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ASX Market Announcement Office
ASX Limited
20 Bridge Street
Sydney NSW 2000

Via electronic lodgement

Dear Sir / Madam

Adairs Limited 2023 AGM – Chairman’s and CEO’s Address

Please find attached a copy of the Chairman’s address and CEO report to be delivered at the 2023 Annual General Meeting to be held at 11:00am (Melbourne time) today. These should be read in conjunction with the AGM presentation slides and the trading update which are being lodged separately.

This announcement has been approved by the Board of Adairs Limited.

Yours faithfully

A handwritten signature in black ink that reads "Jamie Adamson". The signature is written in a cursive, flowing style.

Jamie Adamson

Company Secretary



ADAIRS LIMITED
2023 ANNUAL GENERAL MEETING

CHAIRMAN'S ADDRESS – BRETT CHENOWETH

GOOD MORNING LADIES AND GENTLEMEN. MY NAME IS BRETT CHENOWETH, AND I AM THE CHAIRMAN OF THE BOARD OF DIRECTORS OF ADAIRS LIMITED.

ON BEHALF OF THE BOARD I EXTEND A WARM WELCOME TO EVERYONE IN ATTENDANCE, AND PARTICULARLY OUR SHAREHOLDERS INCLUDING THOSE IN THE ROOM AND THOSE WHO ARE WATCHING US ONLINE. WELCOME TO OUR 2023 AGM.

IT IS NOW 11:00AM, THE APPOINTED TIME FOR HOLDING OUR 2023 ANNUAL GENERAL MEETING. I AM ADVISED THAT A QUORUM IS PRESENT, AND I THEREFORE HAVE PLEASURE IN DECLARING THIS MEETING OPEN. THANK YOU FOR ATTENDING.

DETAILS ABOUT HOW SHAREHOLDERS CAN PARTICIPATE IS SET OUT IN THE NOTICE OF MEETING WHICH WAS SENT TO SHAREHOLDERS ON 23 OCTOBER 2023 AND IS ALSO PUBLISHED ON OUR INVESTOR RELATIONS WEBSITE.

BEFORE PROCEEDING WITH THE FORMAL BUSINESS OF THE MEETING, I WOULD LIKE TO ADVISE THAT I AM JOINED TODAY BY ALL MY FELLOW DIRECTORS AND ALSO ALL THE SENIOR LEADERSHIP TEAM, INCLUDING ASHLEY GARDNER, OUR CHIEF FINANCIAL OFFICER.

FROM THE BOARD WE HAVE IN ATTENDANCE:

- KATE SPARGO, NON-EXECUTIVE DIRECTOR AND CHAIR OF OUR AUDIT AND RISK COMMITTEE
- TRENT PETERSON, NON-EXECUTIVE DIRECTOR AND CHAIR OF OUR REMUNERATION COMMITTEE
- KIERA GRANT, NON-EXECUTIVE DIRECTOR
- DAVID MACLEAN, NON-EXECUTIVE DIRECTOR
- MARK RONAN, MANAGING DIRECTOR & CEO; AND
- JAMIE ADAMSON, OUR COMPANY SECRETARY.

MICHAEL CHERUBINO STEPPED DOWN AS A DIRECTOR IN AUGUST WHICH ALLOWS HIM TO FOCUS SOLELY ON HIS EXECUTIVE ROLE AS HEAD OF GROUP PROPERTY. WE HAVE A VERY SIGNIFICANT STORE ROLLOUT AND DEVELOPMENT PROGRAM, PARTICULARLY FOLLOWING OUR ACQUISITION OF FOCUS ON FURNITURE, WHICH MICHAEL IS RESPONSIBLE FOR MANAGING AND WE COULD NOT BE IN BETTER HANDS.

I WOULD LIKE TO ACKNOWLEDGE ON BEHALF OF MY FELLOW DIRECTORS THE TREMENDOUS CONTRIBUTION MICHAEL HAS MADE TO THE BOARD OVER THE LAST 12 YEARS GIVEN HIS SIGNIFICANT RETAIL AND PROPERTY EXPERIENCE, AND WE LOOK FORWARD TO HIM CONTINUING TO BOTH DELIVER THE STORE ROLLOUT PROGRAM AND CONTRIBUTING TO THE GROUP STRATEGY FOR MANY YEARS TO COME.



THE BOARD HAS REVIEWED ITS COMPOSITION POST MICHAEL'S DEPARTURE AND IS SATISFIED THAT IT CONTINUES TO HAVE AN APPROPRIATE BREADTH OF DIVERSITY, EXPERIENCE, AND CAPABILITIES TO SUPPORT THE GROUP GOING FORWARD. BOARD RENEWAL WILL OCCUR OVER TIME IN LINE WITH GOOD GOVERNANCE PRINCIPLES WHICH INCLUDE REVIEWING THE NEEDS OF THE GROUP AND A DESIRE TO BRING NEW IDEAS, PERSPECTIVES AND CAPABILITIES TO THE BOARD AS REQUIRED.

ALSO IN ATTENDANCE TODAY IS TONY MORSE, OUR ENGAGEMENT PARTNER WITH THE COMPANY'S AUDITOR, ERNST & YOUNG. TONY WILL BE AVAILABLE TO ANSWER ANY QUESTIONS ON THE AUDIT AND ACCOUNTS AT THE APPROPRIATE TIME. WE ALSO WELCOME THE TEAM FROM THE COMPANY'S SHARE REGISTRY, LINK MARKET SERVICES LIMITED.

THE AGENDA FOR TODAY'S MEETING IS THAT FOLLOWING MY INTRODUCTORY REMARKS AND REVIEW OF THE COMPANY'S PERFORMANCE DURING FY23, MARK RONAN, THE MANAGING DIRECTOR & CEO, WILL PRESENT HIS REPORT WHICH WILL PROVIDE AN UPDATE ON OUR STRATEGIC INITIATIVES AND OUTLOOK. WE WILL THEN PROCEED WITH THE FORMAL BUSINESS OF THE MEETING TO RECEIVE AND CONSIDER THE FINANCIAL REPORT OF THE COMPANY AND TO VOTE ON THE RESOLUTIONS.

I'LL NOW TALK THROUGH THE PROCEDURAL MATTERS FOR THIS MEETING.

SHAREHOLDER QUESTIONS

WE ARE ONLY TAKING QUESTIONS FROM SHAREHOLDERS IN ATTENDANCE, OR THEIR APPOINTED REPRESENTATIVES, AS WELL AS SHAREHOLDERS WHO PRE-LODGED THEIR QUESTIONS IN WRITING PRIOR TO THE AGM IN ACCORDANCE WITH THE PROCEDURES SET OUT IN THE NOTICE OF MEETING.

WE WILL ENDEAVOUR TO ANSWER AS MANY QUESTIONS FROM SHAREHOLDERS AS WE CAN, AND I ASK THAT ALL QUESTIONS BE DIRECTED TO ME AS CHAIRMAN.

VOTING PROCEDURES

VOTING TODAY WILL BE CONDUCTED BY WAY OF A POLL ON ALL ITEMS OF BUSINESS.

VOTING FOR ALL RESOLUTIONS WILL REMAIN OPEN UNTIL 5 MINUTES AFTER THE MEETING TO PROVIDE ELIGIBLE ATTENDING SHAREHOLDERS OR THEIR APPOINTED PROXY WITH SUFFICIENT TIME TO CAST THEIR VOTE.

WITH EACH RESOLUTION WE WILL SHOW THE TALLY OF VOTES WHICH HAVE BEEN LODGED PRIOR TO THE MEETING. THE FINAL OUTCOME OF EACH RESOLUTION, INCLUDING VOTES CAST AT THE MEETING, WILL BE RELEASED TO THE ASX AND POSTED ON OUR INVESTOR RELATIONS WEBSITE LATER TODAY ONCE VOTING HAS CLOSED AND NUMBERS TALLIED.

REVIEW OF FY23

I'D NOW LIKE TO PRESENT MY REVIEW OF THE 2023 FINANCIAL YEAR.



AS I STATED IN OUR ANNUAL REPORT, FY23 WAS A CHALLENGING ONE FOR THE GROUP AS RISING INTEREST RATES AND COST OF LIVING PRESSURES CREATED A WEAKER MACRO TRADING ENVIRONMENT. THIS SAW CUSTOMERS TIGHTEN THEIR DISCRETIONARY BUDGETS AND RETAIL TRAFFIC DECLINE, PARTICULARLY IN SHOPPING CENTRES, AS THE YEAR PROGRESSED.

AGAINST THIS BACKDROP IT WAS PLEASING TO GROW GROUP SALES BY 10% ON FY22 TO A NEW RECORD OF \$621 MILLION. THIS REFLECTED BOTH OUR STORES BEING OPEN FOR THE FULL YEAR, AS COMPARED TO FY22 WHERE COVID RELATED CLOSURES IMPACTED 16% OF TOTAL TRADING DAYS, AND A FULL YEAR'S CONTRIBUTION FROM FOCUS ON FURNITURE VERSUS SEVEN MONTHS IN FY22. THE GROWTH IN STORE SALES WAS OFFSET BY A DECLINE IN ONLINE SALES ACROSS ALL THREE BUSINESSES REFLECTING A MORE NORMAL CHANNEL MIX WITH ONLINE SALES REPRESENTING 28.6% OF SALES.

THE YEAR-ON-YEAR SALES GROWTH WAS DELIVERED THROUGH GOOD EXECUTION AND MANAGEMENT OF FACTORS WITHIN OUR CONTROL ACROSS THE GROUP. EACH OF THE BUSINESSES DELIVERED A STRONG PRODUCT OFFERING AND WERE ABLE TO INCREASE RETAIL PRICE POINTS TO SUPPORT MAINTAINING PRODUCT GROSS MARGINS, WITH OVERALL GROSS PROFIT IMPACTED BY DOMESTIC SUPPLY CHAIN COST INCREASES AND THE ONGOING IMPACT OF THE INEFFICIENCIES AT THE NATIONAL DISTRIBUTION CENTRE ON ADAIRS, WHICH I WILL SPEAK TO SHORTLY.

OUR COST OF DOING BUSINESS WAS UP 15% OR \$27.8 MILLION, ON FY22 LEVELS. THIS WAS PARTLY DUE TO THE ADDITIONAL COSTS ASSOCIATED WITH UNINTERRUPTED STORE TRADE, AND A FULL 12 MONTHS OF FOCUS OPERATING COSTS, WITH BOTH COMPOUNDED BY CYCLING ONE OFF COVID-RELATED RENT REBATES AND BUSINESS WIDE COST INCREASES.

IN RESPONSE TO THE HIGHER COST BASE AND SOFTER TRADING ENVIRONMENT THE GROUP HAS IMPLEMENTED A COST OUT INITIATIVE THAT WILL OFFSET ALL INFLATIONARY INCREASES IN RENT AND WAGES AND DELIVER FURTHER SAVINGS OF MORE THAN \$5M OVER THE YEAR.

LOWER GROSS MARGINS AND THE HIGHER COST OF DOING BUSINESS IN FY23 SAW THE GROUP DELIVER EBIT OF \$63.9M, A FALL OF 16.4% ON FY22.

INVENTORY LEVELS HAVE BEEN WELL MANAGED ACROSS THE GROUP WITH A CLEAR FOCUS ON OPTIMISING INVENTORY, PARTICULARLY WHEN OPERATING IN A SOFTER TRADING ENVIRONMENT. GROUP INVENTORY LEVELS FINISHED FY23 APPROXIMATELY 11% LOWER THAN THEY STARTED, AND WE WILL CONTINUE TO MANAGE INVENTORY TIGHTLY UNTIL TRADING CONDITIONS SHOW A SUSTAINED IMPROVEMENT.

TURNING NOW TO THE NATIONAL DISTRIBUTION CENTRE, WHICH WAS A SIGNIFICANT AREA OF FOCUS FOR MANAGEMENT THROUGHOUT FY23 GIVEN ITS IMPORTANCE TO THE ADAIRS BRAND. AS PREVIOUSLY REPORTED, OPERATIONAL OUTCOMES SINCE ITS COMMISSIONING IN SEPTEMBER 2021 HAVE BEEN UNACCEPTABLE WHICH HAS ADVERSELY AFFECTED CUSTOMER EXPERIENCES AND RESULTED IN OPERATING COSTS WELL IN EXCESS OF EXPECTATIONS.



IN RESPONSE THE MANAGEMENT TEAM UNDERTOOK A THOROUGH REVIEW OF THE OPTIONS AVAILABLE AND ULTIMATELY DECIDED THAT THE INTEREST OF SHAREHOLDERS AND CUSTOMERS WAS BEST SERVED BY ADAIRS EXERCISING ITS STEP-IN RIGHTS AND TAKING OVER THE OPERATIONS OF THE FACILITY. BY RETURNING TO A SELF-OPERATED MODEL ADAIRS CAN LEVERAGE ITS PRODUCT AND SUPPLY CHAIN EXPERTISE TO DELIVER A SIGNIFICANTLY BETTER EXPERIENCE FOR CUSTOMERS AND STORES AT A MATERIALLY LOWER COST THAN THE 3PL ARRANGEMENT.

STEP IN OCCURRED ELEVEN WEEKS AGO AND, WHILE IT IS EARLY DAYS, WE ARE HAPPY WITH THE PROGRESS MADE IN WORKING TOWARDS OUR DUAL GOALS OF IMPROVING CUSTOMER OUTCOMES WHILE ALSO MATERIALLY REDUCING OUR UNIT COSTS OF DELIVERY AND REPLENISHMENT OF STORES. WE REMAIN CONFIDENT OF REALISING ANNUAL COST SAVINGS OF \$4 MILLION IN THE FIRST 12 MONTHS OF OUR OPERATION, AND HIGHER ANNUAL SAVINGS THEREAFTER ONCE A NEW WAREHOUSE MANAGEMENT SYSTEM HAS BEEN INSTALLED.

THE NDC TRANSITION WILL REQUIRE AN OUTLAY OF \$18 MILLION IN CAPITAL EXPENDITURE, THE MAJORITY OF WHICH WAS MADE UPFRONT TO ACQUIRE THE WAREHOUSING OPERATING ASSETS. THIS WAS AN UNPLANNED CAPITAL INVESTMENT FUNDED FROM CASH RESERVES AND EXISTING FINANCE FACILITIES. A CONSEQUENCE OF THIS DECISION WAS THAT THE BOARD ELECTED TO NOT PAY A FINAL FY23 DIVIDEND IN ORDER TO MAINTAIN A STRONG BALANCE SHEET.

I WANT TO ASSURE ALL SHAREHOLDERS THAT THE BOARD RECOGNISES THAT MANY OF YOU RELY ON DIVIDENDS TO SUPPLEMENT YOUR INCOME AND DID NOT TAKE THIS DECISION LIGHTLY. THE BOARD HAD REGARD TO EXISTING DEBT LEVELS, THE TIMING AND QUANTUM OF FUTURE CASHFLOWS, PREVAILING AND EXPECTED FUTURE MARKET CONDITIONS, AND THE COMPANY'S STATED DIVIDEND PAYOUT POLICY.

ESG UPDATE

I'D NOW LIKE TO PROVIDE AN UPDATE ON OUR ESG INITIATIVES.

THIS IS THE FRAMEWORK WE USE TO MANAGE AND ASSESS OUR NON-FINANCIAL PERFORMANCE. IT'S ABOUT BEING RESPONSIBLE, SUSTAINABLE, AND ETHICAL IN OUR BUSINESS PRACTICES, AS WELL AS ENSURING WE MAINTAIN REGULATORY COMPLIANCE, AND MEET STAKEHOLDER EXPECTATIONS. IT COVERS A BROAD RANGE OF TOPICS WHICH WE REPORT ON ANNUALLY IN OUR SUSTAINABILITY REPORT, WHICH FORMS PART OF OUR ANNUAL REPORT.

I WANTED TO BRIEFLY CALL OUT SOME OF THE MORE IMPORTANT ESG OUTCOMES ACHIEVED IN FY23.

IN TERMS OF SUSTAINABILITY, WE COMPLETED OUR REVIEW OF ALL TIER 1 SUPPLIERS, BEING SUPPLIERS THAT WE DEAL WITH DIRECTLY ACROSS A RANGE OF COUNTRIES, TO ENSURE THEY ARE ADHERING TO OUR ETHICAL SOURCING POLICY.

WE ELIMINATED SINGLE USE PLASTIC BAGS FROM OUR STORES WHICH WILL RESULT IN APPROXIMATELY 2.3M LESS BAGS GOING INTO THE COMMUNITY AND POTENTIALLY LAND FILL. WE ALSO ACHIEVED AN 8.5% REDUCTION IN OUR SCOPE 1 AND 2 GREENHOUSE GAS EMISSIONS.



WE HAVE MET OUR GENDER DIVERSITY GOALS BOTH WITHIN OUR SENIOR MANAGEMENT RANKS AND AT THE BOARD LEVEL.

OUR ASSOCIATION WITH ORANGE SKY CONTINUES TO BE SOMETHING WE ARE VERY PROUD OF. IN FY23 WE DONATED OVER \$235K AND ONLY LAST MONTH MANY OF OUR TEAM MEMBERS UNDERTOOK 'THE SUDSY CHALLENGE' WHERE THEY WERE SPONSORED TO WEAR THE SAME CLOTHES FOR 3 DAYS TO HELP RAISE AWARENESS FOR THOSE DEALING WITH HOMELESSNESS ACROSS AUSTRALIA AND NEW ZEALAND.

IN CLOSING I WANTED TO ACKNOWLEDGE THAT WE ARE CURRENTLY IN ONE OF THE TOUGHEST RETAIL ENVIRONMENTS IN RECENT MEMORY, HOWEVER WE ARE ALSO AWARE THAT OURS IS A CYCLICAL INDUSTRY AND AS SUCH WE NEED TO CONTINUE TO THINK ABOUT THE MEDIUM TERM. MARK WILL OUTLINE SHORTLY HOW THE UNDERLYING STRATEGIES WILL SUPPORT THE GROWTH OF THE GROUP OVER THE MEDIUM TERM.

FINALLY, I WANTED TO THANK YOU, OUR SHAREHOLDERS, FOR YOUR CONTINUED SUPPORT. THE BOARD FIRMLY BELIEVES THAT WE HAVE THE RIGHT BUSINESS MODEL, STRATEGIES, AND TEAM TO GROW SUSTAINABLE PROFITS WELL INTO THE FUTURE.

I ALSO WANTED TO ACKNOWLEDGE OUR TEAM. THESE ARE THE PEOPLE CRITICAL TO OUR GROWTH.

ALL OF THE SENIOR LEADERSHIP TEAM ARE IN THIS ROOM AND I ENCOURAGE THOSE OF YOU ATTENDING IN-PERSON TO USE THE OPPORTUNITY TO MEET WITH THEM AFTER THE MEETING.

THAT CONCLUDES MY REPORT. WE WILL HAVE TIME FOR QUESTIONS SHORTLY HOWEVER I WILL NOW HAND OVER TO MARK TO PRESENT HIS CEO REPORT.

THANK YOU.



MANAGING DIRECTOR & CEO'S ADDRESS – MARK RONAN

THANK YOU, BRETT.

BRETT HAS COVERED OUR FY23 RESULTS WHICH HIGHLIGHTED THE FACT THAT ACROSS EACH OF OUR BUSINESSES WE HAVE BOTH OPERATIONAL OPPORTUNITIES AND CHALLENGES THAT DRIVE THE OVERALL PERFORMANCE OF THE GROUP.

A NUMBER OF THESE, INCLUDING THE CURRENT TRADING ENVIRONMENT, ARE OBVIOUSLY IMPACTING OUR SHORT-TERM RESULTS. I WILL FIRST COVER OFF THE TRADING UPDATE WE RELEASED TO THE MARKET THIS MORNING BEFORE MOVING TO HOW WE ARE THINKING ABOUT THE GROUP AND EACH OF OUR BUSINESSES OVER THE MEDIUM TERM.

THE IMPACT OF HIGHER INTEREST RATES AND COST OF LIVING PRESSURES HAS SEEN A SIGNIFICANT DECLINE IN TRAFFIC ACROSS EACH OF OUR THREE BUSINESSES.

WHILST SALES AT EACH ARE BELOW THE SAME PERIOD LAST YEAR, OUR FOCUS ON CUSTOMER EXPERIENCE AND CONVERSION HAS ENSURED THE SALES DECLINE IS LESS THAN THE TRAFFIC DECLINE.

THE NOVEMBER ADAIRS LINEN LOVER SALES EVENT PRODUCED OUR FIFTH BIGGEST SALES WEEK ON RECORD, DEMONSTRATING THE VALUE OF OUR LOYALTY PROGRAM AND OUR CUSTOMERS' WILLINGNESS TO CONTINUE TO ENGAGE WITH THE BRAND.

BLACK FRIDAY, HELD TODAY, AND CHRISTMAS TRADING PERIODS CONTINUE TO BE VERY IMPORTANT EVENTS FOR THE REMAINDER OF THE FIRST HALF AND THE BUSINESS WILL LOOK TO MAXIMISE SALES THROUGH THIS PERIOD.

WE SUCCESSFULLY TRANSITIONED THE OPERATIONS OF THE NATIONAL DISTRIBUTION CENTRE TO ADAIRS IN EARLY SEPTEMBER. AFTER A SHORT SETTling IN PERIOD, DESPATCH TIMES TO ONLINE CUSTOMERS AND STORES HAVE SHORTENED TO BELOW PRE-TRANSITION LEVELS.

OUR CUSTOMER EXPERIENCE FOR THE RECENT LINEN LOVER EVENT WAS SUBSTANTIALLY BETTER THAN PREVIOUS EVENTS HOWEVER WE REMAIN FOCUSED ON CONTINUAL IMPROVEMENT AT THE NDC WITH THE NEXT KEY STEP BEING THE IMPLEMENTATION OF THE NEW WAREHOUSE MANAGEMENT SYSTEM, WHICH IS EXPECTED TO OCCUR IN Q4 FY24 AND WILL UNLOCK FURTHER PRODUCTIVITY GAINS AND COST REDUCTIONS.

WHILE DOWN ON THE SAME 21 WEEKS LAST YEAR, FOCUS ON FURNITURE SALES ARE AHEAD OF OUR FY24 PLAN. THE BUSINESS IS PRIORITISING MARGIN OVER SALES VOLUME AND HAS MANAGED ITS INVENTORY AND SALES PROMOTION CAREFULLY TO MAINTAIN MARGIN AND ITS COSTS OF DOING BUSINESS.

MOCKA CONTINUES TO IMPROVE ITS UNDERLYING PROFITABILITY, WITH THE ANTICIPATED MARGIN IMPROVEMENTS BEING REALISED YEAR TO DATE ON LOWER STOCK LEVELS AND COSTS CONTINUE TO BE CAREFULLY MANAGED.

OUR GROUP EXPOSURE TO THE WEAKER AUSTRALIAN DOLLAR HAS BEEN LARGELY MITIGATED IN FY24 WITH APPROXIMATELY 84% OF OUR US DOLLAR COMMITMENTS BEING HEDGED AT AN AVERAGE RATE OF US\$0.70.



TURNING NOW TO OUR OUTLOOK.

WHILE IT FEELS LIKE THE INTEREST RATE RISES ARE AT, OR NEARING, THEIR END WE DO NOT EXPECT ANY SIGNIFICANT CHANGE IN THE SHORT TERM AND SO WE EXPECT THE BALANCE OF FY24 TO REMAIN CHALLENGING AND THE BUSINESSES ARE BEING MANAGED ACCORDINGLY.

THE BOARD AND MANAGEMENT TEAM REMAIN CONFIDENT THAT THE GROUP IS WELL PLACED TO CONTINUE TO NAVIGATE THESE CHALLENGES GIVEN ITS OMNI-CHANNEL BUSINESS MODEL, LOYAL CUSTOMER BASE, LARGE ADDRESSABLE MARKET AND PROVEN MANAGEMENT TEAM.

GIVEN THE CONTINUING UNCERTAINTY IN OUTLOOK THE BOARD DOES NOT CONSIDER IT APPROPRIATE TO PROVIDE GUIDANCE FOR FY24.

GROUP STRATEGY

I WILL TAKE SOME TIME TODAY TO WALK THROUGH EACH OF OUR BUSINESSES HOWEVER I THOUGHT I WOULD BRIEFLY START AT THE GROUP LEVEL.

AS A GROUP WE ARE BUILDING ONE OF THE LARGEST HOMEWARES GROUPS ACROSS AUSTRALIA AND NEW ZEALAND, AND THROUGH OUR BRANDS WE ARE DEDICATED TO CREATING DESTINATIONS BOTH PHYSICAL AND DIGITAL THAT ENABLE EVERYONE TO CREATE HOMES THEY LOVE.

EACH OF OUR BUSINESSES ARE VERTICALLY INTEGRATED AND PRODUCT-LED, ENABLING US TO PROVIDE CUSTOMERS WITH GREAT QUALITY PRODUCT AT GOOD VALUE FOR MONEY PRICES.

OUR MERCHANDISE TEAMS WORK WITH OUR SUPPLIER PARTNERS TO DESIGN AND DEVELOP THE BEST ON-TREND PRODUCTS FOR THE AUSTRALIAN AND NEW ZEALAND MARKETS. VERTICAL INTEGRATION PROVIDES US WITH THE SIGNIFICANT BENEFIT OF UNIQUE PRODUCT THAT CAN ONLY BE PURCHASED THROUGH OUR OMNI-CHANNEL RETAIL MODEL DELIVERING IMPROVED MARGINS AND REPEAT CUSTOMERS.

WE REGULARLY NOTE THAT WE ARE 'OMNI CHANNEL', WHICH SIMPLY MEANS WE OFFER BOTH ONLINE AND PHYSICAL STORES WITH A SINGLE VIEW OF THE CUSTOMER ACROSS THESE CHANNELS. OBVIOUSLY, CUSTOMERS TODAY DON'T THINK IN TERMS OF OMNI CHANNEL, THEY JUST SEE IT AS RETAIL. THERE ARE CUSTOMERS THAT BUY ONLINE, CUSTOMERS THAT SHOP IN STORES AND IN MOST CASES THOSE SAME CUSTOMERS ARE LIKELY TO SPEND TIME IN BOTH CHANNELS ACROSS THEIR JOURNEY FOR INSPIRATION – FROM "WHAT WOULD I LIKE TO DO IN MY HOME", TO "WHAT CAN I PURCHASE TO MAKE MY VISION COME TO LIFE".

WE SEE THE HOMEWARES SPACE AS BEING BEST WHEN A TRUE "SEAMLESS RETAIL" CUSTOMER EXPERIENCE IS DELIVERED. THIS IS WHERE RETAILERS MAKE IT EASY AND INTUITIVE FOR CUSTOMERS TO MOVE BETWEEN CHANNELS AND WE BRING THIS VIEW TO ALL OF OUR BUSINESSES.

HOMEWARES CUSTOMERS REGULARLY WANT TO EXPERIENCE THE PRODUCT PHYSICALLY AS IT'S HARD TO UNDERSTAND QUALITY, HAND FEEL AND EVEN COLOUR THROUGH A VIRTUAL EXPERIENCE. THIS LEADS TO ONLINE ONLY OPERATORS NEEDING TO BUILD ADDITIONAL COSTS INTO THEIR ORDER ECONOMICS TO SUPPORT THE EXPERIENCE AND MORE RECENTLY LOOK TO OPEN PHYSICAL OUTLETS TO SUPPORT THEIR ONLINE ONLY BUSINESS. THIS DOESN'T MEAN THAT CUSTOMERS NECESSARILY FINISH THEIR TRANSACTION IN A STORE, BUT IT DOES SHOW THAT THEY APPRECIATE THE ABILITY TO TOUCH AND FEEL THE PRODUCT.



AS WE OPEN STORES ACROSS THE GROUP, WE SEE THE BENEFIT OF HAVING A PROFITABLE STORE MODEL DELIVERING INCREMENTAL SALES THAT ALSO SUPPORTS A GREATER SHARE OF THE ONLINE CHANNEL IN THAT MARKET

TO DELIVER THIS SEAMLESS RETAIL EXPERIENCE WE CONTINUE TO INVEST IN SERVICE. WE SEE CUSTOMERS LOOKING FOR THE OPPORTUNITY TO EXPERIENCE THE PRODUCT AND THIS IS BETTER WHEN YOU HAVE WELL TRAINED SALES TEAM THAT NOT ONLY ENHANCE THE CUSTOMER EXPERIENCE BUT GENERALLY DELIVERS A HIGHER SALES CONVERSION.

SEAMLESS RETAIL IS WHAT MANY CUSTOMERS ARE LOOKING FOR AND IS A CONCEPT WE LOOK TO BRING TO LIFE IN EACH OF OUR BUSINESSES.

NOW I WILL BRIEFLY MOVE TO HOW THIS TRANSLATES TO EACH OF OUR BUSINESSES?

AT ADAIRS, DESIGNING, DEVELOPING AND SOURCING PRODUCT FOR AUSTRALIA AND NEW ZEALAND IS AT THE HEART OF WHAT WE DO. BECAUSE OF THIS THERE ARE GROWTH OPPORTUNITIES ACROSS A NUMBER OF CATEGORIES THAT WILL CONTINUE TO BE EXPLOITED TO SUPPORT ADAIRS GROWTH ASPIRATIONS. AN EXAMPLE IS THE KIDS PRODCUT CATEGORY WHERE WE CONTINUE TO DELIVER ONGOING GROWTH THROUGH EXPANDING THE RANGE TO DELIVER A COMPLETE KIDS SOLUTION.

SUPPORTING THE PRODUCT STRATEGY IS THE CUSTOMER EXPERIENCE OR 'SEAMLESS RETAIL'.

ADAIRS IS CONTINUING TO BUILD OUT THEIR STORE NETWORK, IN PARTICULAR LARGER STORES THAT BETTER SUPPORT THE CUSTOMER EXPERIENCE AND ARE MORE PROFITABLE. A NUMBER OF LOCATIONS WHOSE DEMOGRAPHICS WILL EITHER SUPPORT A NEW STORE OR A LARGER STORE HAVE BEEN IDENTIFIED, WITH SOME SITES POTENTIALLY SUPPORTING MULTIPLE BRANDS IN THE FUTURE.

SUPPORTING THE CUSTOMER EXPERIENCE, ADAIRS LAUNCHED ITS NEW WEBSITE LAST NOVEMBER WHICH HAS DELIVERED IMPROVED CUSTOMER CONVERSION AND ENABLED A RANGE OF NEW SERVICES, INCLUDING THE ROLL OUT OF CLICK AND COLLECT ACROSS THE STORE NETWORK.

THE NEW WEBSITE PROVIDES A FOUNDATION TO BUILD OUT AN ENHANCED DIGITAL EXPERIENCE AS WELL AS THE OPPORTUNITY TO ACT AS THE CENTRE OF THE ADAIRS CUSTOMER EXPERIENCE. CUSTOMERS WILL BE ABLE TO USE THE SITE TO MANAGE THEIR INTERACTIONS WITH ADAIRS, AS WELL AS ENABLING ADDITIONAL PERSONALISATION AND GREATER ACCESS TO INVENTORY OVER TIME.

THESE ENHANCEMENTS WILL MAKE THE WEBSITE A LOGICAL STARTING POINT ON ANY CUSTOMER'S JOURNEY TO CREATING A HOME THEY LOVE.

SUPPORTING ADAIRS CUSTOMER EXPERIENCE IS THE LINEN LOVER PROGRAM WHICH PROVIDES CUSTOMERS WITH ADDITIONAL BENEFITS AND A PLATFORM FOR PERSONALISED INTERACTIONS WITH THE BRAND.

OVER THE PAST 12 MONTHS ADAIRS HAS ENHANCED ITS SINGLE VIEW OF CUSTOMER CAPABILITY WHICH IS PROVIDING THE TESTING GROUND FOR SCALABLE PERSONALISED COMMUNICATIONS. THIS WILL RESULT IN CUSTOMERS GETTING MORE RELEVANT INFORMATION, IMPROVING CUSTOMER ENGAGEMENT, FREQUENCY OF PURCHASE AND BASKET SIZE.



CONTINUING TO ENHANCE THE LOYALTY PROGRAM, TOGETHER WITH ONGOING IMPROVEMENTS TO THE DIGITAL EXPERIENCE AND PHYSICAL SPACE GROWTH WILL DRIVE AN ADDITIONAL 500,000 NEW MEMBERS ACROSS THE NEXT 5 YEARS, TAKING TOTAL MEMBERSHIPS TO 1.5 MILLION WHICH WOULD ONLY REPRESENT APPROXIMATELY 12% OF AUSTRALIA AND NEW ZEALAND HOUSEHOLDS.

IF I MOVE TO FOCUS ON FURNITURE WHICH CONTINUES TO PERFORM VERY WELL, CONFIRMING THE ASSESSMENT OF ITS POTENTIAL WHEN IT WAS ACQUIRED ALMOST TWO YEARS AGO. FOCUS IS A WELL-RUN, HIGH-QUALITY BUSINESS WITH STRONG CAPABILITY ACROSS BOTH PRODUCT AND CUSTOMER EXPERIENCE.

WHEN WE TALK ABOUT GROWTH WITH FOCUS IT IS PRIMARILY ABOUT TAKING A PROVEN MODEL AND REPLICATING IT IN MARKETS WHICH ARE PRESENTLY UNDER-REPRESENTED THROUGH THE OPENING OF NEW STORES. WHEN YOU LOOK AT THE MAP THERE IS SIGNIFICANT OPPORTUNITY IN ALMOST ALL STATES AND TERRITORIES HOWEVER NSW AND QUEENSLAND ARE EXPECTED TO BE THE PRIMARY FOCUS IN THE MEDIUM TERM. FOCUS HAS THE ABILITY TO DOUBLE THE NUMBER OF STORES WITH THE SPEED OF THIS ROLLOUT BEING LIMITED ONLY BY THE AVAILABILITY OF APPROPRIATE SITES.

FOCUS OPENED A NEW STORE IN HELENSVALE QUEENSLAND LAST MONTH AND WILL HAVE ANOTHER IN PROSPECT IN NSW OPEN EARLY IN 2024. THE EXPECTATION IS THAT A FURTHER 4 TO 6 STORES WILL BE OPENED BY DECEMBER 2025.

SUPPORTING THE STORE ROLL OUT IS THE ENHANCED IN-STORE EXPERIENCE.

WHEN FOCUS WAS ACQUIRED THE TEAM KNEW THAT THE TRADITIONAL SHOWROOM MODEL DIDN'T ALLOW CUSTOMERS TO BEST VISUALISE HOW GOOD THE PRODUCT WOULD LOOK IN THEIR HOME. WITH THE EVOLUTION OF THE STORE FIT-OUT AS SHOWN IN THE PICTURES ON THIS SLIDE THE TEAM HAVE DELIVERED A NEW FORMAT THAT IS MORE REFLECTIVE OF HOW PEOPLE LIGHT AND STYLE A MODERN AUSTRALIAN HOME, ALLOWING THE PRODUCT TO TRULY SHINE AND BE SEEN AS IT WOULD IN THEIR OWN HOME.

TWO STORES HAVE BEEN UPDATED TO DATE, WITH BOTH STORES OUTPERFORMING THE BROADER STORE NETWORK WHICH PROVIDES CONFIDENCE TO ROLL OUT TO ALL STORES BASED ON THEIR LEASE EXPIRY PROFILE.

GIVEN THE OPPORTUNITY OFFERED BY ROLLING OUT NEW STORES THIS REMAINS THE PRIMARY STRATEGY TO DRIVE THE GROWTH OF FOCUS WITH OTHER WORKSTREAMS DELIVERING CONTINUOUS IMPROVEMENT IN BOTH PRODUCT AND CUSTOMER EXPERIENCE.

IF I MOVE TO MOCKA, I AM PLEASED TO NOTE THAT THE WORK UNDERTAKEN IN FY23 AROUND GOOD EXECUTION, IMPROVED CUSTOMER SERVICE, INVENTORY RATIONALISATION AND ORDER ECONOMICS IS CONTINUING IN FY24 AND SUPPORTING A RETURN TO CONSISTENT LEVELS OF PROFITABILITY AND CASH CONVERSION, ENABLING MOCKA TO PURSUE ITS GROWTH STRATEGY.

MOCKA OPERATES IN A LARGE AND FRAGMENTED MARKET WITH A CLEAR GROWTH OPPORTUNITY FROM DELIVERING HIGHLY FUNCTIONAL, WELL-DESIGNED FURNITURE AT A PRICE THAT IS COMPELLING AND, AT TIMES, BEST IN MARKET.



GIVEN MOCKA'S PRIMARY MARKET IS A YOUNG ADULT DEMOGRAPHIC - THINK FIRST-TIME RENTERS, FIRST-TIME HOMEOWNERS, SOON-TO-BE PARENTS AND YOUNG FAMILIES - THERE IS A SIGNIFICANT OPPORTUNITY TO PROVIDE PRODUCTS THAT FIRSTLY MEET THEIR BUDGET, BUT THEN ALSO DELIVER ON FUNCTIONALITY WITHOUT COMPROMISING STYLE.

IN TERMS OF PRODUCT, FY23 SAW A SIGNIFICANT RATIONALISING OF THE NUMBER OF PRODUCTS BEING OFFERED, FROM C.950 TO C.600. WITH THE FIRST PHASE OF INVENTORY RATIONALISATION NOW COMPLETE, THIS NOW PROVIDES THE OPPORTUNITY FOR OPTIMISATION, WITH A FOCUS ON DELIVERING WELL DESIGNED, FLAT PACK OPTIONS FOR EACH ROOM AND EACH CUSTOMER TYPE. WE EXPECT THIS TO DELIVER A LIFT IN CONVERSION AND A HIGHER AVERAGE BASKET SIZE AS CUSTOMERS ARE ABLE TO PURCHASE THE FULL ROOM SOLUTION.

WHILE DESIGNING AND DEVELOPING GOOD PRODUCT IS KEY, MOCKA ALSO NEEDS TO RAISE ITS BRAND RECOGNITION AND, BASED ON OUR SEAMLESS RETAIL CONCEPT, FIND WAYS FOR CUSTOMERS TO BE ABLE TO ACCESS THE PRODUCT ACROSS MULTIPLE CHANNELS INCLUDING PHYSICAL.

THERE HAS ALWAYS BEEN AN AMBITION FOR CUSTOMERS TO BE ABLE TO INTERACT WITH THE PRODUCT IN A PHYSICAL LOCATION TO BETTER APPRECIATE BOTH THE QUALITY AND THE VALUE IT OFFERS AND SO CREATING A PHYSICAL PRESENCE IS A LOGICAL WAY TO SUPPORT MARKET SHARE GROWTH.

MOCKA IS CURRENTLY UPGRADING ITS WEBSITE WHICH, TOGETHER WITH RELEVANT MARKETING AND SUPPORTING BACK-END FUNCTIONS, WHICH WILL PROVIDE A MORE SEAMLESS CUSTOMER EXPERIENCE AND ALLOW FOR THE TRIAL OF A RANGE OF GROWTH OPPORTUNITIES.

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BEFORE CLOSING I WOULD LIKE TO TAKE THIS OPPORTUNITY TO THANK THE TEAM AS I ALWAYS DO.

WHILE IT IS THE CEO WHO GETS TO STAND IN FRONT OF SHAREHOLDERS THE FACT IS I WORK WITH FANTASTIC PEOPLE AND WE ARE ALL VERY PASSIONATE ABOUT WHAT WE DO. WE ULTIMATELY GET TO HELP OUR CUSTOMERS CREATE HOMES THEY LOVE BUT THIS DOESN'T JUST HAPPEN AND THERE IS A LOT OF HARD WORK THAT GOES INTO EVERYTHING YOU SEE IN OUR BUSINESSES. I CAN ASSURE ALL SHAREHOLDERS THAT COLLECTIVELY WE ARE WORKING TO BRING OUR VISION TO LIFE TO DELIVER PROFITABLE GROWTH AND ULTIMATELY GROW SHAREHOLDER VALUE.

THAT CONCLUDES MY REPORT. IF YOU COULD KINDLY HOLD ANY QUESTIONS YOU HAVE FOR NOW AS THERE WILL BE AN OPPORTUNITY TO ASK QUESTIONS IN A MOMENT.

I WILL NOW HAND BACK TO BRETT FOR THE FORMAL PART OF THE MEETING.