TEMPLE & WEBSTER

H1 FY24 Investor Presentation

Mark Coulter CEO
Mark Tayler CFO

High growth, increasing profit and taking market share

H1 revenue up 23%, H2 off to a strong start

- H1 revenue up 23% year on year ('yoy'), driven by growth in both repeat and first-time customers
- Q2 FY24 up 40%[1] yoy helped by strong Black Friday-Cyber Monday sales
- H2FY24 has started strongly with trading up 35%[1] yoy (HTD to Feb 11)

H1 FY24 Revenue

$254m

Up 23% yoy

EBITDA[3] $ up yoy, even after brand investment costs

- H1 EBITDA result of $7.5m was up yoy even after costs associated with the above-the-line brand investment
- EBITDA margin of 2.9% is at the top end of full year guidance (1-3%)
- Strong delivered margin results are being deployed into marketing to drive growth

H1 FY24 EBITDA

$7.5m

Up 3% yoy

Taking share whilst building strategic moats

- Taking share in an overall market which is down ~6% HTD[2]
- $114m cash, profitable, cash flow positive (even after share buy-back) with an asset light/negative working capital model
- Building strategic moats around range, brand, data, AI, tech

Targeting $1b+ in sales in 3-5 years

- Online market still under penetrated in Australia
- Weaker macro-environment provides market share opportunity
- Our goal is to achieve scale point as quickly as possible, while staying profitable

Cash Balance at 31 Dec 2023

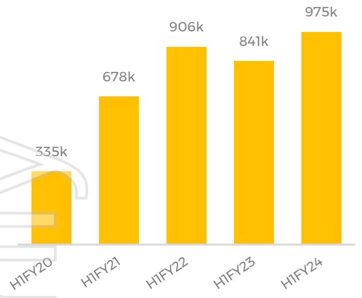
$114m

Up 12% yoy

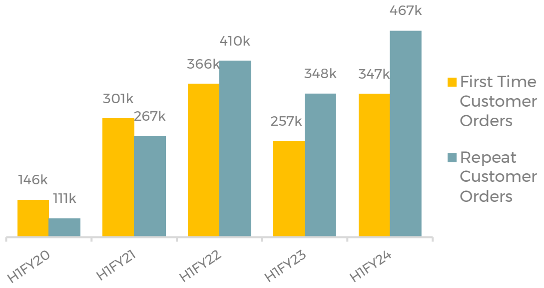
[1]Revenue growth is based on checkout revenue which is pre accounting adjustments (deferred revenue and refund provision).
[2]Source: ABS 8501.0 Retail Trade, Australia (July-23 to Dec-23 against prior corresponding period)
[3]EBITDA is a non IFRS measure and is calculated by adding depreciation and amortisation, finance costs and interest income to profit before tax.

H1 FY24 Key Performance Indicators

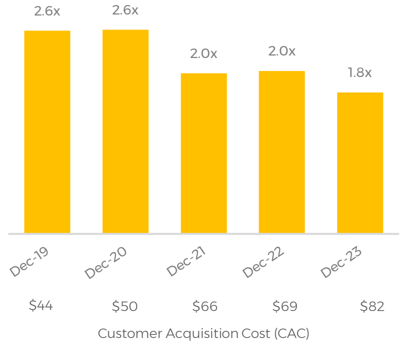
RECORD ACTIVE CUSTOMERS[1]



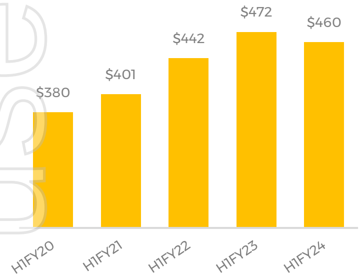
ORDERS FROM BOTH REPEAT & NEW CUSTOMERS GROWING STRONGLY[2]



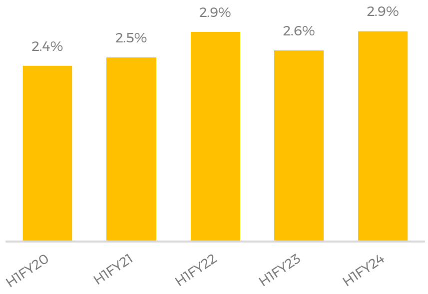
12-MONTH MARKETING ROI[3] IN LINE WITH EXPECTATIONS (AFTER BRAND INVESTMENT)



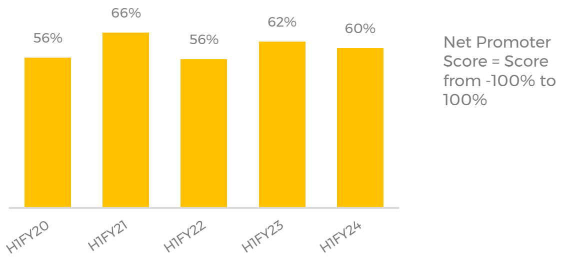
REVENUE PER ACTIVE CUSTOMER[4] DOWN 2.5% DUE TO DECREASE IN AOV



AVERAGE CONVERSION[5] RATE REMAINS HIGH



CUSTOMER SATISFACTION REMAINS STRONG



[1]Active customers are the number of all unique customers who have transacted in the last twelve months (LTM).
[2]The repeat customer order numbers for FY22 and FY23 have been revised as they were previously understated, please see the following updated figures
H1FY22 410k
H2 FY22 335k
H1 FY23 348k

[3]Marketing ROI = Margin $ / CAC
Margin = Revenue per active customer as at 31 December 2023 x delivered margin % for CY 2023
CAC = Total marketing spend for CY 2023 x 73% (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 the period
[4]Revenue per active customer = Last 12 months revenue divided by active customers.
[5]Average conversion rate is the total number of purchases divided by the total number of monthly users. Sourced from Google Analytics.

We are on track to reach $1b+ in annual sales in 3-5 years

	FY23	3–5 year target	Commentary/Assumptions
Core business: B2C Furniture & Homewares Revenue	**$335m**	**>$800m**	• Although there are some tailwinds for the market (immigration etc.) we have assumed the market remains at its current $19.3b[1] size • Online penetration to grow from 18% to 28% as millennials become largest spending cohort in category (in line with the US/UK at 27-28%)[2] • Target online market share growth from 10% to 15%
	+	+	
Current growth plays - B2B and Home Improvement Revenue	**$61m**	**>$200m**	• Growth from both Trade & Commercial and Home Improvement • Significant increase in the Group's Total Addressable Market • Adds further revenue diversification to the Group • Growth plays will leverage core capabilities of the Group while adding scale
	=	=	
TPW Group Revenue	**$396m** →	**$1b+**	• **20-36% CAGR, with the growth rate commensurate with our speed of execution**

[1]Excludes Trade & Commercial and Home Improvement Source: ABS 8501.0 Retail Trade, Australia (2023)
[2]Source: Euromonitor 2023 Home and Garden for CY22

Our strategic plan to reach $1b+ in annual sales

OUR VISION

To make the world more beautiful, one room at a time

CUSTOMER PROMISE

We want to be famous for having the best range in our category, the most inspirational content and services and a great delivery & customer service experience

OUR 3-5 YEAR STRATEGIC GOALS

01 **Become the top-of-mind brand in the category**

02 **Majority of revenue from exclusive products**

03 **Leading capabilities around data, AI & technology**

04 **Lower fixed cost % to obtain a price and margin advantage**

05 **Build scale through adjacent growth plays**

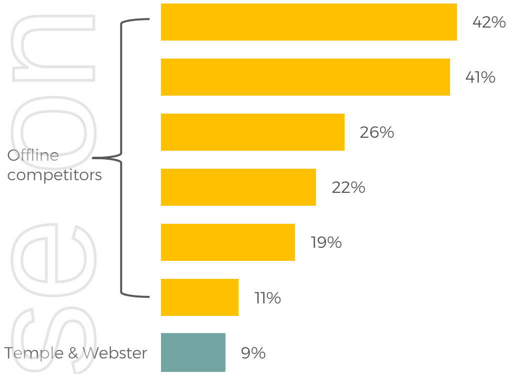
OUR GOAL

To be the largest furniture & homewares retailer, and the first place Australians turn to when shopping for their homes

01 Become the top-of-mind brand in the category

We rank 7th in unprompted awareness for furniture & homewares amongst shoppers

% of Australian consumers spontaneously mentioning a brand when asked where they shop for furniture & homewares[1]



Unprompted brand awareness remains <10% which provides us with a significant opportunity to catch up and surpass current market leaders

Now is the time to build our brand equity and salience and drive our market share

- 78% of Australian furniture & homewares shoppers have never visited Temple & Webster, providing a significant pool of first-time customers
- Research shows customers switch brands to a greater extent when times are tougher as they seek more value. Advertising becomes more efficient due to macro economic conditions
- Temple & Webster is well-positioned to capitalise on new customers looking for quality items at more affordable prices, and drive our market share gains

OUR PROGRESS TO DATE

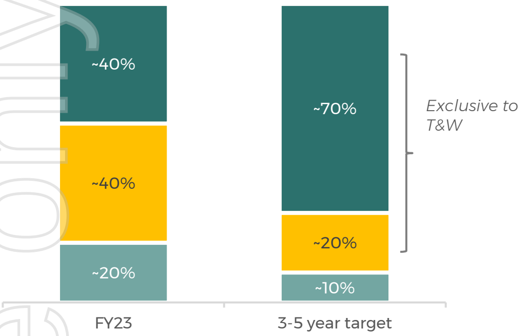
- We launched our first major multi-channel above-the-line campaign in October across Syd, Mel, Bris. Channels included TV, OOH, audio and display
- Campaign territory is centred around "Imagine" – reinforcing Temple & Webster's role to help our customers imagine and then achieve a more beautiful home within their budgets
- The campaign consists of 3 bursts spread across FY24
- Early results are promising, with significant increase in branded search and direct traffic, incremental orders and customers
- We will continue to invest in other direct and organic traffic channels and optimise our existing marketing mix through AI and data-driven strategies

[1]Source: Lucid (Hub Consulting) Temple & Webster Brand Tracker - June 2023. Excludes multi category dept stores/discount retailers

02 Majority of revenue from exclusive products

Our focus is to deliver the majority of revenue from exclusive products

Revenue split by product type (%)



- T&W private label (imported) and exclusive drop-shipped products
- House Brands with differentiated merchandising (drop-shipped)
- 3rd party branded (majority drop-shipped)

A unique catalogue will solidify our position of having the best range

- Having a differentiated catalogue of quality products at great prices is a key part of our competitive advantage
- Our focus is on increasing the % of sales from exclusive products (both private label and drop-shipped)
- Our massive data set is used to predict best sellers and inform buying and product design choices for both our private label teams and our drop-ship partners
- We are also able to work with our drop-shippers and factories to reengineer products to lower their prices
- Exclusive products are higher margin sales than non-exclusive products
- Our goal is to retain our negative working capital model through our mix of sourcing models

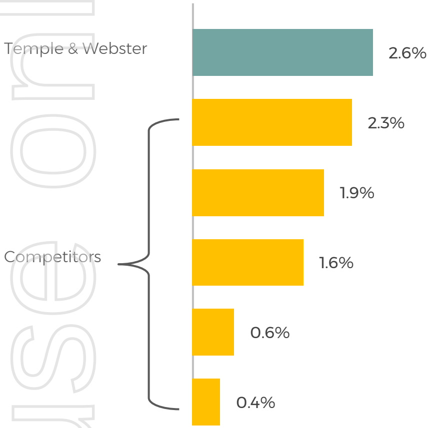
OUR PROGRESS TO DATE

- 500+ new private label products added during the half, across key categories
- Private label contribution remained steady given stronger than forecasted growth in Q2 which saw a substitution into drop-ship products given owned inventory levels
- Exclusivity has been increased with our key drop-ship partners, particularly in Sofas, Outdoor & Lighting categories
- High growth is being led by big ticket categories where customers are shopping for value, and we have a wide catalogue to offer compelling promotions and price points
- Established an internal industrial design function – with 3 industrial designers. AI tools are being tested for data led product design

03 Leading capabilities around data, AI & technology

We have the leading conversion rate out of the largest retailers dedicated to the home within Australia

Monthly Conversion Rate, December 2023



Source: Similar Web, December 2023. All retailers in home category with monthly visits >200k visits. Excludes marketplaces e.g. Amazon

Building market leading data and AI capabilities to drive further customer conversion and cost-base efficiencies

FY23 Achievements

- Enhanced product descriptions across 200,000+ products has led to an increase in conversion rate, add to carts and revenue per visit
- Generative AI driving customer satisfaction, powering all pre-sale product enquiry live chats (+20% of all customer enquiries)
- Delivering global leading AI products e.g., AI generated personalised mood boards

OUR PROGRESS TO DATE

- Added technical and management resources to our dedicated AI team
- Trained whole of company on AI, including deployment of an internal AI assistant (PEARL), to help with day-to-day tasks and workflows
- Added more customer service use cases, resulting in ~30% of contacts now handled by Sage (Automated chatbot) and enhancements from internal AI team.
- This has led to a +30% yoy improvement in customer service efficiency (see page 13 for cost savings)
- Launched product recommendations leading to improvements in conversion rate. Launched AI powered search with testing currently in progress

04 Lower fixed cost % to obtain a price and margin advantage

We are aiming to decrease our fixed costs as a % of sales through:

Increasing scale

Given that we do not have physical store costs, our fixed cost base will naturally be leveraged across a greater scale, significantly reducing fixed cost % as revenue increases

AI benefits specific to an online business

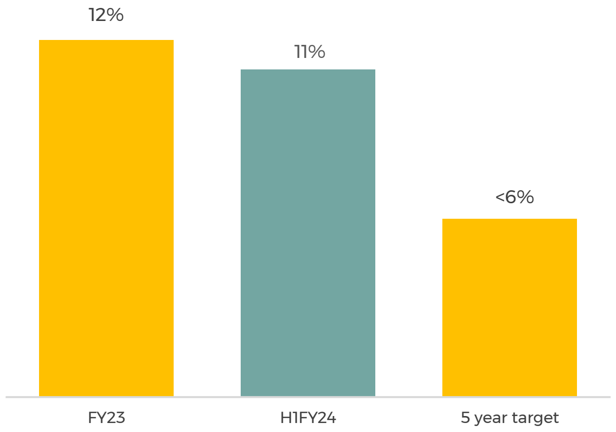
Most areas in our business can be, and will be, materially disrupted by AI (customer care, operations, product development, tech, back office, etc.). Offline retailers have limited upside in their cost bases as a result of AI (staff and lease costs cannot be minimised).

Why is this a competitive advantage?

A lower fixed cost % allows us to pass on cost base benefits to customers through better pricing and promotions, further differentiating our value proposition from our offline peers. Over time, this will lead to margin benefits as operating leverage translates into bottom line profitability.

We are progressing well with our goal to decrease our fixed costs as a % of sales

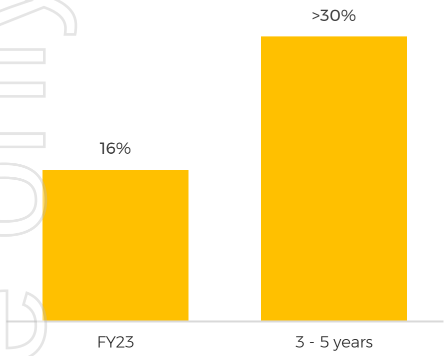
Fixed costs (wages and overheads as a % of sales)



05 Build scale through adjacent growth plays

Building out current and future growth plays will diversify our revenue mix

Group revenue from growth plays beyond our core B2C furniture & homewares market ($m)



Current Growth plays

Trade & Commercial and Home Improvement

Current + future growth plays

(Future plays to be scoped e.g., international, other adjacent categories, advertising revenue)

Growth plays will leverage the Group's core capabilities while adding scale

- Our growth plays will (and do) leverage core capabilities of the Group (e.g. brand; customer base; technology; data; sourcing; operations/logistics)
- We look at adjacent categories (home improvement); new customer channels (B2B); new revenue lines (advertising) or new markets (international)
- These growth plays significantly increase our Total Addressable Market and allow us to gain operating leverage in our fixed cost by leveraging people and platforms
- We will also look to inorganic options to accelerate these growth plays if there is a strong strategic case to do so
- The Trade & Commercial market is a high margin, fragmented, multi-billion-dollar market
- The Home improvement market is a +$20b market with low e-commerce penetration with no online-only dominant market player

OUR PROGRESS TO DATE

Trade & Commercial (B2B)

- The B2B division achieved $23m in revenue at a 23% growth in H1 (9% contribution)
- Our investment in future capabilities continued during H1 with targeted brand and marketing efforts within growth sectors such as Accommodation
- Additionally, we are finalizing our exclusive commercial furniture range (Designers Edit), specifically catering to interior designers, with an anticipated launch in Q4

Home Improvement

- The Home improvement division achieved $14m in revenue at an 18% growth rate (6% contribution)
- This is a strong result given we were focusing on one website in the half vs two sites in the pcp (Temple & Webster and The Build). The merger has improved profitability of the category given a 15% reduction in our marketing cost as a % of revenue yoy
- Successfully launched a Private label collection of tapware (ceiling fans, cabinets, vanities in development)
- Developed TPW delivery (3rd party) of fragile bulky goods such as stone vanities. ceramic sinks, bathroom mirrors

Scale will help us achieve these strategic priorities

01

Marketing budgets will increase with scale. For example, spending 3-5% of revenue on brand marketing at $1b+ in annual sales equates to a healthy annual brand awareness budget of $30-50m.

Top-of-mind brand in the category

02

More data leads to better predictions of best sellers for private label and our drop-ship partners. Scale leads to minimum order quantity thresholds being met across key ranges.

Majority of revenue from exclusive products

03

Scale allows us to increase investment in people, capabilities and platforms. Data lake sizes improve accuracy of algorithm predictions.

Leading capabilities around data, AI, technology

04

Given that we do not have stores, our fixed cost base will naturally be leveraged across a greater scale, significantly reducing our fixed cost %.

Fixed cost <6% resulting in a price and margin advantage

05

Scale allows us to increase investment in new growth plays and provides greater leverage for those growth plays to gain share faster.

30% of revenue through adjacent growth plays

H1 FY24 Financial Results

Taking market share and increasing profit

A$m	H1FY23	H1FY24
Revenue	**207.1**	**253.8**
Cost of Goods Sold	(141.8)	(169.3)
Gross Margin	**65.3**	**84.5**
	31.5%	*33.3%*
Warehouse	(3.5)	(3.7)
Delivered Margin	**61.8**	**80.8**
	29.9%	*31.8%*
Marketing	(24.4)	(40.8)
Customer Service & Merchant Fees	(6.1)	(5.4)
Contribution Margin	**31.2**	**34.6**
	15.1%	*13.6%*
Employment costs	(15.0)	(17.2)
Other	(7.8)	(8.3)
Adjusted EBITDA	**8.5**	**9.1**
	4.1%	*3.6%*
Share Based Payments	(1.2)	(1.6)
EBITDA	**7.3**	**7.5**
	3.5%	*2.9%*
Depreciation & Amortisation	(2.3)	(2.9)
EBIT	**5.0**	**4.6**
	2.4%	*1.8%*
NPBT	**6.0**	**6.4**
	2.9%	*2.5%*
NPAT	**3.9**	**4.1**
	1.9%	*1.6%*

P&L labels have been adjusted to align with the financial statements.

- Revenue growth of 23% for the half (25% pre accounting adjustments, such as deferred revenue and refund provisions)
- Gross and delivered margin % increases were driven by improved shipping recovery, decreased refunds/replacement costs and mix gains as customers shift spend into lower discretionary/higher margin categories (ie. bedroom, dining, living room furniture)
- Suppliers continue to fund +90% of (drop-ship) promotions
- Incremental delivered margin gains are being reinvested into marketing, both digital and brand (brand investment was ~$3m for H1), to drive revenue growth and brand awareness
- Customer care costs are down +30% yoy as a result of AI efficiencies
- Contribution margin $'s were higher yoy, even after the brand investment
- Fixed costs as a % of revenue were down from 11.6% in H1FY23 to 10.7% in FY24 as a result of measured fixed cost investments being outpaced by revenue growth, in line with our goal to reduce fixed costs as a % of revenue below 6%
- EBITDA $ were up 3% yoy with an EBITDA margin of 2.9% which is at the high end of guidance (1-3%)

Cost of goods sold includes the shipping costs incurred on delivery of products to customers of $37,311,000 (H1FY23: $29,129,000). This was a change in presentation during the half-year ended 31 December 2023. The comparative prior half-year balances were also updated in line with this change in presentation.

Balance sheet continues to strengthen

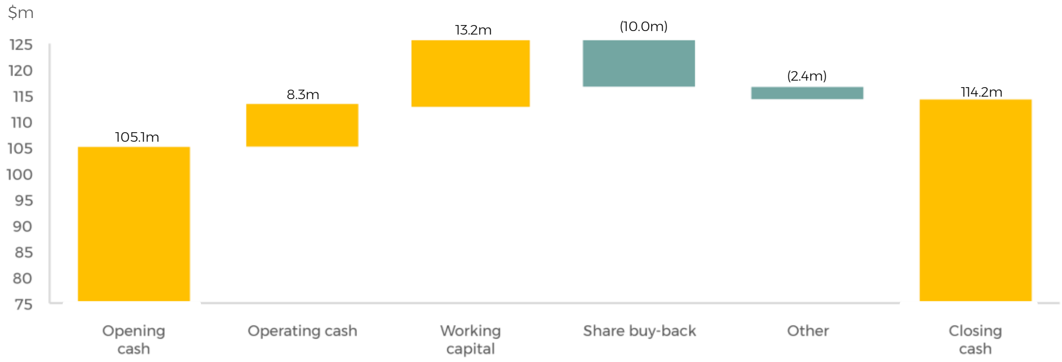
A$m	30-Jun-23	31-Dec-23
Assets		
Cash & Cash Equivalents	105.1	114.2
Inventories	18.1	21.6
Income tax receivable	0.3	0.0
Other current assets	6.4	4.6
Intangibles, (inc. goodwill)	8.0	8.0
Right-of-use assets	24.6	23.4
PPE	7.0	6.5
Deferred tax assets	18.2	22.4
Investment in Renovai	3.0	5.0
Total Assets	190.8	205.6
Liabilities		
Trade payables	34.2	42.5
Deferred revenue	13.7	20.1
Employee provisions	5.3	5.1
Other provisions	4.8	4.9
Lease liabilities	25.0	24.4
Income tax payable	0.0	0.7
Total Liabilities	83.0	97.7
Net Assets	**107.7**	**107.9**
Equity		
Contributed capital	114.5	104.5
Reserves	9.1	15.2
Retained earnings	(15.9)	(11.7)
Total Equity	**107.7**	**107.9**

Balance sheet remains strong with a closing cash balance of $114m and no debt

Net cashflow of $19m (before share buyback of $10m throughout H1) as a result of the first half profit result and the benefits of the group's asset light/negative working capital model

Current balance sheet position can fund organic and inorganic plans with optionality to return surplus capital to shareholders in the absence of more accretive options

Operating cash flow waterfall



Investment in Renovai includes investment in equity & convertible notes. See notes 14 and 15 in the financial statements for further details.

FY24/25 financial profile will enable growth and further share gains

- Having cycled COVID-19 impacted periods, we are returning to our growth strategy as the category disrupter
- **FY24/25 will be focused on high growth, market share gains and building on our strategic priorities**
- FY24/25 will include an additional 2-3% of revenue invested into marketing, spread across brand and performance channels to increase awareness and market share
- We will also be investing in our current and future growth plays
- Our strong balance sheet (+$100m cash, no debt) gives us the flexibility to focus on growth vs profit in FY24
- EBITDA margins to start incrementally building from FY26 towards our long-term EBITDA margin of +15%

T&W Group	FY23	FY24/25	Long Term	Longer-term assumptions
Revenue	100%	100%	100%	
Delivered Margin (after distribution costs)	**30.8%**	**30-31%**	**>33%**	**Scale benefits with suppliers, private label/made-to-order share increases, improved logistical efficiencies, and AI efficiencies**
Customer service staff & Merchant fees	2.8%	2-3%	<2%	**AI to materially disrupt this cost line**
BAU Marketing costs	12.2%	12%	<11%	**Repeat orders grow to 80%+ total business (which run at a lower marketing cost)**
BAU Contribution Margin	**15.8%**	15-17%	**>20%**	
Fixed costs	12.1%	11-12%	<6%	**AI to materially disrupt this cost line**
BAU EBITDA Margin	**3.7%**	**3-6%**	**+15%**	
FY24/FY25 marketing investment		*2-3%*		
FY24/FY25 EBITDA Margin inc. marketing investment		*1-3%*		

Trading Update & Outlook

Trading update & outlook

- The 2nd half of FY24 has started strongly with revenue from the 1st January to the 11th February up 35%[1] yoy.

- Growth is being driven by both first-time customers and repeat customers, which led to us crossing the 1 million Active Customer mark in February this year.

- Our strategy as the category leader, capitalising on a once in a generation structural tailwind driven by increasing online penetration remains unchanged.

- At $1b+ in annual sales, we believe our strategic moats around our range, brand awareness, data & AI capabilities, fixed cost % and new growth plays will be firmly entrenched. At this point we will leverage the significant scale benefits that follow.

- The group's $30m on-market buyback will continue to improve shareholder returns in the absence of more accretive opportunities, with 4.2m shares bought back at a total cost of $22.3m to date.

- We remain committed to our longer-term goal of becoming Australia's largest retailer of furniture and homewares.

[1]*Revenue growth is based on checkout revenue which is pre accounting adjustments (deferred revenue and refund provision).*

Q&A

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