Adairs Limited
FY23 Results Presentation

21 August 2023

Mark Ronan
Managing Director & CEO

Ashley Gardner
Chief Financial Officer

adairs

FY23 Group results

Record sales in a challenging year.

Over 10 consecutive years of sales growth

Group sales of $621.3 million, up 10.1% on FY22, reflecting:

- Uninterrupted store trade saw customers return to stores and online sales normalise (16% of store trading days lost in FY22 due to COVID mandated closures)
- Full year contribution from Focus on Furniture (7 months in FY22)
- Strong product offering across all three brands

Gross profit up 5.8% with margins adversely impacted by supply chain cost pressures

- Underlying Group gross margin rate down -100bps on FY22, impacted by promotional activity
- Higher contribution from Focus on Furniture at lower gross margin rates
- Adairs impacted by higher National Distribution Centre (NDC) costs and inefficiencies
- Higher industry-wide delivery charges (local carriers) being incurred across all brands

CODB up 15.0% driven by higher store costs from a fully operating network and 12 months of Focus

- Additional costs from uninterrupted store trade (higher wages and utilities)
- Increased store rents with new stores and annual increases compounded by cycling COVID related rent rebates received in prior years
- 12 months of Focus store operating costs (FY22: 7 months)

Underlying[1] Group EBIT of $63.9m (down 16.4%) and EBIT margin 10.3% (13.5% in FY22)

- Net debt of $73.6m ($20m reduction from FY22)
- Net debt / Underlying EBITDA of c.1.0x (leverage ratio)
- Given the capital commitments required to take over the operations of the NDC and the importance of maintaining a strong balance sheet, the Board have taken the prudent decision to not pay a final dividend in FY23

1. Refer to Appendix 5 for reconciliation of underlying results to statutory results

	Group		
($ million)	Underlying FY23	Underlying FY22	Change v FY22 (%)
Store sales	446.3	369.1	+20.9%
Online sales	175.0	195.4	-(10.5%)
Total sales	**621.3**	**564.5**	**+10.1%**
Online % of total sales	*28.2%*	*34.6%*	
Gross margin	**363.9**	**336.2**	**+8.2%**
Warehouse related costs	(45.7)	(39.1)	+16.9%
Customer delivery costs	(32.7)	(27.3)	+19.8%
Gross profit	**285.5**	**269.8**	**+5.8%**
Costs of doing business	(213.0)	(185.2)	+15.0%
EBITDA	**72.5**	**84.6**	**-(14.3%)**
Depreciation	(8.6)	(8.2)	+4.6%
EBIT	**63.9**	**76.4**	**-(16.4%)**
Interest	(6.4)	(3.0)	+111.0%
Tax	(17.4)	(21.7)	-(20.2%)
NPAT	**40.2**	**51.6**	**-(22.2%)**
Statutory EPS (cents)	22.0	26.4	-(16.7%)
Dividends per share (cents)	8.0	18.0	-(55.6%)
Closing inventories	**87.8**	**99.1**	**-(11.4%)**
Ratios			
Gross margin %	58.6%	59.6%	*-(100 bps)*
Gross profit %	45.9%	47.8%	*-(180 bps)*
Costs of doing business %	34.3%	32.8%	*+150 bps*
EBITDA %	11.7%	15.0%	*-(330 bps)*
EBIT %	10.3%	13.5%	*-(320 bps)*
NPAT %	6.5%	9.1%	*-(270 bps)*
Dividend payout ratio (NPAT %)	36.4%	68.6%	*-(3220 bps)*

Adairs – FY23 financial performance

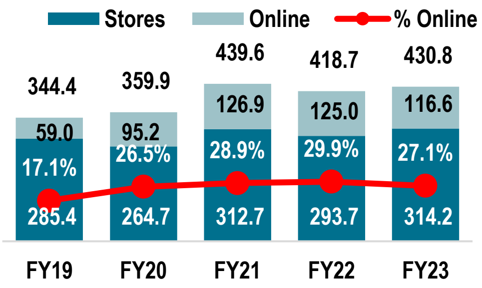
Sales up as customers returned to stores however elevated supply chain costs impacted EBIT

- Total sales up 2.9% driven by store sales (up 7.0%) with no COVID-related closures (16% of trading days were lost in FY22). The fully operating store network saw online sales normalise (27.1% of total sales) reinforcing the benefits of being an omni-channel retailer. In the last four years the online sales % have increased from 17% to 27% while Adairs store footprint has grown by 25% over the same period.
- Gross margin softened (down 170 bps) due to increased promotional activity in response to the more challenging retail environment. While shipping container rates have returned to pre-COVID levels, the majority of this benefit will not flow until FY24 as inventory is sold.
- Warehouse related costs up 16.2% as DHL-operated NDC continued to operate at lower volumes and higher cost than expected, combined with resultant temporary warehousing.
- Customer delivery costs up 29.5% reflecting industry-wide rate increases from delivery partners (including the impact of elevated fuel prices) and the growth of the furniture range.
- As felt across the industry, CODB higher driven by increased store labour costs reflecting fully operating network and minimum wage increases. Fixed rent increases (and roll-off of COVID-related rent rebates) together with higher utilities costs also added to CODB.
- The softer gross margin rate and higher costs resulted in a 37.1% fall in Underlying EBIT to $35.0 million

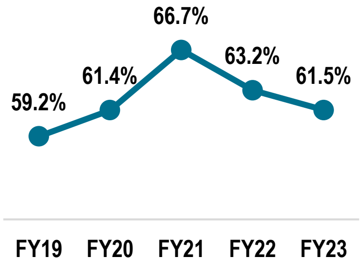
	Adairs		
($ million)	**Underlying FY23**	**Underlying FY22**	**Change v FY22 (%)**
Store sales	314.2	293.7	+7.0%
Online sales	116.6	125.0	-(6.7%)
Total sales	**430.8**	**418.7**	**+2.9%**
Online % of total sales	*27.1%*	*29.9%*	
Gross margin	**264.8**	**264.5**	**+0.1%**
Warehouse related costs	(34.8)	(29.9)	+16.2%
Customer delivery costs	(18.8)	(14.5)	+29.8%
Gross profit	**211.3**	**220.1**	**-(4.0%)**
Costs of doing business	(168.7)	(157.1)	+7.4%
EBITDA	**42.6**	**63.0**	**-(32.4%)**
Depreciation	(7.6)	(7.5)	+2.1%
EBIT	**35.0**	**55.5**	**-(37.1%)**
Closing inventories	**59.9**	**59.1**	**+1.4%**
% sales ratios			
Gross margin %	61.5%	63.2%	*-(170 bps)*
Gross profit %	49.0%	52.6%	*-(350 bps)*
Costs of doing business %	39.2%	37.5%	*+160 bps*
EBITDA %	9.9%	15.1%	*-(520 bps)*
EBIT %	8.1%	13.3%	*-(520 bps)*

Notes: Refer to Appendix 5 for reconciliation of underlying results to statutory results

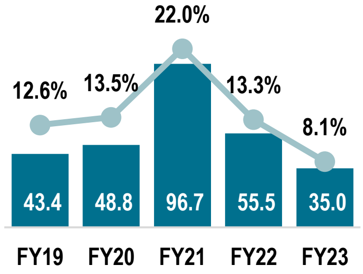
Sales ($m)



Gross margin (%)



EBIT ($m) and EBIT margin (%)

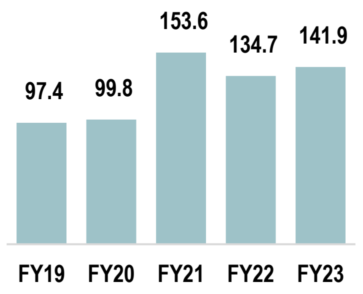


Focus on Furniture – FY23 financial performance

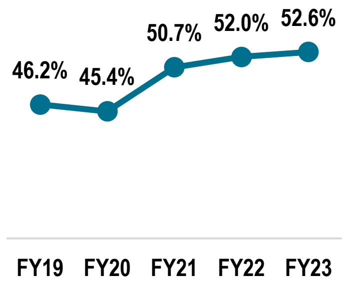
Strong execution and compelling value proposition deliver higher sales and EBIT

- Focus on Furniture had another excellent year, delivering a strong FY23 performance with sales +5.3% to $141.9 million.
- High levels of product availability, short lead times, quality product ranges and a disciplined pricing strategy delivered gross margin gains in FY23 (+60bps) despite the industry-wide supply chain headwinds which prevailed for much of the year.
- CODB increase +13.2% was in-line with continuous store trade and additional order volumes, as well as performance related incentives.
- Underlying EBIT of $27.4 million, up +0.3% on the prior year, and an EBIT margin of 19.3% (FY22: 20.3%).

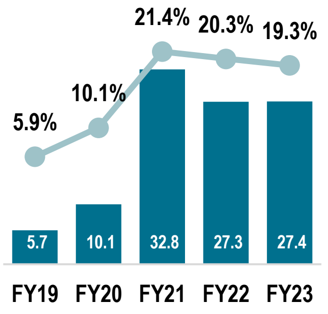
Sales ($m)



Gross margin (%)



EBIT ($m) and EBIT margin (%)



($ million)	Focus on Furniture Underlying FY23	Underlying FY22 (52 wks)	Reported Underlying FY22	Change v FY22 (52 wks)
Store sales	132.1	121.2	75.4	+9.0%
Online sales	9.8	13.5	6.4	-(27.7%)
Total sales	**141.9**	**134.7**	**81.7**	**+5.3%**
Online % of total sales	*6.9%*	*10.0%*	*7.8%*	
Gross margin	**74.6**	**70.0**	**42.7**	**+6.5%**
Warehouse related costs	(7.0)	(6.4)	(3.8)	+7.8%
Customer delivery costs	(6.1)	(5.9)	(3.5)	+3.7%
Gross profit	**61.5**	**57.7**	**35.4**	**+6.6%**
Costs of doing business	(33.4)	(29.5)	(17.7)	+13.2%
EBITDA	**28.1**	**28.2**	**17.6**	**-(0.2%)**
Depreciation	(0.7)	(0.8)	(0.5)	-(15.5%)
EBIT	**27.4**	**27.3**	**17.2**	**+0.3%**
Closing inventories	**15.6**	**20.2**	**20.2**	**-(22.9%)**
% sales ratios				
Gross margin %	52.6%	52.0%	52.2%	*+60 bps*
Gross profit %	43.4%	42.8%	43.3%	*+50 bps*
Costs of doing business %	23.5%	21.9%	21.7%	*+160 bps*
EBITDA %	19.8%	20.9%	21.6%	*-(110 bps)*
EBIT %	19.3%	20.3%	21.0%	*-(100 bps)*

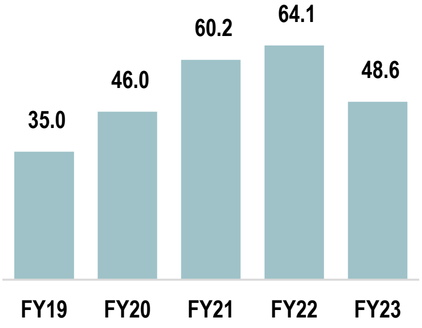
Notes: Refer to Appendix 5 for reconciliation of underlying results to statutory results

Mocka – FY23 financial performance

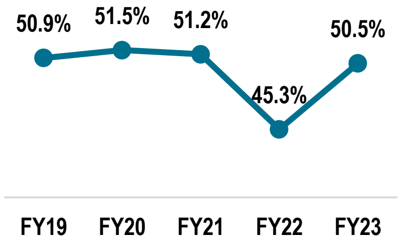
Strong gains in GM as operating platform stabilised, inventory rationalised and customer confidence improved

- Mocka sales declined 24.1% to $48.6 million as shoppers returned to physical stores and the brand rebuilt from its FY22 operational issues ,with customer confidence returning as the year progressed.
- The second half of the year saw a significant improvement in gross margin with the full year improving +510bps to 50.5%. Less clearance activity, rationalised product ranges and a stable operating platform is rebuilding a profitable base for the brand. Gross margin lifted c.550bps in 2H on 1H FY23 and is up >1000bps on 2H FY22.
- Stock has reduced by 38% and stockturns improved across FY23. Further work is progressing to right-size the width and depth of product range.
- Profitability improved in the second half to finish FY23 with an EBIT contribution of $1.5 million (1H FY23 contribution was $0.3 million).

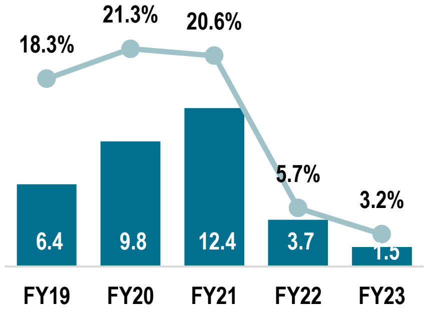
Sales ($m)



Gross margin (%)



EBIT ($m) and EBIT margin (%)



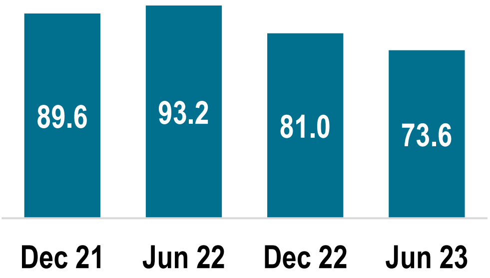
($ million)	Mocka Underlying FY23	Underlying FY22	Change v FY22 (%)
Store sales	-	-	
Online sales	48.6	64.1	-(24.1%)
Total sales	**48.6**	**64.1**	**-(24.1%)**
Online % of total sales	*100.0%*	*100.0%*	
Gross margin	**24.5**	**29.0**	**-(15.5%)**
Warehouse related costs	(4.0)	(5.4)	-(26.0%)
Customer delivery costs	(7.8)	(9.3)	-(16.1%)
Gross profit	**12.7**	**14.3**	**-(11.1%)**
Costs of doing business	(10.9)	(10.3)	+5.6%
EBITDA	**1.8**	**4.0**	**-(54.6%)**
Depreciation	(0.3)	(0.3)	-(12.6%)
EBIT	**1.5**	**3.7**	**-(58.0%)**
Closing inventories	**12.3**	**19.8**	**-(37.8%)**
% sales ratios			
Gross margin %	50.5%	45.3%	*+510 bps*
Gross profit %	26.2%	22.3%	*+380 bps*
Costs of doing business %	22.5%	16.1%	*+630 bps*
EBITDA %	3.7%	6.2%	*-(250 bps)*
EBIT %	3.2%	5.7%	*-(260 bps)*

Notes: Refer to Appendix 5 for reconciliation of underlying results to statutory results

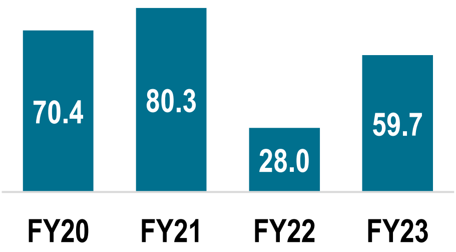
Balance sheet

($ million)	Dec 21	Jun 22	Dec 22	Jun 23
Inventories	100.2	99.1	106.4	87.8
Trade and other payables	(52.3)	(51.6)	(66.8)	(54.9)
Deferred revenue	(30.8)	(28.0)	(19.5)	(20.1)
Property, plant and equipment	22.3	23.6	24.3	22.9
Intangibles	277.5	278.8	280.3	282.3
Right-of-use assets	158.2	166.0	172.9	157.2
Lease liabilities	(176.6)	(188.0)	(196.3)	(180.4)
Deferred tax liabilities	(21.2)	(24.7)	(21.2)	(20.8)
Net other assets and liabilities	(11.2)	15.9	1.8	1.8
Total funds employed	**266.1**	**291.0**	**282.0**	**275.8**
Borrowings	(118.8)	(119.2)	(109.2)	(99.5)
Cash	29.1	26.1	28.2	25.9
Net debt	**(89.6)**	**(93.2)**	**(81.0)**	**(73.6)**
Equity	**176.4**	**197.9**	**201.0**	**202.2**

Net debt ($m)



Underlying operating cashflow ($m)



Group inventories

- Down 11% on prior year to $88m at June 2023.
- Post-pandemic international supply chains have stabilised, reducing the need to retain risk-related stock buffers. The quality of inventory across all brands is good and in line with requirements for 1HFy24

Net debt

- $73.6m at June 2023, a reduction of c.$20m on prior year.

Outstanding borrowings

- $99.5m in drawn borrowings at June 2023 with total debt facilities of $135m, maturing in Jan 2025 ($45m) and Jan 2026 ($90m).
- Leverage c.1.0x (net debt / Underlying EBITDA).
- Significant headroom with all covenants.

FY24 cashflow

- Track record of strong operating cashflow generation and consistent net debt reduction.
- NDC step-in expected to require additional $20m cash commitment in FY24 ($18m CAPEX and $2m transition costs). This will be funded through existing cash reserves and debt facilities, as well as operating cashflows.
- Non-NDC related CAPEX expected at normal historical levels in FY24 of up to $12m.
- No final dividend in FY23

Update on strategic priorities – Adairs brand

adairs

Digital sales and data strategy

- New website launched Nov 2022
  - Improved customer experience
  - provides foundation and capability for future online initiatives
- Click and collect launched with all stores active by September 2023
- Single view of customer created through customer data strategy enabling personalisation of content with early trials in:
  - Automated content for Linen Lovers
  - Personalised product recommendations
- AI being trialled across multiple areas to improve customer experience and productivity
- Foundational systems completed to enable ongoing enhancements

Inspirational Product

- Adairs continues to refine its offering of exclusive on-trend product with a strong value proposition
- Vertical supply chain to support margins

Linen Lovers

- 83% of Adairs-brand sales in FY23
- More than 1 million paid-up members with 5 years CAGR >8%
- Over 450,000 sign-ups in FY23 (new and renewed)

Store growth

- 2 new stores, 4 stores upsized, 2 refurbished and 3 closed (Kids and Outlets)
- Store floorspace (GLA) up 2.2% in FY23 (discipline maintained on site selection and rents in a tight market)
- Strong pipeline of opportunities developed for FY24

National Distribution Centre

- Adairs to take control of the NDC from 6 September 2023 so that it can implement the changes it believes are necessary to
  i. improve online customer experience – improved accuracy and faster despatch times
  ii. improve in store stock availability – fewer stock outs and lost sales; better instore customer experience
  iii. Reduce operating costs by at least $4m per year from CY24, with payback on the $20m step in costs within 4 years.
- Refer Appendix 3 for additional details

Update on strategic priorities – Focus

focuson furniture & bedding

Value proposition

- Focus has performed well in a disrupted market by having high levels of product availability, short lead times and offering outstanding value for money
- Continuing to hold stock to provide shorter lead times which has been supported by significant improvement in offshore supply chains

In-store experience

- New store design now finalised with Hoppers Crossing store refreshed (see photos opposite)
  - Sales at Hoppers Crossing are 6% better than store network since re-opening
- New design will be rolled out progressively across existing store network – Springvale in progress and Essendon Homemaker confirmed (2H FY24)

Store rollout

- Clear growth opportunities through the roll-out of 30+ new stores nationally, with Queensland and New South Wales the growth markets.
- Expect to open 3-8 new stores across the next 18 months with three of these already confirmed (one of which will open in 1H FY24)

New store design (Hoppers Crossing case study)

Update on strategic priorities – Mocka

Mocka.

Product

- Mocka has unique in-house designed product (predominantly flat-pack) that offers customers excellent value for money

Stabilised business operations

- FY23 saw Mocka restore customer confidence through strong execution
- The stable operating platform and improved underlying financial metrics provide confidence that Mocka has a sustainable base from which to continue to grow profitably

Gross margin expansion

- Given ongoing increases in costs to deliver Mocka has focused heavily on growing gross margin to increase order profitability
- Significant improvement in FY23 will continue into FY24 through a combination of supplier negotiations and retail price increases
- Reduction in home decor options has the business entirely focused on developing quality flat packed furniture products

Channel growth

- In FY24 we will evaluate and trial new channels to market for Mocka product, offering our customers new places and ways to shop our range.

Update on strategic priorities – Environmental, Social and Governance

Sustainability

- Traceability completed for all Tier 1 suppliers (c. 325 suppliers)
- Single use plastic bags removed from Adairs stores:
  - Eliminates c. 2.3 million bags per annum
  - 17 tonnes of surplus existing bags will be recycled
- 8.5% absolute reduction in Scope 1 + 2 emissions (CY22 v CY21)
- 43% (560 tonnes) of waste diverted from landfill in FY23 (FY22: 43%)
- Australian Packaging Covenant Organisation (“APCO”) rating of ‘Advanced’

Corporate Social Responsibility

- Adairs is proud to support Orange Sky, an outreach organisation providing free laundry and shower services to people experiencing homelessness across Australia and New Zealand, with a mission to positively connect communities.
- In FY23 Adairs facilitated over $235k in donations to Orange Sky

Diversity

- 40% of all senior executives within the Group are women
- Board composition now 33% women in line with prior year commitment.

Remuneration

- KMP received no STI in FY23 due to financial performance falling short of targets
- Transitioned to Performance Rights as the LTI securities in FY23

Trading update and outlook

Trading results for the first seven weeks of FY24

Unaudited sales (first 7 weeks of FY24)	v FY23
Group	**-(8.9%)**
Adairs	-(8.5%)
Mocka	-(5.2%)
Focus	-(10.9%)

Based on real-time written sales

- Margins have been carefully managed despite the weaker trading environment, with group margins ahead of the same period last year
- The Group has hedged c.68% of its FY24 USD commitments at an average of $0.70

Outlook

- The near-term outlook is likely to remain challenging given prevailing macro-economic headwinds.
- Management have implemented material cost reduction initiatives that seek to manage the business appropriately for the prevailing and anticipated trading environment, while preserving a strong service culture and ensuring each brand continues to delight customers with new and unique product.
- The Board remains confident that the Group is well placed to navigate these challenges given its resilient omni-channel business model, loyal customer base, large addressable market and proven management team.
- Given the uncertainty in outlook the Board does not consider it appropriate to provide guidance for FY24 at this time

QUESTIONS?

APPENDICES

1. Who are we
2. Store footprint – Adairs
3. Adairs National Distribution Centre (NDC)
4. Store footprint – Focus on Furniture
5. Profit and loss reconciliation
6. Cashflow reconciliation
7. Sustainability
8. Glossary

Appendix 1 – Who we are

Adairs Limited (ASX: ADH) is Australasia's largest omni channel retailer of homewares and home furnishing products

- Own three growing and highly profitable businesses
- Vertical retail model
  - in-house design
  - exclusive and differentiated products
  - innovation
  - supply chain control
  - value for money and superior margins
- Omni-channel
  - larger TAM than pure-play
  - integrated channels, cross-channel synergies
  - efficient customer acquisition costs
  - better customer retention
  - data and loyalty focused
  - A$175m p.a. in online sales
- High service, customer focused
  - Our customers expect and enjoy service to help them discover, coordinate, execute and manage their purchases

adairs

- Leading specialty retailer of home furnishings with a large and growing online channel and a national footprint of 171 stores
- Sells on-trend fashion products, quality staples, strong value and superior customer service. Experts in home textiles and decorative furnishing.

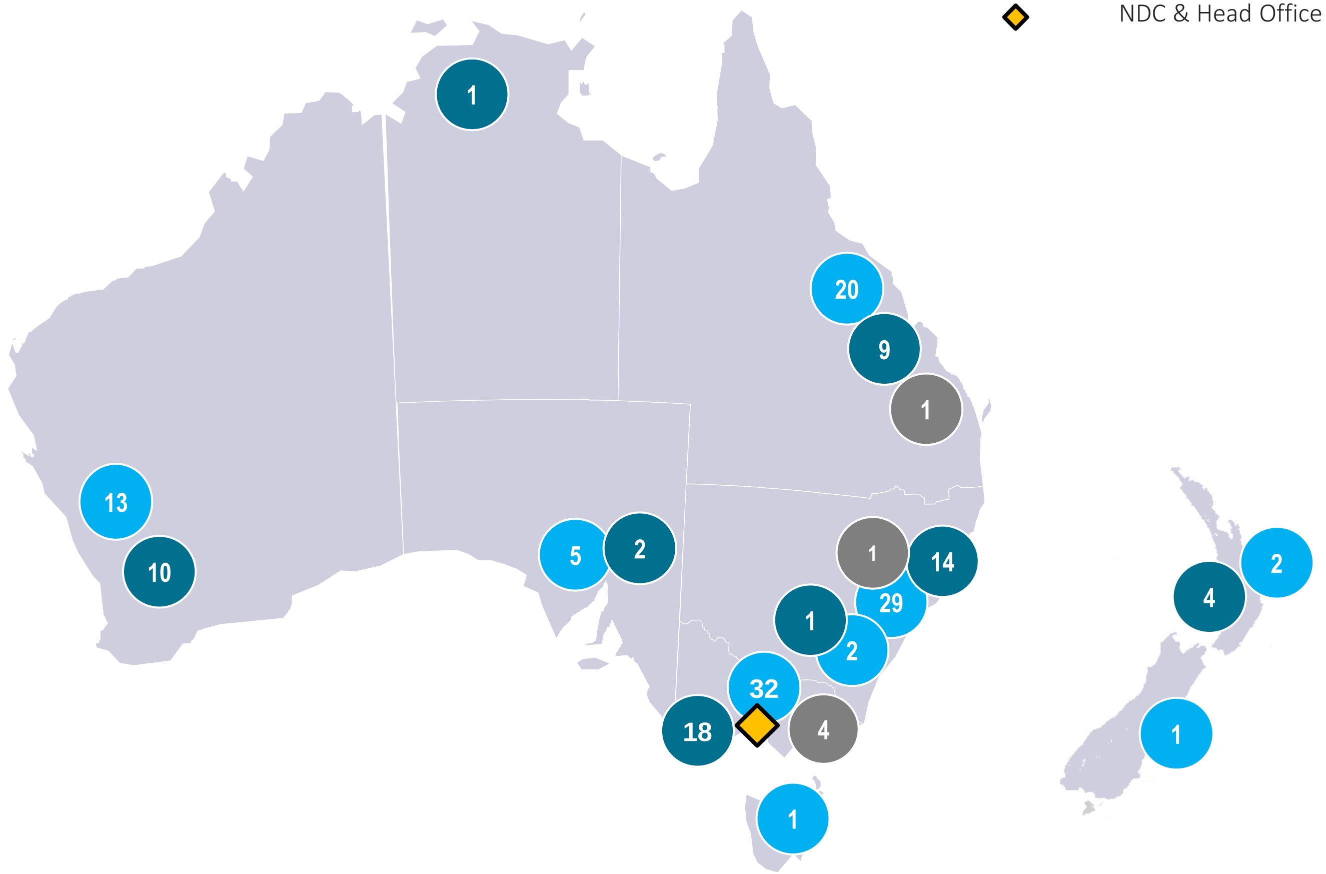
focuson furniture & bedding

- Focus on Furniture ('Focus') is a vertically integrated omni-channel furniture and bedding retailer operating in Australia
- Sells well designed, functional and on-trend products at great value for money through a 23-store network and online
- Narrower range with high stock availability facilitating faster delivery to customers

Mocka.

- Pure-play online home and living products designer and retailer
- Sells well designed, functional and stylish products in the Home Furniture, Kids and Nursery categories. All products designed in-house and exclusive to Mocka.

Appendix 2 – Adairs store footprint



Total Stores: 171

- 104 Regular stores (inc. 9 outlets)
- 61 Homemaker stores
- 6 Adairs Kids
- NDC & Head Office

Store Activity (FY23)

New stores (2)	GLA (m2)
Homemaker – Butler (WA)	750
Regular – Bayside (VIC)	239
Total GLA increase	**989**

Closed stores (3)	GLA (m2)
Kids - Werribee (VIC)	191
Kids - Chadstone (VIC)	152
Outlet - Liverpool (NSW)	169
Total GLA decrease	**512**

Upsized stores (4)	GLA (m2)	
	Previous	Current
Regular – Watergardens (VIC)	170	354
Regular – Marion (SA)	120	583
Regular - Chadstone (VIC)	315	594
Regular – Macquarie (NSW)	160	422
Total GLA increase		**1,188**

Refurbishment (2)	GLA (m2)	
	Previous	Current
Regular - Knox (VIC)	437	311
Homemaker - Frankston (VIC)	1,000	1,000
Total GLA decrease		**126**

Total GLA (26 Jun 2022)	**71,522**
Total GLA (25 Jun 2023)	**73,061**
Net increase in GLA (m2)	**1,539**
Net increase in GLA (%)	**+2.2%**

Appendix 3 - Adairs National Distribution Centre (NDC)

Adairs has elected to take control of the NDC so that it can implement the changes it believes are necessary to improve the service to its customers and stores at a significantly lower cost than the current 3PL model.

Background

- Operational outcomes at the DHL-operated NDC since its commissioning in September 2021 have been well below expectations, which has:
  - adversely affected customer experiences; and
  - resulted in operating costs well in excess of the business case and the costs incurred by Adairs prior to moving to the NDC.
- Adairs has exercised it's 'step in' rights which will see it assume control of the facility from 6 September 2023 and be able to drive the changes required to deliver the targeted efficiencies and service levels. The full transition is expected to take up to 12 months.
- Adairs is an experienced operator of distribution centres and has retained significant inhouse capability.
- Focus on Furniture and Mocka are not impacted.

Investment and funding

- Adairs will outlay c.$20 million, which will be funded from existing cash reserves and finance facilities, to:
  - acquire the warehousing operating assets from DHL;
  - install a new warehouse management system (WMS); and
  - implement the transition

Earnings impact

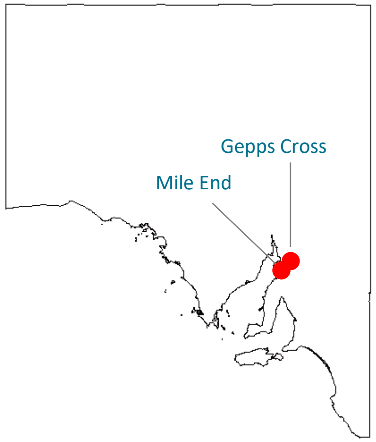
- Adairs expects this important initiative to
  - realise annual cost savings of c.$4.0 million over the current 3PL model in CY24, which will increase in CY25 with the benefits of the new WMS.
  - be modestly EPS positive from CY24.
  - have a payback within four years.
- A complete review of the design of the NDC will be undertaken in the first 12 months which will provide a roadmap to further material productivity improvements and cost savings.

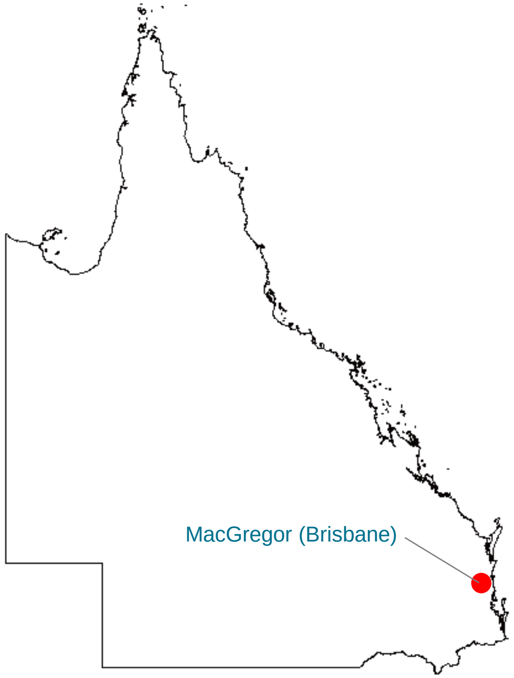
Appendix 4 – Focus store network

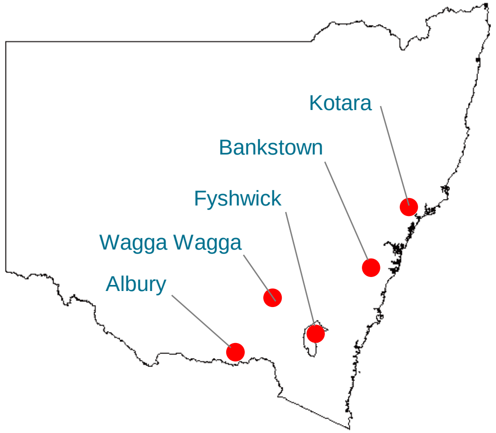
Network of 23 stores, predominantly in Victoria. Typical store size is 1,500-2,000 square metres.

State / Territory	Stores	GLA m2
Victoria (Greater Melbourne)	11	17,647
Victoria (Regional)	4	8,079
NSW (Greater Sydney)	1	3,365
NSW (Regional)	3	5,376
ACT (Canberra)	1	2,125
South Australia (Adelaide)	2	2,714
Queensland (Brisbane)	1	1,712
Totals	**23**	**41,018**

focus on furniture & bedding







Appendix 5 – Profit and loss reconciliation

($ million)	FY23 reconciliation				FY22 reconciliation					
	Underlying FY23	AASB 16 impact	NDC transition costs	Statutory FY23	Underlying FY22	AASB 16 impact	Mocka transaction costs	Focus transaction costs	NDC transition costs	Statutory FY22
Sales	621.3	-	-	621.3	564.5	-	-	-	-	564.5
Gross profit	285.5	-	-	285.5	269.8	-	-	-	-	269.8
Gross profit %	*45.9%*	-	-	*45.9%*	*47.8%*	-	-	-	-	*47.8%*
CODB	(213.0)	49.1	(0.4)	(164.3)	(185.2)	41.2	(0.9)	(1.2)	(3.1)	(149.1)
CODB %	*34.3%*			*26.4%*	*32.8%*	-	-	-	-	*26.4%*
EBITDA	72.5	49.1	(0.4)	121.2	84.6	41.2	(0.9)	(1.2)	(3.1)	120.7
EBITDA %	*11.7%*			*19.5%*	*15.0%*	-	-	-	-	*21.4%*
Depreciation	(8.6)	(45.1)	-	(53.7)	(8.2)	(39.9)	-	-	-	(48.1)
EBIT	63.9	4.0	(0.4)	67.5	76.4	1.3	(0.9)	(1.2)	(3.1)	72.5
EBIT %	*10.3%*			*10.9%*	*13.5%*					*12.9%*
Interest	(6.4)	(6.9)	-	(13.3)	(3.0)	(4.9)	-	-	-	(7.9)
Tax	(17.4)	0.9	0.1	(16.4)	(21.7)	1.1	-	-	0.9	(19.7)
NPAT	40.2	(2.1)	(0.3)	37.8	51.6	(2.6)	(0.9)	(1.2)	(2.2)	44.9
EPS (cents)	23.3			22.0	30.3					26.4

Notes:

1. AASB 16 impact: Under AASB 16 lease expenses are removed from occupancy expenses (CODB) and replaced with depreciation of lease assets and interest on lease liabilities over the relevant lease term.
2. Focus transaction costs: Acquisition related due diligence and other costs
3. Mocka transaction costs: Earn-out payment related FX adjustments
4. NDC transition costs: Costs associated with the transition to the new National Distribution Centre, including onerous lease provisions.

Appendix 6 – Cash flow reconciliation

($ million)	Underlying FY23	Underlying FY22
Underlying EBITDA	**72.5**	**84.6**
Significant items (cash impact)	(0.4)	(4.3)
Share-based payments	0.4	2.1
Changes in working capital		
- Inventories	11.3	(13.1)
- Trade and other receivables	1.6	(3.2)
- Trade and other payables	3.3	2.8
- Other liabilities (deferred revenue)	(7.9)	(5.2)
- Other	1.8	3.3
Net changes in working capital	**10.1**	**(15.4)**
Income tax paid	(16.6)	(36.9)
Net bank interest paid	(6.2)	(2.2)
Net operating cash inflows	**59.7**	**28.0**
Capital expenditure	(12.3)	(9.0)
Mocka earn-out payment	-	(45.7)
Focus on Furniture acquisition payment	-	(62.8)
Net investing cash outflows	**(12.3)**	**(117.5)**
Net (repayment) / drawings of borrowings	(20.0)	120.0
Dividends paid	(27.4)	(29.4)
Other transactions	(0.4)	(0.6)
Net financing cash (outflows) / inflows	**(47.8)**	**90.0**
Net cash flows for the period	**(0.4)**	**0.5**
Foreign exchange differences	0.2	(0.4)
Cash and cash equivalents (opening)	26.1	26.0
Cash and cash equivalents (closing)	**25.9**	**26.1**

Underlying to statutory reconciliation

	FY23 reconciliation			
($ million)	Underlying FY23	AASB 16 impact	Statutory FY23	Underlying FY22
Opening cash	**26.1**	**-**	**26.1**	**26.0**
Operating cash flow	59.7	48.7	108.4	28.0
Investing cash flow	(12.3)	-	(12.3)	(117.5)
Financing cash flow	(47.8)	(48.7)	(96.5)	90.0
Net cash flow	**(0.4)**	**-**	**(0.4)**	**0.5**
Foreign exchange differences	0.2	-	0.2	(0.4)
Closing cash	**25.9**	**-**	**25.9**	**26.1**

Appendix 7 – Sustainability

Adairs is committed to reducing waste, our carbon emissions, and creating better outcomes for people throughout our supply chain, business operations, and the communities we serve.

PEOPLE

Ethical sourcing

ETHICALLY SOURCED

Traceability undertaken for all Tier 1 suppliers (c.325)

Corporate Social Responsibility

OrangeSky

Facilitated $235k in donations in FY23

Diversity

40:40 VISION

40% of all Senior Executives[1] are women

PRODUCT

Standards

OEKO-TEX® CONFIDENCE IN TEXTILES STANDARD 100

Sustainable packaging

APCO performance rating of 'Advanced'

Plastic carry-bags

Single-use plastic bags phased out of stores. 17 tonnes of surplus bags will be recycled (not sent to landfill)

PLANET

Emissions

CO_2

8.5% absolute reduction in Scope 1+2 emissions[2]

Waste

FY23: 560 tonnes of waste diverted from landfill (43% of total)

Note 1: Senior Executives are defined as all employees classified as "General Managers" or above (15 individuals), as those terms are defined under the Australian Government's Workplace Gender Equality Act
Note 2: Reduction in Total Scope 1+2 emissions in 2022 compared to 2021

Appendix 8 – Glossary

Term	Meaning
ASP	Average selling price
ATV	Average transaction value
CAC	Customer acquisition cost
CODB	Cost of doing business (refers to all expenses incurred by the company other than those already captured in Gross Profit)
CPS	Cents per share
DC	Distribution centre
DPS	Dividend per share
DRP	Dividend Reinvestment Plan
EBIT	Earnings before interest and tax
EPS	Earnings per share
ESG	Environmental, Social and Governance
GLA	Gross lettable area (floor space in square metres) - excludes any offsite storage a store may have
Gross Margin	Sales less cost of sales (excluding warehousing and distribution activities)
Gross Profit	Sales less cost of sales (including warehousing and distribution activities)
IPS	Items per sale

Term	Meaning
LFL	Like for like
LTM	Last twelve months
NPAT	Net profit after tax
NDC	National Distribution Centre (services Adairs brand only)
Online contribution	Online gross profit (including all online distribution costs) less customer support office wages/rent and marketing (other than in-store marketing)
PCP	Previous corresponding period
PPP	People, Product and Planet Committee
ROIC	Return on invested capital
SIT	Stock in transit
Stores contribution	Stores gross profit less store labour costs, store rents and in-store marketing
TAM	Total addressable market
Unallocated overheads	Executive team and other head office labour costs, product design & development

Important Notice and Disclaimer

The material in this presentation is general background information about Adairs Limited (ABN 50 147 375 451) (Adairs) and its activities current as at the date of the presentation. It is information given in summary form and does not purport to be complete. It should be read in conjunction with Adairs other periodic and continuous disclosure announcements filed with the Australian Securities Exchange, which are available at www.asx.com.au. Information in this presentation is not intended to be relied upon as advice to investors or potential investors and does not consider the investment objectives, financial situation or needs of any particular investor.

Investors should consider these factors, and consult with their own legal, tax, business and/or financial advisor in connection with any investment decision.

This presentation contains statements that are, or may be deemed to be, forward looking statements. Readers are cautioned not to place undue reliance on such forward-looking statements. Such forward looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of Adairs, which may cause actual results to differ materially from those expressed or implied in such statements. There can be no assurance that actual outcomes will not differ materially from these statements. The operating and financial performance of Adairs is influenced by a variety of general economic and business conditions, including levels of consumer spending, inflation, interest and exchange rates, access to debt and capital markets, government fiscal, monetary and regulatory policies.

No representation or warranty, expressed or implied, is made as to the fairness, accuracy, completeness or correctness of the information, opinions and conclusions contained in this presentation. To the maximum extent permitted by law, Adairs and its related bodies corporate, respective directors, employees or agents, and any other person does not accept liability for any loss arising from the use of this presentation or its contents or otherwise arising in connection with it, including, without limitation, any liability from fault or negligence.

This presentation has not been audited in accordance with Australian Auditing Standards. Numbers are subject to rounding and stated in Australian dollars unless otherwise noted.

adairs