

FIRST HALF RESULTS AND GUIDANCE UPDATE

31 Dec 2015

25/2/16

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CEO and Co-Founder

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Group CFO

Summary: Proforma First Half Results FY16

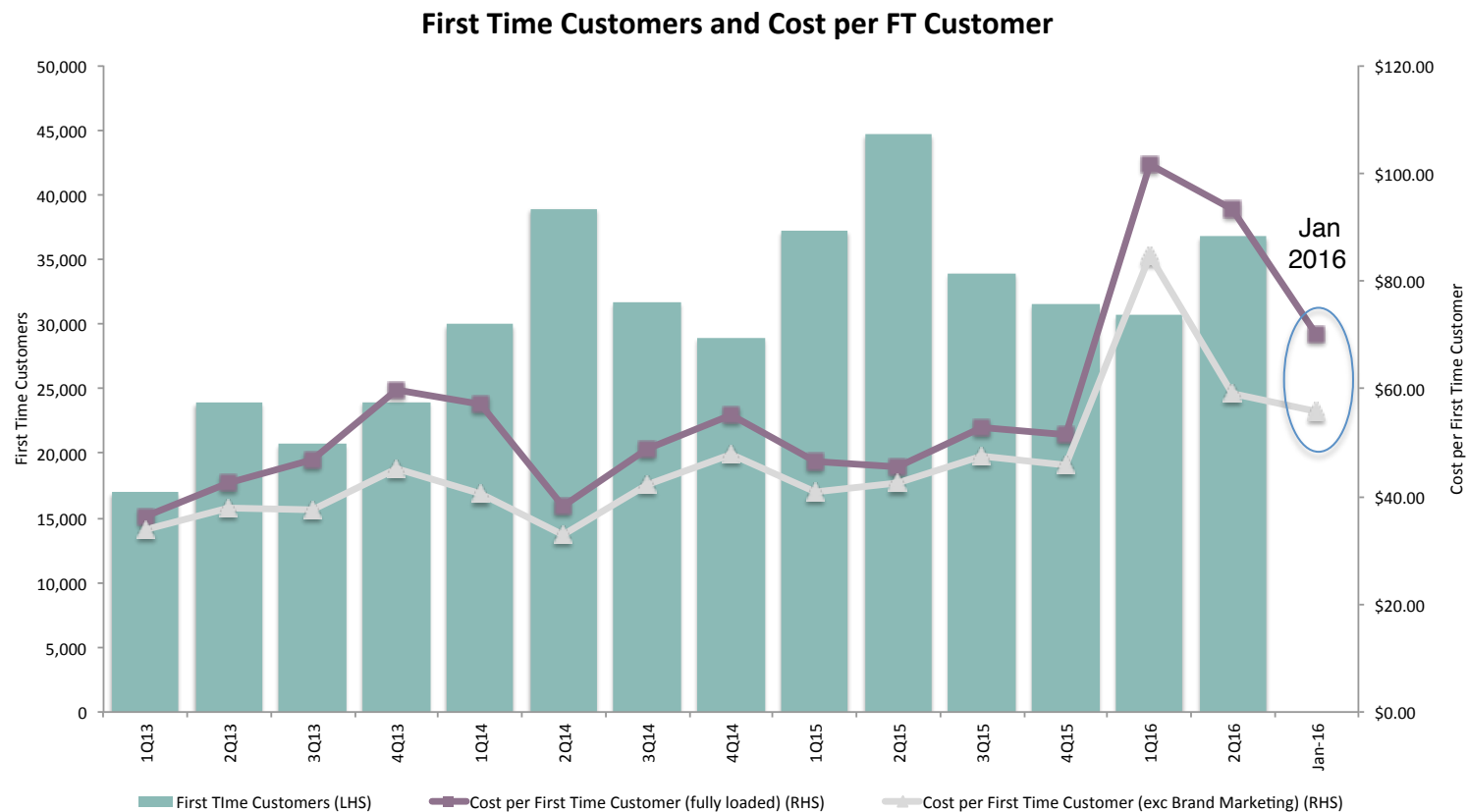
- Temple & Webster is the #1 Online Retailer in the furniture & homewares category
- 2015 has been a transformative year for the Group having completed the acquisition of ZIZO and Milan Direct, and the IPO in December
- 1HFY16 Revenue was \$32.1m with Gross Margin at 38.4% and EBITDA (\$7.5m)
- Whilst revenue per active customer has increased to record levels, marketing has not performed as expected and resulted in fewer active customers which has led the Group to put a downside risk estimate of up to 10% on the prospectus revenue guidance of \$76.2m, and a downside risk of up to (\$5.5m) on the prospective EBITDA guidance of (\$8.5m)
- The impact on cashflow will be lower due to capex savings and other cost initiatives not currently included in EBITDA projections (e.g. logistics efficiencies)

Summary: First Half Results FY16

- The Group has redirected marketing mix to focus on online channels which has brought first time customer costs back towards historical trends
- Initiatives to maximise synergies have been brought forward and being implemented, however, yet to be realised at the bottom line:
 - Extension into physical showrooms is on track with Milan Direct showroom expected earlier in March 2016, focused on improving online conversion rates
 - Targeting the 'intent' shopper by launching Temple & Webster open ecommerce site (www.shop.templeandwebster.com.au)
 - Launch of ZIZO Pro trade program to target commercial customers
- Well capitalised with \$27m in cash and zero debt to execute on our strategic plans and achieve run-rate EBITDA breakeven which is currently anticipated in CY18

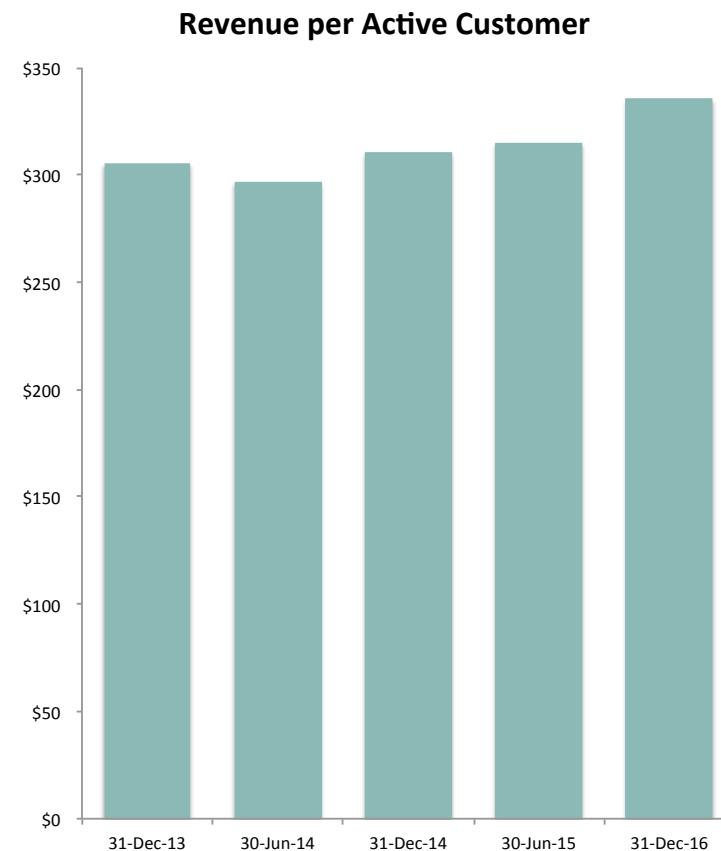
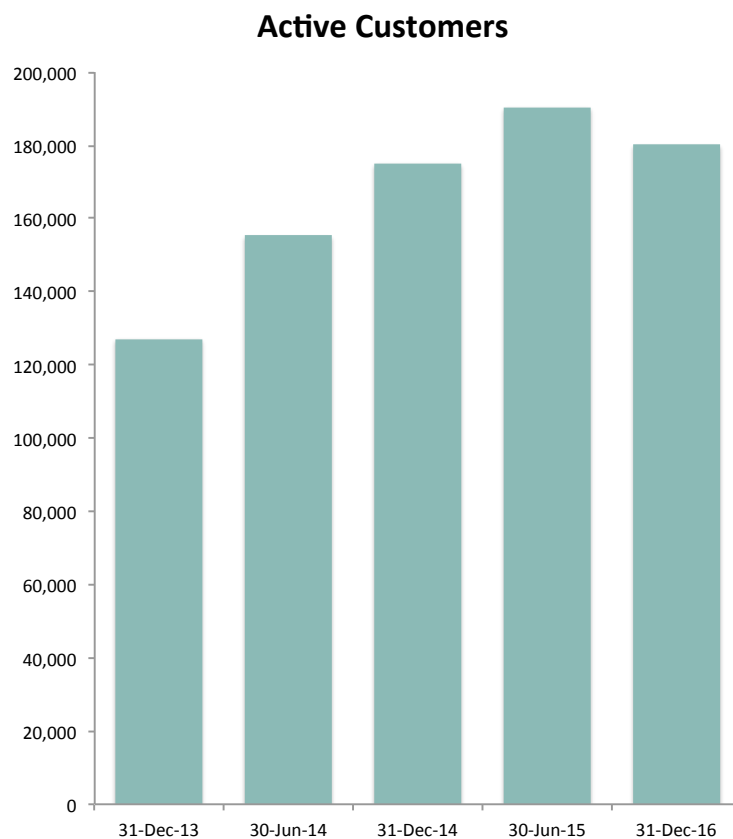
Increased investment in brand awareness activities

- Initial channel mix focused on building brand awareness, but has impacted First Time Customer acquisition rate
- Future spend and channel mix focused on new customer acquisition
- Cost per First Time Customer is trending back to historical rates



Increased Revenue per Customer to \$335

- Increased focus on higher price point offerings such as furniture, has changed buying habits and helped drive Revenue per Active Customer up to \$335 from \$310, up 8%
- Our model (no/low inventory) provides flexibility to quickly change our merchandising mix to increase lower price categories to deliver more first time and active customers



Revenue priorities for H2FY16 and H1FY17

1 Marketing Activities

- Increased focus on building first time customers through improved marketing optimisation

2 Merchandising Mix

- Build out merchandising mix to provide a broader range of products across all key categories, price points and brands

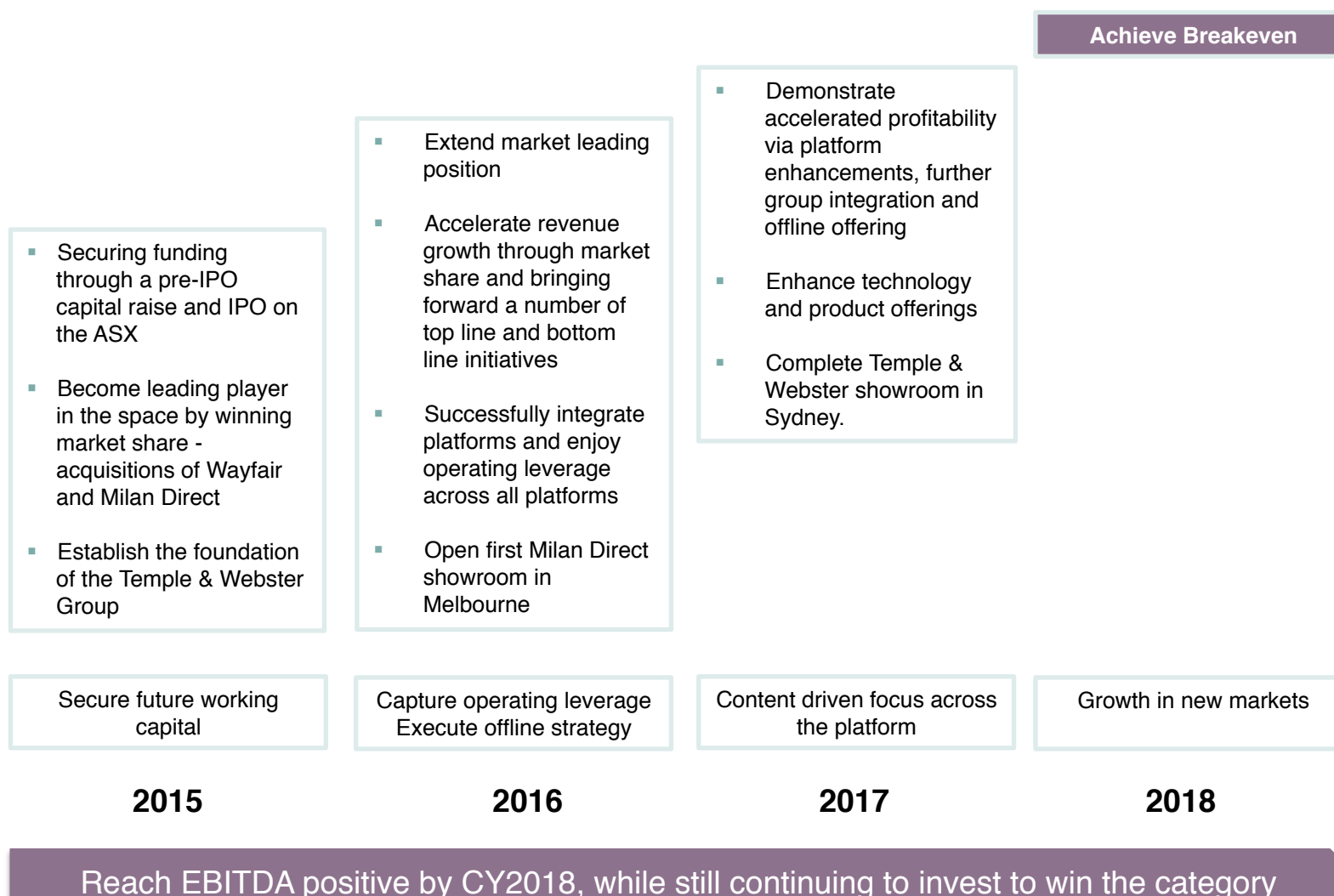
3 Addressing the intent shopper

- Accelerate and promote Temple & Webster's open-ecommerce experience and broader range of permanent line items to appeal to the intent shopper

4 Building out our online to offline strategy

- Accelerate conversion rates through Milan Direct's pilot showroom by providing customers with opportunity to touch and feel furniture before buying online

The Roadmap to EBITDA positive



1H16 KEY FINANCIALS



Pro Forma Profit & Loss

A\$m	FY13	FY14	FY15	1H16	Key observations
Revenue	29.9	46.1	59.9	32.1	<ul style="list-style-type: none"> 1H16 Revenue is broadly in line with internal targets 2.8% lower gross margin driven by <ul style="list-style-type: none"> competitive environment ZIZO re-brand launch activities extended discounting over Christmas period Improvement in distribution costs (of 1%) beginning to be realised at the top line due to cost control management and synergies Higher marketing spend as business invested heavily in offline branded marketing: <ul style="list-style-type: none"> longer payback periods than expected and yet to be realised; ZIZO rebrand increased cost per click as Google quality score impacted
Cost of Sales	(17.5)	(26.8)	(35.2)	(19.8)	
Gross Profit	12.4	19.3	24.7	12.3	
Distribution	(5.6)	(8.6)	(11.6)	(5.9)	
Wages	(5.7)	(7.1)	(9.8)	(5.5)	
Advertising & Marketing	(4.8)	(6.3)	(7.1)	(6.6)	
Selling and Admin Expenses	(2.3)	(3.0)	(3.9)	(1.9)	
EBITDA	(6.0)	(5.8)	(7.8)	(7.5)	
Gross Profit %	41.6%	41.8%	41.2%	38.4%	
Contribution Margin %	22.8%	23.2%	21.7%	20.1%	
% of Revenue					
Cost of Sales	58.4%	58.2%	58.8%	61.6%	
Distribution	18.8%	18.6%	19.4%	18.3%	
Wages	19.2%	15.4%	16.4%	17.1%	
Advertising & Marketing	15.9%	13.7%	11.9%	20.4%	
Selling and Admin Expenses	7.6%	6.6%	6.5%	5.9%	
EBITDA	(20.0%)	(12.5%)	(12.9%)	(23.3%)	

H1 Balance Sheet

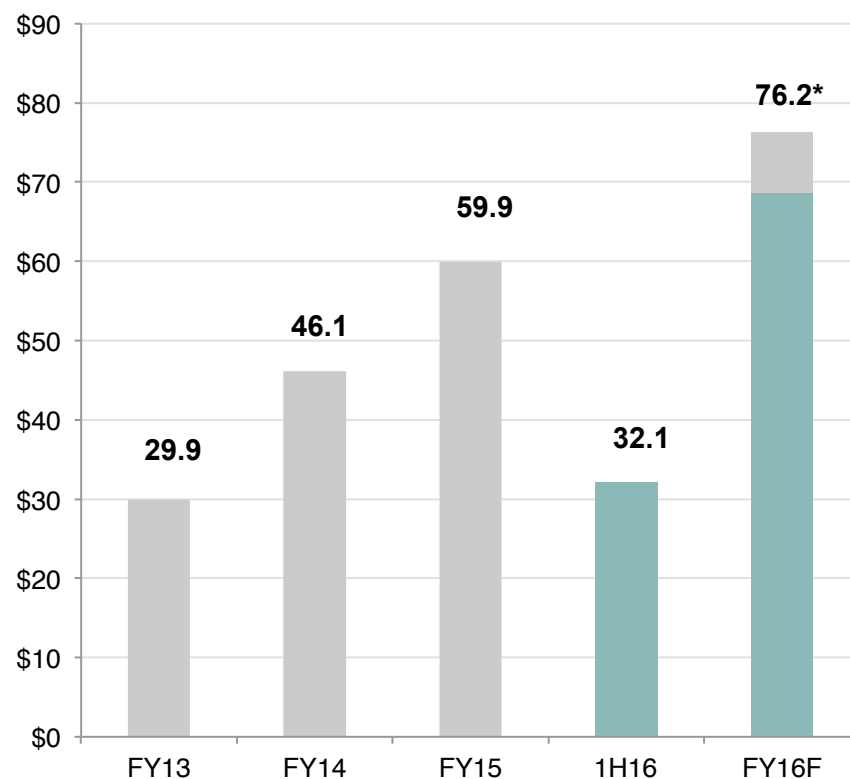
A\$m	31 Dec 2015
Assets	
Cash and cash equivalents	27.7
Inventories	3.1
Other current assets	0.4
Intangibles, incl goodwill	27.9
PPE	0.2
Total assets	59.3
Liabilities	
Trade and other payables	11.0
Employee accruals and provisions	0.5
Deferred revenue	2.1
Deferred payment consideration	2.0
Other (DTL)	0.8
Total liabilities	16.3
Net Assets	43.0
Equity	
Share capital	77.0
Retained earnings	(34.0)
Total equity	43.0

Key observations

- Strong balance sheet with \$27m cash and zero debt
- Inventories reflect Milan Direct's low inventory model and stock-in-transit for Temple & Webster and ZIZO
- Goodwill and intangibles reflects the impact of the ZIZO and Milan Direct acquisitions
- Low property, plant and equipment reflects 'asset-light' online business model
- Deferred payment consideration reflects final deferred payment for ZIZO acquisition due 31 July 2016

Full Year 2016 Guidance

Pro forma revenue guidance (\$m)



* We are highlighting downside risk of up to 10% to the Prospectus forecast. We will continue to keep the market informed as we trade into year end.

H2 Initiatives

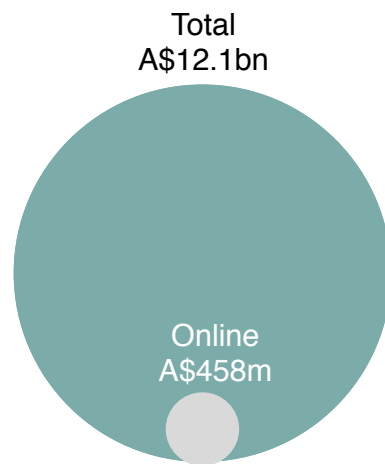
- Changing merchandising mix to include greater offering of lower price-point categories (e.g. décor, soft furnishings and bedding)
- Launched Temple & Webster permanent online store with ~16,000 SKUs, December 2015
- ZIZO Pro targeting trade customers, January 2016
- Milan Direct Showroom in Melbourne, March 2016
- Improved pricing strategies, leveraging scale benefits and early payment discounts to drive higher gross margin
- The lower revenue expectation will have a corresponding flow through effect at the EBITDA line
- Higher expenditure, principally marketing spend will be realised at the top line
- Accelerating Technology migration (internal costs)
- Reduction in Capex by ~\$2m as we leverage ZIZO platform, reduce external development costs
- Milan Direct showroom capex costs savings

A modern living room interior. A white sofa is the central piece, adorned with several patterned pillows in black, white, and grey. A light-colored fur throw is draped over the sofa. In front of the sofa is a large black and white cowhide rug. To the left, a wooden chair with a white cushion is partially visible. A small wooden coffee table sits on the rug. The background features a white wall with a large geometric patterned artwork. Potted plants, including tall grasses and orchids, add to the decor.

STRATEGY & OUTLOOK

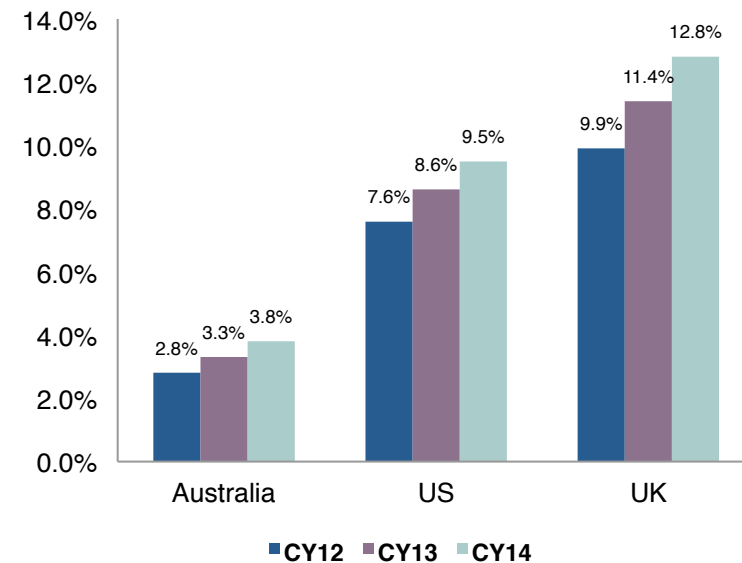
The Group operates within the Furniture and Homewares category – a large addressable market with significant upside in Australia

A\$12.1 billion addressable market



Source: Euromonitor International Limited; Home Furnishings and Homewares System 2015 edition. Sales in 2014 in retail value (inc. sales tax), current terms, and is to scale.

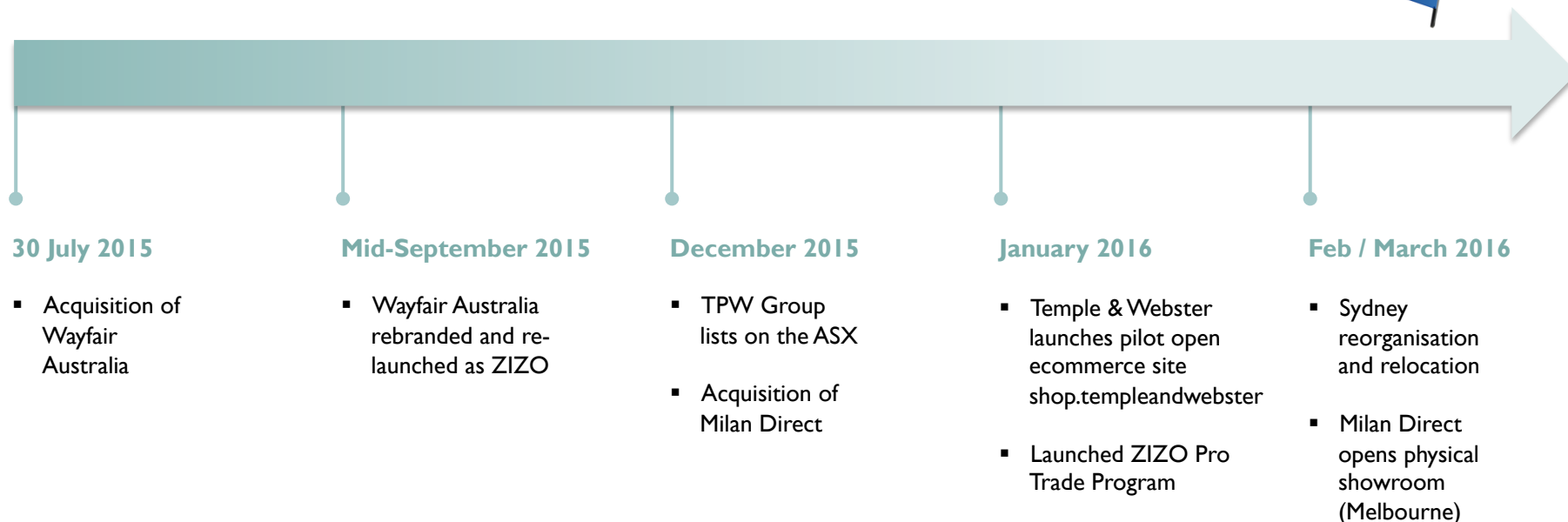
Furniture and homewares Online Penetration rates by country from CY12 to CY14.



Source: Limited; Home and Garden system 2015 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.

Over the last 7 months we've brought together the leading online businesses in our category to create the TPW Group

TEMPLE &
WEBSTER
GROUP



“To be the first place Australians turn to when shopping for their home”

We are focused on building the platform for growth and to reach EBITDA breakeven

✓ Follow the customer and become #1

- Number 1 player in category
- Multi-brand strategy in place
- Offline presence imminent

✓ Operating leverage and synergies:

Centralised Sydney teams:

- Buying, category management, marketing, content production & creative
- Operations, technology, customer service, finance

✓ Customer acquisition & engagement

- Marketing team & spend centralised
- Centres of excellence built around online acquisition, email marketing, brand, SEO & PR

✓ Capture Scale Benefits

- Supplier management being centralised
- Marketing spend centralised and group buys being rolled out
- Logistics contracts being consolidated

✓ World-class platforms

- Low/no/smart inventory business models
- 2 of 3 businesses migrating to central technology

✓ Data & Analytics

- Data from group being used for Milan Direct purchasing decisions
- Personalization testing live

Multiple Drivers of Growth

Well capitalised, \$27 million cash and zero debt

Continue organic growth to strengthen market leading position

- Invest in marketing and brand awareness to increase active customers
- Increase investment in data analytics to drive data driven sourcing, buying and merchandising decisions
- Extend digital retail capabilities by investing in people and technology
- Continuous improvement in optimising customer paths and personalised experiences
- Extend into adjacent product categories and commercial services

Online to offline strategy

- Ability for customers to 'touch and feel' samples before buying through flagship stores
- A 'click and collect' / returns location which allows customers to save on shipping costs and easy returns
- The opportunity for staff to inform, inspire & upsell, particularly with guidance from a stylist
- An opportunity to act as another member / customer acquisition channel

Explore selective offshore expansion

- Leverage Milan Direct's international know how
- Management believes that the Temple & Webster brand will resonate with aspirational and emerging middle class in South East Asia and China

Selective acquisition opportunities

- Broaden the addressable customer base and therefore attractiveness to suppliers
- Geographical expansion
- Accessing adjacent product lines (e.g. DIY for home improvements) or providing adjacent services (e.g. styling)



THE PLATFORMS

Temple & Webster

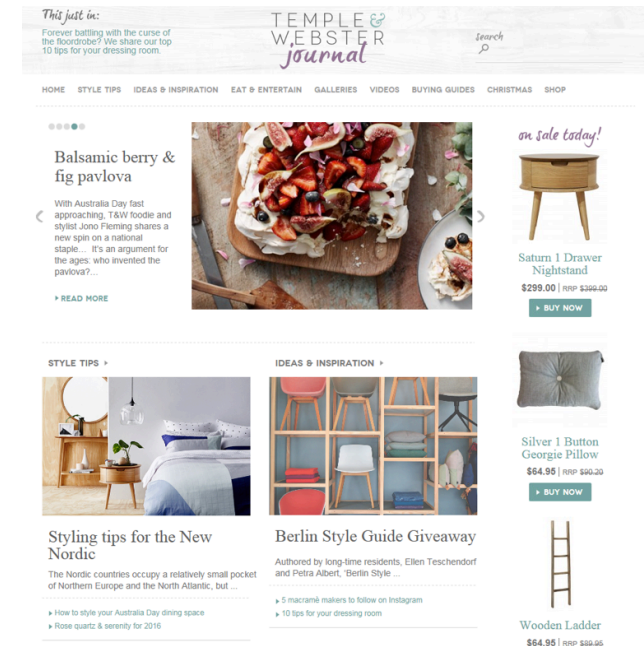
TEMPLE &
WEBSTER
GROUP

- 1.3 million members skewed to females and top quartile
- Unique on-trend, desirable product – highly curated / merchandised product offerings continually providing desirable ‘discovery- based’ experiences
- Customer engagement starts with engaging, distinctly different and strongly branded advertising
- The experience continues into the home with integrated editorial content including how to guides, inspiring style blog, distinctive packaging and social media

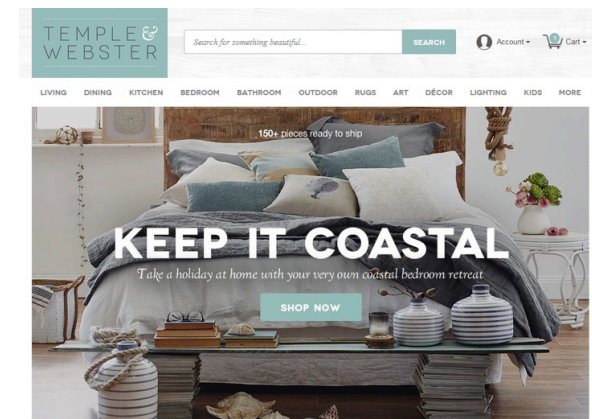
Since Listing →

- Launched the Temple & Webster online store featuring a permanent collection of 16,000 curated products
- The full range of products is dropped-shipped from suppliers enabling faster customer delivery times and leveraging the capital-light no inventory model

Temple & Webster Journal



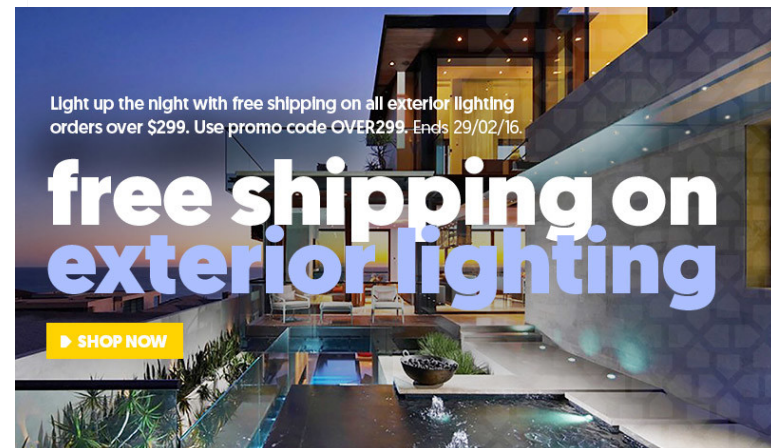
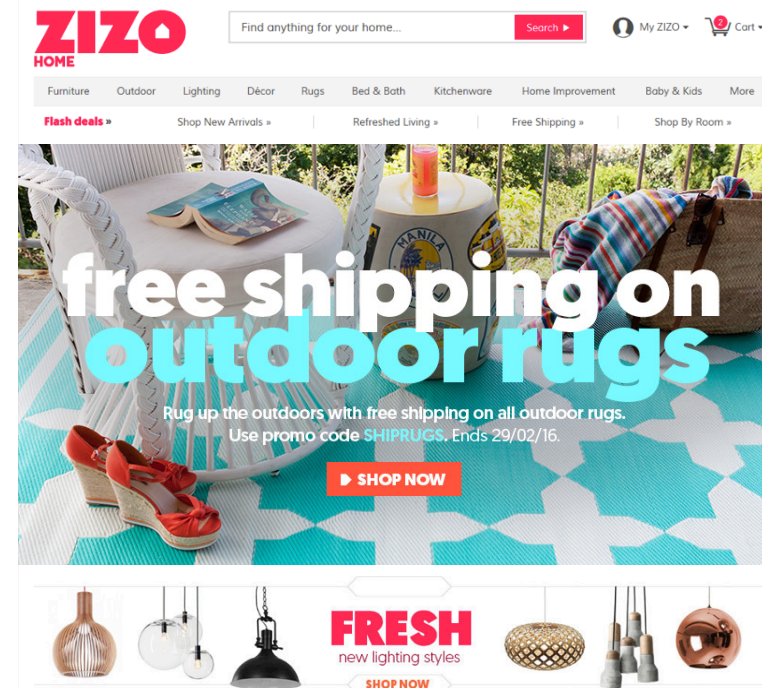
Temple & Webster Shop



- Previously the Australian subsidiary of Wayfair Inc., acquired in July 2015 and successfully integrated into the Temple & Webster Group
- Applies the same market leading technology as the US\$3bn Wayfair Inc (NYSE: W) in the US
- Over 140,000 products consistently available
- Curated marketplace allowing suppliers to sell directly to consumers
- Pricing controlled by ZIZO allowing for greater margin flexibility
- Largest Drop-shipping inventory model in Australia, low capital intensity

Since Listing →

- Launched ZIZO PRO, an exclusive program open to business consumers as well as industry and trade professionals
- The program provides access to a dedicated ZIZO PRO representative and discounted trade pricing from over 600 local and international suppliers



Milan Direct

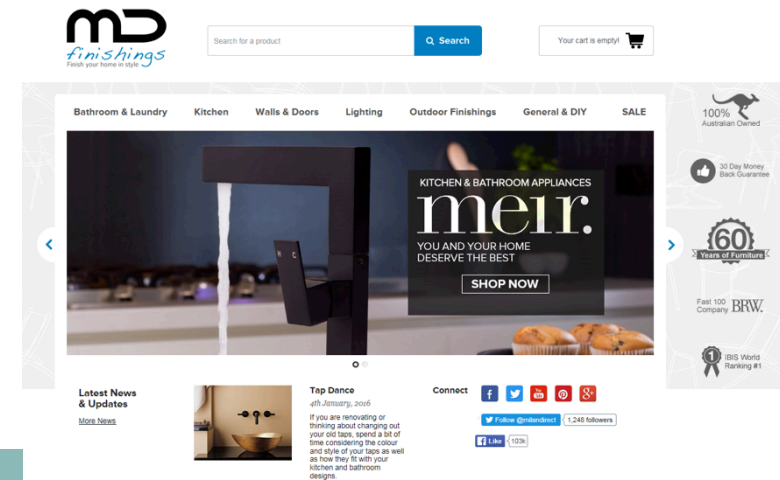
TEMPLE &
WEBSTER
GROUP

- Leading online only furniture retailer
- Targeting both consumers and commercial customers
- Broad and deep range of approximately 14,000 products including home, office, outdoor, lighting, appliance and homewares
- Capabilities and experience in private label and 10 years of experience and supplier relationships of direct sourcing products from overseas

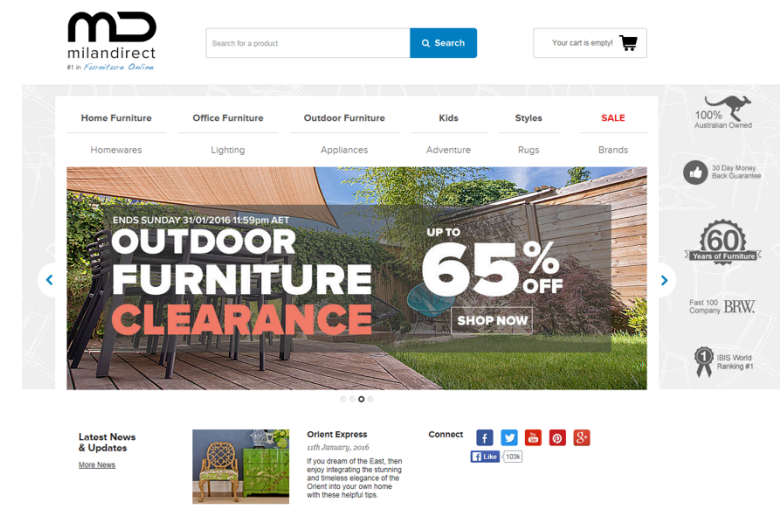
Since Listing →

- Completed the successful integration into the Temple & Webster Group
- Flagship showroom opening end February 2016
- Customers now able to touch and feel furniture lines which is expected to drive online sales conversion and boost brand awareness of the Milan Direct brand
- Launched Milan Direct Finishings, a new online product offering targeting the Australian home renovations market

Milan Direct



Milan Direct Finishings



Summary: H1/FY16

- Transformation of the business is on track
- Redirecting marketing mix to focus on online channels
- Accelerating new growth initiatives and synergies
- Downside risk estimate on the prospectus revenue guidance of \$76.2m of up to 10%
- \$12bn market opportunity, low/no inventory model and well positioned for growth with \$27m in cash and no debt
- Remain on course to achieve our ambition of being the first place Australians turn to for furniture and homewares



Q&A

We invite you to explore our brands for yourself

Please use the code **TPW1H**, to secure a 10% discount* on your next purchase.



TPW1H

*10% off next purchase • One time use only • Valid for 7 days (03/03/16) • See websites for T&Cs