

**Company:** Kathmandu Holdings Limited  
**Title:** Annual Meeting  
**Date:** 23 November 2018  
**Time:** 11:00am NZDT

### **Start of Transcript**

David Kirk: Good morning ladies and gentlemen. Thank you very much for coming to the AGM. I'm pleased to welcome you as Chairman of Kathmandu Holdings to our 2018 Annual Meeting. I extend a warm welcome to all present and to those listening via the audio webcast. On the information relayed to me I declare that a quorum of shareholders is present and the meeting has been duly convened.

For those who don't know me, I'm David Kirk, Kathmandu Chairman. Before we start the formal business, I would like to introduce our other directors to you. On my right, your left starting from this end; Xavier Simonet, our CEO and Managing Director, John Harvey, Philip Bowman and Brent Scrimshaw. Sandra McPhee sends her apologies that she can't be with us today and I'll make another brief comment on that a bit later.

I wish to advise that proxies have been received in respect of approximately 76.8% of issued shares. More than 63% of the proxies directed are in favour of all resolutions. Before moving on to the formal business of the meeting I will outline some meeting procedures. An opportunity will be given to shareholders to ask questions about or make comments on the items of business on the agenda for today's meeting. If you are a shareholder and have joined us via webcast today, please ask questions via the question box and these will be answered at the end of the AGM.

Where appropriate I will refer detailed questions best answered by management to Xavier Simonet and/or other members of the Board. Shareholders have been given the opportunity of submitting written questions via the AGM question form that accompanied the notice of meeting. No written questions have been received.

Once we have considered the financial reports, shareholders will be given the opportunity to ask general questions. Shareholders with questions relating to specific resolutions are requested to ask those questions when we are considering the relevant resolution. When we do open up the floor to discussion I ask that for the convenience of all present that those shareholders who wish to speak, use the available microphone. Please hold up your white or green cards and state your name if you wish to ask a question. If you are listening via the webcast, please type or question into the question box and it will be conveyed to the meeting.

Before moving to the various motions, I will briefly run through the voting procedures. At registration you will have received an attendance or voting card. If you have a white voting card, this indicates you are a shareholder and are entitled to vote and to address the meeting. If you have a green non-voting investor card as such you are either a joint shareholder or have already returned a proxy vote prior to the commencement of the meeting. You are entitled to address the meeting. If you are a visitor to the meeting, you will have received a visitor card and you are welcome here today but will not be able to address the meeting. If you do not have a voting card and believe you are entitled to vote, please see one of the registry staff from Link Market Services at the registration desk at reception immediately.

The minutes of the 2017 Annual General Meeting held last year were available at the entrance desk. I hope those who are interested in seeing them have had a chance to do so.

The first item on the agenda is to receive and consider the financial report together with the Directors' and Auditors' Report as contained in the Company's annual report for the year ended 31<sup>st</sup> July 2018. Before seeking shareholders' comments on the report, I would like to give an overview of the 2017/18 year and I will then ask our Chief Executive, Xavier Simonet to provide a review of our activities in the year and an update on the trading to date and the outlook for the current financial year.

Good morning ladies and gentlemen, I am again pleased to welcome you again as Chairman of Kathmandu Holdings to our 2018 Annual Meeting. Kathmandu had its most successful year ever in 2018 with record sales and profit. Sales growth was balanced with improved gross margin. Sales grew by 6.1% for the Kathmandu business and total sales including Oboz by 11.7%. A gross profit increase of 14.2% combined with well controlled operating expenses resulted in excellent growth in earnings before interest and tax of 30.9%.

Net profit increased by \$12.5 million or 32.9% resulting in earnings per share for the year of 23.9 cents. Our total dividend payout to shareholders for the full year was a record high, 15 cents per share which is an increase of 15.4% over last year.

Along with the strong financial performance we also had a very successful year in other areas. We were delighted to successfully acquire Oboz, a profitable and fast growing US based outdoor footwear brand. The combination of Kathmandu and Oboz diversifies channels to market geography and product mix, while also providing the opportunity to develop new international wholesale customers for Oboz and Kathmandu.

In UK and Europe, Kathmandu sales grew by over 80% with wholesale and direct to customer channels performing strongly. The wholesale channel now makes up nearly one third of Kathmandu international sales. We have continued to demonstrate industry leadership and sustainability thanks to the care and dedication of our passionate team.

Key achievements this year include being awarded an A rating in the ethical fashion report and becoming the first company in Australasia to gain accreditation with the fair labour association. We end the year very well positioned for future growth. I'll briefly touch on our future plans before handing over to Xavier to provide more detail.

Kathmandu and Oboz are both authentic product and customer led brands. We are focused on answering the needs of our customers by designing innovative, distinctive and sustainable quality products. In the year ahead, we remain committed to continuous improvement in our core markets, elevating our brand and customer engagement against an ever-changing mix of competitors. Beyond our core market we're excited by the opportunity to develop new international wholesale channels for Oboz and Kathmandu.

Our two new directors, Brent and Philip have both made great contributions in their first year. Director, Sandra McPhee who has been on the Board since the IPO has indicated she will be retiring in the calendar year 2019 and we are well advanced in the search for her replacement. I take this opportunity in advance to thank Sandra for her wide-ranging contribution to the success of Kathmandu over many years. Unfortunately, Sandra could not be with us today, she had an unavoidable family commitment that has kept her away.

On behalf of my fellow directors, I would also like to thank management and the wider team for their passion and determination to deliver another very successful year. I would also like to thank you for your support as investors throughout 2018 and in the future. I will now ask our CEO, Xavier Simonet to address you. Thank you.

Xavier Simonet: Okay, good morning. Thank you very much David. It's great to be in Auckland this year for our AGM. Yes, we've had a record year in terms of our numbers. We delivered record sales, record gross margin, record profit and record dividend to our shareholders, which is great.

If I can just summarise what really matters to me, obviously it's the profit growth but very much it's the gross margin growth that has been very strong. It's based on more products sold through at full price and also less clearance stock. Another key indicator that matters a lot for us and we are very focused on it is same store sales growth. Same store sales growth is how we can grow sales growth in existing stores versus opening new stores. We've had healthy same store sales growth over the last few years and particularly last year at 5.5% for the Group, particularly in Australia where we enjoyed sales growth above 7%. New Zealand was a mixed bag. In the first half the sales growth was negative

because we had less clearance stock to get rid of, but our margins were much higher. In the second half actually, same store sales growth was positive.

I'd like to highlight two key things that happened last year. The first one is the acquisition of Oboz. Of course, it's an acquisition based on the needs of our business but very much so it is related to the collaboration we've had with Oboz for 10 years. We've known Oboz for 10 years. We've worked with them for 10 years, we've had their products in our stores. They're a great company. They're an authentic American outdoor brand and culturally we are very aligned; collaborativeness, inclusion, diversity are key words for Kathmandu and also being an authentic outdoor brand. We are delighted to work with them.

What do they give us? What does the acquisition deliver for us as a business? Well, it helps Kathmandu diversify its risk profile as a company, giving Kathmandu more exposure to another country, the biggest outdoor market in the world; North America. Giving Kathmandu the stronger expertise in footwear. We do footwear but it's really the expertise of Oboz. Giving Kathmandu also access and expertise in a new distribution channel which is wholesale. Kathmandu is a retailer through our bricks and mortar stores and online. We don't have at this point time huge experience in wholesale, but Oboz have this experience and are going to support us.

What do we expect to do in the future, Kathmandu and Oboz working together? Well, of course we expect Kathmandu to continue focusing on our core business in Australasia. We expect Oboz to continue focusing on their business in North America but we want to do more together and particularly we want to optimise the Oboz business in our stores and optimise the footwear category. We also want to use Oboz and the capabilities of Oboz in North America to launch Kathmandu. They've got great relationships. They've got a great business in the authentic outdoor channel. They've had great success. We think that there's an opportunity over a period of time to grow North America leveraging all of that. Obviously, we want to use Oboz step by step to work with Kathmandu to be able to tackle other growth opportunities in other geographies internationally.

The second highlight I want to focus on, on sustainability. Values matter at Kathmandu; inclusion and diversity and collaborativeness these are great values. I want to talk about sustainability as a key specific value. Kathmandu has been focusing on this for years. Last year was a great year for us because we've achieved a lot and particularly I want to highlight five key achievements. The first one is that we became Fair Labour Association accredited. We scored an A grade in the ethical fashion report. We are ranked number two in the world for materials by the Textile Exchange. Last year we recycled 6.7 million bottles into our gear. We are 80% towards our zero waste to landfill target. Really great achievements we are very proud of.

We are not doing that for commercial purposes. We are really focusing on sustainability because it's a key value of Kathmandu and because we think as a company and as a team that it's the right thing to do.

Moving on, our strategy has not changed and it actually shouldn't change too often. We are a great brand and we are a design and product led business. We design original, sustainable, engineer and adaptive products. We've got our own team of in-house designers in Christchurch. We've got 15 of them. Basically, all our products are designed in New Zealand, which is quite extraordinary by our own team. We do that with a very strong focus on customers. We are very customer centric because what we do is we design and bring to market products that offer solutions to our customers who go on adventure travel.

Then, we've got two big buckets of growth initiatives. The first one is about optimisation of our existing business. That's what we call continuous improvement. We've got a lot of stores and a great online business in Australia and New Zealand and that's core for us. That's bread and butter. We need to make sure that this business continues to perform. Working on continuous improvement means that we want to continue driving sustainable growth and particularly same store sales growth in our stores in Australasia.

Then onto the second bucket; obviously we need to continue growing. We need to continue being able to diversify the risk profile of the Company. We've got two big growth initiatives that are growing step by step over time to deliver growth for the Company. One is Kathmandu internationally. We've started doing some work in Europe. We're starting to do some work now in North America. There's a big opportunity. It's going to take time and we want to make sure that on our journey we remain profitable and we derive profitable growth versus spending shareholders' money and expecting that something happens.

Now, there's Oboz which is a great opportunity. Great opportunity for Oboz itself. The company has been growing at 40% every year over the last five years. These are significant numbers and obviously we expect growth to continue and we want to leverage Oboz as an opportunity for Kathmandu to launch in North America.

I want to talk a bit about our journey and this is not about numbers or actually strategies. It's just concepts about what we're trying to achieve as a company. This is something we put together a few years ago when the Company was in a more difficult situation and we were trying to define what as a company, as a business we're trying to achieve. What we want to do over time is to become more of a brand versus just a retailer. From a retailer to a brand. Kathmandu is actually not a retailer. Yes, we've got a retail business, but more than a retailer, we are a great brand. Retail is a channel but we can also do wholesale and now with Oboz we've got wholesale capabilities and also online.

From a retailer to a brand, from local to more global and this is what we're trying to do and what we're starting to do with the Oboz acquisition. From bricks and mortar to a new channel. It's not from bricks and mortar to online. We're not transferring our business from our great bricks and mortar stores to online. We want to have a channel agnostic approach and become an omnichannel business with bricks and mortar stores and online working together. From opening stores which we did back in Australia over the last five years to optimising stores and delivering same store sales growth, it's about leveraging the assets and the investments we've made on behalf of our shareholders.

From traditional to digital in terms of marketing; an opportunity to engage our customers and obviously from just broadcasting our message to engaging.

In terms of product, well this is a key focus for us. I'd like to talk a bit more about what we're doing and what we have done over the last few months. We design original, sustainable, engineered and adaptive products. Original, well an example is the RFID protection that we have incorporated into a number of travel focused apparel styles.

Sustainable; we have extended our earth colour range made using natural and organic dye. Engineered; our new Flinders down jackets are one of the first in the world to feature stitchless, woven baffle fabric which minimises down leakage space and weight.

Adaptive; adaptive is very important in the context of our positioning around travel. Our new Nduro range is made from Cordura fabric and is designed to be versatile. Products matter to us and again as I said before, this is core really for Kathmandu. Born in the mountains of New Zealand, we design products that answer the needs of our customers and we design them in New Zealand in Christchurch, with our own team and in Christchurch where we were born.

Customer is key for us. I was saying before we are a channel agnostic business. I like to define that. Being channel agnostic means that we're not trying to drive sales in our bricks and mortar stores at the detriment of our online business. The other way around, as online is naturally growing we are not trying to grow online sales at the detriment of our stores. What we want to do is give our customers a choice of channel. We open for business seven days a week, 24 hours a day. It's up to our customers to choose where they want to browse and where they want to buy our products. Our objective, our job is about giving them the best customer experience. As a company we are continuously investing millions of dollars in new platforms, new software, new tools particularly for our online business to make sure that we upgrade our capabilities. Also, we continue to invest enormous amounts of money to upgrade our stores, refurbish our stores and make sure that we give the best customer experience.

Talking about being an omnichannel business and being channel agnostic; I'd like to say that our customers don't actually choose between one or the other channel, between online or bricks and mortar stores. Our customers most of the time go online, probably 60-70% of our customers on their journey go online and they check our products. They go on the websites of our competitors, look at the products, try to get information. Then they go to our stores to try the products on and have a chat with our teams. At the end of the day it's up to them to decide where they buy it; whether they're going to buy online or in our stores.

What I'm trying to say is that it's not one against the other. That's what we are saying to our teams. It's not bricks and mortar stores against online. It's both channels working together to make sure that our customers have the best experience.

Brand; Kathmandu is a great brand, more than a retail business we are a great brand. We've got a fantastic New Zealand heritage, born in the mountains of New Zealand. We believe that we've got this very strong aspect of distinctiveness and we are very proud as a team and as a business we are very proud of our roots in New Zealand.

When we start presenting our products internationally to key customers we also realise that the New Zealand heritage and our positioning as a New Zealand brand makes us different and exciting. This is something that we want to leverage when we launch internationally.

We're not just a generic outdoor brand. We are an outdoor brand for sure, but we've got a unique distinctiveness, a point of differentiation and differentiation is key in the context of adventure travel. Our mission is to bring to market products that offer solutions to our customers who go on adventure travel. This is an area where we've got strong expertise.

Something I forgot to mention before is we've got a very strong loyalty base. We've got nearly two million Summit Club members across Australia and New Zealand and this customer base still continues to grow. We engage more and more with them particularly with social media and digital marketing. This is really exciting to have this very strong loyalty base.

Trading update; we've had a very strong first quarter for the first 15 weeks ending on the 11<sup>th</sup> of November. Total Kathmandu sales growth has been +8.4% versus last year. This excludes Oboz. More importantly for us, same store sales growth has been strong over the recent months; +6.3% with very strong growth in Australia, continuous growth in Australia where we are leveraging the stores we've opened in the last few years, +7.1%. Also, I'm delighted to say that we've enjoyed very strong growth in New Zealand at +5.2%.

Oboz has been doing well as well. We've engaged lots with them. We've met them in Australia, in New Zealand, in Bozeman and they are on track to achieve the target they have which is part of the earn-out as part of the acquisition process.

We expect profits to be strongly above last year in the first half of FY19 but obviously the Summer Sale that is starting now is very important to us, so it all depends on our success during the summer sale.

David, that's all from me. I want to thank our customers; our two million Summit Club members and I also want to thank our team. We've got 2,000 team members across Australia, New Zealand, a few in the UK and now with Oboz we've got also a good team in Bozeman. I want to thank our team. Kathmandu is a business for sure and we need to deliver the numbers for sure, particularly as we are listed company but it's a business of passion with a strong culture and great values of collaborativeness. Thank you very much.

One last thing, don't forget to read the sustainability report, there's a lot of work that's been done in achieving the targets but also in putting this report together. Please, there will be copies at the end. Take them with you.

David Kirk: Thank you Xavier for that wonderful summary of the business. Obviously, an encouraging outlook for the first half. I would again like to express my thanks and those of my fellow directors to you and your team for the contribution that you have made over the last year. It really is wonderful.

Returning to item 1 on the agenda. This is the opportunity for shareholders to ask any questions or comment on the Annual Report, the presentations Xavier and I have made today or any other general matters relating to the Company. I also note we do have Keren Blakey, a representative of our auditors, PricewaterhouseCoopers present at the meeting should there be any questions of a technical nature relating to the audit of our financial statements.

We have received one written question from a shareholder and I'll read that out now regarding the report; the report begins record sales and profit in our core markets. The continuing the question from the shareholder; the financials show reduced New Zealand sales and EBITDA and EBIT on a \$64 million increase on assets. This needs acknowledgement and proper explanation to shareholders in writing. I will acknowledge and provide a proper explanation now.

The increase in New Zealand denominated assets which you do see in our accounts which are \$62 million in total, is shown in the segment note on page 38 of the Annual Report to relate to intercompany balances arising from the acquisition of Oboz and these are eliminated in the other segment. That might have sounded technical, but it just means that the assets applied to the New Zealand business have not gone up by what it might appear to be a large amount, \$62 million. It's just that they're intercompany exchanges which net out in the accounts and they are all related to the acquisition of Oboz. Those assets or that money is actually applied in the United States to purchase Oboz.

That was just a misreading of the accounts to think that the assets in New Zealand had gone up. New Zealand operating assets, inventory, receivables and fixed assets are actually flat year on year. There's no change. Hopefully that was a reasonably clear explanation of that question. Would anyone else now wishing to speak and ask a question please hold up your card and a microphone will be passed to you. Those that are present on the webcast please ask your questions via the question box. Just remember, these are questions only relating to the Annual Report or general questions about the Company, not questions about later resolutions that we'll come to.

Hello Bruce, we need to give you a - there you go.

Bruce Parks: (Shareholder) Thank you, I'm Bruce Parks from the Shareholder Association, a proxyholder. My first question; your move into Europe. Your earlier foray into England didn't go so well. What's different this time?

David Kirk: Good question and Xavier, would you like to answer that?

Xavier Simonet: Yes, we think that Kathmandu can become step-by-step international because more than a retail business we are a great brand. We are working a lot on differentiation, which matters when trying to launch internationally.

My first change is the model itself. In the past when we launched in the UK the first time we opened our own stores with long leases, contractual agreements and financial commitments. This time we're not opening our own stores. What we're trying to do is we're trying to get listed in other people's stores and particularly in authentic outdoor distribution to sell our products through them.

It's a much less complex business model and it matches you to make a profit with a much lower level of risk. That's the difference.

David Kirk: Thank you. Do you want to carry on? You may.

Bruce Parks: (Shareholder) You've got 2,000 employees, are they full time equivalents or what and what's your churn of staff? There's a lot of part timers work in your stores.

Xavier Simonet: Yes, so we've got 2,000 team members across all our geographies. Of course, we've got a lot of part timers, a lot of students, a lot of backpackers which is cool for the Company as a travel company. Obviously, we've got a strong management structure in our stores and stable management structure that we are trying to keep.

The staff turnover rate in our stores is quite high, as it is in the industry. It's probably at the same level as the industry average. We are doing a lot of work to reduce that percentage and a lot of work we're doing is around passion for the business, around our values, around making sure that our team members join the Company because they share the passion we have in terms of adventure travel and not just for a job. What we did last year for the first time is to say to the teams, thank you very much for the work you've done and we want to acknowledge your contribution to our success and we gave everybody a \$1,000 bonus, one-off bonus.

Bruce Parks: (Shareholder) Thank you, page 54...

David Kirk: Sorry Bruce, I might just ask - and then come back to you. Sorry to cut you off at all but just if there's any other questions before we come back, just general questions on the strategy or on the Annual Report. Yes, thank you.

Jenny Miller: (Shareholder) Sorry, Bruce. Shareholder, Jenny Miller. I just wanted to know with the trade war that's going on with the US, how will that impact your entry into North America and how are you dealing with exchange rate?

David Kirk: I'm not an expert in trade matters but I don't at this stage and we certainly as a Board have not considered there to be any detrimental effects to the business. There are no additional tariffs in the products that we deal with that we're aware of, taking things into the US. Oboz itself of course is a US company even though it's now owned by an external company. As they bring their own products into the US I don't think there are any further barriers but I'd be happy if anyone else on the Board to comment.

Xavier Simonet: Just one comment; Oboz products are manufactured in Vietnam so there's probably a lower risk of issues for products made in Vietnam versus China as far as the importation into the US is concerned.

Jenny Miller: (Shareholder) Just to answer the question on the exchange rate; there's no money crossing borders or anything like that that you have to take into account?

Xavier Simonet: Between Oboz and us?

Jenny Miller: (Shareholder) Between anywhere.

Xavier Simonet: You can later on ask your questions to Reuben, our CFO. We use the US dollars that are generated by Oboz to buy stock for Oboz and ourselves.

David Kirk: I'm happy for Reuben to answer that question now if it would be of interest to people, if we pass the microphone.

Reuben Casey: Yes, we hedge our US dollar exposure on a 6 to 12 month rolling basis. We do as much as we can to minimise any impact from exchange rates. Also, because we design our own products we're able to - we can actually design products to have a certain price point or gross margin to still achieve what we want to achieve.

David Kirk: Thank you. I am coming back Bruce, don't worry.

Gerard Pimm: (Shareholder) Yes, good morning, Gerard Pimm, shareholder. I'd just like to pick up on Xavier's comment that Kathmandu is not so much a retailer but more of a brand. Let me ask you a question; if we sit in the shopping mall and count the number of people walking past wearing Kathmandu clothing, it's an extremely high number of our customers are affluent. Therefore, does the Board see a potential in selling more to our existing customers who see themselves as urban dwellers and who have possibly never been on a walking track?

Xavier Simonet: The answer is yes, absolutely. But I think it's important that we stick to our authenticity and our authenticity is certainly not to be urban. We don't want to have a too urban message. Authenticity is related to the outdoors, with a clear distinctiveness around adventure travel. It's very difficult to be distinctive in today's world and differentiation is really a focus for us because that's what keeps us relevant. Yes, we want to get more customers to increase the number of customers but also to leverage our opportunity with existing customers even when they don't travel and are not in the outdoors. That's what we are trying to do, particularly through adaptive products that you buy and use under multiple circumstances.

Gerard Pimm: (Shareholder) Thank you.

David Kirk: We'll come back to you Bruce and then we'll come back to the rest of the room in due course.

Bruce Parks: (Shareholder) Thank you, page 54 of the Annual Report talks about financial liabilities. In the sharp rise, can you comment?

David Kirk: John, would you like to comment or we can also ask Reuben to. Reuben, are you happy to take that one? He's a good guy to get to know actually Reuben, so when you're having a cup of tea afterwards do go up to him and ask him lots of questions. He's very knowledgeable about many parts of the business, particularly to do with financial management of it.

Reuben Casey: Yes, when we acquired Oboz, we funded it partly through debt and partially through share capital. Really that's the main reason why liabilities increased year on year from 2017 to 2018. If we hadn't acquired Oboz we probably would have been debt free in terms of our long term liabilities at the end of 2018.

Bruce Parks: (Shareholder) Can you confirm or make a small comment on how geared we are now, how much debt the Company has?

Reuben Casey: Yes, we generally carry quite a low level of debt so we have quite a low level of gearing. Our aim is always to pay down our term liabilities as we move through the year.

Bruce Parks: (Shareholder) What was the gearing now?

David Kirk: Do you have the gearing...

Reuben Casey: I don't have the gearing off the top of my head right now and we haven't disclosed that to the wider markets.

David Kirk: Yes, it's low. It was very low as Reuben said before the purchase of Oboz, there was no debt in the Company, which is generally not a sensible position. A company should have some debt, long term debt I mean; trading debt that goes up and down a bit. We made some capital, some debt to part fund the purchase of Oboz and a decent amount of that is already paid off. The Company still operates at a low level of debt.

Bruce Parks: One more question.

David Kirk: Yes, sure.

Bruce Parks: Annual stocktake is done by a third party. Is that third party the same across all your stores and does it change at all?

David Kirk: I imagine that's back to Reuben.

Reuben Casey: It's the same third party we use across all of our stores and doesn't change from year to year. We use an outside agency to do our stocktakes. They have a team of people who specialise in doing retail store stocktakes. It only applies to our stores. Actually, our warehouses are counted by our own team, in-house team. Our auditors do attend some of our store stocktakes and also they test some of our warehouse stocktakes as well to validate the process is working well and is effective.

Bruce Parks: Can you name the third party?

Reuben Casey: RGIS, I think their name is.

David Kirk: How are we going? For now, good. Thank you, are there any other general questions on the strategy, the performance, the Annual - yes please?

Unidentified Participant: Yes, I wish to make some personal comments about the Oboz, is it Oboz, yes. It is from Vietnam, it will be very, very good strategy because from my personal experiences I have bought shoes like these ones, Puma and we bought etc., if it is made in China, I'm sorry to say they are really uncomfortable. For Vietnam shoes or boots etc., they are the very best, much better than the Chinese made one. They are very comfortable. This is the first time I wear this. Usually the first day you wear the shoes you will feel uncomfortable, but this I can run in, yes, very comfortable, so the make in Vietnam strategy is very good for Kathmandu. For the lady don't worry. Also, now you have the China trade and the USA but Vietnam I think no problem.

David Kirk: Thank you very much.

Unidentified Participant: It will be good. Yes, that's a very - don't worry, have a nice look tonight.

David Kirk: Thank you very much, yes, great to have that validation.

Jenny Miller: (Shareholder) Is the Company planning on any more acquisitions?

David Kirk: Xavier has laid out the strategy and has laid out the strategy in many other circumstances. Acquisitions are in principle part of our opportunity set when it comes to international growth. So, the Company is alert to opportunities to make acquisitions but we're not planning any particular acquisitions at this time. Okay, if there are no other general questions we'll move along with the agenda items.

The second item on the agenda is the election of directors. Article 4.4 of the Company's constitution requires that at least one third of the Directors to retire by rotation at the end of the shareholders meeting. To comply with the listing rules, it is necessary for each director to be appointed by separate resolution. The first motion relates to my reappointment as a director of the Company and I will now ask John Harvey as Chairman of the Audit Committee to Chair the meeting while this motion is put to the meeting.

John Harvey: Thank you David, good morning ladies and gentlemen. I have pleasure in moving that David Kirk who retires by rotation in accordance with Article 4.4 of the Company's constitution and NZX Main Board listing rule 3.3.11

and being eligible offers himself for re-election to be re-elected as a Director of the Company. Is there any discussion of the motion? There being no discussion I will now put this motion to a poll. Please complete your voting papers. I'll hand back to David.

David Kirk: Thank you John and as you will have noticed, we are conducting all of the elections by poll today rather than by show of hands. If you just hold onto your voting card and make sure that you just check the box according to the resolution at the moment. At the end when we've gone through all the resolutions then we'll collect all of those ballot papers and the results will be published on the ASX website and the NZX website as soon as they've been collated and counted.

The second motion relates to the re-appointment of Ms Sandra McPhee as a Director of the Company and I have pleasure in moving that Ms Sandra McPhee who retires by rotation in accordance with Article 4.4 of the Company's constitution and NZX Main Board listing rule 3.3.11 and being eligible offers herself for re-election, be re-elected as a Director of the Company. Are there any questions on this motion or discussion? No, there being no further discussion I will now put this motion to a poll. Please complete your voting cards with respect to resolution number 2.

Thank you ladies and gentlemen for your continued support of the Board. The third item on the agenda is to authorise the directors to fix the fees and expenses of PricewaterhouseCoopers as the Company's auditor. Therefore, I move to record that PricewaterhouseCoopers continue in office as the Company's auditors and to authorise the directors to fix the remuneration of PricewaterhouseCoopers for the ensuing year. Is there any question or discussions on this motion? No, thank you. I will now put the motion. Are there any questions on the motion to allow the Board to fix the auditor? No. I will now put this motion to a poll. Please complete your voting cards for resolution 3.

The fourth item on the agenda is the approval of the grant of performance rights to our CEO, Xavier Simonet under the Kathmandu Holdings Limited long-term incentive plan. Shareholder approval is required under ASX listing rule 10.14 for the granting of performance rights to any executive director. The explanatory statement accompanying your notice of meeting provides details of the value of rights to be granted to Xavier and the basis of that grant. Accordingly, I'll put the motion for the approval of the grant of performance rights to Xavier as detailed in the notice of meeting as follows; that for the purposes of the ASX listing rule 10.14, and for all other purposes approval is hereby given for the grant to Xavier Simonet, Managing Director and Chief Executive Officer of a number of performance up to a value of AUD579,411, calculated in accordance with the formula and terms expressed in the Explanatory Statement which forms part of the notice of meeting.

Is there any discussion on this motion? Jenny?

Jenny Miller: (Shareholder) I've got no qualms with giving CEOs long-term incentives but rather than granting rights sometimes have skin in the game also works where they actually get the opportunity to buy them when they come on and then can sell them later on down the track so they've actually physically paid for them. Have you got any views?

David Kirk: I think there is value in executives and people who work with companies, for companies owning shares in the company and putting money in upfront to buy shares I think is a sensible way of having people have skin in the game as you say or be committed. The way that remuneration is structured for most publicly listed companies across Australia and New Zealand, in fact in most other jurisdictions as well is that skin in the game is achieved by foregoing other forms of compensation, higher base salary or a short-term incentive and putting that into future awards of stock if targets are hit. In a way it's a double skin the game for executives. They get some of what would otherwise be paid to them in the year taken away from them and put into a situation where they get rights to buy shares but only have any value if the shares go up. That's the balance and trade off that you have in these things. We've got it pretty well right.

Xavier does have a significant majority of his remuneration at risk if you count his short-term incentive and his long-term incentive it's significantly more than he gets paid in any one particular year, which I think is a good balance and an

appropriate balance. Any other questions? If there is not and there being no further discussion I will now put this motion to a poll and please tick the box against resolution number 4.

The fifth item on the agenda is the approval of an increase in the total aggregate remuneration pool from which non-executive directors are paid. ASX listing rule 10.17 and NZX Main Board listing rule 3.5.1 require that the limit on the total aggregate remuneration that may be paid to non-executive directors is fixed by ordinary resolution of the shareholders. The explanatory statement accompanying your notice of meeting provide details of the proposed increase in the total aggregate remuneration pool and the associated reasons. In accordance with the voting exclusion statement set out in the notice of meeting, any proxy votes which appoint me as Chairman or any other non-executive director will be disregarded if the appointer has not given express instructions on how the vote is to be cast.

We have received one written question on this motion and I will read it out now. I would like to ask how much time is spent on Kathmandu business by directors who also have a number of other directorships to justify a fee increase of \$40,000 to \$50,000. I would assume this fee is also exclusive of travel, meals and accommodation. The answer to that question some of which is a statement is the increase in directors' fees is to the fee pool, not to individual directors. I think that needs to be stressed. We're asking for an increase in the pool from which directors can be paid, not for an increase in individual director's remuneration.

There is currently no headroom in the fee pool to add an additional director. We have five non-executive directors which is a relatively small number compared to peers and the ASX 200 generally. As we grow internationally and increasingly through non bricks and mortar channels, we think it may make sense to add an additional director with detailed knowledge of international markets, North American or European wholesale markets or global e-commerce. The director fee pool for Kathmandu has not been increased since 2011. Seven years with the same director pool is a long time and there was no increase in directors' fees from 2015 to 2017 and in the earlier part of that period as shareholders will remember, we had a very poor year and directors quite appropriately did not take any increase in their fees over those three years.

Fees were increased by 3% in financial year 2018. So that's the answer to the question that was put in writing. Are there any other questions on this motion?

Bruce Parks: (Shareholder) Thank you, our problem is not the amount. We think it's well justified. You haven't had an increase for some time. The Company has done well. It's the lack of information around how you're going to use this. Is it enough? You talk about having another director. There's nothing under the motion here on how that pool will be allocated.

David Kirk: In the general question about is there enough information I think is a fair one. I think that we can always provide more information and if shareholders feel as if there isn't enough information on a particular resolution within limits, I think directors should respond to that and should be alerted to the opportunity to provide more opportunity. In this particular case, I think the opportunity that was provided was firstly the strategy of the Company. It's been made very clear by the Company that we are looking at international growth. We're looking at international wholesale and we're looking at international wholesale growth in both North America and in Europe.

We're looking at global e-commerce. That means multi-local e-commerce, online sales to some extent, so standardising websites, looking at marketplaces and other e-commerce providers in different parts of the world. We're also potentially looking at acquisitions. All of which could result in real benefits for the Company in having a director strongly associated with those growth strategies. I thought we made all of that quite clear. Then we said in the notice of meeting that we needed to add a - we didn't have enough headroom. We actually just couldn't - there was just not enough money to add someone on the current director fees so we would need to add another person.

What we didn't have and this is possibly what you're referring to - I don't want to put words into your mouth at all Bruce - we didn't actually explain in detail, when and how and how that would be utilised. We made no comment at all on whether individual director's fees would be increased. That was not the intention of raising the pool to funnel that through to individual director's fees. I will say it's appropriate for directors' fees to be increased and our view is that directors' fees should at least or should basically should stay flat in real terms. Directors should not be expected to take a pay cut in real terms. Their fees should go up by inflation type amounts on an annual basis.

Bruce Parks: (Shareholder) So can we infer that you will increase the directors' fees by a CPI or inflation adjusted figure annually?

David Kirk: Yes, I mean you can do more than infer. You can know directly that that is our current intention is to maintain the purchasing power of directors' fees, which means over time they'll raise by about the rate of inflation.

Bruce Parks: (Shareholder) You don't pay the Chairs of your sub-committee any extra. Will you change that or keep it?

David Kirk: Well, no we don't have any current intention to do that and we're delighted that John and Sandra's not here, are able to provide such good service without requiring additional remuneration. All directors are on all committees and that might sound a rather strange thing to do but I can tell you it's an extremely efficient way to manage the Board. Secondly, it's an excellent way of having all directors engaged in all of the issues of the Company. We have a great Board and really highly qualified Board to support and help the Company and provide as many opportunities as possible for those people to be highly engaged with what the Company is doing and to all be on the same page, I think is only a benefit to the Company.

Bruce Parks: (Shareholder) Thank you, can I finally suggest you come back to us more often and with more detail about the increases?

David Kirk: Your suggestion is noted and I think it's probably a good one. Shall we move on to the next question, thanks?

Unidentified Participant: The Shareholders Association has a Future Directors scheme. Have you thought of being engaged with that?

David Kirk: We haven't given a lot of thought to that no, but I do think that is a good scheme. It's a very good scheme. That's something we should give thought to, thank you.

Jenny Miller: (Shareholder) I note in your speech for this resolution that you said that you think you might put a director on the Board. Are you looking at doing that thinking within this year and what skills do you envisage this new Board member to have, because I look at the Board, no offence but they are sitting there quite elderly looking. A bit of youth in there, a few more females, a bit of ethnicity - we've got a bit of ethnicity, plus some skills.

David Kirk: Right, firstly Sandra is not here so that has obviously skewed our gender diversity but we take the point. Diversity is a very important value as Xavier pointed out for Kathmandu generally. That ought to be appropriately reflected in the Board. I say appropriately reflected because it is no good for shareholders or anyone to have people appointed to the Board who are not able to do the job and not able to add value. It doesn't matter about gender and it doesn't matter about ethnicity. It doesn't matter about diversity if you can't do the job, if you can't help the Company succeed then you're not doing anyone any favours.

In the best of all worlds of course you find great directors who really can have the skills and are able to really help the Company who also bring a really beneficial level of diversity. I think that's something we should be aiming for and it's

something I'm sure that we are aiming for. Certainly, with Sandra intending to retire in 2019, we will be looking to maintain at least the gender diversity that we've got today.

The first part of your question about what specific skills we're looking for in the new director, if we do determine to appoint one and there is no guarantee that we will appoint one, because we're not going to appoint a director just to have an additional non-executive director. It will have to be because there's a particular situation and a particular skill set that we think will be advantageous to the Company. We've laid out where we think those skill sets are most likely to be required. International wholesale in perhaps Europe, perhaps in the US associated with some kind of acquisition of which we don't have any currently planned, or global e-commerce, so helping to have a successful e-commerce, build a successful e-commerce and customer base and perhaps loyalty program in either North America or Europe most probably.

Jenny Miller: (Shareholder) Sorry, David I only ask the question because you've just purchased Oboz and it's a growth company and it's been growing what is it, 40% year on. I wonder why you don't look within there maybe.

David Kirk: Yes, another good question and I think all directors would have to be involved in this discussion and consider it, but I think if the right person associated with Oboz with a really deep understanding of the US wholesale markets in particular and broad engagement in that market had been available associated with the Oboz acquisition we would have been very open to that. The reality was there actually isn't that sort of a person associated with the Oboz business. They're very much focussed on their knitting and growing their own business rather than being able to operate more broadly in a non-executive director role.

Anything else? No. I will now put the motion to a poll so please for resolution number 5 please complete your voting cards. Now that we're finished we can hand them into the Link Market Services person who will communicate the results of the votes to us in 10 to 15 minutes, so that's good turnaround. I'm just going to do the proxies.

All done. I would now like to give shareholders an opportunity to ask any other questions concerning any matters addressed at this meeting. We've had one written question from a shareholder which I will quickly go through. Are there any plans to expand the brand outside of Australia and New Zealand especially to North America? I hope sincerely that people have heard the answer to that question from Xavier and others today. Certainly, we do plan to expand the brand internationally through a combination of our online website and through wholesale customers in North America.

Anyone else, who now wishes to ask any further questions should please raise their card and use the microphone provided.

Reuben Casey: We've had one question via the webcast. A shareholder has written, congratulations on a great set of results. You have a great opportunity in front of you and you are executing it well. My question; in terms of international growth, what is the particular story you are telling about your brand in order to make it appealing to international customers? Does your marketing proposition vary across different international markets?

David Kirk: Good question and I'll ask Xavier to answer that one too.

Xavier Simonet: When growing internationally as I said before, it's a lot around differentiation and how we can justify the space that we want to take in the stores of outdoor retailers around the world. I think our proposition is around specific points of distinctiveness that we have and that we're not making up, that exist as part of the roots of Kathmandu. Born in the mountains of New Zealand with a distinctiveness around our New Zealand roots. This is, we believe a key aspect of our story.

Also, our expertise in adventure travel makes us different from other brands in the outdoor industry. When we present and show our products to customers and potential customers in North America and Europe, this is something that they

focus on very quickly is products that are specific to travel and adventure travel. So, we certainly have an angle there. Then it's a combination of other things such as sustainability. Sustainability is a key factor of success for us but it's become a bit of a baseline. A lot of brands are focused on sustainability and you've got to be sustainable as a company and as a brand if you want to be distributed in authentic outdoor distribution North America and Europe.

So, these are a few points of distinctiveness we are focusing on and this is the story that we want to sell when we present our range to international customers with a focus at the moment on North America and some specific countries in Europe.

David Kirk: Thank you. Are there any other questions? Ladies and gentlemen, that concludes the formalities. I thank you all for your continued support and attendance today. I am declaring the meeting closed. I invite you all to join us all for a cup of tea and a sandwich. Thank you.

**End of Transcript**