

(All amounts in NZ\$ unless otherwise stated)

Strategic initiatives position KMD Brands for return to global growth

Leading global outdoor, lifestyle and sports company, KMD Brands Limited (**ASX / NZX: KMD**, 'KMD' or the '**Company**'), is pleased to announce its results for the six months ended 31 January 2022 (1H FY22).

1H FY22 key highlights (vs 1H FY21):

- Sales of \$407.3 million (1H FY21: \$410.7 million)
 - positive Q2 rebound following Q1 COVID lockdown impacts on Kathmandu and Rip Curl in Australasia
 - Oboz impacted by COVID closure of Vietnam factories (now reopened)
- Gross margin of 57.7% (1H FY21: 59.0%), due to elevated international freight costs, and increased clearance mix for the Kathmandu brand
- Underlying EBITDA of \$10.2 million (1H FY21: \$48.2 million) (excluding the impact of IFRS 16)
- Statutory NPAT loss of \$(5.5) million
- Strong balance sheet with \$48.6 million net debt and comfortably within all covenants; significant funding headroom of c.\$250 million
- Interim dividend increased by 50% to 3.0 cents per share (fully franked for Australian shareholders)

Commenting on the 1H FY22 results, Group CEO & Managing Director Michael Daly said:

"We continued to deliver on our strategic objectives, positioning KMD Brands for growth as travel rebounds globally and COVID-related impacts on supply abate. We maintained a strong focus on building our global brands, sponsoring the first ever World Surf League finals, with the men's event won by a Rip Curl surfer. We opened twelve new owned / licensed retail stores globally, and online sales increased to 17.4% of direct-to-consumer sales, rewarding initiatives to elevate digital capabilities. Substantial progress was also achieved on our ESG strategy."

"Rip Curl delivered sales growth of 2.7% over the half, with strong sales growth in online and wholesale channels, underpinned by strong performance in Europe and Hawaii in particular, while North America was impacted by short-term wetsuit shortages and port congestion. Rip Curl returned to same store sales growth in Q2, as lockdown restrictions lifted and the business rebounded."

"The Kathmandu Australasian store network was more impacted by COVID closures in Q1 than the Rip Curl global store network, before recovering strongly in Q2. While Kathmandu continued to feel the impacts of COVID related travel restrictions, we were pleased to see a 46.4% increase in online sales, and the business is well positioned to grow internationally, with the Europe Fall / Winter 22 sell-in complete, and forward orders in line with expectations."



“Oboz was impacted by the closure of Vietnam supplier factories due to COVID lockdowns, with approximately half of 1H FY22 orders unable to be fulfilled. However, the demand for the Oboz brand and products has never been stronger, with forward orders into FY23 very strong and supporting our medium-term growth targets.”

“Our rebranding to KMD Brands earlier this month reflects our purpose to inspire people to explore and love the outdoors, with a vision of being the leading family of global outdoor brands – designed for purpose, driven by innovation, best for people and planet. It is with this ethos in mind that we look to develop our portfolio of global brands, underpinned by investments that deliver a world-class unified commerce experience, and our commitment to operational excellence and leadership in ESG.”

Group financial performance

NZ\$ million ²	Statutory	Underlying ¹		
	1H FY22	1H FY22	1H FY21	Var %
Sales	407.3	407.3	410.7	(0.8%)
Gross Profit	234.9	234.9	242.5	(3.1%)
Operating Expenses	(178.8)	(224.7)	(194.3)	15.7%
EBITDA	56.1	10.2	48.2	(78.8%)
EBIT	0.9	(5.5)	33.4	
NPAT	(5.5)	(6.8)	23.1	

The 1H FY22 Group results were underpinned by positive Q2 sales following Q1 COVID lockdown impacts on Kathmandu and Rip Curl in Australasia. While these lockdowns impacted EBITDA by c. \$35 million, Q2 underlying EBITDA was above last year reflecting the rebound in sales.

The Group invested in the long-term value of all three brands, with an additional \$14 million expenditure in 1H FY22 to support brand marketing.

Rip Curl: result underpinned by online and wholesale channel growth

NZ\$ million	Underlying ¹		
	1H FY22	1H FY21	Var%
Sales	257.8	251.1	2.7%
Gross Profit	152.7	150.3	1.5%
Operating Expenses	(118.9)	(101.7)	17.0%
EBITDA	33.7	48.7	(30.7%)
EBIT	26.4	41.4	(36.4%)

¹ Underlying results exclude the impact of IFRS 16 leases and one-off abnormal costs

² 1H FY22 NZD/AUD conversion rate 0.953 (1H FY21: 0.931), 1H FY22 NZD/USD conversion rate 0.694 (1H FY21 0.684)



Rip Curl's results were supported by strong sales growth in online and wholesale channels, with total sales up 2.7% on 1H FY21. Europe and Hawaii in particular achieved strong sales growth, while North America was impacted by wetsuit shortages and port congestion, and Australia was impacted by COVID-related store closures during Q1.

Direct-to-consumer ('DTC') same store sales growth (comprising owned retail stores and online) was up 2.1%, adjusted for COVID lockdowns³. Q2 same store sales growth was +3.0%, with +20.1% same store sales growth compared to Q2 FY20 (pre-COVID). Online sales grew by 14.5%, with penetration increasing from 11.5% of DTC sales in 1H FY21 to 13.8% of DTC sales in 1H FY22.

Wholesale sales were up 16.1%, with less COVID interruption to the 1H FY22 sell-in period than last year. The slight reduction in gross margin to 59.2% (1H FY21: 59.9%) was due to a higher wholesale mix and elevated international freight costs.

Kathmandu: rebounded in Q2

NZ\$ million	Underlying ¹		
	1H FY22	1H FY21	Var %
Sales	128.3	129.3	(0.8%)
Gross Profit	74.3	82.0	(9.4%)
Operating Expenses	(92.6)	(81.4)	13.7%
EBITDA	(18.3)	0.5	
EBIT	(26.3)	(6.8)	

Kathmandu's performance continued to be impacted by COVID-related lockdowns and travel restrictions. Same store sales (including online)³ were up 3.0% overall, as a result of a strong Q2 rebound, where same store sales grew by +15.4%. Online sales grew 46.4%, with penetration increasing from 14.4% of sales in 1H FY21 to 21.2% in 1H FY22.

Gross margin was impacted by an elevated clearance mix and elevated international freight costs.

Oboz: result reflects unprecedented supply challenges

NZ\$ million	Underlying ¹		
	1H FY22	1H FY21	Var %
Sales	21.2	30.4	(30.2%)
Gross Profit	7.7	10.5	(27.0%)
Operating Expenses	(8.0)	(6.7)	20.3%

³ Same store sales are for the 26 full weeks ended 30 January 2022 and are measured at constant currency. Adjusted same store sales removes stores that were not able to open for a comparable period in either year because of COVID closures.



EBITDA	(0.4)	3.8	
EBIT	(0.8)	3.6	

Oboz wholesale and online sales were heavily impacted by the three-month COVID-related closure of Vietnam factories and compounded by international freight delays, with approximately 50% of 1H FY22 orders unable to be fulfilled. Oboz Vietnam factories have since reopened and are ramping up production, with supply expected to recover during 2H FY22.

Gross margin was impacted by significant international freight costs averaging more than 300% over the historical average.

Strong balance sheet

The strong balance sheet position allows the Group to support growth investments and pursue attractive M&A opportunities. The Group had a net debt position of \$48.6 million, with significant funding headroom of c. \$250 million, with all debt facility covenants comfortably complied with.

Inventory is \$20 million above January 2021, and is being managed to mitigate increased production lead times and international shipping delays. January stock balances traditionally include stock build for key Rip Curl Northern Hemisphere summer and Kathmandu winter seasons.

The adjusted operating cash outflow was \$50.1 million.

As a result of the strong Balance Sheet and outlook for a recovery post-lockdowns, the Directors declared an interim dividend of NZ 3.0 cents per share, a 50% increase from NZ 2.0 cents last year. The interim dividend will be fully franked for Australian shareholders, and not imputed for New Zealand shareholders. The record date for this dividend is 15 June 2022, and the payment date is 30 June 2022.

Committed to ESG excellence

Commenting on the Group's ESG initiatives, Mr Daly said: "During 1H FY22, we achieved a number of ESG milestones across our businesses. We expanded our wetsuit take-back program to all Rip Curl stores in Australia and finalised Rip Curl's ESG strategy. We were honoured to have Kathmandu win the Deloitte New Zealand Top 200 Sustainable Business Leadership award, a testament to the hard work of our team. Lastly, Oboz established an employee volunteer program, so our staff can give back to the community."

"We are leading the way in ESG initiatives to improve our business and have a positive influence on the wider communities we operate within and impact. Sustainability is at the core of our businesses, and we are working towards finalising and communicating our Group ESG strategy, which will include setting science-based targets. We continue our work to extend Kathmandu's B-Corp certification across all three of our brands."



Outlook

Mr Daly said:

“While we continue to navigate impacts from COVID on global supply chains, forward demand for our Rip Curl and Oboz products remains at record levels, and Kathmandu enters the traditionally strong winter season well prepared.”

“We will continue to invest in building our global brands in the second half, with the launch of Kathmandu online sites in Europe and Canada and the merging of Canada and UK fulfilment centres for all brands.”

“We remain focused on several key initiatives to elevate our digital capabilities, with the Club Rip Curl loyalty scheme due to launch in the second half. In addition, we will relaunch Kathmandu’s Summit Club, with an exciting new value proposition.”

“I am excited by the opportunities we have to build our portfolio of brands under our new parent company KMD Brands. The parent company is providing vision and strategic guidance to enable group synergies, including sharing expertise in technology, materials and leveraging operational excellence in sourcing, supply chain and systems, to deliver the best customer experience across our brands.”

Investor briefing being held today @ 8:30am AEDT / 10:30am NZDT

Michael Daly (Group CEO & Managing Director) and Chris Kinraid (Group CFO) will be holding a briefing session for investors and analysts at 8:30am AEDT / 10:30am NZDT today. To pre-register and avoid a queue when calling, please follow this link:

https://event.webcasts.com/starthere.jsp?ei=1533195&tp_key=075e00df55

If you are unable to pre-register, at the time of the call please dial one of the numbers below and provide the **conference ID 177616** to the operator.

Australia Toll Free:	1800 590 693
Australia Local:	+61 3 8317 0929
Australia Alt. Local:	+61 7 3105 0937
New Zealand Toll Free:	0800 423 972
United States:	800 289 0459
Brazil	+55 11 3181 5319
France	+33 1 76 77 22 73

This announcement has been authorised for release to NZX and ASX by the Board of Directors of KMD Brands Limited.

- ENDS -



For further information, please contact:

Investors

Eric Kuret, Market Eye

P: +61 417 311 335

E: eric.kuret@marketeye.com.au

Media

Helen McCombie, Citadel-MAGNUS

P: + 61 2 8234 0103

About KMD Brands

KMD Brands is a global outdoor, lifestyle and sports company consisting of three iconic brands: Kathmandu, Rip Curl and Oboz. A Certified B Corp, Kathmandu was founded in 1987 in New Zealand and specialises in quality clothing and equipment for travel and adventure. Oboz, part of the group since 2018, is based in North America and designs 'True to the Trail®' outdoor footwear to help people explore the wilderness. Rip Curl, acquired in 2019, is a leading global surf brand born in Bells Beach, Australia in 1969. Through these three brands KMD Brands has transformed from a leading Australasian retailer to a brand-led global multi-channel business.

www.kmdbrands.com

