

20 September 2023

(All amounts in NZ\$ unless otherwise stated)

## KMD Brands delivers record \$1.1 billion sales in FY23

KMD Brands Limited (ASX/NZX: KMD, “KMD” or the “Group”) is pleased to announce its results for the twelve months ended 31 July 2023 (“FY23”).

### FY23 key highlights (vs FY22):

- Group sales record, up 12.6% to \$1.1 billion
  - All brands grew sales, with Rip Curl and Oboz achieving record sales
- Gross margin improvement 20 basis points to 59.1%
- Underlying EBITDA<sup>1</sup> of \$105.9 million, up 15.1% YOY despite softening consumer sentiment in the fourth quarter
- Statutory NPAT of \$36.6 million; Underlying NPAT<sup>1</sup> up 8.6% YOY to \$43.3 million
- Strong balance sheet position
- Final dividend of 3 cents per share (not franked and not imputed); total FY23 dividend of 6 cents per share

### Group CEO & Managing Director Michael Daly said:

“KMD Brands has achieved record sales of over \$1.1 billion dollars in our first year of uninterrupted trade post-pandemic, a significant milestone for the Group. Strong sales growth was delivered across all key geographies, with Rip Curl and Oboz achieving record sales. Kathmandu sales grew strongly over the first three quarters of the year. The fourth quarter for Kathmandu was more challenging with increased cost-of-living pressures softening consumer sentiment, and the warmest winter on record in Australia, which cycled the best-ever winter trade season last year.”

“FY23 Group results were underpinned by strong omni-channel sales growth from all brands. Customers returned to shopping in stores, with retail store sales increasing +17.5%. This had an impact on online sales, a trend noted across the industry as customers returned to pre-pandemic shopping behaviours. Online sales remain significantly above pre-pandemic levels. Despite a challenging wholesale market, Group wholesale sales grew by +11%.”

“Our balance sheet is healthy with low net debt and improving inventory levels. We are well positioned as we begin FY24.”

“The Group achieved its goal of global B Corp certification, becoming one of just 45 publicly traded companies in the world to do so, further delivering on our goal to Lead in ESG.”

<sup>1</sup> Excluding the impact of IFRS 16, restructuring, and the notional amortisation of Rip Curl and Oboz customer relationships

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BRANDS



## Group financial performance

NZ\$ million <sup>3</sup>	Statutory	Underlying <sup>2</sup>		
	FY23	FY23	FY22	Var %
Sales	1,103.0	1,103.0	979.8	12.6%
Gross Profit	651.9	651.9	576.7	13.0%
Gross margin	59.1%	59.1%	58.9%	
Operating Expenses	(451.9)	(546.1)	(484.7)	12.7%
EBITDA	200.1	105.9	92.0	15.1%
EBIT	76.4	74.2	62.3	19.2%
NPAT	36.6	43.3	39.8	8.6%

Gross margin remained resilient, increasing +20 bps (0.2% of sales) to 59.1%. Improved channel mix, wholesale pricing and international freight costs offset currency headwinds.

Operating expenses<sup>2</sup> were maintained year-on-year at 49.5% of sales, despite softened sales performance in the fourth quarter.

### Rip Curl: sales growth +8.3%

Rip Curl	Underlying <sup>2</sup>		
NZ\$ million	FY23	FY22	Var%
Sales	581.5	536.8	8.3%
EBITDA	55.6	59.1	(6.0%)
EBIT	44.0	48.5	(9.2%)

Rip Curl achieved a record sales result, with total sales up +8.3% to \$581.5 million. The results were underpinned by strong direct-to-consumer results particularly in Australasia following lockdowns last year, plus the return of international travel to Hawaii and Thailand.

Consumers took advantage of the brand's strong omni-channel offering - an attractive and premium brand experience in strategically placed stores. Online sales normalised at \$34.9 million, significantly above pre-pandemic levels, as customers returned to shopping in stores. Online sales represented 10.6% of direct-to-consumer sales.

The recently launched Club Rip Curl customer loyalty platform has over 220,000 members to-date, driving more than \$30 million in member-based sales – a fantastic achievement given it launched just this year.

Wholesale sales showed resilience despite softening wetsuit demand from record highs.

Gross margin increased +60 bps (0.6% of sales), reflecting channel mix, improved wholesale pricing, and the easing of elevated international freight costs.

<sup>2</sup> Excluding the impact of IFRS 16, restructuring, and the notional amortisation of Rip Curl and Oboz customer relationships

<sup>3</sup> FY23 NZD/AUD conversion rate 0.917 (FY22: 0.935), FY23 NZD/USD conversion rate 0.617 (FY22 0.674)

### **Kathmandu: sales growth +10.6%**

<b>Kathmandu</b>	<b>Underlying<sup>2</sup></b>		
<b>NZ\$ million</b>	<b>FY23</b>	<b>FY22</b>	<b>Var %</b>
Sales	422.2	381.6	10.6%
EBITDA	52.5	36.4	44.4%
EBIT	33.3	18.0	85.4%

Kathmandu total sales increased +10.6% to \$422.2 million in FY23, with strong growth in the first three quarters as customers returned to shopping in stores. Cost of living pressures softened consumer sentiment in the fourth quarter, which impacted the key winter trade season. Kathmandu faced the warmest winter on record in Australia and cycled its best-ever winter season performance last year. In FY23, Australia sales grew +7.0%, and New Zealand +13.1%.

Online sales normalised at \$58.8 million, comfortably above pre-pandemic levels. Online sales represented 14.0% of direct-to-consumer sales.

Gross margin increased +100 bps (1.0% of sales) with the deliberate strategy to continue to moderate the historic “high-low” pricing model.

The sales result was supported by a strong loyalty base - a strategic focus of the brand with a relaunch of the Kathmandu loyalty program in early FY24.

Kathmandu significantly reduced its inventory levels, and is now well positioned, with inventory c. \$37 million below July 22. The brand continues to cycle through its second phase of recovery, with travel presenting an opportunity for growth as it steadies and returns to pre-pandemic frequency, especially for customers traveling overseas.

The international soft launch of the brand delivered initial sales of \$2.6 million including first deliveries to select new wholesale customers in Europe and Canada. With the brand only just starting to diversify and leverage wholesale as a channel, the new Kathmandu CEO will be well placed to capitalise on this in the coming years, given her depth of global experience in this space.

### **Oboz: sales growth +61.8%**

<b>Oboz</b>	<b>Underlying<sup>2</sup></b>		
<b>NZ\$ million</b>	<b>FY23</b>	<b>FY22</b>	<b>Var %</b>
Sales	99.3	61.3	61.8%
EBITDA	7.9	3.3	137.0%
EBIT	7.1	2.7	166.0%

Oboz sales recovered strongly, increasing +61.8% to a record of almost \$100 million. The wholesale channel recovered strongly following last year’s significant supply constraints.

The brand also benefited from a commitment to diversified sales channels, delivering strong online sales growth, increasing the mix of direct-to-consumer sales with high gross margins.



Gross margin increased +270 bps (+2.7% of sales) with improved channel mix, adjusted wholesale pricing, new product introductions, and the easing of elevated international freight costs.

Oboz continued its investment to optimise the brand for growth and accelerate international expansion.

Brand momentum remains strong, with 'Fast Trail' category expansion success and online performance continuing to indicate a significant growth opportunity.

### **Strong balance sheet**

At 31 July 2023, the Group had a net debt position of \$55.7 million with funding headroom of over \$200 million.

Net working capital as a percentage of sales improved to be less than 20%, with significant reduction in Kathmandu inventory. Rip Curl and Oboz continue to focus on reducing working capital, as we transition away from inventory builds in wetsuits and footwear.

Positive operating cash flow for FY23 reflects the first year of uninterrupted trade post-pandemic.

The Group's strong balance sheet led Directors to declare a final dividend of 3.0 cents per share (not franked and not imputed). The record date for this dividend is 5 October 2023, and the payment date is 20 October 2023.

### **Leading in ESG**

Commenting on the Group's sustainability initiatives, Mr Daly said: "Today, the Group released its FY23 Annual Integrated Report, our second integrated report and a continuation of our efforts to consider financial and ESG performance as intertwined for long-term growth."

"Leading in ESG is a core component of our strategy, and I'm pleased to say we achieved a lot this year. A highlight for me, and the Group at large, was certifying as a B Corp. All of the Group, brands and employees the world over, united to make this happen. It was a very proud moment."

In FY23, KMD Brands had several ESG highlights, including:

- **B Corporation (B Corp):** we proudly came together as one Group across continents to certify as a B Corp. Rip Curl and Oboz certified for the first time, while Kathmandu recertified.
- **Sustainability Linked Loan (SLL):** balancing profit with our impact on the planet, we successfully refinanced and expanded the application of our Sustainability Linked Loan (SLL), including our first Sustainability Linked Guarantee. Unlike traditional loans where the interest rate is based on financial metrics, a SLL is connected to our achievement of specific sustainability objectives.
- **The Science Based Targets initiative (SBTi):** our climate targets were validated by the Science Based Targets initiative, committing us formally to science-based climate action and transitioning to a low-carbon future.



- **Modern Slavery Statement:** following in the footsteps of previous brand statements, we released our first Statement as a Group in early 2023. In conjunction with our 2023 results, we release our second Modern Slavery Statement as a Group.
- **Industry recognition:** we were recognised at the Australasian Reporting Awards for our 2022 Annual Integrated Report and received multiple awards and nominations for excellence in integrated reporting. We were also the winner of the Deloitte Top 200 The Aotearoa Circle Sustainable Business Leadership Award, which recognises businesses working towards the creation of long-term environmental, social and economic value.

Mr Daly continued, “In addition to what we achieved at a Group level; our iconic brands also delivered true leadership in this space. Rip Curl launched its first Reconciliation Action Plan (RAP) in partnership with Reconciliation Australia; Oboz’s long running ‘One More Tree’ initiative to plant trees on behalf of customers reached a milestone of over 5 million trees planted since it began in 2007; and Kathmandu launched a pilot circularity project ‘Kathman-REDU’, supported by a grant from the Victorian Government, which aims to commercialise a complex non-linear new business model, the first of its kind in ANZ.”

### **Focused strategy underpins outlook**

Group sales for August 2023 were -6.4% below last year. The trend in Kathmandu sales continued from the fourth quarter of FY23 into August, but consistent with pre-pandemic sales levels at this time of year. Rip Curl and Oboz have seen good momentum in direct-to-consumer sales.

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

“The long-term fundamentals of our diversified group of outdoor brands remain intact. Despite the challenging consumer sentiment, we expect tailwinds with the continued return to travel, positive impact from the launch of innovative products and the outdoor lifestyle trend post-pandemic.”

“Our strategic growth pillars remain unchanged, and with new executive appointments in place (Kathmandu CEO, Chief Information Officer, Chief Digital Officer) we expect to accelerate our strategy execution.”

“We are extremely motivated by the opportunities that lie ahead for our strong and innovative team. In a relatively short time, we’ve evolved from a single brand ANZ retailer to a global house of brands, diversified by channels, products, and geographies. We’ve achieved a number of significant milestones in FY23, in our first year of uninterrupted trade post-pandemic.”



**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 (Wednesday 20 September). To pre-register and avoid a queue when calling, please follow this link: [https://event.webcasts.com/starthere.jsp?ei=1629002&tp\\_key=75a773ce89](https://event.webcasts.com/starthere.jsp?ei=1629002&tp_key=75a773ce89)

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 827672 to the operator.

Australia Toll Free:	1 800 590 693
Australia Local:	+61 (0) 2 7250 5438
New Zealand Toll Free:	0800 423 972
New Zealand Local:	+64 (0)9 9133 624
United States Local:	+1 323-794-2095
United Kingdom Local:	+44 (0) 330 165 3646
France Local:	+33 (0) 1 76 77 22 73

The webcast will be available on the KMD Brands investor website following the call.

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

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**For further information, whether an investor or media enquiry, please contact:**  
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