

KATHMANDU HOLDINGS LIMITED

ASX / NZX / MEDIA ANNOUNCEMENT

2 July 2020

Strong sales recovery but uncertainty remains over economic outlook and potential second wave of COVID-19

- **Return to positive same store sales growth as retail stores have reopened**
- **Continued consumer shift to online**
- **Strong balance sheet and liquidity position**
- **Remain cautious about medium-term demand, given economic climate**

Kathmandu Holdings Limited (NZX / ASX: KMD) (the **Group**) is pleased to provide a trading update as retail gradually reopens in key global markets.

As previously announced, COVID-19 social distancing and lockdown restrictions globally have impacted Group sales this financial year. Total Group sales for the 10 months ended 31 May 2020 were 15.1% below the comparable period last financial year¹. However, since stores began reopening, retail store and online sales have generally exceeded management expectations, further strengthening Group liquidity.

Recovery of direct to consumer channel

Lockdown restrictions have eased, allowing the majority of the Group's store network to reopen, with notable exceptions being airport stores. The safety, health and wellbeing of teams and customers remain the absolute priority and robust in-store safety protocols have been put in place.

Same store sales results for the last six full weeks from 18 May to 28 June 2020², and adjusted for stores still closed, are:

- **Rip Curl same store sales up 21.0%**, reflecting retail stores up 5.1% and online up 151%. Online contributed 22.6% of direct to consumer same store sales.
- **Kathmandu same store sales up 12.5%**, reflecting retail stores up 2.2%, and online up 78%. Online contributed 21.4% of direct to consumer same store sales.

Wholesale substantially impacted

Wholesale sales for the period to the end of May have been substantially impacted by COVID-19, with their return to growth lagging retail sales as expected. Specifically, Rip Curl global wholesale sales were 26.0% below the comparable seven-month pre-ownership period last financial year.

Due to ongoing COVID-19 restrictions impacting wholesale customers' retail operations, and the timing of seasonal range releases, it is too early to assess the medium-term impact on wholesale demand.

Balance sheet

In April, the Group completed a successful NZ\$207 million equity raising to strengthen its balance sheet and liquidity position in response to the COVID-19 pandemic. Based on the Group's current assessment of the operating environment and outlook, available liquidity³ in excess of \$300 million is expected at the end of this financial year.

¹ Including the comparable seven-month period pre-ownership of Rip Curl last year.

² Measured against comparable promotional calendar and 6 week period in 2019.

³ Liquidity represents net cash plus undrawn bank facilities in excess of NZ\$300 million, out of A\$355 million total cash facilities maturing October 2022.

Outlook

Based on current COVID-19 conditions globally, FY20 adjusted EBITDA is expected to be above \$70 million⁴. Kathmandu only gross margin is expected to be at the lower end of the 61% to 63% target range.

There remains significant downside risk over future economic conditions, following the conclusion of Government assistance packages, further COVID-19 outbreaks as recently observed in Melbourne, and the impact of lower foot-traffic on CBD and tourist located retail stores from working and travel restrictions.

Commenting on the Group's latest outlook, Mr Simonet said:

"Whilst we are pleased with the strong recovery in direct to consumer sales over the past six weeks, we remain cautious about medium-term levels of consumer demand. We believe that some short-term factors, including Government support packages and pent up demand are underpinning current sales. The heightened level of uncertainty that currently exists is likely to persist over the medium-term, and we are focused on being well prepared to respond to the associated risks and opportunities as they emerge."

"I want to again acknowledge the incredible effort and dedication of our teams. Our supply chain, offices, and customer facing teams have worked tirelessly to adapt to the extraordinary challenges we have faced, while continuing to put our customers first."

- ENDS -

This announcement has been authorised for release by the Board.

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⁴ Excluding the impact of IFRS 16, \$10 million Rip Curl acquisition transaction costs, and other non-cash one-off items.