Accent Group

ASX Announcement
19 November 2021

Trading and growth plan update[1]

Accent Group Limited (ASX: AX1)

Accent Group Limited (the **Company**) today provides an update on trade and growth plan progress.

Group CEO Daniel Agostinelli said "Accent Group's sales and gross margins for the first 18 weeks ended 31 October were significantly affected by government mandated store closures of more than 400 of our stores in Australia and New Zealand, resulting in group EBIT being approximately $40 million below the original management plan for the same period. During that period, there was also a significant focus on controllable costs and targeted promotional activity ensured that inventory remains well managed.

Since the re-opening of New South Wales and Victoria, the Company has experienced a strong spike in sales and improved gross margins, ahead of key Cyber, Christmas and Back-to-School trading periods. We are pleased with trade over the last several weeks and are optimistic about the coming months, assuming uninterrupted trade over this period.

Accent Group continues to invest in the key elements of its growth plan. The Company opened 63 new stores in the first 20 weeks to 14 November and now expects to open more than 120 new stores in FY22."

Trade for the first 18 weeks ended 31 October was significantly impacted by the state and territory-wide government mandated store closures in New South Wales (**NSW**), Victoria, the Australian Capital Territory (**ACT**) and periodically other regions throughout this period. Extensive lockdowns were also experienced in New Zealand, where the Company has a large and growing store network. These closures across Australia and New Zealand impacted more than 60% of the Company's store portfolio (more than 400 stores), with a subsequent impact to sales and gross margin.

The impact on owned retail sales (including digital) for the first 18 weeks was $86 million, (approximately 26%) below the original management plan. Gross margin % was down by 700 basis points as we continued targeted promotional activity to ensure that inventory was well managed. There was also significant focus and savings on controllable costs, including marketing, store and support wages, travel and administration.

These impacts resulted in Group EBIT being approximately $40 million below the original management plan for the first 4 months of the year.

The Company's inventories remain clean of aged stock due to the markdown action taken over the last 4 months, with approximately $20 million of additional stock largely sitting in core and current seasonal styles. The Company is well positioned to take advantage of customer demand from November to January, and is not expecting any material impacts or inventory shortfalls from globally reported supply chain issues.

[1] All results outlined in this release are based on unaudited management accounts

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Sales and margin post opening in NSW, Victoria, ACT and New Zealand

Sales results since the re-opening of NSW and Victoria have been strong. Our stores in NSW commenced trading on 11 October with fully vaccinated teams and safety protocols in place. All Victorian stores recommenced trading at 6pm on 29 October.

- NSW like-for-like store sales (11 October – 14 November) up 8.4% on last year
- Victoria like-for-like store sales (29 October – 14 November) up 5.9%, cycling Victoria re-opening last year

Group sales and gross margin for the last 3 weeks, and in particular since Auckland re-opened on 8 November, have been positive and largely in-line with expectations.

Growth plan update

Over the last 4 months the Company has continued to invest in the key growth strategies, and these are all on track or ahead of schedule.

New stores: 63 new stores opened in the first 20 weeks to 14 November, with 700 stores currently trading. We now expect to open more than 120 stores in FY22. New stores continue to trade strongly on improved commercial deals to the existing portfolio.

Glue: New world-class concept stores were launched in Chadstone and Highpoint in Melbourne, with 3 more new stores to be opened before Christmas. The new store roll-out plan is on schedule. Vertical owned brands including Nude Lucy, Article One and First Muse continue to grow strongly. Like-for-like store sales in Glue since re-opening have been up more than 20%.

Stylerunner: 14 stores now open and trading with a further 6 to open by January 2022, for a total of 20 stores. Sales performance continues to be strong. Owned vertical brands Stylerunner the Label, Exie, Mindful Department and Nude Lucy active, continue to grow share of mix within Stylerunner.

Distributed brands: A new 10-year ANZ distribution agreement for Reebok was signed, signalling the strength of Accent Group as a distribution partner in these markets. The distribution agreements for CAT Footwear, Timberland and Saucony have all been renewed for 3-5 year terms. Commercial agreement has been reached for a renewal of the CAT Apparel distribution.

Outlook

Given the ongoing uncertainty around trading conditions due to COVID-19, the Board has determined not to provide any forward guidance at this time.

Group CEO Daniel Agostinelli said "I would like to thank our team, customers, suppliers and landlords for their support and resilience through what has been a very challenging trading period. Given the significant short-term impact of the government mandated store closures around Australia and in New Zealand, I am pleased to say that we have exited this period "Match Fit", with our stores, team and inventory in great shape to take advantage of the key Cyber, Christmas and Back-to-School trading periods. We have continued to invest through this period in the key elements of our growth plan and these remain well on track. Most pleasing is the progress in new stores with more than 120 new stores to open this year."

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The release of this announcement was authorised by the Board of Accent Group Limited.