



Release to the Australian Securities Exchange

Adairs Limited

Update on COVID-19 impact including withdrawal of FY20 guidance and interim dividend

19 March, 2020

Adairs Limited (ASX: ADH) today announces that, given the ongoing uncertainty of the duration and impact of the COVID-19 coronavirus pandemic, the Company considers it appropriate to withdraw its FY20 earnings guidance and has decided not to proceed with the 1H FY20 interim dividend of 7.0 cents per share, that was previously announced to the market on 21 February 2020. The cancellation of the dividend is precautionary and reflects the focus of the Board on maintaining strong liquidity and protecting long term shareholder value.

Management has initiated several measures designed to position the Company to endure the expected adverse impact of COVID-19.

Importantly, in relation to the health and safety of our people and customers, the Company has put in place plans to reduce exposure to, and manage potential cases of, COVID-19. The Company is also implementing various operational changes necessary to manage risks and maintain business continuity.

Until recently, both Adairs and Mocka were delivering pleasing results. For the first 11 weeks of 2H FY20 (up to 15 March) Adairs' like for like ("LFL") sales (excluding Mocka) were +7.1%, with stores +0.7% and online +31.8%. Mocka LFL sales were +18.1% over the same period. Our omni channel strategy and focus on improving gross margins and driving stock turns are both delivering, and our product is resonating well with our customers.

All Adairs stores and both the Adairs and Mocka online platforms remain open to support our customers. The Company's offshore suppliers are now largely operational. Weekly inventory shipments are now arriving in both Australia and New Zealand. In the ordinary course, our current stock levels are healthy. The current range has performed well, including in significant recent promotional events, despite the rising uncertainty over the course of Q3.

Notwithstanding the hard work and strong execution of Adairs to continue to perform well over the year to date period, the outlook for sales for Q4 has now changed materially. The level and nature of the uncertainty in relation to medium-term trading conditions is unprecedented.



Adairs Limited is in a solid financial position, with cash on hand of \$16 million, net debt of \$48 million, undrawn term debt of \$26 million and working capital facilities of \$6.5 million. The term debt facilities do not mature until March 2023 and the working capital facilities are annually renewable with the consent of the relevant financier. The Company has no further cash payments due in relation to the Mocka acquisition until September 2021, and this payment is contingent on performance of the Mocka business.

In response to the very recent change in trading conditions and the elevated uncertainty in relation to future trading, the Company is actively managing its liquidity position. Management are taking actions to maximise near term sales, reduce costs, manage working capital and defer non-essential capital projects. We are also working collaboratively with our landlords to agree sustainable occupancy arrangements through this period. At this stage the Company is continuing its planning in relation to the National Distribution Centre project and the associated supply chain initiatives.

As part of its cash management planning, and in light of the ongoing uncertainty from COVID-19, the Board has decided it would not be prudent for it to proceed with the previously announced dividend and it is in the best interests of the Company to cancel the interim dividend of 7.0 cents per share (\$11.8 million of cash), that was payable on 16 April 2020. Whilst the Board remains confident in the financial position and prospects of the Company, it feels it is prudent to ensure cash is preserved until these uncertainties are better understood and can be successfully navigated.

Adairs CEO & Managing Director Mark Ronan commented "The COVID-19 pandemic and its impact on our community and our business is evolving rapidly. As a team we are reviewing the situation daily and taking advice from the relevant government authorities to ensure we are caring for the health and safety of our team and customers. Further, we are reviewing the impact COVID-19 is expected to have on our trading performance and taking immediate actions to best position the business to navigate the emerging circumstances."

Conference Call

A conference call for investors and analysts to discuss this announcement, hosted by Mark Ronan (Managing Director and Chief Executive Officer) and Ashley Gardner (Chief Financial Officer), will be held at 11:00AM (Melbourne time) today.

Anyone wishing to listen to the call are required to pre-register which can be done by clicking on the link below. You will be given a unique pin number to enter when you call which will bypass the operator and give you immediate access to the briefing.

[Pre-register for call \(click here\)](#)

If prompted, please provide the **CONFERENCE ID: 10004868**.

This call will be recorded and made subsequently available on the Adairs Investor Relations website (<http://investors.adairs.com.au/investors/>).

ENDS



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About Adairs

Adairs is a retailer of home furnishings in Australia with a national footprint of stores across a number of formats and a growing online format. The company presents customers with a differentiated proposition, which combines on-trend fashion products, quality staples, strong value and superior in-store customer service. For further information visit www.adairs.com.au

About Mocka

Mocka is a vertically integrated pure-play online home and living products designer and retailer operating in Australia and New Zealand. Mocka sells its own exclusive, well designed, functional and stylish products in the Home Furniture & Décor, Kids and Baby categories. Delivering great product and compelling everyday value-for-money is core to the Mocka customer proposition. For further information visit www.mocka.com.au