Adairs Limited
FY21 Investor Presentation

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FY21 highlights

Omni-channel strategy drives record sales

- Group Sales +28.5% to $499.8m
- Group online sales now $187.0m - represents 37.4% of total sales with 48% of sales facilitated by our digital platform[1]
- Adairs online sales +33.2%; Mocka sales +30.9%[2]
- Stores sales +18.1% with LFL store sales +7.4%[3]

Gross Margin and EBIT sharply higher [4]

- Adairs Underlying Gross Margin +520bps to 66.7%
- Adairs Underlying EBIT +98.2% to $96.7m (22% of sales)
- Group Underlying EBIT +97.3% to $109.1m

NPAT / EPS

- Statutory NPAT up 80.7% and EPS +79.1% to 37.7 cents per share

Mocka

- Mocka performed well with underlying EBIT of A$12.4m, +26.8%[2]
- Investment made in infrastructure to support growth

Supply chain strategy

- New DHL-operated national distribution centre operational from September 2021
- Annualised cost savings of c.$3.5m p.a. (pro-rata in FY22)

Strong balance sheet / clean inventory

- Net cash of $26.0m at year end with no bank debt (from Net debt of $1.0m at end of FY20)
- Inventory is clean and has returned to normal levels

Dividend

- Final dividend of 10.0 cents per share (100% franked) has been declared taking total FY21 dividends to 23.0 cents per share

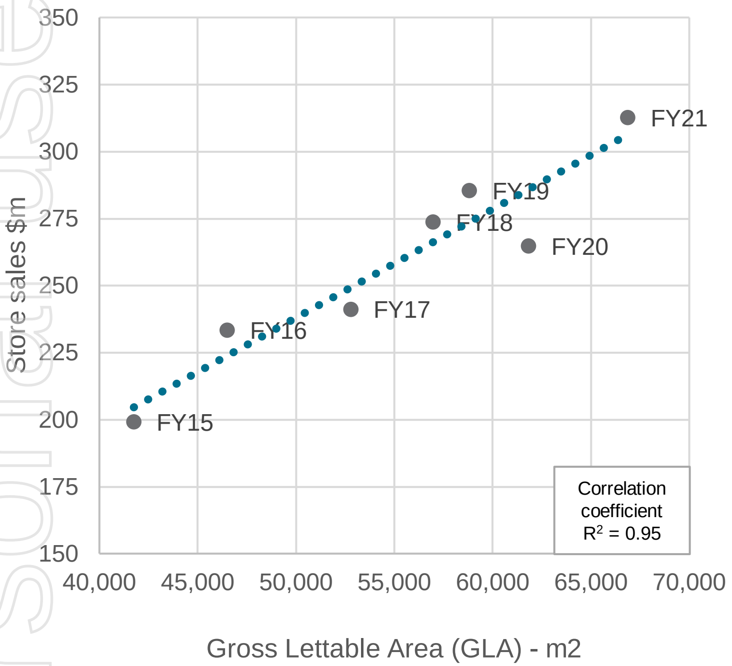
Note 1: Digital platform sales comprises sales from the online store plus sales of stock not ranged in store but where the order is placed by the customer within the store and fulfilled from the central warehouse.
Note 2. Includes the period prior to December 2019 which was outside of Adairs ownership.
Note 3. Like-for-like (LFL) sales growth has been calculated on a store-by-store daily basis which excludes periods of store closures
Note 4. Refer Appendix 4 for a reconciliation of underlying and statutory results.

Adairs sales growth drivers

1 Store floor space growth

- Store sales are highly correlated to store floor space with **each additional m^2 adding c.$4k in store sales**
- CAGR in GLA over last 5 years was 7.5%
- We expect to grow GLA by 8%+ in FY22 and 5%+ p.a. for the following 5 years through new and upsized stores (current GLA = 66,896 m^2)

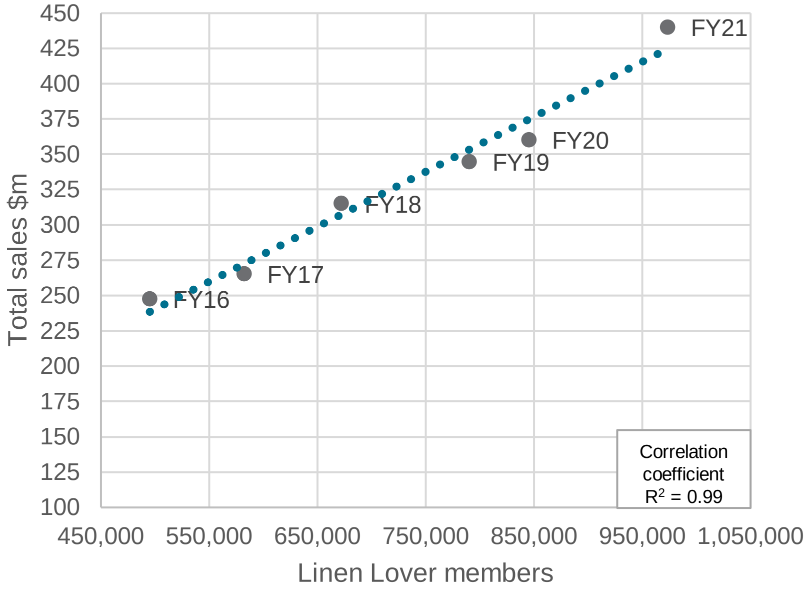
Store sales v Store floor space (GLA)



2 Linen Lover membership growth

- Linen Lover members account for >80% of sales and their ATV is 1.5x higher than non-members
- Total Adairs sales are highly correlated to the number of Linen Lover members with **each new member adding c.$400 in total sales**
- CAGR in memberships over last 5 years was 14.5%
- We aim to continue to grow Linen Lover memberships by 10-15% p.a.

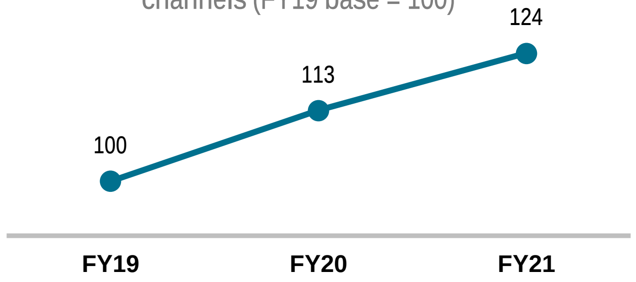
Adairs sales v Linen Lover memberships



3 Omni conversion

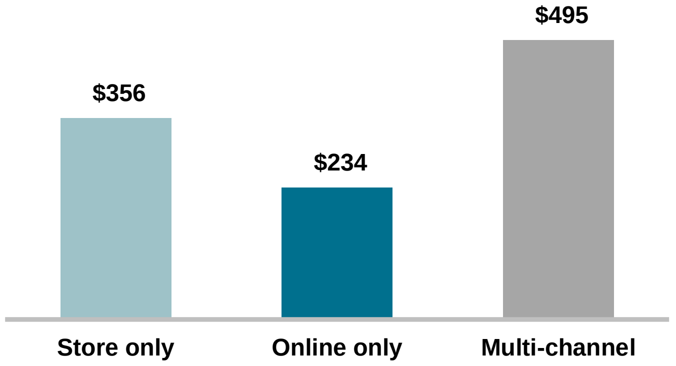
- The number of customers actively shopping across both channels is c.25% above FY19 (Pre-COVID) levels

Number of active customers shopping both channels (FY19 base = 100)



- Multi-channel customers are 40-110% more valuable than single-channel customers

Active annual member spend ($) in FY21



Mocka

mocka

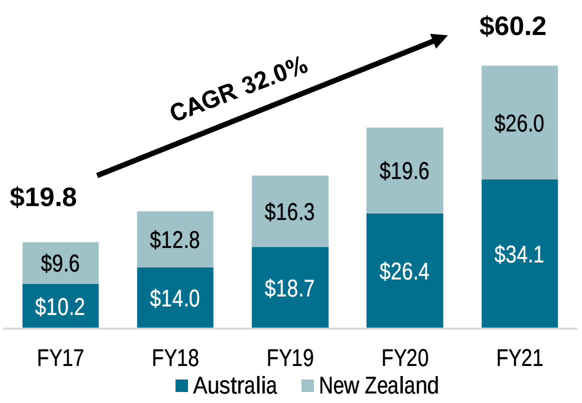
- online retailer of furniture and home products
- vertically integrated, proprietary product
- operates in Australia and New Zealand
- operates independently to Adairs

FY21:

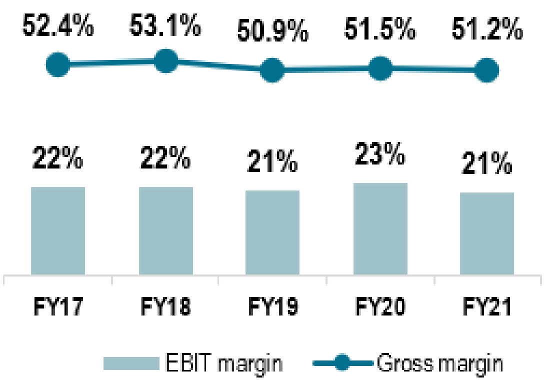
- 10.2m unique website sessions (+35% on FY20)
- >550k email subscribers

- *"Sustainable growth" focussed*
- *Exclusive product offering*
- *In-house design*
- *Coordinated signature look*
- *Full pricing control*
- *Full supply chain control*

1 *Attractive sales growth (A$m)* [1]



2 *Strong Margins* [1,2]



Note 1. Mocka prior period information is unaudited. Includes the period prior to December 2019 which was outside of Adairs ownership.
Note 2. Mocka margins are inclusive of postage costs (previously reported on an excluding postage basis)

Profit and loss

Record sales and profit

- Group sales +28.5%
  - Adairs online sales +33.2% to $126.9m
  - Mocka sales +30.9%[1] to $60.2m
  - Adairs Stores +18.1% and Store LFL sales up 7.4%[2]
- 119 trade days were impacted by COVID closures (33% of total)
- Adairs gross margin +520bps to 66.7% benefiting from coordinated sourcing and retail pricing initiatives, reduced depth of markdowns and 44 fewer storewide promotion days
- Strong operating leverage reduced CODB by 410 bps to 36.7%, largely driven by disciplined cost control whilst delivering strong sales growth, assisted by:
  - Store costs (rent/wages) lower due to COVID closures
  - COVID rent rebates of $3.2m received
  - Increased investment in marketing to drive brand awareness and sales
- Group underlying EBIT up 97% to $109.1m
  - Adairs EBIT up 98.2% to $96.7m
  - Mocka EBIT of $12.4m (up 26.8% on last year[1])
- Group underlying EBIT margin 21.8% (14.2% in FY20)
- Statutory[3] EBIT of $102.7m (+74.2%), NPAT of $63.7m (+80.7%) and EPS 37.7 cents per share (+79.1% on last year)

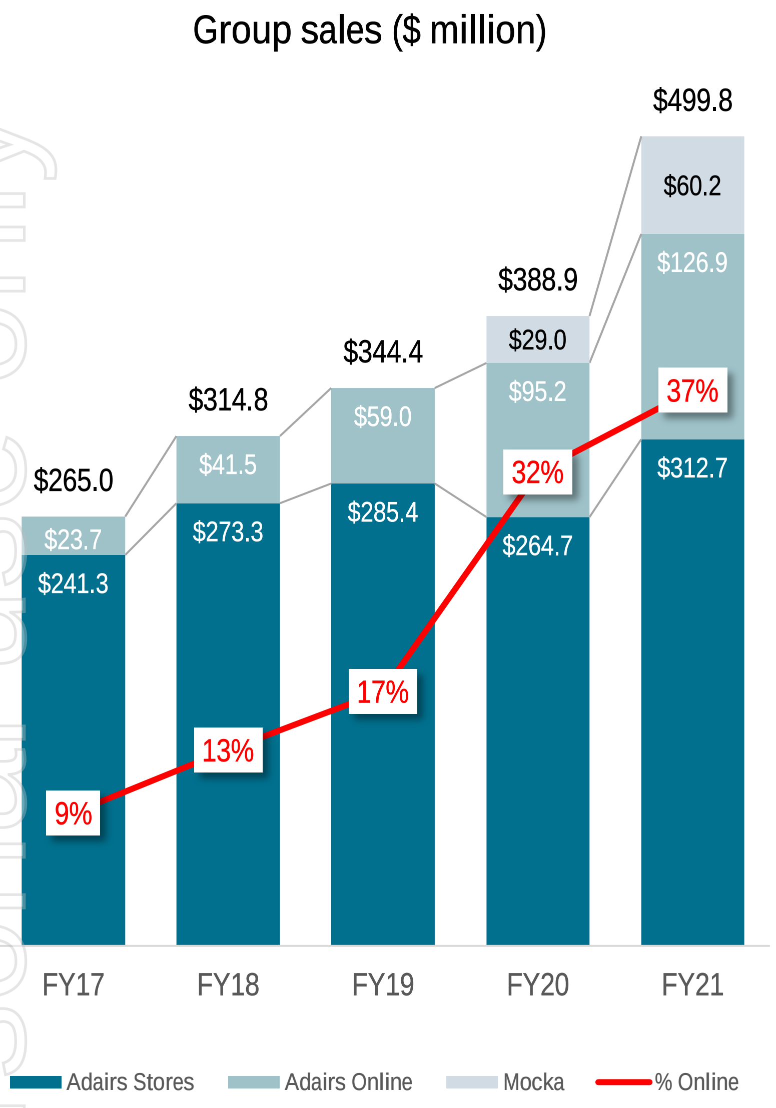
($ million)	Adairs			Mocka		Group		
	Underlying FY21	Underlying FY20	Change v FY20 (%)	Underlying FY21 (52 weeks)	Underlying FY20 (30 weeks)	Underlying FY21	Underlying FY20	Change v FY20 (%)
Store sales	312.7	264.7	18.1%	-	-	312.7	264.7	18.1%
Online sales	126.9	95.2	33.2%	60.2	29.0	187.0	124.2	50.6%
Total sales	439.6	359.9	22.1%	60.2	29.0	499.8	388.9	28.5%
Online % of total sales	*28.9%*	*26.5%*		*100.0%*	*100.0%*	*37.4%*	*31.9%*	
Gross margin	293.1	221.2	32.5%	30.8	15.0	323.9	236.2	37.1%
Online freight costs	(13.6)	(10.7)	27.6%	(7.0)	(3.4)	(20.6)	(14.1)	46.2%
Gross profit	279.5	210.5	32.8%	23.8	11.6	303.3	222.1	36.5%
Costs of doing business	(172.6)	(153.9)	12.2%	(11.1)	(5.0)	(183.7)	(158.9)	15.6%
EBITDA	106.9	56.6	88.8%	12.8	6.6	119.6	63.2	89.3%
Depreciation	(10.2)	(7.8)	30.0%	(0.4)	(0.1)	(10.6)	(7.9)	33.3%
EBIT	96.7	48.8	98.2%	12.4	6.5	109.1	55.3	97.3%
Interest	(1.3)	(1.4)	(8.1%)	-	-	(1.3)	(1.4)	(8.1%)
Tax	(29.0)	(14.6)	98.6%	(3.4)	(1.9)	(32.4)	(16.5)	96.5%
NPAT	66.4	32.8	102.6%	9.0	4.6	75.4	37.4	101.5%

% Sales	Adairs FY21	Adairs FY20	Change	Mocka FY21	Mocka FY20	Group FY21	Group FY20	Change
Gross margin %	66.7%	61.4%	*+520 bps*	51.2%	51.8%	64.8%	60.7%	*+410 bps*
Gross profit %	63.6%	58.5%	*+510 bps*	39.6%	40.1%	60.7%	57.1%	*+360 bps*
Costs of doing business %	39.3%	42.8%	*-350 bps*	18.4%	17.3%	36.7%	40.9%	*-410 bps*
EBITDA %	24.3%	15.7%	*+860 bps*	21.2%	22.8%	23.9%	16.3%	*+770 bps*
EBIT %	22.0%	13.5%	*+840 bps*	20.6%	22.5%	21.8%	14.2%	*+760 bps*
NPAT %	15.1%	9.1%	*+600 bps*	15.0%	16.0%	15.1%	9.6%	*+550 bps*

Note 1: Includes the period prior to December 2019 which was outside of Adairs ownership.
Note 2: Like-for-like sales growth ("LFL") has been adjusted for any store closures and is calculated on a store-by-store daily.
Note 3: Refer Appendix 4 for a reconciliation of underlying and statutory results.

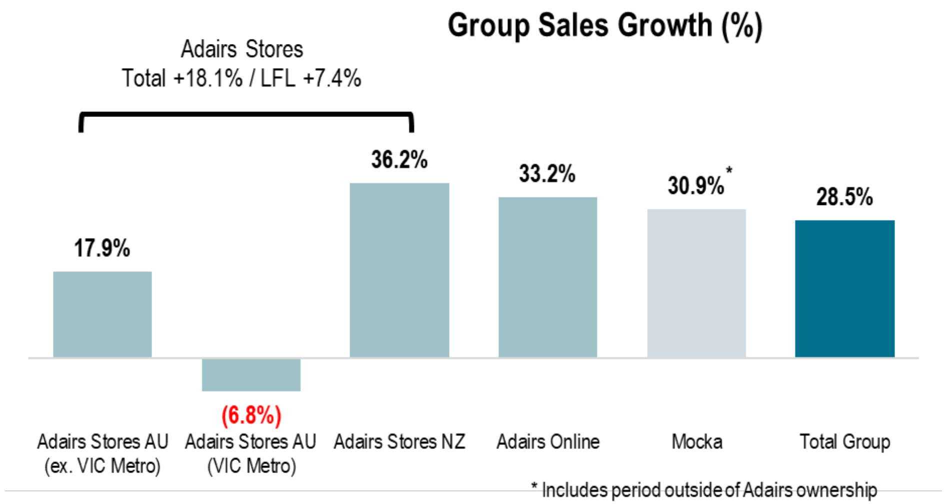
Note: *Referenced "Underlying" results exclude the impact of (i) AASB 16 Leases, (ii) one-off costs associated with the transition to the new National Distribution Centre, (iii) Mocka related acquisition costs (including earn-out related adjustments), and (iv) the net JobKeeper wage subsidy benefit received in 1H FY21 and returned to Government in 2H FY21. FY20 excludes JobKeeper impact.*

Sales growth across both channels and businesses



Sales growth breakdown

- Online sales growth helped offset lost sales during the Greater Melbourne store closure period in 1H FY21
- LFL sales growth was strongly positive across all states and NZ.



- Victorian Metro stores were closed for 82 days (26% of total FY21 trading days) due to COVID-19 related restrictions impacting 43 Greater Melbourne stores. Up to 54 Victorian stores were closed for a further 17 days in 2H FY21.

Sales growth drivers - Adairs

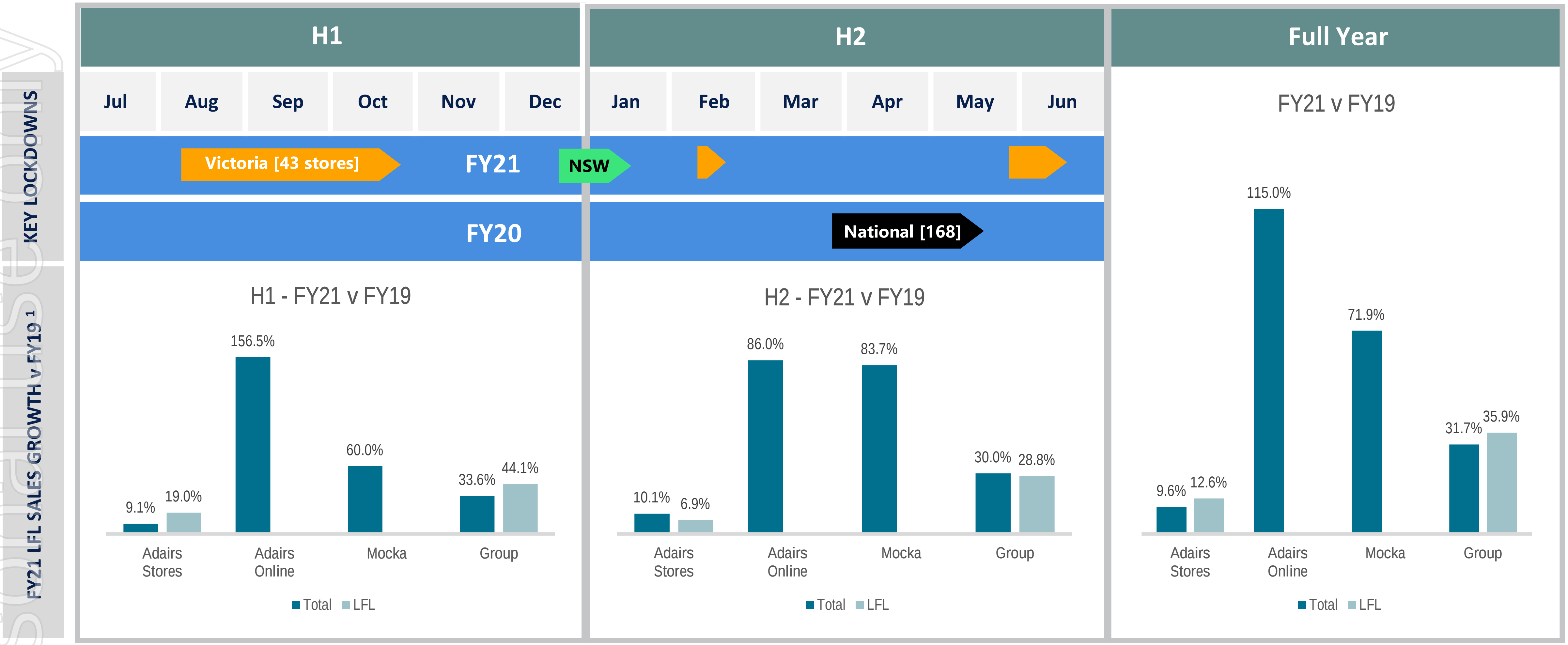
- Adairs sales growth driven by
  - significant growth in number of customers, particularly online; and
  - strong gains in average selling price across both channels
  - continued growth in Linen Lover members

Sales growth drivers - Mocka

- Mocka sales growth driven by:
  - Increases to average order value
  - Number of transactions also well up but constrained by stock levels for most of 1H FY21

Looking through the COVID impact – sales up 32% over 2 years

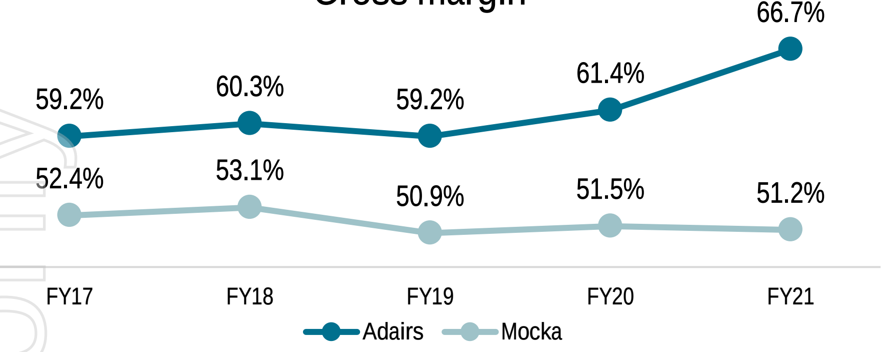
Despite sporadic and at times lengthy disruptions to store trading over the last 18 months, customers have adapted how they shop with group sales growing by more than 30% since FY19 (Pre-COVID). In FY21 a third of all store trading days were impacted by lockdowns and store closures.



1. FY21 like-for-like sales growth over the corresponding halves in FY19 where like-for-like sales have been calculated on a store-by-store daily basis which excludes periods of store closures.

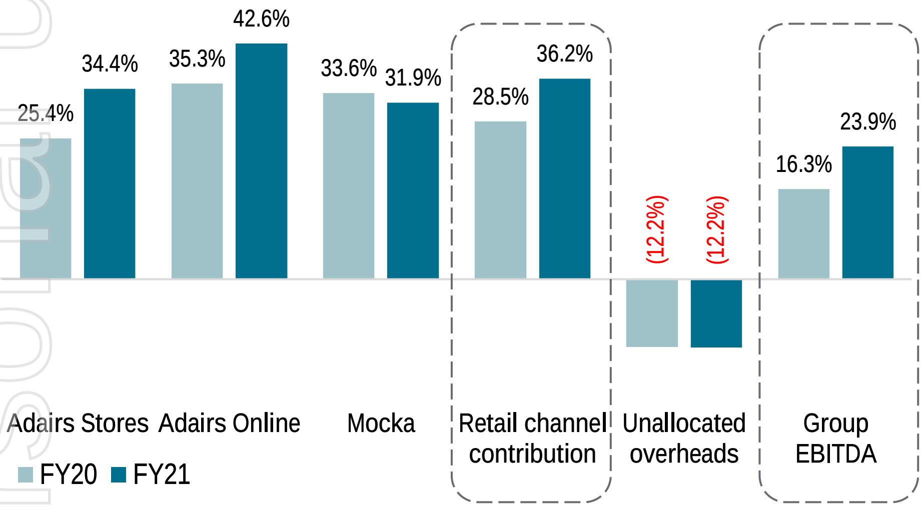
Contribution margins have improved across both channels

Gross margin[1]



Note 1. Mocka gross margin includes unaudited period prior to Adairs acquisition in December 2019.

Contribution margin[2] by channel



Note 2. See Appendix 8 for explanation of how contribution margins are calculated

Group underlying gross margin +410bps to 64.8%

- Margin growth for both businesses achieved through continued strong product execution; continuation of price optimisation; reduced depth of discount; and fewer full promotional days in Adairs than FY20.
- With higher stock levels, selective promotional activity resumed towards the end of Q4 FY21 and into FY22, albeit gross margin remains a key focus.

Contribution margins have improved across all Adairs channels and remains high at Mocka, with Group EBITDA margin +760bps to 23.9% (16.3% in FY20)

Adairs Online contribution margin

Increased to 42.6% (from 35.3%) driven by:

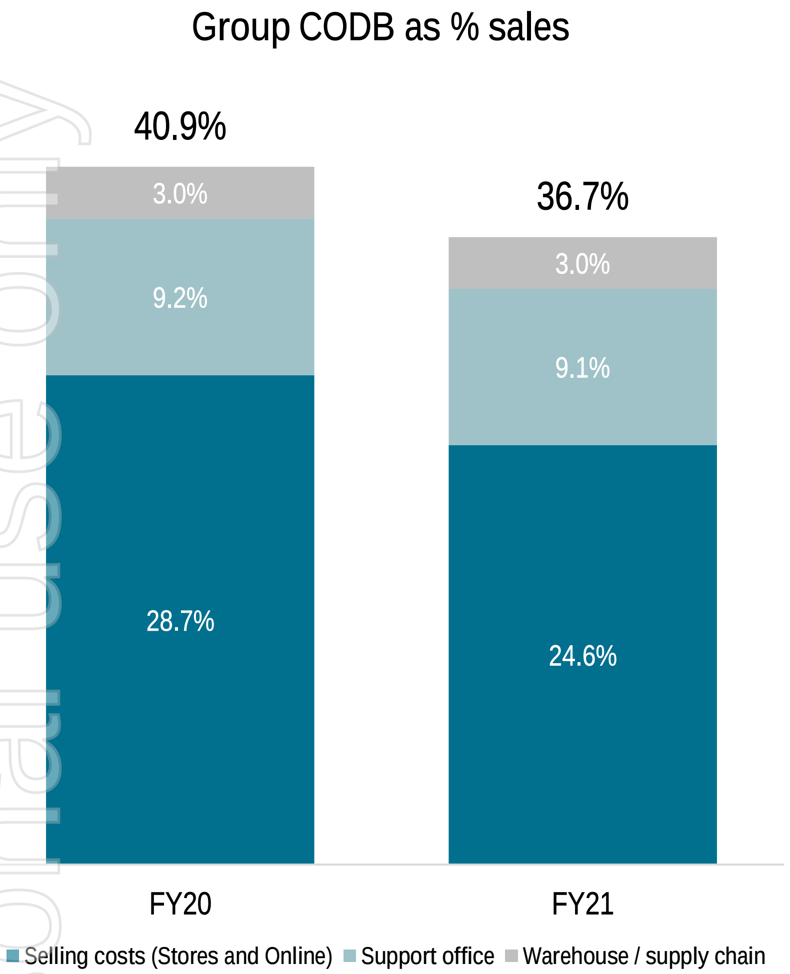
- higher gross margin
- lower absolute cost to fulfil per order due to process and productivity improvements and lower delivery costs
- higher ROI on marketing despite increased spend
- continued benefits from economies of scale in this channel

Adairs Store contribution margin

Increased to 34.4% (from 25.4%) driven by:

- higher gross margin
- labour costs controlled and assisted by higher ASP and lower stock movements due to reduced stock holdings
- operating leverage from strong like-for-like sales growth

Costs of doing business (CODB)



Selling [1] (stores / online) CODB %

Selling CODB has been carefully managed throughout the period with operating leverage achieved in both Stores and Online

- Store costs were managed in-line with planned sales with operating leverage achieved through strong LFL sales growth
- COVID rent rebates related to the store closures of $3.2m were recognised in FY21
- Online costs were lower due to improved pick-and-pack productivity and lower delivery costs despite greater marketing investment with growth in ROI

Support Office CODB %

- Broadly unchanged as a % of sales as we continue to invest in talent and capability across the key growth areas of the Group

DC [2] / Supply Chain CODB %

- Operating costs were maintained despite challenges with temporary labour shortages being experienced industry wide

Note 1: Selling costs comprise store labour costs, store rents, all marketing costs and other directly attributable administrative costs (note that online freight costs are included in gross profit).
Note 2: DC operating costs include costs to support stores.

Capital management

Strong balance sheet and cash flow[1]

- Inventory is clean and has returned to normal levels (compared to June 2020 when both businesses were materially understocked), including additional allowances for COVID-related production and shipping delays
  - Adairs inventory +$14.8m to $49.8m
  - Mocka inventory +$9.8m to $18.2m
- Stock flow ex China / SE Asia remains inconsistent due to sea freight disruptions across the region. Our plans have been adapted to accommodate delays, resulting in higher stock levels of core product to minimise impact on our ranging and customer experience
- Cash of $26.0m, with no bank debt
  - $90.0m of term finance facilities available until July 2023
  - Deferred Mocka consideration (NZ$48m/c.A$44.7m) to be paid in Sept 2021
- Strong underlying operating cash flows +14% to $80.3m
- With a strong balance sheet the company will continue to assess potential acquisition opportunities that meet its strategic objectives and satisfy strict return requirements.

Capex

- $11.3m capex in FY21
  - 4 new Homemaker stores, 6 upsized stores and 3 refurbished stores ($7.2m)
  - Investment in IT and digital initiatives ($2.6m)
  - Integration with the new DHL operated National Distribution Centre ($1.5m)
- New National Distribution Centre to commence operations in Sept 2021

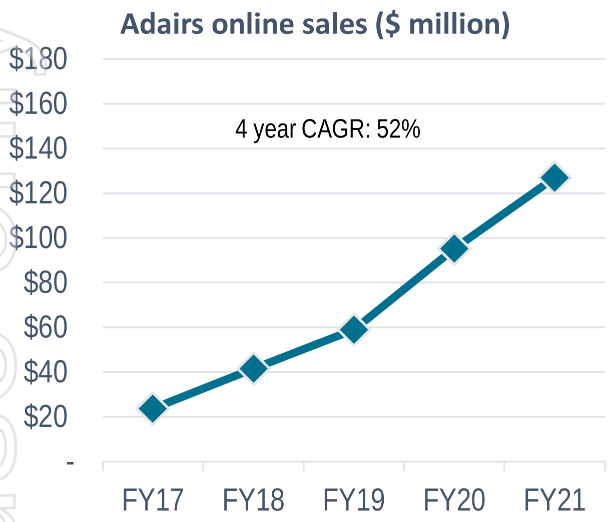
Dividend

- A fully franked final dividend of 10.0 cents per share has been declared taking the full year dividend to 23.0 cents per share
  - Record Date: Thursday, 9 September 2021
  - Payment Date: Thursday, 23 September 2021

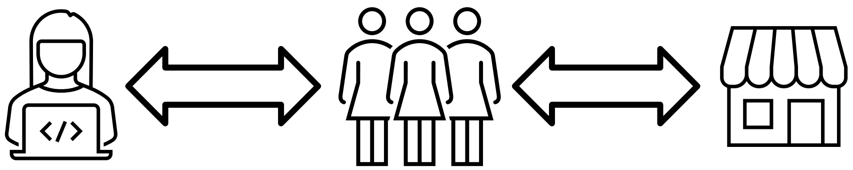
Note 1: Refer Appendices 5 (Balance Sheet) and 6 (Cashflow) for a reconciliation of underlying and statutory results.

Adairs profit growth drivers – our omni model

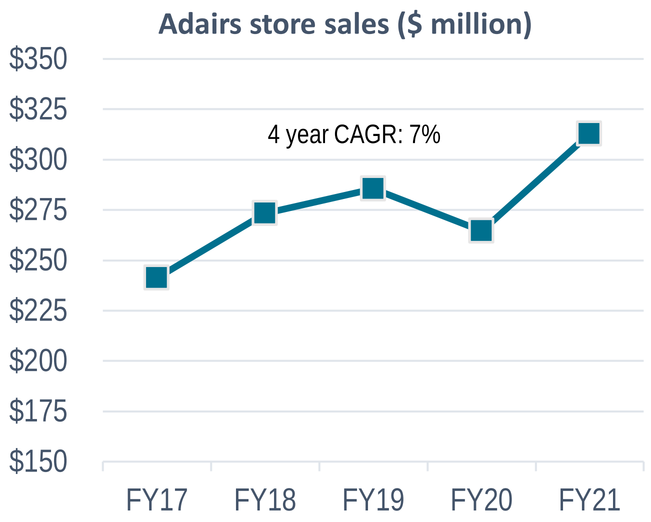
Adairs operates a synergistic model – vertical supply chain, exclusive product, Linen Lover loyalty program, common back-end infrastructure and a highly engaged and capable team that support both online and stores. This delivers high levels of customer acquisition and retention, efficient operations that leverage scale, attractive EBIT margins and an outstanding customer experience whichever way a customer chooses to shop.



TOTAL ADDRESSABLE MARKET (TAM)



Our customers browse and transact across both channels that are supported by common infrastructure, marketing, loyalty program (Linen Lovers) and group capabilities



Adairs 'omni channel' assets, functions and group capabilities include:

- ✓ Distribution facilities
- ✓ Product & design team
- ✓ Brand & marketing
- ✓ CRM & database (Linen Lovers)
- ✓ Inventory
- ✓ Social media
- ✓ Sourcing
- ✓ Quality control
- ✓ Management & governance
- ✓ Finance
- ✓ Customers support & service
- ✓ Digital assets & content

One team and common assets driving group performance on a channel agnostic basis means:

- ► our sales growth converts at attractive rates to EBIT and EBIT margin growth; and
- ► we achieve a superior ROCE to a single channel business model

Drivers of future growth

1 Proven and resilient business model

Strong brands (that we own and control)

- Lower cost of customer acquisition and retention
- Brand and product exclusivity
- Higher margins
- Success in category expansion

Large and loyal customer base

- >950k paid up Linen Lover Club members
  - Highly engaged - visit more often and spend more each visit than non-members (accounted for over 80% of Adairs sales in FY21)
- c.50% of new customers acquired since COVID-19 began (Jan 2020) have now shopped with us again across one or more of our channels
- Increasing investment in customer data analytics to further enhance the value of this program for our customers and Adairs

Vertical supply chain

- Exclusive products designed in-house
- Greater control (range/quality/cost/timing) and more differentiation
- More agile/responsive to changing conditions and consumer trends
- Significantly higher gross margins / profitability

2 Digital transformation and omni-channel leadership

Our multi-channel model gives us a larger TAM, significant synergy across channels, and delivers customers a superior and more flexible shopping experience

Development of our digital channel

- Accelerating our digital transformation through additional investment in customer acquisition, customer experience, platform and team
  - Upgrading Adairs online platform to deliver a more seamless omni-channel customer experience in 2022
  - Mocka continues to invest in new customer experiences (e.g. "Imagine" mobile augmented reality)
- Omni customers are the most valuable
  - Multi-channel customers typically spend c.110% more than online-only customers and 40% more than store-only shoppers each year
  - The number of customers actively shopping across both channels is c.25% above FY19 (Pre-COVID) levels

High exposure to online growth

- Adairs online sales +33.2% and Mocka +30.9%[1] in FY21
- Total online sales now 37.4% of total Group sales
- Adairs digital platform sales[2] now represent ~48% of total Adairs sales
- Winning share as customers transition to online/omni

Note 1: Includes the period prior to December 2019 which was outside of Adairs ownership.

Note 2: Digital platform sales comprises sales from the online store plus sales of stock not ranged in store but where the order is placed by the customer within the store and fulfilled from the central warehouse.

Drivers of future growth

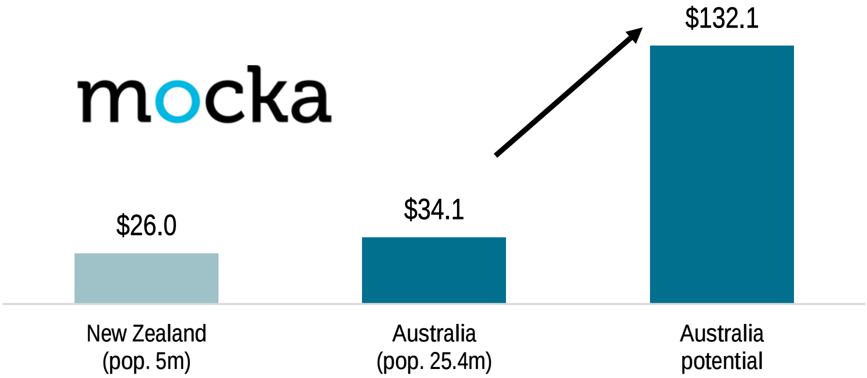
3 Profitable store formats

- All Stores are profitable with relatively short lease terms
- Store floor space (GLA) +8.2% in FY21 via new and upsized stores
- Larger stores are more profitable and significant upsizing opportunities remain within the current portfolio. Upsizing benefits:
  - showcase more products / categories
  - average +950bp in store contribution margin post upsize
  - a typical upsized store delivers $250-350k more profit annually after upsizing (representing a c.60% average increase in store contribution amount).
- Profitable new store opportunities remain
- Stores provide a valued and trusted engagement point with our customers

4 Mocka growth

- Australian brand awareness growing rapidly with AU website visits +35% in FY21
- We are investing to enable future growth
  - New CEO (Vanessa Brennan) appointed, commences September 2021
  - Early settlement of deferred consideration to founders to enable additional investment for longer term benefit
  - Australian warehouse facilities recently doubled in size
  - Australian and NZ websites re-platformed in September 2020
- Low market share in a very large category
- Product category expansion trials ongoing
- Capitalising on increased search activity during COVID-19 to increase customer database to over 550k customers

How big could Mocka Australia get if it achieved "sales to population" parity with NZ?



* Provided for illustrative purposes only

Drivers of future growth

5 Omni Supply Chain

Our DHL-operated National Distribution Centre (NDC) in Melbourne will be operational by end of September 2021.

The project experienced some delays as a result of the COVID restrictions in Victoria in Aug/Sep 2020, and from overseas as a result of COVID restrictions in countries where key components were manufactured.

- Annual savings over existing operations of $3.5m p.a. once fully operational (pro-rata in FY22)
- Required capital costs of c.$1.2m (mainly IT) incurred in FY21
- Forecast one-off operational transition costs of c.$4.5m to be incurred across FY21-FY22

The new supply chain capability provided by the NDC will:

- Deliver a local supply chain solution that supports our strategy to enable customers to shop how, when and where they choose
- Adapt to a changing mix of sales between online and stores
- Consolidate DC operations into one facility – improved stock flow and online order fulfillment
- Improve stock availability in stores through more frequent replenishment options
- Increase capacity and improve service levels for online and stores during peak trading periods
- Support business growth well into the future across all channels

Trading update (first 7 weeks of FY22)

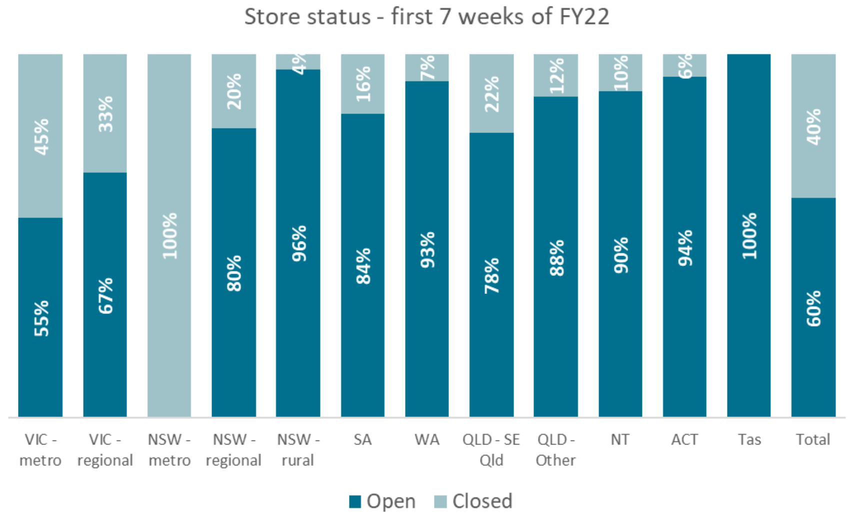
Group like-for-like[1] sales up 5.2% in first 7 weeks of FY22 and up 50.5%[2] on FY20 (pre-COVID levels)

- Total Adairs sales are down 16.1% on FY21 but +5.5% on FY20 despite the extensive trading disruptions experienced in the first 7 weeks of FY22
- In dollar terms, after 7 weeks our total group sales are approximately $7 million behind the prior year, driven predominantly by the impact of mandated store closures.
- Stores sales have been resilient in the context of the temporary but significant lockdown impact (total store sales down 27% on FY21 despite losing 40% of store trading days)
  - all states and territories, except for NSW, have experienced strong sales growth over FY20 (pre-COVID) with the customer response to our new ranges very positive
- Adairs online sales +12.9% on FY21 and +131% on FY20
- Mocka sales +16.1% on FY21 (+73.9% v FY20[3])
- Gross margins are moderating against FY21 but remain well above FY20 levels

FY22 first 7 weeks	v FY21	v FY20[2]
Total Group	-11.7%	+13.5%
Total Group (like-for-like)	+5.2%	+50.5%
Breakdown:		
Adairs Stores	-27.0%	-19.8%
Adairs Stores (like-for-like)	-3.0%	+17.0%
Adairs Online	+12.9%	+131.2%
Total Adairs	-16.1%	+5.5%
Total Adairs (like-for-like)	+2.9%	+45.9%
Mocka	+16.1%	+73.9%

Store update

In the first seven weeks of FY22 c.40%[3] of store trading days have been lost due to Government mandated lockdowns



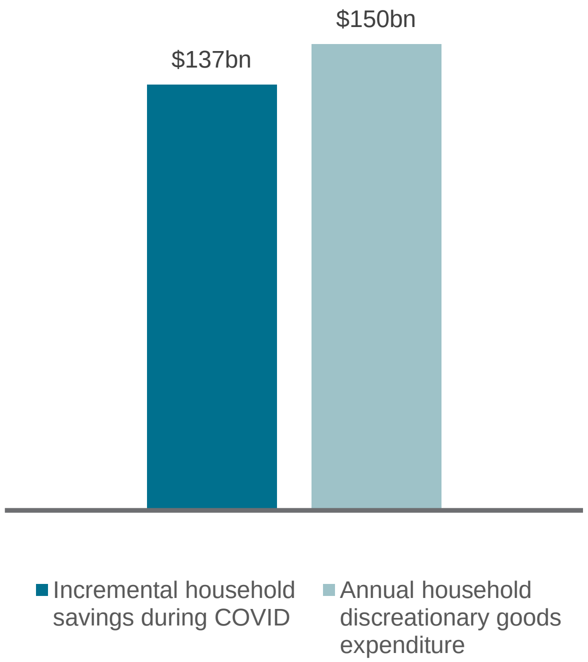
Notes
1. Like-for-like sales growth ("LFL") has been adjusted for COVID-19 related store closures and is calculated on a store-by-store daily basis.
2. Includes Mocka sales for the period prior to December 2019 which was before Adairs ownership
3. Store update excludes New Zealand (all open in first seven weeks)

Outlook for consumers

While COVID-19 store closures will impact FY22 results we believe the underlying consumer conditions will remain positive

Household savings

- During COVID-19, households have accumulated c.$137bn of incremental savings (vs. c.$150bn p.a. spent on discretionary goods p.a.)

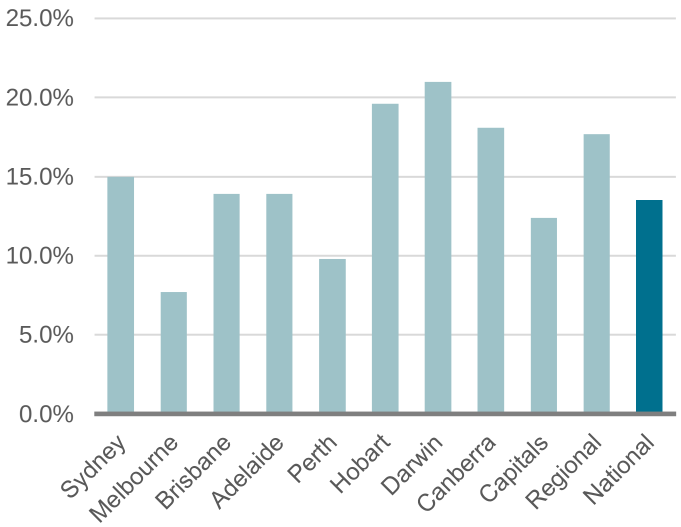


Source: Barrenjoey

Housing market

- House prices (wealth effect) and churn are strongly correlated to household goods retail sales
- both have experienced strong YoY growth driven by low interest rates and demand exceeding supply

House prices (Year to June 2021)

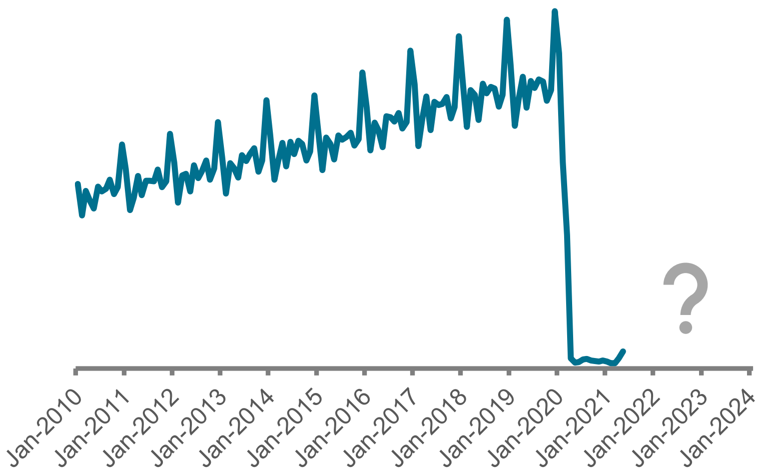


Source: CoreLogic

Travel restrictions

- Full return to overseas travel unlikely for another 2-3 years[1]
- In the 12 months before COVID-19 (to March 2020) Australians spent ~$65 billion[2] on international travel

International departures[3]



Sources: 1. Deloitte Access Economics, 2. Statistica, 3. ABS

Outlook

Market perspective

- Adairs and Mocka continue to benefit from consumers' increased focus on their homes as a sanctuary, and increasingly a place of work, entertainment and education
- Mobility and both domestic and international travel restrictions appear likely to remain a feature for the medium term - while unfortunate, this bodes well for a sustained period of elevated demand in the home category
- The Group operates in a very large addressable market and being omni-channel means the entire market is available to us
  - the opportunities for growth in both stores and online remain significant
  - store closures will be temporary

Current environment

- COVID-19 store closures are currently impacting our FY22 results, however:
  - our current performance online and in regions that have not been significantly impacted gives us confidence in the appeal of our current range, the underlying health of consumer spending and their engagement with our brands
  - we continue to see stores reopening from lockdown periods experience a strong recovery in sales which gives us confidence for when Victorian metro and NSW stores reopen

Gross margin

- Gross margin will be impacted by broader industry issues with supplier cost increases and increased cost of sea freight, however these will be offset by the stronger AUD and our ongoing focus on managing price and depth of discount
- Whilst gross margin is expected to moderate in FY22 from the record highs achieved in FY21, we continue to expect it to remain well above FY20 levels
  - 75% of Adairs expected US$ inventory purchases in FY22 are already hedged at A$0.75 (FY21 A$0.70)

Inventory

- The supply chain environment remains challenging with production lead times and shipping availability both resulting in longer lead times
- This will result in the group operating with higher inventory levels across H1 FY22 to better manage the in-stock position and enable the brands to capitalise on the current trading environment

Capex

- Capex for FY22 is expected to be in the range of $10-15m reflecting expenditure on new store openings / up-sizings, completion of the National Distribution Centre and ongoing digital initiatives
- Adairs expects to open 2-4 new stores and upsize 8-10 existing stores across Australia and New Zealand during FY22. This equates to 8%+ growth in GLA

Guidance

- Given the ongoing uncertainty relating to COVID-19 the Board does not consider it appropriate to provide guidance for FY22 at this time


QUESTIONS?
THIS IS HOME
CHANEL

APPENDICES

1. Who we are
2. Store footprint
3. Like-for-like sales history
4. Profit and loss reconciliation
5. Balance Sheet reconciliation
6. Cashflow reconciliation and tax rate reconciliation
7. Glossary

Appendix 1 – Who we are

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

- Own two fast 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 retention
  - data and loyalty focused
  - fast approaching A$200m 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

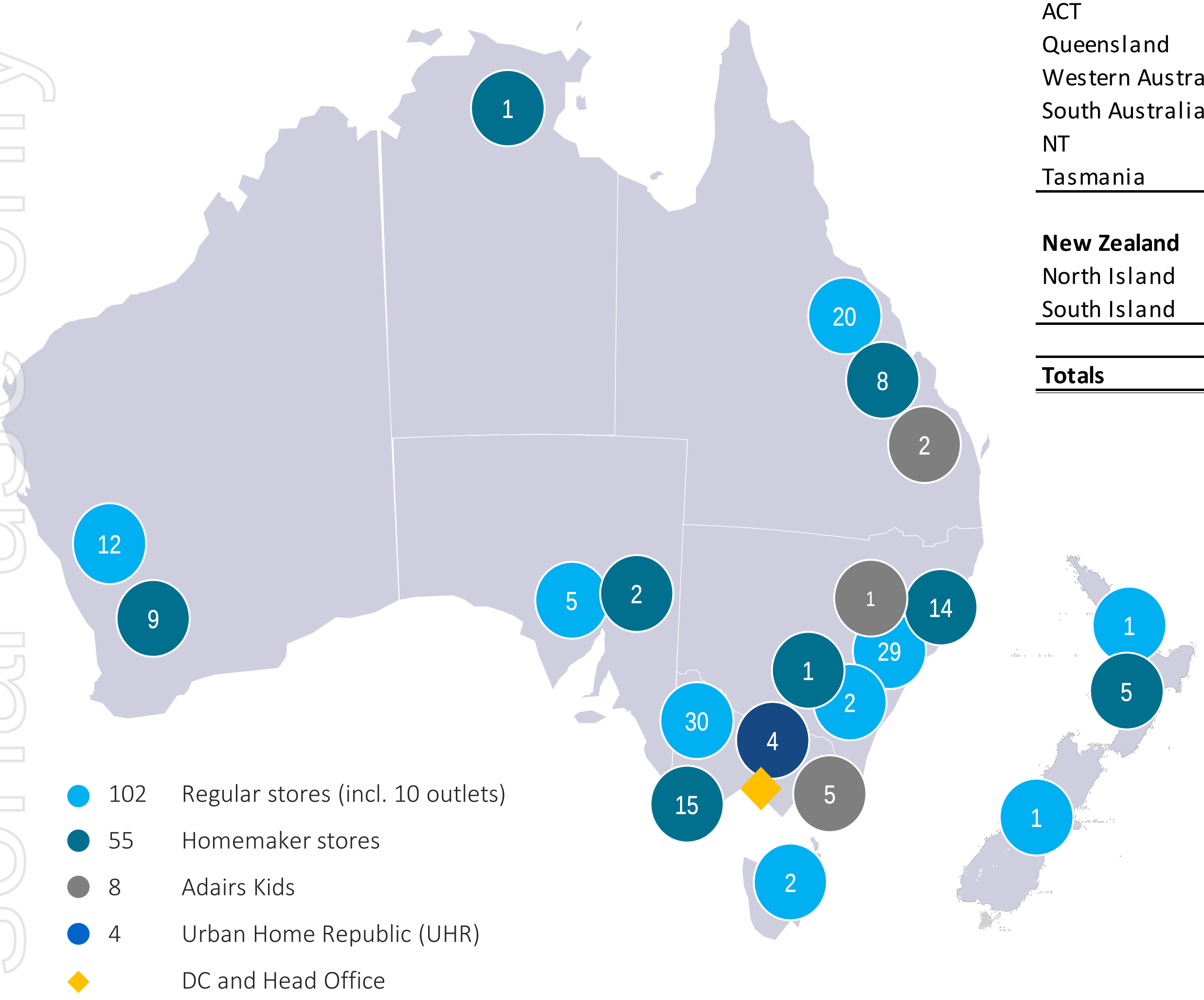
- Specialty retailer of home furnishings with a large and growing online channel and a national footprint of 169 stores across two key formats
- Strategy is to present customers with a differentiated proposition, which combines on-trend fashion products, quality staples, strong value and superior customer service

mocka

- Pure-play online home and living products designer and retailer
- Sells its own exclusive, well designed, functional and stylish products in the Home Furniture & Décor, Kids and Baby categories

Appendix 2 – Store footprint

Total Stores: 169



State/Territory	Stores	GLA	% GLA
Victoria	54	22,074	33.0%
NSW	44	16,042	24.0%
ACT	3	1,177	1.8%
Queensland	30	10,954	16.4%
Western Australia	21	9,250	13.8%
South Australia	7	2,539	3.8%
NT	1	967	1.4%
Tasmania	2	323	0.5%
	162	63,325	94.7%
New Zealand			
North Island	6	3,330	5.0%
South Island	1	241	0.4%
	7	3,571	5.3%
Totals	**169**	**66,896**	**100.0%**

Store Activity (FY21)

New stores (4)	GLA (m2)
Homemaker – Belmont (WA)	752
Homemaker – Warragul (VIC)	840
Homemaker – Cranbourne (VIC)	990
Homemaker – Botany (NZ)	713
Total GLA addition	3,295

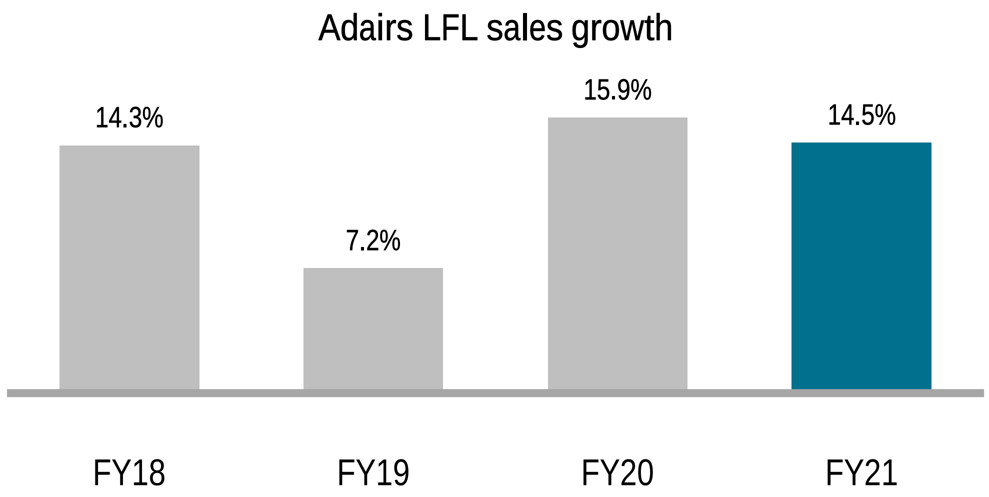
Closed stores (2)	GLA (m2)
Regular - Burnside (SA)	73
Kids - Bondi (NSW)	114
Total GLA reduction	187

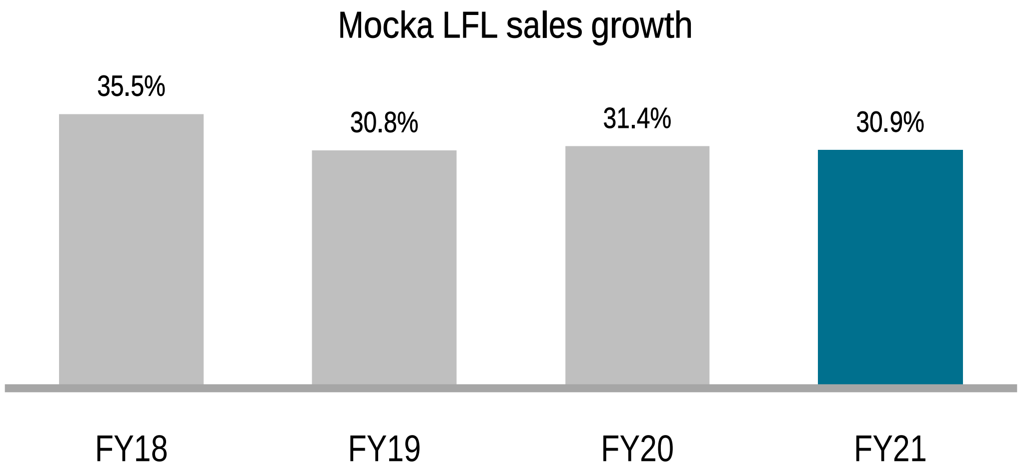
Upsized stores (6)	GLA (m2)	
	Previous	Current
Homemaker - Caringabah (NSW)	297	705
Homemaker - Penrith (NSW)	472	975
Homemaker - Canberra (ACT)	579	776
Homemaker - Castle Hill (NSW)	432	900
Regular - Tweed (NSW)	158	419
Regular - Adelaide Harbourtown (SA)	213	319
Total GLA increase	2,151	4,094

Total GLA (28 June 2020)	61,845
Total GLA (27 June 2021)	66,896
Net increase in GLA (m2)	5,051
Net increase in GLA (%)	8.2%

Refurbished stores (3)
Homemaker - Ballarat (VIC)
Homemaker - Claremont (WA)
UHR - Norwood (SA) (rebranding to Adairs)

Appendix 3 – Like-for-like sales history





Note 1: Includes the period prior to December 2019 which was outside of Adairs ownership.

Appendix 4 – Profit and loss reconciliation

($ million)	FY21 reconciliation					FY20 reconciliation				
	Underlying FY21	AASB 16 impact	Mocka transaction costs	NDC transition costs	Statutory FY21	Underlying FY20	AASB 16 impact	JobKeeper benefit	Mocka transaction costs	Statutory FY20
Sales	499.8	-	-	-	499.8	388.9	-	-	-	388.9
Gross profit	303.3	-	-	-	303.3	222.1	-	-	-	222.1
Gross profit %	*60.7%*	-	-	-	*60.7%*	*57.1%*	-	-	-	*57.1%*
CODB	(183.7)	38.0	(7.6)	(2.7)	(156.0)	(158.9)	33.6	5.4	(3.9)	(123.9)
CODB %	*36.7%*	-	-	-	*31.2%*	*40.9%*	-	-	-	*31.8%*
EBITDA	119.6	38.0	(7.6)	(2.7)	147.3	63.2	33.6	5.4	(3.9)	98.3
EBITDA %	*23.9%*	-	-	-	*29.5%*	*16.3%*	-	-	-	*25.3%*
Depreciation	(10.6)	(34.0)	-	-	(44.6)	(7.9)	(31.4)	-	-	(39.3)
EBIT	109.1	4.0	(7.6)	(2.7)	102.7	55.3	2.2	5.4	(3.9)	59.0
EBIT %	*21.8%*	-	-	-	*20.6%*	*14.2%*	-	-	-	*15.2%*
Interest	(1.3)	(3.9)	(2.3)	-	(7.5)	(1.4)	(4.2)	-	(0.6)	(6.2)
Tax	(32.4)	0.0	-	0.8	(31.5)	(16.5)	0.6	(1.6)	-	(17.5)
NPAT	75.4	0.1	(9.9)	(1.9)	63.7	37.4	(1.4)	3.7	(4.5)	35.3
EPS (cents)	44.6				37.7	22.3				21.0

Notes:

1. AASB 16 impact: Upon adoption of AASB 16 from FY20, 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. Mocka transaction costs: Acquisition related due diligence costs (FY20) and adjustments related to the earn-out liability (including discount).
3. NDC transition costs: Costs associated with the transition to the new National Distribution Centre, including onerous lease provisions.
4. JobKeeper benefit: JobKeeper wage subsidy benefit received in 2H FY20. The net benefit received in 1H FY21 was repaid in full to the Government (net nil impact in FY21).

Appendix 5 – Cash flow and tax rate reconciliation

($ million)	FY21 reconciliation: Underlying FY21	FY21 reconciliation: AASB 16 impact	FY21 reconciliation: Statutory FY21	Underlying FY20
Opening cash	23.9	-	23.9	16.7
Operating cash flow	80.3	(36.6)	116.9	70.4
Investing cash flow	(11.3)	-	(11.3)	(7.5)
Financing cash flow	(66.9)	36.6	(103.5)	(13.3)
Net cash flow	2.1	-	2.1	49.6
Acquisition net of cash acquired (inc. transaction costs)	-	-	-	(42.5)
Net cash flow (inc. Mocka acquisition)	2.1	-	2.1	7.2
Foreign exchange differences	(0.0)	-	(0.0)	(0.0)
Closing cash	26.0	-	26.0	23.9

($ million)	Income tax expense reconciliation		Effective tax rate reconciliation	
	FY21	FY20	FY21	FY20
Accounting profit before income tax	95.3	52.8		
At the statutory income tax rate of 30%	28.6	15.9	30.0%	30.0%
Adjustments in respect of current income tax of previous years	(0.1)	(0.2)	(0.1%)	(0.4%)
Adjustments in respect of deferred income tax of previous years	(0.0)	0.5	(0.0%)	0.9%
Effect of foreign tax rates	(0.2)	(0.1)	(0.2%)	(0.1%)
Net non-deductible expenses / (non-assessable income)	3.2	1.5	3.4%	2.8%
- Mocka transaction costs	*3.0*	*1.3*	*3.1%*	*2.5%*
- Share-based payments	*0.5*	*0.2*	*0.5%*	*0.4%*
- Other	*(0.3)*	*(0.1)*	*(0.3%)*	*(0.2%)*
Income tax expense	31.5	17.5	33.1%	33.2%

Notes:

1. AASB 16 impact: The impact of AASB 16 (Leases) results in a reclassification of cash flows between operating and financing activities with no change in net cash flow.

Appendix 6 – Balance Sheet summary

($ million)	Statutory FY21	Statutory FY20
Cash and cash equivalents	26.0	23.9
Trade and other receivables	2.3	2.9
Inventories	68.0	43.4
Property, plant and equipment	21.2	20.8
Intangibles	197.3	196.1
Right-of-use assets	89.6	94.4
Other assets	10.5	7.5
Total assets	**414.8**	**389.1**
Trade and other payables	43.8	31.3
Current tax payables	14.5	9.9
Provisions	10.9	8.4
Earn-out liabilities	45.7	35.5
Borrowings	-	24.9
Lease liabilities	107.2	114.6
Deferred tax liabilities	11.0	12.2
Other liabilities	17.0	11.8
Total liabilities	**250.2**	**248.6**
Total equity	**164.7**	**140.6**

Appendix 8 – Glossary

Term	Meaning
ASP	Average selling price
ATV	Average transaction value
CODB	Cost of doing business
DC	Distribution centre
EBIT	Earnings before interest and tax
EPS	Earnings per share
GLA	Gross lettable area (floor space in square metres - excludes any offsite storage a store may have)
IPS	Items per sale
LTM	Last twelve months
NPAT	Net profit after tax
NDC	National Distribution Centre
Online contribution	Online gross profit (including all online distribution costs) less customer support wages/rent and marketing (other than in-store marketing)
ROCE	Return on capital employed
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 and development, warehousing

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.