FY16 H1 RESULTS

March 2016

FY16 H1 - Executive Summary

On the Road to Recovery

The first half of FY16 has seen a return to an EBITDA profit from a loss of $4.2m in the same period last year (excluding discontinued operations and impairment)

The benefits of the key initiatives implemented over the last 18 months are starting to deliver the desired outcomes as we transform from an Australian distribution company to a global brand owner.

- Group Revenue up 13%
- Our International sales were up 69.9%
- Gross margin % was up 8.5%
- Gross profit up 22.3%
- Operating costs down 7.8% (14.4% excluding USA costs)
- Continued to reduce slow moving inventory (warehouse capacity reduced by 60%)

Our dynamic management team, supported by excellent staff have been working relentlessly to implement the devised growth strategy and build a sound platform for future growth.

Our own brands have performed well with stable business from brands such as Chill Factor and Zap Chef, supported with exceptional performance from our partnership deal with the world's leading sportsperson, Lionel Messi. The partnership which commenced with a toy that kids around the world love, Leo Messi FootBubbles has now been extended to include a range of additional products for his fans to enjoy. These products will be launched globally in the coming months.

We have expanded our product portfolio with improved margins. This includes expansion in our confectionery, homewares and health foods categories supported by dedicated focussed teams.

The US operations has been growing but at a slower rate than expected. We have a number of key staff in place who have been making traction in a number of key mid-tier retailers. The strategy is to develop sound key trade relationships enabling the Company to expand its product range successfully.

We will commence a capital raising through a share placement and share purchase plan (for all Australian and New Zealand shareholders registered as at 31st March 2016) to support the continued investment in our own brands and global distribution, particularly the USA.

Our bankers, the National Australia Bank(NAB) have continued to support the business . In March 2016, we had our facility agreement extended to 1st November 2018 (Overdraft until June 2017)with a more flexible facility to support the current and future structure of the business.

1H16 Financial Results

Return to positive Underlying EBITDA

	H1 FY2015	H1 FY2016	Change vs pcp	AGM Guidance Achieved *
Net Sales	$50.4m	$57.1m	13.3%	✓ $56m to $58m
Gross Profit	$14.4m	$17.7m	22.3%	n/a
Gross Margin	28.5%	31.0%	8.5%	✓ 31% to 33%
Underlying EBITDA**	$(4.2m)	$0.1m	large	✓ Break-even

H1 FY16 includes $1.3m of additional costs in the USA vs PY. The full benefit of this investment will materialise in future periods.

**Full year 2015 AGM Presentation*
***Underlying EBITDA excludes discontinued operations and Impairments*

Fundamental Improvements in business

Transformation from an Australian distribution company to a global brand owner

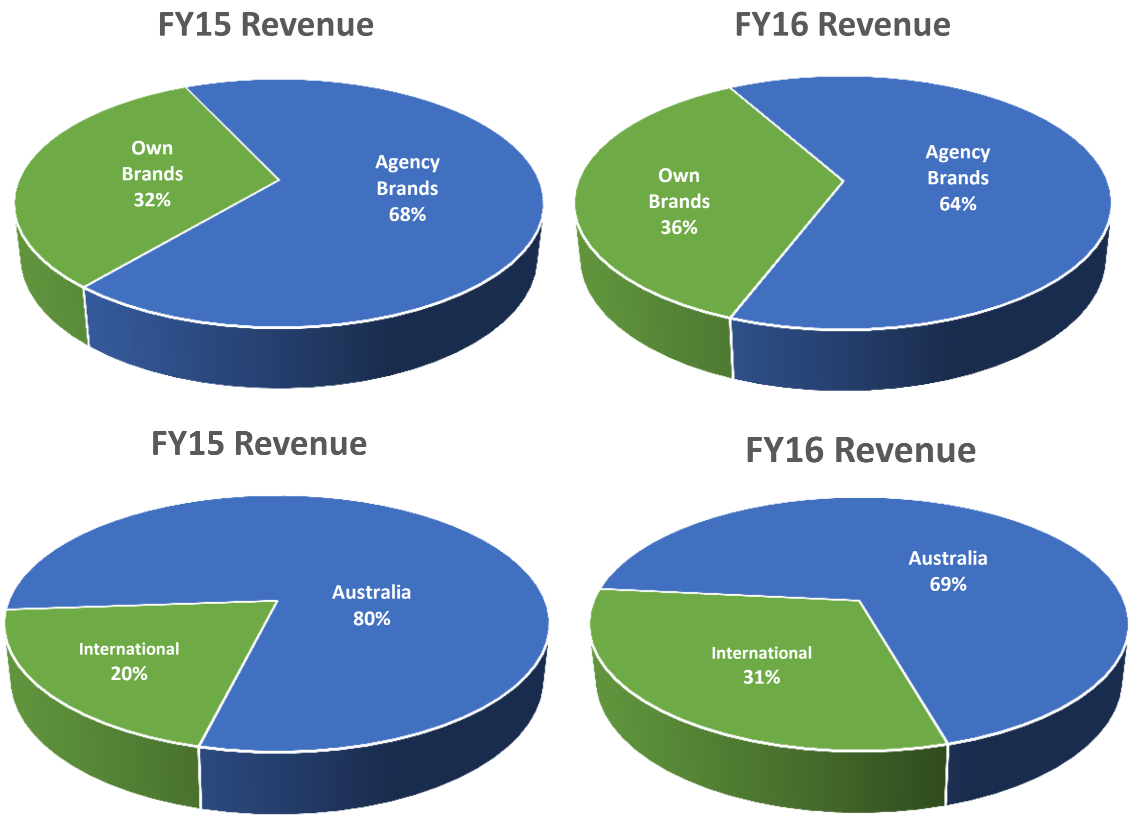
- ☑ Divestment of non-core assets
- ☑ Improved margins and reducing risk through owned brand vs agency sales mix
- ☑ Growing international sales with better margins
- ☑ Reduced excess inventory
- ☑ Replacement of non-profitable agency products
- ☑ Implemented cost saving initiatives

Company Overview

- Funtastic is an owner and distributor of branded lifestyle merchandise
- Products span toys, homewares, confectionery and health foods
- Direct to market distribution capabilities in Australia and USA
- Access to key global markets through network of distributors
- End-to-end capabilities:
  - Product Development
  - Supply Chain Management
  - Quality Control
  - IP Protection
  - Marketing
  - Distribution

Strategy

- Develop and enhance our own brands
- Invest and grow international sales profitably to reduce reliance on Australia
- Broaden portfolio of brands in Australia by increasing our own and agency brands in:
  - Toys, Sporting and Party Items
  - Confectionery and Health Foods
  - Homewares
- Manage costs and improve margins :
  - Continue to reduce fixed warehousing costs (fixed annual warehousing costs have reduced by $1.2m pa in 18 months)
  - Continue to convert fixed costs to variable
  - Continue to improve margins through better pricing, product, customer and geographical mix. (Margins improved by 8.5% in H1 vs PY)



FY16 Outlook

We expect positive trends to continue in H2 with higher margins and lower costs, delivering a higher EBITDA than H1 based on the following:

- Higher % sales from own brands
- Higher % sales from our international business
- Greater depth of product and customers
- Expectations that USA EBITDA will continue to improve
- Lower warehousing costs

ZAP CHEF get cooking!

Pillow Pets

Paw Patrol

CHILLFACTOR™ changes everything

MESSI BRAND GLOBAL LICENSE