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ADAIRS Limited (ADH) - Home furnishing retail - 11/30/2020 - CAD FX

EXECUTIVE SUMMARY

Adairs (ADH) is Australia's leading, well-managed home furnishing and home décor company benefiting from the COVID-19 change in home-related habits. ADH has multiple opportunities for future growth, such as expanding new space, like-for-like growth, upsizing to larger and more profitable stores, penetration of the online segment via Adairs online and Mocka, good capital allocation, and a strong balance sheet. **Applying a P/E of 15x, we reached a target value of \$ 5.45 or a potential upside of + 70% with an IRR of + 19%.**

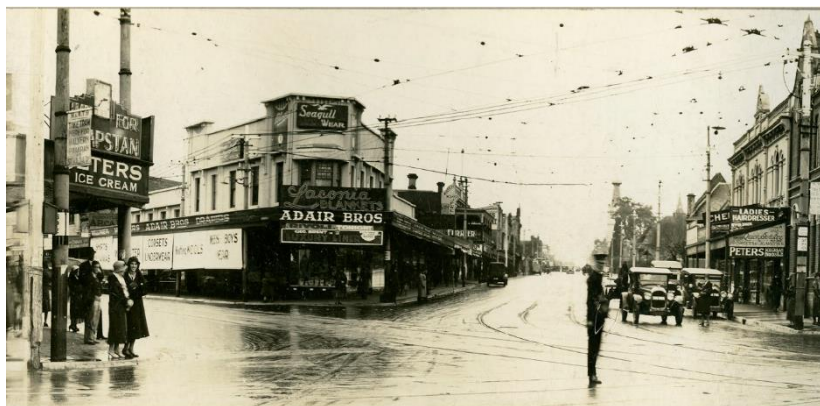
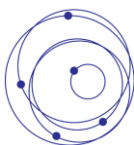
INTRODUCTION

Adairs (ADH) is a leading Australian company specializing in furniture and home décor products. It uses an omnichannel business model with physical and online stores and a high design and quality component. ADH sells its products under two brands, Adairs and Mocka, totally independent of each other were the first being multi-channel and the second only online.

ADH operates physical stores in Australia and New Zealand under the following formats: Adairs, Adairs Homemaker, Adairs Kids, UHR, and Adairs Outlets. In the online channel, ADH sells under the brands Adairs online and Mocka.

HISTORY

ADH opened its first store in Victoria in 1918. Later, it was established as a small department store retailing curtains, womenswear and haberdashery until 1980. In 1981, it opened the first Adairs boutique, resulting in total success. It followed the opening of another four stores. Over the next two decades, it expanded its retail presence throughout Australia. In November 2007, the MacLean family sold its majority stake to BBRC. In December 2010, the Catalyst venture capital fund acquired a 69.5% stake, representing less than 12% of the outstanding shares.



Camberwell Road, 1918

Figure 1: First Adairs store in Victoria in 1918.

In June 2015, ADH went public on the Australian stock exchange at AUD 2.40. Since its IPO, the current stock price is only + 38% above the IPO price, so with exceptional operating performance; therefore, we detect a great investment opportunity.

WHY DO WE LIKE ADAIRS?

1) Potential market (TAM).

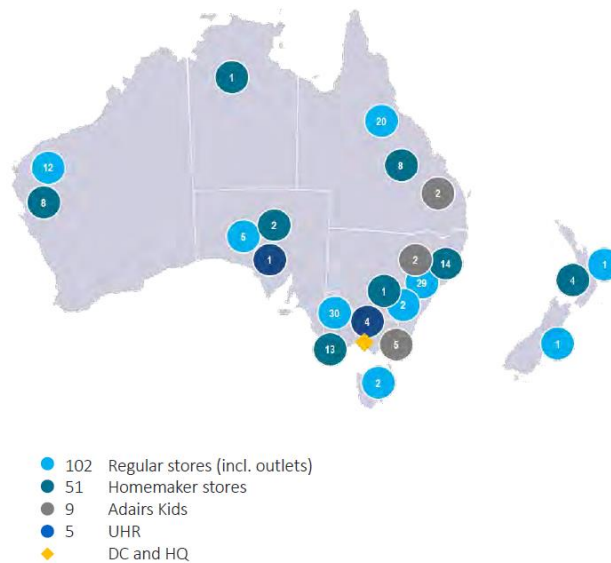
There is no doubt that COVID-19 has changed our perception of the home. Today, people concentrate on interior design. More time inside our houses makes us re-evaluate our living spaces, how they work, and how they make us feel.

According to Euromonitor International, [TAM for the home furnishings segment in Australia reached AUD 14bn in 2019](#). If we exclude those segments where ADH does not operate (mattresses, barbecues, blinds, and curtains), the figure drops to AUD 12bn. In 2020, ADH had a turnover of AUD 390m; therefore, the market share is slightly below 3%, and it is easily scalable.

2) Multi-channel strategy and format.











ADH had 167 physical stores in Australia and New Zealand in 2020. Before COVID-19, they expected to open between six and ten stores per year, but this goal has been reduced to between three and five stores thanks to the online channel's growth.

Total Stores: 167 (Jun 19: 165)



Graph 2: Adairs stores by formats as of 2019.

Adairs and Adairs Homemaker stores are the core of brick-and-mortar stores, while Adairs Kids and UHR are pop-up store formats.

Adairs	Adairs Homemaker	Urban Home Republic	Adairs Kids	Adairs Outlet
				
Primary store format offering the Staple range and a select offering from the Fashion and Decorator categories	Larger store format with an expanded range of Fashion and Decorator products, including home furnishings, homewares and furniture	Contemporary fashion home furnishings for the home decorator demographic, with a narrow selection from the Staple range	Targets parents and carers for baby, child and pre-teens. Offering Staple and Fashion and Decorator products for the child's bedroom	A mix of engineered Staples and discontinued product from all other store formats
				

Graph 3: Format of physical stores of the Adairs group.

ADH's product offering segments into two main areas: Basic products and fashion and decoration. Commodity categories include simple and complete bedding and items such as towels. These products' primary function is to satisfy its customers' needs with quality products and added value. During the last ten years, the company has developed another range of contemporary and trendy fashion products. ADH presents new models weekly in

Physical stores, thus ensuring its capacity for innovation and greater frequency of purchases at the consumer.

During the last five years, the online channel has grown at a CAGR of + 38%, representing 24.5% of total sales in 2020. The online channel will continue to be fundamental for the future growth of ADH, mainly thanks to Mocka's recent acquisition.

3) Own brand.

When we invest in a retail company, we like to do it where its percentage of own design is high. Own brands represent 90% of total sales, and the remaining 10% comes from third national and independent brands. This transformation has allowed it to increase the group's consolidated operating margin substantially.

4) Outsourcing of manufacturing process.

ADH does not directly manufacture the products it sells but instead outsources its manufacturing process to different local suppliers. It is a low capital-intensive business model. We like it because it allows you to increase the return on invested capital (ROIC). The comparison of ROIC versus its competition has no sense; ADH reached 16% in 2020 vs. 10% or less of its peers. Our future projection indicates that ADH could achieve a ROIC of over 20% in 2023.

5) Online channel.

COVID-19 has accelerated the penetration of the online channel, both in Adairs and Mocka. It has caused a reduction in the expansion plan in physical stores to favor online. Although e-commerce works better in some categories than in others, ADH has shown that in segments such as furniture and home decoration, it is possible to increase the online market share in tandem with a multi-channel strategy. According to Statistica, in 2023, the penetration rate of online furniture trade will still be 11% in Australia, indicating a great potential for growth in this segment.

In December 2019, ADH acquired Mocka, a company that only operates in the online segment and increases growth in this channel. During the last fiscal year 2020, the Mocka website received 880,000 visits. It reached a customer base of 185,000 with more than 450,000 email subscriptions. Being exclusively an online channel, Mocka's operating margin doubles that of ADH. It has been a creative from the first year and improves the consolidated margin of the Adairs group.

6) **Linen Lover Membership.**

The Linen Lover membership program brings together 800,000 members and has grown at a CAGR of + 14% over the past three years. Thus, ADH receives better feedback from each of its customers, personalizing its product offering. Membership is not free. The customer must pay for it, thus reinforcing the value proposition and increasing deferred revenue (15% of sales). 75% of current sales are through customers who are members of your member club.

7) **Store format.**

Much of the improvement in the operating margin will come from the transformation to larger stores. Most of the stores are Adairs regular (99), with an average income by store (AVS) of between \$ 1m and \$ 3m and 150-250 square meters. The management aims to grow at Adairs Homemaker (49 stores) because the AVS is \$ 2.5m to \$ 4.5m. They have 450 to 1,000 square meters. If we look at the contribution margin (sales - variable costs), in Adairs Homemaker, it is 30% vs. 10% -20% on regular Adairs. The medium-term goal is to reach an AVS of \$ 2.5m, the low range achieved by Homemaker stores.

8) **Agreement with DHL.**

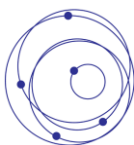
Throughout 2019, ADH suffered cost increases and problems with its distribution network and could not support its strong growth, especially in the online segment. To alleviate this situation, in February last year, ADH reached an agreement for DHL to operate its new NDC logistics center, which will be operational in July 2021. Thanks to this Agreement, we estimate specific improvements at the opex and circulating level for the next years.

9) **Track record since its IPO.**

Although ADH is not trading very far from its IPO price (\$ 2.4), its operating performance has been spectacular. Since 2015, ADH presents the following metrics: 1) + 10.74% CAGR in sales, 2) + 11.27% CAGR in operating profit and 3) + 48% CAGR in earnings per share.

RESULTS LAST FISCAL YEAR 2020

The last fiscal year (2020) has been spectacular, even considering that the stores were closed during April and May. Aggregate LFL of + 3.9% and strong growth of the online segment of + 110.5% (includes consolidation of Mocka), representing 35% of the total. Margins have also improved thanks to operational efficiency and the more significant weight of the online segment. Finally,



Earnings and earnings per share have grown to high double digits. Given the low visibility due to COVID-19, ADH chose to be conservative and reduce the dividend during year 20.

(\$ Million)	Adairs			Mocka 30-Week Contrib.	Group	
	Underlying FY20	Underlying FY19	Change (%)		Underlying FY20	Change (%)
Online Sales	95.2	59.0	61.4%	29.0	124.2	110.5%
Store Sales	264.7	285.4	-7.3%	-	264.7	-7.3%
Total Sales	359.9	344.4	4.5%	29.0	388.9	12.9%
Online % of Sales	26.5%	17.1%		100.0%	31.9%	
Gross Margin	221.2	203.8	8.5%	15.0	236.2	15.9%
Online freight costs	(10.7)	(6.7)	58.6%	(3.4)	(14.1)	109.2%
Gross Profit	210.5	197.1	6.8%	11.6	222.1	12.7%
CODB	148.6	146.0	1.8%	4.9	153.5	5.1%
EBITDA	61.9	51.1	21.0%	6.8	68.6	34.2%
Depreciation	7.8	7.7	2.0%	0.1	7.9	3.1%
EBIT	54.0	43.4	24.3%	6.7	60.7	39.7%
% Sales						
Gross Margin %	61.4%	59.2%	+226 bps	51.8%	60.7%	+154 bps
Gross Profit %	58.5%	57.2%	+125 bps	40.1%	57.1%	-12 bps
CODB %	41.3%	42.4%	-109 bps	16.8%	39.5%	-292 bps
EBITDA %	17.2%	14.8%	+234 bps	23.3%	17.6%	+280 bps
EBIT %	15.0%	12.6%	+239 bps	23.0%	15.6%	+299 bps

Note 1: Underlying FY20 v FY19 analysis is after removing the impact of the costs associated with the Mocka acquisition and AASB 16 (Leases). See Appendix 4 for reconciliation

Note 2: Store LFL sales adjusts for store closures due to COVID-19 (5-8 weeks in April/May 2020)

Graph 4: 2020 P&L Adairs.

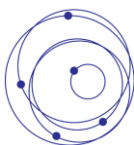
MANAGEMENT

Mark Ronan has been the CEO of the company since November 2016. However, he comes from internal positions, all of them with responsibility in recent years. Base salary is less than 50%, with a fixed salary of \$ 550,000 and a total remuneration of \$ 1m. Total compensation represents less than 0.25% of the market capitalization, which is always a good sign. The employees and members of the board of directors control 6.5% of the total outstanding shares. Mark holds 0.5%, a figure that seems sufficient to have "Skin in the game."

ANY POSSIBLE RED FLAG ACCOUNTING?

1) Goodwill and other intangibles:

In December 2019, ADH completed the acquisition of Mocka limited for a total amount of \$ 85m. IT distributed as follows: 1) \$ 46.5m in cash, 2) \$ 5.75m in ADH shares, and a contingent provision (earn-out) of \$ 32.3m spread over the next three years based on pre-tax profit targets. The earn-out computes under level 3 accounting assumptions; therefore, there can always be some



Subjectivity in its calculation. This operation raised goodwill of \$ 48.40m, which represents 56% of the transaction's value, and it is necessary to analyze in detail.

NOTE 13. BUSINESS COMBINATIONS

On 1 December 2019, the Group acquired all of the shares and voting rights in Mocka Limited ("Mocka"), a pure-play online retailer of home and living products operating in Australia and New Zealand. The acquisition has been accounted for using the acquisition method. The consolidated financial statements include the results of Mocka for the 30 week period from the acquisition date.

The fair values of the identifiable assets and liabilities of Mocka as at the date of acquisition were:

	Fair value recognised on acquisition \$'000
Assets	
Cash	3,939
Trade receivables	237
Inventories	6,644
Other assets	3,751
Property, plant and equipment	613
Right-of-use assets	2,549
Intangibles	33,114
Total Assets	50,847
Liabilities	
Trade payables	1,749
Lease liabilities	2,745
Provisions	114
Current tax liability	420
Deferred tax liability	9,734
Total Liabilities	14,762
Total identifiable net assets at fair value	36,085
Goodwill arising on acquisition	48,409
Purchase consideration transferred	84,494
Purchase consideration	
Cash paid	46,448
Shares issued	5,749
Contingent consideration liability	32,297
Purchase consideration transferred	84,494
Cash flow on acquisition	
Net cash acquired with the subsidiary	3,939
Cash paid	(46,448)
Purchase consideration transferred	(42,509)

Mocka's goodwill represents 35% of the total intangibles on the balance sheet, and although it is not a high amount, it is an amount to monitor. We must analyze which estimates ADH has assumed for its calculation and its future evolution, to rule out any possibility of future impairment.

Graph 4: Mocka acquisition business combination breakdown.

The key assumptions in the estimate of the recoverable amount of each CGU is as follows:

	As at 28 June 2020		As at 30 June 2019	
	Adairs \$'000	Mocka \$'000	Adairs \$'000	Mocka \$'000
Pre-tax discount rate	11.80%	12.85%	10.85%	Not applicable
Long term (terminal) growth rate	2.25%	2.25%	3.00%	Not applicable

Graph 5: Goodwill calculation estimate

In graph 5, we observe the hypotheses used to calculate goodwill in the purchase of Mocka. They seem reasonable to us, insofar as they are very conservative figures for a business in the online channel that is growing very strongly and expects to follow it.

VALUATION.

As always at DRACO GLOBAL, we calculate two different methods to estimate future revenues.

1) Sales in physical stores:

1.1) **Estimating the number of physical stores:** We estimate that ADH will open three stores in 2021 and four stores during the next four years. This calculation is in line with the management's goal of an opening between three and five stores per year. ADH will then go from 167 stores in 2020 to 186 in 2025.

1.2) **The average revenue per store (AVS):** In 2020, the RVS was \$ 1.6m. The company has a strategic plan to grow in Homemaker stores with greater size and profitability. Therefore, we estimate an annual growth of + 8% that implies an RVS in 2023 of \$ 2m.

1.3) **Sales growth:** Total sales growth is segmented as follows: 1) LFL of + 10% in 2021 and + 2% thereafter, 2) + 3% "upsizing" to more profitable and larger stores and 3) + 2% growth of new surface.

Segment data	June-17 2.017	June-18 2.018	June-19 2.019	June-20 2.020	June-21 2.021,0	June-22 2.022,0	June-23 2.023,0	June-24 2.024,0	June-25 2.025,0	CAGR 5yr
Revenue by geography										
Adair stores										
Addair Regular stores	97	99	100	102	102	102	102	102	102	
YoY Growth	11,49%	2,06%	1,01%	2,00%	0,00%	5,00%	5,00%	5,00%	5,00%	
New stores open	10	2	1	2	-	-	-	-	-	
Addair Homemaker stores	44	49	51	51	51	51	51	51	51	
YoY Growth	2,33%	11,36%	4,08%	0,00%	0,00%	5,00%	5,00%	5,00%	5,00%	
New stores open	1	5	2	-	-	-	-	-	-	
Addair Kids/UHR/Outlets	19	19	14	14	14	14	14	14	14	
YoY Growth	11,76%	0,00%	-26,32%	0,00%	0,00%	5,00%	5,00%	5,00%	5,00%	
New stores open	2	-	(5)	-	-	-	-	-	-	
Total Adair stores	160	167	165	167	170	174	178	182	186	
New stores open	-	7	(2)	2	3	4	4	4	4	
Total Adair Revenue - Method 1	241,20	273,20	286,00	264,70	304	326	349	373	399	5,56%
YoY Growth	5,47%	13,27%	4,69%	-7,45%	15,00%	7,00%	7,00%	7,00%	7,00%	
Space growth					2,00%	2,00%	2,00%	2,00%	2,00%	
Upload size					3,00%	3,00%	3,00%	3,00%	3,00%	
Like-for-Like growth					10,00%	2,00%	2,00%	2,00%	2,00%	
Total growth					15,00%	7,00%	7,00%	7,00%	7,00%	
Total Adair Revenue - Method 2					291	322	355	389	421	7,68%
					9,94%	10,54%	10,48%	9,40%	8,33%	
Adair Revenue by Store (m AUD) - Method 2	1,51	1,64	1,73	1,59	1,71	1,85	2,00	2,14	2,26	
YoY Growth	5,47%	8,52%	5,95%	-8,56%	8,00%	8,00%	8,00%	7,00%	6,00%	

Graph 6: Estimated sales in physical stores

Both calculations show sales of \$ 350m for 2023 and a CAGR to 2025 of + 5.5%. At the beginning of November, ADH communicated a trading update for the first 17 weeks of 2021.

LFL growth of + 17% above the + 15.8% published during the first five weeks. The growth rate will moderate for the next few years, but it remains in the high single digits.

2) **Online channel:**

With the end of quarantines and vaccines' arrival, the online channel's growth rate will be moderate in the coming years. However, in 2021 it will continue to be abnormally high. At the end of 2020, the online segment represented 24.5% of total sales, and we expect it to grow to 37% in 2023. We estimate total online sales (Adairs + Mocka) of \$ 205m to 2023, thanks to low double-digit growth and Mocka's consolidation since 2020.

Segment data	June-17 2.017	June-18 2.018	June-19 2.019	June-20 2.020	June-21 2.021,0	June-22 2.022,0	June-23 2.023,0	June-24 2.024,0	June-25 2.025,0	CAGR 5yr
Revenue by geography										
Adair online revenue	23,70	41,50	59,00	95,20	114,2	125,7	137,0	147,9	158,3	6,74%
YoY Growth	26,06%	75,11%	42,17%	61,36%	20,00%	10,00%	9,00%	8,00%	7,00%	
Mocka				0,00	52,80	60,72	68,01	74,81	80,79	8,88%
YoY Growth					30,00%	15,00%	12,00%	10,00%	8,00%	
Total Adair on-line + Mocka				95,20	167,04	186,4	205,0	222,7	239,1	7,43%
					75,46%	11,58%	9,98%	8,66%	7,34%	

Graph 7: Estimated sales in the online segment (Adairs + Mocka)

During the first five weeks of 2021, the online segment has continued to grow above + 100% due to the partial closure of stores in Melbourne. During the same period, Mocka has grown at + 48%. We expect it to continue growing very strongly, especially in Australia, where its market share is minimal compared to New Zealand.

3) **Operating margins:**

The combination of operational improvements and the online segment increase will keep gross and operating margins at high levels. We estimate that the cost of sales as % of sales will remain at 39% in 2021 but will rise to 41% in 2023. In SGA as % of sales, we expect to stay at 30% in the medium term. We estimate an average gross margin of 58% and an operating margin (Ebit margin) of 17% for 2021, which moderates 2022 and accelerates again from 2023.

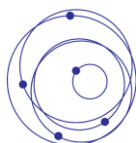
- 4) **Profit and EPS:** Net profit should be above \$ 60m in 2023, representing an EPS of \$ 0.36. The analysts' consensus is well below our estimates, but we convince them to revise upwards.
- 5) **Free Cash flow:** To calculate the free cash flow, we estimate the following: 1) Improvement in inventory days, from 95 days in 2021 to 90 days in 2025, 2) + 10% growth in deferred income due to an increase in the number of Linen members Lovers, 3) CAPEX of 3.5% on

Sales and 4) we adjusted for the increase in capital leases due to the accounting change related to IAS 16 (\$ 30m). With everything, **we reached an FCF in 2023 of \$ 78m.**

- 6) **Dividends:** ADH indicates that the payout (percentage of profit paid in dividends) will range between 65% and 80%. In our calculation, we estimate 65%.

We apply a multiple of 15x to the estimated profit or cash flow and adjust for the net debt position (includes earn-out of \$ 33m). In that case, we reach a target value of \$ 5.45, which represents a potential upside in three years of +70 % or an IRR of 19%.

In short, ADH seems like a great investment idea to us, with multiple future growth opportunities, a scalable business, multi-channel sales channels, good management execution, and adequate capital allocation.



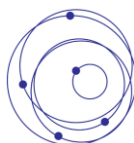
Appendix:

1) P&L.

Annual Income Statement					(AUD in millions)					CAGR 24e
	Fiscal Year Ending June 28,									
	2017	2018	2019	2020	jun.-20	2021	2022	2023	2024	
Total Revenue	265,0	314,8	344,4	388,9	388,9	471,4	512,1	553,5	595,6	6,02%
% Growth	4,7%	18,8%	9,4%	12,9%	12,9%	21,2%	8,6%	8,1%	7,6%	
Cost of Revenue	108,2	125,1	147,3	166,8	166,8	183,9	220,2	232,5	244,2	
Gross Profit	156,8	189,7	197,1	222,1	222,1	287,6	291,9	321,0	351,4	
% Margin	59,2%	60,3%	57,2%	57,1%	57,1%	61,0%	57,0%	58,0%	59,0%	
SG&A, Total	106,3	120,0	129,7	99,7	99,7	160,3	163,9	171,6	178,7	
R&D Expenses	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	
D & A, Total	5,2	5,7	6,4	38,6	38,6	46,7	50,7	54,8	59,0	
Other Operating Expenses	14,0	17,5	16,6	20,5	20,5	0,0	0,0	0,0	0,0	
Operating Expenses adj.	-	-	-	-	-	0	0	0	0	
Operating Income	31,3	46,4	44,5	63,3	63,3	80,6	77,3	94,6	113,8	8,99%
% Margin	11,8%	14,7%	12,9%	16,3%	16,3%	17,1%	15,1%	17,1%	19,1%	
Net Interest (Expense)/Inco	(1,9)	(1,4)	(1,2)	(5,9)	(5,9)	(11,2)	(10,0)	(8,2)	(5,6)	
Other, Net	0,2	0,0	0,3	(0,4)	(0,4)	0,0	0,0	0,0	0,0	
EBT Excl. Unusual Items	29,6	44,9	43,6	57,0	57,0	69,5	67,3	86,4	108,1	
Income Tax Expense	7,9	13,3	12,6	17,5	17,5	20,8	20,2	25,9	32,4	
Earnings from Cont. Ops.	21,7	31,7	30,9	36,0	36,0	48,6	47,1	60,5	75,7	
Minority Interest	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	
Net Income to Parent	21,7	31,7	30,9	36,0	36,0	48,6	47,1	60,5	75,7	11,70%
% Margin	8,2%	10,1%	9,0%	9,3%	9,3%	10,3%	9,2%	10,9%	12,7%	
Diluted EPS Excl Extra It	0,13	0,18	0,18	0,21	0,21	0,29	0,28	0,36	0,44	11,70%
% Growth	(22,7%)	45,4%	(3,0%)	17,8%		35,7%	31,5%	24,4%	60,6%	

2) Balance sheet.

Annual Balance Sheet									
	Ending					Fiscal Year Ending June 28,			
	2017	2018	2019	2020	06/28/20	2021	2022	2023	2024
Cash	14,3	12,7	16,7	23,9	23,9	23,9	23,9	23,9	23,9
Short-Term Investments	0,0	1,1	1,6	1,3	1,3	1,3	1,3	1,3	1,3
Trading Asset Securities	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Total Receivables	0,7	0,8	1,9	2,9	2,9	3,9	4,2	4,5	4,9
Inventory	33,0	33,6	42,8	43,4	43,4	46,8	54,9	57,3	60,2
Prepaid Expenses	3,3	4,5	4,7	5,4	5,4	6,5	7,1	7,7	8,3
Other Current Assets	0,5	1,8	1,1	0,7	0,7	0,8	0,9	1,0	1,1
Total Current Assets	51,8	54,5	68,7	77,6	77,6	83,3	92,3	95,7	99,6
Net PP&E	20,2	20,9	20,9	115,2	115,2	115,0	112,3	106,8	98,7
Long-Term Investments	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Goodwill	69,9	69,9	69,9	118,3	118,3	118,3	118,3	118,3	118,3
Other Intangibles	44,7	44,3	43,6	77,8	77,8	77,8	77,8	77,8	77,8
Other Assets	6,0	5,4	0,0	0,1	0,1	0,2	0,2	0,2	0,2
Total Assets	192,7	195,0	203,1	389,1	389,1	394,6	400,9	398,9	394,7
Accounts Payable	17,5	14,2	19,5	18,0	18,0	19,6	23,5	24,8	26,1
Accrued Expenses	8,0	10,6	12,6	15,9	15,9	19,3	20,9	22,6	24,3
Other Current Liabilities	6,5	9,4	14,6	24,2	24,2	25,9	28,2	30,4	32,8
Total Current Liabilities (i	32,1	34,2	46,6	58,0	58,0	64,8	72,6	77,9	83,2
Total Debt (excl. Working C	0,0	(0,0)	(0,1)	113,5	113,5	113,5	103,0	70,4	30,2
Working Capital Revolver	41,9	25,0	25,0	26,0	26,0	11,5	0,0	0,0	0,0
Finance Division Other Nor	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Other Liabilities	18,4	19,7	13,2	51,0	51,0	47,1	51,2	55,3	59,6
Total Liabilities	92,4	78,8	84,8	248,6	248,6	237,1	226,8	203,7	173,0
Common Stock	100,3	116,2	118,3	140,6	140,6	157,6	174,1	195,3	221,7
Minority Interest	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Total Equity	100,3	116,2	118,3	140,6	140,6	157,6	174,1	195,3	221,7
Total Liabilities & Equity	192,7	195,0	203,1	389,1	389,1	394,6	400,9	398,9	394,7



3) Statements of cash flows.

Annual Cash Flow Statement									
	Fiscal Year Ending June 28,								
	2017	2018	2019	2020	06/28/20	2021	2022	2023	2024
Net Income	21,0	30,6	29,6	35,3	35,3	48,6	47,1	60,5	75,7
D&A	5,2	5,7	6,4	38,6	38,6	46,7	50,7	54,8	59,0
Amortization of Goodwill & I	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Other Non-Cash Items, Tot	1,0	1,3	1,5	1,1	1,1	(3,9)	4,0	4,1	4,2
Change in Net Operating A	0,5	1,5	(2,5)	22,4	22,4	1,2	(1,2)	1,9	1,4
Cash Flow from Operatio	27,6	39,1	35,0	97,3	97,3	92,6	100,6	121,3	140,3
Capital Expenditure	(11,3)	(7,1)	(7,0)	(7,5)	(7,5)	(46,5)	(47,9)	(49,4)	(50,8)
Sale of PP&E	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Cash Acquisitions	0,0	0,0	0,0	(42,5)	(42,5)	0,0	0,0	0,0	0,0
Divestitures	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Invest. in Marketable & Equ	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Other Investing Activities	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Cash Flow from Investin	(11,3)	(7,1)	(7,0)	(50,0)	(50,0)	(46,5)	(47,9)	(49,4)	(50,8)
Total Cash Dividends Paid	(16,6)	(16,6)	(24,1)	(13,3)	(13,3)	(31,6)	(30,6)	(39,3)	(49,2)
Issue/(Retire) of Debt	0,0	(17,0)	0,0	1,1	(25,9)	0,0	0,0	0,0	0,0
Bank Revolver (Paydown)/Draw						(14,5)	(11,5)	0,0	0,0
LT Debt (Paydown)						0,0	(10,5)	(32,6)	(40,2)
Issue/(Retire) of Common E	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Issue/(Retire) of Pref Equity	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Other Financing Activities	(0,1)	0,0	(0,1)	(0,9)	(0,9)	0,0	0,0	0,0	0,0
Cash Flow from Financin	(16,7)	(33,6)	(24,1)	(13,0)	(40,0)	(46,1)	(52,7)	(71,9)	(89,4)
Adjusted Free Cash Flow	16,3	31,8	27,9	89,1	89,1	53,9	59,7	77,7	93,4

Legal warning

DRACO GLOBAL SICAV register in the Registry of Variable Capital Investment Companies with number 1321 and CIF A-95105227. The management entity of GESIURIS ASSET MANAGEMENT SGIIC, SA registered in the registry of entities of the National Securities Market Commission under number 37. The depositary company, BNP PARIBAS SECURITIES. It is registered in the Official Register of Banks and Bankers with number 206.