

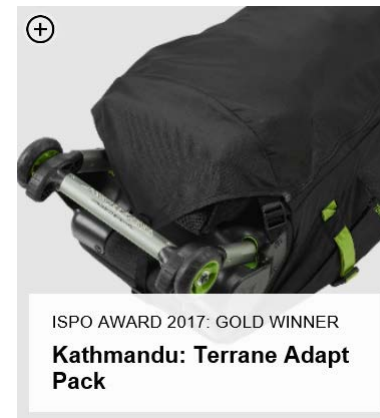
1H FY17 Results Presentation

March 2017



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GROWTH STRATEGIES

Continuous improvements

- » Brand and customer
- » Store optimisation
- » Pricing and promotion
- » Connected customer journey
- » Cost efficiency

Growth initiatives

- » International
- » Marketplaces
- » Store network expansion

1. Result Overview



1. Result Overview: Highlights



Key Points

- » Strong same store sales growth in Australia
- » Sales and net profit growth
- » Improved operating leverage
- » Lower financing costs from working capital efficiency
- » Interim dividend increased to NZ 4.0cps, from NZ 3.0cps

Sales and Margin

- » Sales increased by \$0.3m / 0.2%
- » Same store sales growth 3.4% (at constant exchange rates)
- » Gross margin 61.6%

Operating Costs

- » Operating expenses decreased 100 bps as a % of sales

Profit

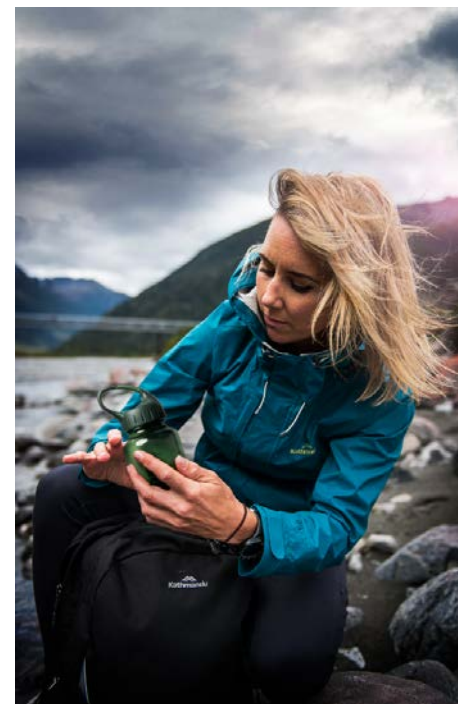
- » EBITDA \$21.5m, down 1.8%, \$22.0m at constant currency
- » EBIT \$14.8m, down 2.0%, \$15.2m at constant currency
- » NPAT \$10.0m, up 6.4%



1. Result Overview: Year-on-Year



NZD \$m ^{*1}	1H FY17	1H FY16	Var \$	Var %
SALES	196.3	196.0	0.3	0.2%
GROSS PROFIT <i>Gross margin</i>	121.0 61.6%	123.1 62.8%	(2.1)	(1.7%)
OPERATING EXPENSES <i>% of Sales</i>	(99.5) 50.7%	(101.3) 51.7%	1.8	(1.8%)
EBITDA <i>EBITDA margin %</i>	21.5 11.0%	21.9 11.2%	(0.4)	(1.8%)
EBIT^{*2} <i>EBIT margin %</i>	14.8 7.5%	15.1 7.7%	(0.3)	(2.0%)
NPAT	10.0	9.4	0.6	6.4%
Store count^{*3}	162	163	-1	



1. 1H FY17 NZD/AUD conversion rate 0.958 (1H FY16: 0.920), 1H FY17 NZD/GBP conversion rate 0.568 (1H FY16: 0.425)
2. EBIT YOY adverse exchange rate translation impact in 1H FY17 -\$0.4m
3. Excludes Online stores
4. Rounding differences may arise in totals, both \$ and %

2. Key Line Items

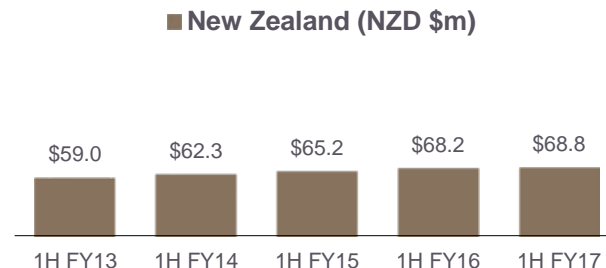
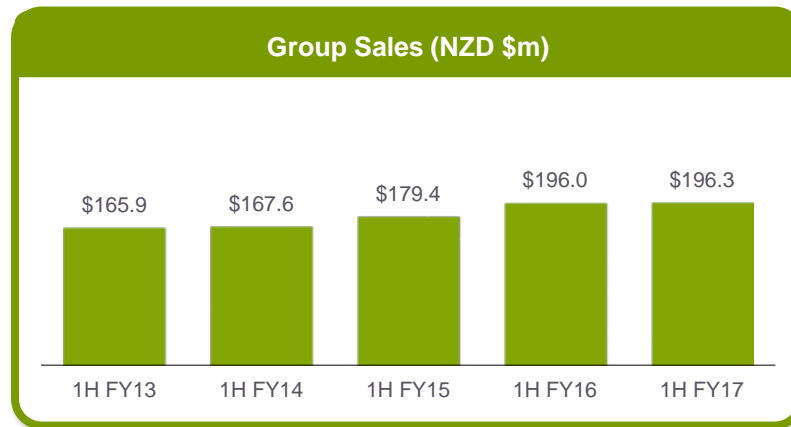
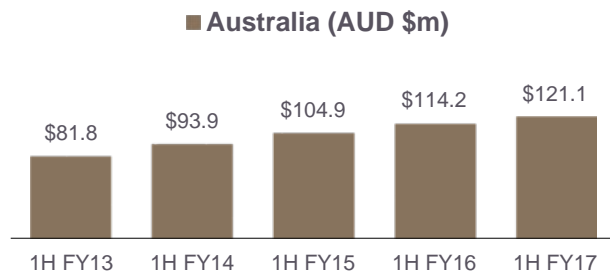


2. Sales



SALES: +0.2% to \$196.3m

- » Sales growth year on year:^{*1}
AU 6.0%, NZ 0.9%, UK -57.8%
- » At constant exchange rates total sales growth \$5.9m / 3.0%
- » Online sales grew by over 18%^{*1} to represent 7.4% of total sales

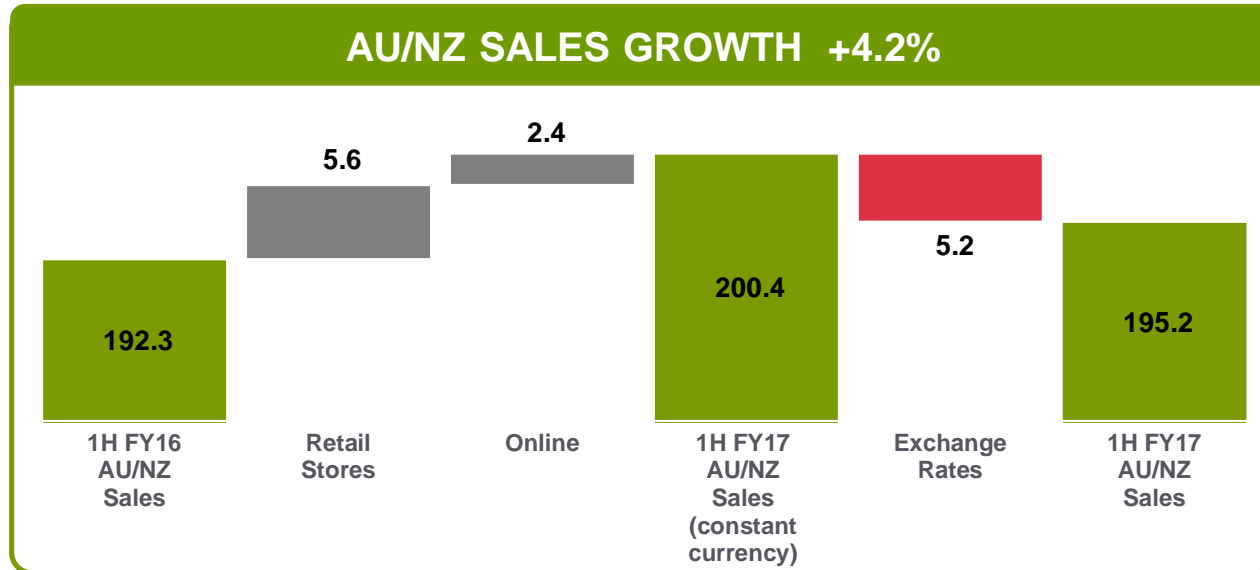


1. Calculated on local currency sales results (not affected by year-on-year exchange rate variation)
2. Country sales totals exclude inter-company sales
3. UK Sales: £654k 1H FY17 vs £1,548k 1H FY16

2. Australasian Sales Growth – constant currency



» Core business (AU/NZ) solid constant currency sales growth +4.2%



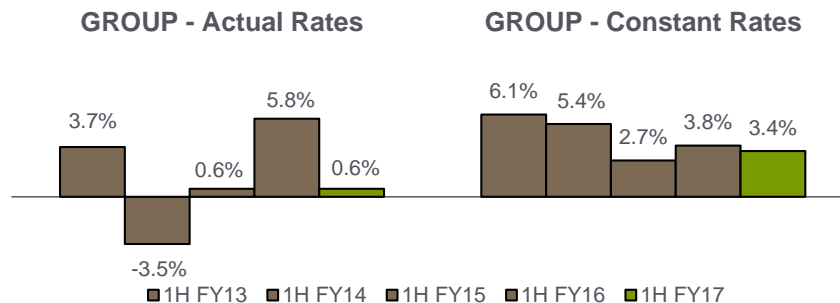
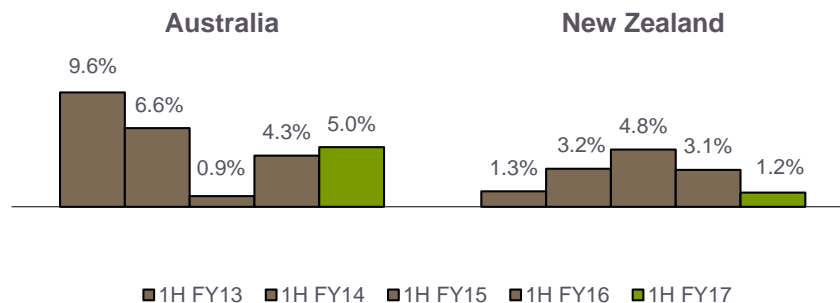
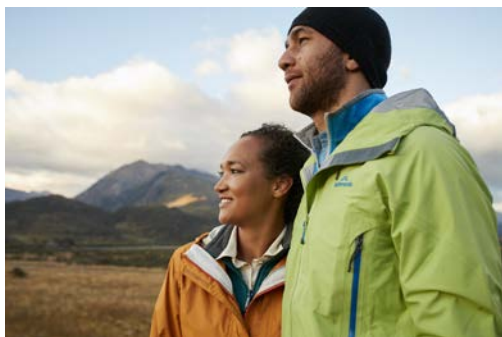
2. Same Store Sales Result



SAME STORE SALES: +3.4% at constant rates

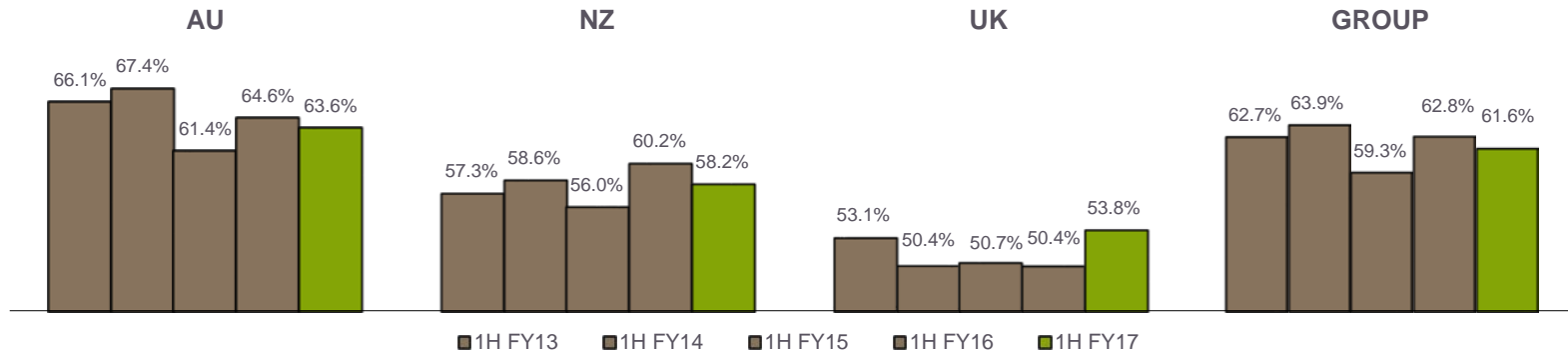
- » Same store sales:
 - +0.6% actual exchange rates
 - +3.4% constant exchange rates:
 - » Stores +2.5%
 - » Online +15.7%

- » UK same store sales -26.5%



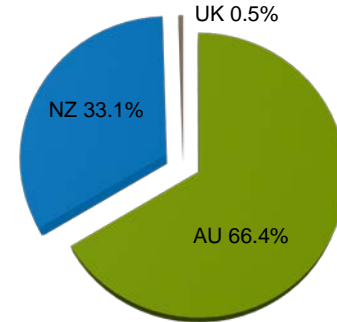
1. Measurement period FY17: 26 weeks ended 29 January 2017 compared to 26 weeks ended 31 January 2016
 2. Same store sales measurement includes Online and all stores from their 53rd week of trading

2. Gross Margin %



- » Gross margin impact due to favourable hedging rolling off. Largely offset by supplier negotiations, product newness, price action and improved stock control
- » Some impact from a higher clearance mix year on year
- » Hedge contract rates lower vs pcp:
 - » 2H FY16 -13%
 - » 1H FY17 -15%
 - » 2H FY17 -4%

1H FY17 SHARE OF BUSINESS
(GROSS PROFIT \$)



2. Cost of Doing Business



OPERATING EXPENSES: -1.8% to \$99.5m

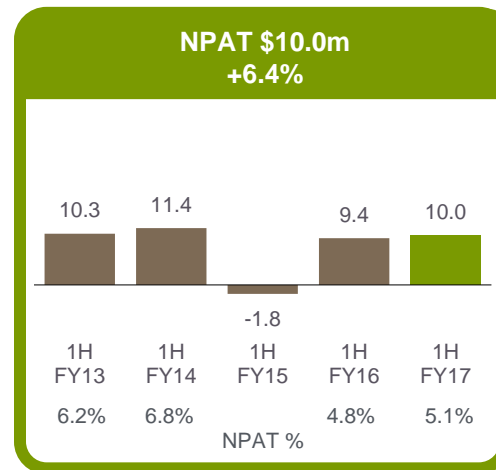
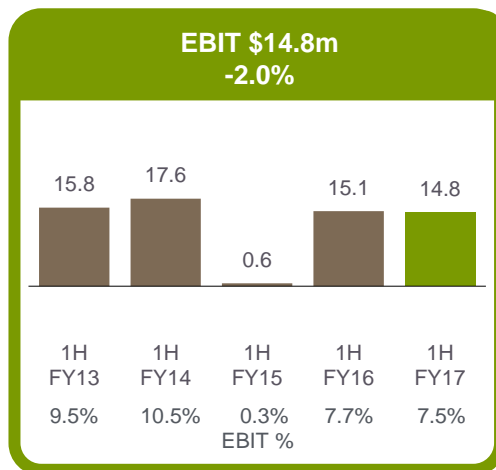
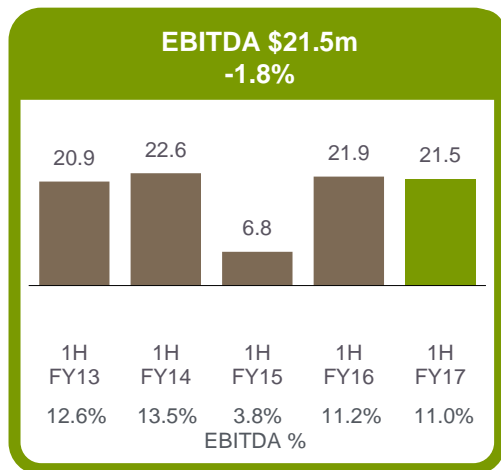
- » Rent increase includes new Australian distribution centre and New Zealand support office
- » Promotional spend more targeted as a % of sales
- » Efficiencies gained through optimising retail labour and FY16 structural review of support office
- » 1H FY16 non-recurring items cycled:
 - » closure of UK stores \$0.5m
 - » support office restructuring \$0.5m
- » 1H FY17 includes:
 - » international business opex investment \$0.2m

NZD \$m	1H FY17	1H FY16	Var \$	Var %
Rent	30.5	29.0	1.5	5.2%
<i>% of Sales</i>	15.5%	14.8%		
Other operating expenses	69.0	72.3	(3.3)	(4.6%)
<i>% of Sales</i>	35.2%	36.9%		
Total operating expenses¹	99.5	101.3	(1.8)	(1.8%)
<i>% of Sales</i>	50.7%	51.7%		
Depreciation	6.6	6.7	(0.1)	(1.5%)
<i>% of Sales</i>	3.4%	3.4%		
Cost of doing business	106.2	108.0	(1.8)	(1.7%)
<i>% of Sales</i>	54.1%	55.1%		

1. 1H FY17 total operating expense decrease attributable to year-on-year exchange rate translation movement \$3.0m

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

2. Earnings Summary



- EBITDA at constant exchange rates \$22.0m^{*1}
- EBIT at constant exchange rates \$15.2m^{*1}

1. Adjusted for the year on year translation impact of AUD and GBP results reported in NZD

3. Country Results



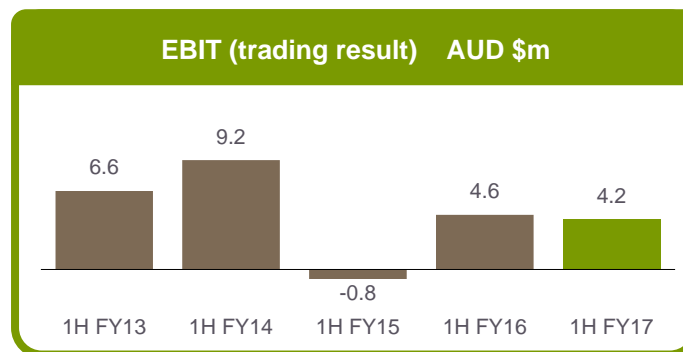
3. Australia



SALES: +6.0% to \$121.1m

- » Gross margin decreased 100bps / 1.0% of sales
- » Total operating expenses (incl. depreciation):
 - » 1H FY17 60.1% of sales
 - » 1H FY16 60.6% of sales
- » 2 new stores:
 - » Gold Coast Harbour Town (2H FY16)
 - » North Lakes (1H FY17)
- » 4 relocated/refurbished stores
 - » Pacific Fair, Warringah Mall, Doncaster, Essendon DFO
- » 1 store closed
 - » Logan (1H FY17)

AUD \$m ^{*1}	1H FY17	1H FY16	Var %
Sales	121.1	114.2	6.0%
Same store sales growth	5.0%	4.3%	
EBIT (trading result) ^{*2}	4.2	4.6	(8.7%)
EBIT margin %	3.5%	4.0%	
Store count	114	113	



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

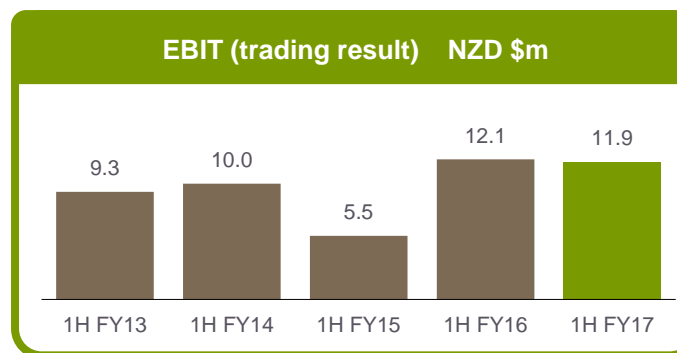
3. New Zealand



SALES: +0.9% to \$68.8m

- » Gross margin decreased 200bps / 2.0% of sales
- » Total operating expenses (incl. depreciation):
 - » FY17 40.9% of sales
 - » FY16 42.5% of sales
- » 1 relocated store
 - » Christchurch CBD (2H FY16)
- » 2 refurbished stores
 - » Sylvia Park, Queenstown

NZD \$m ^{*1}	1H FY17	1H FY16	Var %
Sales	68.8	68.2	0.9%
Same store sales growth	1.2%	3.1%	
EBIT (trading result) ^{*2}	11.9	12.1	(1.7%)
EBIT margin %	17.3%	17.7%	
Store count	47	47	



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

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

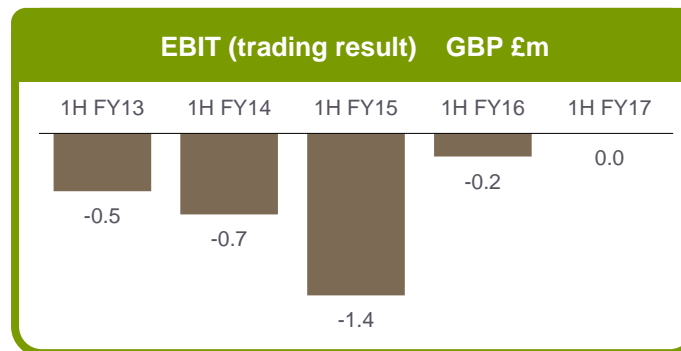
3. United Kingdom



SALES: -57.8% to £0.7m

- » Cycling store closures in FY16
- » Gross margin improved 340bps / 3.4% of sales
- » Total operating expenses (incl. depreciation):
 - » 1H FY17 47.7% of sales
 - » 1H FY16 62.0% of sales

GBP £m*1	1H FY17	1H FY16	Var %
Sales	0.7	1.5	(57.8%)
Same store sales growth	(26.5%)	0.2%	
EBIT (trading result)*2	0.0	(0.2)	
EBIT margin %	6.1%	(11.6%)	
Store count	1	3	



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

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

4. Cash Flow, Balance Sheet, Dividend



4. Cash Flow



**Capital expenditure \$6.8m
(LY \$12.9m - with significant investment in AU
distribution centre and flagship stores):**

- » Stores \$3.9m (LY \$5.7m)
 - » 1 new store
 - » 2 relocations
 - » 3 major refurbishments
 - » 1 minor expansion
- » Infrastructure \$1.9m (LY \$6.6m)
 - » Melbourne distribution centre
- » Systems \$1.0m (LY \$0.6m)
 - » Online enhancements
 - » Product lifecycle management systemelbeo

NZD \$m	1H FY17	1H FY16
NPAT	10.0	9.4
Change in working capital	(8.1)	7.3
Change in non-cash items	8.1	7.5
Operating cash flow	10.0	24.2

Key Line items:		
Net interest paid (including facility fees)	(1.3)	(1.8)
Income taxes paid	(6.7)	(7.0)
Capital expenditure	(6.8)	(12.9)
Dividends paid	(16.1)	(10.1)
Increase/(Decrease) in net debt	8.5	0.7

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

4. Balance Sheet



- » Year on year decrease in stock per store -3.8% at constant exchange rates (-6.2% at actual exchange rates)
- » Ongoing working capital efficiency contributing to lower debt and lower financing costs
- » Other assets reduction is hedging derivatives

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	1H FY17	1H FY16
Inventories	96.4	103.3
Property, plant and equipment	61.2	59.5
Intangible assets	231.5	237.3
Other assets	15.4	21.6
Total assets (excl. cash)	404.5	421.7

Net interest bearing liabilities and cash	48.9	66.8
Other non-current liabilities	0.3	0.5
Current liabilities	52.0	48.6
Total liabilities (net of cash)	101.2	115.9
Net assets	303.3	305.8

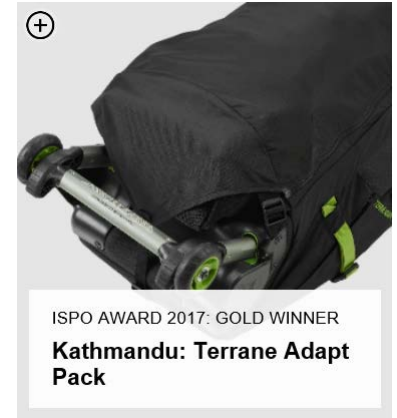
Key Ratios	1H FY17	1H FY16
Gearing ¹	13.9%	17.9%
Stock Turns ²	1.62	1.57

4. Dividend



- » NZ 4.0 cents per share interim dividend (1H FY16 NZ 3.0 cps)
- » Dividend will be fully imputed for New Zealand shareholders
- » Dividend will be unfranked for Australian shareholders
- » Supplementary dividend of NZ 0.706 cents is payable to non-NZ shareholders
- » Record date 2 June 2017
- » Payment date 16 June 2017
- » Final dividend is expected to be fully franked and fully imputed

5. Strategy Update



GROWTH STRATEGIES

Continuous improvements

- » Brand and customer
- » Store optimisation
- » Pricing and promotion
- » Connected customer journey
- » Cost efficiency

Growth initiatives

- » International
- » Marketplaces
- » Store network expansion

5. Strategy Update – Continuous Improvement



	Initiatives	Progress update
Brand and customer	<ul style="list-style-type: none"> » Promote brand distinctiveness with products that showcase our expertise in adventure travel » Leverage our social media and digital marketing investments to deliver great brand and product content » Promote customer engagement through Summit Club loyalty programme » Deliver comprehensive customer service 	<ul style="list-style-type: none"> » ISPO Gold award 2017 for Terrane Adapt pack » 26% increase in social media reach, 366% increase in click through, 6m video views » Summit Club 1.7m active members up from 1.5m last year, now over 1.0m active members in Australia » Coast to Coast event sponsored for the first time » Net promoter score >74% in New Zealand and Australia
Store optimisation	<ul style="list-style-type: none"> » Enhance visual merchandising in store: combining value message, product features and brand stories » Optimise product space allocation to maximise gross profit contribution » Invest in relocations / refurbishments that deliver return on capital 	<ul style="list-style-type: none"> » Store VM and product ranging trials conducted in FY16 executed in 1H FY17 and more in 2H FY17 » 6 stores relocated/refurbished in 1H FY17 » 8 relocations/refurbishments planned for 2H FY17
Pricing and promotion	<ul style="list-style-type: none"> » Continuously refine the structure of promotions to: <ul style="list-style-type: none"> » activate foot traffic » increase basket size » maximise gross profit 	<ul style="list-style-type: none"> » Constant innovation on promotional calendar to ensure freshness » Different offers and discount levels activated to drive higher basket size and increase average selling price

5. Strategy Update – Continuous Improvement



	Initiatives	Progress update
Connected customer journey	<p>Provide a channel agnostic offer: one range available to all customers wherever they choose to shop</p> <ul style="list-style-type: none"> » Invest in our online platform to further improve usability and functionality » Offer complementary products and services through our online channels » Drive site visitation through: <ul style="list-style-type: none"> » targeted Summit Club campaigns » affiliate partnering » social media 	<ul style="list-style-type: none"> » Responsive website launched in November 2016 » Online sales as a % of country sales are 7.7% Australia, 6.0% New Zealand » Digital marketing cloud tools deployed 1H FY17 providing targeted email capability
Cost efficiency	<ul style="list-style-type: none"> » Maintain profit margin through enhanced supplier partnerships » Drive supply chain efficiency through infrastructure investments and automation » Increase productivity by leveraging rostering systems investment » Leverage advertising content, particularly in social and digital media channels 	<ul style="list-style-type: none"> » Key supplier partnerships developed to enhance quality and profitability » Melbourne distribution centre investment completed, efficiency benefits realised from FY18 onwards » Foot traffic counters installed in all stores by June 2016, customer conversion a key KPI for all stores » Constant assessment of marketing campaign efficiencies based on reach and ROI

5. Strategy Update – Growth



	Initiatives	Progress update
International	<ul style="list-style-type: none"> » Identify and promote brand and product distinctive attributes that make Kathmandu relevant internationally » Leverage our brand equity and online platform to expand internationally using a capital light model » Entry strategies for key growth markets include online only, wholesale distribution, licensed or franchised retail stores 	<ul style="list-style-type: none"> » European wholesale partnerships to commence FY18
Marketplaces	<ul style="list-style-type: none"> » Sell through additional open marketplace sites where strategically relevant 	<ul style="list-style-type: none"> » Sales from marketplaces grew by 70% year on year » Increased collaboration on marketing programmes with TradeMe and eBay Australia
Store network expansion	<ul style="list-style-type: none"> » Store footprint expansion where return on investment justifies » Store network target of 180 across Australasia 	<ul style="list-style-type: none"> » 1 new store opened 1H FY17 » 2 new sites secured for 2H FY17

5. Sustainability



- » Our goal: **Australasian industry leadership in sustainability**
- » Recognition: awarded “Large Business Sustainability Leaders in Australia” by the Banksia Foundation, Australia’s longest running and arguably most prestigious sustainability awards program
- » Key achievements:
 - » **Workers’ rights:** progressing towards Fair Labor Association (FLA) accreditation by October 2017
 - » **Product stewardship:** first Australasian brand member of Bluesign for sustainable chemicals management, and increased our use of sustainable cotton from 59% to 74%
 - » **Minimising our footprint:** commissioned our third Green Star rated building as part of our progressive carbon reduction program. Installed soft plastics recycling for 7 stores as part of our new waste strategy
 - » **Community engagement:** implemented our first proactive Christmas giving campaign and collected in store clothing donations
 - » **Team development:** Embedded sustainability in our core values, and invested in team training and development
- » For more information – [Kathmandu’s 2016 Sustainability Report](#)

FOUR GOALS WE HAVE SET



FOR 2017
Use 2.5 million plastic bottles for our Repeve range



BY 2018
Zero waste to landfill



BY 2020
100% sustainable cotton



BY 2020
20% reduction of carbon emission

6. FY17 Outlook



6. FY17 Outlook



MARKET / ENVIRONMENT

- » Outdoor category competitor mix constantly changing and remains competitive

KATHMANDU

- » More than a retailer, Kathmandu is a great brand that designs great, innovative, distinctive and sustainable quality products
- » International wholesale business a developing growth opportunity
- » We remain committed to continuous improvement with key focuses on:
 - » same store sales growth, particularly in Australia
 - » strengthening the Kathmandu brand and customer engagement
 - » connecting with customers through social media and digital channels
 - » cost control and efficiencies

7. Questions





1. Permanent open stores at balance date
2. One new store opened during 1H FY17, and one new store closed. Excludes Online stores

Appendix 2 – Reconciliation of Country EBIT Trading Results



1H FY17 (\$'000)	Australia	New Zealand	United Kingdom	Other	Total
EBIT per Interim Report (NZD)	3,841	12,433	71	(1,515)	14,830
Internal charges not trading related* ¹ (NZD)	561	(561)	-	-	-
EBIT (trading result) (NZD)	4,402	11,872	71	(1,515)	14,830
EBIT (trading result) (Local currency)	4,217	11,872	40	(1,515)	

1H FY16 (\$'000)	Australia	New Zealand	United Kingdom	Other	Total
EBIT per Interim Report (NZD)	4,367	12,701	(424)	(1,505)	15,139
Internal charges not trading related* ¹ (NZD)	583	(583)	-	-	-
EBIT (trading result) (NZD)	4,950	12,118	(424)	(1,505)	15,139
EBIT (trading result) (Local currency)	4,554	12,118	(180)	(1,505)	

1. Internal charges not trading related include arm's length margins charged for internal services