



KATHMANDU – FIRST HALF YEAR RESULTS FY10



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RESULTS OVERVIEW



RESULTS OVERVIEW: Year-On-Year

Denominated in:	NZ \$m				A \$m ^{*1}			
	1H FY10	1H FY09	DIFF \$	DIFF %	1H FY10	1H FY09	DIFF \$	DIFF %
Sales	106.6	83.6	23.0	27.5%	85.8	70.2	15.6	22.2%
EBITDA	18.1	12.8	5.3	41.2%	14.5	10.7	3.8	35.3%
<i>EBITDA margin %</i>	<i>17.0%</i>	<i>15.3%</i>			<i>17.0%</i>	<i>15.3%</i>		
EBIT	15.5	10.4	5.1	49.6%	12.5	8.7	3.8	43.3%
<i>EBIT margin %</i>	<i>14.6%</i>	<i>12.4%</i>			<i>14.6%</i>	<i>12.4%</i>		
NPAT (excl. IPO costs) ^{*2}	4.4	(2.4)	6.8		3.6	(2.0)	5.6	
IPO costs (net of tax)	(15.8)				(12.7)			
Store numbers	90	80	10	12.5%				
Operating cash flow	0.5	(8.3)						

1. 1H FY10 NZ\$/A\$ conversion rate 0.805, 1H FY09 NZ\$/A\$ conversion rate 0.840
2. NPAT excludes IPO costs net of associated tax deductions
3. Unless otherwise stated, all amounts referred to in this presentation are denominated in NZ \$m

RESULTS OVERVIEW: Comparison to Prospectus

NZ \$m	1H FY10				1H as % of FY10 Forecast	
	ACTUAL	PROSPECTUS	DIFF NZ \$m	DIFF %	ACTUAL	PROSPECTUS
Sales	106.6	97.1	9.5	9.8%	44.4%	40.4%
EBITDA	18.1	15.1	3.0	19.9%	31.6%	26.4%
<i>EBITDA margin %</i>	<i>17.0%</i>	<i>15.6%</i>				
NPAT (pro-forma) ^{*1}	8.0	6.7	1.3	20.7%	26.0%	21.6%

- Prospectus pro-forma NPAT for 1H FY10 is calculated by reviewing estimated costs for the full FY10 year expected under the new company structure (post-IPO), and calculating the amounts applicable to the 1H FY10 period as if those costs were being incurred throughout the full 6 months.
- Interest costs incurred in the actual NPAT for 1H FY10 have been calculated by adjusting net debt up to the date of the IPO for the reduction of NZ\$85.7m in core debt.

1. Excludes IPO costs, adjusts for new debt levels and listed company costs, net of associated tax deductions

RESULTS OVERVIEW: Summary

Good trading performance following last year's listing on ASX and NZX

Improved retail environment:

- Positive same store sales growth
- Strong results from Christmas sale promotions
- Stay at home holidays/camping etc
- Travel and Adventure a growing category (off set stimulus impact)

Successful store rollout programme:

- All new stores trading to expectations
- more stores than forecast potential

Continued tight cost and margin control:

- Improvement in operating leverage
- Supply chain initiatives

Pleasing first six months and good start as a member of ASX 300 and NZX 50



GROUP RESULTS

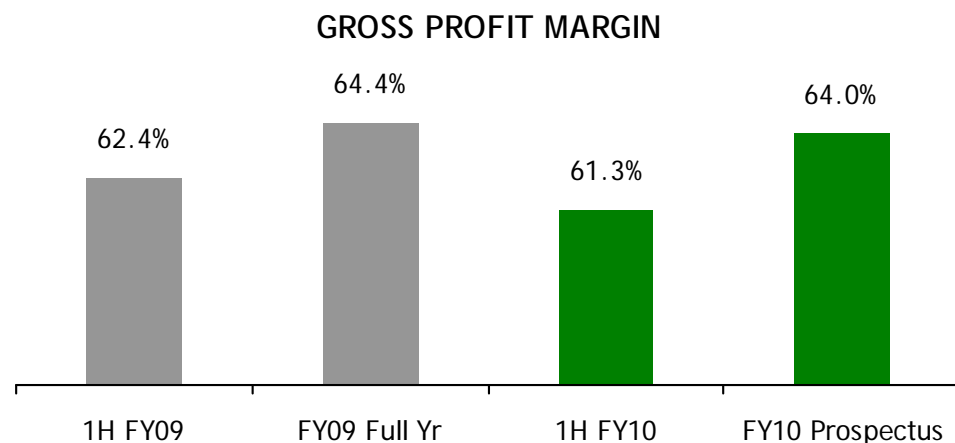
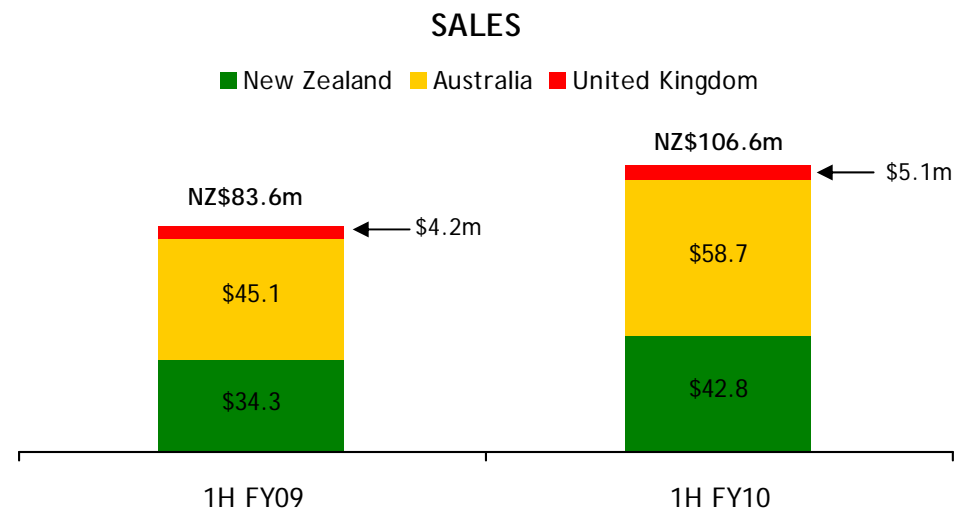
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GROUP RESULTS: Sales and Gross Profit Margin

SALES: up 27.5% to NZ\$106.6m

- Same store sales growth 13.7%^{*1} (applying constant exchange rates 11.7%)
- Anniversary of the first AU Federal Government economic stimulus package
- Gross profit margin 1H FY10 61.3% (down 110bps)
- Gross profit margin variation from change in product mix and sales by country in a period of significant sales \$ change

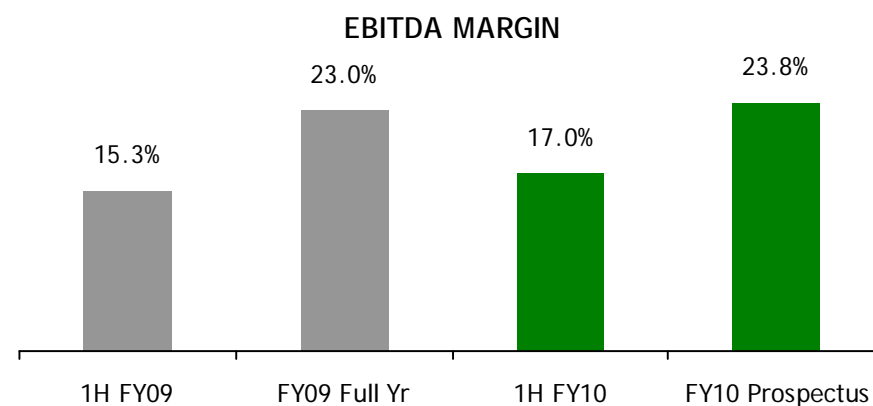
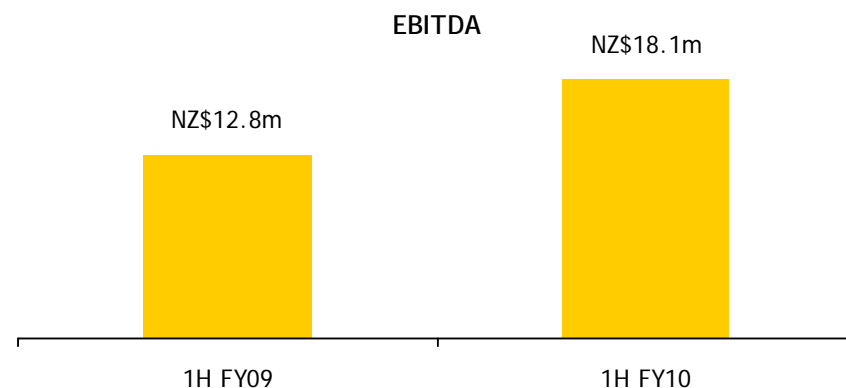


1. Same store sales measurement not adjusted for cannibalised stores
2. Country sales totals exclude inter-company sales

GROUP RESULTS: EBITDA

SALES: up 27.5% to NZ\$106.6m
 OPERATING EXPENSES^{*1}: up 14.9% to NZ\$47.7m
EBITDA: up 41.2% to NZ\$18.1m

- Rental expenses up NZ\$1.9m (17.3%):
 - 1H FY10 11.9% of sales, 1H FY09 13.0% of sales
- Other operating expenses^{*1} up NZ\$4.3m (14.0%):
 - 1H FY10 32.9% of sales, 1H FY09 36.7% of sales
 - salaries and wages up 12.1%
 - advertising up 13.4%
- EBITDA margins 1H FY10 17.0%, 1H FY09 15.3%



1. Operating expenses exclude depreciation

GROUP RESULTS: NPAT

SALES: up 27.5% to NZ\$106.6m

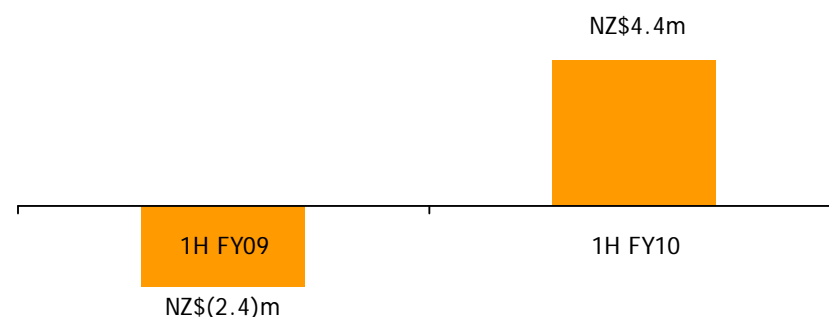
OPERATING EXPENSES^{*1}: up 14.9% to NZ\$47.7m

EBITDA: up 41.2% to NZ\$18.1m

NPAT (EXCL IPO COSTS): up NZ\$6.8m to NZ\$4.4m

- Reduced net debt levels from 1H FY09 NZ\$183.9m to 1H FY10 NZ\$73.9m
- Total net interest cost NZ\$5.4m. NZ\$1.15m since IPO, estimated NZ\$4.6m annualised cost (prospectus calculation NZ\$4.4m)
- Tax excluding IPO deductions NZ\$2.9m, approx 31c/\$ effective rate as per prospectus

NPAT (excl. IPO costs)



IPO costs - total amount NZ\$21.3m:

- Expensed NZ\$16.8m / Equity Reduction NZ\$4.5m
- Allocations based on proportion of new equity raised as part of total share issue proceeds
- NZ\$19.7m of share issue proceeds used to meet costs

1. Operating expenses exclude depreciation



COUNTRY RESULTS



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NEW ZEALAND

- Sales up 24.9% to NZ\$42.8m
- Same store sales growth 14.1%
- 1H FY10 store development:
 - 2 new stores opened in 1H FY10 - Timaru and Onehunga (Outlet)
- 2H FY10 store development:
 - 3 new stores expected to open - Hastings, Gisborne, and Tauranga CBD
 - Christchurch city relocation plus 2 large refurbishments
- Total operating expenses (excl. depreciation):
 - 1H FY10 38.6% of sales,
 - 1H FY09 43.9% of sales
- EBITDA (excl IPO costs) up 83.8% to NZ\$8.8m

NZ \$m	1H FY10	1H FY09	DIFF
Sales ^{*1}	42.8	34.3	24.9%
Same store sales	38.5	33.7	14.1%
EBITDA	8.8	4.8	83.8%
EBITDA margin %	20.5%	13.9%	660bps
Store numbers	33	30	10%

Reconciliation to interim report

NZ \$m	1H FY10	1H FY09
Segment profit	11.0	1.9
Net interest	2.3	4.6
Facility fees	0.3	0.2
Depreciation	0.8	0.7
Inter-Co. Cost recoveries	(3.3)	(2.7)
Inter-Co. financing	(3.0)	-
Holding Co. costs	0.7	0.1
EBITDA	8.8	4.8

1. Excludes inter-company sales: 1H FY10 NZ\$0.3m, 1H FY09 NZ\$1.4m

AUSTRALIA

- Sales up 24.7% to A\$47.2m
- Same store sales growth 9.9%
- 1H FY10 store development:
 - 6 new stores opened in 1H FY10 - Devonport, South Wharf DFO, Frankston, Chapel St, Townsville, and Macarthur
 - 1 store relocated - Brisbane CBD
- 2H FY10 store development:
 - 2 new stores expected to open - Ballarat, and Logan - with 2 other potential sites identified
 - Bourke St and Sydney central city store refurbishments
- Total operating expenses (excl. depreciation):
 - 1H FY10 46.2% of sales
 - 1H FY09 51.6% of sales
- EBITDA (excl IPO Costs) up 39.1% to A\$8.4m

1. Excludes inter-company sales: 1H FY10 A\$0.2m, 1H FY09 A\$0.2m

A \$m	1H FY10	1H FY09	DIFF
Sales ^{*1}	47.2	37.9	24.7%
Same store sales	41.0	37.3	9.9%
EBITDA	8.4	6.1	39.1%
EBITDA margin %	17.8%	16.0%	180bps
Store numbers	51	44	15.9%

Reconciliation to interim report

NZ \$m	1H FY10	1H FY09
Segment profit	(0.7)	(1.2)
Net interest	3.1	4.4
Facility fees	0.3	
Depreciation	1.5	1.5
Inter-Co. Cost recoveries	3.3	2.7
Inter-Co. financing	3.0	-
EBITDA	10.5	7.4

UNITED KINGDOM

- Sales up 37.3% to UK£2.2m
- Same store sales growth 13.0%
- Total operating expenses (excl. depreciation):
 - 1H FY10 68.0% of sales
 - 1H FY09 74.5% of sales
- Continue to expect small loss
- Long term intra-group funding to date being converted to equity:
 - 1H FY09 inter-company loan account revaluation UK£0.5m
 - 1H FY10 NIL
- No plans to open additional stores, will continue to monitor

1. Excludes inter-company sales: 1H FY09 UK£0.1m

UK £m	1H FY10	1H FY09	DIFF
Sales* ¹	2.2	1.6	37.3%
Same store sales	1.8	1.6	13.0%
EBITDA	(0.2)	0.3	
EBITDA margin %	(10.8%)	18.2%	-2900bps
Store numbers	6	6	0%

Reconciliation to interim report

NZ \$m	1H FY10	1H FY09
Segment profit	(2.2)	0.5
Net interest	-	-
Depreciation	0.3	0.2
Inter-Co. Cost recoveries	-	-
Inter-Co. financing	1.4	-
EBITDA	(0.5)	0.7



GROUP CASHFLOW & BALANCE SHEET



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GROUP CASH FLOW

- Operating cashflow up NZ\$8.8m:
 - improved trading performance
 - inventory management
- Capital expenditure original prospectus forecast NZ\$12.6m:
 - New stores capex - NZ\$5.6m (actual spend to date NZ\$4.1m)
 - Maintenance capex -NZ\$7.0m (actual spend to date NZ\$1.0m)
 - Final spend depends on new and refurbished store numbers. Unlikely to exceed forecast
- NZ\$85.7m core debt paid down from IPO
- NZ\$19.7m of share issue proceeds used to pay IPO costs

NZ \$m	1H FY10	1H FY09	DIFF
Net cash flow from operating	0.5	(8.3)	8.8
New stores capex	(4.1)	(3.9)	(0.2)
Maintenance and other capex	(1.0)	(1.3)	0.3
Net cash flow from investing	(5.1)	(5.2)	0.1
Share issue proceeds	105.4	-	105.4
Costs associated with IPO	(21.4)	-	(21.4)
Net repayment of bank loans	(105.9)	3.6	(109.5)
Net cash flow from financing	(21.9)	3.6	(25.5)
Net cash flow	(26.5)	(9.9)	(16.6)

GROUP BALANCE SHEET

- Average inventory per store down 24.2%:
 - 1H FY10 NZ\$0.433m
 - 1H FY09 NZ\$0.571m
 - Supply chain efficiency improvement / sales performance
- Reduced net external debt from NZ\$183.9m at 1H FY09 to NZ\$73.9m at 1H FY10
- Variability in debt balance from surplus cashflow and seasonal variation in working capital requirements
- NZ\$35m debt hedged by 2-3 year swaps
- Movement in value of derivative financial instruments

Key Ratios	1H FY10	1H FY09
Gearing ^{*1}	25.1%	56.8%
Stock turns ^{*2}	2.10	1.55

1. Net Debt / (Net Debt + Equity)
2. COGS / Average Inventory (start and end of period)

NZ \$m	1H FY10	1H FY09	DIFF
Inventory	38.9	45.7	(6.8)
Property, plant and equipment	23.9	22.4	1.5
Intangible assets	241.9	242.1	(0.2)
Other assets	6.6	38.6	(32.0)
Total assets (excl. cash)	311.3	348.8	(37.5)
Net interest bearing liabilities	73.9	183.9	(110.0)
Other non-current liabilities	0.3	8.1	(7.8)
Current liabilities	18.3	16.7	1.6
Total liabilities	92.5	208.7	(116.2)
Net assets	218.8	140.1	(78.7)

FOREIGN CURRENCY

- Effective US\$ hedge rate 1H FY10:
 - A\$/US\$ 0.820 1H FY10 vs 0.823 1H FY09
 - NZ\$/US\$ 0.696 1H FY10 vs 0.685 1H FY09
- Forward Hedging Position:
 - Longest dated hedges May 2011
 - FY11 over 60% cover for full year
 - Rolling cover applied 12 months forward
- No hedging NZ\$:A\$. Prospectus forecast 0.82. Over NZ\$250k EBIT variation for each 1c differential in 2H FY10

FORWARD HEDGING POSITION		2H FY10	1H FY11
A\$ / US\$	% covered	100%	80%+
	Effective Rate	0.804	0.822
NZ\$ / US\$	% covered	100%	80%+
	Effective Rate	0.665	0.661

FY10 FULL YEAR OUTLOOK



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FY10 FULL YEAR OUTLOOK

Market conditions - our expectations:

- Generally improving retail environment but still uncertainty exists
- Australia - good growth prospects. Some short term risk as the Govt stimulus cycles through
- New Zealand a slow and steadily improving retail environment - fragile recovery
- United Kingdom difficult with a slower recovery period than NZ/Aus

Our forecast for the FY10 Full year:

- Confident the prospectus forecast of EBITDA NZ\$57.1m, NPAT NZ\$30.9m^{*1} will be achieved, but this requires:
 - Successful second half year trading (60% of forecast sales in this period), and outcome will be influenced by:
 - Success of the two key promotional events in this period - Easter and Winter sale
 - Weather conditions particularly impacting the Winter trading period
 - General retail environment across our locations

Final dividend of NZ6.7c will be paid presuming prospectus forecast achieved

1. Adjusted for pro-forma full-year effect



GROWTH STRATEGY UPDATE

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GROWTH STRATEGY UPDATE

Kathmandu has a number of levers to drive future growth

PROSPECTUS GROWTH STRATEGY

UPDATE

New store rollout

- Intend to open 12 stores in FY10

- 8 stores were opened in 1H FY10
- A further 5 to 7 expected to open in 2H FY10
- At least the same expected in FY11

Store improvements

- Refurbishments, increasing store sizes, and tailoring product offering to the climates and demographics of store locations have been identified as strategies to drive top line growth
- Intend to refurbish 13 stores in FY10

- 2 major store relocations in FY10 (Brisbane CBD, Christchurch)
- 3 major refurbishments in 2H FY10 (Bourke St, Sydney, Dunedin)
- Other minor refurbishments in 2H FY10 (including Wellington and Sylvia Park)
- Plan to undertake 8 refurbishments per annum

Product opportunities

- Opportunity to improve the breadth and the depth of the range, offering more product categories and more options within each category to better suit Kathmandu's customer base

- Significant new product releases for Winter 10
- New thermals range, new travel accessories, merino, fleece and Gore-Tex
- Improved inventory management will reduce out of stocks on key lines



basecamp
BY KATHMANDU

QUESTIONS?



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