

KATHMANDU HOLDINGS LIMITED

ASX / NZX / MEDIA ANNOUNCEMENT

11 February 2022

(All amounts in NZ\$ unless otherwise stated)

## Kathmandu Holdings First Half Trading Update

- **Strong Q2 results benefitting from the global diversification strategy**
- **Kathmandu rebounded in Q2 with same store sales growth of +15.1%**
- **Rip Curl wholesale sales have grown and retail sales are meeting expectations while cycling strong growth last year**
- **Oboz remains heavily impacted by supply chain disruption; improvement expected in the third quarter**
- **Underlying 1H FY22 EBITDA<sup>1</sup> is expected to be in the range of \$9 million to \$11 million, following \$35 million COVID related impact on EBITDA<sup>1</sup>, and additional brand marketing investment of \$14 million**
- **Online sales continue to grow strongly YTD with Rip Curl +12.1% and Kathmandu +48.6%, now 17.0% of Group direct to consumer sales**
- **Wholesale order books for Rip Curl and Oboz remain significantly above pre-COVID levels**

Kathmandu Holdings Limited (NZX / ASX: KMD) (“the Group”) is pleased to provide the following update on trading performance for the first half year ended 31 January 2022 (“1H FY22”).

Same store sales grew strongly since the reopening of the Group’s Australasian store network in the second quarter (“Q2 FY22”), despite further travel restrictions and significant disruption from the recent Omicron outbreaks.

Year to date (“YTD”) direct to consumer (“DTC”) same store sales (including online):

YTD Same Store Sales	1H FY22 vs 1H FY21	
26 full weeks to 30 January 2022	Not adjusted	Adjusted for COVID closures <sup>2</sup>
Rip Curl	-1.6%	+2.0%
Kathmandu	+2.8%	+15.7%

Rip Curl YTD same stores sales were -1.6% below last year, including ongoing COVID impacts in the first quarter. Q2 FY22 same store sales growth was +3.0%, with +20.0% same store sales growth compared to Q2 FY20 (pre-COVID), reflecting the strength of the brand and continued resurgence in participant numbers within the surf category generally.

Kathmandu YTD same stores sales were +2.8% above last year, despite significant COVID store closures in the first quarter. Q2 FY22 same store sales growth was +15.1%, reflecting the brand momentum building as a result of a renewed focus on marketing and product. Kathmandu same store sales remained -21.1% below Q2 FY20 (pre-COVID) due to continued restrictions on international travel and tourism.

Group wholesale sales for 1H FY22 are expected to be 3.4% above last year, with Rip Curl wholesale sales +18.2%, offsetting declines in Oboz. As previously communicated, first quarter factory shutdowns of Oboz product suppliers in Vietnam have materially impacted its ability to meet demand, with approximately 50% of

<sup>1</sup> Earnings before interest, tax, depreciation, and amortisation, excluding the impact of IFRS 16, recent IFRIC interpretations, and one-off non-cash items. Includes net government subsidies

<sup>2</sup> Adjusted same store sales removes stores that were not able to open for a comparable period in either year because of COVID closures

orders unable to be fulfilled. The Company expects a gradual recovery from the transitory supply constraints in the second half. Demand for the Oboz brand and products has never been stronger, and forward orders into FY23 still support the medium-term revenue growth targets.

Group total sales for 1H FY22 (unaudited) are expected to be approximately \$405 million, with gross margin below 1H FY21 due to COVID-elevated international freight costs, and increased clearance mix for the Kathmandu brand. Second half gross margins are currently expected to be in line with last year based on current promotional plans, and expectations of international freight costs and currency impacts.

Underlying EBITDA<sup>1</sup> is expected to be in the range of \$9 million to \$11 million. This is in line with our previous guidance of a \$35 million COVID impact on first quarter EBITDA<sup>1</sup>, a result of a combination of lost revenue and lower government support. The first half result includes 11,696 lost trading days due to COVID restrictions, an increase of c. 65% on 1H FY21. Pleasingly Q2 FY22 underlying profitability is higher than Q2 FY21 despite the impacts of Omicron on trading conditions in Australia and supply constraints on Oboz.

The Group continues to invest in the long-term value of its brands, with additional \$14 million expenditure in 1H FY22 to support brand marketing and expansion into international markets. Net debt is expected to be approximately \$48 million with liquidity of approximately \$252 million.

Commenting on the result, Group CEO Michael Daly said:

“It was pleasing to see a strong rebound in Kathmandu sales over the second quarter of FY22 following the first quarter’s lockdowns. Kathmandu is well placed with appropriate inventory levels and new product introductions for the second half. Rip Curl has again performed well in the southern hemisphere summer season, with strong wholesale sales growth, and retail sales consolidating last year’s strong growth and profitability.”

“COVID continues to cause ongoing disruption to our consumers, employees and suppliers globally, most recently from the Omicron variant. The disruption has resulted in reduced retail footfall, temporary store closures and staffing constraints in many locations. Sales conversion has increased as customers have shopped with purpose, and our online channels continue to grow.”

“Even though ongoing supply challenges remain, forward wholesale demand for our products remain at record levels. In addition, the Group remains well capitalised, investing in the long-term international expansion of our global house of brands.”

“I’d like to thank our staff globally for their continued passion and dedication to growing each of our brands in these very challenging times.”

The Group intends to release the full result for the half year on Wednesday 23 March 2022.

- ENDS -

**This announcement has been authorised for release by the Board.**

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