

Macquarie Presentation

May 2017



Kathmandu[®]



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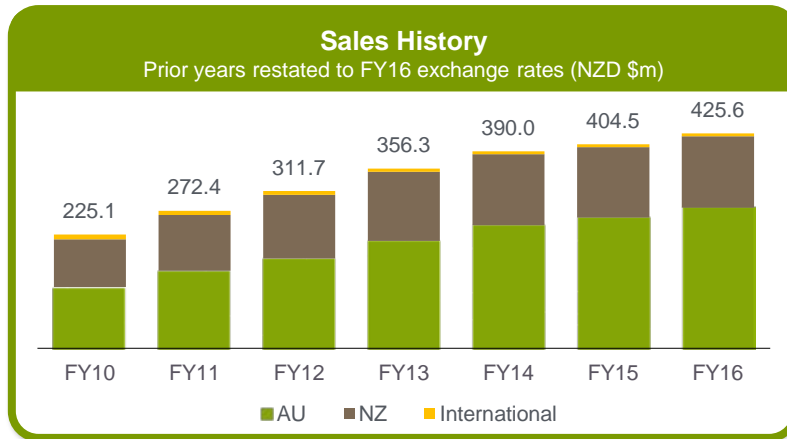
1. Company Overview



1. Company Overview



- » Australasian market leader in adventure travel and outdoor retail, established in 1987
- » Dual listed on the ASX and NZX in 2009
- » Sales growth driven by store rollout and same store sales growth
- » Sales CAGR since listing +11.2%*¹ (AU +14.8%, NZ +7.0%)



- » Australasian store network 162 stores (target 180)
- » 2,000 employees



1. Prior years restated to FY16 exchange rates

2. Key Strengths

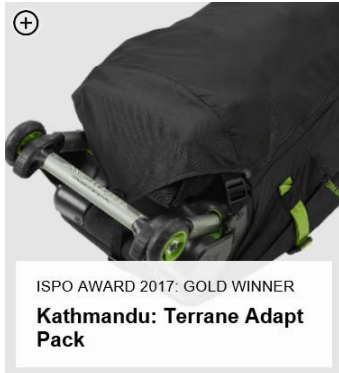


2. Key Strengths - Distinctive products



We design great, innovative, distinctive and sustainable quality products

- » Design-led business with an in-house team of designers
- » Bring solutions to customers, focussed on adventure travel
- » Balanced between function and style
- » Core product categories – Insulation, Rainwear, Packs & Bags, Footwear, Merino, Fleece
- » ISPO Gold Award 2017 for Terrane Adapt Pack



2. Key Strengths - Customer centric approach



- » Summit Club loyalty programme has grown to 1.7m active members, over 1.0m active members in Australia
- » Customer segmentation – balanced customer profile across all demographics
- » Objective to optimise market share with family adventurers and also opportunity exists to grow market share with younger demographic
- » Strong focus on customer experience:
 - » Offer great value and accessibility
 - » Channel agnostic, entire range available to all customers wherever they choose to shop
 - » Net promoter score a key KPI for retail teams. NPS tracking above 74%

2. Key Strengths - Authentic and inspirational brand



- » New Zealand heritage with deep roots
- » Brand distinctiveness through expertise in adventure travel
- » Leading outdoor brand awareness and preference in Australasia
- » 'Coast to Coast' iconic NZ adventure race main sponsor
- » Strong social media engagement driven by inspiring content:
1H FY17 6m video views, 26% increase YOY in social media reach,
366% increase in click through
- » Leverage CRM: personalised communication using predictive intelligence



2. Key Strengths - Core value of 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:** improved to a B+ in the Baptist World Aid Fashion Report, progressing towards Fair Labor Association (FLA) accreditation
 - » **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

2. Key Strengths - Effective sales model



- » Offer great value to customers, part of our DNA
- » Aligns sales with naturally key high footfall periods (Christmas, Easter, Winter)
- » De-risks the business model by reducing reliance on the winter season only
- » Promotions designed to provide simplicity for customers and incentivise basket size

- » Chart below compares Australia retail sales pattern vs KMD

FY16 Sales Distribution by Half Year

AU Discretionary Retail Sales ¹	1H FY16 53%	2H FY16 47%
Kathmandu FY16 Sales	1H FY16 46%	2H FY16 54%



1. Source: Australian Bureau of Statistics. Retail Turnover by Industry Group: Clothing, footwear, and personal accessory retailing

2. Key Strengths – A great team



- » 2,000 team members
- » Diversity of backgrounds - 35 nationalities
- » Balance between lifestyle and focus on performance
- » Key focuses:

**CUSTOMER
CENTRICITY**

**AUTHENTICITY &
DISTINCTIVENESS**

**COST CONTROL
& EFFICIENCIES**

**CLEAR KPI's &
METRICS**



2. Key Strengths - logistics capabilities and systems



- » Ongoing sustainable investment in systems capability
- » New Australian distribution centre with automated sortation capabilities



3. Commercial Channels

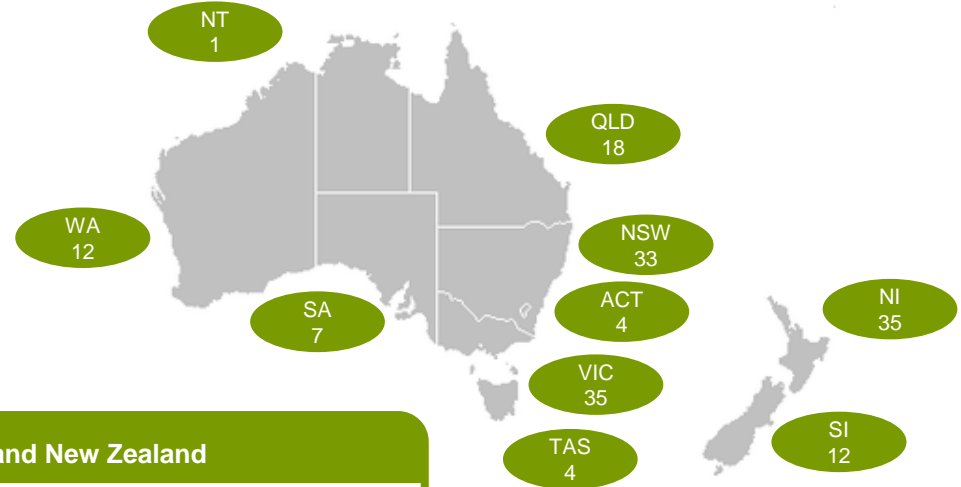


3. Commercial Channels – Stores

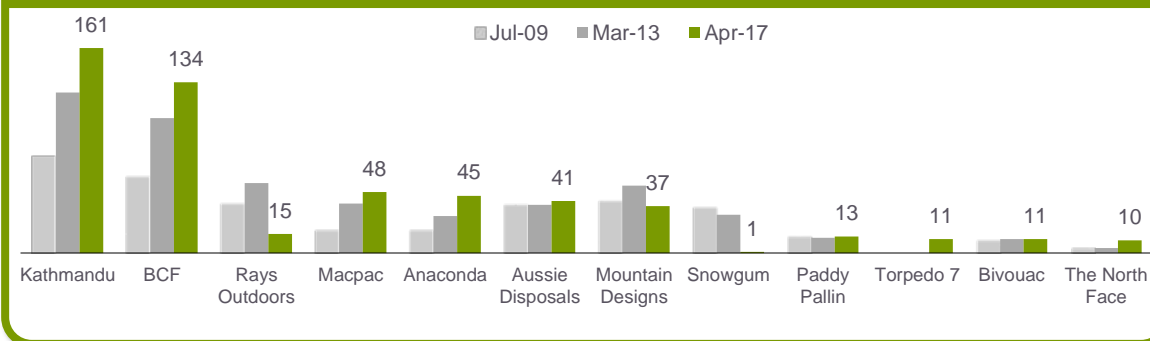


Extensive retail store network

- » Expertise in vertical retail
- » A business with scale
- » Profitable store network
- » Balanced between destination and shopping centre locations



Key Competitor Store Counts: Australia and New Zealand

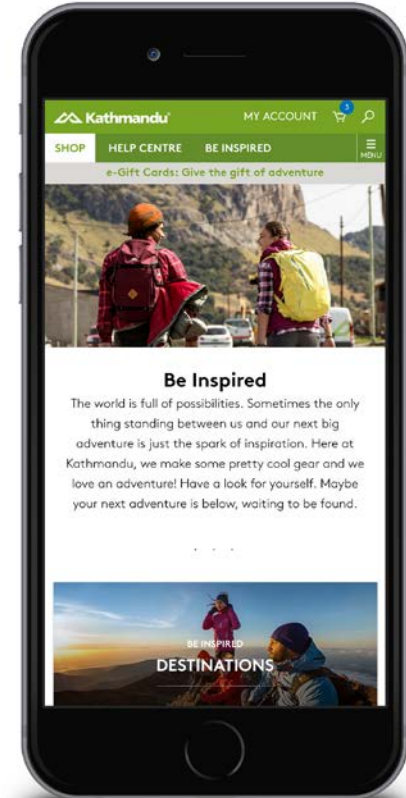
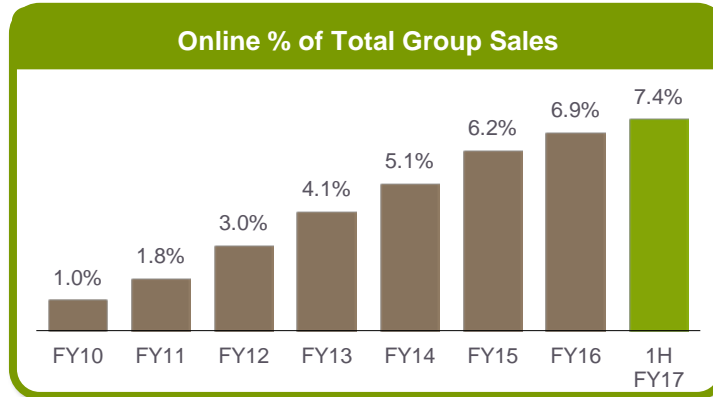


3. Commercial Channels - Online



A fast growing online business

- » Channel agnostic offer: one range available to all customers wherever they choose to shop
- » Online sales as a % of country sales are 7.7% Australia, 6.0% New Zealand
- » Continual reinvestment in capabilities and systems including the launch of a responsive website in Nov 2016
- » Digital marketing cloud tools deployed 1H FY17 providing targeted email capability



4. Market Overview



4. Market Overview



Australia

- » Significant capital investments over the last ten years in expanding store network
- » Scale is a key asset
- » High brand awareness established, focus on building brand preference
- » Opportunity remains to grow market share and increase penetration
- » Medium term growth opportunity

New Zealand

- » A mature and profitable market
- » High level of market share and penetration
- » Value driven customer



5. Financial and Key Ratios



5. Financial and Key Ratios



NZD \$m	FY12	FY13	FY14	FY15	FY16	
SALES	347.1	384.0	392.9	409.4	425.6	
<i>Gross margin</i>	63.2%	63.0%	63.1%	61.5%	62.6%	» Long-term target range 61% to 63%
<i>Operating expenses</i>	44.1%	43.8%	44.5%	50.0%	47.4%	» Operating costs as a % of sales an ongoing key focus
EBIT	57.0	63.4	64.3	33.2	50.9	
<i>EBIT margin %</i>	16.4%	16.5%	16.4%	8.1%	12.0%	
NPAT	34.9	44.2	42.2	20.4	33.5	
<i>NPAT margin %</i>	10.1%	11.5%	10.7%	5.0%	7.9%	
Operating Cash Flow	32.5	45.7	31.2	29.6	69.1	» Strong operating cash flows from improved inventory mgmt
Net Debt (year end)	51.9	40.2	55.3	69.3	36.8	» Net debt reducing through free cash flow
Stock Turns	2.00	1.85	1.58	1.45	1.53	» Targeting improvement in stock turns to above 2.0
Gearing Ratio	15.7%	12.0%	15.5%	18.1%	10.6%	» Strong, stable and improving balance sheet position

6. Key Strategies





A business in transformation:

RETAILER TO A **BRAND**
LOCAL TO A **GLOBAL** BUSINESS
BRICKS & MORTAR TO **OMNICHANNEL**
OPENING TO **OPTIMISING** STORES
TRADITIONAL TO **DIGITAL** MARKETING
BROADCASTING TO **ENGAGING**

6. Key Strategies



GROWTH STRATEGIES

Continuous improvement

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

Growth initiatives

- » International
- » Marketplaces
- » Store network expansion

6. Key Strategies – Continuous improvement



Brand and customer

- » Elevate brand distinctiveness through product design and innovation
- » Focus on our expertise in adventure travel
- » Inspire our customers and engage with our Summit Club members
- » Enhance the customer service experience and staff product knowledge

Store optimisation

- » Focus on same store sales growth, particularly in Australia
- » Optimise space allocation to products that maximise gross profit contribution
- » Improve customer conversion rates in-store
- » Optimise visual merchandising and product presentation in stores
- » Invest in relocations / refurbishments that deliver return on capital

Pricing and promotion

- » Continually refine the structure of promotions to:
 - » leverage foot traffic in key trading periods: Christmas, Winter, and Autumn
 - » increase basket size and maximise gross profit
 - » Improve clarity of promotions

6. Key Strategies – Continuous improvement



Connected customer journey

- » Provide a channel agnostic offer: one range available to all customers wherever they choose to shop
- » Digital marketing cloud tools deployed 1H FY17 providing targeted email capability
- » Responsive website launched in November 2016
- » Drive site visitation through:
 - » targeted Summit Club campaigns
 - » affiliate partnering
 - » social media

Cost efficiency

- » 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

6. Key Strategies – Growth initiatives



International

- » Identify and promote distinctive brand and product attributes that make Kathmandu relevant internationally
- » Tailor capital light entry strategies for key growth markets:
 - » Direct to customer online channel launched in the US
 - » Initial wholesale trials secured for European Winter 2017 with SportScheck, Germanys largest sports retailer, and Go Outdoors, a key outdoor retailer in the UK
 - » Other European wholesale partnerships to commence FY18

Marketplaces

- » Sell through additional open marketplace sites where strategically relevant
- » Amazon launch in Australia provides both opportunities and risks

Store network expansion

- » Store footprint expansion where return on investment justifies
- » Store network target of 180 across Australasia

7. Trading Update



7. Trading Update



STRONG THIRD QUARTER PERFORMANCE

- » Total Group sales for the 13 weeks 30 January to 30 April up 11.9% YOY at constant exchange rates (9.3% at actual exchange rates)
- » Same store sales for the same period up 11.5% YOY at constant exchange rates (9.0% at actual exchange rates)
- » Same store sales FY17 YTD up 6.0% YOY at constant exchange rates (3.6% at actual exchange rates)
- » Strong trading performance in Q3 assisted by:
 - » new product performance
 - » improved promotional execution

FULL YEAR FY17 OUTLOOK

- » Winter Sale in June/July is our largest promotional event of the year and remains key to the full year result



Thank you!