ASX Announcement
Accent Group Limited (ASX: AX1)
23 February 2023

ACCENT GROUP DELIVERS RECORD H1 FY23 PROFIT[1]

FINANCIALS AND PERFORMANCE HIGHLIGHTS

- Total sales[2] of $825 million, up 39% on the prior year
- Earnings Before Interest, Tax, Depreciation and Amortisation (**EBITDA**) of $170.2 million, up 70.9% on the prior year.
- Earnings Before Interest and Tax (**EBIT**) of $91.2 million, up 201% on the prior year.
- Net Profit After Tax (**NPAT**) of $58.3 million (H1 FY22, $14.8 million).
- Earnings Per Share (**EPS**) of 10.7 cents (H1 FY22, 2.73 cents).
- A fully franked interim dividend of 12.00 cents per share.
- Inventory aged stock levels clean.
- Net debt of $63.6 million (H1 FY22, $90.3 million).

Accent Group Limited (ASX: AX1) (**Accent Group, Group** or **Company**) today reports EBIT of $91.2 million and NPAT of $58.3 million for the 27 weeks ended 1 January 2023 (**H1 FY23**).

Accent Group CEO, Daniel Agostinelli, said "I am delighted with the results achieved in H1 FY23. The continued focus on customers, new product, full margin sales and return on investment has delivered a terrific H1 result.

What is most pleasing is the strength and consistency of performance across our large core banners, including Skechers, Platypus, Hype DC, The Athlete's Foot (**TAF**), Vans and Dr Martens, along with the progress that we have made in our new banners now that trading conditions have normalised.

One of the key initiatives for H1 was driving the profitability of the Accent Group digital business. Overall online sales have grown 160% to $134 million compared to FY20. Whilst sales were down on last year due to the lockdowns in 2021, we have improved our digital business and online EBIT was ahead of last year."

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[1] Financial results for the 27 weeks ended 1 January 2023, presented on a statutory post AASB 16 basis unless otherwise noted. The Company estimates that the impact of week 27 was around $36 million in sales, and around $10 million in marginal EBIT contribution

[2] Includes The Athlete's Foot Franchise sales

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OPERATING REVIEW

- **Total owned sales[3] of $746.5 million up 42.1%** to prior year
- **Total online sales[4] of $134 million** contributed 18.9% of total retail sales. Online EBIT was ahead of the record achieved in H1 FY22 on lower sales.
- **Gross margin of 55.2% up 190 basis points to prior year.** Good progress continues to be made in strengthening our gross margin through our distributed and owned vertical brands. Gross margin rate in H1 was impacted by currency and clearance of discontinued brands.
- **CODB % of 42.0%** well managed with an improvement of 470 basis points to prior year.
- Strong sales results were achieved across all our core major banners including Platypus, Skechers, TAF, Hype DC, Vans and Dr Martens.
- Supply chain impacts have normalised with strong deliveries of new release product supporting sales growth.
- During H1 the Group **opened 53 new stores**, transitioned 13 stores from discontinued into continuing brands and closed 10 stores where required rent outcomes could not be achieved. **Total store numbers are now 805 stores.**
- **Contactable customers grew by 300,000** to 9.6 million customers, loyalty program membership now 7.4 million across TAF, Hype DC, Platypus, Merrell, Skechers.
- **Sales of vertical owned brands** of more than $50 million (around 7% of owned sales).
- Glue Store and Stylerunner both generated positive EBIT for H1.
- **15 Nude Lucy concept stores with strong early results**. Nude Lucy is a fast-growing, lifestyle apparel brand that was acquired as part of the Glue Store transaction. Based on the success of this brand within Glue Store, external wholesale customers and the successful trial of a standalone retail concept, the next phase of store roll-out has commenced.

DIVIDEND

Interim dividend of 12.00 cents per share fully franked to be paid on 9 March 2023 to registered shareholders as of 1 March 2023.

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[3] Owned sales exclude The Athlete's Foot Franchise sales
[4] Includes The Athlete's Foot Franchise online sales

GROWTH PLAN UPDATE

Accent Group continues to pursue a range of growth opportunities across its core banners and new businesses, including:

- The continued roll-out of new stores, with a least 20 new stores planned to open in H2 FY23. The Company sees a continued store roll-out opportunity in both its core banners and new businesses.
- Growth from a planned roll-out of Nude Lucy stores.
- Profit growth in Glue Store and Stylerunner through continued operational improvement and as the vertical programs in these businesses grow.
- Profit growth in TAF from margin expansion, with franchise stores continuing to be acquired (current network of 91 corporate stores and 65 franchise stores).
- Growth in digital and customer loyalty programs driven by improvement in customer spend frequency, with loyalty program now launched in Platypus, Hype DC and Skechers, driving repeat spend behaviour and improved customer value.

In summary, Accent Group continues to grow in scale and customer reach. The business remains well positioned for future growth through continued expansion in new retail stores, the introduction of new categories including youth and active apparel, continued growth in wholesale, a continuing drive to improve underlying gross margin, and ongoing investments in digital and customer data.

TRADING UPDATE

Trading conditions for the first 7 weeks of H2 have been positive.

Like-for-like sales (LFL) [5] for the first 7 weeks of H2 (2 January - 19 February) are up 16% on the prior year, for the 8 weeks from 26 December – 19 February (which includes week 27) LFL sales are up 23.9% to prior year. Compared with FY20, LFL sales for the first 7 weeks are up 16.1%, a compound annual growth of 5.1%.

Mr Agostinelli said "Whilst we recognise that there is some uncertainty in the economic outlook, to this point we have not yet seen any significant change to consumer spending in our categories. Many of our brands target a younger customer demographic who tend to be less impacted by interest rates and cost of living pressures.

In conclusion, I am pleased with the ongoing 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."

[5] Like for like ("LFL") retail sales include TAF Franchises sales, digital sales and Glue stores. 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.

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Accent Group FY23 Half-Year Investor Briefing | 24 February | 9:00am AEDT

https://openexc.zoom.us/webinar/register/WN_VCLRJQlhQdeUCJ2adJjDNA

Webinar ID: 934 6987 3189

Password: 149347

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

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Appendix

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

Financials ($ million)	H1 FY23 – 27 weeks	H1 FY22	Variance	H1 FY23 – 26 weeks proforma[6]	Variance to 27 weeks
Total Sales (Inc. TAF)	**825.2**	594.0	**+38.9%**	789.2	**(36.0)**
Owned Sales	**746.5**	525.2	**+42.1%**		
EBITDA	**170.2**	99.5	**+70.9%**		
EBIT	**91.2**	30.3	**+200.9%**	$81.2	**(10.0)**
PBT	**81.8**	22.1	**+269.8%**		
NPAT	**58.3**	14.8	**+295.2%**		

[6] Unaudited management estimates. The Company estimates that the impact of week 27 was around $36 million in sales, and around $10 million in marginal EBIT contribution