ASX Announcement

Accent Group Limited
2018 Annual General Meeting
Chairman and CEO address
23 November 2018

CHAIRMAN, DAVID GORDON

Good morning ladies and gentlemen. My name is David Gordon and, on behalf of the Board, it is my pleasure as Chairman to welcome you to the 2018 Annual General Meeting of Accent Group Limited.

The Company Secretary informs me that a quorum is present and I now declare the meeting open.

Joining me today is Daniel Agostinelli, our Chief Executive Officer, and our non-executive directors Michael Hapgood, Stephen Kulmar, Donna Player and Stephen Goddard. Our other non-executive director, Brett Blundy, sends his apologies, he had a prior commitment that he was unable to rearrange.

We are also joined by our Chief Financial Officer and Joint Company Secretary, Matt Durbin, and our General Counsel and Joint Company Secretary, Celesti Harmse. A number of our leadership team members are also in the room, as well as the Company's auditor, Deloitte, represented by partner David White.

At today's meeting, we will be considering a number of matters set out in the Notice of Meeting dated 22 October 2018 that was sent to all shareholders.

Before we address the resolutions set out in that Notice, I will ask Daniel Agostinelli to address some of the highlights and growth initiatives of the Company.

I will then give you an overview of our FY18 results and how we are continuing to create value for our shareholders, before providing a trading outlook and update. We will then proceed to the formal business of the meeting.

I will now hand over to Daniel, our Chief Executive Officer, to address the meeting.

CHIEF EXECUTIVE OFFICER, DANIEL AGOSTINELLI

Thank you David and good morning everyone.

I am absolutely delighted to report that we delivered a record full year profit in FY18. David will go into more detail on our results later in the presentation, but it's fair to say that its been a great year for Accent Group. Even in the face of a challenging consumer environment and increasing overseas competition.

How did we do it? By having the best people executing our strategy of delivering a best in class customer experience. The driving force behind our performance is our growth plan and I will now take you through the key elements of that plan.

New stores

At the same time as we are focussing on our digital growth, we continue to open new stores at a faster rate than anticipated, with more than 40 stores now expected to open in FY19. And we are not just opening new stores, we are investing in new store concepts and refurbishments, to bring our customers a world class retail experience. We don't do average in this business and that is reflected in our store concepts. We have launched truly "next level" concepts in some of our Hype and Platypus stores with great results.

And on top of that, we are opening 2 Platypus "megastores". They will be "mega" both in size (around $600m^2$) and range, with a showcase of third-party brands as well as a full range of Accent vertical brands and accessories. The first of these will open in Melbourne Central in the next few weeks, with Pitt Street in Sydney to follow after that.

Digital

The growth in our digital business is continuing to accelerate beyond expectations.

Total digital sales, including click-and-collect and click-and-dispatch, grew 131% during FY18. And year to date, we are up around 88% on last year.

Same day delivery launched in some Platypus stores in July and will be rolled across our network in FY19. This service caters to the growing consumer demand for instant gratification and we are responding to those expectations from our customers.

And not only do they want it fast, they want a full range no matter where they choose to shop. So we are launching endless aisle across all our banners, to open our entire inventory catalogue of all stores and our online warehouse to the in-store customer. And when we combine these initiatives, click-and-collect, click-and-dispatch, endless aisle and same day delivery, we deliver an integrated, seamless customer experience unlike any other retailer in our sector.

We also launched a new premium kids lifestyle product website in October, called The Trybe. This is a sector where we see lots of potential for growth and we look forward to seeing this brand grow and develop in FY19.

Brand licence renewals

We continue to successfully renew our key long-term licence agreements. We have some of the hottest brands in the world and these ongoing renewals demonstrate the trust they have in us to continue to deliver outstanding results.

New and vertical brands

We've talked a lot about our focus on margin improvement, and a big part of that is our vertical and emerging brands. We've signed new exclusive brands Supra, Sneaker Lab, Filling Pieces and AARK and started rolling out vertical (or "own brand") accessories, socks and shoe cleaners at the start of November.

The Athlete's Foot
The buy back of The Athlete's Foot franchisee stores continues to be a key focus and is in fact progressing faster than we anticipated. We are now at 39 corporate stores, with a further 4 signed since we announced our year end results and we expect to finish FY19 with approximately 50 corporate stores. Building a strong network of corporate stores will enable us to provide brand leadership, deliver a great customer experience and, of course, more profit!

Subtype acquisition
Another initiative I'm very excited about is our acquisition of Subtype, a premium lifestyle and streetwear retailer. With only one store in Sydney currently, this business caters to the savviest consumer and features the hottest items from the hottest brands. You can see on the slide that the store looks incredible, and check out the line on the right for the latest Yeezy release earlier this month, which sold out 28 seconds!

We will explore the possibility of opening of a few more Subtype stores in premium locations, but this brand will remain exclusive, give us an insight into the latest trends, improve even further our relationship with suppliers and provide access to top tier and exclusive products to those dedicated customers.

Our steadfast commitment to this growth plan is reflected in our results and, with the powerful combination of a great team, I look forward to a great FY19.

Thank you. I will now hand you back to our Chairman, David Gordon, to give you an overview of our FY18 results and our trading outlook before conducting the formal business of the meeting.

CHAIRMAN, DAVID GORDON

FY19 Financial Performance
Thanks Daniel. It is now my pleasure to give you an overview of the Company's financial performance in FY18.

As you can see from the slide behind me, the Company improved its performance on every key financial metric in FY18. Underlying EBITDA increased by 16% to reach $90.8 million, with underlying Net Profit After Tax increasing by 18% to $47.1 million. The Company also improved its net debt position, with $30 million of debt repaid in FY18, and the debt facilities refinanced in advance of their maturity.

The Board is fully supportive of the growth strategy that Daniel and his team is driving, and that is reflected in these record results.

Shareholder Value Creation
And these results have also translated into continued value creation for our shareholders. In FY18, Earnings Per Share was up 17.3% to 8.78 cents. And the Company paid full year dividends of 6.75 cents per share, up 12.5% on the prior year. The increased final dividend signals the confidence of the Board in the performance and financial strength of the company, and in FY19 year we expect a dividend payout ratio of 75% to 80% of net profit after tax.

On a longer-term view, our Company has delivered total shareholder returns over the last 5 financial years of 177%, or a compound annual growth rate of 22.6% per annum. Earnings per share growth has also been strong, with 15.3% compound annual growth over that period.

Our Company continues to deliver increased shareholder value through a strong balance sheet, sustainable sales and profit growth.

Trading update and outlook

Now turning to trade and outlook.

The Company's full year FY18 results announcement in August 2018 outlined that Accent Group was targeting mid-single digit EBITDA growth in FY19 driven by:

- low single digit like-for-like (or 'LFL') store growth, continued strong growth in digital and growth from new stores;
- continued margin improvement through increasing vertical brands penetration, new emerging brands and reduced discounts (which will primarily benefit the first half); and
- The Athlete's Foot new corporate store acquisitions program which is expected to be EBITDA neutral for FY19 after implementation costs.

The overall results for the first 20 weeks of FY19 have been materially stronger than expected, as a result of the following factors:

- LFL sales after the first 20 weeks are up 2.5% on last year and on track to our expectations and we have remained focussed on our strategy of removing category discounting.
- Digital growth is stronger than expected and up 88% on last year.
- Due to the trading performance of new stores which is ahead of expectations and the compelling leasing deals available in the market, we now expect to open around 40 stores in FY19 an additional 10 stores from our original expectation.
- We are seeing stronger gross margin than expected. Year to date, margin is up more than 300bp on the prior year, with LFL margin dollar growth tracking higher that LFL sales growth.
- And finally, the buyback of The Athlete's Foot stores is ahead of plan with 39 stores now under corporate ownership and we expect to finish FY19 with approximately 50 corporate stores.

The Group still has a significant proportion of the first half and annual EBITDA to achieve in the key Christmas and back to school periods through December and January and our operational plans are well set for this key trading period

In conclusion, based on the strong results achieved to date in the first half and, on the basis that LFL sales continue to track at low single digit growth, EBITDA for the first half is now expected to be between 15-20% higher than last year. The outlook for the second half FY19 has not changed and the Group is still targeting mid-single digit EBITDA growth. In the first half, margin improvement has been a key driver of the increased profit guidance. In the second half, we do not expect the same margin impact as we will be cycling through an already improved margin from the second half of the prior year.