

Kathmandu Holdings Limited FY2017 full year results

- Sales increased by 4.6% to NZ\$445.3m
- Gross profit increased by 3.7% to NZ\$276.2m
- EBIT increased by 12.0% to NZ\$57.0m
- NPAT increased by 13.5% to NZ\$38.0m
- Record full year dividend
- Record low net debt

Kathmandu Holdings Limited (ASX/NZX: KMD) today announced net profit after tax (NPAT) of NZ\$38.0 million for the year ended 31 July 2017, an increase of NZ\$4.5 million compared with the prior year. Earnings before interest and tax (EBIT) increased from NZ\$50.9 million to NZ\$57.0 million for the same period. A final dividend of NZ 9.0 cents per share will be paid, bringing the full year payout to a record NZ 13.0 cents per share.

Summary of Results

	NZD \$m		Change	
	FY2017	FY2016	NZD \$m	%
Sales	445.3	425.6	19.7	4.6%
Gross Profit	276.2	266.4	9.8	3.7%
EBITDA	70.8	64.8	6.0	9.3%
EBIT	57.0	50.9	6.1	12.0%
NPAT	38.0	33.5	4.5	13.5%

Chief Executive Xavier Simonet commented:

“We were pleased to achieve strong same store sales growth driven by innovative new products and inspiring digital content. In addition to top line growth, continued cost control and working capital efficiency delivered very solid profit growth. Our financial position continued to strengthen during FY2017, and we ended the year with lower inventory and record low net debt.”

Sales, Gross Margin and Inventory

Sales Growth

Sales grew strongly in our two largest markets, Australia and New Zealand. Online sales now comprise 7.5% of group sales.

	Total Sales Growth	Same Store Sales Growth
Australia	7.9%	6.9%
New Zealand	3.3%	3.6%
Group (constant currency)	5.8%	5.5%
Group (NZD reporting currency)	4.6%	4.4%

Note: Same store sales are for the 52 weeks ending 30 July 2017

Gross Margin

Gross margin decreased 0.6% points from 62.6% in FY2016 to 62.0% in FY2017, which sits in the middle of our long-term target range of 61% to 63%. Sourcing negotiations, product newness, price action and improved stock control all helped to offset the gross margin challenges caused by higher input costs as a result of foreign currency movements.

Inventory levels

Total inventory levels decreased by 6.5% (NZ\$6.2m) from FY2016 and by 7.6% on a per store basis.

	FY2017 NZD \$m	FY2016 NZD \$m	Change NZD \$m	Change %	Change per store %
Inventory	89.2	95.4	(6.2)	(6.5%)	(7.6%)

Targeted inventory buying and allocation and improved sell through in our key promotions contributed to working capital efficiency. The reduction in inventory continues to demonstrate the benefits of investments made in forecasting and planning technology.

Operating Expenses

Operating expenses decreased by 1.3% as a percentage of sales compared to FY2016. Efficiencies were achieved through targeted promotional spend, retail labour productivity improvements, and lower support office costs.

Rent increased by NZ\$3.9m, which included transition to the new Australian distribution centre and the full year impact of the relocated New Zealand support office (opened in May 2016).

Operating expenses (excluding depreciation)

	FY2017 NZD \$m	FY2016 NZD \$m
Rent	62.2	58.3
% of Sales	14.0%	13.7%
Other operating expenses	143.2	143.3
% of Sales	32.1%	33.7%
Total operating expenses	205.4	201.6
% of Sales	46.1%	47.4%

Other Financial Information

NZ\$13.3m was invested in capital projects, primarily in expanding and updating our store network. The new Australian distribution centre was completed, which will support our long term growth plans.

Record low net debt and subsequent lower financing costs resulted from improved working capital efficiency. Consequently, gearing remains very conservative.

	FY2017 NZD \$m	FY2016 NZD \$m
Capital Expenditure	13.3	23.2
Operating Cash Flow	67.3	69.1
Net Debt	6.9	36.8
Net Debt to Equity	2.1%	10.6%

Final Dividend

A final dividend of NZ 9.0 cents per share will be paid to shareholders on the register as at 13 November 2017. This brings the full year dividend to 13.0 cents per share, an 18.2% increase on the prior year and a record full year payout. The dividend will be fully franked for Australian shareholders and fully imputed for New Zealand shareholders.

Outlook

Chief Executive Xavier Simonet commented:

“We have now delivered two successive years of strong profit growth and four successive quarters of same store sales growth. As a product and brand led business, we are focused on engaging our customers by creating distinctive, sustainable, quality products and by promoting our brand authenticity.

In the year ahead, we aim to continue to grow in our core markets, with gross margin and operating efficiency a key management focus.

As we look forward, I am excited about the wholesale trials we are conducting in Europe, and remain committed to developing new international channels for the Kathmandu brand.”

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