

**KATHMANDU HOLDINGS LIMITED  
ASX/NZX/MEDIA ANNOUNCEMENT  
6 August 2015**

**KATHMANDU REJECTS BRISCOE'S OFFER / FY2015 TRADING UPDATE**

The Directors of Kathmandu Holdings Limited ("Kathmandu") have unanimously recommended that Kathmandu shareholders REJECT the unsolicited takeover offer from Briscoe Group Limited ("Briscoe").

Kathmandu's Target Company Statement, released today sets out the key reasons for this recommendation.

Briscoe is offering five shares for every nine Kathmandu shares and NZ\$0.20 cents for each Kathmandu share (the "Offer").

The Directors of Kathmandu believe that the Offer, with an implied value of NZ\$1.80<sup>1</sup> per Kathmandu share is inadequate and does not reflect the underlying value of Kathmandu.

Kathmandu engaged Grant Samuel as Independent Adviser to review the Offer. Grant Samuel has concluded that the full underlying value of Kathmandu's shares (on a control basis) is in the range of NZ\$2.10 to NZ\$2.41, well in excess of the implied value of the Offer of NZ\$1.80.<sup>1</sup>

The reasons for the Director's recommendation that Kathmandu shareholders reject the Offer include:

- The Offer is below the Independent Adviser's valuation;
- The Offer is inadequate and does not reflect the underlying value of Kathmandu;
- Briscoe can afford to offer a lot more for the Kathmandu shares and is not sharing enough of the benefits of the transaction with Kathmandu shareholders;
- The timing of the Offer is highly opportunistic, timed to exploit Kathmandu's recent share price underperformance;
- The Offer fails to reflect the strength of Kathmandu's business and future plans for growth;
- Becoming a Briscoe shareholder would change the profile of Kathmandu shareholders investment; and
- The implied value of the Offer is uncertain.

---

<sup>1</sup> Implied value of the Offer based on Briscoe's 1 month VWAP of NZ\$2.88 for the period up to and including 29 June 2015.

---

**Kathmandu Holdings Ltd**

11 Mary Muller Drive, Heathcote 8022  
PO Box 1234, Christchurch 8140, New Zealand  
**Phone:** +64 3 373 6110 **Fax:** +64 3 373 6116  
[kathmandu.co.nz](http://kathmandu.co.nz)

249 Park Street, South Melbourne, Victoria 3205  
PO Box 984, South Melbourne, Victoria 3205, Australia  
**Phone:** +61 3 9267 9999 **Fax:** +61 3 9267 9933  
[kathmandu.com.au](http://kathmandu.com.au)

Commenting on the Offer, Kathmandu's Chairman, David Kirk said:

"Briscoe's Offer is manifestly inadequate and does not reflect the value of Kathmandu's shares.

The Board believes the Offer is intended to create value for Briscoe shareholders at the expense of Kathmandu shareholders. It comes opportunistically off the back of an isolated period of internal and external challenges experienced by Kathmandu in the period leading up to and including Q3 FY2015. I am confident that management can deliver strong results that will, over time, result in superior value for Kathmandu shareholders".

Also included in the Target Company Statement is Kathmandu's preliminary unaudited statement of financial performance for the year ended 31 July 2015.

The Directors will keep shareholders updated regarding any significant developments in relation to the Offer. A Kathmandu Information Line has been established for shareholders to address any queries in relation to the Offer. The phone number for the shareholder information line is 0800 777 256 (from within New Zealand), 1800 190 082 (from within Australia) or +64 9 375 5998 (from outside New Zealand and Australia).

## FINANCIAL RESULTS FOR THE YEAR ENDED 31 JULY 2015

Kathmandu's sales performance and earnings forecast for the year ending 31 July 2015 is<sup>2</sup>:

### RESULTS OVERVIEW

Year ending 31 July 2015	NZ \$m		Change	
	FY2015 <sup>3</sup>	FY2014	NZ \$m	%
Sales	409.4	392.9	16.5	4.2%
Gross Profit	252.1	248.1	4.0	1.6%
EBITDA	47.3	74.5	(27.2)	-36.5%
EBIT	33.7	64.3	(30.6)	-47.6%
NPAT	20.0	42.2	(22.2)	-52.6%
NPAT excluding non-recurring items	20.9	41.2	(20.3)	-49.3%

Kathmandu delivered improved sales and profitability in the final quarter of FY2015, highlighted by strong sales at improved margins of new winter season products.

Xavier Simonet who started as CEO of Kathmandu in July said "Over our Winter sale promotion we improved both sales and gross margin year on year, which was a significantly better performance than our Christmas and Easter campaigns. There was a strong uplift in sales to Summit Club members, especially in Australia, and our gross margin performance was especially

<sup>2</sup> All sales and earnings are subject to final internal review and external audit verification.

<sup>3</sup> Refer footnote above.

---

#### Kathmandu Holdings Ltd

11 Mary Muller Drive, Heathcote 8022  
PO Box 1234, Christchurch 8140, New Zealand  
Phone: +64 3 373 6110 Fax: +64 3 373 6116  
kathmandu.co.nz

249 Park Street, South Melbourne, Victoria 3205  
PO Box 984, South Melbourne, Victoria 3205, Australia  
Phone: +61 3 9267 9999 Fax: +61 3 9267 9933  
kathmandu.com.au

satisfying. This reflected a shift in promotional strategy to emphasise our product range newness, technical features and benefits rather than just absolute price and discount messaging.”

Challenging trading conditions in Q1 to Q3 combined with one-off higher operating expenses contributed to the reduction in FY2015 earnings. Primary contributory factors included:

- Aggressive clearance in Q1 of excess inventory at reduced gross margins after lower than usual sales during Kathmandu’s winter sale in FY2014.
- Promotional activity during Christmas and Easter was not innovative, generally repetitive in both style and content of previous campaigns.
- Increased operating expenses such as marketing, store leases and labour in anticipation of on-going sales growth.

Abnormal items impacting the FY2015 result include UK brand advertising of \$2.8m not undertaken in FY2014; \$2.7m EBIT reduction through reduced revenue from starting the winter sale one week later than in FY2014, and \$1.4m of non-recurring expenses relating to the relocation of the Australian distribution centre and Christchurch support office.

<b>Same store sales growth (constant currency)</b>	<b>53 weeks ending 02 August 2015</b>
<b>Total Group</b>	<b>-1.9%</b>
Australia	-2.7%
New Zealand	-1.1%
United Kingdom	+15.7%

Same store sales for the winter sale in Q4 2HFY15 were above the comparable FY2014 winter sale promotion period. This followed a decline in same store sales recorded in Q3.

### **Inventory and Debt Levels**

Kathmandu has continued to effectively manage stock levels, and levels of clearance stock in the business are one-third lower than at same time last year. Effective working capital management has continued, and despite the disappointing 1HFY15 trading performance our projected net debt position as at 31 July (\$55.3m to \$69.7 m) will increase by less than \$15m yoy.

### **FY2016 Outlook**

Kathmandu expects significant sales growth and continued margin recovery in FY2016 with sales increasing by 11.0% to NZ\$454.6m and EBIT increasing by 43.0% to NZ\$48.2m.

Specific strategies to drive same store sales growth include the on-going contribution of Kathmandu’s pricing and promotional mode, supported by growing the contribution from traffic driving products and capitalising on the activation of Summit Club members, now over 70% of total

---

#### **Kathmandu Holdings Ltd**

11 Mary Muller Drive, Heathcote 8022  
PO Box 1234, Christchurch 8140, New Zealand  
**Phone:** +64 3 373 6110 **Fax:** +64 3 373 6116  
[kathmandu.co.nz](http://kathmandu.co.nz)

249 Park Street, South Melbourne, Victoria 3205  
PO Box 984, South Melbourne, Victoria 3205, Australia  
**Phone:** +61 3 9267 9999 **Fax:** +61 3 9267 9933  
[kathmandu.com.au](http://kathmandu.com.au)

sales. Sales growth will also be derived from continued store roll out in Australasia (where justified by individual store ROI) and Kathmandu will continue to realise its full online sales growth potential.

Expanding internationally will continue through a capital-light business model and Kathmandu's FY2016 target earnings include a substantial reduction in overall operating costs with actions already underway to deliver a targeted \$7.0m of cost base efficiencies.

For further information please contact:

Media:

Helen McCombie  
Citadel-MAGNUS  
+61 2 9290 3033

Investors:

Reuben Casey  
Chief Financial Officer  
+64 3 968 6166

---

**Kathmandu Holdings Ltd**

11 Mary Muller Drive, Heathcote 8022  
PO Box 1234, Christchurch 8140, New Zealand  
**Phone:** +64 3 373 6110 **Fax:** +64 3 373 6116  
[kathmandu.co.nz](http://kathmandu.co.nz)

249 Park Street, South Melbourne, Victoria 3205  
PO Box 984, South Melbourne, Victoria 3205, Australia  
**Phone:** +61 3 9267 9999 **Fax:** +61 3 9267 9933  
[kathmandu.com.au](http://kathmandu.com.au)