



Adairs

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Adairs – Delivering Ongoing Like for Like Sales

Key focus is delivering ongoing sales growth through the store network and online.

Business has a target for FY19 of like for like sales growth of between 5% - 8%.

Most common question asked of management is how do we expect to deliver ongoing like for like sales growth.

Our ongoing sales growth and like for like growth is linked to our key strategies:

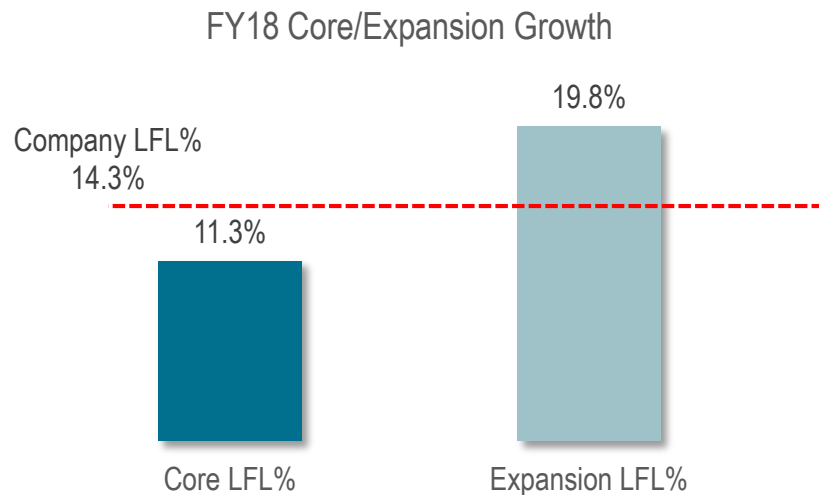
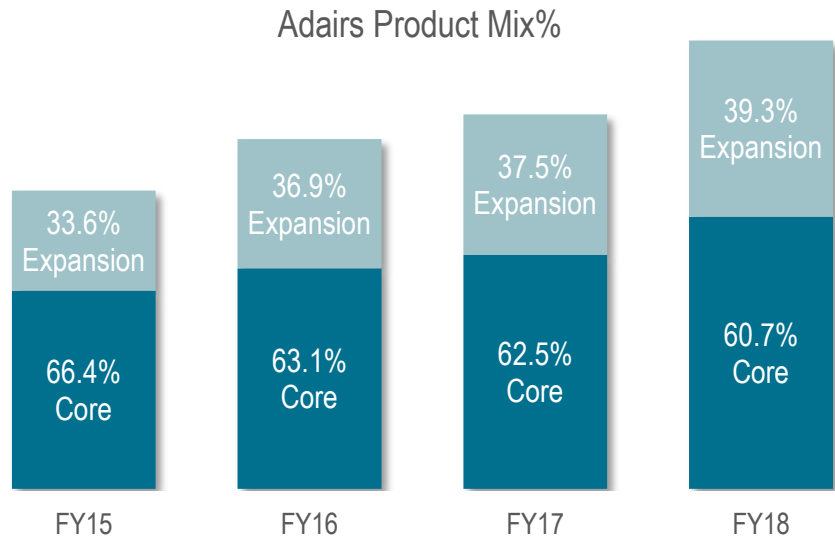
Product, Product, Product - In particular the Category Range expansion strategy

More inspiring larger stores - Larger stores including our upsized stores support range expansion

Best in class omni channel retail capabilities - An online experience that drives online sales and encourages engagement so that customers can easily research and browse online and shop in store (or online)

Enhanced Product Range

Adairs has expanded its product range materially over the last 5 years, and this remains a core strategy



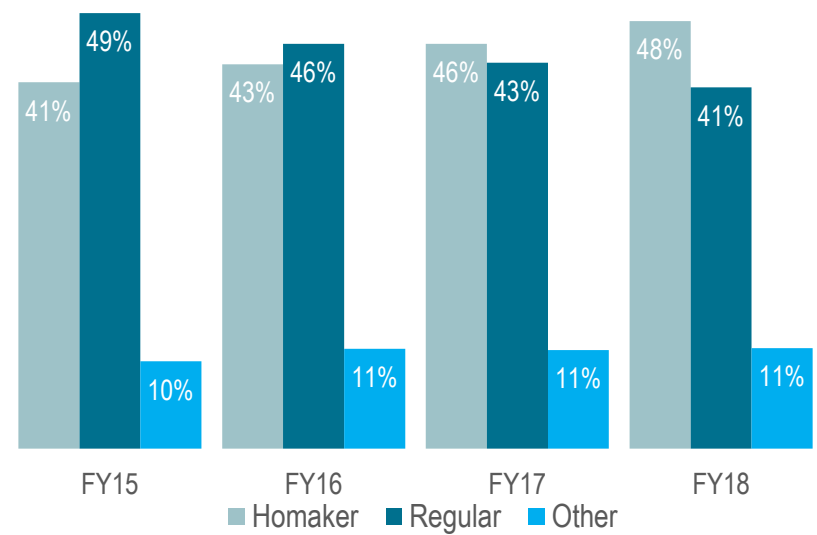
- ▶ Long term strategy is to furnish more of our customers' living, entertaining and functional spaces
- ▶ We have successfully expanded into complimentary adjacent categories where we believe we can leverage our core competencies and most importantly differentiate our product offering
- ▶ Allows us to grow sales without having to deliver 4% or more sales growth in our core categories every season
- ▶ In most expansion categories we remain a relatively small player in fragmented markets so opportunity to grow share is high and upside is significant
- ▶ Further by focussing on furnishing more of our customers home we can leverage our existing customer base by growing our share of their purchases rather than need to continue to identify and convert new customers
- ▶ This strategy is inextricably linked to the success of our Homemaker store format and our strategy to increase the average size of our stores
- ▶ Remains a key opportunity to highlight to customers the extended range available and all the decorator products we have available for them
- ▶ Expansion categories delivered 19.8% like for like growth in FY18 and have delivered a 3 year CAGR of circa 20%



More inspiring larger stores

- ▶ Larger store formats enhance the shopping experience and supports the strategy of furnishing more of our customers living spaces
- ▶ Store roll out, and selectively upsizing shopping centre and smaller homemaker stores is delivering additional growth and profitability
- ▶ We have 43 homemaker in Australia stores, 4 in NZ and 5 mini homemaker stores (400-600m² in shopping centres). Collectively these stores now represent 48% of our store sales
- ▶ We are observing a shift in market share in our category from shopping centres to homemaker centres
- ▶ Shopping centre stores continue to be selectively rolled out with good results. As we roll these out we are looking to increase the average size towards 220m² to enable us to showcase the broader home furnishings offering
- ▶ In Australia we expect to open 7 – 10 stores per annum over the next 3 years, with a bias to the larger formats

Sales Contribution by Store Format (ex Online)



^ Homemaker includes Mini Homemakers



Higher returns from upsizing

Upsizing existing stores provides the customer with more options via the expanded product range, a more enjoyable shopping experience and it enhances our returns. Two very good examples from last year:

Regular store increased from 150m to more than 500m (Mini H/M)
2H18 delivered 88% sales growth driven by expansion categories.

CATEGORY	2H17	2H18
CORE	70.0%	54.0%
EXPANSION	30.0%	46.0%
TOTAL	100.0%	100.0%

Significant opportunity to showcase additional product in a Mini Homemaker upsizing

A Homemaker store more than doubled in size. 2H18 delivered 63% sales growth driven by expansion categories

CATEGORY	2H17	2H18
CORE	57.7%	48.4%
EXPANSION	42.3%	51.6%
TOTAL	100.0%	100.0%

Opportunity remains in a homemaker store although less pronounced between categories

Our experience to date has seen the upsized stores (9) on track to deliver:

- ▶ Estimated annualised sales increase of \$5.5m (+35%) and store contribution dollars of \$1.9m (+36%)
- ▶ Store contribution margin % has been maintained

Management have identified a further 15 stores as upsize opportunities over next 3-5 years

Omni Channel – evolving our capabilities to drive growth

Given the size of online and its strong contribution margin this is a material contributor to our underlying like for like sales result and earnings growth.

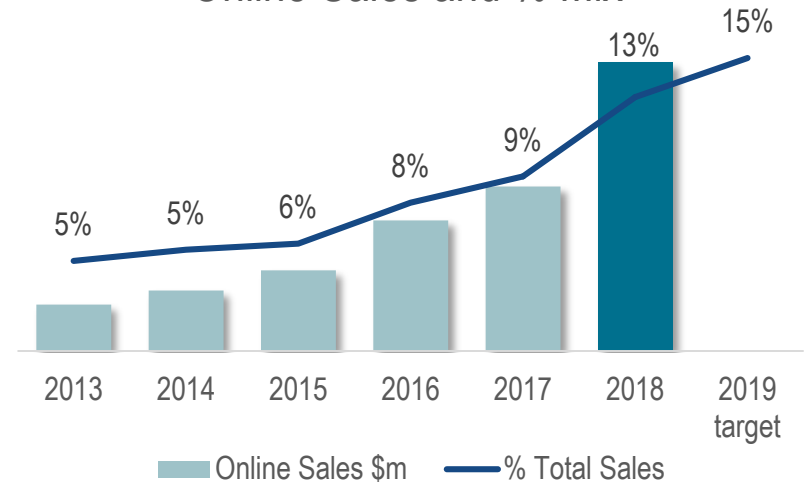
Online is now sufficiently material that if we can grow online by 30% in FY19 this will contribute circa 4% to our like for like sales growth for the overall business this year

How do we deliver this growth?

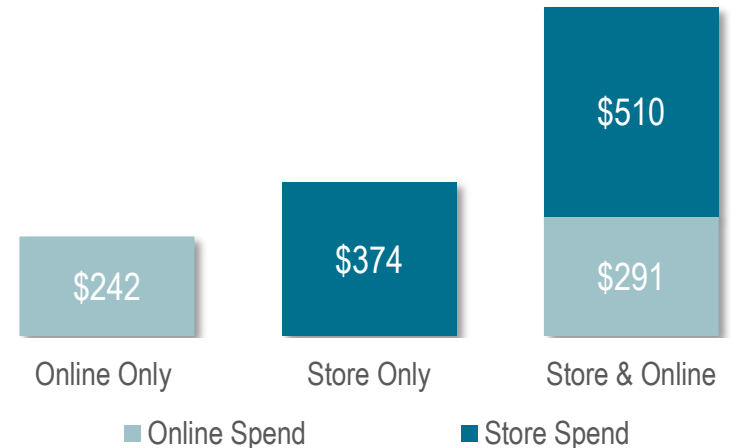
- ▶ Expanded product range – starting to take our category expansion further and look to deliver online only product that can only be ordered either online or in store
- ▶ Driving traffic to Adairs stores and websites through increased use of digital marketing and communication as our primary means of customer engagement and acquisition
- ▶ Enhancing the online platform as a research, planning and shopping tool. This increases the ability to showcase the looks with pages dedicated to highlighting how to bring it together and an increased use of complimentary product recommendations.
- ▶ Continue to drive customer engagement via Linen Lovers and social media to drive a higher share of her spend in our category

Our objective is to support more omni channel shopping behaviour. These customers are more engaged and overall spend more in store and online at Adairs.

Online Sales and % Mix



Per Active Member Annual Spend (\$)





2019 Financial Outlook

Year End Stores	171 - 173
Sales (\$m)	345 - 360
Gross Margin%	59% - 61%
EBIT (\$m)	47.5 – 51.5
Capital Investment (\$m)	8 – 10

- ▶ Our first 13 weeks of trade has delivered like for like sales growth of +5.2% across stores and online
- ▶ Started the season with lower stock levels than we would of liked. These have now started to come into line and we expect to be able to continue to deliver like for like sales growth over the coming months through the strategies we have highlighted



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