

Adairs Limited
Annual General Meeting
21 October 2022





BRETT CHENOWETH CHAIR

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Brett Chenoweth
(Chair)



Kate Spargo



Trent Peterson



Kiera Grant



David MacLean

Non-executive Directors



Mark Ronan, MD&CEO



Michael Cherubino

Executive Directors

 Independent

Company secretary: **Fay Hatzis**

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CHAIR'S REPORT



	v FY22		
	v FY21	v FY20	v FY19 ¹
Total Sales \$565 million	+12.9%	+45.1%	+64.1%
Online Sales \$195.4 million	+4.5%	+57.3%	+232.3%
Gross Margin 59.6%	-520bps	-120bps	+40bps
Underlying EBIT² \$76.4 million	-30.0%	+38.2%	+76.0%
Total dividend 18.0 cps	-5.0 cps	+8.0 cps	+3.5 cps

Note 1. FY19 was the most recent year that was not impacted by COVID

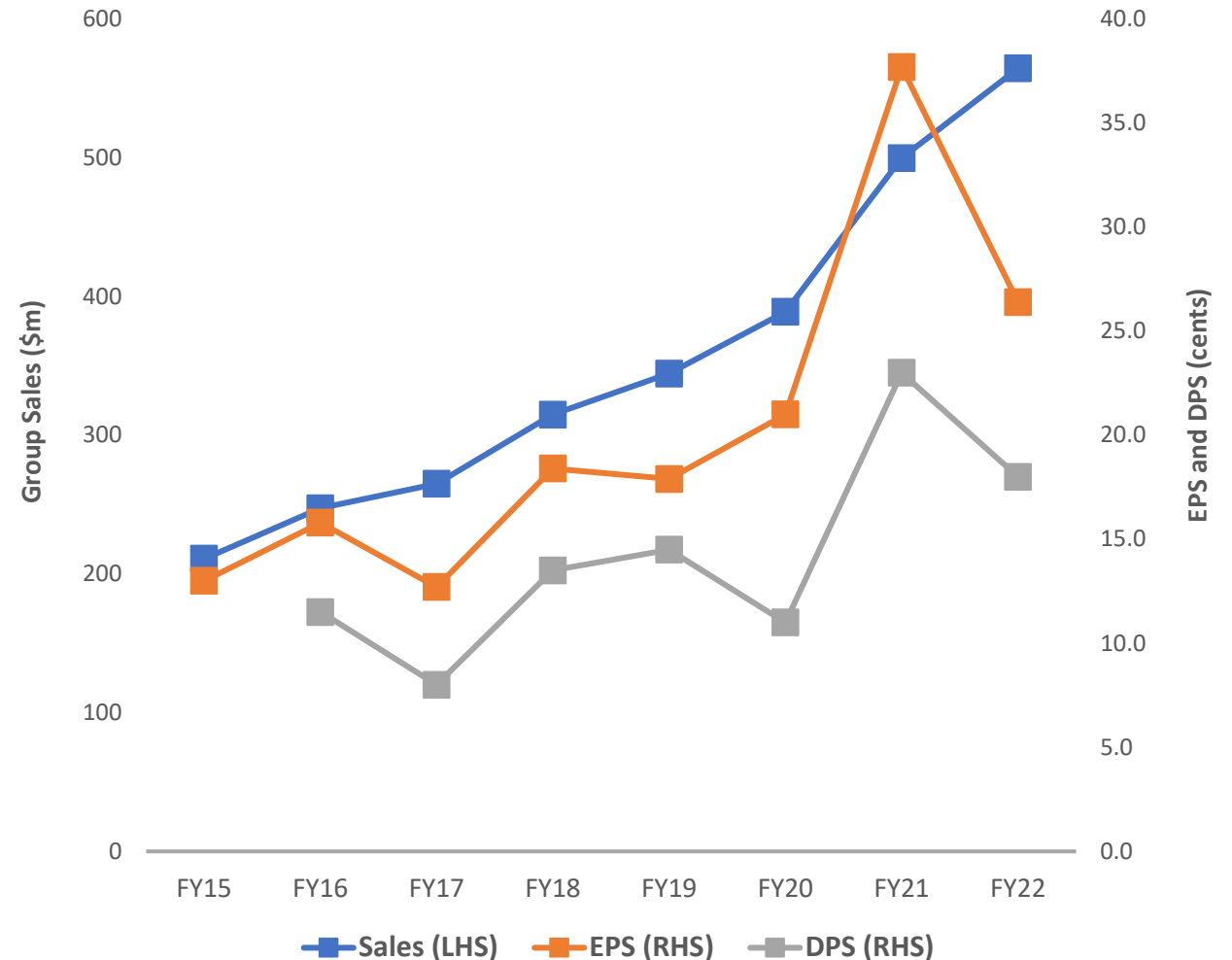
Note 2. Refer to the FY22 Investor Presentation for a reconciliation of underlying and statutory results.

Since its IPO in 2015 Adairs has delivered steady and consistent growth in sales (+168%) and earnings per share (+103%) and paid out almost \$1.00 in dividends

Since IPO	CAGR
Group Sales	15.1%
Earnings per share	10.7%

- Disappointingly shareholders have not been rewarded with a higher share price, which remains below \$2.40 (the IPO price)
- The Board is alive to this issue and continues to consider ways to unlock value for shareholders
- Management remain solely focussed on execution excellence

Sales, earnings per share and dividends since IPO





MANAGING DIRECTOR & CEO'S REPORT

Progress made on our strategic priorities

Adairs Linen Lovers

- ▶ More than 1 million paid-up members (+32% in last 3 years)

Adairs store growth continues

- ▶ Store floorspace (GLA) +7% on FY21 (+22% in last 3 years)
- ▶ 4 new stores, 11 stores upsized

Adairs - National Distribution Centre transition

- ▶ Operational from September 2021

Omni-channel strategy delivered record online sales

- ▶ Approaching \$200 million (35% of total Group sales)

Acquisition of Focus on Furniture

- ▶ highly profitable vertically integrated omni-channel furniture retailer
- ▶ Increases exposure to the \$8.3bn+ bulky furniture category
- ▶ Performance since acquisition is ahead of plan

... including important sustainability commitments

Sustainability Report

- ▶ Inaugural Sustainability Report produced

Planet and Product initiatives

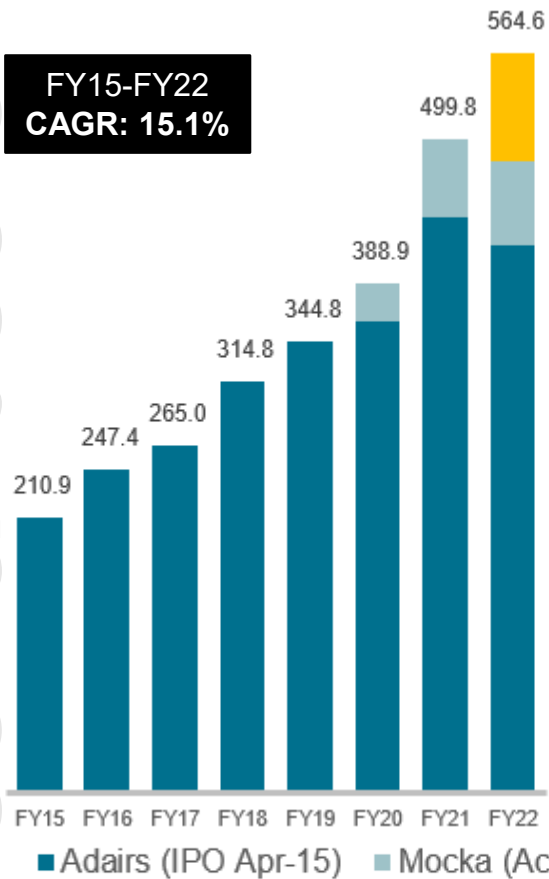
- ▶ Emissions - Group baseline Scope 1+2 levels
- ▶ Waste – Group baseline levels
- ▶ Elimination of all plastic carry bags from stores
- ▶ Committed to 2025 National Packaging Targets
 - 100% of packaging to be reusable, recyclable or compostable
 - 70% of any plastic packaging to be recycled or composted
 - 50% of packaging content from recycled sources

People initiatives

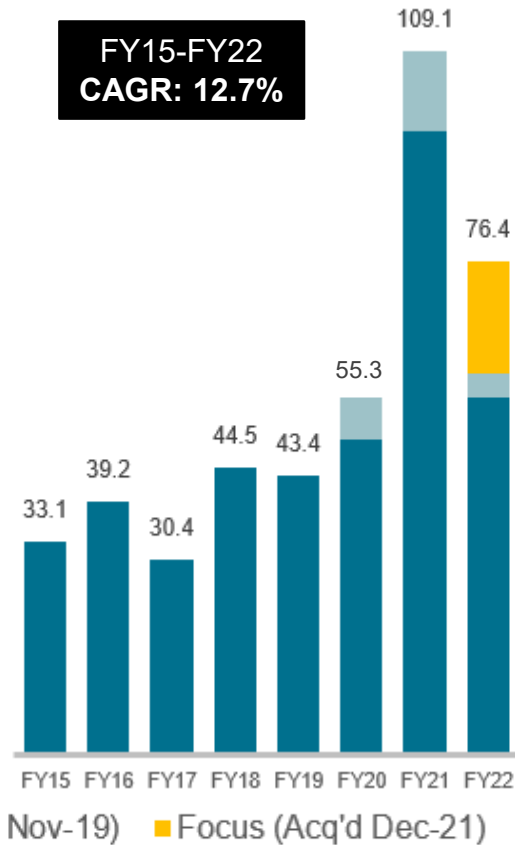
- ▶ 40:40 Vision commitment (diversity in management team)
- ▶ Adairs Academy (team development)
- ▶ Orange Sky (lead charity partner)

Historic growth (since IPO)

Group Sales (\$m, FY15-FY22)



Group EBIT (\$m, FY15-FY22)



Future growth drivers and 5-year target

The Adairs Group comprises three vertically integrated brands, all with attractive economics, clear growth pathways and large addressable markets.

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- New and upsized stores: 5% GLA growth p.a.
- Linen Lover members: 5-10% growth p.a.
- Increase share of customer spend through:
 - Omni channel conversion
 - Product range expansion
 - Personalisation via customer data

mocka

Attract and retain new customers via:

- Increased brand awareness in Australia
- Product range expansion
- Adding a physical presence

fo-son furniture & bedding

Build a national brand via:

- Store rollout: 30+ new stores nationally
- Enhanced customer experience in-store and online
- Increased brand awareness
- Product range expansion to drive share

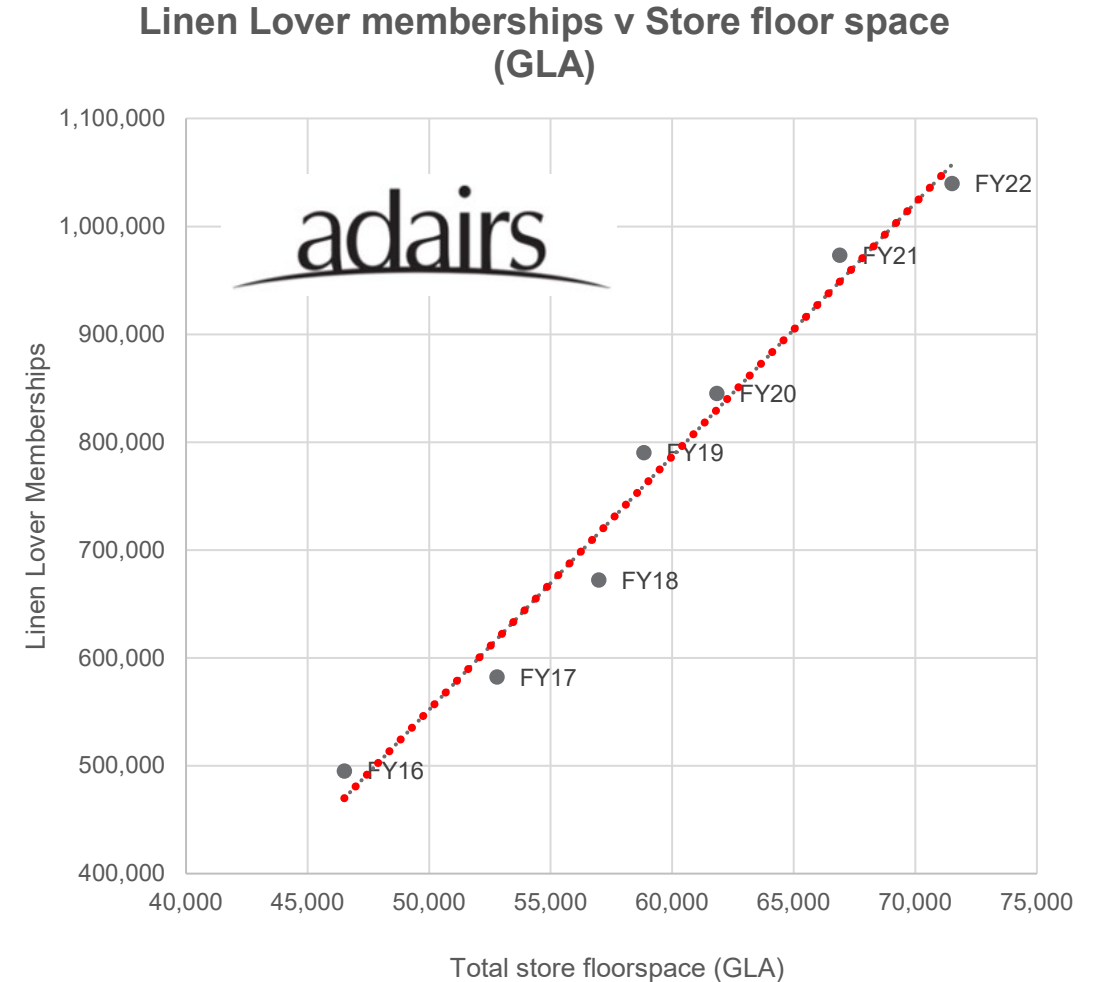
5-year sales target
\$1,000m+

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Let's start with brand Adairs and the correlation of store floorspace, loyalty membership and sales

Stores drive customer and loyalty growth

- ▶ Stores are where >80% of our loyalty membership (Linen Lover) sign-ups occur
 - correlation between floor space and membership numbers is almost 100%¹
- ▶ On average 500 new m² of floorspace = c. 12k new Linen Lover members¹
 - ▶ We expect to grow store floor space by at least 5.0% p.a. over the next 5 years
 - new stores + upsize of existing stores
 - we have identified a number of locations whose demographics would clearly support a new Adairs store
 - new stores will be larger stores
 - larger stores support our product category growth
- ▶ Implies c.500k new members, taking total memberships to 1.5m+
 - represents 1 in 8 households across Australia/NZ (from 1 in 11 presently)
 - implies a 5-year CAGR of 7.8% (versus historic 12.3% across FY16-FY22)



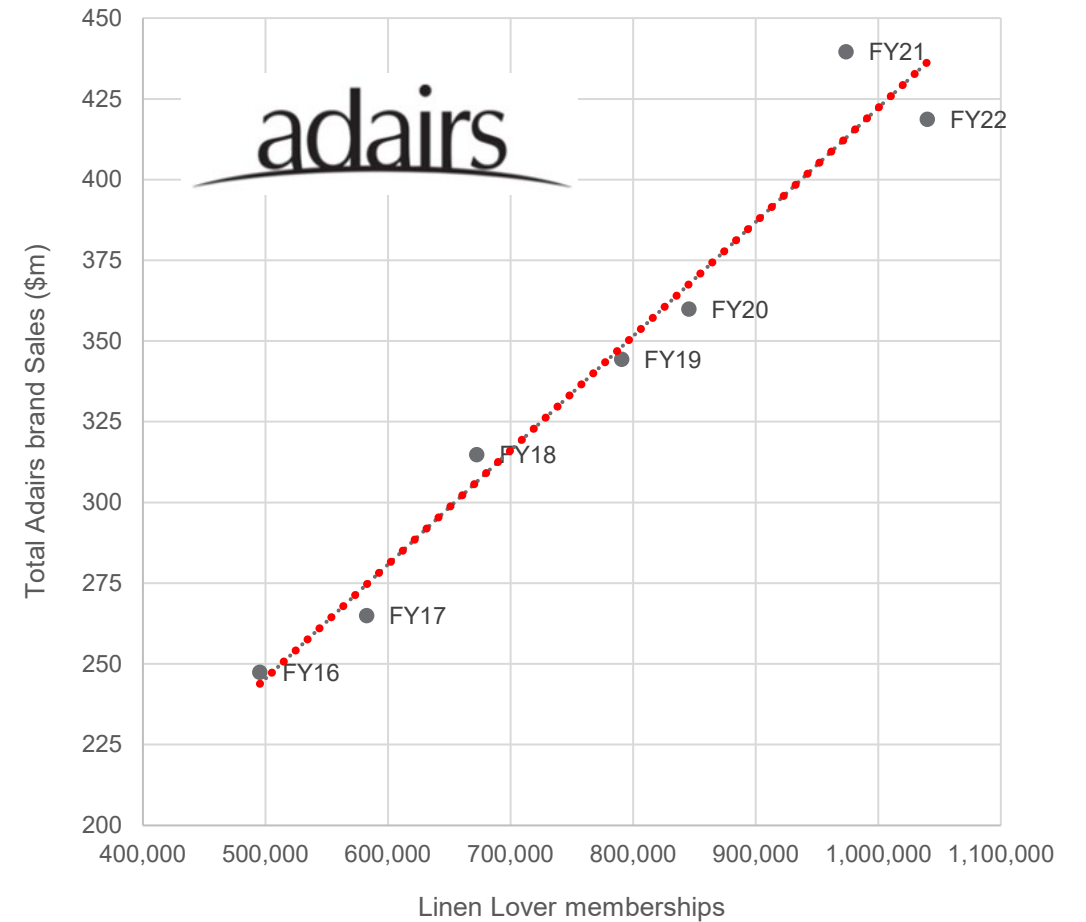
Note 1. Based on FY16-FY22 data

Let's start with brand Adairs and the correlation of store floorspace, loyalty membership and sales

... and loyalty drives sales

- ▶ Linen Lover members account for 80%+ of Adairs brand sales
 - they are our most engaged customer, shopping twice as often and spending 50% more per shop than non-member customers in FY22
- ▶ The correlation between Linen Lover membership numbers and total Adairs brand sales is very strong (almost 100%¹)
- ▶ On average every Linen Lover member spends c.\$400 p.a.
- ▶ **Growing our Linen Lovers membership to 1.5m should deliver \$600m+ of total sales for brand Adairs**
 - implies a 5-year CAGR of 7.7% (versus historic 9.6% across FY16-FY22)

Total Sales (Adairs brand) v Linen Lover memberships



Note 1. Correlation based on FY16-FY22 data

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Mocka's growth will come from greater brand awareness in Australia and establishing a physical presence in time

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▶ Mocka is a small player in a very large market

▶ Sales have grown 30-35% in 4 of the last 5 years

- FY22 impacted by supply chain and isolated product issues, both now resolved operationally however customer confidence has been hit

▶ The new management team are focussed on:

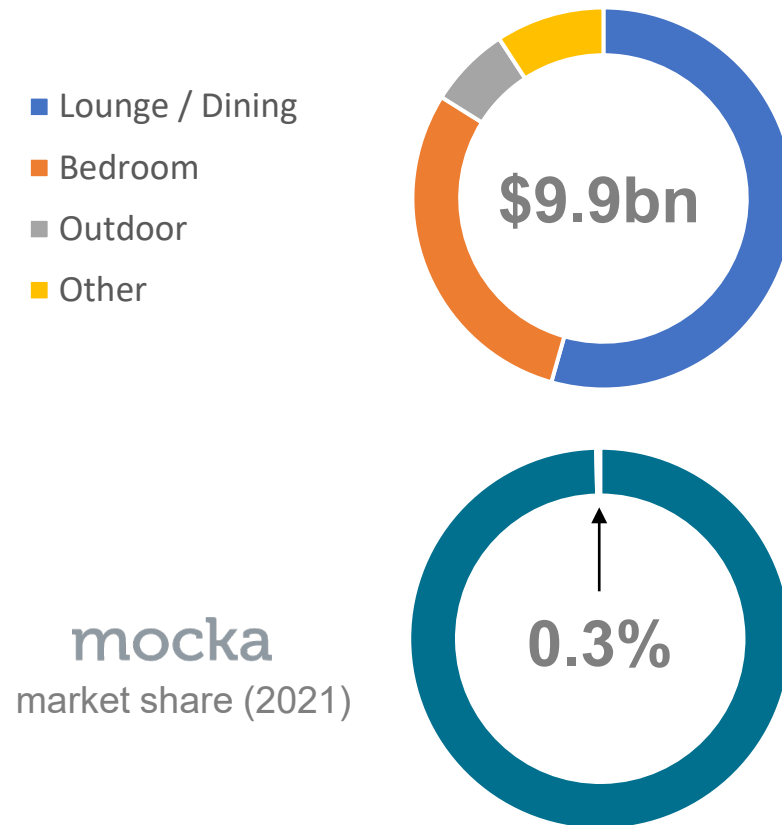
- building customer confidence through execution excellence (product & service)
- raising brand awareness in Australia
- optimising the product range depth & width
- introduction of brand partnerships

▶ Mocka expects to establish a bricks & mortar presence to leverage the benefits of an omni-channel strategy in time (likely within 2 years)

▶ Sales of \$150m+ per annum are expected within 5 years

- implies a 5-year CAGR of 18% (versus historic 27% across FY17-FY22)

The Australian furniture market



Source: IBISWorld Furniture Retailing in Australia 2021

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Focus on Furniture's growth will come from a national store rollout program, unpinned by an enhanced in-store experience

▶ Focus's fundamentals are already strong

- high quality product and superior value proposition
- excellent store locations / every store is profitable
- true omni-channel
- experienced team / strong supplier relationships
- small player in very large (a \$8bn+) market

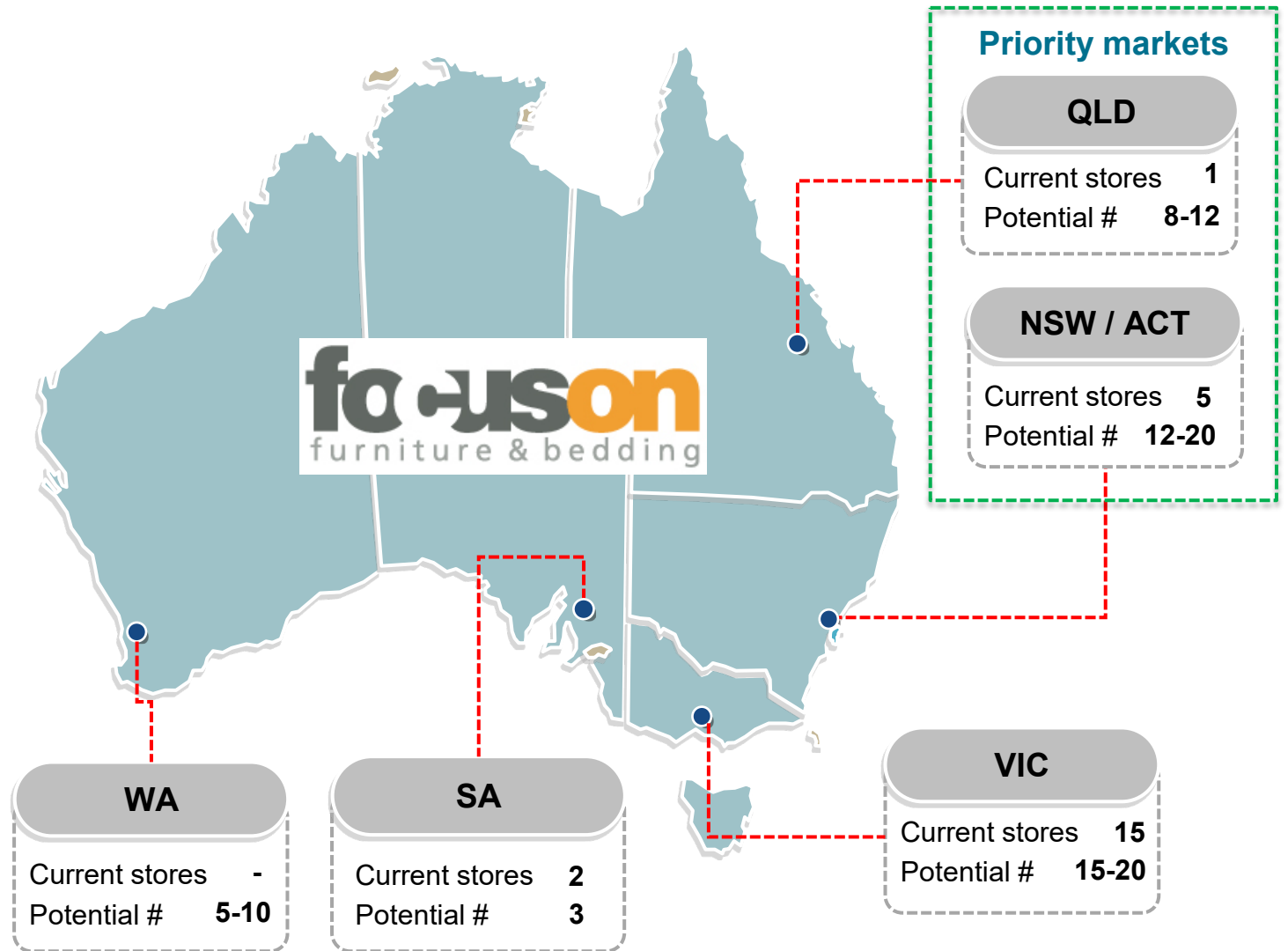
▶ National furniture businesses typically have 50-60 stores (Adairs has over 50 homemaker stores).

▶ We believe there is the potential to operate a network of 50-60 profitable Focus stores across Australia.

- Expect 2 new stores in FY23 and 4-5 p.a. thereafter
- Homemaker site availability is challenging

▶ Focus's existing 23 store network generated sales of \$121m in FY22 (and \$140m in FY21, peak COVID)

▶ **Doubling the network over 5 years should result in annual sales of c.\$250m+ for Focus on Furniture**



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Trading results for the first 16 weeks of FY23 remain in line with plan and consistent with guidance

Unaudited sales

(first 16 weeks of 1H FY23)	v FY22
Group total	+ 45.5%
Group (ex. Focus) total	+ 7.6%

- ▶ Consumer spending has remained resilient year to date

▶ With a fully operating retail store environment we have seen customers transition back to stores faster than expected, adversely effecting the online channel

▶ Cost efficiency and productivity at our DHL-operated National Distribution Centre are unsatisfactory and this is a key focus for the company

▶ Hedging strategy is mitigating recent AUD weakness

- 86% of expected USD purchases in FY23 hedged at \$0.74

Balance sheet

- ▶ Inventory management remains a priority
 - Mocka inventory continues to decline
 - Adairs and Focus inventory levels are in line with plan.
- ▶ \$90m bank facility recently extended to January 2026

Guidance (unchanged)

	FY23 Guidance
Group Sales (\$m)	625 – 665
Group EBIT ¹ (\$m)	75 – 85
Capital investment (\$m)	12 – 15
New stores (Adairs)	4 – 6
New stores (Focus)	2 – 3

Note 1: Pre AASB-16 and any one-off costs

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MEETING RESOLUTIONS

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1. Annual Financial Report

“To receive and consider the Financial Report of the Company and its controlled entities and the Reports of the Directors and Auditor for the year ended 26 June 2022.”



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2a. Re-election of Director

“That Trent Peterson, being eligible, be re-elected as a Director of the Company.”



Usable Votes and Proxies Received

	Votes / Proxies	% of Eligible Votes Cast (excluding abstentions)
For:	43,053,491	86.93%
Open/Undirected (Chairman)	455,324	0.92%
Open/Undirected (Other)	242,367	0.49%
Against:	5,774,949	11.66%
Abstained:	1,888,948	N/A

2b. Election of Director

“That Kate Spargo, being eligible, be re-elected as a Director of the Company.”



Usable Votes and Proxies Received

	Votes / Proxies	% of Eligible Votes Cast (excluding abstentions)
For:	49,365,321	97.69%
Open/Undirected (Chairman)	453,610	0.90%
Open/Undirected (Other)	242,367	0.48%
Against:	470,045	0.93%
Abstained:	886,774	N/A

2c. Election of Director

“That Kiera Grant, being eligible, be re-elected as a Director of the Company.”



Usable Votes and Proxies Received

	Votes / Proxies	% of Eligible Votes Cast (excluding abstentions)
For:	49,320,162	97.68%
Open/Undirected (Chairman)	453,324	0.90%
Open/Undirected (Other)	242,367	0.48%
Against:	477,140	0.94%
Abstained:	924,124	N/A

3. Remuneration Report

“That the Remuneration Report for the year ended 26 June 2022 be adopted.”

Usable Votes and Proxies Received

	Votes / Proxies	% of Eligible Votes Cast (excluding abstentions)
For:	39,675,020	92.45%
Open/Undirected (Chairman)	478,007	1.11%
Open/Undirected (Other)	242,367	0.56%
Against:	2,519,531	5.87%
Abstained:	4,393,423	N/A

4. Approval of long-term incentive grant of Performance Rights to Mark Ronan

“That approval be given for all purposes, including ASX Listing Rule 10.14, for the grant of Performance Rights to Mark Ronan as his annual long-term incentive for the year ended 25 June 2023 on the terms described in the explanatory notes accompanying the Notice of Meeting.”

Usable Votes and Proxies Received

	Votes / Proxies	% of Eligible Votes Cast (excluding abstentions)
For:	45,723,192	94.65%
Open/Undirected (Chairman)	462,807	0.96%
Open/Undirected (Other)	242,367	0.50%
Against:	1,880,812	3.89%
Abstained:	1,070,943	N/A

5. Approval of long-term incentive grant of Performance Rights to Michael Cherubino

“That approval be given for all purposes, including ASX Listing Rule 10.14, for the grant of Performance Rights to Michael Cherubino as his annual long-term incentive for the year ended 25 June 2023 on the terms described in the explanatory notes accompanying the Notice of Meeting.”

Usable Votes and Proxies Received

	Votes / Proxies	% of Eligible Votes Cast (excluding abstentions)
For:	45,720,171	94.64%
Open/Undirected (Chairman)	457,233	0.95%
Open/Undirected (Other)	242,367	0.50%
Against:	1,889,407	3.91%
Abstained:	1,070,943	N/A

6. Approval of the financial assistance resolution

“That, for the purposes of section 260B(2) of the Corporations Act 2001 (Cth), approval is given for the financial assistance to be provided by Refocus Furniture Pty Ltd (ACN 634 288 298) and its subsidiaries from time to time in connection with the Acquisition as described in the explanatory notes accompanying the Notice of Meeting.”

Usable Votes and Proxies Received

	Votes / Proxies	% of Eligible Votes Cast (excluding abstentions)
For:	49,038,386	97.43%
Open/Undirected (Chairman)	485,764	0.97%
Open/Undirected (Other)	242,367	0.48%
Against:	565,343	1.12%
Abstained:	1,076,257	N/A

MEETING
CLOSED

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