



Adairs Limited 1H FY26 Results Presentation

23 February 2026

Elle Roseby
Managing Director &
Group Chief Executive Officer

Ashley Gardner
Group Chief Financial Officer (Outgoing)

Matt Edmonds
Group Chief Financial Officer (Incoming)

adairs

fo - uson
furniture & bedding

Mocka.

Important Information

In this presentation, references to “Company”, “Group” or “Adairs Limited” refer to the Company (Adairs Limited) as a whole. References to “Adairs”, “Mocka” or “Focus on Furniture / Focus” are references to the relevant business unit.

1H FY26 Group Overview



Group Sales Performance

Group sales of \$329m, up +5.9%.

Adairs up +4.0%, Focus up +1.9%, Mocka up +29.8%.

Group Earnings Performance

Underlying EBIT down -9.1% to \$30.0m.

Adairs down -10.0%, Focus down -31.7%, Mocka up +45.5%.

Balance Sheet

Net debt down -\$14.0m during 1H FY26 to close at \$53.6m.

Gearing (Net debt/EBITDA¹) remains healthy at 0.8x.

Dividend

Interim FY26 dividend of 5.5 cps, fully franked (6.5cps in 1H FY25).

Equates to 76% of statutory NPAT. DRP remains active.

Key Personnel Appointments

Matt Edmonds – new Group CFO (ex Coles, Tesco), commenced February 2026.

Candice Deale – new CEO of Focus on Furniture (ex Fantastic Furniture, Freedom Furniture), commenced November 2025.

(1) Pre AASB-16 LTM EBITDA of \$65.8 million

The Group achieved sales of \$329m for 1H FY26 up +5.9%. Adairs built sales and margin momentum through Q2 and Mocka achieved another outstanding result. New management at Focus on Furniture provides the opportunity to reset this business and return to growth.





Financial performance

- Sales were up +4.0% driven by ‘Big Moment’ focus, strong ‘famous for’ categories performance and good returns from in-store fixture investment.
 - Gross margin improved throughout Q2 to finish the half -170bps lower than PCP (Q1 down -300bps) with higher sales contribution (mix %) from key promotional events (Linen Lover event, Black Friday, Boxing Day) contributing to the lower margin across the period.
 - Total CODB % declined -50bps with improved store and warehouse operational efficiency offset by higher delivery costs for online orders (Q1 clearance activity), rents and key investments in people to support design and planning capability.
 - Underlying EBIT¹ of \$18.6m (down -10.0%), with >100% of this decline incurred in Q1.
- Sales up +1.9% with refurbished stores continuing to outperform other stores in the portfolio.
 - Gross margin broadly in-line with PCP at 51.0%, with the introduction of new product at higher margins, helping to offset the impact of the weaker AUD and elevated promotional activity.
 - CODB% increased due to negative LFL sales growth, combined with costs associated with new stores and new distribution centre/office.
 - Underlying EBIT¹ of \$5.8m (down -31.7%).
- Outstanding sales growth of +29.8%, cycling a strong period last year (+12.4%).
 - Australia sales +44.5% (LY: +27.5%)
 - New Zealand sales +8.2% (LY: -3.5%)
 - Gross margin improved in both markets, with new product innovation enabling higher initial margins and a reduction in the depth and frequency of promotional activity.
 - Results from the “shop-in-shop” trial in NZ continue to be positive – sales contribution in the period was \$1.2m.
 - Underlying EBIT¹ increased +45.5% to \$5.6m and Underlying EBIT margin increased +170bps to 15.3%.

(1) Refer to Appendix 1 for a reconciliation of underlying and statutory results.

Note: All reported movements are versus 1H FY25, unless stated otherwise.





Operations & inventory

- Linen Lover members continue to contribute >80% of sales with more than 1 million members (net increase +1.3% since June 2025).
- Inventory closed down -9.5% on LY, with improved stock turn and quality.
- Warehouse efficiencies continue to drive improved customer service at a lower cost.
- ERP project on track for H1 FY27 go-live – key initiative to drive business improvements and value for FY27 and beyond.

- Progress made on improving the customer offer with the introduction of “made to order” and extended finance options.
- New warehouse and customer support office operating well.
- Inventory is up on last year due to the timing of shipments, new ranges and customer deliveries.

- Warehouse efficiencies continue to drive improved customer service.
- Inventory closed up +5.3% on LY and stock turnover increased supported by continued strong sales growth.
- Committed to open first standalone retail store in Queensland in May 2026. Second store open in Victoria (1H FY27).

Leadership

- Matt Edmonds appointed new Group CFO (ex Coles, Tesco), commenced February 2026.
- New Head of Merchandise Planning commenced January 2026.

- Leadership transition completed with new CEO Candice Deale (ex Freedom, Fantastic Furniture), commenced November 2025.
- New leaders in Retail Operations, Marketing & Digital, and Product.

- New Head of Merchandise Planning commenced February 2026.



1H FY26 Financial Performance

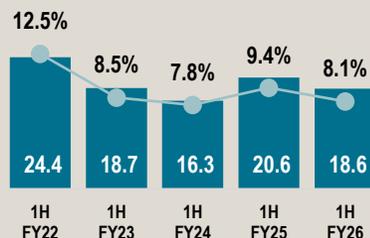
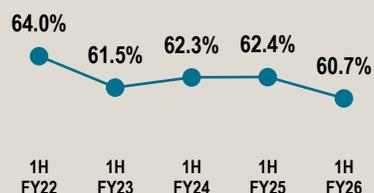
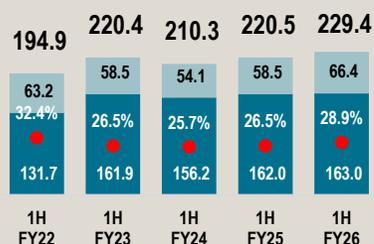


(\$ million)	1H FY26 26 weeks	1H FY25 26 weeks	Change		
			(\$ million)	%	
TOTAL SALES					
Adairs	229.4	220.5	+8.9	+4.0%	▲
Focus on Furniture	63.1	61.9	+1.2	+1.9%	▲
Mocka	36.5	28.1	+8.4	+29.8%	▲
GROUP	329.0	310.5	+18.5	+5.9%	▲
UNDERLYING EBIT ¹					
Adairs	18.6	20.6	-2.0	-10.0%	▼
Focus on Furniture	5.8	8.5	-2.7	-31.7%	▼
Mocka	5.6	3.8	+1.8	+45.5%	▲
GROUP	30.0	33.0	-3.0	-9.1%	▼
UNDERLYING EBIT MARGIN ¹					
Adairs	8.1%	9.4%		-130 bps	▼
Focus on Furniture	9.2%	13.7%		-450 bps	▼
Mocka	15.3%	13.6%		+170 bps	▲
GROUP	9.1%	10.6%		-150 bps	▼
Underlying EPS ¹	10.8	11.8		-8.5%	▼
Statutory EPS	7.3	11.1		-34.5%	▼
Dividends per share	5.5	6.5		-15.4%	▼
Net debt	53.6	57.8		-7.4%	▼
Inventories	93.3	97.6		-4.7%	▼

(1) Refer to Appendix 1 for a reconciliation of underlying and statutory results.

Strong execution of ‘Big Moments’ and disciplined inventory management delivered record sales in 1H. Margin improved throughout the half after deep clearance activity in Q1.

- ▶ Total sales of \$229.4m, up +4.0% (+4.2% on a like-for-like basis).
 - Store sales up +0.6% and Online sales up +13.5% (28.9% of total sales).
 - Strong execution of ‘Big Moment’ events (Linen Lover events, Black Friday, Christmas gifting, Boxing Day) delivered solid growth across all key categories
 - Linen Lover membership increased by ~1.3% in the half and the program continues to contribute >80% of sales with more than 1 million members.
- ▶ Gross margin declined -170bps in the half after a -300bps decline in Q1 as a result of elevated clearance activity.
- ▶ Inventory quality was good at the end of the half and the brand is well placed to continue to improve gross margins in 2H.
- ▶ Total CODB % declined -50bps with warehouse and store productivity improvements offsetting higher customer delivery costs (Q1 clearance activity), higher rents and key investments in design and planning capability.
- ▶ Underlying EBIT of \$18.6m, down -\$2.0m (-10.0%) on 1H FY25, with >100% of the profit decline incurred in Q1.



Sales (\$m)
■ Stores
■ Online
● Online % of total

Gross margin

EBIT and EBIT margin

(\$ million) Underlying ¹	1H FY26 26 weeks	1H FY25 26 weeks	Change
Store sales	163.0	162.0	+0.6%
Online sales	66.4	58.5	+13.5%
Total sales	229.4	220.5	+4.0%
Gross margin	139.1	137.5	+1.2%
Warehouse costs	(12.3)	(13.9)	-11.9%
Customer delivery costs	(11.9)	(10.8)	+9.8%
Gross profit	115.0	112.7	+2.0%
Other CODB	(90.5)	(86.6)	+4.5%
EBITDA	24.5	26.1	-6.3%
Depreciation	(5.9)	(5.4)	+7.8%
EBIT	18.6	20.6	-10.0%
Inventories	62.5	69.1	-9.5%
Online sales %	28.9%	26.5%	+240 bps
Gross margin %	60.7%	62.4%	-170 bps
Gross profit %	50.1%	51.1%	-100 bps
Total CODB % ²	50.0%	50.5%	-50 bps
EBITDA %	10.7%	11.8%	-110 bps
EBIT %	8.1%	9.4%	-130 bps

(1) Refer to Appendix 1 for a reconciliation of underlying and statutory results

(2) Total CODB % includes warehouse costs, customer delivery costs and other costs of doing business.

Adairs – a tale of two quarters (Q1 v Q2)

After aggressive clearance activity in Q1, where gross margin declined -300bps on the prior year, Q2 benefited from improved inventory quality and higher margins. The improved margins through Q2 are expected to continue into 2H FY26.

Q1 FY26: “Clean house” and “test & learn”

Context

- ▶ Entered Q1 with excess stock carried-over of ~\$4m.
- ▶ Aggressive clearance activity implemented in July/August to reset stock levels and clear poor performing lines.
- ▶ Successfully executed an additional Linen Lover event in August.
- ▶ Undertook critical ‘test and learn’ promotions (ie, spend and save, bundles, etc.) to understand customer response to different types and cadence of promotional offers.
- ▶ Clearance activity increased variable costs with higher volumes and delivery costs at lower selling prices.

Results

- ▶ LFL Sales +4.3%, driven by the incremental Linen Lover event and higher clearance volumes at lower average selling price and margins.
- ▶ Gross profit adversely impacted by clearance activity with gross margin down -300bps on PCP.
- ▶ Q1 Underlying EBIT down -\$3.0m on PCP¹.
- ▶ With excess inventory cleared, the business exited Q1 with a better stock position.

Q2 FY26: Normalise promotions and execute in peak trading period

Operational reset

- ▶ Increased representation from new product ranges that started to arrive in-store for the peak trading period.
- ▶ More consistent and normal promotional cadence reflecting Q1 learnings.
- ▶ Strong execution through peak trade periods – sales from Big Moments exceeded plan and were well ahead of the prior year.
- ▶ Achieved market share growth in December – key strategic objective to increase market share leading up to Christmas.
- ▶ Increased throughput and productivity at the National Distribution Centre (NDC).

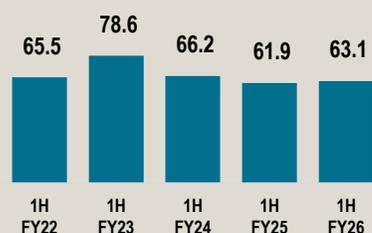
Results

- ▶ LFL Sales +4.0% with pleasing results from key seasonal categories and promotional events.
- ▶ Margins improved +260bps on Q1 but -90bps lower than PCP due to outperformance from key promotional events.
- ▶ Improved operational cost ratios from stores and NDC.
- ▶ Underlying EBIT +\$1.0m up on PCP¹.
- ▶ Improved quality of inventory and margin health heading into H2.

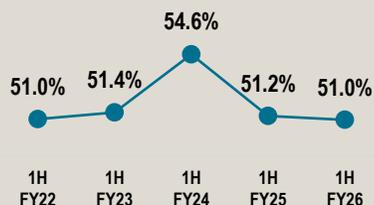
(1) Based on management accounts

After another challenging result in 1H FY26, the business is now resetting for improved performance under new leadership .

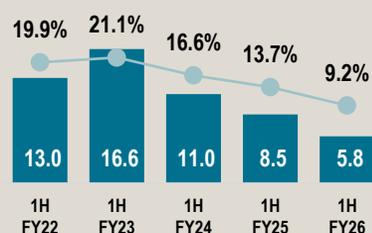
- ▶ Total sales of \$63.1m up +1.9%, (LFL sales -3.3%) with good results over Black Friday and Boxing Day promotional periods, but generally softer at other times
- ▶ Refurbished stores continued to outperform other stores
- ▶ Gross margin was down -20bps to 51.0%. New product and negotiations with suppliers enabled some product cost reductions which offset most of the higher promotional activity and the weaker AUD.
- ▶ Key customer conversion initiatives launched in Q2, including ‘Made-to-Order’ and additional finance options through Latitude Finance. Both of these initiatives are assisting the store team to convert customers and deliver incremental growth. These options will be available for the whole second half.
- ▶ Warehouse costs increased in the half following the relocation of the Victorian distribution centre and customer support office in May 2025. While other costs were actively managed, the weaker sales outcome led to a -31.7% decline in Underlying EBIT to \$5.8m.
- ▶ Inventory is up on last year due to the timing of shipments, new ranges and customer deliveries.



Sales (\$m)



Gross margin



EBIT and EBIT margin

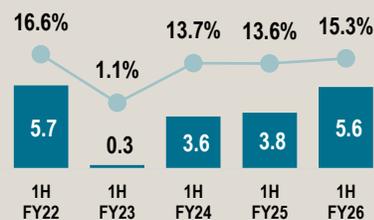
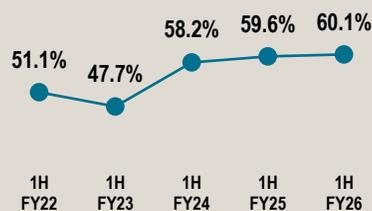
(\$ million) Underlying ¹	1H FY26 26 weeks	1H FY25 26 weeks	Change
Store sales	58.8	57.9	+1.5%
Online sales	4.3	4.0	+7.9%
Total sales	63.1	61.9	+1.9%
Gross margin	32.2	31.7	+1.5%
Warehouse costs	(4.0)	(2.9)	+39.5%
Customer delivery costs	(3.1)	(3.0)	+1.4%
Gross profit	25.1	25.8	-2.8%
Other CODB	(18.3)	(16.7)	+9.6%
EBITDA	6.8	9.1	-25.3%
Depreciation	(1.0)	(0.6)	+60.9%
EBIT	5.8	8.5	-31.7%
Inventories	17.5	15.9	+9.8%
Online sales %	6.8%	6.4%	+40 bps
Gross margin %	51.0%	51.2%	-20 bps
Gross profit %	39.8%	41.7%	-190 bps
Total CODB % ²	40.2%	36.4%	+370 bps
EBITDA %	10.8%	14.8%	-400 bps
EBIT %	9.2%	13.7%	-450 bps

(1) Refer to Appendix 1 for a reconciliation of underlying and statutory results

(2) Total CODB % includes warehouse costs, customer delivery costs and other costs of doing business.

Momentum maintained with sales up +29.8% and EBIT up 45.5%. Standalone retail stores to open in CY26 with two Australian stores confirmed.

- ▶ Record sales of \$36.5m, up +29.8%, driven by product innovation and continued growth in brand awareness and traffic.
 - Australia sales up +44.5% to \$24.1m, cycling strong PCP growth (1H FY25: +27.5%)
 - Brand awareness and traffic increased, with new customers responding to on-trend, great-value product.
 - Record Black Friday and Boxing Day sales at higher margin.
 - New Zealand trading improved, with sales up +8.2% (cycling -3.5% decline in PCP).
 - New ranges resonated well, but customers remain value-conscious.
 - Shop-in-shop store sales reached \$1.2m in New Zealand, providing insights for the upcoming standalone retail store launch.
- ▶ Gross margins increased by +50bps to 60.1%. Whilst New Zealand continued to rely on offers to convert sales, new product at higher margins combined with less promotional activity in Australia supported overall margin improvement.
- ▶ Operational costs were well managed, with total CODB declining by -110bps as a result of productivity improvements at the warehouse more than offsetting the higher customer delivery and marketing costs to support the sales growth.
- ▶ Underlying EBIT increased by +45.5% to \$5.6m (15.3% of sales; +170bps v PCP).



■ Australia
■ New Zealand

Sales (\$m)

Gross margin

EBIT and EBIT margin

(\$ million) Underlying ¹	1H FY26 26 weeks	1H FY25 26 weeks	Change
Store sales ²	1.2	-	n/m
Online sales	35.3	28.1	+25.5%
Total sales	36.5	28.1	+29.8%
Gross margin	21.9	16.8	+30.8%
Warehouse costs	(2.3)	(2.1)	+7.7%
Customer delivery costs	(5.7)	(4.5)	+27.6%
Gross profit	13.9	10.1	+37.1%
Other CODB	(8.2)	(6.2)	+32.4%
EBITDA	5.6	3.9	+44.7%
Depreciation	(0.1)	(0.1)	-4.4%
EBIT	5.6	3.8	+45.5%
Inventories	13.2	12.6	+5.3%
Online sales %	96.7%	100.0%	-330 bps
Gross margin %	60.1%	59.6%	+50 bps
Gross profit %	38.0%	36.0%	+200 bps
Total CODB % ³	44.7%	45.8%	-110 bps
EBITDA %	15.4%	13.8%	+160 bps
EBIT %	15.3%	13.6%	+170 bps

(1) Refer to Appendix 1 for a reconciliation of underlying and statutory results.

(2) Store sales includes shop-in-shop and concession.

(3) Total CODB % includes warehouse costs, customer delivery costs and other costs of doing business

(\$ million)	Dec 24	Jun 25	Dec 25
Inventories	97.6	96.0	93.3
Trade and other payables	(63.4)	(57.9)	(59.6)
Deferred revenue	(24.1)	(21.3)	(23.3)
Property, plant and equipment	38.7	39.1	39.0
Intangibles	284.3	281.7	281.3
Right-of-use assets	171.9	209.6	196.2
Lease liabilities	(197.1)	(236.4)	(224.7)
Deferred tax liabilities	(18.8)	(14.2)	(12.0)
Net other assets and liabilities	(5.1)	(3.8)	(4.8)
Total funds employed	294.3	292.8	285.0
Borrowings	(70.0)	(76.0)	(66.0)
Cash	12.2	8.4	12.4
Net debt	(57.8)	(67.6)	(53.6)
Equity	236.5	225.2	231.9

Inventories

- ▶ Inventories across the Group declined with improved stockturns and active clearance strategies throughout the period.

Capital and project expenditure

- ▶ Group capital expenditure of \$6.4m included investment in new and refurbished stores and continued investment in digital initiatives across the Group.
- ▶ Project expenditure on cloud computing projects (largely reflecting the Adairs technology upgrade) of \$6.6m was also expensed during the year and has been excluded from underlying earnings (refer to Appendix 1).

Net debt

- ▶ Net debt decreased by \$14.0 million to \$53.6 million since June 2025. Approximately 0.8x Net debt / LTM Underlying EBITDA.

Dividend and Dividend Reinvestment Plan

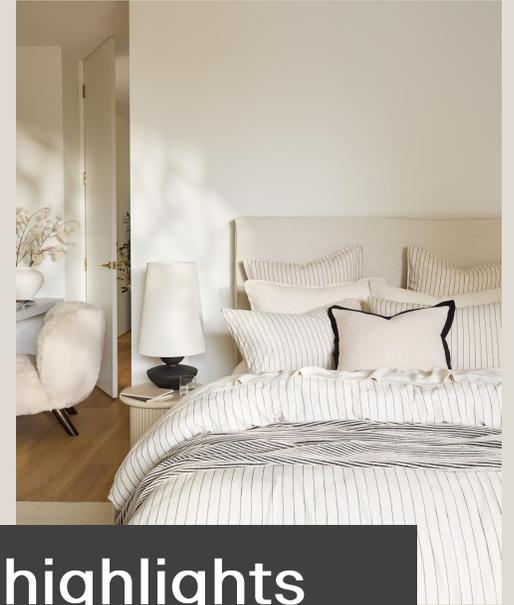
- ▶ Fully franked final dividend declared of 5.5 cps (Record date: 11 March 2026; Payment date: 7 April 2026).
- ▶ Dividend Reinvestment Plan remains active for this dividend.



Net debt¹ (\$m)

Underlying operating cash flow¹ (\$m)

(1) Refer Appendix 3 for group underlying cash flow reconciliation



Operational highlights
for the half



1

Key Seasonal Events

Playing to win in the moments that matter

- ▶ Create new reasons to shop Adairs to grow share and attract new customers at peak times eg Christmas gifting, Mothers Day.
- ▶ Curated seasonal ranges to drive incremental sales and engage new customers.
- ▶ Strong front of store product statements to showcase key products at big moments.



2

Elevating the Adairs Brand

Storytelling and experience to inspire customers.

- ▶ Enhanced Adairs' design handwriting with a signature style and elevated taste level to amplify product quality across core ranges.
- ▶ Clear customer style profiles to ensure balanced range and appeal to broad customer segments, including introducing premium, design-led ranges in our largest categories (eg bedlinen, bathroom, soft furnishings).
- ▶ New store fixtures will continue to be rolled out to enhance display capability and increase stock density – supporting the in-store execution of the Big Moments strategy.
- ▶ Our first New Concept Store will open in May 2026 at Bondi Junction, showcasing our next-generation customer experience.



3

Linen Lover Program

Delivering even greater value to Linen Lover members

- ▶ More than 1 million paid Linen Lover members contributing more than 80% of sales.
- ▶ New exclusive member events.
- ▶ Partnership with Qantas Frequent Flyer commenced in July 2025.
 - ▶ A key new element of the Linen Lover value proposition.
 - ▶ This new partnership is driving acquisition of new Linen Lover members with more than 20% of new members tagging their QFF number in their first transaction.
 - ▶ QFF tagged average transaction value is higher.
- ▶ Investing in data initiatives to improve customer insights and deliver more personalised communications.



4

Business Optimisation Program

Reducing CODB% and lifting productivity

Over the next 12 months we will progress a focused set of initiatives to structurally reduce CODB% and simplify operations, including:

- ▶ End to end value chain review to reduce costs and complexity throughout the supply chain.
- ▶ Reducing the width of the SKU range.
- ▶ Disciplined store portfolio optimisation—streamlining the network, simplifying operations and improving contribution margins. As leases expire, we will close smaller stores and use the Linen Lover program to retain customers and shift sales to nearby stores or online, strengthening overall profitability.



1 New leadership

- ▶ New CEO (Candice Deale, ex Freedom Furniture and Fantastic Furniture) appointed in November 2025.
- ▶ New leaders in Store Operations, Marketing/Digital and Product – experienced furniture executives to lead the next phase of growth.



2 New stores and store refresh program

- ▶ 6 of the top 15 stores have now been refurbished. This cohort have outperformed the rest of the store portfolio.
- ▶ Over the next 12 months, 3-5 stores will be refurbished, and one new store is confirmed to open in March (Tuggerah, NSW).
- ▶ Continued focus on new stores in Queensland and New South Wales.
- ▶ Market entry into Western Australia in 2027 under review.



3

Product strategy

Design-led, accessible value

- ▶ Strengthening product range appeal through curation and adding more trend-driven furniture options in evolving colours, shapes and finishes.

Example - The Sofa Collective: rationalising the assortment to a narrower, deeper focus across our best-selling sofa ranges, with expanded configuration options.

- ▶ Improved range assortment planning to maximise sales of best sellers and retain in stock position and short delivery times – a key competitive point of difference.



4

Improved Marketing and Visual merchandising

More aspirational, elevated customer communication

- ▶ Targeted marketing to expand customer reach and drive increased traffic online and into stores – as well as supporting new stores and new catchments.
- ▶ Increased marketing sophistication in the channels most relevant to customers.
- ▶ Using AI to produce high quality content for all channels at low cost.



1 Product Innovation

Mocka’s product strategy delivered strong momentum in 1H FY26, with the successful introduction of new categories—outdoor, sofas/large items, youth and lighting—and continual ‘newness’ in existing categories driving sales and margin growth.



2

Brand Investment:

Mocka continued to strengthen its brand through targeted marketing and PR activity, improving awareness among core customer groups, refining the position of the brand and investing for further growth.

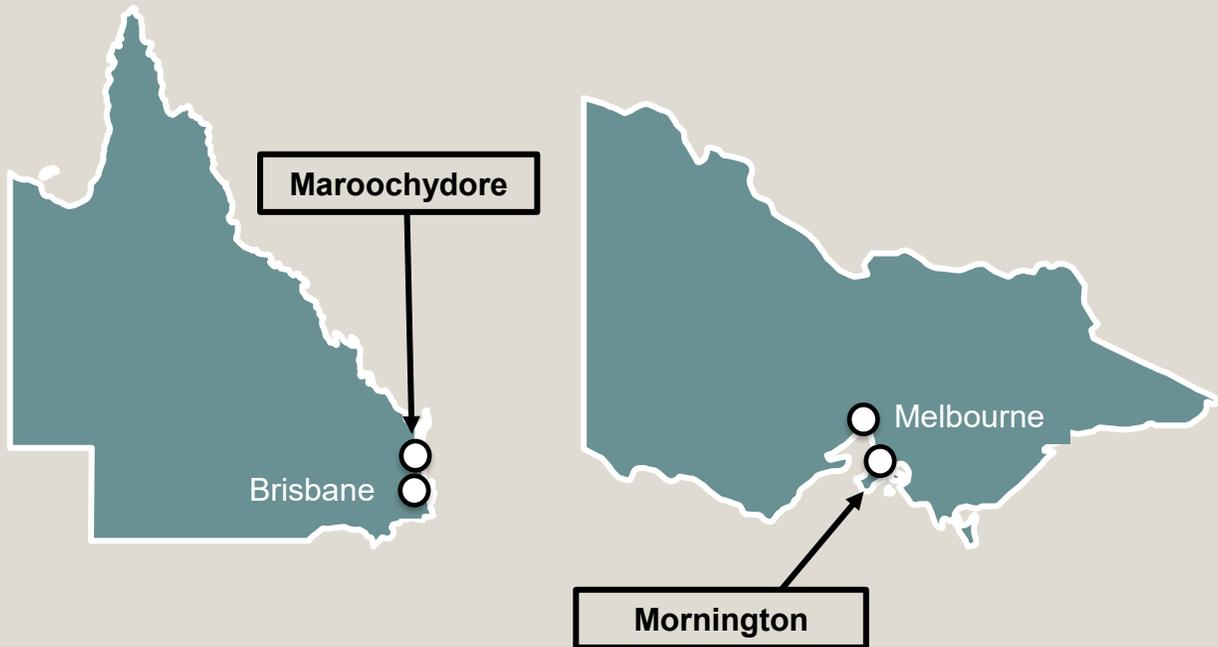


Mocka.

* Brand awareness and health for Females 25-44 LTM 2025 v 2024 (Tracksuit brand health tracking)
** Dispatched within 2 Business Days

3 Retail store strategy

- ▶ Mocka’s first standalone store will open in Maroochydore, Queensland in May 2026.
- ▶ Second store will open in Mornington, Victoria in Q2 FY27
- ▶ Targeting annual sales of \$2+ million p.a. per store
- ▶ Further roll out will be considered after the initial trading from the first two stores has been assessed



4 New Zealand market

- ▶ Shop-in-Shop (Tower Junction, NZ) has served as an effective omnichannel lab, delivering strong in-store results while generating insights now guiding Mocka’s standalone store trial.





Trading update and Outlook

The first seven weeks of 2H FY26 have delivered Group sales growth of +6.4% (cycling +9.2% in PCP).

Real-time sales (unaudited)	2H FY26 (first 7 weeks)	2H FY25 (first 7 weeks)
Group	+6.4%	+9.2%
Adairs	+4.8%	+15.2%
Focus on Furniture	+0.8%	-5.4%
Mocka	+31.3%	+2.1%

Trading commentary for the first seven weeks of 2H FY26 and the balance of FY26

- Adairs**
 - ▶ Solid sales growth (+4.8%) despite cycling strong growth in PCP (LY +15.2%).
 - ▶ Inventory quality continues to improve and margins are expected to benefit throughout H2.
- Focus on Furniture**
 - ▶ Summer Sale campaign was in line with last year and order book is currently at \$9.5m (-6% vs same time last year).
 - ▶ Margin for the first 7 weeks is above PCP.
- Mocka**
 - ▶ Strong sales growth continued:
 - ▶ Australia sales +47.1% (PCP +14.3%)
 - ▶ New Zealand +10.9% (PCP -10.2%)

- General Outlook**
 - ▶ The Group is well positioned to build on the sales and margin momentum from Q2 and expects sales, margin and underlying EBIT growth in 2H FY26 (vs PCP)
- Stores**
 - ▶ Adairs expects to open 3–4 new stores, close 6–7 underperforming stores and complete 1–2 store upsizes in 2H FY26, including Adairs “New Concept Store” which will open at Bondi Junction in Q4 FY26.
 - ▶ Focus on Furniture will open 1 new store in 2H FY26 and is targeting 3–5 new store openings by the end of FY27. 3–5 existing Focus on Furniture stores will be refurbished to the new format over the next 12 months.
 - ▶ Mocka’s first standalone store will open in Queensland in May 2026. Second to follow in Victoria in Q2 FY27.
- Capex**
 - ▶ Guidance unchanged: \$25 to \$30 million capital and project expenditure in total in FY26.
 - Capital expenditure in FY26 is expected to be in the range of \$12 to \$15 million; and
 - Project expenditure related to the Adairs data and technology upgrade of \$13m - \$15m will be expensed as incurred as a non-recurring item
- Currency**
 - ▶ The Group has hedged 97% of remaining FY26 USD commitments at an average exchange rate of US\$0.66 and 44% of FY27 USD commitments have been hedged to date at an average exchange rate of US\$0.67.

QUESTIONS?



APPENDICES

1. Group income statement reconciliation
2. Group income statement
3. Group cash flow reconciliation
4. About the Adairs Group
5. Store footprint – Adairs
6. Store footprint – Focus on Furniture
7. Adairs Data & Technology Upgrade
8. Glossary



Appendix 1: Group income statement reconciliation

(\$ million)	1H FY26 RECONCILIATION				1H FY25 RECONCILIATION			
	Underlying 1H FY26 26 weeks	AASB 16 impact	SaaS cloud computing projects costs	Statutory 1H FY26 26 weeks	Underlying 1H FY25 26 weeks	AASB 16 impact	WMS transition costs	Statutory 1H FY25 26 weeks
Total sales	329.0	-	-	329.0	310.5	-	-	310.5
Gross profit	153.9	-	-	153.9	148.7	-	-	148.7
Other CODB	(117.0)	28.9	(6.6)	(94.7)	(109.5)	27.7	(0.6)	(82.4)
EBITDA	36.9	28.9	(6.6)	59.2	39.1	27.7	(0.6)	66.3
Depreciation	(6.9)	(24.2)	-	(31.1)	(6.1)	(23.6)	-	(29.8)
EBIT	30.0	4.7	(6.6)	28.1	33.0	4.1	(0.6)	36.5
Interest	(3.0)	(6.7)	-	(9.8)	(3.6)	(5.3)	-	(8.9)
Tax	(8.1)	0.6	2.0	(5.5)	(8.8)	0.3	0.2	(8.2)
NPAT	18.8	(1.4)	(4.6)	12.8	20.6	(0.8)	(0.4)	19.4
EPS (cents)	10.8			7.3	11.8			11.1
Gross profit %	46.8%			46.8%	47.9%			47.9%
EBITDA %	11.2%			18.0%	12.6%			21.3%
EBIT %	9.1%			8.5%	10.6%			11.8%

Notes:

(1) **AASB 16 impact:** Under AASB 16, lease expenses are removed from occupancy expenses (COBD) and replaced with depreciation of lease assets and interest on lease liabilities over the relevant lease term.

(2) **SaaS cloud computing project costs:** Non-recurring development costs associated with software-as-a-service (SaaS) projects that are not eligible for capitalisation as the Group does not control the SaaS.

(3) **WMS transition costs:** Costs associated with the transition and implementation of the Adairs brand warehouse management system ("WMS").

Appendix 2: Group income statement

(\$ million) Underlying ¹	Adairs			Focus			Mocka			Group			
	1H FY26	1H FY26	1H FY26	1H FY26	1H FY26	1H FY26	1H FY26	1H FY25	1H FY25	Change	1H FY26	1H FY25	Change
	26 weeks	26 weeks	26 weeks	26 weeks	26 weeks	26 weeks	26 weeks	26 weeks	26 weeks		26 weeks	26 weeks	
Store sales	163.0	58.8	1.2	223.0	219.9	+1.4%							
Online sales	66.4	4.3	35.3	106.0	90.6	+17.0%							
Total sales	229.4	63.1	36.5	329.0	310.5	+5.9%							
Gross margin	139.1	32.2	21.9	193.2	186.0	+3.9%							
Warehouse costs	(12.3)	(4.0)	(2.3)	(18.6)	(18.9)	-1.9%							
Delivery costs	(11.9)	(3.1)	(5.7)	(20.7)	(18.4)	+12.8%							
Gross profit	115.0	25.1	13.9	153.9	148.7	+3.6%							
Other CODB	(90.5)	(18.3)	(8.2)	(117.0)	(109.5)	+6.8%							
EBITDA	24.5	6.8	5.6	36.9	39.1	-5.7%							
Depreciation	(5.9)	(1.0)	(0.1)	(6.9)	(6.1)	+13.1%							
EBIT	18.6	5.8	5.6	30.0	33.0	-9.1%							
Interest				(3.0)	(3.6)	-16.3%							
Tax				(8.1)	(8.8)	-7.6%							
NPAT				18.8	20.6	-8.6%							
Statutory EPS (cents)				7.3	11.1	-34.5%							
Dividends per share (cents)				5.5	6.5	-15.4%							
Inventories	62.5	17.5	13.2	93.3	97.6	-4.5%							
Online sales %	28.9%	6.8%	96.7%	32.2%	29.2%	+300 bps							
Gross margin %	60.7%	51.0%	60.1%	58.7%	59.9%	-120 bps							
Gross profit %	50.1%	39.8%	38.0%	46.8%	47.9%	-110 bps							
Total CODB %	50.0%	40.2%	44.7%	47.5%	47.3%	+20 bps							
EBITDA %	10.7%	10.8%	15.4%	11.2%	12.6%	-140 bps							
EBIT %	8.1%	9.2%	15.3%	9.1%	10.6%	-150 bps							



(1) Refer to Appendix 5 for a reconciliation of underlying and statutory results.

(\$ million)	1H FY26 RECONCILIATION				
	Underlying 1H FY26	SaaS cloud computing projects costs	AASB 16 impact	Statutory 1H FY26	Underlying 1H FY25
Opening cash	8.4	-	-	8.4	12.9
Operating cash flow	32.6	(6.6)	24.9	50.9	24.7
Investing cash flow	(13.0)	6.6	-	(6.4)	(8.2)
Financing cash flow	(15.6)	-	(24.9)	(40.5)	(17.2)
Net cash flow	4.0	-	-	4.0	(0.7)
Foreign exchange differences	(0.0)	-	-	(0.0)	(0.0)
Closing cash	12.4	-	-	12.4	12.2



(\$ million)	Underlying 1H FY26	Underlying 1H FY25
Underlying EBITDA	36.9	39.1
Significant items (cash impact)	-	(0.6)
Share-based payments	0.1	(0.2)
Changes in working capital		
- Inventories	2.8	(13.9)
- Trade and other receivables	1.4	(3.0)
- Trade and other payables	1.7	11.0
- Deferred revenue	1.9	2.6
- Other	(1.9)	0.6
Net changes in working capital	5.9	(2.7)
Income tax paid	(7.4)	(7.4)
Net bank interest paid	(2.9)	(3.6)
Net operating cash flows	32.6	24.7
Capital expenditure	(6.4)	(8.2)
Cloud computing project expenditure (SaaS)	(6.6)	-
Net investing cash flows	(13.0)	(8.2)
Net repayment of borrowings	(10.0)	(7.0)
Dividends paid	(5.5)	(10.2)
Other transactions	(0.1)	-
Net financing cash flows	(15.6)	(17.2)
Net cash flows for the period	4.0	(0.7)
Foreign exchange differences	(0.0)	(0.0)
Cash and cash equivalents (opening)	8.4	12.9
Cash and cash equivalents (closing)	12.4	12.2

Adairs Limited (ASX: ADH) is a leading omni-channel specialty retailer of home furnishings, furniture and home decoration products operating across Australia and New Zealand

Common to all three businesses

- ▶ Design-led (in-house)
- ▶ Exclusive and differentiated products
- ▶ Sell through their own (or controlled) channels
- ▶ Vertically integrated supply chain
- ▶ Strong value for money and superior margins

Omni-channel

- ▶ Strong in both channels, allows customers to shop us when, where and how they want
- ▶ Larger TAM than pure-play
- ▶ Efficient customer acquisition costs
- ▶ Better customer retention
- ▶ Data and loyalty focused
- ▶ \$180m+ p.a. in online sales

High service, customer-focused

- ▶ Elevated service to help customers discover, coordinate, execute and manage their purchases
- ▶ Passionate and experienced team

adairs

- ▶ Leading specialty retailer of home furnishings with a large and growing online channel and a national footprint of 169 stores.
- ▶ Sells on-trend fashion products, quality staples, strong value and superior customer service. Experts in home textiles and decorative furnishing.



- ▶ 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 26-store network and online.
- ▶ Low lead times facilitating faster delivery to customers.

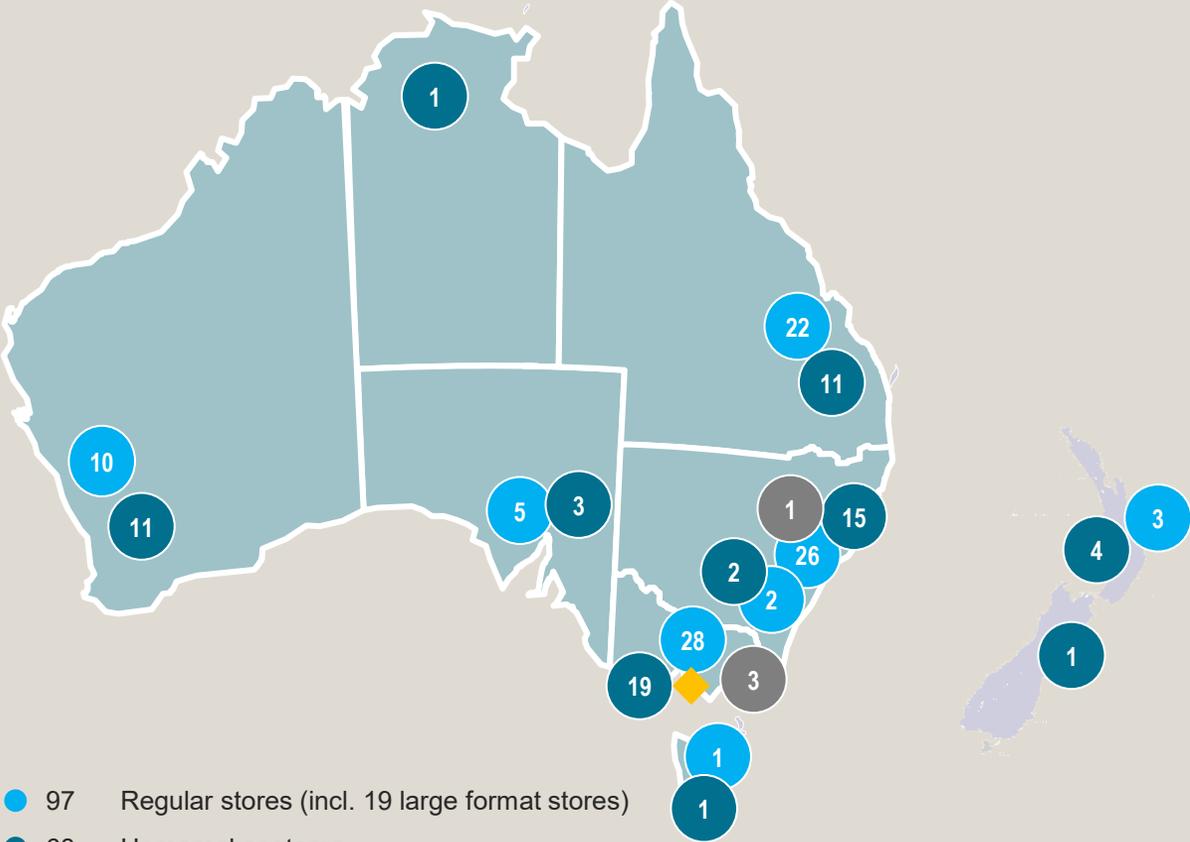


Mocka.

- ▶ Pure-play online home and living products designer and retailer with growing websites in both Australia and New Zealand.
- ▶ Sells design-led, functional and stylish products in the Home Furniture, Kids and Nursery categories.
- ▶ All products designed in-house and exclusive to Mocka.



adairs



- 97 Regular stores (incl. 19 large format stores)
- 68 Homemaker stores
- 4 Kids stores
- ◆ Head Office and NDC

Store count	Jun 25	1H FY26 ACTIVITY				Dec 25
		New	Closed	Upsize	Refurb	
VIC	50	-	-	1	-	50
NSW	42	-	-	1	-	42
QLD	33	-	-	-	-	33
WA	21	1	(1)	-	-	21
SA	8	-	-	-	-	8
ACT	4	-	-	-	-	4
TAS	2	-	-	-	-	2
NT	1	-	-	-	-	1
NZ	7	1	-	-	-	8
Total	168	2	(1)	2	-	169

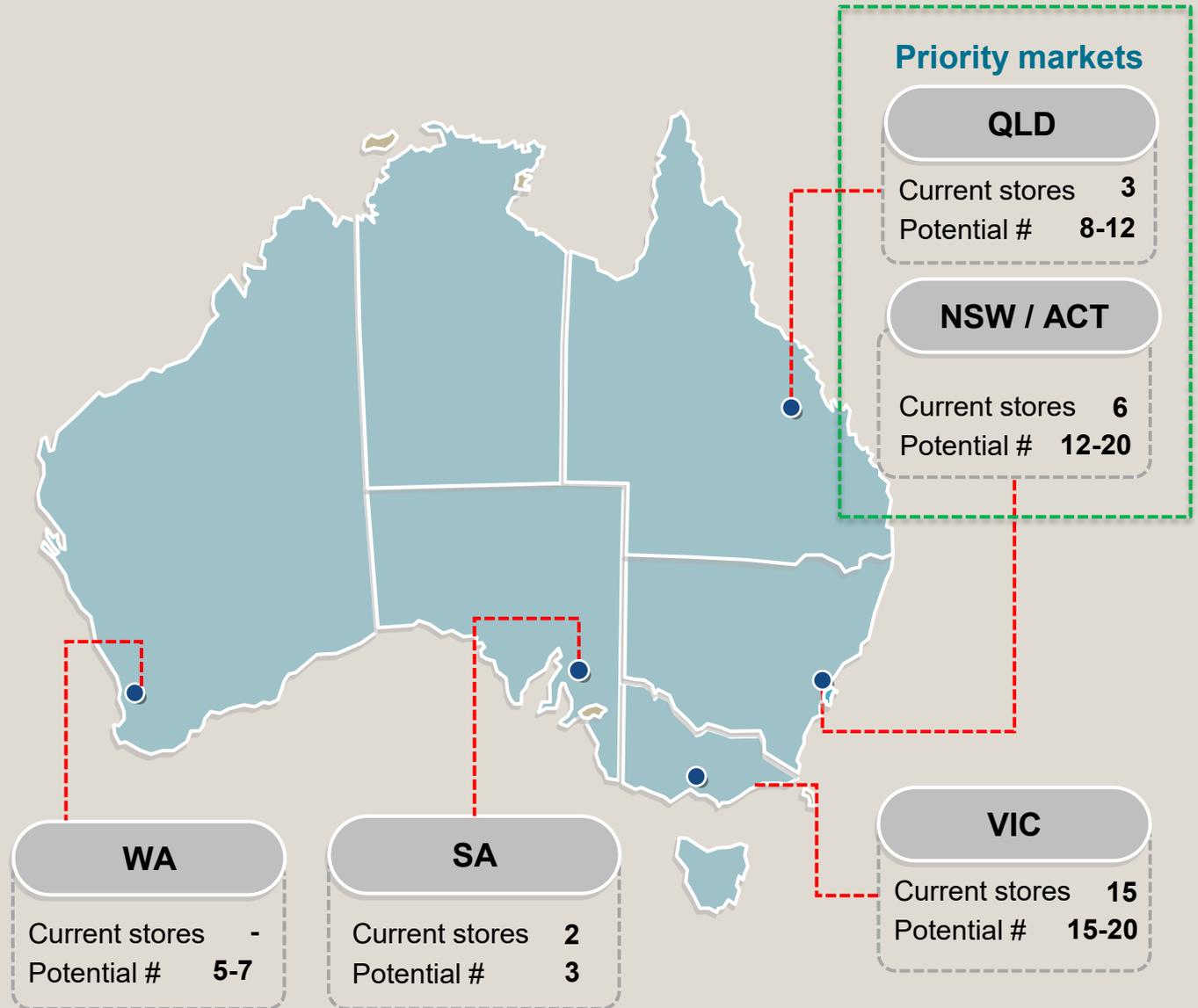
GLA (m²)	77,738	79,109
Change (m²)		+1,371
Change (%)		+1.8%





National furniture businesses typically have 50-60 stores (Adairs has 67 homemaker stores). We believe there is the potential to operate a network of 50-60 profitable Focus on Furniture stores across Australia.

Store count	Jun 25	1H FY26 ACTIVITY				Dec 25
		New	Closed	Upsize	Refurb	
VIC (Metro)	11	-	-	1	-	11
VIC (Regional)	4	-	-	-	-	4
NSW (Metro)	2	-	-	-	-	2
NSW (Regional)	3	-	-	-	-	3
ACT	1	-	-	-	-	1
SA	2	-	-	-	-	2
QLD	3	-	-	-	-	3
Total	26	-	-	1	-	26
GLA (m²)	46,140					46,333
Change (m²)						193
Change (%)						+0.4%



adairs

The Adairs business unit's investments in technology will deliver material improvements in process efficiency and customer experience. At the centre of the technology upgrade program is a new ERP system, which has commenced and will be delivered in waves between FY27 and FY28.

Background

- Adairs implemented to Microsoft Dynamics AX (AX) in 2011 as its ERP and point of sale (POS) and has operated with various systems and integrations since, which have been heavily customised and are progressively becoming (or have become) unsupported, expensive to maintain, inefficient and legacy.
- A new Warehouse Management System (WMS) and Customer Engagement and Digital Marketing Platform were implemented in FY25. Both are performing well but not optimised due to the legacy AX system.
- Over the next 2 years Adairs will replace the legacy systems with a new, modern retail technology platform (Microsoft Dynamics 365), which will include POS, dynamic order management, loyalty management and a new data platform to create a single view of customer and product data.

Cost and phases of implementation

Total Cost:

Est. total project cost \$25-\$30m, across FY25-FY28.

The spend and benefits will roll out over 3 phases:

1 Replace legacy ERP with new, modern retail technology platform - Microsoft Dynamics 365

2 Leverage new functionality to increase sales and margin and improve process efficiency

Examples: Ship from store, flexible delivery options, tokenised payments, dynamic order management, mobile POS

3 Extend applications to drive growth

Examples: Channel expansion (marketplaces, drop ship, international), smart inventory allocations, dynamic pricing and promotions



The data and technology upgrade will enable operational efficiency across the business whilst facilitating better decision-making and enhancing customer experience in stores and online. It will be easier to access and connect to emerging new technology and drive sales and margin growth through new functionality as outlined below:



Management:

Better data and insights to make faster and more informed decisions



Inventory productivity / merch planning:

Smart, AI enabled inventory allocations and replenishment. Merchandise planning and demand forecasting



Marketing effectiveness:

Better enable personalisation and segmentation. Loyalty management system.

Artificial Intelligence:

Simultaneous with these major projects, Adairs is implementing AI into everyday work practices and experimenting to unlock opportunities for greater productivity and better, faster decision-making.



In-store operations:

Mobile POS for roaming checkout and peak trade periods. Improved pricing engine for dynamic implementation (“smart pricing”), RFID for stock control



Customer Order Fulfilment:

Ship from store for online orders – greater online stock availability; flexible delivery options; drop ship and marketplaces



Digital channel:

AI enabled search engine optimisation; AI enabled website search and merchandising, including dynamic product recommendations



Risk:

Cyber security, more data control & visibility and internal process controls

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)
IPS	Items per sale

Term	Meaning
LFL	Like for like
LTM	Last twelve months
Mosaic segmentation	In a retail context this is a consumer classification method that groups customers by lifestyle, demographics, and location
NPAT	Net profit after tax
NDC	National Distribution Centre (services Adairs business only)
Online contribution	Online gross profit (including all online distribution costs) <u>less</u> customer support office wages/rent and marketing (other than in-store marketing)
PCP	Previous corresponding period
POS	Point of sale
PPP	People, Product and Planet Committee (Sustainability Committee)
ROAS	Return on Advertising Spend
ROIC	Return on invested capital
SIT	Stock in transit
Stores contribution	Stores gross profit <u>less</u> 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
WMS	Warehouse management system
YTD	Year to date
YoY	Year on year



Important Notice and Disclaimer

The material in this presentation is general background information about Adairs Limited (ABN 50 147 375 451) (Adairs) and its activities current as at the date of the presentation. It is information given in summary form and does not purport to be complete. It should be read in conjunction with Adairs other periodic and continuous disclosure announcements filed with the Australian Securities Exchange, which are available at www.asx.com.au. Information in this presentation is not intended to be relied upon as advice to investors or potential investors and does not consider the investment objectives, financial situation or needs of any particular investor.

Investors should consider these factors, and consult with their own legal, tax, business and/or financial advisor in connection with any investment decision.

This presentation contains statements that are, or may be deemed to be, forward looking statements. Readers are cautioned not to place undue reliance on such forward-looking statements. Such forward looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of Adairs, which may cause actual results to differ materially from those expressed or implied in such statements. There can be no assurance that actual outcomes will not differ materially from these statements. The operating and financial performance of Adairs is influenced by a variety of general economic and business conditions, including levels of consumer spending, inflation, interest and exchange rates, access to debt and capital markets, government fiscal, monetary and regulatory policies.

No representation or warranty, expressed or implied, is made as to the fairness, accuracy, completeness or correctness of the information, opinions and conclusions contained in this presentation. To the maximum extent permitted by law, Adairs and its related bodies corporate, respective directors, employees or agents, and any other person does not accept liability for any loss arising from the use of this presentation or its contents or otherwise arising in connection with it, including, without limitation, any liability from fault or negligence.

This presentation has not been audited in accordance with Australian Auditing Standards. Numbers are subject to rounding and stated in Australian dollars unless otherwise noted.