

FY16 OUTLOOK & CAPITAL RAISING PRESENTATION

April 2016

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Executive Summary

- Capital raising of up to \$3m
 - Share Placement of \$1.05m achieved including \$0.55m from Executive Directors*, plus
 - Share Purchase Plan to:
 - Support USA direct distribution development
 - Expand own brand development (Globally)
- Ongoing bank support:
 - Increased flexibility in the banking facility
 - Banking facility extended to November 2018 (see slide 11 for further details)
- Achievements to date:
 - Return to profitability : \$4.3m EBITDA improvement for the same period in the prior year (\$5.6m improvement excluding additional USA costs)
 - Loss for the period reduced from \$46m (restated – previously reported \$28.5m)** to \$3.6m
 - Transformation underway from an Australian distribution company to a global brand owner
 - Continue to invest and grow international sales and develop and enhance own brands
 - Expect lower costs and higher margins in H2 2016 (see slide 8 for further details)

* Director participation conditional on shareholder approval

** Full details can be found under note 1, page 17 of the published half-year accounts

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



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1H16 Financial Results

Return to positive Underlying EBITDA

	H1 FY2015	H1 FY2016	Change vs pcp	AGM Guidance Achieved *
Net Sales	\$50.4m	\$57.1m	↑ 13.2%	✓ \$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
Net Loss before tax from continuing operations	\$(36.6m)***	\$(3.4m)	↑ 90.6%	n/a

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

*** Please note that the PY results were restated - Full details can be found under note 1, page 17 of the published half-year accounts.

Fundamental Improvements in business

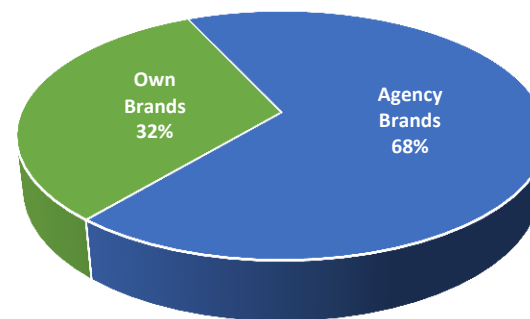
Transformation from an Australian distribution company to a global brand owner

- ✓ 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

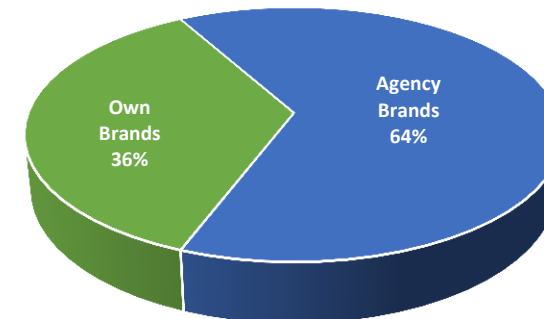
Strategy

- 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 8.8% in H1 vs PY)

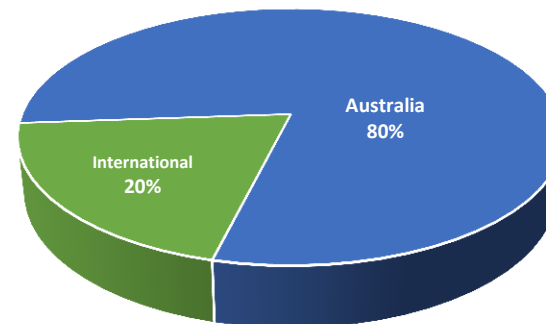
FY15 Revenue



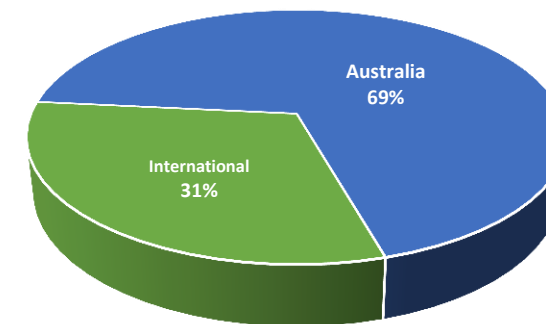
FY16 Revenue



FY15 Revenue



FY16 Revenue



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



get cooking!



Paw Patrol



changes everything



**MESSI BRAND
GLOBAL LICENSE**



SOCIAL MEDIA



75,483,264 likes



12,500,000 followers



1,364,810 views



1,080,000 followers

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Capital Raising

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Capital Raising

Total equity raising of up to \$3.0m comprising a \$1.05m Share Placement* and a Share Purchase Plan

SHARE PLACEMENT FINALISED

- \$1.05m raised through Share Placement to eligible Professional and Sophisticated investors
- Issue price of \$0.020 per share 13% discount to closing price at 31st March 2016 of \$0.023
- Nir Pizmony and Grant Mackenzie have committed \$0.55m subject to shareholder approval at an EGM expected on or around 17th May 2016
- Placement shares will not be eligible to participate in the Share Purchase Plan

SHARE PURCHASE PLAN

- Share Purchase Plan to eligible shareholders
- Eligible shareholders each have the ability to apply for up to \$15,000 worth of shares
- Offer price of \$0.02 per share – 13% discount to closing price at 31st March 2016 of \$0.023
- Open to all eligible shareholders in Australia and New Zealand on the Record Date of 31st March 2016

USE OF FUNDS

- Support USA direct distribution development
- Expand own brand development (Globally)

* Director participation conditional on shareholder approval

Extended Debt Facility

Debt facility amended as follows:

	Current*	Revised	Expiration/review date
Trade Finance/LC	\$31.0m	\$18.0m	01-Nov-18
Revolving Bill	\$15.0m	-	30-Jun-16
Corporate Markets Loan	-	\$28.0m	01-Nov-18
Overdraft facility	\$3.7m	\$3.7m	30-Jun-17
Bank guarantee limit	\$ 3.3m	\$3.3m	30-Jun-17
National on line limit	\$1.0m	\$1.0m	30-Jun-17
Business credit card	\$0.2m	\$0.2m	30-Jun-17
Total	\$54.2m	\$54.2m	

Previous expiration date 31st December 2016

Which provides the following benefits:

- Increased facility flexibility to address seasonal business cycles and planned growth
- Conversion of short term debt to long term debt and ongoing bank support will provide improved confidence from suppliers and customers
- Provides a pathway to sustainable profitability and retirement of debt through growth in own brands and International expansion

	31 Jan 16 Pre-capital raising	Pro-forma Impact of capital raising & bank facility amendment *	Pro-forma 31 Jan 16 Post-capital raising
Current assets			
Cash & equivalents	\$1.0m	\$3.0m	\$4.0m
Other current assets	\$29.1m		\$29.1m
Total current assets	\$30.1m	\$3.0m	\$33.1m
Current liabilities			
Interest bearing liabilities **	\$48.9m	(\$28.0m)	\$20.9m
Other current liabilities	\$12.9m		\$12.9m
Total current liabilities	\$61.8m	(\$28.0m)	\$33.8m
Long term interest bearing liabilities	\$0.0m	\$28.0m	\$28.0m
Total Net Debt	\$47.9m	\$3.0m	\$44.9m

*excludes costs of the capital raising expected to be between \$100k to \$150k

** includes all bank debt– bank facility agreement at half year end expiration within 12 months

Capital Raising Timetable

	Share Placement (excluding Directors)	Conditional Share Placement (Directors)	Share Purchase Plan
Trading Halt – before market opens	1 st April 2016	1 st April 2016	N/A
Announcement of share placement and share purchase plan	1 st April 2016	1 st April 2016	1 st April 2016
Announcement of completion of share placement –after market closes/before market opens *	4 th April 2016	4 th April 2016	5 th April 2016 *
Trading Halt Lifted	5 th April 2016	5 th April 2016	5 th April 2016
Record date for SPP	N/A	N/A	31 st March 2016
SPP opens	N/A	N/A	8 th April 2016
SPP closes	N/A	N/A	29 th April 2016
Shareholder meeting to approve directors participation in placement and refresh placement capacity	N/A	17 th May 2016	N/A
Allotment of shares	15 th April 2016	27 th May 2016	6 th May 2016
New shares expected to commence trading	19 th April 2016	31 st May 2016	9 th May 2016
Despatch of holding statements	21 st April 2016	3 rd June 2016	6 th May 2016

This timetable is indicative only and the Company reserves the right to alter any of the above dates

Risks

GENERAL RISKS

Market conditions

A number of factors affect the performance of share market investments that could affect the price at which the Shares trade on the ASX. The market price of securities can fall as well as rise and there may be varied and unpredictable influences on the market for equities in general such as terrorism, currency fluctuations, commodity prices and interest rate movements. These factors may materially affect the market price of Shares regardless of the Company's performance.

Economic risk

General economic conditions, introducing of tax reform, movements in interest, inflation and currency exchange rates may have an adverse effect on the Company's business activities and potential development programmes.

Government factors

The introduction of new legislation or amendments to existing legislation by governments can impact adversely on the financial performance of the Company.

Accounting Standards

Australian accounting standards are set by the Australian Accounting Standards Board (AASB) and are outside the Company's control. Changes to accounting standards issued by AASB could materially adversely affect the financial performance and position reported in the Company's financial statements.

COMPANY SPECIFIC RISKS

Growth strategy

The Company's history reflects its ability to identify, acquire and integrate new products and agency brands that are complementary to its business. While the Company intends to pursue its growth strategy both through innovative products and agency brands there is no certainty to the extent that the Company will always be successful in securing such opportunities. Implementation of such additions may require additional resources, including management time.

Currency risk

Revenue and expenditures in overseas jurisdictions are subject to the risk of fluctuations in foreign exchange markets. Any payment by the Company in foreign currencies may exceed the budgeted expenditure if there are adverse currency fluctuations against the Australian dollar.

Risks

COMPANY SPECIFIC RISKS Continued

Foreign dealings

There are certain risks inherent to doing business internationally, such as unexpected changes in regulatory requirements, tariffs, customs, duties and other trade barriers, difficulties in managing foreign operations, longer payment cycles, problems in collecting accounts receivable, political instability, expropriation, nationalisation and war.

Operating risks

The operations of the Company may be affected by various factors, including (without limitation) contractual disputes, disruptions, supply shortages and labour conditions where the Company operates.

Regulatory changes

The Company and many of its products that are sold into end markets are regulated by various national and local regulations. Changes in those regulations could result in additional costs, seizures, confiscations, recalls or fines, any of which could prevent the Company from developing and distributing of its products.

Reliance on key personnel

The Company currently employs a number of key management personnel, and the Company's future depends on retaining and attracting suitably experienced personnel. The loss of key personnel could adversely affect the Company and its activities. The Company's success depends, in part, on its ability to identify, attract, and retain suitably qualified management personnel. The inability to access and retain the services of a sufficient number of such staff could be disruptive to the Company's development efforts or business development that could materially adversely affect its operating results.

Reliance on third parties

The Company has and continuously forms various business relationships with other organisations in relation to potential products and services. There can be no assurance that the Company will be able to attract and retain such relationships and to negotiate appropriate terms and conditions with these organisations or that potential agreements with such organisations will be complied with.

Additional capital

The Company's ability to continue its current operations and effectively implement future business plans may depend on its ability to raise additional funds. There is no guarantee that equity or debt funding will be available to the Company on favourable terms or at all or that, when an existing facility expires or is otherwise terminated (for example, due to an event or default), the Company will be able to refinance that debt facility on reasonable terms.

An inability to raise additional capital or refinance existing facilities may have a material adverse effect on the Company's operating and financial performance. If additional funds should be raised by issuing equity securities, this might result in the dilution of the then existing shareholders

Risks

COMPANY SPECIFIC RISKS Continued

Forecasts

The Directors consider that it is not possible to accurately predict the future revenues of the Company or timing thereof. The business of the Company is dependent on successful penetration into key international markets with new innovative products as well as the supply of new products from our key partners. Consequently the Company and Directors do not make any forecast or representation in relation to the Company's future financial position or performance.

Litigation risk

Legal proceedings may arise from time to time in the course of the Company's business and the Company cannot preclude the possibility that litigation may be brought against it, or that the Company may be compelled to initiate litigation against other parties in order to protect its legal rights. Litigation involves considerable cost, uncertain outcomes and possibly adverse publicity which negatively impact on the trading price and liquidity of Shares.

Force majeure

Force majeure describes events including acts of God, fire, flood, earthquakes, war and strikes beyond the control of a party claiming occurrence of any such event. To the extent that a Force Majeure event occurs, it may have a detrimental effect on the ability of the Company to operate, its financial performance and value and price of Shares.

Loss of key customers

There is no guarantee that the Company will be able to retain existing customers, or attract new customers in the future. This would have a materially adverse impact on the Company's operating results and viability.

Loss of key suppliers

There is no guarantee that the Company will be able to retain existing key suppliers, or attract new suppliers in the future. This would have a materially adverse impact on the Company's operating results and viability.

Product liability

The importing and provision of consumer products contains an inherent risk of liability arising from personal injury or property damage claims caused by such products. The Company currently has insurance in place in respect of its present scope of operations. However, there cannot be any assurance that claims will not be directed at the Company, its customers or partners, or that product liability insurance will be available at all or at reasonable cost, as and when the Company's business develops.