



FY18 Results Presentation

September 2018



Financial highlights

Sales

\$497.4m

↑ 11.7%

Gross margin

+140 bps

AU **↑ 180 bps**

NZ **↑ 260 bps**

EBIT

\$74.6m

↑ 30.9%

Net profit after tax

\$50.5m

↑ 32.9%

Operating cash flow

\$75.6m

↑ \$8.3m

Full year dividend

15cps

↑ 2cps

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1. Strategy update



1. Strategy update



"Design original, sustainable, engineered and adaptive products"

"Be customer-centric in everything we do"

GROWTH STRATEGIES

Continuous improvement

- » Brand and customer
- » Store network optimisation
- » Omni-channel
- » Pricing and promotion
- » Cost efficiency

Growth initiatives

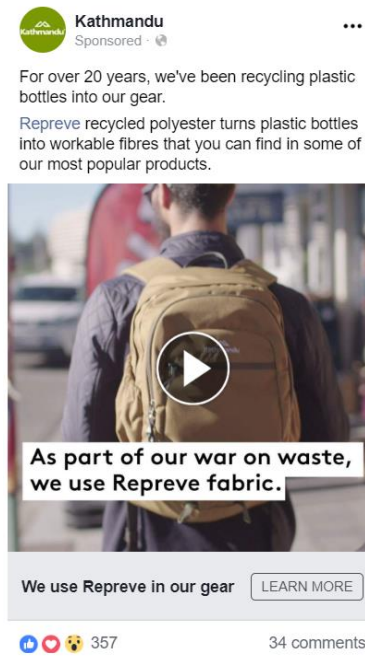
- » Kathmandu international
- » Oboz

1. Brand elevation and customer engagement



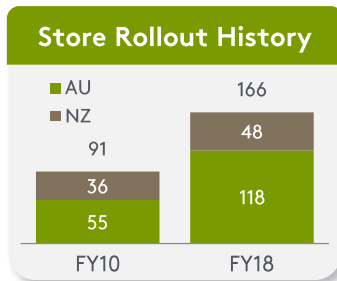
- » Elevate brand distinctiveness through product design and innovation
- » Focus on our expertise in adventure travel
- » Inspire our customers and engage with our Summit Club members, leveraging social media and digital
- » Enhance the customer service experience and staff product knowledge

- » ISPO 2018 Gold award for the Lawrence jacket
- » 1.9 million active Summit Club members contributing over 70% of total KMD sales
- » 92% increase in Summit Club participation in volunteering, run clubs, adventure sponsorship, and international treks
- » Lifecycle marketing and predictive intelligence programmes contributing to sales growth
- » Social media reach increased by 57%, with an increasingly global audience. Over 15 million video views on social media
- » Embedded a tailored customer service approach and product training programme across our store network



1. Enhance store network and in-store experience

2010



2018



- » Same store sales growth and customer conversion focus
- » Optimise space allocation to maximise gross profit
- » Refine visual merchandising and product presentation
- » Invest in relocations/refurbishments

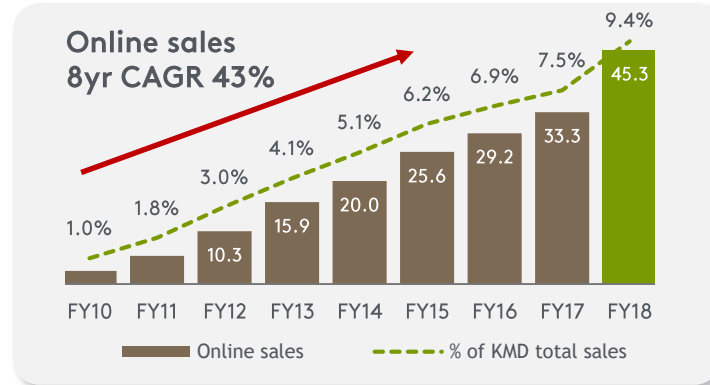
- » Over \$100m invested in the Australasian store network since listing:
 - » more than doubled the Australian store network
 - » grown Australian sales by a CAGR of 13.3%
- » Australasian store rollout nearing completion. Physical retail store numbers to be balanced with online acceleration
- » Continued refinement of visual merchandising and in-store experience

1. Invest in online and fulfilment capabilities

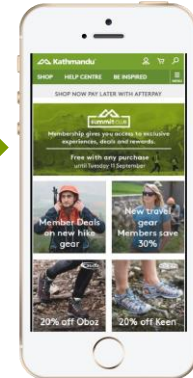
- » Online re-platform (live in FY19) to enhance user experience and fulfilment options
- » Investment in team capability
- » Order management system to deliver both distributed order management and seamless click & collect capability

- » 22% increase in website traffic in FY18 for a 36% sales increase
- » Online now 9.4% of Kathmandu total sales
- » Australian distribution centre automation delivering improved customer service levels at lower cost

2010



2018



1. Kathmandu International

- » Build up a sustainable business that delivers profitable growth
- » Commitment to capital light model
- » Controlled distribution through wholesale and online
- » Develop brand equity through authentic outdoor channels
- » Focus on long term partnerships
- » Leverage our New Zealand heritage, expertise in adventure travel and sustainability focus

North America

- » Appointed North America VP of Sales and Marketing
- » Targeting specialty outdoor retailers
- » Leveraging existing Oboz infrastructure



UK / Europe

- » Successful launch in GO Outdoors, leading to expanded assortment for FY19
- » Direct to consumer online growing strongly
- » Marketplaces continued growth

1. Oboz acquired April 2018

About Oboz:

- » Oboz designs, sources, and sells footwear for backpacking, hiking, travel, winter and general outdoor wear
- » Wholesale only model with distribution through leading retailers primarily in North America
- » Oboz has significant footwear product development experience, sourcing and R&D capabilities

- » Grow North America customer base in a controlled way
- » Expand into adjacent footwear categories
- » Improve Oboz representation within the Kathmandu Australasia retail footprint
- » Grow International business by leveraging Oboz and Kathmandu customer relationships



Benefits for Kathmandu Group:

- » Advances Kathmandu's transformation from an Australasian retailer to a global outdoor apparel and equipment brand
- » Oboz key customers in the US are authentic outdoor retailers and are Kathmandu's primary wholesale customer targets
- » Strengthens Kathmandu's product offering in footwear

1. Sustainability

Our goal:
**Australasian
industry
leadership in
sustainability**

Our top 5 sustainability highlights.

At Kathmandu, sustainability isn't a department, it's a way of doing things. Here are some of our highlights from last year.



Fair Labor
Association
certified



#2 world ranking
by the Textile
Exchange for
preferred materials



A in the Ethical
Fashion Report



80% towards
our zero waste to
landfill target



Recycled 6.7
million bottles
into our gear

For more information:
Kathmandu's 2018 Sustainability
Report released mid-October

2. Result overview



2. Result overview: Year-on-Year

NZD \$m*1	FY18	FY17	Var \$	Var %
SALES	497.4	445.3	52.1	11.7%
GROSS PROFIT <i>Gross margin</i>	315.5 63.4%	276.2 62.0%	39.3	14.2%
OPERATING EXPENSES <i>% of Sales</i>	(225.7) 45.4%	(205.4) 46.1%	20.3	9.9%
EBITDA <i>EBITDA margin %</i>	89.8 18.1%	70.8 15.9%	19.0	26.8%
EBIT*2 <i>EBIT margin %</i>	74.6 15.0%	57.0 12.8%	17.6	30.9%
NPAT	50.5	38.0	12.5	32.9%
Store count*3	167	164	3	

- » Total sales increase 11.7% incl. Obóz
- » Kathmandu sales increase 8.1%
- » Operating expenses include one-off items c. \$4.0m:
 - » \$2.0m transaction costs for the Obóz acquisition
 - » \$2.0m for one-off exceptional team bonus
- » Obóz contribution to Group EBIT \$0.6m net of transaction costs

1. FY18 NZD/AUD conversion rate 0.922 (FY17: 0.947), FY18 NZD/GBP conversion rate 0.521 (FY17: 0.563), FY18 NZD/USD conversion rate 0.700
2. EBIT YOY exchange rate translation impact in FY18: +\$1.7m (FY17 -\$0.6m)
3. Five new stores opened during FY18, and two stores closed. Excludes Online stores
4. Rounding differences may arise in totals, both \$ and %

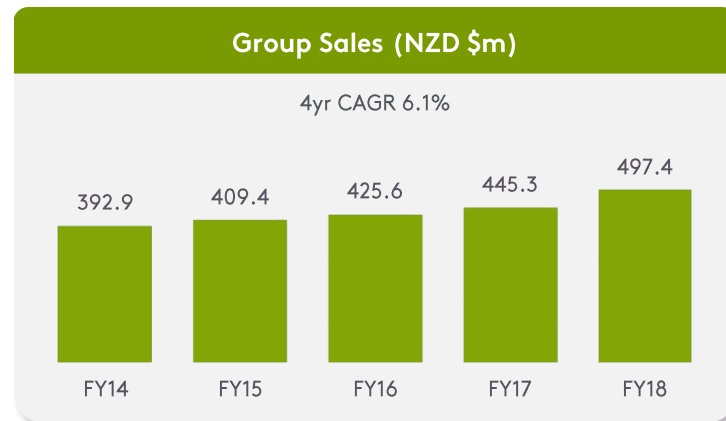
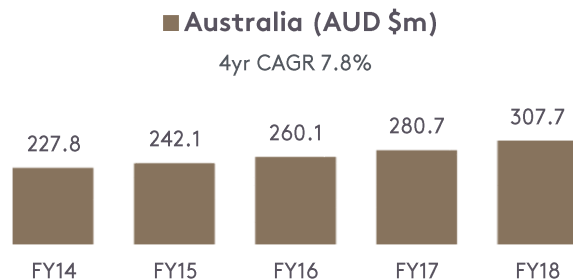
3. Key line items



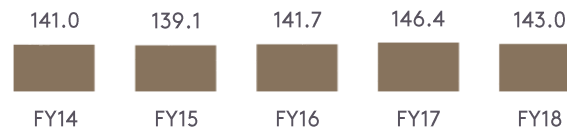
3. Sales

SALES: +11.7% to \$497.4m

- » Sales growth year on year:^{*1}
AU +9.6%, NZ -2.3%
- » Sales growth at constant exchange rates:
 - » Kathmandu +\$27.0m / +6.1%
 - » Oboz \$15.9m
- » Online sales growth 36% to 9.4% of Kathmandu sales
(40% of AU/NZ total sales growth)



■ **New Zealand (NZD \$m)**
4yr CAGR 0.4%

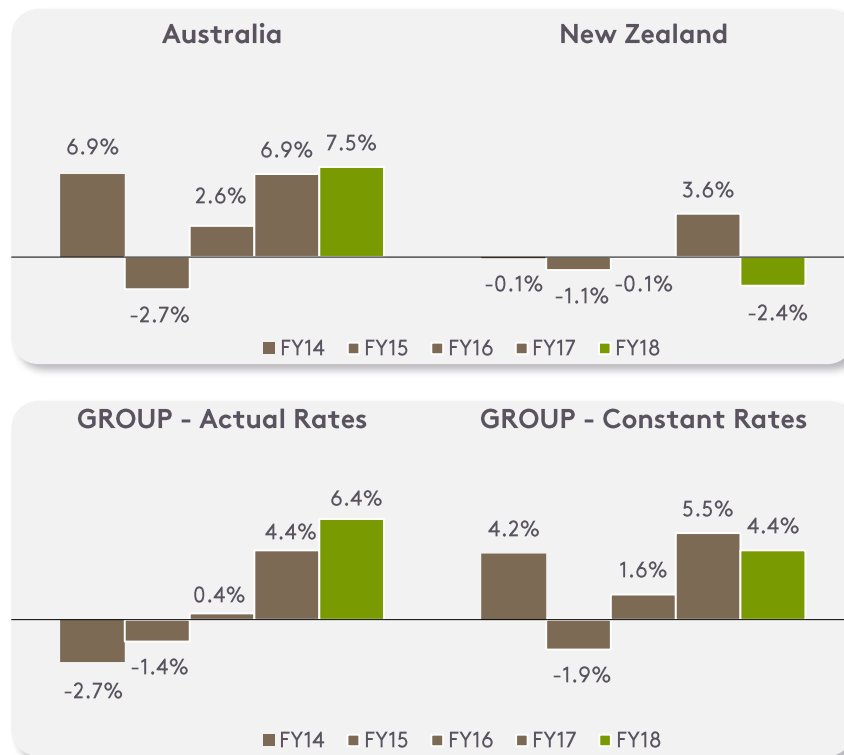


1. Calculated on local currency sales results (not affected by year-on-year exchange rate variation)
2. Country sales totals exclude inter-company sales

3. Same Store Sales result

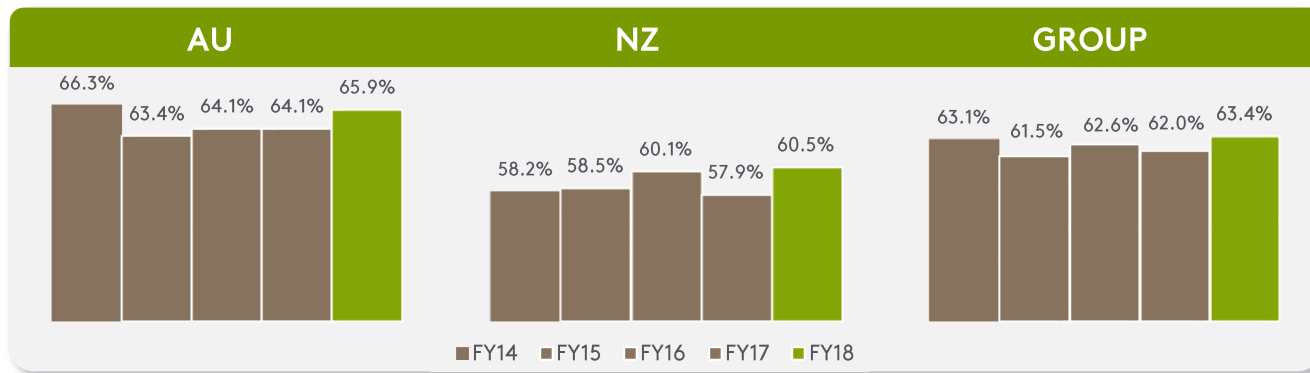
SAME STORE SALES: +4.4% at constant rates

- » Same store sales:
 - +6.4% actual exchange rates
 - +4.4% constant exchange rates:
 - » Stores +2.0%
 - » Online +33.4%



1. Measurement period FY18: 52 weeks ended 29 July 2018 compared to 52 weeks ended 30 July 2017
2. Same store sales measurement includes Online and all stores from their 53rd week of trading

3. Gross Margin



- » Gross margin long-term target range 61% to 63% remains unchanged (Australasia)
- » Gross margin improvement from increased full price sell through, combined with a higher average selling price
- » Mix of input cost increases and currency hedging neutral
- » Kathmandu only gross margin 64.1%

3. Cost of doing business

OPERATING EXPENSES: +9.9% to \$225.7m

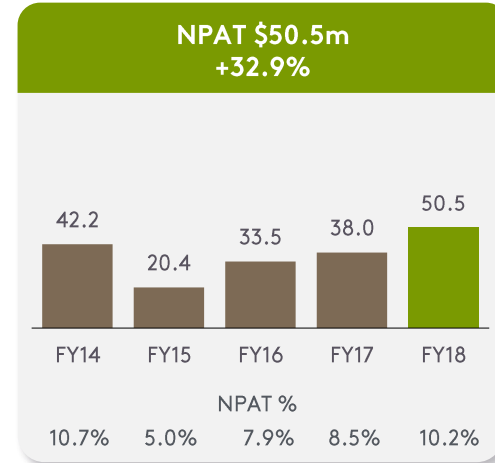
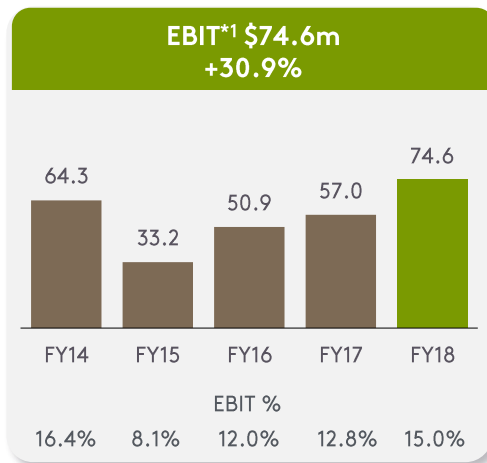
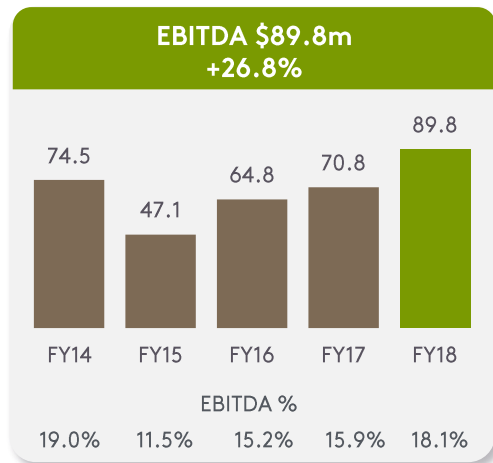
- » Rent increase includes
 - » store relocations and new stores
 - » Year-on-year exchange rate impact \$1.4m
- » Other operating expenses include one-off items of c. \$4.0m:
 - » \$2.0m transaction costs for the Oboz acquisition
 - » \$2.0m for one-off exceptional team bonus
- » Other operating expenses includes \$3.9m Oboz
- » Efficiencies gained through:
 - » Improved sales productivity (retail labour and rent)
 - » Distribution centre labour
 - » Targeted promotional spend

NZD \$m	FY18	FY17	Var \$	Var %
Rent	67.4	62.2	5.2	8.4%
% of Sales	13.6%	14.0%		
Other operating expenses	158.3	143.2	15.1	10.5%
% of Sales	31.8%	32.1%		
Total operating expenses*1	225.7	205.4	20.3	9.9%
% of Sales	45.4%	46.1%		
Depreciation	15.2	13.8	1.4	10.1%
% of Sales	3.1%	3.1%		
Cost of doing business	240.9	219.2	21.7	9.9%
% of Sales	48.4%	49.2%		

1. FY18 total operating expense increase attributable to year-on-year exchange rate translation movement \$4.1m

2. Rounding differences may arise in totals, both \$ and %

3. Earnings summary



1. EBIT YOY exchange rate translation impact in FY18: +\$1.7m (FY17 -\$0.6m)

4. Segment results

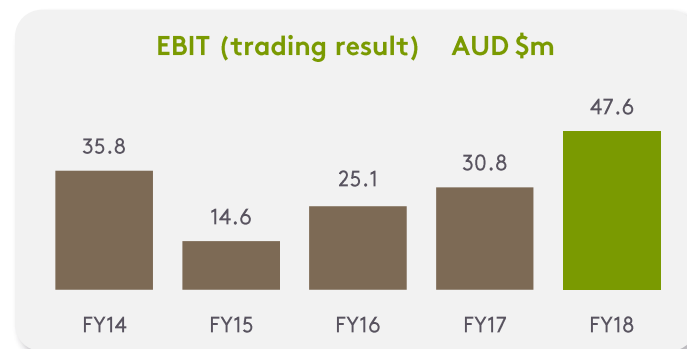


4. Australia

SALES: +9.6% to \$307.7m

- » Gross margin increased 180bps / 1.8% of sales
- » Total operating expenses (incl. depreciation):
 - » FY18 50.4% of sales
 - » FY17 53.1% of sales
- » 4 new stores
- » 1 temporary store and 1 outlet store closed
- » 4 stores relocated
- » 9 store refurbishments

AUD \$m	FY18	FY17	Var %
Sales	307.7	280.7	9.6%
Same store sales growth	7.5%	6.9%	
EBIT (trading result)*2	47.6	30.8	54.5%
EBIT margin %	15.5%	11.0%	
Store count	118	116	



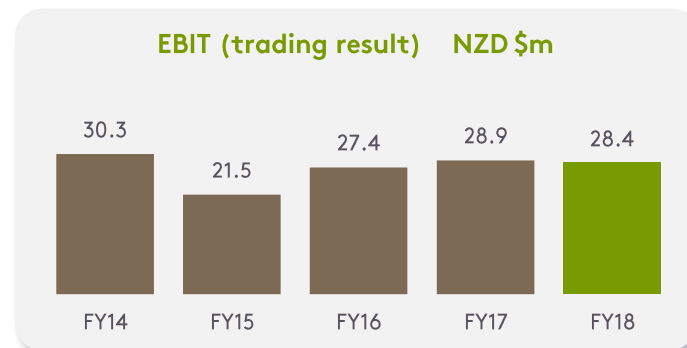
1. Rounding differences may arise in totals, both \$ and %
 2. A reconciliation of EBIT (trading result) to the financial statements is included in Appendix 1

4. New Zealand

SALES: -2.3% to \$143.0m

- » Gross margin increased 260bps / 2.6% of sales
- » Total operating expenses (incl. depreciation):
 - » FY18 40.6% of sales
 - » FY17 38.2% of sales
- » 1 new store
- » 2 stores relocated
- » 2 store refurbishments

NZD \$m	FY18	FY17	Var %
Sales	143.0	146.4	-2.3%
Same store sales growth	-2.4%	3.6%	
EBIT (trading result)*2	28.4	28.9	-1.7%
EBIT margin %	19.9%	19.7%	
Store count	48	47	



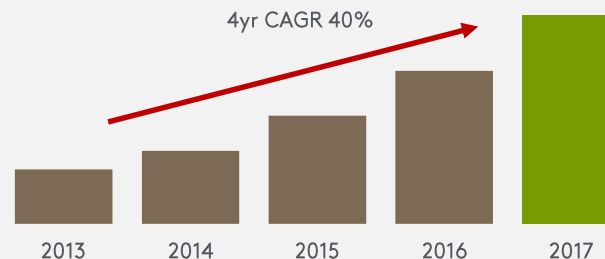
1. Rounding differences may arise in totals, both \$ and %
 2. A reconciliation of EBIT (trading result) to the financial statements is included in Appendix 1

4. Oboz

- » Earn-out EBITDA target USD \$7.1m to December 2018
- » Oboz contribution to FY18 Group EBIT \$0.6m: \$2.6m Oboz EBIT from April to July 2018 less \$2.0m transaction costs
- » FY18 pro-forma:
 - » sales growth c. 28%
 - » gross margin c. 40%
 - » EBIT margin improvement c. 200 bps / 2.0% of sales

NZD \$m	Oboz FY18 Pro-forma*2
Sales	49.1
EBIT	8.2
EBIT margin %	16.7%

Oboz historical sales growth (USD, CY)*3



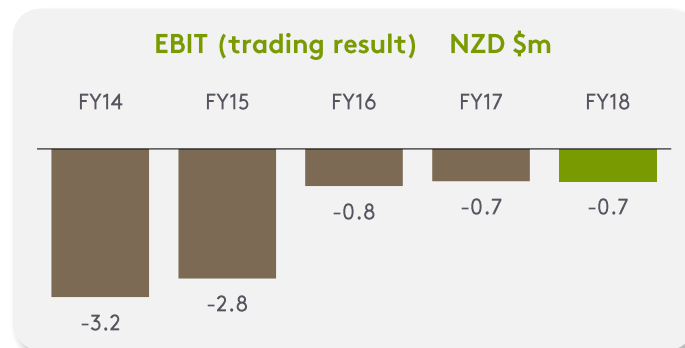
1. Rounding differences may arise in totals, both \$ and %
2. Oboz management account results for the KMD financial year ended 31 July 2018, normalised to exclude c.\$1.5m transaction costs incurred prior to acquisition
3. Based on unaudited calendar year management accounts for Oboz as presented in the Oboz management presentation prior to acquisition

4. Rest of World

SALES: +83.1% to NZD \$4.7m

- » Direct to consumer sales \$3.4m, c. 72% of total sales
- » Wholesale \$1.3m, c. 28% of total sales
- » Gross margin decreased 980bps / 9.8% due to increased wholesale mix
- » Total operating expenses (incl. depreciation):
 - » FY18 63.0% of sales
 - » FY17 85.5% of sales

NZD \$m	FY18	FY17	Var %
Sales	4.7	2.5	83.1%
Same store sales growth	39.6%	-32.7%	
EBIT (trading result)*2	(0.7)	(0.7)	0.1%
EBIT margin %	-15.3%	-28.1%	
Store count	1	1	



1. Rounding differences may arise in totals, both \$ and %
 2. A reconciliation of EBIT (trading result) to the financial statements is included in Appendix 1

5. Cash Flow, Balance Sheet, Dividend



5. Cash Flow

Operating cash flow \$75.6m:

- » Record operating cash flow generated through improved profitability
- » Change in working capital includes inventory build related to Kathmandu international and Oboz acquisition



Cash Flow (NZD \$m)	FY18	FY17
NPAT	50.5	38.0
Change in working capital	8.7	12.9
Change in non-cash items	16.4	16.4
Operating cash flow	75.6	67.3

Key Line items:		
Net interest paid (including facility fees)	(2.0)	(2.1)
Income taxes paid	(18.6)	(14.6)
Capital expenditure	(16.7)	(13.3)
Dividends paid	(27.2)	(24.2)
Increase/(Decrease) in borrowings	28.9	(33.2)

5. Capex

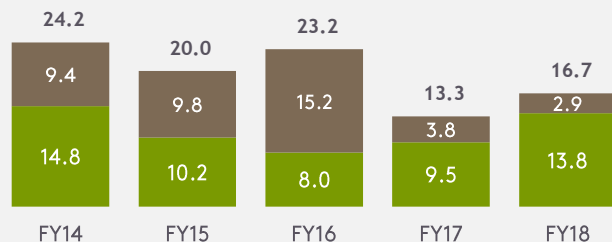
FY18 capital expenditure \$16.7m:

- » FY18 Stores \$13.8m: primarily relocations and refurbishments to optimise the store network
- » FY18 Systems \$2.9m: primarily Online platform and CRM upgrades
- » Three year roadmap for systems projects includes the Online platform upgrade, new warehouse management system, and upgraded ERP system



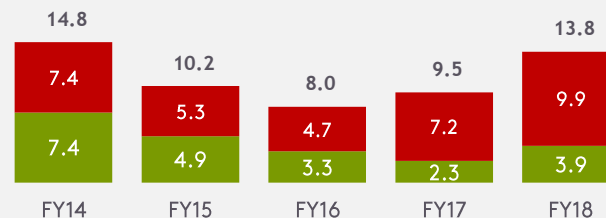
Total Capex NZD \$m

■ Stores ■ Systems and Infrastructure



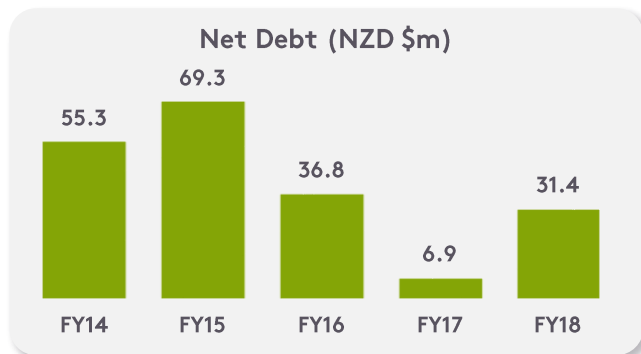
Stores Capex NZD \$m

■ New Stores ■ Relocations and Refurbishments Total Stores



1. Rounding differences may arise in totals, both \$ and %

5. Balance Sheet



- » Oboz acquisition during FY18 added c. \$60m to net debt
- » Inventory balance includes \$17.9m to support Kathmandu international and Oboz

1. COGS (rolling 12 months) / Average Inventories YOY
2. Net Debt / (Net Debt + Equity)
3. (EBITDA + Rent) / (Rent + Net Finance Costs excl. FX)
4. EBIT / (Net Debt + Equity)
5. Rounding differences may arise in totals, both \$ and %

Balance Sheet (NZD \$m)	FY18	FY17
Inventories	111.9	89.2
Property, plant and equipment	63.5	61.0
Intangible assets	390.3	279.0
Other assets	40.8	6.3
Total assets (excl. cash)	606.5	435.5
Net interest bearing liabilities and cash	31.4	6.9
Other non-current liabilities	49.8	34.3
Current liabilities	104.9	67.2
Total liabilities (net of cash)	186.1	108.4
Net assets	420.4	327.1

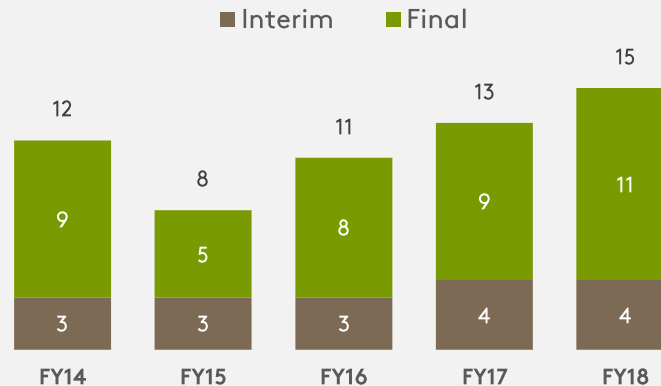
Key Ratios	FY18	FY17
Stock Turns* ¹	1.81x	1.83x
Net Debt to Equity* ²	6.9%	2.1%
Fixed Charge Cover* ³	2.27x	2.07x
ROIC* ⁴	16.5%	17.1%

5. Dividend

Over \$120m returned to shareholders
over the last 5 years

- » Final dividend NZ 11.0 cents per share (FY17 NZ 9.0 cps)
- » Record high full year payout NZ 15.0 cps (FY17 NZ 13.0 cps)
- » Dividend will be fully imputed for New Zealand shareholders
- » Dividend will be fully franked for Australian shareholders
- » Supplementary dividend of NZ 1.941 cents is payable to non-NZ shareholders
- » Record date 19 November 2018
- » Payment date 30 November 2018

Dividends (NZ cents per share)



6. Summary



6. Summary

- » Kathmandu is an inspiring brand that designs original, sustainable, engineered and adaptive products
- » We remain committed to continuous improvement in Kathmandu's core markets, with key focuses on:
 - » same store sales growth
 - » strengthening the Kathmandu brand and customer engagement
 - » connecting with customers through social media and digital channels
- » Competitor mix constantly changing and remains competitive
- » Sustainability is a key point of difference and a strategic competitive advantage
- » In Kathmandu and Oboz, we have two great brands with significant growth potential in North America and Europe

7. Questions



Appendix 1 – Reconciliation of segment EBIT trading results

FY18 (\$'000)	Australia	New Zealand	North America	Rest of World	Other	Total
EBIT per financial statements (NZD)	49,057	29,029	2,459	(715)	(5,220)	74,610
Abnormals* ¹ (NZD)	1,387	578	-	-	1,990	3,955
Internal charges not trading related* ² (NZD)	1,169	(1,169)	-	-	-	-
EBIT (trading result) (NZD)	51,613	28,438	2,459	(715)	(3,230)	78,565
EBIT (trading result) (local currency)	47,587					

FY17 (\$'000)	Australia	New Zealand	North America	Rest of World	Other	Total
EBIT per financial statements (NZD)	31,534	29,962	-	(716)	(3,776)	57,004
Internal charges not trading related* ² (NZD)	1,040	(1,040)	-	-	-	-
EBIT (trading result) (NZD)	32,574	28,922	-	(716)	(3,776)	57,004
EBIT (trading result) (local currency)	30,848					

1. Abnormals include \$2.0m transaction costs for the Oboz acquisition and \$2.0m for one-off exceptional team bonus
2. Internal charges not trading related include arm's length margins charged for internal services