the academic category in FY21F.

Average Order Value

The Average Order Value is derived from total sales of the Company (including GST but excluding freight) divided by the total number of orders. The Company is expecting to achieve an increase of 5.0% in the Average Order Value from $65.08 in FY20 to $68.34 in FY21F.

The increase in Average Order Value is driven by the overall expected increase in Average Selling Price discussed above.

b. Cost of sales

Cost of sales is largely variable in nature and comprises the costs for purchasing books, packaging and other products sold by the Company to its customers. These costs generally increase in line with revenue growth.

Gross profit per unit shipped is forecast to increase 10.7% from $6.73 in FY20 to $7.45 in FY21F due to the change in product mix discussed above, with more units being shipped in the academic category, which have a considerably higher selling price than the trade category, resulting in higher gross profit per unit shipped.

The assumed gross profit margin per unit shipped is forecast to increase from 26.2% in FY20 to 27.2% in FY21F as a result of the movement in Average Selling Price and gross profit per unit shipped. While the expected gross profit margin percentage increases, this is a net result of increases in prices and costs across the various categories and reflects the fact that while academic books have a higher Average Selling Price and higher gross profit per unit shipped, the gross profit margin per unit is somewhat lower than the trade category.

c. Operating expenses

Employee expenses

Employee costs are forecast based on headcount and payroll costs including bonus, on-costs (superannuation, payroll taxes and other benefits), annual leave accrual and are net of capitalised personnel costs. Assumed headcount allows for anticipated increases in personnel resource requirements (headcount of approximately 210 in June 2020), especially in the areas of technology (web product managers, engineers and designers), sales and marketing and customer service across Australia and the Philippines and in the Distribution Centre to support forecast revenue growth. Employee expenses are net of Capitalised Software Development Costs, which are investments made in developing software to support the Company's IT infrastructure.

Distribution Centre wages per unit shipped are expected to decrease significantly, from $1.42 in FY20 to $1.16 in FY21F as a result of underlying efficiency gains through the installation of new machinery to automate part of the packing process, combined with a reversion to typical working hours in the Distribution Centre given additional labour costs were incurred in FY20 and the first quarter of FY21F to cater for the significant increase in sales volume experienced in the final quarter of the financial year.

Employee expenses in FY21F also include an estimate of approximately $0.4 million in relation to the additional costs of the long-term incentive plan to be implemented for key employees of the Company.

Merchant expenses

Merchant fees are based on a fixed percentage of the transaction value and so are forecast to grow in line with revenue growth, based on assumed transaction size and number of transactions. The merchant fees are determined by existing agreements between the Company and payment platforms.

Marketing expenses

Marketing expenses consist primarily of expenditure on digital advertising including paid and organic search, email marketing, partnerships and affiliates, marketplaces including eBay, Catch and Trade Me and other general marketing activities. Marketing expenses also includes the spend with programs such as Qantas Frequent Flyer. Distribution across the sales channels is forecast to remain largely consistent with the historical period.

Other expenses

Other expenses and overheads are forecast on a bottom-up basis including an allowance for the costs associated with being a publicly listed entity. Other operating expenses include occupancy expenses (including outgoings charged by the Company's landlord), technology and communications, professional services, insurance, utilities and other office costs. Other operating expenses historically also included gains and losses associated with foreign exchange rate movements due to changes in these rates between orders and settlement of purchases in foreign currencies (mainly USD and GBP). The impact of these movements has historically been limited, partially due to hedging of foreign exchange rate risk through forward foreign currency purchases. In light of the limited historical impact, the Company has not forecast any gains or losses associated with foreign exchange rate movements.

d. Capital expenditure and working capital

The forecast capital expenditure is based on the detailed design specifications and contracted terms for the various pieces of machinery, together with the Company's estimate of the required installation costs based on quotes received from service providers and historic experience.

Capitalised Software Development Costs in relation to the warehouse management systems and websites are forecast based on the Company's historical experience of the proportion of time of the development team that can be capitalised together with reference to the planned development roadmap.

Working capital assumptions for FY21F are consistent with historical trends and incorporate other specified payments and receipts.

4.11 Management Discussion And Analysis Of The Pro Forma Historical Financial Information And Pro Forma Forecast Financial Information

4.11.1 Overview

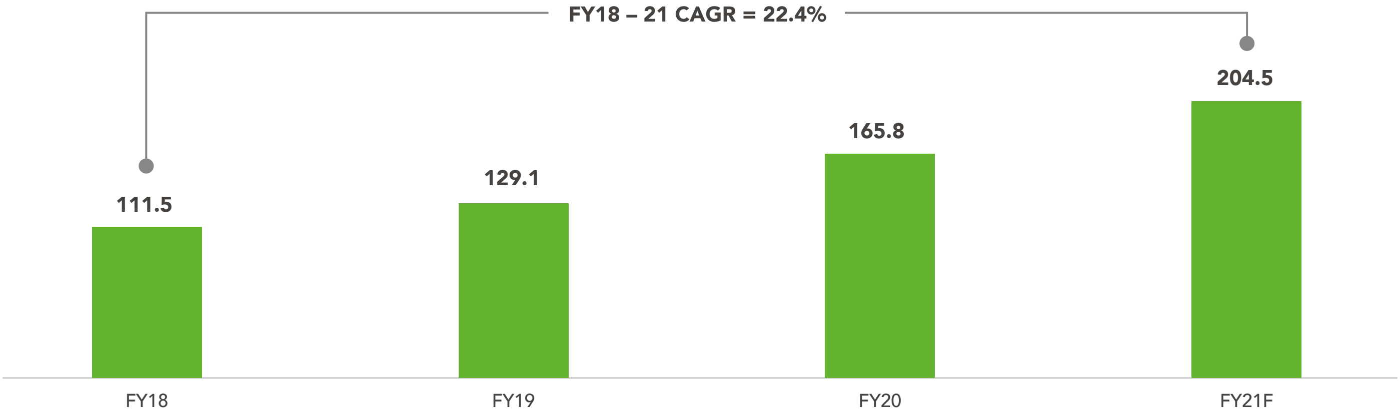
This Section 4.11 sets out a discussion of the main factors which affected the Company's operating and financial performance in FY18, FY19 and FY20, as well as the factors the Company expects may continue to be a driver during FY21F.

The discussion of these general factors is intended to provide a brief summary only and does not detail all the factors that affected historical operating and financial performance, nor everything which may affect the Company's operating and financial performance in the future. Unless otherwise stated, all metrics and financial information presented in this section, and the related commentary is on a pro forma basis only.

The information in this Section 4.11 should also be read in conjunction with the general and specific assumptions in Sections 4.10.2 and 4.10.5, the sensitivities in Section 4.12 and the risk factors set out in Section 5 and the other information contained in this Prospectus.

4.11.2 Revenue

Figure 4.1: Pro Forma revenue FY18 – FY21F ($ millions)



From FY18 to FY19, the Company reported an increase in revenue of $17.6 million, from $111.5 million to $129.1 million. The underlying metrics supporting this growth were an 11.3% increase in the number of units sold and a 3.9% increase in Average Selling Price. This increase was accomplished through a deliberate strategy by the Company to pursue the academic product market with a combination of a competitive pricing strategy and improved range and quantity of stock on hand, which successfully delivered a 6.0 percentage point improvement in market share of the academic and professional book market vs FY18, according to Nielsen BookScan. As a result of this strategy, together with a strong Christmas publishing line-up in 2018 sales of higher priced non-fiction books (professional, trade and lifestyle) grew at twice the rate of lower priced books in the children's and fiction categories (in units). Further operational improvements to increase revenue included a strategy to sell down remainder titles that were taking space in the warehouse and replacing these with increased quantities of higher demand titles.

From FY19 to FY20, the Company experienced strong growth across all subject groups, driven by Booktopia's stocked range of titles, particularly during the fourth quarter as a result of a general consumer shift towards online purchasing, partly attributable to the impacts of the COVID-19 pandemic. Total revenue increased by $36.7 million from $129.1 million in FY19 to $165.8 million in FY20. The underlying metrics supporting this growth were a 20.1% increase in the number of units shipped and a 4.3% increase in Average Selling Price.

During FY20, the Company continued to experience strong growth and increases in market share in the academic and professional segments, adding an additional 14.5 percentage point gain in market share to hold 38% market share of the segments (according to Nielsen Book Scan), was further supported by the acquisition of the UCB Assets. The Company drove the revenue growth through further expansion of the buying team (including the appointment of dedicated category managers) and further improvements in inventory algorithms (to increase inventory levels for faster selling titles) and pricing algorithms (to maximise sales prices and margins for stocked and non-stocked product ranges). The Company also implemented general price increases (resulting in a 4.3% increase in Average Selling Price during FY20), to cover increased international freight costs, additional operational expenses related to management of the COVID-19 pandemic, as well as movements in the Australian dollar, particularly during the final quarter of FY20.

The Company was also able to apply some of the proceeds from the fund raising it completed in January 2020 to invest in further academic inventory (prior to the start of the university semester purchasing cycle) to further support increased academic book revenue by ensuring books were in stock to meet customer demand.

Other measures to support revenue growth from FY19 to FY20 included continuing to sell down aged stock and concentrate inventory holdings to carry a range of fewer titles but to focus on those with higher demand, which improved inventory stock turns and revenue. The Company also directed its marketing strategy and spend to direct customers to the Booktopia and Angus & Robertson websites (rather than marketplaces, which charge selling commissions).

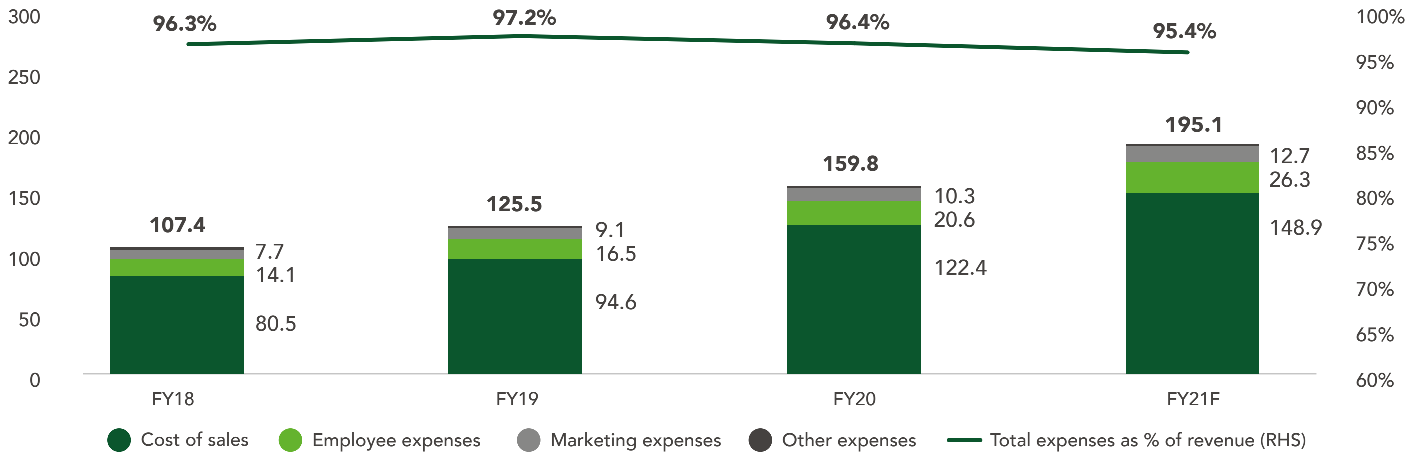
From FY20 to FY21F, the Company's revenue is forecast to increase by $38.8 million from $165.8 million to $204.5 million, driven by a combination of:

- growth in new and existing customers as a result of a shift in consumer spending towards online, which has accelerated partly as a result of the impacts of COVID-19;
- the impact of new customers acquired through the Company's acquisition of the UCB Assets in FY20;
- continued expansion of the Company's buying team, which enabled better merchandising and improving the range of books sold available for sale by the Company;
- appointment of a country-wide account management team in late FY20 of 10.5 FTEs with further expansion planned in FY21F to foster sales through universities, libraries, schools and bookshops;
- growth in the Company's Booktopia Publishing Services division, more than doubling the number of active publishers in FY20 which will impact revenue in FY21F and improving the Company's access to in-demand stock;
- investments made in the Distribution Centre to increase the number of units that can be stored, shipped inbound and outbound, which are expected to result in higher revenue and allow for further modification of inventory algorithms to increase stock levels and turns (particularly during peak selling periods); and
- continued refinement to the Company's marketing strategy to focus on higher margin and priced orders.

4.11.3 Cost of sales and operating expenses

Figure 2 below illustrates total expenses, comprised of cost of sales and operating expenses, as well as total expenses as a percentage of revenue from FY18 – FY21F.

Figure 4.2: Cost of sales ($m) and operating expenses by Category

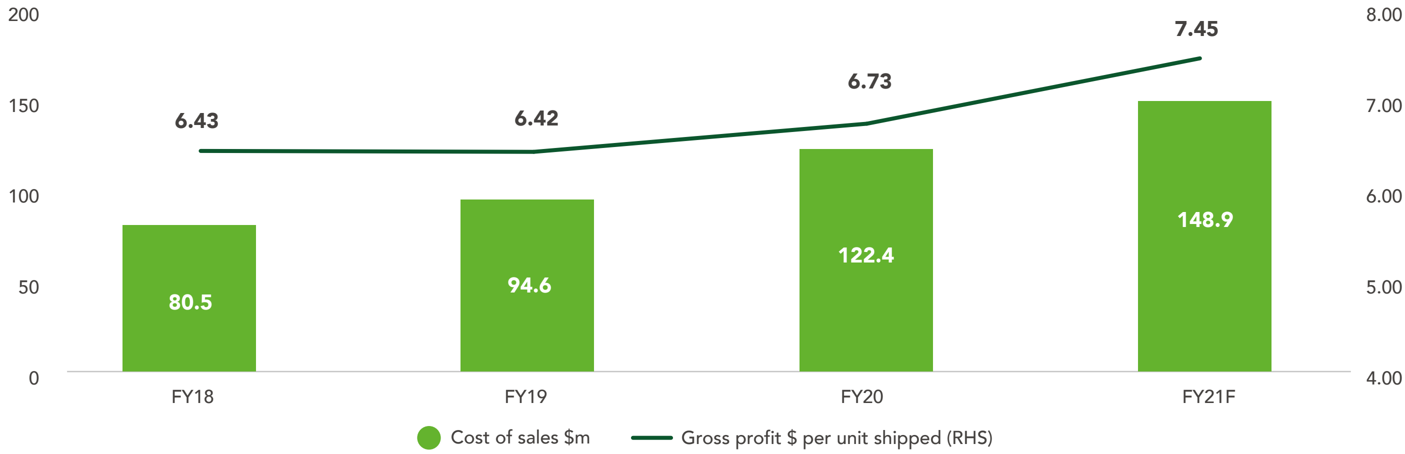


Total expenses as a percentage of revenue are expected to decrease from 96.4% in FY20 to 95.4% in FY21F. This decrease reflects the investments that the Company has made in expanding, upgrading and improving the efficiency of the Distribution Centre, which will support the expected increase in sales and marketing and position the business for additional future revenue growth and scale.

4.11.4 Cost of sales and gross profit

Cost of sales comprises the costs of purchasing books and other products sold by the Company, packaging, postage, customs duties and any inventory write-offs.

Figure 4.3: Cost of sales ($m) and gross profit per unit FY18 – FY21F



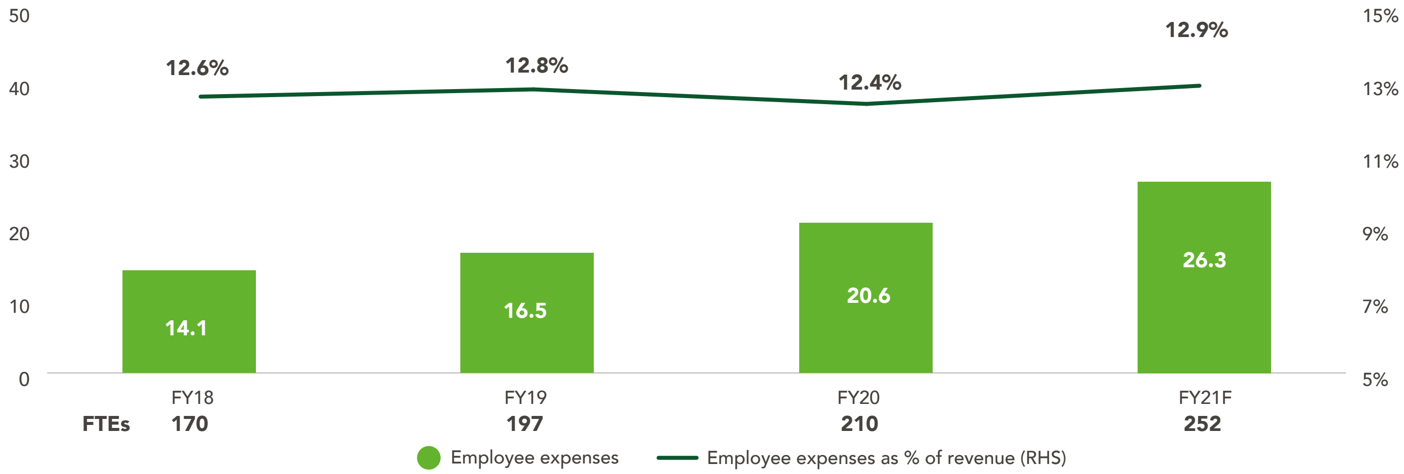
From FY18 to FY19, cost of sales increased by $14.2 million from $80.5 million to $94.6 million, with the main driver being the increase in units shipped. Gross profit (being revenue less cost of sales) increased by $3.5 million from FY18 to FY19 from $31.0 million to $34.5 million, while gross profit per unit shipped declined slightly, being $6.43 in FY18 and $6.42 in FY19.

From FY19 to FY20, cost of sales increased by $27.7 million from $94.6 million to $122.4 million. Gross profit increased by $8.9 million from $34.5 million to $43.4 million, while gross profit per unit shipped increased from $6.42 to $6.73. The improvement in gross profit per unit shipped was due to improved efficiencies in the Distribution Centre.

From FY20 to FY21F, cost of sales is forecast to increase by $26.5 million from $122.4 million to $148.9 million, which is due to a 15.8% increase in units shipped to 7.5 million. Due to further efficiencies being realised in the Distribution Centre as well as a shift in product mix towards academic books (which have a higher gross profit per unit than other categories), gross profit is expected to increase by $12.2 million from $43.4 million to $55.7 million. Gross profit per unit is expected to increase from $6.73 to $7.45 over that same period as a result.

4.11.5 Employee expenses

Figure 4.4: Employee expenses ($m) and employee expenses as a % of revenue



From FY18 to FY19, employee expenses, increased by $2.4 million from $14.1 million to $16.5 million, as the Company employed additional FTEs to meet customer orders, primarily in the Distribution Centre but also in the finance and supplier management teams.

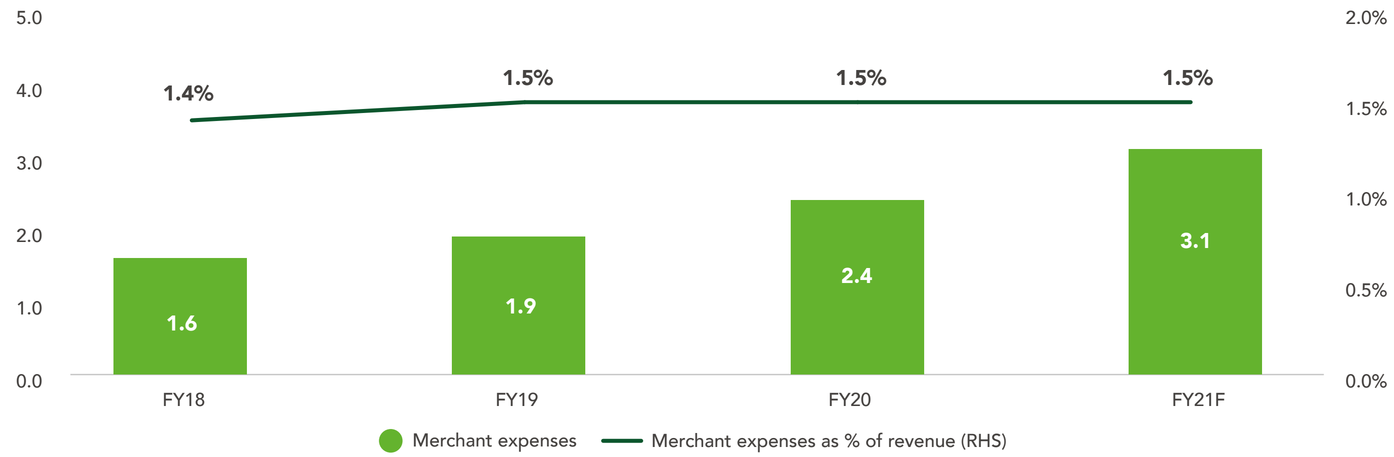
From FY19 to FY20, employee expenses increased by $4.1 million from $16.5 million to $20.6 million, as the increase in sales and units shipped required additional FTEs and contractors to be employed in the Distribution Centre and customer service to ensure that customer orders could be met. Additional FTEs were also required to manage key customer accounts as well as in the technology team.

From FY20 to FY21F, employee expenses increased by $5.7 million from $20.6 million to $26.3 million. The Company forecasts that additional Distribution Centre and customer service FTEs will continue to be required to meet strong demand levels and while the upgrades and automation of the Distribution Centre are being installed. Additional FTEs are expected to be required in the technology and digital marketing teams. As a result, FY21F employee expenses as a percentage of revenue are forecast to increase slightly compared to FY20.

4.11.6 Merchant expenses

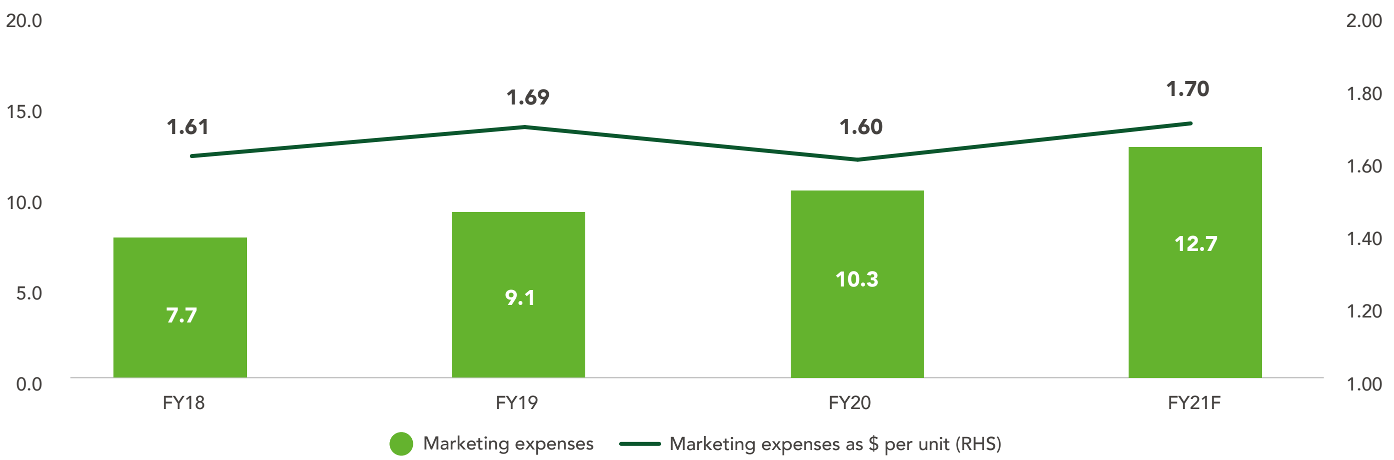
Merchant fees vary directly in proportion with revenue and represent fees charged by merchant payment platforms for the costs of processing online transactions but typically average 1.5% of revenue. For FY21F, the Company expects these to remain at a similar percentage.

Figure 4.5: Merchant expenses ($m) and merchant expenses as a % of revenue



4.11.7 Marketing expenses

Figure 4.6: Marketing expenses ($m) and marketing expenses per unit ($)



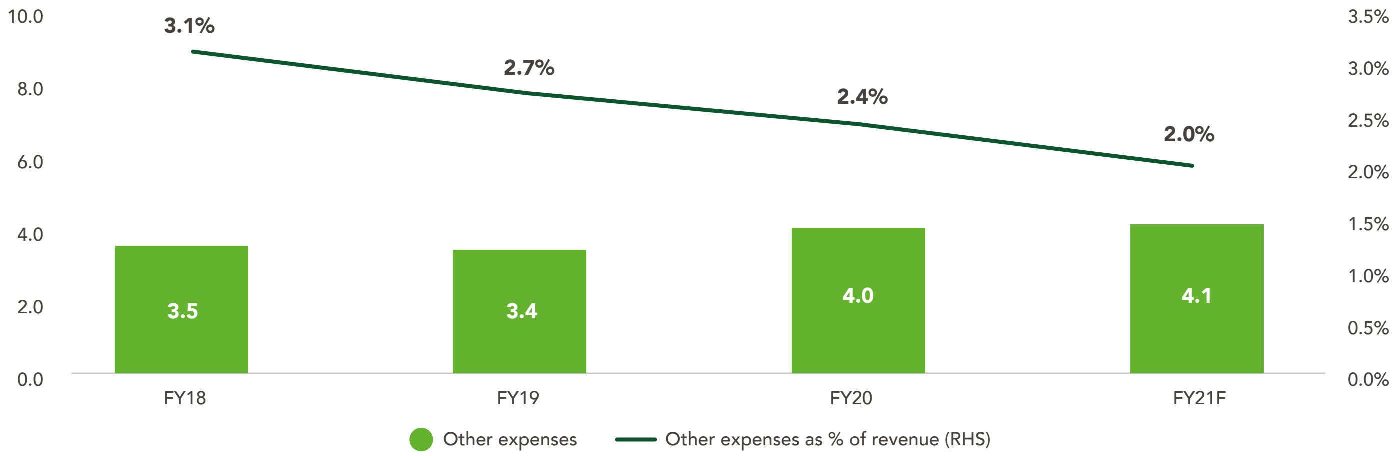
From FY18 to FY19, marketing expenses increased by $1.3 million from $7.7 million to $9.1 million predominately due to an increase in advertising spend of $1.2 million on Google Adwords, Microsoft Bing and marketplaces, contributing to increased revenue. The marketing expense per unit increased from $1.61 to $1.69 over that same time period.

From FY19 to FY20, marketing expenses increased by $1.3 million from $9.1 million to $10.3 million, with a decrease in marketing expense per unit from $1.69 to $1.60. During FY20 a significant increase in marketing spend ($1.2 million) was undertaken with the Qantas Frequent Flyer program which accounted for the majority of the increase in marketing expenses. Also, due to COVID-19 in FY20, the $1.3 million increase in marketing expense is a lower increase in marketing expense than originally expected.

From FY20 to FY21F, marketing expenses are expected to increase by $2.3 million, from $10.3 million to $12.7 million. FY21F assumes increased spending on Google Adwords , Qantas Frequent Flyer as well as print advertising. The $2.3 million increase in FY21F marketing expenses is also larger than the FY20 increase ($1.3 million) as it includes additional marketing expense that would have normally been undertaken in FY20. Marketing expense per unit is expected to increase from $1.60 to $1.70.

4.11.8 Other expenses

Figure 4.7: Other expenses ($m) and other expenses as a % of revenue



Other expenses includes items such as repairs and maintenance, public company costs (including audit costs, director fees, investor and public relations, company secretary costs and ASX listing fees), insurance costs, electricity, equipment rental as well as occupancy costs (relating to outgoings and expenses charged by the Company's landlord).

From FY18 to FY19, other expenses decreased by $0.1 million from $3.5 million to $3.4 million. From FY19 to FY20, other expenses increased by $0.5 million from $3.4 million to $4.0 million as other expenses in FY19 included a $0.5 million deferred revenue reversal which did not occur in other expenses in FY20.

From FY20 to FY21F other expenses are expected to increase by $0.1 million, from $4.0 million to $4.1 million, with most cost categories expected to see immaterial movements in expense.

4.11.9 Depreciation and amortisation

Depreciation: relates to the depreciation of plant and equipment and leasehold assets. Depreciation is calculated using the straight-line method to allocate the plant and equipment cost or revalued amounts, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, if shorter, the lease term. The Company is investing in significant capital expenditure projects during FY21F which are expected to be completed by the end of the financial year. Given depreciation is only charged from the point at which the asset moves into commercial use, this is expected to result in a higher depreciation charge in future years.

Amortisation: relates to the amortisation of acquired and developed software, the majority of which is amortised based on an expected useful economic life of ten years. The Company has invested significantly in development in the historical period, which will result in an increased amortisation expense, which is forecast in FY21F.

4.11.10 Net interest expense

Pro forma net interest expense primarily reflects the interest element in relation to the accounting for the property lease in accordance with AASB 16.

4.11.11 Tax

Income tax benefit/(expense) included in the forecast for FY21F has been based on the effective tax rates expected to be applicable to the Company and allowing for known upcoming expenses such as Offer costs (that may be tax deductible) as well as public company listing costs.

4.11.12 Cash flow

Table 4.13: Pro Forma movements in net cash flow before interest and tax

		PRO FORMA HISTORICAL			PRO FORMA FORECAST
$ MILLIONS	**NOTES**	**FY18**	**FY19**	**FY20**	**FY21F**
EBITDA		**4.1**	**3.6**	**6.0**	**9.8**
Change in working capital		(1.4)	2.9	1.3	5.5
Cash flow from operating activities		**2.7**	**6.6**	**7.3**	**15.2**
Capitalised Software Development Costs		(1.8)	(2.6)	(3.8)	(3.2)
Payments for property, plant and equipment	1	(0.5)	(1.5)	(8.8)	(14.0)
Lease repayments		(2.2)	(0.3)	(1.4)	(0.5)
Net cash flow before interest and tax		**(1.8)**	**2.2**	**(6.7)**	**(2.5)**

Note:
1. Note that this represents the net cash outflow from payments for property, plant and equipment. The amounts referred to in the commentary below (particularly for the Distribution Centre) may differ due to timing differences and accounting treatment.

a. Working capital

The Company's working capital primarily comprises the sum of inventory, receivables, other current assets less the sum of trade payables, revenue received in advance, provisions and employee benefit obligations.

During FY21F, the increase in inventory turnover (as a result of revenue growth) in conjunction with favourable supplier terms is expected to contribute to an increase in positive working capital cash flows.

b. Capitalised Software Development Costs

Historical software developments costs capitalised include the capitalisation of costs relating to the development of new systems for new business divisions, continued development of additional functionality of in-house software systems used in managing the Distribution Centre and the development of new or enhanced processes within the Distribution Centre to optimise customer experience.

In FY18 capitalised software development costs totalled $1.8 million. This increased to $2.6 million in FY19 and increased to $3.8 million in FY20 as a result of continued improvements to the Company's infrastructure and systems.

In FY21F, capitalised software development costs are expected to decrease by $0.6 million to $3.2 million after having completed the majority of the code for the new packaging and sortation systems in FY20. The majority of development costs in FY21 relate to phase 1 of the robotisation of putaway and picking processes and increasing storage capacity in the warehouse.

c. Payments for property, plant and equipment

The Company incurs capital expenditure in relation to development of its digital and physical environment. Investments in the digital environment include website and systems optimisation. Investments in the physical environment mainly comprise investments in Distribution Centre equipment.

The majority of this expenditure relates to the upgrade and expansion of the Distribution Centre. Capital expenditure in FY18 of $0.5 million represented investment in plant and equipment. In FY19, capital expenditure was $1.5 million, relating to plant and equipment as well as the construction of the mezzanine area in the Distribution Centre.

A more significant capital expenditure program primarily comprising investment into automation of the Distribution Centre commenced in FY20 with $9.0 million invested into automation equipment including new conveyors, packing machines and sorting equipment. Additional capital expenditure amounted to $0.4 million in relation to computer and hardware upgrades and the purchase and upgrade of plant and equipment for the DC.

In FY21F, capital expenditure is expected to be $14.0 million, primarily split between two main projects, being $4.4 million to complete the investment into packing automation which commenced in FY20 and investment of $8.7 million into the automation of the ingesting, picking and putaway functions of the Distribution Centre as well as further storage space.

This capital expenditure will double the capacity to ship books from 30,000 to 60,000 per day and increase the number of stocked units from 135,000 to 200,000 and will be completed by the end of 2021.

4.12 Sensitivity Analysis

The Forecast Financial Information is based on a number of estimates and assumptions described in Section 4.10 that are subject to business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Company, its Directors and management, and based upon assumptions with respect to future business developments, which are subject to change.

Investors should be aware that future events cannot be predicted with certainty and as a result, deviations from the figures forecast in this Prospectus are to be expected. To assist investors in assessing the impact of these assumptions on the forecasts, set out in Table 4.14 is a summary of the sensitivity of certain Forecast Financial Information to changes in a number of key variables. The changes in the key variables as set out in the sensitivity analysis are not intended to be indicative of the complete range of variations that may be experienced. For the purposes of the analysis below, the effect of the changes in key assumptions on the FY21F pro forma consolidated forecast revenue of $204.5 million and EBITDA of $9.4 million is presented. The sensitivity analysis is intended as a guide only and variations in actual performance could exceed the ranges shown.

Table 4.14: Sensitivities

			FY21F	
ASSUMPTION	NOTES	INCREASE/ DECREASE	IMPACT ON REVENUE ($000)	IMPACT ON EBITDA ($000)
Units shipped	1	+/- 5%	+/- 9,288	+/- 1,458
Average Selling Price	2	+/- 5%	+/- 9,193	+/- 2,865
Gross margin	3	+/- 1pp	n/a	+/- 1,852

Notes:
1. Calculation based on +/- 5% change in shipped units.
2. Calculation based on +/- 5% change in Average Selling Price assuming gross margin % is held constant.
3. Calculation based on +/- 1 percentage point (pp) change in gross margin by adjusting cost of sales.

Care should be taken in interpreting these sensitivities. The estimated impact of changes in each of the variables has been calculated in isolation from changes in other variables, in order to illustrate the likely impact on the forecast. In practice, changes in variables may offset each other or be additive, and it is likely that the Company would respond to any adverse change in one variable by seeking to minimise the net effect on the Company's revenue and EBITDA.

4.13 Dividend Policy

There is no intention for the Company to pay a dividend in respect of the forecast period outlined in this Prospectus. It is the Directors' intention to reinvest future cash flows in further growing the Company.

The payment of dividends by the Company beyond the forecast period is at the discretion of the Directors and will be a function of a number of factors including the Company's operating results, cash flows, financial condition, availability of franking credits and any other factors the Directors may consider relevant.

5. Risk factors

5.1 General

There are a number of risks associated with Booktopia Group and a number of general risk factors associated with an investment in Shares. These risks may individually or in combination have a material adverse impact on Booktopia Group's business, operating and financial performance. Many of these risks are outside the control and influence of the Directors and management. There can be no guarantee that Booktopia Group will achieve its stated objectives or that any of the forward looking statements or projections will eventuate. Investors should note that past performance is not a reliable indicator of future performance.

This Section describes the major risks associated with an investment in Booktopia Group. The risks chosen are based on the knowledge of the Directors as at the Prospectus Date. There is no guarantee or assurance that the importance of different risks will not change or other risks will not emerge. The risks have been separated into business risk factors specific to Booktopia Group and general risk factors associated with any investment in shares. All investors need to be aware that this is not an exhaustive list of risks associated with an investment in Booktopia Group and this information needs to be considered in conjunction with all the other information disclosed in this Prospectus.

Before deciding to invest in Booktopia Group, you should read the entire Prospectus and, in particular, in considering this Prospectus, should consider the assumptions underlying the prospective financial information and the risk factors that could affect the future performance of the Group. You should also seek professional guidance from your stockbroker, solicitor, accountant or other qualified professional adviser before deciding whether to invest.

5.2 Company specific risk factors

Company specific risk factors include the following:

Performance and reliability of Booktopia Group's websites, databases and operating systems	There is a risk that Booktopia Group may experience a prolonged disruption (for example due to systems failure) to its websites, databases or operating systems, which are critically important to the Company's success in attracting and retaining customers, and maximising sales conversion from those customers. This could also directly damage the reputation and brand of the relevant platform and could reduce visitors to the affected website and directly influence sales to customers. Any of these events could adversely affect Booktopia Group's financial and operational performance. Booktopia Group's websites, databases and associated systems are hosted on platforms provided by third party providers. The warehouse management system and other office systems and databases are hosted on platforms located at the head office. These systems are subject to events that are beyond the control of those third parties, such as earthquakes, floods, fires, power grid issues, telecommunication and network failures, terrorist attacks, computer viruses and other similar events. A catastrophic failure in the systems of a third party provider, even where disaster planning contingencies have been put in place by those third party providers, may have a materially adverse impact on the systems and operations of Booktopia Group, cause data loss and impact sales. Such events may also lead to customer disenchantment or reputational damage. Any of these events, particularly if Booktopia Group's insurances do not fully cover the risk, may adversely affect Booktopia Group's financial performance or position. There is a risk that Booktopia Group's databases and electronically stored information, including its customer and third party supplier databases and data analytics information are affected by or subject to computer viruses, electronic theft, physical terminal theft or physical damage resulting in a loss of data, employee language programming errors, operating system failures, third party provider failures and similar disruptions. If an irrecoverable loss of information occurs, Booktopia Group would incur a financial cost to remedy the event (if it can be remedied), adversely affecting its financial and operational performance and potentially its reputation. Booktopia's IT systems could also be adversely affected by factors such as the failure to adequately plan for disaster recovery and business continuity, power interruptions, interruption or failure of server stack hardware or software, failure of wired and wireless network infrastructure, server or workstation virus outbreaks or interruptions to call centre capability through failure of external phone service, internet service outage, or site denial-of-service attacks. Significant or prolonged IT system failures may disrupt Booktopia Group's business operations and may adversely affect its financial performance.

Hacking attacks and website and technology platform failure	Booktopia Group may experience material disruptions to its websites and technology platform on which it relies to display content to customers from targeted hacking attacks, cyber attacks, ransomware attacks distributed denial-of-service attacks or other disruptive attacks. Booktopia Group is also exposed to the risk of interference with internet services generally or as a result of the failure of the systems of third party IT service providers. Unavailability of its websites or technology platform could lead to a loss of revenue which could have an adverse impact on Booktopia Group's business operations or financial performance.
Distribution Centre disruption	There is a risk that a major disruption to the Distribution Centre caused by fire, flooding, power interruption, industrial action or other similar events could impact Booktopia Group's ability to deliver products to schedule. There is also a risk that the Distribution Centre may need to be closed for a day or more to allow it to be 'deep cleaned' in response to a staff member testing positive to COVID-19, or any similar contagious virus or illness, and this would also adversely impact Booktopia Group's ability to deliver products to schedule. The Distribution Centre may also be required by a government or other authority to be closed for an extended period of time, including in response to a health or other crisis. Further, Booktopia Group's automation program may experience delays or failure that could reduce service levels, stock availability and delay despatch times. Booktopia Group's financial and operational performance could be adversely affected by such events, particularly where it experiences a system failure that causes prolonged disruption to its websites, logistics or inventory management systems. Other risks in relation to the Distribution Centre include: • The failure of primary machine systems, such as packing, conveyor and compressor machines; • Failure of the warehouse management system; • Extensive damage to stock; • Theft of stock; • Interruption to leasehold or other property related matters; and • Government regulation that limits or otherwise adversely impacts the Group's operations at its Distribution Centre.
Internet and data security breaches	Sophisticated tools and methods used by hackers and cyberterrorists may result in a failure by Booktopia Group to adequately protect sensitive customer and supplier information it collects, transmits and stores. In an effort to protect sensitive information, Booktopia Group relies on a variety of security measures. There is a risk that the preventive measures which Booktopia Group takes to address these risks become more costly in the future, which may adversely affect its profitability. Booktopia Group transmits personal and financial information from customers and other website users to various third party suppliers of services, including 'Software as a Service' and 'Infrastructure as a Service' providers and other cloud based technology providers. Booktopia Group is reliant on the adequacy of the security safeguards of these third parties to keep confidential information, such as user personal and financial information, secure. A material data security breach by Booktopia Group or one of its suppliers may result in significant regulatory action, reputational damage and loss of sales or access to suppliers. If Booktopia Group or any of its third party service providers experience security breaches that result in the loss or unauthorised disclosure of sensitive information, people may become unwilling to provide Booktopia Group the information necessary to become registered users. Existing customers may also decrease their purchases or close their accounts. Booktopia Group could also face potential liability and litigation. Any of these results could harm Booktopia Group's reputation, and could have an adverse impact on Booktopia Group's business operations or financial performance.

Growth of online retail in general and growth in demand for books may not continue	There is a risk that the online retail market, and the book segment in Australia in particular will not continue to grow or maintain its current volumes. These markets, and Booktopia Group itself, are subject to factors outside Booktopia Group's control including Australia's outlook for economic growth, consumer sentiment, global economic outlook, foreign economic shocks, and adverse exchange rate movements. Additionally, the lockdowns associated with the COVID-19 pandemic have led to increased online book sales, however once those lockdowns are eased, the growth in online sales may not continue as consumers have the ability to access physical retail stores. One or more of these factors could cause a slowing or contraction in the growth in the market and industry, and in Booktopia Group's growth.
Recruitment and retention of key personnel and other employees	The Company's success is dependent on its ability to attract individuals that will complement its culture and retain experienced key management personnel including CEO Tony Nash. There is a risk that competition within the online retail market could increase the demand and cost for quality employees. Booktopia Group's financial and operational performance could be adversely affected if it cannot attract and/or retain employees or key management personnel to implement its growth strategy and maintain its market position.
Booktopia Group relies on third-party suppliers for its products	Booktopia Group has a large number of suppliers that provide a broad range of products. Its supply agreements are not based on long term contracts and vary from case to case, with many terminable at will or on short notice. Some of these contracts also expire within the next 12 months. There is a risk that Booktopia Group's relationships or terms of trade with these suppliers deteriorate or these suppliers are unwilling or unable to renew contractual agreements, or that they are unwilling to continue dealing with Booktopia on the same credit and other terms of trade as they currently do, which may have an adverse effect on Booktopia Group's financial and operational performance. Third party suppliers may also have a "stock out" during which they may have insufficient quantities of products available in a timely manner, or they may encounter financial or material difficulties or labour shortages, which may adversely affect the supply of products to Booktopia Group. They may also enter into preferential or exclusive arrangements with Booktopia Group's competitors. Booktopia Group's suppliers may also incur unforeseen costs, or seek changes in credit terms. These factors may adversely impact Booktopia Group and have an indirect adverse effect on purchase volumes of Booktopia Group's customers, which in turn may also have an adverse effect on Booktopia Group's financial and operational performance. A number of Booktopia Group's supplier contracts require counterparty consent following a change of control (which may occur as a result on Completion). A failure by Booktopia Group to satisfy its obligations under change of control provisions may result in contract breaches, which may have unfavourable effects, for example, a contract may be terminated and Booktopia Group would need to enter into a new contract with an alternative counterparty. Additional related risks that Booktopia may face include: • the inability to source new suppliers as Booktopia Group grows its business; and • "remainder companies" may close down as publishers reduce excessive print runs (reducing excess stock).
Customer service	Booktopia's business model is based on generating revenue through the provision of a service. Booktopia may be unable to encourage sales from existing and new customers including its larger government and education customers at their current volume of orders over the timeframes or with the pricing Booktopia currently expects. Booktopia may fail to encourage repeat sales from existing customers for a number of reasons, such as the failure to meet customer expectations, poor customer service, technology disruptions, pricing, competition or if the brand equity Booktopia has built since inception is eroded for any reason. Booktopia's ability to generate recurring revenue from existing customers may also be impacted by broader factors affecting the macro-economic conditions, levels of economic activity or changes in the regulation of Booktopia's business or those of its government and education customers operate more generally. If any of these occur, it may adversely impact the Company's revenue and financial performance.

New and existing competitors could adversely affect prices and demand for books and decrease Booktopia Group's market share	There is a risk that existing international and domestic competitors, including traditional Physical Only retailers, Bricks & Clicks retailers and other Online Only retailers, compete aggressively against Booktopia Group in the future, including on pricing or by strengthening their Australian presence through the establishment or enlargement of Australian distribution centres, or through financial or operational investment. Some of Booktopia's competitors are many times larger than Booktopia Group. This may increase Booktopia Group's costs of customer acquisition and lower its margins due to pricing pressure. Further, the Company's market share in the online book retailing segment may decline if competitors increase their focus on growing online sales through investment in that channel. An increase in competitive pressures may have an adverse effect on Booktopia Group's financial and operational performance.
Booktopia Group's recent growth rates may not be sustainable or indicative of future growth	Booktopia Group's growth depends upon many factors such as customer service, the ability to efficiently ship orders and the ability to acquire customers in a cost-effective manner. The risks listed in this Prospectus may materially affect these factors and adversely impact the ability of Booktopia Group to achieve its assumed growth rates. In addition, Booktopia Group's historical growth rates may not be sustainable and may not be indicative of future performance. For example, in future Booktopia Group may need to spend more than anticipated to acquire and retain customers or may generate less net revenue per customer than anticipated, which could have a negative impact on the business. Achievement of any of the foregoing cannot be assured. Failure to continue to grow revenue could have a material adverse effect on Booktopia Group's financial performance and results of operations.
Integration of future acquisitions may not be successful	Booktopia Group will consider future acquisitions where the Company believes that those acquisitions are complementary to the future growth strategy of the Group. There are a number of risks associated with acquisitions such as the integration of financial, operational and managerial resources. In addition, while Booktopia Group has and will conduct due diligence on proposed acquisitions, there is no assurance that an acquisition will perform as forecast once fully integrated, or successfully achieve the desired objectives and synergies.
The growth in online penetration and rate of migration to online platforms may not continue	Growth in online retail is being driven partly by the migration of customers from a traditional offline retailing experience to online retailing platforms across a number of segments. These drivers are largely outside Booktopia Group's control and there is no guarantee that the migration of customers will continue to grow in the future. The lockdowns associated with the COVID-19 pandemic have also led to increased online book sales, however once those lockdowns are eased, the growth in online sales may not continue as consumers have the ability to access physical retail stores. If the rate of penetration and migration to online platforms does not continue to increase or stay at increased levels, this could have an adverse effect on Booktopia Group's financial and operational performance.
Changes in customer preferences	Booktopia Group derives its revenue from the sale of books, eBooks and related products online, to consumers, government, academic and corporate customers. Retail consumer spending is primarily discretionary in nature, and customers may allocate this discretionary spend across different product categories or other services from time to time. Failure by Booktopia Group to accurately predict or respond to customer preferences could result in lower sales or margins and could have an adverse effect on its financial and operational performance.
Booktopia Group relies on services provided by third party payment and logistics providers	The Group relies on the services provided by third party banking and payment providers such as credit card companies. It also relies on the services of third party logistic providers to deliver products to customers. The Group has limited ability to influence these third parties and the contracts with these providers are generally short term in nature. Any system or service failure that causes an interruption to Booktopia Group's ability to effect payment transactions or receive payments could adversely affect its business. A system or service failure that affects the delivery of products to customers could adversely affect the customer experience and reduce the attractiveness of the relevant website to customers and limit future sales. Any of these system or service failures could have an adverse impact on the reputation and brand of the business which could materially adversely affect Booktopia Group's business operations and financial performance.

Changes in technology and technology updates	Booktopia Group may be unable to effectively maintain and update its technology and logistic platforms and infrastructure. Further, maintaining and updating its technology and infrastructure could involve a significant cost and there is a risk that Booktopia Group will not have the capital required to develop new technologies and infrastructure in the future that are required to maintain competitive advantage or its market share.
Inventory management and business systems	Booktopia Group relies on its data analytics and inventory management system to manage its business, in particular its stock levels and stock purchasing. If Booktopia Group's systems including those relating to inventory management system or data analytics fail or provide inaccurate information, the company may experience a disproportion in demand and supply for specific products or be exposed to other loses. This may result in an increase in holding costs, lower margins, damage to reputation, and may have an adverse effect on Booktopia Group's financial and operational performance. Growing in-stock titles may adversely impact the Company's ability to efficiently manage content and inventory, potentially increasing stock turn time and reducing margins. On the other hand, an unanticipated acceleration in orders may inhibit the Company's ability to efficiently ship products.
Booktopia Group may experience a significant increase in the cost of, or become more reliant on, search engine marketing	A proportion of Booktopia Group's revenues were attributable to customers who accessed the Company's websites by clicking on links that Booktopia Group paid to list on search engine's results pages. Under the bidding system, the order in which websites appear in a search engine's paid search results is determined by a combination of the price bid by the website and the historical and expected rate at which consumers click through to the website. If Booktopia Group's websites were to experience a reduction in natural search visibility in search engines (i.e. a fall in its websites' organic search ranking), it may increase Booktopia Group's reliance on search engine marketing. If this was to occur there is no guarantee that Booktopia Group's websites natural search visibility will improve in a timely manner or at all. Booktopia Group's business, financial performance and operations may be materially adversely affected by any increase in the cost of, or in reliance on, search engine marketing, or any decrease in the effectiveness of its search engine marketing.
Seasonal trading patterns may change	Booktopia Group experiences a degree of seasonality in trading conditions (including a typically high volume of sales in November). Misjudgments in customer preferences during peak months could adversely impact the Company's performance. Seasonal trading also necessitates a level of investment to cater for peaks.
Booktopia Group customers may experience email fatigue	Booktopia Group engages with customers through targeted email campaigns. The frequency of sending marketing emails may be underestimated or overestimated and have the direct result of reducing sales conversion rates. If Booktopia Group does not efficiently utilise its data analytics, update its segment listings and decide accurately when to deploy re-engagement campaigns to improve performance metrics this could have an adverse effect on Booktopia Group's financial and operational performance.
Booktopia Group's websites may be excluded from or ranked lower in organic search results due to changes to search engines' algorithms or terms of services	Many customers access Booktopia Group's websites through search engines, such as Google, by clicking on a link in the search engines' "organic" listings (being listings that are not dependent on advertising or other payments). Booktopia Group's websites may be excluded from or ranked lower in search engine results due to changes to a search engine's algorithms or other ranking criteria that are outside of Booktopia Group's control. Booktopia Group endeavours to enhance the relevance of its websites to common search queries and thereby improve the rankings of Booktopia Group's websites in search engines, a process known as Search Engine Optimisation. These algorithms and ranking criteria are unknown to Booktopia Group, and Booktopia Group may not understand or have access to complete information on the methods used to rank its websites. Similarly, Booktopia Group provides a subset of its products to third party shopping platforms, such as Google's Shopping Feed. The details of the algorithms and shopping criteria within these platforms are unknown to Booktopia Group. If Booktopia Group cannot promptly adapt to such changes in search engine or shopping platform algorithms, or if Booktopia Group's Search Engine Optimisation or shopping platform activities are no longer effective for any reason, the traffic coming to the Booktopia Group websites could significantly decrease and Booktopia Group's conversion rates may decrease which, in turn, could have a material adverse impact on Booktopia Group's revenue and financial performance.

Booktopia Group's possible expansion into new product lines may not be successful	Any future acquisitions or expansions into new product lines may expose Booktopia Group to unforeseen risks, including regulatory requirements, complications or inefficiencies in logistics, securing contracts with new suppliers, managerial and operational performance, enforcing contractual obligations and intellectual property rights, differing consumer sentiments, exchange rate fluctuations, political or economic instabilities, legislative changes and taxation. Booktopia Group will make decisions on the attractiveness and expected effectiveness of proposed entry into new products lines based on information available at that time. If this information turns out to be inaccurate, or circumstances arise outside of Booktopia Group control while entering these new products, there may be an adverse effect on the financial and operational performance of Booktopia Group.
Protection of intellectual property and third party infringement	Booktopia Group has business names, trademarks and domain names on which its business relies. There is a risk that Booktopia Group will be unable to register or otherwise protect these business names, trademarks and domain names or any new intellectual property it develops in the future. The loss of, or infringement by third parties of any of these rights could have a material adverse impact on Booktopia Group's operations. The leakage or loss of confidentiality in Booktopia Group's software, including the algorithms that enable dynamic pricing and maintenance of demand-driven stock levels to enhance stock turnover and enable faster delivery times and increased revenues that are central to the success of the business, may adversely impact its competitive advantages. The Company faces a risk of third party IP infringement arising through the display of third party content sourced from its suppliers on its websites. Domain names are held via third party domain registries. Loss of these names or the registration of similar names could result in the loss of traffic and have an adverse effect on the business' reputation. In addition, retail stores using a Booktopia Group name or a similar name could adversely affect sales and any available legal action against those stores could prove costly. If Booktopia Group is unsuccessful in obtaining domain names, trademarks or reasonable terms of use in a particular country it enters in the future, it may be forced to incur costs associated with the creation, rebranding and development of new materials and packaging to enter the foreign market. As a result this may have an adverse effect on the Booktopia Group's financial and operational performance.
Foreign currency risk	Booktopia Group's financial and operational performance may be influenced by fluctuations in foreign exchange rates in which income is generated or expenses incurred. The vast majority of sales are recorded in Australian dollars, with the remainder recorded in New Zealand dollars. A substantial amount of inventory is purchased in USD and GBP. Depreciation of the Australian dollar relative to these currencies increases the cost of purchasing stock for Booktopia Group.

Significant shareholdings	Following Completion, the Existing Shareholders will hold approximately 86.3% of the issued capital of the Company. The interests of the Existing Shareholders may differ from the interests of Booktopia Group and the Shareholders who acquire Shares under the Offer. Also, while they hold a large stake in Booktopia Group, these Shareholders may be able to influence whether a takeover or similar offer for the Shares is successful. In addition, approximately 109.7 million Shares held by Existing Shareholders, representing approximately 79.8% of the issued capital of the Company, will be subject to voluntary escrow restrictions (subject to certain exceptions, see Section 9.8 for more details). There will be no restrictions on the sale of any escrowed Shares on and from the date on which those escrow restrictions are released in accordance with the terms of the relevant restriction, or sooner, in the event an exception to the restriction is available. Following the end of the relevant escrow period, the sale of a significant number of Shares by some or all of the Existing Shareholders, or the other escrowed Shareholders, or the perception that such sales have occurred or might occur, could adversely affect the price at which Shares are traded on the ASX. Alternatively, the absence of any sale of Shares by the Existing Shareholders may cause or contribute to a lessening of liquidity in the market for the Shares. This could affect the prevailing market price at which Shareholders are able to sell their Shares and Shareholders may receive a market price for their Shares that is less than the price they paid.
Risk of litigation, claims, disputes and regulatory investigations or changes	Booktopia Group may be subject to litigation, claims, disputes and regulatory investigations or changes both in Australia and overseas. These matters may result in fines, sanctions, claims settlements, indemnity and operational impacts if unsuccessfully defended by the Group. This may have an adverse effect on Booktopia Group's financial and operational performance.
Compliance with laws	Booktopia must comply with a range of laws, regulations and industry standards, including in relation to privacy, data protection, unsolicited communications, employment, work health and safety, industrial relations and taxation. Failure by Booktopia to comply with laws, regulations and industry compliance standards may result in litigation, regulatory enquiry or investigation, fines and penalties, or significant reputational damage, which could have an adverse effect on Booktopia's business. Booktopia may also become subject to new laws, regulations or industry standards, or new or changed interpretations of existing laws, regulations or industry standards, or enhanced supervisory expectations regarding the management of legal and regulatory compliance risks associated with such laws, regulations and industry standards. An interpretation of existing laws, regulations or industry standards by Booktopia which is contrary to that of a relevant regulator or authority in Australia may give rise to fines, penalties or other additional amounts being payable. New or amended laws, regulations or industry compliance standards, or new or changed interpretations of existing laws, regulations or industry standards, could restrict Booktopia's ability to provide its services, result in changes to Booktopia's business model, limit or restrict the amount of fees charged by Booktopia or make compliance more difficult or expensive, any of which may have an adverse impact on the Company's revenue and its financial performance.

5.3 General risk factors

General risks associated with any investment in listed securities are described below.

Price of Shares may fluctuate	There are pricing risks associated with any securities investment on the ASX. The price of the Shares may fluctuate due to a number of factors. These factors may cause the Shares to trade at prices below the Offer Price and there is no assurance that the price of the Shares will increase following quotation on the ASX, even if Booktopia Group's earnings increase. Some of the factors that may affect the price of the Shares include general economic conditions and outlook (including interest rates, exchange rates, inflation rates and commodity prices), fluctuations in international and local stock markets, changes to fiscal, monetary or regulatory policy, legislation or regulation, taxation and global hostilities, tensions and acts of terrorism.

Financial market conditions	General economic conditions (both domestically and internationally) may adversely impact on the price of the Shares after listing, as well as the Company's ability to pay dividends. This includes an increase in unemployment rates, negative consumer and business sentiment and an increase in interest rates, among other factors. As a result, the Company is unable to forecast the market price for Shares and they may trade on ASX at a price that is below the Offer Price.
Trading and liquidity in Shares	Prior to the Offer, there has been no public market for the Shares. Once the Shares are quoted on ASX, there is no guarantee that there will be an active market in Shares on the ASX. There may be few potential buyers and sellers of Shares at any point in time, which will impact upon Share liquidity. This may increase the volatility of the market price of the Shares and may prevent investors from acquiring more Shares. This may also impact the ability of the Shareholders to be able to sell their Shares at a price that is greater than that paid by the Shareholder under the Offer or on market.
Dilution	In the future, the Company may elect to issue Shares or engage in fundraisings and also to fund, or raise proceeds, for acquisitions that the Company may decide to make. Shareholder interests may be diluted and Shareholders may experience a loss in value of their equity if the Company issues Shares as consideration for acquisitions, if the Company funds acquisitions through raising equity capital by placing Shares with new investors or if the Company engages in fundraisings for any other reason, including the repayment of debt. While the Company will be subject to the constraints of the ASX Listing Rules regarding the percentage of its capital that it is able to issue within a 12 month period (other than where exceptions apply), Shareholders may be diluted as a result of such issues of Shares and fundraisings.
Taxation changes	Tax laws in Australia are complex and are subject to change periodically, as is their interpretation by the courts and the tax revenue authorities. Any change to the tax laws or tax rates imposed on Booktopia Group in Australia gives rise to uncertainty and may therefore affect Shareholder returns. An interpretation of the taxation laws by Booktopia Group which is contrary to that of a revenue authority in Australia may give rise to additional tax being payable.
Regulatory matters	Booktopia Group complies with a wide range of laws and regulations. Future changes to these laws and regulations from time to time could adversely affect Booktopia Group's future financial performance and position.
Australian Accounting Standards	There is a risk that interpretations of AAS, including those relating to the measurement and recognition of key income statement and balance sheet items such as revenue and receivables, may differ. Changes to AAS issued by the AASB or changes to the commonly held views on the application of those standards could materially adversely affect the financial performance and position reported in the Company's consolidated financial statements.
Force majeure events	Events could occur within or outside Australia that could impact the global economy and the Australian economy, the operations of the Group and the trading price of Shares. These events could include health crises (such as pandemics or epidemics), war, acts of terrorism, international hostilities, labour strikes, fires, floods, earthquakes and other natural or man-made events or occurrences that could have an adverse effect on the demand for Booktopia Group's services and its ability to conduct business. Booktopia Group has only a limited ability to insure against some of these risks.

6. Directors and management

6.1 Board of Directors

6.1.1 Directors as at the Prospectus Date

Christopher (Chris) Beare

Chairman and Independent Non-executive Director

Chris Beare joined the Booktopia Board as Chairman in October 2016. He has over 35 years' experience in international business, technology, strategy, finance and management.

Chris joined investment bank Hambros Australia in 1991, became Head of Corporate Finance in 1994 and joint Chief Executive in 1995. After Hambros was acquired by Société Générale in 1998 Chris remained a Director of SG Australia until 2002. Prior to Hambros, Chris was Executive Director of Melbourne based Venture Capital firm Advent Management Group which he joined in 1987 after various roles in Telecom Australia culminating in the Head of Strategy.

Chris has experience in technology. In 1998 he helped form Radiata, a technology start-up in Sydney and Silicon Valley, and as Chair and Chief Executive Officer steered it to a sale to Cisco Systems in 2001. He is Chairman/Director/shareholder in a number of other technology companies and was formerly the Chairman of ASX listed businesses; DEXUS Property Group, Flexigroup Limited and m.Net.

Chris holds a BSc, BE (Hons) and PhD (Electrical) from Adelaide University and an MBA from the Harvard Business School. He is a Fellow of the Australian Institute of Company Directors.

Antony (Tony) Nash

Chief Executive Officer and Managing Director

Tony Nash was involved in the establishment of Booktopia while working in his family's company as a sideline to the core internet marketing consulting business, Globalise Pty Ltd, which was established in 2001. Tony has been instrumental in growing Booktopia and formulating its business strategy throughout that time. Since 2007 Tony has held the role of Chief Executive Officer.

Tony received a series of business awards and is an industry-recognised leader in the book retail and online retailing industry in Australia. In 2018 he won the Industry Recognition Award at the Online Retailer Industry Awards. He was listed in Who's Who of Australia in 2019.

Prior to Booktopia, in 1996 Tony established Best People International (an internet recruitment agency), having previously worked as a recruiter. Best People grew to employ more than 35 people. It was ultimately sold to Volante Group Limited, which was ASX listed at the time of the sale.

Tony studied computer programming at Control Data Institute and worked as a programmer at Cockatoo Dockyards in the mid-eighties. He then sold computers for a short period before travelling around the world for 3 years. He became a recruiter for the computing industry whilst living in London.

Tony is a Life Member of the Wilderness Society, the RSPCA (NSW) and the Australian Republican Movement.

Steven Traurig

Chief Commercial Officer and Executive Director

Steven Traurig was involved in the establishment of Booktopia. He began his career at IBM Australia as a software engineer and subsequently pre-sales systems engineer, before joining Somerset Systems in 1992 specialising in business development and consulting in e-commerce and workflow. He joined Tony Nash in his online recruitment company Best People International in 1998. Tony and Steven have been in business together for 22 years. Steven has been in the online commerce industry for over 20 years and is Tony's brother-in-law.

Steven provided technical direction and services during Booktopia's early formation and built a development team to establish Booktopia's in-house website and logistics systems in 2007. He has been the Chief Information Officer and is currently Chief Commercial Officer for Booktopia, as well as overseeing a number of business programs including infrastructure, security and HR.

Steven holds a Bachelor of Applied Science (Computing), sub-majoring in Organisations and Management from University of Technology, Sydney.

Wayne Baskin

Deputy CEO, Chief Technology Officer, Executive Director

Wayne Baskin started as Booktopia's first developer in 2008, having spent 4 years at GE Commercial Finance. In his first 5 years he built the company's bespoke website, their custom Warehouse Management System and was responsible for the implementation of the business' pricing and inventory algorithms.

Today in his position as Deputy CEO, Wayne is responsible for the overall business strategy, vision and customer experience while also overseeing logistics and the businesses pricing and inventory strategy.

In his role as Chief Technology Officer, Wayne oversees all R&D for both Booktopia and Angus & Robertson which includes all system development and the business' integrations into external systems and third-party channels.

In 2017 and 2018, Wayne was a finalist for the Online Retail Industry Recognition Award, taking out the award in 2019. He has also been named in Inside Retail's Top 50 People in E-Commerce for five years, in 2019 and 2020 being awarded Number 8 on the list, as well as being a finalist for the BRW's Best Rising Star Award.

Marina Go

Independent Non-executive Director

With a background in media, Marina has worked in digital and print publishing executive roles across a range of listed and private companies and in non-executive roles across a diverse range of sectors.

Marina is the Chair of the Super Netball Commission, Ovarian Cancer Australia and The Walkley Foundation, and is currently a non-executive director on the boards of Energy Australia, 7-Eleven, Autosports Group, Adore Beauty and Pro-Pac.

Marina holds a Bachelor of Arts from Macquarie University and a Master of Business Administration from the University of New South Wales. She is a member of O'Connell Street Associates, the Australian Institute of Company Directors and the University of New South Wales Business Advisory Council.

Fiona Pak-Poy

Independent Non-executive Director

Fiona is an experienced non-executive director and has been involved in a wide array of industries including healthcare, e-commerce, software, financial services, retail and manufacturing. Her involvement ranges from start-ups to publicly listed companies, not-for-profits and State and Federal Government Boards.

Currently Fiona is a non-executive director of Tyro Payments Ltd (ASX: TYR), iSentia Group (ASX: ISD), Novotech (Asia Pacific's largest contract research organisation) and the Sydney School of Entrepreneurship. Fiona was a director of MYOB (formerly ASX: MYO) prior to its purchase by KKR. She is a former member of the Federal Government's Innovation Australia Board, ASIC's director Advisory Panel and a Councillor for The Australian Investment Council. She practiced as an engineer and was as a management consultant with The Boston Consulting Group in Boston and Sydney, during which time she was a member of both the Consumer Goods and Technology and Financial Services Practice Group. She co-founded an e-commerce start-up in the late 1990s and subsequently worked as a General Partner in an Australian/US venture capital fund that invested in Australian start-ups with unique IP.

Fiona holds an Honours Degree in Engineering from Adelaide University and an MBA from Harvard Business School.

Su-Ming Wong

Independent Non-executive Director

Su-Ming has over 35 years of direct investment, international corporate advisory and merchant banking experience. He co-founded CHAMP Ventures in 2001. CHAMP Ventures is an Australian mid-market private equity funds manager.

Su-Ming is currently a director of Booktopia and Scentia. He has been chairman/director of over 20 Australian companies operating across retail, technology, value-adding manufacturing, financial services, healthcare and tourism sectors. In 2018, Su-Ming was appointed as a Professor of Practice at the UNSW Business School, UNSW. Su-Ming is a director of Asia Society Australia, Sydney Writers' Festival and a member of UNSW Business School Advisory Council. He was a member of the Council of University of Technology Sydney, a founding director of National ICT Australia, a member of the Industry Research and Development Board and a director of Unisearch. He is a Fellow of the Australian Institute of Company Directors.

Su-Ming holds a Master of Engineering from the University of Canterbury, New Zealand and a Master of Business Administration from the Australian Graduate School of Management, UNSW.

The composition of the Board committees and a summary of the key corporate governance policies are set out in Section 6.11.

6.2 Senior management

Antony (Tony) Nash *Chief Executive Officer and Managing Director*	As above.
Steven Traurig *Chief Commercial Officer and Executive Director*	As above.
Wayne Baskin *Deputy CEO Chief Technology Officer, Executive Director*	As above.

Geoff Stalley

Chief Financial Officer

Geoff is an entrepreneurial senior executive with consistent success in starting, building, growing and improving the performance of businesses, both as a senior advisor and as a business leader. His expertise spans corporate innovation and growth, business strategy and execution, and major transformational change as well as operational management and people leadership. He has lived in Asia and worked extensively across Europe, Asia and North America with substantial Consumer, Retail, Automotive and Technology industry experience.

Geoff joined Booktopia in 2020 as the Chief Financial Officer and was previously the Chief Growth Officer for Serco Asia Pacific, a global public sector services business. Geoff has a long career working for major professional services firms (AT Kearney, Andersen, EY and Deloitte) and for global and Australian clients on projects spanning corporate innovation, new business growth, complex transformations and merger integration. His roles have included Managing or Lead Partner positions with full operational responsibilities, including building and leading a team of over 350 consultants with revenues of $100 million. His clients have included Telstra, Qantas, AMP, Westpac, Origin, Inchcape, Toyota, GM, FedEx, Brambles, Caterpillar, CSR and Oracle in Australia and globally where he led various market entry strategies, business expansion and major transformation/merger integration projects. For Deloitte, he also led a team that explored, refined and commercialised new ideas into businesses or products that differentiated and created new revenue streams as well as leading all M&A activities for the firm.

Geoff has a B.Bus (UTS) M.Ec (Macq), is a CA, CPA, GAICD and holds a number of Board positions: NED for iSelect Ltd (ASX:ISU), Chair for Uplifting Australia (NFP), Exent (Consulting) and Advisory Board member for Mogo (Auto Tech start-up).

6.3 Interests and benefits

This section sets out the nature and extent of the interests and fees of certain persons involved in the Offer. Other than as set out below or elsewhere in this Prospectus, no:

- director or proposed director of the Company;
- person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- promoter of the Company; or
- underwriter (but not a sub-underwriter) to the Offer or a financial services licensee named in this Prospectus as a financial services licensee involved in the Offer,

held, at the time of lodgement of this Prospectus with ASIC, or has held in the two years before the lodgement of this Prospectus with ASIC, an interest in:

- the formation or promotion of the Company;
- property acquired or proposed to be acquired by the Company in connection with its formation or promotion, or in connection with the Offer; or
- the Offer,

and no amount (whether in cash, Shares or otherwise) has been paid or agreed to be paid, nor has any benefit been given or agreed to be given, to any such persons for services in connection with the formation or promotion of the Company or the Offer or to any Director or proposed Director to induce them to become, or qualify as, a Director.

6.3.1 Interests of advisers

The Company has engaged the following professional advisers:

- AFSG Capital Pty Limited has acted as Financial Adviser to Booktopia Group in relation to the Offer. The Company has paid, or agreed to pay, $1,445,888 (excluding disbursements or GST) and prior to the date of this Prospectus, issued 310,082 Shares at $1.215 per Share to an entity associated with AFSG Capital Pty Limited, for the services up to the date of this Prospectus;
- Australia and New Zealand Banking Group Limited, operating through its Corporate Advisory segment, has acted as Financial Adviser to Booktopia Group in relation to the Offer. The Company has paid, or agreed to pay, $1,328,388 (excluding disbursements or GST) for the services up to the date of this Prospectus;
- Shaw and Partners Limited has acted as a Joint Lead Manager to the Offer. The Company has paid, or agreed to pay, the fees described in Section 9.6 for the services up to the date of this Prospectus;
- Morgans Corporate Limited has acted as a Joint Lead Manager to the Offer. The Company has paid, or agreed to pay, the fees described in Section 9.6 for the services up to the date of this Prospectus;
- Herbert Smith Freehills has acted as Australian legal adviser to the Company in connection with the Offer (other than in respect of taxation and stamp duty matters). The Company has paid, or agreed to pay, $580,000 (excluding disbursements or GST) for these services up to the date of this Prospectus. Further amounts may be paid to Herbert Smith Freehills in accordance with its normal time-based charges;
- Deloitte Corporate Finance Pty Limited has acted as Investigating Accountant for the Company in relation to the Offer and has prepared the Investigating Accountant's Report and has performed work in relation to due diligence enquiries. The Company has paid, or agreed to pay, $315,000 (excluding disbursements or GST) for the services up until the date of this Prospectus. Further amounts may be paid to Deloitte Corporate Finance Pty Limited in accordance with its normal time-based charges; and
- Deloitte Tax Services Pty Ltd has acted as taxation adviser to the Company in relation to the Offer. The Company has paid, or agreed to pay, approximately $105,000 (excluding disbursements or GST) for the services up to the date of this Prospectus. Further amounts may be paid to Deloitte Tax Services Pty Ltd in accordance with its normal time-based charges.

6.3.2 Directors' remuneration and interests

The Directors have the following remuneration and interests:

Chris Beare *Independent, Non-executive Chairman*	As Chairman, Chris Beare is entitled to receive a remuneration package including superannuation and other benefits of approximately $140,000 per annum inclusive of superannuation.
Tony Nash *CEO and Managing Director*	Employed as CEO, Tony is entitled to receive a remuneration package including superannuation of $492,750 per annum. He is eligible to receive a cash bonus under Booktopia Group's Short Term Incentive Plan as described in Section 6.8.1. For FY2021, this maximum cash bonus has been set at $225,000, which has been pro-rated for the period 1 January 2021 to 30 June 2021. The Company will pay a performance payment of $1.5 million in tranches over a period of up to four years commencing in FY22 with the following hurdles: • Over achievement of the FY21 pro forma EBITDA • Over achievement of the FY22 budgeted EBITDA as approved by the Board • Over achievement of the FY23 budgeted EBITDA as approved by the Board • Over achievement of the FY24 budgeted EBITDA as approved by the Board The amount paid in each tranche will be at the discretion of the Board and will only be paid upon achievement of the hurdles and subject to Company profitability and cash capacity. Tony is also eligible to participate in Booktopia Group's Long Term Incentive Plan as described in Section 6.8.2. For FY2021, the Company proposes to issue $148,500 of Performance Rights, being 33% of fixed annual remuneration (excluding superannuation). Tony Nash's contract has an initial fixed 2 year term, with a current expiry date of 23 October 2022, during which time only the Company can terminate with 6 months' notice. His contract will continue beyond the initial term, and will be terminable by either Tony or the Company on 6 months' notice. However, no notice is required for termination of employment in certain circumstances, including serious misconduct. A 12 month restraint applies following termination. The enforceability of the restraint clause is subject to all usual legal requirements. Any payments made on termination will be subject to the termination benefits cap under the Corporations Act in the absence of shareholder approval.

Steven Traurig *Chief Commercial Officer and Executive Director*	Employed as Chief Commercial Officer, Steve is entitled to receive a remuneration package including superannuation of $328,500 per annum. He is also eligible to receive a cash bonus under Booktopia Group's Short Term Incentive Plan as described in Section 6.8.1. For FY2021, this maximum cash bonus has been set at $75,000, which has been pro-rated for the period 1 January 2021 to 30 June 2021. Steve is also eligible to participate in Booktopia Group's Long Term Incentive Plan as described in Section 6.8.2. For FY2021, the Company proposes to issue $75,000 of Performance Rights, being 25% of fixed annual remuneration (excluding superannuation). Steven Traurig's contract has an initial fixed 2 year term, with a current expiry date of 14 October 2022, during which time only the Company can terminate with 6 months' notice. His contract will continue beyond the initial term, and will be terminable by either Steven or the Company on 6 months' notice. However, no notice is required for termination of employment in certain circumstances, including serious misconduct. A 12 month restraint applies following termination. The enforceability of the restraint clause is subject to all usual legal requirements. Any payments made on termination will be subject to the termination benefits cap under the Corporations Act in the absence of shareholder approval.
Wayne Baskin *Deputy CEO, Chief Technology Officer and Executive Director*	Employed as Deputy CEO and Chief Technology Officer, Wayne is entitled to receive a remuneration package including superannuation and other benefits of $492,750. He is eligible to receive a cash bonus under Booktopia Group's Short Term Incentive Plan as described in Section 6.8.1. For FY2021, this maximum cash bonus has been set at $225,000 (excluding superannuation), which has been pro-rated for the period 1 January 2021 to 30 June 2021. Wayne is also eligible to participate in Booktopia Group's Long Term Incentive Plan as described in Section 6.8.2. For FY2021, the Company proposes to issue $148,500 of Performance Rights, being 33% of fixed annual remuneration (excluding superannuation). Wayne's contract has an initial fixed 2 year term, with a current expiry date of 23 October 2022, during which time only the Company can terminate with 6 months' notice. His contract will continue beyond the initial term, and will be terminable by either Wayne or the Company on 6 months' notice. However, no notice is required for termination of employment in certain circumstances, including serious misconduct. A 12 month restraint applies following termination. The enforceability of the restraint clause is subject to all usual legal requirements. Any payments made on termination will be subject to the termination benefits cap under the Corporations Act in the absence of shareholder approval.
Marina Go *Independent Non-executive Director*	As an Independent Non-executive Director, Marina Go is currently entitled to receive fees including superannuation of approximately $85,000 per annum.
Fiona Pak-Poy *Independent Non-executive Director*	As an Independent Non-executive Director, Fiona Pak-Poy is currently entitled to receive fees including superannuation of approximately $85,000 per annum, plus $15,000 in fees (inclusive of superannuation) for chairing the Audit and Risk Committee referred to in Section 6.10.
Su-Ming Wong *Independent Non-executive Director*	As an Independent Non-executive Director, Su-Ming Wong is currently entitled to receive fees including superannuation of approximately $85,000 per annum.

Prior to the Prospectus Date, each of the Directors has entered into appointment letters with the Company, confirming the terms of their appointment, their roles and responsibilities and Booktopia Group's expectations of them as Directors of the Company.

Under the Constitution, the Directors decide the total amount paid to all Directors as remuneration for their services as a Director. However, under the ASX Listing Rules, the total amount paid to all Non-executive Directors for their services must not exceed in aggregate in any financial year the amount fixed by the Company at a general meeting. This amount has been fixed by the Company at $700,000. For FY2021, it is expected that the fees payable to the current and proposed Non-executive Directors will not exceed $410,000 in aggregate.

The remuneration of Directors must not include a commission on, or a percentage of, profits or income. Superannuation payments are included in these amounts.

The Non-executive Directors are not entitled to participate in the Booktopia Group employee incentive schemes described in Section 6.8.

Directors may also be reimbursed for travel and other expenses incurred in attending to Booktopia Group's affairs. Non-executive Directors may be paid such additional or special remuneration as the Directors decide is appropriate where a Director performs extra work or services which are not in the capacity as Director of the Company or a subsidiary. There are no retirement benefit schemes for Directors, other than statutory superannuation contributions.

6.4 Deeds of indemnity, insurance and access for Directors

The Company has entered into deeds of indemnity, insurance and access with each Director. Each deed contains a right of access to certain books and records of Booktopia Group for a period of seven years after the Director ceases to hold office, that may be relevant, in the Director's reasonable opinion, to perform the duties of the Director to the Company, or may be relevant to any proceedings commenced before the date which is 7 years after the Director's retirement date.

Pursuant to the Constitution, the Company must indemnify Directors and executive officers on a full indemnity basis and to the full extent permitted by law against all losses, liabilities, costs, charges and expenses incurred by those individuals as officers of the Company or of a related body corporate. Under the deeds of indemnity, insurance and access, to the maximum extent permitted by law, the Company indemnifies each Director against, and must pay to the Director on demand the amount of, any loss, cost, charge, damage, expense or other liability suffered or incurred by the Director as an officer of the Company or its subsidiaries and in defending certain proceedings.

6.5 Directors' shareholdings and interests

Pursuant to the Constitution, the Company may, to the extent permitted by law, purchase and maintain insurance or pay or agree to pay a premium for insurance, for each Director and executive officer against any liability incurred by those individuals as officers of the Company or of a related body corporate. Under the deed of indemnity, insurance and access, to the maximum extent permitted by law, the Company must use all reasonable endeavours to obtain and maintain in full force and effect during the each Director's period of office and for a period of seven years after the Director ceases to hold office, insurance cover with a reputable and solvent insurer for the benefit of the Director. This seven year period will be extended where certain proceedings or investigations are outstanding after the expiry of the seven year period.

Directors' shareholdings and interests.

Directors are not required under the Constitution to hold any Shares in the Company. The Directors (and their associates) are entitled to apply for Shares under the Offer. On Completion, the Directors are expected to have direct or indirect interests in the Shares as described below. Entities associated with Steven Traurig hold Shares on the Prospectus Date and will sell Shares to SaleCo as part of the Offer as described in the table below. The other Directors have informed the Company that they, or superannuation funds they are associated with, intend to apply for Shares under the Priority Offer as described in the table below.

Non-executive Director and Executive Director (direct and indirect) Shareholdings and sell-downs

	PROSPECTUS DATE		SELLDOWN	COMPLETION	
DIRECTOR	%	SHARES	SHARES	%	SHARES
Directors as at the Prospectus Date					
Chris Beare	0.32%	400,000	Nil	0.29%	400,000
Tony Nash[1]	20.20%	25,536,192	Nil	18.59%	25,536,192
Steve Traurig	20.31%	25,682,139	4,990,262	15.06%	20,691,877
Wayne Baskin	4.99%	6,312,978	870,000	3.96%	5,442,978
Marina Go	Nil	Nil	N/A	Nil	Nil
Fiona Pak-Poy	Nil	Nil	N/A	Nil	Nil
Su-Ming Wong[2]	5.31%	6,707,472	Nil	4.88%	6,707,472

1. Tony has agreed to transfer 1,139,827 Shares from Tony Nash Enterprises to a third party in part settlement of a family law matter. The Shares will be transferred on or around Completion.
2. Shareholdings and percentages in the table above are shown on a 'post-conversion' basis assuming that all redeemable preference shares currently on issue and held by Libertopia Management have been converted into Shares, and that some of those Shares have been transferred to the unitholders of the Booktopia Investment Trust No. 1 (including Su-Ming Wong) as a distribution in specie. Conversion of the redeemable preference shares and the distribution in specie will occur on or about the date of Settlement of the Offer.

The shareholdings and percentage in the above table do not include any Shares acquired under the Offer.

6.6 Leadership team interest and remuneration

Details of the remuneration and interests held by the Chief Financial Officer are described below.

Geoff Stalley *Chief Financial Officer*	Employed as Chief Financial Offer, Geoff is entitled to receive a remuneration package including superannuation and other benefits of $383,250. He is eligible to receive a cash bonus under Booktopia Group's Short Term Incentive Plan as described in Section 6.8.1. For FY2021, this maximum cash bonus has been set at $87,500 (excluding superannuation), pro-rated for the period 1 January 2021 to 30 June 2021. Geoff is also eligible to participate in Booktopia Group's Long Term Incentive Plan as described in Section 6.8.2. For FY2021, the Company proposes to issue $87,500 of Performance Rights, being 25% of fixed annual remuneration (excluding superannuation). Geoff's contract has an initial fixed 2 year term, with a current expiry date of 14 October 2022, during which time only the Company can terminate with 6 months' notice. His contract will continue beyond the initial term, and will be terminable by either Geoff or the Company on 6 months' notice. However, no notice is required for termination of employment in certain circumstances, including serious misconduct. A 12 month restraint applies following termination. The enforceability of the restraint clause is subject to all usual legal requirements. Any payments made on termination will be subject to the termination benefits cap under the Corporations Act in the absence of shareholder approval.

6.7 Executive and employee incentive arrangements

Booktopia Group has established a number of incentive arrangements to enable attraction, motivation and retention of management and employees.

For the senior management team, the remuneration packages will consist of:

- fixed remuneration;
- cash-based short term incentive; and
- the long term incentives.

The remuneration structure for executives of the Company is a mix of fixed remuneration and at-risk, performance-based remuneration to ensure a focus on both short-term and long-term performance, and alignment with shareholder interests. This approach is designed to attract, retain and reward executives to deliver sustainable returns for shareholders.

Based on a full year performance period, in the case of:

- Tony Nash, 57% of his total remuneration (excluding superannuation) is at-risk;
- Steven Traurig, 43% of his total remuneration (excluding superannuation) is at-risk;
- Wayne Baskin, 57% of his total remuneration (excluding superannuation) is at-risk; and
- Geoffrey Stalley, 43% of his total remuneration (excluding superannuation) is at-risk.

In order to deliver the 'at-risk' component, the Company has established the Booktopia Group Limited Short Term Incentive Plan (**Short Term Incentive Plan**) and the Booktopia Group Limited Long Term Incentive Plan (**LTI Plan**).

6.7.1 Short Term Incentive Plan

The key components of the cash-based Short Term Incentive Plan are:

- participants may receive, as a part of their remuneration, an annual cash bonus;
- to be eligible for an annual cash bonus, participants must be employees of Booktopia Group at the date on which the relevant bonus is payable;
- payment of annual cash bonuses is discretionary and determined by the Board based on individual measures and business performance against key performance indicators; and
- key performance indicators are set each year and tested at the end of each year and may include measures such as statutory or pro forma revenue, EBITDA or NPAT targets.

The Remuneration and Nomination Committee recommends to the Board the remuneration packages for the executive team. It is intended that these will be reviewed annually. The Remuneration and Nomination Committee may seek external advice to determine the appropriate level and structure of the remuneration packages from time to time.

In respect of FY2021, STI award will be pro-rated based on the period from 1 January 2021 to 30 June 2021, and the maximum cash bonuses set out in section 6.3 and 6.6 have been pro-rated based on this period.

6.7.2 Long Term Incentive Plan

The LTI Plan seeks to assist in the motivation, retention and reward of senior executives and other employees that may be invited to participate in the plan from time to time. The LTI Plan is designed to align the interests of employees with the interests of shareholders by providing an opportunity for employees to receive an equity interest in the Company.

The Booktopia Group Limited LTI Plan Rules (**Plan Rules**) provide flexibility for the Company to grant Options or Performance Rights as incentives, subject to the terms of individual offers and the satisfaction of vesting conditions determined by the Board from time to time.

For the 2020/2021 long-term incentive offer, the Company intends to issue performance rights to four executives (**LTI Offer**) pursuant to the LTI Plan. A performance right entitles the participant to acquire a Share on vesting at nil exercise price, subject to the satisfaction of vesting conditions (**Performance Rights**). The Performance Rights are granted under the LTI Plan, which is designed to reward sustainable long term performance and align executives to shareholder outcomes whilst allowing the Company to attract and retain the best talent.

2020/2021 LTI Offer

The terms of the Performance Rights to be issued pursuant to the 2020/2021 LTI Offer are set out below.

TERM	DESCRIPTION
Eligibility	Tony Nash, Steven Traurig, Wayne Baskin and Geoffrey Stalley (the **executives**) are the only employees who are eligible to receive Performance Rights pursuant to the 2020/2021 LTI Offer.
Grant of Performance Rights	The LTI award will be delivered in Performance Rights. A Performance Right entitles the participant to acquire a Share on vesting at nil exercise price, subject to the satisfaction of vesting conditions. The Performance Rights will be automatically exercised and no exercise price is payable. The Board has determined to use Performance Rights because they create share price alignment between executives and shareholders but do not provide the executives with the full benefits of share ownership (such as dividend and voting rights) unless and until the Performance Rights vest and are exercised.
Quantum of grants	The Company proposes to grant Performance Rights as follows: • Tony Nash Chief Executive Officer and Managing Director – $148,500 of Performance Rights, being 33% of fixed annual remuneration; • Steven Traurig Chief Commercial Officer and Executive Director – $75,000 of Performance Rights, being 25% of fixed annual remuneration; • Wayne Baskin Deputy CEO, Chief Technology Officer and Executive Director – $148,500 of Performance Rights, being 33% of fixed annual remuneration; and • Geoffrey Stalley Chief Financial Officer – $87,500 of Performance Rights, being 25% of fixed annual remuneration. The number of Performance Rights to be granted to each executive will be calculated by dividing the executives LTI award (described above) by the volume weighted average price of the Company's Shares traded on the ASX over the 5 trading days up to, but not including, 1st January, 2021.
Grant date	Performance Rights are intended to be granted after listing on or around 31 December, 2020.
Issue and exercise price	The Performance Rights will be issued to the participant at no cost as they form part of the participant's remuneration. Performance Rights are automatically exercised on vesting and no exercise price is payable.
Issue of tranches and performance period	The Performance Rights will be divided into three equal tranches. Each tranche will be tested over a different performance period (each a **relevant performance period**) as follows: • Tranche 1: performance tested from 1 January 2021 – 30 June 2021 • Tranche 2: performance tested from 1 January 2021 – 30 June 2022 • Tranche 3: performance tested from 1 January 2021 – 30 June 2023

TERM	DESCRIPTION

Performance conditions

- Each tranche will be subject to two performance conditions as follows: 50% of a participant's Performance Rights in each tranche will be tested against the absolute earning per share (**EPS**) compound annual growth rate (**CAGR**) over the relevant performance period (**EPS Rights**), and
- the remaining 50% will be tested against the Company's total shareholder return (**TSR**) relative to a comparator group over the relevant performance period (**TSR Rights**).

EPS Rights

The Board currently expects that costs associated with the Offer will be removed from EPS calculations to arrive at an appropriate underlying EPS figure.

The EPS Rights vesting percentages correspond to the Company's EPS CAGR over the relevant performance period, and are provided in the table below:

EPS RIGHTS	THRESHOLD AWARD	TARGET AWARD	MAXIMUM AWARD
EPS CAGR over the relevant performance period	At and below 20%	21% to 49%	50% and above
Vesting (as % of maximum)	0%	50%	100%

The base for EPS CAGR for tranche 1 is based on the FY21 pro forma EPS disclosed in the Prospectus and the end is the EPS reported in the relevant year full year audited results.

Straight line pro rata vesting occurs between 21% EPS CAGR and maximum award.

TSR Rights

The Company's TSR over the relevant performance period will be assessed against the performance of the S&P/ASX 200 Index (**TSR Comparator Group**) over that same performance period.

The TSR Rights vesting percentages will be calculated by ranking the Company's TSR performance relative to the TSR Comparator Group over the relevant performance period, as provided in the table below:

TSR RIGHTS	THRESHOLD AWARD	TARGET AWARD	MAXIMUM AWARD
TSR relative to TSR of Comparator Group	At and below the 50th percentile	51st percentile	At and above the 75th percentile
Vesting (as % of Maximum)	0%	50%	100%

Straight line pro rata vesting occurs between the 51st percentile and maximum award.

Calculation of the performance conditions and achievement against the performance conditions and vesting schedule will be determined by the Board in its absolute discretion, having regard to any matters that it considers relevant (including any adjustments for unusual or non-recurring items that the Board considers appropriate).

Why were the vesting conditions chosen?

The EPS measure was selected because of its correlation with long term shareholder return and its lower susceptibility to short term share price volatility. This measure also provides a greater 'line of sight' between executives' actions and the way in which their performance is measured.

Relative TSR measures the performance of an ordinary Share (including the value of any dividend and any other shareholder benefits paid during the period) against total shareholder return performance of a comparator group of companies, comprising the S&P/ASX200 Index, over the same period. The Board believes relative TSR is an appropriate hurdle, as it links executive reward to the Company's relative share performance which is consistent with creating shareholder value relative to the Company's peer group.

The S&P/ASX 200 is considered an appropriate peer group as a comparator group for relative TSR performance, as it represents a meaningful statistical sample and an appropriate group of alternative potential investments for shareholders with which to compare the Company's performance.

TERM	DESCRIPTION
Testing and vesting	The vesting conditions for the Performance Rights are not interdependent. In each case, the vesting conditions will only be measured once and there will be no retesting. Any Performance Right that become eligible to vest in accordance with the terms of offer will vest after the Board tests the vesting conditions. Any Performance Rights that do not vest, will immediately lapse. The vesting conditions will be tested after the end of the relevant performance period. Each Performance Right will convert into one fully paid ordinary share upon vesting and exercise (i.e. upon the achievement of the relevant performance milestones set out above). The number of Shares to be allocated, and therefore the impact on the Company's capital structure, will depend on the vesting outcomes. If, for example, the vesting conditions are met and all Performance Rights vest and are exercised: • where the Shares allocated on exercise are be newly issued, the number of Shares on issue will increase by the number of Performances Rights vested and exercised; however • where the Shares allocated on exercise are acquired on-market, there will be no impact on the Company's capital structure at the time the Shares are acquired. The Company retains flexibility to satisfy Shares allocations by way of a new issue of Shares, buying on-market or by allocating existing Shares from an employee share plan trust.
Exercise and expiry of Performance Rights	On vesting, the Performance Rights will be automatically exercised and there is no exercise price payable by the participant. Any unvested Performance Rights will automatically lapse. In any event, the Performance Rights will expire on the 5th anniversary of the date on which the Performance Rights are granted and after that time, any unexercised Performance Rights will lapse.
Transferability, Dividends and voting rights	Performance Rights are not transferable and will not be quoted on ASX or any other exchange. Performance Rights do not carry dividend or voting rights prior to vesting and exercise. Shares allocated on exercise of Performance Rights carry the same dividend and voting rights as other Shares.
Treatment on cessation of employment	Unless the Board determines otherwise: • if an executive is dismissed or their employment ceases due to resignation (other than due to death, ill health or disability), all unvested Performance Rights will automatically lapse; • in all other circumstances, a pro-rata number of unvested Performance Rights (based on the portion of the relevant performance period that has elapsed) will remain on foot and subject to the original conditions, as if the executive had not ceased employment.
Clawback and preventing inappropriate benefits	The Plan Rules provide the Board with broad clawback powers if, for example, the participant has acted fraudulently or dishonestly or dishonestly, or is in breach of his or her obligations to any company in the Group.
Reconstructions, corporate action, rights issues, bonus issues etc.	Performance Rights are not entitled to participate in new issues of Shares by the Company including by way of bonus issue, rights issue or otherwise. The Board may make adjustments to the number of Performance Rights, the exercise price, the terms of a vesting condition (or where a Performance Right has vested but no Shares have been allocated following the vesting, the number of Shares to be allocated) if there are variations in the share capital of the Company, including rights issues, bonus issues and other corporate reconstructions. Performance Rights do not confer any rights on the holder to a return of capital, whether in a winding up, upon a reduction of capital or otherwise nor any rights to participate in the surplus profit or assets of the Company upon a winding up, prior to vesting and exercise.
Restrictions on dealing	Any dealing in respect of Performance Rights is prohibited, unless the Board determines otherwise. Participants will be free to deal with the Shares allocated on vesting and exercise, subject to the Securities Trading Policy.

TERM	DESCRIPTION
Change of control	In the event of a change of control of the Company, the Board may determine that the Performance Rights vest in accordance with the Plan Rules, notwithstanding that the performance milestones have not been achieved, but only if the change of control of the Company is triggered by a person who does not control the Company at the time the Performance Rights are issued achieving control of more than 50% of the ordinary voting securities in the Company.

Set out below is additional information required by the ASX Listing Rules.

ITEM	DESCRIPTION	
ASX Listing Rule compliance	For the purpose of the ASX Listing Rules, the Performance Rights are being issued in connection with the Company's initial Listing on the ASX to remunerate and incentivise the executives and are not considered ordinary course of business securities. The Board considers that the Performance Rights are an appropriate element of the executives' annual remuneration, as part of the remuneration structure set out above.	
Remuneration packages	Details of the executive's total remuneration package are contained in Section 6.4.2 of this prospectus.	
No prior issues	The LTI Plan is a new plan. Accordingly, no securities have been previously issued to the executives.	
Shareholding	As at the date of this prospectus, the executives and their associates hold securities in the Company as follows:	
	EXECUTIVE (AND THEIR ASSOCIATES)	**NUMBER OF SHARES**
	Tony Nash	25,536,192
	Steven Traurig	25,682,139
	Wayne Baskin	6,312,978
	Geoffrey Stalley	Nil
No loans	No loans will be made by the Company to the executives in relation to the issue of Performance Rights.	
Reporting	Details of any Performance Rights issued under the LTI Plan as described above will be published in the Company's Annual Report relating to the period in which they were issued. Any additional persons covered by ASX Listing Rule 10.14 who become entitled to participate in an issue of Performance Rights under the LTI Plan after the date of this prospectus and who are not named in this section will not participate until shareholder approval is obtained under that rule.	

6.8 Corporate governance

This Section explains how the Board will oversee the management of the Company's business. The main policies and practices adopted by the Company, which will take effect from Completion, are summarised below. Details of the Company's key policies and practices and the charters for the Board and each of its committees will be available from Listing from investors.booktopia.com.au.

The Board is responsible for the overall operation and stewardship of the Company and provides input to and approval of the Company's strategic direction and budgets as development by management.

In conducting the Company's business with these objectives, the Board seeks to ensure that the Company is properly managed to protect and enhance Shareholder interests, and that the Company and its Directors, officers and personnel operate in an appropriate environment of corporate governance. Accordingly, the Board has created a framework for managing the Company, including adopting relevant internal controls, risk management processes and corporate governance policies and practices which it believes are appropriate for the Company's business and which are designed to promote the responsible management and conduct of the Company.

The Directors will bring to the Board relevant experience and skills, including industry and business knowledge, financial management and corporate governance experience.

6.8.1 ASX Corporate Governance Council's Corporate Governance Principles and Recommendations

The Company is seeking a listing on ASX. ASX Corporate Governance Council has developed and released its fourth edition of the corporate governance principles and recommendations (ASX Recommendations) for ASX-listed entities in order to promote investor confidence and to assist entities in meeting stakeholder expectations.

The ASX Recommendations are not prescriptions, but guidelines. Under the ASX Listing Rules, the Company must prepare a corporate governance statement disclosing the extent to which it has followed the ASX Recommendations in the reporting period. Where the Company does not follow a recommendation, it must identify the recommendation that has not been followed and give reasons for not following it. The Company intends to comply with all of the ASX Recommendations from the time of its Listing.

6.8.2 Board of Directors

On Listing, the Board of Directors will be comprised of seven Directors, comprising the Chairman (an independent Non-executive Director), three other independent Non-executive Directors, and three Executive Directors (the Chief Executive Officer and Managing Director, the Deputy Chief Executive Officer/Chief Technology Officer and the Chief Commercial Officer).

Detailed biographies of the Board members on Listing are provided in Section 6.1.

The Board considers a Director to be independent where he or she is free of any interest, position or relationship that might influence, or might reasonably be perceived to influence, in a material respect, his or her capacity to bring independent judgement to bear on issues before the Board and to act in the best interests of the Company as a whole rather than an individual shareholder or other party. The Board reviews the independence of each Non-Executive Director in light of information disclosed to the Board.

The Board Charter sets out guidelines to assist in considering the independence of Directors and has adopted a definition of independence that is based on the ASX Recommendations.

The Board considers that each of Chris Beare, Marina Go, Fiona Pak-Poy and Su-Ming Wong is free from any interest, position or relationship that might influence, or might reasonably be perceived to influence, in a material respect, his or her capacity to bring independent judgement to bear on issues before the Board and to act in the best interests of the Company as a whole rather than in the interests of an individual shareholder or other party and is able to fulfil the role of an Independent Director for the purpose of the ASX Recommendations.

Tony Nash is not considered by the Board to be an independent Director given his role as Managing Director and Chief Executive Officer of the Company. Steven Traurig is not considered by the Board to be an independent Director given his role as Chief Commercial Officer, and Wayne Baskin is not considered by the Board to be an independent Director given his role as Deputy CEO and Chief Technology Officer.

6.8.3 Board charter

The Board has adopted a written charter to provide a framework for the effective operation of the Board. The Charter governs the operations of the Board. It sets out the Board's composition, structure and membership requirements, role and responsibilities and the relationship with management.

The Board is responsible for the overall operation and stewardship of the Company and, in particular, for the long-term growth and profitability of the Company, the strategies, policies and financial objectives of the Company, and for monitoring the implementation of those policies, strategies and financial objectives.

In performing the responsibilities set out in this Charter, the Board should act at all times in a manner designed to create and continue to build sustainable value for shareholders and in accordance with the duties and obligations imposed on them by the Company's constitution and by law.

The role of the Board includes:

- approving the Company's strategic direction and budgets as developed by management;
- approving and monitoring capital management and major capital expenditure, acquisitions and divestments;
- ensuring the Company has in place an appropriate risk management framework and establishing the acceptable levels of risk within which the Board expects the management of the Company to operate which may include economic, environmental and social sustainability risks, as well as operational, financial and strategic risks;
- reviewing and ratifying the Company's systems of internal compliance and control, risk management frameworks and legal compliance systems, to determine the integrity and effectiveness of those systems;
- approving and monitoring material internal and external financial and other reporting;
- appointing Directors, appointing and removing the Managing Director and undertaking an annual evaluation of the performance of the Board, each Board Committee and individual Directors;

- developing a Board skills matrix which sets out the mix of skills, expertise, experience and diversity that the Board currently has or is looking to achieve in its membership; and
- approving the Company's values and Code of Conduct, and monitoring corporate culture, and setting and review the Company's governance policies.

The Managing Director (or equivalent) is responsible for running the day to day affairs of the Company under delegated authority from the Board and to implement the policies and strategy set by the Board. In carrying out the managing director's responsibilities, the Managing Director (or equivalent) must ensure that the Board is provided with accurate information in a timely and clear manner and ensure all reports to the Board present a true and fair view of the Company's financial condition and operational results. The role of management is to support the Managing Director (or equivalent) and implement the running of the general operations and financial business of the Company, in accordance with the delegated authority of the Board.

6.8.4 Board committees

The role of the Board includes establishing such committees of the Board as may be appropriate to streamline the discharge of its responsibilities. The Board may also delegate specific functions to ad hoc committees on an 'as needs' basis.

The Board has established an Audit and Risk Management Committee and a Remuneration and Nomination Committee.

The Board will undertake an annual performance evaluation of each Board committee that compares the performance of the Board committee with the requirements of the relevant Board committee charter, setting forth the goals and objectives of the Board committee for the upcoming year and effecting any amendments to the relevant charter considered necessary or desirable.

a. Audit and Risk Management Committee

The Audit and Risk Management Committee's charter provides that the committee must comprise of only Non-executive Directors, a majority of independent Directors, an independent chair who is not Chairman of the Board, and a minimum of three members of the Board. The Audit and Risk Management Committee will comprise:

- Fiona Pak-Poy (chair);
- Chris Beare; and
- Su-Ming Wong.

The Audit and Risk Management Committee may invite such other persons (for example, staff, Managing Director/CEO, CFO, external parties) to its meetings, as it deems necessary, whether on a permanent or ad hoc basis. The Audit and Risk Management Committee has been established to assist the Board in fulfilling its corporate governance and oversight responsibilities in relation to the Company's financial reports and financial reporting process and internal control structure, risk management systems (financial and non-financial) and the internal and external audit process. Accordingly the Committee will meet on a regular basis to:

- review and approve internal audit and external audit plans;
- update the internal and external audit plans;
- review and recommend to the Board financial reports;
- review reports arising from internal audit activities and other risk assurance activities; and
- review the effectiveness of the Company's compliance and risk management functions.

The Audit and Risk Management Committee will review and assess the independence and performance of the external auditor and draft an annual statement for inclusion in the Company's annual report as to whether the Committee is satisfied the provision of non-audit services is compatible with external auditor independence.

b. Remuneration and Nomination Committee

The Remuneration and Nomination Committee's charter provides that the committee must consist of only Non-executive Directors, a majority of independent Directors, a minimum of three members of the Board, and an independent Director as chair.

The Remuneration and Nomination Committee will comprise:

- Chris Beare (chair);
- Marina Go; and
- Su-Ming Wong.

The purpose of the Committee is to assist the Board by reviewing and making recommendations to the Board in relation to:

- the Company's remuneration policy, including as it applies to Directors and the process by which any pool of Directors' fees approved by shareholders is allocated to Directors;
- Board succession issues and planning and succession plans of the Managing Director/CEO, senior executives and executive Directors;
- the process for recruiting a new Director, including evaluating the balance of skills, knowledge, experience, independence and diversity on the Board and, in the light of this evaluation, preparing a description of the role and capabilities required for a particular appointment; and
- the Board's 'skills matrix', including assisting the Board to develop and regularly reviewing its Board skills matrix and identifying any gaps in the collective skills of the Board that should be addressed as part of the Company's professional development initiatives for Directors.

6.8.5 Corporate governance policies

The Board has adopted the following corporate governance policies, each having been prepared having regard to the ASX Recommendations and which will be available from Listing on the Company's website at investors.booktopia.com.au.

a. Continuous Disclosure Policy

Once listed, the Company will have significant obligations under the Corporations Act and the ASX Listing Rules to keep the market fully informed of information which may have a material effect on the price or value of the Company's securities.

The Company has adopted a Continuous Disclosure Policy, to take effect from Listing. The purpose of the Continuous Disclosure Policy is to:

- reinforce the Company's commitment to its continuous disclosure obligations;
- provide shareholders and the market with timely, balanced, direct and equal access to information issued by the Company and describe the processes in place that enable the Company to do so; and
- promote investor confidence in the integrity of the Company and in the trading of its securities.

The Company communicates openly and honestly with its shareholders and aims to keep them informed of major developments affecting the state of affairs of the Company. The Company recognises that potential investors and other interested stakeholders may wish to obtain information about the Company from time to time. To achieve this, the Company will communicate information regularly to shareholders and other stakeholders through a range of forums and publications, including the Company's website, at the annual general meeting, and through the annual report and ASX announcements.

b. Securities Trading Policy

The Company has adopted a Securities Trading Policy which regulates trading by Directors and employees of the Company and its subsidiaries in securities of the Company or other companies.

Directors and all employees must comply with the insider trading prohibitions of the Corporations Act. Any person who possesses inside information in relation to a company must not trade in securities of that company, regardless of the terms of the Securities Trading Policy or any written approval given under the Policy in respect of company securities.

In addition, the Securities Trading Policy set out certain 'prohibited periods' during which trading in Shares by the Company's Directors, officers, senior executives and certain employees and contractors is prohibited (except in exceptional circumstances with approval). Those prohibited periods are currently defined as the following periods:

- from the close of trading on ASX on the last day of the Company's financial year until the day after the release of the full year results to the ASX;
- from the close of trading on ASX on the last day of the Company's half year until the day after the release of the half yearly results to the ASX; and
- any additional periods imposed by the Board from time to time (for example when the Company is considering matters which are subject to Listing Rule 3.1A).

Outside these periods, Directors and certain restricted persons must receive prior written approval before undertaking any trading in Company securities, for any proposed dealing in Shares and, in all instances, must not trade in Company securities if they are in possession of inside information.

Directors and certain restricted persons must not hedge unvested equity remuneration or vested equity subject to holding locks, and must not deal in the Company's securities on a short-term basis.

c. Code of Conduct

The Company is committed to maintaining ethical standards in the conduct of its business activities. Accordingly, the Board has adopted a formal Code of Conduct which clearly states the standards of responsibility and ethical conduct expected of Directors and employee of the Company.

The Code of Conduct requires Directors and employees, where relevant and to the extent possible, consultants, secondees and contractors of the Company, to adhere to the law and various policies of the Company referred to in the Code of Conduct. The Code of Conduct is not a prescriptive set of rules for business behaviour, but rather a practical set of principles giving direction and reflecting the Company's approach to business conduct.

d. Diversity Policy

The Company values and is proud of its strong and diverse workforce and is committed to supporting and further developing this diversity through attracting, recruiting, engaging and retaining diverse talent and aligning the Company's culture and management systems with this commitment. The Board has approved a Diversity Policy in order to set out its commitment to providing and promoting a corporate culture which embraces diversity.

The Company will set and implement measurable objectives to achieve gender diversity in the composition of the Board, executives and workforce generally. The Company will disclose in its corporate governance statement each year the measurable objectives set for that reporting period to achieve gender diversity and the Company's progress towards achieving them.

e. Risk management policy

Risk recognition and management are viewed by the Company as integral to its objectives of creating and maintaining shareholder value, and to the successful execution of the Company's strategies. The Board has adopted a risk management policy appropriate for its business. The purpose of the policy is to ensure that appropriate systems are in place to identify to the extent reasonably practicable all material risks that may impact on the Company's business and appropriate responsibilities are delegated to control the identified risks effectively.

The Board is responsible for risk oversight and the management and internal control of the processes by which risk is considered for both ongoing operations and prospective actions. In specific areas, the Board is assisted by the Audit & Risk Management Committee. The Audit & Risk Management Committee is responsible for establishing procedures which provide assurance that major business risks are identified, consistently assessed and appropriately addressed. The risk management process requires the Board to conduct regular reviews of the Company's existing risks and the identification of any new and emerging risks facing the Company, including financial and non-financial matters. It also requires the management, including mitigation where appropriate, of these risks.

f. Whistleblower Policy

The Company has adopted a Whistleblower Policy to encourage people raise any concerns and report instances of reportable conduct where there are reasonable grounds to support such action, without fear of intimidation, disadvantage or reprisal.

The purpose of the Whistleblowers Policy is to:

- outline the mechanisms for the reporting and investigation of reported matters;
- outline the measures in place to protect a whistleblower; and
- promote a workplace environment in which everyone feels safe, supported and encouraged to make reports about reportable conduct.

g. Anti-bribery and Corruption Policy

The Company is committed to acting ethically and has zero tolerance for bribery and corruption. The Company has developed an Anti-bribery and Corruption Policy for countering bribery and corruption.

The Anti-bribery and Corruption Policy applies to the Company and all subsidiary and affiliate companies over which it exercises control and all directors, officers and employees of the Company (which includes temporary employees, contract staff and consultants). The Company also expects that its business partners (including individuals and corporate entities associated with the Company, who act for or on behalf of the Company, or perform functions in relation to the Company) will comply with the Anti-bribery and Corruption Policy, to the extent they do not have their own policies managing bribery and corruption risk.

The Anti-bribery and Corruption Policy requires that personnel and business partners of the Company must not pay, offer, promise or accept, directly or indirectly, any bribe, kickback, secret commission, facilitation payment, or other form of improper payment, or otherwise breach relevant anti-corruption laws.

The Anti-bribery and Corruption Policy also requires that personnel and business partners of the Company must not:

- make political donations on behalf of the Company;
- make any charitable or community donations or sponsorships which are or could be perceived as bribes or otherwise in a manner contrary to the Anti-bribery and Corruption Policy;
- offer, provide or accept gifts, hospitality or travel in a manner contrary to the Anti-bribery and Corruption Policy;
- engage or deal with a business partner in a manner contrary to the Anti-bribery and Corruption Policy;
- enter new business ventures or invest in new companies or countries in a manner contrary to the Anti-bribery and Corruption Policy;
- falsify or mis-describe any book, record or account relating to the Company's business. All receipts and expenditures must be supported by documents that describe them accurately and properly; or
- cause or authorise any of the above conduct or any other conduct which is inconsistent with the Anti-bribery and Corruption Policy or any anti-corruption laws.

6.9 Related Party Transactions

Employment arrangements

Booktopia Group and its subsidiaries have entered into employment arrangements as set out in Section 6.4.2. Some of those arrangements are with Directors.

Deeds of insurance indemnity and access

Booktopia Group has entered into a deed of indemnity with each Director as described in Section 6.5.

Deed of indemnity in relation to personal guarantees given by Executive Directors

Prior to becoming a subsidiary of Booktopia Group, Booktopia Pty Ltd entered into a deed of indemnity with each Executive Director that requires Booktopia Pty Ltd to indemnify the Director on a full indemnity basis and to the full extent permitted by law against all claims, against all losses or liabilities (including all reasonable legal costs) pursuant to personal guarantees given by them to suppliers to Booktopia Pty Ltd while they are or were a director for the supply of materials to Booktopia Pty Limited.

Loans to Directors

Prior to the Prospectus Date, Booktopia Pty Ltd provided loans to Tony Nash, Wayne Baskin and Ainsley Henderson which total approximately $1,009,564 and which will be repaid on or about Completion.

7. Details of the Offer

7.1 The Offer

7.1.1 Structure of the Offer

The Offer comprises an offer to issue approximately 10.9 million Shares by the Company, and the sale of approximately 7.9 million Shares by SaleCo through the Offer. The proceeds from the issue of New Shares by the Company will be used by the Company as described in Section 7.1.2. The total number of Shares on issue at Completion will be approximately 137.3 million. All Shares will rank equally with each other.

- the Institutional Offer, which consists of an invitation to bid for Shares made to Institutional Investors in Australia and certain other jurisdictions (see Section 7.6 for further details on the Institutional Offer);
- the Broker Firm Offer, which is open to Australian resident retail clients of Brokers who have received a firm allocation of Shares from their Broker (see Section 7.3 for further details on the Broker Firm Offer);
- the Priority Offer, which is open to selected investors in Australia nominated by the Company who have received an invitation from the Company to apply for Shares at the Offer Price (see Section 7.5 for further details on the Priority Offer); and
- the Employee Gift Offer, which is open to Eligible Employees that receive an invitation from the Company to acquire, at no cost, the nearest whole number of Shares up to the value of $1,000 each (see Section 7.4 for further details on the Employee Gift Offer).

There is no general public offer.

The Offer is underwritten by the Joint Lead Managers (other than the Employee Gift Offer). A summary of the Underwriting Agreement, including the events which would entitle the Joint Lead Managers to terminate the Underwriting Agreement, is set out in Section 9.6. The Offer is made with disclosure under this Prospectus and is made on the terms, and is subject to the conditions, set out in this Prospectus.

The allocation of Shares between the Broker Firm Offer, the Priority Offer and the Institutional Offer will be determined by agreement between the Company, SaleCo and the Joint Lead Managers, having regard to the allocation policies outlined in Section 7.2.

7.1.2 Purpose of the Offer and use of proceeds

The purpose of the Offer is to:

- Provide funding to invest in and expand the Distribution Centre to allow for increased operating efficiency and growth;
- Provide funding and financial flexibility to increase inventory and for working capital purposes; and
- Facilitate repayment of debt.

The Offer and listing on ASX also:

- allows the Selling Shareholders an opportunity to realise part of their shareholding in the Company;
- provides a liquid market for Shares in the Company;
- provides the Company with the benefits of an enhanced profile that arises from being listed;
- broadens the Company's shareholder base;
- provides the Company with access to capital markets; and
- assists the Company in attracting and retaining quality staff.

The expected use of the Offer proceeds is set out in the table below:

SOURCES	$ MILLION	USES	$ MILLION
Company			
Cash proceeds received by the Company	$25.0	Funds to invest in and expand the Distribution Centre	$7.0
		Funds for working capital, inventory purchase, growth strategy and future opportunities	$6.8
		Repayment of debt	$3.0
		Payment of Offer costs	$8.2
SaleCo			
Cash proceeds received by SaleCo from the sale of existing Shares by SaleCo	$18.1	Payments to Selling Shareholders	$18.1
Total sources	**$43.1**	**Total uses**	**$43.1**

7.1.3 Shareholding structure

The details of the ownership of Shares as at the Prospectus Date, and on the Completion, are set out in the table below.

	NOTES	SHAREHOLDING AS AT PROSPECTUS DATE (SHARES) AND (%)	SHAREHOLDING ON COMPLETION (SHARES) AND (%)
Existing Shareholders			
Tony Nash	1	25,536,192 (20.20%)	25,536,192 (18.59%)
Steven Traurig	1	25,682,139 (20.31%)	20,691,877 (15.06%)
Simon Nash	1	16,974,321 (13.43%)	14,974,321 (10.90%)
Other Existing Shareholders	3, 4	58,230,246 (46.06%)	57,360,246 (41.76%)
New Shareholders	2	0 (0.00%)	18,797,218 (13.68%)

1. Includes Shares held by trustees of trusts or related entities in which these persons have interests in.
2. Includes Shares issued under the Employee Gift Offer to Eligible Employees.
3. Shareholdings and percentages in the table above are shown on a 'post-conversion' basis assuming that all redeemable preference shares currently on issue and held by Libertopia Management have been converted into Shares, and that some of those Shares have been transferred to the unitholders of the Booktopia Investment Trust No. 1 as a distribution in specie. Conversion of the redeemable preference shares and the distribution in specie will occur on or about the date of Settlement of the Offer.
4. Prior to the date of this Prospectus, the Company issued 310,082 Shares at $1.215 per Share to an entity associated with AFSG Capital Pty Limited for services up to the date of this Prospectus (as described in Section 6.3.1).

7.1.4 Control implications of the Offer

The Directors do not expect any Shareholder to control the Company (as defined in Section 50AA of the Corporations Act) on Completion.

7.1.5 Other information about Booktopia Group

The Directors believe that on Completion, the Company will have sufficient funds available to fulfil the purpose of the Offer and meet its stated business objectives.

The Company is an Australian resident company for tax purposes. The financial year of the Company ends on 30 June.

7.1.6 Sale of Shares by Selling Shareholders

SaleCo, a special purpose vehicle, has been established to facilitate the sale of Shares by the Selling Shareholders. Further information is contained in Section 9.3.

7.2 Terms and conditions of the Offer

TOPIC	SUMMARY
What is the type of security being offered?	Fully paid ordinary shares in the Company.
What is the Offer Price?	$2.30 per Share.
What are the rights and liabilities attaching to the securities being offered?	A description of the Shares, including the rights and liabilities attaching to these, is set out in Section 7.14.
What is the Offer Period?	The key dates are set out on page 3 of this Prospectus. This timetable is indicative only and may change. Unless otherwise indicated, all times are stated in Sydney time. Booktopia Group reserves the right to vary the times and dates without notice (including, subject to the ASX Listing Rules and the Corporations Act, to close the Offer early, to extend the Offer period relating to any component of the Offer, or to accept late applications, either generally or in particular cases, or to cancel or withdraw the Offer before Settlement, in each case without notifying any recipient of this Prospectus or applicants). Offers may be made and maybe open for acceptance under this Prospectus either generally or in particular cases including Completion or, subject to the Corporations Act, thereafter, at the discretion of the Directors. If the Offer is cancelled or withdrawn before the allocation of Shares, then all application monies will be refunded in full (without interest) as soon as possible in accordance with the requirements of the Corporations Act.
What is the minimum application amount?	**Broker Firm Offer** The minimum application under the Broker Firm Offer is as directed by the applicant's Broker. There is no maximum value of Shares that may be applied for under the Broker Firm Offer. The Joint Lead Managers and Booktopia Group reserve the right to reject any application made under the Broker Firm Offer or to allocate a lesser number of Shares than that applied for. In addition, the Company and the Joint Lead Managers reserve the right to aggregate any applications which they believe may be multiple applications from the same person or reject or scale back any applications (or aggregation of applications) in the Broker Firm Offer. **Priority Offer** The minimum application size under the Priority Offer is $2,000, and in multiples of $500 thereafter. Under the Priority Offer, applicants are able to apply for Shares up to the value provided on their personalised invitation. **Employee Gift Offer** Under the Employee Gift Offer, Eligible Employees will be offered the opportunity to apply for an amount of $1,000 worth of Shares. **Institutional Offer** There is no minimum or maximum value of Shares that may be applied for under the Institutional Offer.

TOPIC	SUMMARY
What is the allocation policy?	The allocation of Shares between the Broker Firm Offer, the Institutional Offer and the remaining Offer components will be agreed by the Joint Lead Managers and the Company. **Broker Firm Offer** Under the Broker Firm offer it is a matter for the Broker how they allocate Shares among their eligible retail clients. **Priority Offer** Allocations under the Priority Offer will be determined by the Company in consultation with the Joint Lead Managers. **Employee Gift Offer** All Eligible Employees will be offered the opportunity to apply for an amount of $1,000 worth of Shares based on the Company's eligibility criteria. For further information on the Employee Gift Offer, refer to Section 7.4. **Institutional Offer** The allocation of Shares among applicants in the Institutional Offer was determined by the Joint Lead Managers and the Company. For further information on the Institutional Offer, refer to Section 7.6.
Will the Shares be quoted on the ASX?	The Company will, within seven days after the date of this Prospectus, apply for admission to the official list of ASX and for official quotation on ASX of its Shares under the code 'BKG'. Completion is conditional on ASX approving this application. If approval is not given within three months after such application is made (or any longer period permitted by law), the Offer will be withdrawn and all application monies received will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act. It is expected that trading of the Shares on ASX on a normal settlement basis will commence on or about 3 December 2020. It is the responsibility of each Applicant to confirm their holding before trading in Shares. Applicants who sell Shares before they receive an initial statement of holding do so at their own risk. The Company, SaleCo, the Joint Lead Managers and the Existing Shareholders disclaim all liability, whether in negligence or otherwise, to persons who sell Shares before receiving their initial statement of holding, whether on the basis of a confirmation of allocation provided by any of them, by the Offer Information Line, by a Broker or otherwise.
When will I receive confirmation that my application has been successful?	Shareholder statements confirming allocations under the Offer are expected to be dispatched to Shareholders on 30 November 2020. Refunds (without interest) to applicants who make an application and receive an allocation of Shares, the value of which is smaller than the amount of the application monies, will be made as soon as practicable after Completion.
Is the Offer underwritten?	Yes. The Offer is underwritten by the Joint Lead Managers (other than the Employee Gift Offer). See Section 9.6 for more information.
Are there any escrow arrangements?	Yes, refer to Sections 7.9 and 9.8 for more information.
Has any ASX relief been obtained or been relied on?	Yes, refer to Section 7.12 for more information.
What are the tax implications of investing in the Shares?	Shareholders will generally be subject to Australian tax on dividends. The tax consequences for investors will differ depending on their individual circumstances, particularly for non-resident Shareholders. Refer to Section 9.12 for more information in relation to certain Australian tax resident shareholders.

TOPIC	SUMMARY
Is there any brokerage commission or stamp duty payable by applicants?	No. Applicants do not have to pay brokerage, commission or stamp duty if they acquire Shares under the Offer. Various fees are payable by the Company in relation to the Offer to the Joint Lead Managers and certain advisers which are set out in Section 9.
What if I have more questions?	Please call the Offer Information Line on 1800 500 095 (toll free within Australia) or +61 1800 500 095 (outside Australia) between 8:30am and 5:30pm (AEDT), Monday to Friday, during the Offer Period. If you are unclear in relation to any matter or are uncertain as to whether the Company is a suitable investment for you, you should seek professional guidance from your solicitor, stockbroker, accountant or other independent and qualified professional adviser before deciding whether to invest.

7.3 Broker Firm Offer

7.3.1 Who may apply

The Broker Firm Offer is open to retail clients of Brokers who received a firm allocation of Shares from their Broker and who have a registered address in Australia and are not located in the United States. You should contact your Broker to determine whether you can receive an allocation of Shares under the Broker Firm Offer.

7.3.2 How to apply

If you have received an allocation of Shares from your Broker and wish to apply for those Shares under the Broker Firm Offer, you should contact your Broker for information about how to submit your Application Form and for payment instructions.

Applicants under the Broker Firm Offer must not send their Application Forms or payment to the Share Registry. Applicants under the Broker Firm Offer should contact their Broker to request a Prospectus and Application Form, or download a copy at http://events.miraqle.com/booktopia-ipo/. Your Broker will act as your agent and it is your Broker's responsibility to ensure that your Application Form and application monies are received before 5:00pm (AEDT) on the closing date or any earlier closing date as determined by your Broker.

Broker clients should complete and lodge their Application Form with the Broker from whom they received their invitation to acquire Shares under this Prospectus. Application Forms must be completed in accordance with the instructions given to you by your Broker and the instructions set out on the reverse of the Application Form.

By making an application, you declare that you were given access to the Prospectus, together with an Application Form. The Corporations Act prohibits any person from passing an Application Form to another person unless it is attached to, or accompanied by, a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus. Applicants under the Broker Firm Offer should contact their Broker about the minimum and maximum application size. The Company and the Joint Lead Managers reserve the right to aggregate any applications that they believe may be multiple applications from the same person.

The Company and the Joint Lead Managers may determine a person to be eligible to participate in the Broker Firm Offer, and may amend or waive the Broker Firm Offer application procedures or requirements, in its discretion in compliance with applicable laws.

The Company, the Joint Lead Managers and the Share Registry take no responsibility for any acts or omissions committed by your Broker in connection with your application.

7.3.3 How to pay for your Shares

Applicants under the Broker Firm Offer must pay their application monies to their Broker in accordance with instructions provided by that Broker.

7.3.4 Allocation policy under the Broker Firm Offer

The allocation of Shares to Brokers will be determined by the Joint Lead Managers in agreement with the Company. Shares that are allocated to Brokers for allocation to their clients will be issued or transferred to the applicants nominated by those Brokers. It will be a matter for each Broker as to how they allocate Shares among their retail clients, and they (and not the Company nor the Joint Lead Managers) will be responsible for ensuring that retail clients who have received an allocation from them receive the relevant Shares.

Applicants under the Broker Firm Offer should confirm their allocation through the Broker from whom they received their allocation.

7.4 Employee Gift Offer

7.4.1 Who may apply

All Eligible Employees are entitled to participate in the Employee Gift Offer. Eligible Employees are persons who are resident in Australia and permanent full time or permanent part-time employees of the Company, or a subsidiary of it, for no less than 12 months as at 5:00pm (AEDT) on 2 November 2020 (provided that they remain so employed and have not given, or been given, notice to terminate employment when the Employee Gift Offer closes, which is expected to be on or around 24 November 2020. Employees who are eligible to participate in the LTIP described in Section 6.7.2 or who are Directors are not Eligible Employees.

7.4.2 How to apply

If you are an Eligible Employee, you will have received a letter of offer detailing the terms of the Employee Gift Offer, along with details of how to go online and apply for your Employee Gift Offer Shares. If you wish to apply for Shares under the Employee Gift Offer, you should follow the instructions in your personalised invitation.

7.4.3 Application monies

The cost of Shares under the Employee Gift Offer will be funded by the Company. No additional payment from Eligible Employees is required for the Employee Gift Offer.

7.4.4 Allocation policy under the Employee Gift Offer

Eligible Employees resident in Australia will receive an allocation of $1,000 worth of Shares (rounded down to the nearest whole Share based on the Offer Price).

7.4.5 Other information about the Employee Gift Offer

Eligible Employees who participate in the Employee Gift Offer are subject to a restriction period in respect of the Shares they acquire under the Employee Gift Offer. The restriction period commences on the date of issue of the Shares and ends on the earlier of:

- three years following the issue of the Shares; and
- the time when the Eligible Employee is no longer employed by the Company (or a subsidiary of the Company).

During the restriction period, Shares acquired under the Employee Gift Offer will be subject to a holding lock and the Eligible Employee must not sell, assign, transfer or otherwise deal with, or grant a security interest over those Shares.

Employees participating in the Employee Gift Offer will, from the date of allocation, be the registered holder of the Shares and will be entitled to vote, receive notices issued by the Company to Shareholders, and receive dividends in respect of the Shares.

Eligible Employees resident in Australia participating in the Employee Gift Offer may be eligible for concessional tax treatment if the relevant conditions are met. See Section 9.12 for an overview of the potential taxation implications for employees who are tax resident in Australia of participating in the Employee Gift Offer.

7.5 Priority Offer

7.5.1 Who may apply

The Priority Offer is open to investors who have received a personalised invitation to participate in the Offer from the Company and who have a registered address in Australia.

If you have been invited by the Company to participate in the Priority Offer, you will be treated as an applicant under the Priority Offer in respect of those shares that are allocated to you.

7.5.2 How to apply

If you have received a Priority Offer invitation and you wish to apply for Shares, you should follow the instructions on your personalised invitation.

The minimum application under the Priority Offer is $2,000 worth of Shares and in multiples of $500 thereafter. You may apply for an amount up to the amount indicated on your personalised invitation.

By making an application, you declare that you were given access to the Prospectus, together with an Application Form. The Corporations Act prohibits any person from passing an Application Form to another person unless it is attached to, or accompanied by, a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

7.5.3 How to pay for your Shares

Applicants under the Priority Offer must pay their application monies by BPAY® in accordance with the instructions when submitting their online application.

When completing your BPAY® payment, please make sure to use the specific biller code and unique Customer Reference Number generated by the online Application Form. Application monies paid via BPAY® must be received by the Share Registry by no later than 5:00pm (AEDT) on 24 November 2020 and it is your responsibility to ensure that this occurs. You should be aware that your financial institution may implement earlier cut-off times with regard to electronic payment and you should therefore take this into consideration when making payment. Neither the Company, SaleCo nor the Joint Lead Managers take any responsibility for any failure to receive application monies or payment by BPAY® before the Priority Offer close arising as a result of, among other things, delays processing of payments by financial institutions.

7.5.4 Acceptance of applications

The Company has absolute discretion regarding the allocation of Shares to applicants in the Priority Offer and may reject an application, or allocate fewer Shares than the amount applied for. To the extent permitted by law, an application by an applicant under the Priority Offer is irrevocable. Acceptance of an application will give rise to a binding contract.

Applicants under the Priority Offer whose applications are not accepted, or who are allocated a lesser number of Shares than the amount applied for, will receive a refund of all or part of their application monies, as applicable. Interest will not be paid on any monies refunded. Applicants whose applications are accepted in full will receive the whole number of Shares calculated by dividing their application monies by the Offer Price. Where the Offer Price does not divide evenly into the application monies, the number of Shares to be allocated will be rounded down and any excess refunded (without interest). If the amount of your application monies that you pay via BPAY® is less than the amount specified on your online Application Form, you may be taken to have applied for such lower Australian dollar amount of Shares as for which your cleared application monies will pay or your application may be rejected.

7.5.5 Allocation policy under the Priority Offer

The Company will consult with the Joint Lead Managers regarding the allocation of Shares within the Priority Offer. The Company, in consultation with the Joint Lead Managers, will determine the allocation of Shares to applicants under the Priority Offer and may reject an application, or allocate fewer Shares than applied for.

7.6 Institutional Offer

The Institutional Offer consists of an invitation prior to or after the Prospectus Date to certain Institutional Investors in Australia and certain other jurisdictions as set out in this Prospectus (see Section 9.9). Application procedures for Institutional Investors have been, or will be, advised to the Institutional Investors directly by the Joint Lead Managers. Allocations under the Institutional Offer have or will be determined by the Joint Lead Managers in agreement with the Company.

7.7 Further Information

If you have queries in relation to this Prospectus, including how to complete the Application Form or how to obtain additional copies, then you can contact the Offer Information Line on 1800 500 095 (toll free within Australia) or +61 1800 500 095 (outside Australia) between 8:30am and 5:30pm (AEDT), Monday to Friday, or Link Market Services Limited at Level 12, 680 George Street, Sydney NSW 2000 or visit http://events.miraqle.com/booktopia-ipo/ to download an electronic copy of the Prospectus.

If you are unclear in relation to any matter or are uncertain as to whether the Company is a suitable investment for you, then you should seek professional advice from your stockbroker, accountant, financial adviser, lawyer or other professional adviser.

7.8 Underwriting arrangements

The Offer is underwritten. The Company, SaleCo and the Joint Lead Managers have entered into an Underwriting Agreement under which the Joint Lead Managers have been appointed as lead managers, bookrunners and underwriters of the Offer. The Joint Lead Managers agree, subject to certain conditions and termination events, to severally underwrite applications for all Shares under the Offer (other than under the Employee Gift Offer) in equal proportions. The Underwriting Agreement is subject to a number of conditions precedent and sets out a number of circumstances under which the Joint Lead Managers may terminate the agreement and the underwriting obligations. A summary of certain terms of the agreement and underwriting arrangements, including the termination provisions, is provided in Section 9.6.

7.9 Voluntary escrow arrangements

Upon Completion, Existing Shareholders will be subject to voluntary escrow arrangements (other than any Shares acquired by them, or entities related to them, under the Offer at the Offer Price). The escrowed Shareholders have entered into voluntary escrow arrangements which prevent them from disposing of their escrowed Shares during the relevant escrow period (subject to limited exceptions).

See Section 9.8 for a summary of the terms of the escrow arrangements and the limited exceptions that permit dealing in the escrowed Shares during the relevant escrow period.

7.10 Restrictions on distributions

No action has been taken to register or qualify this Prospectus, the Shares or the Offer or otherwise to permit a public offering of the Shares in any jurisdiction outside Australia. This Prospectus does not constitute an offer or invitation to subscribe for Shares in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or invitation or issue under this Prospectus. This Prospectus may not be released or distributed by you in the United States, and may only be distributed to persons to whom the Offer may lawfully be made in accordance with the laws of any applicable jurisdiction.

This Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. The Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state of the United States and may not be offered or sold, directly or indirectly, in the United States. The shares will be offered and sold only to non-US persons outside the United States in offshore transactions as defined in and in reliance on Regulations S under the US Securities Act.

Each Applicant in the Retail Offer, and each Institutional Investor to whom the Institutional Offer is made under this Prospectus, will be taken to have represented, warranted and agreed as follows:

- it understands that the Shares have not been, and will not be, registered under the US Securities Act or the securities law of any state of the United States and may not be offered or sold, directly or indirectly, in the United States;
- it is not in the United States;
- it has not and will not send the Prospectus or any other material relating to the Offer to any person in the United States; and
- it will not offer or sell the Shares in the United States or to any US person.

Any offer, sale or resale of the Shares in the United States by a dealer (whether or not participating in the Offer) may violate the registration requirements of the US Securities Act if made prior to 40 days after the date on which the Offer Price is determined and the Shares are allocated under the Offer or if such Shares were purchased by a dealer under the Offer.

7.11 Discretion regarding the Offer

The Company may withdraw the Offer at any time before the issue of Shares to successful Applicants under the Retail Offer and Institutional Offer. If the Offer, or any part of it, does not proceed, all relevant application monies will be refunded (without interest). The Company and the Joint Lead Managers also reserve the right to extend the Offer or any part of it, accept late applications or bids either generally or in particular cases, reject any application or bid, or allocate to any Applicant fewer Shares than the amount applied or bid for.

7.12 ASX relief

ASX has given in-principle advice to the Company that it would be likely to do the following:

- confirm that the Company's structure and operations are appropriate for a listed entity;
- grant the Company a waiver from Listing Rule 10.14 to the extent necessary to permit the Company to issue securities to certain employees and Directors under the terms of the LTIP, on the following conditions:
  - this Prospectus contains the information required by Listing Rule 10.15;
  - details of any performance rights issued under the LTIP will be published in any annual report of the Company relating to a period in which the options were issued; and
  - the date by which the Company will issue the performance rights must not be later than 3 years from the date of its admission to the Official List; and
- confirm that the restrictions in clauses 1.2.3.4.7.8 and 9 of Appendix 9B of the Listing Rules do not apply to the Company as it has a track record of revenue acceptable to ASX.

7.13 ASX listing, registers and holding statements

7.13.1 Application to ASX for listing of the Company and quotation of Shares

The Company will apply for admission to the Official List and quotation of the Shares on ASX. The Company's ASX code is expected to be "BKG".

ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that ASX may admit the Company to the Official List is not to be taken as an indication of the merits of the Company or the Shares offered for subscription or purchase.

If permission is not granted for the official quotation of the Shares on ASX within three months after the date of this Prospectus (or any later date permitted by law), all application monies received by the Company will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.

7.13.2 CHESS and issuer sponsored holdings

The Company has applied to participate in ASX's Clearing House Electronic Subregister System (CHESS) and will comply with ASX Listing Rules and ASX Settlement Operating Rules. CHESS is an electronic transfer and settlement system for transactions in securities quoted on ASX under which transfers are effected in an electronic form.

When the Shares become approved financial products (as defined in ASX Settlement Operating Rules), holdings will be registered in one of two subregisters, being an electronic CHESS subregister or an issuer sponsored subregister. For all successful Applicants, the Shares of a Shareholder who is a participant in CHESS or a Shareholder sponsored by a participant in CHESS will be registered on the CHESS subregister.

All other Shares will be registered on the issuer sponsored subregister.

Following Completion, Shareholders will be sent a holding statement that sets out the number of Shares that have been allocated to them. This statement will also provide details of a Shareholder's Holder Identification Number (HIN) for CHESS holders or, where applicable, the Securityholder Reference Number (SRN) of issuer sponsored holders. Shareholders will subsequently receive statements showing any changes to their Shareholding. Certificates will not be issued.

Shareholders will receive subsequent statements during the first week of the following month if there has been a change to their holding on the register and as otherwise required under ASX Listing Rules and the Corporations Act. Additional statements may be requested at any other time either directly through the Shareholder's sponsoring broker in the case of a holding on the CHESS sub register or through the Share Registry in the case of a holding on the issuer sponsored sub register. The Company and the Share Registry may charge a fee for these additional issuer sponsored statements.

7.13.3 Selling Shares on ASX

It is expected that trading of the Shares on ASX (on a normal basis) will commence on or about 3 December 2020.

It is the responsibility of each person who trades in Shares to confirm their holding before trading in Shares. If you sell Shares before receiving a holding statement, you do so at your own risk. The Company, the Directors, the Joint Lead Managers, the Share Registry, and the Selling Shareholders disclaim all liability, whether in negligence or otherwise, if you sell Shares before receiving your holding statement, even if you obtained details of your holding from the Offer Information Line or confirmed your firm allocation through a Broker.

7.14 Summary of rights and liabilities attaching to Shares and other material provisions of the Constitution

The rights and liabilities attaching to the ownership of the Shares arise from a combination of the Constitution, statute, the ASX Listing Rules and general law.

A summary of the significant rights, liabilities and obligations attaching to the Shares and a description of other material provisions of the Constitution are set out below. This summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities of Shareholders. The summary assumes that the Company is admitted to the Official List.

7.14.1 Voting at a general meeting

At a general meeting of the Company, every shareholder present in person or by proxy, representative or attorney entitled to vote is entitled to one vote on a show of hands and, on a poll, one vote for each fully paid Share held by the shareholder (with adjusted voting rights for partly paid shares). If the votes are equal on a proposed resolution, the chairperson of the meeting has a casting vote in addition to any deliberative vote.

7.14.2 Meetings of members

Each Shareholder is entitled to receive notice of, attend, and vote at, general meetings of the Company and to receive all notices, accounts and other documents required to be sent to Shareholders under the Constitution, the Corporations Act and the ASX Listing Rules.

The Directors may determine to hold a general meeting of members using or with the assistance of any technology that gives the members as a whole a reasonable opportunity to participate, which may include but is not limited to electronic participation facilities or linking separate meeting places together by technology.

7.14.3 Dividends

The Board may pay any dividends that, in its judgement, the financial position of the Company justifies. The Board may also pay any dividend required to be paid under the terms of issue of a share, and fix a record date for a dividend and method of payment.

7.14.4 Transfer of Shares

Subject to the Constitution and to any restrictions attached to a Shareholder's Shares, Shares may be transferred by a proper transfer effected in accordance with the ASX Listing Rules, Corporations Regulations or the ASX Settlement Operating Rules or by a written transfer in any usual form or in any other form approved by the Board.

The Board may decline to register, or prevent registration of, a transfer of Shares or apply a holding lock to prevent transfer in accordance with the Corporations Act or the ASX Listing Rules.

7.14.5 Issue of further shares

Subject to the Corporations Act, the ASX Listing Rules and the Constitution, the Board may issue, allot, grant Options for, or otherwise dispose of, shares in the Company on such terms as the Board decides.

7.14.6 Preference shares

The Company may issue preference shares including preference shares which are, or at the option of the Company or a holder are, liable to be redeemed or convertible to Shares. The rights attaching to preference shares are those set out in the Constitution unless other rights have been decided by the Board under the terms of issue.

7.14.7 Winding up

If the Company is wound up, then subject to the Constitution, the Corporations Act and any rights or restrictions attached to any shares or classes of shares, shareholders will be entitled to share in any surplus property of the Company in proportion to the number of shares held by them.

If the Company is wound up, the liquidator may, with the sanction of a special resolution of the Company, divide among the shareholders all or part of the Company's property and decide how the division is to be carried out as between shareholders or different classes of shareholders.

7.14.8 Non-marketable parcels

In accordance with the ASX Listing Rules, the Board may sell Shares that constitute less than a marketable parcel by following the procedures set out in the Constitution.

7.14.9 Proportional takeover provisions

The Constitution contains provisions for Shareholder approval to be required in relation to any proportional takeover bid. These provisions will cease to apply on the day that is three years after the later of the adoption of this Constitution or their last renewal by special resolution of the Shareholders in general meeting.

7.14.10 Variation of class rights

At Completion, the Company's only class of shares on issue is ordinary shares.

The procedure set out in the Constitution must be followed for any variation of rights attached to the Shares. Under the Constitution, and subject to the Corporations Act and the terms of issue of a class of shares, the rights attaching to any class of shares may be varied:

- with the written consent of the holders of three-quarters of the shares of the class; or
- by a special resolution passed at a separate meeting of the holders shares of the class.

7.14.11 Directors – appointment and retirement

Under the Constitution, the number of Directors shall be a minimum of three Directors and a maximum of nine Directors unless the Company resolves otherwise at a general meeting.

No Director (excluding the managing director) may hold office without re-election beyond the third annual general meeting following the meeting at which the Director was last elected or re-elected. The Board may also appoint any eligible person to be a Director, either to fill a casual vacancy on the Board or in addition to the existing Directors, who will then hold office until the conclusion of the next annual general meeting of the Company following their appointment.

A person is eligible for election to the office of a Director at a general meeting if they are nominated or recommended by the Board or if not less than the number of Shareholders required to give notice of a resolution under the Corporations Act (subject to timing requirements) nominate a person in accordance with the Constitution.

7.14.12 Directors – voting

Questions arising at a meeting of the Board will be decided by a majority of votes of the Directors present at the meeting and entitled to vote on the matter. If the votes are equal on a proposed resolution, the chairperson of the meeting has a casting vote in addition to a deliberative vote, unless there are only two Directors present or entitled to vote at the meeting, in which case the chairperson of the meeting does not have a second or casting vote and the proposed resolution is taken as lost.

A written resolution of the Board may be passed without holding a meeting of the Board, if 75% of the Directors who are entitled to vote on the resolution and would have constituted a quorum at a physical meeting of Directors sign or consent to the resolution.

7.14.13 Directors – remuneration

Under the Constitution, the Board may decide the remuneration from the Company to which each Director is entitled for his or her services as a Director. The total aggregate amount provided to all Non-Executive Directors for their services as Directors must not exceed in any financial year the amount fixed by the Company in general meeting. The remuneration of a Director (who is not an Executive Director) must not include a commission on, or a percentage of, profits or operating revenue. The current maximum aggregate sum of Non-Executive Director remuneration is set out in Section 6.4.2. Any change to that maximum aggregate sum needs to be approved by Shareholders in general meeting.

Directors are entitled to be paid for all travelling and other expenses incurred in attending to the Company's affairs, including attending and returning from meetings of the Board or any committee of the Board or general meetings of the Company. Any Director who performs extra services, makes any special exertions for the benefit of the Company or otherwise performs services, which, in the opinion of the Board, are outside the scope of ordinary duties of a Non-Executive Director, may be remunerated for the services (as determined by the Board) out of funds of the Company.

Non-Executive Directors' remuneration is discussed further in Section 6.3.2.

7.14.14 Powers and duties of Directors

The business and affairs of the Company are to be managed by or under the direction of the Board, which (in addition to the powers and authorities conferred on it by the Constitution) may exercise all powers and do all things that are within the power of the Company and are not required by law or the Constitution to be done by the Company in general meeting.

7.14.15 Access to records

The Company may enter into contracts with a Director or former Director agreeing to provide continuing access, for a specified period after the Director ceases to be a Director, to Board papers, books, records and documents of the Company which relate to the period during which the Director or former Director was a Director on such terms and conditions as the Board thinks fit. The Company may procure that its subsidiaries provide similar access to board papers, books, records or documents.

7.14.16 Indemnities

The Company must indemnify each officer of the Company on a full indemnity basis and to the full extent permitted by law against all losses, liabilities, costs, charges and expenses incurred by that person as an officer of the Company or its related bodies corporate.

The Company may, to the extent permitted by law, purchase and maintain insurance or pay, or agree to pay, a premium for insurance for each officer of the Company against any liability incurred by that person as an officer of the Company or its related bodies corporate, including but not limited to a liability for negligence or for reasonable costs and expenses incurred in defending or responding to proceedings (whether civil or criminal and whatever the outcome).

7.14.17 Amendment

The Constitution may be amended only by special resolution passed by at least three quarters of the Shareholders present (in person or by proxy, attorney or representative) and entitled to vote on the resolution at a general meeting of the Company.

7.14.18 Acknowledgements

Each Applicant under the Offer will be deemed to have:

- agreed to become a member of the Company and to be bound by the terms of the Constitution and the terms and conditions of the Offer;
- acknowledged having personally received a printed or electronic copy of the Prospectus (and any supplementary or replacement Prospectus) including or accompanied by the Application Form and having read them all in full;
- declared that all details and statements in their Application Form are complete and accurate;
- declared that the Applicant(s), if a natural person, is/are over 18 years of age;
- acknowledged that, once the Company or a Broker receives an Application Form, it may not be withdrawn;
- applied for the number of Shares at the Australian dollar amount shown on the front of the Application Form;
- agreed to being allocated and issued the number of Shares applied for (or a lower number allocated in a way described in this Prospectus), or no Shares at all;
- authorised the Company and the Joint Lead Managers and their respective officers or agents, to do anything on behalf of the Applicant(s) necessary for Shares to be allocated to the Applicant(s), including to act on instructions received by the Share Registry upon using the contact details in the Application Form;
- acknowledged that, in some circumstances, the Company may not pay dividends, or that any dividends paid may not be franked;
- acknowledged that the information contained in this Prospectus (or any supplementary or replacement Prospectus) is not financial product advice or a recommendation that Shares are suitable for the Applicant(s), given the investment objectives, financial situation or particular needs (including financial and tax issues) of the Applicant(s);
- declared that the Applicant(s) is/are a resident of Australia (except as applicable to the Institutional Offer);
- acknowledged and agreed that the Offer may be withdrawn by the Company or may otherwise not proceed in the circumstances described in this Prospectus; and
- acknowledged and agreed that if Completion does not occur for any reason, the Offer will not proceed.

8.

Investigating Accountant's Report and Financial Services Guide

Deloitte.

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Lidcombe NSW 2141

The Directors
Booktopia SaleCo Limited
Unit E1/3-29 Birnie Ave,
Lidcombe NSW 2141

2 November 2020

Dear Directors

INVESTIGATING ACCOUNTANT'S REPORT AND FINANCIAL SERVICES GUIDE

Introduction

This report has been prepared at the request of the directors of Booktopia Group Limited (ACN 612 421 388) (the Company) and Booktopia SaleCo Limited (ACN 612 413 395) (SaleCo) for inclusion in the prospectus (the Prospectus) to be issued in respect of the initial public offering of fully paid ordinary shares in the Company by way of issue by the Company and transfer by SaleCo (the Offer) and the Company's subsequent listing on the Australian Securities Exchange.

Deloitte Corporate Finance Pty Limited is wholly owned by Deloitte Touche Tohmatsu and holds the appropriate Australian Financial Services licence under the Corporations Act 2001 (Cth) for the issue of this report.

Capitalised terms used in this report have the same meaning as defined in the glossary of the Prospectus.

Scope

Statutory Historical Financial Information

Deloitte Corporate Finance Pty Limited has been engaged by the Directors of the Company and SaleCo to review the statutory historical financial information of the Company, being:

- the statutory historical consolidated income statements for the financial years ended 30 June 2018, 30 June 2019 and 30 June 2020;
- the statutory historical consolidated statement of financial position as at 30 June 2020; and
- the statutory historical consolidated cash flows for the financial years ended 30 June 2018, 30 June 2019 and 30 June 2020,

as set out in Tables 4.6, 4.10 and 4.8 respectively of the Prospectus (the Statutory Historical Financial Information).

The Statutory Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies.

The Statutory Historical Financial Information has been extracted from the special purpose financial statements for the year ended 30 June 2018 and the general purpose financial statements for the financial year ended 30 June 2020 (which included restated comparative financial information for the year ended 30 June 2019). The annual financial reports were audited by PricewaterhouseCoopers in accordance with the Australian Auditing Standards. PricewaterhouseCoopers issued an unmodified audit opinion on each set of financial statements.

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The audit report on the financial statements for the year ended 30 June 2018 includes a material uncertainty paragraph in relation to the adoption of the going concern basis, which highlights the expectation of the Directors that the Company would continue to receive the support of its shareholders, creditors and financiers.

The Statutory Historical Financial Information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act 2001 (Cth).

Pro Forma Historical Financial Information

Deloitte Corporate Finance Pty Limited has been engaged by the Directors of the Company and SaleCo to review the pro forma historical financial information, being:

- the pro forma historical consolidated income statements for the financial years ended 30 June 2018, 30 June 2019 and 30 June 2020;
- the pro forma historical consolidated statement of financial position as at 30 June 2020; and
- the pro forma historical consolidated cash flows for the financial years ended 30 June 2018, 30 June 2019 and 30 June 2020,

as set out in Tables 4.2, 4.10 and 4.7 respectively of the Prospectus (the Pro Forma Historical Financial Information).

The Pro Forma Historical Financial Information has been derived from the Statutory Historical Financial Information, after adjusting for the effects of pro forma adjustments described in Sections 4.3.3, 4.5 and 4.4.3 of the Prospectus (the Pro Forma Adjustments).

The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards applied to the Statutory Historical Financial Information and the events or transactions to which the Pro Forma Adjustments relate, as if those events or transactions had occurred as at the date of the Statutory Historical Financial Information. Due to its nature, the Pro Forma Historical Financial Information does not represent the Company's actual or prospective financial performance, financial position and/or cash flows.

Forecast Financial Information

Deloitte Corporate Finance Pty Limited has been engaged by the Directors of the Company and SaleCo to review the forecast financial information, being:

- the statutory forecast consolidated income statement and the statutory forecast consolidated net cash flows of the Company for the financial year ending 30 June 2021, as set out in Tables 4.2 and 4.7 respectively of the Prospectus (the Statutory Forecast Financial Information). The Directors' best estimate assumptions underlying the Statutory Forecast Financial Information are described in Section 4.10 of the Prospectus. The stated basis of preparation used in the preparation of the Statutory Forecast Financial Information is the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies; and
- the pro forma forecast consolidated income statement and the pro forma forecast consolidated net cash flows of the Company for the financial year ending 30 June 2021 as set out in Tables 4.2 and 4.7 respectively of the Prospectus (the Pro Forma Forecast Financial Information). The Pro Forma Forecast Financial Information has been derived from the Statutory Forecast Financial Information, after adjusting for the effects of the Pro Forma Adjustments described in Tables 4.4, 4.5 and 4.9 respectively of the Prospectus.

The stated basis of preparation used in the preparation of the Pro Forma Forecast Financial Information is the recognition and measurement principles contained in Australian Accounting Standards applied to the Statutory Forecast Financial Information and the events or transactions to which the Pro Forma Adjustments relate, as if those events or transactions had occurred prior to 1 July 2020.

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Due to its nature, the Pro Forma Forecast Financial Information does not represent the Company's actual prospective financial performance and/or cash flows for the financial year ending 30 June 2021.

The Statutory Forecast Financial Information and the Pro Forma Forecast Financial Information comprise the Forecast Financial Information.

The Forecast Financial Information has been prepared by management of the Company and adopted by the Directors of the Company in order to provide prospective investors with a guide to the potential financial performance and cash flows of the Company for the financial year ending 30 June 2021. There is a considerable degree of subjective judgement involved in preparing forecasts since they relate to events and transactions that have not yet occurred and may not occur. Actual results are likely to be different from the Forecast Financial Information since anticipated events or transactions frequently do not occur as expected and the variations may be material.

The Directors' best estimate assumptions on which the Forecast Financial Information is based relate to future events and/or transactions that management expect to occur and actions that management expect to take, and are also subject to uncertainties and contingencies, which are often outside the control of the Company. Evidence may be available to support the assumptions on which the Forecast Financial Information is based, however such evidence is generally future orientated and therefore speculative in nature. We are therefore not in a position to express a reasonable assurance conclusion on those best estimate assumptions, and accordingly, provide a lesser level of assurance on the reasonableness of the Directors' best estimate assumptions. We do not express any opinion on the achievability of the results. The limited assurance conclusion expressed in this report has been formed on the above basis.

Prospective investors should be aware of the material risks and uncertainties relating to an investment in the Company, which are detailed in the Prospectus, and the inherent uncertainty relating to the prospective financial information. Accordingly, prospective investors should have regard to the investment risks and sensitivities set out in Section 5 and Section 4.12 of the Prospectus.

The sensitivity analysis set out in Section 4.12 of the Prospectus demonstrates the impacts on the Forecast Financial Information of changes in key assumptions. The Forecast Financial Information is therefore only indicative of the financial performance which may be achievable. We express no opinion as to whether the Forecast Financial Information will be achieved.

We have assumed, and relied on representations from certain members of management of the Company, that all material information concerning the prospects and proposed operations of the Company has been disclosed to us and that the information provided to us for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

Directors' Responsibility

The Directors are responsible for:

- the preparation and presentation of the Statutory Historical Financial Information and the Pro Forma Historical Financial Information, including the selection and determination of the Pro Forma Adjustments made to the Statutory Historical Financial Information and included in the Pro Forma Historical Financial Information;
- the preparation of the Forecast Financial Information, including the best estimate assumptions underlying the Forecast Financial Information and the selection and determination of the Pro Forma Adjustments made to the Statutory Forecast Financial Information and included in the Pro Forma Forecast Financial Information; and
- the information contained within the Prospectus.

This responsibility includes for the operation of such internal controls as the Directors of the Company determine are necessary to enable the preparation of the Statutory Historical Financial Information, the Pro Forma Historical Financial Information and the Forecast Financial Information that are free from material misstatement, whether due to fraud or error.

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Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Statutory Historical Financial Information, the Pro Forma Historical Information, the Statutory Forecast Financial Information and the Pro Forma Forecast Financial Information based on the procedures performed and the evidence we have obtained. We have conducted our engagement in accordance with the Australian Standard on Assurance Engagements (ASAE) 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information.*

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we will not express an audit opinion.

We have performed the following procedures as we, in our professional judgement, considered reasonable in the circumstances:

Statutory Historical Financial Information

- consideration of work papers, accounting records and other documents of the Company, including those dealing with the extraction and compilation of Statutory Historical Financial Information from the audited financial statements of the Company for the financial years ended 30 June 2018, 30 June 2019 and 30 June 2020;
- analytical procedures on the Statutory Historical Financial Information;
- a review of the stated basis of preparation, as described in the Prospectus, to the Statutory Historical Financial Information for consistency of application over the period;
- a review of work papers, accounting records and other documents of the Company and the work papers its auditors;
- a review of the application of Australian Accounting Standards; and
- enquiry of the Directors and management of the Company and other relevant persons in relation to the Statutory Historical Financial Information.

Pro Forma Historical Financial Information

- consideration of work papers, accounting records and other documents of the Company, including those dealing with the extraction and compilation of Statutory Historical Financial Information from the audited financial statements of the Company for the financial years ended 30 June 2018, 30 June 2019 and 30 June 2020;
- consideration of the appropriateness of the Pro Forma Adjustments described in Sections 4.3.3, 4.4.3 and 4.5 of the Prospectus;
- enquiry of the Directors, management, personnel and advisors of the Company;
- the performance of analytical procedures applied to the Pro Forma Historical Financial Information;
- a review of work papers, accounting records and other documents of the Company and the work papers of its auditors; and
- a review of the accounting policies adopted and used by the Company over the period for consistency of application.

Forecast Financial Information

- enquiries, including discussions with management and Directors of the Company of the factors considered in determining the assumptions;
- analytical and other review procedures we considered necessary including examination, on a test basis, of evidence supporting the assumptions, amounts and other disclosures in the Forecast Financial Information;

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- review of the accounting policies adopted and used by the Company in the preparation of the Forecast Financial Information; and
- consideration of the Pro Forma Adjustments applied to the Statutory Forecast Financial Information in preparing the Pro Forma Forecast Financial Information.

Conclusions

Statutory Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Statutory Historical Financial Information is not prepared, in all material respects, in accordance with the stated basis of preparation, as described in Section 4.2.3 of the Prospectus.

Pro Forma Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Historical Financial Information is not prepared in all material respects, in accordance with the stated basis of preparation as described in Section 4.2.3 of the Prospectus.

Statutory Forecast Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that:

(i) the Directors' best estimate assumptions used in the preparation of the Statutory Forecast Financial Information do not provide reasonable grounds for the Statutory Forecast Financial Information;

(ii) in all material respects, the Statutory Forecast Financial Information:

  a. is not prepared on the basis of the Directors' best estimate assumptions as described in Section 4.10 of the Prospectus;

  b. is not presented fairly in accordance with the stated basis of preparation, being the accounting policies adopted and used by the Company and the recognition and measurement principles contained in Australian Accounting Standards; and

(iii) the Statutory Forecast Financial Information itself is unreasonable.

Pro Forma Forecast Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that:

(i) the Directors' best estimate assumptions used in the preparation of the Pro Forma Forecast Financial Information do not provide reasonable grounds for the Pro Forma Forecast Financial Information;

(ii) in all material respects, the Pro Forma Forecast Financial Information:

  a. is not prepared on the basis of the Directors' best estimate assumptions as described in Section 4.10 of the Prospectus;

  b. is not presented fairly in accordance with the stated basis of preparation, being the accounting policies adopted and used by the Company and the recognition and measurement principles contained in Australian Accounting Standards, applied to the Statutory Forecast Financial Information and the Pro Forma Adjustments as if those adjustments had occurred as at 1 July 2020; and

(iii) the Pro Forma Forecast Financial Information itself is unreasonable.

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Restrictions on Use

Without modifying our conclusions, we draw attention to Section 4.1 and the 'Important Notices' pages of the Prospectus, which describe the purpose of the Financial Information, being for inclusion in the Prospectus. As a result, the Investigating Accountant's Report may not be suitable for use for another purpose.

Consent

Deloitte Corporate Finance Pty Limited has consented to the inclusion of this limited assurance report in the Prospectus in the form and context in which it is included.

Disclosure of Interest

Deloitte Corporate Finance Pty Limited does not have any interest in the outcome of this Offer other than the preparation of this report and participation in the due diligence procedures for which normal professional fees will be received.

Yours faithfully

DELOITTE CORPORATE FINANCE PTY LIMITED

David Hagger
Authorised Representative of
Deloitte Corporate Finance Pty Limited
(AFSL Number 241457)
AR number 461001

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March 2020

Financial Services Guide (FSG)

What is an FSG?

An FSG is designed to provide information about the supply of financial services to you.

Deloitte Corporate Finance Pty Limited (**DCF**) (AFSL 241457) provides this FSG to you, so you know how we are remunerated and who to contact if you have a complaint.

Who supplies the financial services?

We provide this FSG to you where you engage us to act on your behalf when providing financial services.

Alternatively, we may provide this FSG to you because our client has provided financial services to you that we delivered to them.

The person who provides the financial service to you is our Authorised Representative (**AR**) and DCF authorises the AR to distribute this FSG. Their AR number and contact details are in the document that accompanies this FSG.

What financial services are we licensed to provide?

We are authorised to provide financial product advice and to arrange for another person to deal in financial products in relation to securities, interests in managed investment schemes, government debentures, stocks or bonds, to retail and wholesale clients. We are also authorised to provide personal and general financial product advice and deal by arranging in derivatives and regulated emissions units to wholesale clients, and general financial product advice relating to derivatives to retail clients.

General financial product advice

We provide general advice when we have not taken into account your personal objectives, financial situation or needs, and you would not expect us to have done so. In this situation, you should consider whether our general advice is appropriate for you, having regard to your own personal objectives, financial situation or needs.

If we provide advice to you in connection with the acquisition of a financial product, you should read the relevant offer document carefully before making any decision about whether to acquire that product.

Personal financial product advice

When we give you advice that takes into account your objectives, financial situation and needs, we will give you a Statement of Advice to help you understand our advice, so you can decide whether to rely on it.

How are we remunerated?

Our fees are usually determined on a fixed fee or time cost basis plus reimbursement of any expenses incurred in providing the services. Our fees are agreed with, and paid by, those who engage us.

Clients may request particulars of our remuneration within a reasonable time after being given this FSG.

Apart from these fees, DCF, our directors and officers, and any related bodies corporate, affiliates or associates, and their directors and officers, do not receive any commissions or other benefits.

All employees receive a salary, and, while eligible for annual salary increases and bonuses based on overall performance, they do not receive any commissions or other benefits as a result of the services provided to you.

The remuneration paid to our directors reflects their individual contribution to the organisation and covers all aspects of performance.

We do not pay commissions or provide other benefits to anyone who refers prospective clients to us.

Associations and relationships

The Deloitte member firm in Australia (Deloitte Touche Tohmatsu) controls DCF. Please see www.deloitte.com/au/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu.

We, and other entities related to Deloitte Touche Tohmatsu, do not have any formal associations or relationships with any entities that are issuers of financial products. However, we may provide professional services to issuers of financial products in the ordinary course of business.

What should you do if you have a complaint?

Please contact us about a concern:

The Complaints Officer
PO Box N250
Grosvenor Place
Sydney NSW 1220
complaints@deloitte.com.au
Phone: +61 2 9322 7000

If an issue is not resolved to your satisfaction, you can lodge a dispute with the Australian Financial Complaints Authority (**AFCA**). AFCA provides fair and independent financial services dispute resolution free to consumers.

www.afca.org.au
1800 931 678 (free call)
Australian Financial Complaints Authority Limited
GPO Box 3 Melbourne VIC 3001

What compensation arrangements do we have?

Deloitte Australia holds professional indemnity insurance that covers the financial services we provide. This insurance satisfies the compensation requirements of the Corporations Act 2001 (Cth).

9.

Additional information

9.1 Registration

The Company was registered in Victoria, Australia on 16 May 2016 as a public company. As at the Prospectus Date, the Company has 113,780,609 ordinary Shares and 8,000,000 redeemable preference shares currently held by the Existing Shareholders as set out in Section 7.1.3.

9.2 Company tax status

The Company will be taxed as an Australian tax resident company in Australia for the purposes of Australian income tax. The financial year of the Company ends on 30 June annually. The Company will be subject to tax at the prevailing Australian corporate tax rate.

9.3 Role of SaleCo

SaleCo, a special purpose vehicle, has been established to facilitate the sale of existing Shares by the Selling Shareholders. The sole shareholder of SaleCo is Phillip Maundrell. The SaleCo Directors are Christopher Beare, Tony Nash and Steven Traurig. Each Selling Shareholder has entered into a Sale Agreement in favour of SaleCo under which they have agreed to sell to SaleCo existing Shares, which will be sold by SaleCo into the Offer, free from encumbrances and third party rights.

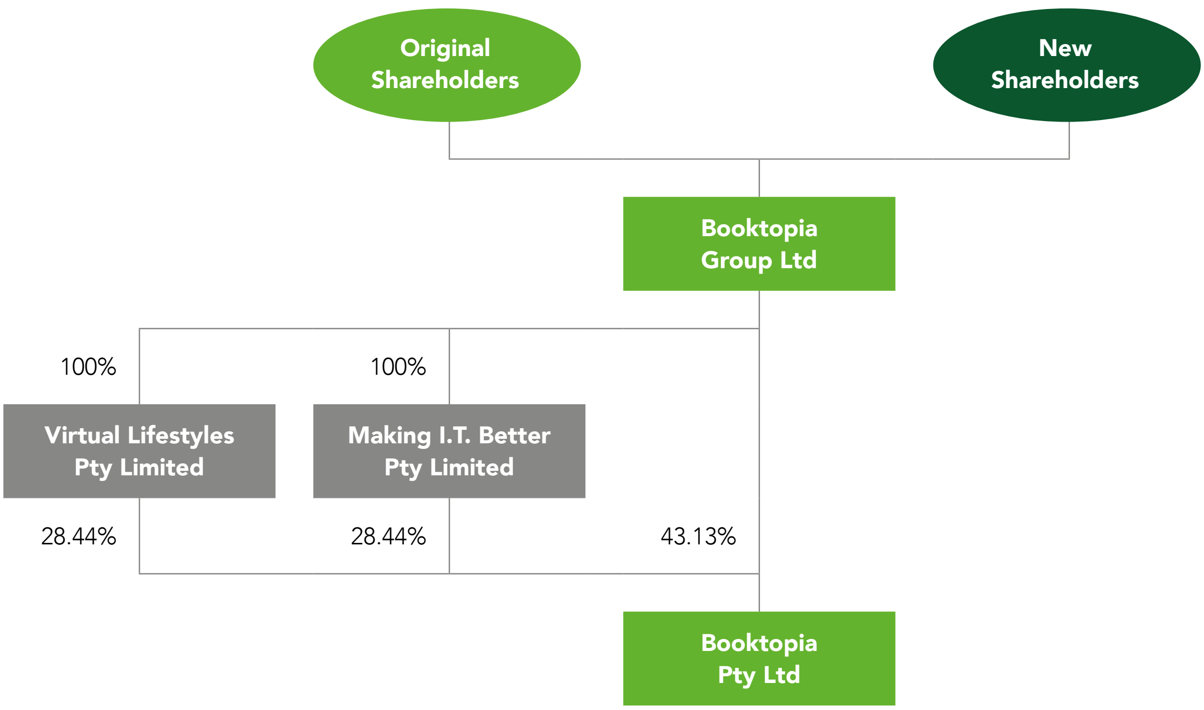
The existing Shares which SaleCo acquires from the Selling Shareholders will be transferred to successful Applicants at the Offer Price. The price payable by SaleCo for these existing Shares is the Offer Price. Booktopia Group will also issue New Shares to successful Applicants under the Offer.

SaleCo has no material assets, liabilities or operations other than its interests in and obligations under the deed and sale agreements described above.

The Company has agreed to provide such resources and support as are necessary to enable SaleCo to discharge its functions in relation to the Offer and has indemnified SaleCo in respect of costs of the Offer. The Company has indemnified SaleCo and the shareholder and officers of SaleCo for any loss which they may incur as a consequence of the Offer/ in relation to certain documents related to the Offer (including this Prospectus) or the Offer.

9.4 Corporate structure

Fig 9.1: Booktopia Group's corporate structure on Completion



The Booktopia entities listed above (other than Virtual Lifestyles Pty Limited and Making I.T Better Pty Ltd, which are dormant) undertake the business of Booktopia, as set out in this Prospectus.

9.5 Participation in issue of shares

Except as described in this Prospectus, the Company has not granted, or proposed to grant any rights to any person, or to any class of person, to participate in an issue of the Company's securities.

9.6 Underwriting Agreement

The Company, SaleCo and the Joint Lead Managers have entered into an underwriting agreement dated on or about 2 November 2020 (**Underwriting Agreement**), pursuant to which the Joint Lead Managers have been appointed as lead managers, bookrunners and underwriters, subject to certain conditions, termination events and customary conditions precedent.

The summary of the key terms of the Underwriting Agreement does not purport to be complete.

9.6.1 Commission, fees and expenses

The Company must pay the Joint Lead Managers an underwriting fee of 2.75% of the Offer proceeds and a management fee of 1% of the Offer proceeds immediately on Completion. These fees will be shared by the Joint Lead Managers in their respective proportions as set out under the Underwriting Agreement. A discretionary success fee of 0.75% of the Offer proceeds is payable at the discretion of the Company on Completion of the Offer in cleared funds, taking into effect the Joint Lead Managers overall performance in executing the Offer.

The Joint Lead Managers must pay, on behalf of the Company any broker firm fees due to any co-managers, co-lead managers and brokers appoint under the Underwriting Agreement.

The Company has also agreed to pay or reimburse the Joint Lead Managers for the reasonable costs, charges or expenses incidental to the Offer.

9.6.2 Termination events

If any of the following events has occurred or occurs at any time from the date of the Underwriting Agreement and before Completion, or at any time specified below, a Joint Lead Manager may terminate the Underwriting Agreement without cost or liability by notice to the Company or SaleCo:

- (**disclosures in Prospectus**) if the Joint Lead Manager becomes aware of a statement in this Prospectus that is misleading or deceptive or likely to mislead or deceive, or there is an omission from this Prospectus of material required to be included in it (including, without limitation, having regard to the provisions of Part 6D.2 of the Corporations Act);
- (**supplementary prospectus**) the Company and SaleCo:
  - issue or, in the reasonable opinion of a Joint Lead Manager, are required to issue, a supplementary or replacement prospectus because of the operation of section 719(1) of the Corporations Act; or
  - lodge a supplementary or replacement prospectus with ASIC in a form and substance that has not been approved by a Joint Lead Manager in circumstances required under the Underwriting Agreement;
- (**market fall**) the S&P/ASX 300 Index published by ASX is at any time more than 12.5% below its level as at 5.00pm on the business day immediately preceding the date of the Underwriting Agreement;
- (**voluntary escrow deeds**) any of the voluntary escrow deeds under which escrowed Shareholders are restricted from dealing in their escrowed Shares are withdrawn, terminated, rescinded, materially altered or amended, breached or fail to be complied with;
- (**fraud**) the Company, SaleCo or any of their directors or officers (as those terms are defined in the Corporations Act) engage, or have been alleged by a governmental authority to have engaged since the date of the Underwriting Agreement, in any fraudulent conduct or activity whether or not in connection with the Offer;
- (**notifications**) any of the following notifications are made in respect of the Offer:
  - ASIC issues an order (including an interim order) under section 739 of the Corporations Act and any such inquiry or hearing is not withdrawn within 3 business days or if it is made within 3 business days of the date of Settlement of the Offer it has not been withdrawn by the business day before the date of Settlement of the Offer;
  - ASIC holds a hearing under section 739(2) of the Corporations Act;
  - an application is made by ASIC for an order under Part 9.4B or Part 9.5 in relation to the Offer or an Offer document or ASIC commences any investigation or hearing under Part 3 of the ASIC Act in relation to the Offer or an Offer document, and any such application, inquiry or hearing is not withdrawn within 3 business days or if it is made within 3 business days of the date of Settlement it has not been withdrawn by the business day before the date of Settlement;
  - any person who has previously consented to the inclusion of its name in this Prospectus (other than the terminating Joint Lead Manager) withdraws that consent; or
  - any person gives a notice under section 730 of the Corporations Act in relation to this Prospectus (other than the terminating Joint Lead Manager, co-lead manager or co-manager);

- (**certificate**) the Company and SaleCo does not provide a closing certificate as and when required by the Underwriting Agreement;
- (**withdrawal**) the Company or SaleCo withdraws this Prospectus or the Offer;
- (**timetable**) an event specified in the timetable up to and including the date of Settlement is delayed by more than 2 days, other than any delay in accordance with the Underwriting Agreement;
- (**unable to issue**) the Company is prevented from issuing under the Offer or SaleCo is prevented from transferring under the Offer, by applicable laws, an order of a court of competent jurisdiction or a governmental authority, within the time required by the timetable set out in the Underwriting Agreement, Offer documents, ASX Listing Rules and the Corporations Act;
- (**force majeure**) there is an event or occurrence, including any statute, order, rule, regulation, directive or request of any governmental agency which makes it illegal for the terminating Joint Lead Manager to satisfy a material obligation of the Underwriting Agreement, or to market, promote or settle the Offer;
- (**change to Company**) the Company:
  - alters the issued capital of the Company or a Group member; or
  - disposes or attempts to dispose of a substantial part of the business or property of the Group,

  without the prior written approval of the terminating Joint Lead Manager (not to be unreasonably withheld or delayed);
- (**constitution**) the Company varies the Constitution, without the prior written consent of the terminating Joint Lead Manager (such consent not to be unreasonably withheld or delayed);
- (**insolvency events**) any Group member becomes insolvent, or there is an act or omission which is likely to result in a Group member becoming insolvent;
- (**regulatory approvals**) if a regulatory body withdraws, revokes or amends any regulatory approvals required for the Company or SaleCo to perform its obligations under the Underwriting Agreement, such that the Company or SaleCo is rendered unable to perform its obligations under the Underwriting Agreement;
- (**change in management**) a change in the chief executive officer, chief commercial officer or chief financial officer of the Company occurs, or there is a change in the Board without the prior written consent of the terminating Joint Lead Manager;
- (**vacancy in office**) the chief executive officer, chief commercial officer or chief financial officer of the Company, or any director of the Company, vacates his office (or announces an intention to do so); or
- (**prosecution**) any of the following occurs:
  - the chief executive officer, chief commercial officer or chief financial officer, or any director of the Company, or any director of SaleCo is charged with a criminal offence; or
  - any director of the Company or SaleCo is disqualified from managing a corporation under Part 2D.6 of the Corporations Act or under any applicable law.

9.6.2.1 Termination events subject to materiality

A Joint Lead Manager may terminate without cost or liability by notice to the Company or SaleCo if any of the following events occur at any time before Completion or at any time specified below, and the Joint Lead Manager has reasonable grounds to believe and does believe the event: (a) has, or is likely to have, a materially adverse effect on the success, settlement or outcome of the Offer, or the ability of the Joint Lead Managers to settle the Offer at the Offer Price, or the willingness of investors to subscribe for the New Shares; or (b) will, or is likely to, give rise to a liability of the Joint Lead Managers or its affiliates under, or a contravention by the Joint Lead Managers or its affiliates of, any applicable law:

- (**compliance with law**) any of the Offer documents or any aspect of the Offer does not comply with the Corporations Act, the ASX Listing Rules, or any other applicable law or regulation;
- (**new circumstances**) there occurs a new circumstance that arises after this Prospectus is lodged, that would have been required to be included in this Prospectus if it had arisen before lodgement;
- (**other disclosures**) a statement in any of the Offer documents (other than this Prospectus) is or becomes misleading or deceptive or is likely to mislead or deceive;
- (**disclosures in the due diligence committee report**) the report of the due diligence committee is, or becomes, false, misleading or deceptive, including by way of omission;
- (**information supplied**) any information supplied (including any information supplied prior to the date of the Underwriting Agreement) by or on behalf of a Group member to a Joint Lead Manager in connection with the Offer is, or is found to be, misleading or deceptive or likely to mislead or deceive (including by omission);

- (**legal proceedings**) any of the following occurs:
  - the commencement of legal proceedings against any Group member or against any director of any of them in that capacity; or
  - any regulatory body commences any Inquiry against any Group member;
- (**material contracts**) any contract, deed or other agreement which is material to the making of an informed investment decision in relation to the New Shares is:
  - terminated, rescinded, materially altered or amended without the prior written consent of the terminating Joint Lead Manager (such consent not to be unreasonably withheld);
  - found to be void or voidable;
  - is materially altered, amended or varied without the consent of the terminating Joint Lead Manager;
  - is breached, or there is a failure by a party to comply;
  - ceases to have effect, otherwise than in accordance with its terms; or
  - is or becomes void, voidable, illegal, invalid or unenforceable (other than by reason only of a party waiving any of its rights) or capable of being terminated, withdrawn, rescinded, avoided or withdrawn or of limited force and affect, or its performance is or becomes illegal;
- (**adverse change**) an event occurs which is, or is likely to give rise to:
  - an adverse change in the assets, liabilities, financial position or performance, profits, losses or prospects of the Group from those disclosed in this Prospectus lodged with ASIC on the date of this Prospectus; or
  - an adverse change in the nature of the business conducted by the Group as disclosed in this Prospectus lodged with ASIC on the date of this Prospectus;
- (**forecasts**) the Joint Lead Manager becomes aware that there are not, or there ceases to be, reasonable grounds in the opinion of the terminating Joint Lead Manager (acting reasonably) for any statement or estimate in the Offer documents which relate to a future matter or the Joint Lead Manager becomes aware that a statement or estimate in the Offer documents which relate to a future matter is, in the opinion of the terminating Joint Lead Manager (acting reasonably), unlikely to be met in the projected timeframe (including in each case financial forecasts);
- (**breach of laws**) there is a contravention by any entity in the Group of the Corporations Act, the *Competition and Consumer Act 2010* (Cth), the ASIC Act, the Constitution, the ASX Listing Rules or any other applicable law;
- (**representations and warranties**) a representation or warranty contained in the Underwriting Agreement on the part of the Company is breached, becomes not true or correct or is not performed;
- (**certificate**) a closing certificate provided to the Joint Lead Managers under the Underwriting Agreement is false, misleading or deceptive (including by way of omission);
- (**breach**) the Company defaults on one or more of its obligations or undertakings under the Underwriting Agreement;
- (**change of law**) there is introduced, or there is a public announcement of a proposal to introduce a new law or regulation, government policy or governmental agency policy (including ASIC) in Australia (including the Parliament of Australia or any State or Territory of Australia) or New Zealand;
- (**hostilities**) in respect of any one or more of Australia, New Zealand, the United States, the United Kingdom or Singapore:
  - hostilities not presently existing commence;
  - a major escalation in existing hostilities occurs (whether war is declared or not);
  - a declaration is made of a national emergency or war; or
  - a major terrorist act is perpetrated;
- (**disruption in financial markets**) any of the following occurs:
  - a general moratorium on commercial banking activities in any one or more of Australia, New Zealand, the United States, the United Kingdom or Singapore is declared by the relevant central banking authority in those countries, or there is a disruption in commercial banking or security settlement or clearance services in any of those countries;
  - any adverse effect on the financial markets in any one or more of Australia, New Zealand, the United States, the United Kingdom or Singapore, or in foreign exchange rates or any development involving an actual or prospective change in political, financial or economic conditions in any of those countries; or
  - trading in all securities quoted or listed on ASX, the London Stock Exchange, the New York Stock Exchange, the Shanghai Stock Exchange or the Tokyo Stock Exchange is suspended for at least 1 day on which that exchange is ordinarily open for trading.

9.6.3 Conditions, representations, warranties and undertakings

The Underwriting Agreement contains certain representations, warranties and undertakings provided by either or both of the Company and SaleCo to the Joint Lead Managers as well as customary conditions precedent. The representations and warranties provided by the Company and SaleCo relate to matters such as powers and capacities, conduct (including in relation to the Group's businesses and operations, compliance with applicable laws, the due diligence undertaking and in relation to the Offer), information provided to the Joint Lead Managers, financial information, accounting controls, litigation and other matters including intellectual property, the website and software, sanctions, insurance, leases and licences.

A number of representations and warranties are also given by the Joint Lead Managers to the Company and SaleCo to matters such as powers, authorisations, no directed selling efforts and no stabilisation.

The Company undertakings include amongst other undertakings that it will not (without consent of the Joint Lead Managers), at any time after the date of this the Underwriting Agreement and up to 120 days after Completion, undertake certain actions, including making certain changes to its Constitution or capital structure, and not issuing or agreeing to issue, any shares or other securities of the Company or any Group member, subject to certain limited exceptions including pursuant to an employee share plan.

9.6.4 Indemnity

Subject to certain exclusions, relating to, amongst other things, negligence, fraud, wilful misconduct or illegal acts by an indemnified party, the Company will indemnify the Joint Lead Managers and their respective representatives indemnified from losses incurred directly or indirectly in respect of the Offer.

9.7 CBA financing facility

9.7.1 Description of the Facility Agreement

Booktopia Pty Ltd has received from the Commonwealth Bank of Australia (**CBA**) a credit approved letter of offer (**Letter of Offer**) dated 8 October 2020 for a new overdraft facility with a limit of $6,000,000 (**Overdraft**). This Overdraft is in addition to the below existing facilities that Booktopia Pty Ltd has with CBA and is subject to certain conditions being met.

FACILITY	LIMIT
Commonwealth Bank Corporate Charge Card (**Credit Card Facility**)	$85,000
Contingent Liability – Bank Guarantee (**Bank Guarantee Facility**)	$1,162,177

The Overdraft, Credit Card Facility and Bank Guarantee Facility, together are the CBA Transactional Facilities. CBA's Current Terms and Conditions for Business Finance are applicable to each of the CBA Transactional Facilities.

The Company, Booktopia Pty Ltd, Virtual Lifestyles Pty Ltd and Making I.T. Better Pty Ltd (the **Obligors**) will each provide a guarantee in respect of the CBA Transactional Facilities.

The facilities are not committed, and CBA may cancel them at any time (subject to notice requirements).

9.7.2 Use of the Facility Agreement

The amounts drawn under the CBA facility can be used for working capital purposes. The Bank Guarantee Facility has been used to issue two bank guarantees in favour of The Trust Company Limited (ACN 004 027 749) for an aggregate face value of $1,162,177 (**Bank Guarantees**).

9.7.3 Financial covenants, representations, undertakings and events of default under the CBA Facility

The Overdraft contains various undertakings which includes undertakings regarding annual audited financial accounts, annual budgets, change of business, maintenance of insurances and IPO prospectus.

In addition to the undertakings, Booktopia Pty Ltd must also not be in default. Events of default include insolvency of the borrower or a guarantor, failure to pay, misleading or incorrect information, breach of a financial covenant, winding up and material adverse effect.

There are also financial covenants, of which the key covenants are:

- a gross leverage covenant requiring the Obligors to ensure that the gross financial indebtedness (excluding liabilities on balance sheet under AASB-16) to EBITDA is less than 1.25x on each Test Date; and
- an interest expense cover ratio requiring the Obligors to ensure that the EBITDA to interest expense cover ratio is greater than 3.00x on each Test Date.

- The overdraft facility must be fully repaid (clean down) for at least five consecutive business days each financial year, with at least 60 days between each clean down.
- A dividend covenant requiring that the ratio of dividends to net profit after tax will not exceed 75% in that respective financial year.

Test Date means 31 March, 30 June, 30 September and 31 December.

Failure to meet the financial covenants or breach of any of the undertakings, as well as the occurrence of other specified events, may lead to an event of default. If an event of default is continuing the Lender may, among other things, require repayment in advance of the original repayment dates.

9.7.4 Security

In addition to the guarantee provided by each Obligor, each Obligor will also grant security interests over their present and after-acquired property to secure the obligations under the CBA Transactional Facilities.

Booktopia has three term deposits with CBA for an amount with a combined value of $1,162,177 in the name of Booktopia Pty Ltd. CBA has the ability to set-off amounts owing to it in respect of the Bank Guarantee issued by CBA to third parties against these term deposits.

9.8 Voluntary escrow arrangements

Escrowed Shares held at Completion of the Offer by the escrowed Shareholders (other than any Shares acquired by them under the Offer) will be subject to voluntary escrow arrangements and will be subject to the exceptions and release dates outlined below.

Each escrowed Shareholder has entered into a voluntary escrow deed in respect of their escrowed Shares, which prevents them from dealing in their escrowed Shares for the applicable escrow period, set out below. The restriction on "dealing" is broadly defined and includes, among other things, to dispose of, or agree or offer to dispose of, the escrowed Shares or any legal, beneficial or economic interest in the escrowed Shares or to create or agree or offer to create any security interest in the Shares.

An escrowed Shareholder may be released early from these escrow obligations to enable:

- the escrowed Shareholder to accept an offer under a bona fide takeover bid in respect of all or a proportion of the Shares, provided that the holders of at least half of the Shares that are not subject to any voluntary escrow deed, and to which the offers under the takeover bid relate, have accepted an offer under the takeover bid;
- the escrowed Shares held by the escrowed Shareholders to be transferred or cancelled as part of a merger by scheme of arrangement relating to the Company under Part 5.1 of the Corporations Act; or
- an equal access share buyback, equal access capital return or equal access capital reduction (in each case made in accordance with the Corporations Act 2001 (Cth)).

Management and Board

100% of shares owned by any Board members or senior executives (including any related entities of these individuals) will be subject to the escrow provision outlined above, released on a staged basis as follows:

- 10% released two weeks after the release of the Company's half year FY21 results to ASX;
- 30% released two weeks after the release of the Company's full year FY21 results to ASX;
- 30% released two weeks after the release of the Company's half year FY22 results to ASX; and
- 30% released two weeks after the release of the Company's full year FY22 results to ASX.

The Joint Lead Managers are permitted to take a sale order for these Shares if the conditions for release have been met.

Senior executives for the purposes of voluntary escrow include Antony (Tony) Nash, Steven Traurig, Wayne Baskin and Geoff Stalley. Antony (Tony) Nash has agreed to transfer 1,139,827 Shares to a third party in part settlement of a family law matter, which is expected to take place on or around Completion. This transfer will be permitted under the voluntary escrow arrangements. These shares will be subject to the voluntary escrow arrangements outlined under the 'All other shareholders' section below.

All other shareholders

85% of the Shares owned by any Existing Shareholder, excluding the Board members and senior executives (including any related entities of these individuals) referred to above, will be subject to the escrow provision outlined above until two weeks after the release of the Company's full year FY21 results to ASX. However, these Shares may be released early from the escrow restrictions if the Company's half year FY21 results have been released to ASX and the VWAP for the Shares for any 5 consecutive trading days occurring after the release of those financial results equals or exceeds 120% of the Offer Price.

The Joint Lead Managers are permitted to take a sale order for these Shares if the conditions for release have been met.

9.9 Selling restrictions

This Prospectus does not constitute an offer of Shares in any jurisdiction in which it would be unlawful. In particular, this document may not be distributed to any person, and the Shares may not be offered or sold, in any country outside Australia except to the extent permitted below.

9.9.1 Hong Kong

WARNING: This Prospectus has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the "SFO"). No action has been taken in Hong Kong to authorise or register this prospectus or to permit the distribution of this Prospectus or any documents issued in connection with it. Accordingly, the Shares have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO and any rules made under that ordinance).

No advertisement, invitation or document relating to the Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors. No person allotted Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

9.9.2 New Zealand

This Prospectus has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013 (the "FMC Act"). The New Shares are not being offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) other than to a person who:

- is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

9.9.3 Singapore

This Prospectus and any other materials relating to the Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this Prospectus and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of Shares, may not be issued, circulated or distributed, nor may the Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This Prospectus has been given to you on the basis that you are (i) an existing holder of the Company's shares, (ii) an "institutional investor" (as defined in the SFA) or (iii) an "accredited investor" (as defined in the SFA). In the event that you are not an investor falling within any of the categories set out above, please return this document immediately. You may not forward or circulate this Prospectus to any other person in Singapore.

Any offer is not made to you with a view to the Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

9.10 Insurance

Booktopia Group has a range of insurance policies in place it believes appropriate to manage the risks of its day-to-day business and certain other activities.

There are additional, more specific policies in place to cover other relevant business risks, including property and public and products liability cover.

9.11 Description of the syndicate

The Joint Lead Managers to the Offer are Morgans Corporate Limited and Shaw and Partners Limited.

9.12 Australian Taxation considerations

The following tax comments are based on the tax law in Australia in force as at the date of this Prospectus. Australian tax laws are complex. This summary is general in nature and is not intended to be an authoritative or complete statement of all potential tax implications for each investor. During the ownership of the Shares by investors, the taxation laws of Australia or their interpretation may change. The precise implications of ownership or disposal will depend upon each investor's specific circumstances. This summary does not take into account the tax law of countries other than Australia. Investors should seek their own professional advice on the taxation implications of holding or disposing of the Shares, taking into account their specific circumstances (including whether they are an Australian tax resident).

The following information is a general summary of the Australian income tax implications for Australian resident individuals, complying superannuation entities, trusts, partnerships and corporate investors. These comments do not apply to investors that are insurance companies, to investors that hold Shares on revenue account, investors who are exempt from Australian income tax or investors subject to the Taxation of Financial Arrangements regime in Division 230 of the Income Tax Assessment Act 1997. Other than as specifically noted below in the context of the Employee Gift Offer, these comments also do not apply to investors that hold Shares subject to an employee share scheme.

Taxation issues, such as (but not limited to) those covered by this Section are only one of the matters an investor needs to consider when making a decision about a financial product. Investors should consider taking advice from someone who holds an Australian Financial Services Licence before making such a decision.

Dividends paid on Shares

Dividends may be paid to Shareholders by Booktopia Group. Booktopia Group may attach 'franking credits' to such dividends. Franking credits broadly represent the extent to which a dividend is paid by Booktopia Group out of profits that have been previously subject to Australian corporate income tax. It is possible for a dividend to be fully franked, partly franked or unfranked.

It should be noted that the concept of a dividend for Australian income tax purposes is very broad and can include payments that are made in respect of such things as off-market share buy-backs.

Australian resident individuals and complying superannuation entities

Dividends paid by Booktopia Group on a Share should constitute assessable income of an Australian tax resident investor. Australian tax resident investors who are individuals or complying superannuation entities should include the dividend in their assessable income in the year the dividend is paid, together with any franking credit attached to that dividend provided they are a "qualified person" (see below). In such circumstances, investors should also be entitled to a tax offset equal to the franking credit attached to the dividend. The tax offset may be applied to reduce the tax payable on the investor's taxable income. Where the tax offset exceeds the tax payable on the investor's taxable income, such investors should be entitled to a tax refund.

Some superannuation funds may be exempt from income tax on income derived from Shares held, where the assets are held to support current pension liabilities. Such investors may be entitled to a refund equal to the franking credit attached to the dividend.

To the extent that the dividend is unfranked, the investor will generally be taxed at his or her prevailing marginal rate, with no tax offset.

Corporate investors

Corporate investors are also required to include both the dividend and associated franking credit in their assessable income (assuming they are a "qualified person"). An entitlement to a tax offset may then arise in relation to any franking credit attached to the dividend. Excess franking credits received cannot give rise to a refund for a company but may be converted into carry forward tax losses. An Australian tax resident corporate investor should be entitled to a credit in its own franking account to the extent of the franking credit on the distribution received. This will allow the corporate investor to pass on the benefit of the franking credits to its own investor(s) on the payment of dividends.

Trusts and partnerships

Investors who are trustees (other than trustees of complying superannuation entities) or partnerships should include the dividend in their assessable income in determining the net income of the trust or partnership. Subject to satisfaction of the qualified person rules, such investors should also include any franking credit attached to the dividend in their net income. As a result, a relevant beneficiary or partner may be entitled to a tax offset equal to the beneficiary's or partner's share of the franking credit received by the investor.

Notably, as the qualified person rules (discussed below) can be complex in the context of distributions received indirectly via a trust or partnership, it is recommended that investors seek independent advice on the tax consequences arising in these circumstances.

Qualified Persons

Broadly, to be considered a "qualified person", an investor must satisfy the holding period rule including if necessary, the related payment rule.

The holding period rule requires an investor to hold the Shares "at risk" for at least 45 days continuously, in the period beginning the day after the day on which the investor acquires the Shares and ending on the 45th day after the day on which the Shares become ex-dividend. The date the Shares are acquired and disposed of are ignored for the purposes of determining the 45 day period. The shares become "ex dividend" on the day after the record date for the dividend. Any day on which an investor has a materially diminished risk of loss or opportunity for gain (through transactions such as granting options or warrants over Shares or entering into a contract to sell the Shares) should not be counted as a day on which the investor held the Shares "at risk". The holding period rule is subject to certain exceptions, including where the total franking offsets of an individual investor are less than A$5,000 in franking credits from all sources for the income year. Special rules also apply to trusts and beneficiaries.

Under the related payment rule, a different testing period applies where the investor has made, or is under an obligation to make, a related payment in relation to the dividend. The related payment rule requires the investor to have held the Shares at risk for the continuous 45 day period (per above) but within the limited period commencing on the 45th day before, and ending on the 45th day after, the day the Shares become ex-dividend.

The benefit of franking credits can be denied where an investor is not a "qualified person".

Investors should seek independent, professional advice to determine if the qualified person requirements (as they apply to them) have been satisfied.

Dividend washing

Dividend washing rules can apply such that no tax offset is available (nor is an amount required to be included in assessable income in relation to an attached franking credit) for a dividend received. Broadly, the rules can apply where investors seek to obtain additional franking benefits by disposing of Shares ex-dividend and re-purchasing a substantially equivalent parcel of Shares cum-dividend on a special market.

Investors should seek independent, professional advice to determine whether such rules may apply to them, having regard to their individual circumstances.

Disposal of Shares

The disposal of a Share by an investor should be a CGT event. A capital gain should arise where the capital proceeds on disposal exceed the cost base of the Share (broadly, the amount paid to acquire the Share plus any non-deductible transaction costs). In the case of an arm's length on-market sale, the capital proceeds will generally be the cash proceeds from the sale. Where the Shareholder is a partnership, the partners of that partnership (and not the partnership itself) should ordinarily be treated as realising any capital gain arising from the disposal (in their proportionate shares).

A CGT discount may potentially be applied against the capital gain (after reduction of total capital gains by capital losses) where the investor is an individual, complying superannuation entity or trustee, the Shares have been held for at least 12 months (not including the date of acquisition or disposal) and certain other requirements have been met. Where the CGT discount applies, any capital gain arising to individuals and entities acting as trustees (other than a trust that is a complying superannuation entity) may be reduced by one half after offsetting current year or prior year capital losses. For a complying superannuation entity, any capital gain may be reduced by one third, after offsetting current year or prior year capital losses.

Where the investor is the trustee of a trust (other than the trustee of a complying superannuation entity) that has held the Shares for at least 12 months (as above) before disposal, the CGT discount may flow through to the beneficiaries of the trust if those beneficiaries are not companies. Investors that are trustees should seek specific advice regarding the tax consequences of distributions to beneficiaries who may qualify for discounted capital gains.

A capital loss should be realised where the reduced cost base of the Share (which should generally be calculated in a similar manner to the cost base) exceeds the capital proceeds from disposal. Capital losses may only be offset against capital gains realised by the investor in the same income year or future income years, subject to certain loss recoupment tests being satisfied. Capital losses cannot be offset against other assessable income. As with capital gains, where the Shareholder realising the capital loss is a partnership, the partners of that partnership (and not the partnership itself) should ordinarily be treated as realising the capital loss (in their proportionate shares).

Tax File Numbers and Australian Business Numbers

A Shareholder is not obliged to quote a tax file number (**TFN**), or where relevant, an Australian Business Number (**ABN**), to Booktopia Group. However, if a TFN or ABN is not quoted and no exemption is applicable, income tax is required to be deducted by Booktopia Group at the highest marginal tax rate for that income year (currently 45%) plus the Medicare Levy (currently 2%) from certain dividends paid.

No withholding requirement applies in respect of fully franked dividends paid by Booktopia Group on the Shares.

Stamp duty

No stamp duty should be payable by a Shareholder on the issue or acquisition of Shares pursuant to the Offer. Further, stamp duty would not ordinarily be payable on any subsequent acquisition of Shares by a Shareholder while the Company remains listed.

Shareholders should seek their own advice as to the impact of stamp duty in their own particular circumstances.

Australian goods and services tax (GST)

Under current Australian law, GST should not be payable in respect of the issue, acquisition or transfer of Shares. However, GST may be payable on brokerage fees.

Investors may not be entitled to claim full input tax credits in respect of any GST paid on costs incurred in connection with their acquisition of the Shares. Separate GST advice should be sought by investors in this respect.

Taxation considerations specifically applicable to the Employee Gift Offer

Taxation considerations

The offer under the Employee Gift Offer will involve Eligible Employees in Australia being offered the opportunity to acquire, for no consideration, Shares up to the value of $1,000 (to the nearest number of whole Shares (rounded down) calculated at the Offer Price).

The following taxation summary addresses the general tax implications of participating in the Employee Gift Offer for Eligible Employees who are, and remain, residents (but not temporary residents) of Australia for tax purposes. There are specific rules regarding temporary residents and for individuals whose residency status changes. These rules are not considered in this summary and individuals should seek independent tax advice.

This summary is confined to taxation issues and is only one of the matters that Eligible Employees need to consider when making an investment decision. This summary is general in nature and an Eligible Employee's individual circumstances may affect the taxation implications of an investment. Eligible Employees should seek appropriate independent professional advice that considers the taxation implications in respect of their own specific circumstances before making a decision about their investments. Booktopia Group (or its subsidiaries) and its advisers disclaim all liability to any Eligible Employee or other party for all costs, loss, damage and liability that the Eligible Employee or other party may suffer or incur arising from or relating to or in any way connected with the contents of this summary, the provision of this summary to the Eligible Employee or any other party, or the reliance on this summary by the Eligible Employee or any other party.

This summary should be read in conjunction with the relevant plan documentation, including the rules of the Employee Share Acquisition Plan.

This summary does not constitute financial product advice as defined in the Corporations Act.

On allocation of Shares

Eligible Employees participating in the Employee Gift Offer may be eligible for concessional tax treatment if certain criteria are met. Broadly, under the current tax laws, an Eligible Employee may acquire Shares under the Employee Gift Offer up to the value of $1,000 tax-free, if the following conditions are satisfied:

- the adjusted taxable income of the Eligible Employee for the tax year in which Shares under the Employee Gift Offer are acquired (expected to be the year ending 30 June 2021) does not exceed $180,000; and
- immediately after acquiring Shares under the Employee Gift Offer, the Eligible Employee does not hold a beneficial interest in more than 10% of the issued Shares of Booktopia Group, nor will the Eligible Employee be in a position to cast, or control the casting of, more than 10% of the maximum number of votes that might be cast at a general meeting of Booktopia Group.

If an Eligible Employee does not meet the requirements for concessional tax treatment broadly outlined above, the employee should be assessed on the full market value of Shares acquired under the Employee Gift Offer at their marginal rate of tax (plus the Medicare Levy , determined on the allocation date.

What is adjusted taxable income?

Adjusted taxable income comprises an Eligible Employee's taxable income, plus any reportable superannuation contributions, reportable fringe benefits, investment losses and the value of Shares allocated under the Employee Gift Offer. Additional detail about the components of an individual's adjusted taxable income can be found at www.ato.gov.au.

Adjusted taxable income should be calculated for the tax year in which Shares are acquired; i.e. for the Employee Gift Offer, the relevant tax year is expected to be the year ending 30 June 2021.

It is not possible for Eligible Employees to know their adjusted taxable income for the whole financial year at the time they decide whether to participate in the Employee Gift Offer. Accordingly, Eligible Employees will need to estimate their adjusted taxable income to determine the likely tax treatment.

On disposal of Shares

The disposal of a Share by an Eligible Employee should be a CGT event. A capital gain should arise where the capital proceeds on disposal exceed the cost base of the Share (broadly, the cost base will be equal to the market value of the Shares at the date of grant (i.e., approximately $1,000, plus any transaction costs)). In the case of an arm's length on-market sale, the capital proceeds will generally be the cash proceeds from the sale. A CGT discount may be applied against the capital gain (after reduction of total capital gains by capital losses), assuming that the Eligible Employee is an individual and on the basis that the Shares have been held for at least 12 months (not including the date of acquisition or disposal) and certain other requirements have been met. Where the CGT discount applies, any capital gain arising to the Eligible Employee may be reduced by one half after offsetting current year or prior year capital losses.

Taxation of dividends

Where dividends on a Share are distributed, those dividends should constitute assessable income of the Eligible Employee in the year they receive the dividend, together with any franking credit attached to that dividend provided they are a "qualified person". Please refer to the tax implications for individuals on the receipt of dividends, as described above, for further details.

Reporting and tax withholding

Booktopia Group is required to provide Eligible Employees and the Australian Taxation Office (**ATO**) with a statement each financial year, containing information on the market value of the Shares allocated to employees under the Employee Share Acquisition Plan.

To access the $1,000 tax-free concessional tax treatment, Eligible Employees will need to include the value of their Shares at grant in their Australian income tax return for the relevant year to enable the ATO to determine whether the employee is entitled to the tax concession in relation to their Shares.

The employee will also need to ensure any applicable taxable income, dividend, and/or capital gains information (where relevant) is included in their Australian income tax return for the relevant year.

Where an Eligible Employee does not provide their TFN to Booktopia Group (or the Share Registry as applicable), tax may be withheld on the value of the Shares they have acquired and/or in respect of dividends received, at the top marginal tax rate and the Medicare Levy to cover the estimated tax liability. No tax withholding is required provided Eligible Employees have provided their TFN.

Stamp duty

No stamp duty should be payable by Eligible Employees on the issue or transfer of Shares pursuant to the Employee Gift Offer.

9.13 Legal proceedings

As at the Prospectus Date, so far as the Directors are aware, there is no current or threatened civil litigation, arbitration proceedings or administrative appeals, or criminal or governmental prosecutions of a material nature in which Booktopia Group is directly or indirectly concerned which is likely to have a material adverse impact on the business or financial position of Booktopia Group.

9.14 Consents to be named and statement of disclaimers of responsibility

Each of the parties referred to below (each a **Consenting Party**), to the maximum extent permitted by law, expressly disclaims all liabilities in respect of, makes no representations regarding and takes no responsibility for any statements in or omissions from this Prospectus, other than the reference to its name in the form and context in which it is named and a statement or report included in this Prospectus with its consent as specified below.

Each of the Consenting Parties listed below has given and has not, at the time of lodgement of this Prospectus with ASIC, withdrawn its written consent to the inclusion of statements in this Prospectus that are specified below in the form and context in which the statements appear:

- each of Morgans Corporate Limited and Shaw and Partners Limited has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as underwriter, bookrunner and joint lead manager to the Offer;
- Australia and New Zealand Banking Group Limited and AFSG Capital Pty Ltd have given, and have not withdrawn prior to the lodgement of this Prospectus with ASIC, their written consent to be named in this Prospectus as corporate advisers to the Company in the form and context in which they are named;
- Herbert Smith Freehills has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Australian legal adviser (other than in relation to taxation matters) to the Company in relation to the Offer in the form and context in which it is named;
- Deloitte Corporate Finance Pty Limited has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Investigating Accountant to the Company in relation to the Financial Information in the form and context in which it is named and has given and not withdrawn its consent to the inclusion in this Prospectus of its Investigating Accountant's Report in the form and context in which it is included;
- Deloitte Tax Services Pty Limited has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Tax Advisor to the Company in relation to the Offer;
- PricewaterhouseCoopers has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as auditor to the Company in the form and context it is so named;
- Link Market Services Limited has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as the Share Registry in the form and context in which it is named. Link Market Services Limited has had no involvement in the preparation of any part of this Prospectus other than being named as Share Registry to the Company. Link Market Services Limited has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of the Prospectus.
- Frost & Sullivan Australia Pty Ltd has given its written consent to the inclusion in this Prospectus of references to its name, and to the inclusion of the Industry Report included as section 2 of this Prospectus in the form and context in which they are included. The information attributed to Frost & Sullivan in this Prospectus represents data, research opinion and viewpoints and are not representations of fact. The Frost & Sullivan information speaks as of the date of the report in which it was contained (and not the Prospectus Date) and is subject to change without notice; and
- Nielsen Book Services Limited has given its written consent to the inclusion in this Prospectus of references to its name in Section 2 of this Prospectus in the form and context in which they are included. The information attributed to Nielsen Book Services Limited in this Prospectus represents data, research opinion and viewpoints and are not representations of fact. The Nielsen Book Services Limited information speaks as of the date of the report provided in section 2 of this Prospectus in which it was contained (and not the Prospectus Date) and is subject to change without notice.

No consenting party referred to in this Section 9.14 has made any statement that is included in this Prospectus or any statement on which a statement made in this Prospectus is based, except as stated above. Each Consenting Party referred to in this Section 9.14 has not authorised or caused the issue of this Prospectus, does not make any offer of Shares and expressly disclaims and takes no responsibility for any statements in or omissions from this Prospectus, except as stated above in this Section 9.14.

9.15 Ownership restrictions

The sale and purchase of shares in Australia are regulated by a number of laws that restrict the level of ownership or control by any one person (either alone or in combination with others). This Section contains a general description of these laws.

9.15.1 Corporations Act

The takeover provisions in Chapter 6 of the Corporations Act restrict acquisitions of shares in listed companies if the acquirer's (or another party's) voting power would increase to above 20%, or would increase from a starting point that is above 20% and below 90%, unless certain exceptions apply. The Corporations Act also imposes notification requirements on persons having voting power of 5% or more in the Company, either themselves or through an associate.

9.15.2 Foreign Acquisitions and Takeovers Act 1975 (Cth)

Generally, the Foreign Acquisitions and Takeovers Act 1975 (Cth) (FATA) applies to acquisitions of shares and voting power in a company of 20% or more by a single foreign person and its associates (substantial interest), or 40% or more by two or more unassociated foreign persons and their associates (aggregate substantial interest). Where a foreign person holds a substantial interest in the Company or foreign persons hold an aggregate substantial interest in the Company, the Company itself will be a 'foreign person' for the purpose of the FATA.

Where an acquisition of a substantial interest or aggregate substantial interest meets certain criteria, the acquisition may not occur unless notice of it has been given to the Federal Treasurer, and the Federal Treasurer has either stated that there is no objection to the proposed acquisition in terms of the Australian Government's Foreign Investment Policy (Policy) or a statutory period has expired without the Federal Treasurer objecting. An acquisition of a substantial interest or an aggregate substantial interest meeting certain criteria may also lead to divestment orders unless a process of notification, and either a statement of non-objection or expiry of a statutory period without objection, has occurred.

In addition, in accordance with the Policy, acquisitions of a direct interest in an Australian company by foreign governments and their related entities should be notified to the Foreign Investment Review Board for approval, irrespective of value. According to the Policy, a 'direct interest' will typically include any investment of 10% or more of the shares (or other securities or equivalent economic interest or voting power) in an Australian company but may also include investment of less than 10% in certain circumstances (for example where the investor is in a position to influence or control the target investment).

9.16 Costs of the Offer

The costs of the Offer are expected to be approximately $8.2 million (excluding GST). These costs will be borne by the Company from the proceeds of the Offer.

9.17 Governing law

This Prospectus and the contracts that arise from the acceptance of the applications and bids under this Prospectus are governed by the laws applicable in New South Wales and each Applicant under this Prospectus submits to the exclusive jurisdiction of the courts of New South Wales.

9.18 Statement of Directors

This Prospectus is authorised by each Director of the Company, each of whom consents to its issue and its lodgement with ASIC. No Director of the Company has withdrawn their consent.

A.

Significant accounting policies relevant to the financial information

Basis of preparation

The principal accounting policies adopted in the preparation of the Financial Information included in Section 4 of this Prospectus are set out below. These accounting policies are consistent with the last statutory general purpose financial statements of Booktopia Group Limited for the year ended 30 June 2020.

Functional and presentation currency

The financial information is presented in Australian dollars, which is the Company's functional and presentation currency.

Historical cost convention

The financial information has been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, certain classes of property, plant and equipment and derivative financial instruments.

Significant accounting policies

As discussed in Section 4.3, the Company has prepared consolidated pro forma financial information for FY18, FY19 and FY20 from the statutory general purpose financial statements of Booktopia Group Limited. The principal accounting policies set out below reflect the pro forma accounting policies of the Company group on a go forward basis.

New or amended Accounting Standards and Interpretations adopted

AASB 16 Leases

This standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

In applying AASB 16 for the first time, the Company has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with similar characteristics;
- accounting for leases which end within 12 months of the date of initial application as short term leases; and
- excluding initial direct costs from the measurement of the right-of-use asset.

Two further Accounting Standards and amendments were also adopted, being 'AASB 2018-1 *Amendments to Australian Accounting Standards – Annual Improvements 2015-2017 Cycle – 1 July 2019*' and 'Interpretation 23 – *Uncertainty over Income Tax Treatments – 1 July 2019*' which did not have any impact on amounts recognised in prior years and are not expected to significantly affect the current or future years.

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

In addition to the above, the following Accounting Standards and Interpretations are most relevant to the Company:

Revenue recognition – Sale of goods (retail)

Revenue on the sale of goods is recognised when a contractual promise to a customer (performance obligation) has been fulfilled by transferring control over the promised goods to the customer, substantially all of which is at the point in time of receipt of the products by the customer and customer has accepted the product. The amount of revenue to be recognised is based on the consideration the group expects to receive in exchange for its goods and services and that the contract has commercial substance and consideration is probable for collection. If a contract contains more than one performance obligation, the consideration is allocated based on the standalone selling price of each performance obligation.

The Group operates an online retail store which sells books and other products. Revenue from the sale of goods is recognised when the entity sells a product to the customer.

Payment of the transaction is due immediately when the customer purchases the product. It is the group's policy to sell its products to the end customer with a right of cancellation within 1 business day and with a discretionary return policy.

Accumulated experience is used to estimate and provide for such returns at the time of the sale.

The Group obligation to replace faulty products under the standard warranty terms is recognised as a provision if it is a significant balance. These warranty terms indicate the performance obligation by the group is only fulfilled when the warranty terms and conditions have expired. Revenue can therefore only be recognised to a point where expected warranty payments are provided for.

Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less loss allowance. Trade receivables are generally due for settlement within 30 days and therefore are all classified as current. They are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

A simplified approach is used to measure expected credit loss which uses a lifetime expected loss allowance. To measure the expected credit loss trade receivables have been grouped based on days overdue. Other receivables are recognised at amortised cost, less any allowance for expected credit loss.

Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting year.

Inventories

Finished goods are stated at the lower of cost and net realisable value. Cost comprises the direct costs associated with purchasing and bringing the inventory to its current location. Costs are assigned to individual items of inventory on the basis of first-in-first out. Costs or purchased inventory are determined after deducting rebates and discounts. The net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting year in which they are incurred.

Depreciation is calculated using the straight-line method to allocate the cost or revalued amounts, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term as follows:

- Plant and equipment 2.5 – 15 years
- Leasehold assets over life of the lease

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting year. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into, and they are subsequently remeasured to their fair value at the end of each reporting year.

Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss and are included in other gains/(losses).

Intangible assets

Goodwill

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

Customer relationships

Customer relationships acquired in a business combination are recognised at fair value at the acquisition date. They are subsequently carried at cost less accumulated amortisation on a straight-line basis over the useful life.

Software

Costs associated with maintaining software programmes are recognised as an expense as incurred.

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets where the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use
- management intends to complete the software and use or sell it
- there is an ability to use or sell the software
- it can be demonstrated how the software will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use or sell the software is available, and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads.

Capitalised Software Development Costs are recorded as intangible assets and amortised from the point at which the asset is ready for use. These costs are amortised over the effective useful life.

Research and development

Research expenditure and development expenditure that do not meet the criteria in (iii) above are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent year.

Amortisation methods and useful lives

The Group amortises intangible assets with a limited useful life using the straight-line method over the following periods:

- Customer relationships 5 years
- Software 10 years

Trade and other payables

These amounts represent liabilities for goods and services provided to the group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the year of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the year of the facility to which it relates.

Borrowings are removed from the consolidated balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting year.

Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

All other borrowing costs are expensed in the year in which they are incurred.

Employee benefits

Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated balance sheet.

Other long-term employee benefit obligations

The liabilities for long service leave and annual leave that are not expected to be settled wholly within 12 months after the end of the year in which the employees render the related service. These obligations are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting year using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and years of service. Expected future payments are discounted using market yields at the end of the reporting year of high-quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows.

Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

The obligations are presented as current liabilities in the consolidated balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

Critical estimates, judgements and errors

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the group's accounting policies.

Significant estimates and judgements

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

- Useful life of intangible asset

The directors of the group monitor the performance of the assets to ensure the useful life applied is reasonable.

- Useful life of customer relationships

The Group estimates a useful life of customer relationships of up to 5 years. However, the actual useful life may be shorter or longer than 5 years depending on the nature of the relationships.

- Impairment assessment of goodwill

The Group tests whether goodwill has suffered any impairment on an annual basis in accordance with the accounting policy stated earlier. The recoverable amount of a cash generating unit (CGU) is determined based on value-in-use calculations which require the use of assumptions. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period and the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

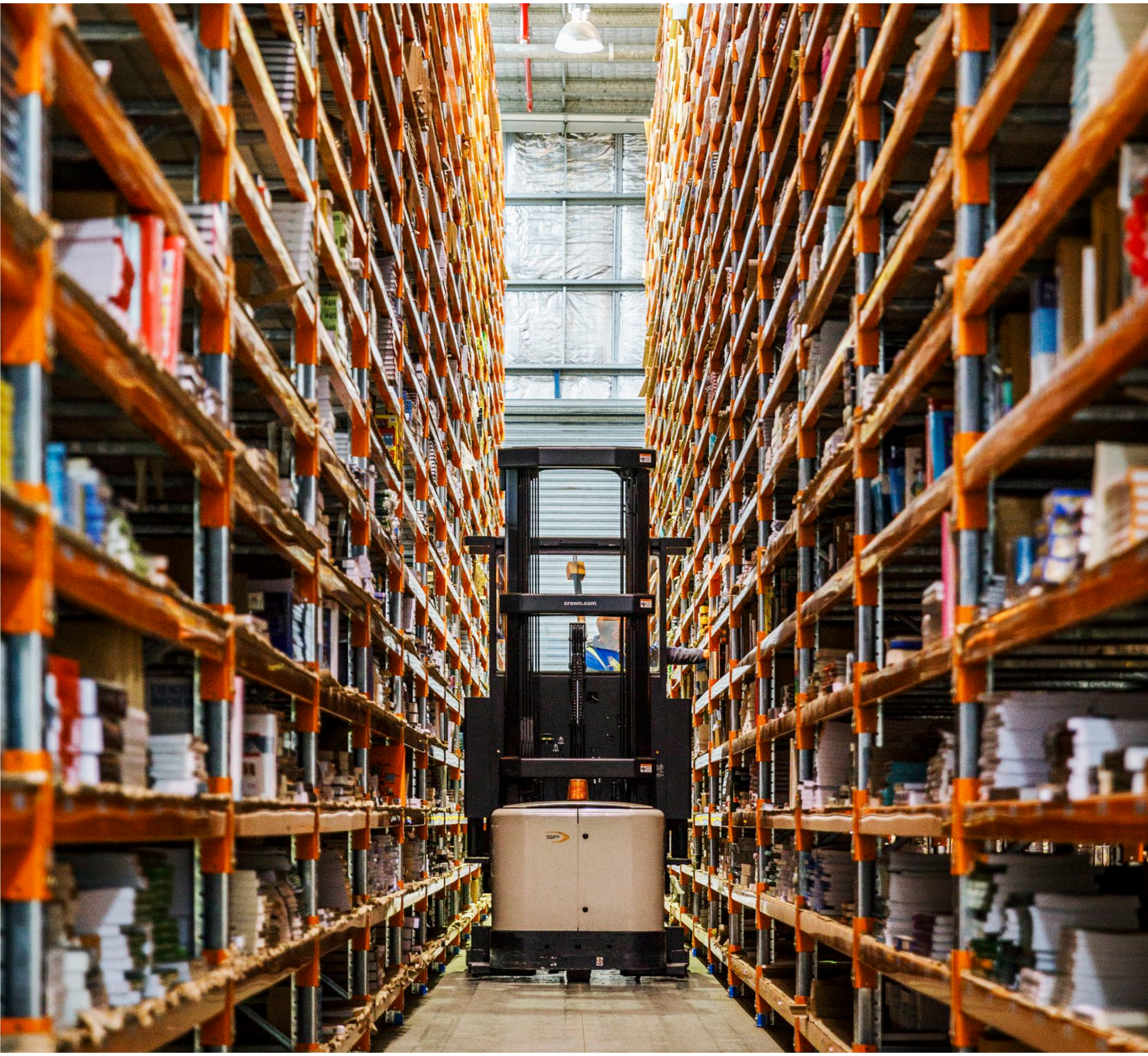
- Derivative financial liability

Financial instruments of the group are recognised at fair value, with any subsequent changes in fair value recognised through the consolidated statement of comprehensive income. The fair value of financial instruments that are not traded in an active market is determined using valuation techniques.

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Glossary



GLOSSARY

TERM	MEANING
$	Australian dollar
AAS	Australian Accounting Standards and other authoritative pronouncements issued by the Australian Accounting Standards Board
AASB	Australian Accounting Standards Board
AEDT	Australian Eastern Daylight Savings Time
Application Form	An application form attached to or accompanying this Prospectus
ASIC	Australian Securities and Investments Commission
ASIC Act	Australian Securities and Investments Commission Act 2001 (Cth)
ASX	ASX Limited (ACN 008 624 691) or the Australian Securities Exchange, as the context requires
ASX Listing Rules	The official listing rules of the ASX, as amended from time to time
ASX Recommendations	The ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (4th Edition)
ASX Settlement	ASX Settlement Pty Ltd (ACN 008 504 532)
ASX Settlement Operating Rules	The operating rules of the settlement facility provided by ASX Settlement
Average Selling Price	Average selling price per unit, calculated as revenue for the period (excluding any freight recoveries) divided by the number of units shipped for that period
Board or **Board of Directors**	The board of Directors of the Company
Book or **book**	Defined as new books only and includes physical books and eBooks unless otherwise stated
Booktopia Group or **Group**	As the context requires, the Company and its subsidiaries, or the business described in this Prospectus conducted by those companies
Bricks & Clicks	A book retailer that sells product through both a physical store and through an online sales channel
Broker	Any ASX participating organisation selected by the Joint Lead Managers to participate in the Broker Firm Offer
Broker Firm Offer	The invitation to apply for Shares made under this Prospectus to Australian resident clients of Brokers who have received an invitation to participate from their Broker
CAGR	Compound annual growth rate
CEO	The chief executive officer of Booktopia Group
CFO	The chief financial officer of Booktopia Group
CGT	Capital gains tax
Chairman	The chairman of the Board

TERM	MEANING
CHESS	Clearing House Electronic Sub-register System
COGS	Cost of goods sold
Company	Booktopia Group Limited ACN 612 421 388
Completion	The completion of the Offer, being the date upon which Shares are issued or transferred to successful Applicants in accordance with the terms of the Offer
Consenting Party	Has the meaning given in Section 9.14
Constitution	The Company's constitution
Corporations Act	Corporations Act 2001 (Cth)
CY	Calendar Year
Director	A director of the Company
Distribution Centre	Booktopia Group's leased 14,000 square metre distribution centre and head office located in Lidcombe, Western Sydney
Domestic	Refers to retailers who are registered for GST and the business is incorporated in Australia
EBITDA	Earnings before interest, tax, depreciation and amortisation (discussed in Section 4.6)
eBook	A digital format of a book for the purposes of being read on a device such as computer, tablet, phone or eReader
Eligible Employees	Eligible employees as described in Section 7.4
Employee Gift Offer	The offer of Shares under this Prospectus to Eligible Employees as described in Section 7.4
eReader	A physical device on which electronic versions of books, newspapers, magazines and other material can be read
Executive Director	Tony Nash, Steven Traurig and Wayne Baskin
Existing Shareholders	The Shareholders as at the Prospectus Date
Exposure Period	The seven day period after the Prospectus Date, which may be extended by ASIC for up to an additional seven days, during which an application must not be accepted
FBT	Fringe benefits tax
Financial Information	Together the: • Historical Financial Information; and • Forecast Financial Information
Forecast Financial Information	The meaning given in Section 4
FY	Financial Year
FY2017	The financial year ended 30 June 2017

GLOSSARY

TERM	MEANING
FY2018	The financial year ended 30 June 2018
FY2019	The financial year ending 30 June 2019
FY2020	The financial year ending 30 June 2020
Gross profit	Revenue (including freight income) less cost of goods sold (COGS)
Group or **Booktopia Group**	As the context requires, the Company and its subsidiaries, or the business described in this Prospectus conducted by those companies
GST	Goods and Services Tax has the meaning given in A New Tax System (Goods and Services Tax) Act 1999 (Cth)
Historical Financial Information	The meaning given in Section 4
Independent Director	Chris Beare, Su-Ming Wong, Marina Go and Fiona Pak-Poy
Industry Report	The online market research report dated 6 October 2020 that Booktopia Group commissioned Frost & Sullivan Pty Limited to prepare. Refer to the Important Notices at the beginning of this Prospectus for further information
Institutional Investors	An investor: • in Australia who is either a 'professional investor' or 'sophisticated investor' under sections 708(11) and 708(8) of the Corporations Act; or • in certain other jurisdictions to whom offers or invitations of Shares can lawfully be made without the need for a lodged or registered Prospectus or other form of disclosure document or filing with, or approval by, any governmental agency (except one with which Booktopia Group is willing in its discretion to comply) in either case, provided that such investors are not in the United States
Institutional Offer	The Offer of Shares to institutional investors described in Section 7.6
International	Refers to retailers who are incorporated overseas who sell products to Australian customers. These retailers are neither registered for GST nor have a physical presence in Australia
Investigating Accountant	Deloitte Corporate Finance Pty Limited
Investigating Accountant's Report	The report prepared by the Investigating Accountant set out in Section 8
IPO	Initial public offer
IT	Information technology
Joint Lead Managers	Morgans Corporate Limited (ACN 010 539 607) (AFSL 235407) and Shaw and Partners Limited (ABN 24 003 221 583)
Libertopia Management	Libertopia Management Pty Ltd (ACN 637 998 577) in its capacity as trustee for Booktopia Investment Trust No. 1.
Long Term Incentive Plan or **LTIP**	The Company's long term incentive plan as described in Section 6.8.2 of this Prospectus

TERM	MEANING
LTI Award	Has the meaning give in Section 6.8.2
Market Capitalisation	The Offer Price multiplied by the number of shares on issue post completion of the Offer
New Shares	10.9 million Shares to be issued by Booktopia Group under the Offer
Non-executive Director	A Director who is not a member of management being Chris Beare, Marina Go, Fiona Pak-Poy and Su-Ming Wong
NPAT	Net profit after tax
Offer	The offer of Shares for issue by the Company and for sale by SaleCo at the Offer Price on the terms set out in this Prospectus
Offer Period	The period during which the Offer is open for acceptance, commencing when the Offer opens and ending on the closing date indicated for the relevant part of the Offer
Offer Price	$2.30 per Share, being the price successful Applicants will pay for Shares
Official List	The official list of entities that ASX has admitted and not removed from listing
Online Only	An online retailer who does not also sell products through a traditional, physical shop front. Some Online Only retailers have physical offices and/or warehouse / distribution centres in Australia, others do not
Pay-Per-Click	A business model whereby a company that has placed an advertisement on a website pays a sum of money to the host website when a user clicks on the advertisement
PCP	Prior corresponding period
Performance Rights	Rights to acquire Shares as described in Section 6.8.2 (and includes Share Rights)
Physical Only	A retailer who only sells products through a traditional, physical shop and does not sell online
Priority Offer	The offer of Shares outlined in Section 7.5
Pro Forma Historical Financial Information	The financial information described as Pro Forma Historical Financial Information in Section 4
Prospectus	This document for the Offer, including both hard copy and electronic versions, and any supplementary or replacement document
Prospectus Date	2 November 2020, being the date on which a copy of this Prospectus was lodged with ASIC
Revenue	Has the meaning given to it in Section 4.3
SaleCo	Booktopia SaleCo Pty Limited (ACN 612 413 395)
SaleCo Directors	Chris Beare, Tony Nash and Steven Traurig
Search Engine Marketing or **SEM**	The process of gaining traffic and visibility for a website from search engines through both paid and unpaid efforts
Search Engine Optimisation or **SEO**	Improving the traffic and visibility of a website or web page in a search engine's unpaid results

GLOSSARY

TERM	MEANING
Selling Shareholders	Existing Shareholders who have elected to sell Shares to SaleCo
Settlement	The process of issue New Shares and transfer of existing Shares under the Offer
Share	A fully paid ordinary share in the capital of the Company
Share Registry	Link Market Services Limited
Share Rights	The Share rights described in Section 6.8.2
Shareholder	A holder of Shares
Shareholding	A holding of Shares
Short Term Incentive Plan	The short term incentive plan described in Section 6.8.1
Subsidiaries	The wholly owned subsidiaries of the Company, being Virtual Lifestyles Pty Limited, Making I.T. Better Pty Limited and Booktopia Pty Ltd
Stocked Title	A book that Booktopia Group holds one or more copies of in its Distribution Centre for immediate delivery to a customer once an order is placed for it
TFN	Tax file number
Underwriting Agreement	The agreement between the Joint Lead Managers and the Company and SaleCo under which the Joint Lead Managers have agreed to underwrite the Offer
US or **United States**	The United States of America, its territories and possessions, any State of the United States of America and the District of Columbia
US Securities Act	The *United States Securities Act of 1933*, as amended
VWAP	Volume weighted average price.

Corporate directory

Directors

Chris Beare
Independent, Non-executive Chairman

Tony Nash
Chief Executive Officer and Managing Director

Steven Traurig
Chief Commercial Officer and Executive Director

Wayne Baskin
Deputy Chief Executive Officer, Chief Technology Officer, Executive Director

Marina Go
Independent Non-executive Director

Fiona Pak-Poy
Independent Non-executive Director

Su-Ming Wong
Independent Non-executive Director

Registered Office

Booktopia Group Limited
Unit E1
3-29 Birnie Avenue
Lidcombe NSW 2141

Corporate Advisers

AFSG Capital Pty Ltd
Level 40
161 Castlereagh Street
Sydney NSW 2000

Australia and New Zealand Banking Group Limited
Level 21
242 Pitt Street
Sydney NSW 2000

Joint Lead Managers

Morgans Corporate Limited
Level 29
123 Eagle Street
Brisbane QLD 4000

Shaw and Partners Limited
Level 7
2 Chifley Square
Sydney NSW 2000

Auditor

PricewaterhouseCoopers
Watermans Quay, Barangaroo
Sydney NSW 2000

Investigating Accountant

Deloitte Corporate Finance Pty Limited
225 George Street
Sydney NSW 2000

Tax Advisor

Deloitte Tax Services Pty Ltd
225 George Street
Sydney NSW 2000

Share Registry

Link Market Services Limited
Level 12
680 George Street
Sydney NSW 2000

Australian Legal Adviser

Herbert Smith Freehills
Level 34
161 Castlereagh Street
Sydney NSW 2000

Company's corporate website

www.booktopia.com.au