1H FY13 Results Presentation

March 2013

Contents

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Results Overview

Results Overview: Highlights

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Summary

- Good growth given the difficult economic environment;
- New store rollout on track;
- Full year result still heavily dependent on second half performance.

Sales and Margin

- Sales growth $19.2m (13.1% above last year);
- Same store sales growth 6.1% at constant exchange rates (3.7% at actual exchange rates);
- Gross profit margin 62.7%. Within 62%-64% target range, same as 1H FY12.

Operating Costs

- Operating expenses overall decrease 100bps as a % of sales;
- Rent increase as a % of sales offset by cycling out one-off costs in 1H FY12.

Profit

- EBITDA $20.9m, up 22.9%;
- NPAT $10.3m, up 71.7% (+$4.3m).

Results Overview: Year-On-Year

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	Results Overview NZ $m*4			
	1H FY13	1H FY12	DIFF $	DIFF %
Sales	**165.9**	**146.7**	19.2	13.1%
Gross Profit	**104.1**	**92.0**	12.1	13.2%
Gross Profit Margin	*62.7%*	*62.7%*		
Operating expenses*1	**(83.2)**	**(75.0)**	(8.2)	10.9%
% of sales	*50.1%*	*51.1%*		
EBITDA	**20.9**	**17.0**	3.9	22.9%
EBITDA margin %	*12.6%*	*11.6%*		
EBIT *2	**15.8**	**12.7**	3.1	24.4%
EBIT margin %	*9.5%*	*8.7%*		
NPAT	**10.3**	**6.0**	4.3	71.7%
Permanent open stores*3	129	114	15	

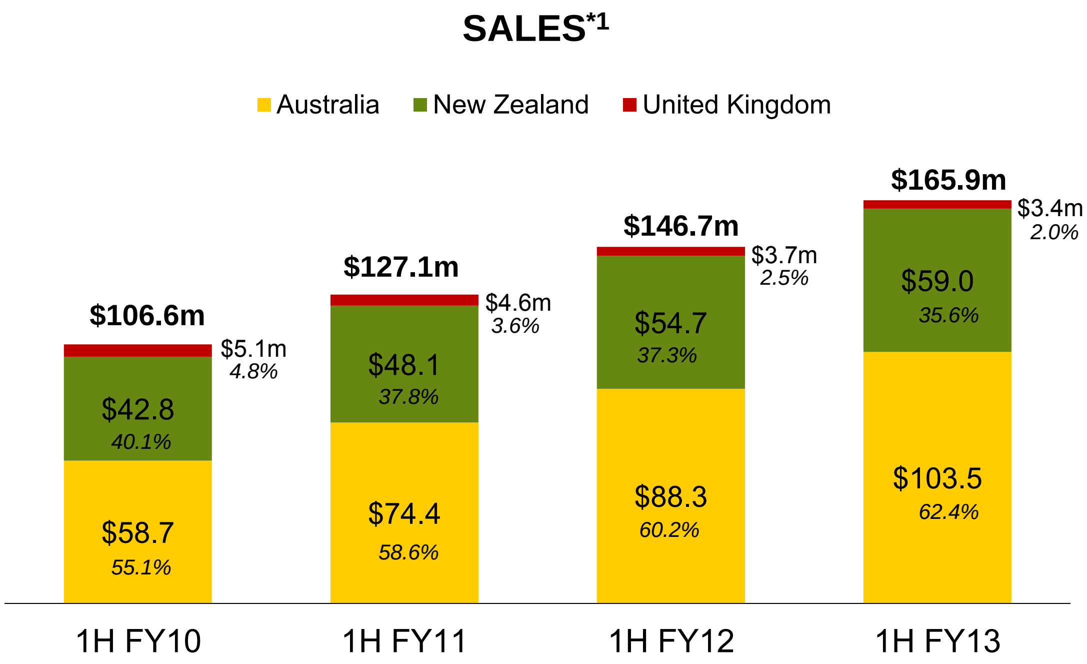
1. Operating expenses exclude depreciation and amortisation.
2. EBIT negative YOY exchange rate impact in 1H FY13: $0.3m.
3. Currently also trading from 2 temporary sites; Moonee Ponds (Melbourne) and Cashel St Re-Start (Christchurch).
4. 1H FY13 NZ$/A$ conversion rate 0.791 (1H FY12: 0.762), 1H FY13 NZ$/UK£ conversion rate 0.514 (1H FY12: 0.505).
5. Rounding differences may arise in totals, both $ and %.

Key Line Items

Sales

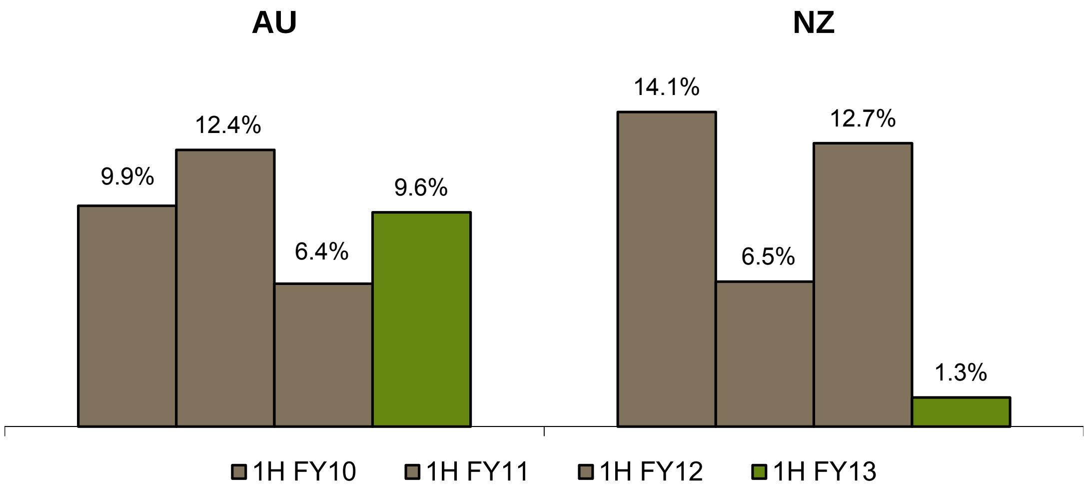
SALES: +13.1% to $165.9m

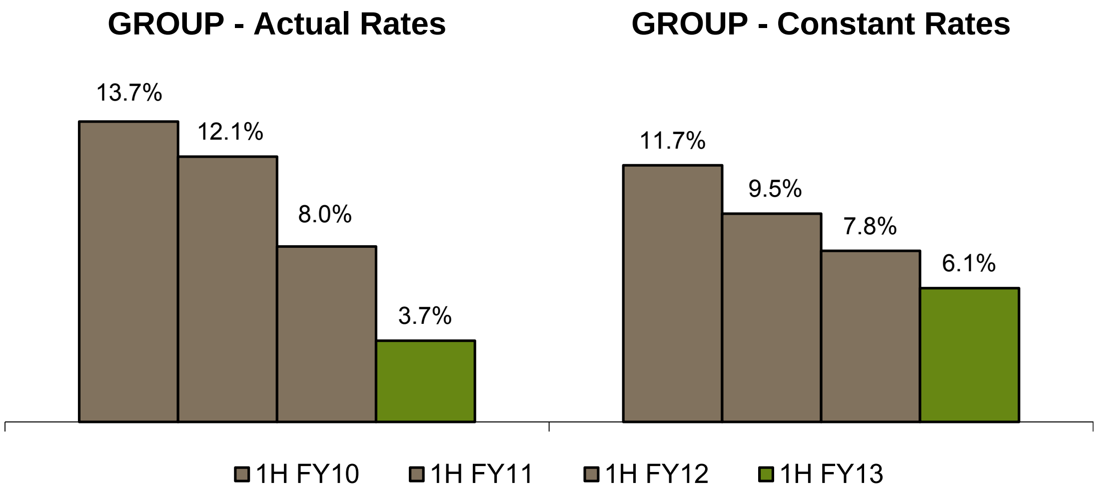
- Sales growth year on year:[*2] AU 21.5%, NZ 7.9%, UK (4.7)%.
- At constant exchange rates sales growth $23.2m / 15.8%.



1. Country sales totals exclude inter-company sales.
2. Calculated on local currency sales results (not affected by year-on-year exchange rate variation).

Same Store Sales Growth

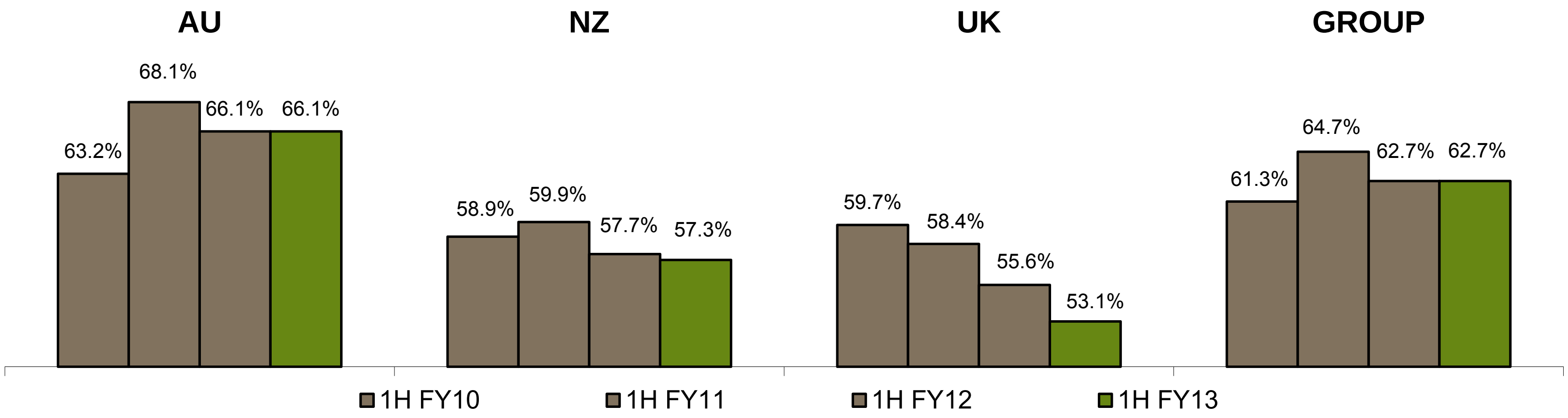




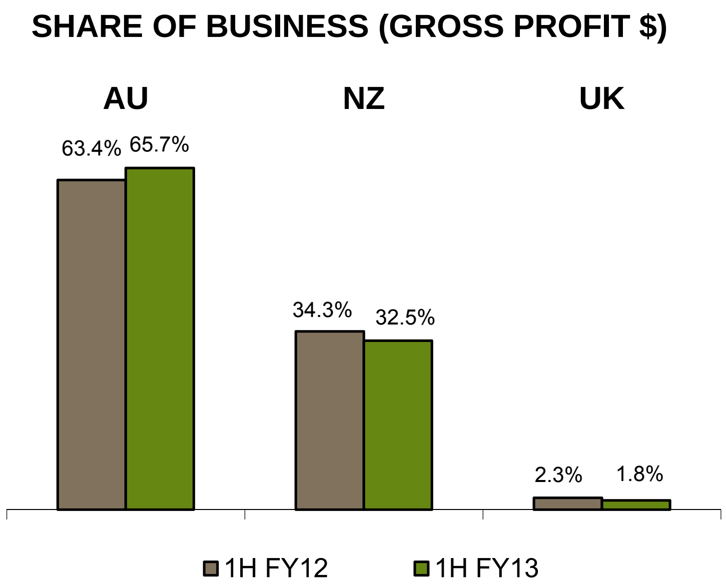
- Same store sales growth 3.7% (6.1% on constant currency basis); *1
- UK sales 4.7% below 1H FY12;
- 4 year 1H average: *2
  - AU 9.6%
  - NZ 8.7%
  - Group 8.8%

1. Same store sales measurement includes eSales and all stores from their 53rd week of trading, and for 1H FY13 excludes Perth during it's period of closure.
2. Calculated on local currency sales results (not affected by year-on-year exchange rate variation).

Gross Profit Margin %



- August and January clearance sales at slightly lower margins, c. 20 bps impact overall;
- Within 62%-64% long-term target range;
- UK decreasing margins affected by Christmas pricing and closedown clearance activity. 2H will be similar or lower;
- Summit Club growth has been the key driver of margin change (FY11 – FY13).



Cost of Doing Business

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OPERATING EXPENSES: +10.9% to $83.2m

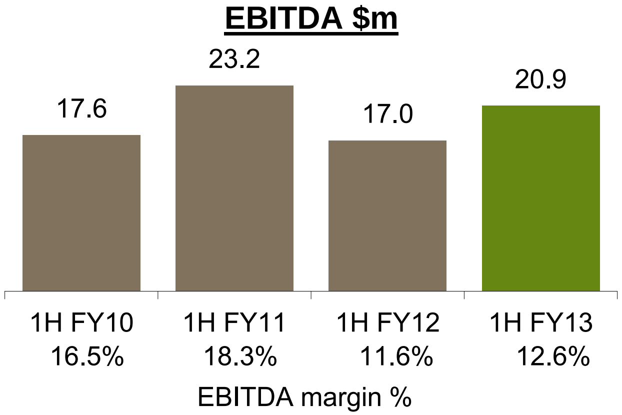
- Operating expenses reduced as a % of sales YOY;
- Rent as a % of sales increased. New flagship stores (Newmarket and Perth);
- Other operating expenses reduced 130 bps as a % of sales, primarily attributed to:
  - Advertising, cycling 1H FY12 brand refresh costs;
  - Distribution, cycling one-off impact of core systems upgrade in 1H FY12.

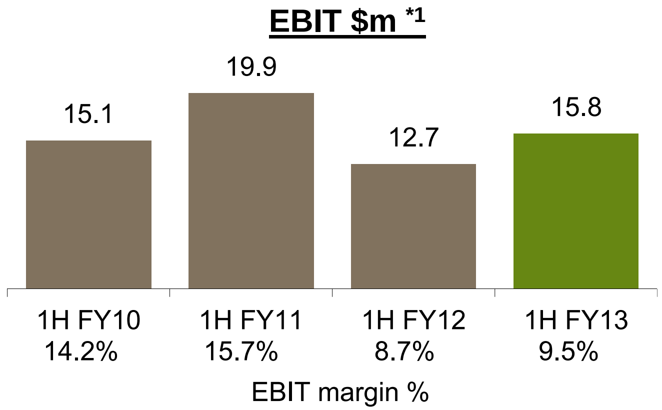
NZ $m	1H FY13	1H FY12	DIFF $	DIFF %
Rent	22.1	19.1	3.0	15.7%
% of Sales	*13.3%*	*13.0%*		
Other operating expenses	61.1	55.9	5.2	9.3%
% of Sales	*36.8%*	*38.1%*		
Total operating expenses	**83.2**	**75.0**	**8.2**	**10.9%**
% of Sales	***50.1%***	***51.1%***		
Depreciation	**5.1**	**4.3**	0.8	18.6%
% of Sales	***3.1%***	***2.9%***		
Cost of doing business	**88.3**	**79.3**	**9.0**	**11.3%**
% of Sales	***53.2%***	***54.1%***		

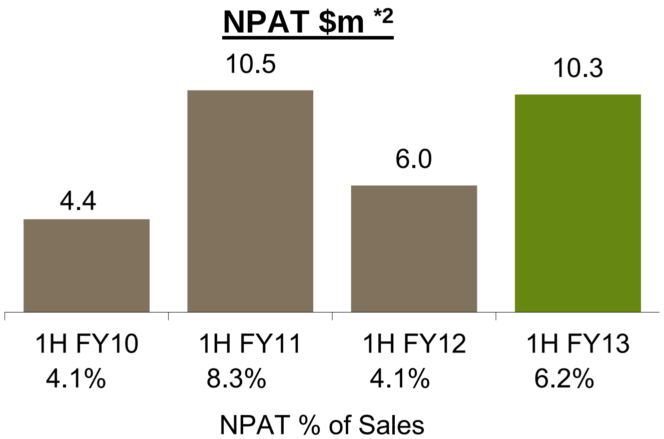
1. Rounding differences may arise in totals, both $ and %.

Earnings

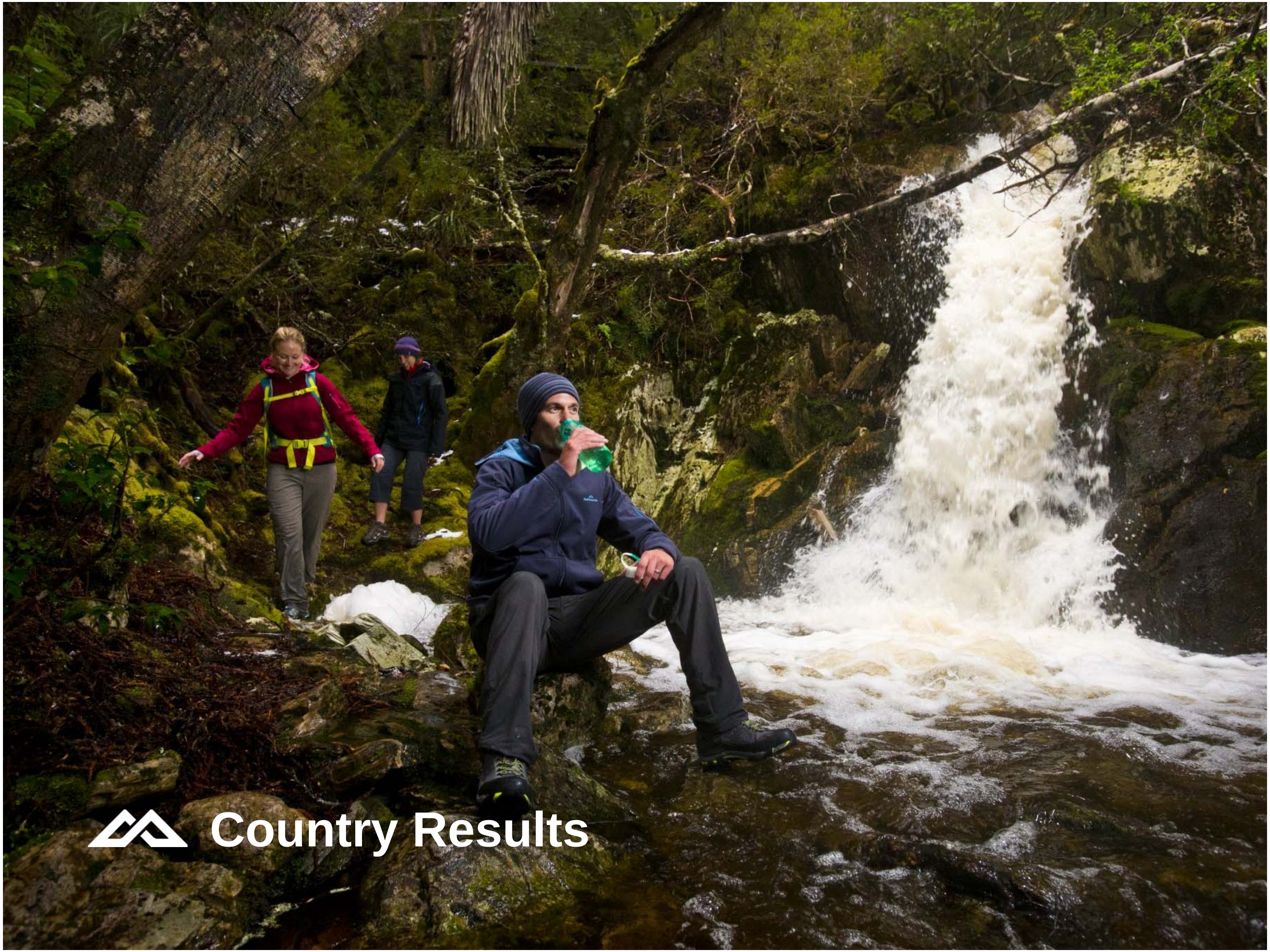
EBITDA $20.9m, +22.9%
EBIT $15.8m, +24.4%
NPAT $10.3m, +71.7%







1. EBIT negative YOY exchange rate impact in 1H FY13: $0.3m.
2. 1H FY10 NPAT result excludes IPO costs net of associated tax deductions.


Country Results

Australia

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SALES: A$81.8m, +21.5%

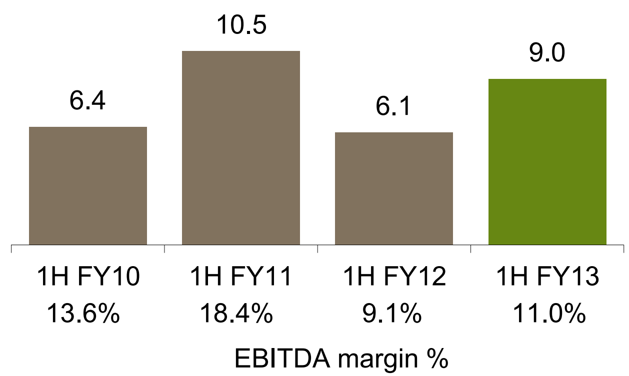
Same store sales growth: +9.6%

EBITDA (trading result): A$9.0m, +47.5%

- 13 New Stores opened since 1H FY12:
  - 4 in 2H FY12: Tamworth, Shellharbour, The Rocks (Sydney), Moorabbin DFO (Melbourne);
  - 9 in 1H FY13:
    - Carindale, Robina, and Mackay in Queensland;
    - Tuggerah, Coffs Harbour, and Pitt St (Sydney) in NSW;
    - Fountain Gate (Melbourne), Morley Galleria (Perth), and Casuarina (Darwin).
- Refurbishments / Relocations:
  - 1H FY13: Perth and Richmond (Melbourne) relocated, Knox City and Highpoint (Melbourne) refurbishments.
- Total operating expenses (excl. depreciation):
  - 1H FY13 55.1% of sales;
  - 1H FY12 57.0% of sales.

A $m	1H FY13	1H FY12	DIFF
Sales	81.8	67.3	21.5%
Same store sales growth	9.6%	6.4%	
EBITDA (trading result)*1	9.0	6.1	47.5%
EBITDA margin %	11.0%	9.1%	
Permanent open stores	81	68	

EBITDA $m



1. A reconciliation of EBITDA (trading result) to the interim report is included in Appendix 1.

New Zealand

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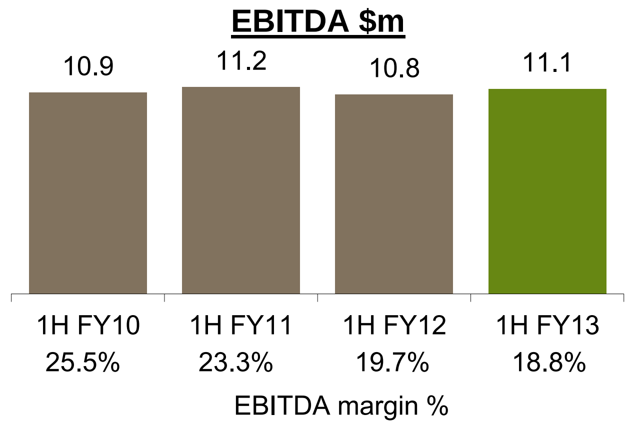
SALES: NZ$59.0m, +7.9%

Same store sales growth: +1.3%

EBITDA (trading result): NZ$11.1m, +2.8%

- 2 new stores opened since 1H FY12:
  - 2 in 2H FY12: Masterton, plus re-opening of Victoria Street, Auckland (closed for most of FY12 due to landlord works).
- Refurbishments / Relocations:
  - 2H FY12: Newmarket relocation;
  - 1H FY13: Nelson relocation.
- Total operating expenses (excl. depreciation):
  - 1H FY13 38.5% of sales;
  - 1H FY12 38.0% of sales.

NZ $m	1H FY13	1H FY12	DIFF
Sales	59.0	54.7	7.9%
Same store sales growth	1.3%	12.7%	
EBITDA (trading result)*1	11.1	10.8	2.8%
EBITDA margin %	18.8%	19.7%	
Permanent open stores	42	40	



1. A reconciliation of EBITDA (trading result) to the interim report is included in Appendix 1.
2. Note: Christchurch CBD store still closed due to earthquake (temporary site operating in Re-Start precinct).

United Kingdom

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SALES: UK£1.8m, -4.7%

Same store sales growth: -4.7%

EBITDA (trading result): UK£(0.4)m, +20.0%

- Total operating expenses (excl. depreciation):
  - 1H FY13 75.3% of sales;
  - 1H FY12 81.9% of sales.
- 1.8% of Group Gross Profit in 1H FY13;
- 1 new store opening:
  - Kensington High St, London (Mar 2013).
- 2 store closures:
  - Berners St, London (Feb 2013);
  - Brighton (Jun 2013).
- Westfield White City, London store expected to close 1H FY14;
- Leverage of online platform to deliver sales growth.

UK £m	1H FY13	1H FY12	DIFF
Sales	1.8	1.9	(4.7)%
Same store sales growth	(4.7)%	(13.6)%	
EBITDA (trading result)[*1]	(0.4)	(0.5)	20.0%
EBITDA margin %	(22.2)%	(26.3)%	
Permanent open stores	6	6	

1. A reconciliation of EBITDA (trading result) to the interim report is included in Appendix 1.
2. Rounding differences may arise in totals, both $ and %.


Cash Flow
Balance Sheet
Dividend

Cash Flow

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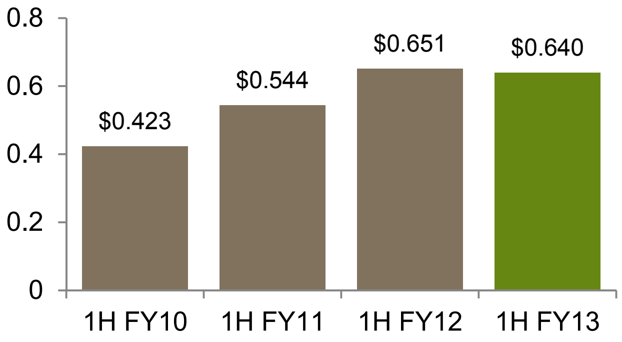
- Capital expenditure $10.7m vs 1H FY12 $10.3m:
  - New stores capex: $6.4m:
    - 9 new stores;
    - 3 relocations;
    - In progress stores for 2H FY13.
  - Existing stores capex: $1.4m:
    - Includes 2 major refurbishments.
  - IT capex $2.0m:
    - Includes online project, forecasting and planning, CRM.
  - Other capex: $0.9m
    - Includes distribution centres, and offices.
- Reduction in interest paid due to lower debt levels and terms of new bank facility.

NZ $m	1H FY13	1H FY12
NPAT	**10.3**	**6.0**
Change in working capital	(19.9)	(28.7)
Change in non-cash items	4.0	4.8
Operating cash flow	**(5.6)**	**(17.9)**
Key Line items:		
Net interest paid (including facility fees)	(2.4)	(3.2)
Income taxes paid	(12.0)	(10.7)
Capital expenditure	(10.7)	(10.3)
Dividends paid	(14.0)	(14.0)
Increase/(Decrease) in term borrowing	29.0	40.8

1. Rounding differences may arise in totals, both $ and %.

Balance Sheet

- Inventories ($m) per store down 1.7%:[*1]



- Inventory growth overall in line with store growth;
- 51.1% of term debt hedged by interest rate swaps (NZ$19m; AU$18m).

Key Ratios	1H FY13	1H FY12
Gearing [*2]	23.0%	25.1%
Stock turns [*3]	1.7	1.7

NZ $m	1H FY13	1H FY12
Inventories	84.5	76.8
Property, plant and equipment	44.7	37.9
Intangible assets	245.6	248.2
Other assets	11.7	6.0
Total assets (excl. cash)	**386.5**	**368.9**
Net interest bearing liabilities and cash	81.0	85.6
Other non-current liabilities	0.8	0.6
Current liabilities	33.3	27.5
Total liabilities (net of cash)	**115.1**	**113.7**
Net assets	**271.4**	**255.2**

1. Calculated using total store counts including temporary stores open at each measurement point.
2. Net Debt / (Net Debt + Equity) at balance date.
3. COGS (rolling 12 months) / Average Inventories (start and end of period).

Foreign Currency

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- Effective US$ hedge rates 1H FY13:
  - A$/US$ 1.007 1H FY13 vs 0.938 1H FY12;
  - NZ$/US$ 0.782 1H FY13 vs 0.736 1H FY12.
- Forward Hedging Position:
  - Longest dated hedges March 2014;
  - FY14 over 90% cover for first half year;
  - Rolling cover applied 12 months forward.
- No hedging NZ$:A$.

FORWARD HEDGING POSITION		2H FY13	1H FY14
A$ / US$	% covered	90%+	90%+
	Effective Rate	0.999	1.015
NZ$ / US$	% covered	90%+	90%+
	Effective Rate	0.790	0.806

Dividend

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- NZ 3.0 cents per share interim dividend;
- Full year payout ratio remains within expected 50 to 60% of NPAT;
- AU dividend will be fully franked;
- NZ dividend will be fully imputed;
- Record date 07 June 2013, Payment date 18 June 2013;
- Future years' interim dividends are unlikely to be imputed for New Zealand shareholders given full year dividend payout levels will increase in line with profit growth, which is derived primarily from Australian operations;
- Final dividends are expected to continue to be fully franked and fully imputed.


Growth Strategy Update

Growth Strategy Update

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GROWTH STRATEGY		UPDATE
New store rollout	• Previous 150 target increased to170 stores overall (AU and NZ).	• New stores continue to perform to expectation • 15 stores per annum remains annual target • Flagship store programme almost complete • Small format stores give greater new site alternatives
Improve existing store network	• Maximise market potential / share by fully optimising the existing store locations	• Variations in store formats create further opportunity for store realignment • Site by site evaluation in conjunction with increasing number of lease renewals from FY14 onwards • Assortment range planning tools being implemented to optimise the product range for store footprint and location
Online and digital	• Grow online sales in AU, NZ and international markets.	• Online sales remains fastest growing channel. Over 50% YOY growth but still <5% of total sales • Programme of continuous enhancements underway including mobile optimisation, international shipping capability on new online platform • Evaluating marketplace sites e.g. Amazon, TradeMe, eBay (trial started)

Growth Strategy Update (continued)

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GROWTH STRATEGY		UPDATE
Enhance product offering	• Invest in growth categories • Maximise sales productivity of existing range • Maintain innovation, leadership and competitiveness	• SKU count at maximum • More investment in depth than width • Best in field programme established to enhance technical credibility (XT product range launch) • Ongoing investment in research and product development, particularly in technical fabrics • Product forecasting and planning system to be launched FY14 (Microsoft Dynamics AX)
Summit Club	• Target one million members	• Loyalty incentive (accumulated spend) now integrated into Summit Club programme • On track to achieve the one million target within 2 years • Further investment in CRM system

FY13 Outlook

FY13 Outlook

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- Store roll out is on track for 15 new stores in FY13. 5 sites already confirmed for 2H FY13 at The Glen (Melbourne), Eastgardens (Sydney), Hobart, Pukekohe and Westgate (Auckland);
- In final stages of the UK restructure and will be completed early FY14;
- 2H refurbishment projects planned for existing stores are Blackburn, Innaloo, Bondi, Doncaster and Invercargill (relocation);
- Operating expenses remain a key management focus to deliver full year operating leverage;
- Sales through February and March to date have been impacted by the hot and generally dry weather in both Australia and New Zealand.

Market / Environment

- Current economic conditions unlikely to improve in the second half;
- Two large weather dependent promotional campaigns to come remain critical to the full year outcome;
- Competition continues to increase.

Summary

- A positive start to FY13;
- Board and Management remain confident in the Kathmandu business model and on-going growth strategies;
- Given the continued difficult market conditions and recent weather patterns, we do not believe it is possible to provide specific guidance, but remain confident of a strong performance for full year FY13.


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Questions

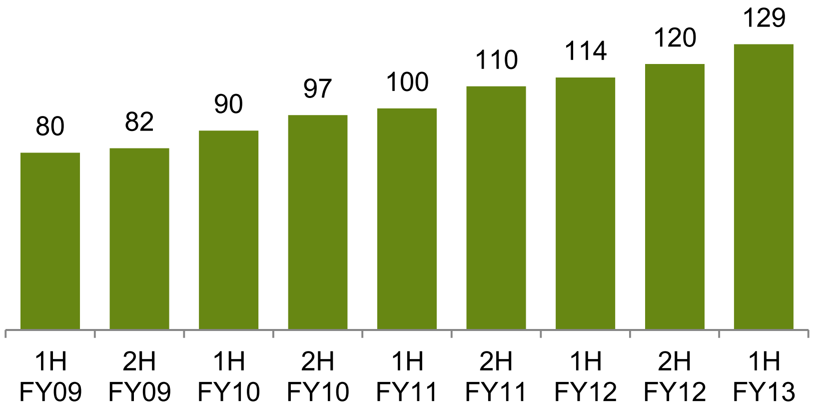
Appendix 1 – Reconciliation of Country Trading Results

Australia (NZ $m)	1H FY13	1H FY12
Segment profit	1.9	3.7
Net interest	1.1	1.1
Facility fees	0.2	0.5
Depreciation	3.4	2.7
Inter-Co. financing	1.7	1.9
Foreign currency borrowings (Gain)/Loss	3.1	(1.8)
EBITDA (trading result)	**11.4**	**8.1**

New Zealand (NZ $m)	1H FY13	1H FY12
Segment profit	9.1	8.8
Net interest	0.9	0.8
Facility fees	0.2	0.5
Depreciation	1.5	1.5
Inter-Co. financing	(1.7)	(1.9)
Foreign currency borrowings (Gain)/Loss	0.2	0.1
Holding Co. costs	0.9	1.0
EBITDA (trading result)	**11.1**	**10.8**

United Kingdom (NZ $m)	1H FY13	1H FY12
Segment profit	(0.8)	(1.1)
Foreign currency borrowings (Gain)/Loss	(0.1)	(0.1)
Depreciation	0.2	0.2
EBITDA (trading result)	**(0.7)**	**(1.0)**

PERMANENT OPEN STORES



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