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1 April 2020

(All amounts in New Zealand Dollars, NZ\$, unless otherwise stated)

Rip Curl acquisition and organic sales growth underpinned first half result, \$207 million Equity Raising

Today, Kathmandu Holdings Limited (NZX/ASX: KMD) announces its 1H FY20 results, and a fully underwritten \$207 million Equity Raising, via a pro-rata accelerated entitlement offer (**Entitlement Offer**) and placement (**Placement**).

1H FY20 key highlights (vs 1H FY19)

- Successful completion of the Rip Curl Acquisition, creating a more diversified group of three iconic brands across key global markets
- Outdoor segment (Kathmandu and Obōz) total sales¹ up 0.4% at constant exchange rates
 - Kathmandu same store sales² growth of 1.5%
 - Online comparable sales growth of 33.1%; now comprising 11.1% of direct to consumer sales over the last twelve months, up from 9.5%
 - Obōz total sales up 10.4% at constant exchange rates
- Surf segment (Rip Curl) total sales up 3.7%
 - Same store sales growth of 2.7%
 - Online comparable sales growth of 19.5%
- Group total sales up 58.8% to \$363.7 million
- Group Underlying EBIT of \$29.0 million, up 46.5% (excluding the impact of IFRS 16, and one-off transaction and abnormal costs)
- Statutory NPAT of \$8.1 million includes \$10.3 million of one-off transaction costs and abnormal costs, and \$0.4 million from the implementation of the IFRS 16 leasing standard

Equity Raising highlights

- Kathmandu Holdings is taking pre-emptive action to fortify its balance sheet in conjunction with the aggressive and significant cost savings and structural cost reduction initiatives the Group is implementing in response to the global COVID-19 pandemic (**COVID-19**).
- The Group has launched a fully underwritten \$207 million Equity Raising at an offer price of \$0.50 per share via a \$30 million Placement to certain institutional investors, together with an approximately \$177 million 1.2 for 1 pro-rata accelerated Entitlement Offer (together, the **Equity Raising**).
- Post-raising, the Group will be strongly capitalised through the current market uncertainties caused by the global COVID-19 pandemic.

Kathmandu Holdings has announced that it intends to raise approximately \$207 million to strengthen its balance sheet and ensure the Group is strongly capitalised through the current market uncertainties caused by COVID-19.

Kathmandu Holdings' Group CEO Xavier Simonet said "The Group's first half financial results highlight the strength of our three global brands, Kathmandu, Rip Curl and Obōz. These results also show the strong position we would have been in to drive the next wave of our growth in line with our long-term diversification strategy had the global COVID-19 pandemic not occurred. In this situation of uncertainty and challenges, the health and wellbeing of our team and customers is paramount, while we maintain business continuity and ensure we are well positioned to bounce back quickly when more normal operating conditions return."

"The Board is taking pre-emptive action with the capital raising announced today, to ensure our Group remains strongly capitalised during the current market uncertainties. The proceeds of the Equity Raising will be used to

¹ Total sales for the Outdoor segment are for the six months ended 31 January 2020. Total sales for the Surf Segment are for three months since the acquisition of Rip Curl.

² Same store and comparable sales are measured at constant currency. For the Outdoor segment, the measurement period is the 26 full weeks ended 26 January 2020. For the Surf segment, the measurement period is the 12 full weeks of Rip Curl ownership from 4 November 2019 to 26 January 2020.

deleverage the Group's balance sheet and provide liquidity and funding in the medium-term should we experience a prolonged global COVID-19 pandemic," added Mr Simonet.

Strengthening the Group's Balance Sheet and Liquidity Position

Kathmandu Holdings' management and Board are taking decisive action to address the impacts of COVID-19 and maintain business continuity, while ensuring the health and safety of the Group's team and customers remains the highest priority.

A large number of initiatives have already been undertaken covering distribution, supply chain, leases, various operating and capital expenditure, and people. Specific detail is outlined in the presentation lodged with NZX and ASX today.

In addition to these initiatives, the Group is taking pre-emptive action to ensure it remains strongly capitalised with sufficient liquidity during the current period of uncertainty. This includes:

- executing a fully underwritten \$207 million Equity Raising;
- as previously announced, suspending the Group's dividend until trading conditions improve. This includes the Group's interim 1H FY20 dividend; and
- Working with existing banking group, which has provided a covenant waiver for the periods ending 31 July 2020 and 31 January 2021, and a relaxation of certain covenants for the period ending 31 July 2021, subject to successful completion of a minimum NZ\$150 million equity raising.

The proceeds of the Equity Raising will be used to deleverage the Group's balance sheet and provide liquidity and funding for medium-term operating requirements (including estimated redundancy costs).

The Group expects to have sufficient liquidity to cover payments and meet the capital requirements of the Group for at least the next 12 months based on conservative assumptions.

Equity Raising Details

The strengthening of the Group's balance sheet will be funded via a fully underwritten¹ Equity Raising comprising a \$30 million institutional Placement and a 1.2 for 1 pro-rata accelerated non-renounceable Entitlement Offer to raise approximately \$177 million. The Placement and Entitlement Offer will raise approximately \$207 million, with the issue of approximately 413.9 million new ordinary shares (**New Shares**) representing 140.3% of existing shares on issue.

The Placement and Entitlement Offer will be conducted at an offer price of \$0.50 per share (**Offer Price**), representing a:

- 30.2% discount to TERP²; and
- 51.0% discount to the last closing price of \$1.02 per share on 30 March 2020.

New Shares issued under the Placement and Entitlement Offer will rank equally with existing Kathmandu Holdings ordinary shares.

Use of Proceeds

The Group intends to use proceeds from the Equity Raising to strengthen its balance sheet.

Specifically, the Group will use the Equity Raising proceeds for the following purposes:

- to pay down the existing Revolving Multi-Option Facility (\$86 million³);
- to provide additional cash on balance sheet (\$115 million); and
- to fund the transaction costs associated with the Equity Raising.

Post the Equity Raising, the Group:

- will have total liquidity of NZ\$315 million⁴, with no debt maturities prior to November 2022; and
- will reduce Net Debt / LTM EBITDA⁵ as at 31 January 2020 from 1.9x down to pro forma 0.5x.

Placement Details

The Placement to institutional investors will raise \$30 million at the Offer Price of \$0.50 per share. The Placement comprises the issue of 59.8 million shares to eligible sophisticated, professional and other institutional investors located in Australia, New Zealand and select international jurisdictions. The Placement represents 20.3% of Kathmandu Holdings' ordinary shares on issue following the Entitlement Offer.

The Placement is within the Company's existing capacity under NZX Listing Rule 4.5 (following the 19 March 2020 Class Waiver and Ruling) and accordingly no shareholder approval is required to issue the New Shares.

Settlement of the Placement is scheduled to take place on Wednesday, 8 April 2020, with allotment and quotation of the New Shares on ASX expected to occur on Thursday, 9 April 2020, while in relation to the New Shares on the NZX this will all occur on Thursday, 9 April 2020.

Entitlement Offer Details

The 1.2 for 1 Entitlement Offer will raise a total of approximately \$177 million at an Offer Price of \$0.50 per share. The Entitlement Offer will be conducted in two parts, a component to institutional investors (**Institutional Entitlement Offer**) and a retail component (**Retail Entitlement Offer**). The Entitlement Offer is non-renounceable, and entitlements will not be tradeable or otherwise transferrable.

Eligible shareholders under the Institutional Entitlement Offer include sophisticated, professional and other institutional shareholders located in Australia, New Zealand and select international jurisdictions as at the

¹ The Underwriting Agreement contains termination events, representations, warranties and indemnities that are customary for a transaction of this nature.

² TERP is the Theoretical Ex-Rights Price at which Kathmandu ordinary shares would trade immediately after the ex-rights date for the Entitlement Offer. TERP is calculated with reference to Kathmandu's closing share price of NZ\$1.02 on 30 March 2020 and includes all New Shares issued under the Equity Raising. TERP is a theoretical calculation only and the actual price at which Kathmandu ordinary shares will trade immediately after the ex-rights date for the Entitlement Offer will depend on many factors and may not be equal to TERP.

³ Balance as at 31 January 2020.

⁴ Pro forma liquidity as at 31 January 2020, which consists of committed undrawn multi-option facility plus cash on balance sheet post settlement of the underwritten Placement and Entitlement Offer (net of fees and expenses).

⁵ Calculated using 12 month rolling P&L measures, including a full 12 months of Rip Curl P&L results, and excluding transaction costs.

Record Date of Friday, 3 April 2020 (**Eligible Institutional Shareholders**). The Institutional Entitlement Offer will be conducted on Wednesday, 1 April 2020.

The Retail Entitlement Offer will be offered to eligible retail shareholders with registered addresses in Australia and New Zealand at the Record Date of Friday, 3 April 2020 (**Eligible Retail Shareholders**). The Retail Entitlement Offer will open on Monday, 6 April 2020, and close on Friday, 17 April 2020 (unless extended). The Retail Offer Document, containing full details of the Entitlement Offer, will be sent to Eligible Retail Shareholders on Monday, 6 April 2020.

The Board of Kathmandu Holdings supports the Entitlement Offer, and the non-Executive Directors intend to take up their direct entitlements, to the extent that they are eligible to participate in the Entitlement Offer.

Indicative timetable¹

Event	Date
Announcement of Equity Raising	Wednesday, 1 April 2020
Institutional Entitlement Offer and Placement opens	Wednesday, 1 April 2020
Institutional Entitlement Offer and Placement closes	Wednesday, 1 April 2020
Trading halt lifted – KMD shares recommence trading on NZX and ASX on an “ex-entitlement” basis	Thursday, 2 April 2020
Record Date for the Entitlement Offer	Friday, 3 April 2020
Retail Entitlement Offer opens	Monday, 6 April 2020
Retail Offer Document despatched and Retail Entitlements allotted	Monday, 6 April 2020
Settlement of Placement and Institutional Entitlement Offer – ASX	Wednesday, 8 April 2020
Settlement, allotment and commencement of trading of New Shares under the Institutional Entitlement Offer and Placement – NZX	Thursday, 9 April 2020
Allotment and normal trading of New Shares under the Institutional Entitlement Offer and Placement – ASX	Thursday, 9 April 2020
Retail Entitlement Offer closes	Friday, 17 April 2020
Settlement of New Shares issued under the Retail Entitlement Offer – ASX	Thursday, 23 April 2020
Settlement, allotment and commencement of trading of New Shares issued under the Retail Entitlement Offer – NZX	Friday, 24 April 2020
Despatch of holding statements and commencement of trading of New Shares issued under the Retail Entitlement Offer – ASX	Monday, 27 April 2020

Additional information

Additional information regarding the Equity Raising is contained in the investor presentation released to NZX and ASX today. The investor presentation contains important information including key risks and foreign selling restrictions with respect to the Equity Raising.

Nothing contained in this announcement constitutes investment, legal, tax or other advice. Investors should seek appropriate professional advice before making any investment decision.

Credit Suisse (Australia) Limited and Jarden Securities Limited are acting as arrangers for the Equity Raising and, together with Craigs Investment Partners Limited and Forsyth Barr Limited are joint lead managers and bookrunners for the Placement and Entitlement Offer.

¹ This timetable is indicative only and may change without notice at the Company's discretion or subject to the requirements of the NZX Listing Rules. Kathmandu Holdings has the ability at its discretion to make changes including to extend the closing date for the Retail Entitlement Offer, to withdraw the Entitlement Offer at any time prior to the issue of the New Shares and/or to accept late applications either generally or in specific areas.

The Equity Raising is fully underwritten by Credit Suisse (Australia) Limited, Jarden Partners Limited, Craigs Investment Partners Limited and Forsyth Barr Group Limited.

For any questions in respect of the Retail Entitlement Offer, please call the Kathmandu Holdings Offer Information Line on +64 9 375 5998 (within New Zealand) or +61 1300 554 474 (within Australia) between 8:30am and 5:00pm (Auckland time) Monday to Friday during the Retail Entitlement Offer Period. For other questions, investors should consult their broker, solicitor, accountant, financial adviser or other professional adviser.

1H FY20 results

Kathmandu Holdings is pleased to announce its results for the six months ended 31 January 2020 (1H FY20), a period where the Company successfully completed the Rip Curl acquisition and continued to drive organic sales growth.

Financial performance

Kathmandu Group¹	IFRS 16	Pre IFRS 16		
NZ\$m	1H FY20	1H FY20	1H FY19	Change %
Sales ²	363.7	363.7	229.0	58.8%
Gross Profit	218.9	218.9	141.9	54.3%
Operating Expenses	(140.2)	(178.4)	(114.3)	56.1%
EBITDA (Underlying)	78.7	40.5	27.6	46.7%
EBIT (Underlying)	34.1	29.0	19.8	46.5%
Transaction Costs & Abnormals³	(10.3)	(10.3)	1.1	
EBIT	23.8	18.7	20.9	(10.5%)
NPAT	8.1	7.7	14.0	(45.0%)

Addition of Surf segment diversified the Group earnings profile

NZ\$m	1H FY20	1H FY19	Var %
Outdoor segment sales	228.7	229.0	(0.1%)
Surf segment sales	134.9	-	
Total segment sales	363.7	229.0	58.8%
Outdoor segment EBIT	15.5	21.7	(28.5%)
Surf segment EBIT	15.7	-	
Total segment EBIT	31.2	21.7	44.0%
Corporate Costs	(2.2)	(1.9)	(17.2%)
Group Underlying EBIT	29.0	19.8	46.5%

Commenting on the 1H FY20 results, Group CEO Xavier Simonet said “Over the half year the acquisition of Rip Curl underpinned a significant increase in our scale and substantially diversified our revenue and earnings streams. At the same time we were able to continue growing organically given our strong customer engagement, unique products and well-known brands.”

“We were particularly pleased to grow same store sales in Australia and New Zealand despite challenging conditions, with Australia experiencing widespread bush fires and New Zealand having had negative same store sales growth during the preceding two years. Obōz continued to perform strongly, with sales growing 10.4% even though it was cycling strong sales growth following a major product launch last year,” added Mr Simonet.

¹ 1H FY20 NZD/AUD conversion rate 0.955 (1H FY19: 0.938), 1H FY20 NZD/GBP conversion rate 0.508 (1H FY19: 0.525), 1H FY20 NZD/USD conversion rate 0.641 (1H FY19 0.663).

² 1H FY20 statutory sales are presented net of Summit Club vouchers issued. To improve comparability, 1H FY19 sales are also presented net of Summit Club vouchers issued.

³ \$10.3m has been incurred during 1H FY20 in relation to the acquisition and integration of Rip Curl, including establishment of a new Group structure. Abnormal income of \$1.1m in 1H FY19 was from a tax refund relating to the GST treatment of reward vouchers (\$0.8m after tax).

⁴ Rounding differences may arise in totals, both \$ and %.

Outdoor Segment result reflected challenging conditions

Outdoor Segment	Pre IFRS 16		
NZ\$m	1H FY20	1H FY19	Var %
Sales	228.7	229.0	(0.1%)
Gross Profit	138.2	141.9	(2.6%)
Operating Expenses	(114.8)	(112.8)	1.8%
EBITDA (Underlying)	23.4	29.0	(19.4%)
EBIT (Underlying)	15.5	21.7	(28.5%)

Total sales in Kathmandu's largest market, Australia, were down 0.9%, with 3 stores closed since 1H FY19. Same stores sales growth of 2.0% was a positive result given the impacts of bushfires and unusually hot weather.

New Zealand total sales were up 0.5%. Same store sales growth was 0.5%, following two years of negative same store sales.

Rest of World total sales were up 6.1% at constant exchange rates, underpinned by 10.4% sales growth from Oboz and initial orders for Kathmandu North America. Oboz expects its next major product launch to start shipping from June 2020.

Kathmandu's gross margin was 1.2% below 1H FY19 due to a higher clearance sales mix and higher input costs impacted by exchange rates. Higher input costs due to exchange rates are expected to continue through 2H FY20 and FY21.

Online comparable sales were up 33.1% at constant currency exchange rates, and now comprise 11.1% of direct to consumer sales over the last twelve months (1H FY19: 9.5%).

Surf segment: strong performance in first three months of ownership

Surf Segment	Pre IFRS 16
NZ\$m	Nov 19 to Jan 20
Sales	134.9
Gross Profit	80.7
Operating Expenses	(62.3)
EBITDA (Underlying)	18.4
EBIT (Underlying)	15.7

In the three months since its acquisition, Rip Curl contributed NZ\$15.7 million to group underlying EBIT. The three months of ownership to date include the important Christmas trading period.

Rip Curl total sales for three months of ownership increased 3.7% at constant exchange rates above the comparable three month period last year. Wholesale total sales increased by 1.8%. Total sales for Australia and New Zealand increased 3.2%, while total sales for Rest of World increased 4.5%, with North America performing particularly strongly.

Direct to consumer same store sales grew 2.7% and online sales grew 19.5%. Over FY20 the Group will continue to leverage its expertise to further improve Rip Curl's store network and online capabilities.

Outlook

Commenting on the outlook for Kathmandu, Mr Simonet said “The acquisition of Rip Curl has created a diversified global Group, consisting of three iconic, inspirational and authentic brands. We will continue to develop the channels through which we deliver our innovative and technical products to our loyal consumers.”

“Sufficient inventory levels are in place for the forthcoming season for all brands, assisted by the longer lead time of technical product categories, and a diversified supplier base.”

“While we are acting to limit the impacts of the COVID-19 pandemic, our long-term strategy does not change. We are striving to be a global outdoor and action sports company underpinned by iconic brands, technical products and a focus on sustainability. In Kathmandu, Oboz, and Rip Curl, we believe that we have authentic and inspirational brands that will attract loyal customers for the long-term.”

Investor briefing

An investor call will be hosted by Xavier Simonet (Group CEO) and Chris Kinraid (Group CFO) at 9:00am AEDT / 11:00am NZDT today, Wednesday, 1 April 2020. For those wishing to participate, please dial one of the numbers below and provide the conference ID to the operator:

Australia Toll Free:	1800 558 698 or 1800 809 971
Australia Local:	+61 2 9007 3187
New Zealand Toll Free:	0800 453 055
United States:	+1 855 881 1339

Conference ID: 10005263

- ENDS -

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Forward-looking statements

This announcement contains certain forward-looking statements about Kathmandu Holdings. The "may", "will", "expect", "intend", "plan", "estimate", "anticipate", "continue", and "guidance" and other similar expressions are intended to identify forward-looking statements. Forward-looking statements in this announcement include statements regarding: statements regarding plans, strategies, growth initiatives and objectives of management, timing, expected costs for Kathmandu Holdings, based on its estimates for 2020 and beyond and the future operation and financial performance of Kathmandu Holdings, and the outcome of the Placement and the Entitlement Offer and the use of proceeds therefrom. Forward-looking statements, including projections, guidance on future earnings and estimates are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. No representation, warranty or assurance (express or implied) is given or made in relation to any forward-looking statement by any person (including Kathmandu Holdings). In particular, no representation, warranty or assurance (express or implied) is given that the occurrence of the events expressed or implied in any forward-looking statements in this announcement will actually occur. Actual results, performance or achievement may vary materially from any projections and forward-looking statements and the assumptions on which those statements are based. Readers are cautioned not to place undue reliance on forward looking statements and Kathmandu Holdings assumes no obligation to update such information.

All dollar values are in New Zealand dollars (" \$" or "NZ\$") unless stated otherwise.

This announcement contains certain financial measures that are "non-IFRS financial information" under ASIC Regulatory Guide 230 'Disclosing non-IFRS financial information' published by ASIC and also "non-GAAP financial measures" within the meaning of Regulation G under the U.S. Securities Exchange Act of 1934, as amended, and are not recognised under Australian Accounting Standards ("AAS") and International Financial Reporting Standards ("IFRS"). The non-IFRS/non-GAAP financial information does not have a standardised meaning prescribed by AAS and IFRS and therefore, may not be comparable to similarly titled measures presented by other entities, nor should they be construed as an alternative to other financial measures determined in accordance with AAS or IFRS. Investors are cautioned not to place undue reliance on any non-IFRS/non-GAAP financial information included in this announcement.

In addition, the pro forma historical financial information included in this announcement does not purport to be in compliance with Article 11 of Regulation S-X under the US Securities Act and was not prepared with a view towards compliance with the rules and regulations or guidelines of the U.S. Securities and Exchange Commission or the American Institute of Certified Public Accountants for the preparation and presentation of pro forma financial information.