

20 March 2018



ASX Market Announcements
ASX Limited
Level 4, Exchange Centre
20 Bridge Street
Sydney NSW 2000
Australia

Market Information
NZX Limited
Level 1, NZX Centre
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Wellington 6011
New Zealand

Via e-lodgement

KATHMANDU ANNOUNCES ACQUISITION OF OBŌZ FOOTWEAR LLC AND EQUITY RAISING

- **Kathmandu Holdings Limited (“Kathmandu” or the “Company”)** has entered into a binding agreement to acquire Obōz Footwear LLC (“Oboz”) for a base cash consideration of US\$60m, plus an earn-out of up to US\$15m¹ subject to Oboz achieving CY18 financial milestones (the “Transaction”).
- **Oboz designs, sources, and sells footwear for backpacking, hiking, travel, winter and general outdoor wear through wholesale channels primarily to outdoor retailers in North America.**
- **Oboz is a high growth, capital light international wholesaler with distribution capability into outdoor retailers in the US, Kathmandu’s primary wholesale customer targets.**
- **Oboz has achieved compound annual sales growth of 40% in CY13-17 and growth of 36.5% in CY16-17.**
- **The Transaction will be funded via a fully underwritten NZ\$40m placement of ordinary shares to institutions and sophisticated investors (“Placement”) and a non-underwritten Share Purchase Plan (“SPP”) to raise up to approximately NZ\$8m² (plus the ability to accept up to a further amount of NZ\$2m in oversubscriptions) (together, “Equity Raising”). The balance of the Transaction will be funded from a new acquisition debt facility and expansion of existing debt facilities.**
- **The Transaction is expected to be mid-single digit accretive to earnings per share in FY19³, being the first full financial year following the acquisition.**

TRANSACTION

Kathmandu (ASX:KMD, NZX:KMD) is pleased to announce that the Company has entered into a binding agreement to acquire Oboz for a cash consideration of US\$60m, plus an earn-out of up to US\$15m¹ subject to Oboz achieving financial milestones in CY18.

Oboz is an American outdoor footwear company founded in 2007 and is based in Bozeman, Montana (USA). Oboz designs, sources, and distributes footwear for backpacking, hiking, travel, winter and general outdoor wear through wholesale channels primarily to outdoor retailers in North America. The wholesale only platform

¹ An amount equal to the potential earn-out component (being US\$15m) is required to be held in escrow.

² The SPP will not be underwritten and Kathmandu reserves the right (in its absolute discretion) to accept applications beyond an aggregate value of NZ\$8m up to a maximum of NZ\$10m.

³ Excluding transaction & integration costs and synergies; Based on Oboz financial performance in line with the earn-out target.

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with controlled distribution and limited direct to consumer presence allows Oboz to maintain a strong relationship with distribution partners in complementary markets to Kathmandu.

Kathmandu and Oboz have worked in partnership for over 10 years, Kathmandu being historically the second customer of Oboz after REI when the brand launched in 2007. Kathmandu currently is the exclusive retailer of Oboz in Australia and New Zealand.

Xavier Simonet, Kathmandu's CEO, said:

"The acquisition of Oboz enables the Kathmandu Group to accelerate our international growth, and diversifies our product mix, geography and channels to market."

He continued: "I admire the success of Oboz in North America. They are an innovative and authentic outdoor brand with deep roots in Montana, driven by a passionate and successful team. It seems very natural that after so many years of close collaboration we deepen our relationship."

John Connelly, President and Founder of Oboz, said:

"Kathmandu and Oboz share many common values: passion for the outdoors, focus on product design and innovation, customer-first culture, collaborative team work and strong emphasis on sustainability."

He continued: "The bringing together of two leading outdoor brands with shared values makes good sense because it will enable both brands more opportunities to fulfil their potential."

Oboz Founder, John Connelly, will continue to lead Oboz from Bozeman and will report to Xavier Simonet, Kathmandu's CEO.

INVESTMENT HIGHLIGHTS

- Oboz is a high growth, capital light international wholesaler with distribution capability into highly complementary markets including authentic outdoor retailers in the US, Kathmandu's primary wholesale customer targets.
- Footwear is a highly complementary product category driving frequent customer visitation with less seasonality.
- Oboz will increase the credibility of Kathmandu's international offer, particularly for under-developed markets including Europe and Asia.
- Diversifies Kathmandu by reducing its reliance on Australasia, increasing sales of a less seasonal product category and increasing wholesale exposure.
- Oboz brings product development experience, sourcing and R&D capabilities, providing an opportunity to enhance Kathmandu's product offering.
- Improves Kathmandu's financial profile, driving incremental sales and earnings growth, while maintaining a prudent capital structure.

TRADING UPDATE

Kathmandu refers to the trading update contained in the Company's 1H FY18 results presentation of 20 March 2018.

For the six weeks ending 11 March 2018:

- Total Group sales +7.9% above last year at constant exchange rates
- Same store sales growth at constant exchange rates:

- Group +7.0%
- AU +7.5%
- NZ +5.1%
- February 2018 gross margins +460 bps / 4.6% of sales above last year

PLACEMENT

The Placement will comprise the issue of approximately 18.5 million fully paid ordinary shares at an issue price of NZ\$2.16 to institutional and sophisticated investors in Australia, New Zealand and selected jurisdictions internationally⁴ to raise approximately NZ\$40 million. The new shares issued under the Placement will be issued pursuant to the Company's 15 percent capacity rule under the ASX Listing Rules and the equivalent 20 percent capacity rule under the NZX Listing Rules.

The issue price of NZ\$2.16 represents a 10.0 percent discount to the closing price of \$2.40 on 19 March 2018.

Settlement of the Placement is scheduled to occur on 23/26 March 2018 for ASX / NZX respectively, with the shares being allotted on 26 March 2018.

SHARE PURCHASE PLAN

Following the completion of the Placement, Kathmandu intends to undertake a non-underwritten SPP to raise up to approximately NZ\$8m² (plus the ability to accept up to a further amount of NZ\$2m in oversubscriptions).

The SPP will provide eligible retail shareholders with addresses recorded on the share register in Australia and New Zealand (or who Kathmandu is satisfied can otherwise participate in compliance with all applicable laws) with the opportunity to participate in the Equity Raising at the Placement price of NZ\$2.16.

Eligible shareholders who are registered as Kathmandu shareholders as at 7.00pm (NZDT, GMT+13) on 19 March 2018 will be invited to subscribe for up to a maximum of NZ\$15,000 / A\$13,950 of additional new shares per eligible shareholder, free of brokerage and transaction costs.

The SPP is subject to the terms set out in the SPP booklet, which will be lodged with ASX / NZX and sent to eligible retail shareholders in due course.

The new Kathmandu shares to be issued under the Equity Raising will rank equally with existing Kathmandu shares and will be eligible for the interim dividend for the six months ending 31 January 2018.

INDICATIVE TIMETABLE

The timetable below is indicative only and subject to change. Kathmandu reserves the right to alter the below dates at its full discretion and without prior notice, subject to the relevant ASX and NZX Listing Rules.

Important dates

Event	Date
Release of Kathmandu's 1H FY18 Results	Tuesday, 20 March 2018
Trading Halt and Placement Conducted	Tuesday, 20 March 2018
Placement completion announcement lodged with ASX/NZX and Kathmandu recommences trading	Expected Wednesday, 21 March 2018
ASX Settlement	Friday, 23 March 2018

⁴ International offering jurisdictions limited to Hong Kong, Norway, Singapore and the United Kingdom.

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NZX Settlement	Monday, 26 March 2018
Allotment of Placement Shares	Monday, 26 March 2018
Record Date for SPP	7pm NZDT (GMT+13), Monday, 19 March 2018
SPP Offer Period	Monday, 26 March – Friday, 13 April 2018
Allotment and Trading of SPP Shares	Friday, 20 April 2018
Holding statement dispatch date	No later than Monday, 30 April 2018

FURTHER INFORMATION

Further information on the Transaction and Equity Raising are set out in the investor presentation also provided to the ASX and NZX today. The investor presentation contains important information including specific key risks that Kathmandu has identified that arise from the Oboz acquisition⁵.

Kathmandu's New Zealand and Australian legal advisers are Chapman Tripp and Gadens respectively.

Management will be hosting a conference call on Tuesday 20 March at 11:30am NZDT (9:30am AEDT), dial in details as follows:

Australia Toll Free: 1800 573 793
 Australia: +61 2 9193 3706
 New Zealand Toll Free: 0800 423 970
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-ENDS-

About Kathmandu Holdings Limited

With sales of c. NZ\$450 million (US\$315 million) and c. 2,000 employees, Kathmandu is an iconic outdoor brand from New Zealand and a vertically integrated retailer specialised in clothing and equipment for adventure travel and the outdoors. Kathmandu puts a strong focus on sustainability. The company operates 164 stores across Australia and New Zealand with key product categories of insulation, rainwear, fleece, packs & bags and camping. Kathmandu is a public company listed on the Australian and New Zealand stock exchanges.

About Obōz Footwear, LLC

Oboz Footwear was founded in 2007 by John Connelly in Bozeman, Montana (USA), the gateway to the Yellowstone National Park ecosystem. The name stems from a combination of the words "Outside" and "Bozeman". Oboz is a rapidly growing outdoor footwear brand, with distribution through major outdoor retail chains like REI, Eastern Mountain Sports and L.L.Bean in the US as well as MEC in Canada. Its motto is "True to the trail". Through its One More Tree sustainability initiative, Oboz plants a tree for every pair of shoes sold.

⁵ Potential key risks identified by Kathmandu in respect of the acquisition of Oboz include: reliance on information provided, key personnel risk, customer concentration / short term contracts, reliance on key suppliers, reliance on single category, and financing risk.

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FORWARD LOOKING STATEMENTS

This announcement may include forward-looking statements. These forward-looking statements are based on Kathmandu's expectations and beliefs concerning future events. Forward looking statements are necessarily subject to risks, uncertainties and other factors, many of which are outside the control of Kathmandu and which could cause actual results to differ materially from such statements. Kathmandu makes no undertaking to subsequently update or revise the forward looking statements made in this announcement, to reflect the circumstances or events after the date of that announcement.

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