



## Release to the Australian Securities Exchange

### Adairs Limited Trading Update and Progressive Re-opening of Stores

4 May, 2020

#### Overview

Adairs Limited (ASX:ADH) today provided an update in relation to how it has managed its business through the 5 week store closure period up to Sunday 3 May, and its plans for reopening its stores.

Key points:

- Adairs online sales have exceeded expectations since stores closed, up 221% for this period
- Adairs total Australian sales down c.37% for this period vs. last year, including store sales
- Mocka Australia sales up 151% on last year through this period
- Mocka New Zealand recommenced operations on 28 April with strong sales observed
- Adairs has registered for, and expects to be eligible for, JobKeeper in Australia
- Stores to commence reopening on 7 May, with all stores expected to reopen by end of June
- Negotiations with landlords are continuing
- No current requirements or plans to increase debt facilities or raise capital

#### Background

On 19 March 2020, Adairs announced the withdrawal of its FY20 earnings guidance, and the cancellation of the 1H FY20 interim dividend. On 27 March, the Company announced that it would temporarily close its Australian stores for a period of 4-6 weeks. All operations were also closed in New Zealand. These actions were taken in response to the threat of COVID-19 to the health and safety of our team, customers and business.

Both Adairs' and Mocka's Australian on-line operations have continued to trade throughout this period. The Company has taken decisive action to manage working capital and reduce costs across its business and has focused on serving customers and maximising sales through our digital channels.

#### Actions taken

In closing all stores, we stood down the entirety of our store team and those Customer Support Office team members not required for the continuing operation of the online business and managing the business through this phase. Many of the remaining team members were placed on reduced hours and all senior executives and Board members accepted remuneration reductions.

We have registered for the JobKeeper program in Australia and expect to qualify for this program. In New Zealand we received the Wage Subsidy Scheme for all Adairs and Mocka team members.



We continue to have constructive discussions with the majority of landlords as key business partners. Our discussions have focussed on agreeing an outcome that sees us share the impact of COVID-19 through both the store closure and recovery phases. Where we have arrived at a mutually agreeable outcome, we will pay rent in line with what is agreed.

We have received strong support from our key product suppliers. Our supply chain is intact, and our inventory is being managed to ensure that we are well placed in terms of seasonality and trading through an expected softer retail environment in the recovery phase. Having taken decisive actions, the value of inventory currently held by the business is 5% lower than at the same time last year.

### Trading Update

While stores have been closed, our Australian online businesses have remained fully operational with results exceeding our expectations.

<b>Sales growth for the 5 weeks ending 3 May 2020 over same period in 2019</b>	
Adairs Stores (Australia)	<i>Closed</i>
Adairs Australia Online	+221%
Total Adairs Australia	-37%
Adairs Stores New Zealand	<i>Closed</i>
Mocka Australia <sup>1</sup>	+151%
Mocka New Zealand <sup>2</sup>	<i>Closed</i> <sup>2</sup>

Adairs online sales for the 9 months to March 2020 represented approximately 20% of the total sales of the Adairs business. The strength of our online platform and the 221% growth in online we have seen since stores closed has resulted in Adairs sales for the last 5 weeks being down approximately 37% compared to last year (with last year including all store sales). Pleasingly, c.30% of this online growth has come from customers who were not members of Linen Lovers or had not previously shopped online with Adairs.

Mocka Australia has traded well throughout this period driven by strong sales across all categories. Mocka New Zealand was closed in line with the New Zealand Government restrictions, which concluded on 28 April. Sales in the period from 28 April to 3 May for Mocka New Zealand were up 216% on the same period last year.

### Balance sheet and liquidity

The Company's balance sheet and liquidity remain strong, with significant headroom within banking covenants. We do not currently see a need for additional capital given our liquidity, sales levels, demonstrated ability to manage costs, and the government assistance programs. As at 4 May the Company has cash on hand of \$41 million, net debt of \$43 million and undrawn debt facilities of \$12.5 million, noting that the April rent for the period whilst stores were closed has not been paid.

<sup>1</sup> Mocka was not owned by Adairs in the prior corresponding period

<sup>2</sup> Mocka NZ re-opened on 28 April



We acknowledge however that considerable uncertainty remains, and that our operating environment can change rapidly. We remain vigilant and prepared to move quickly as circumstances change.

### **Re-opening of stores**

Adairs intends to progressively re-open our stores with additional measures to ensure the safety and wellbeing of our team and customers, commencing on 7 May, with our initial focus being on opening the larger format stores (primarily our Homemaker stores). Stores are expected to open throughout May and June having regard to the circumstances of each store and the relevant Government directions.

New in-store safety protocols and processes will apply across all stores including social distancing measures, the use of hand sanitisers, customer number limits and contactless payments. Stock density and layout within stores will also be reviewed to create more space and facilitate responsible social distancing practices.

Commenting on the response of the Company during these times, CEO and Managing Director, Mark Ronan said:

*“The Company has responded decisively to the changing circumstances with a focus on the health and safety of our team and customers together with the financial position of the business. I would like to acknowledge the Adairs and Mocka teams, our suppliers and business partners who have worked closely with us to share the impact of COVID-19 observed to date. Our staged store openings reflect our “safety first” approach as we welcome back our team and customers into our stores. There is still a long way to go, however the actions and contributions made to date put us in a strong position to navigate this changing environment.”*

### **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: 10006474**.

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](http://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](http://www.mocka.com.au)