

ASX release 20 November 2020

**Accent Group Limited
Annual General Meeting
Chairman and CEO address to shareholders**

Slide 1 – Cover slide

CHAIRMAN, DAVID GORDON

Good morning ladies and gentlemen. My name is David Gordon and, on behalf of the Board, it is my pleasure as Chairman to welcome you to the 2020 Annual General Meeting of Accent Group Limited.

I am advised that a quorum is present and I now declare the meeting open.

Today's meeting is our first virtual AGM and is being held online via the Lumi platform. This allows shareholders, proxies and guests to attend the meeting virtually. All attendees can watch a live webcast of the meeting. In addition, shareholders and proxies have the ability to ask questions and submit their votes.

Slide 2 – Questions Process

Questions can be submitted at any time. To ask a question, press on the speech bubble icon and this will open a new screen. At the bottom of that screen there is a section for you to type your question. Once you have finished typing, please hit the arrow symbol to send.

Please note that while you can submit questions from now on, I will only allow them at the time when the relevant item of business is discussed. Please also note that your questions may be moderated or, if we receive multiple questions on the same topic, amalgamated together.

Slide 3 – Voting Process

Voting today will be conducted by way of a poll on all items of business. In order to provide you with enough time to vote, I will shortly open the voting for the resolutions in Items 2 to 5.

The resolution in Item 6 is a conditional item which will only be put to the Meeting if at least 25% of the votes validly cast on the resolution proposed in Item 2 are cast against that resolution. If the resolution in Item 6 is required to be put to the meeting, I will separately open the poll on that item and give you sufficient time to vote.

When I open the poll on the resolutions in Items 2 to 5, if you are eligible to vote at this meeting, a new polling icon will appear. Selecting this icon will bring up the resolutions being voted on and present you with voting options. You may need to scroll down on the right-hand side to see all the resolutions. To cast your vote, simply select one of the options. There is no need to hit a submit or enter button as the vote is automatically recorded.

You have the ability to change your vote up until the time I declare voting closed.

I now declare voting open on the resolutions in Items 2 to 5. The polling icon will soon appear, so please submit your votes at any time. I will give you plenty of time and a warning at the end of these items of business before I move to close voting.

Slide 4 – The Board

Joining me today on this virtual meeting is Daniel Agostinelli, our Chief Executive Officer, and our non-executive directors Donna Player, Joshua Lowcock, Michael Hapgood and Stephen Goddard.

Slide 5 – Other attendees

We are also joined by our Group CFO and Joint Company Secretary, Matthew Durbin, and our General Counsel and Joint Company Secretary, Celesti Harmse as well as the Company's auditor, Deloitte, represented by partner David White.

Slide 6 – Agenda

At today's meeting, we will be considering a number of matters set out in the Notice of Meeting dated 20 October 2020.

Before we address the resolutions set out in that Notice, I will make some introductory remarks and provide an overview of our FY20 results and how we are continuing to create value for our shareholders, before passing over to our CEO, Daniel Agostinelli, to give his address.

Slide 7 – Chairman's review

I think it is fair to say that this has been a year like no other.

On behalf of the Board, I would like to acknowledge the challenges and hardship faced by the broader community, and to thank our customers, suppliers, team members and shareholders for their support through this difficult time.

Notwithstanding the significant headwinds we faced as a result of the COVID-19 pandemic, the results that the Group has delivered are a testament to the strength, resilience and talent of the Accent Group team and culture.

With the onset of the COVID-19 pandemic in March this year, in order to safeguard the health and safety our team and customers, all of the Group's stores were closed from 25 March for a then unknown duration, and this resulted in a sales decline of 58% in March and April.

It also resulted in an acceleration of digital sales, leveraging the Group's best in class omnichannel capability, to offset the impact of store closures and reduced customer foot traffic in shopping centres. The management team also implemented a range of cost out measures and inventory initiatives to right size the Company's costs and inventory.

Given the collapse in sales, the Company qualified for Government wage subsidies in Australia and New Zealand. Subsidy payments were passed directly through to team members who were not working or did not work sufficient hours to be paid more than the subsidy. The balance of these subsidies was deployed to accelerate the full employment of team members and to reopen the Accent business through May, including standing up all permanent team members from 1 June to full hours and full pay.

Across the Group, we also achieved agreement for rent relief with more than 80% of our landlords, following good faith negotiations and in the spirit of the Government code of conduct. And I am pleased to say that the Company's relationships with landlords are as strong as ever.

The Group finished the FY20 year with a strong cash position of \$54.9 million and total available liquidity of \$152 million. In making the decision to pay both a final dividend and management bonuses, the Board considered the impact of the wage subsidies on the profit and cash position of the Company, and determined that the net subsidy payments received were not required or used for the payment of management incentives or the final dividend.

The Company has not applied for wage subsidies beyond the end of September and, notwithstanding the hard lockdowns in Melbourne and Auckland between July and end of October which resulted in more than 20% of Accent's stores being closed, all permanent team members continued to be stood up on full pay through this period, including the month of October post the completion of the JobKeeper payments at the end of September. We will do the same in the recently announced Adelaide lockdown.

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.

Slide 8 – FY20 financial performance

Turning now to the results, and it is my pleasure to report that the Company once again delivered a record profit in FY20, with EBITDA increasing by 11.8% to reach \$121.7 million, while at the same time improving the inventory and net debt position of the Group.

This record result was an outcome of the both the strong digital growth of 69% and the contribution from 57 new stores that opened during the year. The vertical brand and product program that the team is delivering ensured that gross margins remained strong, despite currency headwinds and significant discounting in the final quarter of the year. The cost of doing business was another highlight, with effective cost management in particular through Q4 supporting the profit result.

Slide 9 – Shareholder value creation

These results continue to translate into value creation for our shareholders, delivering a full year dividend of 9.25 cents per share, up 12.1% on the prior year. On a longer-term view, the Company's total shareholder return has significantly outperformed the ASX300 over the last 10 years, as demonstrated in the chart of the screen. We are very proud of all of these results.

I will now hand over to Daniel, our Chief Executive Officer, to address the meeting.

Slide 10 – VIP Virtual Vertical

CHIEF EXECUTIVE OFFICER, DANIEL AGOSTINELLI

Thank you David, and good morning everyone.

Given the challenging environment in the second half of this year, I am delighted that we were able to deliver another record year. I couldn't be more proud of the outstanding efforts of our team who had to adapt quickly to a fast-changing environment. Key to our result was the integrated digital capability the Company has built over the last 3-4 years, which enabled us to connect with our customers and shift our channel mix from stores to digital when all stores were closed during various periods of lockdown.

Slide 11 – Accent Group – VIP Virtual Vertical

The pace of innovation and new initiatives accelerated through the COVID impacted period. Looking ahead, during the presentation I will outline our key focus on what we are calling the 3 Vs – VIP, Virtual and Vertical.

You can see in the chart on the slide the acceleration of our business over the last 18 months and that we have big goals in all these areas, some of which have been delivered already and will continue into the future.

Slide 12 – Seismic growth in digital sales continues

This year, we have seen a clear shift in consumer behaviour to shopping online and it has delivered strong results across all digital KPIs of the business.

Digital sales for FY20 were up 69% on the prior year overall, and a massive 143% up on the period from July to October 2020. Pleasingly, our conversion rates have also increased by 36% on last year, driven by improved marketing and website capability.

The Group is targeting digital sales to be at least 30% of total sales, leveraging our 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.

Slide 13 – VIP and loyalty

In relation to our VIP and loyalty programs, with a strong focus on continued acquisition and growth, we currently have nearly 7 million customers on the Group database and we are targeting 10 million customers in the medium term.

The Group already has deep experience with VIP and loyalty programs for some of our brands, such as The Athlete's Foot's MyFit Rewards program, which continues to deliver strong retention rates and customer loyalty.

We see huge opportunity for remaining brands in Accent Group to follow suit in this space, as new loyalty programs are introduced, with a Skechers program due in early 2021 and all other banners in the 12-18 months after that.

And we are taking a strategic approach to constructing our loyalty programs, to ensure that the programs deliver incremental outcomes for the business and value to our customers. Having a robust customer database gives us the ability to tactically drive sales outcomes at short notice when required with virtually no marketing expense.

We are prioritising our focus on customer data and insights, to ensure we are customer-centric in everything we do.

Slide 14 – Virtual sales and service

Virtual selling is the next incredibly exciting initiative that I am delighted to share with you.

We are amongst the first retailers in Australia and the first in our market segment to launch a virtual sales division which has been an incredible achievement.

When we saw the shift to digital, we knew we had to put more energy into supporting the sales process for digital customers and so, during COVID, we launched Virtual Sales. This means that a customer who is online can be served by one of our team members in store and they have an experience as good as you can get in any one of our stores.

The customer can live chat with the store team member through an app called HERO, they can share photos and can even do video calls. The Athlete's Foot team are offering the same fitting service through the website that they do in store which is incredible.

And we have seen some fantastic results from this channel. Our conversion rate for customers who use this service is over 30% which is a very strong digital conversion benchmark. Our customers love it and so do the media. We have had this service featured in the Financial Review, A Current Affair and also Ragtrader recently.

The introduction of the HERO app demonstrates the Group's ability to innovate ahead of our competitors, and ahead of the curve, and be at the forefront of the changing dynamics in digital retail.

And to demonstrate to you just how great the HERO app is, I will now play you a short video.

[video plays]

Slide 15 – Vertical

The last V in our 3 Vs, is Vertical.

Our vertical program continues to gain momentum, generating \$13.5 million of sales in FY20, which is more than double the \$4.5 million in the prior year.

This program delivers strong gross profit margin and will continue to be expanded into all banners in FY21, including the launch of a brand-new vertical brand called ITNO in Platypus and Stylerunner. Stylerunner in particular provides us with an amazing platform to drive a high level of vertical sales across a number of categories.

We are targeting sales of vertical products and brands to be at least 10% of our sales mix and the growth in this segment should continue to drive strong gross margin growth

Slide 16 – Store growth

At the same time as we are focusing on leveraging the shift to digital and our three V's, we are not slowing down the growth in our store network. Accent Group remains committed to a long-term strategy of delivering customers a best in class integrated digital and instore experience and we will continue to open and renew store leases where our targeted return on investment can be achieved.

We are indeed ahead our plan for new store openings, and now expect to open approximately 80 new stores in this financial year, including new concepts.

Slide 17 – PIVOT

The first of those new concepts is PIVOT, and I am pleased to report that we opened the first PIVOT store at Shellharbour in June and the second at Highpoint in October, and both stores are trading ahead of expectations. The website also went live last month and we've received strong support from our brand partners for PIVOT, which operates in the value

sports, lifestyle and work market. We see the potential for up to 100 stores over time, with 15 stores signed to open by June 2021.

Pivoting somewhat from our core business of footwear, more than 40% of the sales mix in PIVOT is coming from apparel, equipment and accessories, with a key focus on the development of vertical brands and products to achieve margin growth.

Slide 18 – Stylerunner

And the other relatively new business that I'm delighted to report on, is Stylerunner, which has performed very well since we acquired the business a year ago, delivering 60% sales growth and 153% gross margin growth in Q1.

We launched the new website in October with added functionality and improved user experience. But, most exciting of all, has been the opening of the hotly anticipated first Stylerunner store in Armadale on 31 October. The design of this store sets a new benchmark for activewear retail in Australia, taking its inspiration from nature, complete with a lake-like oasis crafted from sycamore timber, marble and champagne steel greeting guests in arrival, and a neon cloud floating above the rear lounge.

We have signed a further 3 stores and, in our view, Stylerunner has a very significant runway in both digital and store sales and the ability to be a standalone vertical concept over time.

Thank you. I will now hand you back to our Chairman, David Gordon, to give you a trading update before conducting the formal business of the meeting.

Slide 19 – Trading update

CHAIRMAN, DAVID GORDON

Thanks Daniel.

Turning now to an update on trade. Sales to date are ahead of expectations, driven by continued digital growth, strong store reopening in Victoria and ongoing strong trade in other states and New Zealand.

Like for like sales for the first 20 weeks were up by 1.3% overall on last year, and up 15.7% excluding the Victoria and Auckland lockdowns. Digital sales also grew by 129% over this period compared to the prior year.

These strong trading results have been achieved despite the lockdown and forced store closures in Melbourne and Auckland between July and October, which impacted sales by \$39 million compared to the prior year.

Our plans are well set to capitalise on the important November cyber events, Christmas and Back to School trading periods. Our integrated omnichannel model has allowed us to trade

strongly through a highly disrupted period, along with demonstrated operating capability to respond to store impacts that may arise due to COVID-19, including the current Adelaide lockdown.

Authorised for lodgement by the Board

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