



ASX / Media Release

Adairs Limited FY24 results

A year of good progress despite macro challenges

28 August 2024

Adairs Limited (ASX: ADH) today released its audited results for the 53 weeks ended 30 June 2024 ("FY24"). In FY24 the Group's businesses collectively delivered solid results with each business making good progress on their respective key objectives. However across the Group we saw, and our financial results reflect, a continued distinction between customers struggling with the macroeconomic environment and those with the appetite and financial capacity for shopping in our categories.

FY24 financial overview

(\$ million) Underlying ¹	GROUP			
	FY24 53 weeks	FY23 52 weeks	Change	Adjusted change ²
Total sales	594.4	621.3	-(4.3%)	-(6.6%)
Gross margin	60.3%	58.6%	+170bps	+170bps
Gross profit	282.2	285.5	-(1.2%)	-(3.6%)
Costs of doing business	213.4	213.0	+0.2%	-(1.6%)
Underlying EBITDA	68.8	72.5	-(5.0%)	-(9.4%)
Underlying EBIT	57.6	63.9	-(9.8%)	-(14.8%)
Statutory NPAT	31.1	37.8	-(17.8%)	
Earnings per share (cents)	17.9	22.0	-(18.5%)	
Dividends per share (cents)	12.0	8.0	+50.0%	
Net debt	64.1	74.1	-(13.4%)	

(1) Refer to Appendix 5 of the FY24 Investor Presentation for a reconciliation of underlying and statutory results.

(2) 'Adjusted Change' refers to the change for a comparable adjusted 52-week period for FY24.

Commenting on the FY24 results, Managing Director and CEO Mark Ronan said:

"As we prepared for FY24, we anticipated a more challenging year due to the macroeconomic environment and the impact it was having, and continues to have, on many households. We focused most on the matters we could control, and have worked hard on cost control, managing gross margin and controlling inventory investment across each of our businesses. I am pleased with how the businesses were managed and the progress made on their key objectives across FY24, with each business now in a stronger position to grow and improve performance in the years ahead."

Adairs Limited

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Adairs

Adairs achieved sales of \$413.4 million, down -4.1% on FY23, with sales materially impacted by lower customer traffic. Online sales accounted for 27.7% of total sales with the introduction of 'Click and Collect' in Australia and improving service levels from the National Distribution Centre ("NDC") supporting the online channel. In-store transaction conversion improved across the year, with average transaction values also up in the second half. Importantly Linen Lover members remained engaged, with one million members benefitting from the paid program and continuing to account for c.85% of sales.

Gross margin improved by +130bps in FY24 due to good inventory disciplines, carefully managed promotional activity, and lower import costs.

Despite underlying escalations in store wages and related on-costs, rents, utilities, and other costs, Adairs CODB as a percentage of sales declined by -0.7% (52 week adjusted: -2.5%), driven by a comprehensive cost-out program and ongoing cost efficiency initiatives. The improved margin and reduction in costs was insufficient to offset the impact of the sales decline, resulting in a -9.4% decrease in Underlying EBIT to \$31.7 million.

Notable for Adairs has been the completion of the National Distribution Centre (NDC) transition to an inhouse operation, delivering material improvements in customer service at a lower cost. Cost savings in FY24 amounted to \$4.0 million (net of depreciation), resulting in a -100bps reduction in warehousing costs as a percentage of sales. Further, in late July 2024, the NDC transitioned to a new warehouse management system ('WMS'), paving the way for further productivity and service improvements as well as additional cost savings from FY25 onwards.

Adairs opened seven new stores, upsized or refurbished six stores, and closed seven smaller stores. These collectively delivered a +3.9% increase in gross lettable area ("GLA").

The important decisions made in relation to the NDC, product strategy and team are yet to fully annualise in the FY24 results. With good progress made throughout FY24, Adairs is well-placed to benefit from these initiatives in FY25 and beyond. This will come from further NDC efficiencies, the annualisation of the cost-out initiatives implemented in February 2024, improved product offering and store ranging, and better in-stock rates, which are expected to drive like-for-like store sales growth.

Focus on Furniture

Focus on Furniture ("Focus") delivered a solid year given the weaker trading environment and its cycling of a strong prior year with sales of \$129.6 million, down -8.7% on FY23. Focus' quality mid-market product range continues to resonate well with customers, however inbound stock delays impacted customer deliveries in the final months of the year. FY24 finished with a forward orderbook of \$13.9 million (+10% on FY23). Gross margin lifted +70bps during FY24, however the overall reduction in delivered order volumes resulted in an Underlying EBIT of \$19.5 million, down -28.8% on FY23.



During the year, Focus opened new stores at Helensvale (QLD) and Prospect (NSW), which resulted in a +7.8% increase in GLA. It also refurbished two of its existing stores to a new, refreshed layout. All new and refreshed stores are trading well and provide us with further confidence in our national store rollout opportunity.

New store openings remain a priority, and a pipeline of opportunities is building despite the tight market for homemaker and bulky goods space. The Company is targeting to open three new stores in FY25.

Mocka

The turnaround in financial results at Mocka was a highlight of FY24 and consolidated the financial benefits of a range of operational changes made in FY23. The FY24 results were delivered through careful management of gross margin, disciplined inventory control and well considered range curation.

Mocka achieved sales of \$51.4 million, up +5.7% on FY23. A material improvement in gross margin percentage (up +790 bps) and higher average order values were achieved through a narrowed product offering, improved ranges and quality, less clearance activity, and greater promotional discipline. Stock holdings were materially lower across FY24, improving warehouse efficiencies and delivered gross margins resulting in an Underlying EBIT of \$6.5m, up +\$5.0m on FY23.

Mocka's Australian website was re-platformed and backend support systems upgraded in late FY24. These will deliver an improved customer experience and drive ongoing improvements in conversion and site performance. The New Zealand website will be relaunched in 1H FY25.

By re-establishing Mocka's foundations across the last two years, this business is now in a position to drive growth in its existing channels and explore new opportunities – including wholesale and shop-in-shop trials which will commence in 1H FY25.

Sustainability

The Group continues to make good headway on its sustainability initiatives. Highlights included:

- Scope 1 and 2 emissions were reduced by -6.3% in CY23 and now sit 14.3% below CY21 base year levels. The Group has set itself the target of being net zero on its Scope 1 and 2 emissions by 2030 and is well-placed to meet its obligations under the forthcoming mandatory climate disclosure requirements.
- Adairs donated over 4,000 kilograms of slightly damaged or discontinued products to the Red Cross in FY24, to sell through its network of shops across Australia. Sales proceeds are used to fund their support for people overcoming hardship, crisis and disaster. The donation had the further benefit of reducing emissions by 142 metric tonnes of CO₂ equivalents from the production of new textiles and the decomposition of waste in landfill.



Cashflow and balance sheet

Group capital expenditure of \$27.4 million in FY24 included \$12.5 million to acquire the Adairs NDC assets, as well as store network expansion projects and ongoing investments in IT and digital initiatives across the Group.

Group net debt reduced by -\$10.0 million to \$64.1 million. This equates to c.0.9x Underlying EBITDA and provides substantial covenant headroom. The Group has total finance facilities of \$135 million secured until January 2026 (\$90 million) and January 2027 (\$45 million).

Dividends

The Board has declared a final fully franked dividend of 7.0 cents per share, taking the total dividend payout for FY24 to 12.0 cents per share, or c.67% of statutory NPAT. The dividend record date is 12 September 2024 and payment date is 8 October 2024.

The Board has determined that the dividend reinvestment plan will continue to operate for the FY24 final dividend, offering eligible shareholders the opportunity to reinvest their dividend in additional shares in the Company at a discount of 1.5% to a 5-day volume weighted average share price (16-20 September 2024). For any investor not already registered as a DRP participant, DRP Election Forms are due by 13 September 2024. Further details are available on the Adairs Investor Relations website.

Group trading update

Real-time sales (unaudited)	FY25 YTD (last 8 weeks)
Group	-(0.4%)
Adairs	+0.2%
Focus on Furniture	-(0.1%)
Mocka	-(5.2%)

Trading across the mid-year sales period through June and July was strong across all 3 businesses.

The first 8 weeks of trade in FY25 have been mixed:

- **Adairs** - To manage order volumes around the transition to the new Adairs WMS in July 2024, promotional activity for the Adairs business was reduced which impacted sales however gross margin % is up over +300bps.
- **Focus on Furniture** – The close down on mid-year sale in July was strong, however sales since have been softer.
- **Mocka** – Australian sales are up +4.6% on FY24 whilst New Zealand sales are down -15.7%.

Customers remain discerning and value-oriented, however newness and well-designed quality products continue to resonate across the three businesses.



Outlook

The Group is optimistic about what it can achieve in FY25, given its successes in FY24 in areas within its control such as gross margin management, sales conversion and CODB discipline.

Work undertaken to manage costs tightly across FY24 will annualise and support CODB management in FY25. Managing CODB, together with disciplined inventory management and initiatives supporting operating efficiencies, will ensure that the Group continues to achieve solid returns from each of its business.

Currency remains a headwind to be managed, with 75% of expected FY25 USD purchases hedged across the Group at US\$0.67 (FY24: US\$0.69).

The Group is targeting 6 new Adairs stores and 3 new Focus on Furniture stores in FY25. Capital expenditure in FY25 is expected to be in the range of \$13m to \$15m.

The completion of a number of major projects in FY24, such as taking control of the NDC and re-platforming Mocka's website, enables management to focus more on new growth initiatives to drive like-for-like sales and future profitability.

The key near-term initiatives across the Group (refer page 10 of the FY24 Investor Presentation) provide meaningful levers for growth in sales and earnings across FY25.

Conference Call

A conference call covering the results for investors and analysts, hosted by Mark Ronan (Managing Director and Chief Executive Officer) and Ashley Gardner (Chief Financial Officer), will be held at 11:00 AM (Melbourne time) today, 28 August 2024.

Anyone wishing to listen to the call is required to register in advance. If not already registered, this can be done by clicking on the link below.

[Pre-register for call \(click here\)](#)

This call will be recorded and made subsequently available on the Adairs Investor Relations website (<http://investors.adairs.com.au/investors/>).

ENDS

This announcement has been approved by the Board of Adairs Limited.

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ABOUT ADAIRS LIMITED

Adairs Limited (ASX code: ADH) is Australia's largest omnichannel speciality retail group, whose businesses offer product ranges spanning home furnishings, furniture, and home decoration products. The Group comprises three brands: Adairs, Focus on Furniture, and Mocka. All businesses are designed, source and procure their own product, retail through their owned or controlled channels, and are customer-focused and service-oriented.

About Adairs

Adairs is a leading specialty omnichannel retailer of home furnishings in Australia and New Zealand. It has a national footprint of stores across several formats and a large and growing online channel. Adairs' strategy is to present customers with a differentiated proposition that combines on-trend fashion products, quality staples, strong value, and superior customer service. The company's head office is in Melbourne, Australia.

For further information visit www.adairs.com.au

About Focus on Furniture

Focus on Furniture ('Focus') is a vertically integrated omnichannel furniture and bedding retailer offering well-designed, functional, and on-trend products at great value for money through its network of stores in Australia and its online channel. Focus is characterised by its attention to customer service, support, product quality, and range. Focus' head office is in Melbourne, Australia.

For further information visit www.focusonfurniture.com.au

About Mocka

Mocka is a vertically integrated pure-play online home and living products designer and retailer operating in Australia and New Zealand. Mocka sells its own exclusive, well-designed, functional and stylish products in the Home Furniture & Décor, Kids and Baby categories. Delivering great products and compelling everyday value for money is core to the Mocka customer proposition. Mocka's head office is in Brisbane, Australia.

For further information visit www.mocka.com.au