

KATHMANDU FY13 RESULTS PRESENTATION




Kathmandu®

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- Results Overview
- Key Line Items
- Country Results
- Cash Flow, Balance Sheet, Dividend
- Growth Strategy Update
- FY14 Outlook
- Questions



Results Overview



Results Overview: Highlights



Summary

- Record sales and profit;
- Strong result given the difficult retail environment;
- Over 1 million Summit Club members;
- 17 new stores opened; total permanent stores 136.

Sales and Margin

- Sales growth \$36.9m (10.6% above last year);
- Same store sales growth 1.8% (5.6% at constant exchange rates);
- Gross profit margin 63.0%.

Operating Costs

- Operating expenses 30bps reduction as a % of sales.

Profit

- EBIT increase \$6.4m, 11.2% above last year;
- NPAT \$44.2m, increased by \$9.3m, 26.6% above last year (NPAT \$41.1m, +17.8% YOY excluding tax effect of Australian intercompany loan revaluation).

Results Overview: Year-On-Year



	Results Overview NZ \$m ^{*1}			
	FY13	FY12	DIFF \$	DIFF %
Sales	384.0	347.1	36.9	10.6%
Gross Profit	242.0	219.5	22.5	10.3%
<i>Gross Profit Margin</i>	63.0%	63.2%		
Operating expenses	(168.0)	(153.0)	(15.0)	9.8%
<i>% of Sales</i>	43.8%	44.1%		
EBITDA	74.0	66.5	7.5	11.3%
<i>EBITDA margin %</i>	19.3%	19.2%		
EBIT^{*2}	63.4	57.0	6.4	11.2%
<i>EBIT margin %</i>	16.5%	16.4%		
NPAT^{*3}	44.2	34.9	9.3	26.6%
Permanent open stores ^{*4}	136	120	16	

1. Rounding differences may arise in totals, both \$ and %.
2. EBIT reduced YOY by \$2.7m when compared to measurement at constant exchange rates.
3. FY13 NPAT includes \$3.1m taxation expense benefit from Australian intercompany loan revaluation.
4. 17 permanent new stores opened, 2 permanent stores closed (UK), one temporary store converted to permanent. Currently trading from one temporary site : Cashel St Re-start (Christchurch). Excludes Online store.
5. FY13 NZ\$/A\$ conversion rate 0.823 (FY12: 0.776), FY13 NZ\$/UK£ conversion rate 0.532 (FY12: 0.508).

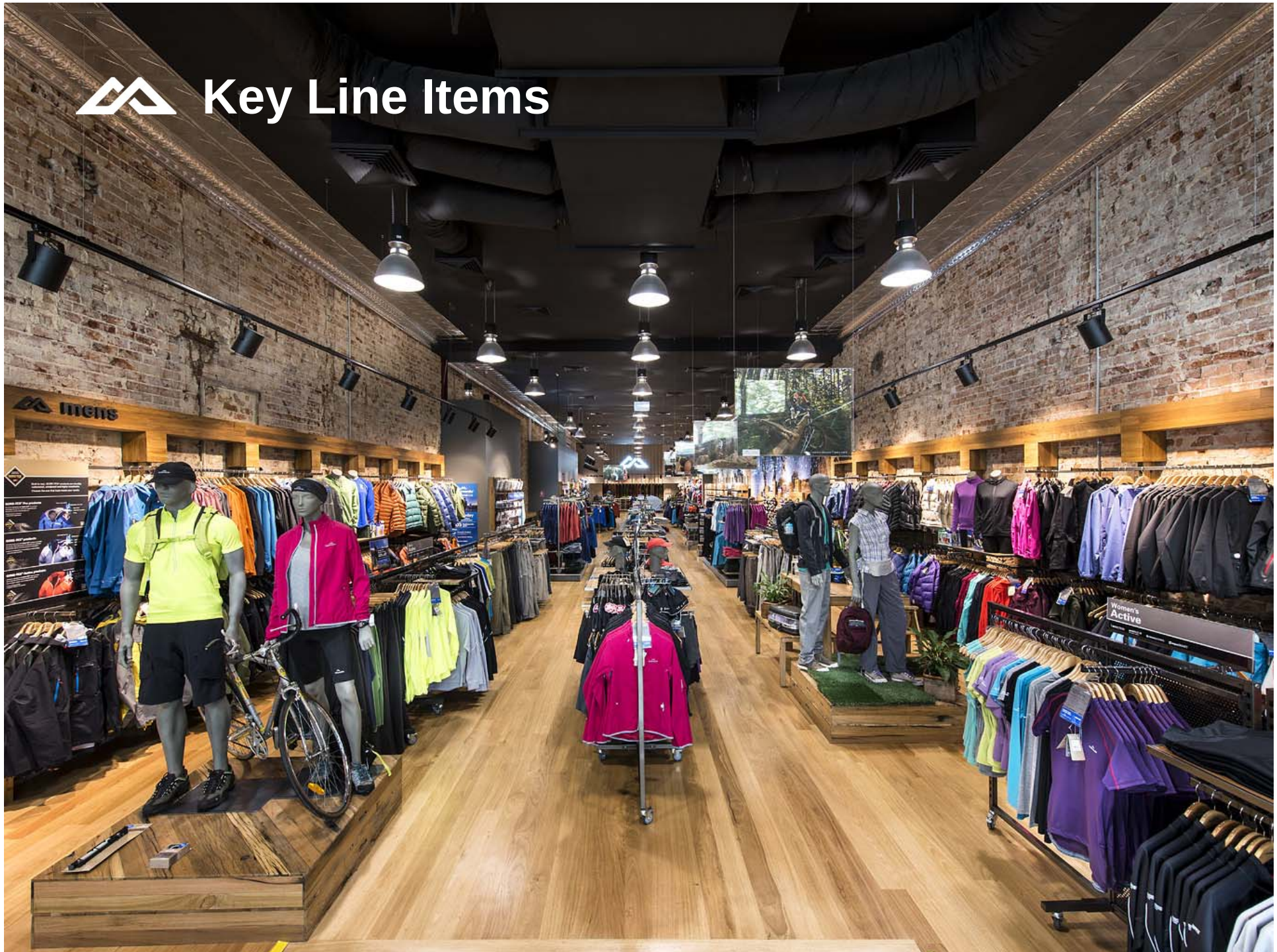
Results Overview: Half-Year split YOY



Results Overview NZ \$m								
	1H FY13	1H FY12	DIFF \$	DIFF %	2H FY13	2H FY12	DIFF \$	DIFF %
Sales	165.9	146.7	19.2	13.1%	218.1	200.4	17.7	8.8%
Gross Profit	104.1	92.0	12.1	13.2%	137.9	127.5	10.4	8.2%
<i>Gross Profit Margin</i>	62.7%	62.7%			63.2%	63.6%		
Operating expenses	(83.2)	(75.0)	(8.2)	10.9%	(84.8)	(78.0)	(6.8)	8.7%
<i>% of Sales</i>	50.1%	51.1%			38.9%	38.9%		
EBITDA	20.9	17.0	3.9	22.9%	53.1	49.5	3.6	7.3%
<i>EBITDA margin %</i>	12.6%	11.6%			24.3%	24.7%		
EBIT	15.8	12.7	3.1	24.4%	47.6	44.3	3.3	7.4%
<i>EBIT margin %</i>	9.5%	8.7%			21.8%	22.1%		
NPAT	10.3	6.0	4.3	71.7%	33.9	28.9	5.0	17.3%
Permanent Open Stores	129	114	15		136	120	16	

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

Key Line Items



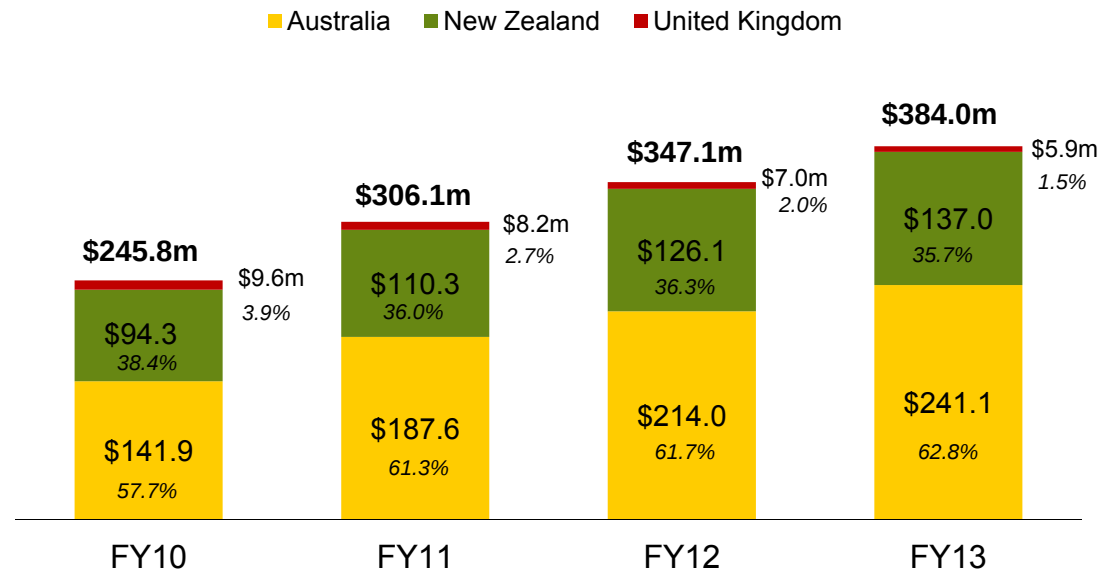
Sales



SALES: +10.6% to \$384.0m

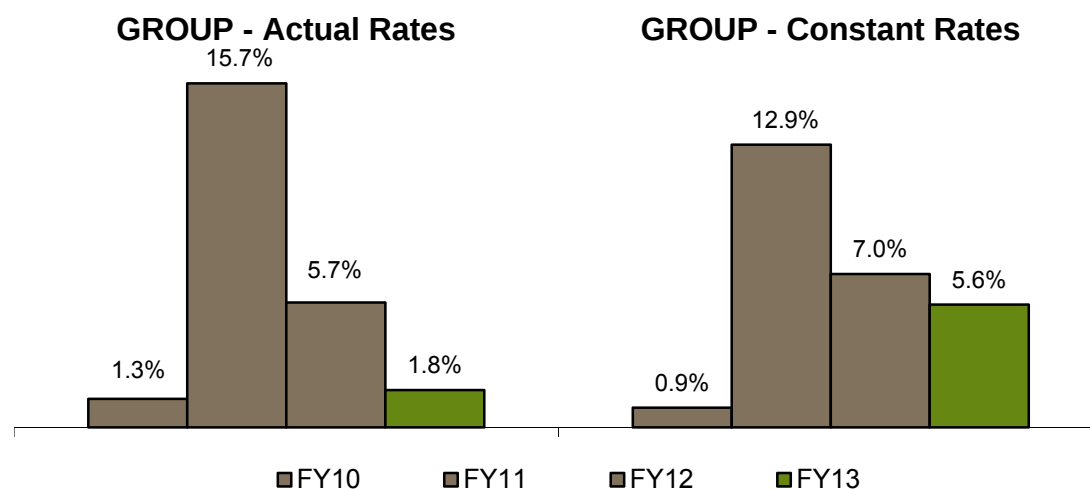
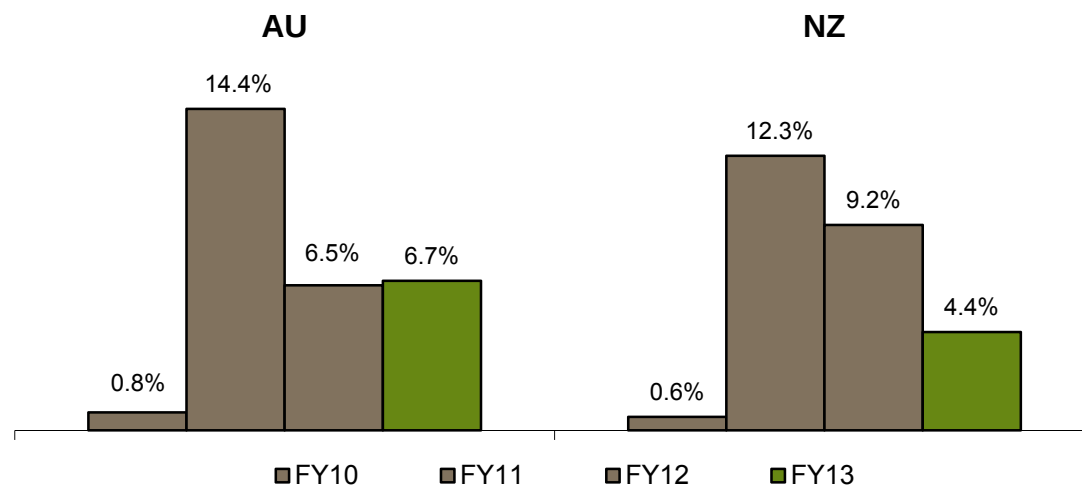
SALES*1

- Sales growth year on year:*2
AU 19.5%, NZ 8.6%, UK (12.2)%.
- At constant exchange rates sales
growth \$51.8m / 14.9%.



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

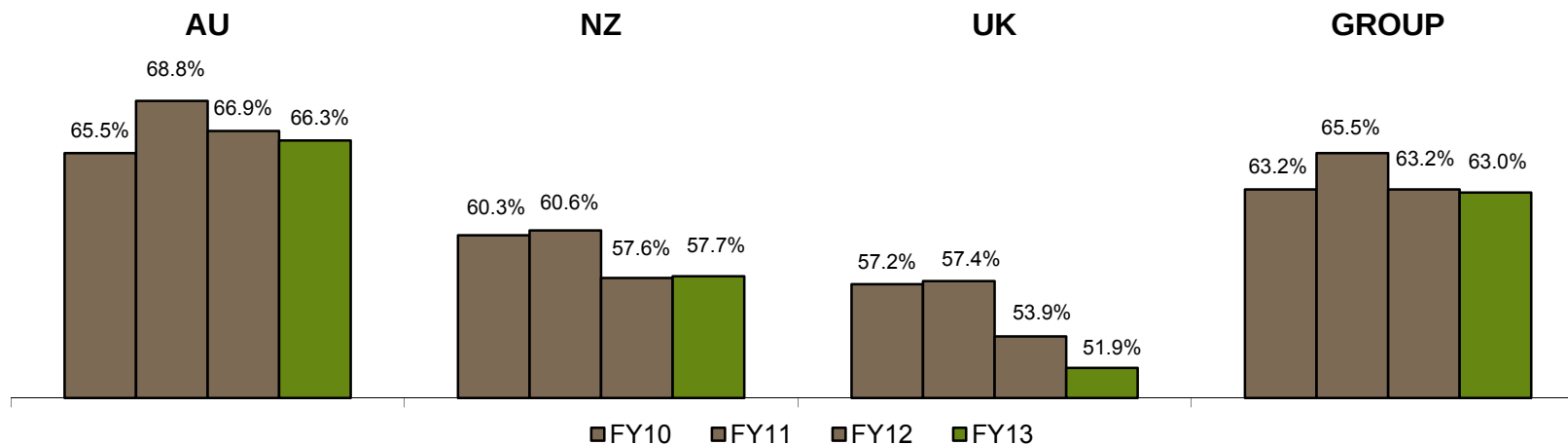
Same Store Sales Growth: 4 Year History



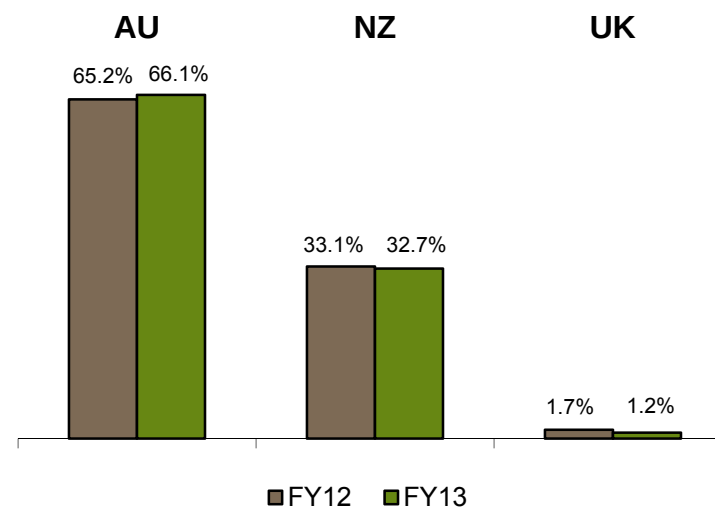
- Same store sales growth 1.8% (5.6% at constant exchange rates); *1
- UK same store sales down (6.5%);
- 4 year average: *2
 - AU 7.1%
 - NZ 6.6%
 - Group 6.6% (at constant exchange rates)

1. Same store sales measurement includes Online and all stores from their 53rd week of trading.
 2. Calculated on local currency sales results (not affected by year-on-year exchange rate variation).

Gross Profit Margin %



SHARE OF BUSINESS (GROSS PROFIT \$)



- Remains within 62% to 64% long-term target range;
- Group gross profit margin 20bps below last year (10bps at constant exchange rates);
- Store closures impacted UK margin.

Cost of Doing Business



OPERATING EXPENSES: +9.8% to \$168.0m

- Operating expenses decreased by 30bps as a % of sales YOY
 - Rent flat as a % of sales, but:
 - Retail rent increased as a % of sales, offset by
 - Overhead rent leverage and exchange rate translation
 - Other operating expenses reduced 30 bps:
 - Leverage in Advertising and Distribution, offset by
 - Store and Online operating costs (AU effect)
 - Excluding advertising, operating expenses as a % of sales increased by 30 bps due to Australian weighting

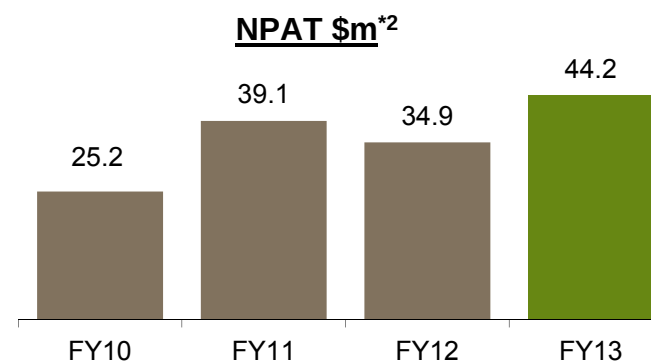
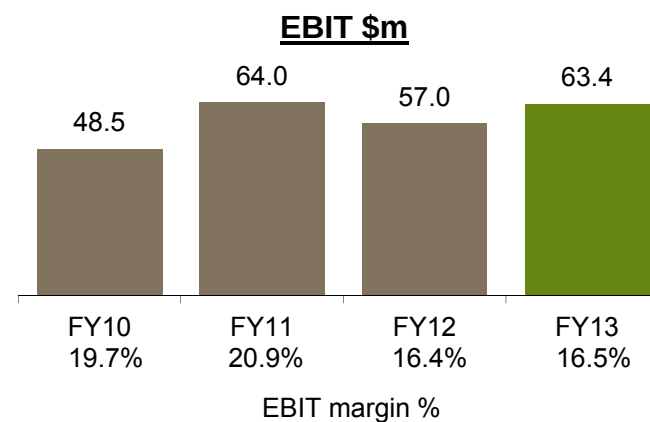
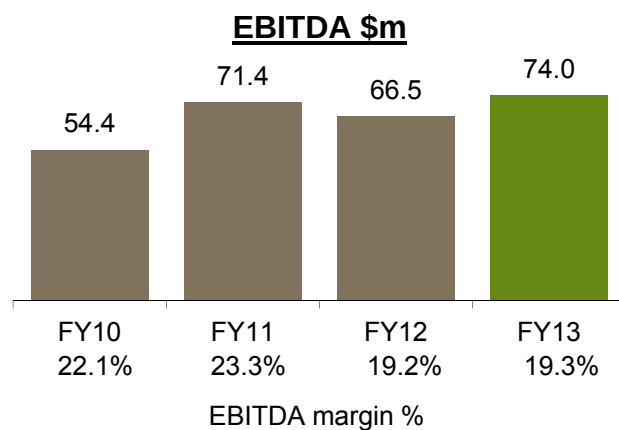
NZ \$m	FY13	FY12	DIFF \$	DIFF %
Rent	43.8	39.6	4.2	10.6%
<i>% of Sales</i>	<i>11.4%</i>	<i>11.4%</i>		
Other operating expenses	124.2	113.4	10.8	9.5%
<i>% of Sales</i>	<i>32.4%</i>	<i>32.7%</i>		
Total operating expenses*¹	168.0	153.0	15.0	9.8%
<i>% of Sales</i>	<i>43.8%</i>	<i>44.1%</i>		
Depreciation	10.6	9.5	1.1	11.6%
<i>% of Sales</i>	<i>2.7%</i>	<i>2.7%</i>		
Cost of doing business	178.6	162.5	16.1	9.9%
<i>% of Sales</i>	<i>46.5%</i>	<i>46.8%</i>		

1. FY13 total operating expense decrease attributable to year-on-year exchange rate movement \$6.7m.
2. Rounding differences may arise in totals, both \$ and %.

Earnings



EBITDA	\$74.0m, +11.3%
EBIT ^{*1}	\$63.4m, +11.2%
NPAT	\$44.2m, +26.6%



1. EBIT reduced YOY by \$2.7m when compared to measurement at constant exchange rates.
2. FY10 NPAT result excludes IPO costs net of associated tax deductions.



SALES: A\$198.4m, +19.5%

Same store sales growth: +6.7%

EBITDA (trading result): A\$36.0m, +13.9%

- EBITDA margin reduction primarily AU gross margin down 60 bps.
- Total operating expenses (excl. depreciation):
 - FY13 48.2% of sales;
 - FY12 47.9% of sales.
- 14 new stores:^{*1}
 - 9 in 1H FY13:
 - Carindale, Robina, Mackay (QLD);
 - Tuggerah, Coffs Harbour, Pitt St (NSW);
 - Fountain Gate (Melbourne), Morley Galleria (Perth), Casuarina (Darwin).
 - 5 in 2H FY13:
 - Eastgardens, Penrith (Sydney);
 - The Glen, Nunawading (Melbourne);
 - Hobart CBD.
 - Relocations: Richmond (Melbourne), Perth.
 - Major refurbishments: Highpoint, Knox City (Melbourne), Bondi (Sydney).

A \$m	FY13	FY12	DIFF
Sales	198.4	166.0	19.5%
Same store sales growth	6.7%	6.5%	
EBITDA (trading result) ^{*1}	36.0	31.6	13.9%
EBITDA margin %	18.1%	19.0%	
Permanent open stores	87	72	

1. Plus one temporary store now treated as permanent (Moonee Ponds - Melbourne).
 2. A reconciliation of EBITDA (trading result) to the financial statements is included in Appendix 1.

New Zealand



SALES: NZ\$137.0m, +8.6%

Same store sales growth: +4.4%

EBITDA (trading result): NZ\$34.1m, +10.7%

- EBITDA uplift follows three flat years.
- Sales growth at slightly improved gross margins.
- Total operating expenses (excl. depreciation):
 - FY13 32.8% of sales;
 - FY12 33.2% of sales.
- 2 new stores, both in 2H FY13:
 - Pukekohe and Westgate (Auckland).
- Relocations: Nelson and Invercargill.

NZ \$m	FY13	FY12	DIFF
Sales	137.0	126.1	8.6%
Same store sales growth	4.4%	9.2%	
EBITDA (trading result)* ¹	34.1	30.8	10.7%
EBITDA margin %	24.9%	24.4%	
Permanent open stores	44	42	

1. A reconciliation of EBITDA (trading result) to the financial statements is included in Appendix 1.

2. Note: Christchurch CBD store now closed permanently due to earthquake (temporary site still operating in the Re-start precinct).

SALES: UK£3.1m, -12.2%

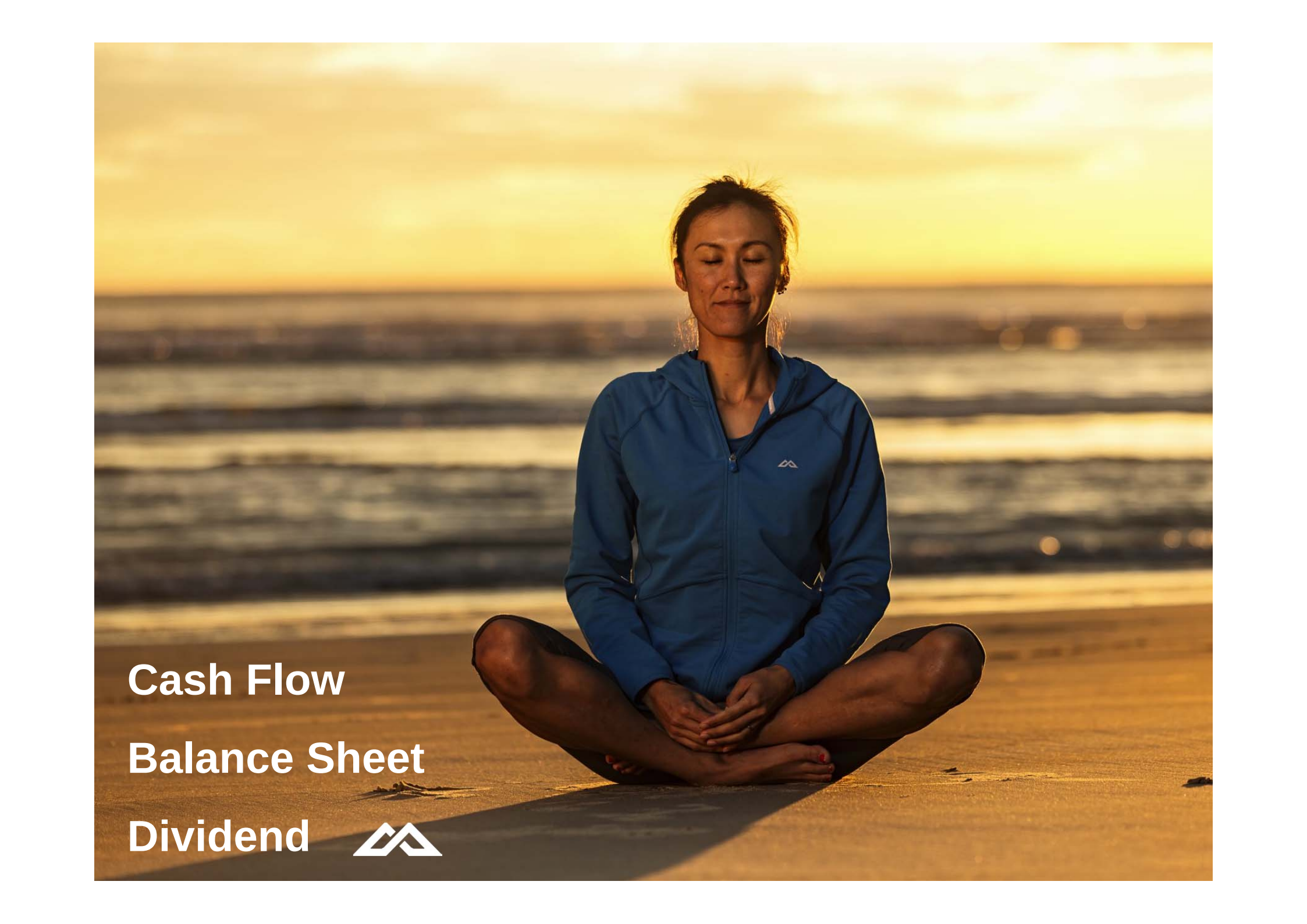
Same store sales growth: -6.5%

EBITDA (trading result): UK£(1.1)m, +31.3%

- Gross margin impacted by store closures.
- Improved result from re-organised on-going stores and cost of distribution.
- Total operating expenses (excl. depreciation):
 - FY13 87.4% of sales;
 - FY12 98.3% of sales.
- 1 new store opened in 2H FY13:
 - Kensington High Street (London).
- 2 stores closed in 2H FY13:
 - Berners Street (London) and Brighton.
 - White City (London) closed subsequent to year end
- 1 major refurbishment:
 - Covent Garden (London).

UK £m	FY13	FY12	DIFF
Sales	3.1	3.6	-12.2%
Same store sales growth	(6.5%)	(7.7)%	
EBITDA (trading result)*1	(1.1)	(1.6)	31.3%
EBITDA margin %	(35.5%)	(44.4)%	
Permanent open stores	5	6	

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

A woman with dark hair tied back, wearing a blue zip-up jacket, is sitting in a lotus position on a sandy beach. She has her eyes closed and a peaceful expression. The background shows the ocean with gentle waves under a warm, golden sunset sky. The overall mood is calm and serene.

Cash Flow

Balance Sheet

Dividend



Cash Flow



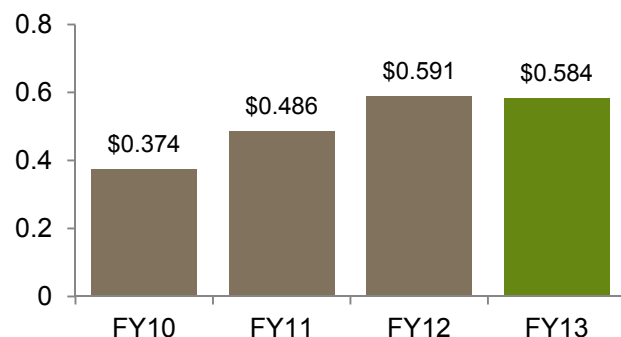
- Capital expenditure \$17.4m (LY \$21.8m):
 - New stores capex: \$10.5m (LY \$14.4m):
 - 17 new stores;
 - 4 relocations;
 - \$2.2m of FY12 spend was on store projects completed FY13
 - Reduced spend per new store project.
 - Existing stores capex: \$2.2m (LY \$0.8m).
 - IT capex \$3.6m (LY \$3.0m):
 - Dynamics AX for Retail.
 - Other capex: \$1.1m (LY \$3.5m).

NZ \$m	FY13	FY12
NPAT	44.2	34.9
Change in working capital	(6.1)	(12.3)
Change in non-cash items	7.6	10.0
Operating cash flow	45.7	32.5
Key Line items:		
Net interest paid (including facility fees)	(4.5)	(5.8)
Income taxes paid	(18.4)	(16.0)
Capital expenditure	(17.4)	(21.8)
Dividends paid	(20.0)	(20.0)
Increase/(Decrease) in term borrowing	(7.5)	7.2

Balance Sheet



- Small reduction in inventories per store YOY*¹



- Excluding goods in transit effect, down 4.3% per store.
- Interest rate swaps (NZ\$20m; AU\$22m).
- Other assets growth primarily due to change in valuation of hedging derivatives.

Key Ratios	FY13	FY12
Gearing ^{*2}	12.0%	15.7%
Stock turns ^{*3}	1.9	2.0

NZ \$m	FY13	FY12
Inventories	80.0	73.3
Property, plant and equipment	43.4	41.9
Intangible assets	234.9	249.1
Other assets	15.6	6.7
Total assets (excl. cash)	373.9	371.0
Net interest bearing liabilities and cash	40.2	51.9
Other non-current liabilities	0.7	0.8
Current liabilities	38.8	38.7
Total liabilities (net of cash)	79.7	91.4
Net assets	294.2	279.6

- Each year includes permanent and temporary stores.
- Net Debt / (Net Debt + Equity) at balance date.
- COGS (rolling 12 months) / Average Inventories (start and end of period).

- NZ 9.0 cps final dividend; full year payout NZ 12.0 cps (2012: 10.0 cps).
- Payout ratio within expected 50 to 60% of NPAT;
- AU dividend will be fully franked;
- NZ dividend fully imputed;
- Record date 12 November 2013, Payment date 22 November 2013.

- Effective US\$ hedge rates FY13:
 - A\$/US\$ 1.005 FY13 vs 0.973 FY12;
 - NZ\$/US\$ 0.791 FY13 vs 0.753 FY12.
- Forward Hedging Position:
 - Longest dated hedges September 2014;
 - FY14 over 90% cover for full year;
 - Rolling cover applied 12 months forward.
- No hedging NZ\$:A\$.

FORWARD HEDGING POSITION		FY14	FY15
A\$ / US\$	% covered	90%+	10%+
	Effective Rate	0.983	0.911
NZ\$ / US\$	% covered	90%+	10%+
	Effective Rate	0.804	0.777



Growth Strategy Update

Growth Strategy Update



GROWTH STRATEGY

UPDATE

New store rollout

- 170 stores targeted for Australia and New Zealand

- New stores continue to perform to expectation
- 15 stores remains target for FY14
- Flagship store programme almost complete
- Success of new small store format extends store rollout plans

Optimise existing store network

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

- Flexibility in store formats allows best fit for each market
- Site by site evaluation in conjunction with increasing number of lease renewals from FY14 onwards
- Assortment range planning tools being implemented to optimise the product range for store footprint and location

Online and digital

- Grow online sales in AU, NZ and international markets.

- Online sales 55% YOY growth, over 4% of total Group sales
- Programme of continuous enhancements underway including mobile optimisation and international shipping capability on new online platform
- Amazon UK launched, other similar opportunities being pursued
- Move to omni-channel retail, a fully integrated retail offer

Growth Strategy Update (continued)



GROWTH STRATEGY

Enhance product offering

- Invest in growth categories
- Maximise sales productivity of existing range
- Maintain innovation, leadership and competitiveness

Summit Club Loyalty Programme

- Enhanced relationships with our core customers
- Continue to grow database beyond one million customers

UPDATE

- Ongoing investment in research and product development, particularly in technical fabrics
- Best in field testing programme established to enhance technical credentials (XT product range introduced)
- Investment in Product team: design, research and development, technical skills
- New forecasting and planning system to be launched FY14 (Just Enough)

- One million Summit Club members goal now reached
- Future growth likely to be Australian centric with increasing brand penetration
- Loyalty incentive (accumulated spend) now integrated into Summit Club programme
- New CRM platform in place enabling improved targeted customer offers with a retention focus



FY14 Outlook

Kathmandu

- Store rollout is on track for 15 new stores in FY14. 7 sites already confirmed at West Lakes (Adelaide), Northland (Melbourne), Uni Hill Outlet (Melbourne), Jindalee Outlet (Brisbane), Emporium (Melbourne), Indooroopilly (Brisbane), and St Lukes (Auckland);
- Online sales growth continues – new platform delivering improved customer experience in existing markets, and enabling us to pursue global sales opportunities and digital connectivity;
- UK business restructured, trading now the focus;
- Operating expenses remain a key management priority.

Market / Environment

- Current economic conditions still uncertain globally, and particularly in Australia;
- Outdoor category remains resilient;
- Competition continues to increase.

Summary

- Board and Management remain confident in the Kathmandu business model and on-going growth strategies;
- Providing there is no further deterioration in economic conditions, and following the investment programme in the last two years, Kathmandu expects another solid performance in FY14.

Questions

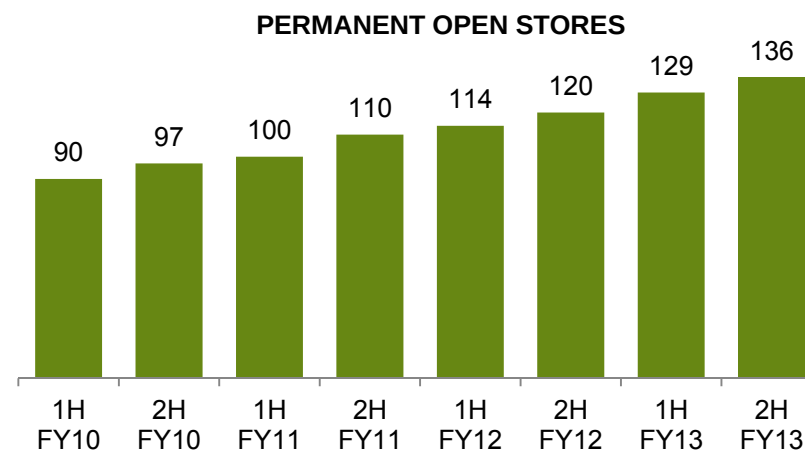


Appendix 1 – Reconciliation of Country Trading Results Kathmandu®

Australia (NZ \$m)	FY13	FY12
Segment profit	20.5	29.2
Net interest	2.1	2.4
Facility fees	0.3	0.9
Depreciation	7.0	5.9
Inter-Co. financing	3.4	3.9
Foreign currency borrowings (Gain)/Loss	10.4	(1.6)
EBITDA (trading result)	43.7	40.7

New Zealand (NZ \$m)	FY13	FY12
Segment profit	30.3	27.0
Net interest	1.7	1.8
Facility fees	0.3	0.7
Depreciation	3.2	3.3
Inter-Co. financing	(3.4)	(3.9)
Holding Co. costs	1.8	1.8
Foreign currency borrowings (Gain)/Loss	0.2	0.1
EBITDA (trading result)	34.1	30.8

United Kingdom (NZ \$m)	FY13	FY12
Segment profit	(2.3)	(3.4)
Depreciation	0.4	0.3
Foreign currency borrowings (Gain)/Loss	(0.1)	(0.1)
EBITDA (trading result)	(2.0)	(3.2)



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