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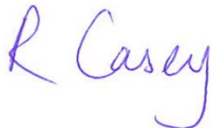
21 November 2016

Transcript of Annual General Meeting

Kathmandu Holdings Limited (*Kathmandu*) held its Annual General Meeting on Friday, 18 November 2016.

Please find following a transcript of the meeting.

Yours Sincerely,



Reuben Casey
Company Secretary

Kathmandu Holdings Ltd

223 Tuam Street, Christchurch 8011
PO Box 1234, Christchurch 8140, New Zealand
Phone: +64 3 373 6110 **Fax:** +64 3 373 6116
kathmandu.co.nz

249 Park Street, South Melbourne, Victoria 3205
PO Box 984, South Melbourne, Victoria 3205, Australia
Phone: +61 3 9267 9999 **Fax:** +61 3 9267 9933
kathmandu.com.au

[11.00 am]

MR KIRK: Good morning ladies and gentlemen. Come on in. Good morning ladies and gentleman, I am pleased to welcome you as Chairman of Kathmandu Holdings Limited to our 2016 Annual General Meeting and I extend a warm welcome to all present. On the information conveyed to me I declare that a quorum of shareholders is present and the meeting has been duly convened.

For those who do not know me I am David Kirk, Kathmandu's Chairman. Before we start the formal business I would like to introduce you to our other Directors. On my left, your right, starting from the end, far end are John Harvey, John Holland, Christine Cross, Sandra McPhee and of course Xavier Simonet, our CEO and Managing Director.

I wish to advise that proxies have been received in respect of approximately 54 percent of issued shares, more than 87 percent of the proxies directed are in favour of all resolutions. Before moving onto the formal business of the meeting I will outline some meeting procedures. An opportunity will be given to shareholders to ask questions about, or make comments on, the items of business on the agenda for today's meeting.

Where appropriate I will refer detailed questions best answered by management to Xavier Simonet. Shareholders have been given the opportunity of submitting written questions via the AGM question form that accompanied the Notice of Meeting and no written questions have been received.

Once we have considered the financial reports, shareholders will be given the opportunity to ask general questions. Shareholders with questions relating to specific resolutions are requested to ask those questions when we are considering the relevant resolution. When we do open up the floor to discussion I ask that for the convenience of all present that those shareholders who wish to speak use the available microphone.

Please hold up your white or green cards and state your name if you wish to ask a question. Before moving to the various motions, I will briefly run through the voting procedures. At registration you will have received an attendance or voting card. If you have a white voting card, this indicates you are a shareholder, and you are entitled to vote and to address the meeting.

If you have a green nonvoting investor card, as such you are either a joint shareholder, or have already returned a proxy vote prior to the commencement of the meeting. You are entitled to address the meeting but not to vote. If you are a visitor to the meeting you will have received a visitor card and you are welcome here today, but will not be able to address the meeting.

If you do not have a voting card and believe you are entitled to vote, please see one of the registry staff from Link Market Services at the registration desk at the reception straightaway.

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The minutes of the 2015 Annual General Meeting held last year were available at the entrance desk, I hope those who are interested in seeing them have had a chance to do so.

[11.05 am]

The first item on the agenda is to receive and consider the financial statements and auditor's report as contained in the company's annual report for the year ended 31 July 2016. Before seeking shareholders' comments on the report, I would like to give an overview of the 2015/2016 year and I will then ask our Chief Executive Officer, Xavier Simonet, to provide a review of our activities in the year and an update on the trading to date and outlook for the current financial year.

Kathmandu's financial performance in 2016 was much improved. We delivered on the commitments made to you publically and at this meeting last year. Assisted by strong online growth, five new stores in Australasia, and positive same store sales growth, Kathmandu's total sales grew by four percent in 2016 to 425.6 million dollars, a very pleasing improvement in gross margin and a reduction in operating expenses resulted in an excellent increase in earnings before interest and tax of 53 percent. Net profit increased by 13.1 million resulting in earnings per share for the year of 16.6 cents. Our total dividend pay-out for the full year was 11 cents per share which represents an increase of 38 percent over the prior year.

Along with the improved financial performance in the year we continued to lay the foundations for the future by opening our new purpose built Christchurch support office designed to be a five star, green star sustainable building, increasing our Summit Club membership numbers to over 1.6 million, investing in expanded Australian warehouse capacity and strengthening our balance sheet through a reduction in inventory levels and by reducing debt. We ended the year very well positioned for the future.

Xavier Simonet from whom you will hear just shortly has completed an excellent first year as Chief Executive of the company. I am sure you join with me in congratulating Xavier on the very positive impact he has had on the business so far.

I will briefly touch on our future plans before handing over to Xavier to provide more detail. At the core of everything we do is the customer. Xavier has brought a new focus to this requirement and the result is even more focus on innovative, high quality and distinctive products. For our core Australasian business continuous improvement is the focus driving same store sales growth requires a great instore experience, investment in the Kathmandu brand and in our Summit Club loyalty programme.

There remain opportunities to open new stores in Australia while also driving strong growth in a range of online channels. International growth opportunities also exist and these continue to be pursued in a capital like manner that is without opening bricks and mortar stores. We are confident that the strength of the Kathmandu brand, our products and the passion of our people will underpin the future success of the company.

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I would also like to thank my fellow Directors here today. 2016 was another busy and challenging year and I thank them all very much for their continued support, advice and determination to succeed and on their behalf I also thank you for your support as investors throughout 2015 and 2016 and into the future. I will now invite Xavier to address you.

MR SIMONET: Okay, thank you David. Good morning everyone, I want to welcome you to Papa Kainga which is our new Head Office in Christchurch. We are very proud of this new office and particularly because it is a five star, green star office which means it is a sustainable office and as you know sustainability is one of our key values. Before I start I would like to thank the Kathmandu team for the great work they have done last year for their passion. We are a business of passion and commitment for that commitment to success but more than that last year in a situation of transition and turnaround for their resilience so I want to thank the team who is here and the rest of the team in the building and in Australia.

[11.10 am]

I am going to talk to the presentation and cover the FY16 results first, we had a strong performance, as David mentioned, and for me the key achievements are first the fact that we improved our gross margin and continue to grow. It was not obvious that we would manage to do both at the same time and either we were going to improve our gross margin and get no growth or we were going to get some growth at the detriment of the margin and we wanted to get both and we got both which for me is a great sign because it means that our customers see value in our products and in our great brand and that we have got distinctive products to offer to our customers.

The business is about bringing solutions to customers going on adventure travel and to the outdoors. This combination of improved gross margin and continued sales growth and I am not talking here about just a four percent total company sales growth but I am talking about like for like growth was a key achievement for us.

The second key achievement was the fact that we reset the cost base. We had to reset the cost base on the back of the underperformance of two years ago and we made strong efforts to reset the cost base and to work on efficiencies which we are going to continue to do. The business last year experienced improved earnings but also we now have a record low debt level with strong operating cash flow and net profit after tax improved by 64.2 percent.

Let me talk to you about the vision and the strategies we have for the business. The first strategy which is core to our business is about products, we design that business and what a lot of people forget is that actually we design our own products. We have got a great team of product managers and designers just upstairs here fully focused on bringing to market the best product for Kathmandu.

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We do not buy a lot of products designed by suppliers, we design our own products and that gives us a strong advantage in the sense that we can take a long term view on what we want to achieve and work on technology core break throughs and long term investments in products. Bringing to market for customers great and I believe distinctive and sustainable quality products remains our core strategy and we could see last year already an improvement, a strong improvement in our products and we are starting to see from the customer feedback we are getting this season as well, great products in the stores.

We are doing that with a very customer service view, it is all about our customers and it is all about Summit Club members, our valued customers. What are our growth strategies we have got on top of focusing on products; we define two types of growth strategies. The first one is related to our existing business, how can we do our jobs better? What kind of continuous improvements can we get from working harder and leveraging the assets that the business has?

The second pillar of our strategy is the new growth initiatives that we have defined, they are certainly going to take a bit of time because we are starting from scratch and sometimes we really need to define the processes and engage with overseas' partners but there is a big opportunity in new growth initiatives.

In terms of continuous improvement, more than a retail business Kathmandu is a great brand with authentic roots in New Zealand of very, very strong heritage and there is a lot of more leverage that we can get from our brand equity. The team has done a lot of work on content, video, such as the one you have seen before but also leveraging all the assets we have in terms of our heritage, roots and values like sustainability and we are going to continue doing that.

We can measure the impact that this has on customers because we do a lot of this work through social media and communicate to customers through digital marketing as well. So we can measure the impact of all the actions we take have. If I give you an example last year we reached through social media 9 million customers versus 1.7 million the year before. That is a huge improvement in the numbers of customers we engage with and it is about engaging and it is about inspiring them.

[11.15 am]

Continuous improvement is really focused on our stores, how can we leverage our stores, we know that rents go up, we know that costs go up and we need to drive sales' growth in our stores and the key metric there is sales and gross profit densities per square metre so the objective is to improve sales per square metre and gross profit densities. We have done some tests on particular shopping centres and we believe that there is an opportunity there by better locating the space to higher margin products and just doing a better job in terms of retail operations to improve our sales densities so that is going to be a key focus for us in terms of store profitability and improvement of business profitability through better sales densities.

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Pricing and promotion we did a big review last year of our pricing model and promotional architecture and we took action, it is all about the customer. It is all about giving customers great value. Kathmandu is a brand but it is also about making the product category accessible, making the outdoors and adventure travel accessible to everybody and the work we are doing on the pricing and promotional model is around finding the balance between the gross margin that we need to generate to be a brand and to have a sustainable profitability and also the great value we want to give our customers so more work is going to be done this year on that.

We have invested a lot on our online business and it is not just about online. It is about creating a consistent journey for our customers so that they choose wherever they want to browse whether it is online or in the stores. It is up to our customers as well to decide where they want to buy in the stores or online. We just give them the opportunity to basically choose the products, browse and then purchase our products 24 hours a day, seven days a week through different channels.

We are going to continue investing on online, online accounts are around seven percent of our total sales and grew 16.5 percent last year. It is growing fast and we are going to continue investing and social media and digital marketing give us a great leverage to then reach customers through online business. This year we will launch a responsive website which actually integrates product and content so that customers can see the content, look at the products and then buy online and the other way round as well.

Cost efficiency, last year we cut some costs, we had to, but the focus now is really on optimising cost. We are going to review the cost structure on a regular basis as any business has got to do and particularly retail businesses and we are going to continue optimising costs to leverage the key assets and the key investments we have made.

Now talking about our new initiatives which are starting this year they are going to take some time but we have taken an aggressive position on that to make sure that we are giving ourselves a chance to succeed. The work that has been done is on being able to identify our strengths in terms of brand and product distinctiveness. We are only relevant internationally if we have an interesting story to tell customers and consumers internationally and what is our story, what is our point of difference, what is our distinctiveness in terms of products and the brand.

A lot of work has been done on that and we believe that we have got a great distinctive brand particularly with our New Zealand heritage and that some of our products are really distinctive versus some of the global brands. In terms of new initiatives we are taking I would like to highlight the international strategy that we are starting to implement and there are two pillars there.

The first one is a director consumer approach through online so we are going to launch in the next two months an international website that is going to be inspirational, more focused on the

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brand and more focused on the brand and more focus on product distinctiveness and leveraging investment we are making on the responsive website integrating content and commerce.

The second pillar of our international strategy is of course our wholesale strategy, It is basically what other outdoor brands do they have a blended model between their own stores, franchise stores and wholesale partnerships. At the moment Kathmandu only has basically an owned retail business and we want to investigate the opportunity to have a proper wholesale opportunity internationally particularly in key markets like Europe and North America.

[11.20 am]

We are going to engage with a selected number of key customers in North America and Europe in the next two months and drive partnerships and hopefully be listed in some of them to open up to a new international opportunity.

I want to say a few words about store network expansion, opening stores is not anymore a focus for us in the sense that the focus is on making sure that the existing stores deliver increased profitability and increased sales, however we will continue to open stores as opportunities arise particularly in Australia where new shopping malls open from time to time and where we need to be where the customer is but more than that we are going to refurbish stores and make sure that we understand the customer and that we invest beyond our existing stores.

This year we are going to refurbish and relocate 17 stores which is quite a lot and we are going to do minor refurbishments and renovations to another 12 stores so a lot of the capex that we spend is allocated to store refurbishments and in the future is going to be more of a focus for us to make sure that we remain relevant in retail.

I would like to give you a trading update for the first quarter, just a word of caution, the first quarter is a small portion of total year turnover and if you look at the first half of this year basically it is really about Christmas so the first quarter is a small portion of total year turnover so for the first 15 weeks that ended on the 13th of November total sales grew 2.8 percent at constant exchange rates.

Same store sales growth for the group so Australia and New Zealand and the UK grew by 1.4 percent on last year with a good performance in Australia at 3.4 percent and a disappointing performance in New Zealand at minus 1.9 percent. We believe that trading has been impacted by the fact that we have reduced the level of promotional activity in the first quarter versus last year and the reason why we have reduced the level of promotion activity is not to reduce the level of value we are giving customers because it is a key pillar of this business to give great value to our customers.

The reason why we have reduced the level of promotional activity is in response to the strengthened US dollar. We are buying products at a higher price when they are converted in

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New Zealand and Australian dollars and this has put some strong pressure on our gross margin. This has certainly impacted on customer demand by reducing the level of promotional activity.

We have maintained our improved working capital position with lower net debt and stock the store year on year. As far as the outlook is concerned for the first half we are on track to be on line with last years in terms of profit for the first half but obviously it depends very much on Christmas and we have just started our Christmas activity.

So thank you very much, I just want to highlight two things before I handover to David. The first one is one of our key values is sustainability. We have got a great 2016 sustainability report and I strongly suggest that you get one copy and read it because it is really interesting to see all the progress and efforts that the team is making to have a sustainable business and sustainable products.

The second thing is the Christmas sale is on it has just started. We have got a store next door so you are very welcome to spend a bit or a lot of money in the store if you want after the meeting to help the business and to help yourself. Thank you very much.

MR KIRK: Thank you, Xavier, I would again like to express my thanks and those of my fellow Directors to you and your team for the contribution that you have made to the company in the last year, thank you.

Returning to item one on the agenda this is the opportunity for shareholders to ask any questions or comment on the annual report the presentation Xavier and I have made today or any other matters relating to the company.

I also note we have Mr Richard Perrott, a representative of our auditors, PricewaterhouseCoopers, present at the meeting should there be any queries of a technical nature relating to the audit of our financial statements. No written questions were received prior to the meeting, would anyone now wishing to speak and ask a question please hold up your card and the microphone will be passed to you. When you get the microphone please say your name and who you represent if you are representing another party, are there any questions of a general nature?

MR MURPHY: Grant Murphy, just representing myself, just a question is Briscoes thinking of taking a seat on the Board?

MR KIRK: I will answer that one, we do not know the answer to that question but we have had no approach from them seeking a seat on the Board or showing any interest in a seat on the Board, are there any other questions?

Okay, we will move along, the second item on the agenda is the election of Directors, article 4.4 of the Companies' Constitution requires at least one third of the Directors to retire by rotation at the Annual Shareholders meeting to comply with the listing rules it is necessary for

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each director to be appointed by separate resolution. It is not my intention to ask each of the Directors to speak to you individually in support of the motion for their re-election, brief profile details were included in the Notice of Meeting and in the Annual Report.

The first motion relates to my reappointment as a Director of the company, I will now ask John Harvey to chair the meeting while this motion is put to the meeting.

[11.25 am]

MR HARVEY: Thank you, David. I have pleasure in moving that Mr David Kirk who retires in accordance with article 4.4 of the Companies' Constitution and being eligible offers himself for re-election to be re-elected as a Director of the company, is there any discussion on the motion? There being no discussion I will put the motion, those in favour please raise your voting cards? Those against? I declare the resolution carried. Congratulations, David, I will hand the meeting back to you.

MR KIRK: Thank you, John, the second motion relates to the re-appointment of Ms Sandra McPhee as a Director of the company. I have pleasure in moving that Ms Sandra McPhee who retires in accordance with article 4.4 of the Companies' Constitution and being eligible offers herself for re-election be re-elected as a Director of the company is there any discussion on the motion? No? There being no further discussion I will now put the motion those in favour please raise their voting cards? Great, those against? I declare the resolution carried. Thank you and congratulations to Sandra on her re-election to the Board. Thank you ladies and gentleman for your continued support of the Board.

The third item on the agenda is to authorise the Directors to fix the fees and expenses of PricewaterhouseCoopers as the company's auditor therefore I move 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, is there any discussion on the motion? There being no discussion I will now put the motion those in favour please raise their voting cards? Those against? I declare the resolution carried.

The next item on the agenda is shareholders' approval for the continuation of issues of securities under the Kathmandu Holdings Limited long term Incentive Plan. This plan was originally approved by shareholders at the 2010 Annual General Meeting and reapproved by shareholders at the 2013 Annual General Meeting. As explained in detail in the Notice of Meeting it is appropriate for the effective ongoing conduct of this plan under ASX listing rule 7.2 that shareholder approval for the plan is obtained at least every three years.

I therefore move that approval is given for the purpose of exception nine 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' longterm 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

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was initially adopted on the 24th of November 2010. Is there any discussion on the motion? There being no further discussion I will now put the motion those in favour please raise their voting cards? Thank you, those against? I declare the resolution carried.

[11.30 am]

The fifth item on the agenda is the approval of the grant of performance rights to our CEO, Xavier Simonet, under the Kathmandu Holdings Limited' long term Incentive Plan. Shareholder approval is required under ASX listing rule 10.14 for the granting of performance rights to any Executive Director. The explanatory statement accompanying your Notice of Meeting provides details of the value of grants, of rights to be granted to Xavier and the basis of that grant. As announced to the ASX and NZX on the 7th of November 2016 there was an inconsistency in the Notice of Meeting between the main resolution and the explanatory note. To clarify as stated in the explanatory note for item five the value of performance rights to be granted is up to the value of \$556,850. Accordingly, I will put the motion for the approval of the grant of performance rights to Xavier as detailed in the Notice of Meeting as follows:

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 the value of \$556,850 calculated in accordance with the formula and terms described in the explanatory statement which forms part of the Notice of Meeting. Is there any discussion on the motion? There being no discussion I will now put the motion those in favour please raise their voting cards? Thank you, those against? I declare the resolution carried.

I would now like to give shareholders an opportunity to ask any questions concerning any matters addressed at the meeting. Anyone who now wishes to ask any further questions again should raise their hand and we will bring the microphone? No further questions, well ladies and gentleman that concludes the formalities. I will thank you for your continued support and attendance today and in declaring the meeting closed I will invite you all to join us for a cup of tea and a sandwich over here, sorry?

MR.....: I would like to make one comment.

MR KIRK: Please do.

MR.....: Thank you, I represent the Shareholders Association. We gave this company a bit of a revving last year but we have seen an improvement, we are very impressed and we are delighted to be here. Thank you.

MR KIRK: Thank you, for this kind comment. Ladies and gentlemen I will now formally close the meeting and invite you to have a cup of tea and a sandwich with us and have a good look around the room and look at the product and as Xavier said, as you are heading back to town do not forget to stop into our store on the way. Thank you.

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[11.34 am]

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