

FY16 Results Presentation

September 2016



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1. Result Overview



1. Result Overview: Highlights



Key Points

- » Sales growth at improved gross margin
- » Operating leverage improved
- » Strong operating cash flows
- » Record low net debt

Sales and Margin

- » Sales increased by \$16.2m / 4.0%
- » Same store sales growth 1.6% (at constant exchange rates)
- » Gross margin 62.6%, 110 bps higher than FY15

Operating Costs

- » Operating expenses decreased 260 bps as a % of sales

Profit

- » EBITDA \$64.8m, up 37.6%
- » EBIT \$50.9m, up 53.3%
- » NPAT \$33.5m, up 64.2%



1. Result Overview: Year-on-Year



NZD \$m ^{*1}	FY16	FY15	Var \$	Var %
SALES	425.6	409.4	16.2	4.0%
GROSS PROFIT <i>Gross margin</i>	266.4 62.6%	251.9 61.5%	14.5	5.8%
OPERATING EXPENSES <i>% of Sales</i>	(201.6) 47.4%	(204.8) 50.0%	3.2	(1.6%)
EBITDA <i>EBITDA margin %</i>	64.8 15.2%	47.1 11.5%	17.7	37.6%
EBIT^{*2} <i>EBIT margin %</i>	50.9 12.0%	33.2 8.1%	17.7	53.3%
NPAT	33.5	20.4	13.1	64.2%
Store count^{*3}	162	160	2	



1. FY16 NZD/AUD conversion rate 0.934 (FY15: 0.915), FY16 NZD/GBP conversion rate 0.457 (FY15: 0.495)
2. EBIT YOY adverse exchange rate translation impact in FY16: -\$1.0m (FY15 \$0.0m)
3. Five new stores opened during FY16, and three UK stores closed. Excludes Online stores
4. Rounding differences may arise in totals, both \$ and %

2. Key Line Items

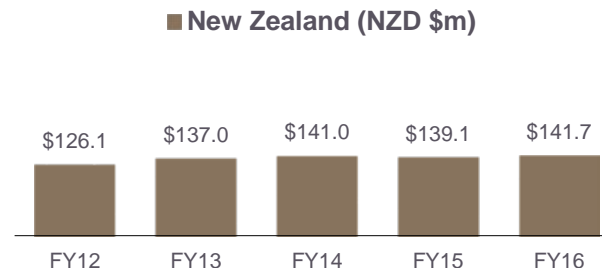
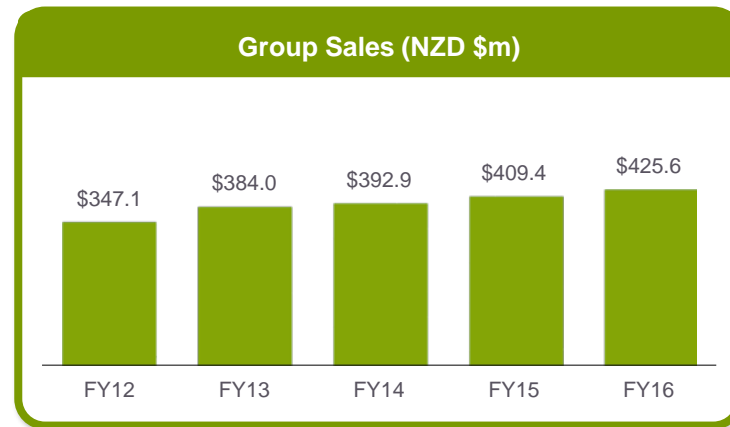
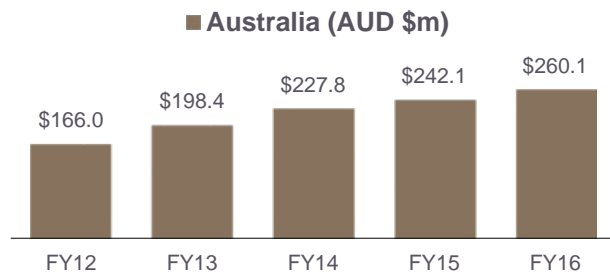


2. Sales



SALES: +4.0% to \$425.6m

- » Sales growth year on year:^{*1}
AU 7.4%, NZ 1.9%, UK -10.5%
- » At constant exchange rates sales growth
\$21.6m / 5.3%
- » Online sales 6.9% of total sales



1. Calculated on local currency sales results (not affected by year-on-year exchange rate variation)
2. Country sales totals exclude inter-company sales
3. UK Sales: £2,506k FY16 vs £2,801k FY15

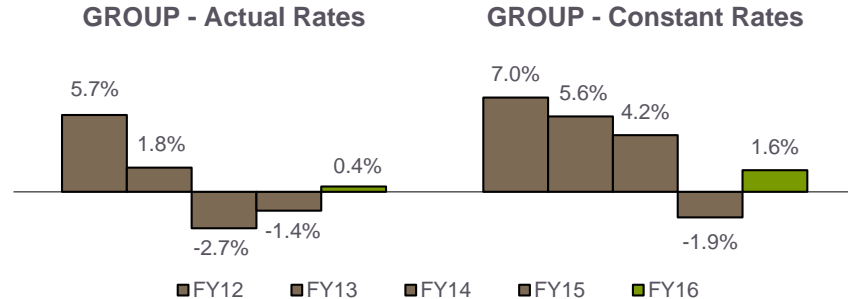
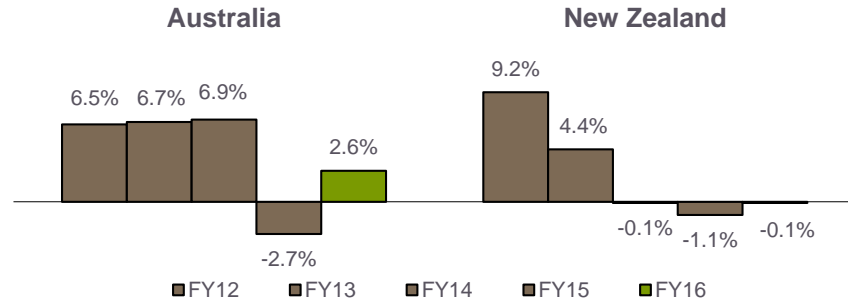
2. Same Store Sales Result



SAME STORE SALES: +1.6% at constant rates

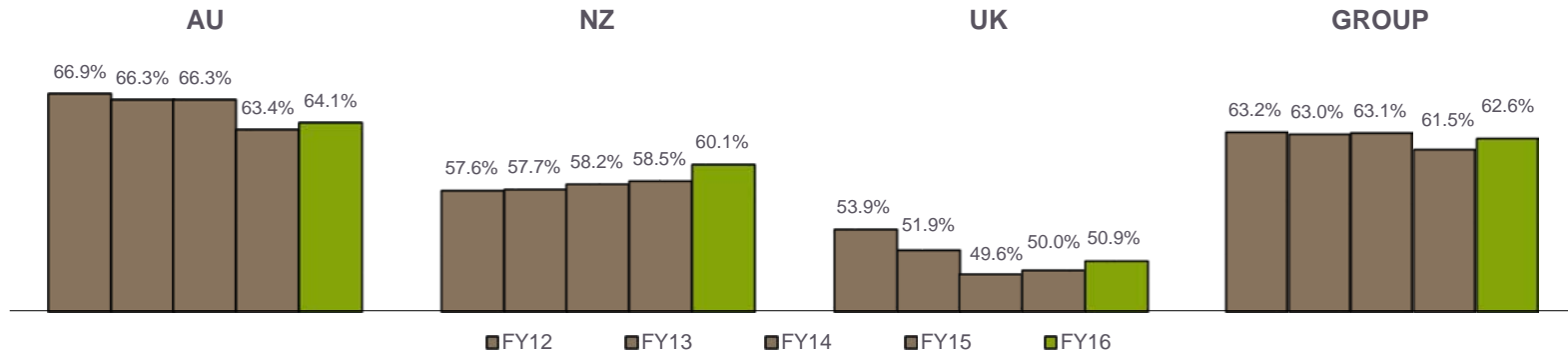
- » Same store sales:
 - +0.4% actual exchange rates
 - +1.6% constant exchange rates:
 - » Stores +0.6%
 - » Online +16.5%

- » UK same store sales +3.7% assisted by store closure clearance sales



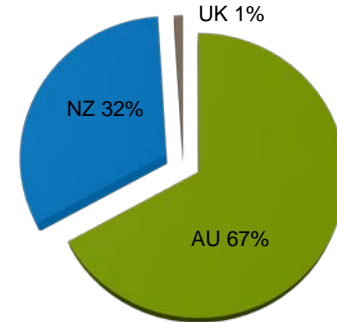
1. Measurement period FY16: 52 weeks ended 31 July 2016 compared to 52 weeks ended 2 August 2015
 2. Same store sales measurement includes Online and all stores from their 53rd week of trading

2. Gross Margin %



- » Average selling price improvement
- » Increased full price sell through (less clearance)
- » Currency impact in 2H FY17 largely offset by product newness and careful management of promotional activity

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



2. Cost of Doing Business



OPERATING EXPENSES: -1.6% to \$201.6m

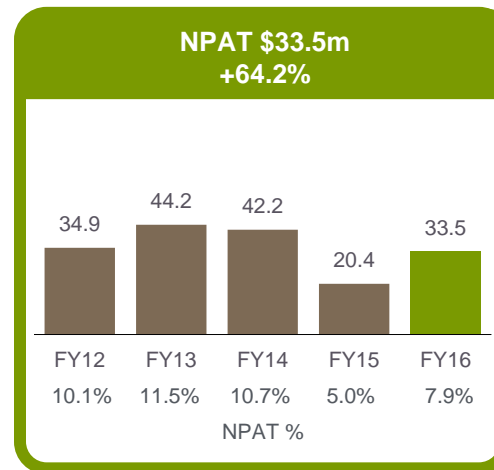
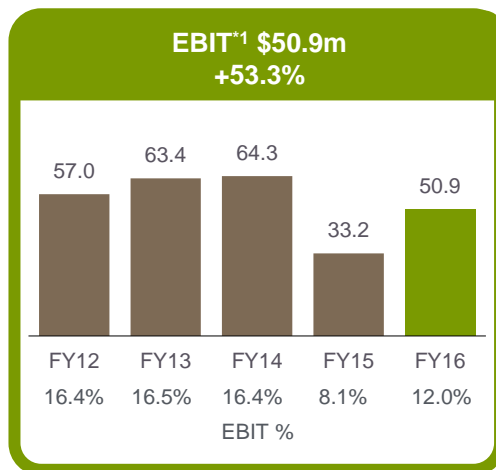
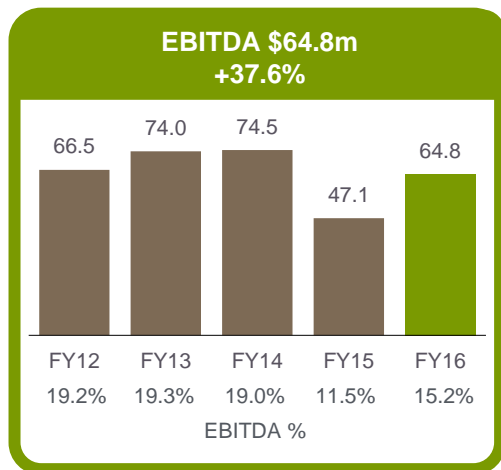
- » Rent expenses include flagship stores (Melbourne, Adelaide), new Australian distribution centre and New Zealand support office
- » Promotional spend reduced as a % of sales
- » Efficiencies gained through leveraging core systems investments (retail labour, distribution) and structural review of support office
- » Non-recurring items: relocations of the Australian distribution centre and Christchurch support office, and closure of UK stores:
 - » FY16 pre-tax \$2.0m, post-tax \$1.6m
 - » FY15 pre-tax \$1.9m, post-tax \$1.4m

NZD \$m	FY16	FY15	Var \$	Var %
Rent	58.3	53.0	5.3	10.0%
<i>% of Sales</i>	13.7%	12.9%		
Other operating expenses	143.3	151.8	(8.5)	(5.6%)
<i>% of Sales</i>	33.7%	37.1%		
Total operating expenses¹	201.6	204.8	(3.2)	(1.6%)
<i>% of Sales</i>	47.4%	50.0%		
Depreciation	13.9	13.9	0.0	0.0%
<i>% of Sales</i>	3.3%	3.4%		
Cost of doing business	215.5	218.7	(3.2)	(1.5%)
<i>% of Sales</i>	50.6%	53.4%		

1. FY16 total operating expense decrease attributable to year-on-year exchange rate translation movement \$2.3m

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

2. Earnings Summary



1. EBIT YOY adverse exchange rate translation impact in FY16: $-\$1.0m$ (FY15 $\$0.0m$)

3. Country Results



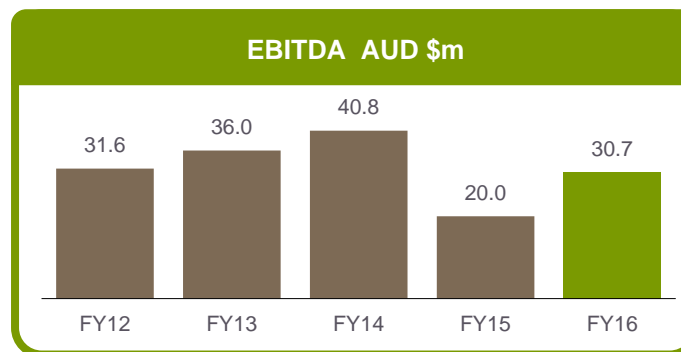
3. Australia



SALES: +7.4% to \$260.1m

- » Gross margin improved 70bps / 0.7% of sales
- » Total operating expenses (excl. depreciation):
 - » FY16 52.3% of sales
 - » FY15 55.1% of sales
- » 4 new stores:
 - » Melbourne (Eastland, Werribee)
 - » Brisbane (Gold Coast Harbour Town)
 - » Adelaide (Rundle Mall)
- » Relocated two stores, refurbished six stores

AUD \$m	FY16	FY15	Var %
Sales	260.1	242.1	7.4%
Same store sales growth	2.6%	(2.7%)	
EBITDA (trading result)	30.7	20.0	53.5%
EBITDA margin %	11.8%	8.3%	
Store count	114	110	



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

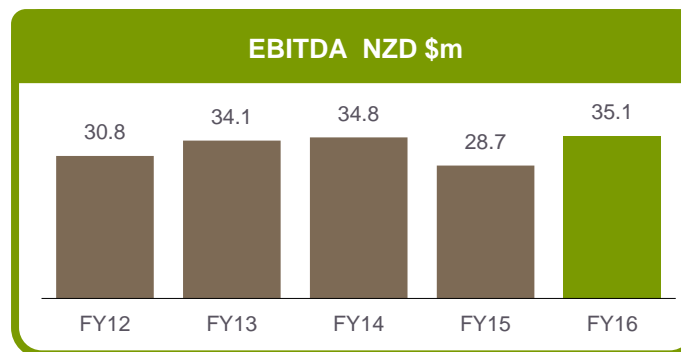
3. New Zealand



SALES: +1.9% to \$141.7m

- » Gross margin improved 160bps / 1.6% of sales contributing to record EBITDA trading result
- » Total operating expenses (excl. depreciation):
 - » FY16 35.3% of sales
 - » FY15 37.9% of sales
- » 1 new store:
 - » Tauranga (Bayfair)
- » Relocated: Christchurch CBD

NZD \$m	FY16	FY15	Var %
Sales	141.7	139.1	1.9%
Same store sales growth	(0.1%)	(1.1%)	
EBITDA (trading result)	35.1	28.7	22.3%
EBITDA margin %	24.8%	20.6%	
Store count	47	46	



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

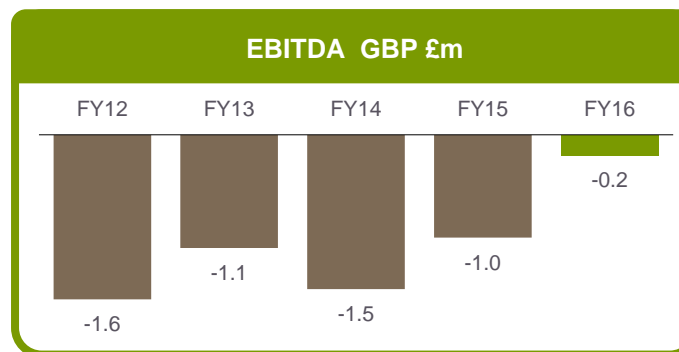
3. United Kingdom



SALES: -10.5% to £2.5m

- » Same store sales growth 3.7% assisted by store closures
- » Gross margin improved 90bps / 0.9% of sales
- » Total operating expenses (excl. depreciation):
 - » FY16 60.8% of sales
 - » FY15 86.7% of sales
- » 3 retail stores closed:
 - » Covent Garden
 - » Bristol
 - » Spitalfields

GBP £m	FY16	FY15	Var %
Sales	2.5	2.8	(10.5%)
Same store sales growth	3.7%	15.7%	
EBITDA (trading result)	(0.2)	(1.0)	76.0%
EBITDA margin %	(9.9%)	(36.7%)	
Store count	1	4	



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

4. Cash Flow, Balance Sheet, Dividend



4. Cash Flow



Operating cash flow:

- » Strong operating cash flow generated through improved profitability, inventory management and timing of lease incentives (Australian distribution centre)

Capital expenditure \$23.2m (LY \$20.0m):

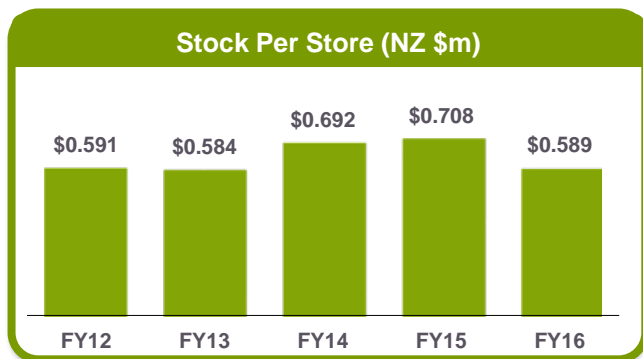
- » Stores \$8.0m (LY \$10.2m)
 - » 5 new stores
 - » 3 relocations
- » Infrastructure \$13.1m (LY \$5.1m)
 - » Melbourne distribution centre
 - » Christchurch new support office
- » Systems \$2.1m (LY \$4.7m)
 - » Workforce management
 - » Online enhancements

NZD \$m	FY16	FY15
NPAT	33.5	20.4
Change in working capital	20.5	(3.3)
Change in non-cash items	15.1	12.5
Operating cash flow	69.1	29.6

Key Line items:		
Net interest paid (including facility fees)	(2.8)	(4.2)
Income taxes paid	(15.3)	(12.5)
Capital expenditure	(23.2)	(20.0)
Dividends paid	(16.1)	(24.2)
Increase/(Decrease) in net debt	(24.6)	7.8

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

4. Balance Sheet



- » Year on year decrease in stock per store -14.1% at constant exchange rates (-16.8% at actual exchange rates)
- » Low net debt at year end contributing to lower borrowing costs
- » Current liability increase due to valuation of foreign exchange contracts and property incentives

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

NZD \$m	FY16	FY15
Inventories	95.4	113.3
Property, plant and equipment	61.6	54.1
Intangible assets	234.0	240.0
Other assets	15.3	21.4
Total assets (excl. cash)	406.3	428.8

Net interest bearing liabilities and cash	36.8	69.3
Other non-current liabilities	0.6	0.5
Current liabilities	59.8	45.7
Total liabilities (net of cash)	97.2	115.5
Net assets	309.1	313.3

Gearing Ratio	FY16	FY15
Gearing ¹	10.6%	18.1%
Stock Turns ²	1.5	1.5

4. Dividend



- » NZ 8.0 cents per share final dividend; full year payout NZ 11.0 cps (FY15 NZ 8.0 cps)
- » Dividend will be fully imputed for New Zealand shareholders
- » Dividend will be fully franked for Australian shareholders
- » Supplementary dividend of NZ 1.411 cents is payable to non-NZ shareholders
- » Record date 14 November 2016
- » Payment date 25 November 2016

4. Foreign Currency



FORWARD HEDGING POSITION		FY15	FY16	FY17	FY18
AUD/USD	% covered	100%	100%	90%+	10%+
	Effective Rate	0.886	0.796	0.720	0.760
NZD/USD	% covered	100%	100%	90%+	10%+
	Effective Rate	0.815	0.732	0.659	0.724

- » c. 10% deterioration in hedge rates for FY17 weighted to first half
- » Forward hedging position:
 - » Longest dated hedges September 2017
 - » FY17 over 90% cover for full year
 - » Rolling cover applied 12 months forward
- » No hedging NZD/AUD

A scenic landscape photograph of two hikers on a trail. The hiker on the left is wearing a purple jacket and a pink cap, while the hiker on the right is wearing a blue jacket. They are walking through tall green grass. In the background, there is a dense forest of evergreen trees, a winding river, and a range of snow-capped mountains under a cloudy sky.

“Design great, innovative, distinctive and sustainable quality products”

“Be customer-centric in everything we do”

5. Strategy Update – Continuous Improvement



Brand and customer

- » Promote brand distinctiveness with a focus on products that reinforce our expertise in adventure travel
- » Inspire our customers through personalised digital marketing, social media engagement, and CRM capability
- » Refresh Summit Club offer
- » Enhance the customer service experience and staff product knowledge



Store optimisation

- » Improve visual merchandising and product presentation in stores
- » Optimise space allocation to products that will maximise gross profit contribution
- » Invest in relocations / refurbishments that deliver return on capital



Pricing and promotion

- » Structure promotions to activate increased foot traffic and basket size, whilst maximising gross profit contribution
- » Customer-centric promotional calendar to avoid sales fatigue/dependency



5. Strategy Update – Continuous Improvement

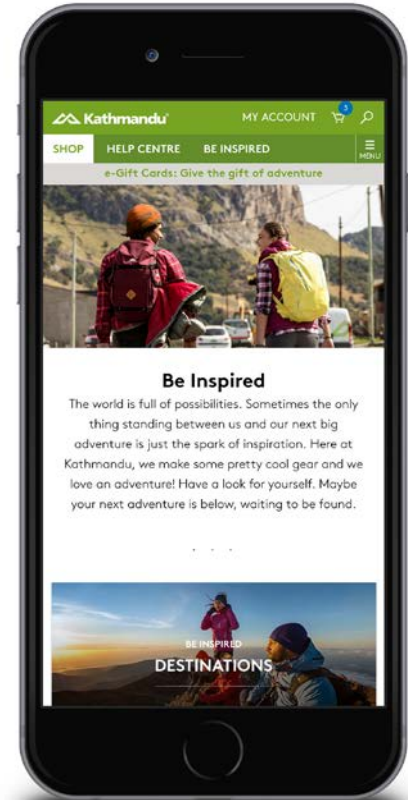


Omni-channel

- » Invest in our online platform to improve useability and functionality
- » Integrate inspirational online content in the path to purchase
- » Leverage our online platform in store to maximise customer conversion
- » Improve site visitation through targeted campaigns, affiliate partnering and social media
- » Offer complimentary products and services through our online channels

Cost efficiency

- » Protect profit margin through enhanced supplier partnerships
- » Leverage core systems and infrastructure investments to drive supply chain efficiency
- » Optimise store labour productivity and scheduling



5. Strategy Update – Growth



International

- » Leverage our brand equity and online platform to expand internationally using a capital light model
- » Entry strategies will be tailored to each key growth market, and may include online only, wholesale distribution, or franchised retail stores
- » Last UK store to be closed in FY17

Market places

- » Otto and Amazon.de opened 2H FY16
- » Evaluate further opportunities to offer our products on market place sites

Store network expansion

- » New store footprint expansion where return on investment justifies
- » 5 new stores opened in FY16 in Australasia
- » Store network target of 180 across Australasia



6. FY17 Outlook



6. FY17 Outlook



- » Too early to comment on FY17 trading due to promotional calendar timing changes
- » Challenging retail environment characterised by increasing competition
- » Continued focus on leveraging investments made
- » International to become step by step a stronger focus

7. Questions



A. Appendix 1 – Historical store count



1. Permanent open stores at balance date
2. Five new stores opened during FY16, and three UK stores closed. Excludes Online stores