FY26 TRADING UPDATE AND NON-CASH IMPAIRMENT OF FOCUS ON FURNITURE

8 July 2026

Melbourne, Australia

Adairs Limited (ASX: ADH) (the "Group" or the "Company") provides a trading update for the 2026 financial year ("FY26"), together with notice of an expected non-cash impairment of the goodwill and brand intangible asset attributable to its Focus on Furniture ("Focus") business unit. The Group's full-year results for the period ending 28 June 2026 are scheduled for release on 24 August 2026.

Key points

- **FY26 Group sales** expected to be in the range of $640.0m to $641.5m (up +3.7% at midpoint on FY25).

- **FY26 Group underlying EBIT** expected to be in the range of $53.5m to $55.5m (down -1.3% at midpoint on FY25).

- The Adairs and Mocka business units have delivered pleasing growth on the prior year and current trade momentum has remained positive. Performance of the Focus on Furniture business unit has continued to decline in H2. The business is transitioning under new management, and trading has been subject to more aggressive competitor promotional activity. H2 has been an important period of operational change at Focus on Furniture, laying the foundations for improving performance as FY27 progresses.

- The Group expects to recognise a **non-cash impairment of the Focus on Furniture goodwill and brand intangible** in the range of $62m to $68m ($56m to $60m after tax). The impairment charge will be excluded from underlying earnings.

- Other significant items to be excluded from underlying earnings include: impact of AASB 16 Leases, Adairs New Zealand market exit related costs ($3.5m to $4.0m), and SaaS project related costs (including the Adairs ERP update) ($18.0m to $19.0m).

- After the impairment and other significant items, the Group expects to report a **statutory net loss after tax for FY26 of approximately $43m** (indicatively in the order of $39m to $46m).

- **Net debt of approximately $49m** at the end of June 2026 (June 2025: $67.6m). Well within facility limits ($135m). The impairment charge is non-cash and raises **no covenant concerns**.

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FY26 Group guidance

The Group expects to report the following results for FY26:

UNAUDITED	FY26 Guidance	FY25 Actual	Change [(1)]
Group sales	$640.0m – $641.5m	$618.1m	+3.7%
Adairs	$458.5m – $459.0m	$442.2m	+3.7%
Mocka	$70.5m – $71.0m	$57.9m	+22.1%
Focus on Furniture	$111.0m – $111.5m	$117.9m	-5.7%
Group underlying EBIT [(2)]	$53.5m – $55.5m	$55.2m	-1.3%
Adairs	$40.5m – $41.5m	$35.8m	+14.6%
Mocka	$9.5m – $10.0m	$7.6m	+28.1%
Focus on Furniture	$3.5m – $4.0m	$11.8m	-68.3%

(1) Change compared to FY25 is calculated based on the midpoint of FY26 guidance. Totals may not sum due to rounding.

(2) Underlying EBIT and underlying earnings are unaudited non-IFRS measures which exclude significant items, are calculated on a basis consistent with prior periods, and will be reconciled to statutory results (prepared in accordance with Australian Accounting Standards) in the FY26 full-year results.

Adairs and Mocka both delivered pleasing sales and earnings growth in FY26, with underlying EBIT up +14.6% and +28.1% respectively on the prior year, offset by material underperformance in Focus on Furniture.

Adairs has made substantial progress in implementing its strategy, delivering positive like-for-like sales growth (+3.8%) supported by product range enhancements, improved in-store customer experience, and continued growth in the online channel. Gross margin improved during H2 and this is expected to be sustained into FY27. The new store concept launched at Bondi Junction has delivered encouraging results, and the store renewal programme is now expanding into a broader refurbishment programme across small, medium and large store formats, applying the lessons from Bondi Junction across the network. A small number of underperforming stores were also exited as planned. Adairs also implemented its exit from the New Zealand market, which was a small, loss-making region for the brand; that exit is now complete.

Mocka has delivered another year of strong growth, driven by Australia where sales have grown ~40%. In New Zealand, management is implementing a more distinct trading and product strategy to accelerate the sales momentum in that market. The first standalone retail store for Mocka opened in mid-June 2026 in Maroochydore. A second store will open at Tower Junction, Christchurch in Q1 FY27, followed by a third at Mornington, Victoria in Q2 FY27. These first three stores form the trial of physical retail for Mocka.

Focus on Furniture has had another challenging year. Both sales and underlying EBIT have declined, reflecting intense competitor promotional activity, conversion pressure, product underperformance and execution challenges. A new management team has been appointed progressively throughout the year and is rebuilding the business across product, marketing, retail execution and operating processes. The Group is implementing a programme of operational improvements to re-platform the business for growth and materially improve earnings over the medium and long term.

Impairment of Focus on Furniture intangible assets

Earnings deterioration has continued at Focus on Furniture during H2 FY26 and the current challenges being experienced by the business unit are expected to require remediation over an extended period. As a result, the Group intends to recognise an impairment charge in the range of $62m to $68m ($56m to $60m after tax), reflecting all the goodwill ($40.9m) and a substantial portion of the brand intangible. Following the impairment, the aggregate residual carrying value of the Focus business unit (comprising the remaining brand intangible and net tangible operating assets, and excluding lease right-of-use assets and corresponding lease liabilities) is expected to be approximately $25m to $31m. These amounts are indicative and remain subject to completion of impairment testing, final Board approval and external audit concurrence.

Other significant items

In addition to the impact of AASB 16 Leases and the Focus on Furniture impairment charge, the Group intends to exclude the following significant items from underlying earnings in FY26:

New Zealand market exit costs

Adairs completed its exit from the New Zealand market during FY26. Costs associated with the exit – including lease surrenders and modifications, make-good requirements, employee obligations, store asset and inventory impairments, and other administrative costs – are expected to total in the range of $3.5m to $4.0m and will be treated as significant items. The operating result for Adairs New Zealand, including clearance activity during the wind-down, will remain included in underlying earnings. New Zealand accounted for 3.0% of Adairs revenue in FY26, and the exit is expected to improve Group underlying EBIT and EBIT margin from FY27.

SaaS project costs

Adairs has continued to invest in its previously announced technology and data upgrade program, underpinned by the implementation of a new ERP system. The nature of the new platform is Software-as-a-Service (“SaaS”) which requires expenditure to be immediately expensed. The total charge for FY26 is expected to be $18.0m to $19.0m, including non-cash write-offs ($2.8m) of existing legacy infrastructure. The new ERP system is scheduled to go-live in late Q1 FY27 with total program costs in line with overall guidance.

FY26 statutory result

Underlying EBIT is a non-statutory measure. After the significant items described above — the Focus on Furniture impairment ($62m to $68m), SaaS project costs ($18.0m to $19.0m), New Zealand exit costs ($3.5m to $4.0m) and the impact of AASB 16 Leases — and after net interest and tax, the Group expects to report a **statutory net loss after tax for FY26** of approximately $43m (indicatively in the order of $39m to $46m). A full reconciliation of underlying earnings to statutory results will be provided with the FY26 results.

Capital position

The Group's net debt was approximately $49m at the end of June 2026 (June 2025: $67.6m) and comfortably within facility limits ($135m). The Focus on Furniture non-cash impairment charge raises no concern in the Group's covenant calculations. The impairment is a non-cash accounting charge; it does not affect the Group's franking account and is not expected to affect the Company's capacity to pay a dividend in respect of FY26. Any final dividend will be determined by the Board in conjunction with the FY26 results in the usual course.

FY26 results release

The Group's FY26 results are scheduled for release on 24 August 2026. A conference call will be held on this date with details available on the Adairs investor website.

This announcement contains forward-looking statements, including FY26 guidance and statements regarding FY27, that involve risks and uncertainties; actual results may differ materially. FY26 figures are unaudited and remain subject to completion of accounting close processes, impairment testing, Board approval and external audit. The Company does not undertake to update any forward-looking statement except as required by law.

This announcement was authorised for release by the Board of Directors of Adairs Limited.

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For more information, please contact

Matt Edmonds — Group Chief Financial Officer / Investor Relations

T: +61 3 8888 4500 / E: ***investor.relations@adairs.com.au***

About Adairs

*Adairs Limited (ASX: ADH) is a leading Australian omni-channel specialty retailer of home furnishings, homewares and furniture. The Group operates three business units — **Adairs** (home furnishings and homewares), **Focus on Furniture** (furniture and bedding) and **Mocka** (digital-first furniture in Australia and New Zealand) — across a large portfolio of physical stores together with its online channels.*