funtastic LIMITED

Capital Raising Presentation

June 2012

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Disclaimer

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Summary

- Funtastic Limited ("Funtastic" or the "Company") has delivered a strong operational turnaround, returned to profitability and established a platform for sustainable growth
- The Company is undertaking a capital raising of up to $24.6m at an offer price of $0.145 per share to existing and new shareholders via a placement and accelerated non-renounceable entitlement offer (together the "Offer")
- The Offer will be used to lower debt and substantially improve balance sheet ratios allowing for:
  - increased flexibility to invest in key brands and drive organic growth;
  - increased liquidity in the Company via the introduction of new institutional and sophisticated investors;
  - the recommencement of fully franked dividends; and
  - the potential for more attractive lending terms on its remaining bank facilities
- The Company's major shareholders intend to participate in the Offer
- Funtastic reaffirms its earnings guidance for FY12 of $20.1m EBITDA[1] and $10.4m NPAT[2]
- In addition, the Company provides FY13 guidance[3] of $23m-$25m EBITDA[1] driven by:
  - overall annual sales growth in the range of 5-8%; and
  - operational improvements already achieved

[1] EBITDA = Earnings Before Interest, Taxes, Depreciation and Amortisation
[2] NPAT = Net Profit After Tax
[3] All guidance numbers are Company estimates only. Please refer to the Disclaimer in this presentation for more detail

Details of the Offer[1]

Offer Size	Capital raising of up to $24.6m to existing and new shareholders consisting of: • $6.8m placement to institutional and sophisticated investors ("Institutional Placement") • $13.4m 1 for 3 Accelerated Non-Renounceable Entitlement Issue to institutional and sophisticated investors ("Institutional Entitlement Offer"); and • $4.4m 1 for 3 Non-Renounceable Entitlement Issue to retail investors ("Retail Entitlement Offer") Total of up to 537.8 million shares on issue post the Offer
Offer Price	• $0.145 per fully paid ordinary share • 9.4% discount to last closing price of $0.16 per share[2] • 11.0% discount to 10 day VWAP[2] • 14.7% discount to 30 day VWAP[2] • 6.6% discount to the Theoretical Ex-Rights Price (TERP)[3] of $0.155 per share
Institutional Entitlement Offer	• Institutional Entitlement Offer is open to eligible institutional investors from Thursday 21 June 2012; and • Institutional entitlements not taken up and entitlements of ineligible institutional shareholders will be placed into the Institutional Entitlement Offer shortfall bookbuild to be conducted on Thursday 21 June 2012
Retail Entitlement Offer	• Retail Entitlement Offer is open to eligible shareholders from Friday 29 June 2012 to 5:00pm Melbourne time Wednesday 25 July 2012; • The Retail Entitlement Offer will include an over-subscription facility to allow retail investors the opportunity to subscribe for shares in excess of their entitlement; and • Retail entitlements not taken up by eligible retail shareholders and entitlements of ineligible retail shareholders under the Retail Entitlement Offer may be placed into the Retail Entitlement Offer shortfall bookbuild
Ranking	• New Shares will rank equally with existing shares from the date of allotment
Record Date	• 7:00pm on Tuesday 26 June 2012
Lead Manager	• Bell Potter Securities Limited is acting as sole lead manager to the Offer

[1] All dates are 2012 and times refer to Melbourne time. Dates and times are indicative only and are subject to change.
[2] Calculated with reference to Funtastic's last closing price on Wednesday 20 June 2012
[3] Theoretical Ex-Rights Price (TERP) is the theoretical price at which Funtastic shares should trade immediately after the ex-date for the Offer, assuming 100% take-up of the Offer. TERP is a theoretical calculation only: the actual price at which Funtastic's shares will trade immediately after the ex-date will depend on many factors and may not be equal to TERP. TERP is calculated with reference to Funtastic's closing share price on Wednesday 20 June 2012

Balance Sheet Improvement

- The proceeds from the Offer (less associated costs) will be used to:
  - immediately repay debt of $15m to strengthen the balance sheet, which significantly reduces gearing and increases interest coverage; and
  - provide working capital to invest in the Company's brand portfolio and drive organic growth both domestically and internationally
- Funtastic intends to reduce debt further in FY13 and FY14
- The Company expects operating cashflow to finance additional scheduled debt repayments of:
  - $5m by 31 January 2013; and
  - $5m by 31 July 2013

Total Sources and Uses of Funds			
Source	**Amount[1]**	**Uses**	**Amount[1]**
Placement	$6.8m	Reduction of bank loan	$15.0m
Institutional Entitlement Offer	$13.4m	Working capital and costs of the Offer	$9.6m
Retail Entitlement Offer	$4.4m		
Total sources	**$24.6m**	**Total uses**	**$24.6m**

[1] Assumes 100% take-up of the Offer

Fundamental Improvements

funtastic

Since FY2009, management have delivered a strong operational turnaround, a return to profitability and established a platform for sustainable growth. This has been driven by:

Strategic Initiatives

- Continual investment to grow and develop Funtastic owned brands and intellectual property
  - acquisition of Pillow Pets
- Shift in focus from promotionally driven to core range every day proposition

Operational Improvements

- Divestment of underperforming non-core brands which has enabled the Company to have:
  - a much smaller and more focused portfolio that emphasises strong everyday brands; and
  - a significant reduction in inventory
- Substantially reduced fixed costs to reset the cost base of the business; and
- Delivered further rationalisation efficiencies:
  - reduced divisions from 22 to 3
  - sold 5 businesses
  - closed 1 business
  - reduced headcount by 59%
  - reduced stock-keeping unit by 79%
  - reduced brands by 65%
  - reduced suppliers by 61%
  - reduced warehouse space by 72%

Growth Drivers

The Offer will allow Funtastic to capitalise on future Australian and International opportunities:

Australia

- home of brands strategy with full service model and market leading demand generation;
- strong portfolio management and product / brand acquisition pipeline for future;
- maintain fundamental proposition – Brand, Value & Innovation;
- ability to react quickly to market opportunities; and
- Madman investment in driving digitalisation transformation

International

- overseas markets are emerging as a strong growth area for Funtastic
- proactive approach to world trends and development within children's products;
- continually building global talent base to further leverage brand success and opportunity;
- focused brand and product portfolio with appropriate cost structure as a foundation for growth and profitability; and
- investment in own intellectual property drives international growth opportunities, reduces risk and improves sustainability of revenues

Guidance & Dividend

- Funtastic confirms previous earnings guidance for FY12 of $20.1m EBITDA[1] and $10.4m NPAT[2]
  - the Company continues to perform strongly

- In addition, the Company provides FY13 guidance[3] of $23m-$25m EBITDA[1] based on assumptions including:
  - no improvement to current Australian retail conditions which are expected to remain challenging for the foreseeable future;
  - no major change in the domestic customer landscape; and
  - reliance on existing foreign exchange hedging policy.

- FY13 forecast growth is driven by overall sales growth in the range of 5-8% and operational improvement changes already achieved including:
  - a substantially reduced fixed cost base;
  - a more focused portfolio with emphasis on strong everyday brands; and
  - full year contributions from Pillow Pets and Lego in Australia and international markets.

- The Board proposes to recommence the payment of a fully franked dividend in FY13
  - the Company has received approval from its lender to pay an interim dividend following the results for the half year ended 31 January 2013 conditional on the Company complying with bank conditions including repayment of $20m of debt by 31 January 2013 and achieving a ratio of gross debt/EBITDA[4] of less than 2.5 times;
  - the Company expects these conditions to be achieved and, on this basis, the Board is proposing to adopt a dividend policy to pay-out 50% of NPAT in dividends for FY13 commencing with a dividend for the half year ending 31 January 2013; and
  - the Company currently has a franking credit balance of approximately $21.2m and would expect dividends to be fully franked. In addition, the Company has accumulated tax losses of $60.2m.

[1] EBITDA = Earnings Before Interest, Taxes, Depreciation and Amortisation
[2] NPAT = Net Profit After Tax
[3] All guidance numbers are Company estimates only. Please refer to the Disclaimer in this presentation for more detail
[4] Measured for the 12 months to 31 January 2013

Pro-forma Balance Sheet

	Balance[1] as at 31 January 2012	Impact of Equity Raising	Pro forma as at 31 January 2012
Current Assets			
Cash and cash equivalents	2.5	0.6	3.1
Trade and other receivables	28.4		28.4
Inventories	17.2		17.2
Other	19.0		19.0
Total Current Assets	67.1	0.6	67.6
Non-Current Assets	0.0		0.0
Property, plant and equipment	2.8		2.8
Goodwill	69.8		69.8
Other intangibles	5.5		5.5
Deferred tax assets	12.5		12.5
Other	0.3		0.3
Total Non-Current Assets	91.0	0.0	91.0
Total Assets	**158.0**	**0.6**	**158.6**
Current Liabilities			
Trade and other payables	15.6	(6.5)	9.1
Borrowings	9.9		9.9
Provisions	3.9		3.9
Deferred purchase consideration	0.8		0.8
Other Liabilities	9.0	(1.3)	7.6
Current tax liabilities	0.3		0.3
Other financial liabilities	2.8		2.8
Total Current Liabilities	42.2	(7.8)	34.3
Non-Current Liabilities			
Borrowings	65.7	(15.0)	50.7
Provisions	1.3		1.3
Deferred tax liabilities	4.7		4.7
Other	0.9		0.9
Total Non-Current Liabilities	72.5	(15.0)	57.5
Total Liabilities	**114.7**	**(22.8)**	**91.8**
Net Assets	**43.4**	**23.4**	**66.8**
Equity			
Issued capital	163.2	23.4	186.6
Accumulated losses	(118.7)		(118.7)
Reserves	(1.1)		(1.1)
Total Equity	**43.4**	**23.4**	**66.8**

[1] Adjusted for impact of shares issued in March 2012 in relation to finalisation of the earn-out in respect of the 2009 NSR acquisition

Indicative Offer Timetable

Trading halt, Institutional Placement and Institutional Entitlement Offer opens	Thursday 21 June, 2012
Institutional shortfall and Institutional Placement bookbuild	Thursday 21 June, 2012
Funtastic shares recommence trading on ASX	Monday 25 June, 2012
Record date for eligibility in the Retail Entitlement Offer	7:00pm Tuesday 26 June, 2012
Retail Offer Booklet to be dispatched to eligible retail shareholders	Friday 29 June, 2012
Retail Entitlement Offer opens	Friday 29 June, 2012
Settlement and allotment of New Shares under the Institutional Entitlement Offer and Institutional Placement	Friday 29 June, 2012
Trading of New Shares issued under the Institutional Entitlement Offer and Institutional Placement	Monday 2 July, 2012
Retail Entitlement Offer closes	5:00pm Wednesday 25 July, 2012
Retail shortfall bookbuild (if required)	Monday 30 July, 2012
Settlement of Retail Entitlement Offer	Tuesday 31 July, 2012
Allotment of New Shares under the Retail Entitlement Offer	Wednesday 1 August, 2012
Trading of New Share issued under the Retail Entitlement Offer	Thursday 2 August, 2012

Note: The above timetable is indicative only and subject to change. All references are Melbourne time. The Company reserves the right, subject to the Corporations Act and the ASX Listing Rules, to amend the indicative timetable set out above or to withdraw the Offer at any time

Key Risks

Investors should be aware that there are risks associated with an investment in the Company. Activities of the Company and its controlled entities, as in any business, are subject to risks which may impact on the Company's future performance. There are a number of factors, both specific to the Company and of a general nature, which may affect the future operating and financial performance and position of the Company and the outcome of an investment in the Company. Some of these risks can be adequately mitigated by the use of safeguards and appropriate systems but many are beyond the control of the Company and its Directors and cannot be mitigated.

Prior to deciding whether to take up their New Shares under the Offer, Shareholders should read this entire Investor Presentation and review announcements made by the Company to ASX (at www.asx.com.au, ASX:FUN) in order to gain an appreciation of the Company, its activities, operations, financial position and prospects. Shareholders should also consider the summary risk factors set out below which the Directors believe represent some of the general and specific risks that Shareholders should be aware of when evaluating the Company and deciding whether to participate in the Offer. The risk factors set out below are not intended to be an exhaustive list of all of the risk factors to which the Company is exposed. Shareholders should also have regard to their own investment objectives and financial circumstances and should seek professional guidance from their stockbroker, solicitor, accountant or other professional advisor before deciding whether to invest.

Specific Risks

Consumer demand – Funtastic's operating and financial performance is dependent on consumer demand for its products. If Funtastic does not deliver products that appeal to consumers, or if there is a decline in consumer demand for Funtastic's products, Funtastic's financial and operating performance could be materially adversely affected. If product input costs increase and Funtastic seeks to pass on such increases to consumers through higher prices, this could result in a reduction in consumer demand for Funtastic's products and a fall in revenue.

Interest rates, foreign exchange risks (to the extent they are not hedged) – Adverse movements in exchange rates may impact product costs and price competitiveness which may impact the operations and financial performance of Funtastic. Also, adverse fluctuations in interest rates, to the extent that they are not hedged, may impact Funtastic's financial performance.

Retailer relationships – Any adverse change in Funtastic's existing relationships with key distributors and retailers could have a material adverse impact on its operations and financial performance. Any action by distributors or retailers to reduce their inventories could also result in a fall in revenue for Funtastic.

Damage to Funtastic's and/or its licensor's brands – The reputation and value associated with Funtastic's and/or its licensor's brand names could be adversely impacted by a number of factors including failure to provide customers with the quality of products they expect, disputes or litigation with third parties such as employees, suppliers or customers or adverse media coverage. Significant erosion in the reputation of, or value associated with, Funtastic's and/or its licensor's brands could have an adverse effect on the Company's future financial performance.

Debt covenants – Funtastic has various covenants in relation to its banking facilities. Factors such as a decline in Funtastic's operational and financial performance could lead to a breach in debt covenants. In such an event Funtastic's lenders may require their loans to be repaid immediately.

Key Risks

Specific Risks (cont'd)

Competition – Funtastic competes in the toy, sporting and confectionery products industry in both Australia and overseas. Funtastic has a wide range of competitors including major international companies, and a large number of small to medium operators. The actions of these competitors or changes in consumer preferences may materially adversely affect Funtastic's financial performance.

Product sourcing and licensing – Funtastic relies on a range of parties for its product sourcing and licensing strategy. Any change in existing relationships (including the termination of any key supply arrangements) or any change in terms or conditions of overseas suppliers and any change in the international political or economic environment may lead to material adverse changes to Funtastic's operational and financial performance.

Supply chain disruptions – Funtastic has established an extensive and reliable supply chain that allows it to procure and deliver products to customers in a timely and efficient manner. Disruption to any aspect of this supply chain could have a material adverse impact on Funtastic's operational and financial performance.

Litigation and disputes – Legal and other disputes may arise from time to time in the ordinary course of operations. Any such dispute may impact on earnings or affect the value of Funtastic's assets.

Counterparty risk – Third parties, such as customers, suppliers and other counterparties to contracts may not be willing or able to perform their obligations to Funtastic. Funtastic provides credit to its customers and the inability of its customers to pay their debts may materially impact its financial performance.

Operations – Funtastic is exposed to a range of operational risks including equipment failures and other accidents, industrial action or disputes, lease renewals, damage by third parties, floods, fire, major cyclone, earthquake, terrorist attack or other disaster. These risks may have a material adverse impact on Funtastic's financial performance and cash flows.

IT systems – Funtastic is reliant on the capability and reliability of its information technology systems and backup systems and those of its external service providers (such as communication carriers), to process transactions, manage inventory, report financial results and manage its business. The failure of any of Funtastic's or its customer's IT systems, including inventory management systems, could have a significant impact on Funtastic's ability to trade. Such failures may have an adverse effect on the Company's future financial performance.

Loss of key personnel may occur– Funtastic's success depends to a significant extent on its key personnel, in particular its management team. These individuals have extensive experience in, and knowledge of, the industries Funtastic operates in and Funtastic's business. The loss of key personnel and the time taken to recruit a suitable replacement(s) or additional personnel could adversely affect the Company's future financial performance.

Key Risks

General Risks

General economic factors – General economic conditions, globally or in one or more of the markets we service, may adversely affect our financial performance. Recessionary or low economic growth conditions in our key markets may significantly impact our business and financial performance.

Australian law changes – Future changes in Australian law, including tax laws and employment laws may impact Funtastic's financial performance. Further, changes in tax law, or Funtastic's methods of calculation, may impact its tax assets and/or liabilities.

Risks specific to the Shares

Investments in equities – The trading price of shares in Funtastic may fluctuate with movements in equity capital markets in Australia and internationally. Generally applicable factors which may affect the market price of shares include: general movements in Australian and international stock markets; investor sentiment; Australian and international economic conditions and outlook, changes in interest rates and the rate of inflation; changes in government regulation and policies; and geo-political instability, including international hostilities and acts of terrorism. None of Funtastic, its Board or any other person guarantees the market performance of the new shares.

Dividends – The payment of dividends on Funtastic's shares is dependent on a range of factors, including the repayment of $20 million of debt by 31 January 2013, profitability of the Company, the availability of cash and capital requirements of the business. Any future dividend levels will be determined by the Funtastic's Board having regard to its operating results and financial position at the relevant time. That said, there is no guarantee that any dividend will be paid by Funtastic.

Risks associated with not accepting rights under the Offer– You should note that if you do not take up all or part of those New Shares offered to you under the Offer, then your percentage shareholding in the Company will be diluted by not participating to the full extent in the Offer and you will not be exposed to future increases or decreases in the Company's share price in respect of those New Shares which would have been issued to you had you taken up all of your entitlement.

Foreign Selling Restrictions

This document does not constitute an offer of new ordinary shares ("New Shares") of the Company in any jurisdiction in which it would be unlawful. New Shares may not be offered or sold in any country outside Australia or New Zealand, except to the extent such offer or sale is in compliance with applicable local laws.

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