

16 November 2022

KMD Brands Limited Annual Shareholder Meeting 2022

Group CEO Address

Thank you, David. Good morning everyone, and thank you for joining us at today's Annual Meeting.

Slide 6: Owner of Leading Global Outdoor Brands

I am very proud to be here today and present to you as the CEO of KMD Brands. We have a very clear purpose that we as a company feel strongly about, which is to inspire people to explore and love the outdoors.

Our vision is to be the leading family of global outdoor brands, producing products that are designed for purpose, driven by innovation, and best for people and the planet.

This purpose and vision guides all operating decisions we make.

Slide 7: Brands with Global Reach

Moving onto slide 7, our brands continue to have global reach, with over 300 stores currently operating globally, and our brands being sold in over 8,500 locations.

Australasia is still our biggest market, in a normal year generating approximately \$650 million in sales, 80% of which is from Australia. North America generates approximately \$200 million of sales, Europe \$100 million, Asia \$30 million, and South America \$20 million.

Kathmandu and Oboz currently operate in 3 of the 6 continents, while Rip Curl has a global presence with stores operating in all major continents across the globe.

Slide 8: Group Strategy

Slide 8 shows our refreshed group strategy with the four strategic pillars we are focusing on as a group.

We will continue to build a portfolio of global brands and aim to further expand our global footprint as we invest in world class brand and customer experiences.

We are elevating our digital capabilities by investing in Group digital platforms to deliver a truly world-class unified commerce experience.

We will also leverage and deliver operational excellence to all of our brands across shared Group support functions.

Finally, we are demonstrating leadership across environmental, social and governance, by transforming business culture and mindset.

As we execute on our strategy, it is important for us to maintain balance sheet flexibility to support organic growth and M&A initiatives.

Slide 9: FY22 Group Summary

Turning to slide 9, I would like to discuss the Group's 2022 financial year highlights. We are pleased with the results we have achieved this year while navigating the challenging impacts of the COVID



pandemic. The Group achieved a record sales result in FY22, with the Kathmandu brand having its highest-ever sales for quarter four, Rip Curl's sales increasing 9.5% to \$536 million, and there was record order demand for Oboz, limited this year by COVID impacts on supplier capacity, which has since been scaled up. The second half of the financial year was particularly strong, with record second half Group sales and underlying EBITDA.

Although the Group, like most global consumer companies, experienced elevated international freight costs and raw material cost pressures, gross margin was maintained year-on-year. The Kathmandu brand achieved its highest-ever gross margin result and earnings in the fourth quarter, with currency benefit and a deliberate strategy to carefully moderate the historic "high-low" pricing model.

In line with our digital transformation strategy, the online channel continued to grow beyond the COVID step-change. Group online sales increased by 19% year-on-year, now comprising over 16% of direct-to-consumer sales.

As David mentioned, the Group has continued to maintain a strong balance sheet, allowing us to invest in organic brand growth, which this year included increasing the investment in brand marketing and ESG by \$18.6 million year-on-year as well as strategic inventory investment to temporarily build stock positions, given supply chain challenges.

As David said, the directors declared a record dividend payout, with \$43 million returned to shareholders for the 2022 financial year.

The Group did experience significant COVID disruptions in FY22. In the first half year, COVID lockdowns in Australasia resulted in more than 11,000 lost retail trading days for Rip Curl and Kathmandu. The lockdowns were more severe than last year, and less government support and rent assistance was received, impacting year-on-year EBITDA by approximately \$35 million.

Oboz saw record demand for its products, but was unable to meet unprecedented customer demand, with the three-month COVID closure of Vietnam factories, compounded by international freight delays impacting approximately 40% of customer orders. Oboz underlying EBITDA was \$8 million below last year.

Slide 10: Q4 Return to Strong Sales Growth

Moving to Slide 10, we will look at the sales growth for the four quarters across our three brands.

Rip Curl experienced consistent sales growth for the final three quarters, following lockdowns in the first quarter in Australasia. Fourth quarter total sales growth increased 18.1% compared to quarter four last year.

Kathmandu rebounded strongly in the second quarter following lockdowns in the first quarter. The third quarter was impacted by ongoing COVID interruption to footfall and staff availability, particularly in New Zealand. However, the fourth quarter saw record revenue and earnings, with total sales growth of 24.5% compared to the fourth quarter last year.

Oboz's second and third quarters were heavily impacted by the three-month COVID closure of Vietnam factories and international freight delays. The fourth quarter saw strong sales growth of 17.2% compared to Q4 last year, as supply challenges were addressed.

Overall, as COVID disruptions eased and operations returned to normal, we saw a strong rebound in sales in quarter four across all three of our brands, putting us on a strong footing for FY23.

Slide 11: Operational Achievements in FY22

Moving onto slide 11, I will now discuss the operational achievements made in FY22 across the Group and its brands.

Our operational achievements across all of our brands have aligned with our refreshed strategic priorities.

At a Group level, we appointed leaders in North America and Europe, to oversee the growth of all three of our brands in our key international markets. We implemented a new loyalty management system across both Rip Curl and Kathmandu in Australasia. We made some key appointments to leverage operational excellence across back-office functions for all three brands, and in the area of ESG, we have now submitted B Corp applications for all of our brands.

In relation to Rip Curl, we enhanced Rip Curl's status as a leading global surf brand by sponsoring the first ever World Surf League finals held in the USA, a key international growth market. We launched Rip Curl's membership programme in Australia, and we also leveraged operational efficiency by consolidating the point of sale and retail ERP systems across Australasia for Rip Curl and Kathmandu. In ESG, we recycled around 2,500 wetsuits in Australia by implementing a wetsuit takeback program with TerraCycle.

Kathmandu's global brand expansion is underway, with initial sell-in success to limited wholesale customers in Europe and Canada. We are leveraging Rip Curl's infrastructure to drive our international expansion into Europe and Canada, and plan for a US launch in FY23. The execution of our digital strategy is evidenced by close to 25% growth in online sales, now accounting for over 18% of all sales. Kathmandu remains a leader in ESG, winning the Deloitte New Zealand Top 200 Sustainable Business Leadership award. Also leading the way with breakthrough sustainability innovation, the Bio-Down jacket, an industry-first biodegradable down-filled jacket, received international recognition by winning the Outdoor Retailer and ISPO awards.

For Oboz, additional factories were onboarded to diversify the supplier base and increase capacity. Online sales exceeded expectations once inventory levels recovered, with this channel representing a significant growth opportunity for the brand. We leveraged operational excellence by implementing a group business intelligence tool for Oboz, and made progress in ESG by fully digitising the product design process, using 3D designs to reduce material waste.

It was a very productive 2022, and we are very proud of these achievements under each of our strategic pillars.

Slide 12: Strategic Priorities FY23

Moving to slide 12, we have a clear set of Strategic Priorities to focus on in FY23.

We will continue to build global brands, with the full rollout of our Rip Curl membership programme in Australasia. We will build on the initial success of Kathmandu's international launch into Europe and Canada, with plans for future launch in the USA. Oboz will continue to expand its distribution through connections with new consumers, and exciting new product ranges.

We will elevate digital through the continued global rollout of our new Group-wide loyalty management, customer data and online trading platforms across all brands. We will launch Kathmandu online sites in Europe and Canada, relaunch the Kathmandu loyalty programme with an exciting new value proposition, and build out Rip Curl and Oboz's B2B dealer platforms.

We will leverage operational excellence at the Group level, through merging our Canada and UK fulfillment centres across all brands. Kathmandu will also leverage our existing Rip Curl infrastructure as it continues to expand internationally.

Lastly, we will continue to lead in ESG, as we progress towards B Corp certification across all of our brands. Rip Curl will roll out its TerraCycle wetsuit takeback programme globally, Kathmandu will launch a trial take-back and renewal programme, and Oboz's innovative use of bio-based alternatives to EVA midsoles will continue to reduce our carbon footprint.



Slide 13: B Corp Update

Turning to slide 13, I would like to provide an update on our B Corp certification. B Corp certified companies are for-profit organisations that use the power of business to build a more inclusive and sustainable economy.

Being a certified B Corp means companies are meeting stringent standards of verified social and environmental performance, public transparency, and legal accountability to balance profit and purpose. This provides customers, investors, suppliers, and employees with confidence that certified B Corps align with their own values.

Regarding an update on our brands, Kathmandu became a certified B Corp in 2019 with a re-certification application submitted in August 2022. Rip Curl and Oboz initial applications for B Corp certification were submitted in August 2022, with the verification and re-certification process now underway for all three of the Group's brands.

Slide 14: FY23 Trading Update and Outlook

Moving now to slide 14, and our trading update for the first quarter of FY23. We are pleased with the positive start, with all of our Brands achieving strong sales growth year-on-year.

Group underlying operating profit for the first quarter of FY23 has improved by nearly \$30 million year-on-year, after cycling Australasian lockdowns in the first quarter last year.

Comparisons to the first quarter of last year are not meaningful, as there were widespread COVID lockdowns across both Australia and New Zealand. A more relevant comparison is to the first quarter of FY20, before COVID. We can see that Group Sales in the first quarter of this year are higher than before COVID, 17.5% above the first quarter of FY20 including Rip Curl sales prior to acquisition.

Same store sales growth year-to-date for the Kathmandu brand is particularly strong at 107.2%, cycling the Australasian lockdowns that affected most of the Kathmandu store network last year. By comparison, Rip Curl's same store sales growth is 29.7%, as it's store network is more diversified beyond Australasia. Again, as last year was heavily impacted by the Australasian COVID lockdowns in Q1, we caution investors against extrapolating these results.

The supply challenges experienced by Oboz through COVID have been resolved, allowing the brand to achieve record Q1 sales results for both the wholesale and online channels. Oboz inventory position has recovered, allowing us to fulfil wholesale order book demand, and support the significant online growth potential of the brand.

The Group's gross margin remains resilient, with a pleasing year-on-year improvement in gross margin during Q1 for the Kathmandu brand.

Looking forward, while current trading for our three brands remains strong, we remain cautiously optimistic, with the potential of high inflation and rising interest rates impacting consumer sentiment in our key global markets.

As always, the first half year results remain dependent on the key Black Friday and Christmas retail trading periods still to come.

That is now the end of my presentation. Thank you for your attention. I will hand back to David to run through the formal part of the meeting.

ENDS