

28 January 2021

Russell Wright | T+02 8288 6900 | E:russell@barclaypearce.com.au

Booktopia Group Limited

Consumer Cyclical

HOLD

BKG A\$2.95 **TARGET PRICE A\$2.80**

Booktopia Group Ltd. operates an online bookstore. It also sells eBooks, DVDs, audiobooks, magazines, maps, calendars, puzzles, stationery, and cards.

Company Data

Number of shares	137.4M
Market Capitalisation	\$ 364.0M
Free float (%)	42.2
12-month high/low	\$2.99/\$2.54
Average Daily Turnover (\$m)	0.0816
% S&P/ASX200	0.02
DDM Ranking	NA
% All Ordinaries	0.02

GICS Industry Group Consumer Cyclical

Source: FactSet, Barclay Pearce Capital

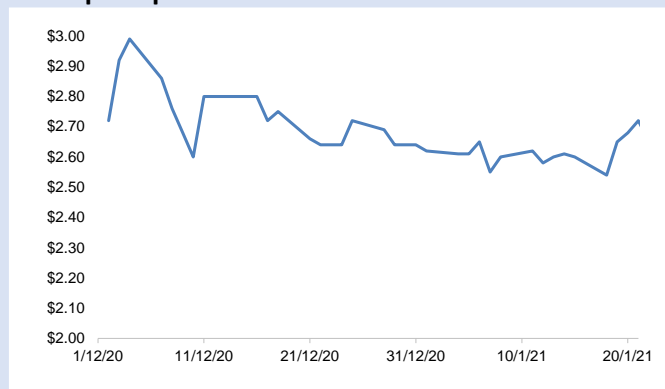
Earnings Summary (AUD)

Year end Adjusted EPS - c	2021F	2022F	2023F	2024F
Revenue (\$M)	226.2	282.1	337.8	434.2
EBITDA (\$M)	15.9	19.1	28.8	43.6
Reported NPAT (\$M)	(6.5)	6.2	12.5	22.7
Adjusted NPAT (\$M)	1.8	6.2	12.5	22.7
Reported EPS (c)	9.1	18.1	38.3	16.5
Adjusted EPS (c - FD)	1.4	4.5	9.1	15.2
Adjusted EPS growth (%)	NA	227.7	102.0	67.9
Adjusted P/E (x)	193.5	59.0	29.2	17.4
Dividend (c/sh)	-	0.0	2.5	4.9
Gross yield (%)	-	0.0	1.3	2.5
Net yield (%)	-	0.0	0.9	1.7
ROIC (%)	6.0	36.1	97.2	-

Source: Barclay Pearce Capital

Barclay Pearce Capital contributes all company estimates to Thomson Reuters, FactSet, Nucleus 195 and Capital IQ.

Share price performance.



Source: FactSet, Barclay Pearce Capital

FY21 Trading Update

On 27th January 2021, Booktopia Group Limited (BKG) provided a trading update for the first half to December 31, 2020 with the following highlights:

- BKG continued to experience strong demand for its products throughout the Christmas period with the recent investment in additional automation and the increased capacity of its distribution centre providing the foundation for a record month and a record half year;
- Strongest December in BKG's 16 year history with approximately 728,000 units shipped during the month and 4.2 million units shipped in the first half (H1 FY20: 3.0 million); and
- 506% increase in EBITDA (adjusted for IPO costs) to \$8.0 million (H1FY20: \$1.3 million);
- The increase in trading volumes compared to the previous year are consistent with other online retailers and a continuation of the shift towards online shopping experienced throughout 2020; and
- The Board and Management are cognizant of the ongoing uncertainty around further COVID-19 lockdowns and the success of the vaccine rollout, both in Australia and internationally, and first half performance should not be seen as an indication of the potential full year result.

"The Christmas period saw strong demand from customers. Our investment in additional capacity and automation allowed us to meet customer orders in a timely fashion and ensured we were able to have the biggest December in the history of the company. We are confident the momentum and growth we experienced in 2020 should continue throughout the year and beyond and as a result the business is on track to meet forecasts provided in the company's prospectus. The first stage of the company's \$20 million expansion and automation project at the Lidcombe Distribution Centre in Sydney was completed in November and increased outbound capacity from 30,000 units to 60,000 units per day," says Tony Nash, CEO of BKG.

Earnings changes

For H1 of FY21, BKG reported a revenue increase to \$113 million and an EBITDA increase to \$8.0 million. Hence, we expect an increase of 8.5% for revenue for FY21 and 5% for future periods. EBITDA is expected to increase by 55% for FY21 and 30% for future periods.

Valuation

We are initiating on BKG with a 12-month price target of \$2.80 and a HOLD recommendation. The price target is underpinned by our Valuation.

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Barclay Pearce Capital provides research services to its client. Mr Wright is General Manager of Research and has over twenty (26) years' experience in the financial services industry, particularly in financial analysis and research report writing. Mr Wright joined the Barclay Pearce team in 2017 where he has been involved in the research and publication of reports. Prior to this Mr Wright worked at a number of entities where he held Director/Head of Research and General Manager of Research positions. Mr Wright holds a Bachelor of Mathematics (Honours) from Edinburgh University and has completed the SDIA Accreditation Program (RG146) through DeakinPrime.

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Hold – Describes stocks that are neither a buy nor underperform.

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NR – The investment rating and price target have been temporarily suspended. Such suspensions are in compliance with applicable regulations and/or Barclay Pearce Capital policies.

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Buy	40.2%	(0.0% of stocks with recommendations are Barclay Pearce clients)
Speculative Buy	0.4%	(100.0% of stocks with recommendations are Barclay Pearce clients)
Hold	19.5%	(0.0% of stocks with recommendations are Barclay Pearce clients)
Underperform	40.0%	(0.0% of stocks with recommendations are Barclay Pearce clients)