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Adairs – Delivering Ongoing Sales Growth

Key focus of the business is continuing to deliver ongoing sales growth through both our store network and online.

Business has a target for FY19 of sales growth of between 9.5% - 14%.

The ability to deliver ongoing sales growth through like for like sales growth and store rollout is linked to our underlying strategies:

Product, Product, Product – Sales growth driven by Category Range expansion strategy

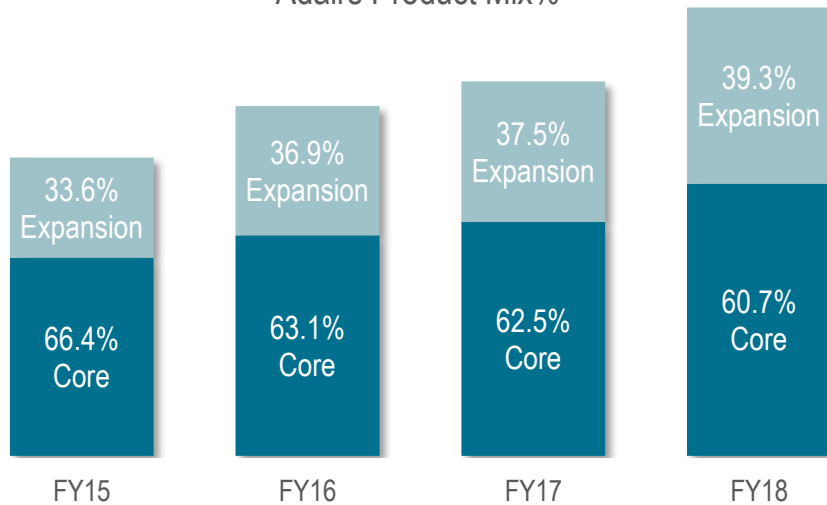
More inspiring larger stores - Larger stores and in particular the upsized stores support our range expansion

Best in class omni channel retail capabilities - An online experience that drives online sales and encourages engagement so that customers can easily research and browse online and shop in store

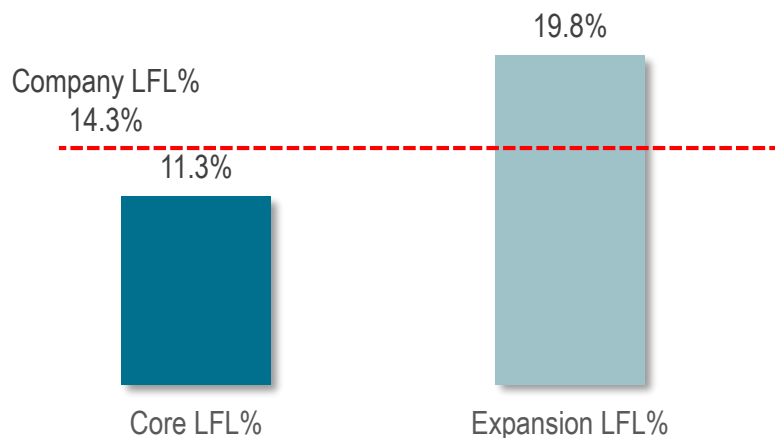
Enhanced Product Range

Adairs has expanded its product range materially over the last 5 years. Long term strategy is to furnish more of our customers living, entertaining and functional spaces.

Adairs Product Mix%



FY18 Core/Expansion Growth

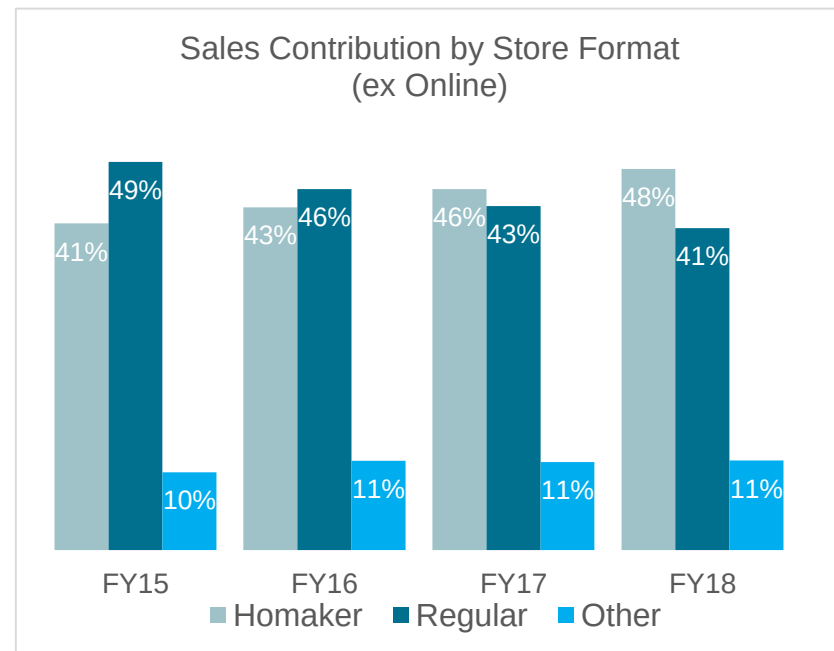


- Successfully expanded into adjacent categories where we can leverage our core competencies and importantly differentiate our product offering
- Allows strong like for like sales growth without having to deliver 5%+ growth in core categories every season
- Expansion categories delivered 19.8% like for like growth in FY18 and have delivered a 3 year CAGR of circa 20%
- In most expansion categories we remain a relatively small player in a fragmented market – opportunity to grow share is high with significant upside
- Focussing on furnishing more of our customers home allows us to leverage our existing customer base by growing our share of their purchases rather than identifying and converting new customers
- Strategy is inextricably linked to the success of our Homemaker store format and our strategy to increase the average size of our stores



More inspiring larger stores

- Larger store formats enhances the shopping experience and supports category expansion strategy
- Store roll out, and selectively upsizing shopping centre and smaller homemaker stores is delivering additional growth and profitability
- We have 43 homemaker in Australia stores, 4 in NZ and 5 mini homemaker stores (400-600m² in shopping centres). Collectively these stores represent 48% of store sales.
- Observing a shift in market share in our category from shopping centres to homemaker centres
- Continue to selectively roll out shopping centre stores of 220m² to enable us to showcase a broader offering
- In Australia we expect to open 7 – 10 stores per annum over the next 3 years, with bias to the larger formats



^ Homemaker includes Mini Homemakers



Higher returns from upsizing

Upsizing existing stores is working as it provides the customer with more options via the expanded product range and a more enjoyable shopping experience. Two very good examples from last year:

Regular store increased from 150m to more than 500m (Mini H/M). 2H18 delivered 88% sales growth driven by expansion categories

CATEGORY	2H17	2H18
CORE	70.0%	54.0%
EXPANSION	30.0%	46.0%
TOTAL	100.0%	100.0%

Significant opportunity to showcase additional product in a Mini Homemaker upsizing.

A homemaker store more than doubled in size. 2H18 delivered 63% sales growth driven by expansion categories

CATEGORY	2H17	2H18
CORE	57.7%	48.4%
EXPANSION	42.3%	51.6%
TOTAL	100.0%	100.0%

Opportunity remains in a homemaker store although less pronounced between categories.

Our experience to date has seen the upsized stores on track to deliver:

- Estimated annual sales increase of \$5.2m (35%) and store contribution dollars of \$1.7m (36%)
- Store contribution margin % has been maintained

Management have identified a further 15 stores as upsize opportunities over next 3-5 years

Omni Channel – evolving our capabilities to drive growth

Given the size of online and its strong contribution margin this is a material contributor to our underlying like for like sales result

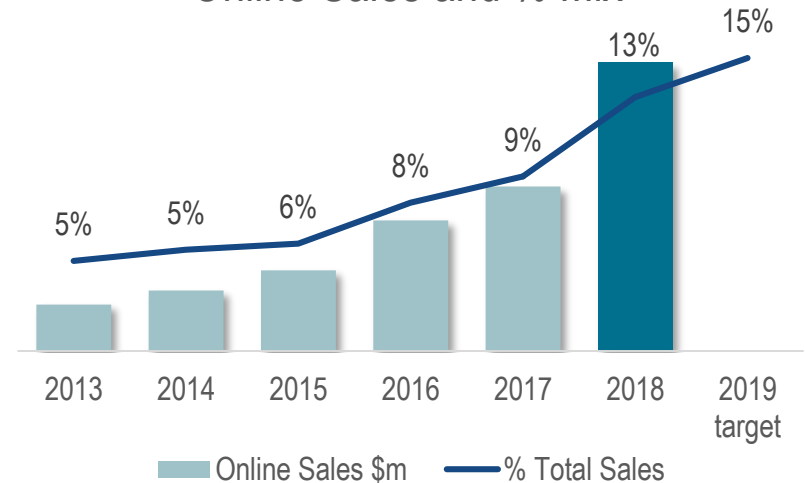
As it becomes more material if we can grow online by 30% this will deliver circa 4% like for like sales growth for the overall business.

How do we deliver this growth?

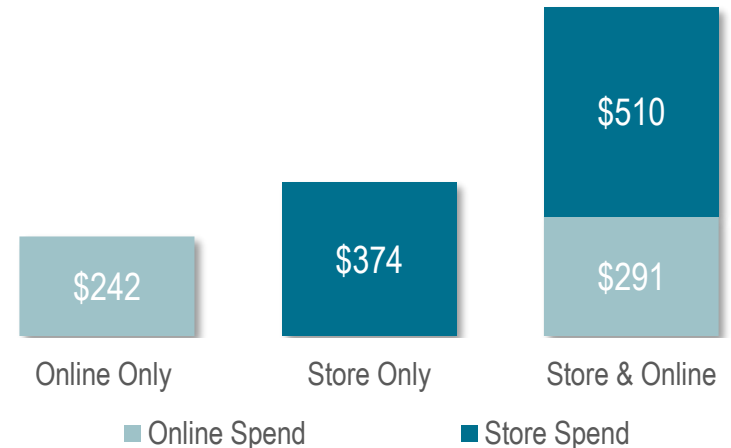
- ▶ Expanded product range – starting to take our category expansion further and look to deliver online only product that can only be ordered either online or in store
- ▶ Driving traffic to Adairs through increased use of digital marketing as our primary communication method
- ▶ Enhancing the online platform as a research, planning and shopping tool. This increases the ability to showcase the look with pages dedicated to highlighting how to bring it together and an increased use of suggested selling options
- ▶ Continue to drive customer engagement via Linen Lovers and social media both of which aim to see us drive a higher share of her spend in our category

Strategies link back to building more omni channel customers who are more engaged and overall spend more in store and online.

Online Sales and % Mix



Per Active Member Annual Spend (\$)





FY19 Outlook

	FY19 Guidance
Year End Stores	171 – 173
Sales (\$m)	345 – 360
Gross Margin%	59 – 61%
EBIT (\$m)	47.5 – 51.5
Capital Investment (\$m)	8 – 10

- ▶ As previously disclosed, on 12 October 2018, our first 13 weeks of trade has delivered like for like sales growth of +5.2% across stores and online



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