Accent Group LIMITED

RESULTS PRESENTATION

YEAR ENDED 30TH OF JUNE 2019

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Shareholder value creation

10-year Total Shareholder Return[1] comparison Accent and ASX300 (30 June 2009 to 28 June 2019)

Source: Bloomberg, Accent Filings.

1. Assumes 100% dividend reinvestment on the ex-dividend date.

Another record year of profit[1]

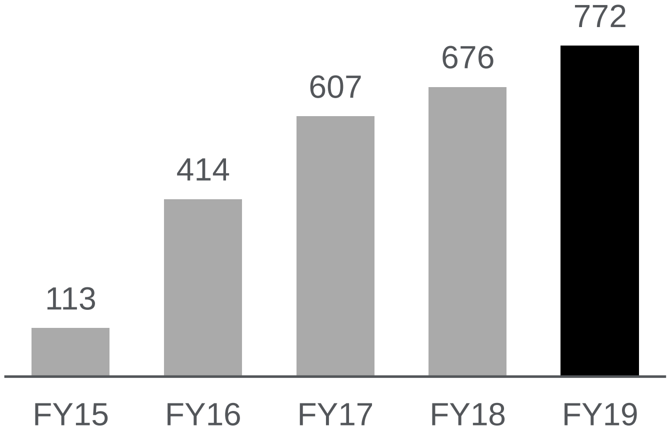
Accent Group

Key Metrics

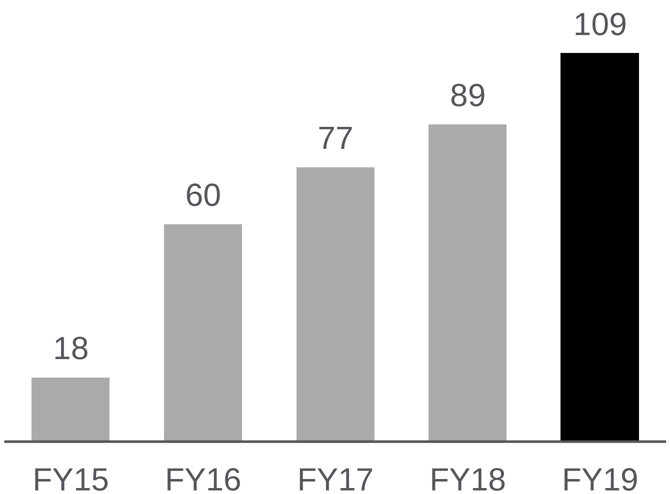
$'000's	FY19	FY18	% Change
EBITDA	**$108,853**	$88,828	**+22.5%**
NPAT	$53,886	$44,000	**+22.5%**
Owned Sales	$772,466	$675,571	**+14.3%**
EPS	10.02 cents	8.23 cents	**+21.7%**
FY19 Full Year Dividend	8.25 cents	6.75 cents	**+22.2%**
10 Year EPS CAGR	14.5%		
Return On Equity	13.4%	11.2%	**+220bps**

1. All figures in this presentation are presented on a statutory basis unless otherwise stated.

FY15 to FY19 Owned Sales ($m)



FY15 to FY19 EBITDA ($m)



Growth plan on track

- **New stores:** opened **54** new stores
- **Digital growth:** 93% (run rate of 15% of sales)
- **The Athlete's Foot (TAF) corporate stores: 49** corporate stores up from 28 stores in FY19
- **Vertical product: $4.5m** of sales at **70% +** Gross Margin
- **Launched The Trybe: 4** stores now open and trading ahead of expectations
- **Gross Margin:** up by **130** bps to 56.1%
- **CODB:** improved by **50** bps to 45.1%

FY19 summary of financial performance

Financial Summary[1]

Profit & Loss ($000's)	FY19	FY18	% Change
Owned Sales	772,466	675,571	14.3%
Gross Profit	433,125	370,081	17.0%
Gross Margin (%)	56.1%	54.8%	130bps
CODB	(348,185)	(308,061)	13.0%
CODB (%)	45.1%	45.6%	(50bps)
Royalties and Franchise Fees	14,364	16,269	(11.7)%
Other Income	9,549	10,539	(9.4)%
EBITDA	**108,853**	**88,828**	**22.5%**
Depreciation & Amortisation	(28,268)	(24,133)	17.1%
EBIT	**80,585**	**64,695**	**24.6%**
Net Interest (Paid) / Received	(3,565)	(3,777)	(5.6)%
PBT	**77,020**	**60,918**	**26.4%**
Tax	(23,134)	(16,918)	36.7%
Net Profit After Tax	**53,886**	**44,000**	**22.5%**

1 All financials in this release are presented on a statutory reported basis with no adjustments unless otherwise stated.

Operating Highlights

Sales	• **Total company owned sales of $772.5m, up 14.3% on prior year.** • Total sales (including TAF franchise stores) of **$935.3m**, up **8.7%** on prior year. • Continued digital sales growth of **93%.** • LFL retail sales up for H2 **3.5%** (including TAF franchise stores). Total LFL retail sales for the year of **2.3%.** • **54** new stores opened, **21** closed.
Gross Margin	• **Gross margin of 56.1% up 130 bps** reflecting vertical brand and product penetration and TAF margin improvement. • Vertical products (shoe care, socks and accessories) total sales of $4.5m at over 70% margin since launch in late November.
CODB	• CODB decreased due to an ongoing focus on front line productivity, sustainable lease renewals and operating leverage from new stores, digital and TAF corporate store growth.
EBIT	• **EBIT of $80.6m, up 24.6%** on prior year.

Retail

Retail

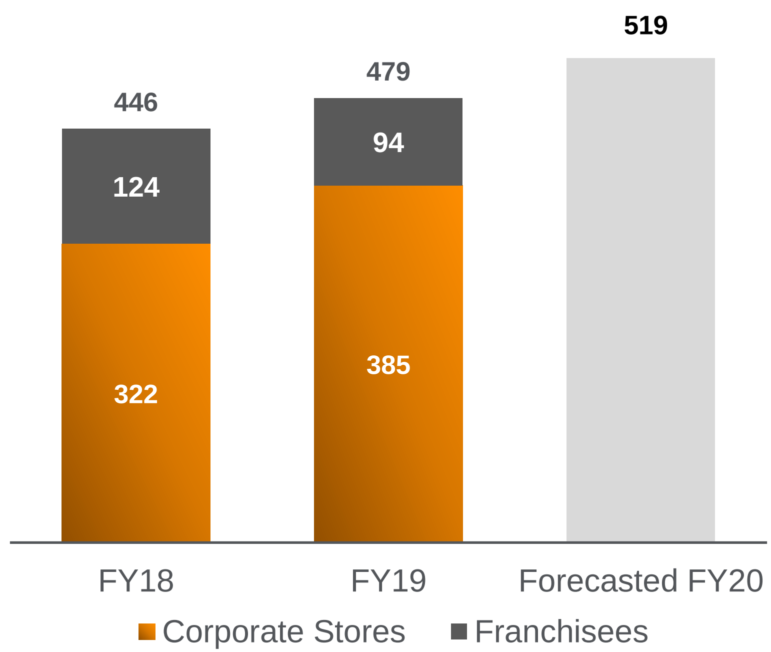
Key Financial Highlights

Owned Retail Sales up 15.8% to $656.2m

LFL Sales[1] up 2.3%

Retail Gross Margin %

Store Network[2]



Commentary

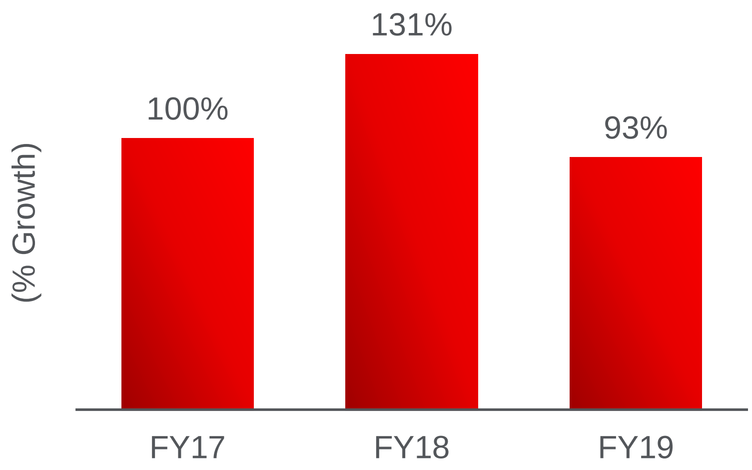
FY19 Highlights

- LFL retail sales up **2.3%[1].** H2 LFL retail sales up **3.5%**[1]
- Total digital sales grew by **93%.**
- Platypus, Skechers, Vans, Dr Martens, Timberland and Merrell traded strongly in H2, with sales in TAF, Hype and Subtype in line with expectations.
- H2 margin % impacted by a strong inventory clearance program in June that resulted in the lowest ever levels of aged inventory.
- Opened **54 new stores**, refurbished **32** stores and closed **21** stores. Total store network is now **479** stores.
- Platypus Flagship superstores opened in Melbourne Central and Pitt Street during the year.
- 4 The Trybe stores now open and trading ahead of expectations.
- New Subtype Melbourne store opened in April.
- TAF sales performance ahead of prior year on both a total and like for like basis.
- First Australian CAT store opened in Werribee.

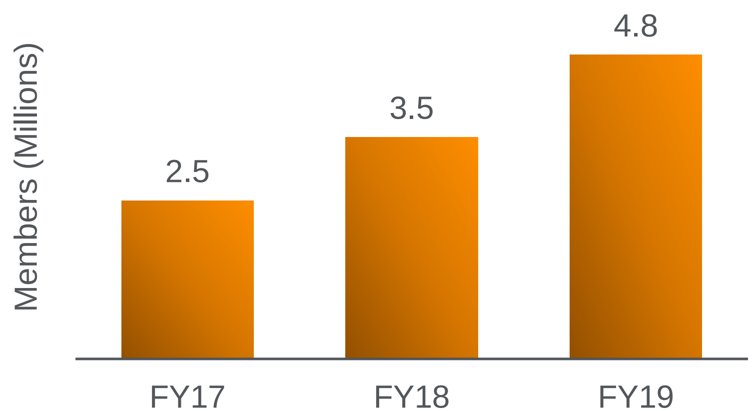
1. LFL sales include The Athlete's Foot franchise stores; 2. Includes store closures, for a breakdown by brand refer to page 21.

Digital

Digital Sales Growth



Accent Group Loyalty Members



Commentary

Sales	• Total digital sales grew by **93%** for FY19, this was on top of the **131%** growth in the same period LY. • TAF digital sales growth % of **87%.** • **17** websites now in operation across AU & NZ. • Launch of The Trybe, Vans NZ and new Subtype website. • New digital sales target of **20%** of total sales within the next **3** years.
Omnichannel	• Completion of endless aisle and same day delivery rollout across banners. • Customers' preference for express delivery (less than 3 hours) ahead of expectations. • Omnichannel model provides the Group with the ability to fulfill customer demand over 450 stores and to clear ageing and slowing moving inventory faster.
Customer Loyalty	• **4.8m** customers registered through various loyalty programs, up **37% (~1.3m** customers) versus prior year. • Significant investments underway in CRM and data to maximise customer visitation and engagement.

Wholesale & Vertical Brands

Wholesale & vertical brands

Key Financial Highlights

Wholesale Sales up 7% to $116.3m ⇧

Wholesale Gross Margin % ⇧

Vertical Distribution and Wholesale

SKECHERS · PALLADIUM · Timberland · VANS "OFF THE WALL" · MERRELL · Dr. Martens · SPERRY Since 1935 · CAT · saucony · STANCE · SNEAKER LAB · SUPRA

Commentary

H1 FY19 Highlights

- Strong sales performance from Vans, Dr Martens, Merrell and CAT.
- Skechers wholesale sales were in line with expectations as the Skechers store network rollout continues.
- Gross margin % up due to cleaner inventories and improved exchange rates.
- Brand licence renewals:
  - Timberland, CAT and Saucony renewed until 2021;
  - Stance renewed until June 2022;
  - Palladium renewed until 2023;
  - Sperry contract extension to December 2022 and key commercial terms agreed in principle; and
  - Merrell contract extension to December 2024 and key commercial terms agreed in principle.
- Vertical shoe care and accessories sales of $4.5m since November launch at over 70% margin.
- Supra and Sneaker Lab traded strongly.

Growth Plan

Growth plan update

1 The Athlete's Foot

- **65** corporate stores expected by the end of FY20
- Commenced the rollout of MyFIT 3D, the latest 3D foot scanning technology
- Corporate store program expected to drive additional profit growth in FY20
- On average new corporate stores generate sales of approximately $1.5m per store and store EBIT of 13% - 15%
- EBIT margin growth from corporate stores overtime driven by increased vertical product and brand mix and other network efficiencies

No. of Stores	28 August 2018[1]	FY19	FY20 (fct)
Corporate	28	49	**65**

2 Digital

- Targeting 20% of sales within the next 3 years
- Key focus on customer acquisition and retention strategy through loyalty programs
- Implementation of new CRM platform and digital experience technology
- Ongoing investment to scale infrastructure and support omnichannel growth
- Accelerated expansion of customer service and fulfillment options

3 Vertical Product

- Continue to expand this program in FY20 and beyond
- Targeting $15m in sales in FY20
- Exploration of further vertical product categories
- Will continue to drive underlying gross margin improvement as the sales mix of these products increases

1. FY18 Full Year results presentation.

4 New Stores

- More than 40 new stores (excluding closures) planned to open in FY20 across Hype, Platypus, Skechers, Dr Martens, CAT, Merrell, TAF and Vans
- Stores open in FY19 have traded ahead of expectations
- New stores are generating strong cash conversion with an average store payback of less than 18 months
- A further 30-40 stores planned by FY22

5 The Trybe

- In October 2018 the Group launched a kids focused online site to target a new segment for Accent Group
- The Group has now opened 4 stores (Highpoint (VIC), Fountain Gate (VIC), Macarthur Square (NSW) and Werribee (VIC)), all trading ahead of expectations
- The Trybe stores incorporate innovative customer experience elements including contemporary fitting spaces, digital screens and interactive play zones
- Up to **12** stores expected to be opened by June 2020
- Potential for over **40** stores in Australia and New Zealand over time

Growth plan update (cont'd)

Accent Group

6 Hype & Platypus

- Hype will extend its focus on the sneaker obsessed teen, working with the brands to launch new innovations, more quick-to-market products and expanded assortments. This will be supported with further investments in our largest brand partners (including Nike and adidas) and new emerging global brands including Veja, Golden Wolfe and Superga
- Platypus will strengthen its appeal with the street and fast fashion consumer, extending the product offering in brands like adidas, New Balance, Dr Martens, Tommy Hilfiger and Skechers. The Platypus range will also include investments in a higher vertical mix and street fashion brands, supported by distributed brand Vans and with an increased focus and partnership with Nike on the SB range

7 PIVOT

- Launch and trial of a new lifestyle concept named PIVOT
- Opportunity to segment the Australian lifestyle footwear market with value products that are not available in the Australian market
- PIVOT will carry a wide range of branded shoes from global third party brands and global distributed brands to serve the sport & street value conscious consumer
- Planned to have no crossover of products and styles between PIVOT and existing banners Platypus, Hype and TAF
- First stores and PIVOT website planned to open in H2 FY20

PIVOT

SPORTS. LIFE. STYLE.


Dividends, Trading Update &
Outlook

Dividends, trading update and FY20 outlook

Dividends	• Accent Group has announced a final ordinary dividend of **3.75 cents** per share, fully franked, payable on **26 September 2019** to shareholders registered on **12 September 2019** • Total dividends for FY19 of **8.25** cents per share, fully franked, were up **22.2%** up on prior year (FY18, 6.75 cents) in line with NPAT growth of 22.5% • Accent Group continues to be defined by strong cash conversion and the consistent strong returns it delivers on shareholders' funds
Trading Update	• For the first 7 weeks of H1 FY20, LFL retail sales are up **2.7%** on the same period in the prior year • The Group has forward USD cover at an average of $0.72 for approximately 80% of its planned FY20 USD purchases (vs $0.75 in FY19)
Outlook	• **Accent Group is expecting another year of profit growth, delivered through:** – Low single digit LFL growth, including strong digital growth; – New stores and annualisation of stores opened in FY19; – Gross margin % in line with prior year as an outcome of underlying improvement through vertical brand penetration and exclusive brands, offset by the impact of currency; – CODB % in line with FY19; – Growth from TAF corporate stores; and – PIVOT and The Trybe expected to be profit neutral after implementation costs. • **Growth in the mid term is planned to be driven by opportunities identified in Australia and New Zealand, including The Trybe and PIVOT.**

Appendix


TRAIN
PERFORMANCE
SPORT
WALK
The Athlete's Foot
MELBOURNE
ACCESSORIES
ACCESSORIES
asics
MIZUNO
new balance

Accent Group overview

Accent Group is the largest retailer and wholesaler of premium lifestyle footwear in the Australia and New Zealand region.

Accent Group Limited

Retail and Wholesale Distribution Channels

Owned Multibrand Retail Banners

PLATYPUS, HYPE, TRYBE, SUBTYPE, The Athlete's Foot

Exclusive Wholesale Distribution

Accent has the exclusive rights to distribute these brands in Australia

SKECHERS, Dr. Martens, VANS "OFF THE WALL", Timberland, PALLADIUM, MERRELL, SPERRY Since 1935, saucony, CAT

Strong Brand and Product Relationships

Third-party Global Brands

adidas, NIKE, asics, CONVERSE, FILA

Exclusively Distributed Global Brands

SKECHERS, Dr. Martens, VANS "OFF THE WALL", Timberland, PALLADIUM, MERRELL, SPERRY Since 1935, saucony, CAT

Vertical Products

Leveraging global sourcing relationships to source vertical products such as socks, shoe cleaners, laces and other product categories

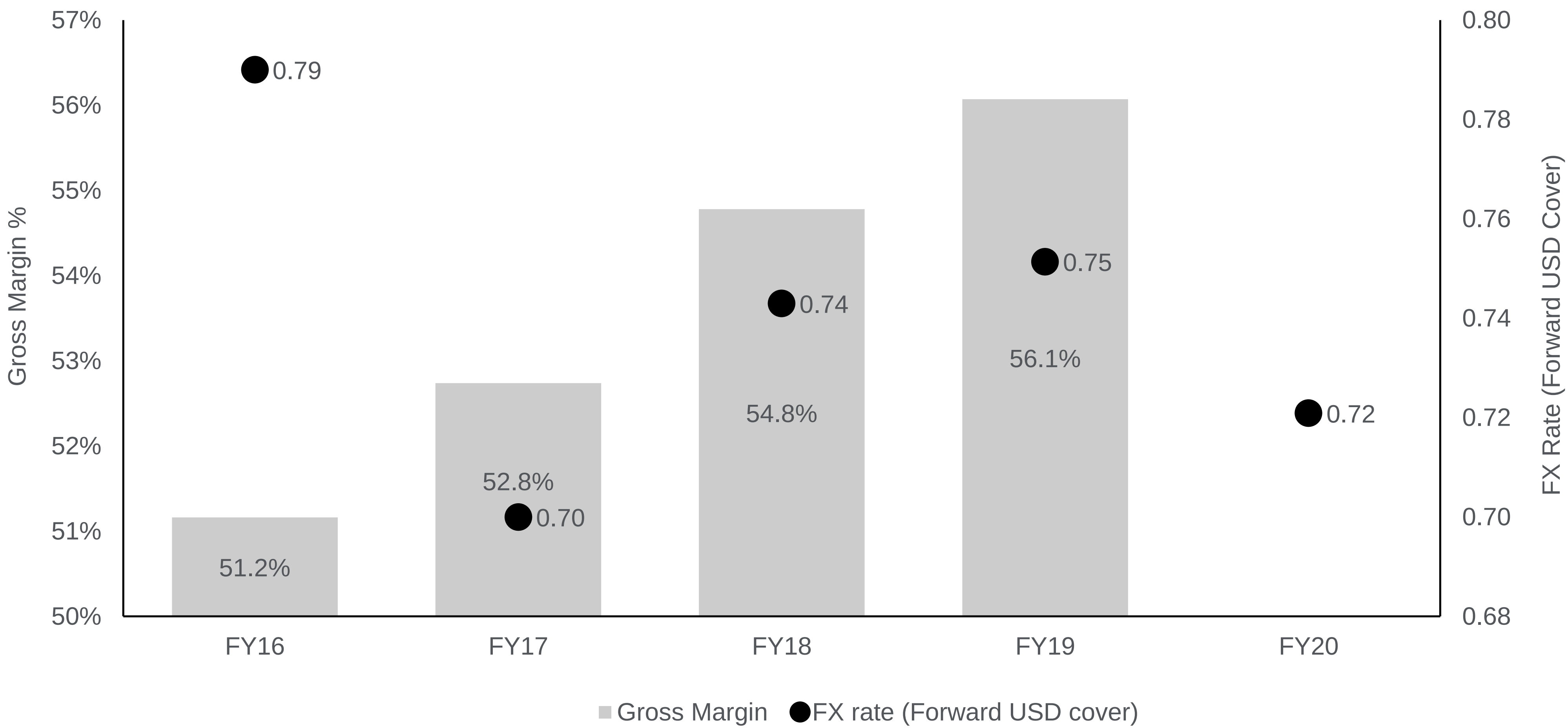
Large Store Network and Customer Access

- Customer database—4.8m customers
- 17 Websites
- Over 450 stores, with key presence in both metropolitan and regional areas
- Significant Australia and New Zealand market share in the segments in which we operate

Gross margin and FX rate

The Group has forward USD cover at an average of $0.72 for approximately 80% of its planned FY20 USD purchases (vs $0.75 in FY19)

Statutory Gross Margin % and FX Rate (Forward USD Cover)

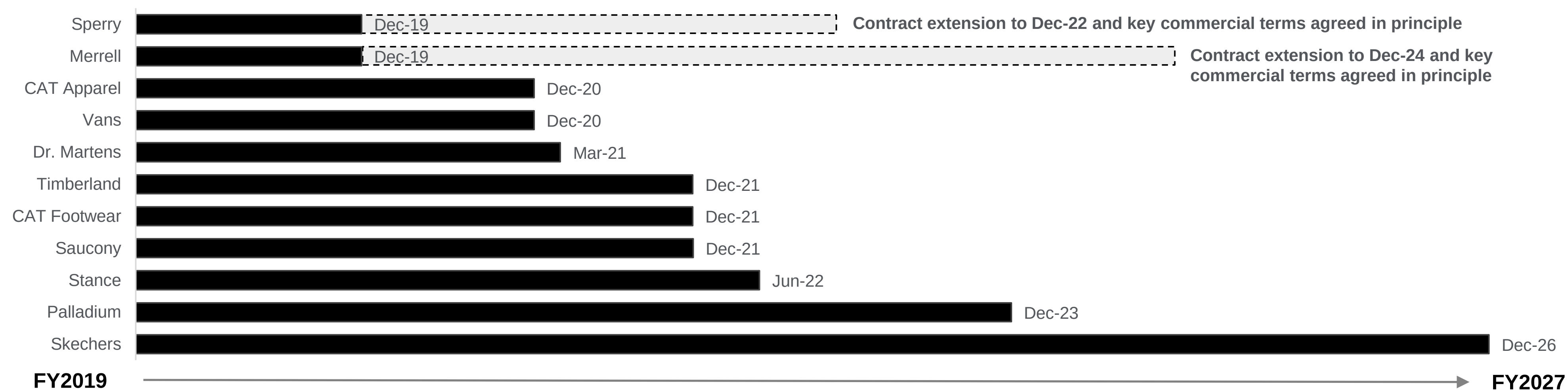


Store network and distribution agreements

Store Network[1]
June-2019

Store Network[1]	TAF	Platypus	Skechers	Vans	Timberland	Dr Martens	Merrell	Hype	Sub Type	Trybe	PIVOT	Podium /Other	Total
Stores at End of FY18	**143**	**98**	**81**	**17**	**7**	**2**	**22**	**64**				**12**	**446**
FY19													
Stores Opened	5	14	13	7		2	1	5	3	3		1	54
Stores Closed	(6)	(3)					(3)	(4)	(1)			(4)	(21)
Podium Stores Conversion	1	5										(6)	
Stores at End of FY19	**143**	**114**	**94**	**24**	**7**	**4**	**20**	**65**	**2**	**3**		**3**	**479**
Projection FY20													
Expected at the End of FY20[2]	**143**	**124**	**107**	**25**	**7**	**6**	**20**	**68**	**2**	**10**	Up to **4**	**3**	**519**

Distribution Agreements



1. Includes online websites and franchises; 2. Net of store closures.

Balance Sheet

$000's	FY19	FY18
Cash and cash equivalents	36,698	38,772
Trade and other receivables	29,797	18,370
Inventories	131,470	98,556
Property, plant and equipment	86,167	74,664
Intangible assets	352,893	346,091
Other assets	32,574	29,308
Total Assets	**669,599**	**605,761**
Trade and other payables	99,459	74,929
Borrowings	86,125	73,625
Provision for Income Tax	11,808	10,497
Provisions	15,854	10,208
Other Liabilities	53,016	44,589
Total Liabilities	**266,262**	**213,848**
Net Assets	**403,337**	**391,913**

Commentary

- Cash on hand of $36.7m after the investment in the acquisition of TAF corporate stores and Subtype ($11.8m).
- Inventory increase due to investment in new stores and TAF corporate store acquisitions, along with increased stock in transit (FY19: $21.5m, FY18: $15.9m).
- Property, plant and equipment increased due to significant investment in new stores and new digital infrastructure.
- Trade and other payables consistent with our inventory growth.

Earnings and dividends per share

$000's	FY19	FY18	% Change
Earnings Per Share			
Reported Net Profit after Tax	53,886	44,000	22.5%
Less non-controlling Interests	(17)	(43)	
NPAT used in the calculation of the EPS	53,869	43,957	22.5%
Weighted average number of shares (in thousands)	537,380	533,848	0.7%
Earnings Per Share (Cents)	**10.02**	**8.23**	**21.7%**
Dividends Per Share			
Ordinary fully franked dividend (cents)	**8.25**	**6.75**	**22.2%**

Cash flow

Cash Flow

$000's	FY19	FY18
EBITDA	108,853	88,828
Change in working capital	(9,134)	3,950
Net interest and finance costs paid	(4,111)	(3,778)
Income tax paid	(28,632)	(19,645)
Other	(1,289)	713
Net cash flows from operating activities	**65,687**	**70,068**
Purchases of P&E	(24,840)	(15,894)
Net payments for purchase of business	(11,804)	(424)
Net cash flows from investing activities	**(36,644)**	**(16,318)**
Free cash flow	**29,043**	**53,750**
Proceeds from issue of shares	1,783	1,847
Net proceeds from borrowings	12,500	(29,500)
Dividends paid	(44,742)	(32,619)
Net cash from financing activities	**(30,459)**	**(60,272)**
Net cash flow	**(1,416)**	**(6,522)**

Commentary

- Increase in investing cash outflows driven by the acquisitions of TAF corporate stores and Subtype.
- Increase in property, plant and equipment due to significant investment in new stores.
- Change in working capital predominantly driven from the investment in additional inventory to drive growth.

Impact of new lease accounting standard AASB 16 *Leases*

The implementation of AASB 16 *Leases* will significantly change reported results however will have no economic impact on the Group, its cashflows, debt covenants or shareholder value. The Group has assessed the estimated impact that AASB 16 would have had as at 30 June 2019.

Profit and Loss	• EBITDA materially increased as result of operating leases being replaced by depreciation and finance cost – EBITDA increase range $72.3m to $79.5m • EBIT increased as result of operating leases being replaced by depreciation and finance cost – EBIT increase range $6.9m to $9.5m • **Net Profit Before Tax impact – reduction of ($1.0m) to ($3.5m)**
Balance Sheet	• Recognition of right of use asset and lease liability • Total Assets Leases – increase of $228.8m to $252.9m • Lease Receivable (TAF Franchise agreements) - $27.4m to $30.3m • Total Liabilities – increase of $315.9m to $349.1m • The application of AASB 16 will result in almost all leases being recognised on the balance sheet.
Cashflow	• Increase in operating cashflow offset by increase in financing cashflow • **No impact to net cashflow**
Adoption date and comparatives	• AASB 16 will be adopted from 1 July 2019 • HY20 and FY20 Investors Presentations will include a bridge between the results under the new and old standards

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- This presentation contains certain forward-looking statements, including indications of, and guidance on, future earnings and financial position and performance. Such forward-looking statements are based on estimates and assumptions that, whilst considered reasonable by Accent Group, are subject to risks and uncertainties. Forward-looking statements are not guarantees of future performance and are provided as a general guide only. They should not be relied upon as an indication or guarantee of future performance. Actual results and achievements could be significantly different from those expressed in or implied by this information. Neither Accent Group nor its directors give any assurance that the forecast performance in the forecasts or any forward-looking statement contained in this presentation will be achieved

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