Booktopia Group Limited
Appendix 4D
Half-year report

1. Company details

Name of entity:	Booktopia Group Limited
ABN:	14 612 421 388
Reporting period:	For the half-year ended 31 December 2020
Previous period:	For the half-year ended 31 December 2019

2. Results for announcement to the market

				$'000
Revenues from ordinary activities	up	51.1%	to	112,630
Underlying Earnings Before Interest, Tax, Depreciation and Amortisation ('EBITDA')	up	502.3%	to	7,993
Loss from ordinary activities after tax attributable to the owners of Booktopia Group Limited	up	3207.7%	to	(19,780)
Loss for the half-year attributable to the owners of Booktopia Group Limited	up	3207.7%	to	(19,780)

Dividends
There were no dividends paid, recommended or declared during the current financial period.

Comments
The loss for the Group after providing for income tax amounted to $19,780,000 (31 December 2019: $598,000).

On 2 December 2020, Booktopia Group Limited ('BKG') was admitted to the Official List of ASX Limited ('ASX'). Official quotation of BKG's ordinary fully paid shares commenced on 3 December 2020. BKG raised $25,000,000 pursuant to the offer under its prospectus dated 2 November 2020 ('Prospectus') by the issue of 10,870,000 shares at an issue price of $2.30 per share.

For further details refer to Half-year Interim Report and Directors' Report that follows this Appendix 4D.

Underlying EBITDA is a financial measure which is not prescribed by the Australian Accounting Standards ('AASBs') and represents the loss under AASBs adjusted for specific items, including the Initial Public Offering ('IPO') costs and conversion of preference shares. The directors consider Underlying EBITDA to be one of the key financial measures of the Group.

The following table summarises key reconciling items between statutory loss after tax attributable to the shareholders of the Company and Underlying EBITDA:

	Consolidated	
	31 Dec 2020 $'000	31 Dec 2019 $'000
Loss before income tax	(20,222)	(1,079)
Less: Interest income	(22)	(23)
Add: Interest expense	3,585	900
Add: Depreciation and amortisation	1,958	1,529
Reported EBITDA	(14,701)	1,327
IPO costs	4,097	-
Conversion of preference shares (non-cash accounting treatment)	18,597	-
Underlying EBITDA	7,993	1,327

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	15.24	(8.79)

The net tangible assets have been calculated as the net assets of the Group, less the tax adjusted value of the intangibles. Right-of-use assets have been treated as tangible assets for the purposes of the tangible asset calculation.

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period
There were no dividends paid, recommended or declared during the current financial period.

Previous period
There were no dividends paid, recommended or declared during the previous financial period.

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

9. Foreign entities

Details of origin of accounting standards used in compiling the report:

Not applicable.

10. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements were subject to a review by the auditors and the review report is attached as part of the Half Year Report.

11. Attachments

Details of attachments (if any):

The Half Year Report of Booktopia Group Limited for the half-year ended 31 December 2020 is attached.

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12. Signed

Signed ______________________________ Date: 22 February 2021

Christopher (Chris) Beare
Chairman
Sydney

Booktopia Group Limited

ABN 14 612 421 388

Half Year Report - 31 December 2020

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Booktopia Group Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2020.

Directors

The following persons were directors of Booktopia Group Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Christopher (Chris) Beare - Chairman
Antony (Tony) Nash
Steven Traurig
Su-Ming Wong
Wayne Baskin (appointed on 1 October 2020)
Marina Go (appointed on 1 October 2020)
Fiona Pak-Poy (appointed on 15 September 2020)
Simon Leon Nash (resigned on 30 October 2020)

Principal activities

Booktopia Group (the Group) is Australia's largest Australian owned online book retailer established in 2004 and admitted to the Australian Securities Exchange ('ASX') in December 2020. The Group generates the majority of its revenue from the sale of physical books. It also sells eBooks, DVDs, audiobooks, magazines and stationery. Customers largely consist of retail consumers with a growing number of corporate and government customers including schools, libraries, universities and government departments. Sales are generated via the Group's two websites as well as listing select titles on online marketplaces in Australia and New Zealand. In addition, the Group offers publishers a distribution solution to the Australian and New Zealand market and also publishes select titles in print and digital formats under the Booktopia Editions imprint.

The Group has developed an extensive supply chain with suppliers sourcing product from around the world with strong working relationships with Australia Post, various publishers, distributors and other affiliates. A key element in the supply chain is the Group's distribution centre (DC) located in Lidcombe, Western Sydney. The facilities in the centre have been custom designed and built from the ground up to enhance efficiency of key activities including picking and packing technologies. The DC is highly automated with conveyor lines and software systems which are central to the efficient moving of products into, within and out of the DC.

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

- **In-house technology expertise:** the Group's in-house software expertise assists it to understand its customer and inventory needs and supplier relationships;
- **Specialist online marketing knowledge:** the Group's management has significant experience in Search Engine Optimisation. The Group'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 Group's supplier relationships and efficient DC, 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; and
- **Customer-centric focus:** the Group's customer focus from its senior management team to its DC 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.

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

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

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

In 2019, the Group launched Booktopia Publishing as the Group'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, BPS.

The book publishing and BPS businesses continue to develop their footprint in the market but are yet to be a major contributor to the Group's results. As such, they are not separately reported and have been consolidated in the overall results.

Dividends

There were no dividends paid, recommended or declared during or in relation to the current or previous financial half-year.

Operating and financial review

The COVID-19 pandemic created a positive business environment for the Group with a significant uplift in online retailing, where many new online shoppers entered the market and existing shoppers increased the frequency of purchasing. Hence, customer demand grew considerably during lockdowns and this translated into sustained increased demand even following the relaxing of restrictions. Sales were up on the previous comparable period by 51% with strong performances in NSW and Victoria. Average order value *(1)* grew from $61.96 to $69.72 and the average selling price *(2)* increased from $24.39 to $26.11. Units shipped during the half was 4.2 million, 39% above the corresponding previous period.

The COVID-19 pandemic also impacted the Group's supply chain causing issues in sourcing of product and with the delivery to customers. Some product continued to be difficult to source from international suppliers creating delays for customers. Delays were also experienced in the delivery of product to customers due to ongoing lockdown situations in various states. To help mitigate this risk the Group put in place strategies to reduce the reliance on overseas suppliers, redirecting orders that would normally be placed with UK suppliers to US suppliers (less lockdown) and updating messaging on the website to advise customers of potential delays. Working closely with a major supplier in Victoria during the Victorian lockdown also ensured continued and uninterrupted supply of product.

During the period the Group introduced further automation of the DC to increase the outbound capacity from 30,000 units per day to a potential 60,000 units per day. In addition, inventory capacity was increased from 797,000 to 1,767,000 units, representing over 150,000 separate stocked titles.

Further automation will be introduced in the second half of 2021 to allow optimisation of the new capacity.

Through proactive management the Group was able to optimise customer demand by limiting marketing activities to ensure the customer experience was maintained at an acceptable level. Operational costs decreased on a per unit basis from $9.27 to $8.75 largely due to improved efficiency in the DC and lower marketing costs.

Pleasingly the Group delivered revenues of $112,608,000 vs $74,510,000 for the same period last year. The increase in sales and gross margin together with cost savings from additional automation of the DC resulted in an underlying EBITDA of $7,993,000 (excluding IPO costs and conversion of preference shares), a 503% improvement on the same period last year. During the period 4,240,000 products were shipped to customers, up 39% on the same period last year.

The loss for the Group after providing for income tax amounted to $19,780,000 driven by the conversion of preference shares (note 10) and $4,097,000 of IPO costs (note 10) (31 December 2019: $598,000).

(1) Average Order Value is based on revenue including GST but excluding any freight charged to customers, divided by the total number of orders in each financial period

(2) Average Selling Price means average selling price per unit, calculated as net revenue for the period including GST but excluding any freight charged to customers divided by the number of units shipped for that period

FY21 Key Financial Metrics (per Prospectus)	Pro Forma Forecast	YTD Dec-20
Revenue growth (% increase)	23.4%	51.1%
Underlying EBITDA margin % (EBITDA / revenue)	4.6%	7.1%
Gross profit growth (% increase)	28.2%	59.2%
Gross profit ($ per unit shipped)	$7.45	$7.22
Net freight cost ($ per unit shipped)	$0.45	$0.34
Distribution centre wages ($ per unit shipped)	$1.16	$1.43
Marketing expenses ($ per unit shipped)	$1.70	$1.10

The Group's balance sheet reflects the attractive cash flow profile of the business model where customers pay at the time of ordering, minimising any debtors; inventory as aligned to customer demand and trade creditors are according to accepted industry terms. Inventory levels remained largely consistent with the same period last year reflecting the increased throughput of the DC relative to the growth in revenue. Creditors and cash flow management also continue to support overall strength in working capital for the Group.

Historical software developments costs have been capitalised including 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 DC to optimise customer experience.

Financing
During the period the Group became a listed entity on the ASX raising $25,000,000 which was used to reduce debt and increase working capital in anticipation of more capital expenditure on further automation of the DC. Debt was reduced by the repayment of the Longreach Credit Investors borrowing balance of $12,000,000 and as part of the IPO the Redeemable Preference Shares were converted to ordinary shares. Overall debt of the Group was significantly reduced and the net equity of the business increased from a negative $3,086,000 to a positive $28,956,000. The Group has an unused $6,000,000 overdraft facility with the CBA. Together with the $16,010,000 cash, the Group has $22,010,000 of liquidity to fund future growth ambitions.

Underlying EBITDA
Underlying EBITDA is a financial measure which is not prescribed by the Australian Accounting Standards ('AASBs') and represents the statutory result adjusted for specific items, including the IPO costs and conversion of preference shares. The directors consider Underlying EBITDA to be one of the key financial measures of the Group.

The following table summarises key reconciling items between statutory loss after tax attributable to the shareholders of the Company and Underlying EBITDA:

	Consolidated	
	31 Dec 2020 $'000	**31 Dec 2019 $'000**
Loss before income tax	(20,222)	(1,079)
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IPO costs	4,097	-
Conversion of preference shares (non-cash accounting treatment)	18,597	-
Underlying EBITDA	7,993	1,327

Business strategies and future growth
The retailing of physical and digital books in an online environment remains the core strategy of the Group with the focus of growing market share in Australia being the key strategy. The Group considers that continued overall industry growth, a continued consumer shift towards buying books and other products online and its strong customer service focus will underpin the Group's opportunity to grow its market share. The Group has identified several initiatives to drive revenue and earnings growth including:

- **Affiliate marketing and retargeting of existing and new customers:** the Group's continues to use Search Engine Optimisation, pay per click advertising, affiliate marketing and retargeting of customers and potential customers as its principal form of selling. The Group is focused on investing in the look, feel and functionality of its websites to increase website visits and conversion rates even further. The Group also continues to evolve and enhance its eBook and audiobook offering to drive increased sales.
- **Continued expansion into education and corporate sales:** the Group continues its expansion into education and corporate sales through targeted merchandising, website development and expanding its corporate and education sales team. The Group believes there is a substantial growth opportunity for it to increase sales in the pre-school, primary, secondary and tertiary sectors.
- **Continued investment into the distribution centre:** the Group plans to invest $20 million into the DC between FY21 and FY22. This investment aims to advance automation further within the DC (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, the Group is targeting Stocked Titles to increase to 200,000 across 1.5 million units by the end of CY2021.
- **Growth of partnerships and marketplaces:** the Group plans to increase its partnerships' leveraging its brand, customer databases and website traffic to allow it to sell wherever the Australian book buyer is shopping. The Group sells through a range of online stores including Kogan, eBay, MyDeal, Catch and Amazon and 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.
- **Bolt on acquisition opportunities:** the Group will continue to seek further acquisitions of businesses in Australia and New Zealand which offer similar products to the Group and which may benefit from the application of the Group's expertise and existing infrastructure and systems. The 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 Group's immediate focus is Australia and New Zealand, expansion into other markets may represent an attractive medium-term potential growth opportunity where the Group believes it can achieve appropriate returns. 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.
- **Customer loyalty and subscription programs:** the 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. The Group believes this will form an important aspect of its customer service offering and assist in increasing customer loyalty in the future. The Group currently partners with the Qantas Frequent Flyer (QFF) program.
- **Leveraging customer database:** the Group has access to a substantial amount of historical customer data. The 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, the Group intends to assemble focused information on customers and customer groups, to facilitate more relevant and targeted marketing.
- **Providing available inventory and / or competitive margins:** BPS is focused on adding more publishers to its list that it represents as its core growth strategy. The Group views BPS as a unique growth opportunity. BPS provides an attractive value proposition to publishers and bookstores by providing available inventory or competitive margins. 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.

Significant changes in the state of affairs
On 2 December 2020, Booktopia Group Limited ('BKG') was admitted to the Official List of ASX Limited ('ASX'). Official quotation of BKG's ordinary fully paid shares commenced on 3 December 2020. BKG raised $25,000,000 pursuant to the offer under its prospectus dated 2 November 2020 ('Prospectus') by the issue of 10,870,000 shares at an issue price of $2.30 per share.

Beyond the impact of COVID-19 and the activities associated with the admission of the Group in ASX, there were no significant changes in the state of affairs of the Group during the financial half-year.

Rounding of amounts

The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors

Chris Beare

Christopher (Chris) Beare
Chairman

22 February 2021
Sydney

Auditor's Independence Declaration

As lead auditor for the review of Booktopia Group Limited for the half-year ended 31 December 2020, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Booktopia Group Limited and the entities it controlled during the period.

S.T. Maher

Shannon Maher
Partner
PricewaterhouseCoopers

Sydney
22 February 2021

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General information

The financial statements cover Booktopia Group Limited as a Group consisting of Booktopia Group Limited and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is Booktopia Group Limited's functional and presentation currency.

On 2 December 2020, Booktopia Group Limited ('BKG') was admitted to the Official List of ASX Limited ('ASX').

Booktopia Group Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Unit E1
3-29 Birnie Avenue
Lidcombe NSW 2141

A description of the nature of the Group's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 22 February 2021. The directors have the power to amend and reissue the financial statements.

Booktopia Group Limited
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2020

	Note	Consolidated 31 Dec 2020 $'000	31 Dec 2019 $'000
Revenue	3	112,608	74,510
Other income		-	9
Interest income		22	23
Expenses			
Product and freight costs		(81,973)	(55,262)
Employee benefits expense		(14,669)	(10,072)
Marketing expense		(4,652)	(5,380)
Depreciation and amortisation expense	4	(1,958)	(1,529)
Impairment of receivables		(14)	-
Merchant expense		(1,622)	(1,085)
Occupancy expense		(298)	(270)
IPO costs	10	(4,097)	-
Conversion of preference shares	10	(18,597)	-
Other expenses		(1,387)	(1,123)
Finance costs	4	(3,585)	(900)
Loss before income tax benefit		(20,222)	(1,079)
Income tax benefit	5	442	481
Loss after income tax benefit for the half-year attributable to the owners of Booktopia Group Limited		(19,780)	(598)
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income for the half-year attributable to the owners of Booktopia Group Limited		(19,780)	(598)
		Cents	Cents
Basic earnings per share	16	(16.80)	(0.53)
Diluted earnings per share	16	(16.80)	(0.53)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Booktopia Group Limited
Consolidated balance sheet
As at 31 December 2020

	Note	Consolidated 31 Dec 2020 $'000	Consolidated 30 Jun 2020 $'000
Assets			
Current assets			
Cash and cash equivalents		16,010	10,764
Trade and other receivables		955	902
Inventories		13,645	12,176
Other current assets		2,495	2,588
Total current assets		33,105	26,430
Non-current assets			
Property, plant and equipment	6	20,637	14,074
Right-of-use assets	7	10,122	9,708
Intangibles	8	8,609	8,030
Deferred tax assets		3,032	796
Loans to shareholders	14	-	1,010
Total non-current assets		42,400	33,618
Total assets		75,505	60,048
Liabilities			
Current liabilities			
Trade and other payables		20,570	20,656
Contract liabilities		10,099	7,725
Borrowings	9	-	6,713
Lease liabilities		545	516
Derivative financial instruments	12	-	2,480
Income tax payable		611	97
Provisions		1,842	1,645
Total current liabilities		33,667	39,832
Non-current liabilities			
Borrowings	9	-	11,325
Lease liabilities		11,295	11,332
Provisions		1,587	645
Total non-current liabilities		12,882	23,302
Total liabilities		46,549	63,134
Net assets/(liabilities)		28,956	(3,086)
Equity			
Issued capital	10	52,133	311
Accumulated losses		(23,177)	(3,397)
Total equity		28,956	(3,086)

The above consolidated balance sheet should be read in conjunction with the accompanying notes

Consolidated	Issued capital $'000	Accumulated losses $'000	Total deficiency in equity $'000
Balance at 1 July 2019	311	(3,593)	(3,282)
Loss after income tax benefit for the half-year	-	(598)	(598)
Other comprehensive income for the half-year, net of tax	-	-	-
Total comprehensive income for the half-year	-	(598)	(598)
Balance at 31 December 2019	311	(4,191)	(3,880)

Consolidated	Issued capital $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2020	311	(3,397)	(3,086)
Loss after income tax benefit for the half-year	-	(19,780)	(19,780)
Other comprehensive income for the half-year, net of tax	-	-	-
Total comprehensive income for the half-year	-	(19,780)	(19,780)
Transactions with owners in their capacity as owners:			
Contributions of equity, net of transaction costs (note 10)	51,822	-	51,822
Balance at 31 December 2020	52,133	(23,177)	28,956

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

	Note	Consolidated 31 Dec 2020 $'000	31 Dec 2019 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		126,190	83,287
Payments to suppliers and employees (inclusive of GST)		(120,771)	(81,712)
		5,419	1,575
Interest received		22	23
Interest and other finance costs paid		(1,155)	(900)
Income taxes paid		(180)	(249)
Net cash from operating activities	15	4,106	449
Cash flows from investing activities			
Payments for property, plant and equipment	6	(6,692)	(2,533)
Payments for intangibles	8	(1,463)	(1,457)
Payments for security deposits		(10)	(370)
Borrowing cost capitalised in property, plant and equipment	6	(374)	(9)
Net cash used in investing activities		(8,539)	(4,369)
Cash flows from financing activities			
Proceeds from issue of shares	10	25,000	-
Share issue transaction costs	10	(3,883)	-
Proceeds from shareholders loans	14	1,010	-
(Repayment)/proceeds from borrowings - loan from Longreach Credit Investors	9	(12,000)	12,000
Repayment of borrowings - bank loans 'CBA'		-	(1,224)
Repayment of lease liabilities		(162)	(1,143)
Repayment of other financial liabilities		(286)	(42)
Net cash from financing activities		9,679	9,591
Net increase in cash and cash equivalents		5,246	5,671
Cash and cash equivalents at the beginning of the financial half-year		10,764	1,257
Cash and cash equivalents at the end of the financial half-year		16,010	6,928

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2020 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2020 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the policies stated below.

Going concern
For the six months ended 31 December 2020 the Group reported a loss after tax of $19,780,000 and had an excess of current liabilities over current assets of $562,000. Included in the loss reported is $4,097,000 of IPO costs and a non-cash loss on redemption of redeemable preference shares of $18,597,000, both of which are non-recurring items. The negative working capital position is due to contract liabilities of $10,099,000. Subsequent to the end of the financial period the Group has continued to perform in line with their budget which forecasts the business will generate positive cash flows sufficient to ensure the Group will continue as a going concern. In addition the Group has unutilised borrowing facilities of $6,000,000 as at 31 December 2020. The cash flow forecast assumes there will be adequate cash generated to meet the Group's obligations as and when they fall due. Accordingly, the financial statements have been prepared on a going concern basis.

Operating segments
Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Earnings per share
Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to the owners of Booktopia Group Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial half-year, adjusted for bonus elements in ordinary shares issued during the financial half-year.

Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

New or amended Accounting Standards and Interpretations adopted
The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Note 2. Operating segments

Identification of reportable operating segments
The group operates in one segment being the sale and distribution of books and book-related products through its online platforms. This operating segment is based on the internal reports that are reviewed and used by the Board of Directors, that is identified as the Chief Operating Decision Maker ("CODM") in assessing performance and in determining the allocation of resources. The operating segment information is the same information as provided throughout the financial statements and therefore not duplicated here.

Note 2. Operating segments (continued)

The CODM reviews EBITDA (earnings before interest, tax, depreciation and amortisation). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

	Consolidated	
	31 Dec 2020 $'000	31 Dec 2019 $'000
Loss before income tax	(20,222)	(1,079)
Less: Interest income	(22)	(23)
Add: Interest expense	3,585	900
Add: Depreciation and amortisation	1,958	1,529
Reported EBITDA	(14,701)	1,327
IPO costs	4,097	-
Conversion of preference shares	18,597	-
Underlying EBITDA	7,993	1,327

Information is reported to the CODM on a monthly basis.

Note 3. Revenue

	Consolidated	
	31 Dec 2020 $'000	31 Dec 2019 $'000
Sales of goods	112,608	74,510

Disaggregation of revenue
The major product line of the Group is the sale of books in Australia and recognised at a point of time. The contract liabilities of $10,099,000 relates to payments received in advance.

Note 4. Expenses

	Consolidated	
	31 Dec 2020 $'000	31 Dec 2019 $'000
Loss before income tax includes the following specific expenses:		
Plant and equipment depreciation (note 6)	503	495
Right-of-use assets depreciation (note 7)	571	488
Amortisation expense (note 8)	884	546
Total depreciation and amortisation	1,958	1,529
Finance costs		
Interest and finance charges on borrowings	2,840	86
Interest on lease liabilities	745	814
Finance costs	3,585	900

Note 5. Income tax

Income tax expense is recognised based on the Group's estimate of the weighted average effective annual income tax rate expected for the full financial year. The effective tax rate for the half-year reporting period ended 31 December 2020 of 2% (2019: 45%) was impacted by the non-deductible loss on conversion of preference shares and deferred tax assets recognised for IPO related expenses deductible over a five year period.

Note 6. Property, plant and equipment

	Consolidated	
	31 Dec 2020 $'000	30 Jun 2020 $'000
Plant and equipment - at cost	9,912	9,750
Less: Accumulated depreciation	(5,132)	(4,702)
	4,780	5,048
Work in progress	15,857	9,026
	20,637	14,074

Reconciliations
Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

Consolidated	Plant and equipment $'000	Work in progress $'000	Total $'000
Balance at 1 July 2020	5,048	9,026	14,074
Additions	235	6,457	6,692
Borrowing costs capitalised	-	374	374
Depreciation expense	(503)	-	(503)
Balance at 31 December 2020	4,780	15,857	20,637

Note 7. Right-of-use assets

	Consolidated	
	31 Dec 2020 $'000	30 Jun 2020 $'000
Buildings - right-of-use assets	11,991	11,006
Less: Accumulated depreciation	(2,256)	(1,787)
	9,735	9,219
Equipment - right-of-use assets	814	814
Less: Accumulated depreciation	(427)	(325)
	387	489
	10,122	9,708

Note 7. Right-of-use assets (continued)

Reconciliations
Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

Consolidated	Buildings $'000	Equipment $'000	Total $'000
Balance at 1 July 2020	9,219	489	9,708
Additions	985	-	985
Depreciation expense	(469)	(102)	(571)
Balance at 31 December 2020	9,735	387	10,122

Note 8. Intangibles

	Consolidated 31 Dec 2020 $'000	Consolidated 30 Jun 2020 $'000
Goodwill - at cost	213	213
Software - at cost	13,743	12,337
Less: Accumulated amortisation	(5,347)	(4,543)
	8,396	7,794
Customer relationships - at cost	709	709
Less: Accumulated amortisation	(709)	(686)
	-	23
	8,609	8,030

Reconciliations
Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

Consolidated	Goodwill $'000	Software $'000	Customer relationships $'000	Total $'000
Balance at 1 July 2020	213	7,794	23	8,030
Additions	-	1,463	-	1,463
Amortisation expense	-	(861)	(23)	(884)
Balance at 31 December 2020	213	8,396	-	8,609

Note 9. Borrowings

	Consolidated	
	31 Dec 2020 $'000	30 Jun 2020 $'000
Current liabilities		
Loan from Longreach Credit Investors	-	500
Borrowing costs capitalised	-	(276)
Other financial liabilities	-	89
Redeemable preference shares (note 10)	-	6,400
	-	6,713
Non-current liabilities		
Loan from Longreach Credit Investors	-	11,500
Borrowing costs capitalised	-	(372)
Other financial liabilities	-	197
	-	11,325

The Group has $6,000,000 undrawn secured overdraft limit with CBA as at 31 December 2020.

Note 10. Issued capital

	Consolidated			
	31 Dec 2020 Shares	30 Jun 2020 Shares	31 Dec 2020 $'000	30 Jun 2020 $'000
Ordinary shares - fully paid	137,359,299	113,470,527	52,133	311

Movements in ordinary share capital

Details	Date	Shares	Issue price	$'000
Balance	1 July 2020	113,470,527		311
Issue of shares	30 October 2020	310,082	$1.215	377
Conversion of redeemable preference shares	29 November 2020	12,642,289	$2.300	29,077
Issue of shares	30 November 2020	10,869,565	$2.300	25,000
Issue of shares to employees	30 November 2020	66,836	$2.300	152
Share of IPO costs, net of tax		-	-	(2,784)
Balance	31 December 2020	137,359,299		52,133

On 2 November 2020, the Company lodged its prospectus with Australian Securities and Investments Commission ('ASIC') for an IPO of 18.73 million ordinary shares at $2.30 per share (7.86 million shares of existing shareholders and 10.87 million shares issued by the Company). The offer closed on 24 November 2020 with the Company successfully admitted to the ASX under the code 'BKG' on 2 December 2020.

Total transaction costs amounted to $7,980,000. Of this amount $3,883,000 ($2,784,000 net of tax) has been recognised in equity with the remaining costs of $4,097,000 expensed under ‘IPO costs' in the statement of profit or loss.

On 29 November 2020, the Company converted 12.64 million redeemable preference shares in connection with the IPO. Converted shares were accounted in Issued capital at fair value at the conversion date. Carrying amounts of redeemable preference shares of $8,000,000 and embedded derivative of $2,600,000 were derecognised with resulting loss of $18,597,000 accounted in the statement of profit or loss.

Note 10. Issued capital (continued)

Ordinary shares
Ordinary class shares entitle the holder to participate in any dividends declared and any proceeds attributable to shareholders should the Company be wound up, in proportions that consider both the number of shares held and the extent to which those shares are paid up. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Shares on escrow
The total number of shares subject to voluntary escrow is 109,535,020 per the Prospectus. These shares are subject to various exceptions and release dates, which prevent the escrowed shareholders from dealing in their escrowed shares for the applicable escrow period.

Share buy-back
There is no current on-market share buy-back.

Note 11. Dividends

There were no dividends paid, recommended or declared during the current or previous financial half-year.

Note 12. Fair value measurement

Fair value hierarchy
The following tables detail the Group's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:
Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3: Unobservable inputs for the asset or liability

Consolidated - 31 Dec 2020	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
	-	-	-	-
Total assets	-	-	-	-
Liabilities				
	-	-	-	-
Total liabilities	-	-	-	-

Consolidated - 30 Jun 2020	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Liabilities				
Derivative financial instruments	-	2,480	-	2,480
Total liabilities	-	2,480	-	2,480

There were no transfers between levels during the financial half-year.

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

Note 12. Fair value measurement (continued)

Valuation techniques for fair value measurements categorised within level 2 and level 3
Derivative financial instruments have been valued using quoted market rates. This valuation technique maximises the use of observable market data where it is available and relies as little as possible on entity specific estimates.

Note 13. Contingent liabilities

The Group has given bank guarantees as at 31 December 2020 of $1,162,000 (30 June 2020: $1,162,000) to its landlord in relation to office lease commitments.

Note 14. Related party transactions

Parent entity
Booktopia Group Limited is the parent entity.

Transactions with related parties
The following transactions occurred with related parties:

	Consolidated	
	31 Dec 2020 $	31 Dec 2019 $
Notional interest on shareholder loans	27,717	26,126

Receivable from and payable to related parties
There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties
The following balances are outstanding at the reporting date in relation to loans with related parties:

	Consolidated	
	31 Dec 2020 $	30 Jun 2020 $
Non-current receivables:		
Shareholder loans	-	1,009,565

Terms and conditions
All transactions were made on normal commercial terms and conditions and at market rates, unless stated otherwise.

Note 15. Reconciliation of loss after income tax to net cash from operating activities

	Consolidated	
	31 Dec 2020 $'000	31 Dec 2019 $'000
Loss after income tax benefit for the half-year	(19,780)	(598)
Adjustments for non-cash items:		
Depreciation and amortisation (note 4)	1,958	1,529
Conversion of preference shares (note 10)	18,597	-
Finance cost - non-cash	2,430	-
Other non-cash items	500	-
Change in operating assets and liabilities:		
Increase in trade and other receivables	(53)	(112)
Increase in inventories	(1,469)	(4,126)
Increase in income tax refund due	-	(219)
Increase in deferred tax assets	(1,136)	(695)
Decrease/(increase) in prepayments	103	(188)
Increase/(decrease) in trade and other payables	(86)	2,942
Increase in contract liabilities	2,374	1,430
Increase in provision for income tax	514	184
Increase in provisions	154	302
Net cash from operating activities	4,106	449

Note 16. Earnings per share

	Consolidated	
	31 Dec 2020 $'000	31 Dec 2019 $'000
Loss after income tax attributable to the owners of Booktopia Group Limited	(19,780)	(598)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	117,746,046	113,470,527
Weighted average number of ordinary shares used in calculating diluted earnings per share	117,746,046	113,470,527
	Cents	Cents
Basic earnings per share	(16.80)	(0.53)
Diluted earnings per share	(16.80)	(0.53)

172,743 options over ordinary shares are not included in the calculation of diluted earnings per share because they are antidilutive for the half-year ended 31 December 2020. These options could potentially dilute basic earnings per share in the future.

Note 17. Share-based payments

On 30 October 2020, the Company established a Long Term Incentive Plan Rules (LTIP) to assist in the motivation, retention and reward of certain employees. The LTIP was designed to align the interests of participants with the interests of shareholders by providing an opportunity for participants to receive an equity interest in the Company through the granting of awards. Under the LTIP, eligible participants may be offered share awards subject to vesting conditions set by the Board. In December 2020, 172,743 share awards were granted subject to service, EPS growth and total shareholder return conditions.

Note 18. Events after the reporting period

The impact of the COVID-19 pandemic is ongoing, and it is not practicable to estimate the potential impact after the reporting date. The situation is continuing to evolve and is dependent on measures implemented by the Australian Government such as maintaining social distancing requirements, quarantine, travel restrictions, the roll out of vaccination programs and any economic stimulus that may be provided.

No other matter or circumstance has arisen since 31 December 2020 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the financial half-year ended on that date; and

- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors

Christopher (Chris) Beare
Chairman

22 February 2021
Sydney

Independent auditor's review report to the members of Booktopia Group Limited

Report on the half-year financial report

Conclusion

We have reviewed the half-year financial report of Booktopia Group Limited (the Company) and the entities it controlled during the half-year (together the Group), which comprises the consolidated balance sheet as at 31 December 2020, the consolidated statement of changes in equity, consolidated statement of cash flows and consolidated statement of profit or loss and other comprehensive income for the half-year ended on that date, significant accounting policies and explanatory notes and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Booktopia Group Limited does not comply with the *Corporations Act 2001* including:

1. giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the half-year ended on that date

2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibility of management for the half-year financial report

Management is responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as management determines is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

Auditor's responsibility for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report 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 assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Pricewaterhouse Coopers

PricewaterhouseCoopers

S.T. Maher

Shannon Maher
Partner

Sydney
22 February 2021