

Adairs Limited Annual General Meeting

25 October 2019



Michael Butler

Chairman



FY 2019 results

Sales growing across both channels

- ▶ Sales +9.7% to \$344.4m / Like for like (LFL) sales +7.2%
- ▶ Online sales +42% to \$58.8m (now 17% of total sales)

Solid gross profit result

- ▶ Gross profit +6.7% to \$197.1m
- ▶ Gross margin rate -110bp to 59.2% (pre AASB 15)
- ▶ Impacted by higher distribution costs and a weaker AUD

EBIT down 2.4% / NPAT down 1.3%

- ▶ EBIT decreased to \$43.4m (-\$1.1m on FY18)
- ▶ Store and marketing costs well contained
- ▶ New Zealand growing and now profitable
- ▶ DC operating costs and structure under review

Higher dividend

- ▶ Final dividend of 8.0 cps (fully franked) taking total FY19 dividend to 14.5 cps (+7.4% on FY18)

Strong balance sheet

- ▶ Net debt reduced to \$8.2m
- ▶ Clean inventory position

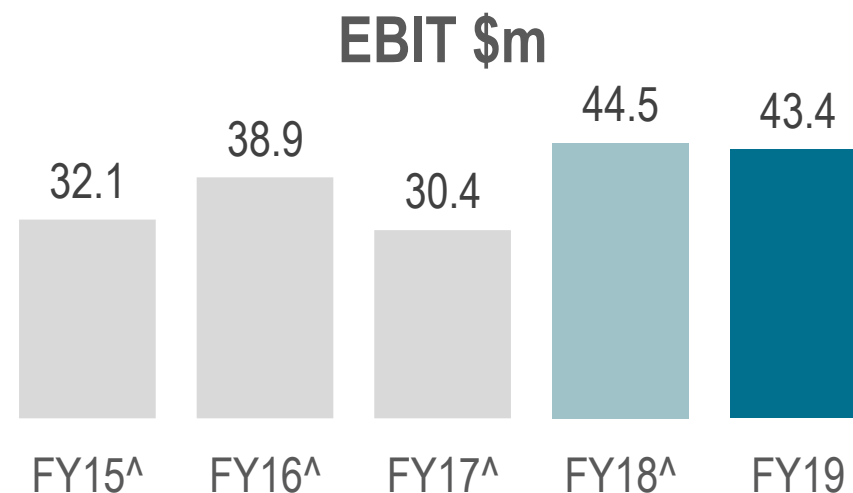
Mark Ronan

CEO



Key P&L metrics

(\$ Million)	FY19	FY18 [^]	% Δ
Sales	344.4	314.0	9.7%
Gross Profit	197.1	184.7	6.7%
<i>Underlying GP%</i>	59.2%	60.3%	
CODB	146.0	133.3	9.5%
<i>CODB %</i>	42.4%	42.5%	
EBITDA	51.1	51.3	-0.4%
<i>EBITDA %</i>	14.8%	16.4%	
EBIT	43.4	44.5	-2.4%
<i>EBIT %</i>	12.6%	14.2%	
NPAT	29.6	30.0	-1.3%
EPS	\$0.179	\$0.181	-1.3%



Record sales offset by higher distribution costs

- ▶ Total sales +9.7% and LFL sales growth of +7.2% led by online channel, expansion categories, Homemaker and upsized stores
- ▶ Underlying Gross Profit % fell 110bp to 59.2% due to higher distribution costs and the weaker Australian dollar
- ▶ Gross Profit % improvement is a key focus

[^] For comparability between the years, FY18 has been adjusted to reflect (retrospectively): (1) the impact of deferred Linen Lover revenue now recognised over the 2-year membership period, and (2) postage costs of our online sales now required to be included in cost of goods sold (previously an expense under CODB).

How we executed on our strategy in FY19

Product	<ul style="list-style-type: none">▶ Expansion categories growth drove like for like sales +7.2%▶ Focus remains on providing differentiated on-trend product	
More Inspiring Larger Stores	<ul style="list-style-type: none">▶ Opened 5 new stores, refurbished 11 stores (5 upsized)▶ Average store size (GLA) by 4.5% over FY18	
International Expansion	<ul style="list-style-type: none">▶ New Zealand profitable and growing strongly in both channels▶ Opportunity to open further stores	
Passionate Team	<ul style="list-style-type: none">▶ Ashley Gardner CFO (ex David Jones, Country Road, Just Group)▶ Added management expertise into supply chain and digital	
Omni Retail Capabilities	<ul style="list-style-type: none">▶ Online sales +42% = 17% of total sales / Targeting \$100m▶ Linen Lovers members (+17%) and share of revenue (>75%)	
+		
Agile Efficient Supply Chain	<ul style="list-style-type: none">▶ Optimising supply chain capacity, productivity and efficiency▶ Consolidation into a single DC (operational by FY22)	



FY20 Outlook

- ▶ Trading for the first 16 weeks of FY20 has delivered LFL sales growth of +3.3% with stores sales +0.8% and online sales +16.6%.
- ▶ Our focus remains on growing LFL Gross Margin dollars
- ▶ FY20 guidance remains unchanged

Pre AASB 16 impact	FY20 Guidance
Year End Stores	169 – 171
Sales (\$m)	360 – 375
EBIT (\$m)	43 – 46
Capital Investment (\$m)	8 - 10

MEETING RESOLUTIONS





1. Annual Financial Report

“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 30 June 2019.”



2a. Re-election of Directors

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

Usable Proxies Received

	Proxies	% of Eligible Votes Cast (excluding abstentions)
For:	90,929,065	79.70%
Open/Undirected (Chairman)	360,890	0.32%
Open/Undirected (Other)	312,870	0.27%
Against:	22,490,791	19.71%
Abstained:	16,122	N/A



2b. Re-election of Directors

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

Usable Proxies Received		
	Proxies	% of Eligible Votes Cast (excluding abstentions)
For:	90,014,992	78.90%
Open/Undirected (Chairman)	360,890	0.32%
Open/Undirected (Other)	312,870	0.27%
Against:	23,401,943	20.51%
Abstained:	19,043	N/A



3a. Election of Directors

“That Kiera Grant, being eligible, be elected as a Director of the Company.”

Usable Proxies Received

	Proxies	% of Eligible Votes Cast (excluding abstentions)
For:	90,793,252	79.59%
Open/Undirected (Chairman)	387,186	0.34%
Open/Undirected (Other)	312,870	0.27%
Against:	22,583,683	19.80%
Abstained:	32,747	N/A



3b. Election of Directors

“That Simon West, being eligible, be elected as a Director of the Company.”

Usable Proxies Received		
	Proxies	% of Eligible Votes Cast (excluding abstentions)
For:	90,717,554	79.52%
Open/Undirected (Chairman)	387,615	0.34%
Open/Undirected (Other)	312,870	0.27%
Against:	22,658,020	19.86%
Abstained:	33,679	N/A



4. Remuneration Report

“That the Remuneration Report for the year ended 30 June 2019 be adopted.”

Usable Proxies Received

	Proxies	% of Eligible Votes Cast (excluding abstentions)
For:	110,908,636	99.13%
Open/Undirected (Chairman)	354,045	0.32%
Open/Undirected (Other)	312,870	0.28%
Against:	308,687	0.28%
Abstained:	620,442	N/A



5. Approval of long term incentive grant of options 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 28 June 2020 on the terms described in the explanatory notes accompanying this Notice of Meeting.”

Usable Proxies Received

	Proxies	% of Eligible Votes Cast (excluding abstentions)
For:	113,104,205	99.17%
Open/Undirected (Chairman)	326,045	0.29%
Open/Undirected (Other)	312,870	0.27%
Against:	309,130	0.27%
Abstained:	57,488	N/A



6. Approval of long term incentive grant of options 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 28 June 2020 on the terms described in the explanatory notes accompanying this Notice of Meeting.”

Usable Proxies Received		
	Proxies	% of Eligible Votes Cast (excluding abstentions)
For:	90,545,096	79.39%
Open/Undirected (Chairman)	326,045	0.29%
Open/Undirected (Other)	312,870	0.27%
Against:	22,868,239	20.05%
Abstained:	57,488	N/A

MEETING CLOSED





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’s current intentions, plans, expectations, assumptions and beliefs about the future, you are urged to view all forward-looking statements contained herein with caution.