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2010 AGM

CHAIRMAN'S ADDRESS

Graeme Yeomans



Introduction

- 2009 many tough decisions were made
- Enacted base strategy back to core competencies
- Simplified approach
- Changes to the business model

We did what we said

- Divestment of non-core assets
 - Apparel
 - Footwear
 - Manchester
 - Planet Fun
- Acquisition of NSR
- Capital raising
- Reduced bank debt

Key Financial Results 2009

- The impact of impairment and restructuring costs on Funtastic's pre-tax loss was \$(20.2m) of which \$19.3m were non cash items
- Inventory was \$31.0m at the end of 2009 compared with \$56.0m at the end of 2008
- Bank debt was \$62.4m at the end of 2009 which was \$10.4m lower than 2008

Key Financial Results 2009

- Group revenue of \$275.0m in 2009 compared with \$368.2m in 2008
 - The \$93.2m reduction in revenue can be attributed to divestments and the withdrawal of the Bratz brand from the Australian market
- Earnings before Interest Tax Amortisation (EBITA) before impairment and restructuring costs of \$(40.1m) compared with \$30.4m in 2008
- Group EBITA of \$(60.3m) compared with 2008 of \$(52.9m)
- Reported Net Profit After Tax (NPAT) was \$(58.1m) compared with \$(50.8m) in 2008



Challenges of 2009

- Tough economic environment
- Moving to core range focus
- Australian dollar impact
 - Pricing impact
 - Hedging impact
 - Stock impact

Challenges of 2009

- Lost key brands
 - WWE - purchased by global toy company
 - Thomas - purchased by global toy company
 - Bratz - international legal action
- Interactive
 - Decision to close due to profitability
 - Category has changed dramatically
- Ongoing impact of ABC business transitioning to new owners

Turnaround Progress 2009

- Regain focus - channelling all of our energy into Toys & Lifestyle Merchandise. Madman Entertainment continues to perform strongly due to great content portfolio.
- Improved working capital
- Introduced 3 new Senior Executives
 - Nir Pizmony - Executive Director
 - James Cody - Chief Financial Officer / Company Secretary
 - Garry Mudford - General Manager Toys & Lifestyle Merchandise
- Consolidated team and continuing to lift talent base

Future growth opportunities

- Exploration of other channels in the Toys & Lifestyle Merchandise business
- Madman - new free to air channels, internet tv
- International
 - Owning intellectual property
 - Margin improvement
 - Worldwide licenses
- Driving core brands

Focus for the Future

- Growing global brands and developing intellectual property ownership
- Return to profitability
- Continue debt reduction program
- Improve market share growth
- Increase share price



2010 AGM

CEO'S ADDRESS

Stewart Downs

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Last AGM we promised

“Clear decisive positioning
of the company”



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Focussed business units



MADMAN



Trading update

- We are confident of returning to profitability in the first half
- Trading conditions are tougher than forecasted in Australia
- International growing in line with expectations

Trading update

- Key strategic initiatives are progressing as planned
 - Core range implementation - Toys & Lifestyle Merchandise
 - Increased marketing spend - across Toys & Lifestyle Merchandise and Madman
 - Growing ancillary sales in Madman
 - Integration of the Funtastic International and NSR Hong Kong offices
 - Increasing penetration of international markets
 - Via Noddy and Quicksmart ranges
 - Working with retail partners on more direct sourcing

Toys & Lifestyle Merchandise Return to Profitability

- Domestic
 - Fundamental change to move from promotional push emphasis to core range business
 - 38% reduction in SKU count
 - Solid margin improvement
 - Loss of key brands slows momentum long term
 - Mass merchants are experiencing tougher trading conditions

International Growth Expansion

- Quicksmart success - sold in 18 countries and growing



International Growth Expansion

- Noddy
 - Recently celebrated his 60th birthday
 - Sold in 10 countries
 - France moved from #7 to #3 licensed preschool brand YTD
 - Portugal #2 licensed preschool brand YTD 2010



International Growth Expansion

- Floaties - an Australian icon
 - Long term growth opportunities
 - We have the global manufacturing, marketing and selling rights



International Growth Expansion

- Lego Plush
 - Opportunity to explore Lego's iconic mini-figure in plush
 - Introduced into the Australian market late last year - solid performance at retail
 - Now distribute in UK and USA

and.....

- Direct sourcing for retailers



Madman Success Continues

- Consistent sales and profit growth driven by:
 - Expansion into kids
 - SBS partnership
 - Sales growth 2007 35%, 2008 21% and 2009 18%
- Outstanding portfolio that enables Madman to continue to outperform the market by 18%
 - Market share 2006 2.1%, 2007 3.1%, 2008 3.6% and 2009 4.3%
- Madman is a progressive media company, with a large on-line following
 - madman.com.au provides streaming episodes and trailers to fans
 - Each month around 100,000 unique visitors view 800,000 pages on Madman's site
 - 75,000 individuals have subscribed to Madman's online mailing lists



Madman Success Continues

- Madman is an all-rights entertainment company, providing the means to move into emerging new formats and revenue streams
 - Demonstrated growth in Pay TV and digital channel sales
 - Significant ongoing cinema sales
 - Strong brand and loyal customers
- Madman has a stable and experienced leadership team



Continuous improvements

- Culture / People
 - New branding
 - New premises - open plan, team environment, adjoining retail
 - New talent
 - * Headcount 47% down (excluding NSR) from 2008 to 2009
 - * Currently below budgeted headcount
 - * Significant increases in key talent



Continuous improvements

- Finance / IT
 - Finance system simplification
 - Process improvements driving significant cost base reduction
 - New Management Information System launched Q1
 - Change of balance date to align with peers and improve reporting accuracy

Continuous improvements

- Supply Chain
 - Warehouse - delivered 2 warehouses
 - * 7.5% improvement in domestic logistics costs in 2010
 - Reduce supply costs
 - * Increased container utilisation fill rates and reduction in inbound freight costs
 - * Reduced airfreight spend significantly
 - Oracle planning tool implemented
 - Total inventory reducing with a significant improvement in the aged profiling

Strategic initiatives - Today

- Core range - in stock, everyday
- Establish international platform
- Maintain Madman momentum
- Increase marketing to drive consumer pull

Strategic initiatives - Tomorrow

Final phase of developing a
comprehensive 3 year plan

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