TRANSCRIPTION

Conference Title: Kathmandu Holdings Limited Investor Conference Call
Date: 23 March 2021
Time: 8:30 AM AEST

Operator
Thank you for standing by and welcome to the Kathmandu Holdings Limited H1 FY21 Kathmandu Results Investor Call. All participants are in a listen-only mode. There will be a presentation followed by a question and answer session. If you wish to ask a question you will need to press the star key followed by the number one on your telephone keypad. I would now like to hand the conference over to Mr Xavier Simonet, Group CEO. Please go ahead.

Xavier Simonet
Thank you Bernadette. Good morning everyone and thank you for joining us on today's presentation of the Kathmandu Holdings results for the first half of the 2021 financial year. My name is Xavier Simonet and I am the Group CEO of the Company. I am joined on the call by Chris Kinraid, our Chief Financial Officer, and by our Chairman, David Kirk, who will participate in the Q&A session.

We will be talking to the presentation lodged on the NZX and ASX this morning. Unless otherwise specified, all financial numbers are in New Zealand dollars.

We will begin on slide 2, which briefly covers our first half Group results. Despite the ongoing COVID-19 impacts in key global markets, the Group has achieved strong first half results.

Rip Curl delivered an outstanding first half result validating the Group's diversification strategy. Benefiting from increased participation in surfing in Australia, Europe and the US, Rip Curl achieved strong sales and profits, despite key store closures, underpinned by the brand's technical product focus and strong consumer engagement. Pleasingly, Rip Curl's wholesale order book is above pre-COVID-19 levels.

Kathmandu was particularly impacted by COVID-19 related store closures and travel restrictions, with less international travel to the Northern Hemisphere winter resulting in reduced demand for insulation and rainwear products. However we did see renewed interest in local travel and adventure, which led to strong demand for camp, beach, and footwear products.

Oboz achieved sales growth as a result of a successful product innovation strategy and diversification of its customer base and we also saw increased participation in hiking.

The Group continues to benefit from our cautious operational and capital management following COVID-19, and the strong cash generating ability of our brands.

Turning onto slide 3, I would like to discuss in more detail the Group's first half financial year highlights. As I mentioned previously, our half year results were underpinned by the strong performance of Rip Curl. Total Group sales were up 12.9% on prior year, which includes a full six months contribution from Rip Curl. This result validates our diversification strategy, which we will continue to leverage going forward.

We continue to be cautious around our operating costs in response to the current uncertain trading conditions. As such, there were some significant restructuring and synergy savings and rent abatements, supplemented by government wage assistance.

Taken together this has allowed us to improve first half trading profit, achieving an underlying EBITDA of $48.2 million.

Pleasingly, we saw a step change in Group online sales penetration, increasing to 12.7% of direct to consumer sales, a sizeable increase over the previous corresponding figure of 8.8%.

We finished the half with a strong balance sheet, with net debt of $10.1 million, following careful management of our working capital.

Moving to slide 4. I want to expand on the increase in Group online penetration that we saw over the half. As a result of changing consumer preferences, brought about by the COVID-19 lockdown period, we saw an acceleration in online sales.

The investments we made into our omni-channel capabilities allowed our brands to capture this growth in online sales which saw Group online sales grow 18.5% to a record $36 million. Online penetration remains significantly above pre-COVID-19 levels for both Rip Curl and Kathmandu.

Rip Curl online sales growth was significantly higher across key markets, registering 107% growth in USA, 47% growth in Australia, and 78% in Europe.

Kathmandu online sales of $18.6 million in the half represented 14.4% of total direct to consumer sales. This was up from 10.5% in the prior year.

We are excited to build on our online success with Rip Curl and Kathmandu by launching an Oboz online store imminently.

Moving onto slide 5 now. Sustainability is at the core of our brands. We firmly believe that actions are inextricably linked to our values, so I am proud to announce that the Kathmandu brand has reached its carbon neutral milestone four years ahead of schedule.

Whilst we are excited to have achieved such a milestone, our ambition doesn't stop there. The Group will set a Science-Based carbon reduction target moving forward.

I'd like to highlight some other notable sustainability achievements. The Kathmandu brand meets the highest standards of environmental and social performance, as certified by its B-Corp status. Kathmandu is also a member of the Fair Labour Association, uses 100% sustainable cotton, and obtained the Rainbow Tick certification in New Zealand for embracing diversity and inclusion.

For Rip Curl, last year marked the 20th anniversary of Rip Curl Planet Day, where our crew work for local councils to rejuvenate the coast. Rip Curl also scored a B-plus in the Ethical Fashion Reports for the second year running, and collaborated with Kathmandu on its first sustainability report.

As for Oboz, over 3.3 million trees have been planted since the Company's inception. Gender diversity of the team has improved, with female representation reaching 41%.

Turning to slide 6. I now want to discuss the impact we saw from the COVID-19 pandemic and how we responded. Clearly COVID-19 had a major impact on our business in the first half. Over 60 Greater Melbourne stores were closed for over 11 weeks, 14 stores in Auckland were closed for two weeks, and several CBD and airport stores, as well as stores in Hawaii, Bali and Europe are still impacted by either COVID-19 related travel restrictions or government mandated lockdowns and closures.

In addition, wholesale sales for the half were impacted by the missed sell-in season during the initial lockdown in April and May 2020, for delivery in October to December 2020.

I am very proud of the rapid response our team implemented to react to changes in consumer preference. With participation in surfing increasing, Rip Curl responded quickly to demand for wetsuits and related surfing products. Kathmandu upweighted its focus on summer camping and footwear to respond to increased interest in local travel and adventure. Our omni-channel capability allowed our brands to capture record demand online.

I will now hand over to Chris to cover the remainder of the presentation.

<u>Chris Kinraid</u>
Thank you Xavier. Moving onto the Group results overview on slide 8. Our statutory results include the adoption of IFRS 16. For comparability the impact of IFRS 16 has been excluded from our underlying results.

The first half of FY21 includes a full six months of Rip Curl, compared to the first half of FY20 which included three months of Rip Curl post-acquisition.

As you can see, we have recorded positive financial metrics. Total sales in the first half of the year increased to $410.7 million, and underlying EBITDA increased by 19% to $48.2 million.

As previously mentioned by Xavier, we have continued to act cautiously around the management of operating expenses, an approach which is now helping our underlying results as we receive the benefits of rent abatement, as well as the $15 million in annualised cost reductions from restructuring and synergy savings.

Government wage assistance across geographies contributed to a net benefit to operating expenses of $15.2 million. Depreciation also included a $2.5 million notional amortisation of Rip Curl customer relationships. Interest costs in the first half includes the non-cash write-down of a $2.1 million one-off bank facility underwriting cost relating to the Rip Curl acquisition. These have been excluded from the underlying results.

Moving to operating cash flow on slide 9. We again delivered strong cash flows of $10.7 million, despite the challenging conditions. There was an out flow in working capital of $17.9 million, driven primarily by a reduction in payables as a result of final agreements with landlords on rent abatements, that we signaled at our year end release last year. Capex for the full year is expected to be circa $30 million, with continued investment in systems and capabilities.

Moving to our balance sheet on slide 10. We are in a very strong position. We have managed our inventory very carefully. Our current inventory position is well-placed in the COVID-19 demand environment, with low clearance stock levels. Lease liabilities have reduced due to leases progressing through their fixed lease terms.

On to slide 11, we can see a breakdown of the net debt over the past three years. Net debt has decreased to $10.1 million following the capital raised in April 2020. This has given us significant headroom in our current facility of circa $380 million. It should be noted that historically the second half of the financial year for the Kathmandu brand generates very strong cash inflows.

Currently, the Group complies with all debt facility covenants and we're currently in the process of reviewing our debt facility, which is expected to increase flexibility, reduce drawn funds and introduce sustainability linked financing. Subject to normal trading conditions, we expect we'll be in a positive cash position by the end of the year.

Onto slide 12, interim dividend. In light of the improved trading conditions, the Group has resumed paying dividends, with our Directors declaring a NZ 2 cents per share interim dividend. The dividend will not be imputed for New Zealand shareholders, but will be fully franked for Australian shareholders. I'll now move to the segment results and performance of each of our brands.

Looking at Rip Curl in more detail on slide 14, we can see the underlying P&L for the six months in the first half compared to three months in 2020. On a comparable six month basis, total sales were 4.3% below last year, with sales growth achieved in key markets.

Direct to consumer same-store sales grew strongly for the 27 weeks ended 31 January, with 21% growth adjusted for store closures, and 7.4% growth overall. Sales in our online channel grew significantly on the comparable six-month period last year, up 79% and comprised 11.2% of DTC sales. Furthermore, as a result of a higher mix of direct to consumer sales, our gross margin was 40 basis points above the six-month period last year.

Lockdown disrupted the wholesale sell-in period for deliveries in October to December 2020, however order books for subsequent seasons are now above pre-COVID-19 levels, reflecting customers re-stocking and strong surf category performance.

Moving on to slide 15, this showcases a few of our flagship Rip Curl product innovations. A key tenet of Rip Curl and all our brands is technical excellence and innovation, which allows us to provide the best possible products for our customers. Continuing with market-leading swim collections, the Paradise Calling swim collection joins the sustainable Saltwater Culture family, providing customers an eco-friendly range of quality surf products.

The Anti-Series Puffer collection and Anti-Series Heatseeker jacket embodies the synergies shared across our brands, with the former utilising Kathmandu's expertise to develop new technical insulation styles and the latter leveraging technology from the successful Heatseeker wetsuit program.

Slide 16 covers the Group's commitment to the global brand leadership of Rip Curl. We have recently signed a three-year partnership for the new Rip Curl World Surf League Finals, a season-ending one-day competition that will decide the men's and women's World Surfing Champions. Rip Curl also holds the sponsor naming rights to three new events on the WSL World Tour: the Rip Curl Cup in Newcastle, Rip Curl Classic Narrabeen and the Rip Curl Search Rottnest Island. Rip Curl has also secured ongoing sponsorship of the Rip Curl Pro Bells Beach when it returns in 2022.

Lastly, Rip Curl is launching a brand new global campaign, including 50 of our international team riders to promote diversity, inclusivity and sizes for all.

Moving to the Kathmandu brand on slide 18, it shows Kathmandu's underlying P&L for the first half pre-IFRS 16. COVID-19 lockdowns and travel restrictions and store closures impacted on Kathmandu's financials with total sales 34.9% below the first half of last year.

In Australia, sales were 40.5% below last year, with 27 Greater Melbourne stores closed for 11 weeks. In New Zealand, total sales were 23.4% below last year and 14 Auckland stores closed for two weeks. Same store sales were 30% below last year when adjusted for lockdown closures and 35.4% below last year overall. Low footfall in shopping centres, CBD stores and tourist locations acted in tandem with reduced demand for insulation and rainwear resulting from a lack of international travel to the Northern Hemisphere weighing on total sales.

Online penetration increased from 10.5% of sales in the first half of FY20 to 14.4% of sales in the first half of FY21. Also pleasing was the strong demand for camp, beach and footwear with the renewed interest in local travel and adventure. Kathmandu sales have been historically weighted to the second half of the year, when winter in Australasia drives natural demand for insulation and rainwear. Kathmandu operating expenses included the benefits from restructuring, rent abatements and net government wage assistance.

Onto slide 19, we continue to lead in innovation in sustainable technology. Slide 19 shows how we have developed products focused on sustainability. For example, a 100% recycled biodegradable fleece, a world first. Built in partnership with Primaloft, the fabric breaks down at a highly-accelerated rate in landfills and oceans and returns to its natural elements.

Turning to slide 20, we have an active and engaged customer base with a net promoter score of 76, 3% above the second half of last year. We continue to leverage the Summit Club loyalty program, driving personalisation of the customer relationship and building brand loyalty. We have 2.2 million active Summit Club members representing over 70% of total Kathmandu sales. We're continuing to invest in personalisation capability, boosting loyalty performance by using data analytics and insights to drive stronger relevancy, and in turn, higher conversion.

Moving on to Oboz. Slide 22 shows Oboz's profit and loss in its local US dollar currency. Oboz sales grew 3.8%, reaching $22.1 million for the half, driven by a successful product innovation strategy and increased participation in hiking. Gross margin was impacted significantly by a one-off air freight cost of US$1.1 million to support key customer deliveries of winter seasonal styles. Gross margin will normalise to historical levels for the second half.

Pleasingly, our forward order book is well above pre-COVID-19 levels, enabling investment to support future growth. This includes a development of a new online store which is set for an imminent launch.

Moving to slide 23, Oboz has been broadening the appeal of its product range since acquisition to target a younger, more diverse and active consumer segment. This is evidenced by the successful sell-in of the new Sypes and Bozeman collections, achieved while maintaining the strength of core Bridger and Sawtooth hiking focused styles.

Diversity has always been a focus of the Group. Accordingly, Oboz has launched its first ever Diversity, Equity and Inclusion Report. Oboz currently enjoys a highly reputable brand with the number-one-selling outdoor footwear brand in the US, in the Outside Business Journal annual survey of American independent retailers. This comes off the back of our successful “Truist” influencer program implemented last year in conjunction with the launch of our “True to the Trail” podcast. This has contributed to a 37% growth in Oboz’s social media audience.

Now moving to slide 25, Group strategy. Our Group strategy has not changed throughout the challenging period. We are a global outdoor and action sport company, underpinned by iconic brands and technical products, with a focus on sustainability.

We've been building a portfolio of brands that provides diversification across geography, channel, product and seasonality, allowing us to meet global year-round needs of customers in the outdoor, sport and lifestyle categories. We leverage this portfolio, delivering operational excellence in sourcing, supply chain and systems, accelerating digital transformation and driving margin expansion through synergies, complementary expertise and core capabilities of our brands.

By maintaining a relentless focus on core customers and delivering solutions to their needs, we'll be able to grow these brands to a global scale, and enhance customer loyalty. In particular, we'll continue the development of technical, differentiated and sustainable products, and accelerate the expansion of the direct to consumer business. Throughout this whole journey, we will remain true our values. Sustainability is part of our DNA and is ingrained in everything we do. We also embrace diversity and inclusion in the workplace and build strong ties with local communities.

Turning to slide 26, the key strategic priorities for FY21 remain unchanged. We remain committed to delivering on our strategic imperatives. As noted previously, the strong Rip Curl performance achieved in the first half of FY21 validates our diversification strategy. In the second half, Kathmandu is very well positioned to perform in its traditionally strong winter season. The Group continues to leverage the portfolio of the brands at its disposal. Online penetration increased to 12.7% in the first half, up from 8.8% last year.

In the second half, we will continue to invest in our digital program, including loyalty management, merchandise planning, personalisation using data algorithms, data driven insights and into consumer preferences, as well as ERP and point of sale upgrades.

We'll be implementing a loyalty program at Rip Curl with the end goal of improving analytics, customer loyalty and ultimately conversion and sales. The launch of the Oboz online store and increasing use of personalisation and data analytics for Kathmandu will also be a priority in the second half. Lastly, following on from the carbon neutral certification of the Kathmandu brand, we'll be setting a Science-Based carbon reduction target for the group. We also will be working towards a Group-wide B-Corp certification, and engaging with key stakeholders in a group ESG materiality assessment.

Moving on to the outlook on slide 27, Kathmandu enters the traditionally strong winter season very well prepared. Oboz's investment in new products sees it enter the second half with an order book well above pre-COVID-19 levels. Rip Curl continues to trade in line with strong first half trends, and wholesale order books are above pre-COVID-19 levels.

The long term growth fundamentals remain in place with strong, iconic brands, we create technical and innovative products, and we have a loyal customer base, and a growing global reach.

Pleasingly, the lockdown conditions appear to have increased participation in outdoor, hiking, beach and surfing activities. Our brands are well positioned to capitalise on this trend. The roll out of COVID-19 vaccines is expected to benefit international travel in the long term, which will in turn provide strong growth opportunities. We are a strong cash generating business with low debt, which provides us with flexibility when it comes to potential growth opportunities and growing returns for our shareholders.

This now concludes the formal part of today's presentation. I'd like to thank all our shareholders for their support and for taking the time to join us on this call. I'd like to now open the call for questions, where myself and David Kirk, our Chairman, will be available for questions.

Operator
Thank you. If you wish to ask a question, please press star one on your telephone and wait for your name to be announced. If you wish to cancel your request, please press star two. If you're on a speaker phone, please pick up the handset to ask your question.

Your first question comes from Andrew Steele of Jarden. Please go ahead.

Chris Kinraid
Hey, Andrew.

Andrew Steele
Hey, good morning, guys. Just the first one from me is on Rip Curl. Could you just call out the level of rent abatement and wage assistance that you received in the first half. Then, I guess, related to that, looking forward, what would you say you think the sustainable EBITDA margin is in that business?

Chris Kinraid
In terms of the rent abatements, it was about $2 million for each brand and the wage assistance, the way I look at the wage assistance is that it was broadly neutral against the impact of store closures for the Rip Curl brand in the first half. So the net impact was very little. Our long term target for Rip Curl has always been that 15% EBITDA margin. See we've achieved that in the first half. We expect some moderation in the second half but we remain committed to that long term goal.

Andrew Steele
Okay and so would, just to be clear, you're saying that you'll hit the 15% on a full year basis for this year? Or is that starting to think in future years or moderate back towards that in the FY22 year?

Chris Kinraid
Yes, I mean we had a very strong first half with Rip Curl. So there's a lot of trade to come and COVID impacts to consider for the second half. But we're reasonably confident on our target.

Andrew Steele
Great, thank you. And just on the Kathmandu brand, you've called out the negative impact of weakness in specific categories. Could you actually call out how much was winter down and travel categories down and then what does that look like, the relativity to all other categories? Is it just that those ones were down significantly and all others were flat or modestly up? What does that picture look like?

Chris Kinraid
Yes, without going into specifics individually for each category, I mean for those categories, that was a significant impact on trading for that half, for the first half. As well as obviously real travel related in terms of some travel accessories. So that outweighs the upside we saw in camp, footwear, and pure hike related gear. So that impacts largely you've seen through the numbers and in terms of the trading results.

Andrew Steele
Just again, sorry, to clarify on that Chris, so you're saying that the - outside of those categories that you specifically called out which were impacted, all others, were they broadly up on average? Or flat…

Chris Kinraid
There's some like - things like fleece layer for example and winter products which can forward to other categories are also impacted. So you know, across that mix the weighting of insulation, rainwear, and winter based products which we traditionally sell quite strongly in the first half. Obviously travel, that outweighs the impact of the camp and summer categories performance.

Operator
Thank you. I'd also like to announce due to the limited time we have today, could you please limit questions to two per person to allow everyone to have an opportunity.

Your next question comes from Guy Hooper of Forsyth Barr. Please go ahead.

Guy Hooper
Yes, good morning. I guess just further to what Andrew was asking around the Kathmandu brand sales. How would you characterise I guess any movements in market share or market positions for that brand over the last series?

Chris Kinraid
I mean overall for the market, I mean different brands have different characteristics. The outdoor segment, the outdoor and travel segment is quite a broad segment. So a pure like for like is really hard to measure.

Still remain pretty confident in terms of those key insulation and rainwear styles that got impacted in the first half of our overall positioning in the market.

You know, you can't just compare, I know what brand you're talking about Guy but you can't just compare direct like for like because of the difference in product categories and expanded brands which some of our competitors sell and have a higher summer product weighting as well.

So you can't directly compare to that. But overall, I think in terms of our winter weighted products, heading towards winter, we're pretty confident in terms of our market share in those categories.

Guy Hooper
Okay, thank you. Just I guess around inventory levels. I mean how are you feeling about those? Do you expect them to return to prior year levels at year end? And I guess maybe some comments around I guess a return to normal promotional calendar or level of discounting in the sector?

Chris Kinraid
Yes, just around inventory levels. I mean we're in a pretty clean inventory position. There may be some slight re-stocking of some areas of inventory. So there'll be some movement but not a material movement in inventory position.

The biggest challenge with inventory with all areas is just supply chain getting in on time for shipping out. We're reasonably confident for the inventory position to deliver the second half. So that's okay. Yes.

Operator
Thank you. Your next question comes from Marni Lysaght of Macquarie. Please go ahead.

Marni Lysaght
Good morning Chris. Good morning Xavier.

Chris Kinraid
Hi Marni.

Marni Lysaght
How are we?

Chris Kinraid
So David is doing the Q&A session, Marni, as well. So just David and myself.

Marni Lysaght
Sorry David. David and Chris, just wanted to clarify, can you give us a run through like maybe the sell through rates that you're seeing in the channels that Oboz and Rip Curl are exposed to? How much of it would be demand and how much of it would be maybe, I mean this is just pure speculation, that maybe inventory balances are a little weaker in those retail partners because of COVID and planning not really corresponding with demand levels?

Chris Kinraid
Well I mean there's definitely an element of inventory restocking that we believe in some of the forward orders. Particularly we, we've seen in the Rip Curl channel based on, sell through in our own retail stores. We see that in surf shops generally. So you know, we're confident that there's elements of both in there in terms of the category performance as well as inventory restocking.

Same with Oboz in the US, we definitely, there's some inventory restocking as part of that. But we're really pleased with the performance of Oboz through its key customers - customer base as we talked about in the presentation. So it's a mix of restocking and category performance.

Marni Lysaght
That’s all clear. My second question just relates to, I’ll just turn it on here. Just trying to understand in your trade and other receivables, the allowance for expected credit losses in note 8.

It is above, remained above pre-pandemic levels. Can you perhaps run us through how we think about receivables moving forward? I just, I note that obviously the receivables are down too and kind of how are the inventory sales talking to that?

Chris Kinraid
I mean…So yes, no, we're in a sort of I think a reasonably conservative position there. We've actually seen our collection has been very strong, especially in the US market and European market. So overall, we're very comfortable with our current collection of receivables. It's been operating very clean.

Marni Lysaght
That’s all clear. I'll let others ask their questions, thanks.

Chris Kinraid
Thanks Marni.

Operator
Thank you. Your next question comes from Mark Wade of CLSA. Please go ahead.

Mark Wade
Good morning guys. I appreciate the comments you made earlier that you're saying the Kathmandu brand is well prepared for the second half. Can you expand on some of the plans there over the next couple of years to really reinvigorate that brand in Australia and New Zealand and to improve the awareness in some of the newer markets in North America?

Chris Kinraid
I don’t think it needs re-invigoration, Mark. I mean it's, last winter was a record winter really across the Kathmandu brand. So, and we're pretty confident with good stock levels of key styles and a strong brand positioning and

promotional calendar set up. So I think we are well positioned for that winter coming up. You know, we're always reviewing product mix and categories for Kathmandu, and there's some things on the horizon just to support the brand activity. We'll continue to invest in that space and our website.

So yes, no, we're always looking at it going forward and are pretty confident that as we go through, markets opening up. Because that's been the biggest impact on Kathmandu, is just pure lack of travel and traffic, that as we start seeing that, even domestic tourism open up further, we're confident that we'll see some improvement there.

Mark Wade
Okay. And maybe David, if I can ask you for an update on the search for a replacement Group CEO? The specific qualities that are being sought in that candidate and perhaps what aspects of the Group strategy are set in stone versus what's open to change.

David Kirk
Good morning everyone. Thanks for the question. We're well along the way with our new CEO search. We have appointed Egon Zehnder to support us on the process. We have passed along this phase and we're moving into interviews of shortlisted candidates.

So we're always reliant on, in terms of a start date, we're reliant on the arrangements that the chosen candidate has in their current agreement if they come from outside the organisation. But we have progressed well and we are very interested in some of the candidates. So that's good.

The chief executive will bring their own lens to the organisation that we feel is if there's a clear strategy being put forward by management and engaged with by the Board and committed to by Board and management, and that strategy we've seen unveiled over the last couple of years, and we think it's been a successful strategy. If you look at the contribution that Rip Curl has made in this period in particular, I think it would be difficult to disagree that that has been a good strategy to differentiate and diversify, by season, by hemisphere, by product.

But only to do so in acquiring and investing in brands that are consistent with the portfolios in Kathmandu's roots and indeed Rip Curl's roots, which are technical brands which have a strong element of emotional connection in the brand and omni channel approach to going to market.

So I think you can expect that type of thinking to continue. But as I say, the new chief executive will of course bring his or her angle on that.

Mark Wade
Thanks for those insights David.

Operator
Thank you. Your next question comes from Paige Hennessy of ACC. Please go ahead.

Paige Hennessy
Hi guys. Thank you for your time today. My first question is just around the $15 million in cost savings and really whether or not you expect to see them endure continuing on through the year and where there any additional cost savings to come?

Chris Kinraid
Yes, I think largely that $15 million annualised is ongoing. So you know, we expect that to continue. So yes, we're pretty confident of that. We've already gone pretty hard on some of that review of the cost structure. So there's no, in terms of term at the moment, significant other cost out happening. But we will always review our cost structure to be as efficient as possible in light of what we need to do to invest in the Group. So that's currently kind of where we sit.

Paige Hennessey
Great. Thank you. And obviously a lot of interest in Kathmandu and how it's going to perform through the winter. Do you guys, are you able to provide a trading update on how it's tracking in the last couple of weeks?

Chris Kinraid
I mean it's, obviously it's a pretty hard period to do a comparison against. We've got a slight timing difference on promotional calendar, you’re comping pre-COVID impacts right now, last year. But we are seeing an improved pick up on those key winter styles. But it's early days yet.

Paige Hennessy
Okay. Thank you guys.

Operator
Thank you. Your next question comes from Chris Byrne of Craigs IP. Please go ahead.

Chris Byrne
Good morning to both of you. I guess one for you, David. Your balance sheet is obviously very strong. You've talked about being able to use that for opportunities. Is that sort of more within your current assets or are you sort of talking about looking at further acquisitions and I guess in that lens, you have diversified now by geography and by season. If you were going to acquire further, what traits would you be looking at that would fit the bill as to why you would acquire?

David Kirk
Hi Chris. Yes, the balance sheet is in a strong position now. We're mindful that we are not, and the world is not completely out of the woods with COVID. We do think it's unpredictable, the next six months to a year. So that gives us some pause for thought in terms of maintaining a strong balance sheet.

I don't think anything has changed with regard to the fundamental strategy and therefore the fundamental, the attractiveness of potential acquisition opportunities. It's worth stressing that we are not acquirers for the sake of getting bigger or for the sake of delivering on a strategy only. We put scale aside, we want to deliver on the strategy but only if the financial returns from the investment, whether it be by acquisition or further investment in the current business, need to be very strong and they need to have, and particularly in the current environment, they need to have a little margin for error.

So we don't see anything in particular that we would be rushing to make a major investment in, either internally or externally. There’s a good opportunity for internal investment, to grow the capability and profitability over time of the current business, but we will remain measured, keep our antenna up for opportunity. But we're not rushing out to allocate a whole lot of capital at the moment.

Chris Byrne
Great and just one final quick one. Any thoughts on rebranding the Group?

David Kirk
Yes, there are thoughts on rebranding the Group. We haven't landed on that but that's been a subject of discussion at the Board a couple of times. We've had some sort of rather more pressing things just recently to deal with but we will come back to that, and we will continue to consider that. What do you think?

Chris Byrne
Okay. I think it's probably a reasonably good idea.

David Kirk
It's a good idea? Yes and for what particular reason, just to separate the brand of the Group from the brand of each operating company?

Chris Byrne
Yes I think so. To separate Kathmandu, the fact that you've diversified now is not really reflected in the name. So look, it doesn't mean you have to change it. I just wondered whether it was something you were considering, which I personally think would make sense but doesn’t mean it's the right thing to do.

David Kirk
Yes okay, thanks.

Operator
Thank you. Your next question comes from Julian Mulcahy of E&P. Please go ahead.

Julian Mulcahy
Thanks guys. Just Chris, I’m just drilling into the Kathmandu numbers, I mean the $68 million fall in revenue is quite sharp. Particularly when you look at Macpac. I know they are a lot smaller, but they had only sort of modest reductions. So do you reckon you could put a figure around how much you actually lost in rainwear, insulation sales in relation to international people and whether it's more about a market share sort of issue than anything?

Chris Kinraid
Yes I mean…

David Kirk
Can I just, sorry Chris to jump in…

Chris Kinraid
You go.

David Kirk
I mean you can correct me or elaborate after. It's really worth understanding that Macpac now, the current Macpac and Kathmandu are not really comparable in terms of product mix and therefore product use focus. You'll know that Macpac is a rebranding of all of several retail groups, Ray's outdoor and BCF, just Rays, sorry. Rays is very much focused on larger format camping and outdoor. A lot of boating, a lot of stuff that is quite domestically focused.

Of course Kathmandu in this period has suffered largely because of lack of international travel and I think one of the things that's not particularly comparable amongst the two is where the stores actually are. CBD areas have been quite significantly, I mean footfall has fallen strongly in CBD areas compared to people working from home in suburban areas and everything with suburban retail parks. So those two things, channel mix and product mix, are pretty relevant when it comes to overall sales comparison between Macpac and Kathmandu in the period.

Sorry Chris, back to you.

Chris Kinraid
Yes no, that's fine David. I've got nothing more to add to that.

Julian Mulcahy
Just the, can you split out where the $68 million drop in revenue was in relation to rainwear and insulation?

Chris Kinraid
Yes I mean, you've got to take, Melbourne market is obviously a bigger market is obviously a bigger market for Kathmandu as well. So you know, there's a period of closure in that first quarter as well. Significant impacts about 28 or 30 stores in that market alone for Kathmandu. So but I mean it's, as a category that it's largely kind of three quarters of the impacts.

Julian Mulcahy
Right okay. So I mean like online sales are up strongly but clearly with an online purchase you don't get those add-ons you may have got if you were instore. Is that a fair assessment?

Chris Kinraid
I mean, always, it's always great to get a customer in store as well. You can engage from a customer service point of view to engage with a customer, so it's always a good preference to have that customer interaction. That's obviously very important for all retailers, for all retail going forward. So for the Kathmandu brand, it's something that especially in that summer period, in that gifting period, it's quite important.

Julian Mulcahy
Okay. Thanks David, thanks Chris.

Chris Kinraid
Thanks Julian.

Operator
Thank you. There are no further questions at this time. That does conclude our conference for today. Thank you for participating. You may now disconnect.

ENDS

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