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Funtastic Ltd

2010 Analyst Presentation

Agenda

- **FY2010 7 Months to 31 July 2010**
- **The Team**
- **Strategy Update**
- **Organisation**
- **Business Portfolio**
- **Questions**

*Australia's international leader in
toys and related products, building
on our understanding of children
and their families*

7 Months Ended 31 July 2010

During the period, the Group changed its year-end from 31 December to 31 July. The current reporting period is therefore the 7 month period ended 31 July 2010 whilst the comparative period is the 12 month period ended 31 December 2009.

- revenue from continuing operations has fallen and although Funtastic's key brands performed well, the Group's secondary brands suffered as retailers reduced support for all but the strongest performing brands during the tough retail trading conditions;
- additionally, the loss of former key brands Thomas the Tank Engine, WWE and Bratz in 2009 continued to impact revenues in the first part of 2010, however the Group's International division has shown promising sales growth;
- gross margins have increased during the period as a result of improved currency hedging arrangements and reduced clearance activity as a result of improved inventory management;
- the improvement in gross margins combined with a lower cost base has driven an improvement in profitability, specifically EBITA from continuing operations has increased from a loss of \$21.0m in the comparative period to a profit of \$0.7m in the current period;
- Net Profit after tax (NPAT) was a loss of \$3.6m compared with a loss of \$58.1m in the comparative period;
- the earn-out payments with respect to Madman were completed during the period;
- ongoing bank facilities have been secured to 31 August 2011.

7 Months Ended 31 July 2010

	7 months Ended 31 July 2010 \$'000	12 months Ended 31 December 2009 \$'000	Variance	
			\$'000	%
Revenue				
Continuing operations	111,052	229,933	(118,881)	(51.7%)
Discontinued operations	-	45,027	(45,027)	(100.0%)
Group Revenue	111,052	274,960	(163,908)	(59.6%)
EBITA				
Continuing operations	698	(20,971)	21,669	103.3%
Discontinued operations	-	(18,042)	18,042	100.0%
EBITA before Impairment & Restructuring Costs	698	(39,013)	39,711	101.8%
Impairment Charges	-	(17,528)	17,528	100.0%
Restructuring Costs	-	(2,717)	2,717	100.0%
Group EBITA	698	(59,258)	59,956	101.2%
NPAT	(3,579)	(58,053)	54,474	93.8%

7 Months Ended 31 July 2010

	7 months Ended 31 July 2010 \$'000	7 months Ended 31 July 2009 \$'000	Variance	
			\$'000	%
Revenue				
Continuing operations	111,052	132,680	(21,628)	(16.3%)
Discontinued operations	-	36,017	(36,017)	(100.0%)
Group Revenue	111,052	168,697	(57,645)	(34.2%)
EBITA				
Continuing operations	698	(10,349)	11,047	106.7%
Discontinued operations	-	(3,342)	3,342	100.0%
EBITA before Impairment & Restructuring Costs	698	(13,691)	14,389	105.1%
Impairment Charges	-	(12,602)	12,602	100.0%
Restructuring Costs	-	(3,158)	3,158	100.0%
Group EBITA	698	(29,451)	30,149	102.4%

Looking Forward

In the last eighteen months, the Board and management have taken a number of steps to transform the business for a more sustainable future:

- the Board is entirely new, with all of the current directors having been appointed in the last eighteen months;
- the senior management team has been completely restructured with the majority being new to the Group;
- management have reset the balance sheet through the actions taken in respect of inventory, goodwill impairment and the capital raising;
- the Toys and Lifestyle Merchandise business has been simplified and a clear growth strategy put in place around a core brand proposition and a more focused product range;
- in August the management team undertook further cost base reductions driven in part by the tougher than expected retail environment, but also by having developed a better understanding of the optimal operating cost model for the Group;
- the growth of the International business continues to expand the Group's distribution reach;
- the planning system implemented in 2009 is enabling more accurate purchasing decisions and therefore more sustainable inventory levels;

The Board



Shane Tanner

FCPA, ACIS

Chairman and Independent Non-executive director

Appointed to the Board in March 2009 as an Independent Non-executive director and appointed as Chairman of the Board effective from the AGM on 21 May 2010. Mr Tanner is Chairman of the Nomination Committee and a member of the Remuneration and Evaluation Committee and the Audit, Risk and Compliance Committee. He is Chairman of Vision Group Holdings Ltd and Paragon Care Ltd. Mr Tanner is a former CEO of Mayne Nickless Diagnostic Services and Director of Sterihealth Ltd. Mr. Tanner has a vast commercial and financial experience.



James Flintoft

LL.B./B.Sc., MBA

Independent Non-executive director

Appointed to the Board in January 2010 as an Independent Non-executive director. Mr. Flintoft is a member of the Audit, Risk and Compliance Committee, the Nomination Committee and Chairman of the Remuneration and Evaluation Committee. Mr. Flintoft brings a range of operational, financial and strategic capabilities to the Board of Funtastic Ltd. He has led large, diverse businesses including as Managing Director, Business Banking at ANZ Banking Corporation; he developed his strategic skills during his time at McKinsey & Company and more recently as Managing Director, Asia Strategy at ANZ Banking Corporation.



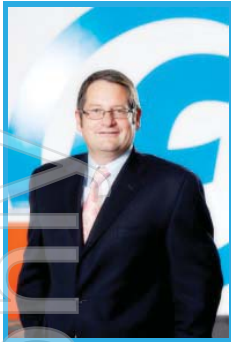
Craig Mathieson

B.Bus

Non-executive director

Appointed to the board in August 2009 as a Non-executive director. Mr Mathieson is Chairman of the Audit, Risk and Compliance Committee, a member of the Remuneration and Evaluation Committee and of the Nomination Committee. Mr. Mathieson is CEO of The Mathieson Group. He was MD of DMS Glass from 2001 to 2007. He has a banking and commercial background gained while working with Business Banking division of ANZ Bank and Property Finance division of St George Bank.

The Executive Team



Stewart Downs

Managing Director and Chief Executive Officer

Joined the Board in August 2009. Mr Downs has been the Chief Executive Officer of Funtastic since February 2009.

Mr Downs has had an expansive career in branded consumer businesses across Australia, New Zealand and Asia successfully leading turnarounds in Australia and developing new businesses in Asia. He has held roles across sales, marketing, finance and in the last 10 years senior general management positions.

He has a Bachelor of Business and Commerce majoring in Economics, Business Administration and Accountancy.



Nir Pizmony

Executive director

Appointed to the board in August 2009 as an Executive director. Mr Pizmony has over twenty-five years' experience in consumer products, he has founded, developed and subsequently sold two successful toy companies. Nir's knowledge and reputation in the toy industry is well proven both in Australia and globally.



James Cody

CFO/ Company Secretary

Mr. James Cody was appointed to the position of Company Secretary on 26 March 2010. Mr. Cody is also the Chief Financial Officer of the Company and is a CIMA (UK) qualified finance director with a wealth of retail experience, and also brings with him a successful record of strategic and commercial management such that he is considered a key asset to the Group in executing its turnaround strategy.



Paul Wiegard

Managing Director, Madman

Paul is one of the founders and Joint Managing Director of Madman Entertainment. He currently oversees the theatrical, business affairs, Ancillary sales & NZ division. He attends all major international film markets. He is currently a Board Member for Australian Video Software Distributors Association (Deputy Chair), Melbourne International Film Festival (5 years) and Australian Independent Distributors Association (Theatrical Distribution body). He Executive produced Australian feature films: Balibo, My Year Without Sex, Not Quite Hollywood, The Hunter (2011).



Tim Anderson

Managing Director, Madman

Tim has worked in Madman since its inception as a one man operation approximately 15 years ago, and as a result has hands-on experience in almost every aspect of the business. Currently Joint MD of Madman alongside partner Paul Wiegard, Tim's key areas of focus are the anime, pop culture and kids side of Madman, together with a passion for technology and new media. Paul and I won Ernst and Young Entrepreneur of the Year – Southern Region in the Young Entrepreneur division in 2004. Originally from the country, Tim studied various courses at Melbourne University whilst living on campus at Queen's College, where he and Paul met. Tim left University prior to completion of any degree to pursue business directions, ultimately leading to the formation of Madman. Tim and Paul together also co-founded a successful printing and media packaging company.



Adam Kocks

General Manager, Asia

Adam joined Funtastic in 2007 as the General Manager - Operations. With a degree in Mechanical Engineering Adam has been working in various Supply Chain roles for FMCG organisations including One Harvest, Arnotts and Frito Lay. In January 2010 Adam accepted the role of General Manager Asia based in Hong Kong after completing a full redesign of the Funtastic Australian operations.

Strategy Update

The outcome of the recent strategic review process can be articulated across six major themes...

1

Significantly reduce cost base/improve profitability of business

“Fund the Growth”

2

Maximise growth potential in Australia

3

Establish ‘Toy Leadership’ position

“Focus/drive the Growth”

4

International Growth

5

People, organisation and key processes

“Enable the Growth”

6

Consider inorganic growth opportunities to accelerate strategy implementation, within established financial parameters

“Accelerate the Growth”

Strategy Update

The detailed strategy design comprises 12 initiatives across the six major themes.

1

Significantly reduce cost base/improve profitability of business

- 1.1 Accelerate implementation of a broader range of operational improvement initiatives to pursue best practice distribution economics
- 1.2 Explore the opportunity for a low cost business model to manage the 'tail' through increased emphasis on FOB
- 1.3 Capture remaining synergies across entire Funtastic portfolio of businesses

2

Maximise growth potential in Australia

- 2.1 Establish industry leadership in key account management (existing channels/customers)
- 2.2 Explore alternate channel opportunities including online (new channels/customers)
- 2.3 Achieve better trade spend/marketing effectiveness

3

Establish 'Toy Leadership' position

- 3.1 Focus on building 'category leadership' in selected areas (e.g. outdoor, plush, pre-school, etc)
- 3.2 Implement a systematic approach to scanning and managing licensing/branding/product opportunities

4

International Growth

- 4.1 Fully develop robust international growth strategy

5

People, organisation and key processes

- 5.1 Build a strong employee proposition including performance and retention initiatives with the focus of further developing the 'A team'
- 5.2 Capture consumer insight and utilise as a strategic asset and source of competitive advantage

6

Consider inorganic growth opportunities to accelerate strategy implementation, within established financial parameters

Funtastic Ltd: Operating across 3 key pillars



Australia Toys, Sporting & Confectionery

- Funtastic is one of Australia's largest children's product companies offering full service marketing and distribution solutions for an array of leading brands.
- We are the home of brands such as Ben 10, LeapFrog, Liv, Tech Deck, Baby Born, PEZ, QuickSmart and Razor



Madman Entertainment

- Funtastic's Madman Entertainment division manages a comprehensive range of DVD properties and cinematic film releases.
- Madman is Australia's leading distributor of Japanese Anime; Independent, Asian and Bollywood Cinema; and special interest movies.



Funtastic International

- Funtastic International is a Hong Kong based global toy manufacturing business which distributes Funtastic developed brands and products to international territories. Brands currently in our International portfolio include Quicksmart, the much-loved preschool property Noddy and the newly launched Lego Plush range.

Organisation *International and Australian Distribution Networks*



Australia

Full Service

- Core range focus 'everyday'
- Marketing led
- Full service model via category management



Fun Trading

- Ability to offer on trend opportunities
- All FOB



Fun Sourcing

- Tailor made opportunistic solutions
- Core Focus
 - Disney & Lego Plush
 - Infant & Preschool
 - Outdoor
- Global best practice certifications
 - ICTI factories
 - FUN QA / QC
- Global partnerships



Confectionery

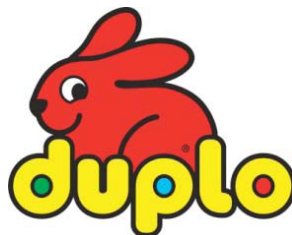
- Core range primary focus everyday
- Drive strategies to increase sales in "Route" and Independent Grocery Stores



International

International

- Grow and leverage global brands
- Develop Hong Kong as centre of excellence for sourcing / product development
- Penetrate the world



Lifestyle

- Develop, drive and deliver strategies in Nursery that define value, differentiation and safety
- Shift to FOB and indent deliveries to drive retailer margins



Toys - Second Half

AIR HOGS®



The US No 1 Remote Control brand, relaunches into Australian stores

BEN 10 ULTIMATE ALIEN™



Brand new storylines, amazing new toys = Ultimate Christmas launch in Boys Action Figures



Leading the way in Pro Scooter innovation

Leapster Explorer™

LEARNING EXPERIENCE



Ultimate learning and gaming fun, the hottest preschool release for Christmas 2010



HERO: 108™

The coolest, funniest property launch in boys action figures



This boys brand powerhouse is refreshed into a new generation of superheroes



Evolution in product development supported by Tama Town TV



Enter Zibits World for a new way to play with collectable Remote Control



- Defend strong market position and top line sales as industry shifts away from prominence in DVD and Blu-Ray builds critical mass
- Carefully monitor technology changes to ensure Madman is positioned to capitalise on new channels
- Manage cost base

Madman's next releases

KIDS / NATIONAL GEOGRAPHIC PRODUCT HIGHLIGHTS

03/11/10



**dirtgirlworld: BUGS
Vol 2**

01/12/10



**BEN 10 ULTIMATE
ALIEN**



**NATIONAL GEOGRAPHIC:
GREAT MIGRATIONS**

TV PRODUCT HIGHLIGHTS

10/11/10



**LAST CHANCE TO SEE
WITH STEPHEN FRY**

01/12/10



**SANTO, SAM & ED'S
WORLD CUP FEVER**



OFFSPRING



**MATTHEW HAYDEN'S
HOME GROUND**

FILM PRODUCT HIGHLIGHTS

03/11/10



ONG BAK 3

01/12/10



**ME & ORSON
WELLES**

15/12/10



SPLICE

FEATURE FILM PRODUCT HIGHLIGHTS

