

23 March 2021

(All amounts in NZ\$ unless otherwise stated)

Strong Rip Curl performance underpinned 1H Group result

- **Rip Curl achieved strong sales and profits, despite COVID-19 impacts in key global markets, validating the Group's diversification strategy**
- **Kathmandu impacted by COVID-19 related travel restrictions and store closures**
- **Oboz sales growth and strong forward order book, benefiting from successful product innovation strategy and diversification of customer base**
- **Step change in Group online penetration reflecting improved digital capabilities and changing consumer preferences**
- **Robust balance sheet with low net debt, and clean inventory position**
- **Dividend resumes, with NZ 2.0 cents per share interim dividend**

Kathmandu Holdings Limited (ASX/NZX: KMD) is pleased to announce its results for the six months ended 31 January 2021 (1H FY21).

1H FY21 key highlights (vs 1H FY20):

- Sales up 12.9% to \$410.7 million, including a full six month contribution from Rip Curl
- Step change in Group online penetration, with online representing 12.7% of direct to consumer (DTC) sales (1H FY20: 8.8%)
- Underlying EBITDA up 19.0% to \$48.2 million (excluding the impact of IFRS 16 and one-off transaction and abnormal costs)
- Statutory NPAT of \$22.3 million
- Underlying NPAT up 32.8% to \$23.1 million (excluding the impact of IFRS 16 and one-off transaction and abnormal costs)
- Robust balance sheet, with \$10.1 million net debt, reflecting working capital management strategies
- Resumption of dividends, with NZ 2.0 cents per share interim dividend declared (fully franked for Australian shareholders, and not imputed for New Zealand shareholders)

Commenting on the 1H FY21 results, Group CEO Xavier Simonet said: "Despite operating in challenging conditions over the first half due to the substantial impacts from COVID-19, Rip Curl delivered an outstanding first half result, validating the Group's diversification strategy."

"Benefiting from increased participation in surfing in Australia, Europe and the USA, Rip Curl achieved strong sales and profits despite COVID-19 trading restrictions, reflecting the brand's technical product focus and strong consumer engagement. Pleasingly, Rip Curl's wholesale order book is back above pre-COVID-19 levels."

"Kathmandu was particularly impacted by COVID-19 related travel restrictions, with reduced demand for insulation and rainwear resulting from a lack of international travellers to the Northern Hemisphere."

"Over the first half, we implemented a rapid response to changes in consumer preference resulting from COVID-19. To respond to increased participation in local travel and adventure, our brands

adjusted their focus to product categories in high demand, such as wetsuits and surfboards for Rip Curl, and camping and footwear for Kathmandu. Omni-channel capability allowed our brands to capture record demand for the online channel, with online penetration now making up almost 13% of the Group's direct to consumer sales."

Group financial performance

	Statutory	Underlying¹		
NZ\$ million²	1H FY21	1H FY21	1H FY20	Var %
Sales	410.7	410.7	363.7	12.9%
Gross Profit	242.5	242.5	218.9	10.8%
Operating Expenses	(147.2)	(194.3)	(178.4)	8.9%
EBITDA	95.4	48.2	40.5	19.0%
EBIT	39.2	33.4	28.9	15.5%

The 1H FY21 Group results included a full 6 months of Rip Curl, and strong performance from the Rip Curl brand. Net government wage assistance amounted to \$15.2 million.

Rip Curl: Strong sales and profit performance despite COVID-19 impacts

	Underlying¹		
NZ\$ million	1H FY21 Aug 20 to Jan 21	1H FY20 Nov 19 to Jan 20	Var %
Sales	251.1	134.9	86.1%
Gross Profit	150.3	80.7	86.3%
Operating Expenses	(101.7)	(62.3)	63.2%
EBITDA	48.7	18.4	164.3%
EBIT	44.0	16.1	173.9%

Despite the impacts from COVID-19, Rip Curl contributed \$48.7 million to Group underlying EBITDA during 1H FY21, delivering a gross margin 40 bps (0.4%) higher than the comparable six month period last year, as a result of a higher mix of DTC sales.

Total global sales were 4.3% below the comparable six month period last year, including three months of sales pre-Kathmandu ownership. COVID-19 restrictions continued to impact the sales performance of Rip Curl stores in airports, Melbourne, Hawaii, Bali and parts of Europe. The wholesale sell-in period was disrupted during the global lockdowns in April and May 2020, for deliveries in October to December 2020.

Sales growth was achieved in key markets of Australia, USA and Europe, despite COVID-19 trading restrictions, highlighting the strength of the Rip Curl brand and product range in core surf geographies around the world. In addition, wholesale order books are back above pre-COVID-19 levels.

DTC same store sales³ growth (comprising owned retail stores and online) was up 21.0% adjusted for COVID-19 lockdowns and 7.4% overall. Online sales underwent a step change, up 79% vs the comparable six month period last year, and comprised 11.2% of DTC sales.

¹ Underlying results exclude the impact of IFRS 16 leases and one-off transaction costs

² 1H FY21 NZD/AUD conversion rate 0.931 (1H FY20: 0.955), 1H FY21 NZD/GBP conversion rate 0.517 (1H FY20: 0.508), 1H FY21 NZD/USD conversion rate 0.684 (1H FY20: 0.641)

³ Same store sales are measured at constant currency for the 27 full weeks ended 31 January 2021

Kathmandu: sales impacted by COVID-19 travel restrictions and store closures

	Underlying ¹		
NZ\$ million	1H FY21	1H FY20	Var %
Sales	127.3	195.5	(34.9%)
Gross Profit	81.7	125.0	(34.7%)
Operating Expenses	(81.4)	(106.7)	(23.7%)
EBITDA	0.2	18.3	(98.6%)
EBIT	(7.1)	10.5	(167.4%)

Multiple headwinds affected Kathmandu's performance over 1H FY21, with 27 Greater Melbourne stores closed for over 11 weeks, and 14 Auckland stores closed for two weeks. Kathmandu was also impacted by low footfall in shopping centres, CBD stores, and tourist locations. While there was strong demand for camping products, there was reduced demand for insulation and rainwear due to a lack of international travellers to the Northern Hemisphere. Same store sales³ were down 30.0% adjusted for COVID-19 lockdowns and 35.4% overall.

Kathmandu's gross margin of 64.2% was slightly above 1H FY20 (64.0%). Operating expenses include the benefits from restructuring, rent abatements, and net government wage assistance.

Online penetration increased from 10.5% of sales in 1H FY20 to 14.4% of sales in 1H FY21.

Oboz: sales growth despite COVID-19, driven by product innovation

	Underlying ¹		
US\$ million	1H FY21	1H FY20	Var %
Sales	22.1	21.3	3.8%
Gross Profit	7.2	8.5	(15.1%)
Operating Expenses	(4.6)	(5.2)	(11.8%)
EBITDA	2.6	3.3	(20.5%)
EBIT	2.5	3.2	(20.7%)

Oboz delivered sales growth of 3.8%, underpinned by a focus on product innovation. Gross margin was impacted by significant one-off air freight costs of US\$1.1 million.

The forward order book is well above pre-COVID-19 levels, and Oboz will be launching a direct to consumer online store imminently, to drive further sales growth.

Resumption of dividends

Reflecting the Group's robust balance sheet, the Directors have resolved to resume payment of dividends, and have declared an interim dividend of NZ 2.0 cents per share, fully franked for Australian based shareholders, and not imputed for New Zealand shareholders. The record date for this dividend is 21 May 2021, and the payment date is 4 June 2021.

Sustainability

Commenting on the Group's sustainability initiatives, Mr Simonet said: "We've made carbon neutrality a priority, because the planet comes first. During the first half, the Kathmandu brand reached its goal of being carbon neutral. Achieving this milestone four years ahead of schedule is something we are very proud of."

Outlook

Commenting on the outlook for the Group, Mr Simonet said:

"Whilst navigating the ongoing impacts from COVID-19, our long-term strategy remains unchanged. During the second half we are focused on the strong execution of Kathmandu's winter season in Australasia. We will also see the benefits from synergies and cost-out initiatives across the Group, which we expect to deliver around \$15 million of annual savings in FY21."

"We have a number of key initiatives planned for the second half to further connect with our customers to drive increased sales. We will begin implementing a loyalty program at Rip Curl, and Oboz is launching a direct to consumer online store. Kathmandu continues to invest in personalisation and data analytics capability, all with the aim of driving best in class customer interactions."

"Our brands remain well positioned to capitalise on consumer trends that have seen increased participation in surfing, camping and hiking. Kathmandu enters the traditionally strong winter season well prepared. Oboz investment in new product sees it enter the second half with an order book well above pre-COVID-19 levels. Rip Curl continues to trade in line with the strong first half trends, and wholesale order books are above pre-COVID-19 levels."

Investor briefing

An investor call will be hosted by David Kirk (Chairman), Xavier Simonet (Group CEO) and Chris Kinraid (Group CFO) at 8.30am AEDT / 10:30am NZDT today, Tuesday 23 March 2021. For those wishing to participate, please dial one of the numbers below and provide the conference ID to the operator:

Australia Toll Free:	1800 558 698
Australia Local:	+61 2 9007 3187
New Zealand Toll Free:	0800 453 055
United States:	+1 855 881 1339

Conference ID: 10012888

This announcement has been authorised for release to ASX by the Board of Directors of Kathmandu Holdings Limited.

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For further information, please contact:

Investors

Eric Kuret, Market Eye

P: +61 417 311 335

E: eric.kuret@marketeye.com.au

Media

Helen McCombie, Citadel-MAGNUS

P: + 61 2 8234 0103

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