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KMD BRANDS LIMITED

19 March 2024

Half Year Report
For the period ending 31 January 2024

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Results announcement

Results for announcement to the market		
Name of issuer	KMD Brands Limited	
Reporting Period	6 months to 31 January 2024	
Previous Reporting Period	6 months to 31 January 2023	
Currency	NZD	
	Amount (000s)	Percentage change
Revenue from continuing operations	\$468,644	(14.5%)
Total Revenue	\$468,644	(14.5%)
Net profit/(loss) from continuing operations	(\$9,667)	(169.2%)
Total net profit/(loss)	(\$9,667)	(169.2%)
Interim Dividend		
Amount per Quoted Equity Security	NIL	
Imputed amount per Quoted Equity Security	NIL	
Record Date	N/A	
Dividend Payment Date	N/A	
	Current period	Prior comparable period
Net tangible assets per Quoted Equity Security	\$0.14	\$0.14
A brief explanation of any of the figures above necessary to enable the figures to be understood	The interim results are based on accounts which have been subject to review. Refer to accompanying unaudited financial statements.	
Authority for this announcement		
Name of person authorised to make this announcement	Frances Blundell	
Contact person for this announcement	Frances Blundell	
Contact phone number	+64 3 968 6110	
Contact email address	companysecretary@kmdbrands.com	
Date of release through MAP	Tuesday, 19 March 2024	

Unaudited financial statements accompany this announcement.



KMD Brands Limited
ASX / NZX / Media announcement

19 March 2024
(All amounts in NZ\$ unless otherwise stated)

KMD Brands 1H FY24 Interim Results

KMD Brands Limited (ASX/NZX: KMD, “KMD” or the “Group”) announces its results for the six months ended 31 January 2024 (“1H FY24”).

1H FY24 financial summary (vs 1H FY23):

- Group sales decreased by -14.5% to \$468.6 million.
- Gross margin improved by 10 basis points to 58.8%.
- Operating expenses \$15.8 million below last year, down -5.7% YOY.
- Underlying EBITDA¹ \$15.1 million, down 66.8% YOY due to lower sales.
- Statutory NPAT loss -\$9.7 million; Underlying NPAT¹ loss -\$6.9 million.
- Strong balance sheet position. Net working capital -7.4% lower YOY to \$226.2 million.
- No interim dividend declared as a result of 1H FY24 operating performance.

Commenting on the 1H FY24 results, Group CEO & Managing Director Michael Daly said:

“Through the first half we continued to experience the effects of weakness in consumer sentiment. Sales were 14.5% below last year’s record result; and decreased for all three of our brands.”

“Weaker consumer sentiment, the warmest winter on record in Australia and an over-reliance on winter weight product led to a disappointing first half for Kathmandu.”

“Rip Curl and Oboz are cycling record sales last financial year, and while revenues from the direct-to-consumer channel are showing single digit declines, the wholesale channel has been more challenging for both brands as wholesale customers reduce inventory holdings.”

“In a challenging sales environment, the Group improved gross margin despite currency headwinds, controlled operating costs, and reduced working capital.”

¹ Excluding the impact of IFRS 16 and the notional amortisation of Rip Curl and Oboz customer relationships.



Group financial performance

	Statutory	Underlying ¹		
NZ\$ million ²	1H FY24	1H FY24	1H FY23	Var %
Sales	468.6	468.6	547.9	(14.5%)
Gross Profit	275.7	275.7	321.8	(14.3%)
Gross margin	58.8%	58.8%	58.7%	
Operating Expenses	(211.3)	(260.6)	(276.4)	(5.7%)
EBITDA	64.4	15.1	45.3	(66.8%)
EBIT	0.5	(1.7)	29.3	
NPAT	(9.7)	(6.9)	16.5	

Gross margin remained resilient, increasing +10 bps (+0.1% of sales), despite the realised US dollar hedged rate³ in 1H FY24 being down approximately 7% from the prior comparative period. These currency headwinds were offset by lower freight rates, improved channel mix, improved pricing, exiting low margin business, and new product introductions.

Operating costs were \$15.8 million below last year, despite continued inflation pressure. Operating expenses benefited from restructuring implemented last year and lower variable costs associated with lower sales.

Rip Curl: sales impacted by wholesale customer caution

Rip Curl	Underlying ¹		
NZ\$ million ²	1H FY24	1H FY23	Var %
Sales	278.3	306.4	(9.2%)
EBITDA	27.4	37.6	(27.0%)
EBIT	20.8	31.5	(34.0%)

Rip Curl total sales decreased -9.2% to \$278.3 million, cycling record sales last year.

Direct-to-consumer sales including online ("DTC sales") decreased by -5.0%, reflecting weakened consumer sentiment in key global markets, while noting stronger results in Europe, Asia and South America. Online sales increased by +4.3% and remain significantly above pre-COVID levels.

Wholesale sales decreased by -14.1%, as wholesale accounts reduced their inventory holdings in response to the challenging consumer environment.

In a challenging sales environment, gross margin and operating expenses were well controlled. Gross margin increased +90 bps (+0.9% of sales) reflecting improved pricing and freight rates, plus exiting low margin business in North America and Europe. Operating expenses were tightly managed despite continued inflation pressure.

² 1H FY24 NZD/AUD conversion rate 0.926 (1H FY23: 0.910), 1H FY24 NZD/USD conversion rate 0.604 (1H FY23 0.612).

³ The following exchange rates are hedged by the Group to purchase inventory: NZD/USD, AUD/USD and EUR/USD.

Kathmandu: sales reflect ongoing weakness in consumer sentiment

Kathmandu	Underlying¹		
NZ\$ million²	1H FY24	1H FY23	Var %
Sales	152.3	194.0	(21.5%)
EBITDA	(8.3)	12.3	
EBIT	(18.0)	2.7	

Kathmandu total sales decreased -21.5%, cycling strong sales growth last year, with declines in both Australia -22.9%⁴ and New Zealand -15.9%.

Online sales decreased by -36.9% to \$16.4 million, as consumers returned to shopping in stores. Online penetration at 10.9% of DTC sales remained above pre-COVID levels. Improvement to online sales performance is a priority.

Gross margin decreased -240 bps (-2.4% of sales), driven by clearance of end of line products in August. Excluding August, gross margin for the period was -50 bps (-0.5% of sales) lower YOY despite currency headwinds.

Operating expenses were tightly managed despite continued inflation pressure.

Oboz: sales impacted by wholesale customer caution

Oboz	Underlying¹		
NZ\$ million²	1H FY24	1H FY23	Var %
Sales	38.0	47.5	(20.0%)
EBITDA	(0.1)	2.9	
EBIT	(0.5)	2.5	

Total sales decreased -20.0%, cycling record sales last year. Wholesale sales decreased -23.5% as wholesale customers reduce their inventory holdings in response to the challenging consumer environment.

Online sales grew strongly +34.2% YOY, benefiting from strategic promotional activity.

In a challenging sales environment, gross margin and operating expenses were well controlled. Gross margin increased +450 bps (+4.5% of sales) reflecting lower freight rates, improved channel mix, improved pricing and new product introductions.

Oboz continued to invest in brand, online and product to support long-term growth objectives, including international expansion. While the North American wholesale operating margin remained below historic levels, Oboz expects the operating expense investment to be leveraged with future sales growth opportunities.

⁴ At constant exchange rates.

Balance sheet

At 31 January 2024, the Group had a net debt position of \$96.2 million with funding headroom of approximately \$190 million.

Inventory was well positioned, \$5 million below January 2023, and net working capital was \$18 million below January 2023 despite lower sales. The inventory balance at July 2024 is expected to be below July 2023. The unwind of inventory is expected to underpin traditionally strong operating cashflow generation in the second half year.

As previously communicated in the FY23 results release, the balance between interim and final dividend will be adjusted to better reflect the profitability of each half year. As a result of this change, and due to the first half performance, the Directors have not declared an interim dividend.

Outlook

First half sales trends have improved for all three brands as they begin the second half year. Group sales for February 2024 were -3.5% below last year, noting that February is not a significant trading month.

Commenting on the outlook for the Group, Mr Daly said:

“In the second half the Group will be cycling less challenging sales performance last year, particularly Kathmandu in the fourth quarter.”

“Improving Kathmandu sales performance is our immediate priority as we approach the key winter trading period. We expect to see progress in the second half and into FY25 as we launch new innovative products, quick to market programmes, elevated visual merchandising, increased personalisation through the recently released “Out There Rewards” and an expanded third-party brand strategy.”

“We expect the wholesale customer inventory reduction cycle to end this financial year, giving us a more positive FY25 outlook in the wholesale channel for both Rip Curl and Oboz.”

“We believe that with our portfolio of iconic global outdoor brands and leadership in sustainability, we remain a unique investment proposition and well-placed for the future.”





Investor briefing being held today at 8:30am AEDT / 10:30am NZDT

Michael Daly (Group CEO & Managing Director), and Ben Washington (Interim Group CFO) will be holding a briefing session for investors and analysts at 8:30am AEDT / 10:30am NZDT today (Tuesday 19 March).

Please attend the meeting by following this link: www.virtualmeeting.co.nz/kmdhy24

You may also dial one of the numbers below and provide the conference ID 7772131 to the operator to listen to the meeting.

Australia Toll Free:	1800 571 226
New Zealand Toll Free:	0800 450 012
France:	+33 800 943355
United Kingdom:	+44 800 358 0970

The webcast will be available on the KMD Brands investor website following the call.

This announcement has been authorised for release to NZX / ASX by the Board of Directors of KMD Brands Limited.

- ENDS -

For further information, whether an investor or media enquiry, please contact: enquiries@kmdbrands.com



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KMD BRANDS LIMITED

INTERIM REPORT 2024

KMD BRANDS LIMITED - INTERIM REPORT 2024

DIRECTORS' REPORT

The Directors of KMD Brands Limited present the Interim Report for the Company and its controlled entities for the half year ended 31 January 2024.

Review of Operations

Group sales for the interim period of \$468.6 million are 14.5% below last year as consumer sentiment continued to weaken. Kathmandu sales are down 21.5% year on year due to weaker consumer sentiment and a reliance on winter weight product. Rip Curl sales are down 9.2% with the largest decrease from the wholesale channel as wholesale accounts reduce inventory holdings. Oboz sales have declined 20.0% driven by similar challenges to Rip Curl in the wholesale market, however, the online direct-to consumer channel has continued to grow.

Gross margin remains resilient, increasing +10 bps (0.1% of sales), despite currency headwinds which have been offset by reduced freight rates, improved channel mix and pricing, exiting low margin business, and new product introductions.

Operating costs are \$15.8 million below last year, despite continued inflation pressure. Operating expenses benefited from restructuring implemented last year and lower variable costs associated with lower sales.

As at 31 January 2024, the Group had a net debt position of \$96.2 million with significant funding headroom of approximately \$200 million.

Inventory remains well positioned, \$5.2 million below January 2023, and net working capital is \$18.2 million below January 2023. The unwind of net working capital has increased 1H operating cashflow to \$42.2 million, an increase of \$12.3 million from last year despite lower sales.

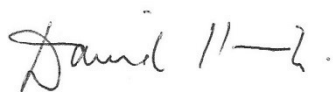
No interim dividend has been declared.

A further review of the operations of the Group is set out in the accompanying media release of 19 March 2024.

Seasonality

Due to the seasonal nature of the Group's activities, the activities in the second half of the year historically provide a larger portion of the sales and net profit for the full year.

Signed in accordance with a resolution of the Directors:



David Kirk
Director



Michael Daly
Director

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Unaudited Six Months Ended 31 January 2024 NZ\$'000	Unaudited Six Months Ended 31 January 2023 NZ\$'000	Audited Year Ended 31 July 2023 NZ\$'000
Sales revenue	5	468,644	547,924	1,102,994
Cost of sales		(192,933)	(226,173)	(451,049)
Gross profit		275,711	321,751	651,945
Other income		1,335	622	1,840
Selling expenses	6	(124,785)	(138,036)	(267,743)
Administration and general expenses	6	(87,886)	(93,492)	(185,973)
		(211,336)	(230,906)	(451,876)
Earnings before interest, tax, depreciation, and amortisation		64,375	90,845	200,069
Depreciation and amortisation	6	(63,895)	(59,474)	(123,713)
Earnings before interest and tax		480	31,371	76,356
Finance income		776	291	886
Finance expenses		(14,029)	(10,472)	(24,940)
Finance costs - net	6	(13,253)	(10,181)	(24,054)
(Loss)/Profit before income tax		(12,773)	21,190	52,302
Income tax credit/(expense)		3,106	(7,213)	(15,688)
(Loss)/Profit after income tax		(9,667)	13,977	36,614
(Loss)/Profit for the period attributable to:				
Shareholders of the company		(10,426)	13,159	35,139
Non-controlling interest		759	818	1,475
Other comprehensive income/(loss) that may be recycled through profit and loss:				
Movement in cash flow hedge reserve		5,155	1,797	8,499
Movement in foreign currency translation reserve		(1,951)	(12,638)	3,055
Other comprehensive income/(loss) for the period, net of tax		3,204	(10,841)	11,554
Total comprehensive (loss)/income for the period		(6,463)	3,136	48,168
Total comprehensive (loss)/income for the period attributable to:				
Shareholders of the company		(7,192)	2,412	46,838
Non-controlling interest		729	724	1,330
Basic earnings per share		(1.5) cps	1.9 cps	4.9 cps
Diluted earnings per share		(1.4) cps	1.8 cps	4.9 cps
Weighted average basic ordinary shares outstanding ('000)		711,429	711,220	711,283
Weighted average diluted ordinary shares outstanding ('000)		719,669	716,072	719,546

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital	Cash Flow Hedge Reserve	Foreign Currency Translation Reserve	Share Based Payments Reserve	Other Reserves	Retained Earnings	Non-controlling Interest	Total Equity
	NZ\$'000	NZ\$'000	NZ\$'000	NZ\$'000	NZ\$'000	NZ\$'000	NZ\$'000	NZ\$'000
Balance as at 31 July 2022	626,380	6,218	6,491	3,165	(47)	203,525	4,726	850,458
Profit after tax	-	-	-	-	-	35,139	1,475	36,614
Other comprehensive income	-	8,499	3,200	-	-	-	(145)	11,554
Dividends paid	-	-	-	-	-	(42,681)	-	(42,681)
Issue of share capital	2,699	-	-	(2,699)	-	-	-	-
Share based payment expense	-	-	-	568	-	-	-	568
Deferred tax on share-based payment transactions	-	-	-	252	-	-	-	252
Amounts transferred to initial carrying amount of hedged items	-	(14,443)	-	-	-	-	-	(14,443)
Dividends paid to non-controlling interest	-	-	-	-	-	-	(685)	(685)
Balance as at 31 July 2023	629,079	274	9,691	1,286	(47)	195,983	5,371	841,637
(Loss)/Profit after tax	-	-	-	-	-	(10,426)	759	(9,667)
Other comprehensive income	-	5,155	(1,921)	-	-	-	(30)	3,204
Dividends paid	-	-	-	-	-	(21,340)	-	(21,340)
Issue of share capital	304	-	-	(304)	-	-	-	-
Share based payment expense	-	-	-	359	-	-	-	359
Deferred tax on share-based payment transactions	-	-	-	(21)	-	-	-	(21)
Amounts transferred to initial carrying amount of hedged items	-	(3,953)	-	-	-	-	-	(3,953)
Dividends paid to non-controlling interest	-	-	-	-	-	-	(701)	(701)
Balance as at 31 January 2024	629,383	1,476	7,770	1,320	(47)	164,217	5,399	809,518

KMD BRANDS LIMITED - INTERIM REPORT 2024

CONSOLIDATED BALANCE SHEET

	Note	Unaudited As at 31 January 2024 NZ\$'000	Unaudited As at 31 January 2023 NZ\$'000	Audited As at 31 July 2023 NZ\$'000
ASSETS				
Current assets				
Cash and cash equivalents		34,031	85,620	49,488
Trade and other receivables	8	78,444	90,630	102,696
Inventories	9	313,568	318,757	290,420
Derivative financial instruments	13	3,642	2,174	2,560
Current tax asset		19,102	3,401	12,278
Other current assets		1,801	2,487	1,860
Total current assets		450,588	503,069	459,302
Non-current assets				
Trade and other receivables	8	1,901	1,774	1,856
Property, plant, and equipment		84,722	77,900	82,942
Intangible assets	10	696,167	704,833	704,402
Deferred tax assets		14,548	16,490	14,650
Right-of-use assets	11	257,541	264,705	270,327
Total non-current assets		1,054,879	1,065,702	1,074,177
Total assets		1,505,467	1,568,771	1,533,479
LIABILITIES				
Current liabilities				
Trade and other payables		165,813	165,030	173,392
Derivative financial instruments	13	555	4,607	1,160
Current tax liabilities		805	1,313	718
Current lease liability	11	81,180	76,674	83,232
Total current liabilities		248,353	247,624	258,502
Non-current liabilities				
Non-current trade and other payables		15,649	17,078	15,988
Interest bearing liabilities	12	130,210	170,496	105,209
Deferred tax		93,356	90,682	93,275
Non-current lease liability	11	208,381	220,802	218,868
Total non-current liabilities		447,596	499,058	433,340
Total liabilities		695,949	746,682	691,842
Net assets		809,518	822,089	841,637
EQUITY				
Issued capital		629,383	629,079	629,079
Reserves		10,519	(7,093)	11,204
Retained earnings		164,217	195,344	195,983
Non-controlling interest		5,399	4,759	5,371
Total equity		809,518	822,089	841,637

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CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited Six Months Ended 31 January 2024 NZ\$'000	Unaudited Six Months Ended 31 January 2023 NZ\$'000	Audited Year Ended 31 July 2023 NZ\$'000
Cash was provided from:			
Receipts from customers	490,763	563,109	1,103,833
Government grants received	126	188	6,019
Interest received	776	291	886
Income tax received	-	509	1,892
	491,665	564,097	1,112,630
Cash was applied to:			
Payments to suppliers and employees	433,108	517,264	919,847
Income tax paid	3,768	7,923	22,969
Interest paid	12,603	8,986	22,226
	449,479	534,173	965,042
Net cash inflow from operating activities	42,186	29,924	147,588
Cash flows from investing activities			
Cash was provided from:			
Proceeds from sale of property, plant, and equipment	1	-	-
	1	-	-
Cash was applied to:			
Purchase of property, plant, and equipment	12,585	11,311	27,665
Purchase of intangibles	2,633	3,533	8,323
	15,218	14,844	35,988
Net cash (outflow) from investing activities	(15,217)	(14,844)	(35,988)
Cash flows from financing activities			
Cash was provided from:			
Proceeds of borrowings	126,490	110,848	132,955
	126,490	110,848	132,955
Cash was applied to:			
Dividends paid	22,042	22,031	43,366
Repayment of borrowings	101,630	45,811	134,074
Repayment of lease liabilities	45,058	41,726	86,919
	168,730	109,568	264,359
Net cash (outflow) / inflow from financing activities	(42,240)	1,280	(131,404)
Net (decrease) / increase in cash held	(15,271)	16,360	(19,804)
Opening cash and cash equivalents	49,488	70,810	70,810
Effect of foreign exchange rates	(186)	(1,550)	(1,518)
Closing cash and cash equivalents	34,031	85,620	49,488

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RECONCILIATION OF NET (LOSS)/PROFIT AFTER TAXATION WITH CASH INFLOW FROM OPERATING ACTIVITIES

	Unaudited Six Months Ended 31 January 2024 NZ\$'000	Unaudited Six Months Ended 31 January 2023 NZ\$'000	Audited Year Ended 31 July 2023 NZ\$'000
(Loss)/Profit after income tax	(9,667)	13,977	36,614
<i>Movement in working capital:</i>			
(Increase) / decrease in trade and other receivables	24,460	13,098	(776)
(Increase) / decrease in inventories	(24,059)	(29,727)	(1,121)
(Increase) / decrease in other current assets	51	(101)	510
Increase / (decrease) in trade and other payables	(7,162)	(25,256)	(17,360)
Increase / (decrease) in tax liability	(6,795)	(271)	(9,002)
	(13,505)	(42,257)	(27,749)
<i>Add non-cash items:</i>			
Depreciation of property, plant, and equipment	11,230	11,272	22,824
Amortisation of intangibles	8,192	7,408	14,132
Depreciation of right-of-use assets	44,473	40,794	86,757
Impairment of right-of-use assets	945	-	(1,675)
Foreign currency translation of working capital balances	18	(2,503)	11,809
Movement in deferred taxation	(81)	71	3,610
Employee share-based remuneration	359	925	568
Loss on disposal of property, plant, and equipment and intangibles	222	237	698
	65,358	58,204	138,723
Cash inflow from operating activities	42,186	29,924	147,588

KMD BRANDS LIMITED - INTERIM REPORT 2024

1 GENERAL INFORMATION

KMD Brands Limited (the Company) and its subsidiaries (together the Group) is a designer, marketer, retailer and wholesaler of apparel, footwear and equipment for surfing and the outdoors. It operates in New Zealand, Australia, North America, Europe, South East Asia, Japan and Brazil.

The Company is a limited liability company incorporated and domiciled in New Zealand. KMD Brands Limited is a company registered under the Companies Act 1993 and is an FMC reporting entity under Part 7 of the Financial Markets Conduct Act 2013. The address of its registered office is 223 Tuam Street, Central Christchurch, Christchurch.

These consolidated interim financial statements have been approved for issue by the Board of Directors on 19 March 2024, and have been reviewed, not audited.

2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

These general-purpose financial statements for the six months ended 31 January 2024 have been prepared in accordance with NZ IAS 34, Interim Financial Reporting. In complying with NZ IAS 34, these consolidated interim financial statements also comply with IAS 34.

These consolidated interim financial statements do not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the audited financial statements of KMD Brands Limited for the year ended 31 July 2023 which have been prepared in accordance with the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

The Group is designated as a profit-oriented entity for financial reporting purposes.

The consolidated interim financial statements are presented in New Zealand dollars, which is the Group's presentation currency.

3 ACCOUNTING POLICIES

The consolidated interim financial statements have been prepared using the same accounting policies and methods of computation as those used in the audited financial statements of KMD Brands Limited for the year ended 31 July 2023.

Use of non-GAAP disclosures

At times non-GAAP disclosures have been used in the consolidated financial statements. These disclosures have been included as they are key measurement criteria on which the Group and operating segments are reviewed by the Group Chief Executive Officer, Group Executive Management team and the Board of Directors. The following non-GAAP measures are relevant to the understanding of the Group's financial performance:

- Earnings before interest, tax, depreciation and amortisation (EBITDA) represents earnings before income taxes excluding interest income, interest expense, depreciation, and amortisation, as reported in the financial statements.
- Earnings before interest and tax (EBIT) represents EBITDA less depreciation and amortisation.
- Net debt represents cash and cash equivalents less interest-bearing liabilities. Net debt does not include lease liabilities.

Non-GAAP financial information does not have a standardised meaning prescribed by GAAP and therefore may not be comparable to similar financial information presented by other entities. The non-GAAP information within the consolidated financial statements is subject to review procedures.

New standards first applied in the period

There are no new standards first applied in the period.

Standards, interpretations, and amendments to published standards that are not yet effective

There are no standards or amendments published but not yet effective that are expected to have a significant impact on the Group.

KMD BRANDS LIMITED - INTERIM REPORT 2024

4 CLIMATE CHANGE RISK

The Group's operations may be impacted by future climate change. These impacts may be physical (e.g. severe or unusual weather patterns and events) or transitional (e.g. changes to government regulations or customer and supplier needs and demands).

The Group regularly assesses its operating environment with regards to the impact of climate change. Specific consideration has been given in these financial statements to the impact of future climate change on the useful lives of the Group's property, plant, and equipment, impairment of intangible assets, the inclusion of expected renewals in the lease term for right-of-use assets and sustainability linked loans. No significant impacts have been identified.

During the previous year, the Group collaborated with other retail industry participants, with guidance from the New Zealand External Reporting Board (XRB), to develop relevant sector-level climate-related scenarios with reference to the Aotearoa New Zealand Climate Standards (NZ CS). The Group is now modelling how different scenarios of climate change may impact our global footprint and strategy. We will provide reporting in our 2024 Annual Integrated Report.

5 REVENUE

	Unaudited Six Months Ended 31 January 2024 NZ\$'000	Unaudited Six Months Ended 31 January 2023 NZ\$'000	Audited Year Ended 31 July 2023 NZ\$'000
Sale of goods	463,966	540,319	1,091,290
Royalty revenue	4,224	7,166	10,819
Commission revenue	454	439	885
	468,644	547,924	1,102,994

6 EXPENSES

	Unaudited Six Months Ended 31 January 2024 NZ\$'000	Unaudited Six Months Ended 31 January 2023 NZ\$'000	Audited Year Ended 31 July 2023 NZ\$'000
Profit/(Loss) before tax includes the following expenses:			
Depreciation of property, plant, and equipment	11,230	11,272	22,824
Amortisation	8,192	7,408	14,132
Depreciation of right-of-use assets	44,473	40,794	86,757
Impairment expense/(income) of right-of-use assets	945	-	(1,675)
Employee entitlements expense	113,383	119,129	231,131
Rental expense	11,840	14,536	26,468
Finance costs			
Interest income	(776)	(291)	(886)
Interest expense on interest bearing liabilities	4,999	3,282	7,828
Interest on lease liabilities	5,876	5,098	11,022
Other finance costs	1,956	1,586	3,692
Net exchange loss/(gain) on foreign currency	1,198	506	2,398
	13,253	10,181	24,054

Other finance costs relate to facility fees on banking arrangements.

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7 SEGMENTAL INFORMATION

The Group has three operating segments representing the brands owned by the Group and a Corporate segment. These operating segments have been determined based on the reports reviewed by the Group Chief Executive Officer and Group Executive Management team.

- **Rip Curl** - designer, manufacturer, wholesaler and retailer of surfing equipment and apparel.
- **Kathmandu** - designer, retailer and wholesaler of apparel, footwear and equipment for outdoor travel and adventure.
- **Oboz** - designer, wholesaler and online retailer of outdoor footwear.

The Corporate segment represents group costs, holding companies and consolidation eliminations and constitutes other business activities that do not fall within the brand segments.

The default basis of allocating shared costs is percentage of revenue with other bases being used where appropriate.

31 January 2024	Rip Curl NZ\$'000	Kathmandu NZ\$'000	Oboz NZ\$'000	Corporate NZ\$'000	Total NZ\$'000
Total segment sales	278,315	152,324	38,629	-	469,268
Sales to internal customers	-	-	(624)	-	(624)
Sales to external customers	278,315	152,324	38,005	-	468,644
EBITDA	47,462	20,684	201	(3,972)	64,375
Depreciation and amortisation	(28,246)	(34,729)	(840)	(80)	(63,895)
EBIT	19,216	(14,045)	(639)	(4,052)	480
Income tax expense	(4,751)	4,136	243	3,478	3,106
Total segment assets	725,336	598,694	170,359	11,078	1,505,467
<i>Total assets include:</i>					
Non-current assets	480,237	455,161	118,493	988	1,054,879
Additions to non-current assets	24,149	24,012	266	325	48,752
Total segment liabilities	299,757	253,316	24,154	118,722	695,949
31 January 2023	Rip Curl NZ\$'000	Kathmandu NZ\$'000	Oboz NZ\$'000	Corporate NZ\$'000	Total NZ\$'000
Total segment sales	306,424	193,968	50,232	-	550,624
Sales to internal customers	-	-	(2,700)	-	(2,700)
Sales to external customers	306,424	193,968	47,532	-	547,924
EBITDA	57,538	37,570	3,101	(7,364)	90,845
Depreciation and amortisation	(27,033)	(31,650)	(791)	-	(59,474)
EBIT	30,505	5,920	2,310	(7,364)	31,371
Income tax expense	(7,509)	(2,489)	(684)	3,469	(7,213)
Total segment assets	767,654	609,529	176,851	14,737	1,568,771
<i>Total assets include:</i>					
Non-current assets	475,672	473,103	113,535	3,392	1,065,702
Additions to non-current assets	41,313	30,923	897	-	73,133
Total segment liabilities	309,613	304,125	28,646	104,298	746,682

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8 TRADE AND OTHER RECEIVABLES

	Unaudited Six Months Ended 31 January 2024	Unaudited Six Months Ended 31 January 2023	Audited Year Ended 31 July 2023
	NZ\$'000	NZ\$'000	NZ\$'000
Current			
Trade receivables	59,457	68,445	79,933
Allowance for expected credit losses	(6,702)	(6,061)	(5,620)
Prepayments	15,830	15,597	18,156
Other receivables	9,859	12,649	10,227
	78,444	90,630	102,696
Non-current			
Other debtors	1,901	1,774	1,856

9 INVENTORY

	Unaudited Six Months Ended 31 January 2024	Unaudited Six Months Ended 31 January 2023	Audited Year Ended 31 July 2023
	NZ\$'000	NZ\$'000	NZ\$'000
Raw materials and consumables	7,877	9,021	9,680
Work in progress	1,963	3,431	2,144
Trading inventory	262,859	271,298	252,399
Goods in transit	40,869	35,007	26,197
	313,568	318,757	290,420

10 INTANGIBLE ASSETS

Carrying value of intangible assets

The Group market capitalisation is below the carrying value of net assets and the Group has made a net loss after income tax of \$9,667,000 for the period. Historically the second half of the financial year is more profitable and generates more cash flow and therefore we do not consider the short term results an indicator of impairment. In addition, our internal valuation models continue to provide sufficient headroom at both Group and Brand cash generating unit levels. No impairment indicators exist as at 31 January 2024.

As at 31 July 2023 the CGU with the lowest headroom was the Oboz CGU with NZ\$30 million of headroom. Sensitivity analysis showed that if the Oboz EBITDA margin does not recover to its historical levels the CGU could be impaired if all other assumptions remained unchanged. As at 31 January 2024 no new indicators exist that change this conclusion.

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11 LEASES

Right-of-use assets

The movements in right of use assets were as follows:

	Unaudited Six Months Ended 31 January 2024 NZ\$'000	Unaudited Six Months Ended 31 January 2023 NZ\$'000	Audited Year Ended 31 July 2023 NZ\$'000
Opening net book value	270,327	250,372	250,372
Additions and modifications to right-of-use asset	33,534	58,289	106,231
Depreciation for the period	(44,473)	(40,794)	(86,757)
Impairment for the period	(945)	-	1,675
Foreign exchange	(902)	(3,162)	(1,194)
Closing net book value	257,541	264,705	270,327

Lease liabilities

The movements in lease liabilities were as follows:

	Unaudited Six Months Ended 31 January 2024 NZ\$'000	Unaudited Six Months Ended 31 January 2023 NZ\$'000	Audited Year Ended 31 July 2023 NZ\$'000
Opening lease liabilities	302,100	284,587	284,587
Additions and modifications to lease liabilities	34,099	58,942	108,025
Interest expense on lease liabilities	5,876	5,098	11,022
Repayment of lease liabilities (including interest)	(51,499)	(47,477)	(99,736)
Foreign exchange	(1,015)	(3,674)	(1,798)
Closing lease liabilities	289,561	297,476	302,100

12 INTEREST BEARING LIABILITIES

	Unaudited Six Months Ended 31 January 2024 NZ\$'000	Unaudited Six Months Ended 31 January 2023 NZ\$'000	Audited Year Ended 31 July 2023 NZ\$'000
Interest bearing liabilities	130,210	170,496	105,209

Group Facility Agreement

The Group has a multi-option syndicated facility, which consists of an A\$240 million multi-currency revolving facility and a NZ\$54 million multi-currency revolving facility. Both facilities are sustainability linked with targets such as reducing greenhouse gas emissions, continued B Corp certification, and improving transparency within the Group supply chain, including the wellbeing and labour conditions of workers, and environmental metrics. All facilities are repayable in full on 12 November 2026.

Interest is payable based on the BKBM rate (NZD borrowings), the BBSY rate (AUD borrowings), SOFR rate (US borrowings) or the applicable short-term rate for interest periods less than 30 days, plus a margin of between 1.05% - 1.31%. The debt is secured by the assets of the guaranteeing group in accordance with the Security Trust Deed dated 25 October 2019 as amended 12 May 2023. The guaranteeing group comprises entities operating in New Zealand, Australia, North America and the United Kingdom. The carrying value of the assets held by the guaranteeing group are \$1,416,837,000 (2023: \$1,489,325,000).

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The covenants entered into by the Group require specified calculations of Group earnings before interest, tax, depreciation and amortisation (EBITDA) plus lease rental costs to exceed total fixed charges (net interest expense and lease rental costs) at the end of each half during the financial year. Similarly, EBITDA must be no less than a specified proportion of total net debt at the end of each six-month interim period. The calculations of these covenants are specified in the bank facility agreement of 25 October 2019 as amended and restated on 12 May 2023. The Group obtained a reduction of the fixed cover covenant for the January 2024 and July 2024 measurement points. The Group has complied with its revised banking covenants at all measurement points during the period.

The current interest rate, prior to hedging, on the term loans range between 5.40% - 5.41% (2023: 4.03% - 5.80%).

13 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks, market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as foreign exchange contracts and interest rate swaps to manage certain risk exposures. Derivatives are exclusively used for economic hedging purposes, i.e. not as trading or other speculative instruments, however not all derivative financial instruments qualify for hedge accounting.

Risk management is carried out based on policies approved by the Board of Directors. The Group treasury policy provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk.

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages this risk by actively managing working capital and ensuring flexibility in funding arrangements. Refer to note 12 for details of the funding arrangements in place as at 31 January 2024.

The consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Group's annual financial statements as at 31 July 2023. There have been no changes in the risk management department or in any risk.

(b) Fair value estimation

The only financial instruments held by the Group that are measured at fair value are over-the-counter derivatives. These derivatives have all been determined to be within level 2 (for the purposes of NZ IFRS 13) of the fair value hierarchy as all significant inputs required to ascertain the fair value of these derivatives are observable.

There were no changes in valuation techniques during the period.

The following methods and assumptions were used to estimate the fair values for each class of financial instrument.

Trade debtors, trade creditors and bank balances

The carrying value of these items is equivalent to their fair value.

Term liabilities

The fair value of the Group's term liabilities is approximately carrying value.

Foreign exchange contracts and interest rate swaps

The forward foreign exchange contracts have been fair valued using forward exchange rates that are quoted in an active market. Interest rate swaps are fair valued using forward interest rates extracted from observable yield curves. The effects of discounting are insignificant for these derivatives.

Guarantees and overdraft facilities

The fair value of these instruments is estimated on the basis that management do not expect settlement at face value to arise. The carrying value and fair value of these instruments is approximately nil. All guarantees are repayable on demand.

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The following table presents the Group's assets and liabilities that are measured at fair value at balance date:

	Unaudited Six Months Ended 31 January 2024 NZ\$'000	Unaudited Six Months Ended 31 January 2023 NZ\$'000	Audited Year Ended 31 July 2023 NZ\$'000
Assets			
Derivative financial instruments	3,642	2,174	2,560
Total assets	3,642	2,174	2,560
Liabilities			
Derivative financial instruments	555	4,607	1,160
Total liabilities	555	4,607	1,160

14 COMMITMENTS

Capital commitments

Capital commitments contracted for at balance date are:

	Unaudited Six Months Ended 31 January 2024 NZ\$'000	Unaudited Six Months Ended 31 January 2023 NZ\$'000	Audited Year Ended 31 July 2023 NZ\$'000
Property, plant, and equipment	1,303	131	1,790
Intangible assets	2,516	3,506	2,062

Intangible asset commitments as at 31 January 2024 relate to various projects across the Group to upgrade information technology software and systems.

15 CONTINGENT LIABILITIES

The Group is subject to litigation incidental to its business, none of which is expected to be material. No provision has been made in the Group's consolidated interim financial statements in relation to any current litigation and the Directors believe that such litigation will not have a material effect on the Group's consolidated interim financial position, results of operations or cash flows.

16 CONTINGENT ASSETS

There are no contingent assets as at 31 January 2024 (2023: nil).

17 RELATED PARTY DISCLOSURES

No amounts owed to related parties have been written off or forgiven during the period.

18 EVENTS OCCURRING AFTER BALANCE DATE

There are no other events after balance date which materially affect the information within the financial statements.

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STATUTORY INFORMATION

GROUP STRUCTURE

KMD Brands Limited owns 100% of the following companies unless otherwise stated:

Kathmandu Group Limited
KMD Brands Investments Limited
KMD Brands Finance (NZ) Limited
KMD Brands Finance (AU) Limited
KMD Brands Managed Services (NZ) Limited
KMD Brands Managed Services (AU) Pty Limited
Kathmandu Limited
Kathmandu Pty Limited
Kathmandu (U.K.) Limited
Kathmandu US Holdings LLC
Oboz Footwear LLC
Barrel Wave Holdings Pty Ltd
Rip Curl Group Pty Ltd
Rip Curl International Pty Ltd
PT Jarosite
Rip Curl Pty Ltd
Onsmooth Thai Co Ltd
Rip Curl (Thailand) Ltd (Group owns 50%)
Ozmosis Pty Ltd
Rip Curl Japan
Curl Retail No 1. Pty Ltd
RC Surf NZ Limited
Rip Curl Finance Pty Ltd
Rip Curl Europe S.A.S
Rip Curl Spain S.A.U
Rip Curl Suisse S.A.R.L
Rip Surf LDA
Rip Curl UK Ltd
KMD Brands Italy SRL
KMD Brands Germany GMBH
Rip Curl Nordic AB
Rip Curl Inc
Rip Curl Canada Inc
Rip Curl Brazil LTDA

DIRECTORS' DETAILS

David Kirk	Chairman, Non-Executive Director
Michael Daly	Managing Director and Group Chief Executive Officer
Philip Bowman	Non-Executive Director
Brent Scrimshaw	Non-Executive Director
Andrea Martens	Non-Executive Director
Abby Foote	Non-Executive Director
Zion Armstrong	Non-Executive Director

EXECUTIVES' DETAILS

Michael Daly	Group Chief Executive Officer
Chris Kinraid	Group Chief Financial Officer (Resigned 8 th December 2023)

DIRECTORY

The details of the Company's principal administrative and registered office in New Zealand are:

223 Tuam Street
Christchurch Central
PO Box 1234
Christchurch 8011

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SHARE REGISTRY

In New Zealand: Link Market Services (LINK)

Physical Address: Level 30, PWC Tower
15 Customs Street West
Auckland 1010
New Zealand

Postal Address: PO Box 91976
Auckland, 1142
New Zealand

Telephone: +64 9 375 5999
Investor enquiries: +64 9 375 5998
Facsimile: +64 9 375 5990
Internet address: www.linkmarketservices.co.nz

In Australia: Link Market Services (LINK)

Physical Address: Level 13, Tower 4
727 Collins Street
Melbourne VIC 3000
Australia

Postal Address: Locked Bag A14
Sydney, South NSW 1235
Australia

Telephone: +61 3 9067 2005
Investor enquiries: +61 1300 554 474 (toll free within Australia)
Facsimile: +61 2 9287 0303
Internet address: www.linkmarketservices.com.au

STOCK EXCHANGES

The Company's shares are listed on the NZX and on the ASX as a foreign exempt listing.

INCORPORATION

The Company is incorporated in New Zealand.



Independent Review Report

To the shareholders of KMD Brands Limited

Report on the interim consolidated financial statements

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim consolidated financial statements on pages 3 to 14 do not:

- i. present fairly in all material respects the Group's financial position as at 31 January 2024 and its financial performance and cash flows for the 6 month period ended on that date; and
- ii. comply with NZ IAS 34 Interim Financial Reporting.

We have completed a review of the accompanying interim consolidated financial statements which comprise:

- the consolidated balance sheet as at 31 January 2024;
- the consolidated statements of comprehensive income, changes in equity and cash flows for the 6 month period then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.



Basis for conclusion

We conducted our review in accordance with NZ SRE 2410 (Revised) *Review of Financial Statements Performed by the Independent Auditor of the Entity* ("NZ SRE 2410 (Revised)"). Our responsibilities are further described in the *Auditor's Responsibilities for the review of the financial statements* section of our report.

We are independent of KMD Brands Limited, in accordance with the relevant ethical requirements in New Zealand relating to the audit of the annual financial statements, and we have fulfilled our other ethical responsibilities in accordance with these ethical requirements.

Our firm has also provided other services to the group in relation to tax compliance services. Subject to certain restrictions, partners and employees of our firm may also deal with the group on normal terms within the ordinary course of trading activities of the business of the group. These matters have not impaired our independence as reviewer of the group. The firm has no other relationship with, or interest in, the group.



Use of this Independent Review Report

This report is made solely to the shareholders as a body. Our review work has been undertaken so that we might state to the shareholders those matters we are required to state to them in the Independent Review Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the shareholders as a body for our review work, this report, or any of the opinions we have formed.



Responsibilities of the Directors for the interim consolidated financial statements

The Directors, on behalf of the group, are responsible for:

- the preparation and fair presentation of the interim consolidated financial statements in accordance with NZ IAS 34 Interim Financial Reporting;
- implementing necessary internal control to enable the preparation of a interim consolidated financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the review of the interim consolidated financial statements

Our responsibility is to express a conclusion on the interim financial statements based on our review. We conducted our review in accordance with NZ SRE 2410 (Revised). NZ SRE 2410 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with NZ IAS 34 Interim Financial Reporting.

A review of interim consolidated financial statements in accordance with NZ SRE 2410 (Revised) *Review of Financial Statements Performed by the Independent Auditor of the Entity* ("NZ SRE 2410 (Revised)") is a limited assurance engagement. The auditor performs procedures, consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand) and consequently does not enable us to obtain assurance that we might identify in an audit. Accordingly, we do not express an audit opinion on these interim consolidated financial statements.



KPMG
Christchurch

19 March 2024