



adairs

**Adairs Limited
Annual General Meeting
24 November 2023**



BRETT CHENOWETH CHAIR



Brett Chenoweth
(Chair)



Kate Spargo



Trent Peterson



Kiera Grant



David MacLean



Mark Ronan, MD & CEO

Non-executive Directors

Executive Director

 Independent

Company secretary:
Jamie Adamson

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CHAIR'S REPORT

Personal use only

FY23 ¹	v FY22
Total Sales \$621.3 million	+10.1%
.. Adairs	+2.9%
.. Focus	+5.3% ²
.. Mocka	-24.1%
Gross Margin 58.6%	-100bps
CODB \$213.0 million	+15.0%
Underlying EBIT \$63.9 million	-16.4%
Net debt \$73.6 million	-21.4%

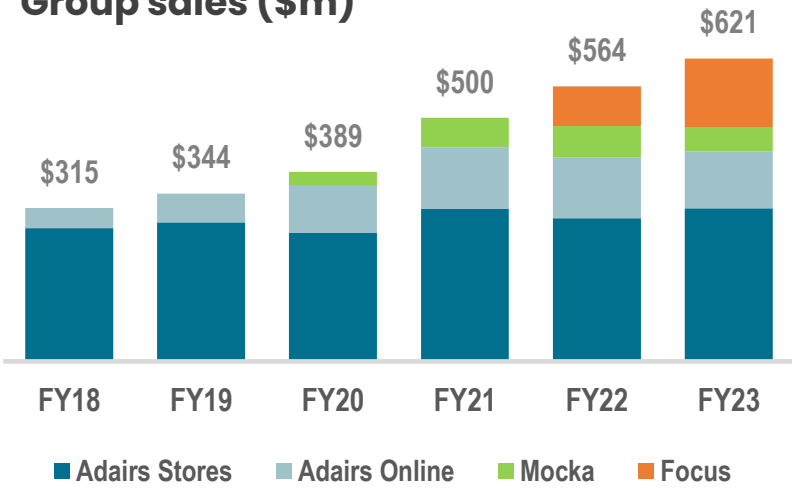
Achievements

- ▶ Record group sales
- ▶ Focus on Furniture results
- ▶ Inventory well managed
- ▶ New Adairs website
- ▶ Focus on Furniture store re-design
- ▶ Mocka stabilised
- ▶ Reduction in scope 1+2 emissions

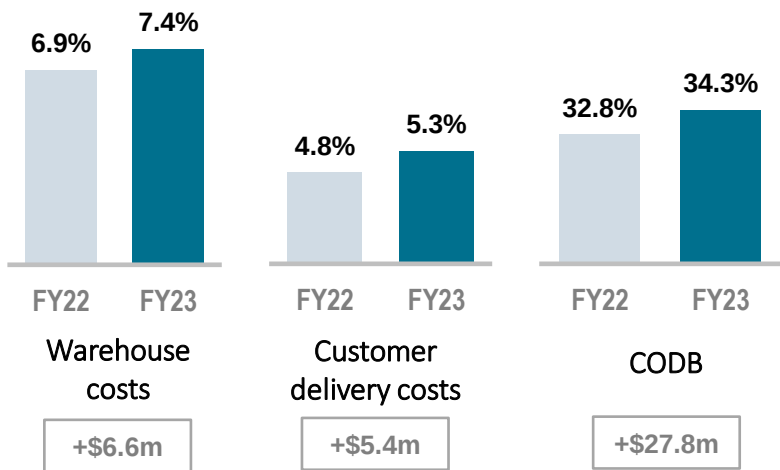
Challenges

- ▶ Cost of living / High interest rates
- ▶ National Distribution Centre – service levels and costs
- ▶ Customer delivery costs
- ▶ Cost of doing business (CODB)
- ▶ New store site availability for Focus on Furniture

Group sales (\$m)



Select group costs (% Sales)



Note 1. Refer to the FY23 Investor Presentation (Appendix 5) for a reconciliation of underlying and statutory results
Note 2: To allow a true like for like comparison Focus growth is against 52 weeks of FY22. Adairs ownership in FY22 was 30 weeks.

Sustainability

- ▶ Traceability completed for all Tier 1 suppliers (c. 325 suppliers)
- ▶ Single use plastic bags removed from Adairs stores:
 - Eliminates c. 2.3 million bags per annum
 - 17 tonnes of surplus bags were recycled
- ▶ 8.5% absolute reduction in Scope 1 + 2 emissions (CY22 v CY21)
- ▶ 43% (560t) of waste diverted from landfill in FY23 (FY22: 43%)
- ▶ Australian Packaging Covenant Organisation (“APCO”) rating of ‘Advanced’

Corporate Social Responsibility

- ▶ In FY23 Adairs facilitated over \$235k in donations to Orange Sky, an outreach organisation providing free laundry and shower services to people experiencing homelessness across Australia and New Zealand

Diversity

- ▶ 40% of all senior executives within the Group are women
- ▶ Board composition now 33% women in line with prior year commitment.

Remuneration

- ▶ No STI's paid to senior management in FY23 as financial targets not met



Our Hamilton, NZ team supporting Orange Sky and World Homeless Day



MANAGING DIRECTOR & CEO'S REPORT

Trading results for the first 21 weeks of FY24

FY24 year to date (first 21 weeks)	Sales v FY23
Group	(9.0%)
Adairs	(9.9%)
Focus on Furniture	(8.7%)
Mocka	(2.4%)

Based on real-time written sales.

Adairs

- ▶ In a difficult trading environment our focus remains on great product and customer experience.
- ▶ The recent Linen Lover event was the fifth highest sales week on record demonstrating the value of our loyalty program and our customers’ willingness to continue to engage with the brand.
- ▶ The NDC transition is progressing well. We are seeing significant improvements in customer service and remain on track to deliver the anticipated cost savings.

General

- ▶ The impact of higher interest rates and cost of living pressures has seen a significant decline in traffic across each business of c.10%.
- ▶ Whilst sales in each business are below the same period last year, our focus on customer experience and conversion has ensured the sales decline in each case is less than the traffic decline.

Focus on Furniture

- ▶ Whilst down on the same 21 weeks last year, Focus on Furniture sales are ahead of plan.
- ▶ The business is prioritising margin over sales volume and has managed its inventory and sales promotions carefully to maintain margin and its costs of doing business.

Mocka

- ▶ Mocka continues to improve its profitability, with the anticipated margin improvements being realised YTD on lower stock levels and costs continue to be carefully managed.

Outlook

- ▶ The outlook for the balance of FY24 is expected to remain challenging given prevailing macro-economic headwinds and the business is being managed accordingly.
- ▶ The Board remains confident that the Group is well placed to continue to navigate these challenges.
- ▶ The Board does not consider it appropriate to provide guidance for FY24

Adairs business growth will come from building out the product offering to see Adairs establish itself as the destination for home, supported by a data led approach to enhancing the customer experience both in store and online.

Product led

Design and develop quality product that enables customers to create a home they love.
Product category optimization and expansion to make Adairs the destination for home.

Seamless retail

Allow customers to shop how they want, when they want where they want!

- New website launched Nov 2022 delivering improved customer experience including click and collect. Provides foundation for future digital initiatives
- 170+ stores across AU and NZ with target store floorspace (GLA) growth of 5%+ p.a.
- Increasing larger store formats that deliver superior economics and support category expansion
- AI being used across the business to improve customer experience and team productivity.

Data driven

Enable data to enhance the customer experience

- Single view of customer enables personalisation through automated content for Linen Lovers and personalised product recommendations
- Target additional 500k members who spend on average \$400 p.a.



Focus on Furniture’s growth will come from its national store rollout program supported by an enhanced in-store experience

Product led

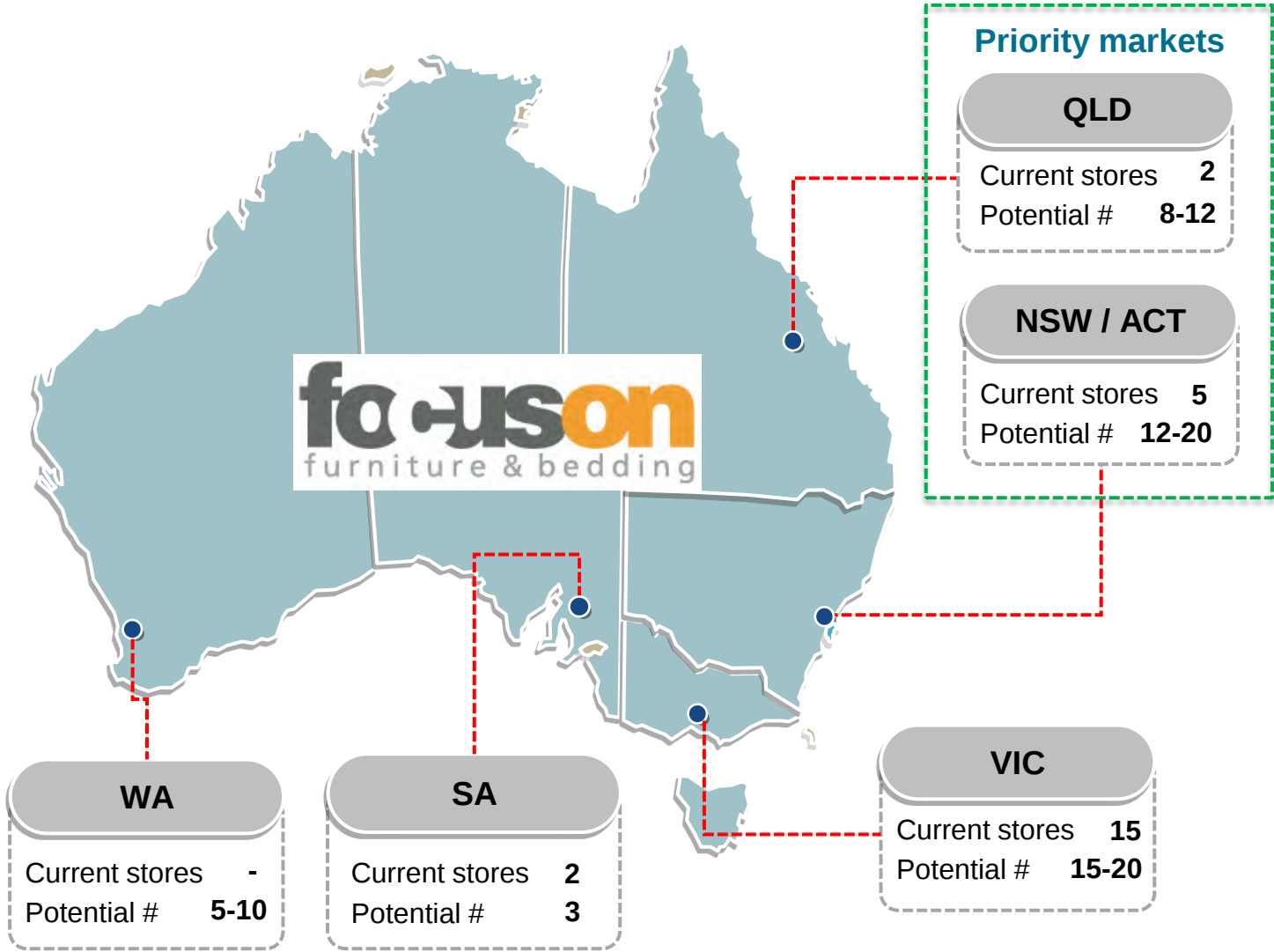
- ▶ High quality product with strong value proposition
- ▶ Strong supplier relationships support development and speed to market

Seamless retail

- ▶ Excellent store locations with every store profitable
- ▶ New fit-out enables product to shine and reflects modern homes
- ▶ Digital experience that operates alongside stores and supports the customer experience with inspirational content and product information
- ▶ Experienced in store team to support sales process
- ▶ Potential to operate a network of 50-60 profitable Focus stores across Australia. Helensvale (Qld) opened in Oct 2023 and we expect to open up to 8 new stores by Dec 2025
- ▶ Doubling the network over 5 years is expected to increase annual sales to c.\$250m+

Data driven

- ▶ Strong customer database used to showcase newness

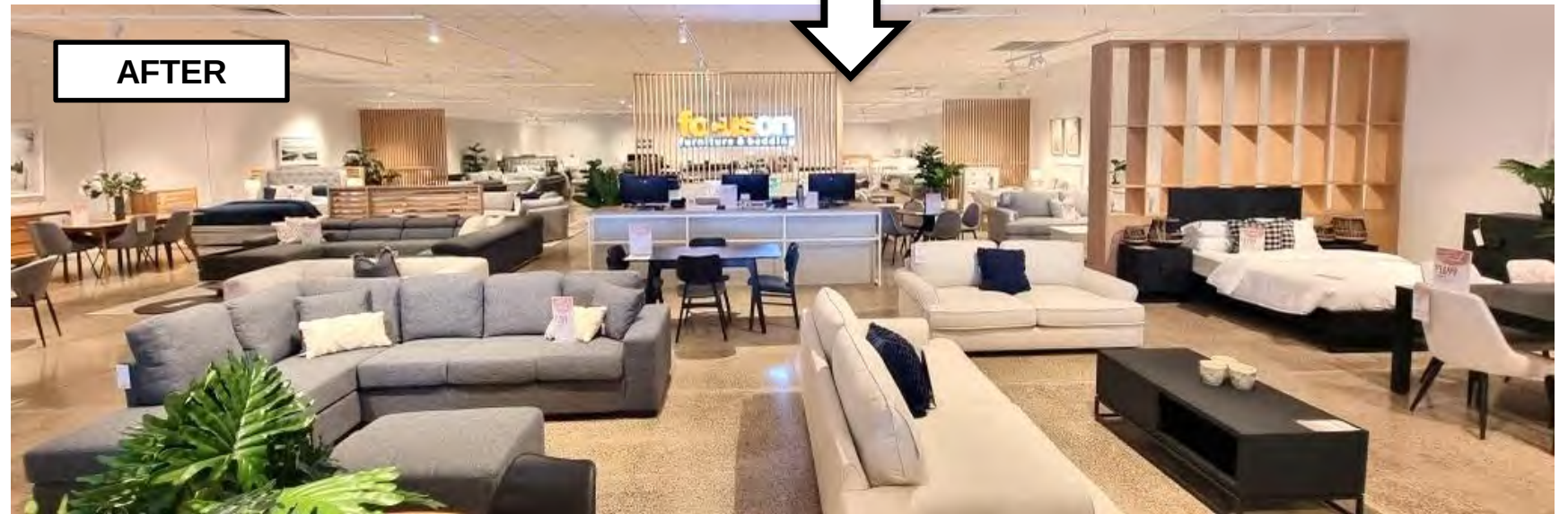


Update on strategic priorities – Focus on Furniture

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Focus on Furniture's growth will come from its national store rollout program supported by an enhanced in-store experience



Mocka delivers functional, well-designed flat-pack furniture at compelling value for money. Profit growth will come from increased market share via greater brand awareness and broader channels to market - including a physical presence.

Product led

- ▶ Highly functional, well designed flat packed furniture at compelling value for money
- ▶ Range has been refined to reduce duplication and remove lower value homewares – furniture is our core
- ▶ Building out options in furniture categories whilst not growing overall options by continuing to optimize existing range.

Seamless retail

- ▶ Improved operational execution in FY23 has restored customer confidence
- ▶ Enhancing the digital experience by upgrading the website and surrounding technologies to provide a more seamless customer experience and open up opportunities to trial other channels
- ▶ Evaluating options to enable customers to access the product through physical locations as well as marketplaces

Data driven

- ▶ Website upgrade will enable additional opportunities to use data to enhance the customer experience both on site and in the delivery experience.
- ▶ Customer database supporting decision making around physical locations





MEETING RESOLUTIONS

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 25 June 2023.”





2. Re-election of Director

“That David MacLean, 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:	33,770,144	90.7%
Open/Undirected (Chairman)	553,521	1.5%
Open/Undirected (Other)	553,828	1.5%
Against:	2,335,799	6.3%
Abstained:	6,674,110	N/A



3. Remuneration Report

“That the Remuneration Report for the year ended 25 June 2023 be adopted.”

Usable Votes and Proxies Received

	Votes / Proxies	% of Eligible Votes Cast (excluding abstentions)
For:	34,138,600	91.7%
Open/Undirected (Chairman)	423,631	1.1%
Open/Undirected (Other)	553,828	1.5%
Against:	2,126,581	5.7%
Abstained:	2,060,717	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 30 June 2024 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:	33,197,436	89.2%
Open/Undirected (Chairman)	433,173	1.2%
Open/Undirected (Other)	553,828	1.5%
Against:	3,012,151	8.1%
Abstained:	1,531,369	N/A



5. Re-insertion of proportional takeover provisions in the Constitution

“That the proportional takeover provisions contained in Rule 6 of the Company’s Constitution be inserted for a period of three years with effect from the date of the Annual General Meeting.”

Usable Votes and Proxies Received

	Votes / Proxies	% of Eligible Votes Cast (excluding abstentions)
For:	40,348,220	95.6%
Open/Undirected (Chairman)	560,306	1.3%
Open/Undirected (Other)	553,828	1.3%
Against:	764,897	1.8%
Abstained:	1,656,057	N/A



**MEETING
CLOSED**



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