



Adairs Wilsons Rapid Insights May 19

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Adairs – Omni Channel Success Driving Sales Growth

Adairs continues to deliver strong sales growth through both our store network and online.

Continue to see Online delivering significant sales growth as both existing and new customers shop more online.

Our underlying strategies are driving the sales growth:

Best in class omni channel retail capabilities – A “channel agnostic” approach that drives online sales and encourages engagement so that customers can easily research and browse online and shop in store or vice versa

More inspiring larger stores - Larger stores and in particular the upsized stores support our range expansion

Product, Product, Product - Sales growth driven by category range expansion, and differentiation from our in-house design and sourcing capability (>90% of range exclusive to Adairs).



Omni Channel – evolving our capabilities to drive growth

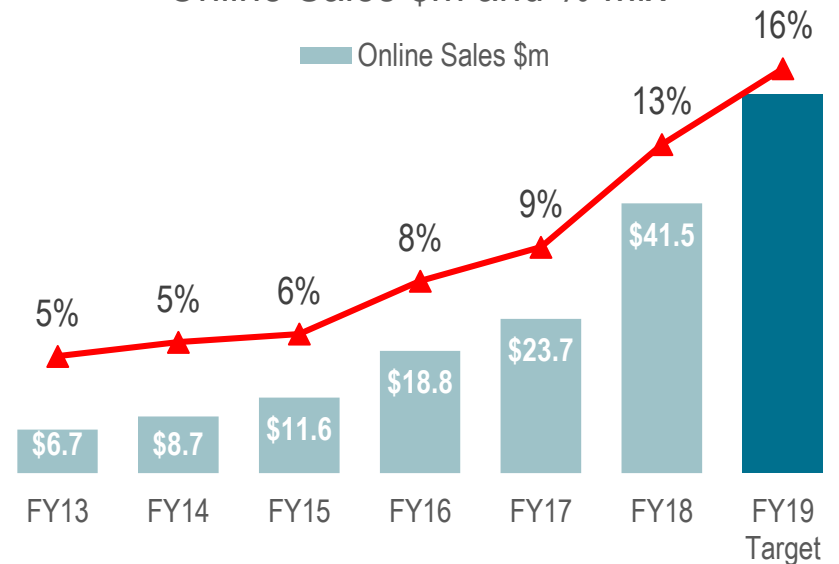
Online continues to grow strongly and is delivering significant sales growth. Significant growth opportunity to continue to build upon the momentum we are delivering.

Online growth delivered through initiatives driving:

- Increasing traffic to the website
- Improving our online conversion rate
- Building our Linen Lover database

Strategies link back to building more omni channel customers who are more engaged and overall spend more in store and online.



Online Sales \$m and % Mix



Omni Channel – evolving our capabilities to drive growth

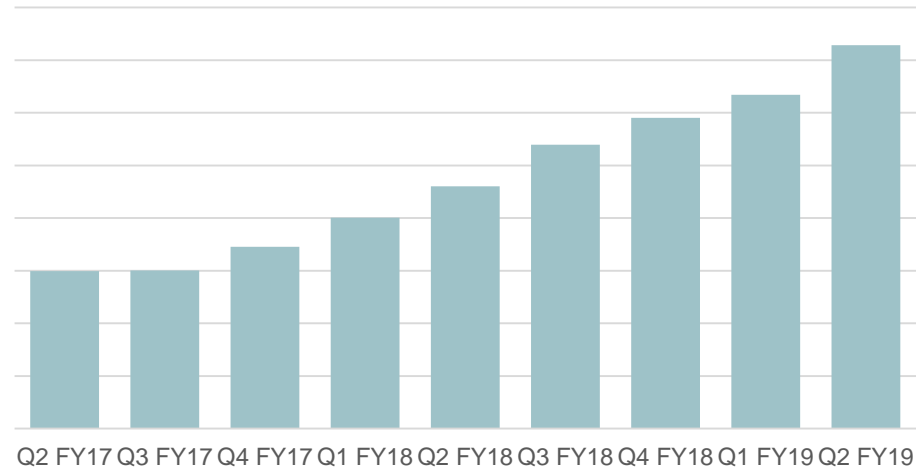
Driving traffic to the site has been the biggest driver of our online sales growth.

Traffic growth has come from working on the key drivers and identifying what delivers profitable traffic:

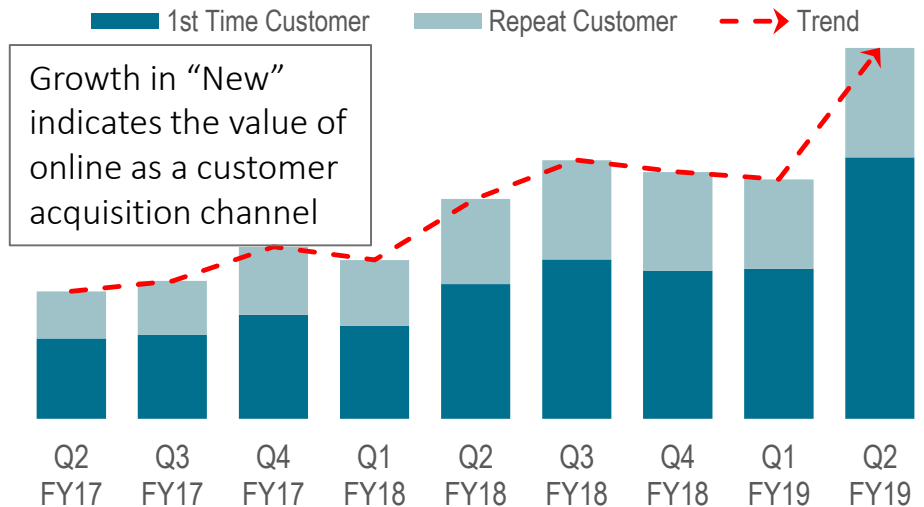
- Build organic traffic through utilising stores and our existing marketing together with our Linen Lover program to build a strong customer database.
 - Utilise the customer database to build an effective email program – cost effective traffic driver
 - SEO – continual optimisation
 - Organic Social – strong channel for brand marketing and inspiration
- 
- 430k followers
- 
- 195k followers
- SEM – continually reviewing our investment to ensure it is effective and a rigorous ROI focus
 - Affiliates – building brand and “new product” awareness through utilising affiliates

When building traffic, cost of customer acquisition is key and we continue to see a reduction in our acquisition cost per 1st time customer.

Online Traffic



First Time and Repeat Customer



Omni Channel – evolving our capabilities to drive growth

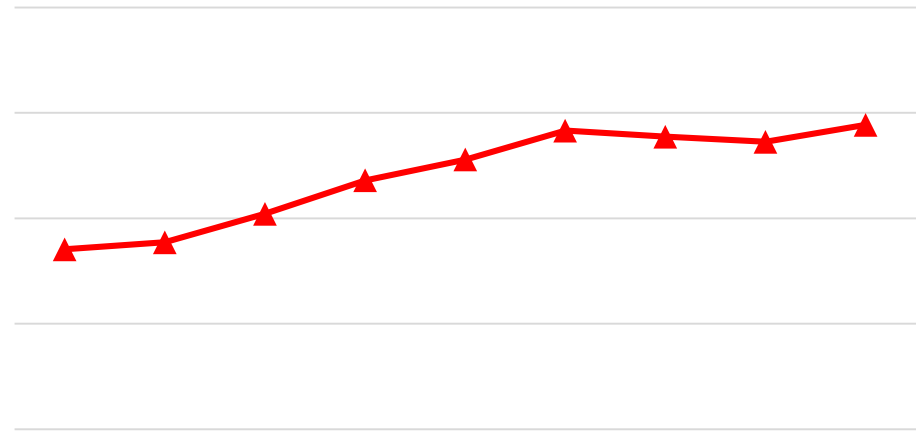
Sales Conversion

Growth driven by initiatives implemented over the last couple of years. Key initiatives include:

- Improved website speed and functionality
- Increased mobile friendly content
- Buy Now Pay Later
- Increased product range and online stock allocation

Focus is to deliver a seamless omni channel experience. There are significant opportunities for us to further improve conversion.

Conversion %



Q2 FY17 Q3 FY17 Q4 FY17 Q1 FY18 Q2 FY18 Q3 FY18 Q4 FY18 Q1 FY19 Q2 FY19

Building our Linen Lover Program

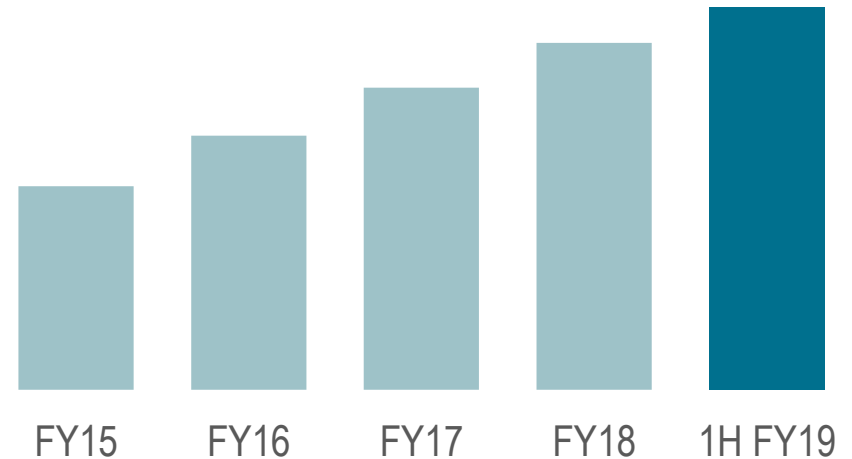
- Continue to grow our Linen Lover customers through a strong loyalty value proposition

Loyalty Value Proposition

- ✓ \$20 membership fee for 24 months membership
- ✓ \$20 voucher (min spend \$50) on next purchase
- ✓ 10% off full price / 5% off sale
- ✓ Exclusive Linen Lover offers and bi-annual shopping events
- ✓ Free online delivery and returns

- In store team drive signing up Linen Lovers
- Members represent > 70% of our sales allowing deeper insight into what she wants and expects from Adairs
- Linen Lovers spend on average 1.7x more per transaction than a Non Linen Lover

Active Linen Lovers





Omni Channel – evolving our capabilities to drive growth

How do we continue to deliver this growth?

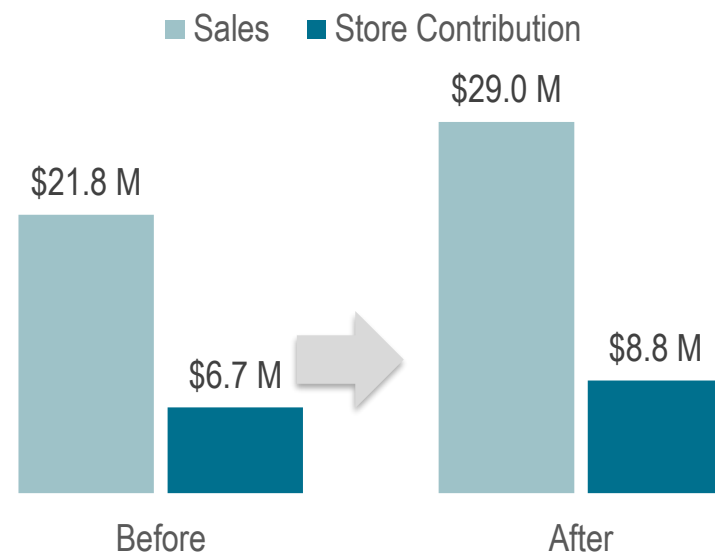
- ▶ Expanded product range – take our category expansion further and look to create online only product
- ▶ Continue to drive traffic to Adairs through increased use of digital marketing as our primary communication method and a focus on profitable traffic
- ▶ Enhancing the online platform as a research, planning and shopping tool. Increases the ability to showcase the look with pages dedicated to highlighting how to bring it together and an increased use of suggested selling options
- ▶ Continue to improve our customer experience with omni channel shopping to offer our customers more delivery options, clearer communications and enhanced service levels.
- ▶ Use our Linen Lovers data and social media to personalise and drive a higher share of her spend in home decoration categories



More inspiring larger stores

- Larger store formats enhances the shopping experience, differentiates Adairs and supports category expansion strategy
- We have 49 homemaker in Australia stores, 4 in NZ and 5 mini homemaker stores (400-600m² in shopping centres). Collectively these stores represent 48% of store sales
- Store roll out and selectively upsizing shopping centre and smaller homemaker stores is delivering additional growth
- In Australia we expect to open net 4 – 6 stores per annum over the next 3 years, with ongoing bias to larger formats
- Selectively upsizing stores has seen our upsized stores delivering:
 - Sales growth of 33.3% in the first 12 months
 - Store contribution growth of 31.4% in first 12 months
 - Continue to see strong growth into the 2nd year of trade
- Identified a further 15 stores as upsize opportunities over next 3-5 years and expect to complete 3 – 5 per annum

Upsized Store Performance Before/After ^

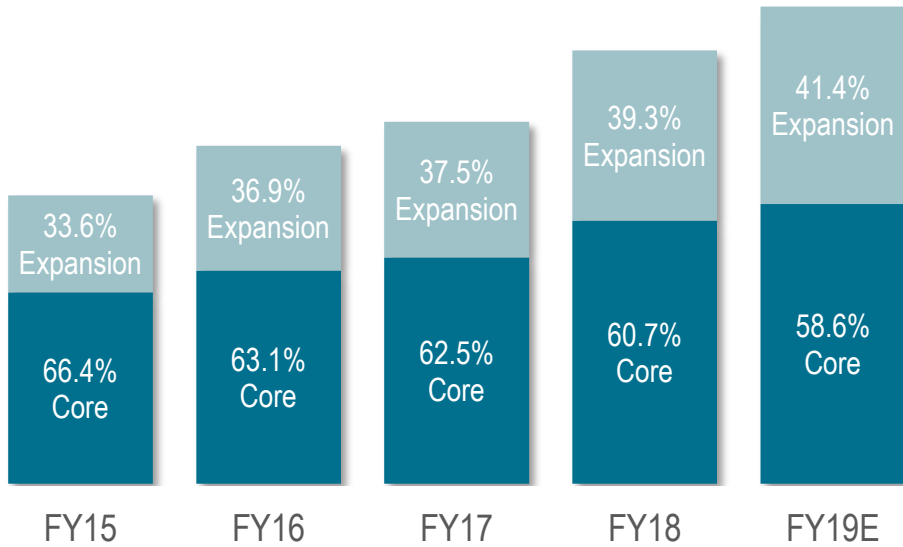


^ data represents 12 months prior to upsizing compared to 12 months post upsizing on a store by store basis over the last 3 years

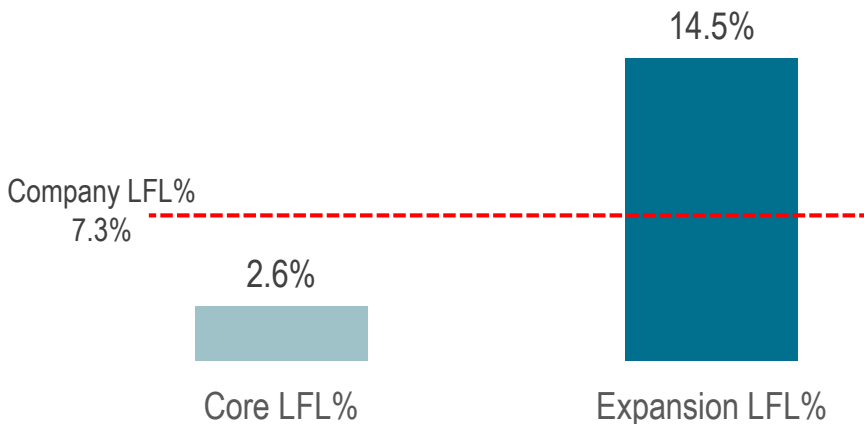
Enhanced Product Range

Adairs has expanded its product range materially over the last 5 years. Long term strategy is to furnish more of our customers living, entertaining and functional spaces.

Adairs Product Mix%



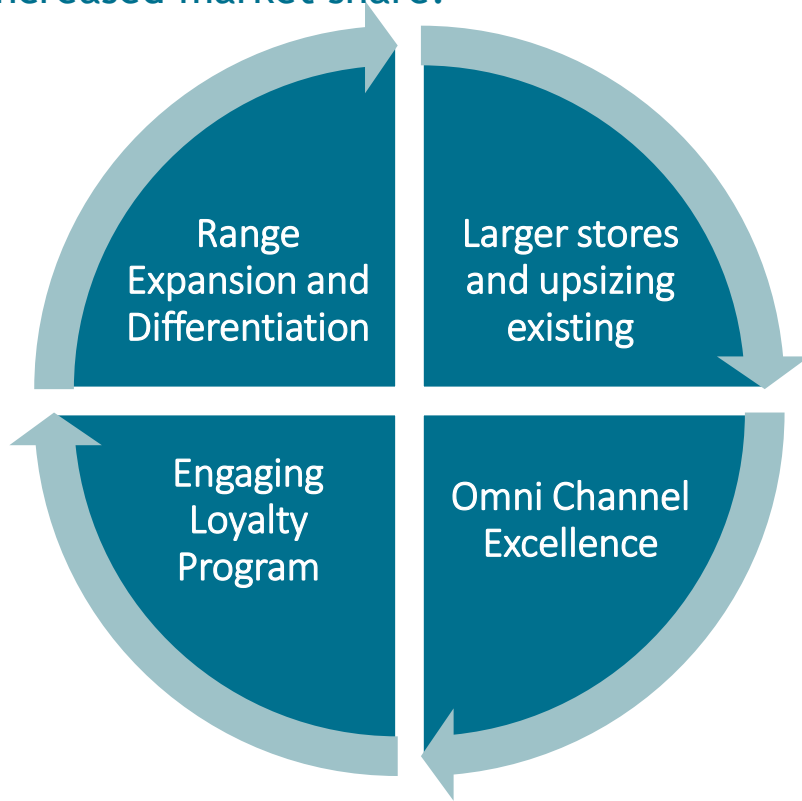
1H FY19 Core/Expansion Growth



- Expanded into adjacent categories to leverage our core competencies and differentiate our product offering and store experience
- Allows strong like for like sales growth without 5%+ growth in core categories every season
- Expansion categories delivered 14.5% like for like growth in 1HFY19
- In most expansion categories we remain a relatively small player in a fragmented market – opportunity to grow share is high with significant upside
- Focussing on furnishing more of our customers home to grow our share of their purchases, rather than identifying and converting new customers
- Product strategy is inextricably linked to the success of our Homemaker store format and our strategy to increase the average size of our stores



These strategies enable us to deliver long term like for like sales growth and increased market share.



Range Expansion and Differentiation delivering exclusive product from our in house design team.

Engaging Loyalty Program that enables us to utilise data and insight to build brand advocates.

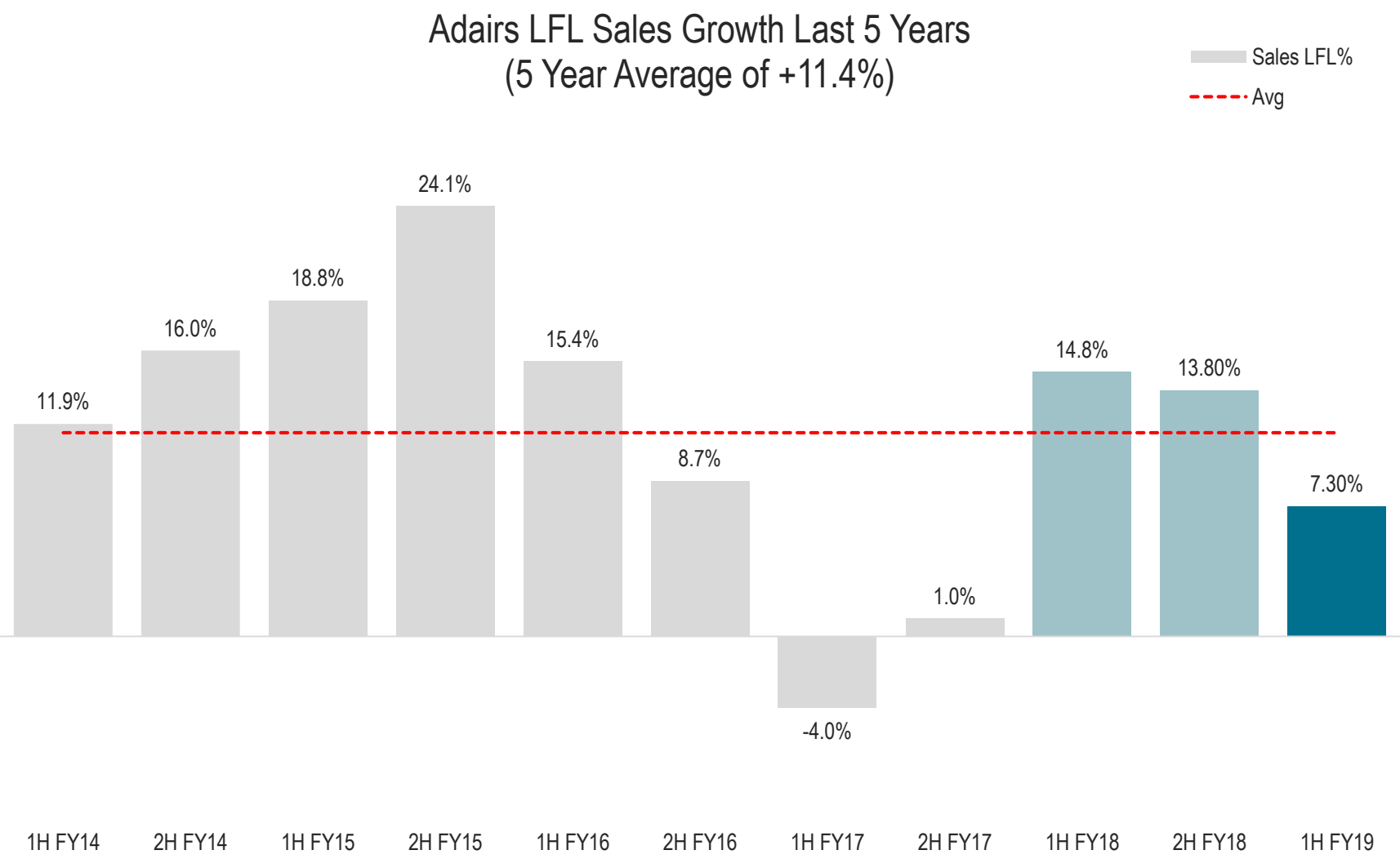
Omni Channel excellence focussing on providing an excellent online experience by leveraging the assets of Adairs.

Larger stores and upsizing existing to provide an enhanced and different shopping experience with superior service.

QUESTIONS?



Appendix 1 – Sales LFL history





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.

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