



1H FY14 Results Presentation

March 2014

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- Country Results
- Cash Flow, Balance Sheet, Dividend
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Results Overview

Summary

- Solid result in a relatively difficult trading environment;
- Australian growth potential demonstrated through 28% profit uplift;
- New stores continue to perform to expectation;
- Gross margin at the top end of target range;
- Significant exchange rate impact (Group EBIT reduced by \$2.2m).

Sales and Margin

- Sales growth +10.5% at constant exchange rates (+1.0% at actual exchange rates);
- Same store sales growth 5.4% at constant exchange rates (-3.5% at actual exchange rates);
- Gross profit margin 63.9%. Top end of 62%-64% target range, 120bps higher than 1H FY13.

Operating Costs

- Operating expenses in line with expectations (50.4% of sales).

Profit

- EBITDA \$22.6m, up 8.1%;
- NPAT \$11.4m, up 10.7% (+\$1.1m) at actual exchange rates.

Results Overview: Year-On-Year

	Results Overview NZ \$m ^{*1}			
	1H FY14	1H FY13	DIFF \$	DIFF %
Sales	167.6	165.9	1.7	1.0%
Gross Profit	107.1	104.1	3.0	2.9%
<i>Gross Profit Margin</i>	63.9%	62.7%		
Operating expenses	(84.5)	(83.2)	(1.3)	1.6%
<i>% of sales</i>	50.4%	50.1%		
EBITDA	22.6	20.9	1.7	8.1%
<i>EBITDA margin %</i>	13.5%	12.6%		
EBIT ^{*2}	17.6	15.8	1.8	11.4%
<i>EBIT margin %</i>	10.5%	9.5%		
NPAT	11.4	10.3	1.1	10.7%
Permanent open stores ^{*3}	139	129	10	

1. 1H FY14 NZ\$/A\$ conversion rate 0.911 (1H FY13: 0.791), 1H FY14 NZ\$/UK£ conversion rate 0.514 (1H FY13: 0.514).
2. EBIT negative YOY exchange rate impact in 1H FY14: \$2.2m.
3. Currently also trading from one temporary site; Cashel St Re-Start (Christchurch). Excludes Online store.
4. Rounding differences may arise in totals, both \$ and %.

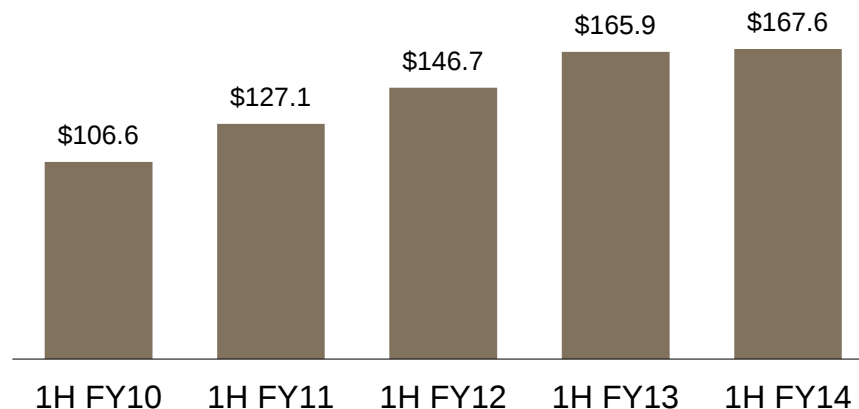


Key Line Items

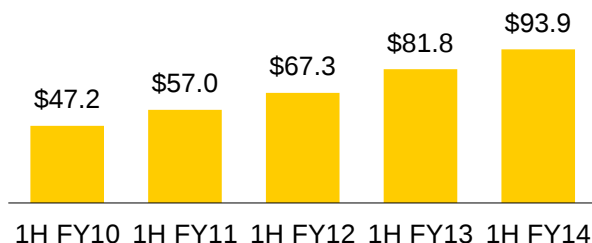
SALES: +1.0% to \$167.6m

- Sales growth year on year:^{*2}
AU 14.8%, NZ 5.6%, UK (33.0)%;
- At constant exchange rates sales growth \$17.4m / 10.5%;
- Online sales 4.7% of total sales.

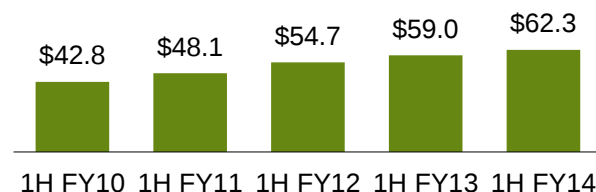
■ Group (NZ\$) ^{*1}



■ Australia (A\$)

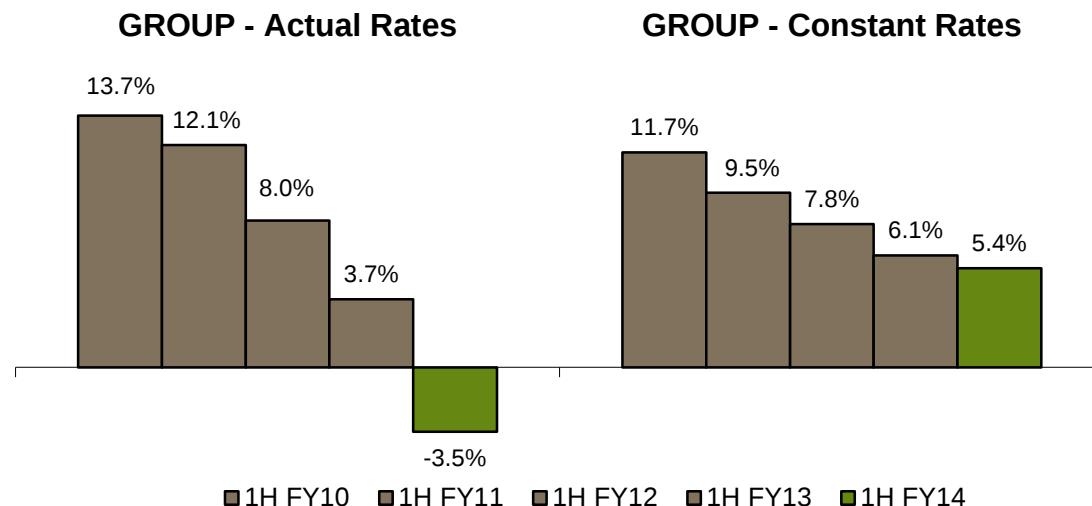
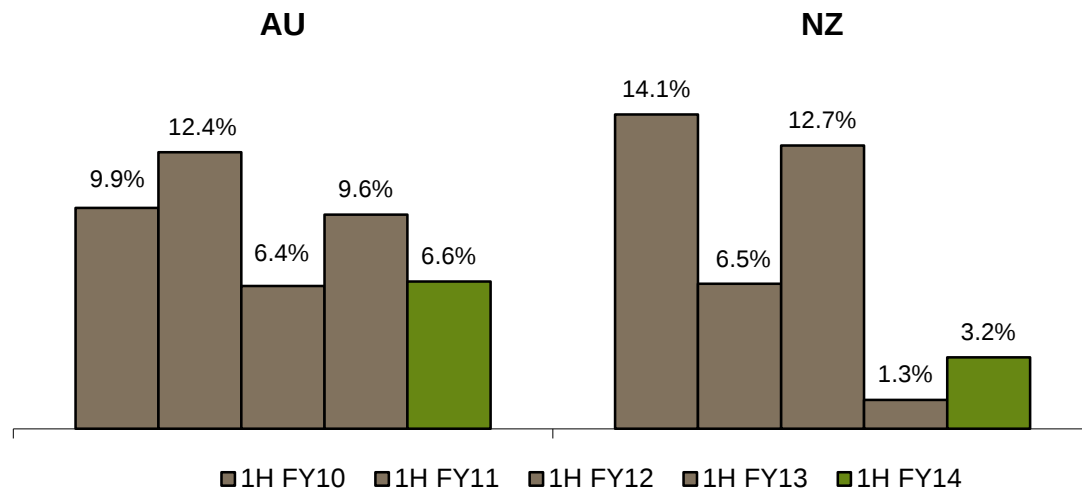


■ New Zealand (NZ\$)



1. UK Sales: £1.2m 1H FY14 vs £1.8m 1H FY13.
2. Calculated on local currency sales results (not affected by year-on-year exchange rate variation).
3. Country sales totals exclude inter-company sales.

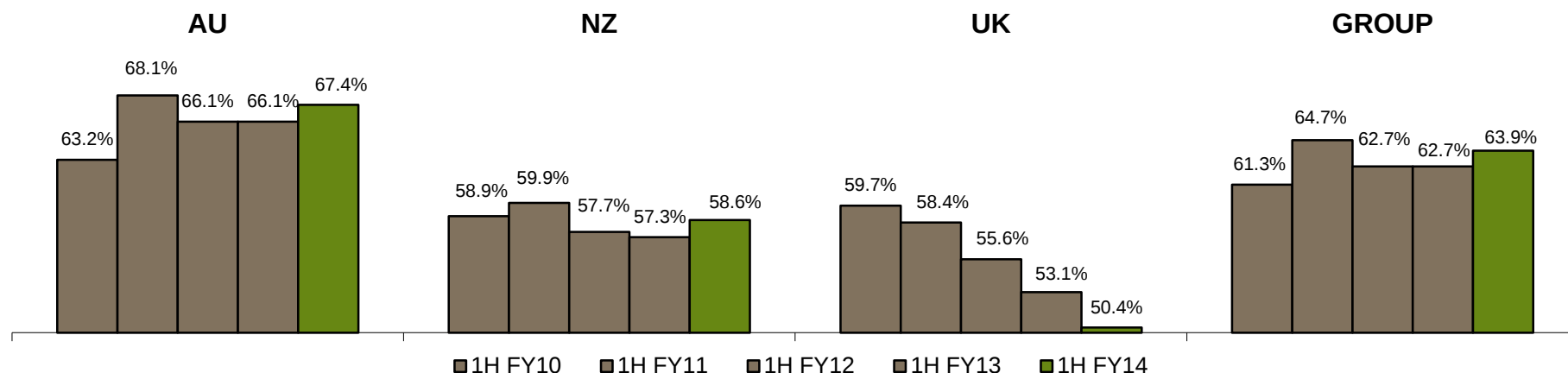
Same Store Sales Growth



- Same store sales growth (including Online) +5.4% (-3.5% on constant currency basis); *1
- UK same store sales +4.5% in 1H FY14 (+1.4% excluding closed store);
- 5 year 1H average: *2
 - AU 9.0%
 - NZ 7.6%
 - Group 8.1%

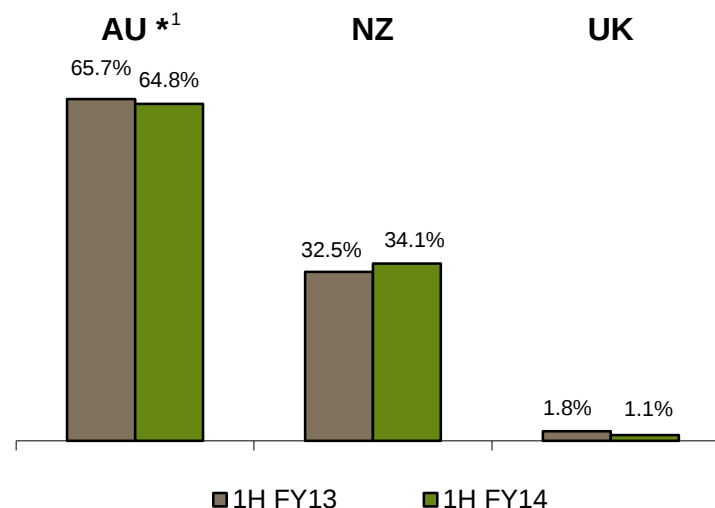
1. Same store sales measurement includes Online and all stores from their 53rd week of trading.
 2. Calculated on local currency sales results (not affected by year-on-year exchange rate variation).

Gross Profit Margin %



- Gross Profit margins remained strong through the key Christmas and January trading periods;
- At the top end of the 62%-64% long-term target range;
- UK gross margin would have been 53.5% if not for clearance activity upon store closure.

SHARE OF BUSINESS (GROSS PROFIT \$)



1. At constant exchange rates, AU gross profit share of business would have grown from 65.7% in 1H FY13 to 68.0% in 1H FY14.

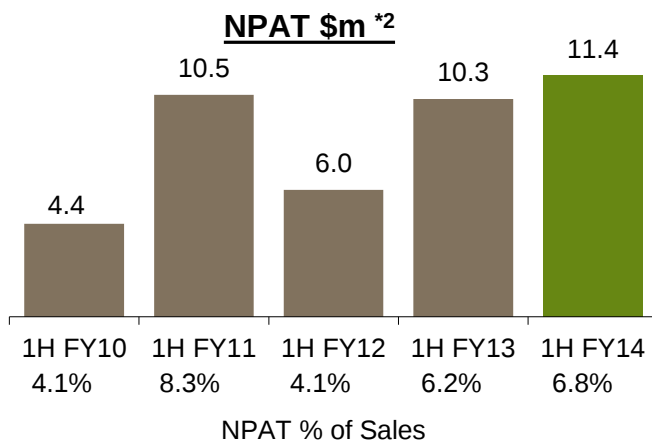
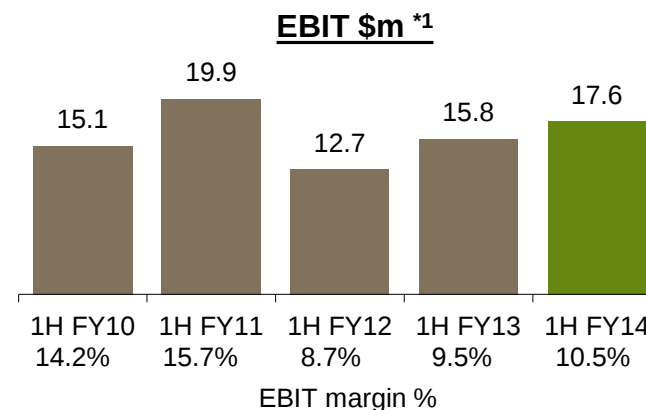
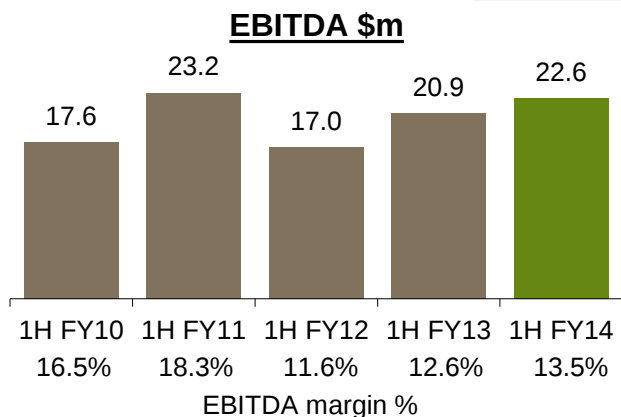
OPERATING EXPENSES: +1.6% to \$84.5m

- Operating expenses up 30 bps as a % of sales YOY;
- Rent decreased 30 bps as a % of sales YOY assisted by UK store closures;
- Other operating expenses increased 60 bps as a % of sales, primarily due to costs arising from transition of core systems.

NZ \$m	1H FY14	1H FY13	DIFF \$	DIFF %
Rent	21.8	22.1	(0.3)	(1.4)%
<i>% of Sales</i>	<i>13.0%</i>	<i>13.3%</i>		
Other operating expenses	62.7	61.1	1.6	2.6%
<i>% of Sales</i>	<i>37.4%</i>	<i>36.8%</i>		
Total operating expenses^{*1}	84.5	83.2	1.3	1.6%
<i>% of Sales</i>	<i>50.4%</i>	<i>50.1%</i>		
Depreciation	5.0	5.1	(0.1)	(2.0)%
<i>% of Sales</i>	<i>3.0%</i>	<i>3.1%</i>		
Cost of doing business	89.5	88.3	1.2	1.4%
<i>% of Sales</i>	<i>53.4%</i>	<i>53.2%</i>		

1. 1H FY14 total operating expense decrease attributable to year-on-year exchange rate movement \$8.0m.
2. Rounding differences may arise in totals, both \$ and %.

EBITDA \$22.6m, +8.1%
EBIT \$17.6m, +11.4%
NPAT \$11.4m, +10.7%



- Small proportion of our annual result.

1. EBIT negative YOY exchange rate impact in 1H FY14: \$2.2m.
2. 1H FY10 NPAT result excludes IPO costs net of associated tax deductions.



Country Results

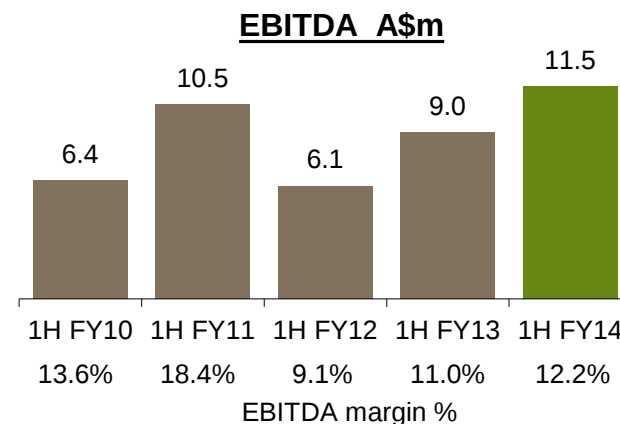
SALES: A\$93.9m, +14.8%

Same store sales growth: +6.6%

EBITDA (trading result): A\$11.5m, +27.8%

- 9 New Stores opened since 1H FY13:
 - 5 in 2H FY13:
 - Sydney (Eastgardens, Penrith);
 - Melbourne (The Glen, Nunawading);
 - Hobart (CBD).
 - 4 in 1H FY14:
 - Melbourne (Northland, Uni Hill Outlet);
 - Adelaide (West Lakes);
 - Brisbane (Jindalee Outlet).
- Total operating expenses (excl. depreciation):
 - 1H FY14 55.2% of sales;
 - 1H FY13 55.1% of sales.
- Same store sales growth continues to reflect increasing market penetration.

A \$m	1H FY14	1H FY13	DIFF
Sales	93.9	81.8	14.8%
Same store sales growth	6.6%	9.6%	
EBITDA (trading result)* ¹	11.5	9.0	27.8%
EBITDA margin %	12.2%	11.0%	
Permanent open stores	90	81	



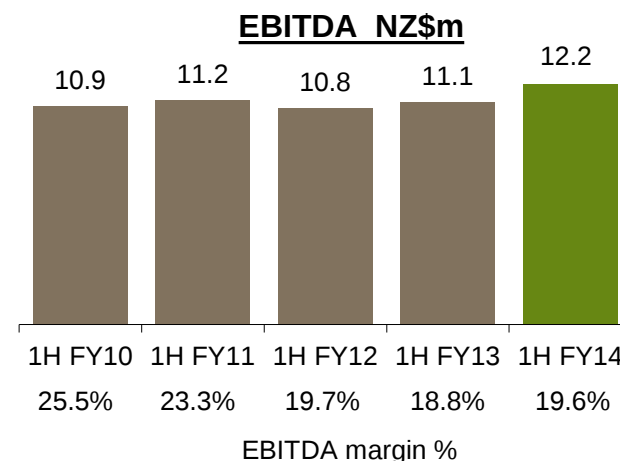
SALES: NZ\$62.3m, +5.6%

Same store sales growth: +3.2%

EBITDA (trading result): NZ\$12.2m, +9.9%

- 3 new stores opened since 1H FY13:
 - 2 in 2H FY13:
Auckland (Westgate) and Pukekohe;
 - 1 in 1H FY14:
Auckland (St Lukes).
- Refurbishments / Relocations:
 - Wellington Outlet relocated.
- Total operating expenses (excl. depreciation):
 - 1H FY14 39.0% of sales;
 - 1H FY13 38.5% of sales.

NZ \$m	1H FY14	1H FY13	DIFF
Sales	62.3	59.0	5.6%
Same store sales growth	3.2%	1.3%	
EBITDA (trading result)* ¹	12.2	11.1	9.9%
EBITDA margin %	19.6%	18.8%	
Permanent open stores* ²	45	42	



1. A reconciliation of EBITDA (trading result) to the interim report is included in Appendix 1.
2. Currently also trading from one temporary site: Cashel St Re-Start (Christchurch).

SALES: UK£1.2m, -33.0%

Same store sales growth: +4.5%

EBITDA (trading result): UK£(0.6)m, -50.0%

- 1.1% of Group Gross Profit in 1H FY14;
- Consolidated to 4 stores, no new stores planned:
1 new store opened, 3 stores closed since 1H FY13:
 - Opened: London (Kensington High St);
 - Closed: London (Berners St, Westfield White City) and Brighton.
- Investment in brand awareness to grow online sales, £0.2m incremental spend;
- Future sales growth from Kathmandu website and market places such as Amazon, NEXT, eBay and others;
- Total operating expenses (excl. depreciation):
 - 1H FY14 100.4% of sales;
 - 1H FY13 75.3% of sales.

UK £m	1H FY14	1H FY13	DIFF
Sales	1.2	1.8	(33.0)%
Same store sales growth	4.5%	(4.7)%	
EBITDA (trading result)* ¹	(0.6)	(0.4)	(50.0)%
EBITDA margin %	(50.0)%	(22.2)%	
Permanent open stores	4	6	

1. A reconciliation of EBITDA (trading result) to the interim report is included in Appendix 1.
2. Rounding differences may arise in totals, both £ and %.



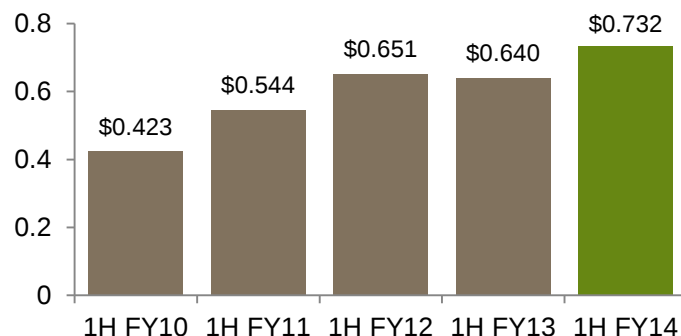
Cash Flow
Balance Sheet
Dividend

Capital expenditure \$8.1m (LY \$10.7m):

- New stores capex \$1.9m (LY \$6.4m):
 - 5 new stores;
 - 1 relocation.
- Existing stores capex \$2.0m (LY \$1.4m).
- IT capex \$3.9m (LY \$2.0m):
 - Microsoft Dynamics AX.
- Other capex \$0.3m (LY \$0.9m).
- New store rollout profile in FY14 means 2H capital expenditure will be higher than both 1H and LY.

NZ \$m	1H FY14	1H FY13
NPAT	11.4	10.3
Change in working capital	(35.2)	(19.9)
Change in non-cash items	7.8	4.0
Operating cash flow	(16.0)	(5.6)
Key Line items:		
Net interest paid (including facility fees)	(2.0)	(2.4)
Income taxes paid	(12.0)	(12.0)
Capital expenditure	(8.1)	(10.7)
Dividends paid	(18.0)	(14.0)
Increase/(Decrease) in term borrowing	41.9	29.0

- Inventories (\$m) per store up 14.4%:^{*1}



- Targeted investment for key sales categories, new store rollout and to support online growth;
- Interest rate swaps (NZ\$22m, A\$22m).

Key Ratios	1H FY14	1H FY13
Gearing ^{*2}	22.5%	23.0%
Stock turns ^{*3}	1.5	1.7

- 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 \$m	1H FY14	1H FY13
Inventories	102.5	84.5
Property, plant and equipment	42.2	44.7
Intangible assets	231.8	245.6
Other assets	14.5	11.7
Total assets (excl. cash)	391.0	386.5
Net interest bearing liabilities and cash	80.9	81.0
Other non-current liabilities	0.4	0.8
Current liabilities	30.3	33.3
Total liabilities (net of cash)	111.6	115.1
Net assets	279.4	271.4

- NZ 3.0 cents per share interim dividend;
- Full year payout ratio to remain within expected 50 to 60% of NPAT;
- AU dividend will be fully franked;
- NZ dividend will not be imputed (as signalled in FY13 due to profit growth being primarily generated from Australia);
- Record date 06 June 2014, Payment date 17 June 2014;
- Final dividend is expected to be fully franked and fully imputed.

- Effective US\$ hedge rates 1H FY14:
 - A\$/US\$ 0.984 1H FY14 vs 1.007 1H FY13;
 - NZ\$/US\$ 0.808 1H FY14 vs 0.782 1H FY13.
- Forward Hedging Position:
 - Longest dated hedges March 2015;
 - Rolling cover applied 12 months forward.
- No hedging NZ\$:A\$.

FORWARD HEDGING POSITION		2H FY14	1H FY15
A\$ / US\$	% covered	90%+	90%+
	Effective Rate	0.946	0.891
NZ\$ / US\$	% covered	90%+	90%+
	Effective Rate	0.799	0.797



Growth Strategy Update

GROWTH STRATEGY

New store rollout

- New target of 180 stores for Australia and New Zealand

Optimise existing store network

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

Online and digital

- Grow online sales in AU, NZ and international markets

UPDATE

- Success of new formats has allowed a revised target of 180
- New store performance continues to meet expectations
- On track to open 15 new stores in FY14
- Small formats increasing as a proportion of the total store portfolio

- New store formats allow us to pursue optimum positioning, size and range on lease expiry
- Assortment range planning tools implemented to optimise the product range for store footprint, format, and location. Stores reclassified from this Winter season
- Support same store sales growth and improve stock utilisation

- Focus on this area has increased greatly
- Online sales grew by 49% YOY at constant exchange rates
- AU / NZ working towards full integration with stores, UK online sales in store launched
- International shipping launched, will assist in growing international Summit Club members
- New market place sites reaching new customers

GROWTH STRATEGY

UPDATE

Enhance product offering

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

- 3 year product roadmap established
- Continued investment in technical resources, research and development, and design to further develop key product categories
- Stepping up sustainability focus
- The goal is to create innovative world class products e.g. XT range

Summit Club Loyalty Programme

- Continue to grow database beyond one million customers
- Key to online success

- Improving customer experience by investing in programme enhancements
- Engagement and relationship beyond discounts
- Full CRM capabilities - segmentation and better targeting
- Growth in Australian Summit Club key to increasing penetration
- Building international Summit Club membership, currently 13k active members



FY14 Outlook

Market / Environment

- Current economic conditions still uncertain globally, and particularly in Australia;
- Outdoor category remains resilient;
- Two large weather dependent promotions to come. These remain critical to the full year outcome.

Summary

- A positive start to FY14;
- Continuing to invest in strategies to deliver future growth;
- We 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, the Board remain confident of a strong performance for full year FY14.



Questions



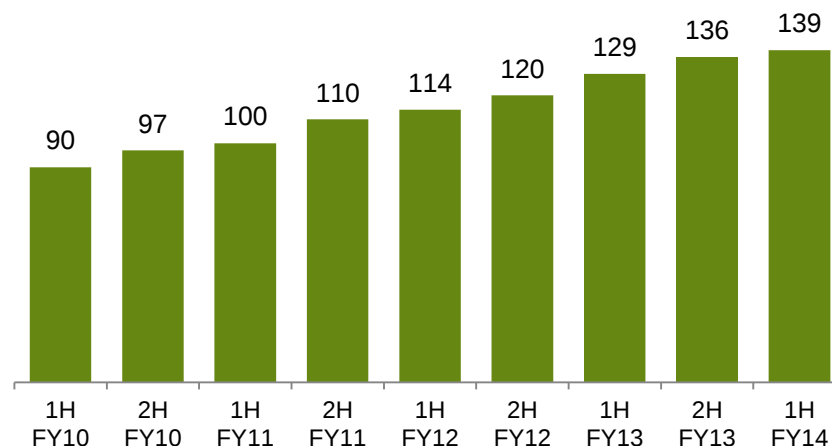
Appendix 1 – Reconciliation of Country Trading Results Kathmandu®

Australia (NZ \$m)	1H FY14	1H FY13
Segment profit	2.8	1.9
Net interest	1.0	1.1
Facility fees	0.1	0.2
Depreciation	2.9	3.4
Inter-Co. financing	1.4	1.7
Foreign currency borrowings (Gain)/Loss	4.4	3.1
EBITDA (trading result)	12.6	11.4

New Zealand (NZ \$m)	1H FY14	1H FY13
Segment profit	9.9	9.1
Net interest	0.6	0.9
Facility fees	0.1	0.2
Depreciation	1.9	1.5
Inter-Co. financing	(1.4)	(1.7)
Holding Co. costs	1.0	0.9
Foreign currency borrowings (Gain)/Loss	0.1	0.2
EBITDA (trading result)	12.2	11.1

United Kingdom (NZ \$m)	1H FY14	1H FY13
Segment profit	(1.2)	(0.8)
Depreciation	0.2	0.2
Foreign currency borrowings (Gain)/Loss	(0.2)	(0.1)
EBITDA (trading result)	(1.2)	(0.7)

PERMANENT OPEN STORES



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