



booktopia

 An e-commerce leader

## Investor Presentation H1 21 – 31 Dec 2021

22 February 2021

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# Presenting Today



## Tony Nash

Founder, Chief Executive Officer  
and Managing Director

- Tony has been instrumental in growing the Booktopia Group and formulating its business strategy since Co-Founding the company in 2004
- Tony is an industry-recognised leader in the eCommerce sector in Australia
- Tony established his first internet business in 1996
- He is an accomplished public speaker and motivator



## Wayne Baskin

Deputy Chief Executive Officer and  
Chief Technology Officer, Director

- Wayne Baskin joined Booktopia Group in 2008 as the company's first software developer, appointed CTO in 2012 and Deputy CEO in 2017
- Wayne has designed and is responsible for all of Booktopia's proprietary systems
- As Deputy CEO, Wayne is responsible for overall business strategy, vision and customer experience while also overseeing logistics and the business' pricing and inventory strategy
- Awarded Online Retail Industry Recognition Award in 2019 and named Top 10 People in eCommerce in 2019 and 2020



## Geoff Stalley

Chief Financial Officer

- Geoff joined Booktopia Group in 2020 as CFO
- Geoff was a senior Partner at Deloitte Australia and Ernst & Young Australia
- Significant strategic consulting experience in Retail, Consumer Services and Technology industries
- Previous senior executive and leader of the Growth activities for Serco Asia Pacific
- Holds positions as NED of iSelect, Advisory Board member for Mogo.com.au and Exent



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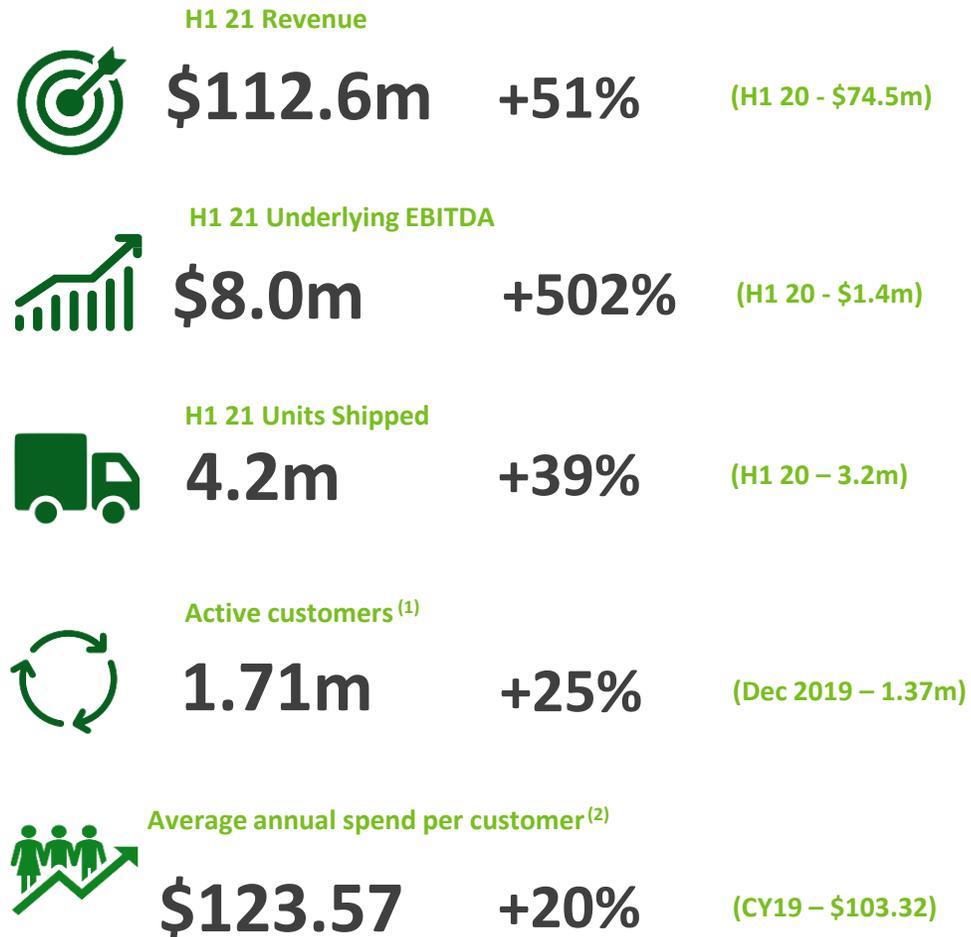
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Overview



# H1 21 Results at a Glance

## KEY HIGHLIGHTS – H1 21, 31 DECEMBER 2020



# Business Highlights

## MARKET LEADING, CATEGORY DOMINANT, ONLINE RETAILER



#1

Australian-owned online book retailer <sup>(1)</sup>



51.7 million

FY20 website visitors



14,000 sqm

Distribution centre, increasingly automated



5 million+

Customers <sup>(2)</sup>



145,000+

Stocked titles <sup>(3)</sup>



2.3 million+

Repeat customers <sup>(2)</sup>



\$69.87

H1 21 average order value

1

**Leveraged the eCommerce mega trend** – ongoing trends to online retailing drive the continued growth of the Group

2

**Market leading and category dominant position** – recession proof, pandemic proof and Amazon proof

3

**Proven model** – strong and consistent revenue/profit growth through operating leverage and increasingly automated distribution facilities

4

**Customer obsessed** – stock holding, buying, merchandising & customer service, dedicated digital marketing programs, expert recommendations

5

**Innovation** – measured investment in automation, software, algorithms, data analytics and robotics, driving customer engagement

6

**Founder-led management team** – dynamic, experienced with strong capability to execute long term strategy

7

**End to end services** – incorporating publishing, distribution and online retail

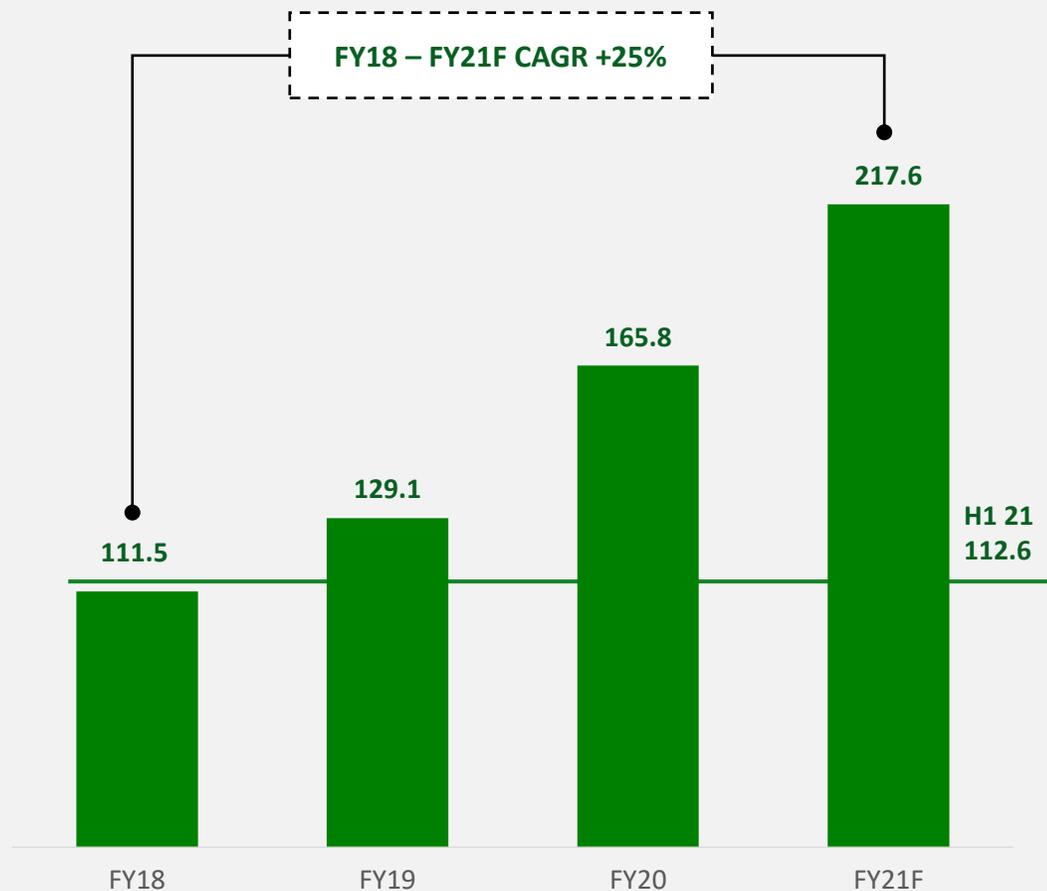
1. Booktopia Group is the largest Australian-owned online book retailer by market share. Australian book market data sourced from Frost & Sullivan Market Report October 2020

2. Total customers defined as someone who have placed an order through the Booktopia, Angus & Robertson, eBay and TradeMe channels since inception. Repeat customers are those who have purchased products from Booktopia Group on more than one occasion since its inception

3. 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

# Key Operating and Financial Metrics

## REVENUE (\$m)



## KEY PERFORMANCE INDICATORS

	FY18	FY19	FY20	H1 21	FY21F
<b>Key operating metrics</b>					
Average Order Value (\$ per order) <sup>(1)</sup>	53.88	57.81	65.08	69.87	71.87
Average Selling Price (\$ per unit shipped) <sup>(2)</sup>	23.79	24.73	25.80	27.22	27.53
Average Customer Spend (\$ per customer per year) <sup>(3)</sup>	90.12	98.54	111.43	123.57	126.25
Units shipped (000s)	4,824	5,370	6,451	4,240	7,894
<b>Key financial metrics</b>					
Revenue growth	N/A	15.8%	28.4%	51.1%	31.3%
Gross profit growth (%)	N/A	112.1%	25.9%	59.2%	37.3%
Gross profit (\$ per unit shipped) <sup>(4)</sup>	6.43	6.42	6.73	7.22	7.55
Net freight cost (\$ per unit shipped) <sup>(5)</sup>	0.71	0.74	0.53	0.34	0.43
Distribution Centre wages (\$ per unit shipped) <sup>(6)</sup>	1.02	1.26	1.42	1.43	1.22
Marketing expenses (\$ per unit shipped) <sup>(7)</sup>	1.61	1.69	1.60	1.10	1.41
EBITDA margin (EBITDA / revenue %)	3.7%	2.8%	3.6%	7.1%	5.9%

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. Average Customer Spend is a moving average for the previous 12 months at that point in time. H1 21 is for the calendar year 2020.

4. Gross profit per unit means gross profit divided by the number of units shipped

5. 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

6. Distribution Centre wages per unit is the wages and contractor expense for the Distribution Centre divided by the total number of units shipped. In FY21F this metric is expected to decrease as a result of a significant investment in automation, resulting in lower wages and higher throughput

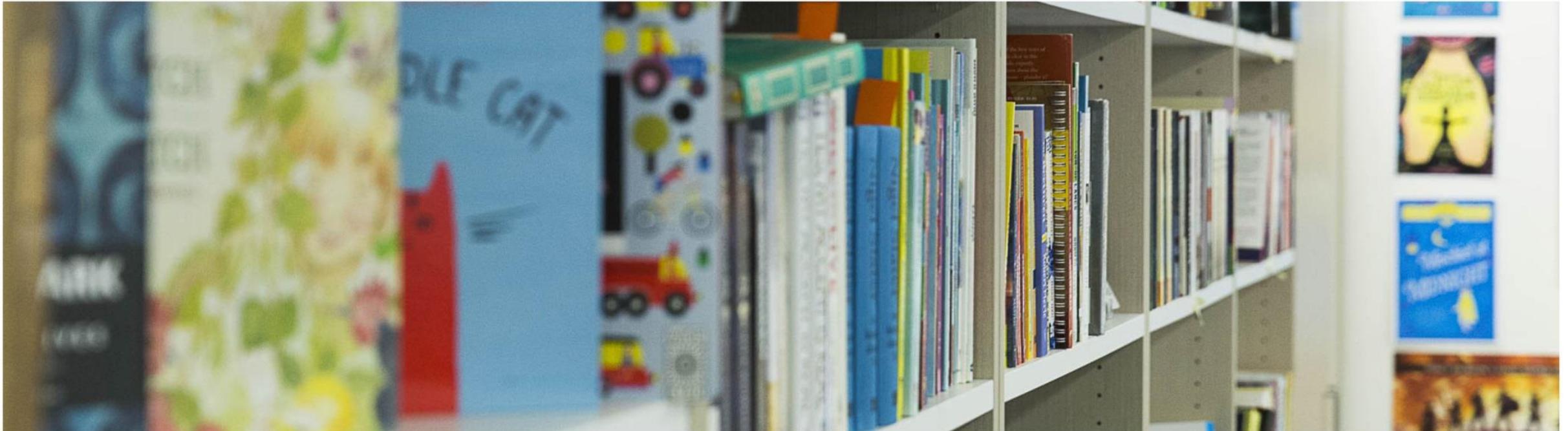
7. Marketing expenses per unit means marketing expenses divided by the number of units shipped



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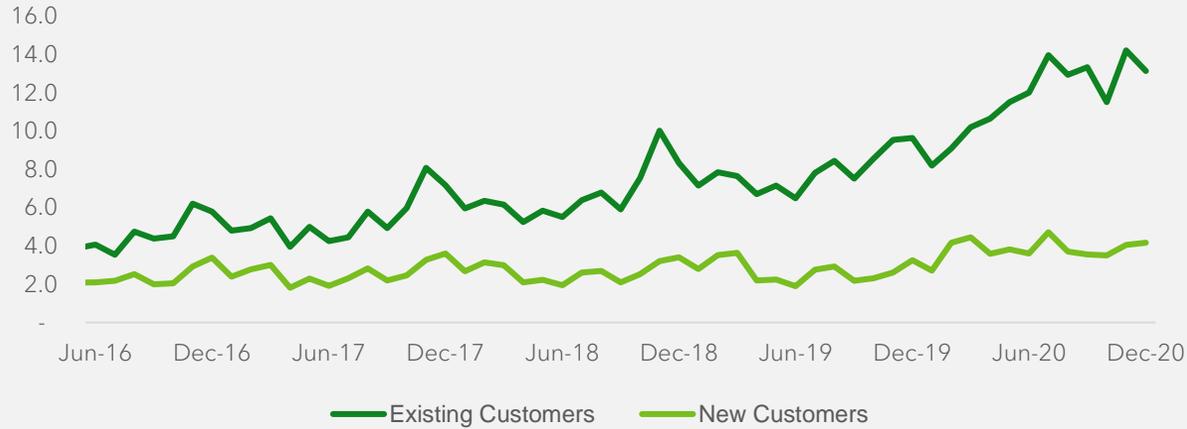
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Financials



# Key Revenue Drivers

## REVENUE BY NEW VS EXISTING CUSTOMERS (\$m) <sup>(1)</sup>



## AVERAGE ORDER VALUE (\$) <sup>(2)</sup>



## INVOICED UNITS PER YEAR (millions)



## AVERAGE SPEND PER CUSTOMER (\$) <sup>(3)</sup>



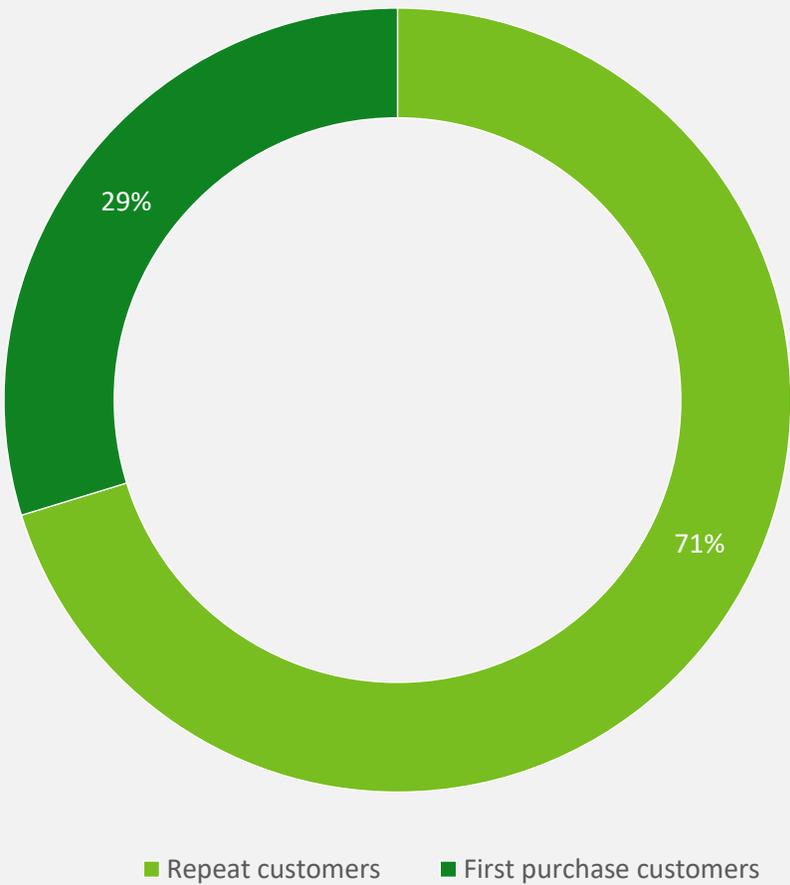
1. Represents product revenue from the month the item was shipped, excluding GST and freight.

2. Based on sales including GST and excluding freight income divided by the total number of orders in each financial year from Booktopia, Angus & Robertson, eBay, TradeMe and Amazon sales channels

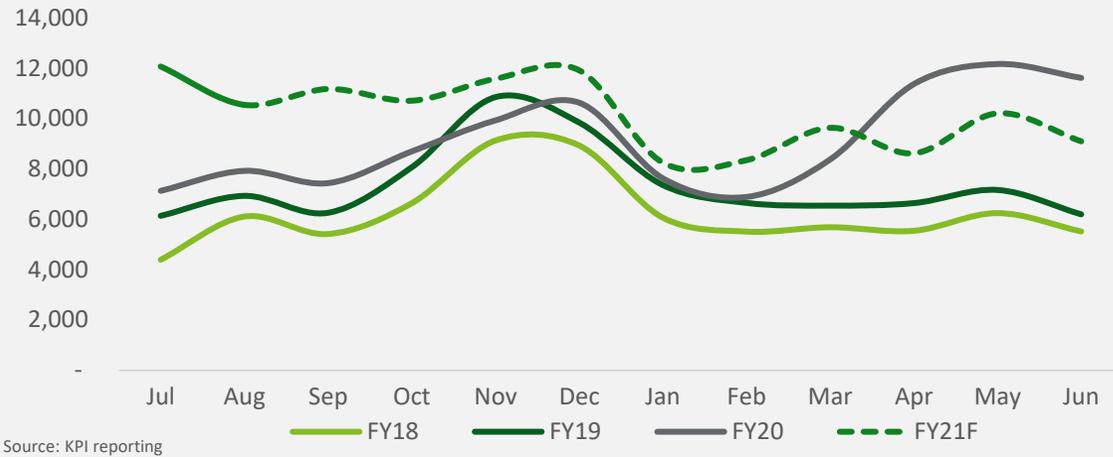
3. Based on sales including GST and excluding freight income divided by the total number of customers in each financial year from Booktopia, Angus & Robertson, eBay, TradeMe and Amazon sales channels. Average Customer Spend is a moving average for the previous 12 months at that point in time. HY 21 is for the calendar year 2020

# Customer Mix and Spend Cycles

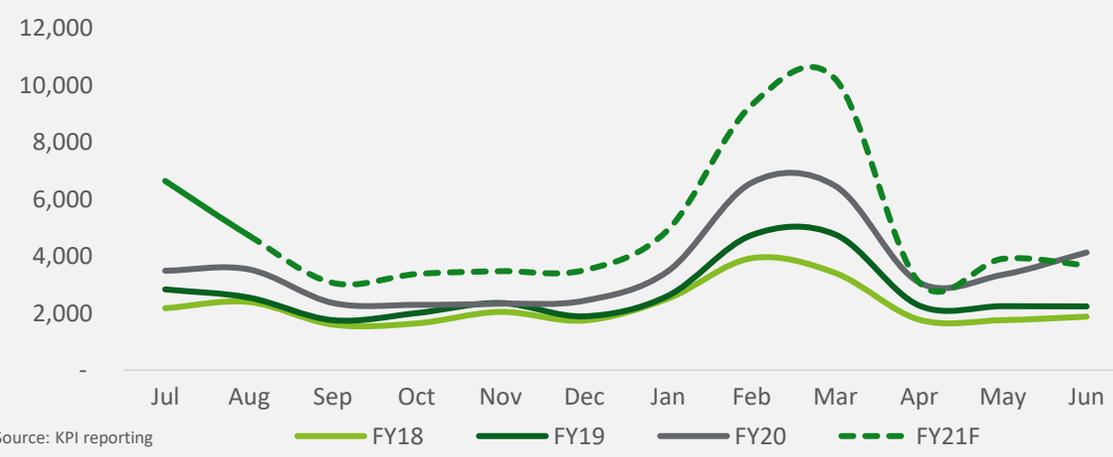
CUMULATIVE REVENUE BY CUSTOMER SINCE FY15 (%)



TRADE – SHIPPED REVENUE SPEND CYCLE (\$000)

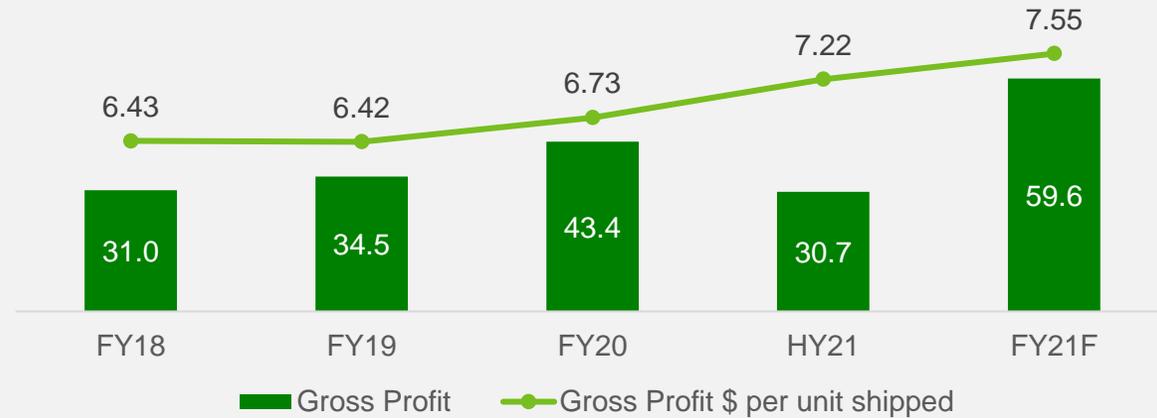


ACADEMIC – SHIPPED REVENUE SPEND CYCLE (\$000)

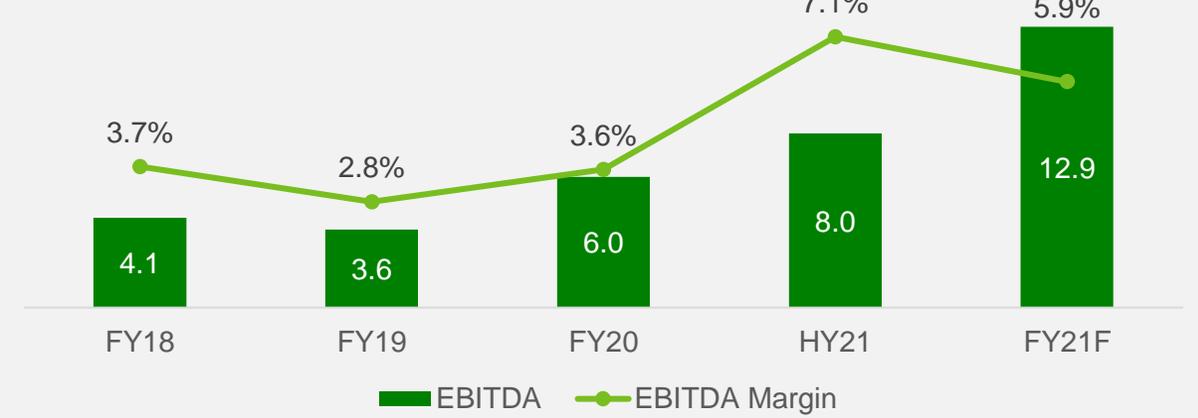


# Margin Performance and Operating Expenses

**GROSS PROFIT (\$m) AND GROSS PROFIT PER UNIT SHIPPED (\$) <sup>(1)</sup>**

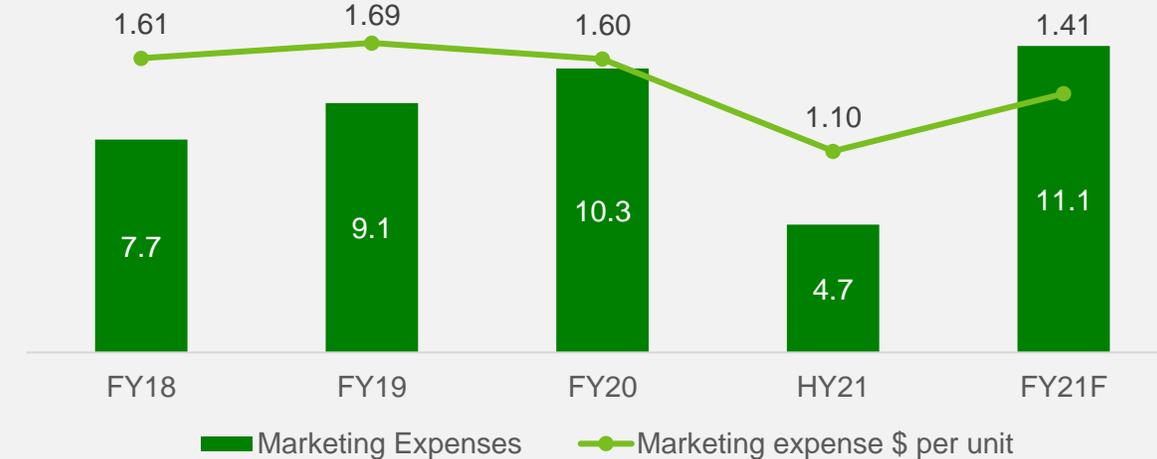


**PRO FORMA EBITDA (\$m) AND EBITDA MARGIN (%)**

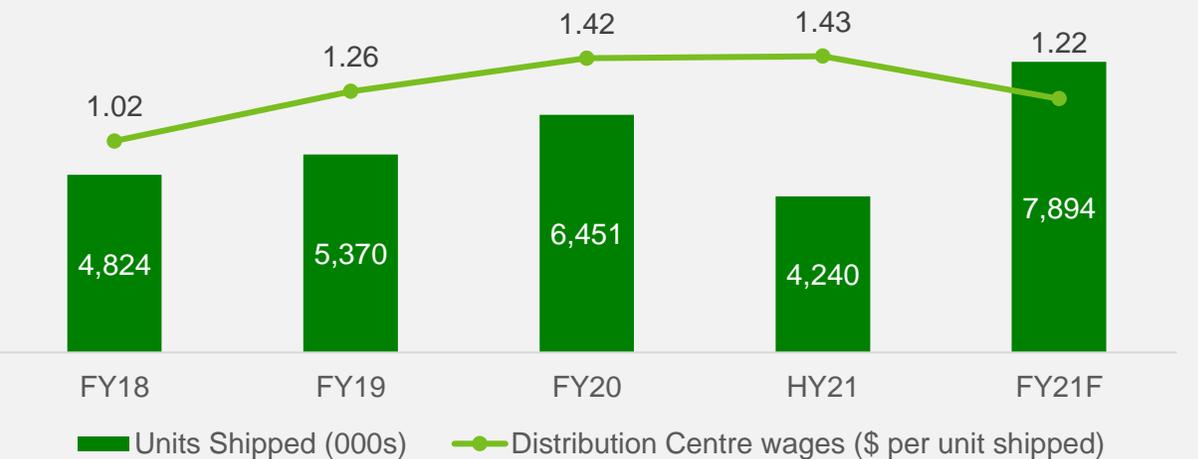


HY21 EBITDA represents underlying EBITDA

**MARKETING EXPENSES (\$m) AND MARKETING EXPENSE PER UNIT (\$)**



**SHIPPED UNITS (000s) AND DISTRIBUTION WAGES (\$ PER UNIT SHIPPED)**



1. Gross profit per unit means gross profit divided by the number of units shipped

# Summary Profit & Loss and Cashflow

PRO FORMA P&L (\$m)	FY18	FY19	FY20	H1 21 Actual	FY21F
Revenue <sup>(1)</sup>	111.5	129.1	165.8	112.6	217.6
Cost of sales <sup>(2)</sup>	(80.5)	(94.6)	(122.4)	(82.0)	(158.0)
<b>Gross profit</b>	<b>31.0</b>	<b>34.5</b>	<b>43.4</b>	<b>30.6</b>	<b>59.6</b>
Employee expenses	(14.1)	(16.5)	(20.6)	(14.7)	(28.5)
Merchant expenses	(1.6)	(1.9)	(2.4)	(1.6)	(3.2)
Marketing expenses	(7.7)	(9.1)	(10.3)	(4.7)	(11.1)
Other expenses	(3.5)	(3.4)	(4.0)	(1.8)	(3.9)
<b>Operating expenses</b>	<b>(26.9)</b>	<b>(30.9)</b>	<b>(37.4)</b>	<b>(22.8)</b>	<b>(46.7)</b>
<b>EBITDA</b>	<b>4.1</b>	<b>3.6</b>	<b>6.0</b>	<b>8.0</b>	<b>12.9</b>
Depreciation and amortisation <sup>(3)</sup>	(2.4)	(2.8)	(3.3)	(2.0)	(5.2)
<b>EBIT</b>	<b>1.7</b>	<b>0.8</b>	<b>2.7</b>	<b>6.0</b>	<b>7.6</b>
Net interest expense <sup>(4)</sup>	(1.8)	(1.7)	(2.4)	(3.6)	(4.3)
<b>Profit/(loss) before tax</b>	<b>(0.1)</b>	<b>(0.9)</b>	<b>0.4</b>	<b>2.4</b>	<b>3.3</b>
Income tax benefit / (expense)	0.1	(0.0)	(0.2)	0.4	0.2
<b>Net profit/(loss) after tax</b>	<b>(0.0)</b>	<b>(0.9)</b>	<b>0.2</b>	<b>2.8</b>	<b>3.5</b>

PRO FORMA CASHFLOW (\$m)	FY18	FY19	FY20	H1 21 Actual
<b>EBITDA <sup>(1)</sup></b>	<b>4.1</b>	<b>3.6</b>	<b>6.0</b>	<b>8.0</b>
Change in working capital <sup>(2)</sup>	(1.4)	2.9	1.3	(2.6)
<b>Cash flow from operating activities</b>	<b>2.7</b>	<b>6.6</b>	<b>7.3</b>	<b>5.4</b>
Capitalised software and development costs <sup>(3)</sup>	(1.8)	(2.6)	(3.8)	(1.5)
Payments for property, plant and equipment <sup>(4)</sup>	(0.5)	(1.5)	(8.8)	(7.1)
Lease repayments	(2.2)	(0.3)	(1.4)	(0.2)
<b>Net cash flow before interest and tax</b>	<b>(1.8)</b>	<b>2.2</b>	<b>(6.7)</b>	<b>(3.4)</b>

1. Includes addback of costs associated with the IPO and the loss on redemption of preference shares
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. HY21 includes capitalised borrowing costs

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 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).

# Summary Balance Sheet

\$m	STATUTORY 30 JUNE 2020	STATUTORY 31 DECEMBER 2020
Cash and cash equivalents	10.8	16.0
Trade and other receivables	0.9	1.0
Inventories	12.2	13.6
Financial assets (security deposits)	1.1	1.1
Other current assets	1.4	1.3
<b>Total current assets</b>	<b>26.4</b>	<b>33.1</b>
Financial assets at amortised cost	1.0	-
Property, plant and equipment	14.1	20.6
Right of use assets	9.7	10.1
Deferred tax assets	0.8	3.0
Intangible assets	8.0	8.6
<b>Total non-current assets</b>	<b>33.6</b>	<b>42.4</b>
<b>Total assets</b>	<b>60.0</b>	<b>75.5</b>
Trade and other payables	20.7	20.6
Contract liabilities	7.7	10.1
Borrowings	6.7	0.2
Lease liabilities	0.5	-
Derivative financial instruments	2.5	-
Current tax liabilities	0.1	0.6
Employee benefit obligations	1.4	1.8
<b>Total current liabilities</b>	<b>39.6</b>	<b>33.4</b>
Borrowings	11.3	-
Lease liabilities and other	11.3	12.6
Employee benefit obligations	0.9	0.6
<b>Total non-current liabilities</b>	<b>23.5</b>	<b>13.2</b>
<b>Total liabilities</b>	<b>63.2</b>	<b>46.6</b>
<b>Net assets</b>	<b>(3.1)</b>	<b>29.0</b>
<b>Total equity</b>	<b>(3.1)</b>	<b>29.0</b>

## KEY BALANCE SHEET MOVEMENTS

- The Group listed on the ASX (December 3, 2020) raising \$43.1m of which \$18.1m was used to pay down existing shareholders.
- The remaining \$25m was used to reduce debt and increase working capital in anticipation of further capital spend on automation of the distribution centre later in FY21.
- As a result, at 31 December 2020, the borrowing facility was paid out (\$12m) reducing the non current liabilities and increasing working capital and other assets to arrive at a net asset/equity of \$28.9m vs the previous -\$3.1m at 30 June 2020.
- Further investment in automation activities is planned and is being trialled at present with a view to a wider scale rollout later in 2021.
- The Group have access to an overdraft facility with CBA for \$6m yet to be accessed.
- Inventory, Trade Creditors and other operating accounts remain consistent with the Group's ongoing position given the stage of growth of the business.



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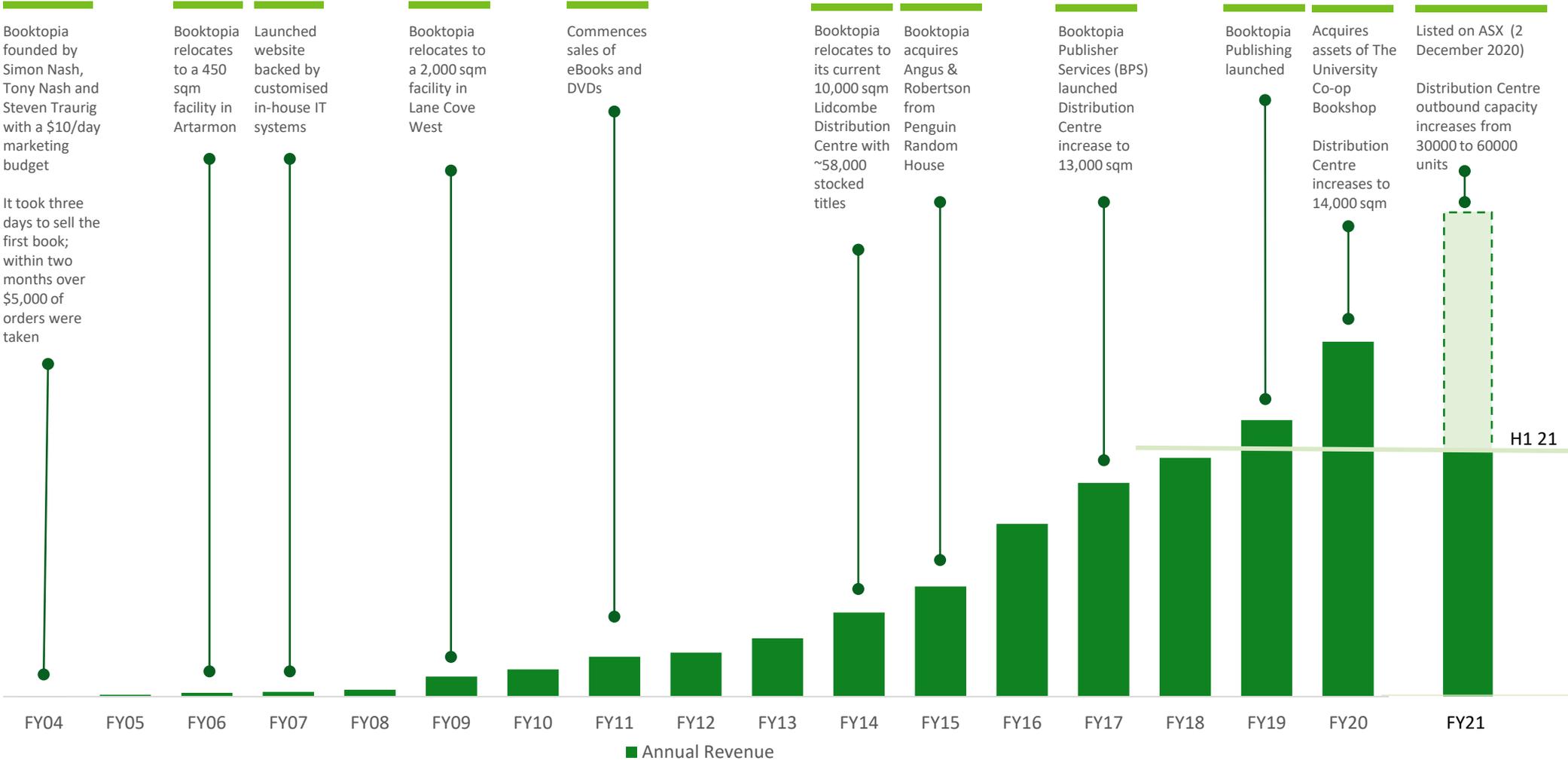
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Outlook



# A History of Growth

Booktopia Group is an iconic Australian company which has enjoyed significant growth over the past 16 years



# Booktopia Value Proposition

## BOOKTOPIA GROUP MODEL SUCCESS DRIVERS



**Customer-centric focus**



**Specialist online marketing knowledge**



**Stock availability and fast delivery times**



**In-house technology expertise**

## WHAT SETS US APART?

- ✓ Know how to drive traffic to Booktopia Group websites, at low cost
- ✓ One of Australia's largest inventory of books
- ✓ Knowing what stock to hold - proprietary algorithms analyse customer ordering trends
- ✓ Company book experts, know what new releases to order and promote
- ✓ Constant review and refinement of desktop and mobile sites to optimise conversion rates
- ✓ Digital marketing targeted and focused on customer attributes and characteristics
- ✓ Substantial investments in automation, software and logistics, specifically for the book category in Australia
- ✓ Dedication to customer support – multiple support channels and a Sydney based customer service team to provide a seamless purchasing experience
- ✓ Quick dispatch and delivery times with a flat-rate delivery fee across Australia and New Zealand
- ✓ Creation of unique content about books, authors and news

# Business Growth Strategies

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## **INCREASING WEBSITE TRAFFIC AND CONVERSION RATE**

Focus on search engine optimisation (SEO), pay per click advertising, affiliates and retargeting customers and converting new potential customers



## **CONTINUED EXPANSION INTO EDUCATION AND CORPORATE SALES**

Targeted merchandising, website development, expansion of corporate and education sales teams and sales capability for B2B & B2G clients



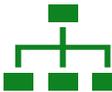
## **CONTINUED INVESTMENT INTO THE DISTRIBUTION CENTRE**

Continue to invest in automation and robotics to increase efficiency, stock capacity and customer satisfaction



## **GROWTH OF PARTNERSHIPS AND MARKETPLACES**

Expand partnership network and marketplace presence to allow Booktopia Group to increase its market share in the Australian book market



## **BOLT-ON OPPORTUNITIES**

Seek further acquisitions in the Australian and New Zealand markets to leverage the scale of Booktopia Group's infrastructure and systems



## **CUSTOMER LOYALTY AND SUBSCRIPTION PROGRAMS**

Continue rolling-out the Booktopia loyalty program to reward and encourage repeat customer purchasing



## **LEVERAGING CUSTOMER DATABASE**

Continue analysing Booktopia Group's substantial customer database to facilitate relevant and targeted marketing



## **EXPAND DISTRIBUTION AND PUBLISHING SERVICES**

Scale-up the distribution and publishing services arm, providing Booktopia Group customers fast access to exclusive titles

# Trading Update & Business Outlook

- The second half has started strongly, with the first two months (January and February) revenue growth tracking in excess of plan.
- We continue to experience strong tailwinds, including:
  - the ongoing adoption of online shopping due to structural and demographic shifts
  - an acceleration of these trends due to COVID-19
  - an increase in discretionary spending locally due to travel restrictions
  - the recovery of the housing market and unemployment levels
- The Board and management are cognisant of the ongoing impact of COVID-19, geographic lockdowns and the vaccine rollout, both in Australia and internationally and note that a high degree of uncertainty continues to surround the Australian economy. As a result we provide the following updated forecast for FY21:

	FY21 Updated Forecast	Prospectus		FY20	
Revenue	\$217.6m	\$204.5m	+6.4%	\$165.8m	+31.3%
Units Shipped	7.9m	7.5m	+5.7%	6.5m	+22.4%
Underlying EBITDA	\$12.9m	\$9.4m	+36.3%	\$6.0m	+214%

- We will continue our growth strategy, investing into key areas of the business to cement our online market leadership and drive increased market share. This includes the continued expansion of our Publishing Services and Publishing businesses as well as an ongoing ‘customer obsession’ mindset to ensure our engagement is second to none.
- We will also continue our investment in our distribution facilities where we have and will automate key activities allowing for increased inbound and outbound capacity, process optimisation and the ability to hold additional inventory.

Section

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Q & A



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