

Booktopia Group Ltd

Booking record profits

Booktopia Group (BKG:ASX) was founded in 2004 and has established a leading position in the Australian online book retailing space operating under the Booktopia, Angus & Robertson and Co-Op brands. BKG stocks ~600k items across ~145k titles, and distributes from a state of the art 14,000sqm distribution centre in NSW. The group listed on the ASX in December 2020, raising \$43m at an issue price of \$2.30/share, with \$18m representing a founder selldown and the balance earmarked for additional DC capacity, working capital and offer costs. In its prospectus BKG estimated it has a 6% share of the Australian book market, and 15% of the on-line market, which currently represents ~36% of the total book market. This online penetration rate is expected to increase in coming years, offering growth for online players in an overall market expected to be flat at best. BKG has started the year strongly with 1H21 revenue +51% on the PCP, delivering underlying EBITDA of \$8.0m before IPO costs. FY21 revenue and EBITDA guidance has been upgraded to \$217.6m (1.7x EV/sales) and \$12.9m respectively (EV/EBITDA of 28x) despite cycling the COVID induced benefits of lockdown for on-line retailers.

Business model

BKG is essentially a retailer with no physical stores, so revenue is generated from the sale of books online. The group believes proprietary algorithms allows it to understand customers better to extract maximum sales value. COGS represent the cost of the books acquired from suppliers and the freight required to deliver this product, with this stock purchased upfront and housed in company owned distribution centres. Operating costs centre around employees, marketing and licenced software. Distribution is not only via the group's websites but also third parties including eBay and TradeMe in New Zealand.

Prospectus forecasts for FY21 upgraded

Recently reported 1HFY21 results have resulted in upgrades to FY21 prospectus forecasts adjusted for IPO costs, with revenue revised +6.4% higher and EBITDA +36% higher to \$217.6m and \$12.9m respectively. Gross margins in 1H21 were 27.2% while EBITDA margins were 7.1%. Post the IPO net cash was \$16.0m, providing ample room for further capacity investment and/or acquisitions. The group continues to invest in automation and software to increase inbound & outbound capacity and process optimisation.

True peers are online only and strong omni-channel retailers

Key peers are online only small to mid-cap retailers that purchase, warehouse and distribute stock themselves, with Adore Beauty (ADR:ASX) and Funtastic (FUN:ASX) front & centre. Listed retailers with a material online presence should also be considered for business model and metric comparison, with Adairs (ADH:ASX) the benchmark for omni channel stores with ~40% of sales on-line.

Historical earnings and ratios						
Year end	Revenue (A\$m)	EBITDA (A\$m)	NPAT (A\$m)	EPS (c)	EV/Sales (x)	EV/EBITDA (x)
06/17a	111.5	4.1	0.0	0.00	2.8	77.1
06/19a	129.1	3.6	-0.9	(0.01)	2.4	87.8
06//20a	165.8	6.0	0.2	0.00	1.9	52.7

Source: Company data

Online retailing

12th March 2021

Share details

ASX Code	BKG
Share price	\$2.50
Market Capitalisation	\$316.0M
Shares on issue	137.4M
Net cash at 31/12/2020	\$16.0M
Free float	14%

Share performance (since listing)



Upside Case

- Growing on-line penetration of books
- Acquisition improves scale
- Expansion into related categories

Downside Case

- Cycling COVID induced stimulus and lockdown benefits
- Move to eBooks accelerates
- Intensified competition

Catalysts/upcoming events

- Q4FY21 trading update (July 2021)
- Full-year results (August 2021)

Comparable companies (Aust/NZ)

Adore Beauty (ASX:ADR), Adairs (ASX:ADH), Funtastic (ASX:FUN)

Top 5 shareholders

Anthony Nash	17.8%
Steven Traurig	15.1%
Simon Nash	10.9%
Perennial Value	6.5%
M&S Skyleisure	5.2%

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FINANCIAL SERVICES GUIDE

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- how we transact with you
- how we are paid, and
- complaint processes

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