

25 September 2024

(All amounts in NZ\$ unless otherwise stated)

KMD Brands FY24 Results

KMD Brands Limited (NZX/ASX: KMD, “KMD” or the “Group”) today announces its results for the twelve months ended 31 July 2024 (“FY24”).

FY24 financial summary (vs FY23):

- Group sales down -11.2% to \$979.4 million.
- Gross margin down -0.2% of sales to 58.9%.
- Underlying operating expenses¹ \$19.6 million lower year-on-year (“YOY”), down -3.6%.
- Underlying EBITDA¹ \$50.0 million, down -52.8% YOY due to lower sales.
- Statutory NPAT loss -\$48.3 million including a one-off non-cash impairment of Oboz goodwill of \$40.3 million. Underlying NPAT¹ loss -\$1.1 million.
- Net Working Capital \$198.3 million, -\$21.4 million lower YOY.
- Net Debt \$59.7 million, with significant funding headroom of approximately \$230 million.
- No final dividend declared as a result of FY24 operating performance and challenging market conditions.

FY25 trading update for the first 8 full weeks to 22 September:

- Kathmandu Australia direct-to-consumer (“DTC”) sales up +2.1% YOY. New Zealand DTC sales down -23.2% YOY, cycling strong end of line clearance sales last year.
- Kathmandu gross profit dollars up +5.1% YOY for the first eight full weeks.
- Rip Curl global DTC sales approximately -5% lower YOY in a seasonally non-significant trading period.
- Wholesale forward orders are moderating from double-digit declines in FY24 to single digit declines for the first half of FY25.

Commenting on the FY24 results, Group CEO & Managing Director Michael Daly said:

“We continued to experience the effects of weakness in consumer sentiment. Sales were 11.2% below last year’s record result; and decreased for all three of our brands.”

“Following Kathmandu’s disappointing first half result, sales trends relative to FY23 improved through the third and fourth quarters, with enhanced in-store and online execution and the launch of new products.”

¹ Excluding the impact of IFRS 16, restructuring, the notional amortisation of Rip Curl and Oboz customer relationships, and a one-off non-cash impairment of Oboz goodwill.



“Rip Curl and Oboz cycled record sales last financial year, with direct-to-consumer sales outperforming the wholesale channel this year. The wholesale channel has been more challenging for both brands as wholesale accounts continued to reduce their inventory to manage risk in a challenging economic environment.”

“In a challenging sales environment, gross margin remained resilient despite increased promotional activity for Kathmandu. Operating costs reduced year-on-year despite ongoing inflation pressure, and working capital reduced as inventory investments were carefully managed.”

Group financial performance

NZ\$ million ²	Statutory	Underlying ¹		
	FY24	FY24	FY23	Var %
Sales	979.4	979.4	1,103.0	(11.2%)
Gross Profit	576.5	576.5	651.9	(11.6%)
Gross Margin	58.9%	58.9%	59.1%	
Operating Expenses	(469.2)	(526.5)	(546.1)	(3.6%)
EBITDA	107.2	50.0	105.9	(52.8%)
EBIT	(21.1)	16.0	74.2	(78.4%)
NPAT	(48.3)	(1.1)	43.3	-

Gross margin decreased -0.2% of sales below last year to 58.9%. Continued gross margin improvement for Rip Curl and Oboz was offset by increased promotional activity for Kathmandu.

Operating expenses decreased \$19.6 million below last year on an underlying¹ basis, despite ongoing inflation pressure. Operating expenses benefited from restructuring implemented last year and lower variable costs associated with lower sales.

Rip Curl: Sales impacted by wholesale customer caution

Rip Curl	Underlying ¹		
NZ\$ million	FY24	FY23	Var%
Sales	538.9	581.5	(7.3%)
EBITDA	42.0	55.6	(24.5%)
EBIT	28.2	44.0	(35.9%)

Rip Curl total sales decreased -7.3% to \$538.9 million, cycling record sales last year. Direct-to-consumer sales, including online, outperformed the wholesale channel this year.

DTC sales decreased by -2.8% for the year, showing continued improvement on first half sales trends during the third and fourth quarters. Stronger results were recorded in Europe, Asia and South America, helped by new store openings. Online sales increased by +8.6% to \$37.9 million, comprising 11.9% of DTC sales.

² FY24 NZD/AUD conversion rate 0.924 (FY23: 0.917), FY24 NZD/USD conversion rate 0.605 (FY23 0.617)



Wholesale sales decreased by -13.0%, as wholesale accounts continued to reduce their inventory holdings.

In a challenging sales environment, gross margin and operating expenses were well controlled. Gross margin increased +0.5% of sales reflecting channel mix, improved pricing, and exiting low margin business in North America and Europe. Operating expenses were tightly managed despite continued inflation pressure.

Kathmandu: Sales trends improving in Australia

Kathmandu NZ\$ million	Underlying ¹		
	FY24	FY23	Var %
Sales	361.1	422.2	(14.5%)
EBITDA	16.0	52.5	(69.6%)
EBIT	(3.3)	33.3	-

Kathmandu total sales decreased -14.5%, cycling strong sales growth last year, with declines in both Australia -13.9%³ and New Zealand -15.2%.

Following a disappointing first half, sales trends improved in Kathmandu's largest market, Australia, in the third and fourth quarters, supported by strategic store openings, enhanced in-store execution and the launch of new products. Economic settings in New Zealand have resulted in a more challenging consumer environment.

Online sales decreased by -18.9% to \$47.7 million, in line with pre-COVID levels, comprising 13.3% of DTC sales. Online sales trends, relative to FY23, improved each quarter to -1.5% YOY in the fourth quarter. Search engine optimisation and new payment methods online have improved conversion and the consumer experience.

Gross margin decreased -2.2% of sales, driven by clearance of end of line products in August 2023, increased promotional intensity through the fourth quarter, and currency headwinds. Excluding August 2023, gross margin for the period was -1.4% of sales lower YOY.

Operating expenses were more than \$10 million lower YOY.

Oboz: Sales impacted by wholesale customer caution

Oboz NZ\$ million	Underlying ¹		
	FY24	FY23	Var %
Sales	79.4	99.3	(20.0%)
EBITDA	(0.2)	7.9	-
EBIT	(1.1)	7.1	-

Total sales decreased -20.0%, cycling record sales last year. Wholesale sales remained subdued through the year, as wholesale accounts continued to reduce their inventory to manage risk in a challenging economic environment. Oboz has been impacted by post-

³ At constant exchange rates.



COVID industry challenges in the North American outdoor footwear category. Participation levels and demand have now moderated, leaving the wider market with higher inventory levels and aggressive promotional behaviour.

The brand benefited from a commitment to diversified sales channels. Online sales grew strongly +31.7% YOY, with increased traffic, conversion, and strategic promotional activity.

In a challenging sales environment, gross margin and operating expenses were well controlled. Gross margin increased +2.1% of sales with improved channel mix, improved pricing, and new product introductions.

Oboz continued to invest in brand, product, and online to support long-term growth objectives, including international expansion. Oboz expects the operating expense investment to be leveraged with future sales growth opportunities as the market recovers and international expansion continues.

Oboz goodwill has been impaired by \$40.3 million. The impairment is driven by a conservative view of near-term US wholesale market conditions. This one-off non-cash item does not impact the day-to-day operations of the business. This impairment has been excluded from underlying¹ results.

Balance sheet

At 31 July 2024 the Group had a net debt position of \$59.7 million, with funding headroom of approximately \$230 million.

Net working capital was \$21.4 million lower than 31 July 2023 despite lower sales, with a significant reduction in inventory. Rip Curl and Oboz inventory positions continue to moderate back towards historical levels, with further moderation expected in the second half of FY25.

As previously communicated, the dividend policy remains aligned to earnings, with a target payout ratio of 50% to 70% of underlying NPAT. As a result of the FY24 operating performance and challenging market conditions, the Directors have not declared a final dividend.

Outlook

DTC sales for the first eight full weeks to 22 September are as follows:

- Kathmandu Australia +2.1% YOY, a further improvement on the Q4 FY24 sales trend. Kathmandu New Zealand -23.2% YOY, cycling strong end of line clearance sales in August last year.
- Kathmandu gross profit dollars for the first eight full weeks to 22 September are +5.1% above the equivalent period last year.
- Rip Curl global DTC sales approximately -5% lower YOY, compared to FY24 DTC sales -2.8% YOY in a seasonally non-significant trading period.

Wholesale forward orders are moderating from double-digit declines in FY24 to single digit declines for the first half of FY25. We are seeing order book growth YOY for some regions in 2H FY25, noting that sell-in is not yet complete. Wholesale accounts continue to remain cautious on pre-season commitments.



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

“We remain cautious on consumer sentiment, given the challenging global macroeconomic environment. Global inflationary pressures are easing, but it will take time to directly impact consumer spending.”

“In this environment, we are focusing on growing our gross margin, and simplifying our business to drive cost efficiency.”

“We remain focused on returning to sales growth and improving profitability in FY25.”

“We believe that with our portfolio of iconic global outdoor brands and leadership in sustainability, we remain a unique investment proposition and well-placed for the future.”

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

Michael Daly (Group CEO & Managing Director), and Ben Washington (Interim Group CFO) will be holding a briefing session for investors and analysts at 8:30am AEST / 10:30am NZST today (Wednesday 25 September).

Please attend the meeting by following this link: www.virtualmeeting.co.nz/kmdfy24

You may also dial one of the numbers below and provide the conference ID **3372530** to the operator to listen to the meeting.

Australia Toll-Free	1800 953 093
New Zealand Toll-Free	+64800005652
USA & Canada Toll-Free	(888) 672-2415
United Kingdom Toll-Free	+44 800 524 4763
France Toll-Free	+33 801 238861
Norway National	+47 57 98 94 28
Spain Toll-Free	+34 800 906908

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:
enquiries@kmdbrands.com

