



Release to the Australian Securities Exchange

**Adairs continues to grow strongly with
like for like sales growth of 15.4%**

Melbourne, 26 February 2016: Adairs Limited (ASX: ADH) is pleased to announce its results for the twenty-six weeks ended 27 December 2015 (1H16), that saw the company continue to generate above market like for like store sales growth, while also growing earnings faster than revenues.

Key 1H16 financial highlights (vs 1H15):

- Like for like (LFL) sales growth of 15.4%
- Sales up 21.5% to \$117.8 million
- Gross profit up 22.0% to \$74.2 million
- Earnings* growing faster than revenues:
 - EBITDA up 32.8% to \$22.5 million
 - EBIT up 34.9% to \$19.9 million
- Comfortable gearing with net debt of \$33.9 million
- Maiden interim dividend declared of 5.0 cps fully franked
- Expect to outperform FY16 Prospectus forecast – increased FY16 guidance for sales and EBIT

** Note: 1H15 comparative earnings are pro-forma*

Commenting on the 1H16 results, Adairs Managing Director & CEO David MacLean said:

“Adairs has continued on its growth trajectory, experiencing a very strong first half. Our team has worked hard to again deliver strong like for like sales growth that has underpinned the strong earnings growth.

“Adairs has now delivered 12 quarters of consecutive like for like sales growth, demonstrating both the consistency of our performance, and continued improvements in our customer appeal which have driven our market share growth. Our like for like sales growth is largely driven by increased transaction volume, and growth in average transaction value. This consistent growth has been achieved, even though the business continues to cycle a progressively higher sales base each month [vs pc].

“Five new stores were opened in the first half, with an additional net six new store openings planned for the second half of this financial year. Our strategy of product and range differentiation continues to underpin our success. Our Fashion and Decorator product categories continue to grow strongly. Our online business is maintaining its strong growth and is supported by our commitment to an effective omni-channel growth strategy.”



Expect to outperform FY16 Prospectus forecast

"Given the continued strong performance of the business over the first half, the Board of Adairs expects the company to outperform the Prospectus forecast for the 2016 financial year," added Mr MacLean.

Guidance for FY16 sales has been increased from \$231 million (Prospectus forecast) to a range between \$245 million to \$255 million, with EBIT increased from \$36.7 million (Prospectus forecast) to a range between \$37 million to \$39 million.

Earnings growing faster than revenues

Adairs delivered strong sales growth, up 21.5% to \$117.8 million, driven by like for like sales. In addition the enhanced omni-channel presence continued to leverage a growing store footprint and online store, with online the fastest growing channel achieving 81.7% growth in revenue.

Adairs' strategy of focussing on expanding its higher-margin decorator product range continues to drive strong like for like sales. As the sales mix continues to shift, the Fashion & Decorator category continues to grow strongly with robust growth achieved in the homewares and furnishings as well as our Adairs Kids product categories.

Despite foreign exchange headwinds from a falling Australian Dollar, Adairs has enhanced earnings margins at a rate faster than revenues, with EBIT up 34.9% to \$19.9 million.

Strong balance sheet supports growth and dividend

Adairs' balance sheet remains strong, with net debt of \$33.9 million at 27 December 2015 and a modest gearing ratio.

Closing inventory at December 2015 is up on June 2015 to support ongoing like for like sales growth, the key January trading month and the new stores opened over the half. Further the decline in the Australian dollar increased closing inventory by \$1.6 million, with January closing stock levels in line with management's expectations.

Reflecting the company's strong balance sheet, growing earnings and attractive growth opportunities, the Board of Directors declared a maiden interim dividend of 5.0 cents per share fully franked. This dividend is in-line with our Prospectus forecast full year dividend of 11 cents per share.

Positive outlook

Commenting on the company's outlook for FY16, Mr MacLean said:

"Adairs is committed to driving long term value for our shareholders. We continue to invest in our store roll out and refurbishment programmes; with store rollout tracking in line with Prospectus forecast. We expect to open 11 net new stores [excluding Myer concessions] over the 2016 financial year, having opened 5 in the first half.

"During the first half we made the decision to enter the New Zealand market, and we have commenced discussions with a range of landlords in our target centres for the initial three to four stores. At this stage we intend to open our first store in New Zealand in the first quarter of the 2017 financial year.



“Given Adairs’ performance over the first half, the Board expects the company to exceed Prospectus forecast for the 2016 financial year. As a result, guidance for the 2016 full financial year sales and EBIT has been increased, with EBIT now forecast to between \$37 million to \$39 million.

“As a growth business, a key task for the Board and Management is to carefully balance our earnings growth objectives with our desire to continue to create long term shareholder value. Our focus has not changed since we listed and we continue to strengthen our market position and market share by offering our customers a strong value proposition. This directly influences how we balance the pursuit of like for like sales growth, manage our gross profit margin and pursue sustained earnings growth.

“While we expect the underlying business to continue growing in the second half of this financial year, the business expects moderation in like for like sales growth, and gross profit margin percentage due to the expected impact of lower foreign exchange rates.

“Adairs is very well positioned both financially and strategically to capitalise on a number of attractive growth opportunities, deliver on its value proposition to customers, and grow shareholder value.”

For further information please contact:

Corporate

David MacLean, Managing Director & CEO
P: +61-3 8888 4500

Investors and media

Ronn Bechler, Market Eye
P: +61-400 009 774
E: ronn.bechler@marketeye.com.au

About Adairs

Adairs Limited (ASX: ADH) is a retailer of home furnishings in Australia with a national footprint of stores across a number of formats. 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