FY20 Investor Presentation

Mark Coulter CEO
Mark Tayler CFO

Summary

FY20 Revenue

$176.3m

74% growth YoY

FY19 Revenue

$101.6m

FY20 EBITDA

$8.5m

483% growth YoY

FY19 EBITDA

$1.5m

Jun-20 Cash

$38.1m

Jun-19 Cash

$13.5m

- H2 revenue up 96% vs pcp; Q4 revenue up 130% vs pcp
- Temple & Webster is the online market leader in furniture & homewares
- Large addressable market with accelerating online adoption
- Business is profitable with strong top-line growth and a debt free balance sheet

Jun-20 cash balance excludes proceeds from recent $40m placement
Both FY19 and FY20 numbers take into consideration the new lease accounting standard AASB16.

Sources: Euromonitor International Limited; Home Furnishings and Homewares System 2019 edition.
IBISWorld Industry Report OD4176 Online Household Furniture Sales in Australia.

Executive Summary

Significant growth opportunity

- Furniture & homewares is a $14.6b market (excluding appliances and DIY)
- Online adoption in Australia lags US/UK markets
- Shift to online driven by demographic changes accelerated by the COVID-19 crisis
- Temple & Webster best positioned to capture shift of offline spend to online

FY20 Operational update

- Second half focused on scaling up business to meet customer demand
- Completed successful placement of $40m to strengthen balance sheet
- Small investment into an AI based interior design start up
- Launched mobile app (July)

FY20 Financial Update

- FY20 Revenue up 74% to $176.3m vs pcp
- H2 revenue growth of 96% vs pcp with Q4 delivering 130% revenue growth vs pcp
- FY20 EBITDA up 483% to $8.5m vs pcp
- Cash at June 30: $38.1m (excludes proceeds from recent $40m placement)

FY21 Trading Update

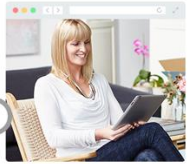
- July and August sales both up ~160% yoy
- Contribution margin tracking >15%
- EBITDA for July & August (2 month period) will be ~$6m
- Cash of $81m and no debt (as at Aug 27)
- Customer satisfaction remains at record levels

Sources: Euromonitor International Limited; Home Furnishings and Homewares System 2019 edition.
IBISWorld Industry Report OD4176 Online Household Furniture Sales in Australia.

Temple & Webster is the leading online retailer for furniture & homewares

Page impressions (JUNE)
~32m

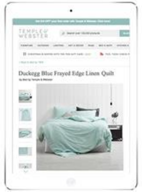
Website users (JUNE)
~3.8m



Email subscribers
~2.5m

Social media reach
~735k

Active customers (LTM)
~480k



Product listings
~180k

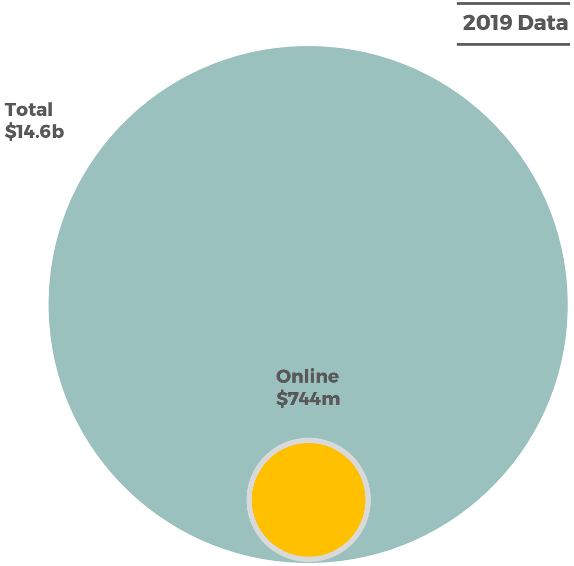
Sub-categories
~200

Average time to dispatch
~1.8 days

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

Our core furniture and homewares category is a $14.6b market, with accelerating online adoption

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.

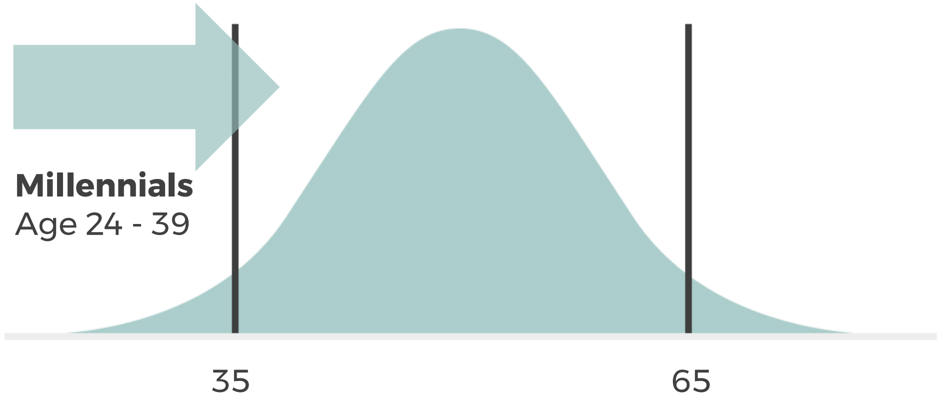
Hypothetical adoption curve for online penetration in the furniture & homewares market: Australia lags US/UK markets

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 lock downs**
- **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**

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

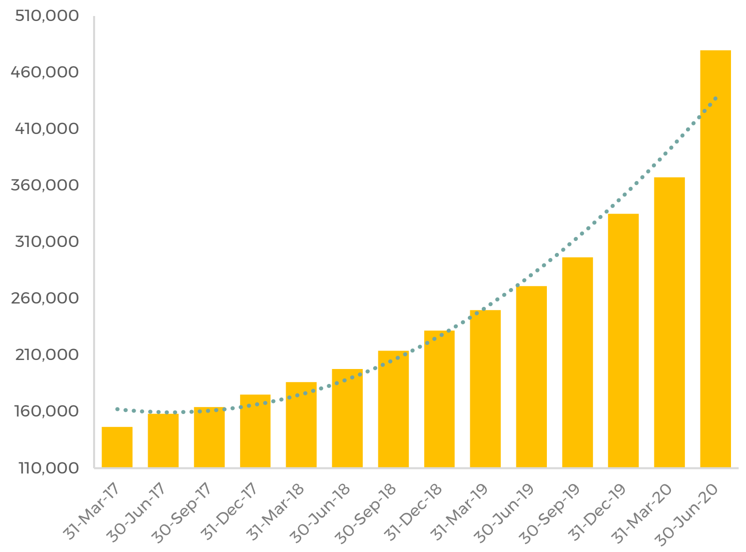
- We want to be famous for having **the biggest and best range** in our category, the **most inspirational content and services** and the **best delivery experience & customer service**.
- Our foundations are built on data-driven marketing, world-class technology and exceptional execution by an amazing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

Active customers up 77% year on year

Active Customers

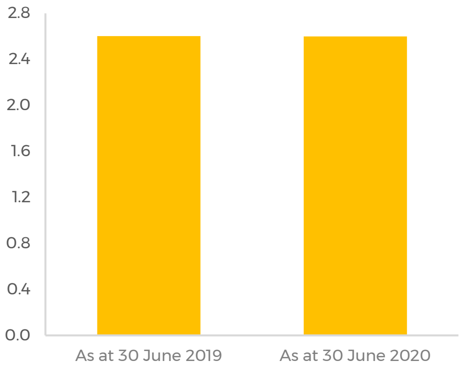


Repeat and First Time Orders

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

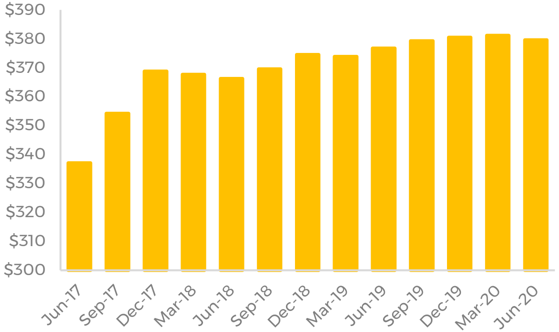
Customer metrics remain strong

12 month Marketing ROI holding at ~2.6x[1]

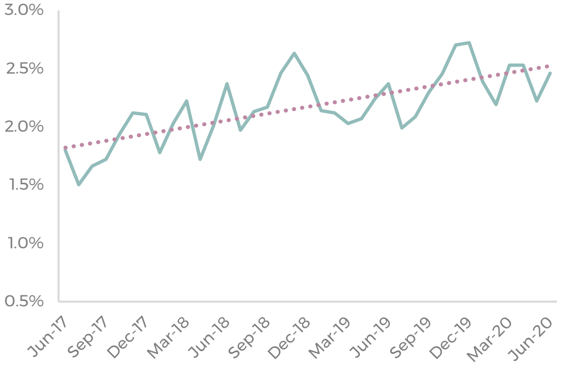


	As at 30 June 2019	As at 30 June 2020
Customer Acquisition Cost (CAC)	*$43*	*$46*

Revenue per Active Customer[2]



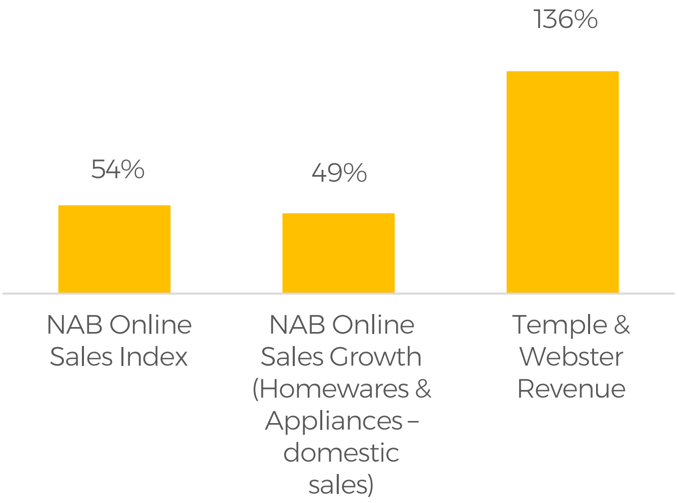
Conversion Rate[3]



1. Marketing ROI = Margin $ / CAC
Margin = Revenue / Active Customer as at 30 June 2020 x Delivered Margin % for FY20
CAC = Total marketing spend for FY20 x 78% (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 FY20
2. Revenue per active customer = Last 12 months revenue divided by Active Customers
3. Conversion rate = number of transactions divided by number of unique visitors (source: Google Analytics)

Market leadership and scale are leading to market share growth

We are growing our market share – Average from April/May vs pcp



Source: NAB Online Retail Sales Index (April 2020) and NAB Online Retail Sales Index (May 2020)
Percentages displayed above reflect the average for April and May 2020.

H2 was focused on scaling the business while keeping a high level of customer satisfaction

Business Continuity Planning
Working with all key vendors to ensure continuity of critical services (eg freight, technology, marketing)

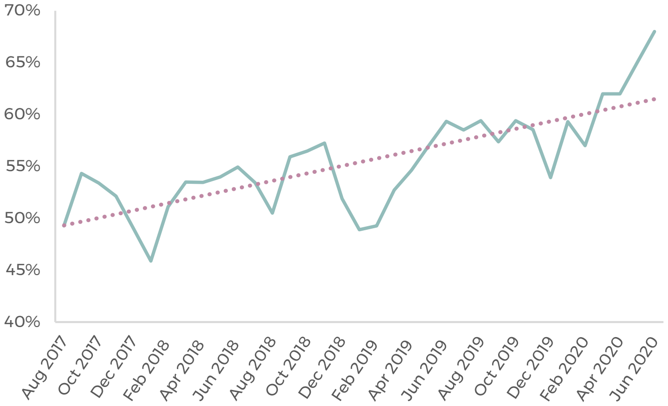
Securing Stock
Working with onshore and offshore suppliers to secure stock to support high growth

Moving to Working From Home
Moving onshore and offshore teams to working from home, and hiring ~180 new FTE to meet customer demands

Securing Balance Sheet
Raising $40m to strengthen balance sheet and provide capital for strategic investments

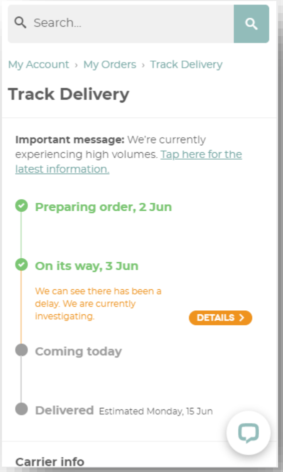
We grew our customer satisfaction scores to our highest levels while adding record volumes of first time customers

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

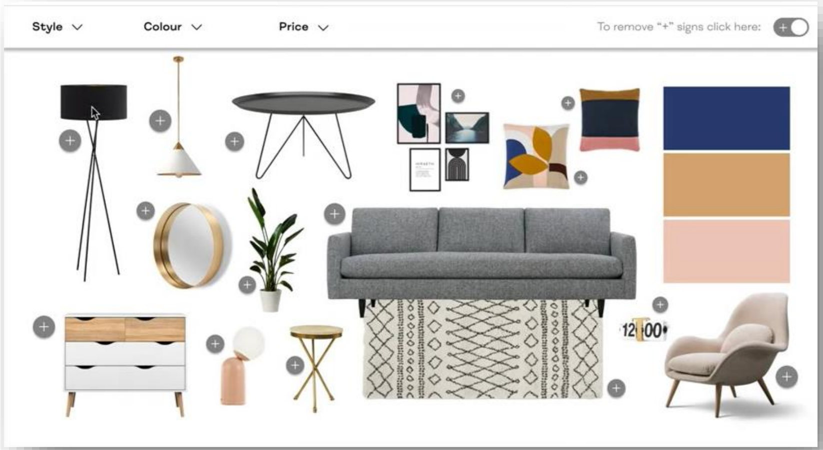


We continue to innovate our digital offering

iOS Mobile app has launched into the app store providing a faster, better shopping experience



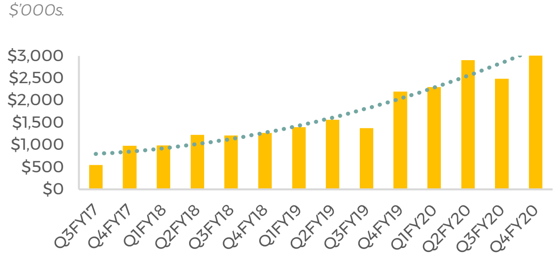
Data integration with our main freight carriers to enable full end to end tracking of deliveries, and enable proactive issue resolution



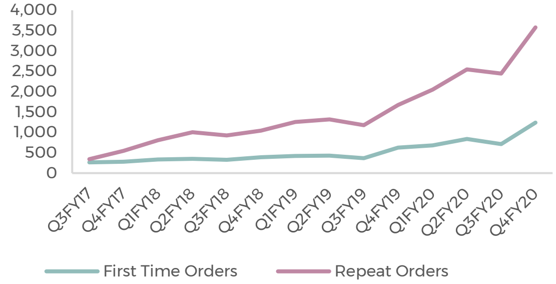
AI generated room idea collections helping customers to navigate our huge range and complete their looks *(coming)*

Our Trade and Commercial (B2B) division had a great year despite the challenging conditions

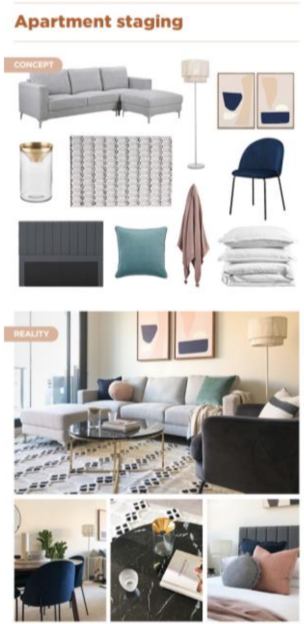
1 **Trade & Commercial grew revenue by 68% yoy, despite facing a challenging second half**



2 **We continue to improve our service model, including the expansion of styling and install services to QLD. Repeats are growing strongly**



3 **We have set up sector specific teams and increased our range of trade specific products. For example, our developer focused team has launched complete design and install package solutions for display suites and furnished apartments**



Revenue is pre deferred revenue and refund accounting adjustments

Drivers to continue growing market share from a position of strength

Add depth and breadth across our core and adjacent categories; grow private label (import) division	Expand digital capabilities: data, personalization, AI, augmented reality	Increase brand awareness from 35% to +80% through digital and non-digital channels
Add inspirational content and service: video; 3D; AR/VR; design help	Focus on exceptional customer service and a great delivery experience to drive repeats	Continue to build out Trade & Commercial division competing on range, value and a full-service offering

Brand awareness survey conducted by independent marketing agency in May 2020

FY20 Financial Results

Mark Tayler CFO

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 %

Profit and loss

A$m	FY19	FY20
Revenue	**101.6**	**176.3**
Cost of Sales	(56.3)	(97.7)
Gross Margin	**45.3**	**78.6**
	44.6%	*44.6%*
Distribution	(14.7)	(24.7)
Delivered Margin	**30.6**	**53.9**
	30.1%	*30.6%*
Advertising & Marketing	(11.1)	(21.0)
Customer Service & Merchant Fees	(3.3)	(5.9)
Contribution Margin	**16.2**	**27.0**
	15.9%	*15.3%*
Wages	(12.0)	(14.8)
Other	(2.7)	(3.7)
EBITDA	**1.5**	**8.5**
	1.4%	*4.8%*
Share Based Payments	1.0	0.9
Adjusted EBITDA	**2.5**	**9.4**
	2.5%	*5.3%*
NPAT	**3.8**	**13.9**
	3.7%	*7.9%*

- Revenue growth for the year vs pcp was 74% with H2 delivering growth of 96% vs pcp and Q4 130% vs pcp
- Delivered margin (gross margin after distribution costs) remains on target at ~30%
- Marketing spend as a % of revenue increased YoY driven by a (pilot) Free-to-air (Syd, Mel, Bris) & National Foxtel TV campaign run May/June
- Contribution dollars grew 67% to $27.0m, with contribution % remaining within internal targets (~15%)
- Operating leverage being driven by tight management of fixed costs, now at 10.5% of revenue vs 14.5% LY (incl share based payments)
- As a result, EBITDA for the year grew by 483% to $8.5m ($9.4m excluding non-cash share-based payments)
- NPAT result of $13.9m which included an income tax benefit of $5.9m (last year $3.8m and $2.8m respectively)

For comparability purposes, both current and comparative periods include the impact of the new accounting standard AASB16. The FY19 impact of AASB16 is a decrease of $0.4m on the "Other" expenses line (from $3.1m to $2.7m) and a corresponding increase in EBITDA and Adjusted EBITDA (from $1.1m to $1.5m and from $2.1m to $2.5m respectively). However, as the Group adopted AASB16 using the modified retrospective method, the same amendment to the FY19 numbers will not be made in the FY20 Annual Report

High growth strategy is already translating into operating leverage

	FY17	FY18	FY19	FY20
Revenue	**100%**	**100%**	**100%**	**100%**
Gross Margin	42.7%	44.1%	44.6%	44.6%
Delivered Margin (after all distribution costs)	27.6%	31.0%	30.1%	30.6%
Customer Service Staff & Merchant Fees	4.7%	3.3%	3.3%	3.3%
Advertising Costs	12.6%	11.3%	10.9%	11.9%
Contribution Margin	**10.3%**	**16.4%**	**15.9%**	**15.3%**
Fixed Costs *(ex share based payments)*	20.3%	16.1%	13.4%	10.0%
Adjusted EBITDA	**(10.0%)**	**0.3%**	**2.5%**	**5.3%**

Despite investment into the below capabilities, fixed costs as a % of revenue continues to decrease:,

- Technology & data
- Mobile App
- Trade & Commercial
- Private Label
- Logistics

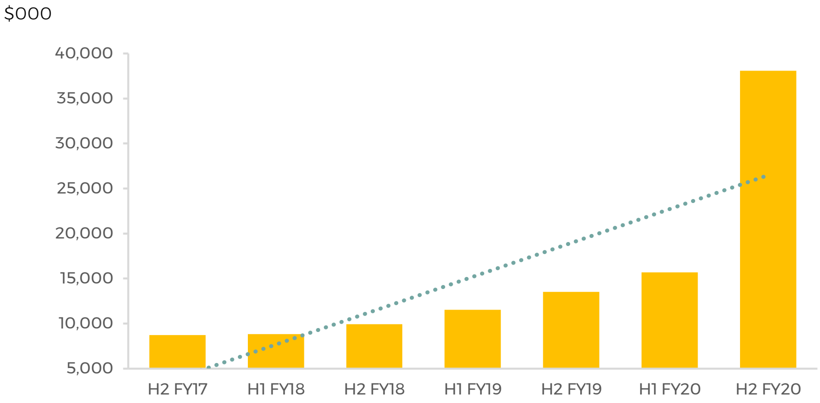
All periods include the impact of the new accounting standard AASB16.

Capital light/cash flow positive business model

A$m	30-Jun-19	30-Jun-20
Assets		
Cash & Cash Equivalents	13.5	38.1
Inventories	4.2	6.6
Other current assets	1.7	3.5
Intangibles, (inc. goodwill)	7.6	7.9
Right-of-use assets	0.5	1.4
PPE	0.4	0.5
Deferred tax assets	3.5	9.4
Total Assets	31.3	67.3
Liabilities		
Trade and other payables	9.5	22.2
Employee accruals and provisions	1.9	3.7
Deferred revenue	4.3	10.0
Lease liabilities	0.5	1.4
Total Liabilities	16.2	37.3
Net Assets	**15.2**	**30.0**
Equity		
Contributed capital	76.6	76.6
Reserves	2.6	3.5
Retained earnings	(64.0)	(50.1)
Total Equity	**15.2**	**30.0**

- Strong balance sheet position with no debt
- Closing cash balance of $38.1m which excludes proceeds from recent $40m placement
- Cash flow positive year +$24.6m was driven by the positive EBITDA result and benefits from the group's cash flow positive business model
- Inventory and creditor metrics (WOC/DPO/Ageing profile) all continue to track within target ranges

Closing cash by half



For comparability purposes, both current and comparative periods include the impact of the new accounting standard AASB16
Additional stock in transit and accrued payables of $0.7m were recognised in the balance sheet in the comparatives.

Trading update & outlook

FY21 has started strongly:

- Revenue up 161% through to the 27th August vs pcp
- Contribution margin remains >15%
- EBITDA for July & August (2-month period) of ~$6m
- Cash at 27th August $81m with no debt
- Customer satisfaction remains at record levels

Temple & Webster is committed to a high growth strategy to take advantage of the structural shift towards online, capitalising on both organic and inorganic opportunities.

This strategy supports Temple & Webster's stated goal of becoming the first place Australians turn to when shopping for their homes and work spaces.

Revenue growth is based on checkout revenue which is pre accounting adjustments (deferred revenue, refund provision)
EBITDA result quoted above is an actual July result plus an expected August EBITDA result based on MTD August trading

Q&A

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