



30 September 2013

ASX Announcement

Funtastic delivers profit increase despite tough retail environment

Funtastic Limited today delivered earnings growth and significantly improved margins despite continued difficult domestic retail conditions. The key achievements during the year were:

1. Increased earnings in a global trading environment that remains challenging;
2. Significant sales and profit growth from own brands - now selling to over 40 countries;
3. Ongoing improvement in margins as Funtastic's strategy of owning and manufacturing an increasing proportion of what it sells rewards shareholders;
4. Acquisition of Chill Factor brand – already a significant success in overseas markets;
5. Strengthened balance sheet through a capital raising and further debt reduction; and
6. Reintroduced dividends

Funtastic today announced that Earnings Before Interest, Tax, Depreciation & Amortisation (EBITDA) for the 12 months ended July 2013 was \$23.976 million compared with \$20.198 million in FY12. Net Profit for the period rose to \$13.962 million, an increase of \$3.526 million or 17%, and included a gain of \$3.272 million on the early settlement of deferred acquisition consideration.

Additionally in May the company paid its first dividend since 2006, a fully franked dividend of 0.5 cents a share. The dividend was subject to the company's dividend reinvestment plan (DRP) which was fully underwritten. Funtastic is delighted to announce that the Board has declared a final dividend of 0.5 cents a share (fully franked) which will be paid in November, the DRP will be suspended for this dividend.

Funtastic's Chief Executive, Stewart Downs said: "Given the difficult retail conditions, it is pleasing to report improved earnings, despite some sales declines domestically. Both our domestic businesses, Funtastic Australia and Madman Entertainment, have become solid and reliable contributors and we are excited by our Funtastic Brands growth."

"The results reflect the successful implementation of our strategy to grow and develop our own brands and IP. We are very happy with the repositioning of the Funtastic Brands business and its evolution into a global manufacturer. The recently announced acquisition of the Chill Factor brand is an extremely exciting development for the company and a perfect addition to the portfolio of brands we now own" Mr Downs said.

Downs added that "we are also pleased to have strengthened the balance sheet during the year and rewarded shareholders with a return to dividends."

The highlights of the company's results announced today for the year ending on July 31 2013 include:

- Base profitability¹ improved by 2% on the prior corresponding period;
- Gross Profit Margins improved from 41.9% by 1.3 percentage points to 43.2% driven by Funtastic's own brands and tighter domestic portfolio;
- Net profit after tax of \$14.0 million, \$3.5 million, or 34% up on the prior corresponding period;
- EBITDA of \$24.0 million vs \$20.2 million in the prior corresponding period;

- Net profit and EBITDA each include a gain of \$3.3 million on the early settlement of deferred acquisition consideration; and
- Fully franked interim dividend of 0.5 cents per share paid and the Board has declared a fully franked final dividend, of 0.5 cents per share.

¹Base profitability refers to Net profit after tax adjusted to exclude \$3.3m gain on early settlement of deferred acquisition consideration

| 12 months Ended July 2013 (\$m) | FY13 | FY12 |
|--|--------------|--------------|
| Revenue | 166.55 | 170.69 |
| EBITDA | 23.98 | 20.20 |
| EBITDA adjusted for gain on early settlement of deferred acquisition consideration | 20.70 | 20.20 |
| Net Profit | 13.96 | 10.44 |

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