

25 November 2020

## Kathmandu Holdings Limited Annual Shareholder Meeting

### Group CEO presentation

#### Slide 4: Group CEO's address

Thank you David. Good morning everyone and thank you for joining us at today's Annual Meeting.

#### Slide 5: Rip Curl acquisition was transformational

The 2020 financial year was certainly a unique year, whereby we have had to navigate very challenging conditions. However, it was also a transformational year for the Kathmandu Group, with the acquisition of Rip Curl being completed in October last year, positioning our group as a truly global outdoor, lifestyle and sports company that is underpinned by three iconic, inspirational brands with loyal customers.

Rip Curl has brought to the Kathmandu Group key diversification benefits across geography, sales channels, and seasonality.

Our global reach has been extended across key markets in Europe, North America, South America, Asia, and Australasia.

The addition of Rip Curl has not only expanded the Group's global footprint, it has also diversified the Group's sales channels, adding significant wholesale and licensing revenue streams. The group now has 325 owned retail stores, 10 owned online sites, 233 licensed and joint venture stores, and over 7,500 wholesale doors globally.

Rip Curl's summer product focus also has helped to diversify Kathmandu's historic weighting towards winter product categories. Following a successful winter season for Kathmandu, Rip Curl has made a strong start to the current summer season, which I will come to shortly in the trading update.

Our expanded portfolio of brands provides us with opportunities to leverage common sourcing, supply chain and systems, and work is well underway to deliver operational excellence in these areas.

Rip Curl and Kathmandu are now working together to enhance the customer loyalty approach for each brand. There is a good opportunity for Rip Curl to leverage Kathmandu's existing expertise in this area. On the other hand, there remains a significant opportunity for Kathmandu to leverage Rip Curl's proven wholesale expertise, relationships and global network, to expand into new core target markets when the time is right.

We are very pleased with the successful acquisition and integration of Rip Curl into the Group. Rip Curl's commitment to brand differentiation, technical excellence, innovation and sustainability is very aligned with Kathmandu's culture and goals.

Finally, Rip Curl is a strong cash generating brand, consistent with Kathmandu and Obōz.

#### Slide 6: Response to COVID-19 was swift and strong

Turning to Slide 6, which briefly covers our response to COVID-19.

The second half of the 2020 financial year presented many challenges given the COVID-19 pandemic. Our response was swift and strong in order to manage the impacts of COVID-19 on our business.

First and foremost, we acted to protect the safety of customers, team members, and suppliers.

We undertook a \$207 million equity raising to pre-emptively fortify our balance sheet, reduce net debt and provide liquidity. We also suspended the payment of dividends.

In conjunction with this, we enacted structural cost reduction initiatives that accelerated synergies across the Group and underpinned around \$15 million in annualised cost savings.

Our prudent operational and capital management, and the strong cash generating ability of our brands, means we are well positioned to respond to current trading conditions, and pursue attractive growth opportunities that may arise.

### **Slide 7: Sales and profit results reflect COVID-19 impact**

Slide 7 shows the sales and profit results from the 2020 financial year. These results reflect the impact of COVID-19, which we estimate to be a reduction in revenue of circa \$135 million.

Total sales increased to \$801.5 million, reflecting a 9 month contribution from Rip Curl since being acquired.

Retail same store sales growth was stronger post-lockdown than pre-lockdown for both Rip Curl and Kathmandu, when adjusted for COVID-19 related store closures. Rip Curl benefitted from an increased opportunity for surfing while consumers worked from home, and demand for technical surf products was particularly solid. Kathmandu had a successful winter season, as demand for core warmth and leisure products post-lockdown was strong, and offset reduced travel-related purchases.

Pleasingly, Group online sales increased by 63% to \$106.4 million, which reflected the online capabilities we have built, and this allowed us to rapidly scale up to meet high levels of online demand as consumer preferences changed.

Other financial metrics were lower, with underlying EBITDA of \$83.4 million, reflecting the impact of COVID-19 on trading. Underlying NPAT was \$31.5 million which excludes \$22.6 million in non-recurring costs.

### **Slide 8: Brand strengths more relevant than ever before**

Looking at slide 8, this provides an overview of the strengths of each of our brands.

Each brand is distinctive and iconic, and has strong financial fundamentals, highly credible and technical products, and a loyal customer base.

We believe that now, more than ever, strong brand identity is critical. We certainly have this for our three brands, with category leading products, and believe that each brand is well-positioned for continued growth.

### **Slide 9: Sustainability highlights**

Slide 9 highlights our priority to provide industry leadership in sustainability, particularly on circular economy principles across all aspects of our business.

An ongoing goal for the Kathmandu brand is to achieve net zero environmental impact by 2025. In addition, we aim for all direct suppliers to meet our minimum expectations on social and

environmental impacts. Rip Curl has scored a B+ in the Ethical Fashion Report for the second year running, and will continue to strive towards improvement, along with Kathmandu and Oboz.

We have focused on using recycled materials across our brands. Kathmandu uses 100% sustainable cotton, recycles plastic bottles through the Repreve product ranges, and has moved to solution dyed fabrics to save water. Rip Curl uses 30% recycled plastic in packaging, and uses Forest Stewardship Council certified recycled paper in swing tags. Oboz launched the Sypes and Bozeman collections containing recycled materials and algae bloom insoles.

Diversity has also been a focus of the Group. Kathmandu has obtained the Rainbow Tick Certification in New Zealand, and the Oboz team's gender diversity has improved, with 41% female representation amongst staff now.

### **Slide 10: Group strategy (part 1)**

Moving on to slide 10, our strategy has not changed throughout this challenging period, and in fact, it has been further reinforced.

We are a global outdoor, lifestyle and sports company, underpinned by iconic brands and technical products, with a focus on sustainability and customer engagement.

We have been building a portfolio of brands that provides diversification across geography, channel, product and seasonality, which will allow us to meet global year-round demands of customers in the outdoor, sport and lifestyle categories.

We are now starting to leverage this portfolio of brands, with plans to deliver operational excellence in sourcing, supply chain and systems. We will continue accelerating digital transformation and driving margin expansion through synergies, and leveraging the complementary expertise and core capabilities of our brands.

We plan to grow each brand by maintaining a relentless focus on core customers, delivering solutions to their needs, and enhancing customer loyalty. Each brand will continue to bring to market technical, differentiated and sustainable products, and accelerate expansion of the direct to consumer business.

Throughout this journey we will remain true to our values. Sustainability is part of our DNA and is ingrained in everything we do. We also embrace diversity and inclusion in the workplace and build strong ties with local communities.

### **Slide 11: Group strategy (part 2)**

Slide 11 shows the 6 key pillars that anchor our operating model. We adopt a decentralised model, our structure and operating principles ensuring that our brands – Rip Curl, Kathmandu and Oboz – have a high level of autonomy, accountability and agility within the Group requirements.

This decentralisation does not mean that our three brands operate exclusively from each other. Rather, the brands collaborate to leverage their respective strengths and build on each other's competitive advantages over time.

Organic growth is the priority for the Group and we will commit significant resources to develop each of these brands. We aim to provide a seamless customer journey and experience through relevant commercial channels, and will accelerate the implementation of digital technology into all areas of the business to fundamentally improve how we operate and deliver. This will all be done with the goal of engaging core customers and driving long term loyalty to our brands.

## Slide 12: FY21 trading update and outlook

Turning to slide 12, I will now provide an update on FY21 trading, and the outlook.

Group total sales for the first quarter were up +72% on prior year, benefiting from the transformational acquisition of Rip Curl.

On a pro-forma basis, compared to the same period last year including three months of Rip Curl prior to its acquisition, the following trading results have been achieved:

Group direct to consumer same store sales, including online, for the 16 full weeks ended 15 November 2020 were down -7.6% adjusted for lockdown closures. Rip Curl was up +26.8%, with retail stores trading strongly in all key global markets, where open. Kathmandu was down -26.8% adjusted for lockdown closures, due to impacts from low footfall in CBD and tourist store locations, and lower demand for travel-related purchases. Including store closures, Group direct to consumer same store sales were down -24.1%, with Rip Curl down -1.7% and Kathmandu down -37.7%.

Group online sales for the 16 full weeks ended 15 November 2020 were up +37.0% above last year.

Group wholesale sales for the first quarter were down -14.4% below last year.

Group EBITDA for the first quarter was in line with last year's pro-forma results, including government subsidies and the realisation of cost synergies.

COVID-19 has continued to impact trading in key markets at the start of FY21. We have had 60 Greater Melbourne stores closed for most of the first quarter, and 14 Auckland stores closed for over two weeks. Airport stores in Australia, as well as Rip Curl stores in Hawaii and Europe are still heavily impacted by either COVID-19 related travel restrictions or government mandated lockdowns and closures.

We are very pleased with the performance of Rip Curl in its key markets of Australia, Europe and North America, which highlights the strength of Rip Curl's global brand and innovative products as more people take to surfing. Encouragingly, wholesale sell-in for Rip Curl for the second half year is broadly at pre-COVID-19 levels.

As for Kathmandu, camping and footwear categories have over-performed, but have not compensated for the impact of COVID-19 with low footfall in CBD and tourist locations as well as lower travel-related purchases.

Oboz's performance has been robust with strong sales to key accounts, and the forward order book tracking above pre-COVID-19 levels.

We are realising the benefit of a diversified Group, with strong performance in summer weighted product categories for Rip Curl in all key geographies, following successful winter trading for Kathmandu.

The Group's half year result will be dependent on the key Christmas trading period to come, and the impact of COVID-19 on consumer sentiment remains a risk.

The Group continues to maintain a strong balance sheet and liquidity position, which means we have the flexibility to respond to trading conditions and pursue attractive growth opportunities that may arise. Also, the Group intends to resume dividend payments subject to market conditions and trading performance following first half results.

That is now the end of my presentation. Thank you for your attention. I will hand back to David to run through the formal part of the meeting.