

23 November 2021

## Kathmandu Holdings Limited Annual Shareholder Meeting

### Chairman's Address

The first item on today's agenda is for me, as Chairman, to make some comments on the 2021 financial year.

The Group ended the 2021 financial year in a strong financial position, while continuing to navigate the impacts of the COVID pandemic.

Following the acquisition of Rip Curl in 2019, the Group has three iconic brands, and our results for the 2021 financial year show the benefit of the Group's diversified channels to market, geographies, and product categories.

We are excited by the growth prospects of all our brands, and are investing in digital infrastructure, our store network, and continued brand development to maximise opportunities as we look to a post-COVID world.

The Group moved quickly at the onset of the COVID pandemic to raise capital to strengthen the balance sheet, reduce costs and adjust operating structures, all of which has left us well-positioned for the recovery in travel and the opening of economies.

The Group ended the 2021 financial year with a net cash position of \$37.0 million, providing significant funding headroom with a total bank facility of approximately \$300 million.

Following the suspension of dividends last year, the directors declared a final dividend of 3 NZ cents per share. With the 2 cents per share interim dividend, this will make a total payout for the 2021 financial year of 5 NZ cents per share.

Moving on to people, the Board appointed a new Group Chief Executive Officer during the year.

Former Group CEO Xavier Simonet resigned after five and a half years with the company. Xavier led the Group through an important period of growth and diversification, including the acquisitions of the Oboz and Rip Curl brands.

After an extensive international search, the Board appointed Michael Daly as the new Group CEO. Michael has led Rip Curl for eight years with a relentless focus on brand, product, people and the bottom line. We are confident he will bring the same focus and energy to the wider Group.

Under the leadership of Michael, our refreshed Group strategy ensures we are focused on the things that matter most as we move forward:

- building global brands focused on active outdoor activities,
- investing in digital platforms to provide consumers with a truly world class unified commerce experience,
- leveraging the operational excellence of our brands, and
- leadership in ESG.

Michael will talk more about these strategic imperatives in his address.

The Board would like to thank Michael and his teams for their outstanding resilience and flexibility navigating the ongoing impacts of COVID.

I would also like to thank my Board colleagues for their continuing commitment to making Kathmandu Holdings successful. It has been a very busy year and I thank you all for your support in navigating our way through it.

Finally, thank you shareholders for your continued investment in Kathmandu Holdings Limited.

I will now ask our Group CEO, Michael Daly, to address you.

ENDS

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## Kathmandu Holdings Limited Annual Shareholder Meeting 2021

### 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: Owner of leading global outdoor active brands

Beginning on slide five, we aspire to be a leading owner of global brands, appealing to an active, outdoor consumer. This slide outlines the strengths and collective competitive advantages of our three brands.

Rip Curl is among the top three global surf brands, Kathmandu is the leading outdoor brand in Australasia, and Oboz is a fast-growing North American hike footwear brand.

We are highly engaged with our loyal and active consumer base, achieving a net promoter score that exceeds 70. We have 2.1 million active Summit Club members and 44,000 Rip Curl Search GPS watch users.

One of our key strengths is the development of purpose-built technical products. Research and development drives our innovation, and we are focused on using sustainable materials.

A leader in sustainability and ESG. Kathmandu was an early B-Corp adopter, and we are working towards extending B-Corp accreditation across all our brands. This year, we also committed to the largest syndicated sustainability linked loan in New Zealand.

Most importantly, we have built a diversified business with global reach. We are employing a multi-channel approach to appeal to a wide range of customer buying preferences and having both a winter and summer focus. We now appeal to customers across seasons and across the globe.

#### Slide 6: Financial highlights

Turning to slide six, I would like to discuss in more detail the Group's 2021 financial year highlights. The Group benefited from a full 12 months of Rip Curl ownership in the 2021 financial year, compared to nine months of ownership last year.

Total Group sales were \$922.8 million, up 15.1% on the prior year. Pleasingly our underlying EBITDA was up 35.9% to \$113.3 million, underpinned by a gross margin improvement of 40 basis points.

Underlying net profit after tax for the financial year was \$66.3 million and we delivered strong underlying operating cash flow of \$93.3 million.

As David mentioned, we ended the period with a strong net cash balance of \$37 million.

#### Slide 7: Operational highlights

Moving to slide seven, I want to touch on some of the key operational highlights during the year.

Rip Curl delivered strong direct to consumer sales, with same store sales growth of 19.2% including online sales growth of 31.3%. Online growth was underpinned by changing consumer preferences brought about by the COVID lockdown periods.

We successfully relaunched Kathmandu's new brand platform in May, reminding people that being outside changes us and that as human beings, we are hardwired to be outside. The relaunch was very well received and pleasingly Kathmandu achieved an exceptionally high net promoter score of 76.

Oboz successfully launched their online store in April, and the wholesale business is well positioned with double-digit growth in forward orders.

### **Slide 8: Sustainability highlights**

Looking at slide eight, sustainability is at the core of each of our brands, and I would like to highlight some notable achievements.

In conjunction with our key stakeholders, we completed a Group ESG materiality assessment which has helped us identify the key areas of focus for development of our ESG strategy. This year, we also committed to the largest sustainability linked loan in New Zealand at the time of its signing.

During 2021, Rip Curl launched a wetsuit take-back program with TerraCycle. The business also sources its sustainable cotton in line with the Better Cotton Initiative. These are important sustainability initiatives for the Rip Curl brand.

The Kathmandu brand meets the highest standards of environmental and social performance as certified by its B-Corp status. The Kathmandu brand has offset its operational carbon footprint to obtain certified carbon neutrality.

For Oboz, over 4 million trees have been planted since the company's inception, with the company planting a tree for every pair of footwear sold. Oboz has 95% environmentally preferred leather materials in its product range.

### **Slide 9: Group strategy**

Moving to our Group strategy on slide nine, you can see a summary of the four key components we are focussing on as a group.

We have been building a portfolio of global brands and aim to further expand our global footprint as we invest in world class brands and customer experiences.

We will elevate our digital capabilities by investing in Group digital platforms to deliver a world class unified commerce experience.

We will also leverage and deliver operational excellence to all our brands across shared Group support functions.

Finally, we will continue to demonstrate leadership across environmental, social and governance to drive long-term value for our shareholders.

Given the uncertainties associated with COVID, it is important for us to maintain balance sheet flexibility, allowing for capital return options and the capacity for future M&A.

I will now go into each of these strategic components in a little more detail.

## Slide 10: Build global brands

Onto slide ten, a key part of our strategy focuses on building global brands.

Our goal is for Rip Curl to be the number one surf brand in Australasia and a top three brand in North America and Europe. We will be building Rip Curl's North American presence and see the potential to double the North American business across our own stores, online and wholesale channels.

Kathmandu is the leading outdoor brand in Australasia, with 2.1 million loyal and engaged Summit Club members, which we aim to further leverage. There is significant market opportunity to expand into Europe and North America, and we aim to launch in both Canada and Europe during FY22. We have an attractive new product pipeline, which includes an enhanced summer product offering.

Oboz is undergoing the expansion of its product range into adjacent footwear categories, and we aim to grow Oboz into a US \$100 million business in the medium-term with growth opportunities in the recently launched online store and further expansion of the business in Canada and also Europe, in time.

## Slide 11: Elevate digital

Moving to slide 11, with the current COVID situation accelerating a move to online sales, significant investments have been made to elevate our digital capabilities.

Our goal is to increase Group online sales to 25% of direct-to-consumer sales in the medium-term by enhancing our digital capability.

With this goal in mind, a new Group online platform is being rolled out across our brands. We also are making further enhancements to our omnichannel foundations, including making point of sale upgrades to support unified commerce and click and collect functions for contactless purchases. In time, we aim to exceed our consumers' minimum expectations in these areas.

We see loyalty as an important growth driver for our brands. We are investing in our loyalty programs, including the launch of Rip Curl's first loyalty programme, and the relaunch of Kathmandu's more advanced loyalty programme in the coming year.

Finally, a key area of focus for us is to make sure we understand our consumers better, through data insights and analysis. Pricing and promotions are being enhanced based on data algorithms, and we have developed personalised consumer contact to encourage digital purchases, and really leverage the relationships with our consumers.

## Slide 12: Leverage operational excellence

Moving on to slide 12. Whilst a lot of work has been done to bring our three brands together, in reality there is still a lot of work to be done to leverage the operational excellence of our brands.

We plan to accelerate cross-brand revenue growth opportunities where appropriate, and aggressively pursue ongoing realisation of margin and cost saving opportunities over time.

Investments will be made to optimise our supply chain, efficiently manage our fixed cost base, collaborate on product innovation between brands and to enhance core systems to unlock growth potential across loyalty programs and online.

Overall, we have set a target to improve our underlying EBITDA margin to 15% of sales in the medium-term.

**Slide 13: Lead in ESG**

Moving to slide 13, being a leader in ESG will drive long-term value for shareholders.

Kathmandu has been an early mover in this space, and we are now working to extend Kathmandu's B-Corp accreditation across all our brands.

However, we want to go further than B-Corp accreditation. We have completed a Group ESG materiality assessment in recent months, talking to all our stakeholders about where we can do better, and where our areas of focus should be. The three focus areas resulting from that assessment are shown on the slide.

We are highly engaged with our people and our communities, and our ESG strategy starts with the wellbeing of our staff, the workers in our supply chain, and the communities that we operate in.

In 2022, we will be setting Science Based Targets that align with the Paris Climate Agreement, and holding ourselves accountable to those targets.

Finally, we are embracing the principles of circularity in everything we do, from the design, development, and sourcing of our products, through to the delivery of those products to our consumers, ultimately targeting a zero-waste supply chain.

Principles of transparency and responsibility will continue to underpin everything that we do as we manage our environmental and social impact responsibly and ethically.

**Slide 14: FY22 trading update and outlook**

Moving to slide 14, here is the trading update that we released as part of our Investor Day two weeks ago.

The first quarter was heavily impacted by COVID closures, which were longer and deeper than the same period last year.

Same store sales for Rip Curl were -9.4% below last year overall (including online), and for Kathmandu -17.6% below last year. However, when we exclude stores forced to close because of COVID lockdowns, we have seen positive growth. For Kathmandu +16.3% and for Rip Curl +1.6%, which has consolidated +27% COVID-adjusted same store growth from the first quarter last year.

Pleasingly our online channels have been strong, up +33.8%, with Rip Curl up 11.2%, and Kathmandu up +58.4%.

As previously signalled, COVID has had a significant impact in the first quarter, particularly in our New Zealand, New South Wales and Victorian markets. Without any direct government subsidies being recognised in the first quarter this year, operating profit is approximately \$35 million lower than the first quarter of last year.

However, we are now seeing positive momentum in the short period since reopening in our key New South Wales, Victoria and Auckland.

In terms of outlook, Rip Curl and Kathmandu are well prepared for the key Black Friday and Christmas trading period. Inventory remains sufficient to meet expected demand overall.

Due to the uncertain COVID trading environment, we will not provide any forward guidance, however, as mentioned previously, as markets reopen, trading is expected to improve. There is growth opportunity, particularly in the second half year, as we hope to trade the full period compared to lockdowns in June and July last year.

A key priority is for our brands to increase investment in marketing, sustainability, and loyalty to support our "Build Global Brands" strategy.

Whilst Rip Curl and Oboz wholesale orders remain significantly above pre-COVID levels, supply chain continues to be a challenge globally, particularly impacting the flow of products into our North American markets.

Oboz product deliveries will be impacted in the second quarter, as Vietnam footwear factories slowly ramp up production following closures due to COVID. Demand for Rip Curl wetsuits continues to exceed available supply.

Finally, freight, logistics, and raw material costs remain elevated as the outlook for supply chain remains challenging. This will be managed where possible through pricing and raw material substitution.

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.

ENDS

Kathmandu Holdings Limited

# Annual Meeting 2021

23 November 2021





# Agenda: Annual Meeting 2021

- Item 1: Chairman's address
- Item 2: Group CEO's address
- Item 3: Resolutions
  - Election of Directors
  - Auditor remuneration
- Item 4: Other business





# Chairman's address



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# Group CEO's address

# Owner of leading global outdoor active brands



## Iconic brands

- Rip Curl: top 3 global surf brand
- Kathmandu: leading outdoor brand in Australasia<sup>1</sup>
- Oboz: fast growing North American hike footwear brand

## Loyal, active consumers

- NPS<sup>2</sup> above 70
- 2.1m active Summit Club members
- 44k Rip Curl Search GPS watch users

## Technical products

- R&D driving innovation
- Sustainable materials
- Designed for purpose

## Leader in ESG

- Early B-Corp adopter
- Largest syndicated Sustainability linked loan in New Zealand

## Diversified

- Geography
- Multi-channel
- Seasonality
- Products

1. Kantar Brand Health Report Mar-Apr 2021  
2. Net Promoter Scores: Kathmandu 76, Rip Curl Australia 74





# Financial highlights

**\$922.8m**

Sales +15.1%

**+40 bps**

Gross margin  
improvement

**\$113.3m**

Underlying EBITDA<sup>1</sup>  
+35.9%

**\$66.3m**

Underlying NPAT<sup>1</sup>  
Statutory NPAT \$63.4m

**\$93.3m**

Underlying operating  
cash flow<sup>1</sup>

**\$37.0m**

Net cash balance  
Bank facility c.\$300m

1.

Statutory results include the impact of IFRS 16 leases. For comparability, the impact of IFRS 16 is excluded from Underlying results. Refer to Appendix 1 of the FY21 Results Presentation for a reconciliation of Statutory to Underlying results





# Operational highlights



**19.2%**

Direct to consumer  
(DTC) same store  
sales growth

**31.3%**

Online sales growth  
12.5% of DTC sales



**We're Out  
There**

Successful brand  
relaunch May 21

**76 NPS**

up 4 points in FY21  
169,000 responses



**Online Store**

Successful launch  
Apr 21

**Wholesale**

Double digit growth in  
forward wholesale order  
book to record levels





# Sustainability highlights



COMPLETED ESG  
MATERIALITY ASSESSMENT



COMMITTED TO LARGEST  
SUSTAINABILITY LINKED  
LOAN IN NZ



LAUNCHED WETSUIT  
TAKE-BACK PROGRAM



WITH TERRACYCLE



Certified



CERTIFIED CARBON  
ZERO



95%<sup>3</sup>  
ENVIRONMENTALLY  
PREFERRED LEATHER  
MATERIALS IN  
OUR RANGE



4 MILLION  
TREES PLANTED SINCE  
THE COMPANY STARTED

For more information, refer to the latest [Kathmandu Holdings Limited Sustainability Report](#)

1. Committed to largest syndicated sustainability linked loan at time of signing
2. Certified carbon zero under the Toitu CarbonZero programme for our operation footprint. Scope 1,2 and mandatory scope 3 emissions
3. Leather sourced from Leather Working Group tanneries; a not-for-profit organisation responsible for a leading environmental certification for the leather manufacturing industry



# Group strategy



## Build Global Brands

Expand global footprint and invest in world class brand and customer experiences



## Elevate Digital

Invest in Group digital platforms to deliver a truly world-class, unified commerce experience



## Leverage Operational Excellence

Deliver operational excellence to all brands across shared group support functions



## Lead in ESG

Demonstrate leadership across environmental, social and governance to drive long-term value for our shareholders

Maintain balance sheet flexibility to manage through COVID uncertainties, allowing capital return options and capacity for future M&A



# Build global brands



## ICONIC, INSPIRATIONAL, AND AUTHENTIC GLOBAL SURF BRAND

- Goal to be No.1 surf brand in Australasia, and top 3 in North America / Europe
- Grow North America, potential to double business across own store, online and wholesale channels
- Launch global loyalty programme
- Grow online and expand marketplaces



## LEADING OUTDOOR BRAND IN AUSTRALASIA<sup>1</sup>

- Leverage Summit Club, with 2.1m loyal and engaged members
- Launch in mainland Europe and Canada in FY22, significant market opportunity
- Grow product offering, with strong new product pipeline, and enhanced summer product range



## ESTABLISHED AND DISTINCTIVE AMERICAN FOOTWEAR BRAND

- Grow product range into adjacent categories
- Build on the successful launch of an online store
- Grow European market
- Grow to a USD \$100m business in the medium-term

1. Kantar Brand Health Report Mar-Apr 2021



# Elevate digital

Significant investments being made to elevate our digital capabilities

Group target: **increase online to 25% of DTC sales** in the medium-term through:

## Online platform enhancement

- New Group platform launched
- Platform being rolled out across brands

## Omni-channel foundations

- POS upgrade to support unified commerce
- Click collect, endless aisle and fulfilment from store

## Loyalty management

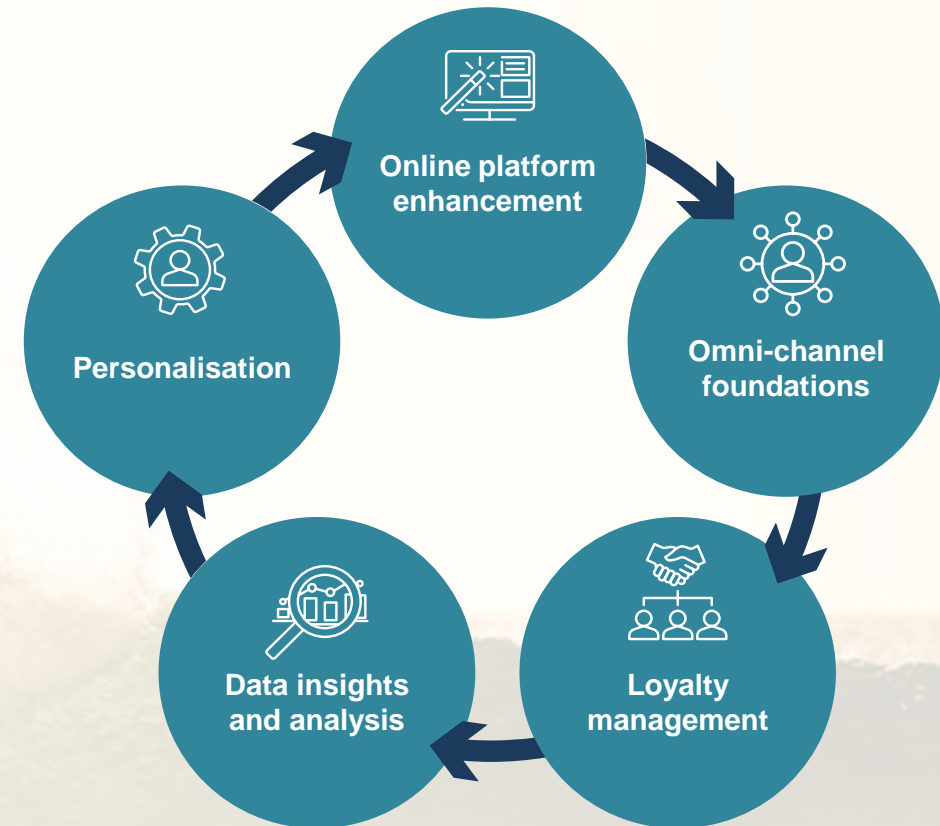
- Club Rip Curl launch
- Summit Club relaunch

## Data insights and analysis

- Data algorithms for pricing and promotions – initial Kathmandu phase launched
- Customer data platform – single view of customer interaction across brands

## Personalisation

- New personalisation engine for tailored customer content and offers
- Integration with loyalty platform





# Leverage operational excellence

Group target: improve underlying **EBITDA margin to 15% of sales in the medium-term**

Accelerate cross-brand revenue growth opportunities

Ongoing realisation of margin and cost opportunities



## Supply Chain

Optimisation of supply chain logistics, alignment of factories, and consolidating freight vendors to deliver gross margin benefit



## Property

Leverage scale across the Group to efficiently manage fixed cost base, including infrastructure for new markets



## Product innovation

Collaboration in technical development, fabrics, and seasonal expertise



## Core systems investment

Shared platforms to integrate ERP business processes, loyalty management, and unlock growth potential across loyalty and online



# Lead in ESG

We aspire to be a leader in ESG, to drive long-term value for our shareholders

We are striving to extend Kathmandu's B-Corp accreditation across all our brands

Transparency and responsibility will continue to underpin everything we do by managing our environmental and social impact responsibly and ethically



## Our people, our communities

- People-centred culture and workplaces
- Wellbeing of workers in our supply chain
- Engage, inspire and protect our wider community



## Science based climate action

- Set group-level Science Based Targets aligned with the Paris Climate Agreement



## Circular business models

- Design for circularity throughout our value chain
- Target a zero waste supply chain

For more information, refer to the latest [Kathmandu Holdings Limited Sustainability Report](#)



# FY22 trading update and outlook

## Trading update (released 9 November 2021)

- Same store sales (incl. online) for the 13 full weeks to 31 October 2021 were significantly impacted by ongoing Australasian COVID lockdowns:
  - Rip Curl -9.4% overall, +1.6% adjusted for COVID lockdowns<sup>1</sup>
  - Kathmandu -17.6% overall, +16.3% adjusted for COVID lockdowns<sup>1</sup>
- Online sales channel strong growth of +33.8% (Rip Curl +11.2%, Kathmandu +58.4%)
- As previously signalled, COVID lockdowns have significantly impacted Q1 results. Net COVID impact is expected to result in Q1 operating profit being c.\$35m below last year as lockdowns in NSW, Victoria, ACT and NZ were more severe than prior comparative period, without any direct Government subsidies recognised to date in FY22
- Positive momentum in the short period following the reopening of NSW and Victoria markets, notably for Rip Curl which is cycling +27% same store sales growth adjusted for COVID lockdowns<sup>1</sup> from Q1 FY21

## Outlook

- Rip Curl and Kathmandu are well prepared for the key Black Friday and Christmas trading period. Inventory remains sufficient to meet expected demand
- Due to the uncertain COVID trading environment the Group will not provide forward guidance, however as markets reopen, trading is expected to improve with growth opportunity in the second half of FY22
- A key priority is to increase investment in marketing, sustainability, and loyalty, to support the “Build Global Brands” strategy
- Rip Curl and Oboz wholesale order books remain significantly above pre-COVID levels
- The Group is actively managing ongoing supply chain disruption globally, particularly impacting the timely flow of products into our North American markets
- Oboz product deliveries will be impacted for Q2 as Vietnam footwear factories slowly ramp up production following COVID closures during Q1. Demand for Rip Curl wetsuits continues to exceed available supply
- Freight, logistics and raw material costs remain elevated as the outlook for supply chain remains challenging, to be managed where possible through pricing and raw material substitution

<sup>1</sup>. Adjusted same store sales removes stores that were not able to open for a comparable period in either year because of COVID lockdowns



# Resolutions



# Resolution 1

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

“That David Kirk be re-elected as a Director of the Company.”

Proxies:

In respect of this item of business, the following proxies have been received:

	Resolution 1
In favour	407,841,961
Against	5,795,193
Open	2,302,329

The Board unanimously supports resolution 1 and recommends that shareholders vote in favour.

# Resolution 2

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

“That Michael Daly be elected as a Director of the Company.”

Proxies:

In respect of this item of business, the following proxies have been received:

	Resolution 2
In favour	413,475,111
Against	270,968
Open	2,299,429

The Board unanimously supports resolution 2 and recommends that shareholders vote in favour.



# Resolution 3

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

“That Abby Foote be elected as a Director of the Company.”

Proxies:

In respect of this item of business, the following proxies have been received:

	Resolution 3
In favour	399,180,818
Against	14,526,772
Open	2,299,429

The Board unanimously supports resolution 3 and recommends that shareholders vote in favour.

# Resolution 4

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

“That the Board be authorised to fix the remuneration of the Company’s auditor for the ensuing year.”

Proxies:

In respect of this item of business, the following proxies have been received:

	Resolution 4
In favour	413,490,918
Against	286,297
Open	2,299,429

The Board unanimously supports resolution 4 and recommends that shareholders vote in favour.

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# Other business





# Thank you

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