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**funtastic**  
LIMITED

**2015 Full Year Results**



## An Improved Outlook

During FY15 we have commenced the implementation of a clearly defined strategy, which focuses on the development, manufacturing and marketing of products that enrich lifestyles around the world and despite a tough operating year, this has produced positive effects.

As evidence by the improvement shown in the second half, the raft of initiatives put into place at the start of the year have started to deliver the desired outcomes. There exists a robust roadmap of innovative products that will allow this upward trend to continue. Working on a global scale, the route to market can often take longer than planned, however we are making inroads into many of the world's largest economies, including the US and Europe.

A new, dynamic senior management team, supported by excellent staff have devised a strategy for growth that is fully supported by our bankers, agency partners and customers.

Taking our own brands to consumers around the world is a key pillar of this strategy and this year has seen the development of Zap Chef, Fun Bites and a partnership deal with the world's leading sportsman, Lionel Messi and a toy that kids around the world love, Leo Messi FootBubbles.

We also have more products with improved margins in our portfolio; this includes an expansion into homewares and healthfoods.

The US operation continues to grow, with headquarters in San Francisco and a number of key staff in place across the country.

The good news continues into the first two months of FY16, both have been profitable and we expect this to continue for the full year. We will provide further updates at the AGM once we have additional sell through information regarding some of these exciting new products.



**Nir Pizmony**  
**Managing Director & Chief Executive Officer**

## Performance was below expectations:

	1H14	2H14	1H15	2H15	FY14	FY15
Continuing operations						
Revenue	61.3	63.3	50.4	55.6	124.6	106.0
Operating expenses	18.9	18.1	19.6	16.3	36.9	35.9
EBITDA before Impairment	1.7	-2.5	-4.2	-2.4	-0.8	-6.6
Impairment	0.0	0.0	11.1	0.0	0.0	11.1
Depreciation & amortisation expenses	2.3	2.2	2.0	1.5	4.4	3.5
Finance costs	2.4	1.7	1.3	1.6	4.1	3.0
Income tax expense	0.0	0.7	9.5	0.2	0.7	9.7
NPAT continuing operations	-3.0	-7.1	-28.1	-5.9	-10.0	-33.9
Discontinued operations	-23.0	-2.7	-0.4	-3.2	-25.7	-3.7
NPAT	-26.0	-9.7	-28.5	-9.1	-35.7	-37.6
EPS (Cents) continuing operations	-0.4	-1.1	-4.2	-0.9	-1.51	-5.1
Net Debt	48.3	31.7	41.2	41.5	31.7	41.5

### Softer Than Expected International Sales

Largely due to higher inventory levels (most which have sold through within the 2nd quarter) and timing in the shipment of new products such as the Messi FootBubbles.

### Lower Domestic Margins

As a result of ongoing clearance activities, channel mix and weakening of the Australian Dollar.

### Higher Overhead Costs

Due to additional one-off rationalisation costs and constraints over contractual periods before cost cutting initiatives fully materialised.

### Limited Depth Of Product Range

Pipeline of product at commencement of FY15 was limited.

### US Distribution Model Delays

Timing to fully implement our own distribution model in the US.

## Balance Sheet (\$M)

	FY14	FY15
Current Assets	46.3	31.0
Non Current Assets	82.1	60.1
<b>Total Assets</b>	<b>128.4</b>	<b>91.1</b>
Current Liabilities*	52.2	49.4
Non Current liabilities*	8.3	11.6
<b>Total Liabilities</b>	<b>60.5</b>	<b>61.0</b>
Shareholders Funds	67.9	30.1

\* \$11m of the debt facility is not payable within 12 months but reflected under current liabilities in the audited AFS due to timing of finalising the revised agreement.

\* Facility limit \$55.2m, which has been extended to December 2016 (previously July 2016).

## Cash Flow (\$M)

	FY14	FY15
Net cash (used in)/provided by operating activities	5.3	-4.8
Income taxes paid	-0.1	-0.1
Interest paid (Net)	-3.4	-3.0
<b>Net operating cash flow</b>	<b>1.8</b>	<b>-7.9</b>
<b>Net cash used in investing activities/received from divestment</b>	<b>18.9</b>	<b>-1.6</b>
Proceeds from borrowings	2.7	8.7
Repayment of borrowings	-19.6	-2.9
Dividends paid	-3.3	-0.0
<b>Net financing cash flow</b>	<b>-20.2</b>	<b>5.8</b>
Net change in cash held	0.5	-3.6
Exchange rate impact on cash held in foreign currencies	0.1	-0.4
<b>Net change in cash held after exchange rate impact</b>	<b>0.6</b>	<b>-4.0</b>

## Challenges overcome for FY16

FY16 will benefit from the following initiatives that have been implemented. The more recent performance has been profitable. Further updates will be available at the AGM.

- ✓ **Business restructuring completed**
- ✓ **Cost savings initiatives implemented**
- ✓ **Inventory levels normalised**
- ✓ **Improved margins**
- ✓ **Greater depth of product**

## Pathway back to sustainable profits and shareholder returns

### **Create and Identify New Innovations**

Continue to create and identify new innovative products, supporting new or existing brand strategies that are unique and enrich lifestyles around the world.

### **Broaden and Build Brand Equity**

Continue to broaden and build brand equity of our own brands.

### **Continued Enhancements**

Continue to enhance our product development, manufacturing and global supply chain capabilities.

### **Direct To Retail Distribution USA**

Solidify the development of our direct to retail distribution in the United States of America.

### **Global Network**

Enhance our global network of distributor partners.

### **Agency Partners**

Manage and sustain our core agency partners, and secure new agencies that are aligned to key categories.

### **Improve Operating Margins**

Increasing and leveraging product portfolio, broadening distribution channels and maximising margins in the most cost efficient manner.

## Brands



## Key Highlights



**Leo Messi FootBubbles Starter Kit**  
 Messi, the undisputed champion of international football, the winner of 4 FIFA Golden balls and the world's number one player will become the face of this innovative product line, Leo Messi FootBubbles by Funtastic.



**LeapPad EPIC**  
 Epic is the fully-featured kids tablet that is built kid-tough with a huge 7" hi-res screen and Wi-Fi access to kid-safe web and hundreds of games, apps, videos, and more in LeapFrog's library.



**Paw Patroller**  
 The Paw Patroller is the ultimate rescue vehicle. A Lookout on wheels that can take the pups on new and exciting adventures! The pups can drive their vehicles in and head out together for adventure in a new city.



**Razor E300 Scooter**  
 With a larger deck, frame and tyres for teens and adult riders alike, the E300 is one of Razor's fastest electric scooters, travelling up to 24 kilometres per hour!! Twist the throttle and feel the thrill of electric power.

## Brands



## Key Highlights



### Pure Organic

Capitalising on the phenomenal growth in the health foods offering throughout Australia, Pure Organic is a range of bars that are made from 100% Organic Whole Food Ingredients. Gluten free, Non-GMO, Organic and Vegan....the brand delivers on all of the key elements to ensure success in this all important category.



### Warheads

The ultimate in extreme candy that will blow your mind...a cult hit with kids. Strong performer in Route, P&C and Grocery and is consistently performing in Funtastic's top ten lines. The brand delivers a strong range of products across hard candy, gummi and liquids.



### Zaini

Delivering strong product offers via a range of Disney Surprise Eggs. Fantastic product that contains a themed toy inside linked to the major launch of movies such as Frozen, Inside Out...with exciting future launches including The Good Dinosaur, Zootopia and others. A world of fun.



## Brands



*get cooking!*



## Key Highlights



**Zap Chef**  
Funtastic's own easy to use microwave cooking range. The Crackin' Egg and Poppin' Corn products have already tasted great success in Australia and Internationally.



**Chill Factor**  
With sales in excess of 12 Million units worldwide and continuous product innovation, The Chill Factor brand continues to thrive and grow in all markets.



**FunBites**  
Creating bite-sized fun for little children, Funtastic is the Australian and International manufacturer of the Award winning Funbites - making kids food fun.