

TEMPLE &
WEBSTER

H1 FY21 Investor Presentation

Mark Coulter CEO
Mark Tayler CFO



Summary

H1 FY21 Revenue

\$161.6m

118% growth vs pcp

H1 FY21 EBITDA

\$14.8m

556% growth vs pcp

Dec-20 Cash

\$85.7m

H1 FY20 Revenue

\$74.1m

H1 FY20 EBITDA

\$2.3m

Jun-20 Cash

\$38.1m

- Temple & Webster is the leading pure play online retailer for furniture & homewares in Australia
- Large addressable market with accelerating online adoption
- Business is profitable with strong top-line growth and a debt free balance sheet

H1 FY21 Business Update

Record performance

- Revenue up 118%; EBITDA up 556%
- Strong growth across all categories, geographies, channels & demographics
- Scale increasing operating leverage, fixed costs as % of revenue decreasing

Strengthened brand awareness

- National TV campaign, significant lift in brand awareness
- Marketing metrics within target ranges

Customer satisfaction remains a key focus

- Consistent year on year growth in Net Promoter Score (NPS)
- Improvements in quality, range and service
- Working with logistics partners on scaling during peak periods

Accelerated tech investment

- Launch of iOS app; AI generated room ideas
- Grew AR/3D team and capabilities
- Expanded tech and product team (onshore & offshore)

Engaged & expanded team

- Significantly expanded team (onshore & offshore), invested into infrastructure and training
- Key hires: buying & merch, tech & product, operations, care, 3D
- Record level of employee engagement



Temple & Webster at a glance

Temple & Webster is the leading pure play online retailer for furniture & homewares in Australia, differentiating through range, inspirational content & service

Leading pure play online retailer for furniture & homewares

- iOS App, desktop and mobile optimised sites
- Category expert focused solely on furniture & homewares (~\$15b market)

Range & content a key differentiator

- Curated range: ~210k products from 500+ suppliers across 211 categories
- 75% drop-ship (no inventory risk) and 25% private label
- Large in-house content team (e.g. stylists, photographers, editors)

Large traffic and database

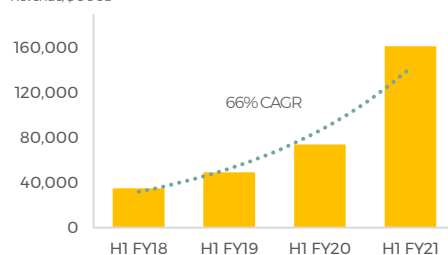
- 28m page impressions (Nov) from 3.8m website users (Nov)
- 2.8m subscribers; ~830k social media reach
- 678k Active Customers

Asset light business but customer-centric

- Leverage 3rd party warehouses and carrier networks
- Average time to dispatch ~2.5 days
- Own customer relationship (in-house care team for all enquiries)

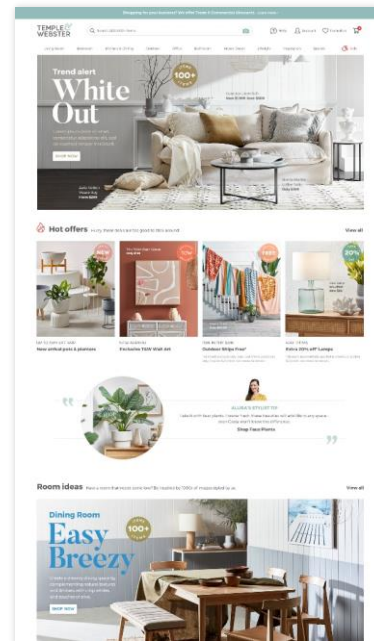
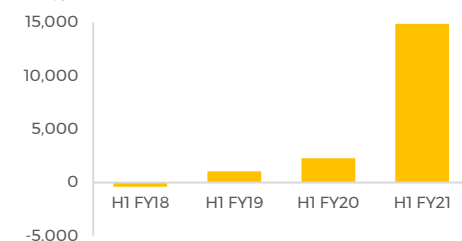
Consistent Revenue Growth

Revenue, \$'000s



Translating to significant operating leverage & EBITDA

EBITDA, \$'000s



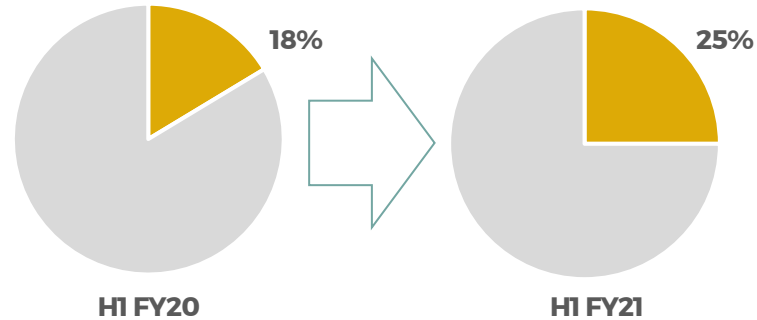
Source: www.templeandwebster.com.au only, Google analytics, Social media platforms, T&W systems. All metrics are as at Dec-20 unless otherwise stated.
Active customers are the number of unique customers who have transacted in the last twelve months (LTM).

Temple & Webster Private Label

Key Initiatives

- Expanded Buying and Merchandise Planning teams for range development and inventory forecasting
- Using data to expand range and fill price and product gaps
- Testing machine learning forecasting software for inventory planning
- Geographical diversification of factories into Indonesia, India and Europe
- Expanded Quality & Compliance team
- Developments in product design and new materials for exclusive, on trend collections
- Class expansion especially in Décor to deliver beautiful, affordable inspiration

Private Label Share (% of Total Sales)

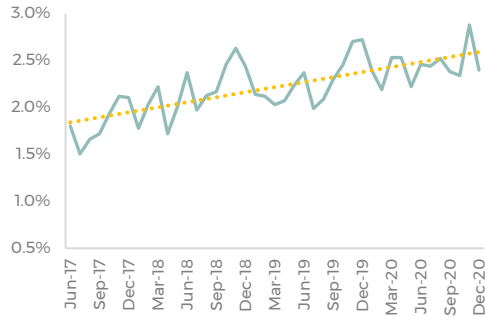


Key initiatives driving conversion rate and customer satisfaction

H1 Key Launches

H2 Pipeline

Conversion Rate

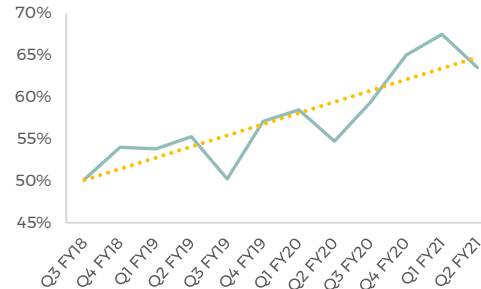


- iOS app
- AI generated complete the look cross-sell
- New homepage

- Android app
- Swatch service
- Visual search (search by photo)
- Augmented reality with 3D models

Customer Satisfaction (NPS)

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

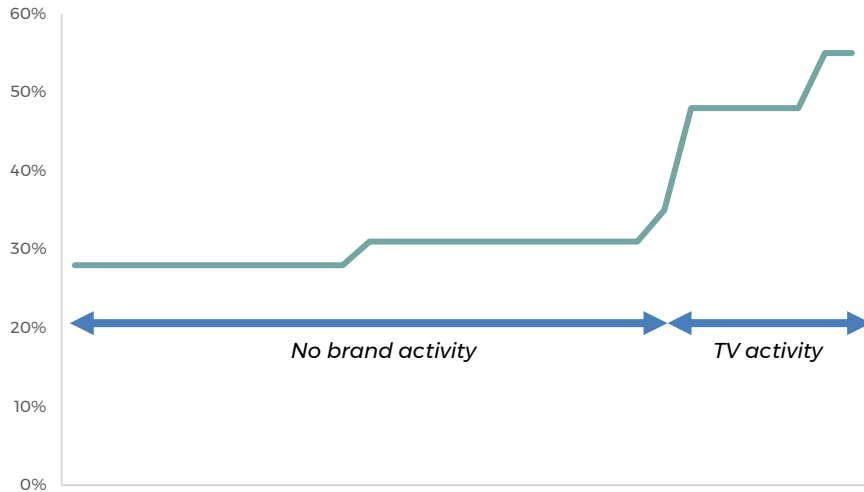


- Improved range and quality
- Doubled our capacity in Care team
- Added more carriers for bulky delivery

- After hours / weekend delivery service
- Category experts for pre-sales
- Data integration for self-service; AI-assisted help
- Working with logistics partners on peak periods

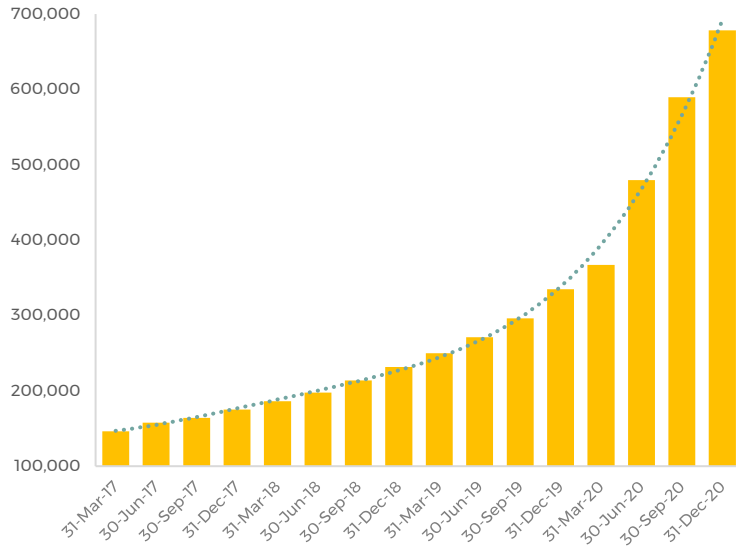
Aided brand awareness has increased to 55%, in part driven by national TV campaign in H1

- Successful pilot in June 20 led to a large increase in brand awareness (13 point increase vs. pre-TV campaign)
- Christmas campaign ran Sept - Nov 2020 and yielded another 7 point increase in brand awareness
- Opportunity to further test new creative types and channels (radio, outdoor)

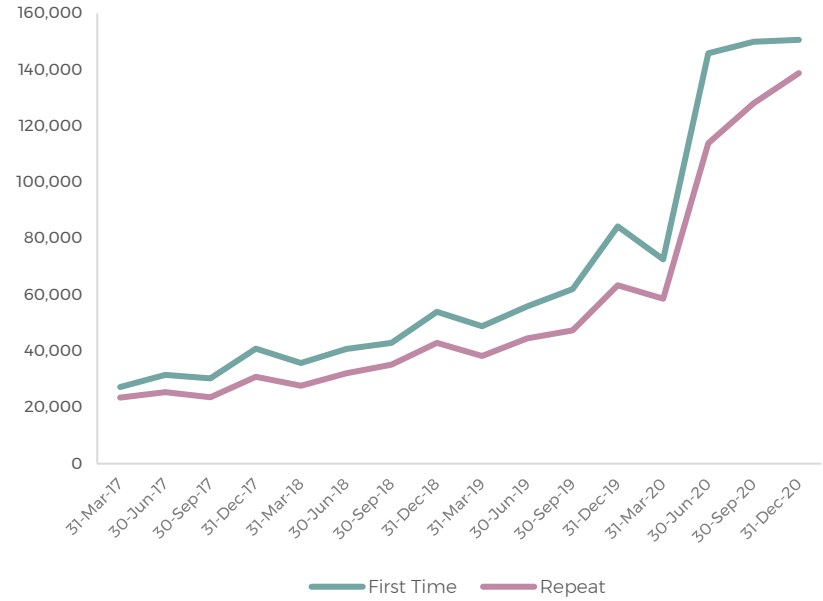


Active customers up 102% year on year

Active Customers



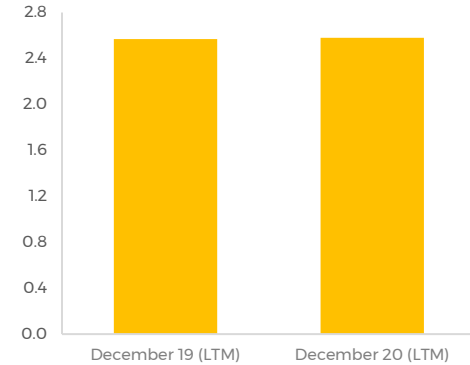
Repeat and First Time Orders



Active customers are the number of unique customers who have transacted in the last twelve months (LTM).

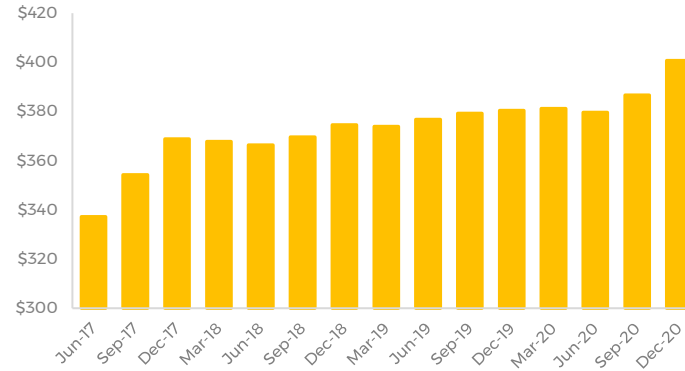
Customer metrics remain strong even with the increased investment into TV

12 month Marketing ROI holding at ~2.6x¹



Customer Acquisition Cost (CAC) \$44 \$50

Revenue per Active Customer up 6% due to a higher repeat rate²



1. Marketing ROI = Margin \$ / CAC

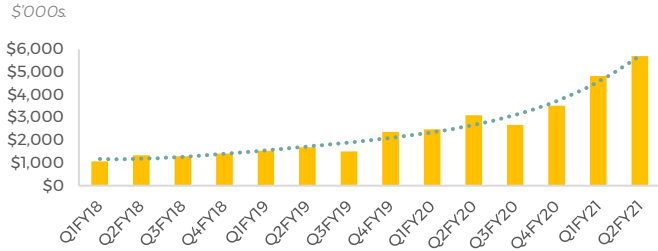
Margin = Revenue / Active Customer as at 31 December 2020 x Delivered Margin % for CY20

CAC = Total marketing spend for CY20 x 77% (being the estimated percentage of marketing spent on new customer acquisition, i.e., excludes estimated spend on repeat customers), divided by the number of First-Time customers during CY20

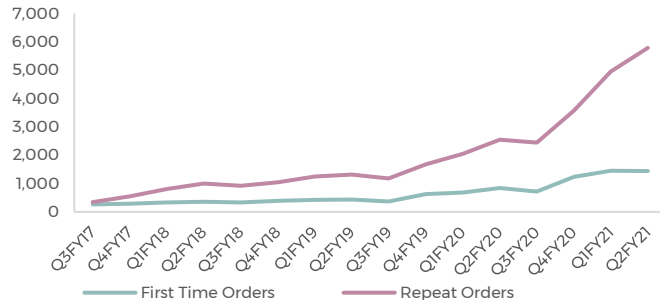
2. Revenue per active customer = Last 12 months revenue divided by Active Customers

Our Trade and Commercial (B2B) division grew 89%

1 T&C has rebounded quickly with revenue up 89%



2 Service model improvements, such as extra care resources and specialised sector-based sales teams, have led to high repeat customer rates

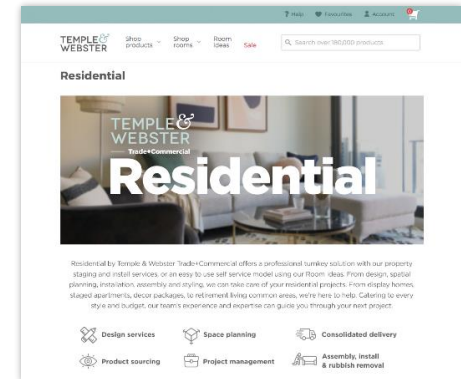
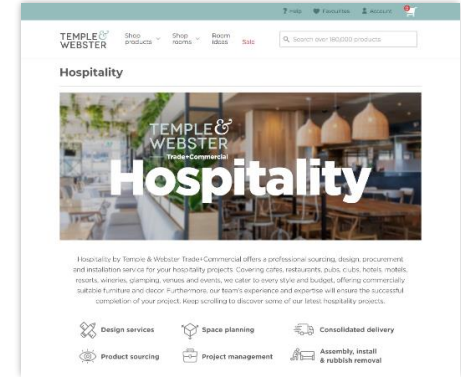


Revenue based on checkout revenue which is pre accounting adjustments (deferred revenue, refund provision)

3 H1 focus was to build out specific market sectors including hospitality & residential developers.

Initiatives included:

- Launch of sector-specific landing pages showcasing portfolios of recently completed projects
- Resourcing sector-specialised sales teams
- Regional hospitality marketing initiatives to capitalise on domestic tourism boom
- Addition of commercial hospitality furniture ranges

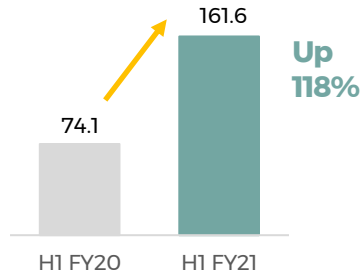


HI FY21 Financial Results

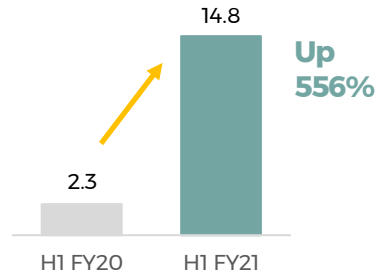


H1 FY21: Strong growth and performance

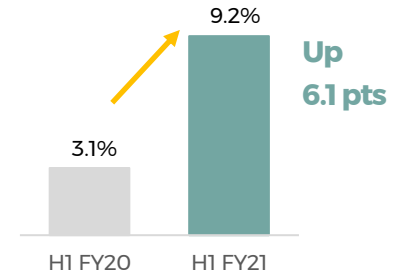
Revenue \$m



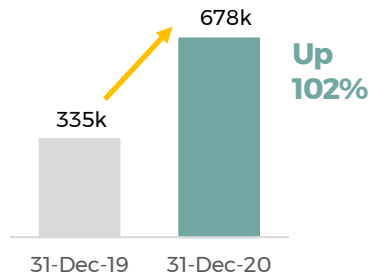
EBITDA \$m



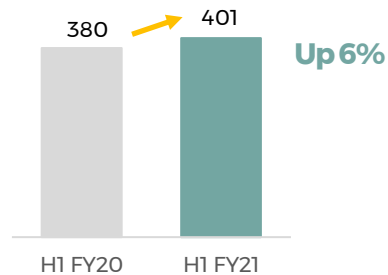
EBITDA %



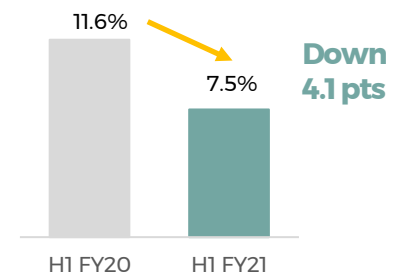
Active Customers



\$ per Active Customer



Fixed Costs (% of Rev)



NB. Active customers are the number of unique customers who have transacted in the last twelve months (LTM).
Revenue per active customer = Last 12 months revenue divided by active customers.

We are pursuing a high growth strategy

Short-mid term

High growth / win the market

Longer term

Leverage scale /
grow profit

Revenue

- Market leader takes a disproportionate share of accelerating online penetration
- Pursue organic and inorganic growth opportunities
- Continue to take advantage of longer-term online market penetration

Contribution margin

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

Fixed Costs

- Invest in longer term growth plays e.g. Trade & Commercial and mobile app
- Invest in capabilities to build strategic moats around business e.g. technology, brand awareness, delivery experience, size of catalogue, private label range, data and personalisation
- Continue to manage fixed costs base tightly
- Slow investment in fixed costs
- Take advantage of operating leverage in our business model
- Disciplined investment in next horizon growth businesses (e.g. international expansion)

Profit

- Focus on growing profit \$
- Focus on growing profit \$ and %

H1 produced record revenue and profitability

A\$m	H1FY20	H1FY21
Revenue	74.1	161.6
Cost of Sales	(41.3)	(88.1)
Gross Margin	32.8	73.5
	44.2%	45.5%
Distribution	(10.8)	(20.2)
Delivered Margin	22.0	53.4
	29.7%	33.0%
Advertising & Marketing	(8.3)	(20.7)
Customer Service & Merchant Fees	(2.4)	(5.2)
Contribution Margin	11.3	27.5
	15.3%	17.0%
Wages	(7.0)	(9.4)
Other	(2.0)	(3.3)
EBITDA	2.3	14.8
	3.1%	9.2%
Share Based Payments	0.4	0.5
Adjusted EBITDA	2.7	15.3
	3.6%	9.5%
NPAT	2.9	12.2

Classification of the prior period (H1FY20) foreign exchange loss of \$0.1m has been reclassified from Other expenses to Cost of sales.

Record revenue

- Revenue of \$161.6m was up 118% YoY (124% on a checkout revenue basis which is pre-accounting adjustments for deferred revenue and refunds)

Investment into private label inventory and team paying dividends

- Delivered margins currently tracking above short-mid term target of ~30%, primarily driven by the growth in private label, which now represents ~25% of sales

Investment into brand building channels

- Marketing as a % of revenue increased from 11.1% to 12.8%, primarily driven by investment into brand building channels, e.g. TV

Contribution margin above target level

- Contribution margin levels currently tracking above short-mid term target of ~15% as a result of the delivered margin % growth

Fixed costs as a % of revenue continue to reduce

- Fixed costs as a % of revenue down to 7.5% from 11.6% last year (ex share based payments), however the full cost of H1 people investment will be realised in H2

Record profitability

- Record profitability with EBITDA up 556% YoY
- NPAT result of \$12.2m vs \$2.9m last year (noting last year received an income tax benefit of \$0.9m vs an income tax expense of \$2.4m this year)

High growth strategy yielding operating leverage

	FY18	FY19	FY20	H1FY21
Revenue	100%	100%	100%	100%
Gross Margin	44.1%	44.6%	44.6%	45.5%
Delivered Margin (after all distribution costs)	31.0%	30.1%	30.6%	33.0%
Customer Service Staff & Merchant Fees	3.3%	3.3%	3.3%	3.2%
Advertising Costs	11.3%	10.9%	11.9%	12.8%
Contribution Margin	16.4%	15.9%	15.3%	17.0%
Fixed Costs (<i>ex share based payments</i>)	16.1%	13.4%	10.0%	7.5%
Adjusted EBITDA	0.3%	2.5%	5.3%	9.5%

- Margin growth driven by increase in private label which is now 25% of revenue, however mid term target closer to 30%
- Increase in marketing % driven by investment (~\$1.7m) in national TV campaign to drive brand awareness
- Reduction in fixed cost % drove operating leverage. The full costs of people investments made in H1 (3D/AR/B2B/Tech) will be realised in H2 and this will be reflected in EBITDA % and \$

All periods include the impact of the new accounting standard AASB16.

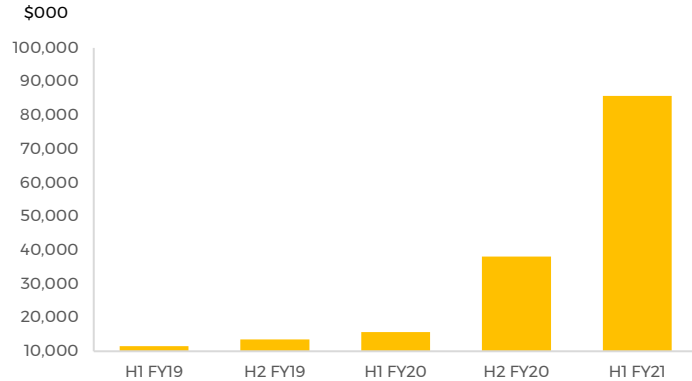
Strong balance sheet enabling investment for growth

A\$m	30-Jun-20	31-Dec-20
Assets		
Cash & Cash Equivalents	38.1	85.7
Inventories	6.6	17.4
Other current assets	3.5	5.4
Intangibles, (inc. goodwill)	7.9	7.8
Right-of-use assets	1.4	1.5
Non-current financial asset	0.0	0.9
PPE	0.5	0.8
Deferred tax assets	9.4	9.2
Total Assets	67.3	128.8
Liabilities		
Trade and other payables	22.2	26.7
Employee accruals and provisions	3.7	4.8
Deferred revenue	10.0	12.6
Lease liabilities	1.4	1.5
Income tax payable	0.0	2.2
Total Liabilities	37.3	47.8
Net Assets	30.0	81.0
Equity		
Contributed capital	76.6	114.9
Reserves	3.5	4.0
Retained earnings	(50.1)	(37.9)
Total Equity	30.0	81.0

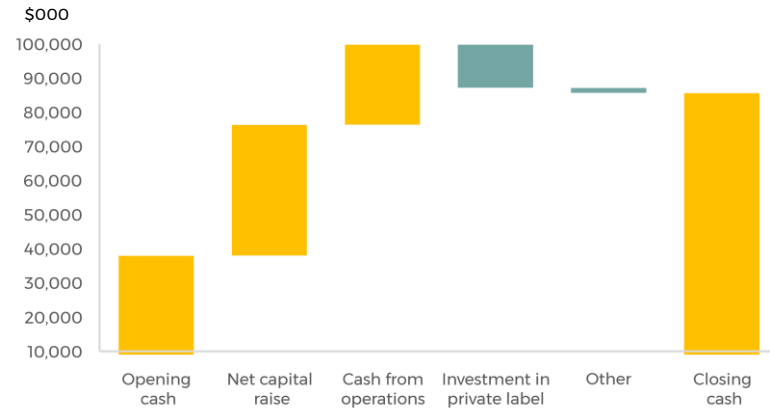
- Investment in private label, all inventory metrics (WOC/ageing profile) tracking better than target ranges
- Tax asset to offset against future tax liabilities
- Average days payable within target ranges, with a concerted effort to pay suppliers earlier to continue to forge stronger relationships
- Flexible balance sheet position (no debt) to take advantage of organic and inorganic opportunities

Capital light/cash flow positive business model

Closing cash by half



Net cash flow movement



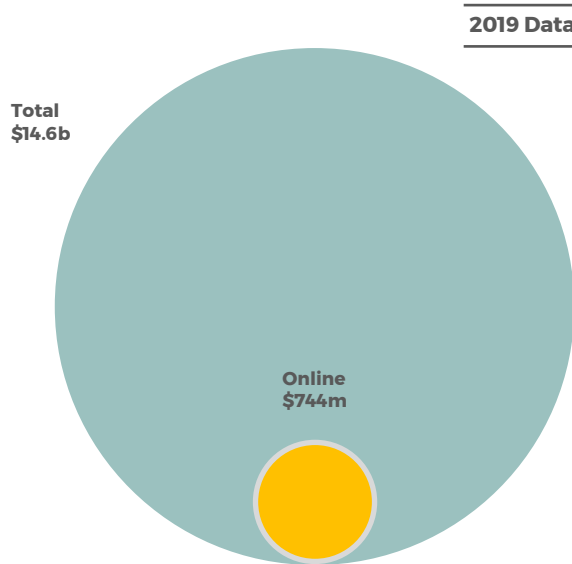
- Closing cash balance of \$85.7m
- Cash flow positive half \$47.7m was driven by:
 - the positive EBITDA result
 - benefits from the group's negative working capital model, offset by investment (~\$13m) in private label inventory
 - capital raise undertaken in early July (~\$40m)

Strategy & Outlook



Our core furniture and homewares category is a \$14.6b market, undergoing a structural shift towards online

Furniture and Homewares Market (AUS)



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

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

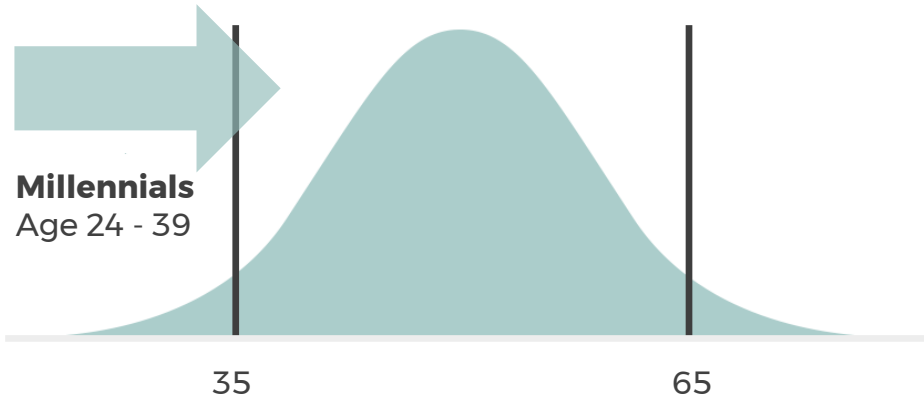


Source: Euromonitor International Limited; Home and Garden system 2019 edition. Internet sales as a percentage of the total retail sales value (inc. sales tax) for home furnishings and homewares in Australia, UK and US. Current terms.

Demographic and structural changes will drive strong market growth for years to come

1 Millennials are entering our core demographic

Hypothetical distribution of homewares and furniture spend by age



2 Structural changes in our favour

- **Offline exits/store closures**
- **New consumer habits forming during lockdowns**
- **Faster internet and mobile speeds**
eg. NBN, 5G
- **New market entrants accelerating online shopping take-up**
eg. Amazon
- **New technologies improving experience and conversion**
eg. augmented reality
- **COVID-19 has accelerated online penetration**

Our strategy is based on range, inspiration and service

Our Core Belief

- We believe everyone wants to live more beautifully.

Our Vision

- Our vision is to make the world more beautiful, one room at a time.

Our Mission

- Our mission is to deliver beautiful solutions for our customers' homes and work spaces, and for all of our other stakeholders, including suppliers and shareholders.

Our Strategic Pillars

- We want to be famous for having **the biggest and best range** in our category, the **most inspirational content and services** and the **best delivery experience & customer service**.
- Our foundations are built on data-driven marketing, world-class technology and exceptional execution by an amazing team.

Our Goal

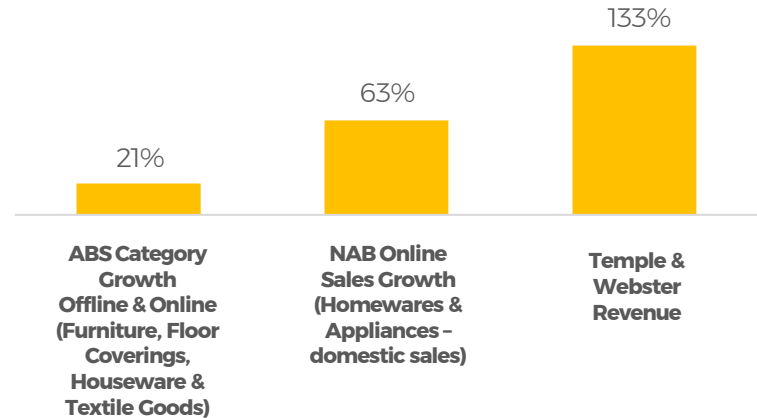
- We believe if we can deliver the above, Temple & Webster will become the first place Australians turn to when shopping for their homes and work spaces.

Scale is allowing us to accelerate investment and grow market share

Hypothetical drivers of market share growth



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



Source: ABS Retail Sales Data (Seasonally Adjusted); NAB Online Retail Sales Index (July 2020 to October 2020) and percentages displayed above reflect the average for July to October 2020.

Revenue growth is based on checkout revenue which is pre accounting adjustments (deferred revenue, refund provision)

Growth strategy

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

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

Increase brand awareness from 55% to +80% through digital and non-digital channels

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

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

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

Trading update & outlook

- The second half has started strongly, with YoY revenue growth of 118% to Feb 23.
- We continue to experience strong tailwinds, including:
 - the ongoing adoption of online shopping
 - an acceleration of these trends due to COVID-19
 - an increase in discretionary income due to travel restrictions
 - the recovery of the housing market and unemployment levels
- As previously communicated, we are prioritising a high-growth strategy by:
 - accelerating our investment in digital and above the line marketing to outgrow the market
 - using price and promotions to drive first time customers
 - investing in our people to strengthen our technology, data & personalisation, private label, and delivery experience moats
 - growing our B2B sales and operational teams
- This strategy will accelerate the achievement of our stated goal to become the largest retailer of furniture and homewares in our home market, similar to our international peers.



Q&A



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