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1H FY16 RESULTS PRESENTATION

March 2016

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Results Overview

Key Points

- Top line sales growth
- Gross margin improvement
- Cost efficiencies implemented and delivering operating leverage

Sales and Margin

- Sales growth \$16.6m (+7.2% at constant exchange rates, +9.3% at actual exchange rates)
- Same store sales growth 3.8% at constant exchange rates (+5.8% at actual exchange rates)
- Gross margin 62.8%, 350 bps higher than 1H FY15

Operating Costs

- Operating expenses decreased 380 bps as a % of sales to 51.7%

Profit

- EBITDA \$21.9m, up \$15.1m YOY
- NPAT \$9.4m, up \$11.2m YOY

NZD \$m ^{*1}	1H FY16	1H FY15	Var \$	Var %
SALES	196.0	179.4	16.6	9.3%
GROSS PROFIT	123.1	106.3	16.8	15.8%
<i>Gross margin</i>	62.8%	59.3%		
OPERATING EXPENSES	(100.8)	(99.5)	(1.3)	1.3%
<i>% of Sales</i>	51.4%	55.5%		
UK store exit costs (net)	(0.5)	-	(0.5)	
EBITDA	21.9	6.8	15.1	222.1%
<i>EBITDA margin %</i>	11.2%	3.8%		
EBIT	15.1	0.6	14.5	
<i>EBIT margin %</i>	7.7%	0.3%		
NPAT	9.4	(1.8)	11.2	
Permanent Open Stores^{*2}	163	157	6	

- 1H FY16 NZD/AUD conversion rate 0.920 (1H FY15: 0.944), 1H FY16 NZD/GBP conversion rate 0.425 (1H FY15: 0.498).
- Excludes Online store.
- Rounding differences may arise in totals, both \$ and %.

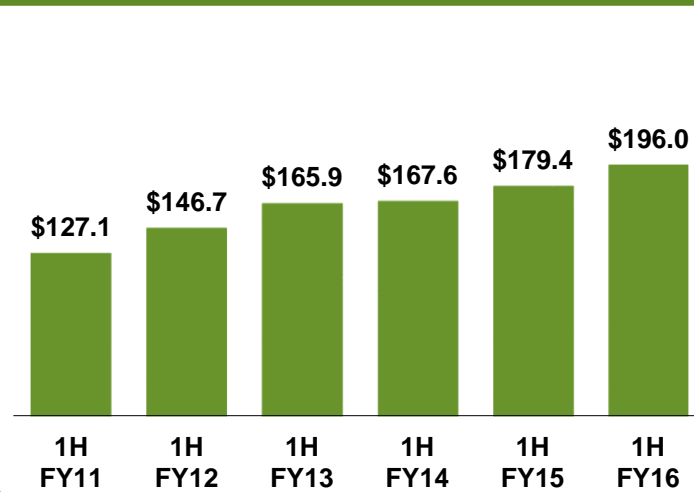


Key Line Items

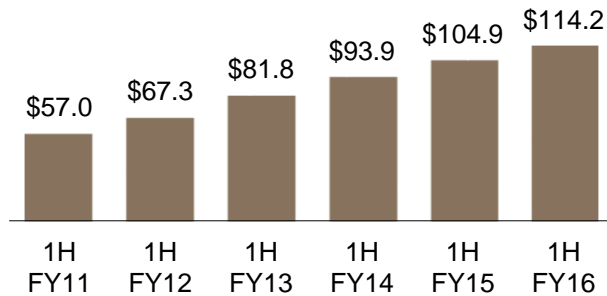
SALES: +9.3% to \$196.0m

- Sales growth year on year:^{*2}
AU 8.9%, NZ 4.6%, UK 1.6%
- At constant exchange rates sales growth \$12.9m / 7.2%
- Online sales growth 23.5%,
6.6% of total sales

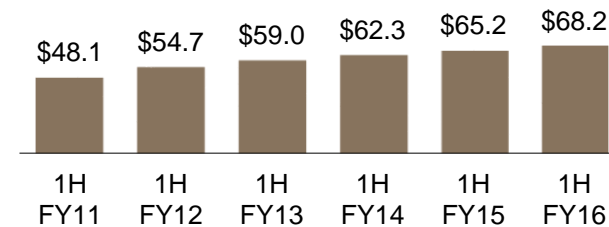
Group Sales (NZD \$m)^{*1}



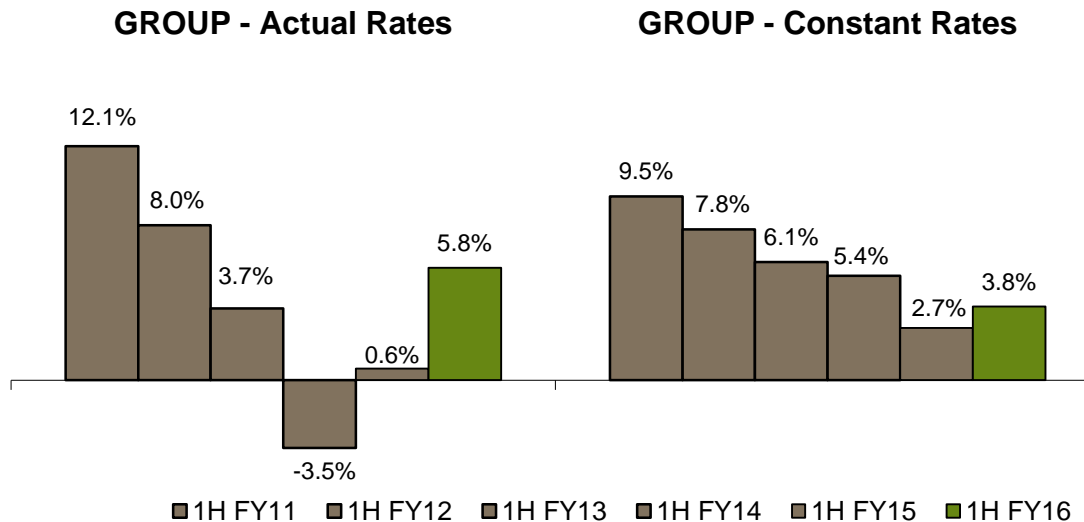
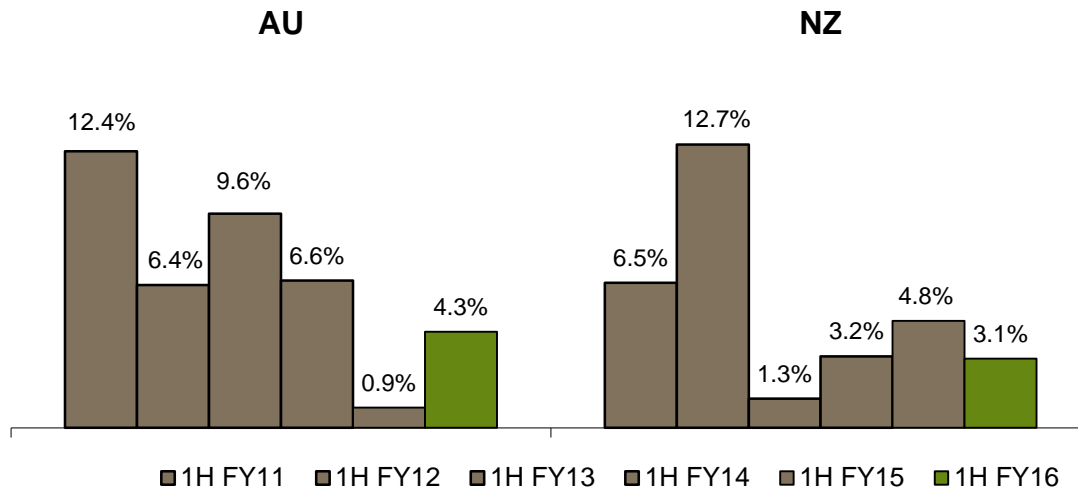
■ Australia (AUD \$m)



■ New Zealand (NZD \$m)

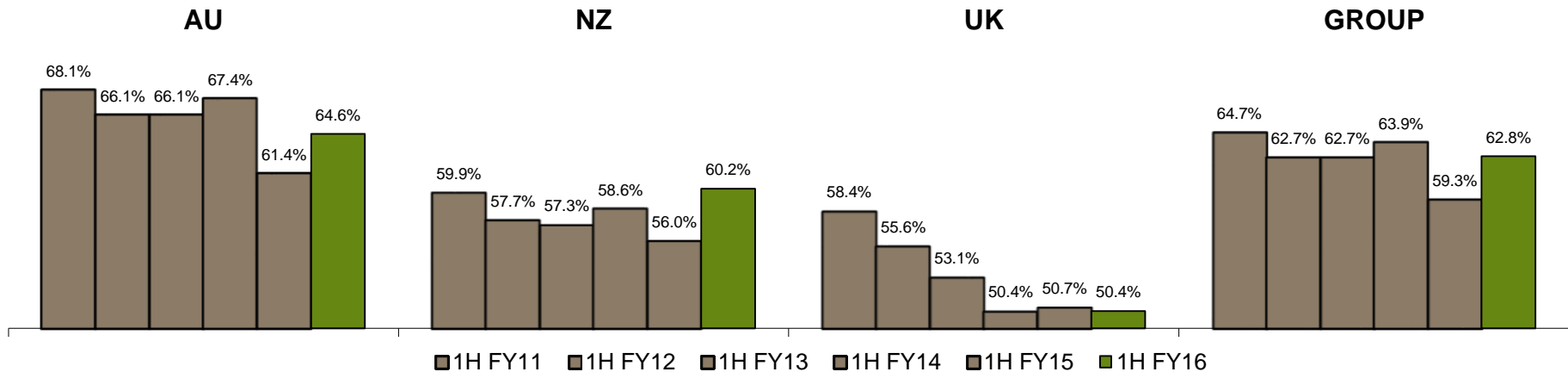


1. UK Sales: £1,548k 1H FY16 vs £1,523k 1H FY15.
2. Calculated on local currency sales results (not affected by year-on-year exchange rate variation).
3. Country sales totals exclude inter-company sales.
4. Rounding differences may arise in totals, both \$ and %.



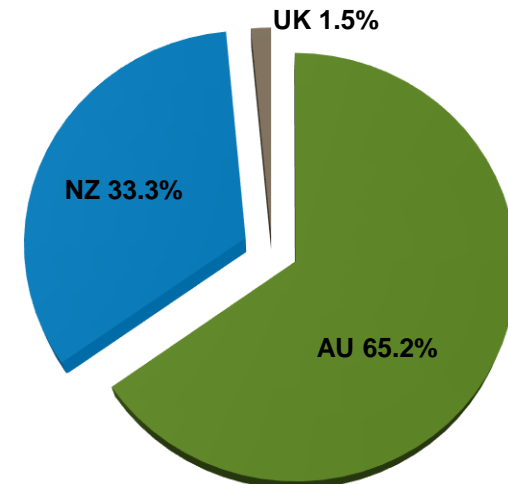
- Same store measurement period 26 weeks ending 31 Jan 2016
- One fewer week of promotional activity vs comparable period
- Cycling high clearance activity Q1 last year
- Same store sales: ^{*1}
 - +5.8% actual exchange rates
 - +3.8% constant currency:
 - Stores only +2.8%
 - Online only +20.7%
- UK same store sales +1.5% (1H FY15 +26.8%)

1. Same store sales measurement includes Online and all stores from their 53rd week of trading.



- 1H gross margin increased 350 bps YOY
- Average selling price improvement through increased full price sell through
- c. 20% fewer clearance units sold
- Favourable hedging profile year on year (NZ)

1H FY16 SHARE OF BUSINESS*¹
(GROSS PROFIT \$)



1. Rounding differences may arise in totals, both \$ and %.

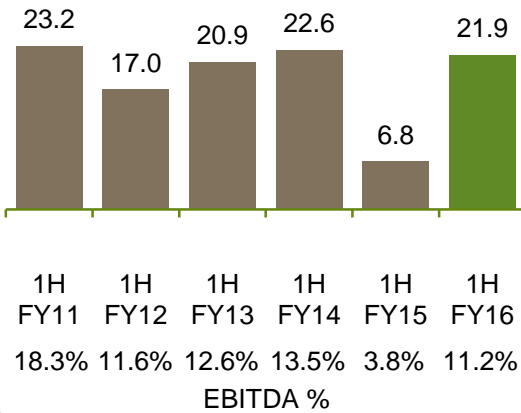
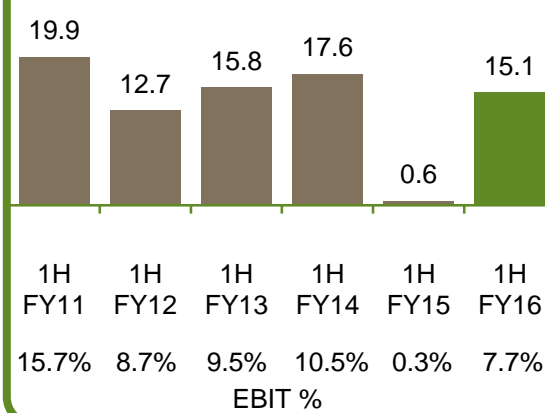
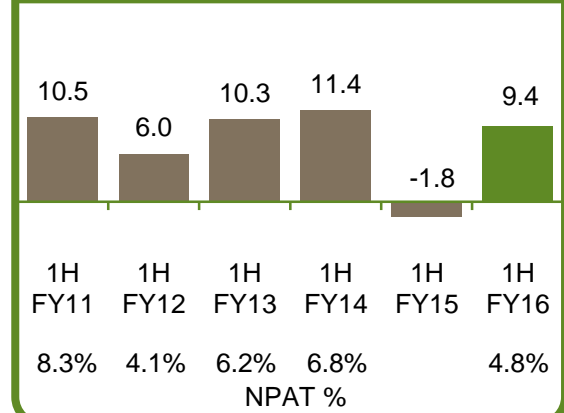
OPERATING EXPENSES: +1.8% to \$101.3m

- Total operating expenses decreased YOY 380 bps / 3.8% of sales
- Rent expenses include flagship stores opened in Melbourne and Adelaide
- Other operating expenses decreased 480 bps / 4.8% of sales with efficiencies achieved in advertising and distribution
- Total operating expenses include \$1.0m non-recurring items relating to net cost of UK store exit (\$0.5m) and support office restructuring (\$0.5m)

NZD \$m	1H FY16	1H FY15	Var \$	Var %
Rent	29.0	25.3	3.7	14.6%
<i>% of Sales</i>	14.8%	14.1%		
Other operating expenses	71.8	74.2	(2.4)	(3.2)%
<i>% of Sales</i>	36.6%	41.4%		
UK store exit costs (net)	0.5	-	0.5	
<i>% of Sales</i>	0.3%			
Total operating expenses*¹	101.3	99.5	1.8	1.8%
<i>% of Sales</i>	51.7%	55.5%		
Depreciation	6.7	6.2	0.5	8.1%
<i>% of Sales</i>	3.4%	3.5%		
Cost of doing business	108.0	105.7	2.3	2.2%
<i>% of Sales</i>	55.1%	58.9%		

1. 1H FY16 total operating expense increase attributable to year-on-year exchange rate movement \$2.1m.

2. Rounding differences may arise in totals, both \$ and %.

EBITDA \$21.9m

EBIT \$15.1m

NPAT \$9.4m


1. Rounding differences may arise in totals, both \$ and %.

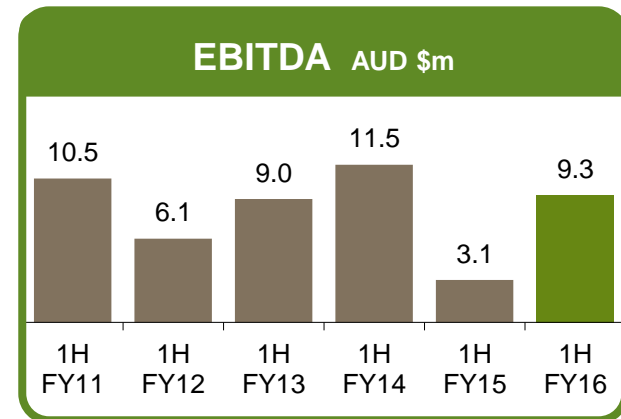


Country Results

SALES: +8.9% to \$114.2m

- 5 new stores:
 - 2H FY15
 - Sydney (Wetherill Park)
 - Adelaide (Glenelg)
 - 1H FY16
 - Melbourne (Eastland, Werribee)
 - Adelaide (Rundle Mall)
- Refurbishments / Relocations:
 - Relocated: Melbourne CBD
- Gross margin improvement 3.2% points
- Total operating expenses (excl. depreciation):
 - 1H FY16 56.5% of sales
 - 1H FY15 58.4% of sales

AUD \$m ^{*1}	1H FY16	1H FY15	Var %
Sales	114.2	104.9	8.9%
Same store sales growth	4.3%	0.9%	
EBITDA (trading result) ^{*2}	9.3	3.1	200.0%
EBITDA margin %	8.1%	3.0%	
Permanent Open Stores	113	108	



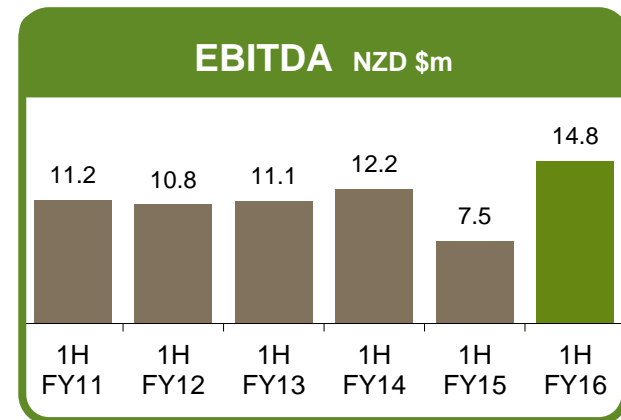
1. Rounding differences may arise in totals, both \$ and %.

2. A reconciliation of EBITDA (trading result) to the financial statements is included in Appendix 2.

SALES: +4.6% to \$68.2m

- Same store sales growth 3.1%
- One new store open: Bayfair (Tauranga)
- Gross margin improvement 4.2% points
- Total operating expenses (excl. depreciation):
 - 1H FY16 38.5% of sales
 - 1H FY15 44.5% of sales

NZD \$m ^{*1}	1H FY16	1H FY15	Var %
Sales	68.2	65.2	4.6%
Same store sales growth	3.1%	4.8%	
EBITDA (trading result) ^{*2}	14.8	7.5	97.3%
EBITDA margin %	21.7%	11.5%	
Permanent Open Stores ^{*3}	47	45	

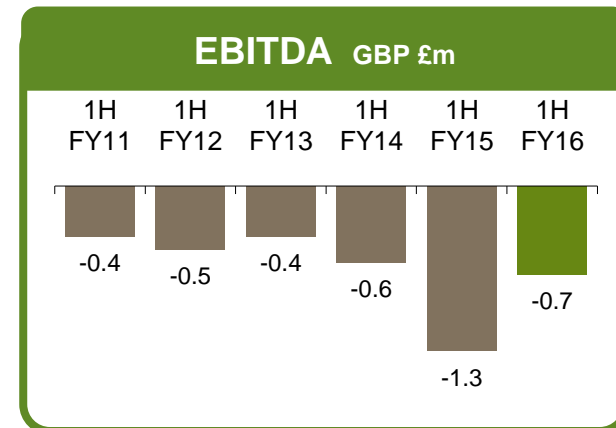


1. Rounding differences may arise in totals, both \$ and %.
2. A reconciliation of EBITDA (trading result) to the financial statements is included in Appendix 2.
3. Cashel St Re-Start (Christchurch) reclassified as a permanent store.

SALES: +1.6% to £1.5m

- Covent Garden store closed
- Bristol, Spitalfields to close Q3
- Same store sales growth 1.5% (incl. Online)
- Total operating expenses (excl. depreciation):
 - 1H FY16 92.7% of sales
 - 1H FY15 137.0% of sales
- Trading result includes £0.2m (NZ\$0.5m) net cost of exiting UK stores (lease exit costs and asset impairment provision)

GBP £m*1	1H FY16	1H FY15	Var %
Sales	1.5	1.5	1.6%
Same store sales growth*2	0.2%	16.2%	
Online sales growth	5.6%	92.9%	
EBITDA (trading result)*3	(0.7)	(1.3)	
EBITDA margin %	(42.3)%	(86.3)%	
Permanent Open Stores	3	4	



1. Rounding differences may arise in totals, both \$ and %.
2. Excludes Online (below).
3. A reconciliation of EBITDA (trading result) to the financial statements is included in Appendix 2.



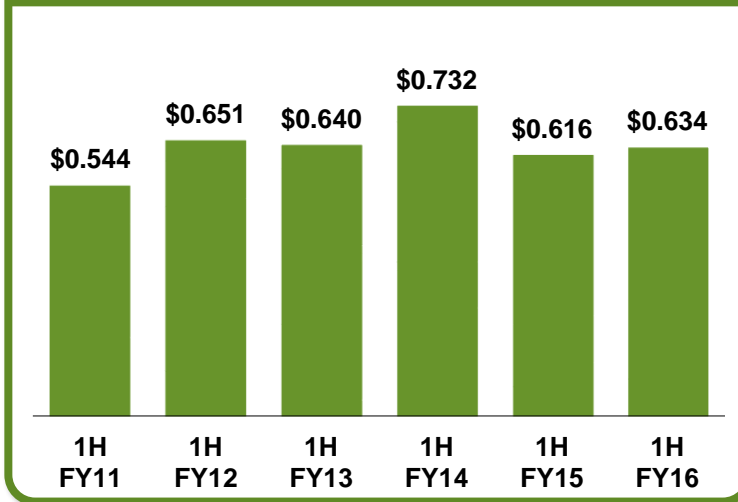
Cash Flow
Balance Sheet
Dividend

Capital expenditure \$12.9m (LY \$9.8m):

- New stores capex \$5.3m (LY \$3.8m):
 - 4 new stores
 - 1 relocations
- Existing stores capex \$0.4m (LY \$2.1m)
- IT capex \$0.6m (LY \$2.7m)
- Other capex \$6.6m (LY \$1.2m), primarily new Australian DC (scheduled Aug 2016 opening)

NZD \$m	1H FY16	1H FY15
NPAT	9.4	(1.8)
Change in working capital	7.3	(10.1)
Change in non-cash items	7.5	6.1
Operating cash flow	24.2	(5.8)

Key Line items:		
Net interest paid (including facility fees)	(1.8)	(2.7)
Income taxes paid	(7.0)	(9.3)
Capital expenditure	(12.9)	(9.8)
Dividends paid	(10.1)	(18.1)
Increase/(Decrease) in net debt	0.7	26.1

Stock Per Store ^{*1}

- Year on year increase in stock per store +1.2% at constant exchange rates (+2.9% at actual exchange rates)
- c. 9% less total units on hand year on year
- c. 35% less clearance units on hand year on year

1. Each year includes permanent and temporary stores.
2. Net Debt / (Net Debt + Equity) at balance date.
3. COGS (rolling 12 months) / Average Inventories (YOY).
4. Rounding differences may arise in totals, both \$ and %.

NZ \$m	1H FY16	1H FY15
Inventories	103.3	97.3
Property, plant and equipment	59.5	50.5
Intangible assets	237.3	236.3
Other assets	21.6	26.6
Total assets (excl. cash)	421.7	410.7

Net interest bearing liabilities and cash	66.8	85.5
Other non-current liabilities	0.5	0.5
Current liabilities	48.6	31.1
Total liabilities (net of cash)	115.9	117.1
Net assets	305.8	293.6

Key Ratios	1H FY16	1H FY15
Gearing ^{*2}	17.9%	22.6%
Stock Turns ^{*3}	1.6	1.6

- NZ 3.0 cents per share interim dividend
- Dividend will be fully imputed for New Zealand shareholders
- Dividend will be unfranked for Australian shareholders
- Supplementary dividend of NZ 0.529 cents is payable to non-NZ shareholders
- Record date 03 June 2016
- Payment date 17 June 2016
- Final dividend is expected to be fully franked and fully imputed
- Future interim dividends will continue to be imputed where possible



Growth Strategy Update

Australasia

(profitable growth leveraging existing assets)

Brand and social

- Leverage brand distinctiveness and build enhanced loyalty and engagement with Summit Club members

- Continued focus on brand equity, inspiring our customers, social media engagement
- Personalised communication, rewards and recognition through enhanced digital marketing and CRM capability
- Leverage CRM / BI investments to provide analytics on purchase information, to drive category range optimisation

Store optimisation

- Leverage existing store network to drive gross profit density

- Enhance the customer service experience and staff knowledge, particularly in regards to product benefits and brand attributes
- Improve visual merchandising and stock presentation in stores, reinforcing expertise in adventure travel products
- Optimise store labour
- Optimise space allocation to maximise gross profit contribution
- Continue to invest in relocations / refurbishments to deliver return on capital

Pricing and promotion

- Optimise pricing and promotional model

- Improve clarity of promotions for our customers
- Structure promotions to activate increased foot traffic and basket size
- Continual refinement/review of promotional calendar to ensure customer centric and avoid sales fatigue/dependency
- Refresh Summit Club offer

Australasia

(profitable growth leveraging existing assets)

Store network expansion	<ul style="list-style-type: none"> • Footprint expansion in Australasia 	<ul style="list-style-type: none"> • Target 180 stores across Australasia • New store footprint expansion where return on capital investment justifies • Targeted to increase market share in Australia
Omni-channel	<ul style="list-style-type: none"> • Create a seamless shopping experience for our customers across all sales channels 	<ul style="list-style-type: none"> • Invest in online platform to enhance useability and functionality • Maximise customer conversion by leveraging integration of online platform in store • Expand click and collect functionality • Improve online conversion and visitation
Cost efficiency	<ul style="list-style-type: none"> • Improve cost structure and drive margin expansion 	<ul style="list-style-type: none"> • Ongoing focus area • Protect profit margin through enhanced supplier partnerships and lower cost sourcing locations • Efficient advertising spend, optimising mix of media channels • Distribution cost efficiencies leveraging investment in core systems • Optimise resource allocation across the business with clear metrics and ROI

International (capital light expansion)

- Blended model for international expansion to include wholesale, online and franchise partnerships
- Dedicated resource with international wholesale experience has been recruited
- Requirements between current vertical retail model and wholesale being assessed
- Ongoing analysis of countries / channels / margins and costs
- Go to market planning based on in-market customer research
- UK physical store network closure expected to be completed in FY16
- UK / Europe online channels to continue

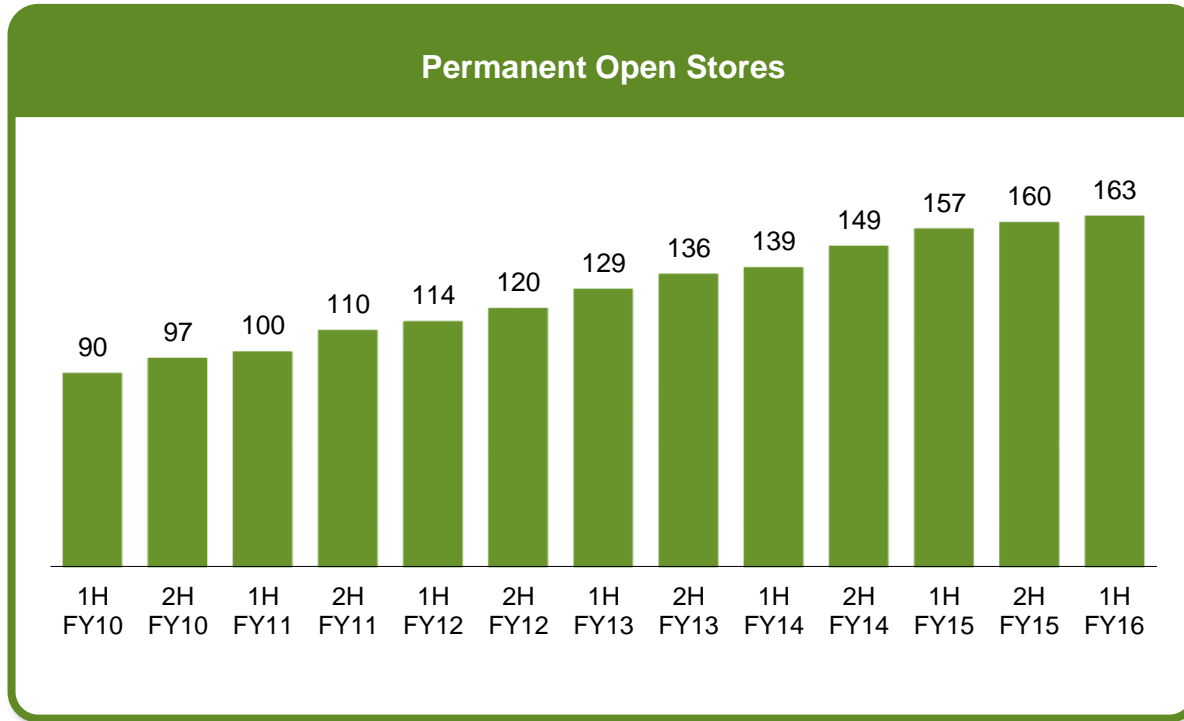


FY16 Outlook

- Customer focus supported by increased membership base and associated data analytics
- Higher priority given to product with a reorganised product team
- Focus on increasing market penetration in Australia while sustaining position in New Zealand
- International to become step by step a stronger focus
- Increasing competition from value driven retailers and brands
- Gross margin pressure increasing
- Continued focus on cost control and efficiencies
- Remain committed to FY16 NPAT of \$30.2m



Questions





Appendix 2 – Reconciliation of Country Trading Results **Kathmandu**[®]

1H FY16 (\$'000)	Australia	New Zealand	United Kingdom	Other	Total
EBITDA per Interim Report (NZD)	7,790	15,789	(212)	(1,504)	21,863
Internal charges not trading related ¹ (NZD)	2,333	(1,003)	(1,330)	-	-
EBITDA (trading result) (NZD)	10,123	14,786	(1,542)	(1,504)	21,863
EBITDA (trading result) (Local currency)	9,313	14,786	(655)	(1,504)	

1H FY15 (\$'000)	Australia	New Zealand	United Kingdom	Other	Total
EBITDA per Interim Report (NZD)	1,915	8,794	(2,641)	(1,268)	6,800
Internal charges not trading related ¹ (NZD)	1,342	(1,342)	-	-	-
EBITDA (trading result) (NZD)	3,257	7,452	(2,641)	(1,268)	6,800
EBITDA (trading result) (Local currency)	3,075	7,452	(1,315)	(1,268)	

1. *Internal charges not trading related include intercompany charges for depreciation of core systems, and arm's length margins charged for internal services.*