

9 February 2022

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Temple & Webster Group Ltd

Retailing

HOLD

TPW A\$8.83
TARGET PRICE A\$8.28

Temple & Webster Group Ltd. (TPW) operates as an online retailer of furniture and homewares. It provides furniture, homewares, home décor, arts, gifts, and lifestyle products from Australian and international designers.

Company Data

Number of shares	120.5
Market Capitalisation	\$ 969.5
Free float (%)	67.1
12-month high/low	\$14.71/\$7.72
Average Daily Turnover (\$m)	4.122369
% S&P/ASX200	0.045%
DDM Ranking	308
% All Ordinaries	0.039
GICS Industry Group	Retailing

Source: FactSet, Barclay Pearce Capital

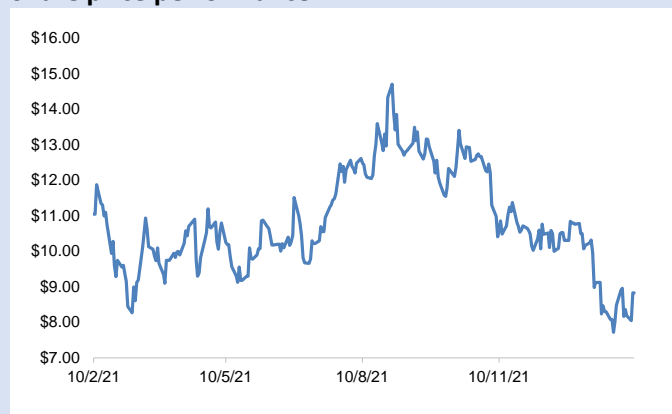
Earnings Summary (AUD)

Year end June	2021A	2022F	2023F	2024F
Revenue (\$M)	326.3	466.1	605.8	775.7
EBITDA (\$M)	20.5	17.8	22.3	32.9
Reported NPAT (\$M)	14.0	12.9	14.6	22.0
Adjusted NPAT (\$M)	14.0	12.9	14.7	21.2
Adjusted EPS (¢ - FD)	10.8	9.7	11.7	17.2
Adjusted EPS growth (%)	-7.9	-19.5	22.4	51.8
Adjusted P/E (x)	74.9	100.2	83.2	56.5
Dividend (¢/sh)	0.0	0.0	0.0	0.0
Gross yield (%)	0.0	0.0	0.0	0.0
Net yield (%)	0.0	0.0	0.0	0.0
ROIC (%)	-1,888.9	-73.7	-67.4	-75.2

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

H1 FY22 Results

On 9th February 2022, Temple & Webster Group Ltd (TPW) announced its H1 FY22 Results with the following highlights:

Financial Highlights:

- H1 revenue of \$235.4m, up 46% compared to FY21 and 218% compared to FY20;
- EBITDA 5.1%, ahead of 2-4% of target range;
- Closing cash balances of \$105m with no debt; and
- Revenue per active customer grew 10%, 6 th consecutive quarter of growth;

CEO, Mark Coulter, said "Temple & Webster remains one of the fastest growing retailers in the country, delivering record revenue of \$235.4m for the half, up 46% on the year before and an incredible 218% on FY20. That means the business has more than tripled in 2 years. Despite all the challenges that COVID continues to throw at the world, including significant disruptions to global supply chains and domestic logistics, Temple & Webster continues to outgrow the market, while keeping our customers very happy."

Other H1 FY22 Highlights:

- Strong supply chain diversity (both drop ship and private label) has enabled consistent trading performance over the COVID impacted period (CY20/CY21);
- Brand awareness grew to 61% with marketing ROI holding above target levels;
- Active customers grew 34% to a total of 906,000;
- Trade and Commercial division grew 49%;
- New home improvement offering growing 95%;
- Investment in AI generated tools is leading to improved conversion and revenue per active customer;
- App metrics continue to improve and are driving higher repeat rates;

Trading Update and Outlook

- The second half of FY22 has started strongly with YoY revenue growth of 26% for the period 1st January to the 6th of February vs. the same period in 2021, and up 161% vs 2020.

Earnings changes

For the half year results, TPW reported EBITDA of \$12.7m. This compares to market expectations of \$10.2m. Also, TPW reported that the second half of FY22 has started strongly with YoY revenue growth of 26% for the period 1st January to the 6th of February vs. the same period in 2021, and up 161% vs 2020. Hence, we expect positive earnings revisions of 10% for FY22 and future periods.

Valuation

We are initiating research coverage on TPW with a 12-month target price of \$8.28 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 (30) years' experience in the financial services industry, particularly in financial analysis and research report writing. Mr Wright joined the Barclay Pearce team in 2021 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.

Conflicts of Interest

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Buy – Describes stocks that we expect to provide a total return (price appreciation plus net yield) of 15% or more within a 12-month period.

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

Underperform – Describes stocks that we expect to provide a total return (price appreciation plus net yield) of less than minus 10% within a 12-month period.

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.

Speculative Buy – Describes stocks we research with a positive bias, whose company fundamentals and/or financials are being covered, but for which there is insufficient information for Barclay Pearce Capital to assign a Buy or Underperform rating.

Free Float (float / current shares outstanding) *100 – This float figure is the number of shares that are available to the public and is calculated by subtracting the shares held by insiders and those deemed to be stagnant shareholders. Stagnant holders include ESOP's, ESOT's, QUEST's, employee benefit trusts, founding shareholder equity stake plus senior management equity stake, corporations not actively managing money, venture capital companies and shares held by Governments.

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Barclay Pearce Capital Recommendation Proportions

Buy	36.6%	(0.0% of stocks with recommendations are Barclay Pearce clients)
Hold	31.6%	(0.0% of stocks with recommendations are Barclay Pearce clients)
Underperform	31.8%	(0.0% of stocks with recommendations are Barclay Pearce clients)