TEMPLE & WEBSTER

FY23

Annual General Meeting

29 NOV 2023

TPW's Acknowledgement of Country

Temple & Webster Group acknowledges the Traditional Owners and Custodians of Country throughout Australia.

We recognise their enduring connection to the lands, the waterways, and the skies. We acknowledge the Gadigal and Wangal people, on whose lands our corporate head office is located, as well as all other First Nation Countries we operate across.

We pay our respects to Elders past, present and to all Aboriginal and Torres Strait Islander peoples.

Tharawal Country
Royal National Park, New South Wales

Chair's Report

Stephen Heath

FY23 Summary – Within guidance, back to growth

FY23 EBITDA within guidance

- FY23 revenue $396m, retained ~90% of COVID-19 revenue
- FY23 EBITDA margin 3.7% (within guidance of 3-5%)
- H2 FY23 EBITDA up 80% vs H2FY22
- FCF of $17.0m (before share buyback and Renovai investment)

Business back to growth

- The business is back to growth since Q4, driven by growth in both repeat and first-time customers

Well-positioned to capture market share

- Leading pure play online retailer for furniture & homewares in Australia
- $105m cash, profitable, negative working capital
- Building strategic moats around range, brand, data, technology and artificial intelligence

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

FY23 Revenue	**$396m**
FY23 EBITDA	**$14.8m**
FY23 EBITDA Margin	**3.7%**
Cash Balance at 30 June 2023	**$105m**

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 experience & customer service

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**

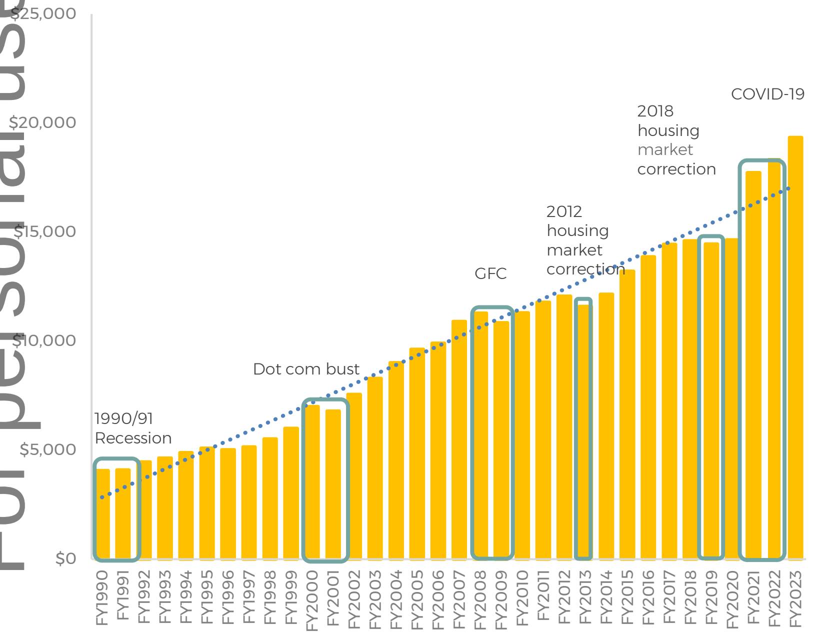
05 **Build scale through adjacent growth plays**

OUR GOAL

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

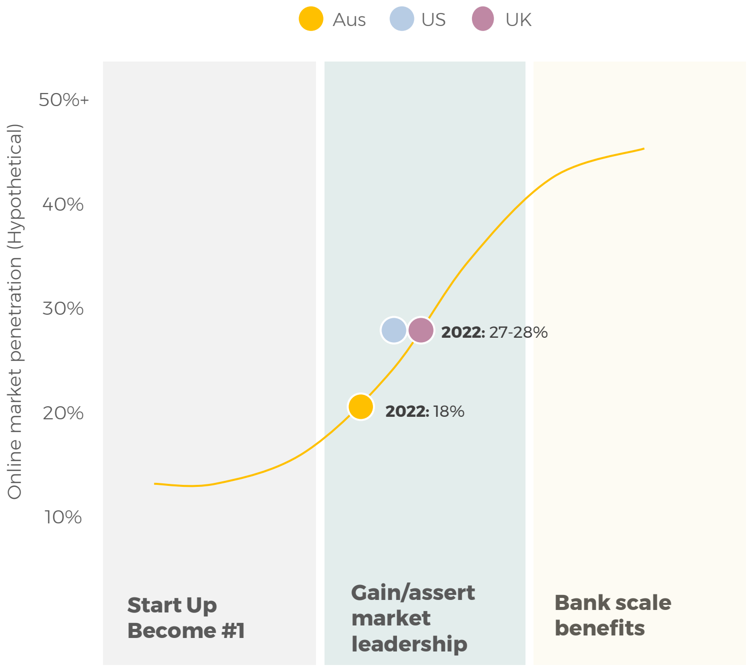
The furniture and homewares market has proven to be resilient with strong fundamentals

The **~$19b** furniture and homewares market is stable and has shown steady growth, even through periods of high interest rates, high inflation, recessionary periods and housing market declines



Source:, ABS Retail Sales data

Australian market lags international peers



Source: Euromonitor 2023 Home and Garden for CY22

Board composition

Stephen Heath – Independent NED, Chair

- Specialist in consumer goods brand management; over 25 years of experience across manufacturing, wholesale distribution and retail
- Previously CEO of brands including Rebel Sport, Godfrey's and Fantastic Holdings

Belinda Rowe – Independent NED & Chair of N&RC

- Experienced business leader and marketing executive, who previously led media and marketing communications businesses for Zenith and Publicis Media, and led brand and marketing communications at Telefonica O2 in the UK
- Previously CEO of ZenithOptimedia AU & NZ and Chair of the Advertising Council Australia

Mark Coulter – Managing Director and CEO

- Co-founder of Temple & Webster, involved as an advisor to the Group since inception
- Previously worked at News Limited where he was Director of Strategy for the Digital Media properties and managed a portfolio of businesses including Moshtix, a digital ticketing company

Conrad Yiu – NED, Deputy Chair

- Co-founder of Temple & Webster, joined the Board on its formation in 2011 and Chair until IPO
- Over 25 years' commercial and advisory experience with a focus on investing in, acquiring and building high growth businesses in the consumer and technology sectors

Melinda Snowden – Independent NED & Chair of A&RC

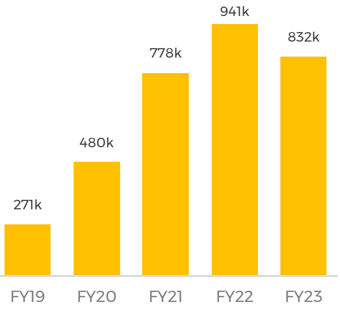
- Joined the Group in June 2023, has extensive experience in legal and corporate advisory roles, as well as on listed Boards in technology, retailing, property and funds management
- 29 years of experience in finance, including investment banking roles with Grant Samuel, Merrill Lynch, and Goldman Sachs

CEO’s Report

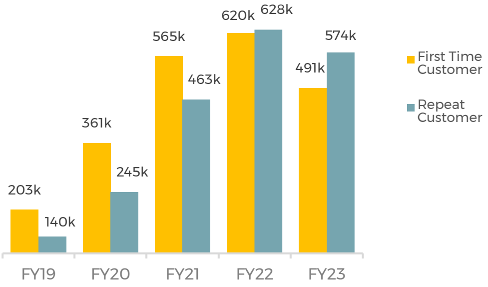
Mark Coulter

FY23 Key Performance Indicators

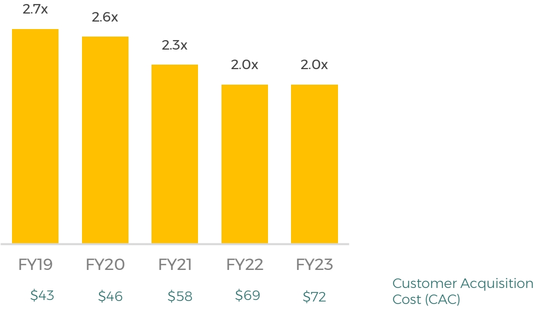
ACTIVE CUSTOMERS RETAINED ~90% OF PEAK COVID-19 NUMBERS



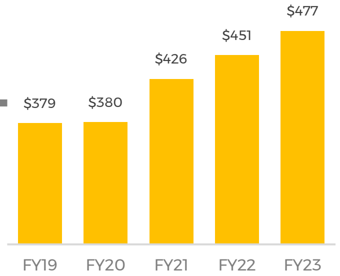
54% OF CUSTOMERS ARE REPEATING CUSTOMERS



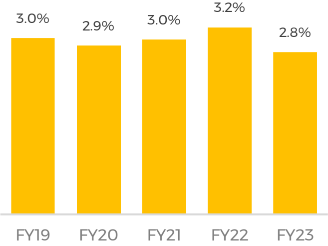
MARKETING ROI[1] IS HOLDING AND ALLOWS ROOM FOR GROWTH INVESTMENTS



REVENUE PER ACTIVE CUSTOMER[2] UP 6%

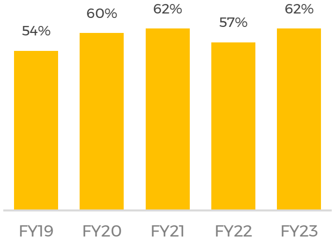


AVERAGE CONVERSION[3] RATE REMAINS HIGH



CUSTOMER SATISFACTION REMAINS ONE OF THE STRONGEST IN THE CATEGORY

Net Promoter Score = Score from -100% to 100%



[1] *Marketing ROI = Margin $ / CAC*
Margin = Revenue per active customer as at 30 June 2023 x delivered margin % for FY23
CAC = Total marketing spend for FY23 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 FY23

[2] *Revenue per active customer = Last 12 months revenue divided by active customers.*
[3] *Average conversion rate is the total number of unique visits over a 12-month period divided by the total number of transactions*

Targeting $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*

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 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

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%*		

We are committed to making the world more beautiful

Carbon & energy management
- Committed to reducing carbon emissions by 45% by 2030
- Invested in Australian Carbon Credit Units from projects which established native forests through human induced regeneration in Eastern Australia
- Started procuring renewable energy for our head office, which will constitute 25% of our total power usage

Advancing reconciliation
- Acknowledgement of Country rolled out across all communications
- Launched a NAIDOC week campaign to showcase First Nations artists
- In FY23 we submitted our Reflect Reconciliation Action Plan for endorsement

Supporting our people & communities
- Continued employee development through Learning Management System – a centralised hub for all training and learning content
- Continued focus on employee mental health, offering daily mindfulness in our Wellness Room
- In FY23 we became members of Diversity Council Australia and established an internal Diversity, Equity and Inclusion Committee

Responsible sourcing
- We are committed to meeting Australia's 2025 National Packaging Targets
- Our procurement teams work with suppliers to offer more products that have been responsibly and ethically sourced and certified
- We submitted our first annual report as a member of the Australian Packaging Covenant Organisation (APCO)

Customer data, privacy and security
- Committed to the implementation and certification of ISO 27001:2022 - an internationally recognised Information and Data Security Standard
- Implemented a zero-trust cyber security architecture
- Continued to invest in technical security controls and information security resources

Trading update & outlook

- The year has started strongly with sales from the 1st July to the 27th November up 23% year on year. Q2 has seen an acceleration of growth with revenue up 42% year on year (1st October - 27th November), which in part has been supported by the launch of our above-the-line brand campaign in Syd, Mel & Bris, which commenced on the 22nd October.

- The Black Friday-Cyber Monday trading period continues to grow in importance as customers bring their Christmas shopping forward. This year the 4-day period delivered $17.4m in sales, up 101% on last year, and included multiple record days.

- We continue to grow our market share at a time when the overall furniture and homewares market is down, reflecting the resilience of our business model and flexibility of our merchandising strategy. Growing our market share is a key strategic focus, which supports our goal of becoming Australia's largest retailer of furniture and homewares.

- Our $30m on-market buyback has bought back 3.9m shares at a total cost of $19.9m to date. Our cash balance remains above $100m which provides significant flexibility to accelerate both organic growth and potentially inorganic opportunities.

- We reaffirm our EBITDA margin guidance for FY24.

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

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