

A modern library interior with a high ceiling, large windows, and a mezzanine level. Several books are shown floating in the air, some open and some closed, creating a sense of movement and knowledge. The lighting is bright and even.

booktopia

 An e-commerce leader

Investor Presentation
HY22 – 31 Dec 2021

25 February 2022

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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.



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, Chair of Uplifting Australia (NFP) and Exent Consulting.



booktopia

100% Australian

SECTION 1
Overview

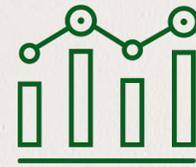
Key Highlights - HY22 (31 December 2021)



HY22 Revenue

\$130.0m ▲ 15.5%

(HY21: \$112.6m)



HY22 EBITDA

\$4.1m ▼ 49%

(HY21: \$8.0m – adjusted for IPO costs)



HY22 Distribution Wages Per Unit

\$1.65 ▲ 15.6%

(HY21: \$1.43)



HY22 Units Shipped (000's)

4,730 ▲ 11.6%

(HY21: 4,240)



HY22 Average Order Value

\$74.13 ▲ 6.2%

(HY21: \$69.79)



CY21 Average Customer Spend

\$132.39 ▲ 4.4%

(FY21: \$126.85)



First Half Review

Record revenue despite Sydney lockdowns

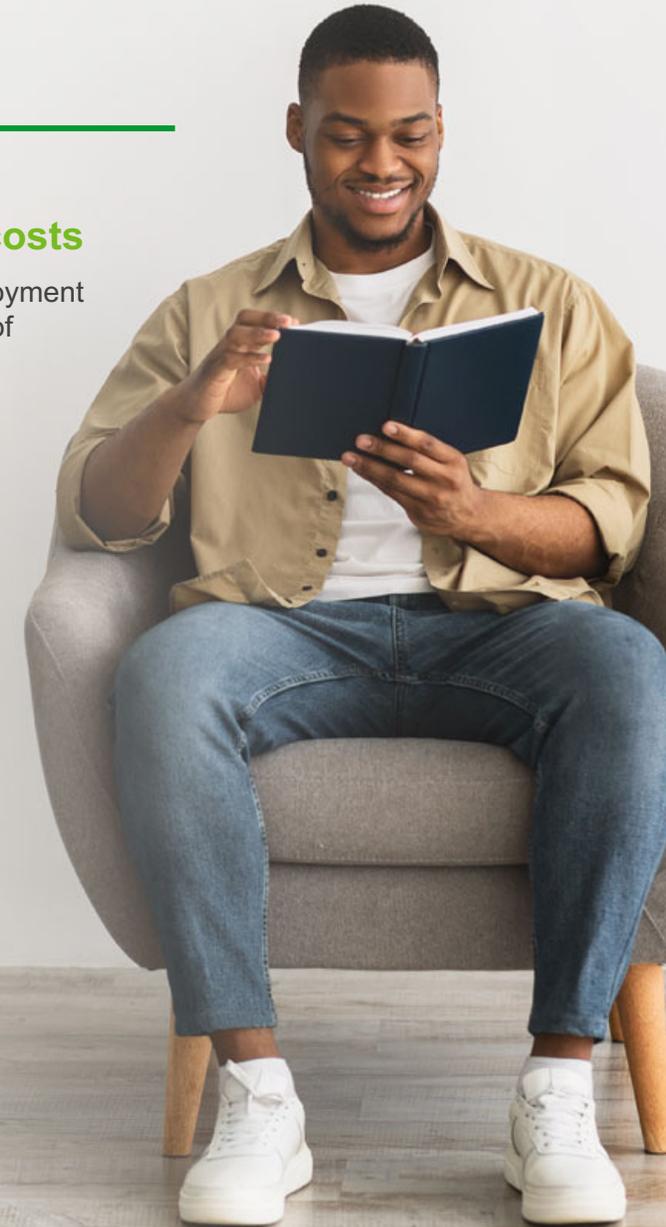
- Revenue up 15.5% to \$130.0 million (HY21: \$112.6 million)
- Record 4.7 million units shipped (HY21: 4.2 million)
- Sydney lockdown lasted for 107 days from June 28 to October 11 and had a significant impact on business' ability to staff the distribution centre (located at Lidcombe).
- Management made the decision to limit marketing to maintain customer experience.

Earnings impacted by increased costs

- Earnings (EBITDA) down 49% on higher employment costs, pursuit of M&A opportunities and setup of additional distribution capacity.
- Increased employment costs including new permanent full-time employees and additional distribution labour costs as a result of the lockdowns.
- Maintained high Gross Profit margins.

Operational and strategic refocus on profit

- Operational environment returning to normal with management prioritising actions to improve profitability while balancing ongoing investment in people, technology and infrastructure to support future growth.
- High levels of uncertainty in the economy and community
- Labour shortages, which adds costs to business operations and limits the capacity of our distribution networks, and the uncertainty regarding international university students are factors we are constantly monitoring to ensure we navigate our way through this period of uncertainty.
- Board and management remain optimistic about future prospects and will continue to prepare the business for growth.



Business Profile

Australia's largest online book retailer with 18-year history of growth

- Market leading and category dominant position with more than 5 million customers and 1.8 million active customers
- Largest Australian-owned online book retailer by market share.
- More than 57.9 million booktopia.com.au website sessions in 2021, up 17.5% on 2020.
- Total warehouse and distribution floor space of ~25,000 sqm.
- Over 100,000 titles in stock with access to total stock list of >6 million titles.

Large, growing market leveraging eCommerce mega trend

- Total Australian book market valued at \$2.6 billion.
- In FY2020, online book sales reached \$920 million, 15% higher than the previous year.
- Book sector leading long term trend to online purchasing.
- In FY2020, online accounted for almost 43% of consumer book sales, having increased from 32% in 2015.
- By FY2022, online is forecast to reach \$1.1 billion and account for approximately 50% of consumer book sales.

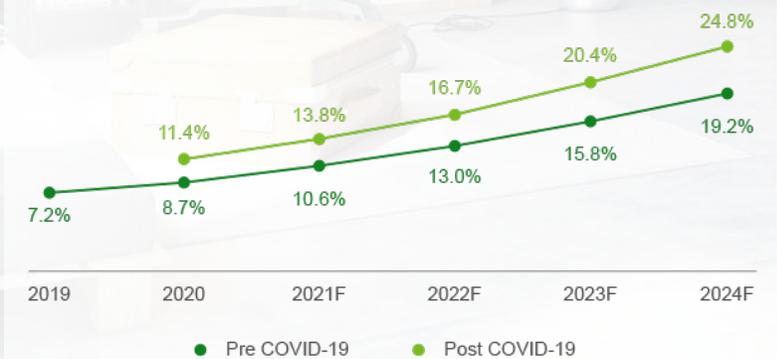
Clear strategic focus on customer experience and sustainable, profitable growth

- Established in 2004, listed in 2020.
- Experienced, heavily-invested management team focused on delivering sustainable, long-term growth.
- Strong commitment to investing in future growth through people, stock and distribution capacity.

Australian Book Market Size & BKG Revenue (\$m)



Online Retail Penetration Projections In Australia (%)



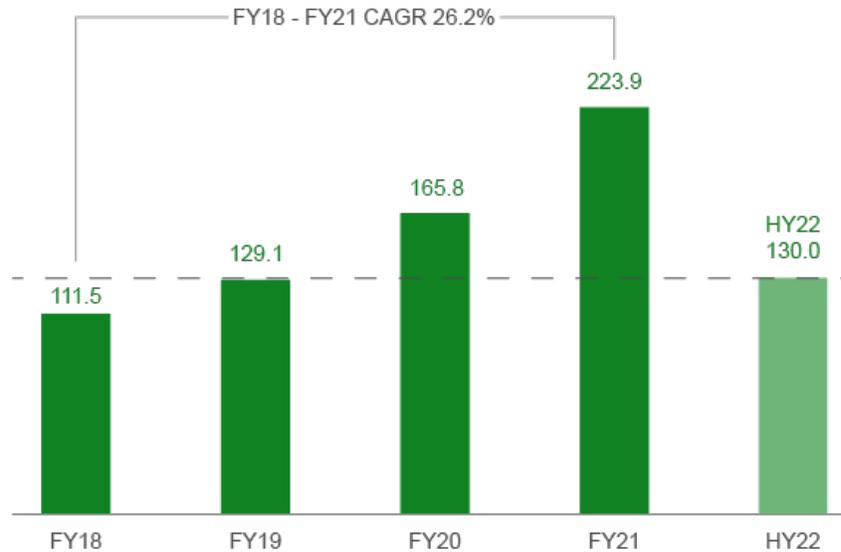


SECTION 2

Financials

First Half KPI's

Revenue (\$m)



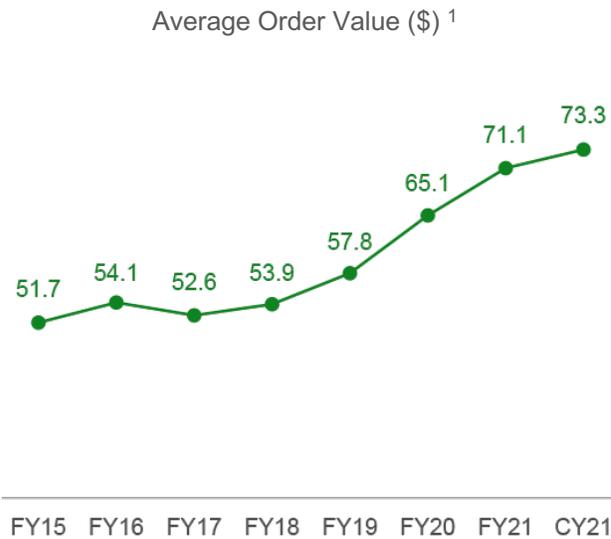
Key Performance Indicators

| | FY18 | FY19 | FY20 | FY21 | HY22 ¹ |
|---|---------|---------|----------|----------|-------------------|
| Key Operating Metrics | | | | | |
| Average Order Value (\$ per order) ⁽²⁾ | \$53.88 | \$57.81 | \$65.08 | \$71.07 | \$73.31 |
| Average Selling Price (\$ per unit shipped) | \$23.79 | \$24.73 | \$25.80 | \$27.39 | \$27.96 |
| Average Customer Spend (\$ per customer per year) | \$90.12 | \$98.54 | \$111.43 | \$126.85 | \$132.39 |
| Units shipped (000s) | 4,824 | 5,370 | 6,451 | 8,173 | 4,730 |
| Key Financial Metrics | | | | | |
| Revenue growth on PCP | - | 15.8% | 28.4% | 35.0% | 15.5% |
| Gross profit growth (%) on PCP | - | 11.1% | 25.9% | 39.0% | 16.5% |
| Gross profit (\$ per unit shipped) | \$6.43 | \$6.42 | \$6.82 | \$7.48 | \$7.55 |
| DC wages per unit shipped | \$1.02 | \$1.26 | \$1.42 | \$1.42 | \$1.65 |
| Marketing expenses (\$ per unit shipped) | 1.61 | 1.69 | 1.53 | 1.25 | 0.97 |
| EBITDA margin (EBITDA / revenue %) | 3.7% | 2.8% | 3.6% | (13.1%) | 3.2% |

1. Average Order Value, Average Selling Price and Average Customer Spend for FY22 H1 are calculated for the last twelve months / calendar year in order to present these numbers on an annualised basis, incorporating the main academic season.
 2. 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.

Key Revenue Drivers

Average Order Value of \$73.31



CY21 presented for 12 month comparison. Academic season FY22 expected to favourably impact this metric.

Shipped Units 8.7m in CY21 or 4.7m for HY22



Units shipped of 8.7m for last 12 months up from 8.2m in FY21. HY22 was 4.7m units up 12% on 4.2m units in HY21.

Average Spend Per Customer of \$132.39 for CY21



CY21 presented for 12-month comparison. Academic season FY22 expected to favourably impact this metric.

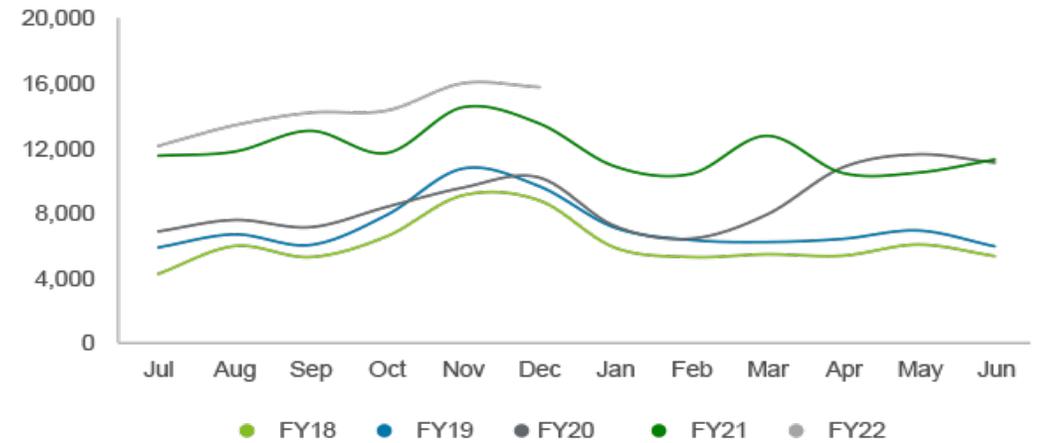
1. Based on sales including GST and excluding freight income divided by the total number of orders in each financial year from Booktopia, Angus & Robertson, eBay, TradeMe and Amazon sales channels.
 2. Based on sales including GST and excluding freight income divided by the total number of customers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

Customer Mix and Spend Cycles

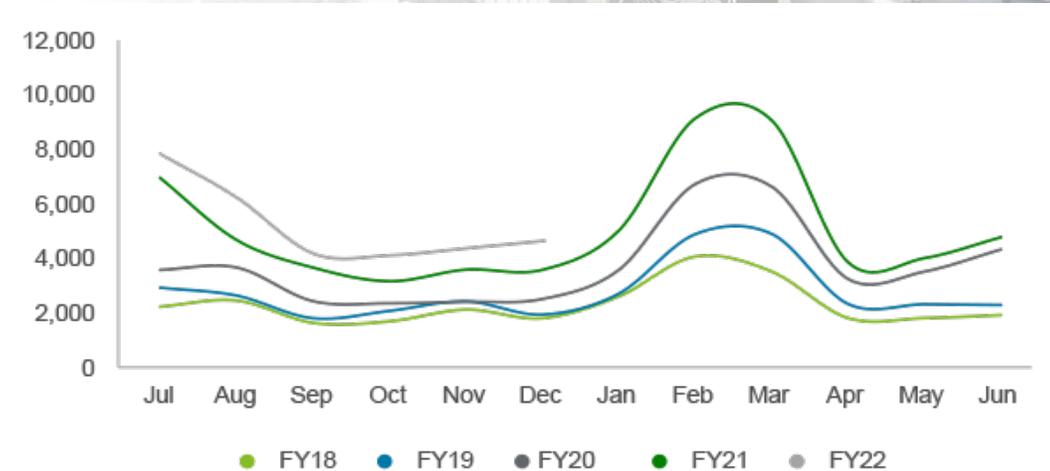
Revenue by New vs. Repeat Customer



Trade – Shipped Revenue Spend Cycle (\$000)



Academic – Shipped Revenue Spend Cycle (\$000)



First Half – Month by Month

JULY

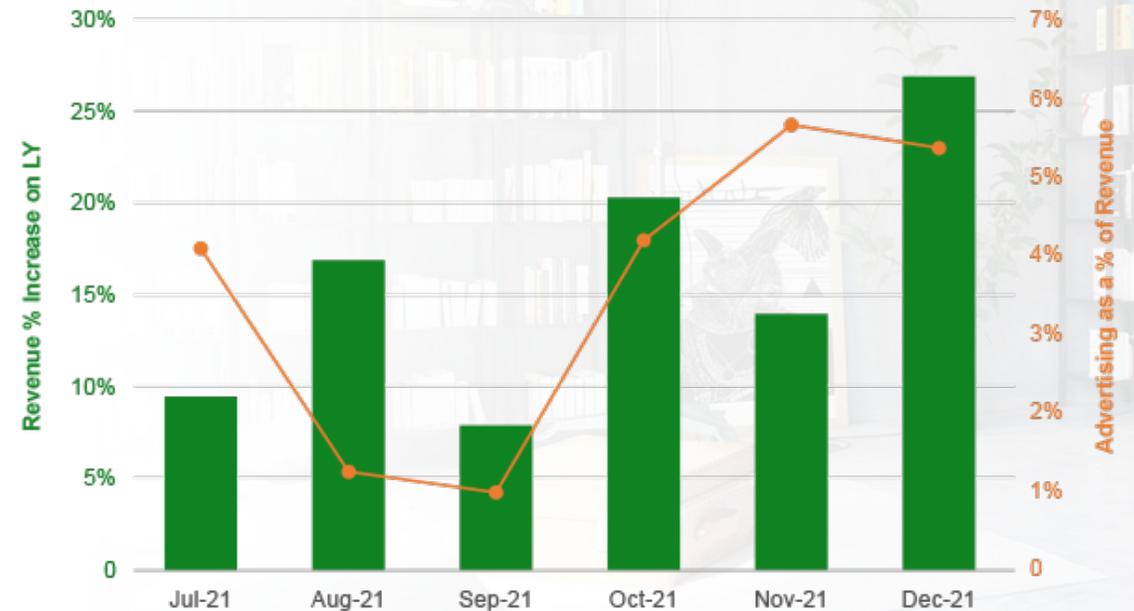
- July **started strongly** with revenue up 24% on PCP by mid-month.
- As Delta outbreak worsened, the impact on operations intensified with **staff shortages and staff absenteeism** hampering DC operations (this continues through to November)
- Marketing expenditure reduced to **limit volumes** being processed through DC.
- July **overall growth** ended up at 8% on PCP.

AUGUST

- The start of academic Semester 2 resulted in **another spike** in sales.
- Despite reducing marketing costs for most of the month and switching off market places, **strong academic sales** produced >15% growth on PCP.

SEPTEMBER

- Covid restrictions remain in place for the Cumberland LGA and **marketing expenditure** was low.
- Supply chains issues continue to **plague economy** as planning and stocking for Christmas and 2022 academic (Semester 1) season begins.
- Lease signed for a second distribution centre (DC2) to enable **sufficient stock** to be ordered and held for the Christmas peak.



First Half – Month by Month (Continued)

OCTOBER

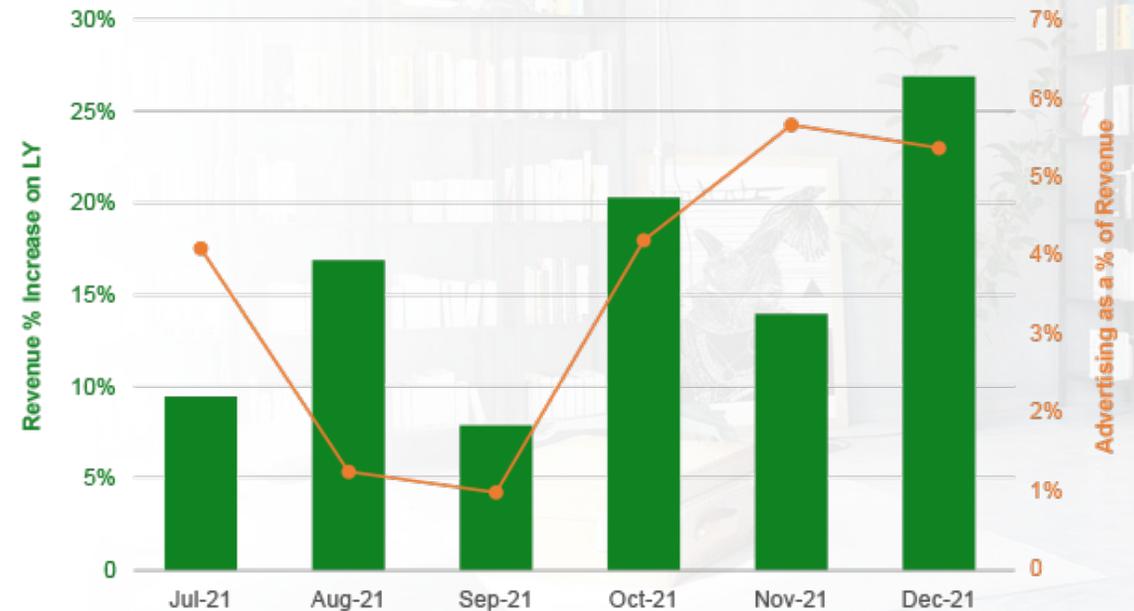
- Lockdowns start to ease in both NSW and VIC and the DC switched to a 24hr / 5 days per week operation in the lead up to Christmas and to **clear backlog of sales**.
- Marketing is ramped up to **chase higher targets** with the increased capacity, but marketplaces remain off.
- PCP comparison includes **reduced shipping numbers** in October 2020 to support the rollout of automation.

NOVEMBER

- The most **competitive sales month** (Christmas, Cyber Sales) with high expenditure on marketing.
- The commissioning of DC2 did not go to plan and with the arrival of Christmas forward orders, business' ability to unpack and load the stock onto website was **significantly hampered**.

DECEMBER

- Strong Black Friday and Cyber Monday sales from November shipped in December and the flow of stock between the two DC's **improves greatly**.
- The Australia Post cutoff in mid December see sales start to decline as expected, allowing company time to “catch-up” on fulfilling prior sales orders.
- Most **backlogs cleared** by year end.



Margin Performance and Operating Expense

Gross Profit & Gross Profit Per Unit Shipped

- Gross Profit growth **remains consistent** with previous periods.
- During the period the Distribution Centre was **disrupted by a series of factors** including:

Shipped Units & Distribution Wages Per Unit Shipped

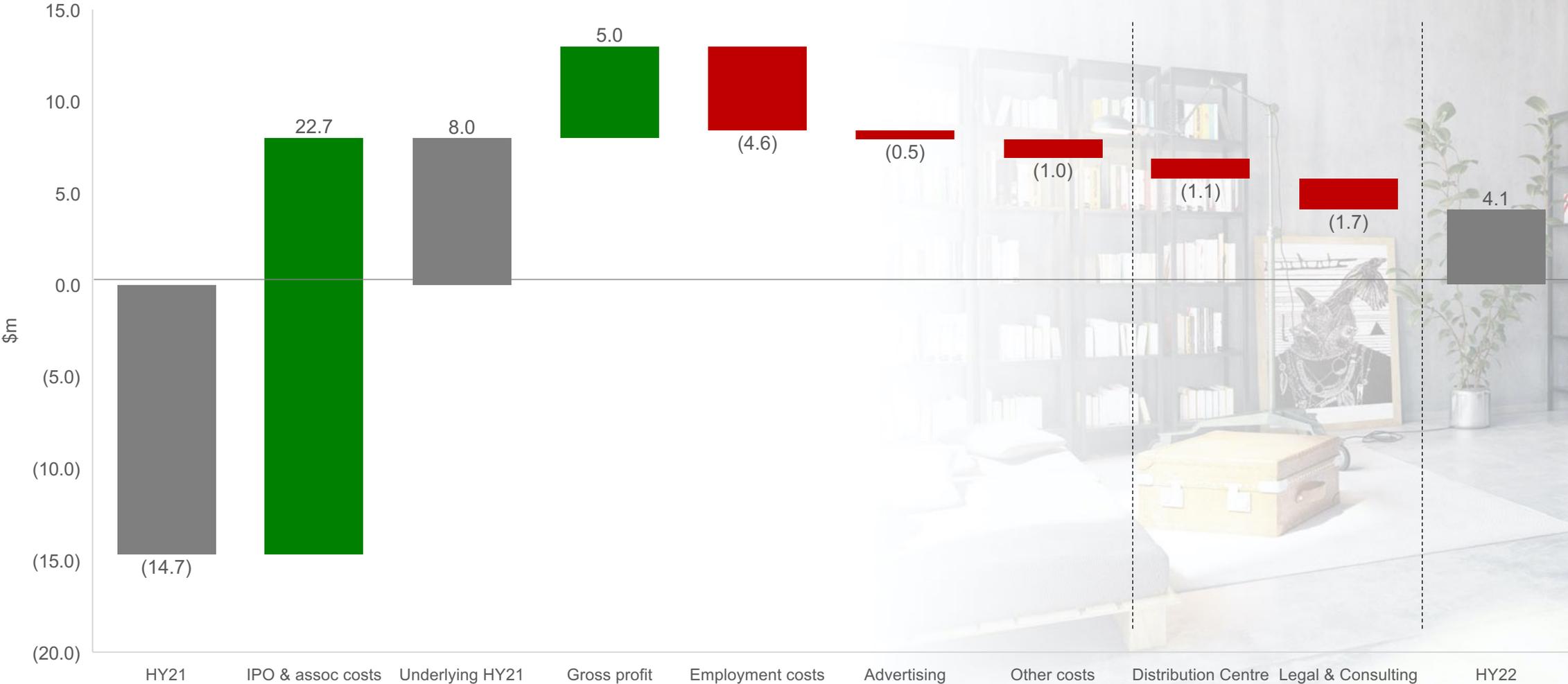
- COVID-19 impacts resulting in **labour shortage** and limitations on shipped units
- Increases in Inventory** resulting in extra effort to ingest units into DCs
- Setting up the **new DC**
- Introduction of **Robotics** at Lidcombe DC

Marketing Expenses

- As a result, various **marketing expenses were controlled** to ensure the customer experience remained positive.



EBITDA comparison to PCP



Summary Profit & Loss and Cash Bridge

| P&L (\$m) | HY20 | HY21 | HY22 |
|------------------------------------|--------------|---------------|--------------|
| Revenue | 74.5 | 112.6 | 130.0 |
| Product and freight costs | (55.3) | (81.9) | (94.3) |
| Gross profit | 19.2 | 30.7 | 35.7 |
| Employee expenses | (10.1) | (14.5) | (20.1) |
| Merchant expenses | (1.1) | (1.6) | (1.7) |
| Marketing expenses | (5.3) | (4.1) | (4.6) |
| IPO costs | - | (4.1) | - |
| FV of redeemable preference shares | - | (18.6) | - |
| Other expenses | (1.4) | (2.5) | (5.2) |
| Operating expenses | (17.9) | (45.4) | (31.6) |
| EBITDA | 1.3 | (14.7) | 4.1 |
| Depreciation and amortisation | (1.5) | (1.9) | (3.4) |
| EBIT | (0.2) | (16.6) | 0.7 |
| Net interest expense | (0.9) | (3.6) | (1.1) |
| Profit/(loss) before tax | (1.1) | (20.2) | (0.4) |
| Income tax benefit / (expense) | 0.5 | 0.4 | (0.2) |
| Net profit/(loss) after tax | (0.6) | (19.8) | (0.6) |

Cash Bridge (\$m)



Summary Balance Sheet

Net lease balances

- New leases entered give the group the **capacity to continue** to deliver its growth objectives.

Inventory

- Increased by 21% (\$3.8m) **setting the business up** for academic season.

Working capital

- Largely customer funded, and as such, not **a limiting factor** for future growth.

Liquidity

- With \$18m unused bank facilities, available liquidity is \$23.1m with much of the **academic season stock** already on the shelf.

Welbeck investment

- Partnership with Welbeck expected to **generate opportunities** starting in FY22 H2.

| Balance sheet (\$m) | 30 Jun | 31 Dec | Change \$ | Change % |
|-----------------------------|---------------|---------------|--------------|-------------|
| Right of use assets | 9.6 | 32.9 | 23.3 | 243% |
| Lease incentive receivables | - | 4.0 | 4.0 | n/a |
| Lease liabilities | (11.5) | (39.9) | (28.4) | 247% |
| Net lease balances | (1.9) | (3.0) | (1.1) | 58% |
| Trade and other receivables | 1.3 | 2.5 | 1.2 | 92% |
| Inventory | 18.1 | 21.9 | 3.8 | 21% |
| Trade and other payables | (20.3) | (22.7) | (2.4) | 12% |
| Prepaid customer orders | (11.4) | (13.9) | (2.5) | 22% |
| Working capital | (12.3) | (12.2) | 0.1 | 1% |
| Cash and equivalents | 12.0 | 5.1 | (6.9) | (58%) |
| Other current assets | 1.4 | 2.3 | 0.9 | 64% |
| Welbeck investment | - | 3.1 | 3.1 | n/a |
| Plant and equipment | 21.6 | 23.0 | 1.4 | 6% |
| IT Systems | 9.4 | 9.5 | 0.1 | 1% |
| Other NC assets | 3.5 | 5.2 | 1.7 | 49% |
| Provisions | (3.3) | (4.0) | (0.7) | 21% |
| NET ASSETS | 30.4 | 29.0 | (1.4) | (5%) |



SECTION 3

Trading Update and Outlook

Trading Update & Business Outlook

A refocus on improving earnings whilst balancing the need to invest in the future

- Operations have largely returned to a **more normal environment** as a result of the opening up of NSW and other parts of Australia.
- Currently in the midst of the **academic season**, which has started later this year with the delay of year 12 results.
- **Uncertainty remains** in the economy and community.
- Confident of continuing to grow the business while maintaining a **sharp eye on costs**.
- Our goal remains to be at the **core of the Australian book industry** underpinned by an efficient, customer-led retail offering that continues to secure a growing market share of the growing online book market.





SECTION 5
Q & A

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THE END

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