23 October 2020

Australian Securities Exchange
Rialto Tower
525 Collins Street
MELBOURNE VIC 3000

ASX announcement – For immediate market release

Proposed Transactions – Acquisition, underwritten Placement and Debt Conversion

The Board of Funtastic Limited (**ASX: FUN**) (**Funtastic** or the **Company**) is pleased to announce major new business initiatives including the acquisition of Australian e-commerce websites Toys "R" Us, Babies"R"Us, Hobby Warehouse and Mittoni (**Acquisition**), a re-capitalisation of the Company through a fully underwritten placement (**Placement**) and the conversion of existing debt to equity (**Debt Conversion**) (together, the **Proposed Transactions**).

Each of the Proposed Transactions is subject to the approval of Funtastic Shareholders at the Company's virtual Annual General Meeting which is scheduled for 11:00am (AEDT) on Monday, 23 November 2020. The Notice of Meeting, together with the explanatory notes for the Annual General Meeting (**Notice of Meeting**) are now available on the ASX. A link to the Notice of Meeting and information about how Funtastic Shareholders may attend the virtual meeting and vote will be dispatched to Funtastic Shareholders today.

The Acquisition, Placement and Debt Conversion are interconditional and will require a number of resolutions to effect the transactions. This means that if any one of the Transaction Resolutions is not passed by Funtastic Shareholders at the Annual General Meeting, then the Acquisition, Placement and Debt Conversion will not proceed.

The Company has engaged RSM Corporate Australia Pty Ltd to prepare a report to Shareholders on the fairness and reasonableness of the Proposed Transactions (**Independent Expert's Report**). The Independent Expert's Report is attached to the Notice of Meeting that is available on the ASX announcements platform. Funtastic encourages all Funtastic Shareholders to carefully review the Notice of Meeting and Independent Expert's Report when considering how to vote on the Transaction Resolutions.

Highlights[1]

Acquisition

- The Company will acquire 100% of the Hobby Warehouse Group (**HWG**). HWG owns one of Australia's leading baby, toy and hobby e-commerce platforms with over 1 million subscribers.
- The Acquisition combines largely mutually exclusive customer bases and is expected to provide immediate growth and diversification for Funtastic, particularly with respect to B2B operations.
- The combined group's pro-forma unaudited revenue for FY20 is ~$53.2 million[2], with synergies from the transaction expected to return the group to profitability.
- Consideration for the Acquisition will be the issue of ~291 million fully paid ordinary shares issued at $0.112 per share ($32.6 million), representing ~1.1x HWG FY20 unaudited revenue.
- Mr Louis Mittoni, HWG's founder and CEO, is to be appointed as CEO and Managing Director of the combined group.

Placement

- The Company will undertake a fully underwritten institutional placement of ~258.9 million shares at an issue price of 11.2 cents per share to raise ~$29 million. Shares in the Company will remain suspended until completion of the book build and are expected to recommence normal trade on market open on Monday 26 October 2020.
- Cannacord Genuity (Australia) Limited is underwriter and lead manager of the Placement.

Debt conversion and repayment

- The Company will convert $6 million of its debt facility with major shareholder Jaszac Investments Pty Ltd (**Jaszac**) to shares issued at the Placement price, with the balance of ~$3 million Jaszac debt outstanding to be repaid from the proceeds of the Placement. Jaszac has also indicated that it may participate in the Placement for a maximum amount of $3 million (26,785,714 Shares).

[1] All transactions subject to Funtastic Shareholder approval and all Transaction Resolutions are interconditional.
[2] Based on Funtastic's FY20 revenue of $24.597 million as disclosed in its 2020 Annual Report and HWG's FY20 revenue of $28.555 million in its unaudited financial statements.

On completion of the Proposed Transactions, Funtastic is expected to have a net cash position of $20.7 million and an enterprise value of $74 million (at offer price of 11.2 cents ($0.112)).

The Funtastic Board has unanimously recommended that Funtastic Shareholders vote in favour of the Transaction Resolutions as the Proposed Transactions represent a compelling path for the future growth of the Company, capitalising on a complementary mix of well known, high quality and trusted brands that are expected to expand the existing B2B business and diversify the business through the rapidly increasing global trend toward internet-based sales.

The Presentation attached as the Annexure contains more information in relation to the Acquisition, Placement and Debt Conversion.

Combination of Funtastic and HWG

The Acquisition facilitates a significant expansion in Funtastic's online reach through the established Toys "R" Us and Babies "R" Us e-commerce platforms, while Funtastic's wholesale division is expected to benefit from a significantly wider range of family oriented lifestyle products that complement Funtastic's current brands which include Razor scooters, Chill Factor, Moochies, Learning Resources and Floaties.

HWG owns one of Australia's largest baby, toy and hobby databases, with more than 1 million subscribers. HWG comprises Hobby Warehouse Pty Ltd, Toys R Us Licensee Pty Ltd and Mittoni Pty Ltd, which together generated unaudited revenue of $28.6 million for FY20.[3]

Toys "R" Us and Babies "R" Us re-entered the Australian market in June 2019 following HWG's execution of a licence agreement (**TRUK Licence**) with Tru Kids, Inc., the US-based owners of the Toys "R" Us and Babies "R" Us brands for the exclusive rights to use the Toys "R" Us and Babies "R" Us brands in Australia and New Zealand. Subject to the Acquisition completing, the TRUK Licence will be amended so that the licence term is extended to 2041. Further information about the key features of the proposed TRUK Licence amended agreement is set out in the Presentation attached as the Annexure.

Benefits of the combined group

The Funtastic Board believes that the Acquisition presents a number of compelling strategic benefits and opportunities for Funtastic Shareholders, including:

- A combination of largely mutually exclusive but complementary customer bases plus access to large complementary product/brand portfolios that are expected to provide immediate benefits through brand diversification, cross-selling and scale

[3] Based on HWG's FY20 revenue of $28.555 million as disclosed in its unaudited financial statements.

- The Proposed Transactions enable Funtastic, a business with significant wholesale customers comprising major retailers and also transactional websites for “direct to consumer brands” such as Razor and Moochies, to acquire a pure play operator with significant business to consumer (‘B to C’) presence, to build a robust multifaceted business

- An e-commerce platform with one of the largest Australian baby, toy and hobby databases that is expected to provide increased exposure to significant online sector tailwinds

- HWG’s established logistics capabilities and distribution channels are expected to deliver acquisition synergies including a reduction in the Company’s warehousing costs

- Further operational synergies are expected from the centralisation of operational divisions and reduction of fixed operating costs

- The potential opportunity to utilise Funtastic’s considerable tax benefits as the group is expected to transition into profitability

Commenting on the Acquisition, Chairman of the Funtastic Board Mr Bernie Brookes said:

> *“It’s been a challenging few years for Funtastic, however we have finally found the right vehicle to allow our brands and shareholders to accelerate growth within the fast growing online retailing space with two of the world’s most trusted children’s retail brands, Toys“R”Us and Babies“R”Us, which are complementary to our existing brands.”*

Mr Brookes added:

> *“The wider range of baby, toy and hobby products that will be distributed via the Funtastic distribution arm will allow us to develop more innovative digital and sourcing strategies to support both our physical and online retail customers in Australia.”*

Mr Brookes also expressed his gratitude for the support of major lender and shareholder Jason Sourasis and Jaszac in paving the way for the new initiatives.

Board changes

Mr Louis Mittoni, HWG founder and CEO, will become CEO and Managing Director of the combined group on completion of the Proposed Transactions.

Mr Mittoni has over 20 years’ experience in operating and managing Australian retail businesses through both distributor and online channels. As a qualified physicist and engineer, Mr Mittoni has an intimate knowledge of process optimisation, programming and artificial intelligence.

Mr Brookes said that he would be stepping down as Chairman of Funtastic following delivery of the strategic re-positioning of the Company, in line with his commitment to Funtastic Shareholders on appointment.

Mr Brookes expressed his best wishes to Louis and the new Funtastic team, whom he wished every success with the newly invigorated business.

Funtastic's incoming Chairman will be Kevin Moore, previously Chairman of Crossmark Asia Pacific (A Warburg Pincus company). Mr Moore has over 25 years' experience in the retail sector globally and is currently Chairman of Now Comms Asia Group Singapore and Non-Executive Director of InvestSMART Group Limited (ASX:INV).

Current Funtastic Directors, Nicki Anderson and John Tripodi will remain on the board.

Mr Richard Barry, the CEO of TRU Kids, Inc. (the licensor of the Toys "R" Us and Babies "R" Us brands) said:

> *"We are pleased to continue to work with Louis on the successful digital relaunch strategy for our brands in Australia and New Zealand. As the relaunch progresses, we look forward to working closely with the expanded Funtastic team to ensure that our own global retailing and sourcing experts are available for support."*

Mr Mittoni said:

> *"With the support of Tru Kids Inc. and our suppliers within the toy and baby industry, we have been able to build one of the fastest growing online retailers in ANZ. This is the next phase of the Toys"R"Us relaunch. We will continue to build new physical and digital logistics and shopper facing infrastructure to scale profitably. Our wholesale businesses, Mittoni Technology and Funtastic will continue to focus on and support all retailers with a wide range of some of the best-known branded technology, toys and baby products."*

Mr Mittoni added that:

> *"Funtastic will, with the research and support of Tru Kids Inc. and its innovative 'experiential' store formats in Houston and New Jersey, commence our own physical high experience store attached to our new logistics centre near Melbourne during 2021. Together we will build a formidable company with strong foundations over the next several years."*

Placement and Debt Conversion

The funds raised through the fully underwritten Placement will be predominantly used to fund the future growth of the business including the newly acquired baby, toy and hobby sites and also used to fund investments in state of the art logistics and warehousing capacity to minimise operational costs.

In addition to the Placement, the Company has entered into an agreement to convert $6 million of $9 million in debt due to Jaszac by the issue of approximately 53.6 million new shares at the same price as the Placement (11.2 cents per share) (**Debt Conversion**).

The remaining $3 million in indebtedness to Jaszac will be repaid from the proceeds of the Placement, leaving the Company in a net cash position of ~$21 million. Jaszac has indicated that it may participate in the Placement for a maximum amount of $3 million.

Timetable

An indicative timetable for completion of the Acquisition and Placement is set out below:

Event	Date
Announce Acquisition of Hobby Warehouse and Equity Raising	23 October 2020
Despatch of Notice of Meeting and Independent Expert Report	23 October 2020
Voluntary suspension lifted and Funtastic shares recommence trading	26 October 2020
Annual General Meeting	23 November 2020
Settlement of Placement and Debt Conversion	25 November 2020
Placement and Debt Conversion shares allotted and commence trading on ASX	26 November 2020

The Board unanimously recommends the Acquisition, Placement and Debt Conversion to Funtastic Shareholders.

This announcement is authorised for release by the Board of Directors.

Bernie Brookes AM
Chairman

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About Funtastic Limited

Funtastic Limited (ASX: FUN) is an Australian based listed company which operates in the Outdoor Lifestyle, Family Safety and Education, Fun Lifestyle and Confectionery markets, principally aimed at families with kids. In addition to distributing leading products throughout Australia for its key partners, Funtastic also owns a number of its own products and distributes these globally. Further information is available at www.funtastic.com.au

About Hobby Warehouse Group

Hobby Warehouse is an independent, Australian-owned company established in 2011 with a mission to enrich the lives of people by encouraging exploration, creativity and living life more fully through the enjoyment of hobbies. It is headquartered in Dandenong in Australia. Further information is available at www.hobbywarehouse.com.au

About Tru Kids Brands

Tru KidsTM is the parent of beloved brands, including Toys“R”Us®, Babies“R”Us® and Geoffrey the Giraffe®. Established in January 2019, Tru Kids is focused on growing its family of brands through innovative partnerships that deliver kid-and-parent-focused experiences that expand beyond traditional retails concepts in the physical and digital spaces. The company delivers a wealth of services to its valued license partners around the world, in addition to design and development of over 20 additional established consumer brands. The company has offices in New Jersey, USA, Hong Kong & Shenzhen, China. Tru Kids is a new company celebrating over 70 years of heritage with an expert team focused on families, kids, and play. Learn more at trukidsbrands.com.

Forward Looking Statements

This announcement contains or may contain forward-looking statements. Forward-looking statements can generally be identified by the use of forward-looking words such as “may”, “should”, “could”, “will”, “expect”, “intend”, “plan”, “estimate”, “anticipate”, “believe”, “continue", “objectives”, “outlook”, “guidance” “predict” or other similar words. They include statements in regarding certain plans, strategies and objectives and expected financial performance of the combined Funtastic and Hobby Warehouse groups and the opportunities available to them.

Any forward-looking statements, opinions and estimates provided in this announcement speak only as of the date of this announcement and are based on assumptions and contingencies which are subject to change without notice. There are usually differences between forecast and actual results because events and actual circumstances frequently do not occur as forecast and their differences may be material. Any forward-looking statements are provided as a general guide only and should not be relied upon as an indication, guarantee or prediction of future performance.

Actual results, performance or achievements may differ materially from those expressed or implied in such statements. Investors are strongly cautioned not to place undue reliance on forward-looking statements, particularly in light of the current economic climate and the significant volatility, uncertainty and disruption caused by the COVID-19 pandemic.

The Company disclaims any responsibility for and makes no representation, warranty or assurance (express or implied) as to the accuracy, likelihood of achievement, reasonableness or completeness of any forward-looking statements whether as a result of new information, future events or results or otherwise. The Company disclaims any responsibility to update or revise any forward-looking statements.

ANNEXURE –

PRESENTATION

funtastic LIMITED

Investor Presentation

October 2020

Disclaimer

This investor presentation (“**Presentation**”) has been prepared by Funtastic Limited ACN 063 886 199) (“**Funtastic**”, “**FUN**” or the “**Company**”). This Presentation has been prepared in connection with the proposed:

- acquisition of Hobby Warehouse Group (“Acquisition”);
- conversion of debt to equity (“Debt Conversion”); and
- related relation to a proposed equity raising by FUN by way of an institutional placement (“**Placement**”) of new Shares fully paid FUN ordinary shares (“**Placement Shares**”) (the “**Offer**”),

(together, the “**Proposed Transactions**”).

Summary information

This Presentation contains summary information about the current activities of FUN and its subsidiaries (together, the “FUN Group”) as at the date of this Presentation. The information in this Presentation is of a general nature and does not purport to be complete. This Presentation does not purport to contain all of the information that an investor should consider when making an investment decision nor does it contain all the information that would be required in a disclosure document or prospectus prepared in accordance with the Corporations Act 2001 (Cth) (“**Corporations Act**”). The Presentation will not be lodged with the Australian Securities and Investments Commission (“**ASIC**”) or any foreign regulator. It should be read in conjunction with FUN’s periodic and continuous disclosure announcements lodged with the Australian Securities Exchange (“**ASX**”), which are available at www.asx.com.au. The information in this Presentation is subject to change. FUN is not obligated to update it or correct it except as required by law.

Prior disclosures

The information contained in this Presentation supersedes any information that may have been previously disclosed to you in relation to the Offer (whether disclosed by Funtastic or any other person). Investors should not rely on any information that is not contained in this Presentation or the Independent Expert’s Report released to ASX on around the date of this Presentation (“**Independent Expert’s Report**”) in making a decision as to whether to acquire fully paid ordinary shares in FUN (“**Shares**”) under the Offer.

Not financial product advice

This Presentation is for information purposes only and is not a prospectus, disclosure document or other offering document under Australian law or under any other law. This Presentation is not financial product or investment advice nor a recommendation to acquire Placement Shares and has been prepared without taking into account the objectives, financial situation or needs of any individual investor. Before making an investment decision, prospective investors should consider the appropriateness of the information having regard to their own objectives, financial situation and needs and seek appropriate professional advice from a qualified advisor, including financial, legal and taxation advice appropriate to their jurisdiction. FUN is not licensed to provide financial product advice in respect of FUN shares. An investment in FUN is subject to known and unknown risks, some of which are beyond the control of FUN and its directors. FUN does not guarantee any particular rate of return in relation to FUN shares or the performance of FUN, nor does it guarantee any particular tax treatment. You should have regard to the risk factors outlined in the “Key Risks” section of this Presentation when making your investment decision. Cooling off rights do not apply to the acquisition of Placement Shares.

Financial data

All dollar values are in Australian dollars. The financial information has been prepared by FUN in accordance with the recognition and measurement principles of Australian Accounting Standards and FUN’s adopted accounting policies of applicable accounting standards and other mandatory reporting requirements in Australia.

Disclaimer

Effect of rounding

A number of figures, amounts, percentages, estimates, calculations of value and fractions in this Presentation are subject to the effect of rounding. Accordingly, the actual calculation of these figures may differ from the figures set this Presentation.

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Any forward-looking statements, opinions and estimates provided in this Presentation speak only as of the date of this Presentation and are based on assumptions and contingencies which are subject to change without notice, as are statements about market and industry trends, projections, guidance and estimates. They involve known and unknown risks, uncertainties and other factors, many of which are outside the control of the FUN Group and its officers, employees, agents and associates, including the risks set out in the “Key Risks” section of this Presentation. There are usually differences between forecast and actual results because events and actual circumstances frequently do not occur as forecast and their differences may be material. Any forward-looking statements including projections, guidance on future earnings and estimates are provided as a general guide only and should not be relied upon as an indication, guarantee or prediction of future performance.

Actual results, performance or achievements may differ materially from those expressed or implied in such statements and any projections and assumptions on which these statements are based. Investors are strongly cautioned not to place undue reliance on forward-looking statements, particularly in light of the current economic climate and the significant volatility, uncertainty and disruption caused by the COVID-19 pandemic.

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Not an offer

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None of the Canaccord Genuity (Australia) Limited ("**Underwriter**"), nor any of its or FUN's respective advisors nor any of their respective affiliates or related bodies corporate, nor any of their respective directors, officers, partners, employees, or agents (together, the "**Beneficiaries**"), have authorised, permitted or caused the issue, lodgement, submission, dispatch or provision of this Presentation and none of them make or purport to make any statement in this Presentation and there is no statement in this Presentation that is based on any statement by any of those parties.

To the maximum extent permitted by law, FUN, the Underwriter and their respective advisors, and each of their respective Beneficiaries expressly exclude and disclaim all responsibility and liability, including. without limitation. liability arising from fault, negligence, or negligent misstatement, as a result of the information in this Presentation being inaccurate of incomplete in any way for any reason, whether by negligence or otherwise.

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The Underwriter and its affiliates are full service financial institutions engaged in various activities, which may include trading, financing, corporate advisory, financial advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. The Underwriter and its affiliates have provided, and may in the future provide, financial advisory, financing services and other services to FUN and/or the FUN Group and to persons and entities with relationships with FUN and/or the FUN Group, for which they received or will receive customary fees and expenses. In the ordinary course of its various business activities, the Underwriter and its affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of FUN and/or the FUN Group, and/or persons and entities with relationships with FUN and/or the FUN Group. The Underwriter and its affiliates may also communicate independent investment recommendations, market colour or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

The Underwriter and/or its affiliates are acting as the sole lead manager and Underwriter of the Placement and will receive fees and the reimbursement of expenses in connection with these roles. The Underwriter is acting for and providing services to FUN in relation to the Offer and will not be acting for or providing services to FUN shareholders or any other investors. The Underwriter has been engaged solely as an independent contractor and is acting solely in a contractual relationship on an arm's length basis with FUN. The engagement of the Underwriter by FUN is not intended to create any agency, fiduciary or other relationship between the Underwriter and FUN, its shareholders or any other investors.

Disclaimer

You acknowledge and agree that determination of eligibility for the purposes of the Offer and of any allocations you may receive under the Placement is determined by reference to a number of matters, including legal and regulatory requirements and the discretion of FUN and the Underwriter. You further acknowledge and agree that each of FUN, the Underwriter and their respective Beneficiaries exclude and expressly disclaim any duty or liability (including for negligence) in respect of the exercise or otherwise of that discretion, to the maximum extent permitted by law.

You further acknowledge and agree that Placement allocations are at the sole discretion of the underwriter and/or FUN. Each of the Underwriter, FUN and their respective Beneficiaries exclude and expressly disclaim any duty or liability (including for negligence) in respect of the exercise or otherwise of that discretion, to the maximum extent permitted by law.

The information in the Presentation remains subject to change without notice. FUN and the Underwriter reserve the right to withdraw or vary the timetable for the Offer in their absolute discretion (including, without limitation, closing the bookbuild for the Offer early or extending the Placement bookbuild closing time) and FUN will announce any such changes to the timetable to the ASX.

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By receiving this Presentation you acknowledge and agree that you understand the contents of this notice and that you agree to abide by its terms and conditions. By receiving this Presentation you further agree, irrevocably and unconditionally, to submit to the non-exclusive jurisdiction of the courts of Victoria, in respect of any disputes, actions, suits or proceedings arising out of, or relating to, this Presentation.

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Executive Summary – Overview

Acquisition of one of Australia's leading toy and hobby e-commerce platform with more than 1 million subscribers

Well known and respected brands benefiting from structural change: Toys "R" Us, Babies "R" Us, Hobby Warehouse

Grow B2B platform and generate synergies using HWG, Funtastic and Toys "R" Us product and distribution channels

Opportunity to use Funtastic's considerable tax benefits ($19.3 million franking credits and $69.5 million in combined revenue and capital losses)

Refreshed Board and Management with significant industry experience

Executive Summary

Transformation of Funtastic – Acquisition of Hobby Warehouse Group ("HWG")

- The Acquisition of HWG transitions Funtastic towards an e-commerce focus with exposure to HWG's growing B2C operations in the toys, babies and hobbies space. The Acquisition is consistent with Funtastic's previously stated objectives to:
  1. Continue to overhaul existing portfolio and drive organic growth
  2. Introduce new products and expand e-commerce presence
  3. Explore inorganic growth opportunities in emerging growth sectors

Placement and Debt Conversion

- In order to strengthen the balance sheet, provide growth funding and working capital for the Combined Group, Funtastic is also launching a fully underwritten $29 million institutional placement (**"Placement**") at an offer price of $0.112.
- Jaszac Investments Pty Ltd ("**Jaszac**"), a current Funtastic shareholder, is converting $6m of debt into equity at the same price as the Placement ("**Debt Conversion**"), and has also indicated that it may participate in the Placement for a maximum $3m.

Annual General Meeting and Independent Expert Report

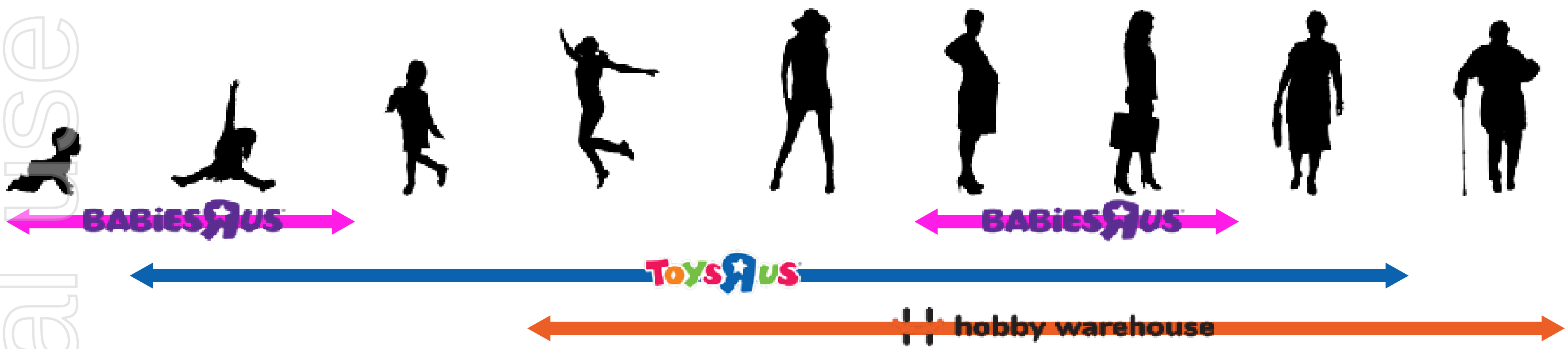
- The Acquisition, Placement and Debt Conversion are supported by a series of shareholder approvals to be considered at the Annual General Meeting ("**AGM**") of Funtastic to be held in late November 2020. The approvals of the Proposed Transactions are inter-conditional, meaning that completion of the Acquisition, Placement and Debt Conversion will not occur unless all the transaction resolutions are approved
- Funtastic has sought an Independent Expert to opine on the Proposed Transactions, a copy of which is annexed to the Notice of Meeting that has been sent to shareholders
- The Independent Expert has determined that the Acquisition, Placement and Debt Conversion are not fair but reasonable to Non-Associated Shareholders.

Funtastic – the Combined Group

B2C Lifetime Relationship – "Deliver a lifetime shopper relationship from cradle to retirement"

Current baby, toy & hobby market in Australia and New Zealand is ~$4 billion

SUBSCRIBER BASE	DEMOGRAPHIC	OPPORTUNITY
~1 million spanning babies, toys and hobbies	Synergies unique to the HWG	to expand to adjacent industries



B2B Wholesale – Integrate Funtastic's existing platform with Mittoni to become a leading distributor with best in class logistics, inventory support and warehousing capabilities, leveraging the expanded product range and customer bases

Acquisition of Hobby Warehouse Group

Acquisition Overview

Funtastic to acquire the HWG for $32.6 million (the "Acquisition")

HWG Overview

- One of Australia's largest baby, toy and hobby database, with a subscriber base of more than 1 million
- HWG comprises Hobby Warehouse Pty Ltd ("**Hobby Warehouse**") and Toys "R" Us Licensee Pty Ltd ("**Toys "R" Us Australia**" or "**TRUL**"), (together being HWG's **B2C division**) and Mittoni Pty Ltd ("**Mittoni**") (being HWG's **B2B division**)

Compelling Strategic Rationale for Acquisition

- The Acquisition combines largely mutually exclusive customer bases and is expected to provide immediate growth and diversification for Funtastic, particularly with respect to B2B operations
- E-commerce platform with one of the largest database in the Australian baby, toy and hobby industry and track record of effectively marketing to B2B and B2C expected to provide increased exposure to significant sector tailwinds
- Access to large complementary product/brand portfolio and associated vendors
- Established logistics capabilities expand distribution channels and reduce warehousing costs
- Opportunity to utilise Funtastic's considerable tax benefits including $19.3 million franking credits and $69.5 million in combined revenue and capital tax losses
- Significant operational synergies expected from centralisation of operational divisions, merging staff/teams and reducing fixed operating costs

Acquisition Snapshot

- Total consideration of $32.6 million comprises the issue of approximately 291 million Shares at $0.112 per Share and represents ~34.43% of the total fully paid ordinary shares on issue in Funtastic following completion of the Proposed Transactions
    - Issue price of $0.112 per Share implies a current equity value of $26.9 million for Funtastic
- HWG unaudited revenue of $28.5 million and $0.5 million EBITDA for FY20
- Total consideration ~1.1x pro forma HWG FY20 unaudited revenue
- The Acquisition is conditional on completion of the Placement and the Debt Conversion and is subject to shareholder approval to be sought at the Company's AGM to be held in November 2020

HWG Overview

- HWG is an e-commerce focused business, which sources branded products both locally and direct from factories around the world.
- HWG has two main divisions:
  1. **B2C** – comprising of Hobby Warehouse Pty Ltd and Toys “R” Us Licensee Pty Ltd (Toys “R” Us and Babies “R” Us)
  2. **B2B** – comprising the Mittoni business.
- HWG has distribution facilities in both Sydney and Melbourne which it currently uses to service its B2B and B2C customers. The majority of HWG products are held as inventory and sold directly to customers
- HWG operations include a number of direct to consumer channels:
  - The hobbywarehouse.com.au e-commerce platform sells directly to shoppers worldwide and is currently one of the largest pure online sellers of LEGO by value in Australia and New Zealand.
  - In June 2019, HWG signed an exclusive 30-year licensing agreement with TRU Kids Brands Inc, the IP owner of Toys “R” Us, to operate the Toys “R” Us and Babies “R” Us brands within Australia and New Zealand.
  - Since June 2019 HWG has launched Toysrus.com.au and has experienced significant growth
  - HWG is currently selling Babies “R” Us products via its existing platform and is planning for the launch of the Babies “R” US standalone website in FY21
- The HWG B2B division sells technology products and gaming accessories to independent retailers with a focus on e-commerce customers and resellers. This business provides logistics, inventory support and warehousing to third parties as well as Hobby Warehouse, Toys “R” Us and Babies “R” Us.

Toys "R" Us and Babies "R" Us Trade Mark License Agreement

- Toys "R" Us Licensee Pty Ltd ("**TRUL"**) has an exclusive license from TRU Kids Inc. ("**TRUK"**), the US-based company holding the Toys "R" Us® and Babies "R" Us® brands, to operate the Toys "R" Us and Babies "R" Us businesses in Australia and New Zealand.

- The Licence Agreement includes rights for Hobby Warehouse Pty Ltd ("**HWL**") to sell through the www.toysrus.com.au, www.babiesrus.com.au and www.hobbywarehouse.com.au websites in Australia and New Zealand including toys and baby products, and consumer brands such as LEGO®, Disney (Marvel, Star Wars, Disney Pixar), Mattel (Barbie®, Hot Wheels®, Fisher-Price®, Uno®), Hasbro (My Little Pony, NERF, Monopoly), PLAY-DOH, and Thomas & Friends®.

- Currently, TRUL is focussed on online sales, however Funtastic intends to launch physical stores for Toys "R" Us and Babies "R" Us over the next several years.

- In connection with the Acquisition, a number of changes to the Licence Agreement have been agreed with TRUK which will be effective from Completion. The amendments seek to align the interests of TRUK with FUN to actively grow the business through the use of the Toys "R" Us and Babies "R" Us brands.

Portfolio B2C Brands

Future growth via well-known consumer retail brands

hobby warehouse

- One of Australia's largest online hobby stores with access to exclusive brands.
- FOB factory direct sourcing drives increased margin and provides a retail point of difference in what is a highly fragmented market.
- Addressable market size expected to be in excess of $1 billion.
- Expansion potential to the USA and Europe with hobbies, toys and collectibles.
- One of the largest pure online sellers of Lego by value in Australia and NZ.
- Hobby Warehouse corporate overview (January 2019): https://vimeo.com/310498634/f04e242c5c

Toys "R" Us

- A well-known, loved and trusted children's retail brand with over 60 years of history.
- HWG has secured the exclusive right to operate Toys "R" Us in Australia and NZ.
- In 2017 Toys "R" Us had Australian sales of $292 million. The addressable toy market in FY20 was $1.2 billion.
- Toys "R" Us Vision and Beliefs video from relaunch (June 2019): https://www.youtube.com/watch?v=CPrWIlkDm9I

Babies "R" Us

- A well-known, loved and trusted baby retail brand with over 20 years of history.
- HWG has secured the exclusive right to operate Babies "R" Us in Australia and NZ.
- ~$5 billion market size (Australia) with an addressable ~$2.4 billion.
- With the closure of Baby Bounce and Bubs (among others), the sector experienced significant consolidation through 2017-18; creating an opportunity to disrupt the sector and rapidly gain market share via an e-commerce strategy.
- Plans underway to re-enter the sector in the short term.

Source) June 2020 ATA Report, Australian Toy Association and IBIS World estimates

HWG E-Commerce Platform

One of Australia's largest baby, toy and hobby e-commerce databases

Total Active Subscribers	Engaged Customers with Campaign Activity	SMS Contacts
1 MILLION	~45%*	~370,000

TOYS "R" US AND BABIES "R" US PRIVATE LABEL BRANDS, INCLUDING

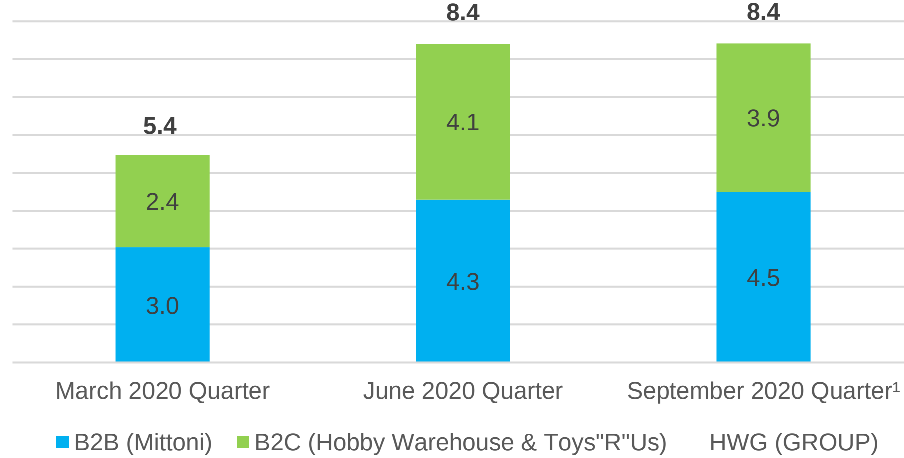
** UNDERLYING FIGURE IS EXPECTED TO BE HIGHER DUE TO DEFAULT PRIVACY SETTINGS OF ANDROID DEVICES, OUTLOOK, GMAIL AND OTHER EMAIL CLIENTS.*

HWG Financial Performance

HWG - Profitable Growth in E-Commerce

- HWG is profitable and generated $0.54 million unaudited EBITDA for FY20
- HWG generated unaudited total revenues of $28.5 million for FY20
- HWG unaudited product revenue[2] is expected to grow by more than 56% from ~$5.4 million in the March 2020 quarter to ~$8.4 million in the September 2020 quarter (estimate)[1]
- The December quarter is also expected to be strong for HWG as a result of the holiday and gifting season

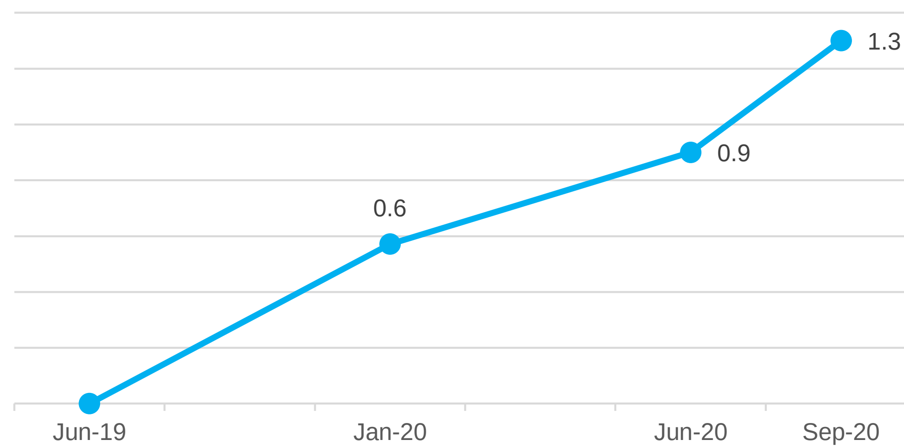
HWG Unaudited Quarterly Product Revenue[2] (A$m)



Toys “R” Us division is growing and is assisting to improve Gross Margins for HWG

- HWG’s Toys “R” Us division grew unaudited product revenues from ~$0.6 million in January 2020 to ~$1.3 million for the month of September (Estimate)[1 2]
- Over the same period, based on product revenues, unaudited Gross Profit margin for the Toys "R" Us division increased from **21.7%** to **31.5%**
- Opportunity to replicate the same growth strategy for Babies “R” Us

Toys "R" Us Unaudited Monthly Product Revenue Growth[2] (A$m)



Note 1) September 2020 quarter estimate comprises actual management accounts for July and August, and management estimate for September.
Note 2) Product revenues exclude revenues from freight collected from customers.

Toys “R” Us and Babies “R” Us

Key Features of Amended Agreement

Parties	**Licensor:** TRU Kids Inc. **Licensee:** Toys “R” Us Licensee Pty Ltd (ACN 632 418 494) **Guarantors:** FUN and HWL Mittoni Pty Ltd
Consideration for Amendment	As consideration for TRUK agreeing to amend the Licence Agreement, FUN will issue to TRUK 1,223,092 fully paid ordinary shares in the capital of FUN at Completion.
Term	Initial ten year term extended by 12 years to 31 May 2041 Extension for two additional ten (10) year renewal terms (subject to satisfaction of certain conditions, such as compliance with the Licence Agreement, the parties agreeing to the applicable royalties for the renewal term, and neither party giving notice of intention not to renew at least 18 months prior to expiration of the relevant term).
Licence Fees	Royalties are payable under the Licence Agreement.
Minimum Sales	TRUL must achieve minimum gross sales revenue of A$55 million per annum for the year ending 31 December 2031 and each year thereafter.
Board and Management	TRUK has various observer, consultation, and approval rights relating to the Board and management of the Company, including consultation and approval rights over any future Chief Executive Officer or Managing Director and Chair of FUN. FUN must use best efforts to ensure that the number of Board members does not exceed four. The Company’s Constitution grants the Chair a casting vote in Board meetings. Any failure by FUN to comply with certain obligations related to these rights set out in the Licence Agreement will result in the licence fees increasing.
Termination	The Licence Agreement can be terminated by notice by the Licensee or the Licensor by giving 18 months’ notice prior to the expiration of the initial term or the first renewal term. The Licensor may terminate the Licence Agreement by prior written notice to the Licensee on the occurrence of any of the following events (among others): • Licensee or any Guarantor breaches the agreement or its guarantee and if remediable fails to remedy after notice; • Late payment of amounts due which is not remedied after Licensor gives notice; • Change in Control of Licensee or FUN (directly or indirectly, other than with the Licensor’s consent); • Licensee fails to timely pay its vendors or suppliers by the due date for payment (absent bona fide dispute) and fails to remedy after notice; • Licensee and the Guarantors cease to be affiliates of each other; • Licensee uses the Authorised Marks in a manner inconsistent with the terms of the Licence Agreement and fails to remedy after notice; or • Licensee fails to achieve minimum gross sale revenue of A$55 million per annum from 2031 onwards (see “Minimum sales” above). Licensee may terminate if the Licensor materially breaches the Licence Agreement and that breach is not remedied within 45 days after notice.

Toys “R” Us and Babies “R” Us

Key Features of Amended Agreement

Assignment	No party may assign without the consent of the other parties except that the Licensor may assign the Licence Agreement to any Affiliate.
Restraint	FUN and its subsidiaries must not, directly or indirectly, compete with the Toys “R” Us or Babies “R” Us business anywhere in the world (and if found unenforceable, Australia and New Zealand) other than as permitted in the Licence Agreement until 31 May 2042 or one year after any renewal term (if applicable) (or, if the agreement is terminated by FUN in accordance with its terms, for one year after such termination). This extends to engaging in, affiliating with, assisting, owning, operating, or holding a direct or indirect interest in a Competitive Business (which includes, among others, a juvenile and/or toy store or business, and an entity that derives in excess of 20% of its revenues from the sale of products which complete with Toys “R” Us or Babies “R” Us). Notwithstanding the above, if the Licence Agreement is terminated by TRUK, the restraints above apply to FUN and its subsidiaries until the earlier of: • the end of the restraint period, being 60 months after the date of termination (or, if unenforceable, a shorter restraint period); and • the last day of the Term (being 31 May 2041 or the last day of any renewal term, as applicable).

Combined Group – Strategy and Growth Opportunities

funtastic LIMITED

Board & Management

Chairman

Kevin A. Moore (HWG)
- Over 25 years in the retail sector globally
- Chairman, Now Comms Asia Group Singapore
- NED InvestSMART (ASX:INV)

Managing Director

Dr Louis Mittoni (HWG)
- Physicist, engineer & company director
- 20-year experience founding & growing technology-based businesses
- Intimate knowledge of process optimisation, programming & AI

Non-Executive Director

Nicki Anderson (Funtastic)
- 25+ years experience in Retail, Agency & FMCG
- NED Select Harvests (ASX: SHV), Mrs Mac's, Australian Made
- Chair Rem & Nom (Fun. & Mrs Mac's)

Non-Executive Director

John Tripodi (Funtastic)
- 20+ years FMCG / Agency experience
- Co-founder & CEO, Twenty3 Group
- Senior executive roles with Mars Inc. & L'Oreal Group

Chief Financial Officer

Howard Abbey (Funtastic)
- Current CFO, Company Secretary & acting CEO at Funtastic
- 20-year international experience in senior operational & financial roles
- Consumer goods experience within both publicly listed & privately owned enterprises

E-Commerce Growth

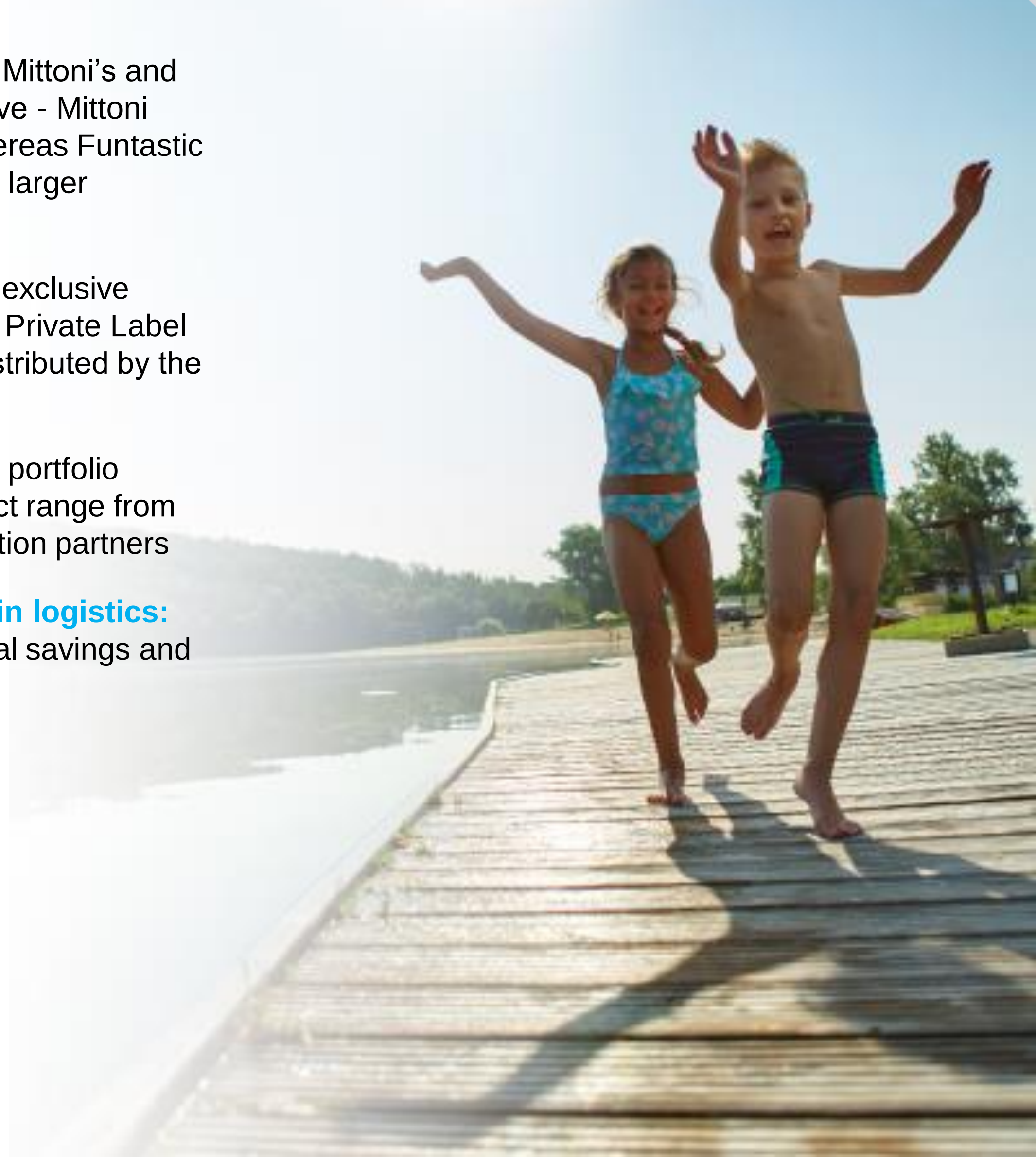
Leveraging Toys “R”Us experience to drive further growth and expansion through Babies “R” Us and other verticals

- **Ongoing investment in core direct to consumer strategies**
  - Continue to drive growth in Toys “R” Us channel through product expansion, platform development and investment in customer acquisition
  - Expand Babies “R” Us business and launch standalone website using learnings from Toy “R”Us
  - Expand Hobby Warehouse offering - including a wider range of hobby themes - such as photography, arts, sports, camping, sewing and gardening.
- **Future expansion into adjacent consumer categories** - areas such as pets (pet toys, pet foods etc) and other aligned product segments.
- **Grow global presence** - leverage the hobbywarehouse.com and Toys “R” Us e-commerce platforms to grow the global presence of the combined entity.
- **Transform the physical retail experience** – revolutionise the physical shopping experience for baby, toy and hobby products:
  - unique retail theatre experience (Charlie and the chocolate factory experience); and
  - leverage hybrid warehouses and retail spaces to provide an large availability of inventory whilst lowering the cost of physical retail.

Expanding B2B Platform

Using business combination to drive synergies and growth

- **Cross-sell opportunities and revenue synergies:** Mittoni's and Funtastic's B2B customer bases are mutually exclusive - Mittoni wholesale to a larger base of small independents whereas Funtastic distributes predominantly to a higher concentration of larger retailers.
- **Expand product range using TRUK relationship:** exclusive TRUK licence brings access to the global sourcing of Private Label brands coordinated by Toys "R" Us and able to be distributed by the B2B business.
- **Expand B2B customer base:** the increased product portfolio across the two businesses, plus the expanded product range from TRUK is expected to generate an increase in distribution partners
- **Acquisition synergies and additional investment in logistics:** focus on improving cost of doing business, operational savings and investment in logistics



Acquisition Synergies

Combination of two largely mutually exclusive customer bases

- Significantly expands and diversifies customer base
- Provides cross-selling opportunities across each customer network

Increased exposure to e-commerce tailwinds

- Consolidated online shopper base enables design of targeted marketing campaigns
- Merged e-commerce platforms reducing future technology and development costs

Supplement existing brand portfolio

- Gain access to private label brands and complementary product portfolio of the global Toys "R" Us group
- Increased brand recognition may facilitate access to new tier-1 vendors

Leverage HWG logistics capabilities and experience

- Reduce or eliminate use of third party logistics providers currently employed by Funtastic
- Expand distribution channel and reduce warehousing costs

Other operational cost savings

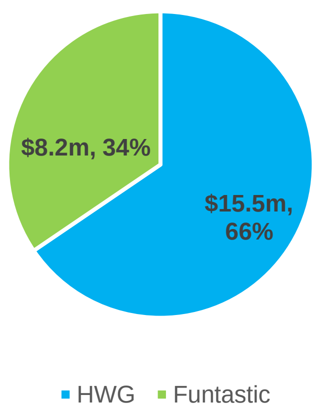
- Centralisation of operational divisions such as buying and demand planning to reduce costs and maximise benefits from economies of scale
- Merging staff/teams to create a leaner organisational structure and reduce employment costs
- Reduce fixed operating costs associated with office/warehouse space, insurance, software, licenses etc

Pro Forma Group Financials 2H20

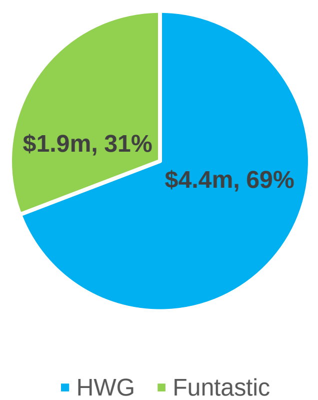
Pro Forma Earnings

- Set out below is the pro forma unaudited revenue and gross profit of the group for 2H20 (Feb-20 – Jul-20), which captures the financial performance of HWG since it fully implemented its Toys "R" Us strategy.

Pro Forma Revenue 2H20 (Feb-20 - Jul-20)



Pro Forma Gross Profit 2H20 (Feb-20 - Jul-20)



Positioned for Growth

- As a Combined Group, Funtastic will be focused on driving growth via its online and distribution channels to accelerate revenue and margin expansion.
- Funtastic will target profitability at the EBITDA level with a focus on investment in profitable growth as well as extracting revenue and cost synergies from the combined group.

Financial Position

- Following successful completion of the Proposed Transaction, Funtastic is expected to be in a net cash position of ~$20.7million.
- The pro forma enterprise value of Funtastic, using the offer price of $0.112, is expected to be $74.0 million.

Offer Overview

funtastic
LIMITED

Offer Summary

Fully Underwritten $29 million Institutional Placement and $6 million debt to equity conversion

Offer Size and Structure	Fully underwritten institutional placement comprising the issue of approximately 258.9 million new Shares (“**Placement Shares**”) to raise approximately $29 million (the “**Placement**”), this includes the participation of Mr Moore for $250,000 (2,232,143 Shares) (subject to Shareholder approval) and Jaszac Investments Pty Ltd (“**Jaszac**”) for a maximum $3 million (up to 26,785,714 Shares). The Underwriter’s obligation to underwrite the Placement is conditional on various conditions including the Share Sale Deed not being terminated prior to completion of the Placement, certain cornerstone investors complying with their commitment to participate in the Placement and other customary conditions for a transaction of this nature. In addition to the Placement, the Company has also entered into an agreement to convert $6 million of the Jaszac debt facility to equity via the issue of approximately 53.6 million new Shares (“**Conversion Shares**”) to Jaszac (“**Debt Conversion**”).
Pricing	The Placement and Debt Conversion will be undertaken at the same price of $0.112 per Share (“**Offer Price**”).
Shareholder Approval	Both the Placement and Debt Conversion will be subject to shareholder approval, which is to be sought at the Company’s AGM to be held in late November 2020.
Ranking	Placement Shares and Conversion Shares issued will rank equally with existing Shares on issue (and with Consideration Shares to be issued to the Sellers in connection with the Acquisition)
Lead Manager and Underwriter	Canaccord Genuity (Australia) Limited

Use of Proceeds

Strengthening the Funtastic balance sheet and investing in growth and efficiency

Working capital to fund growth of the Combined Group	$14 million
Development of logistics, warehouse and robotic capabilities	$5 million
Marketing and brand development	$3 million
Pay down remaining Funtastic debt to Jaszac	$3 million
Development of e-commerce and associated IP & technology	$2 million
Payment for costs of transaction	$2 million
Total	**$29 million**

Indicative Timetable

Event	Date (AEDT)[1]
Announce Acquisition of Hobby Warehouse Group and Equity Raising	Friday, 23 October 2020
Placement bookbuild opens	Friday, 23 October 2020
Placement bookbuild closes	Friday, 23 October 2020
Despatch of Notice of Meeting	Friday, 23 October 2020
Funtastic shares recommence trading	Monday, 26 October 2020
Annual General Meeting to approve Acquisition, Placement and Debt Conversion	Monday, 23 November 2020
Settlement of Acquisition, Placement and Debt Conversion[2]	Wednesday, 25 November 2020
Acquisition, Placement and Debt Conversion shares allotted and commence normal trading on ASX[2]	Thursday, 26 November 2020

Note 1) These dates are indicative only and subject to change. Funtastic reserves the right, subject to the *Corporations Act 2001* (Cth) and the ASX Listing Rules, to amend this indicative timetable.
Note 2) Subject to receiving shareholder approval at the Company's Annual General Meeting

Pro Forma Capital Structure

Capital Structure	Pre Transaction		Post Transaction	
Existing Shareholders[1]	240,404,075	100.00%	240,404,075	28.43%
Placement[2]	-	0.00%	258,928,571	30.62%
Debt Conversion	-	0.00%	53,571,429	6.33%
Management share issue	-	0.00%	454,545	0.05%
Hobby Warehouse (Acquisition Consideration)	-	0.00%	291,205,818	34.43%
TRUK share issue	-	0.00%	1,223,092	0.14%
Total shares on issue	**240,404,075**	**100.00%**	**845,787,530**	**100.00%**

Note 1) This includes Jaszac's current shareholding of 47,154,705 Shares.
Note 2) This includes the participation in the Placement of Mr Moore for $250,000 (2,232,143 Shares) (subject to Shareholder approval) and Jaszac for a maximum $3 million (up to 26,785,714 Shares).

Appendix

FY20 Funtastic Unaudited Results

Sales
$24.6m

- Sales declined by $5.4 million from $30.0 million in FY19 to $24.6 million in FY20 due primarily to the rationalisation of product ranges to exit non profitable categories.

Statutory EBITDA loss
($7.7)m

- Funtastic realised a Statutory EBITDA loss of $7.7 million in FY20 compared to a Statutory EBITDA gain of $8.7 million in FY19 primarily due to the one-off impact of a 15.7 million bank debt forgiveness in FY19.
- Operating EBITDA improved from a loss of $4.2 million in FY19 to loss of $3.3 million in FY20.

Operating Net Cash Outflow
($2.7)m

- Net cash outflow from operating activities of ($2.7) million related to receipts from customers and other income of $28.0 million, which were primarily offset by payments to suppliers and employees of $25.8 million and $4.7 million, respectively.

Net Debt
($8.5)m

- Net debt of $8.5 million comprised cash and cash equivalent of $0.4 million, and borrowings of $8.9 million, in aggregate.
- $8.4 million of borrowings related to the secured loan agreement with Jaszac.

Contingent Liabilities
$2.4m

- Contingent liabilities of $2.4 million related solely to a potential claim against unpaid royalties associated with a terminated contract.
- Legal advice considers there to be a low probability that this claim will be successful in the future.

HWG Unaudited Historical Financials

HWG Historical Financial Performance	FY18 $'000	FY19 $'000	FY20 $'000
Sales	30,858	31,545	28,555
Cost of sales	(25,997)	(26,753)	(20,982)
Gross profit	**4,861**	**4,792**	**7,573**
Other income	**244**	**336**	**573**
Employee expenses	(1,498)	(1,739)	(2,083)
Freight & cartage	(940)	(1,011)	(1,719)
Occupancy expenses	(308)	(313)	(340)
Insurance expenses	(70)	(81)	(78)
Printing & packaging expenses	(61)	(86)	(51)
Other expenses	(1,058)	(1,120)	(3,344)
Total operating expenses	**(3,691)**	**(4,014)**	**(7,042)**
EBITDA	**1,170**	**778**	**531**
Finance expenses	(320)	(330)	(181)
Depreciation expenses	(70)	(92)	(80)
Profit before income tax	**779**	**356**	**270**
Income tax expense	(238)	(99)	(45)
Net profit after tax	**541**	**257**	**225**

HWG Historical Financial Position	FY18 $'000	FY19 $'000	FY20 $'000
Current assets			
Cash & cash equivalents	385	273	473
Trade & other receivables	2,506	2,406	1,907
Unpaid present entitlements	1,126	986	-
Inventory	5,381	4,155	2,805
Prepaid expenses	25	66	63
Provision for income tax	4	83	-
Total current assets	**9,427**	**7,969**	**5,248**
Non-current assets			
Plant & equipment	297	310	306
Intangible assets	489	976	963
Total non-current assets	**786**	**1,286**	**1,270**
Total assets	**10,213**	**9,255**	**6,518**
Current liabilities			
Trade & other payables	2,089	1,578	2,128
Borrowings	4,268	4,031	2,578
Provision for income tax	-	55	45
Total current liabilities	**6,357**	**5,663**	**4,751**
Non-current liabilities			
Borrowings	-	-	-
Total non-current liabilities	**-**	**-**	**-**
Total liabilities	**6,357**	**5,663**	**4,751**
Net assets	**3,855**	**3,592**	**1,767**
Equity			
Issued capital	1,623	1,623	1,623
Total equity	**3,855**	**3,592**	**1,767**

Source) Unaudited Management Accounts

Acquisition Terms

Snapshot

Funtastic has entered into a Share Sale Deed under which it will acquire all of the issued share capital of the three Target Companies (Mittoni Pty Ltd (www.mittoni.com.au), Hobby Warehouse Pty Ltd (www.hobbywarehouse.com.au) and Toy R Us Licensee Pty Ltd (www.toysrus.com.au) ("**Acquisition**").

Funtastic will issue approximately 291 million ordinary fully paid shares to the Sellers (entities associated with Mr Louis Mittoni, and referred to as the Sellers), amounting to 34.43% of Funtastic's issued share capital after the Placement and Debt Conversion (as referred to below).

Conditionality

The Acquisition is one of three major business initiatives being undertaken by Funtastic, with each initiative conditional on successful completion of the other initiatives:

- placement to raise $29 million
- repayment of approximately $9 million in debt owed to Jaszac Investments Pty Ltd through the conversion of $6 million in debt to equity, and a cash pay-out of the balance.

The three initiatives are underpinned by a series of shareholder approvals to be considered at the Annual General Meeting of Funtastic which is expected to be held in late November 2020. The approvals are inter-conditional, meaning that completion under the Share Sale Deed will not occur unless all of the resolutions are approved. If completion under the Share Sale Deed does not occur, neither the placement nor the Jaszac loan conversion will proceed. Funtastic has sought an Independent Expert to opine on the Proposed Transactions, a copy of which will be included in the Notice of Meeting sent to shareholders.

The substance of the shareholder resolutions is described on the following slide.

Acquisition Terms

Substance of required shareholder approvals

- Approval under item 7 of section 611 and Chapter 2E of the Corporations Act in relation to the Sellers under the Share Sale Deed acquiring relevant interests in more than 20% of Funtastic’s issued share capital
- Approval under Listing Rules 7.1 in relation to the issue of shares under the Placement
- Approval under Listing Rules 7.1 and 10.1 in relation to the issue of shares to Jaszac Investments Pty Ltd by way of loan conversion
- Approval under Listing Rule 7.1 and Chapter 2E of the Corporations Act in relation to the issue of shares to TRUK as licensor of the Toys “R” Us and Babies “R” Us brands
- Approval under item 7 of section 611 of the Corporations Act and Listing Rule 10.14 in relation to the grant of options to Mr Mittoni (and to the issue of shares on exercise of those options) as part of Mr Mittoni’s incentive arrangements
- Approval under Listing Rule 10.14 in relation to the grant of options and deferred share awards to Mr Moore (and to the issue of shares on exercise of the options or the vesting of the awards) as part of Mr Moore’s incentive arrangements
- Approval under Listing Rule 10.11 in relation to the participation of Mr Moore in the Placement.

Acquisition Terms

Other key transaction features

(Board constitution) With effect from completion under the Share Sale Deed:

- Mr Louis Mittoni will be appointed to the Board and will occupy the position of Managing Director.
- Mr Kevin Moore will be appointed to the Board, and it is expected that the Board will resolve to appoint Mr Moore as Chairman.
- Following having steered successful conclusion of the transaction, Mr Bernie Brookes will resign from the Board.

(Voluntary escrow) The Sellers under the Share Sale Deed have agreed to hold the majority of the 291 million consideration shares issued to them as consideration for the Acquisition in escrow for periods of 12 months (as to 50%) and 24 months (as to the remaining 50%). A holding of approximately 8.9 million shares will be excluded from the voluntary escrow arrangements.

(Future issues of Shares) Except where an issue of Shares is permitted under the 15% / 25% limit on listed companies issuing shares without shareholder approval or is made pursuant to the Employee Incentive Plan or where the directors otherwise consider it to be consistent with their duties as directors to issue Shares, Funtastic gives a good faith undertaking not to issue further Shares prior to 31 July 2021.

(Limits on liability) The Share Sale Deed contains warranties given by the Sellers as to the Target Companies – the liability of the Sellers is limited to $1 million, with a claims limitation period of 12 months. These provisions are seen as appropriate having regard to the due diligence undertaken by Funtastic (and by the Sellers in relation to Funtastic).

Key Risks

This section sets out some of the key risks associated participating in the Offer. The risks are not in order of importance and do not constitute an exhaustive list of all risks involved with an investment in FUN. In light of the COVID-19 pandemic, extra caution should be taken when assessing the risks of an investment given the significant market volatility.

- **COVID-19** - Events related to COVID-19 have resulted in significant market volatility. There is continuing uncertainty as to the ongoing and future impact of COVID-19 including in relation to the nature, timing and duration of the responses of governments and authorities globally as well as duration and severity of the negative impact on Australian and global economic conditions. Given the high degree of uncertainty surrounding the extent and duration of the COVID-19 pandemic, the full impact of COVID-19 to consumer behaviour, suppliers, employees and the Company is not fully known. A number of aspects of FUN's business have or may be directly or indirectly affected by COVID-19 including disruptions to supply chains, reductions in purchases by bricks and mortar retailors and reductions in consumer discretionary spending and consumer confidence due the economic downturn. Given this, the impacts of COVID-19 may have a material adverse effect on FUN's financial and operational performance. Further, any government or industry measures may adversely affect FUN operations and are likely beyond the control of FUN. In compliance with its continuous disclosure obligations, FUN will continue to update the market in regard to any material impact of COVID-19 on the FUN business.
- **Insolvency** – FUN has seen significant declines in revenue over recent years from $100 million in FY15 to less than $30 million in FY20. The last five years have delivered significant underlying losses in each year with positive reported EBITDA results in FY18 and FY19 being the result of debt write offs. Currently, FUN relies on a loan provided by its major shareholder, Jaszac, as well as a financing facility provided by Scottish Pacific for operating purposes. If the Acquisition did not complete, there is a risk that FUN could be insolvent absent further funding from its debt providers or may enter into voluntary administration. In the event of any winding up of FUN, the claims of FUN's secured and unsecured creditors will rank ahead of those of its shareholders. Under such circumstances, FUN will first repay or discharge all claims of its creditors. Any surplus assets will then be distributed to shareholders. All shareholders will rank equally in their claim and will be entitled to an equal share per Share. If there is a shortfall of funds on a winding up of FUN, shareholders will lose all or some of their investment.
- **Non-renewal of key contracts -** FUN's and HWG's business activities and financial performance are reliant on contracts and relationships with key existing suppliers and service providers. There can be no guarantee that these contracts and relationships will continue or, if they do continue, that they will remain successful. Some of FUN's suppliers and service providers are engaged on a short-term basis and/or are due for renewal soon. There is a risk that such contracts will not be renewed or will be renewed on less favourable terms. Any adverse changes to, or loss of, arrangements or relationships with FUN's or HWG's suppliers or service providers may adversely impact FUN's financial and operational performance.
- **Market conditions** - There are general risks associated with investments in equity capital. The trading price of FUN securities may fluctuate with movements in equity capital markets in Australia and internationally. This may result in the market price for the Placement Shares being less or more than the Offer Price. Generally applicable factors which may affect the market price of shares include: the number of potential buyers or sellers of FUN's shares on the ASX at any given time, recommendations by brokers and analysts, general movements in Australian and international stock markets, investor sentiment and perceptions, Australian and international economic conditions and outlook (including as a result of the impact of COVID-19), changes in interest rates and the rate of inflation, changes in government regulation and policies, announcement of new technologies, and geo-political instability, including international hostilities and acts of terrorism, state of emergency declarations, outbreaks of pandemics, diseases or war. No assurances can be given that the Placement Shares will trade at or above the Offer Price. Neither FUN, its Board nor any other person guarantees the market performance of the Placement Shares.
- **Australian retail environment** - Many of FUN's products are discretionary goods and, as a result, sales levels are sensitive to consumer sentiment. FUN's offering of products, and its financial and operational performance, may be affected by changes in consumers' disposable incomes, or their preferences as to the utilisation of their disposable incomes. Any reduction in the disposable incomes of FUN's customers as a result of changes to factors such as economic outlook, interest rates, unemployment levels (which has be heightened by COVID-19) and taxation may decrease consumer confidence and consumer demand, which may subsequently result in lower levels of revenue and profitability.

Key Risks

- **eCommerce** - Investors in FUN should be aware that there is no guarantee that the Australian eCommerce sector will continue to grow into the future, or as currently forecast. Growth in the Australian eCommerce sector is expected to be driven partly by the migration of customers from traditional retail formats to online retail platforms. This factor is in part outside the control of online retailers, including the HWG and the FUN Group, and there is no guarantee that the migration of customers observed in recent years will continue in the future. If online penetration of the Australian eCommerce sector does not increase in line with FUN's expectations, FUN may not be able to acquire new customers or engage existing customers, and its business, financial condition and operating results may suffer. Further, the Australian eCommerce sector is influenced by changing technologies. FUN may be impacted by its ability to maintain and update its technology platforms. Maintaining and updating its technology could involve a significant cost and no assurance can be given that FUN will have the capital required to develop or acquire new technologies in the future, required to maintain competitive advantage or market share.
- **Supply chain** – The FUN Group relies on third party suppliers to supply the majority of its products it sells to customers and third party logistics providers to distribute those products to customers, which carries the risk of delay and disruption. In addition, the spread of COVID-19 could adversely impact on FUN's supply chain if, for example, the ability to transport products between countries is disrupted, FUN's key suppliers are negatively affected or FUN is otherwise unable to efficiently distribute products to customers. In the event that the supply chain of FUN is disrupted for any reason, this may have a material adverse effect on FUN's operating performance and earnings.
- **Information technology** - The FUN Group relies on various information technology systems including, websites, databases, IT and management systems and security systems (Systems) for its business operations and to maximise efficiency. There is a risk that if the Systems do not function properly, there could be disruptions, corruption in databases or other electronic information, delays in sales events, delays in transaction processing, website slowdown or unavailability, loss of data or the inability to accept and fulfil customer orders which, if sustained or regular, could materially adversely affect FUN's financial and operational performance. Any sustained or unplanned downtime of these systems, could directly damage the reputation and brand of the relevant platform and could reduce visitors to the affected websites or Apps, directly influencing sales to customers. FUN's Systems are all hosted on servers owned by third party providers and are therefore subject to the disaster planning contingencies of those third-party providers to deal with events that may be beyond their control. A catastrophic failure in the systems of a third party provider is likely to have a material impact on the systems and operations of FUN and consequently its reputation and financial performance.
- **Market or technological change** - Key suppliers to the FUN Group, such as Mattel, Hasbro and LEGO, may struggle to keep pace with technological changes and advancements and fail to produce sufficiently profitable products for the toy industry and TRU Australia. In the past, there have been cultural shifts and toy trend changes that have significantly affected all toy companies at some stage, this may reoccur in the future (for example, general toy theme popularity shifts, movie flops, cultural change, technology changes in robotics and 3D printing etc.). This may impact FUN's ability to grow sales and may have a material adverse effect on its financial and operational performance.
- **Counterparty risk** - FUN has a large number of domestic and international suppliers and service providers, from which it sources a broad range of products and services. There is a risk that FUN may be unable to continue to source products or services from existing suppliers or service providers, and in the future, may be unable to source products from new suppliers or services from new service providers, at favourable prices, on favourable terms, in a timely manner or in sufficient volume or quality. This risk has been further heightened as a result of COVID-19. The interruption or termination of FUN's supply agreements may have a material adverse impact on the FUN Group's financial and operational performance in the future. FUN cannot guarantee that its existing arrangements with key suppliers or service providers will be renewed, or renewed on terms similar to their current terms. The loss or deterioration of relationships with these suppliers or service providers, an inability to renew informal or contractual arrangements with such parties, or an inability to negotiate agreements with new parties on terms which are not materially less favourable than existing arrangements, may have a material adverse effect on financial and operational performance.

Key Risks

- **Competitor behaviour and landscape changes –** After Completion, the FUN Group will have several competitors in the baby and toy retail spaces, including physical stores and online. Competition may alter significantly or intensify, competitors may merge and form alliances with established companies, or established companies within other industries may enter FUN's industry. The failure of a large competitor could influence industry performance, depressing market prices for a period and cause excess inventory to exist within the marketplace.
- **Customer preferences and trends** - The toy, hobby and family entertainment industries are highly influenced by current trends and consumer preferences. There is a risk that FUN may fail to anticipate and adapt to changing consumer preferences and trends in a timely manner. FUN's financial performance depends on its ability to identify and respond to retail product trends, as well as to anticipate, gauge and react to changing consumer preferences in a timely manner. A large number of products sold by FUN are manufactured internationally, which means that any significant delay between ordering and delivery further exposes FUN to the risk that customer preferences may change between the time products are ordered and the time they are available for purchase. Following completion of the Acquisition, FUN may explore different sales categories and there can be no guarantee that such categories will be accepted by FUN's existing and prospective customers or address their preferences. If FUN misjudges customer preferences or fails to convert market trends into appealing product offerings on a timely basis, these may result in lower revenue and margins and could adversely impact FUN's financial and operational performance. In addition, any change in customer preferences may lead to increased obsolete inventory risk.
- **International risk** – The FUN and HWG source a large proportion of their products from foreign providers. As such, FUN is exposed to risks including foreign exchange and hedging risk, political instability (including as a result of pandemics such as COVID-19), increased security requirements for foreign goods, costs and delays in international shipping arrangements, imposition of taxes and other charges and restrictions on imports. FUN is also exposed to risks related to labour practices, environmental matters, disruptions to production and ability to supply, and other issues in the foreign jurisdictions where suppliers and service providers operate. Any of these risks, individually or collectively, could materially adversely affect FUN's financial and operational performance.
- **Reputational risk** - Customer complaints or negative publicity about any of the FUN or HWG businesses, websites, products, product delivery times, customer data handling and security practices or customer support, especially on blogs and social media websites could rapidly and severely diminish website traffic and consumer and supplier confidence in FUN or the HWG. There is a risk that this could result in harm to FUN's reputation and could adversely affect FUN's financial performance.
- **Trade disputes or production interruptions** - Significant trade disputes that lead to increased prices, manufacturer labour shortages, large increases in cost of production or significant trade or alliance changes could impact forecast projections. FUN's suppliers and service providers are also subject to various risks which could limit their ability to provide FUN with sufficient, or any, products or services. Some of these risks include raw material costs, inflation, labour disputes, union activities, boycotts, financial liquidity, product merchantability, safety issues, natural disasters, disruption in exports, trade restrictions, currency fluctuations and general economic and political conditions.
- **Seasonality of business** – FUN and the HWG conduct a disproportionate amount of retail sales during the last quarter of the calendar year. Failure to stock or restock popular products in sufficient amounts such that customer demand cannot be met could significantly affect revenue and future growth. Conversely an overstock of inventory may result in significant inventory markdowns or write-offs and commitment costs to be incurred, which could materially reduce profitability.

Key Risks

- **Personal information and data loss** - The databases of customers, suppliers and data analytics held by FUN and the HWG are valuable assets for their continued success. However, such databases are subject to various risks including computer viruses, electronic theft, physical terminal theft, physical damage resulting in a loss or corruption of data, operating system failures, third party provider failures and similar disruptions. This could render the websites unavailable for a period of time while data is restored. Although processes are in place to combat such risks (including firewalls, encryption of client data, a privacy policy and policies to restrict unauthorised access), these processes might not be successful and there is a risk that a data breach may occur, or a third party may gain access to the confidential information of customers or its internal systems and databases. A failure to maintain the confidentiality of this information (in particular, its customer database) could result in a breach of law and cause significant operational, reputational, legal and cost ramifications, any of which could adversely affect FUN's future financial performance.
- **Regulatory risk –** FUN is subject to, and must comply with, a variety of laws and regulations in the ordinary course of its business. These laws and regulations include those that relate to fair trading and consumer protection, product safety, employment, property, taxation (including goods and services taxes and stamp duty) and customs and tariffs. Failure to comply with, or changes to, laws and regulations may adversely affect FUN, including by increasing its costs either directly or indirectly (including by increasing the cost to the business of complying with legal requirements). Any such adverse effect may impact FUN's future financial performance. In particular, there is a risk that laws or regulations may be introduced that restrict FUN's use of its customer database and customer's personal information and/or otherwise restrict its interactions with consumers, sales tactics and market campaign efforts.
- **Tax and GST** - Changes in local indirect tax, such as the GST, and duty treatment of any of the markets in which FUN operates, could have an impact on the sales of imported brands. Given that many of the products sold by FUN are discretionary goods, and that the customers for such products tend to be price sensitive, the imposition of GST (or equivalent taxes) on the sale of imported goods at lower than current value thresholds in any of the jurisdictions in which FUN operates could reduce the attractiveness of FUN's products and have a material adverse effect on FUN's financial condition and financial results.
- **Product liability risk -** Products sold by FUN could expose the Company to product liability or food safety claims relating to personal injury or illness, death, or environmental or property damage, and can require product recalls or other actions. Third parties who sell FUN products increase FUN's exposure to product liability claims, such as when these sellers do not have sufficient protection from such claims. Although FUN maintains liability insurance, there is no certainty that this coverage is adequate for liabilities actually incurred or that insurance will continue to be available on economically reasonable terms, or at all.
- **Litigation –** FUN and the HWG are subject to the usual business risk that disputes or litigation may arise from time to time in the course of its business activities. These may include claims and disputes involving competitors, customers, consumers, suppliers, employees, governmental agencies/authorities, regulators or other third parties. There is a risk that any material or costly dispute could have a material adverse effect on the FUN's reputation, financial performance and profitability.
- **Insurance** - FUN maintains insurance coverage in relation to various aspects of its business. However, there is no guarantee that such insurance will be available in the future on a commercially reasonable basis (including as to the pricing of premiums) or that FUN will have adequate insurance cover against claims made from time to time. If FUN incurs uninsured losses or liabilities, or if its insurance cover does not adequately protect it against relevant claims, its assets, profits and prospects may be materially adversely affected.

Key Risks

- **Risks associated with the Acquisition** – The Acquisition is subject to shareholder approval. If those shareholder approvals are obtained and subject to all other conditions being satisfied, there are a number of transaction specific risks that arise from the Acquisition including the following:
  - There are risks associated with all transactions, including but not limited to the integration of financial, operational and managerial resources. If the assets or businesses are not successfully integrated, this may have a material adverse effect on FUN's financial and operational performance. In addition, while FUN has conducted extensive due diligence in relation to the Acquisition, there is no assurance that the merged group will perform as forecast once fully integrated, or successfully achieve the desired objectives, including, where applicable, any synergies.
  - If a person is appointed as Managing Director/CEO or Chair without TRUK's prior written approval, then the fees payable under the TRUK Licence Agreement may be increased by 30% until a person that is approved by TRUK is appointed to those roles.
  - If FUN has more than four people on its Board of Directors, then the fees payable under the TRUK Licence Agreement may be increased by 30% until the number of people on its Board of Directors returns to four.
  - The Chairperson of the Board has a casting vote where decisions of the Board are tied.
  - TRUK is permitted to appoint an observer to the Board of Directors who is entitled to attend Board meetings in an observer capacity and receive all Board papers. Failure by FUN to permit such an appointment may result in fees payable under the TRUK Licence Agreement being increased by 30% until the observer role is fulfilled.
  - Mr Louis Mittoni (or his associates) will be issued 34.43% of the shares in FUN as consideration under the Acquisition. In addition, he will be issued three tranches of options. Each tranche equates to 1% of the issued shares in FUN. If all tranches are exercised before the relevant expiry date, Mr Louis Mittoni and his associates will hold 36.15% of the shares in FUN.
  - Sales of HWG are reliant on the maintenance of the TRUK License Agreement. The TRUK Licence Agreement includes a number of termination rights including for a material breach of the agreement that is not remedied within 45 days of notice and late payments that are not cured within the applicable notice period. In addition TRUK can terminate the Licence Agreement where there is a change of control of FUN without TRUK's approval.
  - There is a non-dilution clause in the Share Sale Deed under which FUN undertakes not to issue shares in the Company until after 31 July 2021 other than where the directors consider it would be consistent their duties as directors to issue shares, the issue is made under FUN's placement capacity under ASX Listing Rules 7.1 and 7.1A or the issue is made under FUN's Employee Incentive Plan.
  - The Independent Expert has determined that the Acquisition, Placement and Debt Conversion are "not fair but reasonable" to Non-Associated Shareholders. This may impact on whether shareholders of FUN vote in favour of the Acquisition.
  - HWG is reliant on the continued involvement of Mr Mittoni in the business. On completion of the Acquisition, FUN will rely on the expertise, experience and strategic direction provided by Mr Louis Mittoni and Mr Kevin Moore to integrate the HWG businesses with the FUN businesses. FUN's success depends to a significant extent on these Key Management Personnel. These individuals have extensive experience in, and knowledge of, the Australian eCommerce sector.
  - For more information, see the Independent Expert's Report which will be released with the Notice of Meeting.

International offer restrictions

This Presentation and the information contained herein does not constitute an offer to sell, or a solicitation of an offer to buy, any securities in the United States. The Placement Shares have not been, and will not be, registered under the US Securities Act of 1933, as amended (the **US Securities Act**), or the securities laws of any state or other jurisdiction of the United States. Accordingly, the Placement Shares may not be offered or sold, directly or indirectly, in the United States or to any person acting for the account or benefit of any person in the United States, except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act and applicable securities laws of any state or other jurisdiction of the United States.

For the purposes of U.S. federal securities laws, the offer and sale of the securities referred to in this presentation has not been, and will not be, registered under the US Securities Act or the securities laws of any state or other jurisdiction of the United States.

Hong Kong

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New Zealand

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- an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

International offer restrictions

Singapore

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United Kingdom

Neither this document nor any other document relating to the Offer has been delivered for approval to the Financial Conduct Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended (the "**FSMA**")) has been published or is intended to be published in respect of the Placement Shares. The Placement Shares may not be offered or sold in the United Kingdom by means of this document or any other document, except in circumstances that do not require the publication of a prospectus under section 86(1) of the FSMA. This document is issued on a confidential basis in the United Kingdom to "qualified investors" (within the meaning of Article 2(e) of the Prospectus Regulation (2017/1129/EU), replacing section 86(7) of the FSMA). This document may not be distributed or reproduced, in whole or in part, nor may its contents be disclosed by recipients, to any other person in the United Kingdom. Any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received in connection with the issue or sale of the Placement Shares has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) of the FSMA does not apply to FUN. In the United Kingdom, this document is being distributed only to, and is directed at, persons (i) who have professional experience in matters relating to investments falling within Article 19(5) (investment professionals) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 (the "**FPO**"), (ii) who fall within the categories of persons referred to in Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the FPO, or (iii) to whom it may otherwise be lawfully communicated (together "**relevant persons**"). The investment to which this document relates is available only to relevant persons and any invitation, offer or agreement to purchase will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document.