Accent Group

18 August 2021

ACCENT GROUP DELIVERS RECORD RESULTS IN FY21[1]

PERFORMANCE HIGHLIGHTS

- Total sales[2] of $1.14 billion, up **19.9%** on the prior year
- EBITDA of $242 million, up **19.3%** on the prior year
- EBIT of $124.9 million, up **32.1%** on the prior year
- Net Profit After Tax (NPAT) of $76.9 million, up **38.6%** on the prior year
- Earnings Per Share (EPS) of 14.21 cents, up **38.2%** on the prior year
- Total dividends for the year of 11.25 cents per share (fully franked), up **21.6%** reflecting the strong trading result.
- Gross margin of 56.1% (FY20, 55.8%), up 30 basis points. Aged Inventory clean with a strong in-stock position heading into FY2022
- Available liquidity including cash on hand and undrawn debt facilities of $133 million, net debt of $67 million

Accent Group Limited (ASX: AX1) today reports record EBITDA of $242 million and record NPAT of $76.9 million for the year ended 27 June 2021, up 38.6% marking the 4th consecutive year of record profits.

Accent Group CEO, Daniel Agostinelli, said "Given the disruption to the business and the impact of the 14 separate lockdowns that occurred through-out the year, I am delighted with the FY21 results. The Group's continued focus on VIP (our loyalty customers), Vertical and Virtual, along with our integrated digital and store operating model, has delivered another record profit. The acquisition of the Glue store business to form our new Accent Lifestyle division was a key highlight for the year and I couldn't be more pleased with the quality of the business and the progress that has been made in the first 90 days. I am also pleased to report that in August we signed an early renewal of our key Skechers distribution license for a further 6 years to extend this licence from 2026 to December 2032. Importantly, I would like to thank our team, suppliers and landlords for their efforts and performance throughout the year and our customers for their continued loyalty."

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[1] All results in this release are presented on a statutory post AASB16 basis and include the Next Athleisure (Glue store) acquisition for the period of ownership 30 May 2021-27 June 2021, unless otherwise noted.

[2] Includes The Athlete's Foot Franchise sales and excludes Glue stores

FY21 OPERATING REVIEW

Digital, VIP, Virtual: Total online sales of $209.9 million were up 48.5% on the prior year and represented 20.9% of retail sales. **Contactable customers grew by 1.6 million to 8.4 million customers**. Virtual sales continue to grow strongly driving more than $6.3m in sales for the year. 4 new websites were launched continuing the investment to drive digital sales including Stylerunner, Pivot, Hype NZ, Dr Martens NZ. The new Skechers loyalty program launched in May with strong early results.

Retail: Retail sales of $835.4 million were up 19.6% on the prior year with standout performances in Hype DC, Skechers, Platypus, The Athletes Foot and Trybe. Like for like (LFL) sales compared to FY20 were up 15.1% for H2 and 8.3% for the full year.

Store portfolio: The Group opened 90 new stores during the year and closed 7 stores where required rent outcomes could not be achieved. Including the acquisition of Glue store **total store numbers grew to 638 stores**. New stores continue to perform strongly on more favourable rents than the existing portfolio.

Wholesale & distributed brands: **Wholesale sales grew by 22% for the year to $132.3 million** a record year for Accent Wholesale. During H2 the company signed new distribution agreements with HOKA and Herschel.

Vertical Owned Brands & Products: Sales of Accent owned brands and products were up 103.2% on prior year to $25.6 million. Including the Glue store acquisition, the group now has 10 owned vertical brands. Growing our owned brands continues to be a key strategic focus for the group.

StyleRunner: 4 stores now trading all meeting or exceeding expectations. Strong performance from Stylerunner The Label and Exie driving owned vertical mix.

Accent lifestyle: Glue store acquisition completed on 29 May with strong progress made in the first 90 days on integration and strategy implementation.

PIVOT: Pivot now has 10 stores trading and is performing to expectations.

The Trybe: Strong double-digit LFL growth for the year, total sales growth of 66.4% over prior year. 11 stores trading and all performing strongly.

Dividend

The Directors have announced a **final dividend of 3.25 cents per share fully franked,** taking **total dividends for the year to 11.25 cents which is a record dividend for the company**. The final dividend to be paid on 16 September 2021 to registered shareholders as at 9 September 2021.

Accent Chairman, David Gordon, said "The Group has continued to focus on the safety and wellbeing of its team and customers. During the year we kept our permanent team members in full employment and on full pay through the 14 occurrences of government mandated restrictions/lockdowns and related store closures that occurred throughout the year, which saw all Jobkeeper funds fully utilised by July 2021. Despite such a challenging year we created 300 new permanent roles across our stores and businesses. The Accent team has delivered another excellent year. Consistent with our policy, no JobKeeper funds have been used in the calculation or payment of management bonuses or shareholder dividends.

On behalf of the Board, I would like to thank the entire Accent team for their resilience and hard work throughout such a difficult year. It is a testimony to that effort that we have achieved another record profit and record dividend this year".

GROWTH PLAN UPDATE

StyleRunner:

- **20 stores now signed and planned to be trading by early next year**
- **40 stores identified to be trading by Christmas 2022**
- Targeting a 60+ store network in Australia and New Zealand within the next 3 years
- Margin growth initiatives on track
- **Stylerunner The Label and Exie continue to grow their mix** within Stylerunner, with new ranges and range expansions launching throughout FY22
- International shipping commenced to USA, Singapore and Hong Kong

Glue store

- Currently 22 stores (inc online), 13 on holdover or short-term leases with new terms negotiations underway. Some stores may close pending negotiation outcomes
- **A new world class store concept will launch before Christmas,** 4 new stores signed and planned to be open in H1 FY22
- **Targeting to grow to 60 stores by December 2023**
- Margin growth initiatives underway
- Major drive towards owned vertical brands within Glue store including Nude Lucy, Article No 1, Henley's, Beyond Her, Stylerunner, Exie and Mindful department

Digital, VIP, Virtual:

- **Online sales growth of 48%, representing 20.9% of sales in FY21, planned to grow to 30% of sales over time**
- Virtual sales drive continues, sales expected to grow to more than $10m
- Significant investment under way in evolving our websites with 10 new and re-platformed best in class websites to launch in FY22
- Introduction of customer loyalty programs in Platypus and Hype following the strong early results from the Skechers program

New Stores:

- **On track to reach 700 stores in FY22. At least 65 new stores expected to open in FY22** across all banners.
- New stores continue to perform ahead of expectations on favourable rent deals
- Store growth in New Zealand continues to be a key focus. The group currently has 75 stores in NZ and is targeting more than 100 stores by December 2023

Vertical Owned Brands:

- **Vertical Brand sales expected to grow to more than $70m in FY22**
- The group now has **10 owned vertical brands** including Stylerunner The Label, Exie, Nude Lucy, Article one, Henley's, Lulu and Rose, ITNO, Alpha, Mindful department and Beyond Her
- New general manager of vertical product appointed to drive production quality, timelines and gross margin improvement across all owned brands

GROWTH PLAN UPDATE (Cont.)

PIVOT:

- Rollout on track with 15 stores planned to be trading by December 2022
- New stores average weekly sales growing, outer metro and regional stores particularly strong

The Trybe:

- 11 stores now trading and performing strongly, additional stores planned to open in H1 FY22
- Sales and brand awareness continue to grow

Distributed brands and Wholesale

- **Skechers distribution agreement extended by 6 years to December 2032**
- Herschel and HOKA distribution agreements signed with wholesale orders and sales from January 2022
- New distribution brands acquired as part of the Glue store transaction including Superga, Kway, Kappa, Sebago, Le Coq Sportif

Trading update

The lockdowns and government mandated store closures experienced in Victoria, South Australia, New South Wales, Queensland and the Australian Capital Territory at various times across July and August have impacted sales in more than 350 stores, over 55% of our store portfolio. Inclusive of this impact, LFL retail sales for the first 7 weeks of FY22 (including digital) were down -16% to prior year. Digital sales continue to grow and over the last 3 weeks, with New South Wales and Victorian stores largely closed, were up 66.7%.

The Company estimates that the group EBIT impact due to the COVID related disruption experienced across the months of July and August will be at least -$15 million compared to management expectations prior to the lockdowns. This is the result of both lost sales and the impact to gross margin of driving sales and ensuring that inventory levels are appropriately managed. The Company has however implemented a range of inventory management and cost reduction initiatives.

Whilst the duration of the current lockdowns is unknown and we remain cautious on the near-term outlook, we expect this to have a temporary impact on the trading environment. The company remains in a strong position with a flexible and resilient business model, a database of 8.4 million contactable customers, a strong balance sheet and conservative gearing levels. The company continues to invest for the future in new stores, digital capability and new business formats.

Given the ongoing uncertainty surrounding the impact of COVID-19, the Company has determined not to provide forward sales or profit guidance for FY22.

Mr Agostinelli concluded, “Our portfolio of world class owned and distributed brands, integrated digital capability and large store network are core assets of the group and position the company well for strong growth into the future. In the current environment our digital sales are growing strongly and we have confidence that when stores can re-open, we are well positioned to serve our customers and to continue to grow our position in the market. The acquisition of Glue store and progress underway building the Stylerunner and Exie brands, along with delivering a strong Australian presence in the active and youth apparel markets, also provide the opportunity for further international growth in New Zealand and other markets over the coming years.

With our long-term objectives and incentives linked to driving at least 10% compound earnings per share growth, Accent continues to be defined by retail innovation, strong cash conversion and the growing returns it delivers on shareholders' funds."

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Investor Conference Call:
An investor conference call will be held at 8:00am (AEST) on Thursday, 19 August 2021. Dial in details are as follows:

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

Appendix

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

Financials ($ million)	FY21	FY20	Variance
Like for Like sales[3]	**8.3%**[4]	1.9%	
Total Sales (Inc. TAF)	**1,138.2**	948.9	**Up 19.9%**
Owned Sales	**967.8**	807.1	**Up 19.9%**
EBITDA	**242.0**	202.9	**Up 19.3%**
EBIT	**124.9**	94.5	**Up 32.1%**
PBT	**111.0**	80.1	**Up 38.6%**
NPAT	**76.9**	55.5	**Up 38.6%**

[3] Like for Like sales include The Athlete's Foot franchise stores and exclude Glue stores
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