



Macquarie Presentation

Peter Halkett – Chief Executive Officer
Grant Taylor – Chief Information Officer
7 May 2014

1. Kathmandu Business Overview
2. Key Growth Strategies
3. Systems Deep Dive
4. Market Update & Outlook
5. Questions



Kathmandu Business Overview

Leading brand and vertical retailer of clothing and equipment for outdoor, travel and adventure in Australia, New Zealand and UK

- 1987 - First Australian store opened Hardware Lane, Melbourne
- 1991 - First New Zealand store opened High Street, Christchurch
- 1994 - Launched Summit Club loyalty program
- 2003 - First UK stores opened in London and Bristol
- 2006 - Change of ownership (acquired by a consortium of private equity funds); new CEO, management and Board appointed



Brief History (continued)



- 2009 - Kathmandu is publicly floated and dual listed on the Australian (ASX) and New Zealand (NZX) stock exchanges
- 2011 - Brand relaunch / 100th store opened
- 2012 - New website platform
- 2013 - Reached 1 million Summit Club members
- 2014 - Launch of International Shipping

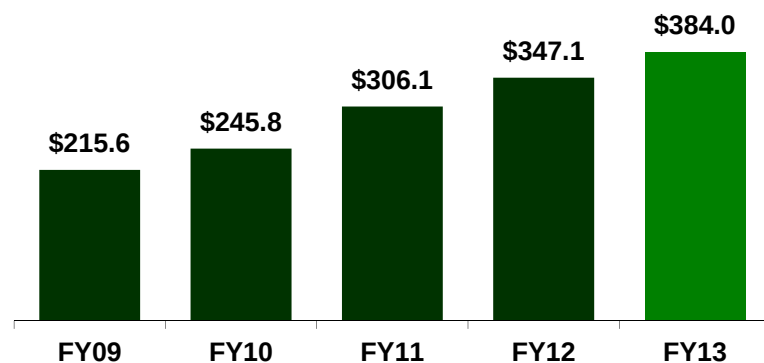


- Vertically integrated business, 143 stores.
- Designing / sourcing / selling technical outdoor product.
- Total sales split FY13 c.65/35 apparel / equipment.
- Multiple effective & profitable store formats, aligned to market demographics and retail precinct options.
- Substantial ongoing investment in business growth:
 - Opened 10+ new stores per year since 2007;
 - Distribution Centres: 2012 new in Christchurch, expanded in Melbourne;
 - Support Offices: c.233 staff spread Christchurch / Melbourne;
 - Systems infrastructure investment.

Growth since IPO, November 2009



Group Sales FY09 - FY13 (NZ \$m)



Current Analysts' consensus FY14*

- Sales c.\$405.2m
- EBIT c. \$68.7m (FY10 \$48.5m)
- NPAT c.\$45.9m (FY10 \$25.2m)

*(Bloomberg 29 April)

1H FY14 (NZ \$m)

	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	

Store Roll Out



- We have opened 51 new stores since the start of FY11.
- From end FY11, all new stores have been designed incorporating new brand identity.
- In same period, we have refurbished or re-located a further 29 stores.
- Capex on store rollout and refurbishment/re-locations in excess of \$15m per annum will continue.



Store Environment



Lichfield Street, Christchurch 2002

Hay Street, Perth 2013



Flagship Stores



Broadway, Auckland



External signage application is much more prominent, in tandem with choice of prime locations

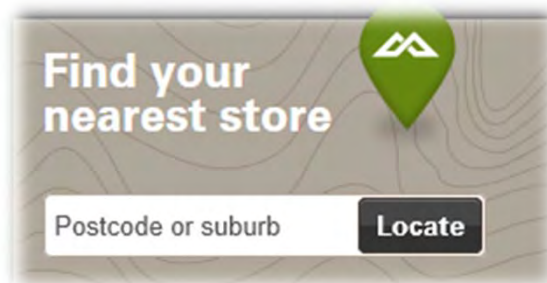
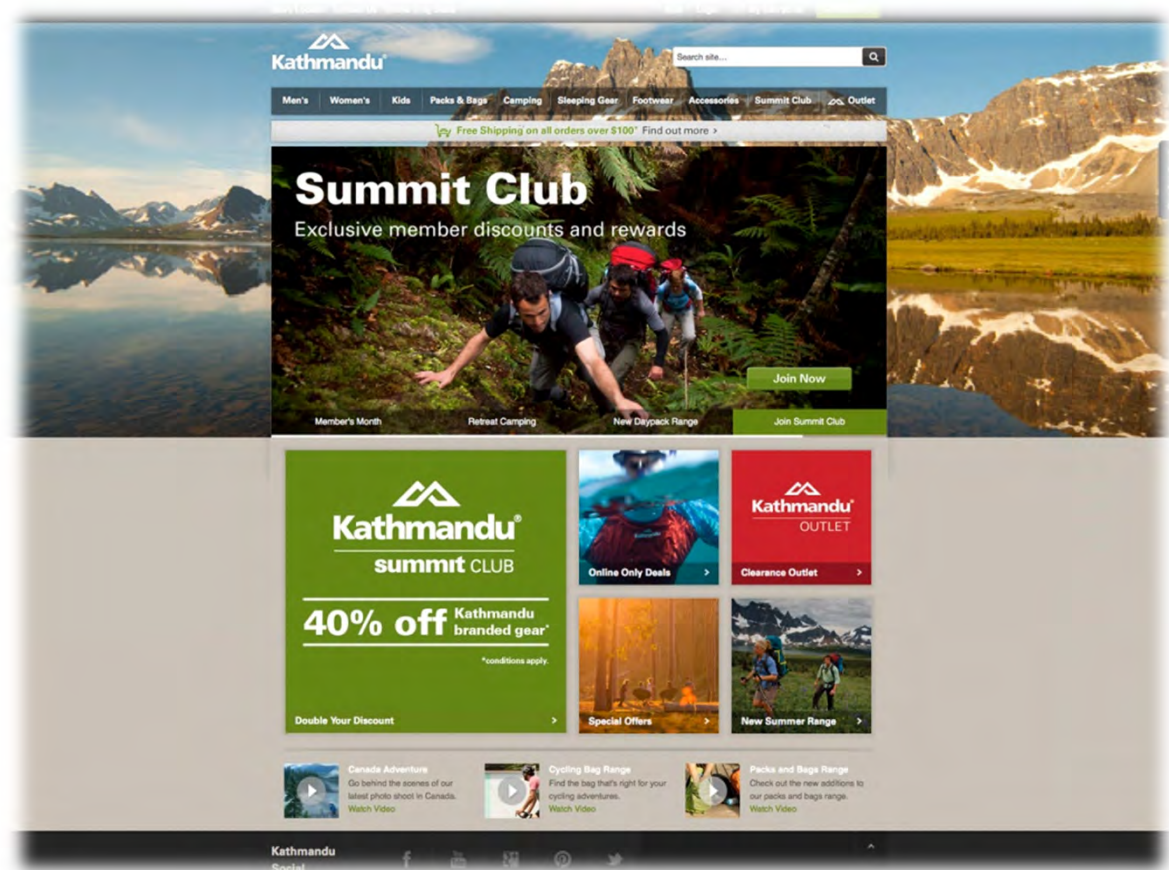
Perth, WA



Broadway, Auckland



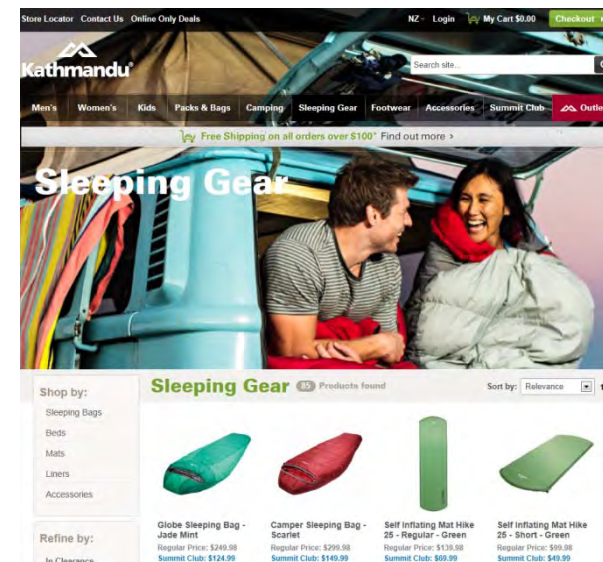
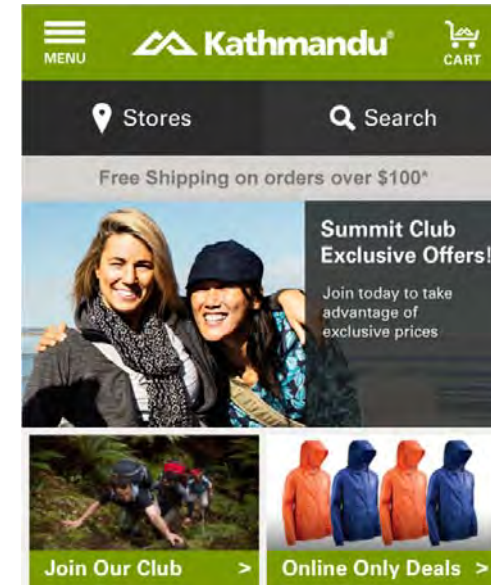
New Website in 2012



Online and Digital



- Rapid growth - 3yr CAGR 86% from FY10 to FY13.
- Mobile optimised site and international shipping launched.
- Amazon & NEXT UK operational – provides access to 144 million potential customers.
- Future enhancements: click and collect, online sales in-store, and ratings and reviews functionality.



Product Range



- Inventory investment targeting key growth categories.
- Total SKU count to remain around current level.
- 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.



Comparison of international Outdoor Brands

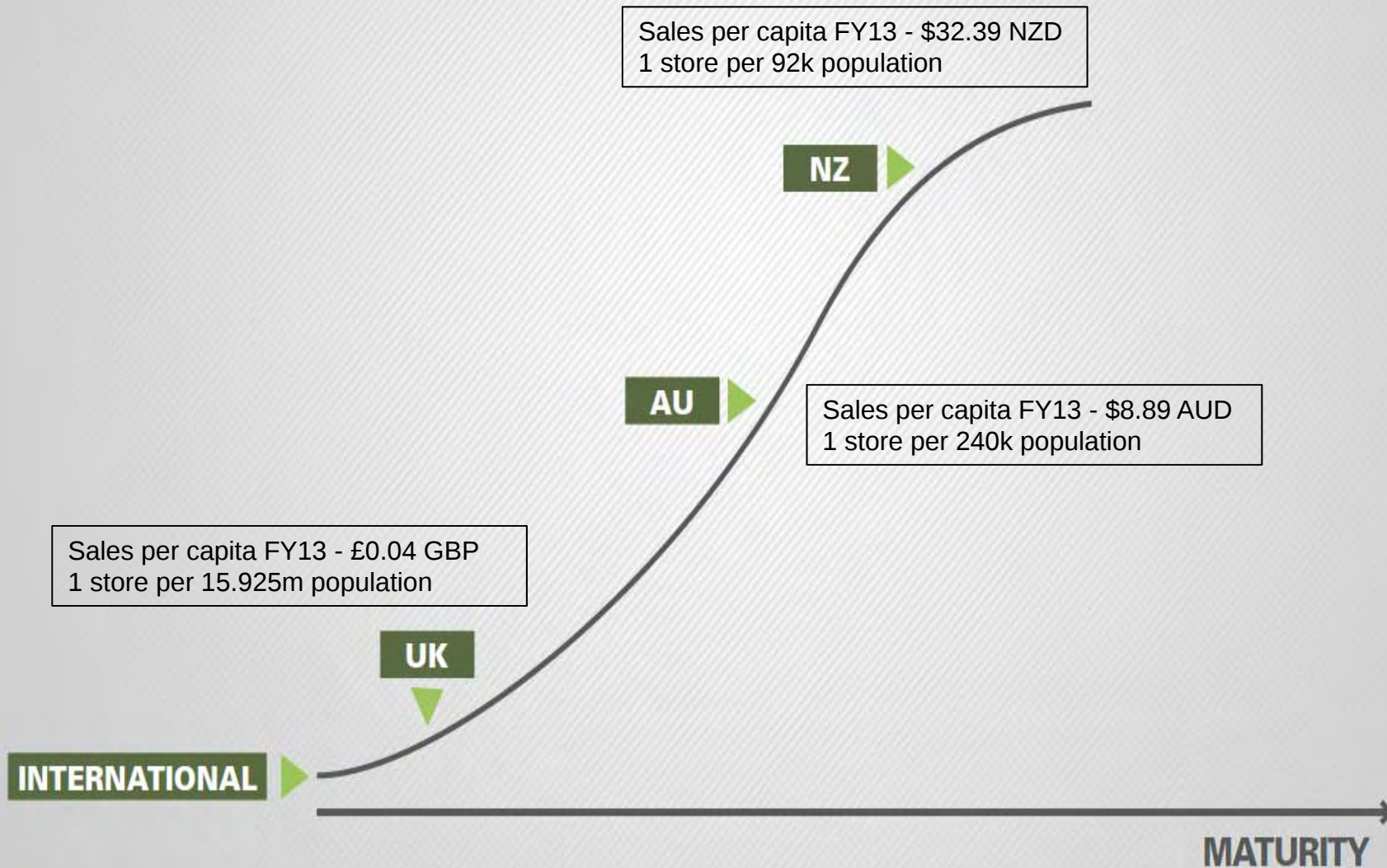
Brand	Revenue ¹	Product focus	Source / comments
	~\$2,100m	■ Apparel, backpacks, tents, sleeping bags, duffels, accessories	■ FY-Dec 2012 revenue grown at 9% in FY-Dec 2013 as per company filings ■ Owned by VF Corp (acquired in 2000)
	~\$1,760m	■ Footwear, apparel, backpacks and accessories	■ FY-Dec 2011 revenue grown at 5% in FY-Dec 2012 and FY-Dec-2013 as per company filings ■ Owned by VF Corp (acquired in 2011 for ~US\$2bn)
	~\$1,410m	■ Footwear, apparel, backpacks, tents, sleeping bags, duffels, accessories	■ FY-Dec 2013 sales results release ■ Owned by Columbia Sportswear
	~\$585m	■ Apparel and equipment for skiing, snowboarding, hiking and mountaineering	■ FY-Dec 2012 private company filings ■ Owned by Amer Sports (acquired in 2005)
	~\$540m	■ Backpacks, footwear, apparel	■ FY-Apr 2012 private company filings
	>\$500m	■ Hiking boots, running shoes, protective apparel	■ 2011 Footwear News article ■ Owned by Wolverine (acquired in 1997)
	~\$485m	■ Apparel, footwear, rucksacks, sleeping bags and mats	■ FY-Dec 2012 private company filings ■ Owned by Blackstone (acquired in 2011)
	~\$330m	■ Apparel, footwear, backpacks, sleeping gear, camping equipment, accessories	■ FY-Jun 2013 annual report
	~\$260m	■ Protective technical apparel for sailors, skiers and adventurers	■ OTPP acquisition press release ■ 75% owned by OTPP (acquired stake in 2012); 25% owned by Altor Equity Partners
	\$200-250m	■ Apparel, backpacks, tents, sleeping bags, duffels, accessories	■ FY-Dec 2011 sales results release (~8-10% of Jarden's Outdoor Solutions division) ■ Owned by Jarden Corp (acquired in 2007)
	~\$190m	■ Apparel, footwear, rucksacks	■ FY-Jan 2013 private company filings ■ Family owned (UK)
	~\$135m	■ Apparel, backpacks, tents, sleeping bags, duffels, accessories	■ FY-Dec 2013 sales results release ■ Owned by Columbia
	>\$100m	■ Merino clothing for hiking, hunting, biking, mountaineering and skiing	■ 2010 revenue as per media articles ■ Privately owned (New Zealand)
	~\$95m	■ Apparel, base layers, footwear and rucksacks primarily for climbing	■ FY-Dec 2012 private company filings ■ Owned by Pentland Group (acquired in 1993)
	~\$90m	■ Backpacks for hiking, trekking, walking, biking and travel	■ FY2012 private company filings (FYE not disclosed) ■ Owned by Schwan Stabilo Group (acquired in 2006)
	~\$70m	■ Waterproof and windproof apparel	■ Herkules Capital website ■ Majority owned by Herkules Capital (acquired in 2014)

Source: Company filings, media releases, press releases, mergermarket

¹ Most recently reported / quoted revenue converted to US\$ at 28-Mar spot rates

* Doesn't include some Asian and other brands

Brand lifestyle stages





Key Growth Strategies

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

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

Growth Strategy Update



GROWTH STRATEGY

Enhance product offering

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

Summit Club Loyalty Programme

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

UPDATE

- 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

- Introducing 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

Growth Strategy Update



GROWTH STRATEGY

Online and digital

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

UPDATE

- Focus on this area has increased greatly
- Online sales grew by 49% YOY at constant exchange rates.
- Aus / NZ working towards full integration with stores
- International shipping launched, will assist in growing international Summit Club members, UK online sales in store launched
- New international marketplace sites reaching new customers
- Go beyond the UK by launching onto new marketplaces and launching new KMD online sites in other global zones
- Build an active database of international customers that includes Summit Club and non Summit Club members

- Over the last 3 years, Kathmandu has focussed on transformation for:
 - Brand;
 - Product;
 - Stores.
- Dependency on IT and systems to support the next phase of Kathmandu growth.
- Grant Taylor – Chief Information Officer.



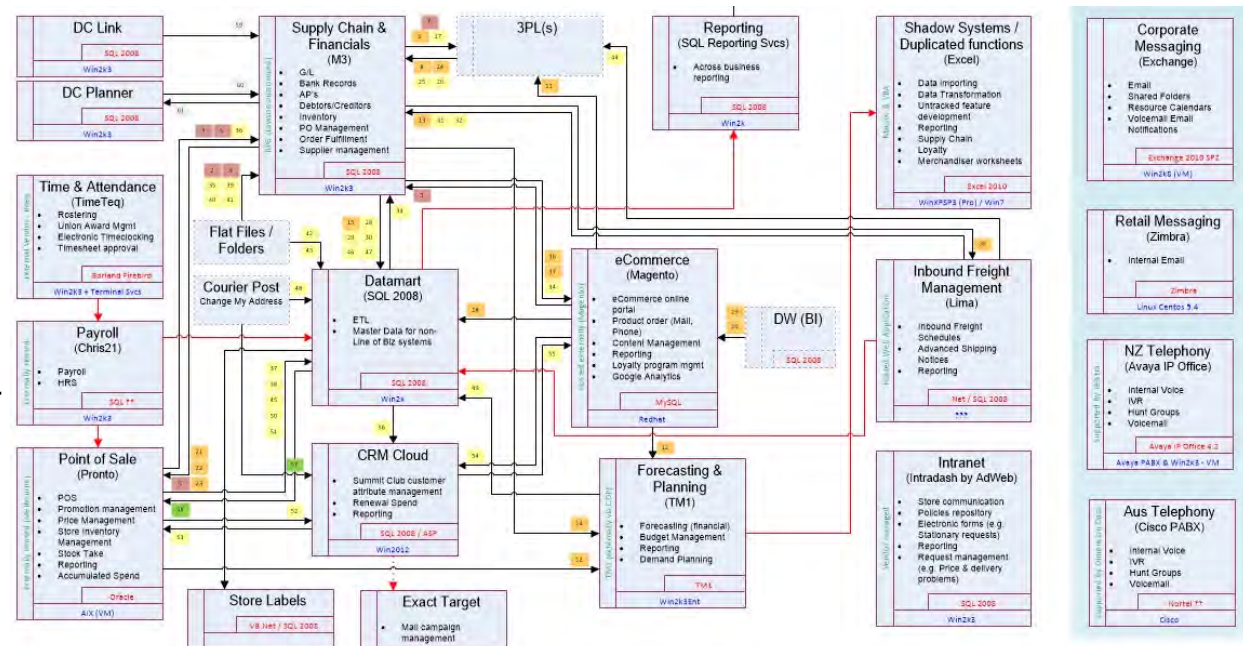
Systems Deep Dive

Introduction



- Grant Taylor CIO
- Joined August 2010
- Kathmandu's vertical strategy a competitive advantage but...
- Best of Breed IT strategy heavily reliant on overnight integrations and not scalable and issues with features and functionality

- Data accurate...
but accurate
yesterday
- Outgrown legacy
systems creating a
strong need for
change



- The current solutions would not achieve future requirements
- Requirements for real time information, improved customer information and experiences
- Expectations of customers have become more sophisticated. It's expected that the availability of stock, offers and customer information would be accurate and timely across all channels
- Social media, loyalty, in-store technology and more increased choice meant Kathmandu needed to adapt to meet the challenge
- Re-platforming system architecture is the key component to achieving Kathmandu's business strategy of growth, entering new markets and improving customer experience



What we were looking for



- An end to end solution
- A commitment to the retail vertical
- A roadmap for the future
- The ability to work with leading partners
- Scalability
- Fit our business
- Affordability



- Timely, accurate information and the ability to scale to accommodate growth and new markets.
- Flexibility at Point of Sale: promotions, mobility, improved performance.
- Customer Loyalty: targeted offers, improved sign up process, seamless online and in-store experience, social media linkage.
- More accurate purchasing, planning and supply.
- Improved supplier engagement, management and negotiations.
- A platform that has a roadmap and upgrade path to take advantage of new functionality.
- Back office efficiencies.
- De-risk legacy systems.

Examples of what it would achieve

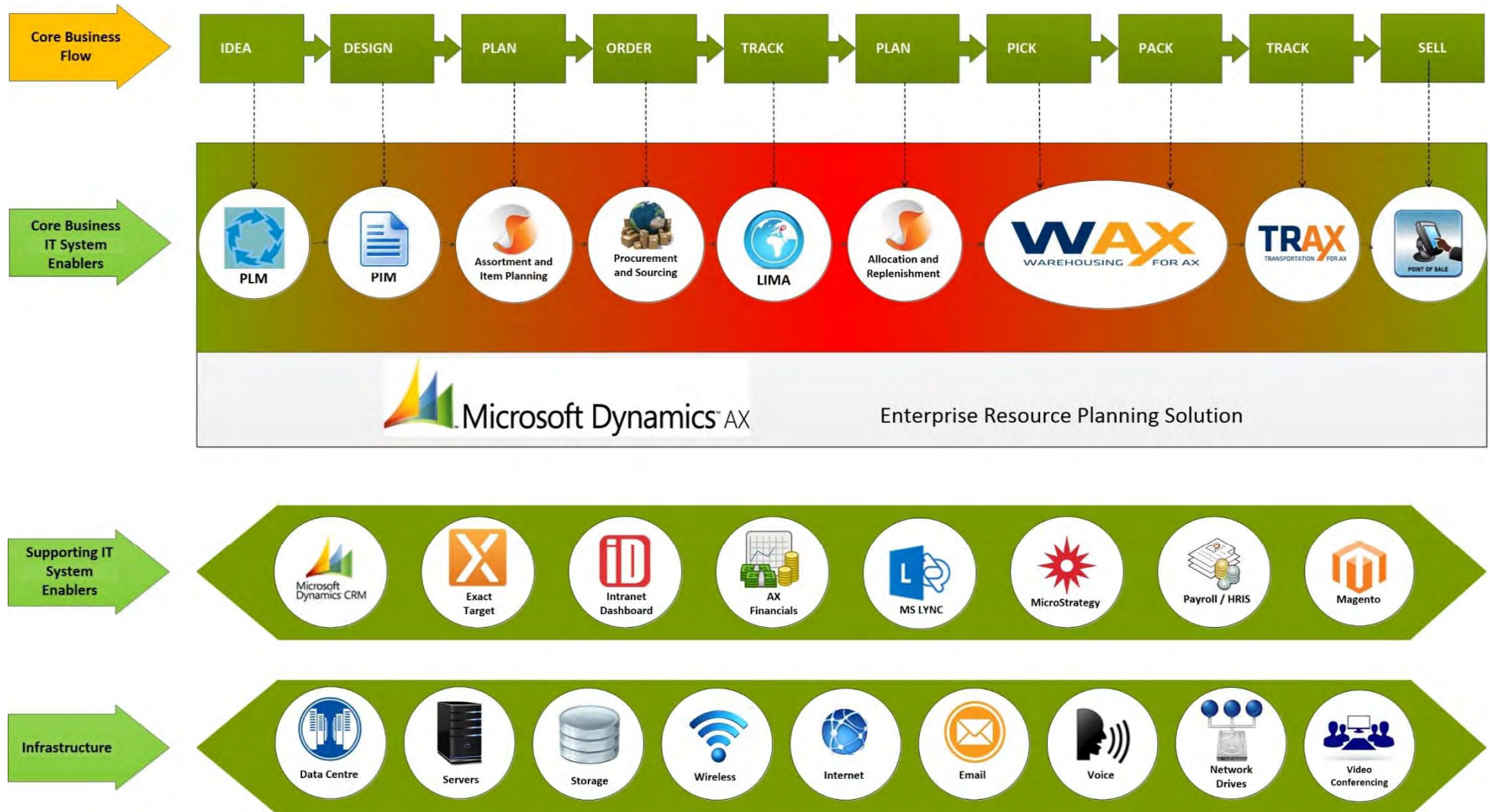


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- Look to a vertical retail specific partner who has a leading product offering, a strong roadmap for the future and leverage their expertise
- Microsoft AX for Retail was selected
- Microsoft AX is helping to resolve Kathmandu's integration and data issues while providing a rich experience for both staff and customers
- Microsoft AX has ISVs (Independent Software Vendors) that write their solutions with Microsoft integration in mind, giving Kathmandu the ability to integrate easily with industry leading solutions while maintaining a robust upgrade path



How to achieve it



What have we done so far



- Virtualized server infrastructure in the Cloud
- New global Wide Area Network
- Microsoft Dynamics Customer Relationship Management (CRM)
- AX Product Information Management (PIM)
- Point of Sale (POS) to 140+ stores in NZ, AU and the UK
- Just Enough Assortment and Item Planning
- Business Intelligence (BI) reporting system
- Re-platformed and upgraded Kathmandu's online presence
- Mobile website and applications
- International shipping
- Internet in-stores



What we are working on



- AX Financials
- Warehouse Management
- Allocation and Replenishment
- Product Lifecycle Management (PLM)
- Additional Online functionality
- Microsoft Lync
- More CRM
- More PIM



What next



- Wireless in stores
- Mobile POS
- Additional Online functionality
- More CRM
- More Product Information
- Supplier Portal
- Supply Chain automation
- New markets
- International shipping



- The legacy systems at Kathmandu would not deliver future requirements and Microsoft was chosen as a core platform
- There is an extensive roadmap and plan for the future - Step change!
- A large amount of work has already been successfully completed and is in progress
- In Q1 FY15 the programme of work to re-platform and build the foundation will be completed
- What happens next will be focused on content and customer experiences
- Future phases will continue to improve these customer experiences and move the focus from backend systems to frontend solutions and enable any future ambitions for growth...



Market Update & Outlook

- Total Group sales for the 13 weeks, 27 January to 27 April \$93.0m, up 3.6% YOY at actual exchange rates (12.9% at constant exchange rates).
- Same store sales for the same period down 0.6% YOY at actual exchange rates (up 8.2% at constant exchange rates).
- Gross margin for third quarter in-line with prior year.
- Strong trading performance at the end of our Easter Sale promotion assisted by:
 - late Easter holiday timing; and
 - the change to cooler weather in both Australia and New Zealand.

- No change to commentary provided with our 1HFY14 result at end February.
- Winter sale in June/July is our largest promotional event each year, and weather is a key variable relevant to relative success of this sale.
- A positive start to FY14.
- Continuing to invest in strategies to deliver future growth.
- We remain confident of a strong performance for full year FY14.



Questions?