



Release to the Australian Securities Exchange

Adairs Limited

**Presentation to be made at the
Goldman Sachs Emerging Leaders Conference**

Melbourne, 28 April 2021

Adairs Limited (ASX: ADH)

Mark Ronan (Managing Director and CEO) will today present the attached slides at the Goldman Sachs Twelfth Annual Emerging Leaders Conference.

ENDS

This announcement has been approved by the Chief Executive Officer of Adairs Limited.

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About Adairs Limited

Adairs Limited is Australia's largest omni channel specialty retailer of home furnishings and home decoration products. We own and operate two businesses in the category, Adairs and Mocka. Both businesses are design led, customer focused, and sell quality in-house designed product direct to customers in Australia and New Zealand. Adairs head office is in Melbourne, Australia. For further information visit our investor relations website www.investors.adairs.com.au

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Adairs Limited
Goldman Sachs
Emerging Leaders Conference
April 2021

Mark Ronan

Managing Director and
Chief Executive Officer

Digital commerce will lead to a redesign of storefronts and service delivery

Store front

- ▶ Retailers will be able to send alerts to notify of new pricing, products or experiences to a consumer's individual wearable or voice platform
- ▶ Screens in the shopfront/store will show you wearing or using their product

Entry and Exit

- ▶ Facial scanning will identify customers upon entry to the retail store, enabling retailers to provide a more tailored experience
- ▶ Payment for the product or experiences will be automatically made upon exit from the retail store (as will inventory replenishment orders)

In-store experience

- ▶ Shopping will be more contextual, allowing consumers to try on clothes or see new furniture in a virtual incarnation of the final environment
- ▶ Experiential centres will be built to enable consumers to touch, feel and experience products that require more consideration
- ▶ The consumer's virtual personal stylist will help consumers make choices in the context of what they already own or what might complete a desired look



Technology continues to advance at unparalleled speed and the technology landscape for retailers is complex

Near term (Now to 5 years)

New technologies (which will ultimately need integration) include:

- ▶ **Augmented reality**
 - Consumers can use their smartphones to bring product to life and see what it might look like in their homes, on their tables or walls
 - Can provide in-store navigation and product information
 - Contactless trialing of products (particularly clothing)
- ▶ **The internet of things and connected devices**
 - e.g. Amazon Go in the US (Enter the store with your smartphone, pick items off shelves and just walk out – no contact checkout/billing)
- ▶ **Sensor-driven supply chain and packaging innovations**
 - Provides retailers with end to end real-time information about their inventory at an individual item level from suppliers through to customers
- ▶ **Delivery / fulfilment solutions**

Longer term (5-10 years)

- ▶ **Virtual reality**
 - Fully immersive virtual experience (e.g. visit a virtual store from your armchair and browse a personalised product display curated just for you)
- ▶ **Artificial Intelligence / Big data**
 - Likely to be the most profound technology to change every aspect of retail
 - Will allow a retailer to anticipate a customer's needs even before they personally interact with the brand

The customer experience should drive a retailer's technology decisions, not the other way around

Retail e-commerce is growing steadily but not all categories sell easily online and, while COVID has helped, the next stage of evolution is likely to require substantial investment

Some categories sell better online than others

More likely to transact online

Commodity items in general

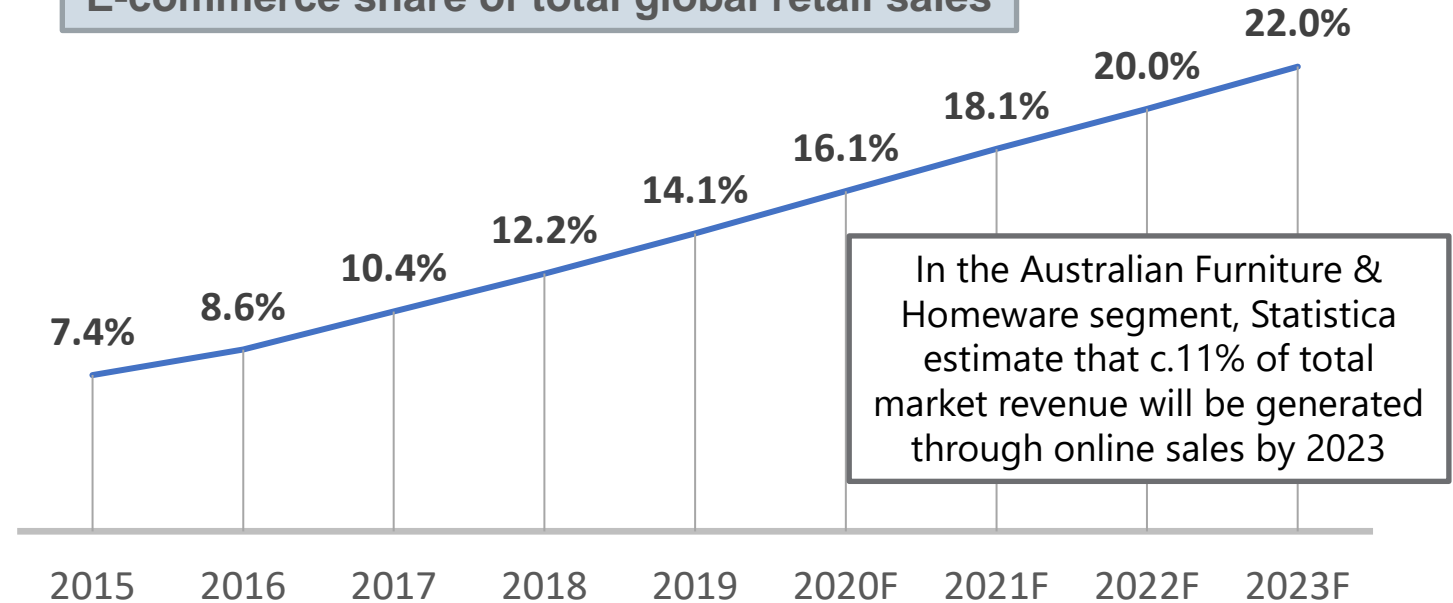
- ▶ Tickets (Airlines, events, etc)
- ▶ Books/Music
- ▶ Electronics
- ▶ Apparel / Shoes

Less likely to transact online

Anything you like to see, hold, smell, or taste before you buy!

- ▶ Home category items
- ▶ Cars
- ▶ Real estate
- ▶ Luxury items / Jewellery

E-commerce share of total global retail sales



Source: Statista, August 2020

The “less likely” categories are all achievable, but complex

Improving consumer confidence to buy these categories online requires

- ▶ New platforms
 - ▶ New shipping capabilities
 - ▶ New systems
 - ▶ New technologies
- and STORES!**

On omni-channel

"The future was always going to be omni-channel. Pundits have been prematurely predicting this for many years, but it is finally happening.

There is a strange belief in certain circles that the future will be e-commerce only and that brick-and-mortar stores have no value.

This is strange because the world's largest, most sophisticated e-commerce companies such as Amazon, Alibaba, JD.com and Wayfair are all now opening stores. Lots of stores."

On COVID-19 beneficiaries

"I believe the biggest long-term beneficiaries of COVID will prove to be category leading brick-and-mortar retailers.

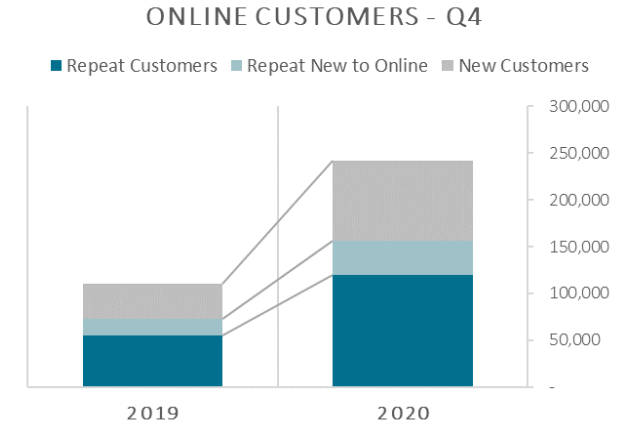
Many of the perceived COVID winners such as e-commerce, videogame and streaming media companies have simply been pulled a few years forward into a future that was inevitable.

Their destiny did not change, whereas the future for category leading "brick and mortar" retailers has changed dramatically as a result of COVID, more so than for any other business of which I can think."

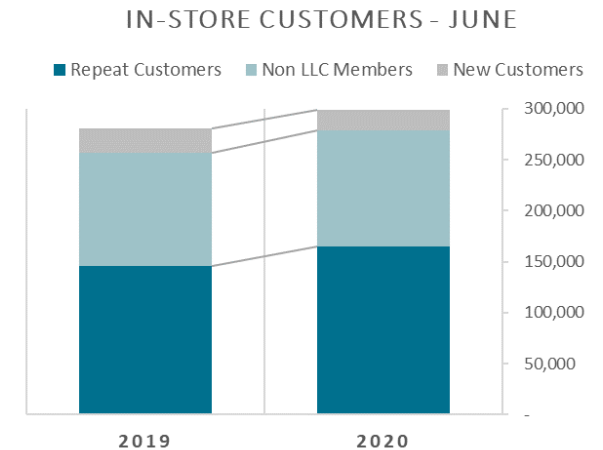
COVID-19 accelerated Adairs online penetration and growth rate with long term benefits as new customers acquired during COVID return and more customers shop both our channels

- ▶ It is the combination of stores and online that has delivered our strong sales growth including during the COVID-19 periods of 2H FY20 and 1H FY21
- ▶ As more customers become “omni” in their shopping preferences we expect to win online market share as seen in Q4 FY19 v Q4 FY20:
 - Significant increase in new online customers (+124%)
 - 15% of sales in Q4 FY20 were to existing customers shopping online with Adairs for the first time
 - Over 30% of sales during the nationwide store closure period were to new customers
 - Material upside remains given >60% of our Linen Lover members have not shopped Adairs online
- ▶ Engaged Linen Lover members drove store sales upon their re-opening
 - we communicated directly with individual members as their preferred store re-opened
 - Repeat customers in store were +13% in June 2020 (versus June 2019)
- ▶ The trend of customers shifting to omni-channel has continued in FY21

1 *Strong online customer growth*



2 *Some Customers love to shop in store*





“Home” is better with Stores

Inspiration and discovery

- ▶ Curating a home is a process of discovery, inspiration and change
 - best done when items can be readily viewed alongside each other
- ▶ Customers often don't know exactly what it is they are after in terms of look
 - searching the web can overwhelm
 - curation and co-ordination are features of our channels

Customer service

- ▶ An experienced, customer-friendly store team can
 - create / inspire customer's vision
 - deliver a personalised and tailored experience
 - help cross-sell and add value
 - increase sales conversion and loyalty
- ▶ Majority of Linen Lover sign-ups and renewals occur in-store
- ▶ Stores provide additional customer service options

It's the real thing

- ▶ Being able to touch and feel a product is very important to many Home customers
 - allows them to better assess quality and visualize how the product will look in their home
 - Stores bring products and looks “to life”
 - Customers can browse instore and shop online, and vice versa

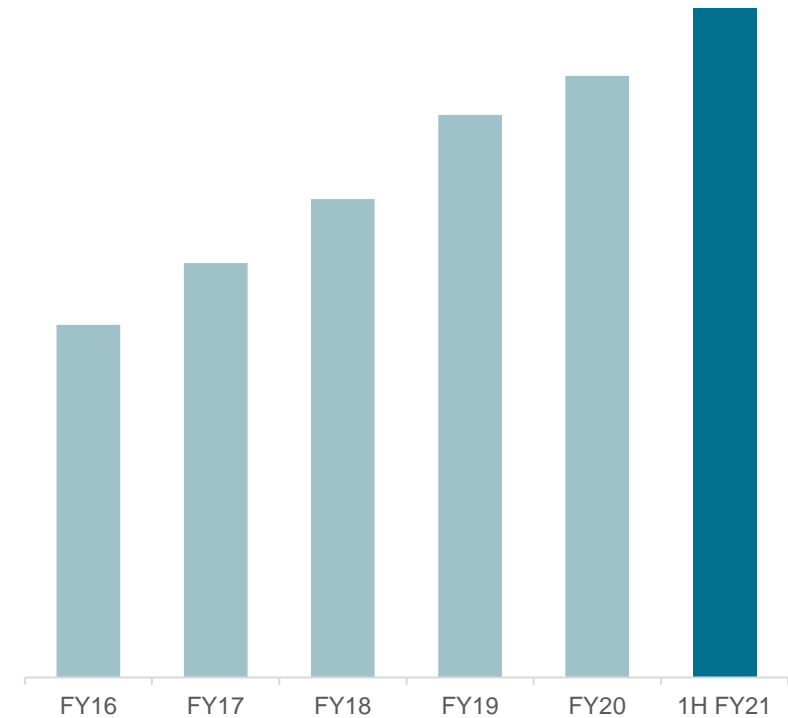
Our Linen Lovers Club loyalty program is a fundamental growth platform - accounting for 75% of all sales (ex Mocka) with 900k+ highly engaged members and membership growing at a 14% (5-year CAGR)

- ▶ Launched in 1995, Linen Lovers is one of Australia’s oldest loyalty programs and a key driver of Adairs’ success
- ▶ In contrast to most loyalty programs, Linen Lovers pay for their membership:
 - enhances member loyalty with a signalled intent to shop at Adairs again
 - enhances our customer knowledge
 - supports cost of the program
- ▶ Avg transaction value for a Linen Lovers member is 1.5x higher than a non-member

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 extended return terms

Active Linen Lover members
(end of period balance)



Omni is a true “customer-first” model where retail is driven by customer preferences

Channel Optimisation

- ▶ We want to empower our customers to shop any way, anywhere, any time they choose
- ▶ Adairs values all channels equally

Improved Customer Experience

- ▶ We gain a complete understanding of each customer
- ▶ Allows personalisation of the customer relationship

Improved Loyalty

- ▶ Personalisation builds a relationship, which drives loyalty
- ▶ Channel freedom (ease of shopping) also drives loyalty

Customer Diversification

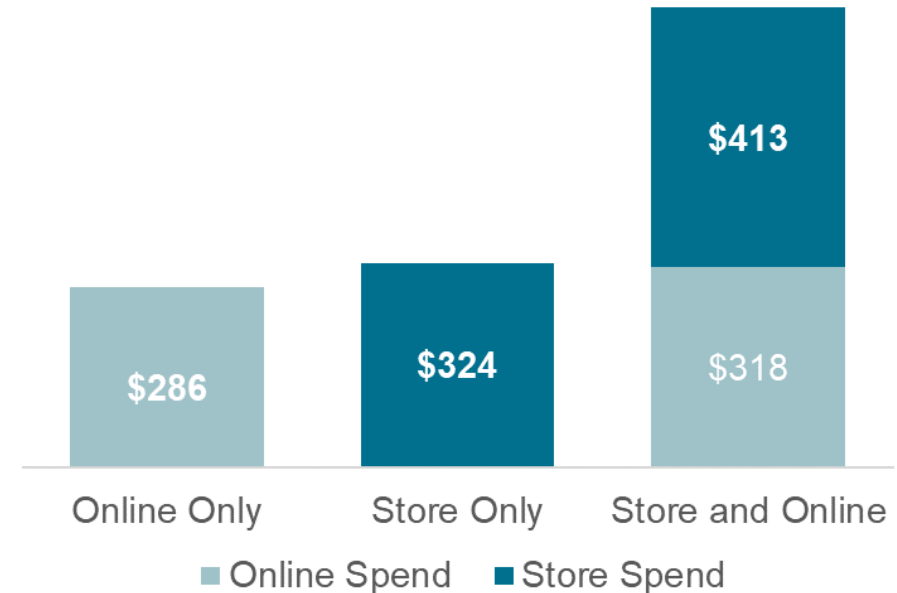
- ▶ Different channels create different leads and opportunities
- ▶ Not all customers are omni but we seek to (and can) capture them all

Customers that engage with Adairs on multiple channels:

- ✓ make purchases more often; and
- ✓ spend more with each purchase than those who only engage via one channel



Active Member Annual Spend (\$) in FY20





QUESTIONS?



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.