ASX Announcement
28 April 2022

Business Update

Accent Group Limited (ASX: AX1)

Accent Group Limited (**Accent,** the **Company** or **Group**) today provides an update on its business and growth plans following a whole of business review.

Over the past 18 years, Accent has focussed on growing long term shareholder value by regularly reviewing its allocation of capital to existing and new businesses to drive innovation and growth, reduce costs and complexity, and prioritise its resources. This approach has seen Accent deliver shareholders a 10-year compounding total shareholder return of more than 20% per annum to 30 June 2021.

Specifically, over the past three years Accent has:

- Opened more than 250 new stores, building the total network to 738 stores;
- Created and launched new concepts including Trybe (children), PIVOT (value lifestyle) and 4Workers (workwear) businesses;
- Continued the targeted buyback of The Athlete's Foot (**TAF**) franchises to expand the Company-owned network to 83 stores and 68 franchised stores;
- Acquired and restructured the Stylerunner and Glue Store businesses to achieve growth, including a specific focus on the vertical apparel brands within those businesses; and
- Expanded its team at all levels, including its senior leadership team.

The recent review examined the future investment requirements, ease of scalability and return on investment (**ROI**) across all of the Group's businesses and brands, and resulted in the following strategic decisions:

- Continuing the investment in new stores, with 140 stores expected to open in FY22 and closing stores where sustainable renewal terms cannot be achieved.
- Accelerating the growth plan for Glue Store, which continues to perform strongly, including in particular growing vertical apparel brands acquired with Glue Store.
- Continuing the ambitious growth plan for Stylerunner, with a strong focus on Stylerunner The Label vertical apparel and store roll-out.
- Continuing the Trybe business growth and more TAF franchise buy backs.
- Electing not to renew the Sperry distribution agreement which expires in December 2022.
- Restructuring the Reebok distribution agreement to move the distribution to a new Australian distributor, while at the same time securing access to a full range of Reebok product from that distributor for our multi-brand banners (Hype, Platypus, TAF, Trybe) at strong margins for the next 10 years.
- Transitioning the 14 PIVOT stores into other banners within the Group. Whilst the PIVOT stores are profitable, the Company has determined that it is still a long road to strong investment returns and that the resources utilised in this business can be better

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deployed by converting the PIVOT stores to the Group's high performing banners including Skechers, Glue Store and TAF. This will simplify the business, allow a better deployment of capital and drive stronger ROI. These stores have larger footprints and will facilitate the accelerated growth plan for Glue Store.

It is expected that the PIVOT store transition will result in one-off, non-cash charges of approximately $5m in FY22, relating to the write down of store fit out costs.

Group CEO Daniel Agostinelli said, "Over the past three years, Accent Group has been strongly focused on innovation and growth and this will continue. We have reviewed the businesses in detail with a strong focus on ROI, future investment, and scalability. This review enabled us to have a clear view on those businesses which deliver, or which we believe will deliver, strong positive investment returns so that we may in turn continue to invest and drive growth in those businesses.

We are naturally disappointed to be transitioning the PIVOT stores, but we have always taken a strict approach to value creation and if something isn't meeting our return hurdles, then we look to redeploy our assets to other parts of the business or to new businesses that do so. To that end, we are continuing our aggressive growth plan for Stylerunner and accelerating our growth plan for Glue Store.

In reviewing our distributed brands portfolio, we recognised that it was extensive and as such we have chosen not to renew the distribution agreement for Sperry and have worked with the global Reebok licensor to put in place an alternative arrangement for that brand. Having an agreement to access Reebok product for our retail multi-brand banners at strong margins will deliver a very similar result without additional complexity in the business."

Management Structure and New Appointments

To support these decisions, the Company's management structure has also been refocused and simplified.

The Group's Australian operations have now been arranged into three divisions with three new Divisional CEOs:

- Steve Cohen has been appointed the Divisional CEO of **Accent Retail Brands**, which includes the TAF, Platypus, Hype and Trybe businesses.

- Matt Hapgood has been appointed Divisional CEO of **Accent Distributed Brands**, which includes the retail and wholesale operations for our distributed brands.

- A new **Accent Vertical and Apparel Brands** division has been created, which includes the Glue Store and Stylerunner businesses. A global search for the role of Divisional CEO has commenced and, in the meantime, Daniel Agostinelli will act as Interim Divisional CEO in addition to his role as Group CEO.

The Group has also decided to consolidate its New Zealand operations and has appointed Ben Hapgood as **Country CEO for New Zealand** to continue the acceleration of the Group's New Zealand growth plan.

Three of these four new divisional CEO roles have been internal appointments who, along with the current Group CFOO Matthew Durbin, will report to Group CEO Daniel Agostinelli.

“The Accent Vertical and Apparel Brands division brings together ‘under one roof’ the complement of skills and resources we have (and some that we will acquire) to drive the growth of what I believe will be a major pillar of Accent’s future shareholder value. I will now have the time to focus on those initiatives to a much greater extent than I have had, and in due course, we will appoint a world class operator to run that division,” said Mr Agostinelli

“We have a super strong team at Accent and this new structure, or “Reload” as we term it, recognises the talent and contribution of the three new CEOs and also a number of other senior executives who now have individual responsibility for the top and bottom lines of some of our most significant businesses.”

Trading update

Sales performance from late February has improved over the -10% LFL reported for the first eight weeks but remains subdued compared to expectations. The Company has continued to focus on a full price, full margin sales strategy, which has driven an improved gross profit % ahead of both expectations and last year. Overall inventory levels are in line with plan, although the Company continues to experience some delays and cancelations from third party brand partners.

Given ongoing uncertainty, the Company has maintained its decision not to provide forward sales or profit guidance for H2 FY22 or the full year FY22.

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The release of this announcement was authorised by the Board of Accent Group Limited.