



Release to the Australian Securities Exchange

Adairs Limited Acquisition of Focus on Furniture

25 November 2021

Adairs Limited (ASX: ADH)

Adairs has agreed to purchase Focus on Furniture ("Focus"), a vertically integrated omni-channel furniture retailer operating in Australia, for an Enterprise Value (EV) of \$80 million on a debt free basis ("Acquisition").

The price paid equates to an EV/EBIT multiple of 2.4x FY21 actual EBIT (\$32.8 million).

Without assuming any synergies, the Acquisition is expected to be immediately EPS accretive and deliver pro forma double-digit EPS accretion¹ in FY23 (first full year of ownership) and beyond.

The Acquisition has a clear strategic fit, with attractive growth potential:

- Strongly profitable furniture retailer with revenue of \$150m+ in Australia (FY21) through a network of 23 stores and a small but growing online channel
- Growth opportunities from a national store roll out, online growth and category/range expansion
- Vertically integrated, omni channel furniture and bedding retailer, operating in close adjacency to Adairs' existing businesses.
- Complementary customer product overlap with opportunities to leverage strengths in store expansion, product development and last mile delivery capability.
- Increases the Group's exposure to the bulky furniture category (an \$8.3bn+ market).
- Established operating infrastructure, capable management team, supplier base and store network from which to build out a national omni-channel business.
- Further develops the Group as a leading homewares and home furnishings omni-channel retail group operating across Australia and New Zealand.

Focus will continue to operate independently of Adairs, with its existing management team continuing under new contracts.

¹ Based on Adairs assessment of Focus' FY23 contribution and current Adairs Group FY23 business plan (pre AASB-16 adjustments).



Consideration and funding

Total consideration comprises \$74.0 million in cash and a \$6.0 million placement of ordinary shares in Adairs to the major shareholder and continuing Focus CEO, Rob Santalucia, which are escrowed until the release of the FY23 Adairs Limited results.

The Acquisition will be funded through:

- \$74.0 million of debt (new and existing facilities)
- \$6.0 million placement of Adairs shares (~1.0% of ADH) to Rob Santalucia, as described above

The increased finance facilities remain comfortably within the Group's existing covenants with the leverage ratio not expected to exceed 1.2x. There is no change to Adairs' dividend payout policy (65%-80% of net profit after tax) as a result of the Acquisition.

Speaking on the acquisition Mark Ronan, Group CEO and Managing Director, said:

"This is an exciting and strategically significant development for the Adairs Group. Focus builds out our product offering in the key area of home furniture and increases the exposure we have to that market by almost three times. The Adairs Group now comprises a highly profitable and aligned portfolio of brands with significant growth potential targeting the middle market in the Home category in Australia and New Zealand.

The acquisition will be earnings per share accretive from day one and we see strong growth opportunities that have the potential to drive sales of \$250m+ over the next 5 years.

Focus is led by a highly capable leadership group, and a passionate, service-orientated team in its stores, warehouses and support office. We are excited to welcome them to the Adairs Group family and believe that together we can continue to build a truly great business."

The Acquisition will be effective from 1 December 2021.

Conference Call

A conference call for investors and analysts to discuss this announcement, hosted by Mark Ronan (Managing Director and Chief Executive Officer) and Ashley Gardner (Chief Financial Officer), will be held at 11.45am (Melbourne time) today.

Anyone wishing to listen to the call are required to pre-register. You can pre-register by clicking on the link below. You will be emailed a unique pin number to enter when you call which will bypass the operator and give you immediate access to the briefing.

[Pre-register for call \(click here\)](#)

If prompted, please provide the **CONFERENCE ID: 10018217** to the operator.

This call will be recorded and made subsequently available on the Adairs Investor Relations website (<http://investors.adairs.com.au/investors/>).



ENDS

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

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About Adairs Limited

Adairs Limited is Australia's largest omni channel specialty retailer of home furnishings, home furniture and home decoration products. We own and operate three vertically integrated brands in the Home category – Adairs, Mocka and now Focus on Furniture. All brands are design led, customer focused, and sell quality in-house designed product direct to customers in Australia and New Zealand.

Adairs head office is in Melbourne, Australia.

For further information visit our investor relations website www.investors.adairs.com.au

About Adairs

Adairs is a leading specialty retailer of home furnishings in Australia and New Zealand with a national footprint of stores across a number of formats and a large and growing online channel. Adairs strategy is to present customers with a differentiated proposition, which combines on-trend fashion products, quality staples, strong value and superior customer service.

For further information visit www.adairs.com.au

About Mocka

Mocka is a vertically integrated pure-play online home and living products designer and retailer operating in Australia and New Zealand. Mocka sells its own exclusive, well designed, functional and stylish products in the Home Furniture & Décor, Kids and Baby categories. Delivering great product and compelling everyday value-for-money is core to the Mocka customer proposition.

For further information visit www.mocka.com.au

About Focus on Furniture

Focus on Furniture ('Focus') is a vertically integrated omni-channel furniture and bedding retailer offering well designed, functional and on-trend products at great value for money through its network of stores in Australia and its online channel. Focus is characterised by its attention to customer service, support, quality and range.

For further information visit www.focusonfurniture.com.au