booktopia
An e-commerce leader

Full Year Results to 30 June, 2022

29 August 2022

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Presenting Today

Chris Beare

Chairman

- Chris Beare joined the Booktopia Board as Chairman in October 2016.
- He has over 35 years' experience in international business, technology, strategy, finance and management.
- He is Chairman/Director/shareholder in a number of other technology companies and was formerly the Chairman of ASX listed businesses; DEXUS Property Group, Flexigroup Limited and m.Net.

Geoff Stalley

Acting Chief Executive Officer

- Geoff joined Booktopia Group in Sept 2020 as CFO.
- Appointed Acting CEO in July 2022
- Geoff was a senior Partner at Deloitte Australia and Ernst & Young Australia.
- Significant strategic consulting experience in Retail, Consumer Services and Technology industries..
- Holds positions as NED of iSelect, Chair of Uplifting Australia (NFP).

Fiona Levens

Chief Financial Officer

- Fiona joined Booktopia in 2011 and has held multiple finance roles over a 10 year period.
- Fiona was most recently the Group Financial Controller
- Appointed CFO in August 2022
- Prior to joining Booktopia Fiona was forensic accountant with MSM Loss Management

SECTION 1

Business Overview

Key Highlights - FY22

FY22 Revenue

$241m ▲7.6%

(FY21: $223.9m)

CY22 Average Customer Spend

$134.94 ▲ 6.4%

(FY21: $126.85)

FY22 Underlying EBITDA

$6.2m ▼ 54%

(FY21: $13.6m)

FY22 Average Order Value

$75.59 ▲ 6.0%

(FY21: $71.07)

FY22 Units Shipped (000's)

8.5m ▲ 4.0%

(FY21: 8.2m)

FY22 Distribution Wages Per Unit

$1.65 ▲ 15.6%

(HY21: $1.43)

1. Expenses for FY21 H1 included $3.6m of IPO costs and $18.6m from conversion of redeemable preference shares.

FY22 Business Overview

1 **Continued top line growth**

Record revenue and growth across several key operational and financial metrics following on from significant growth over the past two years

2 **Market leading and category dominant position**

Single category focus, market leader, future growth opportunities

3 **Volatile economic conditions**

Inflationary outlook, uncertain economic environment ahead, especially for online retailing

4 **Changing customer dynamics**

Personalisation, delivery options and partnerships to meet changing customer behaviours.

5 **EBITDA and NPAT impact**

increased customer fulfilment costs and a number of one-off items

- Restructuring Costs
- New CFC Costs
- M&A Costs
- Welbeck Impairment
- ACCC Provision for Penalty

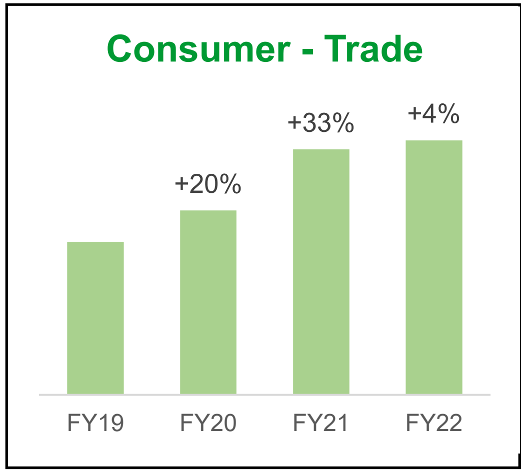
6 **Focus on cost and efficiency**

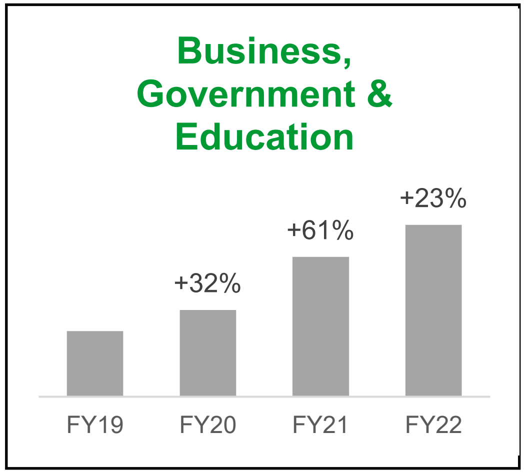
Overheads and costs aligned with future growth trajectory

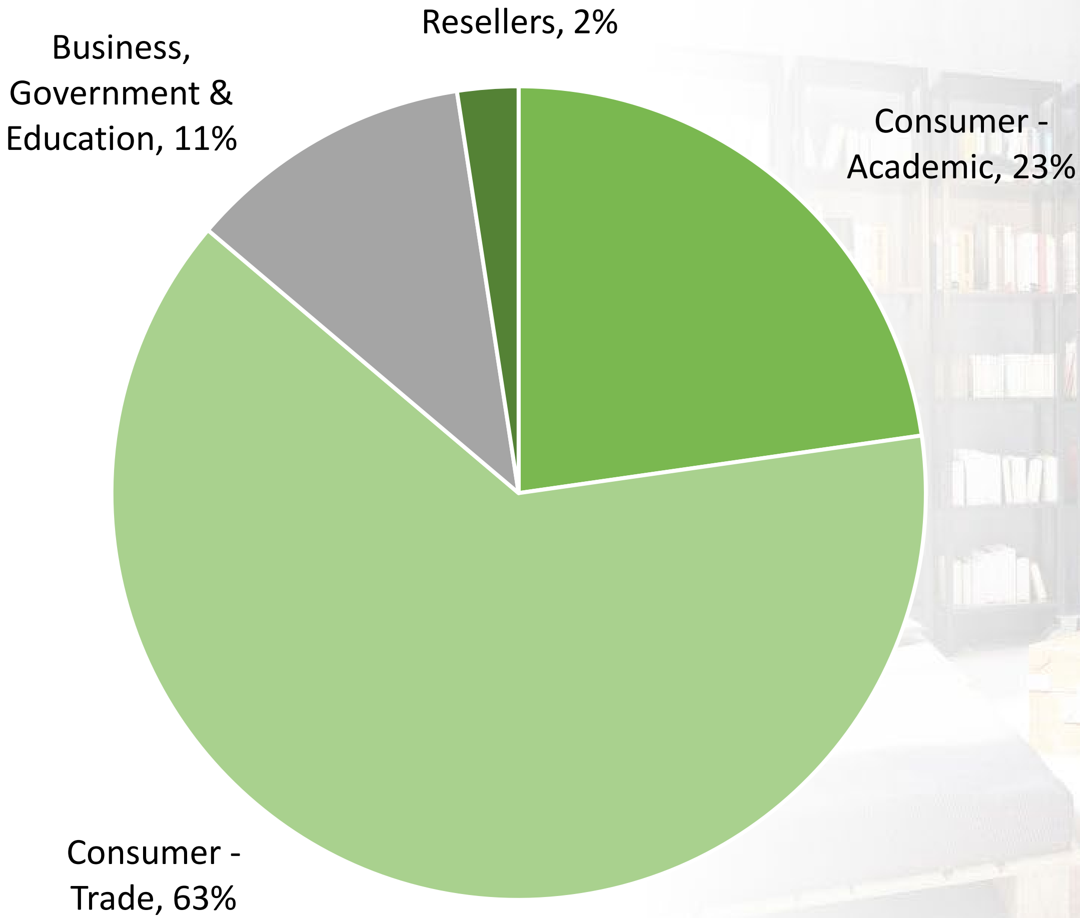
7 **Building for the future**

Clear strategy for the future, strong partnerships, new Customer Fulfilment Centre which enables growth and delivers operational efficiencies.

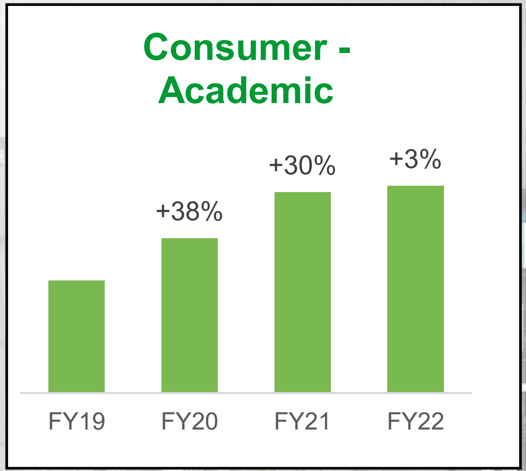
FY22 Revenue Mix

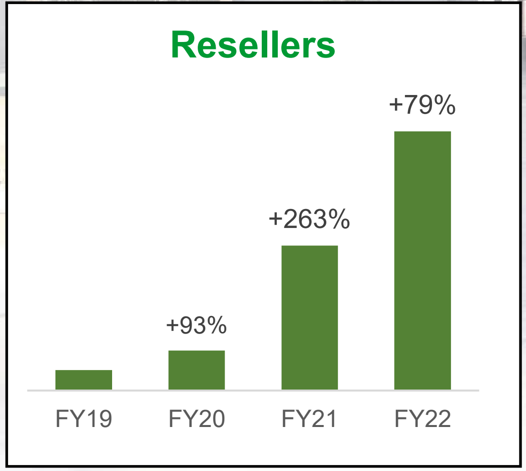






Total Revenue FY22 $241 million



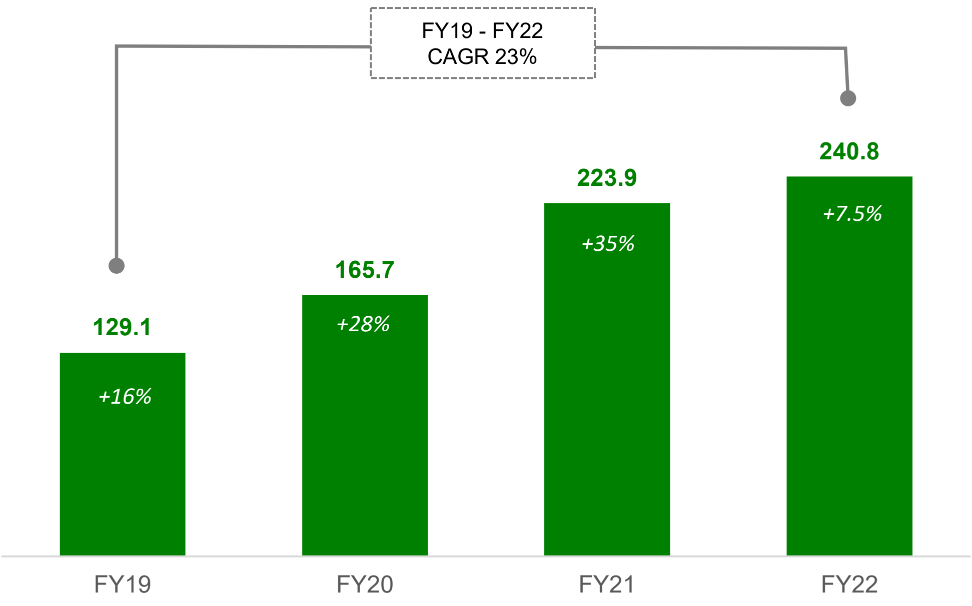


SECTION 2

Financials

FY22 Business Highlights

Revenue ($m)



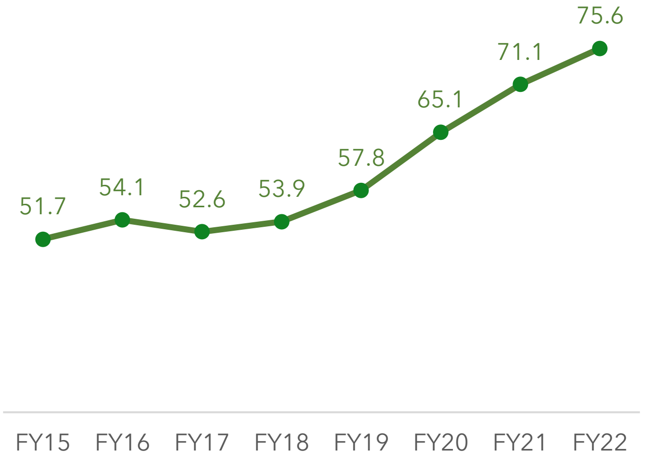
Key Performance Indicators

	FY19	FY20	FY21	FY22
Key Operating Metrics				
Average Order Value ($ per order) (1)	$57.81	$65.08	$71.07	$75.59
Average Selling Price ($ per unit shipped) (2)	$24.73	$25.80	$27.39	$28.27
Average Customer Spend ($ per customer per year) (3)	$98.54	$111.43	$126.85	$134.94
Units shipped (000s)	5,370	6,451	8,173	8,490
Key Financial Metrics				
Revenue growth on PCP	15.8%	28.4%	35.0%	7.5%
Gross profit growth (%) on PCP	11.1%	25.9%	39.2%	6.3%
Gross profit ($ per unit shipped) (4)	$6.42	$6.82	$7.48	$7.65
DC wages per unit shipped (5)	$1.26	$1.42	$1.42	$1.65
Marketing expenses ($ per unit shipped) (6)	$1.69	$1.53	$1.25	$1.20
Underlying EBITDA margin (EBITDA / revenue %)	2.8%	3.6%	6.1%	2.6%

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 inc GST but excludes freight income and orders places through marketplaces.
4. Gross profit per unit means gross profit divided by the number of units shipped.
5. Distribution Centre wages per unit is the wages and contractor expense for the Distribution Centre divided by the total number of units shipped.
6. Marketing expenses per unit means marketing expenses divided by the number of units shipped.

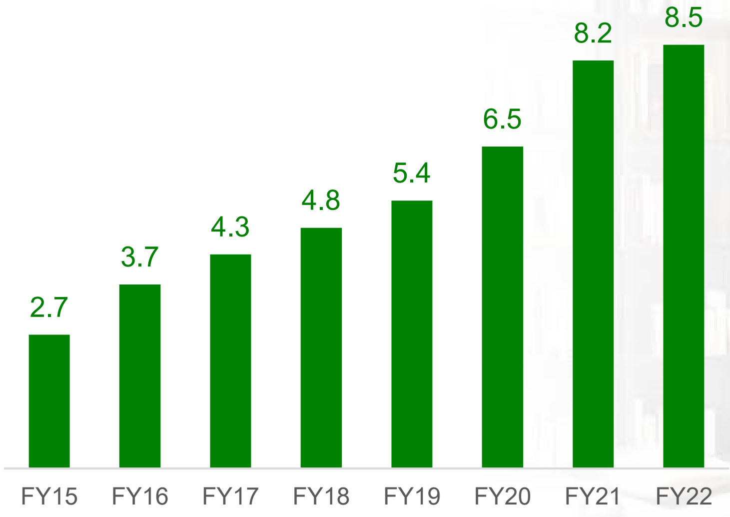
Key Revenue Drivers

Average Order Value (AOV) of $75.59



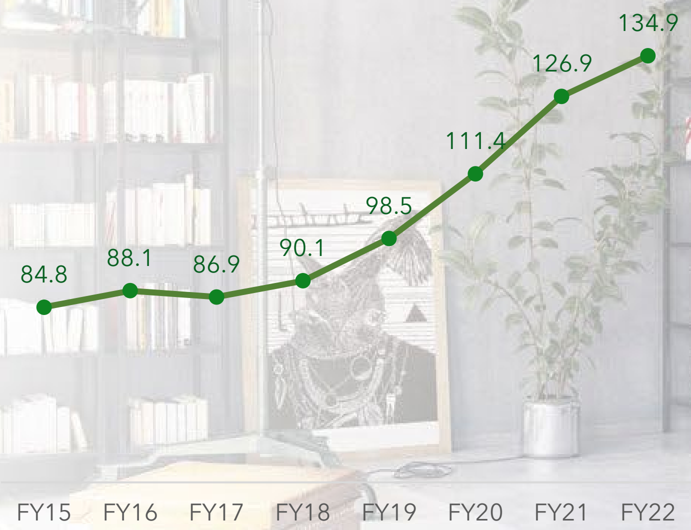
Driven by increasing proportion of retailer, corporate, government and education customers

Shipped Units of 8.5m



4% increase on PCP, 32% on FY20

Average Spend Per Customer of $134.94



Repeat customers accounted for 79% of revenue in FY22 (FY21: 76%)

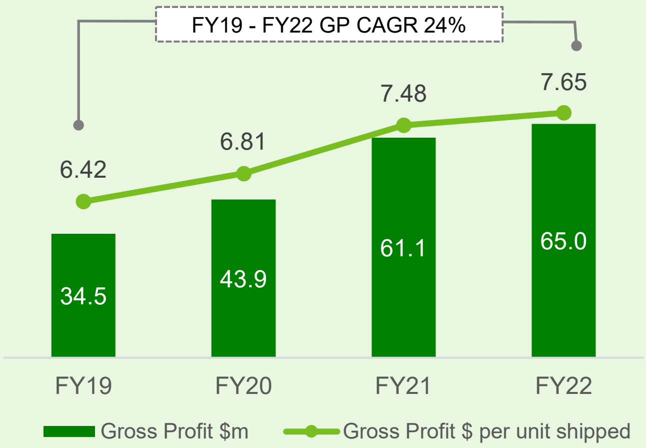
Margin Performance and Operating Expense

Gross Profit

Increase in gross profit driven by volumes and product mix. Increasing Proportion of business, Government and education Customers buying higher Margin BPS product contributed to higher gross profits.

FY22-H1
$35.7m or $7.55 per unit

FY22-H2
$29.3m or $7.78 per unit

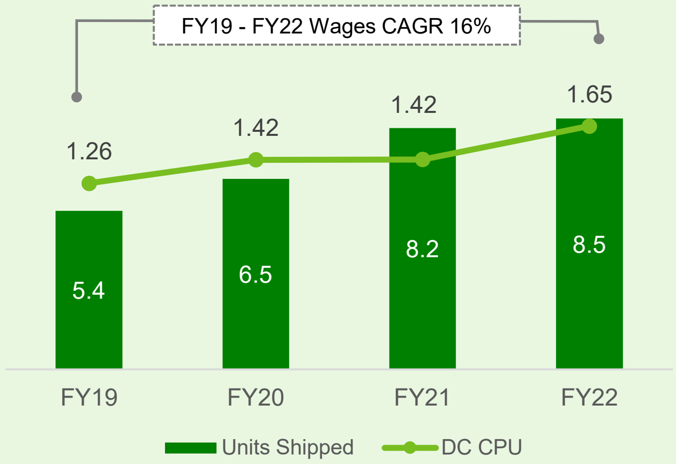


Distribution Centre Wages

Increase in cost per unit shipped due to covid-related lockdowns which lead to absences and inefficiencies.

FY22-H1
$7.8m or $1.66 per unit

FY22-H2
$5.8m or $1.64 per unit

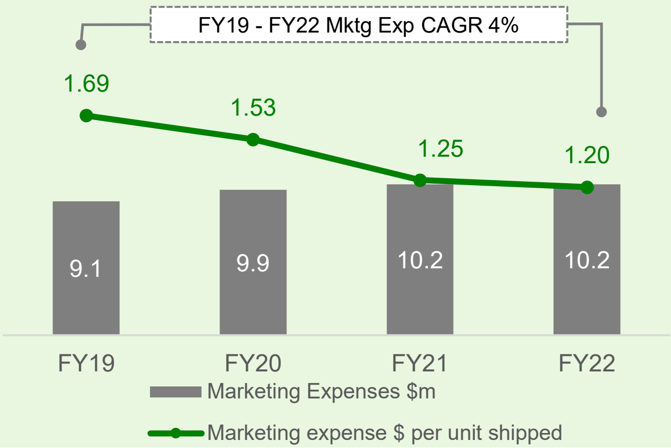


Marketing Expenses

Advertising and marketing costs largely curtailed in H1 due to capacity constraints and unprecedented demand driven by lockdowns.

FY22-H1
$4.6m or $0.97 per unit

FY22-H2
$5.6m or $1.50 per unit

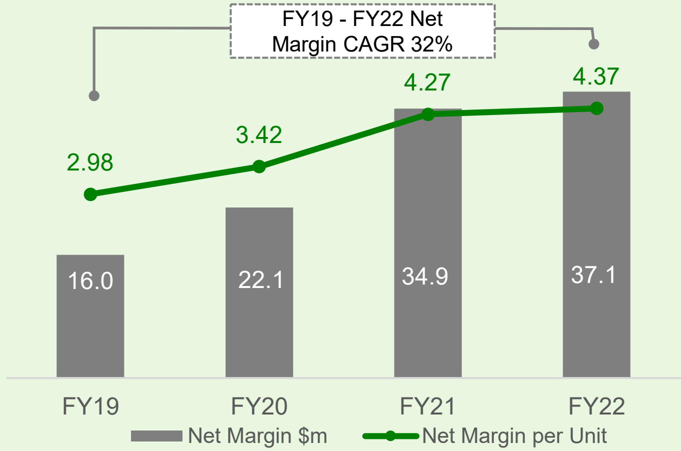


Net Margin per Unit

Continual focus on Improvement in net margin (Gross profit less variable costs). See slide 11 for further explanation of net margin.

FY22-H1
$21m or $4.45 per unit

FY22-H2
$16.1m or $4.27 per unit



Focus on Unit Economics

Continued Focus on Improvement in Net Margin

Initiatives underway:

- Driving initiatives that improve conversion rates
- Negotiating more favourable terms with publishers / suppliers
- Holding appropriate stock amount to avoid potential supply chain shortages
- Continued focus on B2B & corporate sales through the dedicated territory sales management team
- Implementation of a new payment gateway & acquirer at substantially reduced rates to reduce merchant fees
- Optimise the layout and efficiency of the Lidcombe CFC to reduce labour costs per unit in the short term and increase capacity in peak periods
- Continued focus on profitable customer acquisitions

Initiatives planned for future:

- Future "Next Gen" CFC will provide further savings in relation to direct labour costs
- Launch of new pricing initiatives to drive sales
- Postage solutions to consolidate orders and reduce multiple packages

Per Unit Economics

	FY19	FY20	FY21	FY22
Total Revenue (1)	$24.04	$25.68	$27.39	$28.36
Product and freight costs	$17.62	$18.88	$19.91	$20.70
Gross Profit	**$6.42**	**$6.81**	**$7.48**	**$7.65**
Advertising and marketing expense	$1.69	$1.53	$1.25	$1.20
GPAPA	**$4.73**	**$5.28**	**$6.23**	**$6.45**
Other Variable Costs (2)	$1.76	$1.86	$1.96	$2.08
Net Margin per Unit	**$2.98**	**$3.42**	**$4.27**	**$4.37**
+ / - on Prior Year		***15%***	***25%***	***2%***

1) Total Revenue per unit of $28.36 includes freight revenue and other accounting adjustments which are not part of the calculation of ASP of $28.27 as shown in slide 8.
2) Other Variable Costs include direct labour costs and merchant fees.

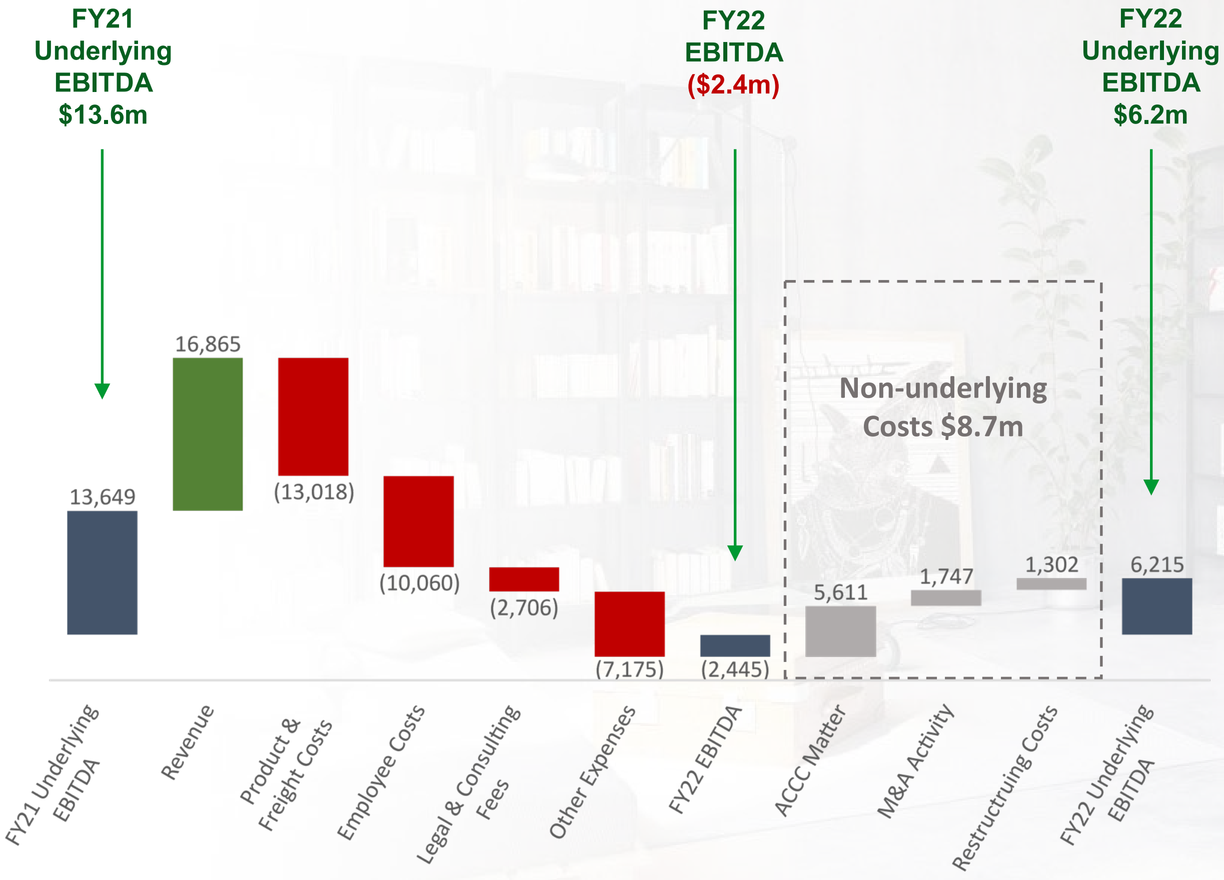
EBITDA comparison to PCP

The company will incur several one-off costs in its FY22 accounts which are expected to have a combined negative impact of approximately $8.7 million on EBITDA.

- **ACCC provision for penalty**
  Booktopia and the ACCC have agreed a penalty in respect of two statements that appeared on Booktopia's website concerning Booktopia's returns policy which contravened Australian Consumer Law. The agreed penalty of $6m will be put to the Federal Court in December 2022. Payable over a maximum term of 5 years the amount of $5.6m represents the discounted present value of the $6m payment calculated in accordance with accounting standards together with associated legal costs.

- **M&A related costs**
  Booktopia explored several M&A opportunities in FY22H1 which resulted in significant legal and consultant fees. These costs were referred to in the half-year financial report.

- **Restructuring cost**
  Following the announcement in May that management were exploring several initiatives to ensure business costs remain aligned with the company's growth trajectory, the company underwent a restructure in Q4 which included a small number of redundancies and the departure of the CEO. The final costs of restructuring were $1.3 million.



Summary Profit & Loss

Statutory P&L ($m)	FY20	FY21	FY22
Shipped Units	*6.5*	*8.2*	*8.5*
Revenue	**165.7**	**223.9**	**240.8**
Product and freight costs	(121.8)	(162.8)	(175.8)
Gross profit	**43.9**	**61.1**	**65.0**
Employee expenses	(20.3)	(28.6)	(38.7)
Merchant expenses	(2.4)	(3.2)	(3.0)
Marketing expenses	(9.9)	(10.2)	(10.2)
IPO costs	-	(4.1)	-
FV of redeemable preference shares	(0.9)	(18.6)	-
Other income & expenses	(3.9)	(5.6)	(15.4)
Operating expenses	(37.4)	(70.3)	(67.4)
EBITDA	**6.5**	**(9.2)**	**(2.4)**
Amortisation, depreciation, & impairment expense	(3.3)	(4.5)	(12.8)
EBIT	**3.2**	**(13.7)**	**(15.2)**
Net interest expense	(2.4)	(4.3)	(2.5)
Profit / (loss) before tax	**0.8**	**(18.0)**	**(17.7)**
Income tax benefit / (expense)	(0.6)	(0.0)	2.6
Net profit / (loss) after tax	**0.2**	**(18.1)**	**(15.0)**

Revenue growth of +7.5% vs FY21 and +45% vs FY20 which equates to a 21% 2-year CAGR.

Continued growth in gross profit resulting from not only increased volumes but also increased per unit margins ($7.48 to $7.67 per unit).

Employee expenses up 35% driven by increased costs associated with COVID, restructuring costs and increased leave provisions due to reduced leave taken.

Other expenses up due to:

- Increased occupancy expenses (such as outgoings, short term rent, cleaning, electricity) relating to covid cleaning protocols and new sites.
- Increase in insurance premiums.
- Provision for ACCC penalty.
- M&A costs

Amortisation, Depreciation & impairment expenses driven up by reassessment of asset useful lives, impairment of Welbeck investment, acceleration of depreciation on equipment that will not be moved to the new CFC and the addition of 4 months of depreciation on the corporate head office fitout.

Summary Balance Sheet

Balance sheet ($m)	30-Jun 2021	30-Jun 2022	Change $	Change %
Trade and other receivables	1.3	1.7	0.4	31%
Inventory	18.1	17.3	(0.8)	(4%)
Trade and other payables	(20.3)	(28.7)	(8.4)	41%
Prepaid customer orders	(11.4)	(9.7)	1.7	(15%)
Working capital	**(12.3)**	**(19.4)**	**(7.1)**	**58%**
Right of use assets	9.6	22.7	13.2	138%
Lease incentive receivables	-	0.6	0.6	-
Lease liabilities	(11.5)	(31.0)	(19.5)	169%
Net lease balances	**(1.9)**	**(7.6)**	**(5.7)**	**295%**
Cash and equivalents	12.0	8.5	(3.5)	(29%)
Other current assets	1.4	1.3	(0.1)	(9%)
Welbeck investment	-	0.9	0.9	-
Plant and equipment	21.6	22.4	0.8	4%
IT Systems	9.4	9.1	(0.3)	(3%)
Other NC assets	3.5	8.2	4.7	135%
Provisions	(3.3)	(8.8)	(5.5)	164%
NET ASSETS	**30.4**	**14.6**	**(15.8)**	**(52%)**

Net lease balances

- New leases for a CFC at Strathfield South and a new corporate collaboration centre at Rhodes give the group the capacity to continue to deliver its growth objectives.

Inventory

- Reduction of $0.8m or 4% with a stock turn of 8.7x compared to 7.6x in PCP.

Working capital

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

Liquidity

- Available liquidity is $14.5m with cash and cash equivalents of $8.5m together with a $6m unused overdraft facility as at 30 June.

Welbeck investment

- Following an impairment assessment, it was determined that the investment in Welbeck be reduced by $2.7m based on an assessment of future cash flows.

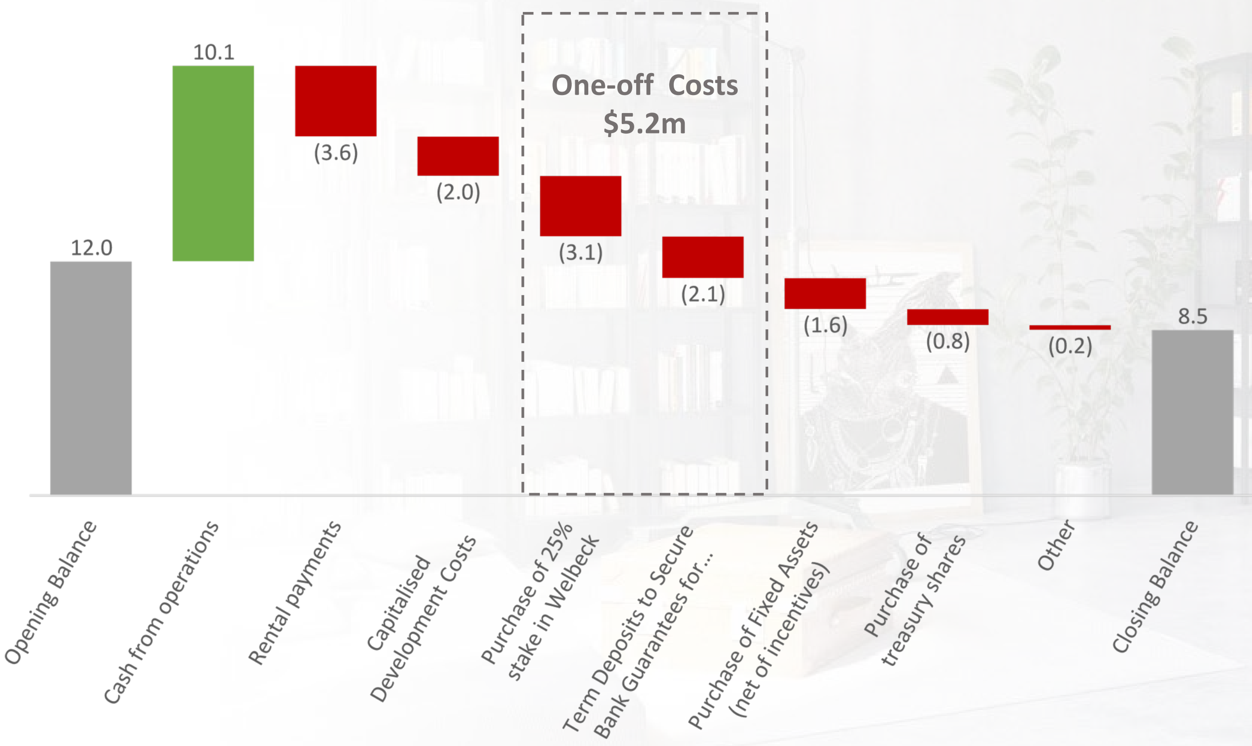
Provisions

- Increase represented by the inclusion of the penalty on the ACCC matter.

Summary Cash Flow and Cash Bridge

Cash Flows ($m)	FY21	FY22
Cash flows from operating activities	**6.6**	**10.1**
Payments for property, plant and equipment	(8.9)	(6.0)
Payments for investment in associates	-	(3.1)
Payments for intangibles	(3.0)	(2.0)
Payments for security deposits	(0.3)	(2.1)
Cash flows from investing activities	**(12.1)**	**(13.3)**
Proceeds from issue of shares, net of transactions costs and repayment of borrowings	10.2	
Treasury shares acquired	(0.4)	(0.8)
Lease principal payments	(0.6)	(1.4)
Lease incentives received	-	4.4
Interest and other finance costs paid	(2.5)	(2.5)
Cash flows from financing activities	**6.6**	**(0.3)**
Net increase in cash and cash equivalents	**1.0**	**(3.6)**

Cash Bridge ($m)



Cash flows from operations increased 53% to $10.1m

SECTION 3

Trading Update and Outlook

Trading Update & Business Outlook

Trading Update

Trading conditions remain volatile for retailers and the online retail market in particular, with various economic headwinds impacting consumer behaviour and a high level of uncertainty as the economy responds to a post COVID era and adapts to an inflationary economy globally.

Despite these headwinds, demand for books remain strong and we are approaching the Christmas trading period having made a number of operational changes to improve our efficiency during this traditionally busy period. In the second half of FY22 the company took action to reduce our overall operating costs and improve efficiencies, especially in our customer fulfilment centres.

These initiatives had a positive contribution to margin improvement in the final quarter of FY22. Continuing margin improvement will remain a key focus in FY23. In addition, the investment in the company's new CFC is expected to further improve margins in FY24 and beyond.

Outlook

The company is confident of its strategy as an online book retailer and has a number of further initiatives in play, in addition to operational and efficiency improvements, that will deliver on our customer obsession and to respond to changes in consumer behaviour including, growing our channels to market, commissioning of a new CFC, and partnerships with Zookal and Welbeck, all of which provide a strong differentiation for Booktopia in the retail environment.

Given the overall market conditions and the uncertainty in the economy, the company will not be providing provide forecasts for the full year .

SECTION 5

Q & A

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