Adairs Limited

1H FY24 Results Presentation

26 February 2024

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adairs

Group result – 1H FY24

Sales declined in a more challenging trading environment, with management prioritising gross margin (which improved for all brands), cost management (which fully offset inflationary pressures), and cash flow from operations (which delivered a material reduction in net debt).

($ million) Underlying[1]	1H FY24 27 weeks	1H FY24 26 weeks[2]	1H FY23 26 weeks[2]	Change
Store sales	217.6	208.5	235.6	-11.5%
Online sales	84.8	82.9	88.6	-6.5%
Total sales	302.4	291.4	324.2	-10.1%
Gross Margin	182.3	175.4	188.0	-6.7%
Gross Margin %	*60.3%*	*60.2%*	*58.0%*	*+220bps*
Warehouse costs	21.5	20.8	24.0	-13.5%
Delivery costs	17.3	17.0	16.4	+3.5%
Gross Profit	143.6	137.6	147.6	-6.8%
CODB	107.4	103.7	108.0	-3.9%
EBITDA	36.2	33.9	39.7	-14.6%
Depreciation	5.3	5.3	4.2	+26.0%
EBIT	30.9	28.6	35.5	-19.3%
EBIT margin %	*10.2%*	*9.8%*	*10.9%*	*-110bps*
Statutory EPS	10.2 cps	-	12.7 cps	-19.7%
Interim dividend	5.0 cps	-	8.0 cps	

Sales

- Sales down, largely in line with reduced traffic. Store sales were down more than online
- Inventory availability and ranging issues in the Adairs brand impacted sales, which provides an opportunity for FY25.

Gross Margin %

- Higher for all brands
  - less clearance inventory
  - disciplined pricing and promotions
  - easing container rates

CODB

- Strong cost management fully offset significant inflationary pressures from higher wage rates (+5.7%), rents (+5.0%) and utilities (+20%).
- Adairs NDC cost savings are coming through in line with plan.

EBIT

- Group EBIT down given the lower sales.
- Mocka delivered a strong half of $3.5m v $0.3m in the prior 1H.

Balance sheet and dividend

- Group inventories down 21% (YoY) with physical stock down further due to issues at Australian ports which impacted sales over Q2.
- Net debt reduced by $15.4m to $58.6m = c. 0.8x LTM Underlying EBITDA
- Interim dividend of 5.0 cps fully franked, and DRP remains active (1.5% discount)

Note: (1) Refer to Appendix 6 for a reconciliation of underlying and statutory results. (2) 1H FY24 consists of 27 weeks, with Boxing Day falling in week 27. To facilitate a valid like-for-like comparison with 1H FY23, data for the first 26 weeks of FY24 is also provided. Unless otherwise noted, all comparative data with prior years is on a 26-week basis for 1H FY24.

Key management priorities

Management's focus is on near-term actionable priorities given the current macro environment

adairs

NDC transition

- Continue to improve service and reduce cost per unit dispatched
- New WMS to be implemented mid CY24 to further improve NDC service and cost
- Ongoing material cost reductions remain across Adairs supply chain

CODB management

- Focus on CODB management and specific cost-out initiatives to support returning to a sustainable 10%+ EBIT margin

Range enhancement

- Investing in core stock levels to improve in-store availability
- Opportunities across departments including fashion bedlinen, kids and seasonal product

Linen Lovers

- Building upon successful personalisation trials
- Evolving the program to enhance customer value and reduce customer churn

Store growth

- Focus remains on opening larger stores and actively managing smaller stores with several re-locations, up-sizes, consolidations and closures planned to maintain a highly profitable portfolio

focus on furniture & bedding

Store strategy

- Expect to open up to 3 new stores and refurbish up to 3 existing stores by the end of FY25

Supply chain

- Reconfigured existing Mocka DC to establish a Focus DC in QLD (at no additional cost to the group).
- Allows supplier containers to go directly to QLD
  - lowers costs
  - improves customer service

Mocka.

Consolidating gains

- Continue improvements seen in 1H FY24 across inventory, margins and costs to support ongoing profitable growth

Digital strategy

- Website will be re-platformed to Shopify Plus in 2H FY24 to deliver improved customer experience and conversion
- The new platform will support future growth in new channels and can also support growth through other planned initiatives over the medium term.

Adairs brand – 1H FY24

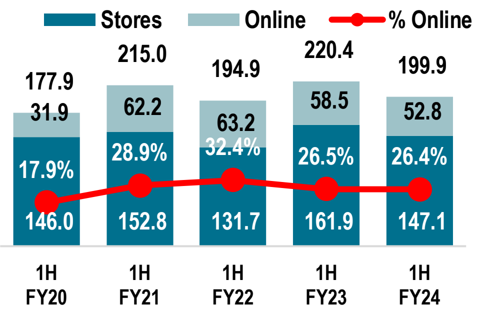
A challenging half however gross margins improved, costs are lower, and the NDC turnaround is on track with material service and cost improvements

- Adairs' sales finished down -9.3%[1] on 1H FY23 driven by lower traffic and stock availability/range issues
  - store sales down -9.2% / online sales down -9.8% (online accounts for 26.4% of total sales)
- Conversion in Adairs stores increased by 100bps, and online improved by 10bps (supported by the introduction of click-and-collect and improved NDC service levels).
- Stock levels across core ranges were inconsistent, leading to below plan stock availability, whilst bedlinen performance was disappointing and presents a strong opportunity moving forward
- Gross profit margin improved by +70bps in 1H FY24 as a result of lower import container rates, increased retail prices and carefully managed promotional activity.
- The NDC is performing materially better post-transition to Adairs management – see page 4.
- CODB declined by 5.3% driven by ongoing cost efficiency initiatives and lower sales volumes, despite underlying escalations in store wage rates, payroll taxes, rents and utilities. Adairs underlying EBIT finished at $13.5 million (26 weeks).
- Two new stores were opened, three stores were upsized and three smaller stores closed, which collectively delivered a +2.0% increase in gross lettable area (GLA) during the half.

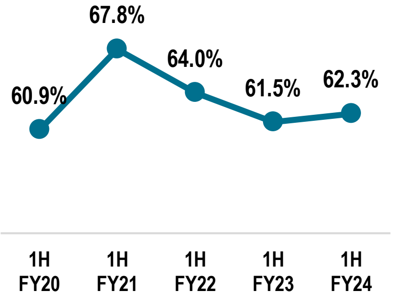
($ million)	Adairs Underlying HY24 (27wks)	Underlying HY24 (26wks)	Underlying HY23 (26wks)	Change v HY23 (%)
Store sales	156.2	147.1	161.9	-(9.2%)
Online sales	54.1	52.8	58.5	-(9.8%)
Total sales	**210.3**	**199.9**	**220.4**	**-(9.3%)**
Online % of total sales	*25.7%*	*26.4%*	*26.5%*	
Gross margin	**131.1**	**124.5**	**135.6**	**-(8.2%)**
Warehouse related costs	(15.6)	(15.0)	(18.5)	-(18.9%)
Customer delivery costs	(10.2)	(9.9)	(8.8)	+12.6%
Gross profit	**105.3**	**99.6**	**108.4**	**-(8.1%)**
Costs of doing business	(84.3)	(81.4)	(86.0)	-(5.3%)
EBITDA	**21.0**	**18.2**	**22.4**	**-(18.8%)**
Depreciation	(4.7)	(4.7)	(3.7)	+26.6%
EBIT	**16.3**	**13.5**	**18.7**	**-(27.8%)**
Closing inventories	**56.3**	**56.3**	**70.0**	**-(19.6%)**
% sales ratios				
Gross margin %	62.3%	62.3%	61.5%	*+70 bps*
Gross profit %	50.1%	49.8%	49.2%	*+70 bps*
Costs of doing business %	40.1%	40.7%	39.0%	*+170 bps*
EBITDA %	10.0%	9.1%	10.2%	*-(110 bps)*
EBIT %	7.8%	6.7%	8.5%	*-(170 bps)*

Note: Refer to Appendix 6 for a reconciliation of underlying and statutory results.

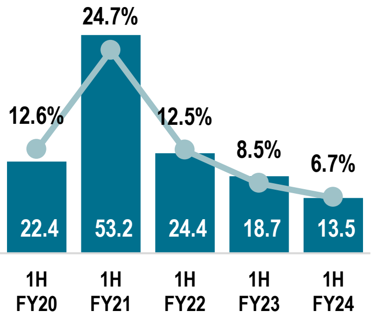
Historic performance



Sales



Gross margin



EBIT and EBIT margin

Note: (1) To facilitate a valid like-for-like comparison with prior years, all comparative data is on a 26-week basis for 1H FY24.

Adairs – NDC update

The improvement in service levels (customers and stores) and reduction in costs under Adairs management are tracking to plan.

Background

- Adairs took control of its National Distribution Centre in September 2023 to address operational and cost issues under the DHL operated 3PL model.

Update

Stated goal	Update (after 4 months)
Improve online customer experience – improved accuracy and faster despatch times	► c.60% increase in customer orders dispatched in under 48 hours ► c.30% fall in customer queries related to despatch / delivery ► c.$1 million reduction in refunds due to NDC issues
Improve in-store stock availability – fewer stock outs and lost sales; better in-store customer experience	► 15% increase in average weekly replenishment volumes dispatched to stores (v 2H FY23) ► Most new SKUs move through the NDC and out to stores in under 48 hours (previously took up to a week)
Reduce NDC operating costs over the 3PL model by at least $4m per year in CY24	► Targeted NDC cost savings are on track – Warehousing costs (net of depreciation) in 1H FY24 fell absolute terms (-$2.8m) and as a % Sales (-60bps) on 1H FY23 levels – Savings of c.$3.5m are expected in FY24 v FY23 (pre-impact of new warehouse management system) and on track to achieve at least $4m in CY24.

Next milestone

- Adairs continue to operate utilising DHL technology and will implement a new warehouse management system in mid-CY24, enabling further material productivity improvements (faster turnarounds, greater accuracy) and cost savings from FY25 onwards

Focus on Furniture ('Focus') – 1H FY24

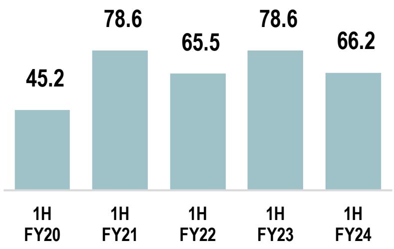
A solid first half given the weaker trading environment and the business cycling a strong prior year.

- Focus sales of $66.2 million, down -15.8% on 1H FY23. Written orders were down -6.9%.
  - cycling a record delivered sales half in 1H FY23 (up 20.1% on 1H FY22)
  - Industrial action at Australian ports impacted stock levels towards the end of 1H FY24, resulting in an increased order book of $17.3m at the end of the half (+38% on June 2023)
- Focus's quality mid-market product range and disciplined pricing strategy combined to deliver strong GM% gains (+320bps) in 1H FY24.
- EBIT of $11.7m (17.7% of sales) remains well ahead of base case expectations at time of acquisition.
- New store openings remain a priority, with a pipeline of opportunities being built. Two new stores have opened YTD in FY24 (Helensvale QLD and Prospect NSW). One existing store was refurbished in 1H FY24 (Springvale).
- Mocka's Brisbane warehouse has been reconfigured to support the growth of Focus in Queensland at no incremental cost to the group. This allows Focus to benefit from direct container deliveries to Queensland as well as provide better customer service to this targeted region.

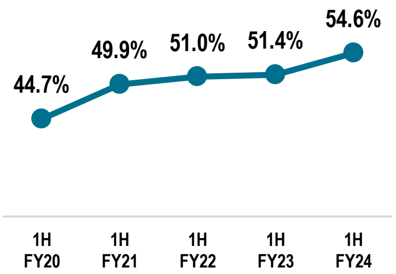
	Focus on Furniture			
($ million)	Underlying HY24 (27wks)	Underlying HY24 (26wks)	Underlying HY23 (26wks)	Change v HY23 (%)
Store sales	61.4	61.4	73.7	-(16.7%)
Online sales	4.8	4.8	5.0	-(3.6%)
Total sales	**66.2**	**66.2**	**78.6**	**-(15.8%)**
Online % of total sales	*7.3%*	*7.3%*	*6.3%*	
Gross margin	**36.1**	**36.1**	**40.4**	**-(10.6%)**
Warehouse related costs	(3.9)	(3.9)	(3.5)	+9.8%
Customer delivery costs	(3.0)	(3.0)	(3.4)	-(11.8%)
Gross profit	**29.2**	**29.2**	**33.4**	**-(12.6%)**
Costs of doing business	(17.7)	(17.1)	(16.5)	+3.2%
EBITDA	**11.5**	**12.2**	**16.9**	**-(28.0%)**
Depreciation	(0.5)	(0.5)	(0.3)	+40.3%
EBIT	**11.0**	**11.7**	**16.6**	**-(29.4%)**
Closing inventories	**15.8**	**15.8**	**20.7**	**-(23.5%)**
% sales ratios				
Gross margin %	54.6%	54.6%	51.4%	*+320 bps*
Gross profit %	44.0%	44.2%	42.5%	*+160 bps*
Costs of doing business %	26.7%	25.8%	21.0%	*+470 bps*
EBITDA %	17.4%	18.4%	21.5%	*-(310 bps)*
EBIT %	16.6%	17.7%	21.1%	*-(340 bps)*

Note: Refer to Appendix 6 for a reconciliation of underlying and statutory results. Focus did not deliver orders in week 27, hence no material additional revenue was recognised.

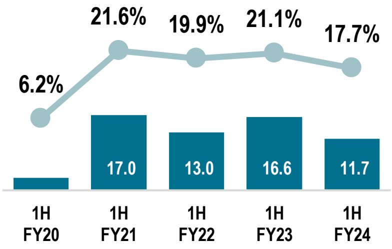
Historic performance



Sales



Gross margin



EBIT and EBIT margin

Mocka – 1H FY24

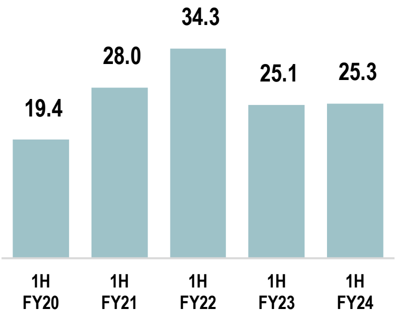
Improved gross margin accompanied by disciplined cost management, saw a solid recovery in EBIT despite minimal growth in traffic and sales

- Mocka sales grew by +0.8% to $25.3 million (26 weeks)
- Narrowed and improved product range and quality, combined with less clearance activity and more promotional discipline, led to higher average selling prices and a material improvement in gross margin to 58.2% (47.7% in 1H FY23).
- Initiatives across the business to manage the cost base and improve delivered margin resulted in EBIT of $3.5 million for the half.
- Average stock holdings were materially lower than the PCP, improving warehouse efficiencies and delivered margins.

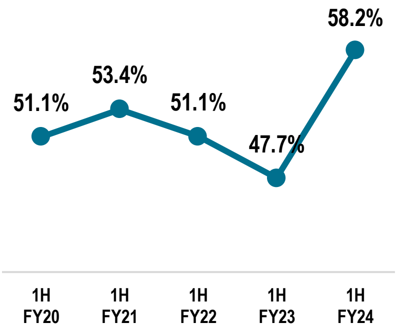
	Mocka			
($ million)	Underlying HY24 (27wks)	Underlying HY24 (26wks)	Underlying HY23 (26wks)	Change v HY23 (%)
Store sales	-	-	-	
Online sales	26.0	25.3	25.1	+0.8%
Total sales	**26.0**	**25.3**	**25.1**	**+0.8%**
Online % of total sales	*100.0%*	*100.0%*	*100.0%*	
Gross margin	**15.1**	**14.7**	**12.0**	**+22.9%**
Warehouse related costs	(2.0)	(1.9)	(2.0)	-(5.0%)
Customer delivery costs	(4.1)	(4.0)	(4.1)	-(3.4%)
Gross profit	**9.1**	**8.8**	**5.8**	**+51.2%**
Costs of doing business	(5.4)	(5.3)	(5.5)	-(3.0%)
EBITDA	**3.6**	**3.6**	**0.4**	**+803.5%**
Depreciation	(0.1)	(0.1)	(0.1)	-(31.4%)
EBIT	**3.6**	**3.5**	**0.3**	**+1189.1%**
Closing inventories	**11.4**	**11.4**	**15.7**	**-(27.1%)**
% sales ratios				
Gross margin %	58.2%	58.2%	47.7%	*+1050 bps*
Gross profit %	34.9%	34.9%	23.3%	*+1160 bps*
Costs of doing business %	20.9%	20.9%	21.7%	*-(80 bps)*
EBITDA %	14.1%	14.0%	1.6%	*+1240 bps*
EBIT %	13.7%	13.7%	1.1%	*+1260 bps*

Note: Refer to Appendix 6 for a reconciliation of underlying and statutory results

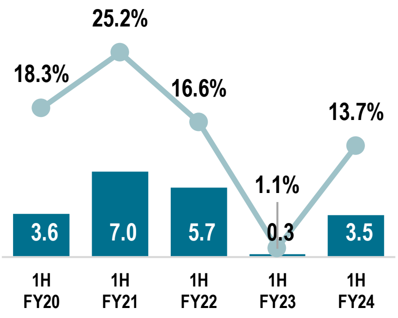
Historic performance



Sales



Gross margin

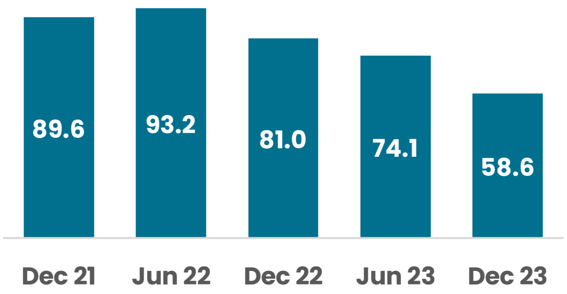


EBIT and EBIT margin

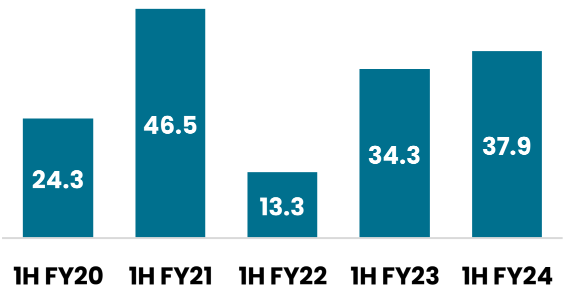
Balance sheet and cashflow

($ million)	Dec 21	Jun 22	Dec 22	Jun 23	Dec 23
Inventories	100.2	99.1	106.4	87.8	83.5
Trade and other payables	(52.3)	(51.6)	(66.8)	(54.9)	(54.8)
Deferred revenue	(30.8)	(28.0)	(19.5)	(20.1)	(26.8)
Property, plant and equipment	22.3	23.6	24.3	22.9	37.0
Intangibles	277.5	278.8	280.3	282.3	285.1
Right-of-use assets	158.2	166.0	172.9	157.2	171.8
Lease liabilities	(176.6)	(188.0)	(196.3)	(180.4)	(195.2)
Deferred tax liabilities	(21.2)	(24.7)	(21.2)	(20.8)	(17.4)
Net other assets and liabilities	(11.2)	15.9	1.8	2.3	(8.7)
Total funds employed	**266.1**	**291.0**	**282.0**	**276.3**	**274.4**
Borrowings	(118.8)	(119.2)	(109.2)	(100.0)	(80.0)
Cash	29.1	26.1	28.2	25.9	21.4
Net debt	**(89.6)**	**(93.2)**	**(81.0)**	**(74.1)**	**(58.6)**
Equity	**176.4**	**197.9**	**201.0**	**202.2**	**215.8**

Net debt ($m)



Underlying operating cashflow ($m)



Inventories

- Total Group inventories reduced by -$4.3m over the half (-$22.8m YoY).
- In-country inventories are down 26% YoY due to planned reductions and delays the result of shipping and port industrial action. This led to shortages in key lines towards the end of the half and impacted delivered sales at Focus on Furniture.

Net debt

- Group underlying operating cash flow of $37.9m was +11% stronger than HY23 despite lower sales and profitability, reflecting improved stock turns across all brands; and an increased forward order book.
- Net debt of $58.6m is down -$15.4m since June 2023, equating to c.0.8x LTM Underlying EBITDA. Substantial covenant headroom exists.
- Existing finance facilities secured until Jan 2026 ($90m) and Jan 2027 ($45m).

Capex

- Group CAPEX in 1H FY24 was $22.2m, including:
  - NDC step-in payment of $12.5m
  - New stores, upsizes/consolidations and refurbishments across the Group
  - Continued investment in IT and digital initiatives across the Group
- For FY24, NDC-related CAPEX of $18m is expected (incl initial step-in payment of $12.5m incurred in 1H FY24), and Non-NDC CAPEX is expected to be $12-$14m.

Dividend and DRP

- A fully franked interim dividend of 5.0 cents per share has been declared
  - Record date: 12 March 2024 and Payment date: 8 April 2024
- DRP remains active (Election Forms due 13 March 2024) with participants receiving shares at a 1.5% discount to a 5-day VWAP

Trading update and outlook

Unaudited Sales	FY24 v FY23 (weeks 27 to 34)
Group	**-9.6%**
Adairs	-9.5%
Focus	-14.1%
Mocka	+4.0%

- The Group continues to see customer traffic significantly lower than the same period last year and sales for the first eight weeks of 2H FY24 remain challenging.
- Consumers remain value-oriented, with conversion declining notably when offers are reduced.
- Given the material decline in sales that occurred in May 2023, management expects that the Group's comparative sales performance will improve across the second half of FY24.
- The Group's focus remains on:
  - managing GM% (up 200 bps over the corresponding 8 weeks in FY23)
  - maximising customer sales conversion; and
  - managing CODB
- The Group has hedged all of its FY24 USD purchases at A$0.69.
- Management expects the trading environment to remain subdued; however, they are confident that the key near-term initiatives across the Group (refer to page 2) - particularly in the areas of product ranging, supply chain improvements, Adairs NDC, CODB management and store rollout - provide levers for profitable growth.

QUESTIONS?

APPENDICES

1. Who are we
2. Positioning of our Group
3. Store footprint - Adairs
4. Store footprint – Focus
5. Group profit and loss
6. Profit and loss reconciliation
7. Group cashflow
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$170m+ 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 172 stores
- Sells on-trend fashion products, quality staples, strong value and superior customer service. Experts in home textiles and decorative furnishing.

focuson furniture & bedding

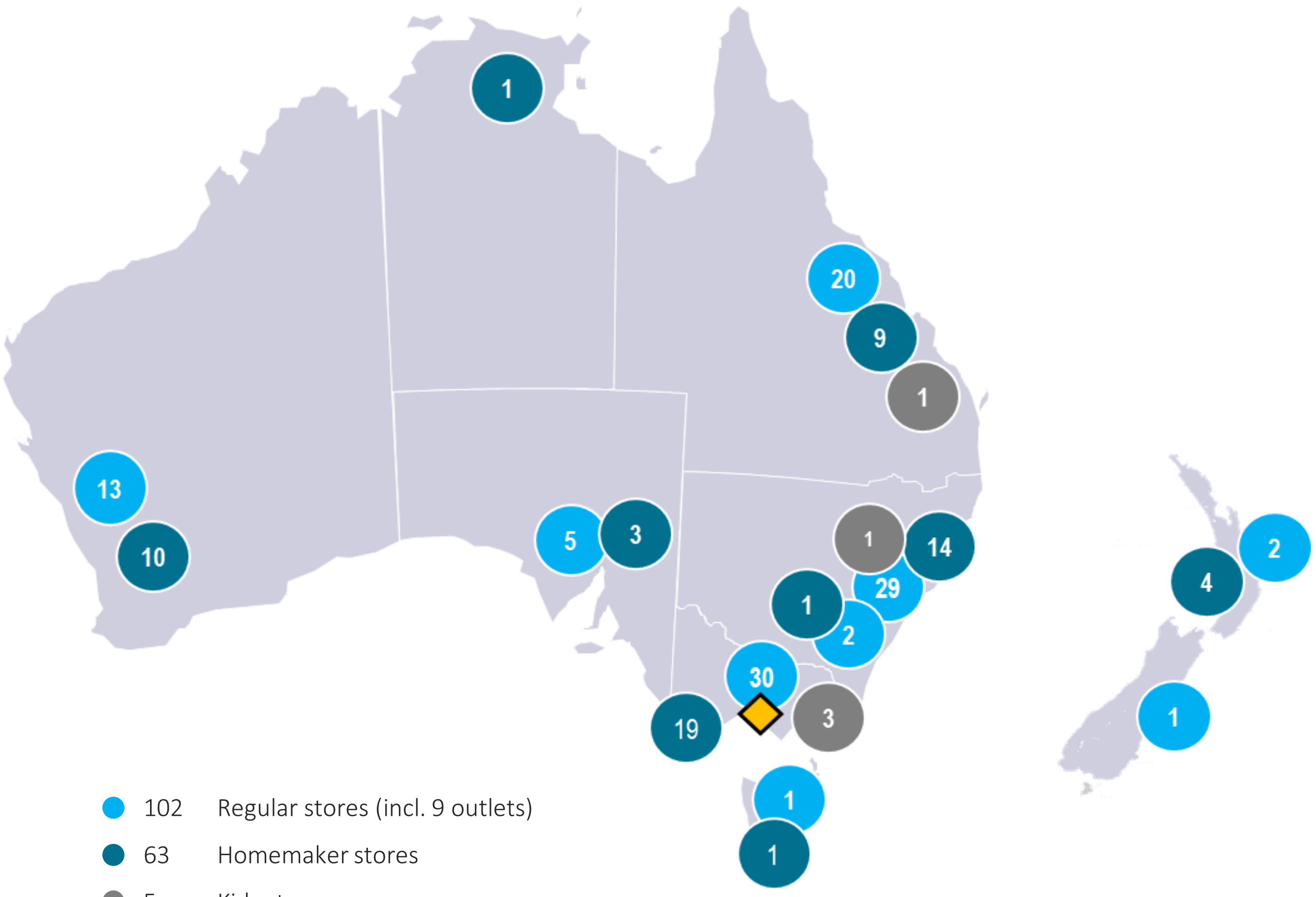
- Focus on Furniture ('Focus') is a vertically integrated omni-channel furniture and bedding retailer operating in Australia
- Sells well designed, functional and on-trend products at great value for money through a 25-store network and online
- Narrower range with high stock availability facilitating 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 3 – Adairs store footprint

Total Stores: 170



- 102 Regular stores (incl. 9 outlets)
- 63 Homemaker stores
- 5 Kids stores
- NDC and Head Office

Store Activity (1H FY24)

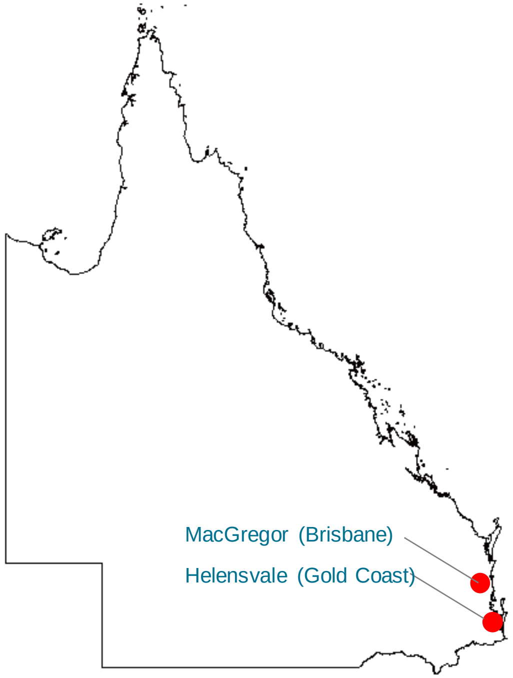
	Number of stores					
	Start	New	Closed	End	Upsized	Refurb
Victoria	54	1	3	52	2	2
New South Wales	44			44		
Queensland	30			30		
Western Australia	23			23	1	
South Australia	7	1		8		
ACT	3			3		
Tasmania	2			2		
Northern Territory	1			1		
New Zealand	7			7		
Totals	**171**	**2**	**3**	**170**	**3**	**2**

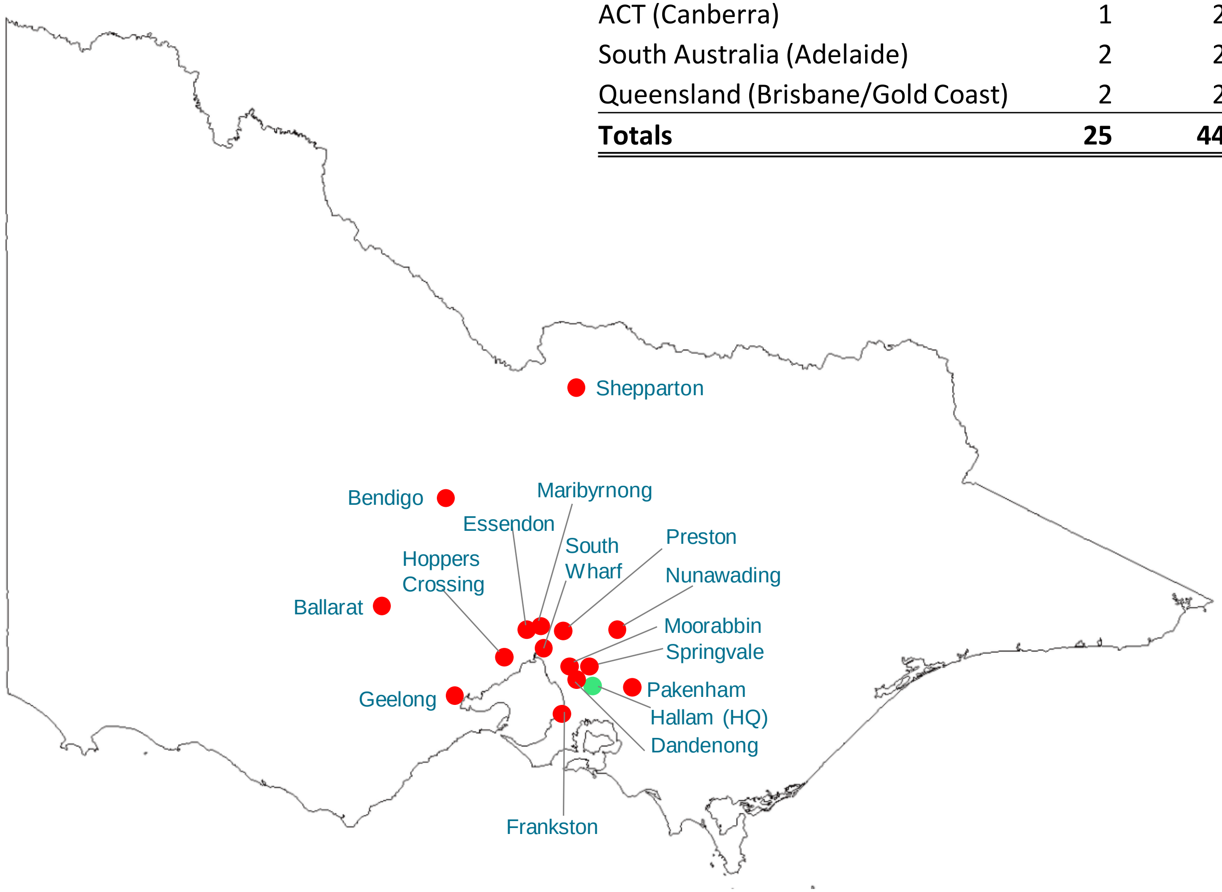
Total Gross Lettable Area	**m^2**
Start (25 Jun 2023)	72,879
End (31 Dec 2023)	74,301
Change	1,423
Change (%)	2.0%

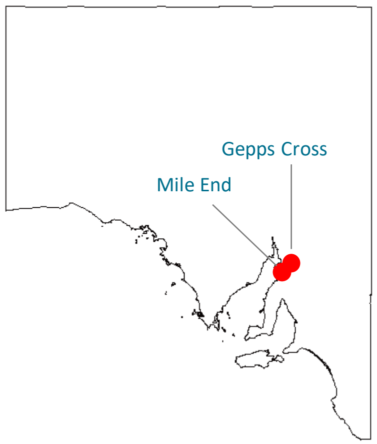
Appendix 4 – Focus store network

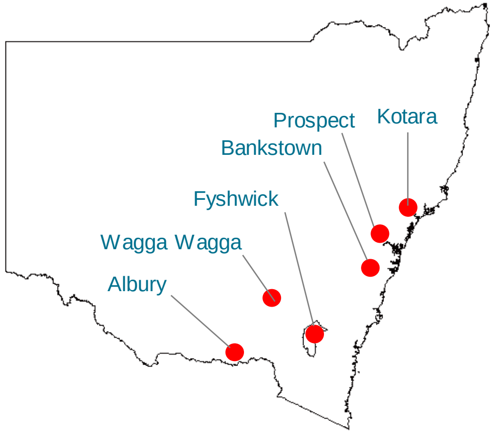
Network of 24 stores, predominantly in Victoria. Typical store size is 1,500-2,000 square metres.

State / Territory	Stores	GLA m2
Victoria (Greater Melbourne)	11	18,177
Victoria (Regional)	4	8,079
NSW (Greater Sydney)	2	4,985
NSW (Regional)	3	5,376
ACT (Canberra)	1	2,125
South Australia (Adelaide)	2	2,714
Queensland (Brisbane/Gold Coast)	2	2,946
Totals	**25**	**44,402**









Appendix 5 – Underlying Group profit and loss

($ million)	Adairs	Focus	Mocka	Group			
	Underlying HY24 (27wks)	Underlying HY24 (27wks)	Underlying HY24 (27wks)	Underlying HY24 (27wks)	Underlying HY24 (26wks)	Underlying HY23 (26wks)	Change v HY23 (%)
Store sales	156.2	61.4	-	217.6	208.5	235.6	-(11.5%)
Online sales	54.1	4.8	26.0	84.8	82.9	88.6	-(6.5%)
Total sales	**210.3**	**66.2**	**26.0**	**302.4**	**291.4**	**324.2**	**-(10.1%)**
Online % of total sales	*25.7%*	*7.3%*	*100.0%*	*28.1%*	*28.5%*	*27.3%*	
Gross margin	**131.1**	**36.1**	**15.1**	**182.3**	**175.4**	**188.0**	**-(6.7%)**
Warehouse related costs	(15.6)	(3.9)	(2.0)	(21.5)	(20.8)	(24.0)	-(13.5%)
Customer delivery costs	(10.2)	(3.0)	(4.1)	(17.3)	(17.0)	(16.4)	+3.5%
Gross profit	**105.3**	**29.2**	**9.1**	**143.6**	**137.6**	**147.6**	**-(6.8%)**
Costs of doing business	(84.3)	(17.7)	(5.4)	(107.4)	(103.7)	(108.0)	-(3.9%)
EBITDA	**21.0**	**11.5**	**3.6**	**36.2**	**33.9**	**39.7**	**-(14.6%)**
Depreciation	(4.7)	(0.5)	(0.1)	(5.3)	(5.3)	(4.2)	+26.0%
EBIT	**16.3**	**11.0**	**3.6**	**30.9**	**28.6**	**35.5**	**-(19.3%)**
Interest				(3.7)	(3.7)	(3.1)	+22.2%
Tax				(7.9)	(7.3)	(9.4)	-(22.8%)
NPAT				**19.2**	**17.6**	**23.0**	**-(23.5%)**
Statutory EPS (cents)				10.2		12.7	-(19.7%)
Dividends per share (cents)				5.0		8.0	-(37.5%)
Closing inventories	**56.3**	**15.8**	**11.4**	**83.5**	**83.5**	**106.4**	**-(21.5%)**
Ratios							
Gross margin %	62.3%	54.6%	58.2%	60.3%	60.2%	58.0%	*+220 bps*
Gross profit %	50.1%	44.0%	34.9%	47.5%	47.2%	45.5%	*+170 bps*
Costs of doing business %	40.1%	26.7%	20.9%	35.5%	35.6%	33.3%	*+230 bps*
EBITDA %	10.0%	17.4%	14.1%	12.0%	11.6%	12.2%	*-(60 bps)*
EBIT %	7.8%	16.6%	13.7%	10.2%	9.8%	10.9%	*-(110 bps)*
NPAT %				6.4%	6.0%	7.1%	*-(110 bps)*
Dividend payout ratio (NPAT %)				49.0%		63.0%	*-(1400 bps)*

Note: Refer to Appendix 6 for a reconciliation of underlying and statutory results

Appendix 6 – Profit and loss reconciliation

($ million)	1H FY24 reconciliation: Underlying FY24	1H FY24 reconciliation: AASB 16 impact	1H FY24 reconciliation: NDC transition costs	1H FY24 reconciliation: Statutory FY24	1H FY23 reconciliation: Underlying FY23	1H FY23 reconciliation: AASB 16 impact	1H FY23 reconciliation: NDC transition costs	1H FY23 reconciliation: Statutory FY23
Sales	302.4	-	-	302.4	324.2	-	-	324.2
Gross profit	143.6	-	-	143.6	147.6	-	-	147.6
Gross profit %	*47.5%*	-	-	*47.5%*	*45.5%*	-	-	*52.9%*
CODB	(107.4)	25.0	(1.6)	(83.9)	(108.0)	23.6	(0.2)	(84.5)
CODB %	*35.5%*			*27.8%*	*33.3%*	-	-	*32.6%*
EBITDA	36.2	25.0	(1.6)	59.6	39.7	23.6	(0.2)	63.1
EBITDA %	*12.0%*			*19.7%*	*12.2%*	-	-	*27.4%*
Depreciation	(5.3)	(22.1)	-	(27.4)	(4.2)	(22.0)	-	(26.2)
EBIT	30.9	2.9	(1.6)	32.2	35.5	1.6	(0.2)	36.9
EBIT %	*10.2%*			*10.7%*	*10.9%*	-	-	*15.4%*
Interest	(3.7)	(3.5)	-	(7.3)	(3.1)	(3.2)	-	(6.3)
Tax	(7.9)	0.2	0.5	(7.3)	(9.4)	0.5	0.0	(8.9)
NPAT	19.2	(0.4)	(1.1)	17.7	23.0	(1.1)	(0.1)	21.8
EPS (cents)	11.1			10.2	13.4			12.7

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. NDC transition costs: Costs associated with the transition and step-in to the National Distribution Centre.

Appendix 7 – Group cashflow

($ million)	Underlying 1H FY24	Underlying 1H FY23
Underlying EBITDA	**36.2**	**39.7**
Significant items (cash impact)	(1.6)	(0.2)
Share-based payments	0.2	(0.0)
Changes in working capital		
- Inventories	4.2	(7.3)
- Trade and other receivables	0.3	1.5
- Trade and other payables	(0.2)	15.2
- Other liabilities (deferred revenue)	6.7	(8.5)
- Other	(0.9)	3.2
Net changes in working capital	**10.2**	**4.0**
Income tax paid	(3.5)	(6.4)
Net bank interest paid	(3.5)	(2.8)
Net operating cash inflows	**37.9**	**34.3**
Capital expenditure - NDC asset purchase	(12.5)	-
Capital expenditure - other	(9.7)	(6.7)
Net investing cash outflows	**(22.2)**	**(6.7)**
Net repayment of borrowings	(20.0)	(10.0)
Dividends paid	-	(15.4)
Other transactions	(0.3)	(0.4)
Net financing cash (outflows) / inflows	**(20.3)**	**(25.8)**
Net cash flows for the period	**(4.5)**	**1.7**
Foreign exchange differences	(0.0)	0.4
Cash and cash equivalents (opening)	25.9	26.1
Cash and cash equivalents (closing)	**21.4**	**28.2**

Underlying to statutory reconciliation

	1H FY24 reconciliation			
($ million)	Underlying 1H FY24	AASB 16 impact	Statutory 1H FY24	Underlying 1H FY23
Opening cash	**25.9**	**-**	**25.9**	**26.1**
Operating cash flow	37.9	24.8	62.7	34.3
Investing cash flow	(22.2)	-	(22.2)	(6.7)
Financing cash flow	(20.3)	(24.8)	(45.0)	(25.8)
Net cash flow	**(4.5)**	**-**	**(4.5)**	**1.7**
Foreign exchange differences	(0.0)	-	(0.0)	0.4
Closing cash	**21.4**	**-**	**21.4**	**28.2**

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)
COGS	Cost of goods sold
CPS	Cents per share
CPUD	Cost per unit delivered
DC	Distribution centre
DPS	Dividend per share
DRP	Dividend Reinvestment Plan
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest and tax, depreciation and amortisation
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 COGS (excl. warehousing and delivery costs)
Gross Profit	Sales less COGS (incl. warehousing and delivery costs)

Term	Meaning
IPS	Items per sale
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 (Sustainability 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
VWAP	Volume weighted average price
YoY	Year on year

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