

# Annual General Meeting

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November 2016



# Agenda: 2016 Annual General Meeting

- » **Chairman's address**
- » **Chief Executive Officer's address**
- » **Ordinary business**
  - » **Item 1: Financial Statements**
  - » **Item 2: Election of Directors**
  - » **Item 3: Auditors' Remuneration**
  - » **Item 4: Issue of securities under the LTI plan for employees**
  - » **Item 5: Grant of performance rights to Xavier Simonet**
- » **Other business**

# Chairman's address

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# CEO's address

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- » FY16 result summary
- » Strategy update
- » Trading update and outlook



# CEO's address – FY16 result summary



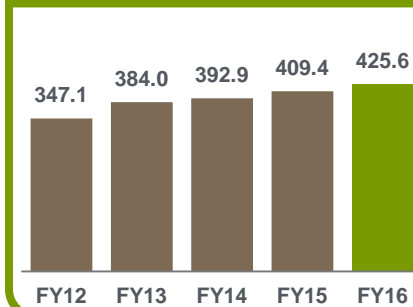
## FINANCIAL RESULTS

- » Sales growth at improved gross margin:
  - » Sales \$425.6m, up 4.0%
  - » Same store sales growth 1.6% (at constant exchange rates)
  - » Gross margin 110 bps higher than FY15
- » Operating leverage improved:
  - » Operating expenses decreased 260 bps as a % of sales
- » Record low net debt and strong operating cash flow
- » Earnings Before Interest and Tax \$50.9m, up 53.3%
- » Net Profit After Tax \$33.5m, up 64.2%

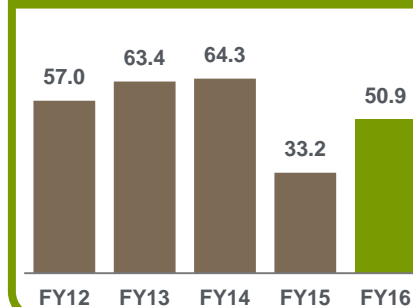
## OTHER HIGHLIGHTS

- » Christchurch support office opened in the CBD. Sustainable 5 Green Star design

### SALES (NZD \$m)



### EBIT (NZD \$m)





### GROWTH STRATEGIES

#### Continuous improvements

- » Brand and customer
- » Store optimisation
- » Pricing and promotion
- » Connected customer journey
- » Cost efficiency

#### Growth initiatives

- » International
- » Marketplaces
- » Store network expansion



## Brand and customer

- » Promote brand distinctiveness with products that showcase our expertise in adventure travel
- » Leverage our social media and digital marketing investments to deliver great brand and product content
- » Refresh the Summit Club offer to promote greater customer engagement
- » Deliver comprehensive customer service

## Store optimisation

- » Enhance visual merchandising in store
- » Optimise product space allocation to maximise gross profit contribution
- » Invest in relocations / refurbishments that deliver return on capital (17 stores being relocated/refurbished in FY17)

## Pricing and promotion

- » Continuously refine the structure of promotions to:
  - » activate foot traffic
  - » increase basket size
  - » maximise gross profit







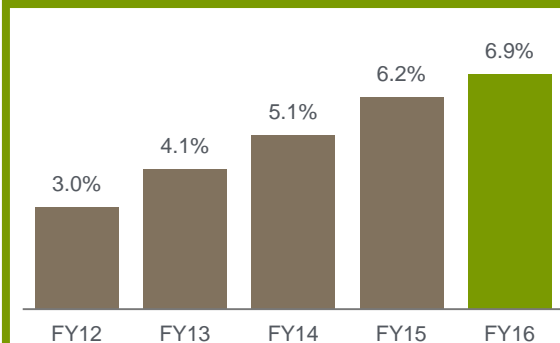
## Connected customer journey

- » Provide a channel agnostic offer: one range available to all customers wherever they choose to shop
- » Invest in our online platform to further improve useability and functionality
- » Offer complementary products and services through our online channels
- » Drive site visitation through:
  - » targeted Summit Club campaigns
  - » affiliate partnering
  - » social media

## Cost efficiency

- » Maintain profit margin through enhanced supplier partnerships
- » Drive supply chain efficiency through infrastructure investments and automation
- » Increase productivity by leveraging rostering systems investment
- » Leverage advertising content, particularly in social and digital media channels

### Online % of Sales





## International

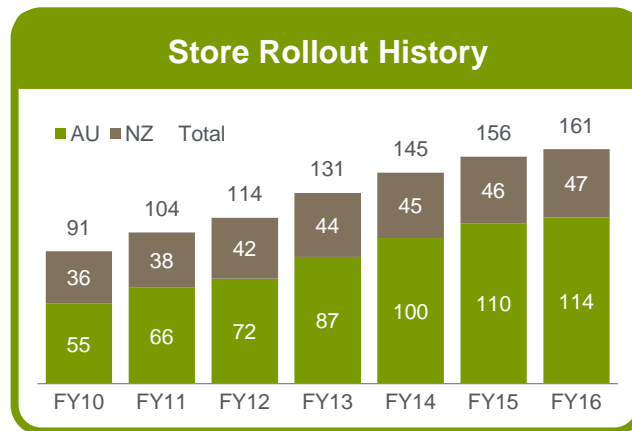
- » Leverage our brand equity and online platform to expand internationally using a capital light model
- » Entry strategies for key growth markets include online only, wholesale distribution, licensed or franchised retail stores

## Marketplaces

- » Sell through additional open marketplace sites

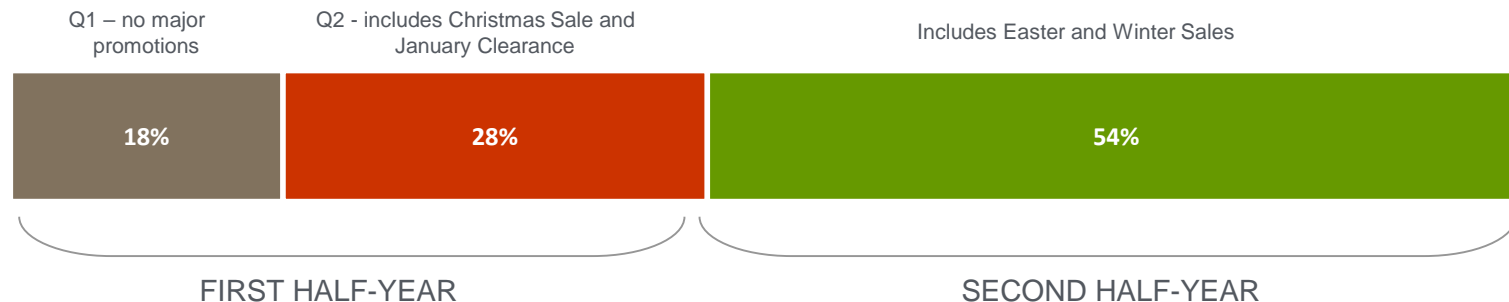
## Store network expansion

- » Store footprint expansion where return on investment justifies
- » Store network target of 180 across Australasia





## Last Year Sales mix across the year



- » Three major promotions a large portion of our annual trading (c. 60% of annual sales), in order of size:
  - » Winter
  - » Christmas
  - » Easter
- » First quarter is a small portion of total year turnover - it contains no major promotions
- » Operating costs are weighted slightly more to the second half-year

# CEO's address – Trading update and outlook



## 15 WEEKS ENDED 13 NOVEMBER 2016

- » Total sales +2.8% vs pcg at constant exchange rates\*<sup>1</sup>
- » Group same store sales grew by +1.4% (constant exchange rates)
- » Same store sales by country: Australia +3.4%, New Zealand -1.9%

## FIRST QUARTER FINANCIAL RESULTS

- » Gross margin lower than last year primarily due to currency
- » Operating expenses lower than last year
- » Maintained our improved working capital position with lower net debt and stock per store YOY

## OUTLOOK

- » First half profit on track to be in line with last year
- » Highly dependant on the success of our Christmas and January promotions

1. At actual exchange rates -0.6% due to NZD appreciation YOY. Average conversion rates year-to-date NZD/AUD 0.951 (FY16 0.908) and NZD/GBP 0.565 (FY16 0.424)



# Resolutions: Items 1 to 5

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## Item 1: Financial Statements

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To receive and consider the Financial Report of the Company for the year ended 31 July 2016 together with the Directors' and Auditor's reports.

## Item 2: Election of Directors



To re-elect Directors of the Company, each election to be voted on separately:

- a) “That Mr. David Kirk, who retires by rotation in accordance with Article 4.4 of the Company's Constitution and NZX Main Board Listing Rule 3.3.11 and, being eligible, offers himself for re-election, be re-elected as a Director of the Company.”
- b) “That Ms. Sandra McPhee who retires by rotation in accordance with Article 4.4 of the Company's Constitution and NZX Main Board Listing Rule 3.3.11 and, being eligible, offers herself for re-election, be re-elected as a Director of the Company.”

Proxies:

In respect of this item of business, the following proxies have been received:

	<b>2 (a)</b>	<b>2(b)</b>
In favour	95,070,344	108,834,050
Against	13,782,051	18,345
Open/Undecided	187,284	187,284

The Chairman of the meeting intends voting the open and undirected proxies in favour of the resolution.

## Item 3: Auditors' Remuneration

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To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

“To record that PricewaterhouseCoopers continue in office as the Company’s auditors and to authorise the Directors to fix the remuneration of PricewaterhouseCoopers for the ensuing year.”

Proxies:

In respect of this item of business, the following proxies have been received:

In favour	108,334,136
Against	483,840
Open/Undecided	188,534

The Chairman intends voting the open and undirected proxies in favour of the resolution.



## Item 4: Issue of securities under the LTI plan for employees



To consider and, if thought fit, to pass the following resolution as an ordinary resolution of the Company:

“That approval is given for the purpose of Exception 9 in ASX Listing Rule 7.2 and for all other purposes for the grant of performance rights, and the subsequent issue or transfer of ordinary Kathmandu Holdings Limited shares to participants, under the Kathmandu Holdings Limited Long Term Incentive Plan on the terms contained in the Explanatory Statement, which are in all respects the same as those previously approved by shareholders when the Plan was initially adopted on 24 November 2010.”

Proxies:

In respect of this item of business, the following proxies have been received:

In favour	108,600,642
Against	244,528
Open/Undecided	180,135

In accordance with ASX Listing Rule 14.11.1, the Company will disregard any votes cast on Item 4 by any Executive Director of the Company or any other person to whom performance rights will be granted under the Plan (and any associate of such persons). However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

## Item 5: Grant of performance rights to Xavier Simonet



To consider and, if thought fit, to pass the following resolution as an ordinary resolution of the Company:

“That, for the purposes of ASX Listing Rule 10.14, and for all other purposes, approval is hereby given for the grant to Xavier Simonet, Managing Director and Chief Executive Officer, of a number of performance rights up to a value of A\$556,850, calculated in accordance with the formula and terms described in the Explanatory Statement.”

Proxies:

In respect of this item of business, the following proxies have been received:

In favour	108,571,427
Against	240,493
Open/Undecided	184,334

In accordance with ASX Listing Rule 14.11.1, the Company will disregard any votes cast on Item 5 by Xavier Simonet or any of his associates. However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

# Other business

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