# Adairs Limited
# FY22 Results Presentation

**22 AUGUST 2022**

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# FY22 Group summary





## Strong progress made on our strategic priorities

### Adairs Linen Lovers

- More than 1 million paid-up members (+32% in last 3 years)

### Adairs store growth continues

- Store floorspace (GLA) +7% on FY21 (+22% in last 3 years)
- 4 new stores, 11 stores upsized

### Omni-channel strategy delivered record online sales

- Approaching $200 million (35% of total Group sales)

### Acquisition of Focus on Furniture builds portfolio

- Acquired Focus on Furniture, a highly profitable vertically integrated omni-channel furniture retailer operating in Australia
- Increases the Group's exposure to the bulky furniture category (an $8.3bn+ market)
- Performance since acquisition is ahead of plan

### Adairs - National Distribution Centre transition

- National Distribution Centre operational from September 2021
- Ramp-up to full operating efficiencies continues

# Sustainability



**Adairs released its inaugural Sustainability Report with its FY22 Annual Report. The Group coordinates its sustainability initiatives through its People, Product and Planet (PPP) strategy, with representation from all business units.**



**PEOPLE**

- Ethical sourcing
- Corporate Social Responsibility
- Diversity

**PRODUCT**

- Standards
- Sustainable packaging
- Plastic carry-bags

**PLANET**

- Emissions
- Waste

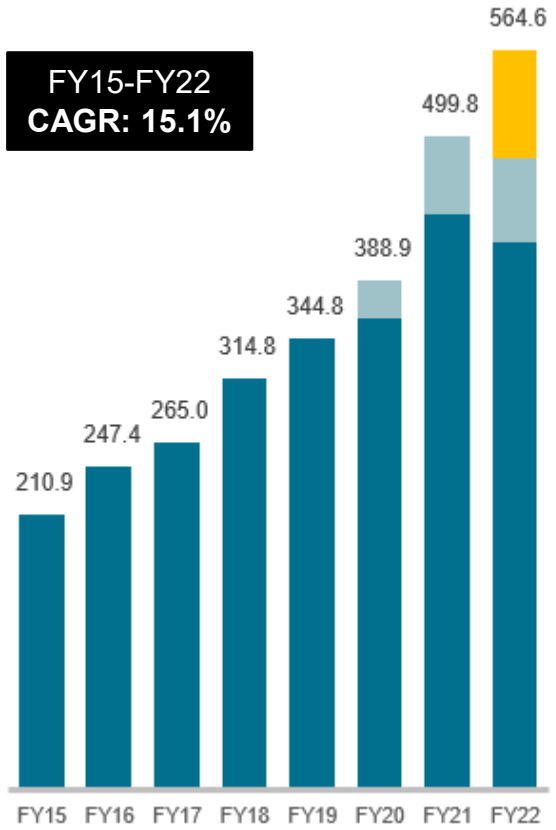
# FY22 builds on our history of steady and consistent growth



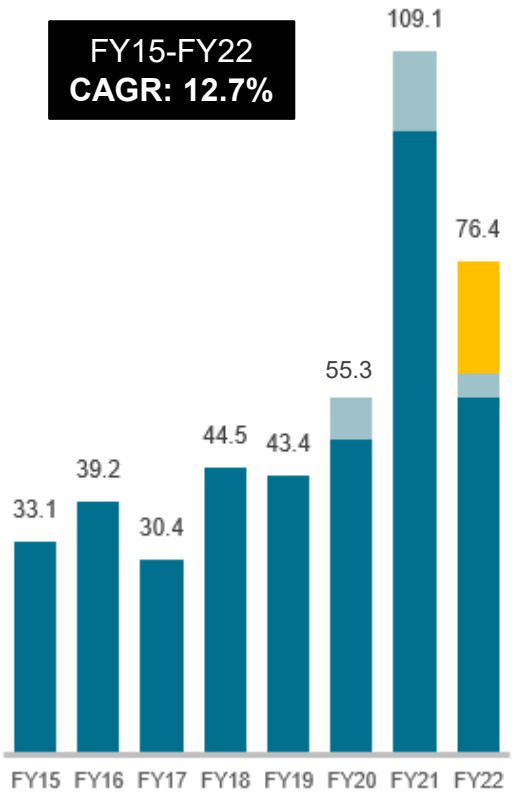


## Historic growth (since IPO)

### Group Sales ($m, FY15-FY22)




### Group EBIT ($m, FY15-FY22)




■ Adairs (IPO Apr-15) ■ Mocka (Acq'd Nov-19) ■ Focus (Acq'd Dec-21)

## Future growth drivers and 5-year target

The Adairs Group comprises three vertically integrated brands, all with attractive economics, clear growth pathways and large addressable markets.

**adairs**

- New and upsized stores: 5% GLA growth p.a.
- Linen Lover members: 5-10% growth p.a.
- Increase share of customer spend through:
  - Omni channel conversion
  - Product range expansion
  - Personalisation via Customer data

**mocka**

Attract and retain new customers via:

- Increased brand awareness in Australia
- Product range expansion
- Adding a physical presence

**focuson** furniture & bedding

Build a national brand via:

- Store rollout: 30+ new stores nationally
- Enhanced customer experience in-store and online
- Increased brand awareness
- Product range expansion to drive share

**5-year sales target**
**$1,000m+**

# FY22 Group results

## Record sales offset by higher costs associated with one-off COVID disruptions. Results well above FY20 (pre-COVID).

### Group sales up despite COVID store closures

- Group sales of $564.5 million, +12.9% on FY21 (+45.1% on FY20)
- Group LFL[1] sales -2.0% (excluding Focus) cycling record FY21 (FY21 LFL sales +16.5%)
- Adairs brand lost 16% of FY22 store trading days to mandated store closures

### Gross profit +$5.6m with gross margin % softer in line with expectations

- Higher contribution from Mocka and Focus at lower gross margins
- Underlying[2] Group gross margin rate -520bps to 59.6%

### Elevated CODB due to domestic supply chain disruptions and team retention

- Adairs transition to new National DC slowed to manage COVID – c.$6m additional costs incurred in FY22
- Mocka delivery partner failure in Q2 adversely impacted its sales in Q2/Q3
- Higher salary and wages costs to support store teams during periods of store closures

### Underlying[2] Group EBIT of $76.4m (-30.0% v FY21 / +38.2% v FY20)

- Underlying Group EBIT margin of 13.5% (21.8% in FY21; 14.2% in FY20)

### Balance sheet and dividend / DRP

- Net debt of $93.2m after completing Mocka earn-out and acquisition of Focus on Furniture
- Net debt / Proforma EBITDA[3] of <1.0x (Leverage ratio)
- 10.0 cps fully franked final dividend (unchanged on FY21) taking FY22 total to 18.0 cps
- Dividend payout ratio of statutory NPAT increased to 68.6% (up from 61.0% in FY21).

| ($ million) | Group | | | | |
|---|---|---|---|---|---|
| | Underlying FY22 | Underlying FY21 | Underlying FY20 | Change v FY21 (%) | Change v FY20 (%) |
| Store sales | 369.1 | 312.7 | 264.7 | +18.0% | +39.4% |
| Online sales | 195.4 | 187.0 | 124.2 | +4.5% | +57.3% |
| **Total sales** | **564.5** | **499.8** | **388.9** | **+12.9%** | **+45.1%** |
| *Online % of total sales* | *34.6%* | *37.4%* | *31.9%* | | |
| **Gross margin** | **336.2** | **323.9** | **236.2** | **+3.8%** | **+42.4%** |
| Customer delivery costs | (27.3) | (20.6) | (14.1) | +32.9% | +94.3% |
| **Gross profit** | **308.9** | **303.3** | **222.1** | **+1.8%** | **+39.1%** |
| Costs of doing business | (224.3) | (183.7) | (158.9) | +22.1% | +41.1% |
| **EBITDA** | **84.6** | **119.6** | **63.2** | **-(29.3%)** | **+33.8%** |
| Depreciation | (8.2) | (10.6) | (7.9) | -(22.2%) | +3.7% |
| **EBIT** | **76.4** | **109.1** | **55.3** | **-(30.0%)** | **+38.2%** |
| Interest | (3.0) | (1.3) | (1.4) | +137.3% | +118.1% |
| Tax | (21.7) | (32.4) | (16.5) | -(32.9%) | +31.9% |
| **NPAT** | **51.6** | **75.4** | **37.4** | **-(31.5%)** | **+38.0%** |
| Earnings per share (cents) | 26.4 | 37.7 | 21.0 | -(30.0%) | +25.3% |
| Dividends per share (cents) | 18.0 | 23.0 | 11.0 | -(21.7%) | +63.6% |
| **Ratios** | | | | | |
| *Gross margin %* | 59.6% | 64.8% | 60.7% | *-(520 bps)* | *-(120 bps)* |
| *Gross profit %* | 54.7% | 60.7% | 57.1% | *-(600 bps)* | *-(240 bps)* |
| *Costs of doing business %* | 39.7% | 36.7% | 40.9% | *+300 bps* | *-(110 bps)* |
| *EBITDA %* | 15.0% | 23.9% | 16.3% | *-(890 bps)* | *-(130 bps)* |
| *EBIT %* | 13.5% | 21.8% | 14.2% | *-(830 bps)* | *-(70 bps)* |
| *NPAT %* | 9.1% | 15.1% | 9.6% | *-(590 bps)* | *-(50 bps)* |
| *Dividend payout ratio of NPAT %* | 68.6% | 61.0% | 52.7% | *+760 bps* | *+1590 bps* |

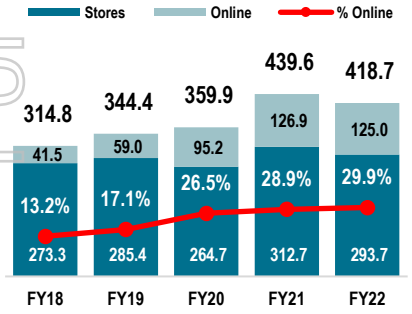
Notes:
(1) Like-for-like sales excludes Focus and has been adjusted for store closures - calculated on a store-by-store daily basis; (2) Refer to Appendix 6 for reconciliation to statutory results; (3) Proforma for full year (FY22) of Focus on Furniture EBITDA.

## Solid performance given mandated store closures and cycling a record FY21

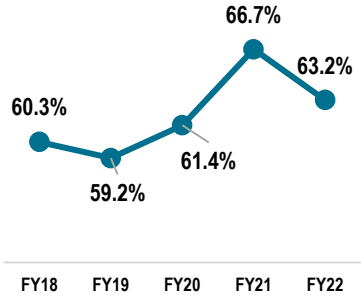
### Financial performance

- Total sales -4.8% driven by COVID-related store closures with 16% of total trading days being lost and cycling record FY21 year.
  - Total sales remain well above FY20 pre-COVID levels (+16.3%)
  - Adairs store sales -6.1% and -3.3% on a like-for-like basis (+10.9% v FY20)
  - Adairs online sales $125.0m, representing 30% of total sales (+31.2% v FY20)
- Gross margin of 63.2% was well down on FY21 as expected due to elevated global supply chain costs, particularly sea freight, in addition to measured increases in promotional activity.
- Costs of doing business were +8.3% reflecting:
  - One-off COVID-related warehouse inefficiencies – retained an additional warehouse and slower than planned ramp up of NDC operations accounted for >50% of the CODB increase
  - Lower levels of COVID rent rebates in FY22 leading to higher occupancy costs
  - Higher salary and wages costs to support store teams during periods of store closures
  - Investments in team, marketing and digital initiatives to drive future growth
- Adairs Underlying EBIT of $55.5m

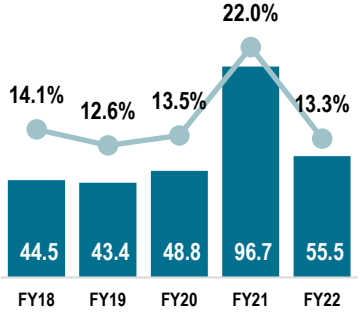
### Historical performance




Sales ($m)




Gross margin




EBIT ($m) and EBIT margin

| ($ million) | Adairs | | | |
|---|---|---|---|---|
| | Underlying FY22 | Underlying FY21 | Change v FY21 (%) | Change v FY20 (%) |
| Store sales | 293.7 | 312.7 | -(6.1%) | +10.9% |
| Online sales | 125.0 | 126.9 | -(1.5%) | +31.2% |
| **Total sales** | **418.7** | **439.6** | **-(4.8%)** | **+16.3%** |
| *Online % of total sales* | *29.9%* | *28.9%* | | |
| **Gross margin** | **264.5** | **293.1** | **-(9.8%)** | **+19.6%** |
| Customer delivery costs | (14.5) | (13.6) | +6.3% | +35.7% |
| **Gross profit** | **250.0** | **279.5** | **-(10.5%)** | **+18.8%** |
| Costs of doing business | (187.0) | (172.6) | +8.3% | +21.5% |
| **EBITDA** | **63.0** | **106.9** | **-(41.0%)** | **+11.3%** |
| Depreciation | (7.5) | (10.2) | -(26.7%) | -(4.7%) |
| **EBIT** | **55.5** | **96.7** | **-(42.5%)** | **+13.9%** |

| % sales ratios | | | | |
|---|---|---|---|---|
| *Gross margin %* | 63.2% | 66.7% | *-(350 bps)* | *+170 bps* |
| *Gross profit %* | 59.7% | 63.6% | *-(390 bps)* | *+120 bps* |
| *Costs of doing business %* | 44.7% | 39.3% | *+540 bps* | *+190 bps* |
| *EBITDA %* | 15.1% | 24.3% | *-(930 bps)* | *-(70 bps)* |
| *EBIT %* | 13.3% | 22.0% | *-(870 bps)* | *-(30 bps)* |

**Note:** JobKeeper wage subsidy benefit received in FY21 was repaid to the Government in FY21.

## Disappointing FY22 with focus now on resetting the business for a successful FY23 and beyond

- Total sales of $64.1m (+6.5% on FY21) were well below plan following a weaker 2H-FY22 sales result
- Weaker 2H sales were due to significant supply chain interruptions and isolated product issues which led to adverse customer feedback and returns
  - both issues have now been addressed operationally with recent trading and customer feedback confirming customer confidence is recovering
- Gross profit % was adversely impacted by supply chain cost increases across import freight costs and warehousing and a higher level of clearance markdowns
  - one-off provisions of $1.2m recognised to clear non-core inventory holdings. This followed a detailed review of inventory quality and ranging required for a post-COVID trading environment
- Costs were higher due to continued investment in team to enable the business's long term growth

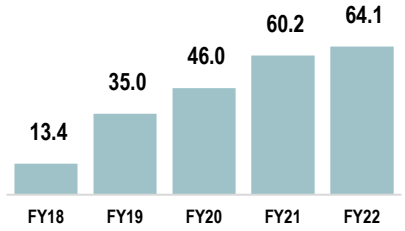
### Resetting the business for future growth

- New management team to build capability to fulfill the growth aspirations for the Mocka brand.
- Focus for FY23 is on increasing customer confidence, restoring GM% and establishing a stable supply chain.
- Board and management continue to believe that the opportunity to grow the business in Australia is substantial.

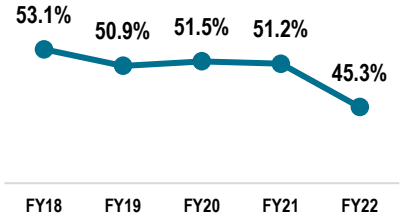
| ($ million) | Mocka Underlying FY22 | Mocka Underlying FY21 | Mocka Change v FY21 (%) |
|---|---|---|---|
| Store sales | - | - | - |
| Online sales | 64.1 | 60.2 | +6.5% |
| **Total sales** | **64.1** | **60.2** | **+6.5%** |
| *Online % of total sales* | *100.0%* | *100.0%* | |
| **Gross margin** | **29.0** | **30.8** | **-(5.7%)** |
| Customer delivery costs | (9.3) | (7.0) | +34.4% |
| **Gross profit** | **19.7** | **23.8** | **-(17.3%)** |
| Costs of doing business | (15.7) | (11.1) | +42.2% |
| **EBITDA** | **4.0** | **12.8** | **-(69.0%)** |
| Depreciation | (0.3) | (0.4) | -(20.0%) |
| **EBIT** | **3.7** | **12.4** | **-(70.4%)** |

| % sales ratios | | | |
|---|---|---|---|
| *Gross margin %* | 45.3% | 51.2% | *-(580 bps)* |
| *Gross profit %* | 30.7% | 39.6% | *-(890 bps)* |
| *Costs of doing business %* | 24.5% | 18.4% | *+620 bps* |
| *EBITDA %* | 6.2% | 21.2% | *-(1500 bps)* |
| *EBIT %* | 5.7% | 20.6% | *-(1490 bps)* |

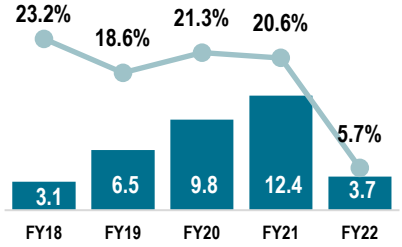
### Historical performance




Sales ($m)




Gross margin




EBIT and EBIT margin

# Focus on Furniture – FY22



## FY22 performance gives us confidence in Focus' value proposition and capacity for growth

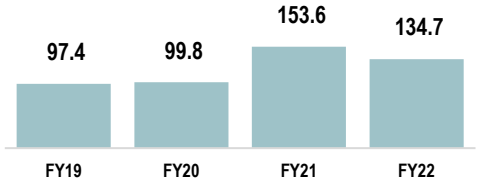
### Acquisition and strategic rationale

- Focus on Furniture ('Focus') was acquired in December 2021.
  - highly profitable vertically integrated omni-channel furniture retailer operating in Australia through a network of 23 stores and a small but growing online channel.
  - increases the Group's exposure to the bulky furniture category (an $8.3 billion+ market).
  - has clear growth opportunities for the brand through store roll-out (c.30+ new stores), online growth and category/range expansion which can deliver sales in excess of $250 million within five years.
  - quality addition to our portfolio of retail brands all targeting the Australian home furnishings and furniture middle market.
- While all Focus stores are profitable, there is scope to enhance and differentiate the in-store experience through a modest capital investment in areas such as layout, lighting and styling. Store redesign plans have been completed and FY23 is expected to see the refreshing of 3-5 existing stores and opening of 2-3 new stores.

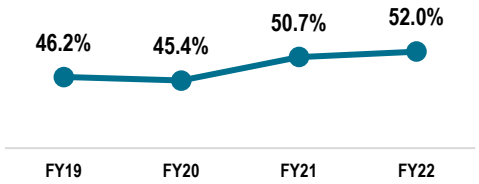
### Financial performance

- In the seven months under Group ownership (from December 2021), Focus' contribution to the Group included:
  - Total sales of $81.7m, of which 7.8% was delivered via the online channel
  - Underlying EBIT of $17.2 million, representing an Underlying EBIT margin of 21.0%
- Continued Gross Margin gains in FY22 through competitive stock availability and pricing discipline
- Open orderbook of $18.5 million at June 2022
- Focus continues to perform ahead of our business case, and is expected to be a material contributor to our growth over the next five years

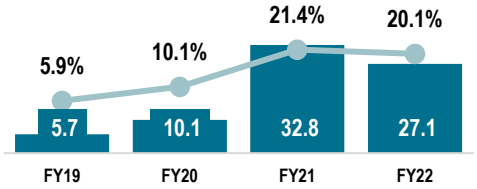
### Historic performance (full 12 months performance)




Sales ($m)




Gross margin




EBIT ($m) and EBIT margin

| ($ million) | Focus Underlying FY22 |
|---|---|
| Store sales | 75.4 |
| Online sales | 6.4 |
| **Total sales** | **81.7** |
| *Online % of total sales* | *7.8%* |
| **Gross margin** | **42.7** |
| Customer delivery costs | (3.5) |
| **Gross profit** | **39.2** |
| Costs of doing business | (21.6) |
| **EBITDA** | **17.6** |
| Depreciation | (0.5) |
| **EBIT** | **17.2** |

| % sales ratios | |
|---|---|
| *Gross margin %* | 52.2% |
| *Gross profit %* | 47.9% |
| *Costs of doing business %* | 26.4% |
| *EBITDA %* | 21.6% |
| *EBIT %* | 21.0% |

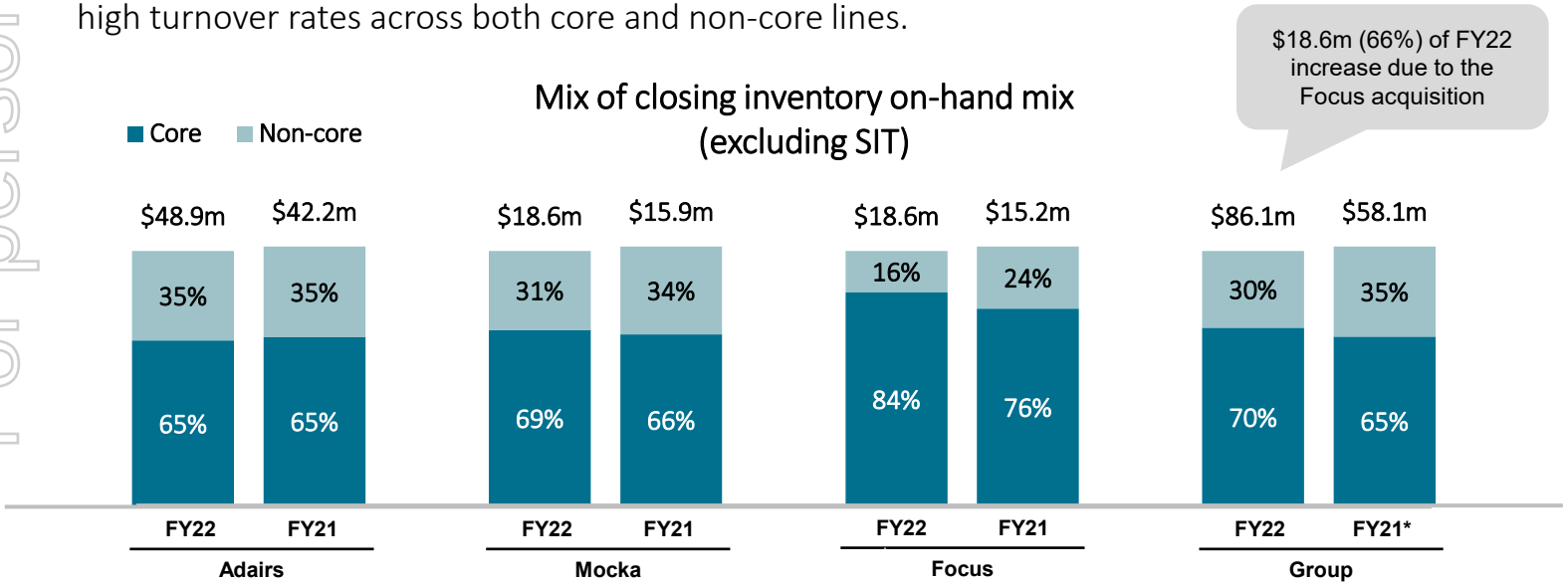
Note 1:
The above table is for the 7 months of Group ownership.

# Inventory

## Higher in-stock inventory provides a competitive advantage during current period of significant global supply chain disruptions



- Whilst improving at the margin, global supply chains remain significantly disrupted. The Group has been agile to adapt strategies and implement learnings from recent COVID periods.
- Adairs brand continues to deliberately carry higher inventory levels to provide better availability for customers and certainty in ranging with minimal fashion/trend risk. Adairs growth in non-core primarily related to furniture category expansion strategy.
- Focus has a high proportion of core inventory and drives stronger sales from being in-stock with relatively short delivery times to customers
- Higher inventory values also reflect higher inventory costs
- Closing inventories at June 2022 reflect a larger mix of core lines across each brand, demonstrating high turnover rates across both core and non-core lines.




Core definition

Adairs – Non-fashion / non-seasonal categories; Mocka – Top 400 best-selling product lines; Focus – Repeated product lines

* Focus not included in FY21 closing Group inventories balance

# Capital management and dividend





## Balance sheet

- Net debt of $93.2m, post-Focus acquisition and final Mocka earn-out payment with term debt facilities of $135m
- Net debt / Proforma EBITDA[1] is <1.0x
- Significant funding and covenant headroom to accommodate potential adverse changes in the general macro environment or business performance, and to provide flexibility to support Group growth

## Capex

- $12.2m capex for FY22
  - Adairs brand: 4 new stores and 11 upsized/merged stores
  - Investment in IT and digital initiatives to support future growth across the Group

## Dividend and DRP

- 10.0 cps fully franked final dividend declared (unchanged from FY21), taking total FY22 dividend to 18.0 cps, fully franked (23.0 cps in FY21)
  - Final Dividend Record date: 6 September 2022
  - Final Dividend Payment date: 22 September 2022
- DRP remains active for the FY22 final dividend
  - DRP Election Forms are due 7 September 2022
  - Participants for the final FY22 dividend will receive shares at a 1.5% discount to a 5-day volume weighted average share price (VWAP)

Note 1: Proforma for full year (FY22) of Focus on Furniture EBITDA

# FY23 Outlook & Guidance



## The Group is well placed to grow both sales and profits in FY23, even with a tougher trading environment

### Group positioning

The Group is well placed to navigate emerging macro trading environment headwinds with the strength of the business model becoming more apparent as consumers become more value-orientated:

- well positioned middle market brands with strong value propositions;
- relatively low average selling prices across the brands (Adairs $42, Mocka $119, Focus $1,342 – all ex GST, FY22);
- strong presence in both physical and online channels;
- large total addressable market across the Group;
- vertical integration providing exclusive products and direct control over supply and pricing delivering higher initial margins; and
- a large and loyal customer base.

### Guidance

With a full year contribution from Focus, ongoing improvement at Mocka, and Adairs continuing to execute well we expect to continue to grow sales and EBIT.

- c.75% of expected USD purchases in FY23 hedged at $0.73
- Capex includes new and refurbished stores across Adairs and Focus on Furniture, as well as ongoing investments in digital and customer-centric programs

| | FY23 Guidance |
|---|---|
| Group Sales ($m) | 625 – 665 |
| Group EBIT[1] ($m) | 75 – 85 |
| Capital investment ($m) | 12 – 15 |
| New stores (Adairs) | 4 – 6 |
| New stores (Focus) | 2 – 3 |

Note 1: Pre AASB-16 and any one-off costs

# Trading update






## Trading results for the first seven weeks of FY23 are in line with plan and consistent with guidance

| Unaudited sales (first 7 weeks of 1H FY23) | v FY22 |
|---|---|
| Group total | +44.8% |
| Group (ex. Focus) total | +3.9% |

Based on real-time written sales

- A direct comparison of the first seven weeks of FY23 versus FY22, particularly between channels, is made difficult by the extensive mandated store closures in 1Q FY22 which impacted 38% of available store trading days for the Adairs brand.
- Sales at Adairs stores are in line with plan while sales at Focus stores are ahead of plan.
- With a fully operating retail store environment, online channel performance across all brands are in line with plan (down on FY22).
- Focus open orderbook of $17.5m at end of week 7.


# QUESTIONS?



# APPENDICES

1. Who are we
2. The strength of our business model
3. Store footprint – Adairs
4. Store footprint – Focus on Furniture
5. Like for like sales growth history by brand
6. Profit and loss reconciliation
7. Cashflow reconciliation
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
  - 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

- 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.

mocka

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

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 23 store network and online
- Narrower range with high stock availability facilitating faster delivery to customers

# Appendix 2 – The strength of our business model





## Our business model

- Vertically integrated
- Exclusive products and channels that we own
- Omni channel
- Loyalty Program
- Engaged Team with product knowledge
- Outstanding service
- Independent brands
- Shared IP / Co-operation

## Our brands

adairs

mocka

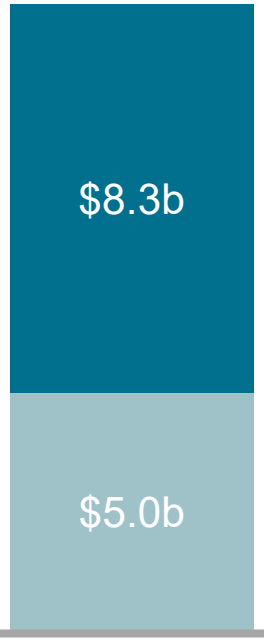
focuson furniture & bedding

Our brands target large subsets of demographics with high spending capacity.

## Our TAM

Size of Australian furniture and furnishings market

$13.3b




- Furniture
- Furnishings

## Our business outcomes

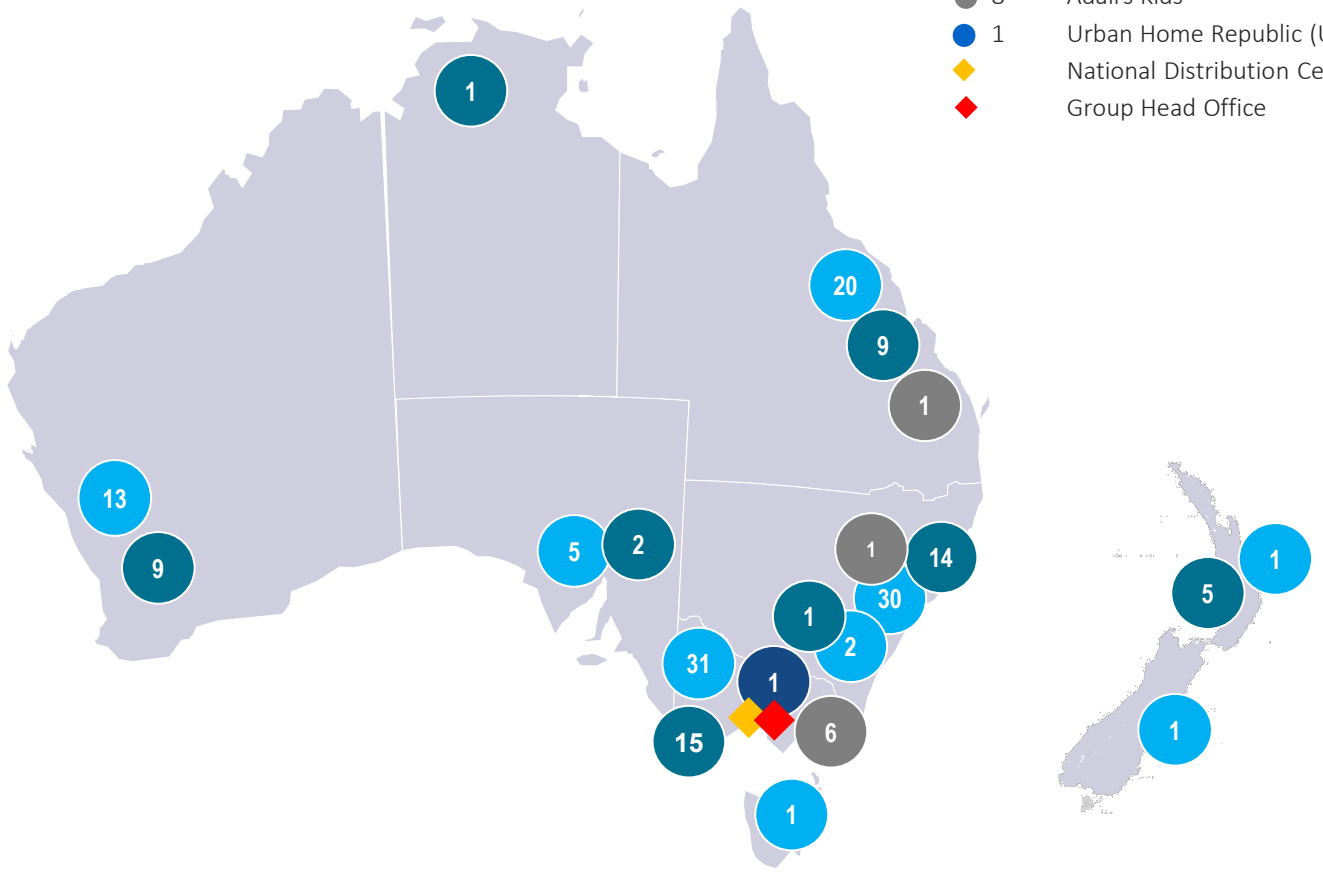
- Superior customer experience
- High customer loyalty
- Lower customer acquisition costs
- Strong in both channels
- High EBIT margins
- High ROIC
- Control over entire product lifecycle
- Highly motivated Team

# Appendix 3 – Adairs store footprint





adairs




**Total Stores: 172**

- 104 Regular stores (inc. 10 outlets)
- 59 Homemaker stores
- 8 Adairs Kids
- 1 Urban Home Republic (UHR)
- National Distribution Centre
- Group Head Office

## Store Activity (FY22)

| New stores (4) | GLA (m2) |
|---|---|
| **Homemaker** – Karrinyup (WA) | 568 |
| **Homemaker** – Burleigh (QLD) | 683 |
| **Homemaker** – Millers Junction (VIC) | 853 |
| **Regular** – Rouse Hill (NSW) | 230 |
| **Total GLA increase** | **2,334** |

| Merged stores (1) | GLA (m2) | |
|---|---|---|
| | Previous | Current |
| **Kids** – Robina Kids with Homemaker (QLD) | 314 | 439 |
| **Total GLA increase** | **314** | **439** |

| Upsized stores (10) | GLA (m2) | |
|---|---|---|
| | Previous | Current |
| **Homemaker** – Hobart (TAS) | 163 | 595 |
| **Homemaker** – Warrnambool (VIC) | 230 | 800 |
| **Homemaker** – Hamilton (NZ) | 570 | 844 |
| **Regular** – Macarthur (NSW) | 215 | 400 |
| **Regular** – Mackay (QLD) | 201 | 374 |
| **Regular** – Moonee Ponds (VIC) | 160 | 240 |
| **Regular** – Townsville Stockland (QLD) | 154 | 297 |
| **Regular** – Innaloo (WA) | 142 | 240 |
| **Regular** – Joondalup (WA) | 151 | 280 |
| **Regular** – Rosebud (VIC) | 107 | 190 |
| **Total GLA increase** | **2,093** | **4,260** |

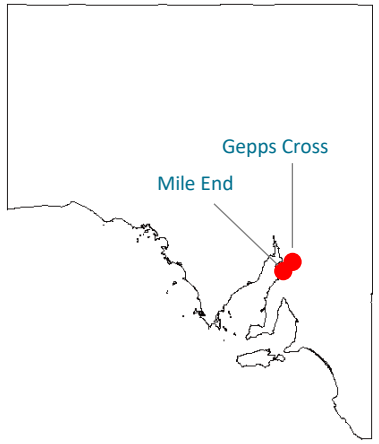
| | |
|---|---|
| **Total GLA (27 Jun 2021)** | **66,896** |
| **Total GLA (26 Jun 2022)** | **71,522** |
| **Net increase in GLA (m2)** | **4,626** |
| **Net increase in GLA (%)** | **+6.9%** |

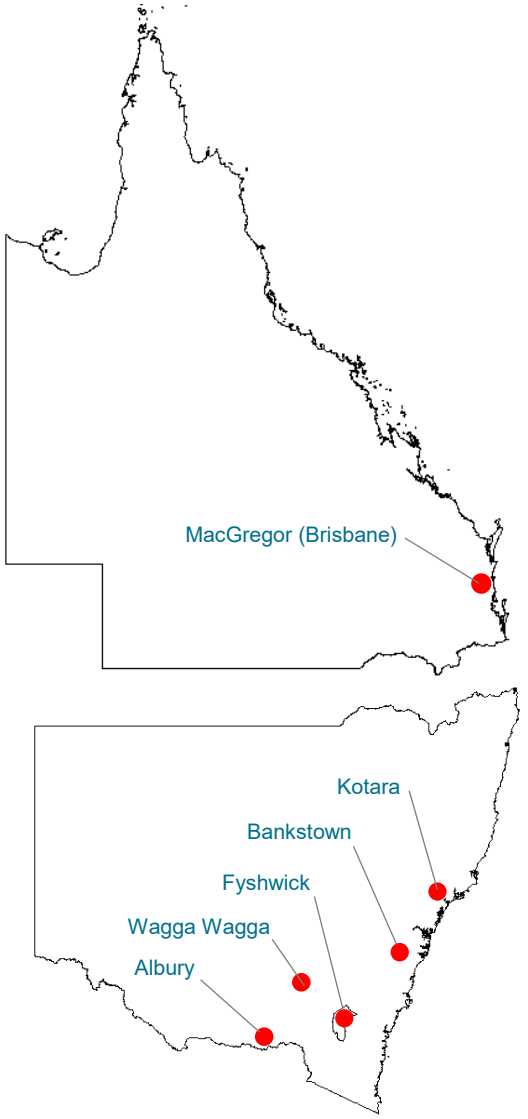
# Appendix 4 – Focus store network

Network of 23 stores, predominantly in Victoria. Typical store size is 1,500-2,000 square metres.



| State / Territory | Stores | GLA m2 |
|---|---|---|
| Victoria (Greater Melbourne) | 11 | 17,647 |
| Victoria (Regional) | 4 | 8,079 |
| NSW (Greater Sydney) | 1 | 3,365 |
| NSW (Regional) | 3 | 5,376 |
| ACT (Canberra) | 1 | 2,125 |
| South Australia (Adelaide) | 2 | 2,714 |
| Queensland (Brisbane) | 1 | 1,712 |
| **Totals** | **23** | **41,018** |

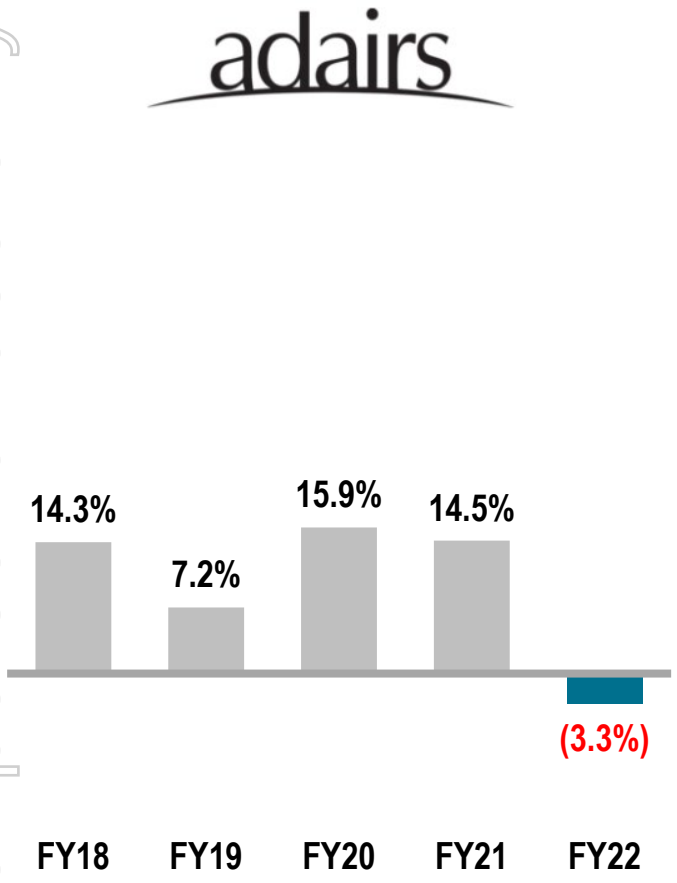



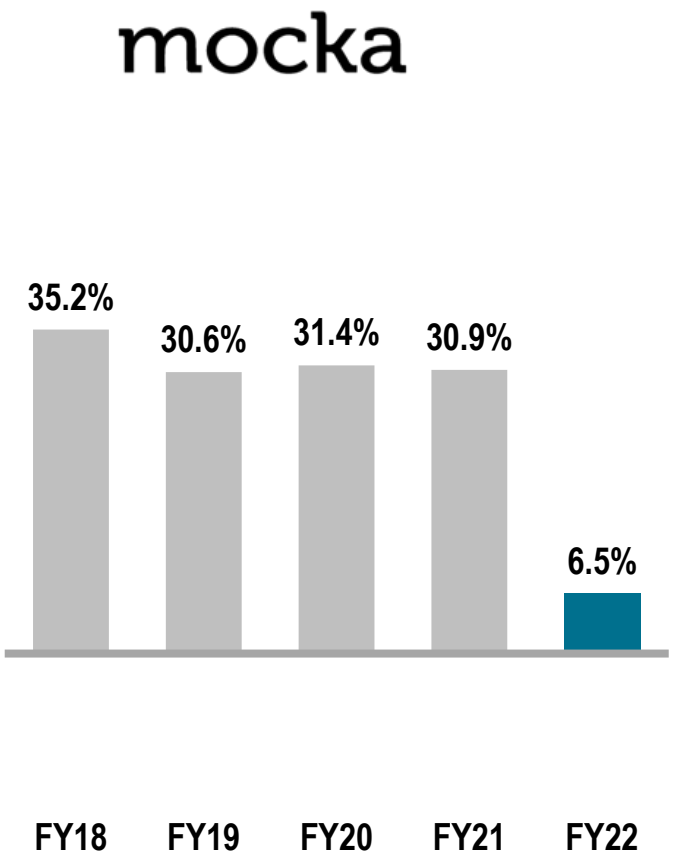



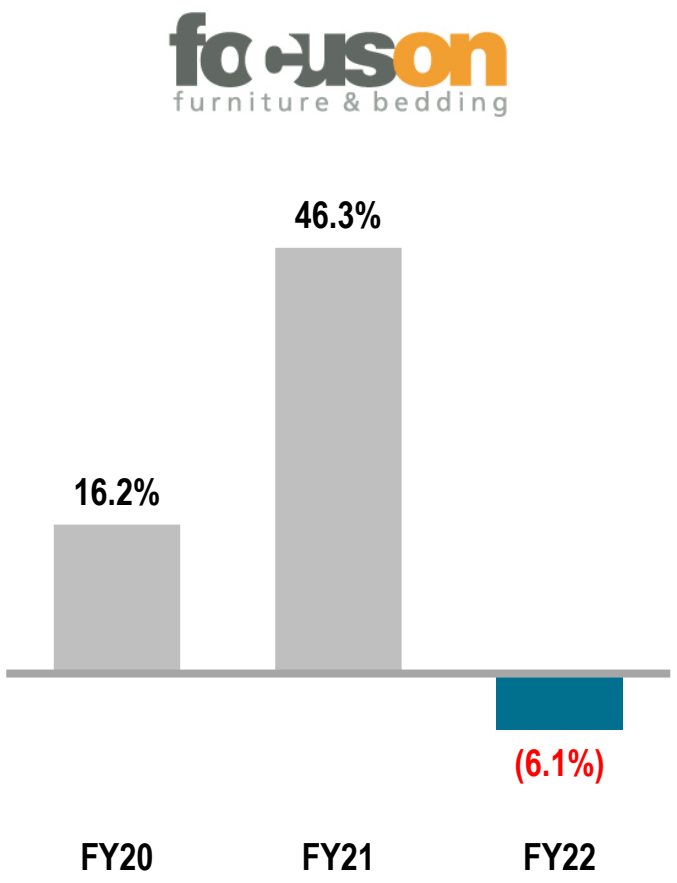
# Appendix 5 – Like for like sales history by brand [1,2]








Notes:

1. Like-for-like sales growth ("LFL") has been adjusted for any store closures and is calculated on a store-by-store daily basis (where only stores open on the same day in each corresponding period are included).
2. Includes comparative periods prior to Adairs ownership for information only. Mocka was acquired in December 2019 and Focus on Furniture in December 2021

# Appendix 6 – Profit and loss reconciliation





| ($ million) | FY22 reconciliation | | | | | | FY21 reconciliation | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Underlying FY22 | AASB 16 impact | Mocka transaction costs | Focus transaction costs | NDC transition costs | Statutory FY22 | Underlying FY21 | AASB 16 impact | Mocka transaction costs | NDC transition costs | Statutory FY21 |
| **Sales** | 564.5 | - | - | - | - | 564.5 | 499.8 | - | - | - | 499.8 |
| **Gross profit** | 308.9 | - | - | - | - | 308.9 | 303.3 | - | - | - | 303.3 |
| *Gross profit %* | *54.7%* | - | - | - | - | *54.7%* | *60.7%* | - | - | - | *60.7%* |
| **CODB** | (224.3) | 44.7 | (0.9) | (1.2) | (3.1) | (184.7) | (183.7) | 38.0 | (7.6) | (2.7) | (156.0) |
| *CODB %* | *39.7%* | | | | | *32.7%* | *36.7%* | - | - | - | *31.2%* |
| **EBITDA** | 84.6 | 44.7 | (0.9) | (1.2) | (3.1) | 124.2 | 119.6 | 38.0 | (7.6) | (2.7) | 147.3 |
| *EBITDA %* | *15.0%* | | | | | *22.0%* | *23.9%* | - | - | - | *29.5%* |
| **Depreciation** | (8.2) | (43.1) | - | - | - | (51.3) | (10.6) | (34.0) | - | - | (44.6) |
| **EBIT** | 76.4 | 1.7 | (0.9) | (1.2) | (3.1) | 72.9 | 109.1 | 4.0 | (7.6) | (2.7) | 102.7 |
| *EBIT %* | *13.5%* | | | | | *12.9%* | *21.8%* | | | | *20.6%* |
| **Interest** | (3.0) | (5.3) | - | - | - | (8.3) | (1.3) | (3.9) | (2.3) | - | (7.5) |
| **Tax** | (21.7) | 1.1 | - | - | 0.9 | (19.7) | (32.4) | 0.0 | - | 0.8 | (31.5) |
| **NPAT** | 51.6 | (2.6) | (0.9) | (1.2) | (2.2) | 44.9 | 75.4 | 0.1 | (9.9) | (1.9) | 63.7 |
| **EPS (cents)** | 30.3 | | | | | 26.4 | 44.6 | | | | 37.7 |

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. Focus transaction costs: Acquisition related due diligence and other costs
3. Mocka transaction costs: FY22 – Earn-out payment related FX adjustments; FY21 – Earn-out payment related adjustments, including remuneration element and discount.
4. NDC transition costs: Costs associated with the transition to the new National Distribution Centre, including onerous lease provisions.

# Appendix 7 – Cash flow reconciliation





| ($ million) | Underlying FY22 | Underlying FY21 |
|---|---|---|
| **Underlying EBITDA** | **84.6** | **119.6** |
| Significant items (cash impact) | (4.3) | (2.7) |
| Share-based payments | 2.1 | 1.7 |
| **Changes in working capital** | | |
| - Inventories | (13.1) | (24.6) |
| - Trade and other receivables | (3.2) | 0.7 |
| - Trade and other payables | 2.8 | 14.0 |
| - Other | (1.9) | 0.3 |
| **Net changes in working capital** | **(15.4)** | **(9.5)** |
| Income tax paid | (36.9) | (27.9) |
| Interest paid | (2.2) | (0.9) |
| **Net operating cash inflows** | **28.0** | **80.3** |
| Capital expenditure | (9.0) | (11.3) |
| Mocka earn-out payment | (45.7) | - |
| Focus on Furniture acquisition payment (net of cash acquired) | (62.8) | - |
| **Net investing cash outflows** | **(117.5)** | **(11.3)** |
| Net drawing / (repayment) of borrowings | 120.0 | (26.0) |
| Dividends paid | (29.4) | (40.6) |
| Other transactions | (0.6) | (0.3) |
| **Net financing cash inflows / (outflows)** | **90.0** | **(66.9)** |
| **Net cash flows for the period** | **0.5** | **2.1** |
| Foreign exchange differences | (0.4) | (0.0) |
| Cash and cash equivalents at beginning of the period | 26.0 | 23.9 |
| **Cash and cash equivalents at end of the period** | **26.1** | **26.0** |

## Underlying to statutory reconciliation

| | FY22 reconciliation | | | | |
|---|---|---|---|---|---|
| ($ million) | Underlying FY22 | AASB 16 impact | Mocka earn-out | Statutory FY22 | Underlying FY21 |
| **Opening cash** | **26.0** | **-** | **-** | **26.0** | **23.9** |
| Operating cash flow | 28.0 | 42.5 | (9.3) | 61.2 | 80.3 |
| Investing cash flow | (117.5) | - | 9.3 | (108.2) | (11.3) |
| Financing cash flow | 90.0 | (42.5) | - | 47.5 | (66.9) |
| **Net cash flow** | **0.5** | **-** | **-** | **0.5** | **2.1** |
| Foreign exchange differences | (0.4) | - | - | (0.4) | (0.0) |
| **Closing cash** | **26.1** | **-** | **-** | **26.1** | **26.0** |

# Appendix 8 – Glossary





| Term | Meaning |
|---|---|
| ASP | Average selling price |
| ATV | Average transaction value |
| CAC | Customer acquisition cost |
| CODB | Costs of doing business |
| CPS | Cents per share |
| DC | Distribution centre |
| DPS | Dividend per share |
| EBIT | Earnings before interest and tax |
| EPS | Earnings per share |
| GLA | Gross lettable area (floor space in square metres)<br>- excludes any offsite storage a store may have |
| Gross margin | Sales less cost of sales (excluding customer delivery costs) |
| Gross profit | Sales less cost of sales (including customer delivery costs) |
| IPS | Items per sale |
| LFL | Like for like |
| LTM | Last twelve months |

| Term | Meaning |
|---|---|
| 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) |
| PCP | Previous corresponding period |
| PPP | People, Product and Planet |
| 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 and warehousing |

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