

KATHMANDU HOLDINGS LIMITED

ASX / NZX / MEDIA ANNOUNCEMENT

5 May 2020

Surge in online sales and staged reopening of stores

- **Surge in online sales and digital engagement**
- **Staged reopening of physical stores, with an absolute focus on employee and customer safety**
- **Financial position strong following successful equity raising and cost reduction initiatives**

Kathmandu Holdings Limited (NZX / ASX: KMD) (the **Group**) today provides a further business update as it actively monitors and adapts to the global COVID-19 coronavirus pandemic. The Group is taking every precaution to help prevent the spread of COVID-19 and ensure the safety and wellbeing of its employees and customers.

Surge in online sales and digital engagement

During the month of April, Kathmandu and Rip Curl have continued to trade online in all international jurisdictions, with Kathmandu New Zealand selling only essential items online from 3 April.

During April, Group online sales were 2.5 to 3 times higher than last year, with the highest growth rates in Australia, the Group's largest market. Online sales growth strengthened over April as consumers adapted to online being their only available shopping channel.

Group CEO Xavier Simonet said "The digital infrastructure and supply chain investments we have made over the last three years have underpinned our ability to rapidly ramp up online trading capabilities and distribution capacity in the face of unprecedented online demand. Our customers are clearly seeking products to support their active outdoor lifestyles, while coping with the social restrictions imposed by this global health crisis. I would like to thank all our team members from across all parts of our business, who have shown incredible resilience and agility to support our online customers during these challenging times."

Staged reopening of physical stores with an absolute focus on employee and customer safety

On 1 April 2020, the Group announced that all except two of its 327 international stores had closed, to protect the safety of its employees and customers, and in accordance with Government directives. Most stores have remained closed since late March 2020.

Plans for reopening physical stores are well advanced and the Group looks forward to welcoming customers back into stores only when it is safe to do so.

In Australia, over recent days, most Kathmandu and Rip Curl stores in New South Wales and Queensland have reopened on a trial basis, with robust safety protocols in place. The majority of Australian Kathmandu and Rip Curl stores are expected to reopen by the end of this week.

Kathmandu and Rip Curl stores in New Zealand, North America, Europe, Brazil and Japan remain closed and will reopen as soon as Government directives in each jurisdiction allow.

Stores will reopen with the following additional safety protocols in place:

- Protective items such as hand sanitiser and face masks;
- Contactless customer service and payment;
- Social distancing measures between customers and team members; and
- Customer capacity limits in stores.

Financial position strong following successful equity raising and cost reduction initiatives

The Group recently successfully completed a fully underwritten NZ\$207 million equity raising, which received strong support from retail and institutional investors. The equity raising strengthened the Group's balance sheet and liquidity position, ensuring it remains well capitalised to navigate through the current trading uncertainties caused by COVID-19.

In addition to the equity raising, the Group continues to implement a series of actions to reduce costs and further strengthen its financial position:

- Reviewing all operating expenses for potential savings, including the completion of a significant restructuring program for head office functions that is expected to generate c.NZ\$15 million of annualised cost savings;
- Utilising Government subsidies in Australia, New Zealand, and Europe;
- Negotiating with landlord partners to achieve a fair outcome that sees rental costs aligned to sales performance;
- Delaying and cancelling existing inventory orders where possible, based on reduced levels of expected demand in the medium term; and
- Cancelling or deferring all non-essential capital projects, which includes planned ERP spend and store refurbishments.

Outlook

The closure of the Group's store network since late March has had a material adverse impact on FY20 earnings, as expected. As stores begin to reopen in Australia, the full impact of COVID-19 on the Group, including its wholesale channel and partners, cannot be forecast without knowing the timetable for a return to more normal trading conditions in the many international jurisdictions in which the Group operates, and having a clearer view on the level of consumer demand.

Commenting on the latest outlook, Xavier Simonet said "The Group has responded decisively to the COVID-19 challenges as a team, with the aim of getting through this difficult period and coming out on an even stronger footing. In the medium term, consumer demand is expected to be subdued overall, and international travel reduced as a result of the ongoing economic and social impacts of COVID-19. However, there is a clear opportunity to answer the needs of our brands' core consumers as they engage in active pursuits locally, on the beach, in the mountains and the outdoors."

"In this context, we will maintain a strategy focused on brand, product and customer, while continuing to diversify the business and accelerate digital transformation. We are a global outdoor and action sports company underpinned by iconic brands, technical products and a focus on sustainability. In Kathmandu, Obōz, and Rip Curl, we have authentic and inspirational brands that will continue to attract loyal consumers for the long term."

- ENDS -

This announcement has been authorised for release by the Board.

For further information, please contact:

Investors

Eric Kuret
Market Eye
P: +61 417 311 335

Media

Helen McCombie
Citadel-MAGNUS
P: + 61 2 8234 0103