

26 August 2020

ACCENT TEAM DRIVES ANOTHER RECORD YEAR

PERFORMANCE HIGHLIGHTS¹

- The culture of performance and adaptability from our team has driven outstanding results in challenging times
- Total sales² of \$948.9 million, up 1.5% on the prior year
- EBITDA of \$121.7 million, up 11.8% on the prior year
- EBIT of \$87.2 million, up 8.2% on the prior year
- Net Profit After Tax (NPAT) of \$58 million, up 7.5% on the prior year
- Earnings Per Share (EPS) of 10.73 cents, up 7.1% on the prior year
- Total dividends for the year of 9.25 cents per share, up 12.1%; final fully franked dividend of 4.0 cents per share
- Digital sales up 69% on prior year (Q4 up 142% on prior year)
- Gross margin of 55.8% (FY19, 56.1%) a solid result considering lower currency impact and inventory clearance activity in Q4
- Inventory clean with total inventory 1.8% below last year
- Strong cash on hand of \$54.9 million, net debt of \$31.2m (FY19 net debt of \$49.4m)
- Available liquidity including cash on hand and debt facilities of \$152m

Accent Group Limited (ASX: AX1) today reports record NPAT of \$58 million for the full year ended 28 June 2020, up 7.5% on last year.

Accent Group CEO, Daniel Agostinelli, said “Given the challenging environment, we are pleased to report that Accent Group has delivered another record year. The outstanding efforts of our team who have adapted quickly to a fast-changing environment, along with the support of our loyal customers, landlords and supplier partners, have delivered another strong financial result. Key to this result was the integrated digital capability the Company has built over the last 3 years, which enabled us to connect with our customers and shift our channel mix from stores to digital when all stores were closed in April. Driven by this strong digital growth, retail sales, gross profit and resultant operating profit in May and June were significantly ahead of the prior year. I would like to thank all of our team for their efforts throughout the year.”

¹ Due to the material impact of the adoption of AASB 16, these results are presented on a pre AASB 16 basis which adjusts for the impact of the AASB 16 and subsequently presents the results on the most comparable basis with the prior year reported results also pre AASB16. A reconciliation of the impact of AASB 16 is provided in Appendix 1 and on slide 28 of the Accent Group full year results presentation

² Includes The Athlete’s Foot Franchise sales

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FY20 OPERATING REVIEW

Digital: Total digital sales for FY20 were up 69% on the prior year and represented 17% of retail sales. Digital sales in Q4 grew to \$65m, up 142% to LY and represented 35% of total retail sales. More than 50% of customers shopping with us online in Q4 were new customers to Accent Group who had not shopped with us before. Our contactable customer database grew by over 2 million customers to over 6.8 million customers during the year.

Core Retail: Sales in Platypus, Hype DC, Skechers, Vans and Dr Martens continued to grow, with gross margin broadly in line with prior year.

Accent Performance: In order to capitalise on the market trend to active and performance wear, management of The Athlete's Foot (TAF), Stylerunner and Saucony have been consolidated under a dedicated group executive. **TAF and Stylerunner experienced strong growth in sales and gross margin**, benefiting from consumer demand in these categories, which accelerated in Q4.

Store portfolio: The Group opened 57 new stores during the year and closed 12 stores where required rent outcomes could not be achieved. In the spirit of partnership, we reached agreement with the vast majority of landlords on rent abatements that cover the period from April 2020 to December 2020.

Wholesale: Experienced a strong start to the year and whilst sales were impacted in April and May in line with broader retail demand, they bounced back strongly in June. The forward sales pipeline for wholesale is strong with Skechers, Vans and Dr Martens all completing record sell ins for H2 FY21.

Vertical Product & Brands: Sales in vertical product & brands grew to \$13m as the program gained momentum, more than double the \$4.5m from the prior year, delivering strong gross profit margin.

PIVOT: Our new sports and lifestyle banner, PIVOT, launched its first store in Shellharbour (NSW) in May with performance to date ahead of plan.

Financial overview

Financials (\$ million)	Pre AASB 16 FY20	Pre AASB 16 FY19	var
Like for Like sales	1.9% ³	2.3%	
Total Sales (Inc. TAF)	948.9	935.3	Up 1.5%
Owned Sales	807.1	772.5	Up 4.5%
EBITDA	121.7	108.9	Up 11.8%
EBIT	87.2	80.6	Up 8.2%
PBT	83.6	77	Up 8.5%
NPAT	58	53.9	Up 7.5%

³ Like for Like sales include The Athlete's Foot franchise stores and excludes stores that were closed in April

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COVID-19 and the Accent Team

On 25 March, at the very early stages of the COVID-19 pandemic, the Accent Board took the decision to shut down its national operations, closing all its owned stores in Australia and New Zealand for a then unknown duration, to safeguard the health and safety of our team and our customers.

Group sales across March and April were down \$55.7m or 58.2% on the prior year. In response, management brought to the Board a plan to reduce their remuneration by 80%.

With no surety of what lay ahead and with a commitment to our team members, the Company participated in the government wage subsidies in Australia and New Zealand that it qualified for. These subsidies were announced after Accent had taken the decision to shut down nationally. Following Government guidelines, eligible team members received wage subsidies in full while they were not working, or where they did not work sufficient hours to be otherwise paid more than the subsidy. This ensured that our full team was retained while all our stores were closed.

With all stores closed, the Company switched focus to drive digital sales and implemented hard cost out measures and inventory initiatives to right size costs and inventory.

In early May, the Company commenced a considered re-opening of stores with new COVID safe protocols and equipment. The balance of wage subsidy payments enabled an acceleration in return to work even though customer traffic in many stores was significantly down on normal levels. In the absence of wage subsidies, many stores would have remained closed. From the beginning of June, all permanent employees were stood up to full hours and full pay. Sales in May and June recovered strongly, driven by the digital performance.

We would like to recognise the performance and adaptability of the Accent Group team through the year, and in particular through Q4 and the challenging impacts of COVID-19. They were outstanding.

Accent Group Chairman, David Gordon said, "The Accent Group Board recognises the dedication, resilience and performance of the entire Accent team over the year. The demonstrated leadership capability to adapt quickly to the challenging new environment has been key to the results achieved during a confronting final quarter. Our business objectives have been achieved with the safety of our team and our customers front of mind, with a strong focus on safety protocols since reopening in May".

Growth Plan

As previously advised, the Company remains committed to its growth plans and the FY20 results reflect our progress towards this. We reiterate our mid to long term objective of achieving greater than 10% compounding earnings per share growth over time. The Company's long-term incentive scheme reflects this central financial objective.

GROWTH - CORE BUSINESS

Digital: Drive digital sales to at least 30% of sales, leveraging the existing best in class digital capability, **more than 6.8 million contactable customers** and continued investment in virtual sales channels, CRM tools, express delivery capability and loyalty programs.

Growth in core retail: 30-40 new stores to open in FY21 across Skechers, Platypus, Hype DC, Dr Martens, Vans, Merrell, CAT and The Trybe along with continued margin expansion through driving a higher mix of distributed brands and growth in vertical brands and products. In addition to Shubar previously launched in Hype DC, the Company will launch a new vertical brand, ITNO "In The Name Of", in Platypus in H1 of FY21. The Company sees the opportunity for a further 30-40 stores over the next 2-3 years.

Store portfolio growth: Accent Group remains committed to a long-term strategy of delivering customers a best in class integrated digital and instore experience and will continue to open and renew store leases where the Company's targeted return on investment can be achieved. Given the shift to the digital channel, forward projected rents for new stores and renewals have been realigned in our investment models to reflect lower foot traffic in centres in the future.

Accent Performance: Accelerate digital sales in TAF through a new endless aisle initiative engaging current and new brands to feature a full range of products, including the introduction of apparel. Continue to acquire TAF franchise stores over time. Grow existing and new distributed, exclusive and vertical brands including Saucony, On Running, MBT and Alpha in the TAF digital and store network. Continued margin expansion through the mix of distributed brands and vertical brands and products.

In addition to the strong digital and store growth program in the core business, Accent Group continues to drive innovation with a conscious bias to organic new business growth in segments with valuable market opportunities. The Group's broader operating platform including supplier relationships, buying scale, marketing, digital, store development and back end systems enables rapid development and tests of new business concepts.

GROWTH - NEW BUSINESS

PIVOT: 100 store opportunity and digital sales. In FY21, growth in PIVOT will be delivered through the rollout of up to 12 new stores and the launch and growth of digital sales. PIVOT operates in the value sports and lifestyle market which can be sized at more than \$4 billion, representing a significant market share growth opportunity.

Stylerunner: A digital native business in the activewear segment acquired by Accent Group in November 2019. The first store will launch in Armadale (Vic) in November with growth in FY21 driven through up to 6 new stores and significant growth in digital sales. The market size of the activewear segment in Australia and New Zealand has also been estimated at more than \$4 billion, representing a further sizable share growth opportunity.

Accent Group Investor Value Proposition

Accent Group has delivered compound EPS growth of more than 12.3% per annum over the past 10 years. This has been coupled with strong cash generation, driving compound dividend per share growth of 14% per annum since FY16.

In addition to these financial returns, investors in Accent Group also share in:

- a market leading digitally integrated consumer business with 19 websites, 16 owned and distributed brands, more than 500 points of distribution and over 6.8 million contactable customers;
- approaching \$1 billion of sales with a market leading position in the lifestyle and performance market;
- best in class margins through gross margin expansion initiatives and a continued drive for cost efficiency; and
- a range of strong growth initiatives through digital, new stores, vertical product and brands and new business to achieve market share growth in the \$6 billion+ performance and lifestyle market segment in Australia and New Zealand.

Dividend and trading update

The Directors have announced **a final dividend of 4.0 cents per share fully franked**, to be paid on 24 September 2020 to registered shareholders as at 10 September 2020.

While the increased restrictions in Victoria have significantly impacted store sales, **Like For Like retail sales across the Australian and New Zealand store network for the first 8 weeks of FY21 are up 1.3%.**

Victorian store sales declined significantly from the beginning of the year when lockdown measures recommenced. From Wednesday 5 August, per the Victorian State Government directive, the Company closed all its Melbourne metropolitan stores to customers, however we continued operating as dark stores, fulfilling online orders and as showrooms for virtual sales. On 12 August, due to Government direction in New Zealand, all Auckland stores closed to customers. In response to the renewed impact of COVID-19 in Victoria and then New Zealand, the Company has shifted sales from impacted stores to the digital channel, with total digital sales up over 130% year to date. Due to the continuation of Australian Government subsidies and “dark store” digital fulfillment activity, the Company has kept all permanent team members stood up on full hours and full pay despite all Melbourne metropolitan and Auckland stores being closed to customers.

Excluding the results from impacted stores, Like For Like sales for the first 8 weeks of FY21 are up 16.6%⁴.

Given the ongoing uncertainty surrounding the impact of COVID-19 and the consumer and sales outlook for the next 6 months, the Company has decided not to provide forward sales or profit guidance at this time. The Company can confirm that Jobkeeper payments will continue to be received until the end of September, but due to strong overall performance from May to July, the Company does not expect to apply for JobKeeper beyond the end of September. We will continue to meet the full remuneration costs of our employees affected by the ongoing

⁴ Excludes all Victorian stores for the entire 8 weeks on the basis that stage 3 restrictions impacted Victorian sales from week 1 to Week 8 and excludes all Auckland (NZ) stores for the period of closure from 12 August - 23 August

store closures. Occupancy costs will continue to benefit from the constructively negotiated abatements through to at least December.

Mr Gordon said “The Accent Board is pleased with the performance of the Group and the team for the FY20 year. It also acknowledges the community impact and ongoing uncertainty surrounding COVID-19. In making the decision to pay a final dividend, the Board considered the impact of wage subsidies on the profit and cash position of the Company and determined that the net subsidy payments received were not required for the payment of management incentives or the final dividend.”

“Accent Group has applied the Australian and New Zealand Government subsidies for the purpose intended by Government - to keep our team in their jobs. Australian casual team members who were eligible for JobKeeper have received their JobKeeper payments in accordance with the Government’s scheme, even where those payments exceeded the wages they would have received in ordinary trading circumstances. The net funds received from Government subsidies were used to support standing up the entire permanent ANZ Accent team to full employment across May and June, and to continue to support the team at full employment during the current Melbourne and Auckland shutdowns. Our team is, and always will be, Accent’s greatest asset.”

“The Company’s growth plan remains on track with continued investment in a range of initiatives that will grow employment and shareholder returns. The Board remains committed to return excess cash to shareholders over time and dividend payments will reflect the cash requirements of the business as we continue to invest in growth.”

Mr Agostinelli concluded “The management team remains focused on driving digital growth and continued innovation. In addition to the core business growth opportunities, the Company has some exciting and meaningful future growth initiatives with Stylerunner, PIVOT and The Trybe being proven models that are now in rollout phase. Accent Group continues to be defined by strong cash conversion and the consistently strong returns it delivers on shareholders’ funds.”

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Investor Conference Call:

An investor conference call will be held at 9:00am (AEST) on 27 August 2020. Dial in details are as follows:

- Australian Toll-Free: 1300 264 803
- International: +61 3 8687 0650

Accent Group Limited
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Appendix

Impact of the adoption of AASB 16

Financials (\$ million)	28 June 2020 (As reported)	28 June 2020 (Pre AASB 16 ⁵)	Impact of AASB 16
EBITDA	203.4	121.7	Up 81.7
Depreciation	108.6	34.4	Up 74.2
EBIT	94.8	87.2	Up 7.6
Interest	14.4	3.7	Up 10.7
PBT	80.3	83.6	Down 3.3
NPAT	55.7	58	Down 2.3

⁵ Refer to footnote 1 on page 1