

20 September 2022

(All amounts in NZ\$ unless otherwise stated)

KMD Brands delivers record sales and dividend in FY22

KMD Brands Limited (ASX/NZX: KMD, “KMD” or the “Company”) is pleased to announce its results for the twelve months ended 31 July 2022 (“FY22”).

FY22 key highlights (vs FY21):

- Group sales up 6.2% to \$979.8 million, a record for KMD Brands
 - Continued growth in Rip Curl sales, highest-ever Kathmandu sales in Q4, and record order demand for Oboz products
- Gross margin maintained at 58.9% despite input cost pressure
- Underlying EBITDA¹ of \$92.0 million reflects the impact of Q1 Australasian lockdowns and Oboz supply chain COVID disruption
 - Record second half Group sales and underlying EBITDA
- Statutory NPAT of \$36.8 million; Underlying NPAT¹ of \$36.2 million
- Strong balance sheet position supports investment in organic brand growth
- Final dividend of 3 cents per share (fully franked for Australian shareholders); total FY22 dividend of 6 cents per share represents a record \$42.5 million dividends declared in FY22

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

“KMD Brands continued to deliver strong results over the past 12 months while navigating substantial COVID challenges in the first half. The strength of our brands was evident in record Group sales of nearly \$980 million, with a strong return to sales growth across all of our brands in the final quarter. In addition, we made significant progress across each of our strategic pillars to build global brands, elevate our digital presence, leverage our operational excellence, and be a leader in ESG.”

“Rip Curl achieved sales growth across all channels and key international regions, particularly Europe, Hawaii and South-East Asia, as we continued to invest in the long-term value of the brand. Rip Curl’s wholesale order books remain significantly above pre-COVID levels, allowing us to better manage supply chain disruption through near-term inventory investment.”

“Although impacted substantially by COVID lockdowns and restricted travel in the first half of FY22, Kathmandu saw a strong rebound in the second half. The brand achieved its highest-ever sales result in Australia for the key winter promotion period during Q4, and its highest-ever second half gross margin result. Oboz continued its strong brand momentum, with record demand for Oboz products as COVID supply challenges were addressed.”

“With the effects of COVID now largely behind us and international travel returning, we are very focused on executing our growth strategy through expanding our global footprint, investing in digital platforms, leveraging operational excellence, and leading the industry through sustainability and innovation.”

¹ Excluding the impact of IFRS 16



Group financial performance

NZ\$ million ³	Statutory	Underlying ²		
	FY22	FY22	FY21	Var %
Sales	979.8	979.8	922.8	6.2%
Gross Profit	576.7	576.7	541.6	6.5%
Gross margin	58.9%	58.9%	58.7%	
Operating Expenses	(396.8)	(484.7)	(432.1)	12.2%
EBITDA	179.9	92.0	109.5	(16.0%)
EBIT	67.4	57.1	80.9	(29.4%)

The FY22 Group results were underpinned by sales growth in Rip Curl and Kathmandu. Although the Group, like most global consumer companies, experienced elevated international freight costs and raw material cost pressures, gross margin was maintained at 58.9%. Operating expenses reflect higher wage and rent costs relative to sales, supporting teams during significant periods of COVID-related store closures, particularly in Q1. The Group also upweighted investment in brand marketing and ESG to drive future brand growth (+\$18.6 million increase YOY).

Rip Curl: sales growth across all channels

NZ\$ million	Underlying ²		
	FY22	FY21	Var%
Sales	536.8	490.4	9.5%
EBITDA	59.1	65.8	(10.1%)
EBIT	43.5	51.4	(15.3%)

Rip Curl's results were underpinned by sales growth across all channels, with total sales up 9.5% to \$536.8 million. Europe, Hawaii, and South-East Asia in particular achieved strong sales growth.

Wholesale sales were up 16.5% with less COVID disruptions to the 1H FY22 sell-in period, and continued strong growth in 2H. Rip Curl wholesale forward order books remain significantly above pre-COVID levels. The wholesale channel now accounts for a similar level of sales to the retail store channel. The direct-to-consumer (DTC) channel, encompassing owned retail stores and online, generated same store sales growth of 3.9%.

EBITDA reduced given elevated international freight costs, and planned investment in further long-term brand building in key markets.

Kathmandu: strong winter season performance

NZ\$ million	Underlying ²		
	FY22	FY21	Var %
Sales	381.6	357.4	6.8%
EBITDA	36.4	37.9	(4.1%)
EBIT	18.0	24.3	(26.0%)

² Excluding the impact of IFRS 16

³ FY22 NZD/AUD conversion rate 0.935 (FY21: 0.931), FY22 NZD/USD conversion rate 0.674 (FY21 0.699)



Kathmandu's performance was underpinned by a strong winter season, with Q4 sales and gross margin both above FY19 (pre-COVID). Total sales were up 6.8% to \$381.6 million, with a strong rebound after lockdowns. The wholesale channel strategy was launched, representing a substantial global growth opportunity for the brand, with encouraging early wholesale orders taken from a select number of retailers in Europe and Canada.

DTC still accounts for nearly all of Kathmandu sales, with DTC same store sales growth up 9.1%. Online sales grew 24.9%, now representing 18.7% of total sales. The sales result was supported by continued investment in the long-term value of the brand and an embedded loyalty base of close to 2 million members.

Full year EBITDA reduced slightly, with profitability rebounding in 2H following COVID lockdowns in 1H. Kathmandu achieved the highest-ever 2H gross margin result. Raw material and international freight cost pressure was more than offset by currency benefit and the deliberate strategy to carefully moderate the historic 'high-low' pricing model. Brand momentum is building from a renewed focus on, and investment in, marketing and product.

Oboz: impacted by unprecedented and transitory supply challenges

NZ\$ million	Underlying ²		
	FY22	FY21	Var %
Sales	61.3	75.0	(18.2%)
EBITDA	3.3	11.8	(71.7%)
EBIT	2.5	11.3	(78.0%)

Oboz wholesale and online sales were heavily impacted by the three-month COVID closure of Vietnam factories and compounded by international freight delays, with approximately 40% of FY22 orders unable to be fulfilled. Factories resumed full production during Q3, with sales growth resuming as inventory levels recovered in Q4.

EBITDA reflected the lower sales level, and elevated international freight costs.

Brand momentum remains strong with forward orders into FY23 supporting the path to Oboz's US\$100 million medium-term revenue target, and online performance indicates a significant growth opportunity.

Strong balance sheet

At 31 July 2022, the Group had a net debt position of \$40.1 million with significant funding headroom of c. \$260 million.

The strong balance sheet position provided flexibility to secure supply of core technical products and raw materials to support availability. Increased inventory levels reflected a strategic decision to temporarily build stock positions to meet forward wholesale orders and expected retail demand, and to mitigate potential supply challenges. This position is expected to normalise during FY23, dependent on supply chain conditions.

Operating cash flows were impacted by COVID lockdowns in Q1, and the strategic decision to build near-term inventory. An unwind of inventory and continued sales growth in FY23,



with full trade unimpeded by COVID, are expected to underpin increased cash flow generation in FY23.

The Company's strong balance sheet and growth outlook led Directors to declare a final dividend of 3.0 cents per share (fully franked for Australian shareholders). The record date for this dividend is 10 November 2022, and the payment date is 25 November 2022.

Becoming a leader in ESG

Commenting on the Group's sustainability initiatives, Mr Daly said: "Being a leader in ESG is one of the core pillars of our growth strategy, enabling us to deliver positive growth that's good for our people and the communities we operate in."

"We have now submitted B Corp applications for all of our brands, and we put in place 2030 emission reduction goals aligned with the Paris Climate agreement."

"Kathmandu was recognised with multiple awards for environmental and product innovation, including the Deloitte New Zealand Top 200 Sustainable Business Leadership award, and Outdoor Retailer and ISPO awards for its new BioDown jacket. The BioDown is an industry-first biodegradable down-filled jacket, demonstrating breakthrough sustainability innovation."

"Rip Curl recycled around 2,500 wetsuits in Australia by implementing a wetsuit takeback programme with TerraCycle. Oboz's One More Tree initiative has seen over 4 million trees planted since it began in 2007, and the product design process is now fully digital, reducing material waste."

Positive start to FY23 and outlook

Commenting on the outlook for the Group, Mr Daly said:

"The momentum from the strong final quarter of FY22 has continued. August sales for the Group were up 44.2% on August 2021, and 10.3% above pre-COVID August 2019. We are cycling COVID lockdowns in the first quarter last year, with August underlying EBITDA c. \$10 million above last year."

"With the return of international travel and uninterrupted trade, combined with further strengthening our Rip Curl, Kathmandu and Oboz brands, KMD Brands is well positioned to deliver continued sales and earnings growth in FY23."

"Key growth factors in FY23 include strong wholesale demand for Rip Curl, post-COVID tourism and footfall increases, as well as further wholesale expansion to Europe and Canada for Kathmandu; and with Oboz supply challenges now addressed, we can capitalise on record demand for its products."

"Heading into FY23, The Group is well capitalised and I'm excited by the opportunities ahead as we invest in the long-term expansion of our global house of brands, and build a truly unique global business headquartered in Australia and New Zealand."

Investor briefing being held today @ 8:30am AEST / 10:30am NZST

Michael Daly (Group CEO & Managing Director) and Chris Kinraid (Group CFO) will be holding a briefing session for investors and analysts at 8:30am AEST / 10:30am NZST today



(Tuesday 20 September). To pre-register and avoid a queue when calling, please follow this link:

https://event.webcasts.com/starthere.jsp?ei=1567475&tp_key=9b518569b6

If you are unable to pre-register, at the time of the call please dial one of the numbers below and provide the **Participant Code 648518** to the operator.

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

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