

ASX ANNOUNCEMENT

29 February 2024

BOOKTOPIA GROUP LIMITED (ASX: BKG) ANNOUNCES FY24 H1 RESULTS

Booktopia Group Limited (ASX:BKG) has today announced its results from the first-half of FY24, up to 31 December 2023. Further to its trading update earlier this month, the Company recorded results that were below its forecasted expectations.

The Group delivered a revenue of \$86.3m, down 22% in the comparative period year-on-year from \$110.1m with units shipped also down 21% from H1 FY23 to 3.1 million. This reduction in revenue is reflective of operational disruption resulting from the transition to the Company's new Customer Fulfilment Centre (CFC) which impacted sales due to lower inventory levels and longer delivery times and marketing heavily scaled back to reduce demand to support the transition.

With the addition of economic pressures impacting consumer spending, the increasingly competitive landscape and the volatility of the book market, this all led to a significant impact in the first quarter in particular with revenue down 29% in comparison to the first quarter in FY23.

In H1, the Group recorded an NPAT loss of (\$16.7m), down \$12.8m on the prior comparative period (PCP) and a statutory EBITDA loss of (\$4.6m) which is down \$5.9m on the PCP. These results were heavily impacted by a large volume of one-off costs incurred in the CFC project including implementation of a new warehouse management system, relocation of machinery and inventory and consultancy fees related to the delivery of the transition project. After removing these one-off costs, underlying EBITDA is a loss of (\$1.8m).

In response to business performance and looking ahead to ensure the business was set up to more closely align to its cost base, the Group implemented a number of cost-saving initiatives to reduce costs. This included undertaking a restructure of its operations and ensuring a greater focus was placed on its strategic priorities. While this process also incurred \$2.8m of one-off costs, the realisation of the cost saving benefits are expected to be seen in FY25. A significant portion of these costs have been adjusted in determining the underlying EBITDA.

During the second quarter, where the business traditionally delivers the largest proportion of its annual profit, there were substantial improvements in the operations from the new CFC with significant uplifts in cost efficiency and customer delivery timeframes. The Group saw a significant reduction in CFC Wages Per Unit Shipped¹ to \$1.37 for the month of January (FY23: \$2.27), which is a reflection of the new operational efficiencies unlocked from the new CFC.

This enabled the ability to handle an influx in customer orders around Black Friday and in the lead up to Christmas albeit at a higher than planned cost, with multiple orders being processed per second at its peak.

¹ CFC Wages per Unit shipped means the total wages and contractor expense for the CFC divided by the total number of units shipped

The Group has had a soft start to the commencement of H2FY24 with the book market having declined in January by 8% YOY, with the declines greater in non-fiction and education categories. Despite this, and as previously announced on 9 February 2024, the Group continues to forecast a full year underlying EBITDA between \$1m to \$3m and is proceeding with its strategic review. Ellerston Capital Solutions Pty Ltd has been appointed as its financial advisor for this review.

The Group has also seen positive momentum with increases in the Average Order Value (AOV) and Average Annual Customer Spend (ACS). AOV for the calendar year 2023 was up 11% on 2022 to \$85.53 (CY22: \$76.98) while ACS was up 7.5% to \$142.16 across the 2023 calendar year compared to \$132.30 in 2022. There are several key strategic initiatives in place to further enhance the website experience, optimise inventory, develop the Booktopia brand and improve the customer experience through personalisation.

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This announcement was authorised by the Booktopia Group Board of Directors.

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