



Accent Group LIMITED

**RESULTS
PRESENTATION
FOR THE HALF
YEAR ENDED
31 DECEMBER 2017**



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About Accent Group Limited



Accent Group Limited (AX1) is a regional leader in the retail and distribution sectors of performance and lifestyle footwear, with over 445 stores across 10 different retail banners and exclusive distribution rights for 10 international brands across Australia and New Zealand. Our brands include:^(b)



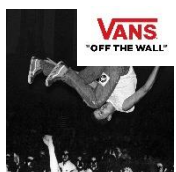
The Athlete's Foot

With 148 stores, The Athlete's Foot (TAF) is Australia's largest specialty athletic footwear retailer, known for its exceptional in-store customer service experience.



Dr. Martens

Dr Martens range of footwear was born in 1960, and has transformed from a reliable work boot to a popular representation of rebellion and free-thinking youth culture.



Vans

A staple for skaters and surfers, Vans has a strong heritage in action sports, and prides itself on being grounded in youth, authenticity and individual style. The Accent Group operates 17 Vans stores.



Sperry

Sperry Top-Sider is the original and authentic boat shoe brand, and is for people drawn to the surf, sun and soul of the ocean.



Platypus Shoes

With 96 stores across Australia and NZ, Platypus is the region's largest multi-branded sneaker destination, offering a wide range of iconic sneakers from around the world



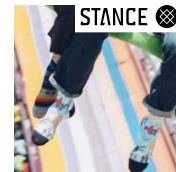
Skechers

Skechers is a global leader in lifestyle and performance footwear. The Accent Group operates 78 Skechers stores across Australia and New Zealand.



Timberland

Inspired by the company's New England heritage, Timberland is a brand true to the outdoor lifestyle. The Accent Group operates 8 Timberland stores.



Stance

Dedicated to the spirit of individuality, the Stance range of action-sport socks offers cutting-edge style, extreme comfort and exceptional durability.



Hype DC

Hype DC is a retailer of premium, exclusive and limited edition sneakers, curated from the world's leading brands. It has 64 stores across Australia.



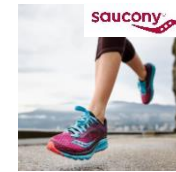
Merrell

Merrell is one of the worlds leading brands of performance outdoor and adventure footwear. The Accent Group operates 21 Merrel stores.



CAT

Cat Footwear and apparel has been designed and engineered to live up to the hard-working reputation of the Caterpillar brand. Made with uncompromising toughness and style.



Saucony

Saucony exists for runners. This focus and passion drives Saucony to create the world's best running shoes and apparel.

(b) Store numbers include online stores; other Accent Group Ltd. brands not reflected include Podium Sports (9 stores)

Half-year highlights^(a,b)

Underlying EBITDA



17%
\$50.0m

Underlying NPAT



13%
\$26.3m

Underlying EPS



12%
4.94c

H1 FY18 Dividend
3.0 cents



Cashflow From Ops
\$31.1m

Underlying Sales



17%
\$350m

Total number of stores



+15
445 stores

Digital sales growth



170%

- a) Unless otherwise stated all 1H18 results and references to growth in this presentation are based on 1H18 underlying results and proforma underlying 1H17 results. The pro-forma underlying results for the half-year to 25 December 16 include the sales, gross profit and EBITDA for Hype DC for the full period including the period prior to completion (1/7/16 – 3/8/16). 1H17 proforma sales of \$300.6m include \$10.7m of sales for the Hype business, reported sales for the period were \$289.9m. A reconciliation between underlying and reported financial information is provided in the Appendix.
- b) Due to movements in the retail calendar, the first week of post-Christmas sales (week commencing 25th December 2017) which is a key trading week is included in H1 FY18 (half year ended 31st December 2017). In FY17 this post-Christmas week was reported in the second half. On a year to date basis, by the end of January this trading week is also included in the LY numbers with underlying (unaudited) EBITDA as at the end of January up 12% on prior year. It should be noted that FY17 was 53 weeks, with the second half being 27 weeks. FY18 is a standard 52 week financial year with 26 weeks in each half. Due to trading patterns we do not expect any material impact to profit in FY18. Unless otherwise stated this note applies to all financials in this release.

H1 FY18 summary financial performance **Accent Group** LIMITED

Financial Summary

Underlying Profit & Loss (\$000's)	Half-year to 31st Dec 2017	Pro- forma ^(a) - Half-year to 25 Dec 2016	Var LY
Sales	350,257	300,577	16.5%
Gross Profit	190,831	161,473	18.2%
Gross Margin (%)	54.5%	53.7%	0.8%
CODB	-152,620	-131,090	16.4%
CODB %	43.6%	43.6%	0.0%
Royalties and franchise fees	7,323	7,426	-1.4%
Other Income	4,462	3,496	28%
Underlying Consolidated EBITDA	49,996	42,903	16.5%
Underlying depreciation & amortisation	-10,664	-8,276	28.9%
Underlying Consolidated EBIT	39,332	34,627	13.6%
Net interest (paid) / received	-1,870	-1,396	34.0%
Underlying Consolidated PBT	37,462	33,231	12.7%
Pro-forma taxation at the effective tax rate ^(b)	-11,157	-9,942	12.2%
Underlying Net Profit After Tax	26,305	23,289	13.0%

a) Underlying Pro-forma results (refer to note a) on slide 4

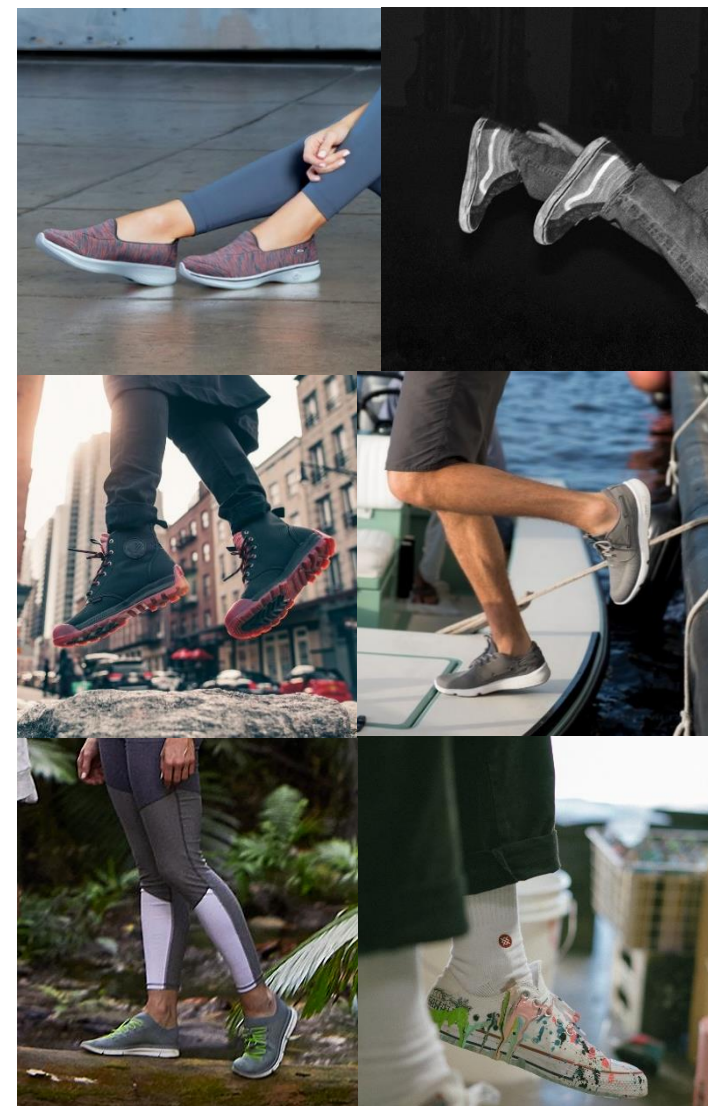
b) Pro-forma taxation is calculated by multiplying the underlying PBT by the effective tax rate

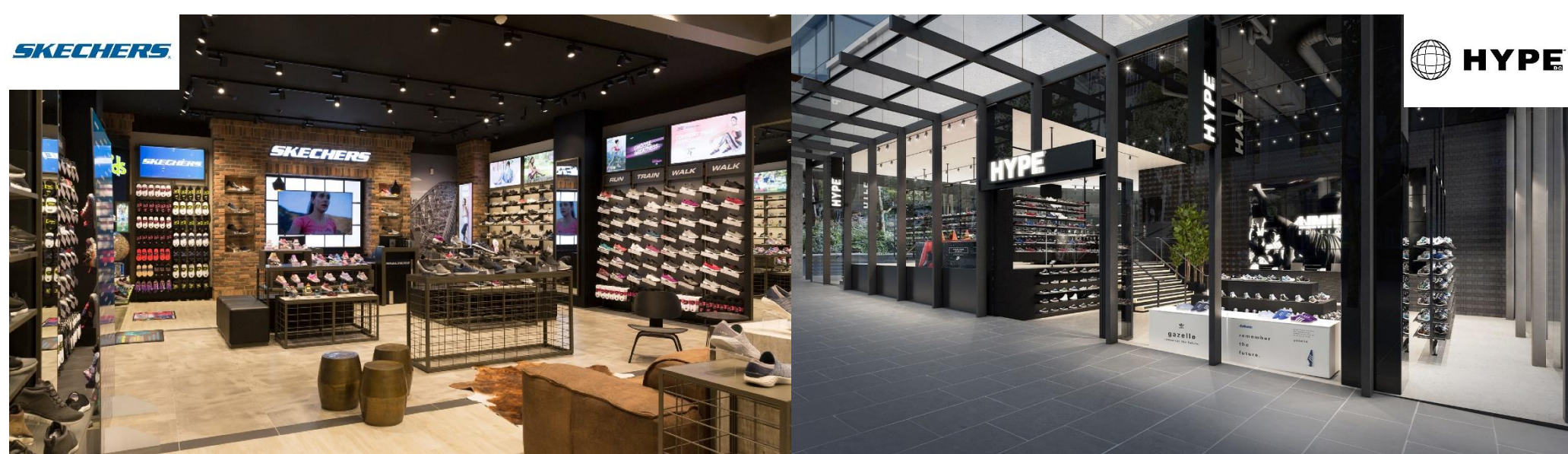
Operating Highlights

Sales	<ul style="list-style-type: none"> Total sales of \$350.3m, up 17%^(a) on an underlying basis, reported sales up 21% driven by; <ul style="list-style-type: none"> Continued online sales growth of 170% LFL retail sales up 1% (including The Athletes Foot franchise stores) New and annualising stores, 22 new stores opened during the half, 7 closures Planned decision to delay the half year clearance sale for most banners to maximise full margin sales
Gross Profit	<ul style="list-style-type: none"> Gross profit of 54.5% up 0.8% reflecting strong retail growth, full margin sales in December and clean wholesale inventories
CODB	<ul style="list-style-type: none"> CODB increase due to additional operating costs associated with new stores, ongoing investment in infrastructure for new stores, the digital support team and digital marketing Significant ongoing focus on front line productivity and achieving sustainable store occupancy outcomes at lease renewal
EBITDA	<ul style="list-style-type: none"> Underlying EBITDA of \$50.0m, up 16.5%

Earnings and dividends per share

\$000's	Half-year to 31st Dec 2017	Half-year to 25 Dec 2016	% Change
<u>Underlying Diluted Earnings Per Share</u>			
Underlying Net Profit After Tax ^(a)	26,305	23,289	13.0%
Less non-controlling interests	39	-11	
NPAT used in the calculation of underlying EPS	26,344	23,278	13.2%
Weighted average number of shares (in thousands)	533,374	528,428	0.9%
<u>Underlying Earnings Per Share (cents)</u>	4.94	4.41	12.1%
<u>Reported Diluted Earnings Per Share</u>			
Reported Net Profit After Tax ^(a)	25,260	21,207	19.1%
Adj. for non-controlling interests	39	-11	
NPAT used in the calculation of underlying EPS	25,299	21,196	19.4%
Weighted average number of shares (in thousands)	533,374	528,428	0.9%
<u>Reported Diluted Earnings Per Share (cents)</u>	4.74	4.01	18.3%
<u>Dividends per share</u>			
<u>Ordinary fully franked dividend (cents)</u>	3.00	3.00	0.0%





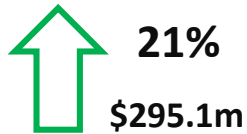
Retail Update



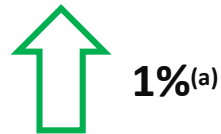
Retail Performance

Key Financial Highlights

Retail sales



LFL sales



Store Network ^(b)	H1 FY18	FY17
PLATYPUS	96	91
SKECHERS	78	67
HYPE	64	65
The Athlete's Foot	148	146
VANS	17	17
Timberland	8	7
MERRELL	21	21

a) LFL sales include The Athlete's Foot franchise stores

b) Includes The Athlete's Foot franchise stores, see Appendix for full store network

Commentary

H1 FY18 Highlights

- LFL retail sales of 1%^(a) across all banners on an aggregate basis
- **Total digital sales grew by 170%** on top of the 100% growth achieved in FY17
- **Strong performance in Platypus, Skechers and Vans** with significantly improved performance and future upside opportunity in Hype.
- TAF sales were below expectations, however with the continued rollout of the new performance store format and the decentralised eCommerce platform, the business is confident of returning to sales and profit growth
- Rolled out **22 new stores** across the business, 7 store closures where sustainable renewal terms could not be achieved with landlords
- Refurbishment of 14 stores including 8 additional TAF stores upgraded to the new performance concept
- Launch of brand new, best-in-class Timberland and Platypus and Skechers New Zealand websites
- Continued roll out of click-and-collect and click-and-dispatch capability across the retail network, now in over 100 stores


Growth Opportunities FY18 and beyond

- Continue store rollout, particularly for Skechers, Platypus and Hype New Zealand
- Build on Omnichannel capability including extending click-and-collect and click-and-dispatch to all brands and locations, endless aisle, AfterPay and 3 hour delivery and eCom decentralisation in TAF
- Enhanced vertical integration of distributed brands across the store network
- Investigation of international growth opportunities

Omni-Channel

MERRELL 

The  Athlete's Foot

 **HYPE**

PLATYPUS 

Timberland 










VANS

SKECHERS



Omni-channel

The Accent Group offers customers a market leading omnichannel experience with over 400 physical points of presence throughout Australia and New Zealand and an integrated eCommerce capability across its TAF, Platypus, Hype, Skechers, Vans, Merrell, Saucony and CAT brands.

 <p>Sales</p> <ul style="list-style-type: none"> Total digital sales grew by 170% during Jul-Dec. Omni-channel sales target of ~15% of total sales within three years. 	 <p>Endless Aisle</p> <ul style="list-style-type: none"> Provides the ability to shop the entire store network catalogue from within each store. To be implemented in most banners during FY18.
 <p>Technology</p> <ul style="list-style-type: none"> Market-leading eCommerce platforms. Launch of three new eCommerce sites on Magento 2 so far in FY18 and another two to follow. Opened state-of-the-art Digital Hub in Melbourne, delivering operational efficiencies, improving speed to market and accelerating trading results. 	 <p>Decentralisation</p> <ul style="list-style-type: none"> During Q3 of FY18, the TAF eCommerce capability will be decentralised to deliver a seamless customer experience across all channels including click-and-collect, click-and-dispatch and endless aisle.
 <p>Click & Collect</p> <ul style="list-style-type: none"> With 445 stores across Australia & NZ, Accent Group is a true omni-channel retailer. C&C accounted for 17% of digital sales in Platypus & Skechers from Jul-Dec. C&C is to be rolled out to Hype and significantly enhanced in TAF during Q3. 	 <p>afterpay</p> <ul style="list-style-type: none"> Has been implemented across all eCommerce sites and has had a significant impact on transactions, conversion rate and average basket size. In Q2 we completed the rollout of Afterpay in all Platypus, Hype, Skechers, Vans, Timberland stores. TAF stores have now been live with Afterpay for 12 months.
 <p>Click & Dispatch</p> <ul style="list-style-type: none"> Opens the entire inventory catalogue of all stores to the online customer. C&D has grown quickly and accounted for 31% of digital sales in Platypus, Hype & Skechers. C&D is currently live in 127 stores across Hype, Platypus, Skechers, Vans & Timberland stores. C&D will be rolled out to another +220 stores (80% of network) in H2 FY18. 	 <p>3 hr delivery</p> <ul style="list-style-type: none"> Given the group's substantial store network, industry leading 3-hour delivery to most population centres will be rolled out from Q4 FY18, providing our banners with best-in-class customer service and a strong competitive advantage.
	 <p>Capability Platform</p> <ul style="list-style-type: none"> During FY18, a number of additional strategic initiatives including CRM & Loyalty, integrated in-store technology, together with expanded social, content and personalisation capability will be extended across Hype, Platypus, Skechers, Vans, Timberland & TAF.



Wholesale Update

Wholesale Performance

Key Financial Highlights

Wholesale sales
2.5%
\$55.1m



Wholesale Gross Profit



Vertical Distribution and Wholesale



Commentary

H1 FY18 Highlights

- Wholesale sales were in line with expectations for the half. Accent continues to drive the growth of its exclusive brands through its vertical channels and key retail partners
- Wholesale margin improvement due to cleaner inventories and improved exchange rates
- Key brand highlights include:
 - Dr Martens grew strongly driven by a resurgence in the heritage "1450" boot style and the introduction of an "industrial category and wider seasonal product assortment
 - Vans continued its strong performance driven by the classic Old Skool sneaker and trend to board culture.
 - Merrell has continued to grow share in the outdoor category, strengthened by the launch of Moab 2.
 - CAT continues to drive growth through continued innovation and new product in both industrial workwear and footwear
- The business has also successfully concluded a further three-year agreement with VF Corporation for the Vans distribution licence.

Growth Opportunities FY18 and beyond

- In discussions with several new global brands for ANZ distribution licences
- Continued investigation of future opportunities for existing distribution agreements
- Continued penetration of vertical brands in our retail banners

Corporate Matters:
Vision & Guiding principles
Core Value proposition
Management & Board
changes



Our Vision and Guiding Principles

Strategic Vision

To lead the performance and lifestyle footwear market across Australia and New Zealand, by delivering world-class consumer experiences, harnessing the power of our people, partnerships and products

Key Guiding Principles

Shareholder

- 1 Delivery of outstanding, long-term returns to shareholders through the delivery of sustainable sales and profit growth across its businesses. Compound annual shareholder returns of 22% over past 11 years
- 2 Delivery of sustainable and growing dividends flowing from the high quality cash flows from its defensible and desirable business
- 3 Maintenance of a strong, conservatively geared balance sheet

Company

- 1 **Customers First** - always
- 2 **Attitude** – can do, accountable, humble, open, curious
- 3 **Teamwork** – success through teams not individuals
- 4 **Excellence** – in everything we do, no complacency
- 5 **Empathy** – warmth and respect
- 6 **Sense of urgency** – consider all options, act decisively
- 7 **Communication** – open, regular and two-way
- 8 **Integrity** – doing what we say we will

Our Core Value Proposition

Ensuring our business remains distinctive, desirable and defensible

Defend and grow our position as the leading player in performance and lifestyle footwear in Australia and NZ	Best-of-breed retail through premium store fitouts, visual merchandising and in-store experiences	Approximately 40% of retail sales from vertical and exclusive brands	
Partner of choice with suppliers, key brands and landlords	Best-in-class omni-channel capability	Diversified business, with multi-brand portfolio, various channels to market and geographic spread	Outstanding culture, values and can do attitude at all levels
Established track record of integrating organic and acquisitive growth to seed further opportunities	Experienced management team with deep retail sector intelligence and meaningful alignment with shareholders	Best-in-class back-office architecture to drive organic and acquisitive growth	

MANAGEMENT CHANGE

- After more than 11 years with the company and having completed the successful acquisition and integration of the Accent and Hype businesses Hilton Brett, Co-CEO, announced his retirement from the company effective from 31 March 2018
- During his tenure, the business achieved 22% compound annual returns and has become the regional leader in the retail and distribution of performance and lifestyle footwear
- Daniel Agostinelli will become the sole CEO of the group
- Chairman of the Board, David Gordon, said "On behalf of the board, management team, and shareholders, I would like to thank Hilton for the role he has played leading the team and transforming the group into a world class performance and lifestyle footwear business. We wish him every success for his future."

BOARD CHANGES

- As has already been announced, several key board changes have already taken place during FY18 including the retirement of Ivan Hammerschlag as chairman, the appointment of David Gordon to that role and the appointments of Stephen Goddard, Donna Player and Brett Blundy as non-executive directors.
- Continuing the Board transformation process, Danny Gilbert and Craig Thompson have announced their retirement from the board, effective 31 March 2018.
- Mr Thompson is a co-founder of the Accent business and Mr Gilbert is a co-founder of the Hype DC business.
- The board and management wish to thank both Craig and Danny for their vision and support in growing the business to the success it has become.

A woman with long, wavy blonde hair is sitting on a wooden floor, leaning against a grey wall. She is wearing a light pink mesh tank top, dark blue leggings, and maroon slip-on shoes. She is smiling and looking down at her hands, which are resting on her knees. The background is a simple, textured grey wall.

Dividends Trading update Outlook

Trading update and FY18 outlook

DIVIDENDS

- Accent Group has declared a fully franked interim dividend of 3.0 cents per share, payable on 22 March 2018 to shareholders registered on 2 March 2018
- Accent Group expects its dividend payout ratio to be between 75% and 80% of underlying earnings per share in respect of FY2018

TRADING UPDATE

- We are encouraged by the start to the second half, for the first seven weeks of the half LFL retail sales are up 4.0% on the same period in the prior year
- The underlying (unaudited) EBITDA for the first seven months of the year, which is a comparable period was up 12% and was ahead of plan. Whilst the results to-date support our expectations for another year of profit growth the macro conditions and consumer environment remain volatile.
- The group has forward cover at an average rate of \$0.74 of 100% of its expected FY18 USD purchases (vs \$0.70 in FY17) . FY19 is covered for around 75% of our forward purchases at c\$0.77

OUTLOOK

- The business is well positioned to defend against new market entrants and capitalise on growth opportunities. It is our intent moving forward to avoid lazy, discount fuelled retailing, instead driving profitable sustainable sales and margin growth through our world class omnichannel offering, best in class websites and fulfillment infrastructure, exciting store environments and the magic of our in-store customer experience.



Appendix

Appendix

RECON. OF UNDERLYING PROFIT TO REPORTED PROFIT

\$000's	Half-year to 31st Dec 2017	Half-year to 25 Dec 2016	% Change
Underlying Consolidated EBITDA	49,996	42,903	16.5%
Less: Hype DC EBITDA prior to Completion (1/7/16 - 3/8/16)		-1,598	
Less: Cost of Executive Performance Rights issued in October 17	-327		
Reported EBITDA	49,669	41,305	20.2%

\$000's	Half-year to 31st Dec 2017	Half-year to 25 Dec 2016	% Change
Underlying Net Profit After Tax	26,305	23,289	13.0%
Add back pro-forma taxation	11,157	9,942	
Underlying consolidated PBT	37,462	33,231	12.7%
Less: Hype DC EBITDA prior to Completion (1/7/16 - 3/8/16)		-1,598	-
Add: Hype DC Depreciation prior to Completion (1/7/16 - 3/8/16)		277	-
Less: Cost of Executive Performance Rights issued in October 17	-327		
Less: Amortisation of intangibles arising on acquisition of Accent	-1,162	-1,650	
Profit before tax per statutory accounts	35,973	30,260	18.9%
Taxation	-10,713	-9,053	18.3%
Reported Net Profit After Tax	25,260	21,207	19.1%












NON-IFRS FINANCIAL INFORMATION

- The Accent Group management believes that the presentation of additional non-IFRS information in its investor presentations provides readers with a greater understanding of the underlying performance of the business and the way in which performance is monitored.
- Non-IFRS financial information is financial information that is presented other than in accordance with all relevant accounting standards and includes items such as underlying EBITDA, EBIT, PBT, NPAT and EPS.
- All care is taken to clearly identify non-IFRS financial information to enable the reader to differentiate it from reported/IFRS financial information. Moreover, where necessary non-IFRS information is reconciled to reported/IFRS financial information, including in the table above.
- The Australian Securities and Investments Commission (ASIC) acknowledges the relevance of non-IFRS financial information in providing "meaningful insight" as long as it does not mislead the reader.

Store network and distribution agreements

Store Network ^(a)	TAF	Platypus	Skechers	Vans	Timberland	Podium	Merrell	Hype	Other	Total
Stores at end of FY17	146	91	67	17	7	9	21	65	7	430
FY2018										
YTD movement	2	5	11		1			(1)	(3)	15
Current store count	148	96	78	17	8	9	21	64	4	445
Fct Δ for remainder of FY18	(4)	3	3	2	(1)				1	4
Planned stores at end of FY18	144	99	81	19	7	9	21	64	5	449

(a) includes e-commerce stores

Distribution agreements	Effective date	Expiry date	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Timberland	Jan-16	Dec-18							
Palladium	Jan-14	Dec-18							
CAT Footwear	Jan-16	Dec-18							
Saucony	Dec-13	Dec-18							
Stance	Feb-16	Jun-19							
Sperry	Jan-16	Dec-19							
Merrell	Jan-15	Dec-19							
Dr. Martens	Nov-15	Oct-20							
Vans	Feb-18	Dec-20							
CAT Apparel	Jan-16	Dec-20							
Skechers	Feb-16	Dec-26							

Appendix

IMPORTANT NOTICE AND DISCLAIMER

This presentation contains summary information about the Accent Group Limited which is current as at the date of this presentation.

This presentation contains certain forward-looking statements, including indications of, and guidance on, future earnings and financial position and performance. Such forward-looking statements are based on estimates and assumptions that, whilst considered reasonable by the Accent Group, are subject to risks and uncertainties. Forward-looking statements are not guarantees of future performance and are provided as a general guide only. They should not be relied upon as an indication or guarantee of future performance. Actual results and achievements could be significantly different from those expressed in or implied by this information. Neither the Accent Group nor its directors give any assurance that the forecast performance in the forecasts or any forward-looking statement contained in this presentation will be achieved.

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