TEMPLE & WEBSTER

FY23 Investor Presentation

Mark Coulter CEO
Mark Tayler CFO

FY23 within guidance, business back to growth

FY23 EBTIDA 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
- FY24 has started strongly, with trading up 16%[1] year on year (YTD to August 13)

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, 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

FY23 Revenue $396m

FY23 EBITDA $14.8m

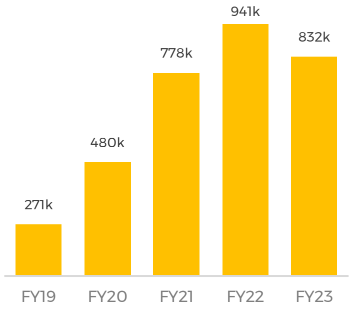
FY23 EBITDA Margin 3.7%

Cash Balance at 30 June 2023 $105m

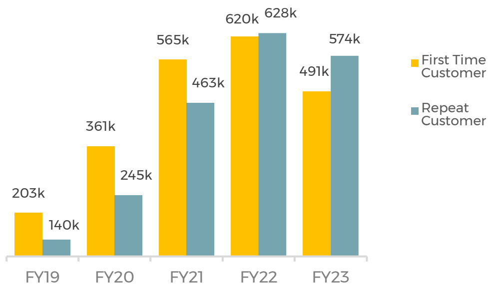
[1]Revenue growth is based on checkout revenue which is pre accounting adjustments (deferred revenue and refund provision).

FY23 Key Performance Indicators

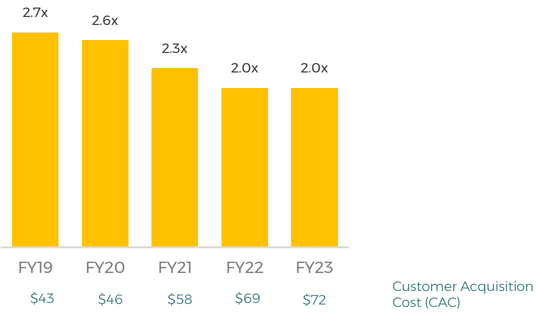
ACTIVE CUSTOMERS RETAINED ~90% OF PEAK COVID-19 NUMBERS



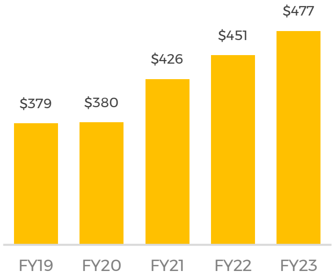
54% OF CUSTOMERS ARE REPEATING CUSTOMERS



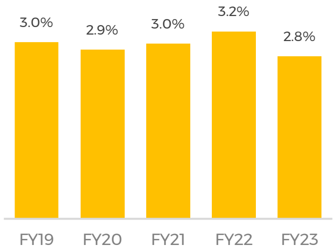
MARKETING ROI[1] IS HOLDING AND ALLOWS ROOM FOR GROWTH FOCUS



REVENUE PER ACTIVE CUSTOMER[2] UP 6%

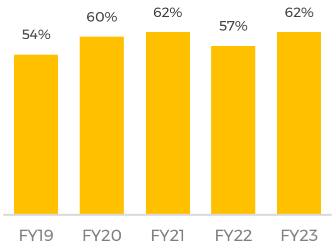


AVERAGE CONVERSION[3] RATE REMAINS HIGH



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 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%) • 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 experience & customer service

OUR 3-5 YEAR STRATEGIC GOALS

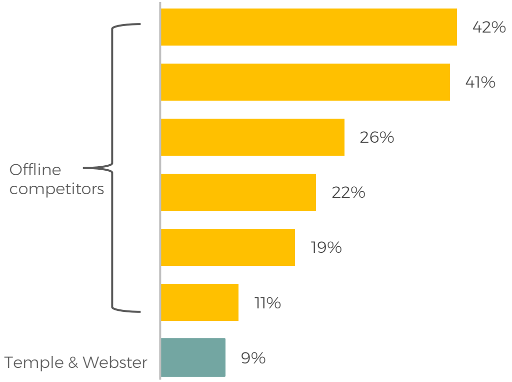
01	02	03	04	05
Become the top-of-mind brand in the category	**Majority of revenue from exclusive products**	**Leading capabilities around data, AI & technology**	**Lower fixed cost % to obtain a price and margin advantage**	**Build scale through adjacent growth plays**

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 and homewares[1]



Source: Lucid (Hub Consulting) Temple & Webster Brand Tracker - April to June 2023
Excludes multi category dept stores/discount retailers

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 new 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

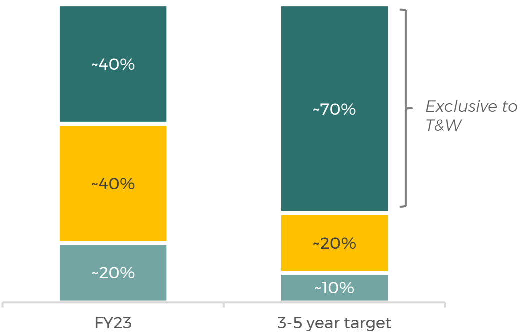
We will be investing in brand marketing from FY24 onwards

- Builds upon early successes in previous brand marketing trials (TV during 2020/2021 and out of home in 2023)
- New CMO joined June 2023
- In FY24, we will be launching an integrated multi-channel, above-the-line campaign approach to grow our brand equity
- We will continue to invest in other direct and organic traffic channels. For example, in FY23, using AI assisted keywords on content pages delivered a 50% improvement in ranking for most of the targeted keywords; and revenue from personalized category affinity emails increased 350% through smarter targeting

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 our 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

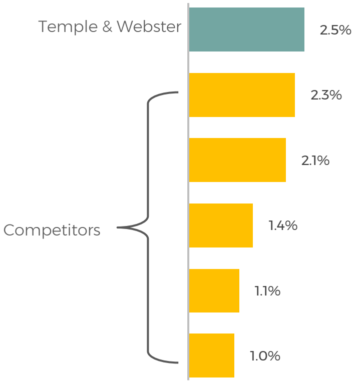
In FY24 and beyond we will be investing in our buying and sourcing capabilities

- Invest further in local and offshore sourcing teams
- Add more product development capabilities (e.g., industrial designers)
- Continue to explore new product development process using data/AI
- Support our drop-ship partners with data and design trends and negotiate exclusivity as we scale

03 Leading capabilities around data, AI, technology

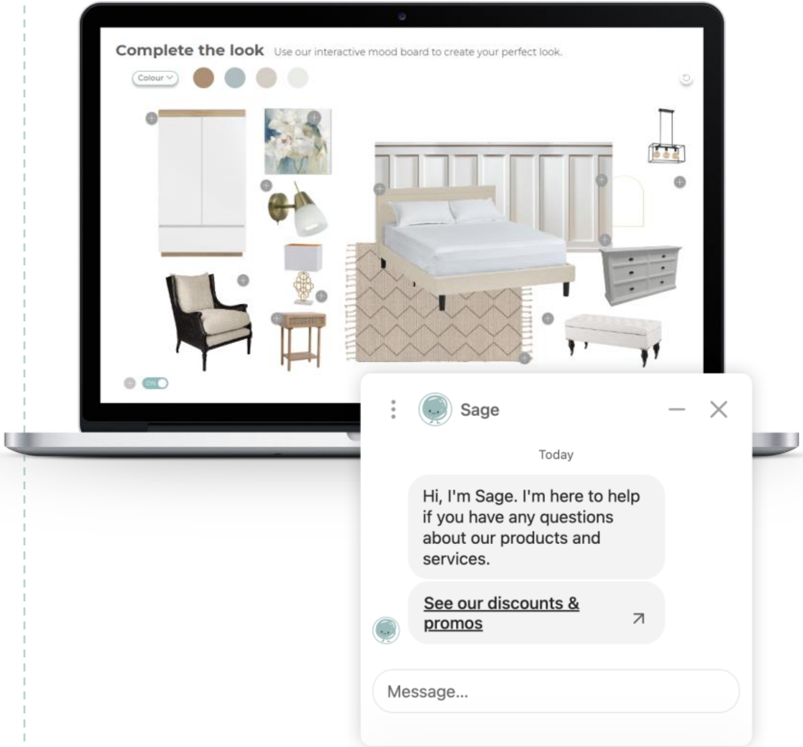
We have the leading conversion rate out of the large retailers dedicated to the home within Australia

Monthly Conversion rate, June 2023



Source: Similar Web, June 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



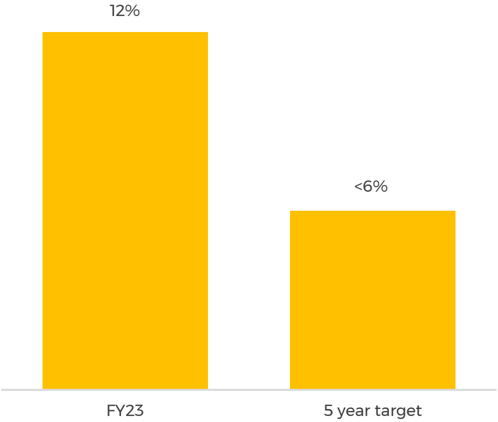
- **Renovai** (Israeli R&D team) **delivering global leading AI products** e.g., AI generated personalised mood boards
- We have **increased our investment in Renovai** maintaining our exclusivity within Australia/NZ
- **Our internal team of data scientists**, engineers and product managers have been **applying AI throughout the business during FY23**

- 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)
- FY24 targeting all first-time care interactions, logistics routing and exception handling, pricing and promotions

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

We are aiming to significantly decrease our fixed costs as % of sales

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



We will lower our fixed costs through;

Increasing scale

- Given 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

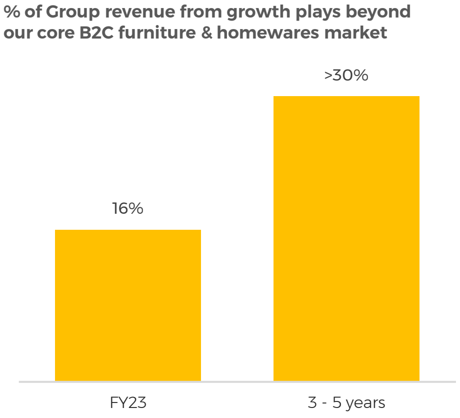
- Most areas in our business can be, and will be, materially disrupted by AI (customer care, operations, product development, tech, back office etc.) Offline retailers have limited upside in their cost bases as a result of AI (staff and lease costs cannot be minimised). In FY23 we lowered our customer care and operations overhead costs from 3% of sales (FY22) to 2.5% of sales
- Material inroads already made in customer care and content team activities (see page 8)

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

05 Build scale through adjacent growth plays

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



Current Growth plays

Trade & Commercial (B2B) – FY23 Revenue $38m/10% of Group

Home Improvement – FY23 Revenue $23m/6% of Group

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
- Growth plays 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

In FY24 we will be investing in B2B and Home Improvement

Trade & Commercial (B2B)

- Multi-billion-dollar market, high margin, fragmented market
- Priorities are to add to commercial only ranges through product design and exclusive sourcing
- Build out sales capabilities (people, platforms, processes)
- Target accommodation, residential (eg retired living), SME office
- Invest in trade marketing

Home Improvement

- ~$20 billon market (in-scope products)
- Low e-commerce penetration (~4% of category is sold online)
- No online-only dominant market player
- *See next page for more details*

05 Temple & Webster has emerged as the best brand/site to sell Home Improvement

“The Build” has successfully launched the Group into Home Improvement

- The Build was a pilot site to launch our Home Improvement offering (range was replicated on Temple & Webster)
- $23m Group Home Improvement revenue in first full year of operations

Temple & Webster has emerged as the best brand to sell Home Improvement

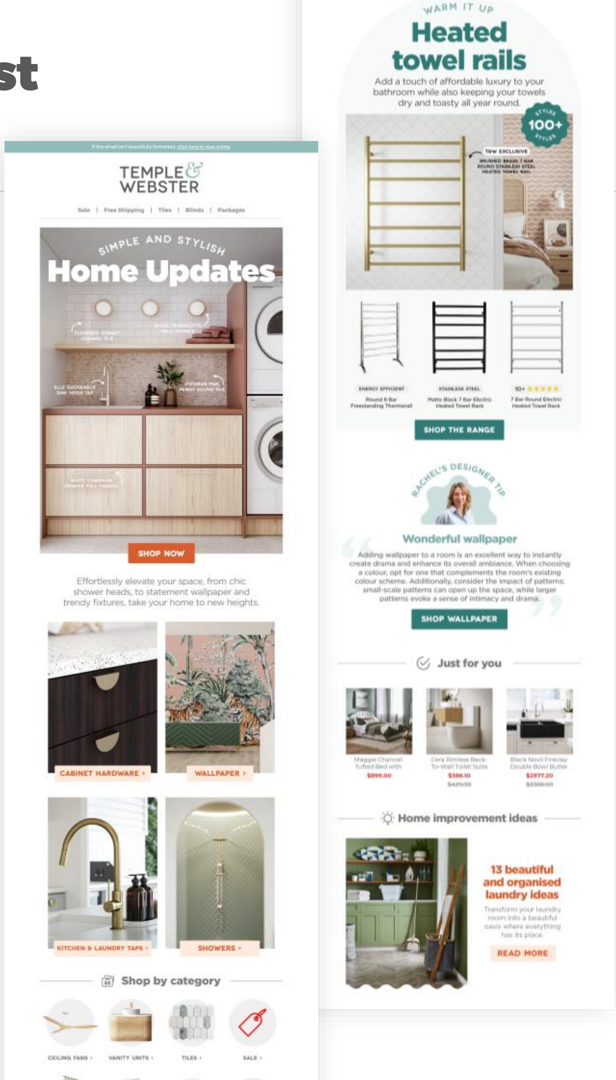
- 80% of sales in category falling on www.templeandwebster.com.au
- Higher conversion rate and lower CAC on T&W vs The Build
- Home improvement is one of the fastest growing categories on T&W

Home improvement investment will be deployed onto Temple & Webster

- The Build team and marketing budget have been redeployed to Temple & Webster
- Single brand focus across Furniture & Homewares and Home Improvement
- Leverages brand awareness, customer base and team of T&W

FY24 key activities

- Build drop-ship range in key areas (e.g., bathroom & kitchen fixtures, lighting, flooring). Launch first private label range
- Build project tools, design help to target larger projects
- Continue to improve service/delivery model (e.g., palletised shipping; install services)



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

FY23 Financial Results

FY23 result within our 3-5% target range, H2 EBITDA up vs LY

A$m	H2FY22	H2FY23	FY22	FY23
Revenue	**191.0**	**188.4**	**426.3**	**395.5**
Cost of Sales	(130.3)	(124.8)	(290.6)	(266.6)
Gross Margin	**60.7**	**63.6**	**135.7**	**128.9**
	31.8%	*33.8%*	*31.8%*	*32.6%*
Distribution	(3.6)	(3.8)	(6.9)	(7.3)
Delivered Margin	**57.1**	**59.8**	**128.8**	**121.7**
	29.9%	*31.8%*	*30.2%*	*30.8%*
Advertising & Marketing	(24.8)	(23.7)	(56.9)	(48.1)
Customer Service & Merchant Fees	(6.8)	(5.1)	(14.1)	(11.3)
Contribution Margin	**25.4**	**31.1**	**57.8**	**62.3**
	13.3%	*16.5%*	*13.6%*	*15.8%*
Wages	(14.7)	(15.0)	(27.9)	(29.9)
Other	(5.5)	(6.7)	(12.0)	(14.5)
Adjusted EBITDA	**5.2**	**9.4**	**17.9**	**17.9**
	2.7%	*5.0%*	*4.2%*	*4.5%*
Share Based Payments	(1.0)	(1.9)	(1.7)	(3.1)
EBITDA	**4.2**	**7.5**	**16.2**	**14.8**
	2.2%	*4.0%*	*3.8%*	*3.7%*
Depreciation & Amortisation	(1.6)	(2.9)	(3.1)	(5.3)
EBIT	**2.5**	**4.6**	**13.1**	**9.5**
	1.3%	*2.4%*	*3.1%*	*2.4%*
NPBT	**2.7**	**5.9**	**13.3**	**11.9**
	1.4%	*3.1%*	*3.1%*	*3.0%*
NPAT	**4.8**	**4.4**	**12.0**	**8.3**
	2.5%	*2.3%*	*2.8%*	*2.1%*

- Q4FY23 saw a return to YoY revenue growth (a period that was not materially impacted by cycling COVID-19 comparisons) and a return to market share gains
- Increases in private label share of revenue and favorable positions with suppliers (+90% of non private label promotions now fully funded by suppliers) improved our delivered margin position from 30.2% to 30.8% for the financial year
- Contribution margin levels were strong at +15.8%, largely driven by delivered margin gains and focusing on proven ROI digital marketing channels (minimal brand spend in FY23)
- Staff costs (wages + customer service) reduced as a % of revenue in H2 vs pcp as a result of leveraging FY21/22 people investments and AI led improvements across customer care
- **Adjusted EBITDA $ (excluding non-cash share-based payments) was in line with FY22, despite the revenue shortfall**
- Full year EBITDA margin result of 3.7% was within our stated 3-5% range with EBITDA for H2 FY23 up 80% vs H2 FY22. This result included an investment of $3.2m in building out our Home Improvement offering, and we will leverage this investment in FY24

Cost of goods sold includes the shipping costs incurred on delivery of products to customers of $55,726,000 (2022:$56,850,000). This was a change in presentation during the year ended 30 June 2023. The comparative prior year balances were also updated in line with this change in presentation.

Positive cash generation, balance sheet strength provides flexibility

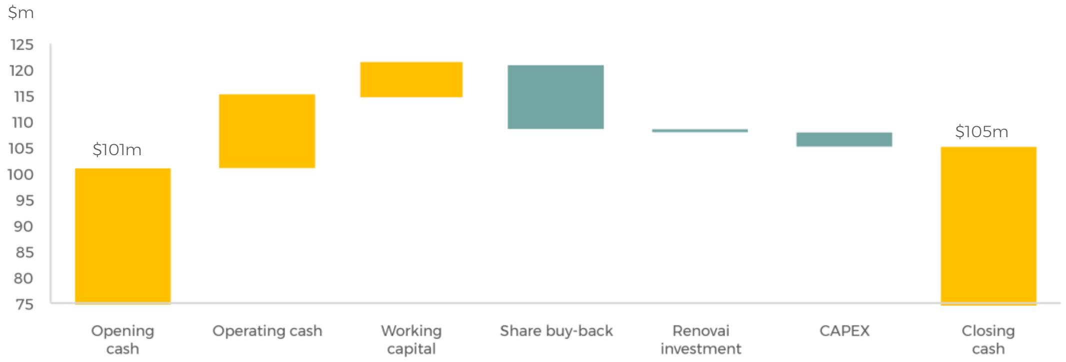
A$m	30-Jun-22	30-Jun-23
Assets		
Cash & Cash Equivalents	101.0	105.1
Inventories	26.4	18.1
Income tax receivable	0.0	0.3
Other current assets	6.0	6.4
Intangibles, (inc. goodwill)	8.1	8.0
Right-of-use assets	5.4	24.6
PPE	6.0	7.0
Deferred tax assets	14.4	18.2
Investment in Renovai	3.1	3.0
Total Assets	170.3	190.8
Liabilities		
Trade payables	36.6	34.2
Deferred revenue	14.1	13.7
Employee provisions	5.5	5.3
Other provisions	4.3	4.8
Lease liabilities	5.1	25.0
Income tax payable	1.9	0.0
Total Liabilities	67.4	83.0
Net Assets	**102.9**	**107.7**
Equity		
Contributed capital	115.8	114.5
Reserves	11.3	9.1
Retained earnings	(24.2)	(15.9)
Total Equity	**102.9**	**107.7**

Balance sheet remains strong with cash levels of $105m and no debt. **FCF of ~$17m** before share buyback ($12.3m) and Renovai investment ($0.6m)

Inventory being managed well; **our negative working capital drop ship (~70%) model** will help fund future private label investment

Current balance sheet position can fund organic and inorganic plans with **optionality to return surplus capital to shareholders (i.e., current buyback)** in the absence of more accretive options

Operating cash flow waterfall



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 positive momentum from Q4 has continued into FY24 with revenue from the 1st July to the 13th August up 16% vs pcp driven by both repeat and first-time customer growth
- We are well positioned to manage near-term macro headwinds, and this environment provides an opportunity to gain market share faster, and more efficiently.
- Our strategy as the category leader capitalising on a once in a generation industry disruption 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.
- Our $30m on-market buyback will continue to improve shareholder returns in the absence of more accretive opportunities, with 2.7m shares bought back at a total cost of $12.3m to date.
- We remain committed to our longer-term goal of becoming Australia's largest retailer of furniture and homewares.

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

Q&A

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