

KATHMANDU HOLDINGS LIMITED

ASX / NZX / MEDIA ANNOUNCEMENT

12 February 2021

Record Rip Curl performance underpins operating profit improvement and validates the diversification strategy of the Group

- **Half year sales growth reflects the successful integration of Rip Curl and the benefit of a diversified portfolio of brands**
- **Group EBITDA¹ (unaudited) above last year**
- **Rip Curl achieved substantial sales growth in key global markets despite COVID-19 disruptions, with strong wholesale orders for the second half year**
- **Kathmandu sales impacted by low demand for insulation and rainwear resulting from the lack of international travelers to the Northern Hemisphere**
- **Oboz sales above last year driven by product innovation, with order book well above pre-COVID-19 levels**

Kathmandu Holdings Limited (NZX / ASX: KMD) (the **Group**) today provides the following update on its unaudited trading performance for the six months ended 31 January 2021 (1H FY21).

Group total sales for 1H FY21 were c.+12% above last year, including a full six month contribution from Rip Curl. EBITDA is expected to be in the range of \$47 million to \$49 million, including government subsidies and the realisation of cost synergies. Group Net Debt is expected to be c.\$7 million following careful working capital management and the \$207m capital raise in 2020.

On a pro-forma basis (relative to the same period last year including three months of Rip Curl pre-acquisition):

- Group direct to consumer same store sales, including online, for the 27 full weeks ended 31 January 2021:
 - -10.3% adjusted for lockdown closures², with Rip Curl +21.0% and Kathmandu -30.0%
 - -18.5% unadjusted, with Rip Curl +7.4% and Kathmandu -35.4%
 - Online represents 13.0% of direct to consumer sales, up from 8.9% last year
- Group wholesale sales for the six months ended 31 January 2021 were only -11.5% below the same period last year despite April / May COVID-19 lockdowns significantly impacting the sell-in period, with Rip Curl -15.0%, and Oboz +3.8%.

During the half, trade at a number of the Group's stores continued to be disrupted by COVID-19. 60 Greater Melbourne stores were closed for over 11 weeks during the second lockdown, and 14 Auckland stores were closed for over two weeks. Trading in Greater Sydney was affected over the Christmas period by the Northern Beaches outbreak. Airport stores in Australia as well as Rip Curl stores in Hawaii, Bali and Europe are still impacted adversely by either COVID-19 related travel restrictions or government mandated lockdowns and closures.

Commenting on the result, Group CEO Xavier Simonet said:

“Our improved first half operating profit underlines the resilience of our Group and validates the diversification strategy, launched through the successful acquisitions and integrations of Rip Curl and Oboz.”

“Rip Curl's record first half performance highlights the strength of its brand and quality technical products. Rip Curl's direct to consumer business will now begin the Northern Hemisphere summer with strong momentum. Forward orders for the Rip Curl wholesale business are above pre-COVID-19 levels, with encouraging early indications for future seasons.”

¹ Excluding IFRS 16

² Adjusted same store sales removes stores that were not able to open this year for a comparable week because of COVID-19 lockdowns

“Kathmandu enjoyed robust sales growth in camping categories, with renewed interest in local travel and adventure activities within Australia and New Zealand. However, its performance was heavily impacted by low demand for insulation and rainwear resulting from the lack of international travelers to the Northern Hemisphere. To put the first half performance in context, Kathmandu’s profit weighting has historically been heavily weighted to the second half year, when winter in Australasia drives demand for insulation and rainwear.”

“Oboz have delivered sales growth year on year, with the product innovation strategy pursued by the new Oboz management team reflecting in the forward order book, which is tracking well above pre-COVID-19 levels.”

Following the resignation of Group CEO Xavier Simonet, the Board has initiated a search process for his replacement. Mr. Simonet continues to work through his six-month notice period.

The Group intends to release the full result for the half year on Tuesday 23 March 2021. An announcement regarding dividend resumption will be made at that time.

- ENDS -

This announcement has been authorised for release by the Board.

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