





FY16 pro forma results highlights



Outperformed FY16 EBIT Prospectus forecast and our guidance





LFL sales
11.7%

Cycling +21.6% pcp









CODB
43.1% of sales
down from 44.1%

\$39.2m

Up 18.4%

NPAT \$26.1m



Full Year
Dividend
11.5cps
fully franked

A track record of delivery



Adairs has delivered strong financial performance as a result of the strategies successfully implemented by management over the last 5+ years



Note: Based on the Pro Forma Financial Information from continuing operations.

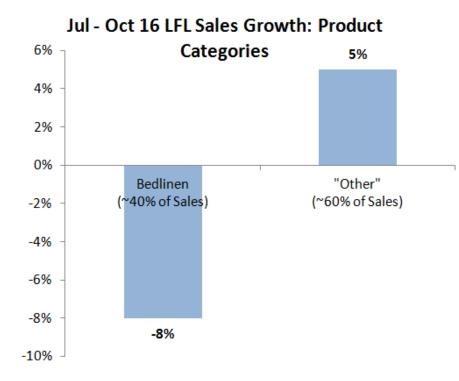


Trading over first four months of FY17



Poor execution on fashion linen slowed growth

First four months trading of FY17 (Jul-Oct 16) was below company expectations with flat like for like sales.



- Cycled exceptionally strong LFL in YTD pcp (~+20%)
- Trading softness heavily biased to bedlinen product category (approx 40% of sales)
- Controllable execution factors contributed to the underperformance of bedlinen
- The underlying issues in bedlinen are a combination of design issues and gaps in the range that we know our customer consistently seeks
- Other product categories are performing satisfactorily, given we cycled exceptionally strong LFL sales in the YTD pcp
- Clearance and promotional activity has been required to keep bed linen inventory 'clean'
- Total LFL transaction count YTD is "up", but ATV and gross margin rate (%) is materially down, driven by abovementioned clearance and promotional activity

Trading over first four months of FY17



Poor execution on fashion linen slowed growth

- Online sales (approx. 8% of sales) grew at 15% below company expectations due to the same product issues and a temporary pull-back in online marketing due to implementation phase of our new digital platform
- Operationally the business has completed and delivered three major projects in the period
 POS rollout, online re-platform, and New Zealand store opening and website going live
 - Projects incurred one-off costs YTD FY17 of approx. \$650,000.
 - Completion allows business to focus on execution of core activities and growth strategies







Return to Growth 2H FY17



Business is in good shape to return to growth in H2 FY17

- Finished October with a 'clean' inventory position
- Non-bedlinen product categories, including Adairs' expansion 'decorator' categories, have performed in line with expectations
 - Delivered +5% LFL sales growth over first 4 months of FY17
- Identified the issues with fashion linen and believe these will be remedied over H2
- Transaction count continues to increase as we attract a growing customer base
- Currency 'headwinds' will neutralise in H2 subject to AUD/USD rate remaining stable
- Store rollout strategy progressing as planned
 - 10 stores opening in H1 FY17... 8 in Australia and 2 in New Zealand
 - Pipeline of new store opportunities continues to be positive
- 2H results are expected to see a return to growth from February as improved product arrives in store

Strategy: Key growth drivers



Consistent with our long term strategic initiatives, revenue growth has 6 controllable key drivers supported by excellence in customer service, retail execution and scalable infrastructure. 'Market growth' now broadly in line with long term averages.

- 1. Differentiated and innovative product range
- 2. Building on category range extensions
- Upsizing of our 'Core' store formats Adairs & Adairs Homemaker
- 4. Accelerating Australian multi store format roll out
- Highly effective omni channel marketing and online store
- 6. International omni store expansion (NZ)





International omni store expansion (NZ)

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- First store in NZ opened on 20 October 2017 (Sylvia Park – a Homemaker format store in a shopping centre)
- Initial trading albeit only first 4 weeks has been strong
- Next NZ store to open on the 8th of December
- Two additional sites secured to open 2H, and up to 5 stores planned to open by the end of FY17 focused solely on the 'core' Adairs store formats
- If successful, we believe the NZ market has capacity for up to 18 stores







FY17 updated outlook



	Revised FY17 guidance	Previous FY17 guidance
Year end store numbers	160-165	160-165
LFL sales growth	'low' single digits	'mid' single digits
Total sales (\$m)	265 - 275	275 - 285
Gross Margin	58.5% - 60.5%	60% - 62% ²
Capex (\$m)	11 - 13	13.5 - 15
FY17 EBIT vs FY16 ¹	Approx. 15% decline	Not provided
FY17 EPS vs FY16 ¹	Approx. 15% decline	Not provided

⁽¹⁾ Includes costs related to LTIP, NZ launch, POS roll out, and web re-platform

⁽²⁾ We previously stated that 'The company anticipates that a full year sustainable gross profit margin level is between 60% and 62% dependent on prevailing market conditions and assuming relative stability in the currency', and we believe this guidance remains appropriate

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Questions?



1. Annual Financial Report

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"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 3 July 2016."





2a. Re-election of Trent Peterson

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

Usable Proxies Received		
	Proxies	% of Total Capital
For:	135,076,318	81.4%
Against:	358,774	0.2%
Abstained:	891,281	0.5%





2b. Re-election of Kate Spargo

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

Usable Proxies Received		
	Proxies	% of Total Capital
For:	127,992,353	77.2%
Against:	8,072,739	4.9%
Abstained:	891,281	0.5%



3. Remuneration Report

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"That the Remuneration Report for the year ended 3 July 2016 be adopted."

Usable Proxies Received		
	Proxies	% of Total Capital
For:	130,841,065	78.9%
Against:	5,037	0.0%
Abstained:	1,516,511	0.9%







4. Approval of long term incentive to Mark Ronan



"That approval be given for all purposes, including ASX Listing Rule 10.14, for the grant of options to Mark Ronan as his annual long term incentive for the year ended 2 July 2017 on the terms described in the explanatory notes accompanying this Notice of Meeting."

Usable Proxies Received		
	Proxies	% of Total Capital
For:	135,376,837	81.6%
Against:	7,037	0.0%
Abstained:	891,281	0.5%



5. Approval of long term incentive to Michael Cherubino



"That approval be given for all purposes, including ASX Listing Rule 10.14, for the grant of options to Michael Cherubino as his annual long term incentive for the year ended 2 July 2017 on the terms described in the explanatory notes accompanying this Notice of Meeting."



Usable Proxies Received		
	Proxies	% of Total Capital
For:	134,937,988	81.3%
Against:	7,037	0.0%
Abstained:	891,281	0.5%



6. Appointment of Auditor

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"That Ernst & Young, having been duly nominated by a shareholder of the Company and having consented in writing to act, be appointed as auditor of the Company."



Usable Proxies Received		
	Proxies	% of Total Capital
For:	136,065,092	82.0%
Against:	-	0.0%
Abstained:	891,281	0.5%





Disclaimer



Some of the information contained in this presentation contains "forward-looking statements" which may not directly or exclusively relate to historical facts. These forward-looking statements reflect Adairs Limited current intentions, plans, expectations, assumptions and beliefs about future events and are subject to risks, uncertainties and other factors, many of which are outside the control of Adairs Limited.

Important factors that could cause actual results to differ materially from the expectations expressed or implied in the forward-looking statements include known and unknown risks. Because actual results could differ materially from Adairs Limited current intentions, plans, expectations, assumptions and beliefs about the future, you are urged to view all forward-looking statements contained herein with caution.