

Kathmandu FY12 Results Presentation

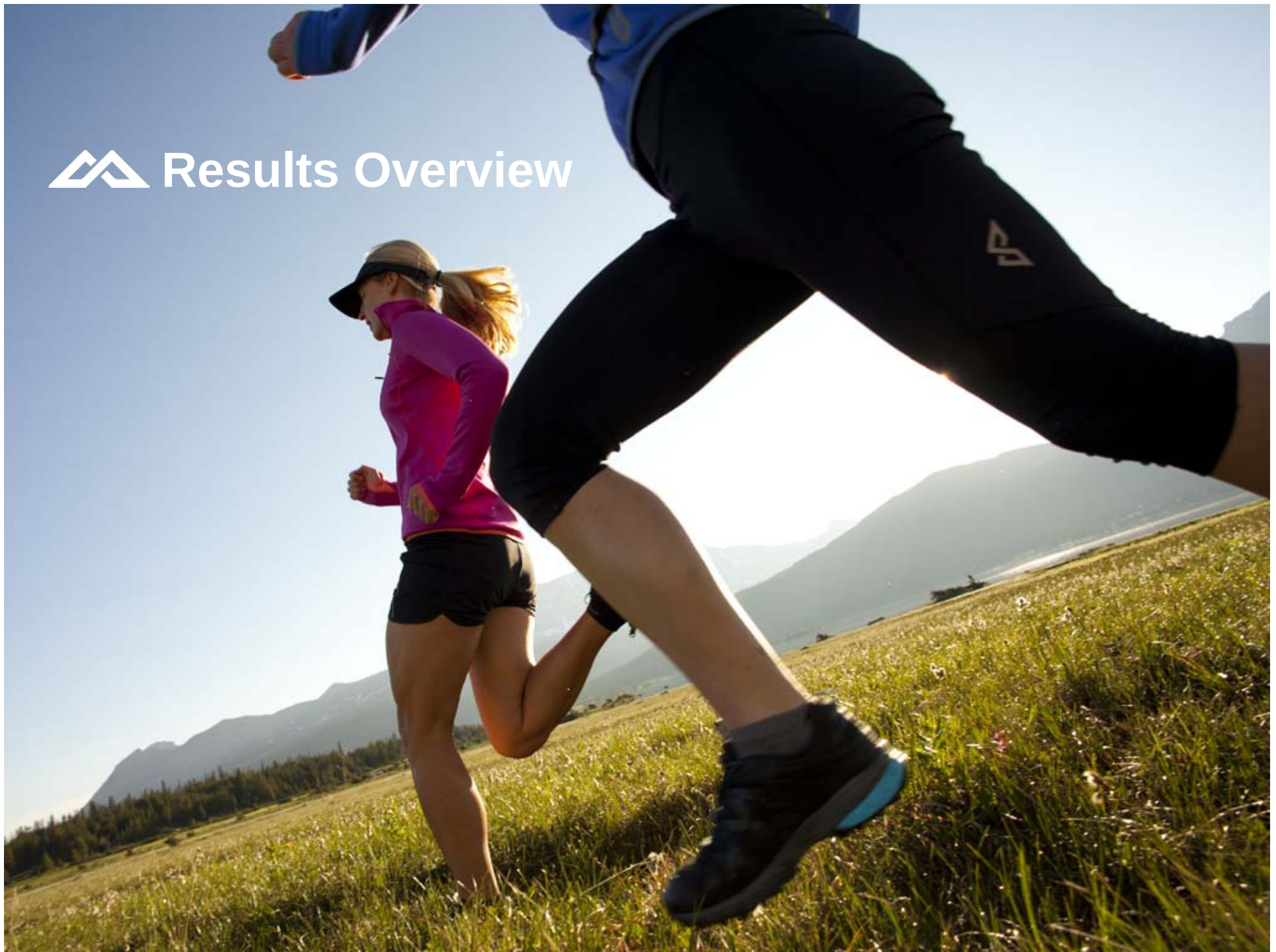


- Results Overview
- Key Line Items
- Country Results
- Cash Flow, Balance Sheet, Dividend
- Growth Strategy Update
- FY13 Outlook
- Questions





Results Overview



Results Overview: Highlights



Summary:

- Solid result given the difficult economic environment;
- 2H FY12 performance significantly improved on 1H FY12 and EBIT up on 2H FY11;
- Investment programme lifted.

Sales and Margin

- Sales growth \$41.0m (13.4% above last year);
- Same store sales growth 7.0% at constant exchange rates (5.7% at actual exchange rates);
- Implemented loyalty incentive for Summit Club. Membership numbers up 30%;
- Gross margin 63.2%. Within 62%-64% target range, down 230 bps on FY11.

Operating Costs

- Operating expenses overall increase 190bps as a % of sales:
 - 1H FY12 +470bps;
 - 2H FY12 -30bps;
- Most one-off costs in 1H FY12, predominantly new ERP and warehouse management systems.

Profit

- EBITDA \$66.5m, down 6.9%, NPAT \$34.9m, down 10.7%;
- Depreciation up \$2.1m (28.4%):
 - Capital expenditure increased to \$21.8m;
 - Major projects included new distribution centre (NZ), flagship stores, rebranding (70%+ of stores completed), systems investment (global online platform).

Results Overview: Year-On-Year



	Results Overview NZ \$m ^{*4}			
	FY12	FY11	DIFF \$	DIFF %
Sales	347.1	306.1	41.0	13.4%
Gross Profit	219.5	200.6	18.9	9.4%
<i>Gross Profit Margin</i>	63.2%	65.5%		
Operating expenses	(153.0)	(129.2)	(23.8)	18.4%
<i>% of Sales</i>	44.1%	42.2%		
EBITDA	66.5	71.4	(4.9)	(6.9)%
<i>EBITDA margin %</i>	19.2%	23.3%		
EBIT^{*1}	57.0	64.0	(7.0)	(10.9)%
<i>EBIT margin %</i>	16.4%	20.9%		
NPAT	34.9	39.1	(4.2)	(10.7)%
Permanent open stores ^{*2,3}	120	110	10	

1. EBIT includes negative YOY exchange rate movement \$0.3m.
2. Currently trading from 120 permanent stores (excluding online and mail order), and 4 temporary sites: Camberwell Outlet (Melbourne), Moonee Ponds (Melbourne), Newmarket Outlet (Auckland), and Cashel St Re-start (Christchurch).
3. FY11 permanent open stores have been re-stated to exclude the currently closed Christchurch CBD store.
4. FY12 NZ\$/A\$ conversion rate 0.776 (FY11 0.764), FY12 NZ\$/UK£ conversion rate 0.508 (FY11 0.478).

Results Overview: Half-Year Results



	1H FY12	1H FY11	DIFF \$	DIFF %	2H FY12	2H FY11	DIFF \$	DIFF %
Sales	146.7	127.1	19.6	15.4%	200.4	179.0	21.4	12.0%
Gross Profit	92.0	82.2	9.8	11.9%	127.5	118.4	9.1	7.7%
<i>Gross Profit Margin</i>	62.7%	64.7%			63.6%	66.1%		
Operating expenses	(75.0)	(59.0)	(16.0)	27.1%	(78.0)	(70.2)	(7.8)	11.1%
<i>% of Sales</i>	51.1%	46.4%			38.9%	39.2%		
EBITDA	17.0	23.2	(6.2)	(26.7)%	49.5	48.2	1.3	2.7%
<i>EBITDA margin %</i>	11.6%	18.3%			24.7%	26.9%		
EBIT	12.7	19.9	(7.2)	(36.2)%	44.3	44.1	0.2	0.5%
<i>EBIT margin %</i>	8.7%	15.7%			22.1%	24.6%		
NPAT	6.0	10.5	(4.5)	(42.9)%	28.9	28.6	0.3	1.0%

- 2H FY12 operating expenses % of Sales: no significant change vs 2H FY11 once one-off costs excluded from each half year.



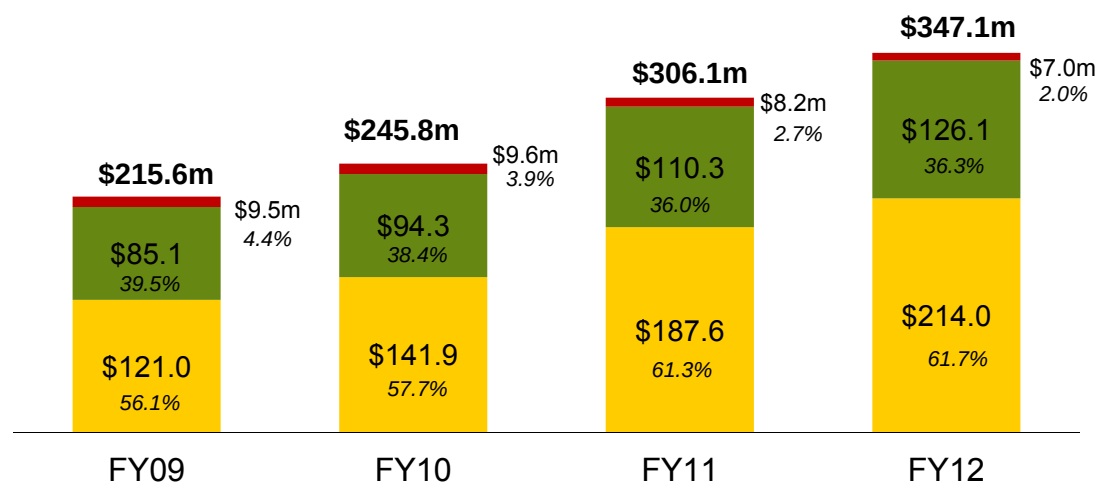
 Key Line Items

SALES: +13.4% to \$347.1m

SALES*1

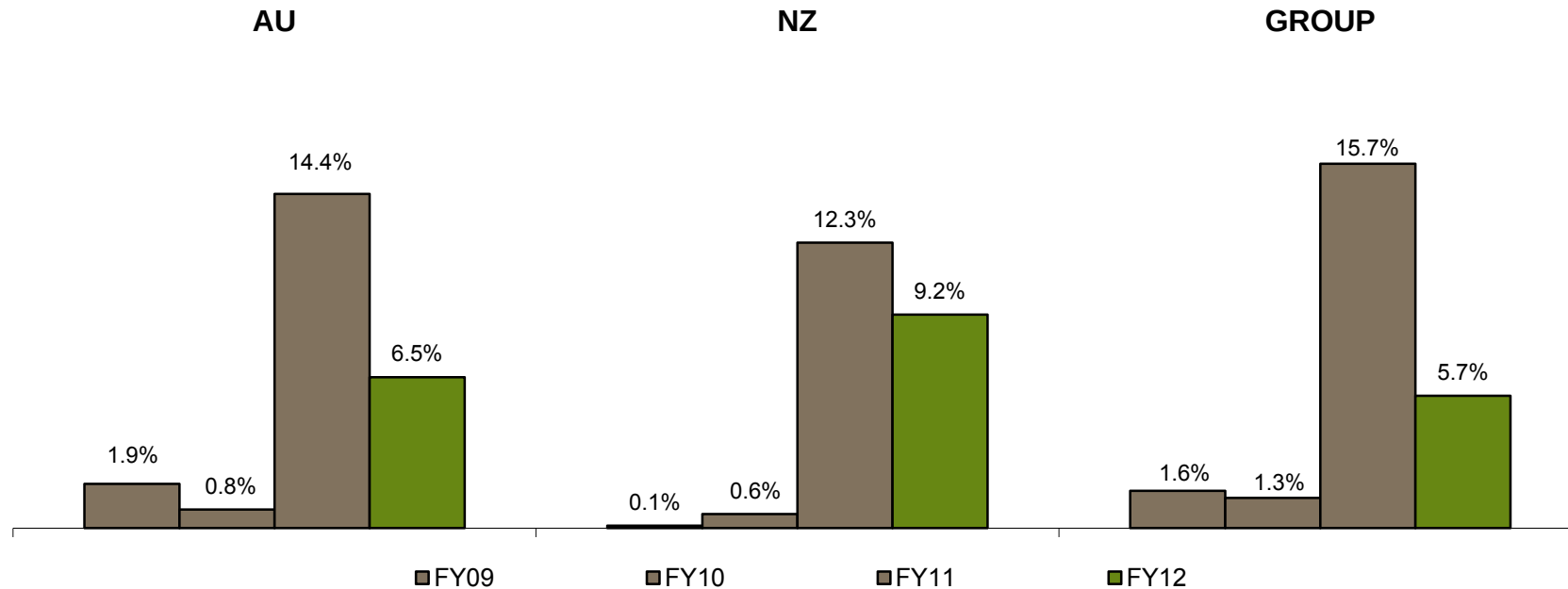
■ Australia ■ New Zealand ■ United Kingdom

- Sales growth year on year:*2
AU 15.8%, NZ 14.3%, UK (7.7)%.
- At constant exchange rates sales growth \$44.8m / 14.6%.



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

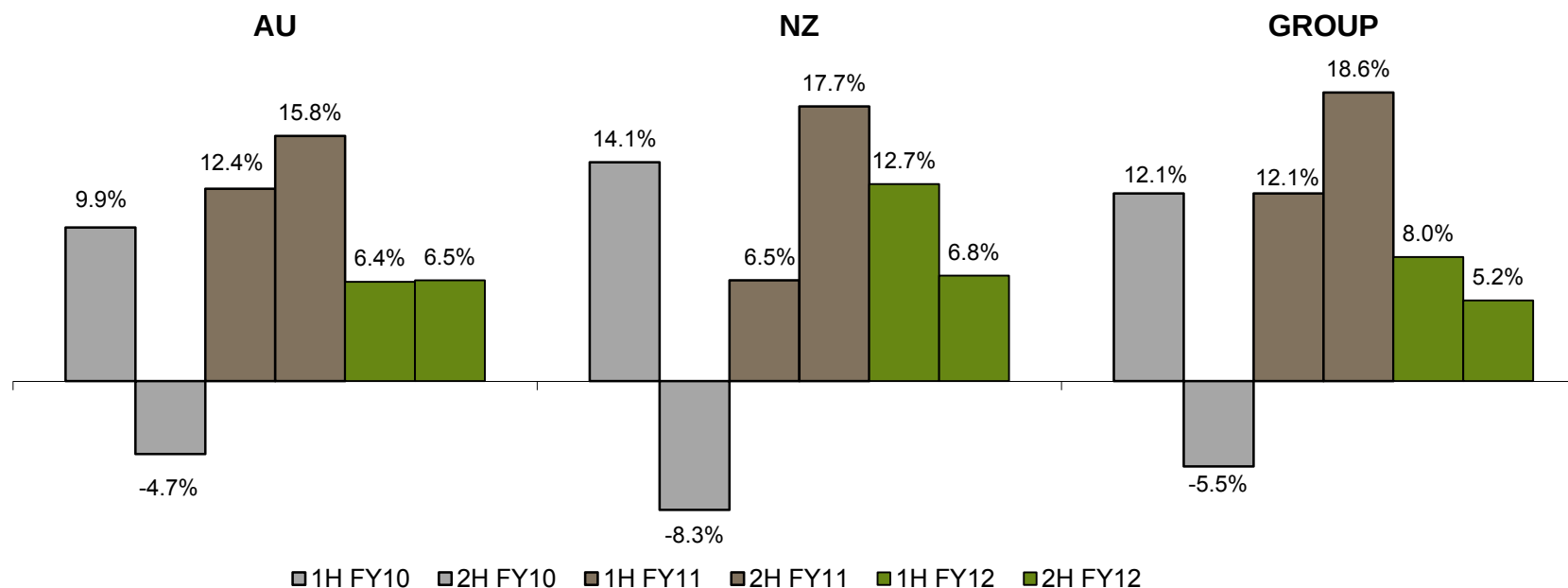
Same Store Sales Growth: 4 Year History



- Same store sales growth 5.7% (7.0% on constant currency basis); *1, 2, 3
- UK sales 7.7% below FY11.

1. Same store sales measurement includes eSales and all stores from their 53rd week of trading.
2. Also includes all Christchurch stores from March 2012 onwards (one year after the Feb 2011 earthquake).
3. AU and NZ calculated on local currency sales results (not affected by year-on-year exchange rate variation).

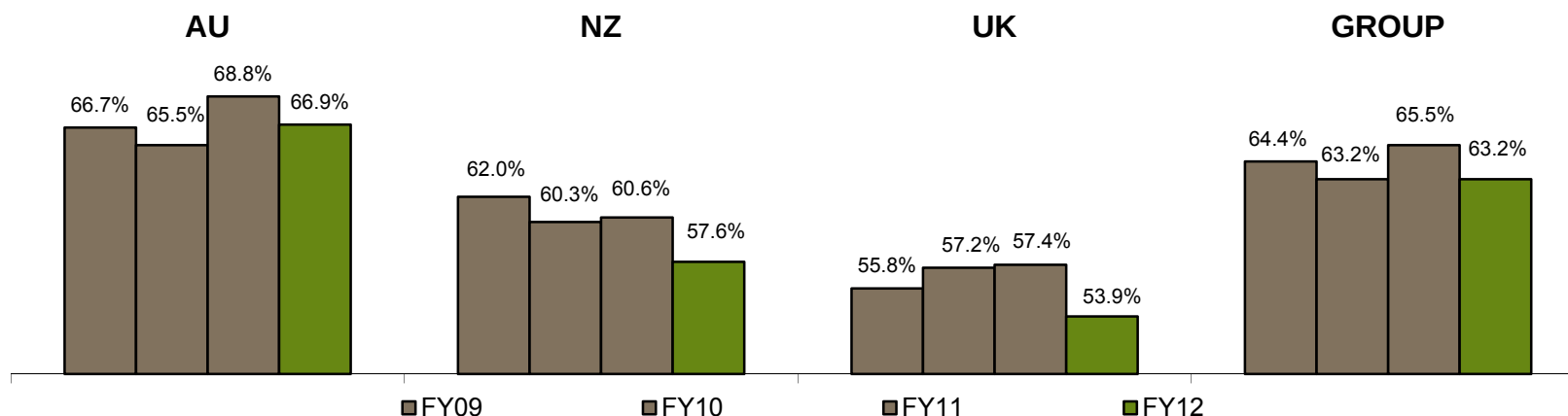
Same Store Sales Growth: Half Years



- 2H FY12 cycling high YOY growth in 2H FY11, following low base in 2H FY10
- 3 year averages:
 - AU 7.2% (1H 9.6%, 2H 5.9%)*¹
 - NZ 7.4% (1H 11.1%, 2H 5.4%)*¹
 - Group 7.6% (1H 10.7%, 2H 6.1%)

1. AU and NZ calculated on local currency sales results (not affected by year-on-year exchange rate variation).

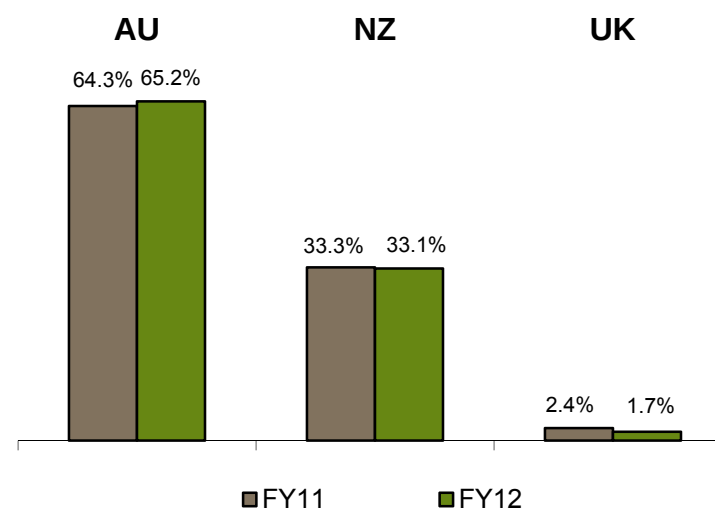
Gross Profit Margin %



Key reasons for YOY change:

- Higher proportion of sales through Summit Club, and loyalty incentive structure introduced in FY12;
- Product cost increases balanced by FX hedging;
- Product mix movement;
- More clearance activity in NZ;
- Within 62%-64% long-term target range.

SHARE OF BUSINESS (GROSS PROFIT \$)



Cost of Doing Business



OPERATING EXPENSES: +18.4% to \$153.0m

- Operating expenses increase 190bps as % of sales reflects:
 - Rent costs +100bps;
 - Distribution centres and freight to stores +60bps;
 - Retail salaries & wages +80 bps.
- Most one-off expenditure occurred in 1H FY12. Arose from:
 - Implementation of new ERP and warehouse management systems; and
 - Relocation of key new stores (timing and dual site operation impact).
- Depreciation increase as % of sales through uplift in capital expenditure on new stores and systems infrastructure.
- Second half expenses in line with forecast and similar % of sales to FY11.

NZ \$m	FY12	FY11	DIFF \$	DIFF %
Rent	39.6	31.9	7.7	24.1%
% of Sales	11.4%	10.4%		
Other operating expenses	113.4	97.3	16.1	16.5%
% of Sales	32.7%	31.8%		
Total operating expenses*¹	153.0	129.2	23.8	18.4%
% of Sales	44.1%	42.2%		
Depreciation	9.5	7.4	2.1	28.4%
% of Sales	2.7%	2.4%		
Cost of doing business	162.5	136.6	25.9	19.0%
% of Sales	46.8%	44.6%		

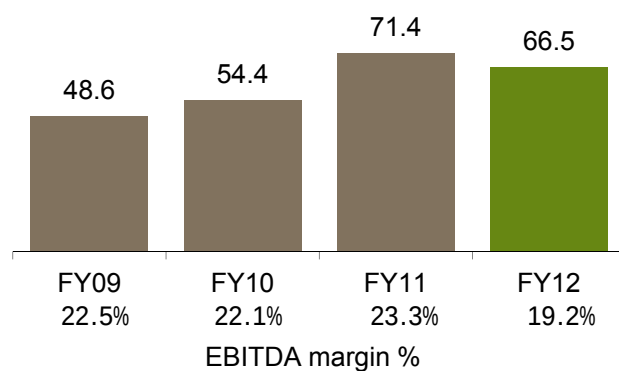
1. FY12 total operating expense decrease attributable to year-on-year exchange rate movement \$2.0m.

Earnings

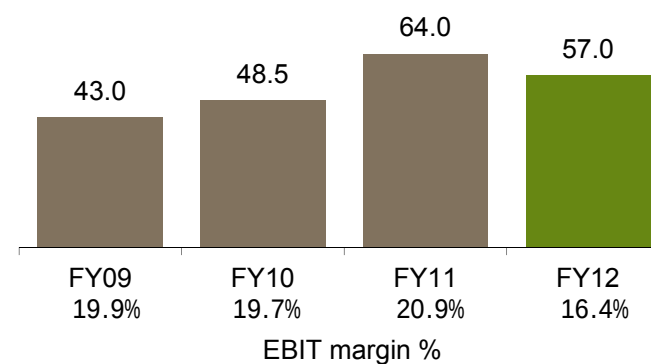


EBITDA	\$66.5m, -6.9%
EBIT^{*1}	\$57.0m, -10.9%
NPAT	\$34.9m, -10.7%

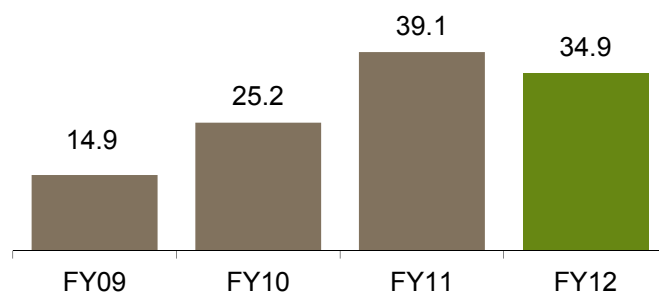
EBITDA \$m



EBIT \$m



NPAT \$m^{*2, 3}



1. EBIT includes negative YOY exchange rate movement \$0.3m.
2. FY10 NPAT result excludes IPO costs net of associated tax deductions.
3. FY09 NPAT includes financing costs associated with the previous private equity funding structure.



Country Results



SALES: A\$166.0m, +15.8%

Same store sales growth: +6.5%

EBITDA (trading result): A\$31.6m, - 6.5%

- 6 New Stores opened:
 - 2 in 1H FY12: Warrnambool, Chatswood (existing store relocated, original store converted to Outlet);
 - 4 in 2H FY12: Tamworth, Shellharbour, The Rocks (Sydney), Moorabbin DFO (Melbourne).
- Refurbishments / Relocations (in 1H FY12):
 - Newcastle expansion, Hobart expansion, Camberwell relocation.
- Total operating expenses (excl. depreciation):
 - FY12 47.9% of sales;
 - FY11 45.2% of sales.

A \$m	FY12	FY11	DIFF
Sales	166.0	143.3	15.8%
Same store sales growth	6.5%	14.4%	
EBITDA (trading result)* ¹	31.6	33.8	(6.5)%
EBITDA margin %	19.0%	23.6%	
Permanent open stores	72	66	

1. A reconciliation of EBITDA (trading result) to the interim report is included as an Appendix (page 29).

SALES: NZ\$126.1m, +14.3%

Same store sales growth: +9.2%

EBITDA (trading result): NZ\$30.8m, +0.3%

- 4 new stores opened:
 - 3 in 1H FY12: Coastlands, The Palms, and Willis St (existing store relocated, original store converted to Outlet);
 - 1 in 2H FY12: Masterton.
- Refurbishments / Relocations (in 2H FY12):
 - Newmarket relocation, Victoria St refurbishment.
- Total operating expenses (excl. depreciation):
 - FY12 33.2% of sales;
 - FY11 32.8% of sales.

NZ \$m	FY12	FY11	DIFF
Sales	126.1	110.3	14.3%
Same store sales growth	9.2%	12.3%	
EBITDA (trading result)* ¹	30.8	30.7	0.3%
EBITDA margin %	24.4%	27.8%	
Permanent open stores	42	38	

1. A reconciliation of EBITDA (trading result) to the interim report is included as an Appendix (page 29).
2. Note: Christchurch CBD store still closed due to earthquake (temporary site operating in Re-start precinct).

SALES: UK£3.6m, -7.7%

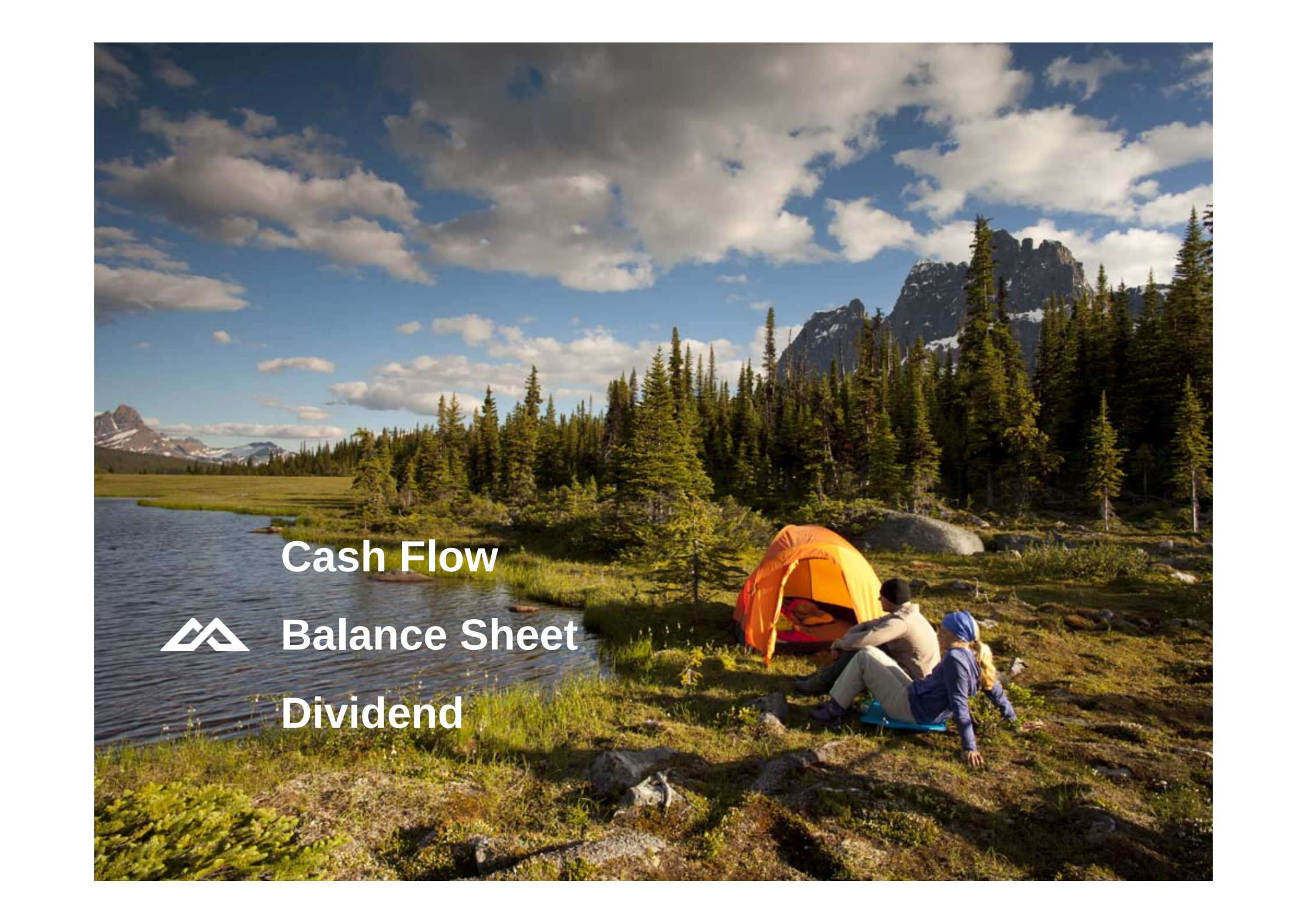
Same store sales growth: -7.7%

EBITDA (trading result): UK£(1.6)m, -77.8%

- Total operating expenses (excl. depreciation):
 - FY12 98.3% of sales;
 - FY11 80.5% of sales.
- 1.7% of Group Gross Profit in FY12;
- Restructure of support functions completed. One-off restructuring costs of £0.6m included in the FY12 result;
 - Warehousing outsourced to a third party provider;
 - UK regional office closed.

UK £m	FY12	FY11	DIFF
Sales	3.6	3.9	(7.7)%
Same store sales growth	(7.7)%	(7.1)%	
EBITDA (trading result)* ¹	(1.6)	(0.9)	(77.8)%
EBITDA margin %	(44.4)%	(23.1)%	
Permanent open stores	6	6	

1. A reconciliation of EBITDA (trading result) to the interim report is included as an Appendix (page 29).



Cash Flow



Balance Sheet

Dividend

Cash Flow



- Capital expenditure \$21.8m vs FY11 \$11.9m:

- New stores capex: \$14.4m:
 - 10 new stores;
 - 2 expansions;
 - 2 relocations;
 - In progress stores for FY13 opening.
 - Existing stores capex: \$0.8m.
 - IT capex \$3.0m:
 - Includes online project.
 - Other capex: \$3.5m
 - Includes brand refresh, distribution centres, and offices.

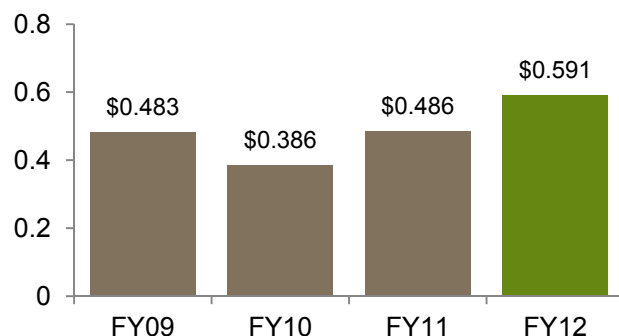
- Reduction in interest paid due to terms in new bank facility.

NZ \$m	FY12	FY11
NPAT	34.9	39.1
Change in working capital	(12.3)	(8.5)
Change in non-cash items	10.0	9.2
Operating cash flow	32.5	39.8
Key Line items:		
Net interest paid (including facility fees)	(5.8)	(6.6)
Income taxes paid	(16.0)	(14.2)
Capital expenditure	(21.8)	(11.9)
Dividends paid	(20.0)	(20.0)
Increase/(Decrease) in term borrowing	7.2	(8.0)

Balance Sheet



- Inventories per store up 21.6%^{*1}



- Inventory per store increase due to:
 - product range growth
>30% increase in SKU count over 2 years;
 - timing of store openings; and
 - timing of stock deliveries (+\$50k per store increased GIT at balance date).
- 85%+ of term debt hedged by interest rate swaps (NZ\$20m; AU\$20m).

Key Ratios	FY12	FY11
Gearing ^{*2}	15.7%	14.4%
Stock turns ^{*3}	2.0	2.3

NZ \$m	FY12	FY11
Inventories	73.3	54.0
Property, plant and equipment	41.9	32.8
Intangible assets	249.1	243.7
Other assets	6.7	5.8
Total assets (excl. cash)	371.0	336.3
Net interest bearing liabilities and cash	51.9	42.9
Other non-current liabilities	0.8	0.3
Current liabilities	38.7	38.2
Total liabilities (net of cash)	91.4	81.4
Net assets	279.6	254.9

- Store counts for this calculation include the 4 temporary stores currently trading
- Net Debt / (Net Debt + Equity) at balance date.
- COGS (rolling 12 months) / Average Inventories (start and end of period).

- NZ 7.0 cents per share final dividend; full year payout NZ 10.0 cents per share.
- Payout ratio remains within expected 50 to 60% of NPAT;
- AU dividend will be fully franked;
- NZ dividend fully imputed;
- Record date 12 November 2012, Payment date 22 November 2012.

- Effective US\$ hedge rates FY12:
 - A\$/US\$ 0.973 FY12 vs 0.852 FY11;
 - NZ\$/US\$ 0.753 FY12 vs 0.683 FY11.
- Forward Hedging Position:
 - Longest dated hedges September 2013;
 - FY13 over 90% cover for full year;
 - Rolling cover applied 12 months forward.
- No hedging NZ\$:A\$.

FORWARD HEDGING POSITION		FY13	FY14
A\$ / US\$	% covered	90%+	10%+
	Effective Rate	0.996	1.011
NZ\$ / US\$	% covered	90%+	10%+
	Effective Rate	0.782	0.776



Growth Strategy Update



Growth Strategy Update



GROWTH STRATEGY

New store rollout

- 150 stores targeted for Australia and New Zealand

Improve existing store network

- Maximise market potential / share by fully optimising the existing store locations

Online and digital

- Develop our online site to maximise AU, NZ and UK sales
- Provide the capability and functionality to target global sales opportunities outside our current markets

UPDATE

- New stores continue to perform to expectation, and still targeting up to 15 stores per annum
- Flagship CBD programme nearly complete
- Trend towards multi-channel retailing accelerating at same time as economic environment deteriorates. Changes made:
 - Have confirmed effectiveness of small format options as we determine balance between footprint and rental costs
 - Provides opportunity to grow past 150 stores

- From FY13 onwards there will be the same or higher number of renewal decisions than store openings annually
- Expect to carry out six major relocations / refurbishments per year
- More flexibility around format options
- Destinal Basecamp option in Australia
- Rebranding completion will align with this programme

- Online sales growth again strong
- Launch of new online platform this month – global sales opportunity follows
- Our control of brand is an obvious competitive advantage
- Considering marketplace sites eg Amazon, Trademe, eBay
- Mobile optimisation for online platform a priority

Growth Strategy Update (continued)



GROWTH STRATEGY

Enhance product offering

- Increase sales through product range growth
- Launch new products and enter new categories
- Growth in range choice

Summit Club

- Target one million members

UPDATE

- Total SKU count now likely to remain around current level
- Range growth and placement focused on assortment range planning and aligning sales productivity / return with store formats
- Inventory investment targeted at key performing product lines
- Ongoing investment in research and product development

- Tracking to achieve target
- New loyalty incentive in FY12 drove sales growth and increased share of total spend
- CRM development core part of FY13 systems development in tandem with new POS



 FY13 Outlook

Sales

- New stores in FY13 coming on stream earlier than FY12;
- Online sales growth continues – new platform launch delivers improved customer experience in existing markets, and enables us to pursue global sales opportunities.

Operating Costs

- Lower rate of cost increase than FY12.

Capital Investment

- Capex again forecast to be \$20m +
- Targeting to open up to 15 permanent new stores in FY13. 9 sites confirmed and planned to open before Christmas at Carindale (Brisbane), Fountain Gate (Melbourne), Tuggerah (Regional NSW), Robina (Brisbane), Morley Galleria (Perth), Coffs Harbour (Regional NSW), Casuarina (Darwin), Pitt Street (Sydney), and Mackay (Regional QLD);
- Systems development continues: new online platform followed by new Retail POS / CRM / Forecasting and Planning system;
- Store relocations and upgrades:
 - Perth flagship store relocation nearing completion;
 - Nelson and Invercargill stores being relocated;
 - Highpoint and Knox (Melbourne) refurbishment in first quarter;
 - Further stores to come in 2H FY12.

Market

- Current economic conditions in our view the new normal;
- Outdoor category remains resilient;
- Competition increasing due to relatively attractive sector.

FY13 Earnings

- Board and Management remain confident in the Kathmandu business model and on-going growth strategies;
- Several FY12 costs and initiatives that affected profit will not repeat in FY13;
- Earnings growth almost all in 2H FY13 even though more stores open pre-Christmas this year;
- Providing there is no further deterioration in economic conditions and following the investment programme in FY12, Kathmandu expects an improvement in performance of our business in FY13 over FY12.

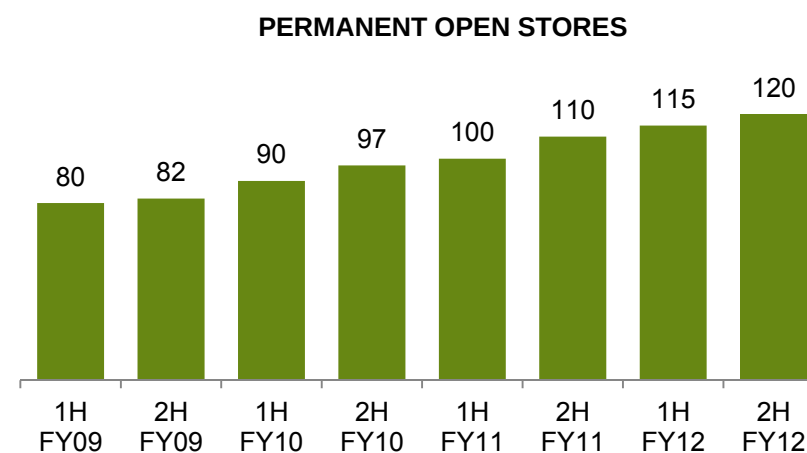
Appendix – Reconciliation of Country Trading Results



Australia (NZ \$m)	FY12	FY11
Segment profit	29.2	33.1
Net interest	2.4	2.4
Facility fees	0.9	1.2
Depreciation	5.9	4.6
Inter-Co. financing	3.9	3.6
Foreign currency borrowings Gain/(Loss)	(1.6)	(0.6)
EBITDA (trading result)	40.7	44.3

New Zealand (NZ \$m)	FY12	FY11
Segment profit	27.0	27.3
Net interest	1.8	1.9
Facility fees	0.7	1.0
Depreciation	3.3	2.4
Inter-Co. financing	(3.9)	(3.6)
Holding Co. costs	1.8	1.7
Foreign currency borrowings Gain/(Loss)	0.1	-
EBITDA (trading result)	30.8	30.7

United Kingdom (NZ \$m)	FY12	FY11
Segment profit	(3.4)	(2.6)
Depreciation	0.3	0.4
Foreign currency borrowings Gain/(Loss)	(0.1)	0.3
EBITDA (trading result)	(3.2)	(1.9)



1. Appendix to pages 15, 16, and 17 of this presentation.



Questions