



Release to the Australian Securities Exchange

Adairs Limited
Trading update – first 16 weeks of FY22

20 October 2021

Adairs Limited (ASX: ADH)

Adairs today provides a trading update for the 16 weeks ending 17 October 2021.

The most significant factor impacting total sales in the period has been the long and widespread mandated store closures in NSW, Victoria, the ACT and Auckland which reduced the overall number of store trading days across the store network by c.47%. Pleasingly these store closures are now coming to an end.

Year to date total Group sales are 8.5% lower than FY21 but 8.2% higher on a like-for-like basis¹. When compared to pre COVID-19 levels, Group sales² are +14.6% higher than FY20, despite the above-mentioned store closures.

Sales, unaudited FY22 first 16 weeks	Versus first 16 weeks of	
	FY21	FY20²
Total Group	-8.5%	+14.6%
Total Group (like-for-like)	+8.2%	+67.1%
Breakdown:		
Adairs Stores	-27.3%	-27.8%
Adairs Stores (like-for-like)	-3.8%	+17.3%
Adairs Online	+15.0%	+172.8%
Total Adairs	-13.7%	+5.5%
Total Adairs (like-for-like)	+4.5%	+62.5%
Mocka	+25.8%	+87.6%

Management estimates the value of total sales foregone in Adairs as a result of these mandated store closures over the 16 weeks to be c.\$28-32 million, which is net of the estimated sales benefit captured in the Adairs online channel. The EBIT impact of these lost sales are estimated to be in the range of \$12-15 million.

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.

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The majority of NSW stores re-opened on 11 October 2021 and in their first week delivered strong like for like sales growth over the corresponding week in FY21. This bodes well for the expected reopening of our Victorian metro stores in early November which is in time for the important trading period leading up to Christmas, including the November Linen Lover and Black Friday sales events.

Adairs anticipates that pent-up demand, combined with the current online delivery delays, will encourage customers to shop in stores to secure their purchases in the lead up to Christmas.

Online sales have continued to grow strongly across the group with Adairs online up 15.0% over the same period last year (173% over the pre COVID-19 levels in FY20) and Mocka up 25.6% (87.3% over FY20 levels).

Gross margins have moderated from the record levels achieved in FY21 but are expected to remain above FY20 levels. Global supply chain conditions have resulted in increases in freight and other sourcing costs that are placing additional downward pressure on gross margins however the steps that were taken earlier in the year to lock in freight rates and hedge the projected USD purchases will reduce the overall impact.

In order to position the business for a successful Christmas trading period the group has:

- taken steps earlier in the year to bring forward inventory purchases to ensure stock levels are in line with our operating requirements for the peak Christmas season,
- continued to support the Adairs store teams operating our call and collect service, helping to maintain their connection with the business and ensure the stores are ready for trade when they re-open; and
- elected to temporarily maintain the operation of one of Adairs existing Distribution Centre's in conjunction with the new DHL facility to help mitigate the risk of COVID-19 impacting our domestic supply chain.

Speaking on the trading update Mark Ronan, CEO and Managing Director, said:

"While store closures in our key markets have made the start of FY22 operationally challenging, the key drivers of our growth remain and are all positively balanced. Our products are resonating well with customers, household savings remain elevated, the housing market is strong, and more than ever the home is seen as a sanctuary.

We are excited to be on a clear path to our stores reopening and, as NSW has shown, will benefit from pent up demand as stores re-open in Victoria, the ACT and Auckland. Our customers in these markets will undoubtedly enjoy welcoming family and friends back into their homes."

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 and home decoration products. We own and operate two businesses in the category, Adairs and Mocka. Both businesses 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. Our 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

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