



Release to the Australian Securities Exchange

ADAIRS TRADING UPDATE AND FY2019 REVISED GUIDANCE

Melbourne, 21 June 2019: Adairs Limited (ASX: ADH) today provided an update in relation to its recent trading and revised guidance for FY19.

From the start of June, Adairs has observed an adverse change in its trading momentum. Like for Like ('LFL') sales growth since the 27th of May have been flat (i.e. 0%), with significant volatility observed week to week. This performance marks a material reduction from +9% LFL sales growth delivered over the second half up to 27 May 2019.

This change in sales performance in an important trading period, coupled with associated gross margin pressure, and a continuation of elevated costs in managing our distribution function have contributed to the revised guidance set out below;

| Guidance | FY19 Guidance | Previous Guidance |
|--------------------------------------|--------------------------|------------------------------|
| Year End Stores | 165 | 167 - 170 |
| Total LFL Sales Growth (incl online) | +7 – 8% | +5 – 8% |
| Total Sales (\$m) | \$340 - \$345 | \$340 - \$355 |
| Gross Margin | 59% - 60% | 59% – 61% |
| EBIT (\$m) | \$42.5 - \$44 | \$46 - \$50 |

Adairs' CEO, Mark Ronan said: "While the need to revise our guidance is disappointing, a review of our FY19 performance shows that we have a healthy and growing business. However, we have specific issues to address to improve our supply chain capacity, productivity and efficiency.

We expect the full year like for like sales growth to be approximately +7 - 8%, which represents consistent growth across both H1 and H2, and in-line with our long term targets. Pleasingly our key strategies continue to drive above market sales growth. Online has delivered approximately 40% growth in the second half to date and will represent 17% of our total sales for FY19. Further our New Zealand business also continues to build momentum and improve performance.

We are comfortable that our current inventory position and cash generation are in line with our internal plans. However growing pains within our distribution network are adversely impacting our earnings performance. This coupled with the recent significant change in our sales performance in Australia, has necessitated a revision to our FY19 earnings guidance."

Further details including plans to address the supply chain challenges and the FY20 outlook will be provided when Adairs releases its audited full year results in August 2019.

End.

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