ASX Announcement
Accent Group Limited (ASX: AX1)
24 August 2023

ACCENT GROUP DELIVERS A RECORD FY23 PROFIT[1]

FINANCIALS AND PERFORMANCE HIGHLIGHTS

- Total sales[2] of $1.57 billion, up 24% on the prior year
- Earnings Before Interest, Tax, Depreciation and Amortisation (**EBITDA**) of $298.2 million, up 39.6% on the prior year
- Earnings Before Interest and Tax (**EBIT**) of $138.8 million, up 122.9% on the prior year
- Net Profit After Tax (**NPAT**) of $88.7 million (FY22, $31.5 million)
- Earnings Per Share (**EPS**) of 16.2 cents (FY22, 5.81 cents)
- A fully franked final dividend of 5.5 cents per share bringing dividends for the FY23 year to 17.5 cents per share (FY22 6.5 cents per share)
- Inventory below prior year and aged stock levels clean
- Net debt of $119.6 million (FY22, $119.3 million)

Accent Group Limited (ASX: AX1) (**Accent Group, Group** or **Company**) today reports EBIT of $138.8 million and NPAT of $88.7 million for the 53 weeks ended 2 July 2023 (**FY23**).

Accent Group CEO, Daniel Agostinelli, said “I am delighted with the performance of the Accent team and the results achieved in FY23. The continued focus on customers, new product, and return on investment has delivered a record result and continues the journey of growth in profit and shareholder returns that has seen profit growth achieved in five of the last six financial years.

[1] Financial results for the 53 weeks ended 2 July 2023, are presented on a statutory post AASB 16 basis unless otherwise noted. FY22 Prior year comparisons are based on statutory post AASB 16 results for the 52 weeks ended 26 June 2022
[2] Includes The Athlete’s Foot Franchise sales, non-IFRS measure.

OPERATING REVIEW

- **Total owned sales[3] of $1.39 billion up 26.3%** to prior year
- **Total online sales[4] of $260.5 million** contributed 19.1% of total retail sales.
- **Like for Like (LFL) retail sales[5] for the year of 10.2%** (H2: 8.0%). FY23 LFL Sales are up 15.2% on the undisrupted FY19 year
- **Gross margin of 55.2% up 100 basis points.** Despite the impacts of a lower AUD, the intensity of the promotional environment in H2 and the clearance of discontinued brands, the ongoing strategy to drive gross margin rate through distributed and owned vertical brands continues to improve underlying gross margin
- **CODB % of 44.5%** was 280 basis points below the prior year
- Strong sales results were achieved across all major banners including Platypus, Skechers, TAF, Hype DC, Vans and Dr Martens. As trade softened in May and June, Skechers, TAF and Hype DC in particular continued to experience positive comp store sales growth
- Inventory levels were a key focus and closing inventory for the year was below the prior year with clean aged inventory
- During the year the Group **opened 80 new stores**, transitioned 15 stores from discontinued into continuing brands and closed 21 stores where required rent outcomes could not be achieved. **Total store numbers (including websites) of 821 stores**. New store performance remains strong with sales, profit and return metrics in line with expectations
- **Contactable customers grew by 500,000** to 9.8 million customers, with loyalty program membership now more than 8.0 million across TAF, Skechers, Platypus, Hype DC, Glue and Merrell
- **Sales of vertical owned brands** of more than $100 million (>7% of owned sales) with gross margin rate ahead of prior year
- **22 Nude Lucy concept stores now trading**. Nude Lucy is a fast-growing, women's lifestyle apparel brand that has experienced significant growth, with 22 new stores rolled-out over the last 18 months

DIVIDEND

Final dividend of 5.5 cents per share fully franked to be paid on 28 September 2023 to registered shareholders as of 14 September 2023. Total dividends (fully franked) for the year of 17.5 cents per share.

[3] Owned sales exclude The Athlete's Foot Franchise sales
[4] Includes The Athlete's Foot Franchise online sales. Non-IFRS measure
[5] Like for like ("LFL") retail sales based on 52 weeks for current and comparative periods, include TAF Franchises sales, digital sales and Glue store. The LFL measurement is consistent with prior releases and includes the year-on-year sales comparison for all stores in which a sale has been recorded on the same day the prior year.

GROWTH PLAN

The Company continues to have a valuable portfolio of growth opportunities across its core banners and new businesses, including:

- The continued roll-out of new stores, with significant further store roll-out opportunity in both its core banners and new businesses over the next 5 years. At least 50 new stores are planned to open in FY24
- Improved underlying gross margin from continued growth in the Company's "moat" brands, being its distributed and vertical owned brands. Along with the margin improvements, these brands continue to provide an un-replicable competitive advantage through product access, forward visibility to global product trends, the end-to-end customer access in ANZ and exclusive products
- Growth in Nude Lucy from the continuing roll-out of new stores and online growth
- Continued operational improvement in Glue Store and Stylerunner
- Profit growth in TAF from profit margin expansion, and franchise stores continuing to be acquired (current network of 92 corporate stores and 63 franchise stores)
- Continued growth in digital sales and customer loyalty programs driving improvement in customer spend frequency. Loyalty programs now launched in Platypus, Hype DC and Skechers, driving repeat spend behaviour and improved customer value

ACCENT INVESTMENT AND VALUE PROPOSTION

Accent Group has a unique value and investor proposition in the ANZ market characterised by:

- Significant scale with more than 820 direct to consumer stores (including owned and franchise stores and websites) and 1200 wholesale customers with more than 2,000 consumer direct points of sale
- Access to more than 9.8 million customers across digital, retail and wholesale channels
- Exclusive brand distribution agreements across 17 global brands
- A growing portfolio of owned vertical brands in apparel, footwear and accessories
- Best in class omnichannel operational capabilities

TRADING UPDATE

Total sales (inc. wholesale) for the first 7 weeks of FY24 are up 2.8%[6] to last year. Total retail sales are up 5%

LFL retail sales for the first 7 weeks of FY24 are down 1.8% on the prior year (for the first 7 weeks of FY23 LFL retail sales were up 18.9% on FY22). We have seen an improvement in August trade and LFL sales for August month to date (3 weeks ended 20 August) are up 1%.

Digital sales for the first 7 weeks are up more than 20% to last year reflecting the value of our customer data base and integrated digital capability.

The Company's focus for the first 7 weeks has been to drive full price, full margin sales following the highly promotional final quarter of FY23. The focus on full price sales has impacted LFL sales, while gross margin % over this period has been at a similar level to the strong margin rate achieved in the first 7 weeks of FY23.

Mr Agostinelli said "We recognise that there is ongoing uncertainty in the economic outlook, and like others we have experienced softening sales across May and June and into the first 7 weeks of this year, with apparel being softer than footwear. We continue to be pleased with the trading strength in a number of our banners where lower prior year comps and product innovation have driven positive LFL retail growth. We are also pleased with the Group gross margin % achieved to date.

The Accent team is focused on executing our plan for FY24 including driving new product innovation, tight management of inventory leveraging clean stock levels coming out of FY23, opening at least 50 new stores, growth from our existing and new distributed brands and a continued drive on cost efficiency and gross margin improvement.

In conclusion, I am pleased with the progress that has been made on our key growth strategies as we continue to build a strong, defensible business in Australia and New Zealand. Our portfolio of global distributed brands, owned vertical brands, integrated digital capability and large store network are core assets of the Group and position the Company well for growth into the future."

Group Chairman David Gordon said "On behalf of the Board I would like to thank the entire Accent team for what has been a record year of profits and a return to the long-term profit growth and shareholder returns achieved over the last 10 and more years. Accent Group is defined by a culture of innovation and a drive for strong long-term investment returns for shareholders. The achievement in FY23 of return on shareholder equity in excess of 20% and total dividends for the year of 17.5 cents per share should give stakeholders every confidence in the strength of the Accent business and management team."

[6] Excluding discontinued distributed brands and banners (Pivot, 4Workers, Exie, Stance, Sperry)

For further information contact:

Investors

Matthew Durbin
Chief Financial and Operating Officer

matthew.durbin@accentgr.com.au

Accent Group FY23 Full-Year Investor Briefing | 25 August | 9:00am AEST

Webinar link: https://openexc.zoom.us/webinar/register/WN_-qYpeXD7TjyMo8O3M7oD7Q

Webinar ID: 982 3990 1796

Password: 138470

The release of this announcement was authorised by the Board of Accent Group Limited

----

Appendix

Financial overview – Statutory (post AASB16 other than where noted)

Financials	FY23 53 weeks	FY22 52 Weeks	Var to FY22	FY19 52 Weeks	FY23 var to FY19
Stores	**821**	762	**+7.7%**	519	**+58.2%**
Total Sales (Inc. TAF) ($m)	**$1,566.1**	$1,266.6	**+23.7%**	$935.3	**+67.4%**
Owned Sales ($m)	**$1,393.3**	$1,103.5	**+26.3%**	$772.5	**+80.4%**
LFL Retail Sales[7] ($m)	**10.2%**				**+15.2%**
EBITDA ($m)	**$298.2**	$213.6	**+39.6%**	$108.9*	
EBIT ($m)	**$138.8**	$62.3	**+123%**	$80.6*	
PBT ($m)	**$119.6**	$46.6	**+157%**	$77	**+55.3%**
NPAT ($m)	**$88.7**	$31.5	**+182%**	$53.9	**+64.6%**

*FY19 EBITDA and EBIT are presented on an as reported pre AASB16 basis.

[7] Based on 52 weeks in the current and prior year comparators