



TEMPLE & WEBSTER GROUP LTD
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ASX ANNOUNCEMENT

18 October 2021

Chairman and CEO addresses and presentation to AGM

Temple & Webster Group Ltd attaches addresses to the AGM by the Chairman and CEO, and related presentation.

This document has been authorised for release by the Board of Directors.

ASX Announcement

18 October 2021

AGM Address

Chairman's Address to AGM

Good morning everyone.

While the financial year ended June 30 was a year that many Australians will remember as one of great change and disruption, I was quite sure that as the year was drawing to a close, most of us thought that lockdowns were a thing of the past. How wrong could we have been.

I think what we have learned over the last three months is that we all need to be flexible and be able to adapt to new ways of working and living and that online economic, social, entertainment and communication platforms are helping us to facilitate the changes necessary.

The team at Temple & Webster has worked hard to be well positioned to service the changing needs of customers. Both for the newly migrating online shoppers, and for the regulars, who are shopping to make their homes more functional for our changing living and working routines.

Key highlights for the year ended June 30 include:

- Very strong year on year growth with revenue growing to \$326.3m which was up 85% on the prior year.
- Record EBITDA which was up 141% on the prior year to \$20.5m
- NPAT of \$14.0m, which on a normalised basis¹ (excluding deferred tax adjustments) was up 165% and;
- As a result of a successful capital raise and our record profit, we ended the year with \$97.5m in cash and we remain debt free.

Whilst the Directors are happy with the year and the progress made against our plans, it is worth noting that we are still at the start of our journey, albeit accelerated by the impacts of lockdowns. We operate in the ~\$16b² furniture & homewares market, however less than 10%² of that market has moved online. This is well behind other international markets such as the US, which is up to 25%² online penetration and showing no signs of slowing down. This structural shift towards online will be supported by millennials as they enter their core furniture & homewares buying years.

In addition to our core market, we also operate in the commercial furniture & homewares space and the home improvement market. These markets significantly increase our total addressable market to more

¹ Normalised NPAT is calculated as NPAT adjusted for any benefits received from the recognition and utilisation of historical tax losses.

² Source: Euromonitor International Limited; Home Furnishings and Homewares System 2020 edition. ABS Retail Sales data, TPW estimates.

than \$30b. This market size, coupled with our online market position and the consumer trends we are experiencing are the reasons why the Board believes that Temple & Webster will be a high growth business for many years to come.

During the second half of the year, we reaffirmed our commitment to a re-investment strategy to ensure that we are building the go-to-brand in our category for the next generation of shopper. Investments will be made in areas such as marketing, technology, data and logistics as well as in other key areas in the business. As a result, we have guided the market to expect an EBITDA level of 2-4% in the short to mid-term to allow us the flexibility to make these investments. We believe that by making these investments now, the Group will be positioned to expand its market leadership position and the benefits from scale will naturally follow.

During the year, Belinda Rowe was appointed as a Non-executive Director of the Company. Belinda is an experienced marketing professional and successful business executive who will help us to achieve our goal of becoming the first place Australians turn to when shopping for their homes and we welcome Belinda to the team.

On behalf of the Board, I would like to thank our CEO Mark Coulter, our CFO Mark Tayler and the broader management team for their achievements in a busy and challenging operating environment, made even more challenging by moving in and out of the office during lockdown periods. While it's great to see sales and customers grow so fast, it has resulted in a relentless year for the team, and we thank them for their passion and dedication.

I'd also like to take this opportunity to extend my thanks to my fellow Directors Sue Thomas, Conrad Yiu, Belinda Rowe and our Company Secretary, Mike Egan for their contribution and stewardship. And finally on behalf of the Board, I would also like to thank you, our shareholders for your continued support.

I will now hand over to Mark for his address.

CEO's Address to the AGM

Thank you Stephen and good morning fellow shareholders.

Before taking you through some of the highlights of the year, I would like to acknowledge the incredibly difficult period that we've collectively lived through over the last couple of years.

While COVID has certainly presented challenges to our business, our goal has been to keep delivering a great experience to our customers, and hopefully have them enjoy their homes, even just a little bit more.

As Stephen said, once again, Temple & Webster has delivered a record set of results. Our growth was across all major categories, geographies, channels and demographics. Our market is massive and subject to accelerating tailwinds, and we are well positioned to capitalise on our online market leadership. Importantly, we were a high growth business before COVID, growing 30-50%, and while the lockdowns

have no doubt accelerated the underlying shift to online shopping, we remain bullish about our long term growth for many years to come.

Our job is to give our customers a great experience, to get them to continue shopping online and more relevantly, keep shopping with us. The great news is that orders from repeat customers continues to grow significantly, with orders from repeat customers overtaking orders from first time customers during Q4 of FY21. This higher repeat rate partially led to a 12% increase in annual revenue per active customer which is now over \$425, which is very healthy for a large ecommerce business.

Unfortunately, the consequence of another record period has led to third-party logistics network issues which I'm sure many of you have been reading about it in the press. We have been working tirelessly to add customer care resources, adding new logistics providers and working with our current partners on smoothing scaling issues, and using technology to improve the customer experience – however the unfortunate reality is that scaling this quickly is hard work.

While our Net Promoter Score dropped below our target levels, it is worth reminding ourselves that even at our lowest point, our NPS is still very good for a retailer, and means by far, most customers are rating us a 9 or 10 out of 10.

While we are constantly innovating our product and service offering, it's worth calling out some of the notable milestones for the year:

- Our owned inventory program or 'Private Label' has been a strategic focus for the business and it's great to see it's share of revenue grow from 19% to 26%. This was done by increasing our buying and merchandise planning teams, diversifying our factories outside of China, adding multiple warehouses (including Sydney), investing in data and analytics to improve forecasting accuracy, and expanding our quality and compliance team.
- We now have apps in both app stores, with early feedback tremendously positive. We now have thousands of reviews, and both our iOS and Android apps are rated 4.8 stars (out of 5). The app customer is a more engaged customer with higher conversion and repeat rates.
- During the year, we launched an artificial intelligence ('AI') interior design service. The AI-powered service is another feature unique to Temple & Webster, again designed to make shopping online easier. It is in partnership with an Israeli start-up, in which we have made a second round of investment after a successful pilot of the service. We love this service as it exposes our huge range of beautiful products across our many categories in an inspirational way that helps customers visualize products, giving them even more confidence to shop with us. We will continue to look proactively at the market for innovative technology, products and services as that has been a core part of our entrepreneurial DNA.
- After a difficult end to the previous financial year, it was great to see our business customers come back in full force during FY21 with our Trade & Commercial division growing 110% year on year. Again, it's worth noting that these are great customers – with high repeat activity and large order sizes.

- This year we also made significant progress on our commitment to make the world more beautiful from an environmental and social point of view. We have engaged external sustainability consultants and begun the work at identifying and capturing carbon reduction opportunities. We kicked off multiple new responsible sourcing initiatives and submitted our first Modern Slavery Statement. We have continued to support our charity partner, Women's Community Shelters, an organisation that provides community-based emergency accommodation and support for vulnerable women and children. We have also begun our journey to progressing the goals of reconciliation, with the commencement of a Reconciliation Action Plan.
- And of course, the key task of the year was recruiting, onboarding and training 180 new Tempsters across Sydney and Manila to handle the huge increase in orders from Australians turning to online shopping during these extraordinary times.

Where to from here

We have a simple and consistent strategy. We want to have the biggest and best range – having everything you need for the home. Importantly, the “best” bit of this means we won't list everything. We want to be seen as a place for quality, at an affordable price; we want to be a source of inspiration and the place customers go to when they want to make their home more beautiful; and we want to create a seamless customer experience when shopping, including our customer's delivery experience to their home.

With scale comes benefits such as being able to forge closer relationships with our suppliers; obtaining better terms and exclusive product ranges; making bigger investments in areas like technology and data; and expanding our logistics capabilities. In effect, the bigger we become, the better and stronger our customer proposition becomes, which is the flywheel effect. This in turn will lead to an increase in our market share.

We believe that now is the time to invest and scale our online market leadership. This is the period where customers are choosing their trusted brands and we want to be that brand.

Trading Update

The year has started strongly with year on year³ growth of 56% (for period July 1 to Oct 15th). We expect full year EBITDA to be within the stated 2-4% range, however it is anticipated that H1 EBITDA will be higher than this level.

³ Revenue based on checkout revenue which is pre accounting adjustments (deferred revenue, refund provision)

We continue to experience strong tailwinds, including the ongoing adoption of online shopping due to structural and demographic shifts and an acceleration of these trends due to COVID-19. A buoyant housing market and a reduction in travel spend are also supporting the growth of our sector.

While the end of lockdowns will no doubt have the world return to a more “normal” distribution of discretionary spend, we would remind our shareholders that there is still significant growth ahead for Temple & Webster as we continue our march up the online adoption curve. Temple & Webster is a long-term growth story and periods of above and below average growth are to be expected.

Finally, many of you will be wondering about the global supply chain challenges currently facing Australia. Once again, the inherent flexibility and diversity of Temple & Webster’s business model and supplier base is proving fruitful. We source from over 100 factories through our private label division and our drop ship suppliers are sourcing from thousands of factories, meaning we can adapt to the changing supply chain environment quickly. Our inventory weeks of cover levels for our best sellers (both drop shippers and private label) are at a similar position or better than this time last year. While we will no doubt see individual products move in and out of stock, we expect to see customers substitute into other similar products as we witnessed last year.

Thank you to the Tempster team

I’d like to say a big thank you to the team. The last couple of years have been relentless. However, you have managed to deliver an amazing set of results, to an overwhelmingly happy customer base, and mostly from your home. While it has been a difficult and stressful period, you have set the business up for decades of growth and success.

Mark Coulter

Chief Executive Officer

- ends -

This announcement has been authorised by the board of directors.

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TEMPLE & WEBSTER GROUP LTD

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**TEMPLE &
WEBSTER**

About the Temple & Webster Group

Temple & Webster is Australia's leading online retailer of furniture and homewares.

Temple & Webster has over 200,000 products on sale from hundreds of suppliers. The business runs an innovative drop-shipping model whereby products are sent directly to customers by suppliers, enabling faster delivery times and reducing the need to hold inventory, allowing for a larger product range.

The drop ship range is complemented by a private label range which is sourced directly by Temple & Webster from overseas suppliers.

Temple & Webster's registered office and principal place of business is Unit 1a, 1-7 Unwins Bridge Road, St Peters, Sydney, Australia and is listed on the Australian Securities Exchange under the code TPW.

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**FY21
AGM
Presentation**

18 October 2021



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Chairman's Report

18 October 2021



FY21 Summary

FY21 Revenue

\$326.3m

85% growth vs pcp

FY21 EBITDA

\$20.5m

141% growth vs pcp

Jun-21 Cash

\$97.5m

FY20 Revenue

\$176.3m

FY20 EBITDA

\$8.5m

Jun-20 Cash

\$38.1m

- Temple & Webster is the leading pure play online retailer for furniture & homewares in Australia
- Large addressable market with accelerating online adoption
- Business is profitable with strong top-line growth, capital light and a debt free balance sheet

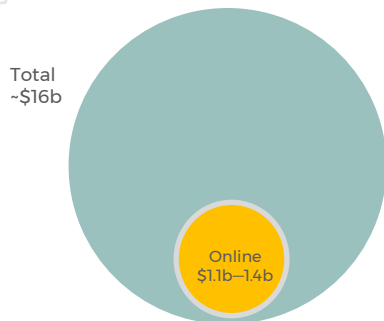
Sources: Euromonitor International Limited; Home Furnishings and Homewares System 2020, edition. IBISWorld Online Home Furnishing Sales in Australia Industry Report and Online Household Furniture Sales in Australia Industry Report
Jun-20 cash balance excludes proceeds from \$40m placement which took place in Jul-20



Temple & Webster is a long-term growth story

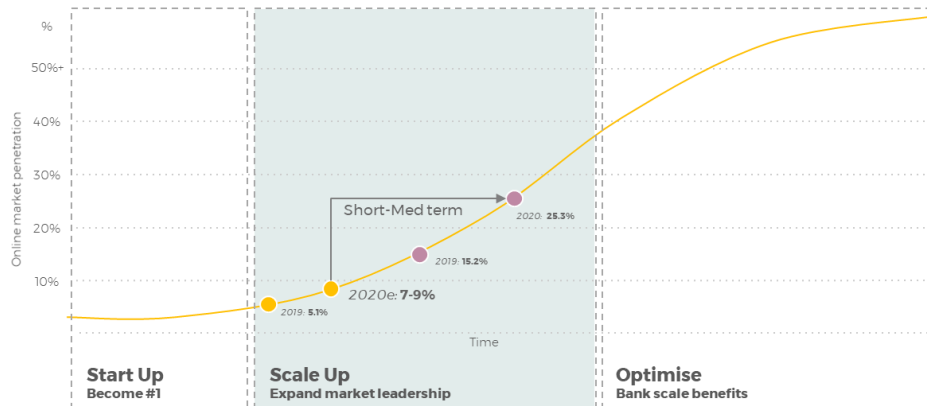
We operate in a large ~\$16b market (excludes B2B and home improvement)....

2020 B2C Furniture & Homewares Market, Australia Only



...of which less than 10% of which has moved online

Hypothetical adoption curve for online penetration in the Furniture & Homewares market ● Aus ● US



In addition to the B2C Furniture & Homewares market, we have second (B2B furniture) and third (Home improvement) growth horizons which significantly increase the \$16b TAM shown above. We will be accelerating our investment into these horizons over the coming years.

TEMPLE &
WEBSTER

CEO's Report

18 October 2021



FY21 Business Update

Strong growth across the year

- Revenue up 85% for the year, EBITDA up 141% to \$20.5m
- Q4 revenue up 26% pcp (which is comparing to Q4 FY20 which in turn grew ~130% over Q4FY19)
- Strong growth across all categories, geographies, channels & demographics
- Scale is increasing operating leverage, enabling significant reinvestment

Launched iOS & Android Apps

- Launch of Android & iOS Apps
- 4.8-star rating from +5k reviews to date
- App is leading to higher levels of engagement and repeat purchasing

Customer satisfaction remains a key focus

- Net Promoter Score back to 65%+ after dip post November peak
- Improvements in quality, range and service
- Working with logistics partners on scaling during peak periods

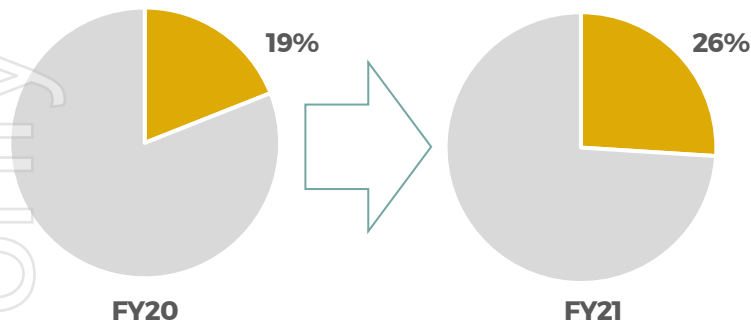
Accelerated tech investment

- Further investment in AI interior design start up
- Launched augmented reality
- Expanded tech and product team (onshore & offshore)



Temple & Webster Private Label

Private label share (% of total sales)



Private label is providing strategic benefits such as a diversification of supply (less dependency on drop-ship network), improved margins, stock assurance and speed of dispatch.

Key Initiatives during FY21

- Expanded Buying and Merchandise Planning teams for range development and inventory forecasting
- Step up investment in private label inventory of \$15m in FY21
- 5 warehouses now in place across VIC & NSW, with multiple 3PL providers, which will enable further scaling and diversification of providers
- Geographical diversification of factories into Indonesia, India and Europe; 15 factories added in FY21 across 5 countries
- Testing machine learning forecasting software for inventory planning
- Expanded Quality & Compliance team

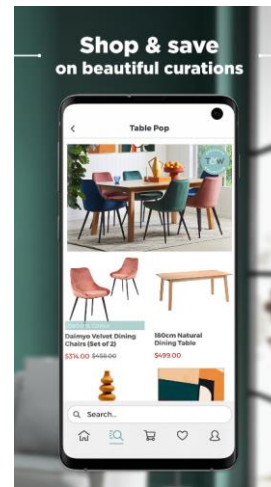
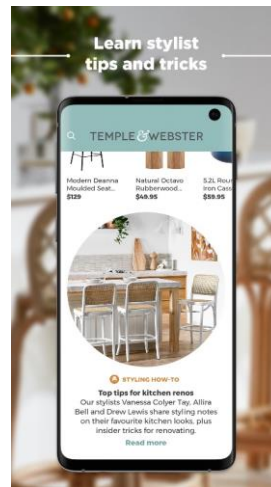
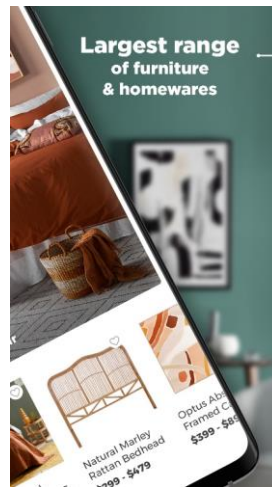
We have now launched both iOS and Android apps

- iOS app launched in H1 FY21
- Android app launched Jul-21

- Customer feedback has been extremely positive:
 - +5,000 reviews
 - Rating: 4.8 out of 5

- App is leading to higher levels of engagement and repeat purchasing

- Mobile (mobile web & app) now accounts for the majority of orders (ex Trade & Commercial)



Ratings & Reviews

4.8
out of 5



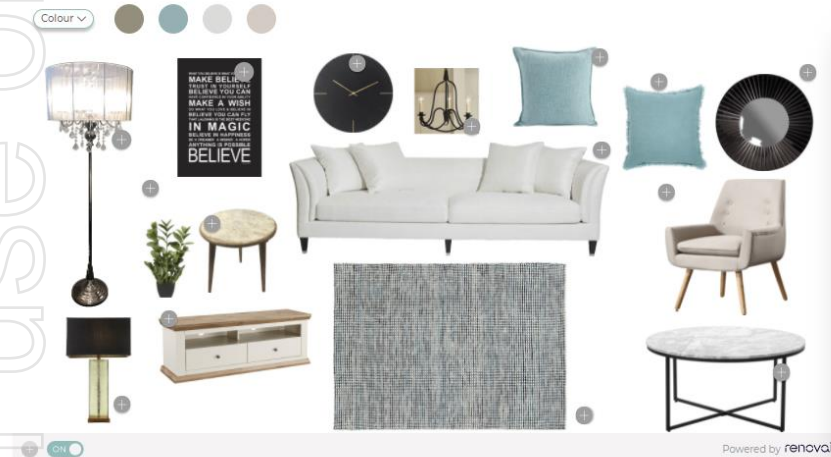
4,134 Ratings

Apple app store

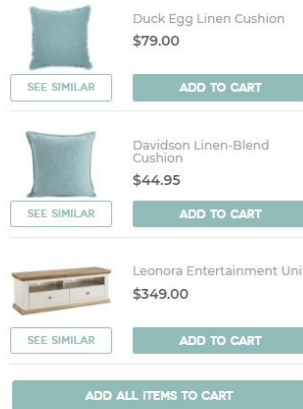
We have increased our investment in an AI Interior Design start up

- AI (Artificial Intelligence) Interior Design service, suggesting products to match a customer's selected item
- Next version: 3D generated life-like room
- Drives conversion rate and average order values
- Exposes Temple & Webster's huge range of furniture & homewares
- Developed by an Israel based technology start up, TPW has exclusive rights in Australia/NZ
- We increased our investment and % stake to accelerate the company's growth in July 2021

Complete the look Use our interactive mood board to create your perfect look.

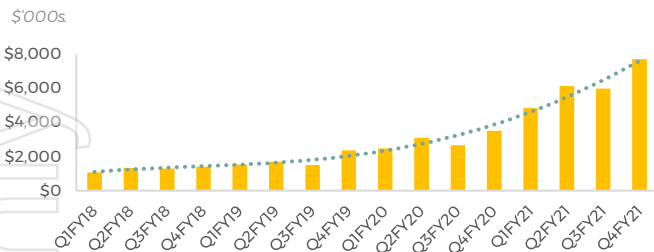


Your look (15 items)

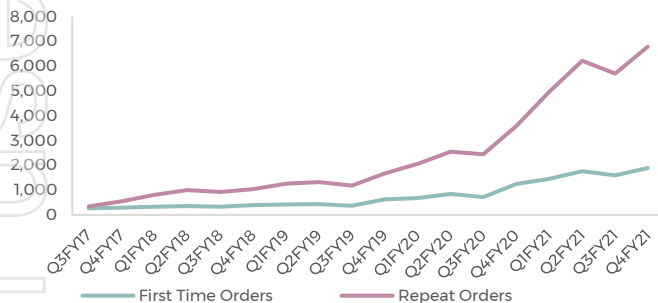


Our Trade and Commercial (B2B) division grew 110%

1 T&C has rebounded quickly with revenue up 110%



2 Service model improvements, such as extra care resources and specialised sector-based sales teams, have led to high repeat customer rates



Revenue based on checkout revenue which is pre accounting adjustments (deferred revenue, refund provision)

3 Residential property development sector and regional hospitality remain key areas of focus:

- Successful launch of new service model for the residential property development market including advertising, selling incentive packages, display home design & installation services
- Expanded installation & fit-out capabilities
- Launch of bespoke made to order range of commercial products for hospitality & residential markets
- Capitalised on regional tourism boom with accommodation upgrade packages, glamping campaigns and design services
- Expansion into childcare market including outbound sales, marketing campaign and range additions

Display Home Package



Education by Temple & Webster Trade Commercial offers a range of services to help support you with your Education related projects from advertising to sales for a childcare centre opening. You'll find a higher Education space our dedicated team is here to assist. Keep scrolling to find out how we can help you with your next project.



One With Nature Glamping

This Glamping Tent concept embraces the raw elements of the bush while incorporating luxury and comfort. The use of furnishings with natural materials give the essence of being outside without having to leave the tent.



Committed to making the world more beautiful

Climate change & sustainability

- Engaged external sustainability consultants
- Beginning the work to identify carbon reduction opportunities
- Adding specialist talent to our team

Illegal logging compliance & responsible sourcing

- Illegal logging governance and compliance framework in place
- Dedicated function to support and educate
- Responsible sourcing initiatives underway

Addressing Modern Slavery

- Inaugural Modern Slavery Statement published
- Ethical and social audit framework established
- Supplier action plans in development

Supporting our people & communities

- Additional engagement and support of staff through lockdowns
- Ongoing support of long-term charity partner, *Women's Community Shelters*
- Committed to the development of a Reconciliation Action Plan (RAP)

Growth strategy

Add depth and breadth across our core and adjacent categories; grow private label division

Expand digital capabilities: data, personalisation, AI, augmented reality

Increase brand awareness from 55% to +80% through digital and non-digital channels

Add inspirational content & service: video; 3D; AR/VR; design help

Focus on exceptional customer service and a great delivery experience to drive repeat behaviour

Continue to build out Trade & Commercial division, competing on range, value and a full-service offering

Scale increases our operating leverage, allowing us to accelerate investment in future growth and take market share

REINVEST FOR GROWTH

Use cash flows generated to reinvest in marketing, technology development, product range and overall customer experience

STRONG CONSUMER PROPOSITION

Trusted brand, large range of quality products and great user experience attract customers, grow conversion and drive customer satisfaction

Leveraging our leadership position to realise scale advantages

BETTER UNIT ECONOMICS

Increased scale provides cost advantages in product sourcing, logistics and marketing

REPEAT & FIRST TIME ORDERS

Great initial customer experience builds customer loyalty and grows share of wallet, delivering revenue growth

Trading update & outlook

- The year has started strongly with year-on-year growth of 56% (for the period July 1 to Oct 15th).
- Although we expect full year EBITDA to be within the stated 2-4% range, it is anticipated H1 EBITDA will be higher than this level due to the timing of our investments.
- We continue to experience the strong tailwind of ongoing adoption of online shopping due to structural and demographic shifts, accelerated by COVID-19.
- As such, we will be investing into areas of the business to grow our online market leadership position with the ultimate goal of becoming the largest retailer (online and offline) for furniture and homewares in our home market.

Revenue growth is based on checkout revenue which is pre accounting adjustments (deferred revenue and refund provisioning).





Q&A

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