

KMD BRANDS LIMITED

ASX / NZX / MEDIA ANNOUNCEMENT

13 July 2022

(All amounts in NZD unless otherwise stated)

KMD Brands Trading Update

- Record performance in Kathmandu's key winter promotional period.
- Rip Curl continues to trade strongly across retail and wholesale channels.
- Oboz suppliers have resumed full production following COVID-related factory closures, and inventory levels are recovering. Wholesale demand for Oboz products remains significantly above pre-COVID levels.
- Retail trade in Australasia was impacted by the Omicron outbreak, particularly during the third quarter.
- Underlying FY22 EBITDA¹ is expected to be in the range of \$88 million to \$94 million, and underlying EBIT² \$53 million to \$59 million.

KMD Brands Limited (ASX/NZX: KMD, "KMD" or the "Company") provides the following update on trading performance for the year ending 31 July 2022 ("FY22").

Total sales are expected to be in the range of \$955 million to \$965 million. Underlying EBITDA¹ is expected to be in the range of \$88 million to \$94 million, with underlying EBIT² in the range of \$53 million to \$59 million.

As previously communicated, the year-on-year impact of COVID on first half EBITDA was approximately \$35 million. Trading conditions have improved in the second half, however COVID continued to impact footfall, particularly in the third quarter, and caused sporadic store closures due to staff availability.

Same store sales year-to-date ("YTD") remain positive for both Rip Curl and Kathmandu, despite the significant COVID impacts on retail. YTD direct to consumer ("DTC") same store sales (including online) for the 49 full weeks to 10 July 2022:

Same Store Sales YTD	
Rip Curl	+2.1%
Kathmandu	+7.3%

¹ Earnings before interest, tax, depreciation, and amortisation, excluding the impact of IFRS 16, recent IFRIC interpretations relating to software as a service arrangements, and one-off non-cash items. Includes net government subsidies.

² Earnings before interest and tax, excluding the impact of IFRS 16, recent IFRIC interpretations relating to software as a service arrangements, and one-off non-cash items. Includes approximately \$5.0m notional amortisation of Rip Curl customer relationships.



Group CEO and Managing Director Michael Daly said:

“Rip Curl’s wholesale and direct-to-consumer retail channels continue to perform well. Wholesale order books are above prior year levels as we look forward to next year.”

“Pleasingly, Kathmandu has experienced a record winter promotional period in Australia. Second half gross margins are well above last year due to a combination of currency benefit and updated promotional execution. Trading in New Zealand was weaker than in Australia reflecting lower growth in consumer footfall and revenues, offset by improved gross margins reflecting the deliberate strategy to carefully moderate the historic “high-low” pricing model. While Q3 was impacted by the ongoing COVID outbreak in both counties, Q4 profitability is expected to be above pre-COVID levels absent of any new government restrictions.”

“Oboz is recovering from the three-month COVID closure of Vietnam factories in the first half, compounded by shipping congestion and international freight delays. Oboz has received approximately two hundred thousand pairs of footwear in the past two months, as suppliers resumed full production. Additional supply has been secured for future seasons to meet order book demand.”

“Inventory levels are forecast to be above last year, reflecting decisions taken in the light of ongoing supply chain disruption, to accelerate orders to meet forward wholesale orders and expected retail demand. Inventory quality remains high, with depth in carry forward styles, and lower clearance levels year on year.”

“The Group continues to target our long-term objective of 0.5x net debt to underlying EBITDA.”

“We continue to deliver on our objectives to grow KMD into the leading family of global outdoor brands by elevating digital infrastructure and the consumer experience, leveraging operational excellence, and being a leader in ESG. KMD is well positioned for growth as travel rebounds globally, and COVID impacts on consumer behaviour and international supply chains ease.”

ENDS

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