# Temple \& Webster Group Ltd ABN 69608595660 

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## ASX Announcement

## 31 August 2020

## Full Year 2020 results Investor Presentation

Temple \& Webster Group Ltd attaches a Full Year 2020 results Investor Presentation.

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

## TEMPLE \& WEBSTER

## FYO Investor Presentation

Mark Coulter CEO Mark Tayler

FY20 Revenue $\$ 776.3 \mathrm{~m}$<br>74\% growth YoY<br>FY20 EBITDA<br>$\$ 8.5 \mathrm{~m}$<br>483\% growth YoY<br>Jun-20 Cash<br>$\$ 38.1 \mathrm{~m}$

## FY19 Revenue $\$ 101.6 \mathrm{~m}$

FY19 EBITDA
$\$ 1.5 \mathrm{~m}$

Jun-19 Cash
$\$ 13.5 \mathrm{~m}$

- H2 revenue up 96\% vs pcp; Q4 revenue up 130\% vs pco
- Temple \& Webster is the online market leader in farniture \& homewares
- Large addressable market with accelerating online adoption
- Business is profitable with strong topline growth and a debt free balance sheet


## Executive Summary

[^0]IBISWorld Industry Report OD4176 Online Household Furniture Sales in Australia.

## Temple \& Webster is the leading online retailer for furniture \& homewares



## Our core furniture and homewares category is a $\mathbf{\$ 1 4 . 6 b}$ market, with accelerating online adoption

Furniture and Homewares Market (AUS)


[^1] is to scale.

Hypothetical adoption curve for online penetration in the furniture \& homewares market: Australia lags US/UK markets


Source: Euromonitor International Limited; Home and Garden system 2019 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

## Demographic and structural changes will drive strong market growth for years to come


2
Structural changes
in our favour

- Offlineexits/store closures
- New consumer habits forming during lock downs
- Faster internet and mobile speeds eg. NBN, 5G
- New market entrants accelerating online shopping take-up eg. Amazon
- New technologies improving experience and conversion eg. augmented reality


## Our strategy is based on range, inspiration and service

## Our Core Belief

## Our Vision

## Our Mission

## Our Strategic Pillars

## Our Coal

- We believe everyone wants to live more beautifully.
- Our vision is to make the world more beautiful, one room at a time.
- Our mission is to deliver beautiful solutions for our customers' homes and work spaces, and for all of our other stakeholders, including suppliers and shareholders.
- We want to be famous for having the biggest and best range in our category, the most inspirational content and services and the best delivery experience \& customer service.
- Our foundations are built on data-driven marketing, world-class technology and exceptional execution by an amazing team.
- We believe if we can deliver the above, Temple \& Webster will become the first place Australians turn to when shopping for their homes and work spaces.


## Active customers up 77\% year on year




## Customer metrics remain strong



## Market leadership and scale are leading to market share growth



## H2 was focused on scaling the business while keeping a high level of customer satisfaction



We grew our customer satisfaction scores to our highest levels while adding record volumes of first time customers


## We continue to innovate our digital offering


iOS Mobile app has launched into the app store providing a faster, better shopping experience


Data integration with our main freight carriers to enable full end to end tracking of deliveries, and enable proactive issue resolution


Al generated room idea collections helping customers to navigate our huge range and complete their looks (coming)

## Our Trade and Commercial (B2B) division had a great year despite the challenging conditions

Trade \& Commercial grew revenue by 68\% yoy, despite facing a challenging second half


We continue to improve our service model, including the expansion of styling and install services to QLD. Repeats are growing strongly


We have set up sector specific teams and increased our range of trade specific products. For example, our developer focused team has launched complete design and install package solutions for display suites and furnished apartments

Display Home Staging


## Apartment staging



## Drivers to continue growing market share from a position of strength

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

Expand digital capabilities: data, personalization, Al, augmented reality

Increase brand awareness from 35\% to $+80 \%$ through digital and non-digital channels

Add inspirational content and service: video; 3D; ARNR; design help

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

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

## FY20 Financial Results

Mark Tayler CFO

## We are pursuing a high growth strategy

## Short-mid term

|  | Short-mid term | Longer term |
| :---: | :---: | :---: |
|  | High growth / win the market | Leverage scale / grow profit |
| Revenue | - Market leader takes a disproportionate share of accelerating online penetration <br> - Pursue organic and inorganic growth opportunities | - Continue to take advantage of longer-term online market penetration |
| Contribution margin | - Focus on growing contribution dollars (versus contribution margin \%) <br> - Use price, promotions, marketing to deliver high growth | - Leverage scale and strategic moats to grow contribution margin \% <br> - Smarter pricing; better supplier terms due to scale; higher brand awareness |
| Fixed Costs | - Invest in longer term growth plays e.g. Trade \& Commercial and mobile app <br> - Invest in capabilities to build strategic moats around business e.g. technology, brand awareness, delivery experience, size of catalogue, private label range, data and personalisation <br> - Continue to manage fixed costs base tightly | - Slow investment in fixed costs <br> - Take advantage of operating leverage in our business model <br> - Disciplined investment in next horizon growth businesses (e.g. international expansion) |

[^2]- Focus on growing profit \$
- Focus on growing profit \$ and \%


## Profit and loss



- Revenue growth for the year vs pcp was $74 \%$ with H 2 delivering growth of $96 \%$ vs pcp and Q4 $130 \%$ vs pcp
- Delivered margin (gross margin after distribution costs) remains on target at ~30\%
- Marketing spend as a \% of revenue increased YoY driven by a (pilot) Free-to-air (Syd, Mel, Bris) \& National Foxtel TV campaign run May/June
- Contribution dollars grew $67 \%$ to $\$ 27.0 m$, with contribution $\%$ remaining within internal targets ( $\sim 15 \%$ )
- Operating leverage being driven by tight management of fixed costs, now at 10.5\% of revenue vs 14.5\% LY (incl share based payments)
- As a result, EBITDA for the year grew by $483 \%$ to $\$ 8.5 \mathrm{~m}$ ( $\$ 9.4 \mathrm{~m}$ excluding non-cash share-based payments)
- NPAT result of $\$ 13.9 \mathrm{~m}$ which included an income tax benefit of $\$ 5.9 \mathrm{~m}$ (last year $\$ 3.8 \mathrm{~m}$ and $\$ 2.8 \mathrm{~m}$ respectively)


## High growth strategy is already translating into operating leverage

|  | FY17 | FY18 | FY19 | FY20 |
| :---: | :---: | :---: | :---: | :---: |
| Revenue | 100\% | 100\% | 100\% | 100\% |
| Gross Margin | 42.7\% | 44.1\% | 44.6\% | 44.6\% |
| Delivered Margin (after all distribution costs) | 27.6\% | 31.0\% | 30.1\% | 30.6\% |
|  <br> Merchant Fees | 4.7\% | 3.3\% | 3.3\% | 3.3\% |
| Advertising Costs | 12.6\% | 11.3\% | 10.9\% | 11.9\% |
| Contribution Margin | 10.3\% | 16.4\% | 15.9\% | 15.3\% |
| Fixed Costs (ex share based payments) | 20.3\% | 16.1\% | 13.4\% | 10.0\% |
| Adjusted EBITDA | (10.0\%) | 0.3\% | 2.5\% | 5.3\% |

Despite investment into the below capabilities, fixed costs as a \% of revenue continues to decrease;;

- Technology \& data
- Mobile App
- Trade \& Commercial
- Private Label
- Logistics


## Capital light/cash flow positive business model



- Strong balance sheet position with no debt
- Closing cash balance of \$38.7m which excludes proceeds from recent \$40m placement
- Cash flow positive year $+\$ 24.6 \mathrm{~m}$ was driven by the positive EBITDA result and benefits from the group's cash flow positive business model
- Inventory and creditor metrics (WOC/DPO/Ageing profile) all continue to track within target ranges


## Closing cash by half

$\$ 000$


[^3]
## Tradingupdate \& outhook

## FY21 has started strongly:

- Revenue up $161 \%$ through to the $27^{\text {th }}$ August vs pcp
- Contribution margin remains $>15 \%$
- EBITDA for July \& August (2-month period) of $\mathbf{\$ 6}$ m
- Cash at $27^{\text {th }}$ August $\$ 81 m$ with no debt
- Customer satisfaction remains at record levels

Temple \& Webster is committed to a high growth strategy to take advantage of the structural shift towards online, capitalising on both organic and inorganic opportunities.

This strategy supports Temple \& Webster's stated goal of becoming the first place Australians turn to when shopping for their homes and work spaces.


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[^0]:    Sources: Euromonitor International Limited; Home Furnishings and Homewares System 2019 edition.

[^1]:    Source: Euromonitor International Limited; Home Furnishings and Homewares System 2019 edition. Sales in 2019 in retail value (inc. sales tax), current terms, and

[^2]:    Profit

[^3]:    For comparability purposes, both current and comparative periods include the impact of the new accounting standard AASB16 Additional stock in transit and accrued payables of $\$ 0.7 \mathrm{~m}$ were recognised in the balance sheet in the comparatives.

