

TEMPLE &
WEBSTER
GROUP

31 Dec 2016

H1 FY17 Results

Mark Coulter CEO
Mark Tayler CFO



DELIVERING BEAUTIFUL SOLUTIONS FOR OUR CUSTOMERS' HOMES AND WORK SPACES



Summary

REVENUE
\$33.4M

↑ 11%
(on a continuing basis)

GROSS MARGIN
\$14.2M

↑ 25%
(on a continuing basis)

EBITDA
(\$4.9M)

↑ 35%
improvement

CASH
\$12.3M

Strong balance sheet
with no debt

\$12.6B
MARKET

Only 4.1%
migrated online

KEY H1
ACTIONS

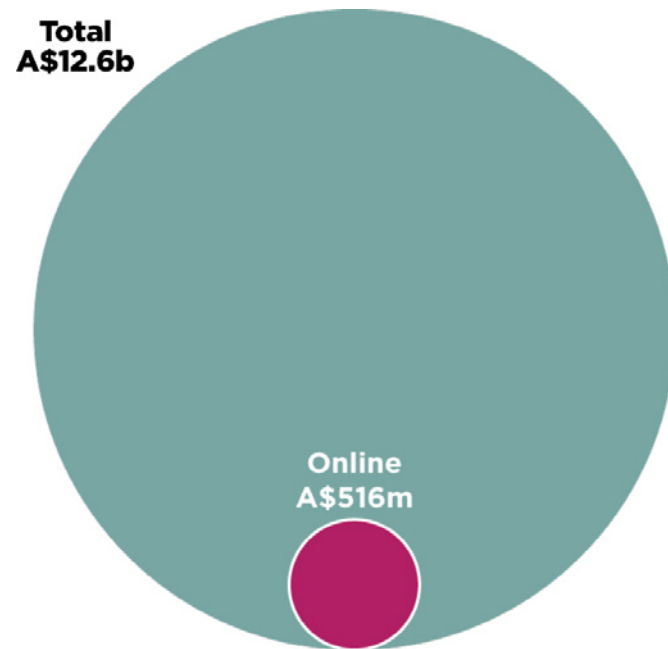
- ✓ Integration of Milan Direct
- ✓ Customer acquisition cost reduced
- ✓ EBITDA loss improvement

Continuing business basis excludes results for the Milan Direct UK business which was wound up during H1 FY17.

EBITDA is a non-IFRS measure that, in the opinion of the Directors, is useful in understanding and appraising the Company's performance. Revenue, Margin and EBITDA comparisons are performed on a pro forma basis which include the assumption that the Milan Direct and Zizo businesses were part of the group for the entire half year 2015 but exclude all costs associated with the acquisition and restructuring of Milan Direct and Zizo, depreciation, amortisation, interest and any costs associated with the Group's IPO.

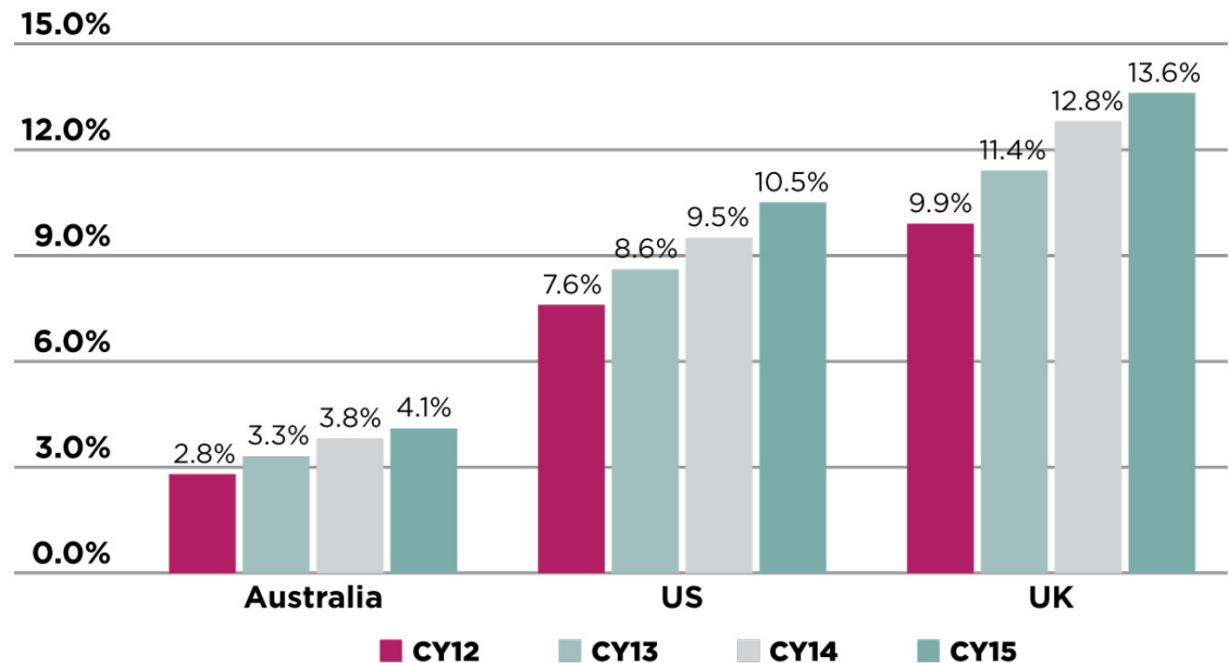
We operate in a \$12.6 billion dollar market, with only ~4% migrated online

A\$12.6 billion addressable market



Source: Euromonitor International Limited; Home Furnishings & Homewares System 2016 edition. Sales in 2015 in retail value (inc. sales tax), current terms, and is to scale

Furniture and homewares online penetration rates by country from CY12 to CY15.



Source: Euromonitor International Limited; Home and Garden system 2016 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.

Key competencies and assets

- #1 online retailer in category
- Largest range in Australia: 140k+ products
- Database: 1m+ newsletter subscribers
- Best content & curation
- Low inventory business model
- World-class tech platform
- Direct sourcing capabilities
- Melbourne showroom
- Trade & commercial division
- 50% furniture / 50% homewares



Key initiatives and metrics for H1 FY17

1

Milan Direct integration into Temple & Webster



2

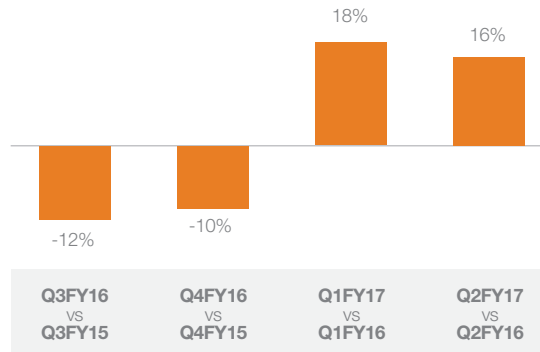
Launch of Temple & Webster Style School



3

Conversion rate improved by 16%

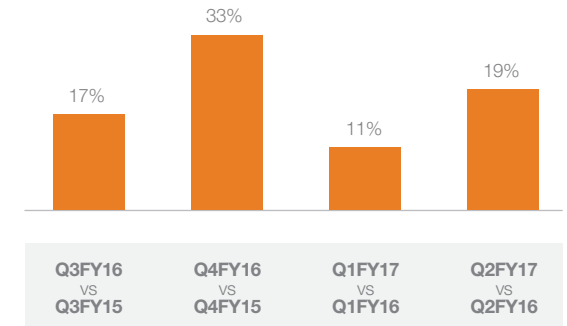
(Q2 FY17 & Q2 FY16)



4

Average Order Value grew by 19% due to strategic shift in our mix towards furniture

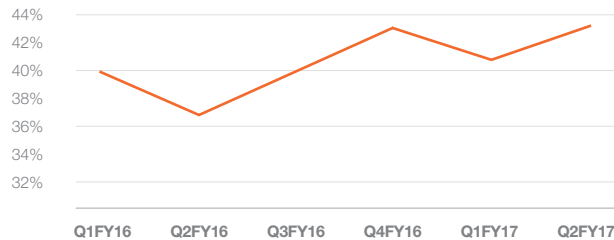
(Q2 FY17 & Q2 FY16)



5

Gross margin up 6 basis points

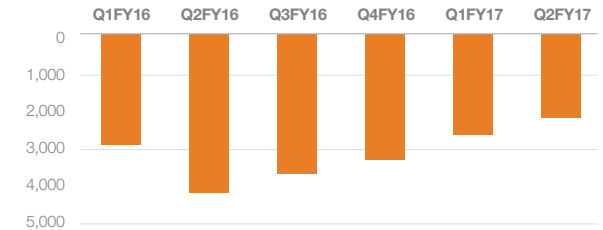
(Q2 FY17 & Q2 FY16)



6

EBITDA (pre-abnormals) improved by ~50%

(Q2 FY17 & Q2 FY16)



Data driven acquisition has significantly increased first time customers while reducing the cost per first time customer

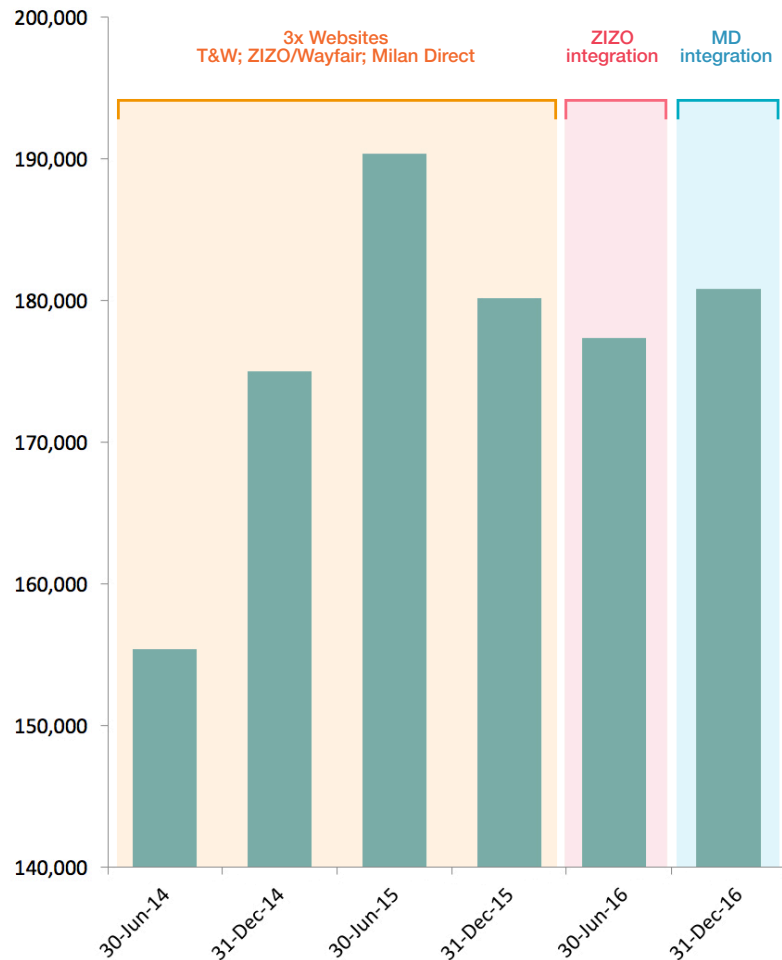
- Cost per first time customer decreased by 33% (Q2FY17, Q2FY16), while first time customers continue to grow
- A focus on performance based digital marketing channels and supplier consolidation has driven marketing efficiencies
- Expanded lead generation marketing programme through Social Media and direct mail
- Investment in data partnerships has helped reach new customer segments

First Time Customers and Cost per FT Customer (Quarterly)

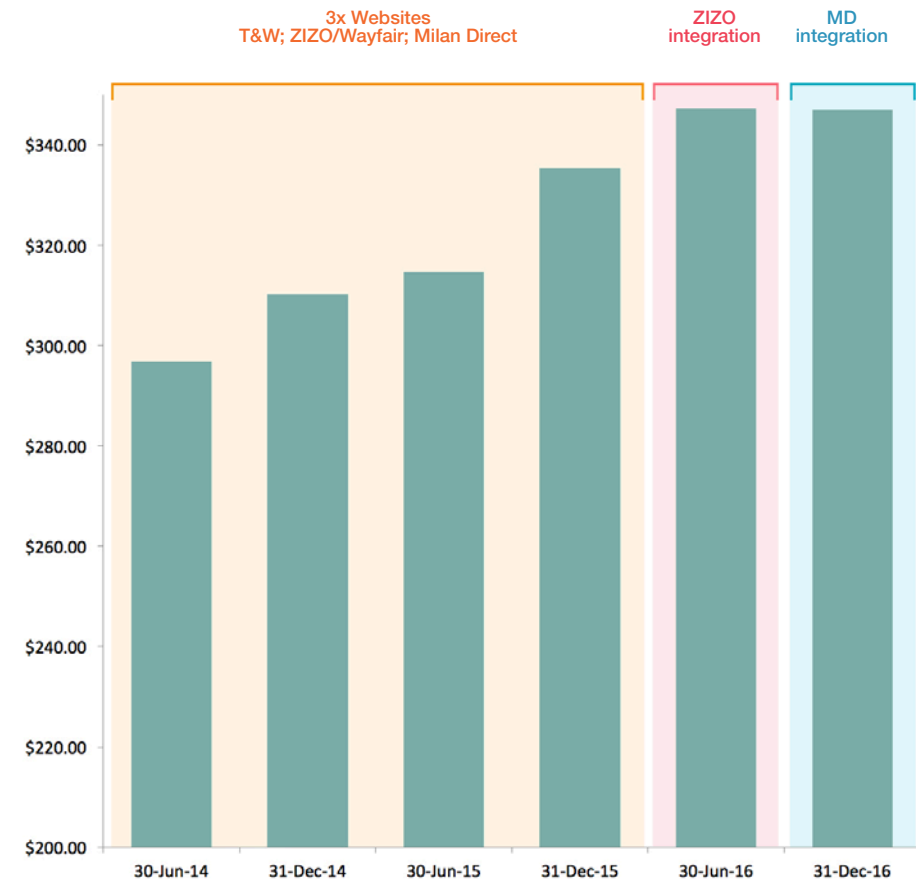


Active customer numbers continue to rise, with revenue per customer remaining at record highs even after consolidating our websites

Active Customers



Net Revenue per Active Customers



An Active Customer is a customer that has made at least one purchase over the last 12 month period

A photograph of a bedroom interior. In the foreground, a bed is covered with a light grey duvet and a dark grey blanket. Several pillows are visible: a large dark grey one, a white one with a frayed edge, and a smaller orange velvet one. To the right of the bed, a wooden bedside table holds a large potted plant with green leaves and a small woven basket. A brass-colored lamp is mounted on the wall above the bed. The wall is a light teal color with horizontal paneling.

H1 FY17 KEY FINANCIALS

Pro forma profit and loss

A\$m	FY14	FY15	FY16	H1FY16	H1FY17
Revenue	46.1	59.9	61.7	32.1	34.0
Cost of Sales	(26.8)	(35.2)	(37.0)	(19.8)	(19.7)
Gross Margin	19.3	24.7	24.6	12.3	14.3
Gross Margin %	41.9%	41.2%	39.9%	38.3%	41.9%
Distribution	(8.6)	(11.6)	(11.2)	(5.9)	(5.4)
Wages	(7.1)	(9.8)	(12.1)	(5.5)	(6.9)
Advertising & Marketing	(6.3)	(7.1)	(12.0)	(6.6)	(4.7)
Selling and Admin Expenses	(3.0)	(3.9)	(4.1)	(1.9)	(2.1)
EBITDA	(5.8)	(7.8)	(14.8)	(7.5)	(4.9)
Delivered Margin % (after distribution cost)	23.2%	21.7%	21.7%	20.1%	26.2%
Cost Base					
Cost of Sales	58.2%	58.8%	60.0%	61.6%	58.1%
Distribution	18.6%	19.4%	18.2%	18.3%	15.9%
Wages	15.4%	16.4%	19.6%	17.1%	20.3%
Advertising & Marketing	13.7%	11.9%	19.4%	20.4%	14.0%
Selling and Admin Expenses	6.6%	6.5%	6.6%	5.9%	6.3%
EBITDA	(12.5%)	(12.9%)	(24.0%)	(23.3%)	(14.4%)

Continuing Business

H1FY16	H1FY17
30.0	33.4
(18.6)	(19.2)
11.4	14.2
37.9%	42.6%

Key observations

- Double digit revenue growth of +11% (on a continuing business basis)
- Gross profit up +25% (on a continuing business basis) as a result of leveraging the Milan Direct private label and a review of pricing points across the entire Temple & Webster range
- Employment costs are higher YoY due to new hires and management LTI program. Employment costs will decrease in H2 as a result of the Milan Direct integration.
- Distribution costs as a % of revenue have decreased by c.13% as a result of renegotiating shipping rates and reducing inventory levels
- Significant improvement in marketing efficiency year on year as a result of focussing spend on higher ROI digital channels (14.0% vs 20.4%)
- As a result, EBITDA has improved by 35% year on year

Continuing business basis excludes results for the Milan Direct UK business which was wound up during H1 FY17. EBITDA is a non-IFRS measures that, in the opinion of the Directors, is useful in understanding and appraising the Company's performance. Revenue, Margin and EBITDA comparisons are performed on a pro forma basis which include the assumption that the Milan Direct and Zizo businesses were part of the group for all historical periods but exclude all costs associated with the acquisition and restructuring of Milan Direct and Zizo, depreciation, amortisation, interest and any costs associated with the Group's IPO.

Statutory balance sheet

A\$m	31-Dec-16
Assets	
Cash & Cash Equivalents	12.3
Inventories	3.2
Other current assets	0.5
Intangibles, (inc. goodwill)	7.2
PPE	0.3
Total Assets	23.5
Liabilities	
Trade and other payables	8.5
Employee accruals and provisions	1.9
Deferred revenue	1.9
Total Liabilities	12.3
Net Assets	11.2
Equity	
Share Capital	76.6
Reserves	0.4
Retained earnings	(65.8)
Total Equity	11.2

Key Observations

- Strong balance sheet position with \$12.3m cash and zero debt
- Inventory levels have reduced as a result of better, data-driven buying decisions including a reduction of aged inventory levels
- Low PPE balance reflects the group's asset light online business model
- Deferred revenue (cash received for orders awaiting shipment) has reduced from 6.5% of sales (H1FY16) to 5.6% of sales (H1FY17) as a result of reducing delivery lead times to customers



STRATEGY & OUTLOOK



1

Execute vision of delivering beautiful solutions for our customers

2

Reach profitability in CY18

3

Set up the business for future growth

1. Execute vision to deliver beautiful solutions for our customers' homes and work spaces



Expand range, focus on catalogue improvement, continue to focus on furniture



Shoppable content eg. styled shoots, complete rooms, video



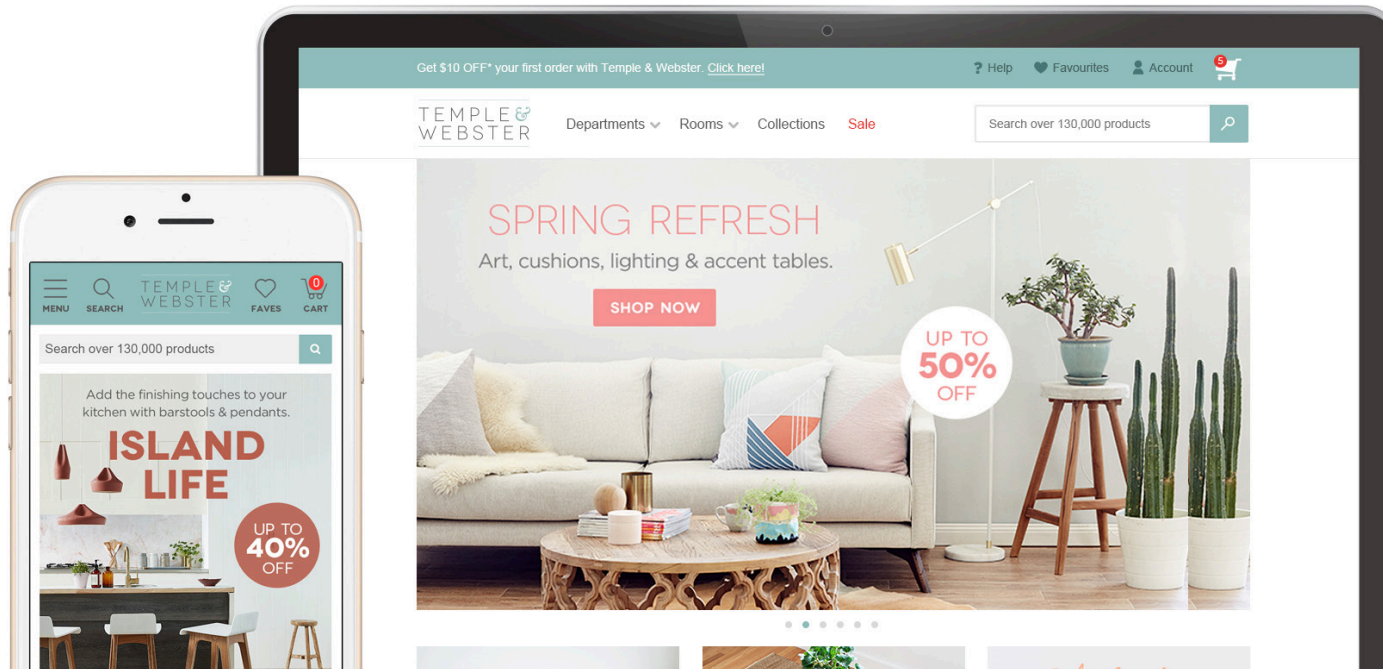
Tech innovations eg. AR, new mobile site



Virtual styling advice in customer care, live-chat



Improved last mile delivery experience



Example: T&W Style School launched December 2016

- Market first
- Interactive online education in partnership with the respected Sydney Design School
- First course: Styling Your Living Space
- More course units launching in April
- Leverages Temple & Webster talent and content
- Aligns with our vision to deliver beautiful solutions to our customers



Get \$10 OFF your first order with Temple & Webster. Click here! [Help](#) [Favourites](#) [Account](#) [Cart](#)

TEMPLE & WEBSTER Departments Rooms Collections **Sale** Search over 130,000 products

STYLE SCHOOL

Welcome to the new **T&W Style School** - a series of interactive and inspiring online courses created by our own experts.

IN CONJUNCTION WITH THE RESPECTED **Sydney Design School**

Learn from the experts
Our educators are real-life stylists, colour experts and interior designers.

Style like a pro
Create magazine-worthy rooms with confidence.

Go at your own pace
30 days to complete the course, online and at your own speed.

ONLY **\$295**

BOOK NOW! **COMING SOON!** **COMING SOON!**

COURSE #1

Styling Your Living Space

Become a stylist for your own home with this new online short course led by Temple & Webster's expert team, who have partnered with the leading industry educators at Sydney Design School. This 10-hour course will allow you to work at home at your own pace as you gain the confidence, direction and expert guidance you need to create a stylish living space that's a true reflection of your personality.

WHAT YOU'LL LEARN

Define your style
We take you through the best ways to get started - sourcing inspiration, choosing colour palettes, and identifying what works best for you.

Plan like an expert
Learn all about setting the use of your space, creating effective room layouts, furniture selection, and working with new and existing pieces.

Finishing touches
Finishing your space with smart styling, creating focal points with artwork, crafting eye catching vignettes, and pulling it all together.

YOUR EDUCATION TEAM

Jessica Bellef
HEAD OF STYLING

As the head of the T&W style team, Jess's sharp eye for detail and her impeccable sense of style has cemented her reputation as one of Australia's favourite industry commentators and a visionary for creating beautiful and functional spaces. Jess is a regular guest lecturer at a number of design institutions.

2. Reach profitability in CY18

Temple & Webster economics and path to profitability

	Temple & Webster H1 FY17 (annualised)	Temple & Webster Short-Mid Term Target	Comment/Actions
Revenue	100%	100%	
Gross Margin	41.9%	42-44%	Gross margins continue to increase with Q2 tracking in line with our short-mid term targets. Key actions include reviewing pricing architecture, continued reduction of discounting/promotions; better COGS
Delivered Margin (after distribution costs)	26.2%	27-29%	Delivered margin takes into consideration all warehousing/distribution costs, Q2 tracked close to this target. Key actions include continue to lower our shipping and fulfillment rates and rate of recovery.
Customer Service & Merchant Fees	5.0%	2-4%	A key focus for H2 is to reduce our customer service and merchant fees to bridge the gap between actual results and short-mid term targets
Marketing	14.0%	9-10%	ROI on marketing spend continues to improve, current trajectory suggests we are well advanced to meet our short-mid term targets
Contribution Margin	7.2%	13-18%	
Fixed Costs (people, property, tech, other)	\$14.7m	\$12-13m	Milan Direct integration and other optional improvements will continue to reduce our fixed cost base

**Implies revenue
run-rate required to
reach profitability
of \$70-\$90m**

3. Set up business for future growth

**New Categories
(eg Gifting)**

Trade Program

**Continue to explore
omnichannel retail
with Melbourne pop
up showroom (to be
rebranded Temple &
Webster)**

**Invest in data
capabilities
(eg Tealium)**

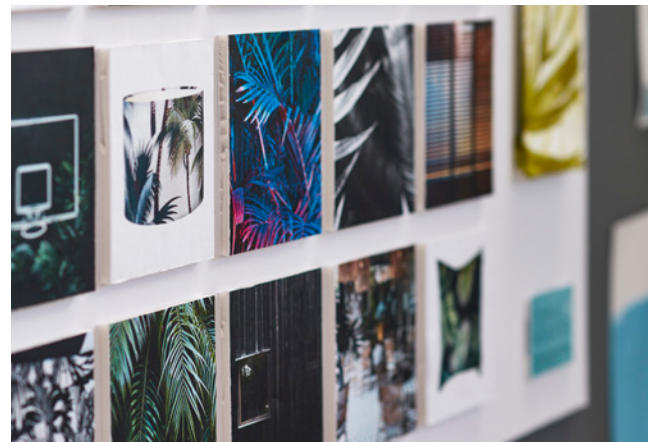
**New geographies
(eg New Zealand)**

- We have begun to invest in our Trade & Commercial program which is showing strong month on month growth

- Focused on SMEs and trade customers

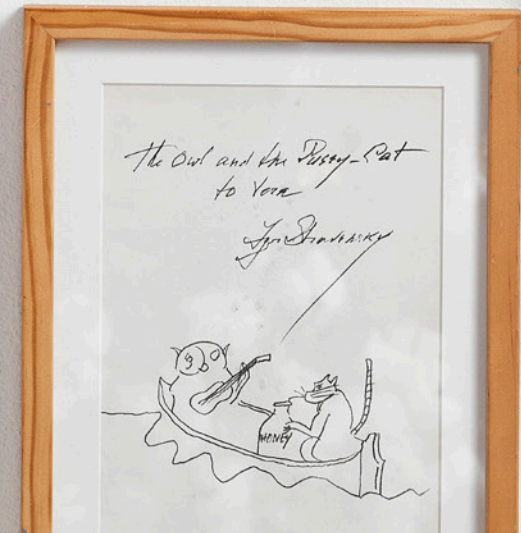
- Key differentiators: design and styling service; dedicated customer support; trade discount across the catalogue

- Example project: Corporate boxes for Sydney Cricket Ground and Sydney Football Stadium



Outlook

- January was a strong start to the year with revenue, gross profit and EBITDA showing similar year-on-year growth rates as H1.
- While revenue may yet still be impacted by the Milan Direct integration and the continued focus on improving margins, the Company expects market conditions for the second half of FY17 to remain favourable.
- The Company remains confident in its original plan of reaching profitability during CY18.



Why TPW?

Large
and
growing
market

Already #1
and
capturing
scale
benefits

Biggest
range
in
Australia

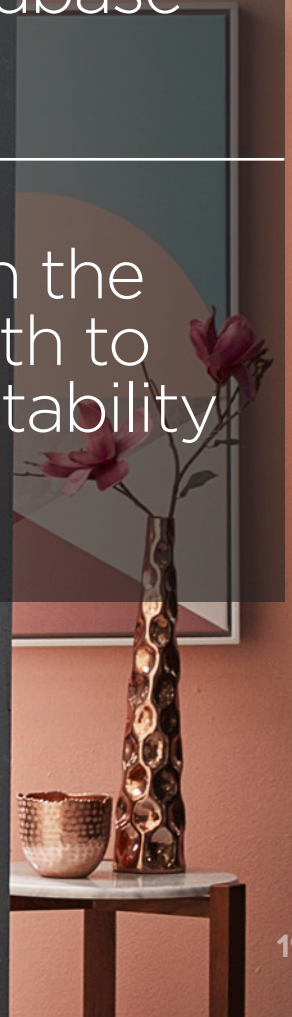
Large and
engaged
customer
database

Best team
and talent in
category

Magazine
quality
content
produced
in-house

World
class tech
platform

On the
path to
profitability





Q&A

APPENDIX



2015 & 2016 were transformational years for the T&W Group



“The first place Australians turn to when shopping for their homes and work spaces”

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