



1 August 2016

ASX Announcement

Funtastic expected 2016 results

In April this year, the Company provided guidance as to its future prospects; however as a result of some recent adverse market events, European economic developments, the early termination of the Leapfrog agency agreement and delays in new product launch timetables the Company provides the following update.

The company expects an EBITDA loss for the full year between \$5.5m and \$6m (PY \$6.6m), before accounting for additional inventory write-down mostly for Leapfrog of between \$1m-\$1.5m and an impairment charge between \$1.5m and \$2m is expected (PY \$30m).

As per the Company's April update, it was expecting an improved Q4 performance however unforeseen and adverse events have impacted the result significantly. These events included;

1. European customers significantly reducing purchases as a result of poor season sales and business uncertainty as a result of "BREXIT";
2. Slower than anticipated establishment of U.S distribution partnerships;
3. Delay of key product launches due to delayed quality control assessments, now moved into the FY17 financial year; and
4. Key discount department store customer's unexpectedly reducing purchases as a result of organisational restructuring and inventory consolidation.

Further the reduced sales volumes and termination of the Leapfrog agency agreement has resulted in the need to take write-downs on the residual inventory.

In recognition of the reduced revenues and margins, management has now implemented a program of operational restructuring that will deliver between \$5m - \$7m per annum of operational cost reductions from the start of the FY17 financial year.

Despite these unforeseen events impacting short term performance, the Company expects to benefit from a more efficient and productive business structure going forward with new products and higher margins positively impacting future results.

Grant Mackenzie
CFO & Company Secretary
Funtastic Limited