

KATHMANDU HOLDINGS LIMITED

ASX / NZX / MEDIA ANNOUNCEMENT

21 October 2019

SPECIAL MEETING TRANSCRIPTION

Company: Kathmandu Holdings Limited

Date: 18 October 2019

Time: 10:00am (AEDT)

David Kirk: Good morning ladies and gentlemen. I'm very pleased to welcome you as the Chairman of Kathmandu Holdings Limited, to our special meeting. I extend a warm welcome to all shareholders present. This meeting is being webcast live for the benefit of those unable to attend in person. Part of our commitment to shareholders is making our meetings as accessible as possible, regardless of physical location.

Today we are pleased to welcome those of you participating online through our virtual meeting platform provided by our share registrar, Link Market Services. We hope that holding a virtual meeting will continue to support greater participation and engagement amongst our shareholders. I declare that a quorum of shareholders is present and the meeting has been duly convened.

For those who don't know me, I'm David Kirk, Kathmandu Chairman. Before we start the formal business, I would like to introduce your other directors to you, all on my right, starting at this end, Philip Bowman, Xavier Simonet who of course is our Managing Director, Andrea Martens and Brent Scrimshaw. John Harvey is not here in person; however, he has joined via the online virtual meeting broadcast, and here he is on the screen, and he will be able to take full part in the meeting.

I wish to advise that proxies have been received in respect of approximately 60% of issued shares. More than 99% of the proxies directed are in favour of all of the resolutions. Before moving onto the formal business of the meeting, I'll outline some meeting procedures. An opportunity will be given to shareholders to ask questions about or make comments on the items of business on the agenda for today's meeting. For those attending online, you will be able to ask questions upon validating your registration. If you need further information about how to ask a question, please refer to the virtual meeting online portal guide, or call helpline on 0800 200 220.

I ask that for the convenience of all present in person, that those shareholders who wish to speak use the available microphone. Please hold up your white or green cards and state your name if you wish to ask a question. If you are attending online via the virtual meeting, please use the question function and your question will be conveyed to the meeting.

Before moving to the business of today's meeting, I will briefly run through the voting procedures. All voting will be conducted by way of a poll. At registration you will have received an attendance voting card. If you have a white voting card, this indicates you are a shareholder and are entitled to vote and to address the meeting. If you have a green non-voting investor card, you are either a joint shareholder or have already returned a proxy vote prior to the commencement of the meeting, you are entitled to address the meeting.

If you are a visitor to the meeting, you will have received a visitor card and you are welcome here today, but you will not be able to address the meeting. If you do not have a voting card and believe you're entitled to vote, please see one of the registry staff from Link Market Services at the registration desk at reception, immediately.

Shareholders present here in Sydney can also vote using their smartphone with the Link Vote App. Shareholders using their smartphones for voting today will need to have registered with a pin prior to entering the meeting. For those attending the meeting online, you'll be able to cast your vote using the electronic voting card that you received when you validated your registration. If you have any issues, please refer to the virtual meeting online portal guide that can also be found on the main page of Links Investor Centre website, or again call the helpline on 0800 200 220.

At today's special shareholder meeting, shareholders are asked to approve the proposed acquisition of 100% of Rip Curl and to separately approve changes to Kathmandu's constitution. As detailed materials outlining the acquisition of Rip Curl have already been distributed to all shareholders, along with a notice convening today's meeting, I do not propose to go through each page of the transaction summary presentation.

However, I will provide an overview of the transaction and its strategic rationale, and our CEO, Xavier Simonet, will provide a more detailed presentation on the benefits and structure of the Rip Curl transaction. We are of course also very happy to answer any questions from shareholders in attendance today on the information that has been provided to shareholders in relation to the Rip Curl transaction, or that shareholders may otherwise have in relation to the transaction.

Rip Curl is an iconic and authentic global action sports brand, born at Bells Beach in Australia in 1969. Founded by surfer friends, Brian Singer and Douglas Warbrick, Rip Curl's vision is to be regarded as the ultimate surfing company in all that it does. Rip Curl designs, manufactures, wholesales and retails surfing equipment and apparel via a multi-channel model and has a global presence across Australia, New Zealand, North America, Europe, South East Asia and Brazil.

Similar to Kathmandu's core outdoor products category, the surf products market has a stable, committed core consumer with steady growth in participation and spending. Rip Curl's brand strength and focus on core technical surf products in key growth categories positions it well within this market. The acquisition of Rip Curl is an opportunity for Kathmandu to considerably diversify its geographic footprint, channels to market and seasonality profile, and creates a NZ\$1 billion outdoor and action Sports Company anchored by two iconic Australasian brands.

There is strong cultural alignment between the two brands and a shared focus on technical and functional products. The acquisition is expected to deliver meaningful earnings per share accretion for Kathmandu shareholders, with financial year 2020 pro forma earnings per share accretion in excess of 10% pre-synergies. There is potential for further upside over time as synergies are assessed and identified post-acquisition.

Reflecting our commitment to the Company and to this acquisition, I am also pleased to confirm that all Kathmandu Directors who are current shareholders of Kathmandu, intend to participate in the accelerated entitlement offer to partly fund the acquisition.

Turning to the second resolution to be considered at today's meeting, I note that the proposed changes to the Kathmandu constitution are not related in any way to the Rip Curl acquisition. As you may be aware, the updated New Zealand NZX listing rules came into effect on 1 January of this year. NZX issued a class waiver providing that issuers could defer updating their constitution to comply with the new NZX listing rules until the issuers next annual meeting, or special meeting called by the Board.

As we have called this special meeting to approve the Rip Curl acquisition, we are required by the NZX class waiver to put the constitutional amendments to shareholders now. These amendments would have been put before shareholders at our annual meeting in November of this year in any event.

The proposed amendments to the constitution are described in the explanatory notes to the notice of today's meeting. These changes reflect the new NZX listing rules, the Company's transition to a foreign exempt listing

on the ASX, which occurred in September, and other procedural changes. All proposed amendments to the constitution in marked up form to the existing construction are available on Kathmandu's investor website.

Thank you, I will now ask our CEO, Xavier Simonet, to provide further detail on the benefits and structure of the Kathmandu acquisition.

Xavier Simonet: Thank you, David. Good morning everybody, my name is Xavier Simonet, I'm the CEO of Kathmandu. Thank you for joining us today at this special meeting. I will talk to the compelling strategic rationale for the acquisition of Rip Curl by Kathmandu, as well as the associated capital raising which has been underway to fund the acquisition.

As announced on 1 October, Kathmandu has entered into a binding agreement for the acquisition of 100% of the shares in Rip Curl at an enterprise value of AUD\$350 million on a debt free, cash free basis. The acquisition price implies 7.3 times enterprise value to FY19 pro forma normalised EBITDA. The combination of Kathmandu and Rip Curl creates a global outdoor and action sports company, anchored by two iconic Australasian brands, Kathmandu and Rip Curl.

We will have revenue in excess of NZ\$1 billion with a combined footprint covering hundreds of stores and thousands of wholesale stores globally, driving substantial scale benefits. We have highly complementary product categories with Rip Curl's summer focus providing seasonal balance to Kathmandu's winter focus. There are also considerable benefits from geographic diversification. Rip Curl's presence in North America and Europe provides a platform for Kathmandu to accelerate expansion into those key strategic markets, having already successfully acquired and integrated Oboz.

There is also the ability to leverage complementary expertise across the Group, utilising Rip Curl's wholesale expertise and relationships and Kathmandu's online capabilities and retail expertise and experience. Brand affinity and cultural alignment are important, and we see Kathmandu and Rip Curl as being highly aligned. Both brands, like Oboz, were founded with a vision to create high-quality, functional products that serve a core category of consumers and resonate strongly with our consumer groups.

Kathmandu expects a number of benefits to be delivered by the acquisition, including increased geographic diversification and addressable market, enhanced access to commercial channels including the ability to leverage Rip Curl's wholesale expertise. Seasonal balance achieved through complementary product focus, scale benefits through a combined footprint of 341 own retail stores, 254 licenced stores and over 7,300 wholesale doorways globally, and significant opportunities to drive top line growth and profit across geographies and commercial channels.

The acquisition will be fully funded through a combination of debt and equity. As shareholders will be aware, the Company is in the process of an underwritten 1 for 4 pro rata accelerated entitlement offer to raise NZ\$145 million. The institutional entitlement and institutional bookbuild components have successfully been completed. The retail entitlement offer closes on Monday 21 October, with a retail bookbuild scheduled for 23 October.

The founders and CEO of Rip Curl will receive an AUD\$30 million placement in new shares as part of the purchase consideration. The remaining AUD\$220 million will be debt funded. The acquisition agreement is conditional on obtaining shareholder approval, which is the reason for convening this meeting today. Subject to obtaining that approval, and satisfaction of customary closing requirements, we expect the deal to be completed by the end of this calendar year.

We are very excited by the acquisition of Rip Curl because of the compelling strategic rationale and brand and cultural alignment that exists between our businesses. Having successfully acquired and integrated Oboz, we are in a strong position to do the same with Rip Curl and grow shareholder value.

I'll now hand back to our Chairman, to put the proposed resolutions to the meeting.

David Kirk: Thank you, Xavier. We now move to the first resolution on today's agenda, which is to seek the approval of shareholders of the proposed acquisition of Rip Curl by Kathmandu. I will now give shareholders the opportunity to ask any questions or comment on the presentations that Xavier and I have made today about the acquisition. Would anyone now wishing to speak and ask a question please hold up your card, and a microphone will be passed to you. Those that are present online, via the virtual meeting, please ask your questions using the "ask a question" button. IF you need further information on how to do this, please refer to the virtual meeting online portal guide or call the helpline on 0800 200 220.

Questions please.

Unidentified Participant: (Shareholder) My name is [Hendy Chang], and what I say, you know me from last AGM in Auckland.

David Kirk: Yes, welcome.

Unidentified Participant: Actually, this is a very young Board, and the last time I have a giggle because, I laughed not because I agree with that shareholder because I think she was ignorant. But your Board is too young to know this time about the risk associated with the what I say, takeover of Rip Curl. For example, you like to expand in Argentina, is that correct?

David Kirk: I don't think Argentina's a particular focus, no.

Unidentified Participant: (Shareholder) But do you have business there? Because by reading all those financial news, you have what I say, Rip Curl have some business there, is that correct?

David Kirk: I might just ask Xavier to comment on that if he has knowledge of Rip Curl in Argentina.

Xavier Simonet: Rip Curl have a distributor in Argentina, and we know that the distributor is keen to distribute Kathmandu, so that's probably what you're referring to.

Unidentified Participant: (Shareholder) Then I wish to know that for that part of Rip Curl, what percentage of revenue from the whole purchase price from Argentina?

Xavier Simonet: Argentina is a small market for Rip Curl. I think Argentina was mentioned in discussions we had with shareholders, because it was an example of a potential synergy where a distributor they use is actually keen to distribute Kathmandu with a limited risk because they're the distributor and Kathmandu would just ship the stock.

Unidentified Participant: (Shareholder) Why I mention Argentina, because in 2001, Argentina have that funding fall out, and the peso dropped dramatically, you are too young at this age. Then now Argentina owned \$45 billion and they are not able to pay back the amount, and that will be another impending financial fallout from this country. So, I wish that you talk to the, what I say, Rip Curl owner.

I think you are both too generous in offering them too high a price, and mentioning to them that the shareholder thinking that one of this reason is too expensive, have to cut off debt. Because the Argentine peso will, what should I say, fall very soon. Then another country is South Africa.

David Kirk: Sorry to interrupt you, I don't think we've got time this morning to go through lots of countries, so if you've got a specific question, if you wouldn't mind just coming to that and then we'll have to move on to other shareholders who've got questions.

Unidentified Participant: (Shareholder) Then my question is South Africa, what is the percentage of revenue there as well please?

David Kirk: Okay, sure and then we'll wrap up after this question, thanks.

Xavier Simonet: South Africa is a non-core market for Rip Curl, so it's a secondary market.

Unidentified Participant: (Shareholder) Then what about the franchises there, how many are there and what about the revenue earned by Rip Curl there please?

Xavier Simonet: I'm sorry, I can't answer the question right now. I don't think this is actually the type of information we would share, it's quite deep information.

Unidentified Participant: (Shareholder) I wish that you find out all that and then because South Africa is becoming worse and worse.

David Kirk: Yes, I know it is difficult down there, but thank you very much for your question.

Unidentified Participant: (Shareholder) Not difficult, it's political because the...

David Kirk: Yes, correct, that's it, thank you, thank you very much. Are there any other questions in the room? No, then we'll move to online question. This is asked by [David Morehouse] regarding general business, the question is, what due diligence has been done regarding website security of Rip Curl, especially customer details, given the breach which occurred on the Kathmandu website.

Xavier would you like to reply, or Chris may have some thoughts?

Xavier Simonet: Do you want to answer?

Chris Kinraid: Thank you, yes, we've done a detailed due diligence exercise over the IT process, so we've engaged external advisers, Deloitte, to do a specific IT engagement to review their security control procedures in the general IT environment. So, we've done a satisfactory exercise in that area, but of course going forward for the business, we're always focused on improving and increasing security for our customer data. Thanks.

David Kirk: Okay, are there any more questions in the room? No, are there any more questions online? No more questions online? Great, well we can now move, if there are no further questions or discussions at this time, thanks Xavier, I will now move the following as an ordinary resolution of shareholders. That the shareholders of the Company ratify, confirm and approve, including for the purposes of rule 5.1.1(b) of the NZX listing rules, for all purposes the acquisition by Barrel Wave Holdings Pty Limited, a wholly owned subsidiary of the Company, of all of the shares in Rip Curl Group Pty Limited under the share sale agreement dated 1 October 2019.

Please take your voting cards and please tick the box either for, against or abstain. I will do that for the proxy votes as well, and these cards will then be collected. We're just doing resolution 1 at the moment. Thank you.

The second resolution relates to the amendment to Kathmandu's constitution. As I mentioned earlier, the proposed amendments to the constitution are described in the explanatory notes to the notice of today's meeting, and all the proposed amendments to the constitution in marked up form to the existing constitution are available on Kathmandu's investor website. Is there any discussion on this?

No? No questions? There'll be no further discussion. I will now move the following as a special resolution, to amend the Company's constitution in the manner described in the explanatory notes with effect from the close

of the special meeting. On your voting card, please tick the box either for, against or abstain. Shareholders participating via the virtual meeting website should ensure they have now submitted their votes.

Thank you very much. Link Market Services will now collect your voting cards, and once all the cards are collected, Link Market Services will count the votes. The results will be announced to the NZX and ASX once counting has been completed.

I'm sorry, we've passed the time for questions. The questions were - there's no general questions at this meeting, just questions on the particular...

Unidentified Participant: (Shareholder) I came all the way here because I wish to make some, what shall I say, potential improvement to the Company, because I was not allowed to talk to the CEO, I tried to - the Company like to put forward some more suggestions.

David Kirk: Well I think there'll be an opportunity when the meeting's over to talk. I know that Xavier's got to catch a plane, but there will be opportunity to have a brief discussion then.

Ladies and gentlemen, that concludes the formalities. I think you very much for your continued support and attendance today. In declaring the meeting closed, I invite those present here in Sydney to join us for some light refreshments, thank you.

ENDS

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