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Annual General Meeting
18th November 2019

David Jackson
Chief Executive Officer



A review of Results FY19

Sales

\$30.0m

a decline of **28.1%** due to non reoccurring toy properties and final run down of agency distribution of toy brands

Statutory EBITDA profit

\$8.7m

underpinned by debt forgiveness of **\$15.7m**

Operating EBITDA loss

\$3.2m

due to reducing sales and pressure on margins

Operating Net Cash outflow

\$8.0m

from operations

Net Debt

\$4.9m

decrease from **\$19.6m** prior year



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Current situation

- Retail spending depressed "*the weakest retail spending in 28 years*", said CommSec chief economist Craig James.
- Reliance on Discount Dept Stores who are increasingly direct sourcing, placing further pressure on distributor margins
- Weakening AUD further compressing margins
- Toy Industry undergoing structural change with the key to survival being the development and global distribution of own brands
- Product lifecycle becoming shorter driven by consumer desire for newness
- FUN spread across Toys, Outdoor, Confectionery and Apparel with limited owned brands
- Reinventing the business is going to take time



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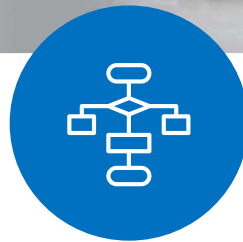


Current Business focus



Minimise Costs

- Overhead costs reduced as much as possible without major restructure
- Existing business unable to provide sufficient organic growth to return FUN to profitability and deliver required shareholder return



Ongoing process improvement

- Tight operating control and cost containment
- Margin control
- Improving inventory control and better procurement and sourcing



Growth in Specialty retail channels

- Distribution expanded
- Independent Toy channels
- Pharmacy
- Consumer Electronics
- Tap emerging opportunities with online retailers
- Growing Direct to Consumer online channels

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Strategic focus

Three key strategic initiatives to drive the turnaround



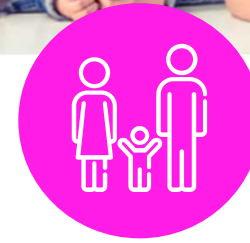
Portfolio overhaul

- Exit unprofitable products
- Grow profitable Confectionery and Treats business through range extensions
- Focus Outdoor (Razor) towards electric products tapping the 'last mile' commuting trend
- Concentrate Toys to ranges and global licensed properties



Introduce new products

- Grow presence in Learning and Educational products
- Tap opportunities in Nursery (up to 3yrs)
- Expand into the fast-growing kids tech market



Seek new business/s that fit a strict criteria in emerging growth sectors around Families with Kids

- Learning in a fun, engaging and educational way
- Keeping fit and staying healthy
- Staying safe

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Bringing FUN to life



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FUN well positioned for the future of Urban mobility

“Electric scooters are coming to a city near you”

- AFR Nov 8th 2019

“the next paradigm in transport”

- National Transport Commission Oct 2019

- Lime reported 1 million rides on its scooters in Brisbane in their first six months of operation.
- Adelaide has just doubled the number of e-scooter rentals and City Council deputy lord mayor Houssam Abiad said; “The scooter phenomena has been quite incredible and the demand is really there”
- Uniform national road rules are being developed so that electric scooters will be able to be used on urban roads and bicycle paths.
- Razor Electric Scooters growing strongly +23% ytd and now 50% of Razor sales



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Enter the fast growing Kids Smartwatch-phone market



Exclusive distribution of Moochies in ANZ Fast growing category with one key competitor

- Provides parents peace of mind
- Fills the gap up to 1st mobile phone
- Security - no social media access
- Classroom mode to comply with new state education regulations

Initial Retailer Distribution secured

- Harvey Norman, Australian Geographic and Kidstuff to range
- On-line ranging with JB HiFi and Kogan

New business model with recurring revenue stream

- Traditional sale and distribution of hardware product through retail channels
- Additionally FUN to earn a share of monthly telco connection revenue
- Further opportunity from sales of Accessory range





MOOCHIES

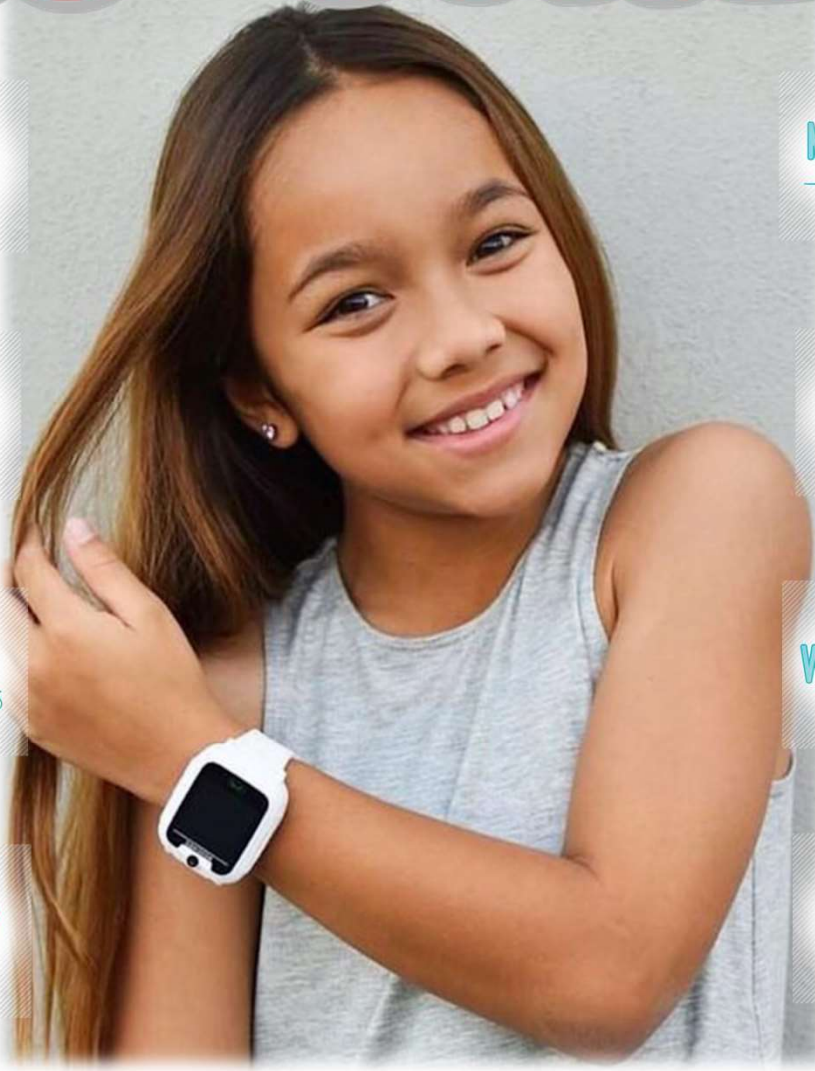
All-in-one Smartwatch
Phone & GPS For Kids



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MOOCHIES

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— VOICE CALLING —



MESSAGING
— KEEP IN TOUCH —



— VIDEO CALLING —



SIM CARD
— BUILT-IN SIM —



— CAMERA —
CAPTURE THOSE SPECIAL MOMENTS



— WATERPROOF —



— SECURITY —



GPS
— TRACKING —

MOOCHIES

ACCESSORIES



CHARGING
CABLE



SCREEN
PROTECTOR

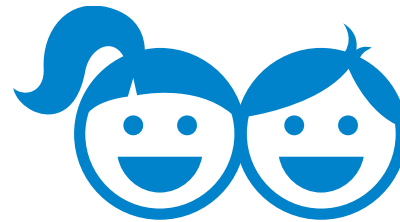


SWAPPABLE
STRAPS





Australian Kids Smartwatch Market



**1.8 MILLION KIDS
AGED BETWEEN
5-11**



**PENETRATION OF ONLY 1.6% WITH
ESTIMATED
30,000 DEVICES**

10% PENETRATION = 180,000 DEVICES

\$45.0M SALES

15% PENETRATION = 270,000 DEVICES

\$67.5M SALES

ESTIMATED PENETRATION BY END 2021

225,000 DEVICES / \$56.0M SALES



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Outlook

Ongoing losses

- Depressed consumer spending at retail expected to continue
- Shortening Toy product lifecycles creates increasing pressure on flow of new products, maintaining revenues is getting harder
- No certainty of success of new Toy lines outside of major licenses
- Cost base not able to be reduced sufficiently to offset ongoing revenue decline
- No quick fix to right size and return the existing business to profit

Scalable platform that can support growth

- Reputation built on providing fun products to Australian families with children
- Strong connections across a wide range of retail formats
- Refreshed Board and Leadership team with broad consumer product experience
- Capacity and capability to grow and support significantly higher revenues



Outlook

New business acquisitions

- Currently seeking acquisition targets that fit a strict growth and profitability criteria
- Learning in a fun, engaging and educational way
- Keeping fit and staying healthy
- Staying safe

Capital raise

- Short term capital raise via SPP to support new products and acquisition identification
- Major capital raise planned for 2020 once acquisition targets identified



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