

10 November 2023

## KMD Brands Limited Annual Shareholder Meeting 2023

### Group CEO Address

Thank you, David.

Good morning everyone and thank you for joining us for today's Annual Shareholder Meeting for 2023.

My name is Michael Daly and I am the CEO and Managing Director of the KMD Brands Group. Today I'm going to talk you through the achievements and challenges we have experienced over the past year, including the Group's financial performance and future strategy.

### Slide 9 – Our purpose and vision

I'll start by touching on our purpose and vision, which remain the same and continues to guide us.

- Our purpose is inspiring people to explore and love the outdoors
- Our vision is to be the leading family of global outdoor brands – designed for purpose, driven by innovation, best for people and planet

These statements not only resonate with our employees, they're increasingly important as we look to differentiate our brands in a competitive global market.

### Slide 10 – Global vision, global footprint

To deliver this vision, we must use our existing global footprint to grow our brands.

In FY23 we launched Kathmandu in Europe and Canada, leveraging the operational structure and network Rip Curl has established over a number of decades.

Since our soft launch 12 months ago, our teams have opened almost 100 wholesale doors and delivered several new direct-to-consumer local-language websites.

We plan to use a similar strategy to extend the Oboz brand in ANZ and Europe.

In addition to using the power of the Group in this way, we also opened several new stores and increased our network to 327 owned stores globally.

### Slide 11 – Strategic Achievements

FY23 was another year of significant achievements that delivered on our Group strategy.

In Building Global Brands, Rip Curl continued its track record of innovation with a new wetsuit – the FlashBomb Fusion. With five decades of product expertise, we've created a wetsuit that stands out by featuring seam technology that doesn't leak, setting us apart from competitors.

Moving on to Kathmandu, we appointed Kathmandu's next CEO, Megan Welch. Joining us from the global footwear brand Crocs, Megan brings extensive global brand and product experience, making her the ideal leader as we continue to grow the Kathmandu business and expand our global presence.

And to Oboz, a brand with extraordinary potential. This year we launched a new category in fast-hike - the Katabatic range. This will attract new customers, excite our existing base and grow market share. Under Elevating Digital, Club Rip Curl launched in Australasia, attracting over 220,000 members and delivering over \$30 million in member-based sales. A significant achievement so far.

E-commerce has been a big focus, with localised Kathmandu websites supporting our international launch. Oboz grew online sales by over 350% – as we continue to see direct-to-consumer become part of the brand's multi-channel strategy.



We also worked on innovative ways to safeguard our brands. With a rise in counterfeit sites and online scams, we invested in security systems to mitigate IP infringement to protect our customers.

We continued to leverage Operational Excellence, with Underlying EBITDA margin improving by 0.2% of sales year-on-year. Softening consumer sentiment in the fourth quarter impacted the FY23 result, however our strategy remains unchanged as we continue to target an Underlying EBITDA margin of 15% of sales.

We continued to grow scale across brands to maximise the efficiency of our overhead spend; as an example, our portfolio approach to lease negotiations in Australasia achieved an overall reduction in rent costs across 63 lease renewals.

And finally, to our strategic pillar to Lead In ESG - I truly believe we are leading in this space.

Our emissions-reduction targets were approved by the Science-based targets initiative, meaning our climate goals are aligned with the Paris agreement.

We were recognised for our integrated reporting, with several awards and accolades received. And finally, earlier this year we announced that our Group and brands are now certified B Corporations. This is a significant achievement for a business as complex as ours and we're 1 of only 45 listed companies globally to have achieved this.

### Slide 12 – B Corp Certified

Because we're asking you to vote on a change to the constitution today that supports our ongoing B Corp certification, I want to briefly remind you of what a B Corp is, what it means to our business, and for you as shareholders.

B Corps are businesses that meet high standards of social and environmental performance, accountability, and transparency. They envision a better economic system where businesses can benefit people, communities, and the planet. Put simply, it means that as well as making decisions that deliver returns to shareholders, B Corps consider the impact of these decisions for the long-term best interests of the company.

As to why you should vote in favour of the resolution proposed today to change our constitution - B Corp certification gives our business a license to operate in an increasingly challenging regulatory environment; it allows KMD Brands to present as an attractive proposition for investors and shareholders; it protects the reputation of our brands; and it grows our appeal with customers in the competitive consumer retail space.

Long term returns to shareholders is a key benefit of B Corp certification and the priority for KMD Brands.

I'm proud to say we are a B Corp, as are the Board and our employees. I hope you - our shareholders - are too, and that you vote "yes" in support of this important change today.

### Slide 13 – Financial Achievements

Moving on to financial achievements now.

As David touched on, KMD Brands reached over \$1 billion in sales for the first time this year – a milestone that we're very pleased with in our first full year of uninterrupted trade post-pandemic.

All of our iconic brands grew sales, with the Group, Rip Curl and Oboz achieving record sales, and delivering growth of 12.6% on the previous year.

Gross margin remained resilient, increasing 20 basis points to 59.1% of sales. Improved direct-to-consumer channel mix, wholesale pricing and international freight costs offset currency headwinds. As a result, underlying EBITDA was up by over 15% year-on-year, to \$105.9 million.

Statutory NPAT was \$36.6 million; while Underlying NPAT was up 8.6% year-on-year to \$43.3 million. And as you know, our dividends declared will return over \$42 million to shareholders at 6 cents per share.

## Slide 14 – Record sales \$1.1 billion

FY23 was the first full financial year of uninterrupted trade since the acquisition of both Oboz and Rip Curl. We're proud that the foundations put in place during the pandemic have helped us to reach this milestone.

Over the year we achieved strong sales growth across all three of our brands, and in all of our key geographies.

Rip Curl grew sales by 8.3% to achieve another record sales result for the brand, while Kathmandu continued its second phase of recovery post-pandemic, growing sales by 10.6%. Oboz sales recovered strongly following last year's supply constraints, growing sales by 61.8%.

We've seen customers return to stores, with retail store sales up 17.5%. This had an impact on online sales, which normalised still significantly above pre-pandemic levels. Despite a challenging wholesale market, Group wholesale sales grew by 11%, as Oboz sales recovered.

By region, Australia and New Zealand sales grew by 9.6% and 12.5% respectively, cycling COVID lockdowns in the first quarter of last year. North America sales grew by 24.4%, with Oboz sales recovery, and Hawaiian stores capitalising on the return of international tourism. Europe sales grew by 5.6%, and the rest of the world grew by 11.2%, with strong tourism-based growth in Thailand.

## Slide 15 – Strategic Priorities FY24

Our strategy is working and remains unchanged.

We will continue to build global brands, with the design, development, and launch of market-leading innovative products for the outdoors. Rip Curl aims to grow market share in the North American market by executing wholesale and omni-channel opportunities. With our new CEO in place, Kathmandu will focus on maintaining market dominance in ANZ and growth in international. Oboz will look to expand internationally, with Europe and ANZ the key geographies of focus.

Elevating digital will be ramped up significantly in FY24. Kathmandu has now launched a revamped version of the Summit Club - 'Out there rewards', which will incentivise members to get outside and experience nature and connect our target customer more closely with their local community.

In addition to the newly expanded Chief Information Officer role, we will also appoint a Chief Digital Officer who will focus on digital strategy and innovation across the Group. These roles will increase momentum in this space and deliver best-in-class experiences to our customers. Personalisation remains a focus, leveraging our new loyalty programs with increased investment.

We will use the power of the Group to drive operational excellence across brands; and with significant progress made this year, continue to work towards reducing our working capital and improving our underlying EBITDA margin.

We will continue our good work in ESG, with a commitment to increase our responsible material content across brands, reduce our emissions in line with the Paris agreement, and further explore commercialising circular business models.

## Slide 16 – FY24 Outlook

And finally, to slide 16, I want to take you through our outlook for FY24.

All three of our iconic brands are cycling a strong sales rebound last year. As we navigate a more challenging consumer environment this year, our strategic plans remain unchanged.

We remain focused on executing our strategy, managing working capital, and improving gross margins.

Progress towards our working capital target of 18% of sales is expected to drive strong cash flow generation in the second half year.

The Group is well positioned to capitalise on the tailwinds from a continued return to travel, positive impacts from the launch of innovative products and the outdoor lifestyle trend post-pandemic. Following our previous update in September, the Group's first half results are dependent on the key Black Friday and Christmas retail trading periods to come. We intend to provide an update after Black Friday trade in mid-December.

Thank you for your continued support and please feel free to ask me any questions at the end of the meeting. I will now hand back to David.

ENDS

