

FUNTASTIC LIMITED

ANNUAL GENERAL MEETING

29 November 2018

FUNTASTIC LIMITED

AGM PRESENTATION

29 November 2018 | ASX:FUN
CEO / MD / Shareholder : Steven Leighton



Agenda

1. FY18 RESULTS SUMMARY
2. MARKET DATA
3. FY19/20/21 STRATEGIC INITIATIVES
4. TOY STORY 4
5. COMMERCIAL OUTLOOK

FY18 Results Summary

FY18 RESULTS SUMMARY

Key Metrics

Revenue

\$41.7m

2017: \$55.7m

Net Profit After Tax

\$28.2m

2017: (\$29.7m)

Operating cashflow

(\$10.2m)

2017: (\$2.8m)

Statutory EBITDA

\$31.5m

2017: (\$22.8m)

Earnings per share

32.5c

2017: (102.5c)

Net debt

\$19.6m

2017: \$51.9m

Operating EBITDA

\$2.5m

2017: (\$5.6m)

Return on equity

13.24%

2017: (15.98%)

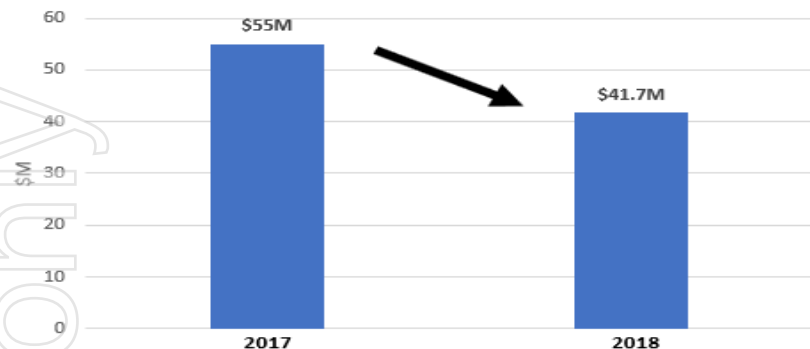
Net debt/EBITDA

\$0.6 x

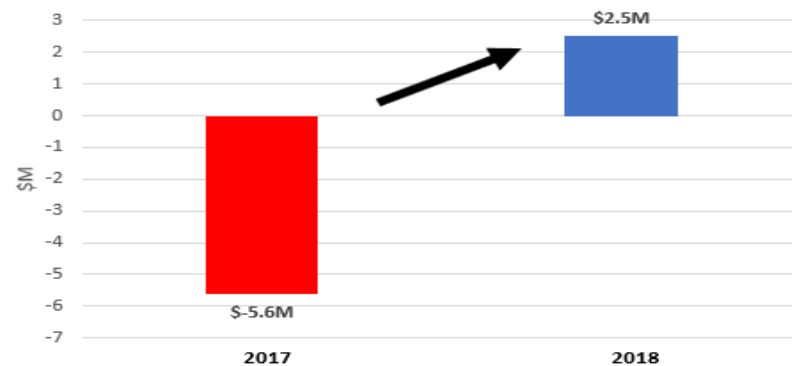
2017: N/A

FY18 RESULTS SUMMARY

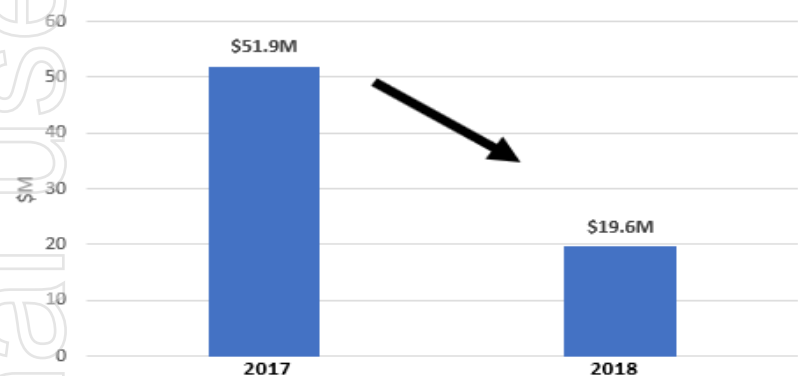
REVENUE



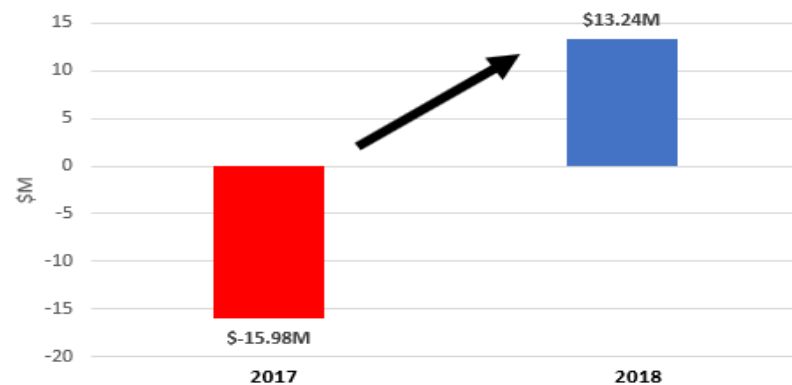
OPERATING EBITDA



NET DEBT



RETURN ON EBITDA



	FY2017	FY2018	VARIABLE
Employees	82	54	-28
Overheads \$m	22,998	14,870	-8,210

FY18 RESULTS SUMMARY

Key Metrics

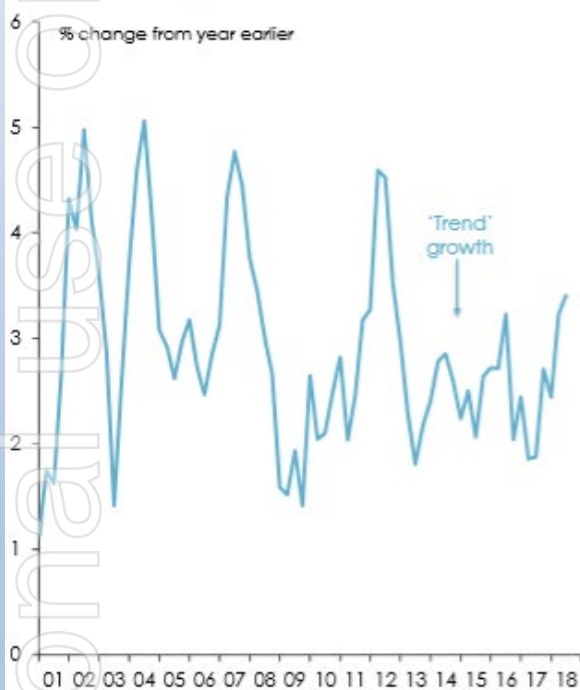
	FY2017	FY2018	
Revenue	\$55.7m	\$41.7m	
Operating EBITDA	(\$5.6m)	\$2.5m	✓
Statutory EBITDA	(\$22.8m)	\$31.5m	✓
Net Profit After Tax	(\$29.7m)	\$28.2m	✓
Earnings Per Share	(102.5c)	32.5c	✓
Return on Equity	(15.98%)	13.24%	✓
Net Debt	\$51.9m	\$19.6m	✓
Net Debt/EBITDA	N/A	\$0.6 x	✓

Market Data - Current

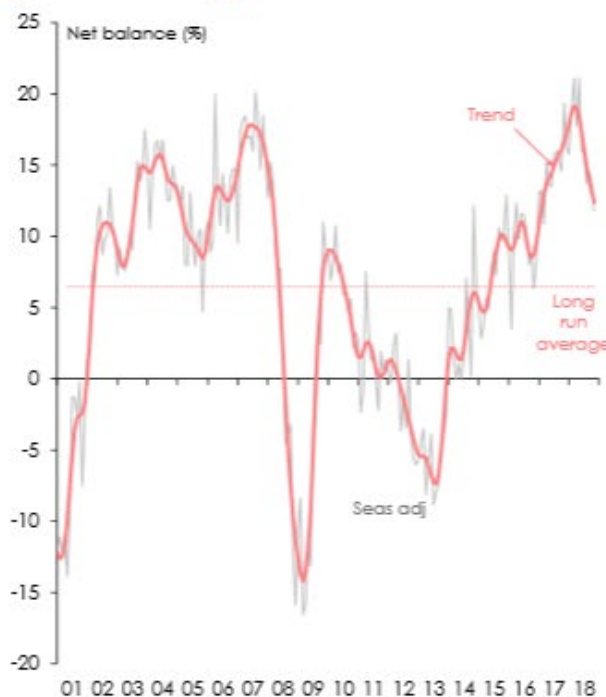
MARKET DATA

Australian economic growth is now above 'trend', business conditions are 'good', but both business and consumer confidence are soft

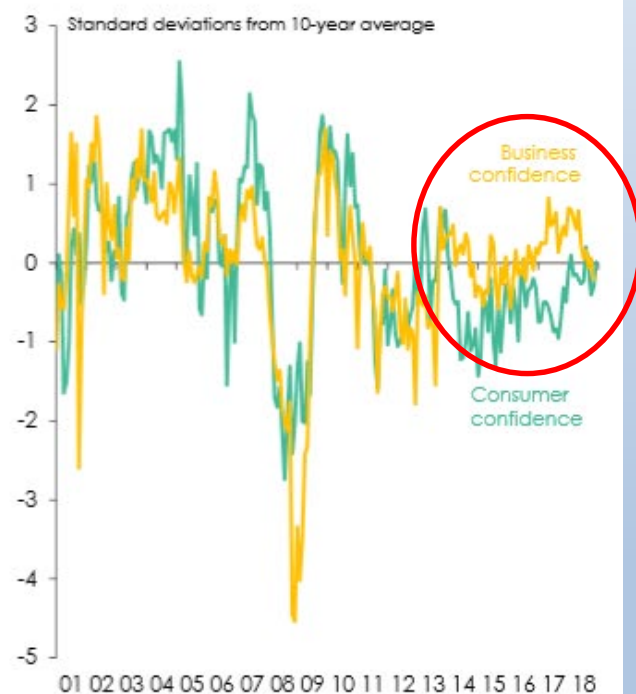
**Economic growth
(real GDP)**



**'Business conditions'
(NAB survey)**



Business and consumer confidence



Sources: ABS; National Australia Bank; Westpac-Melbourne Institute.

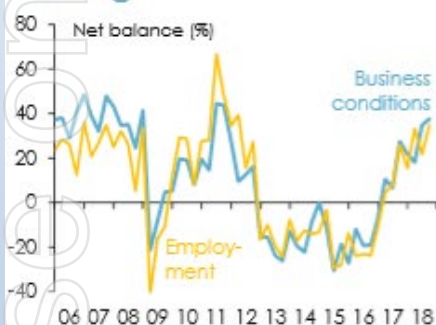
SAUL ESLAKE
CORINNA ECONOMIC ADVISORY

MARKET DATA

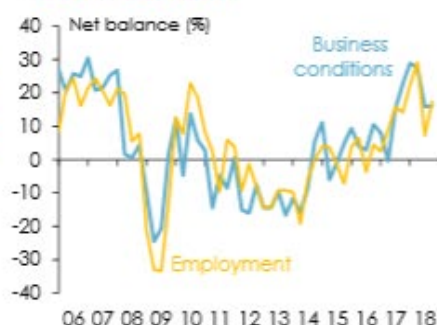
Economic growth is more even across major sectors, with mining and even manufacturing picking up, though retail is still struggling

NAB quarterly survey – business conditions and employment by major industry group

Mining



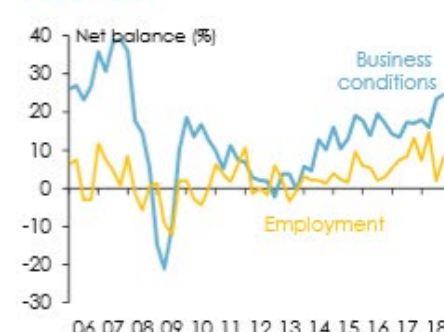
Construction



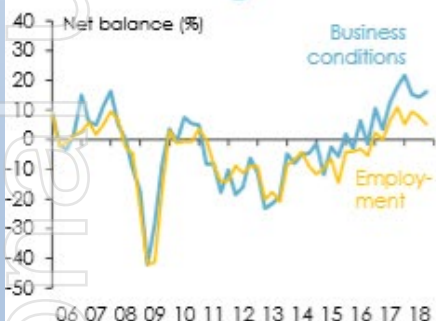
Wholesale trade



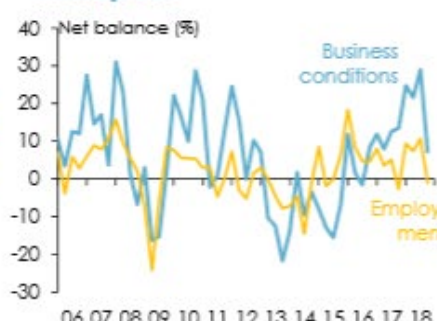
Finance



Manufacturing



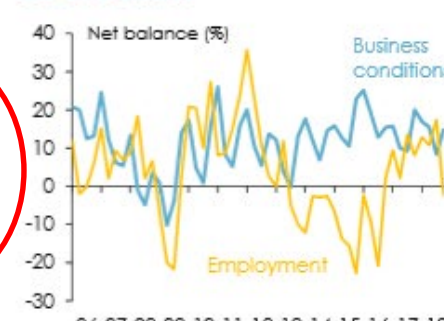
Transport



Retail trade



Recreation



Source: National Australia Bank.

SAUL ESLAKE
CORINNA ECONOMIC ADVISORY

NPD

October 2018

Toys Market Overview

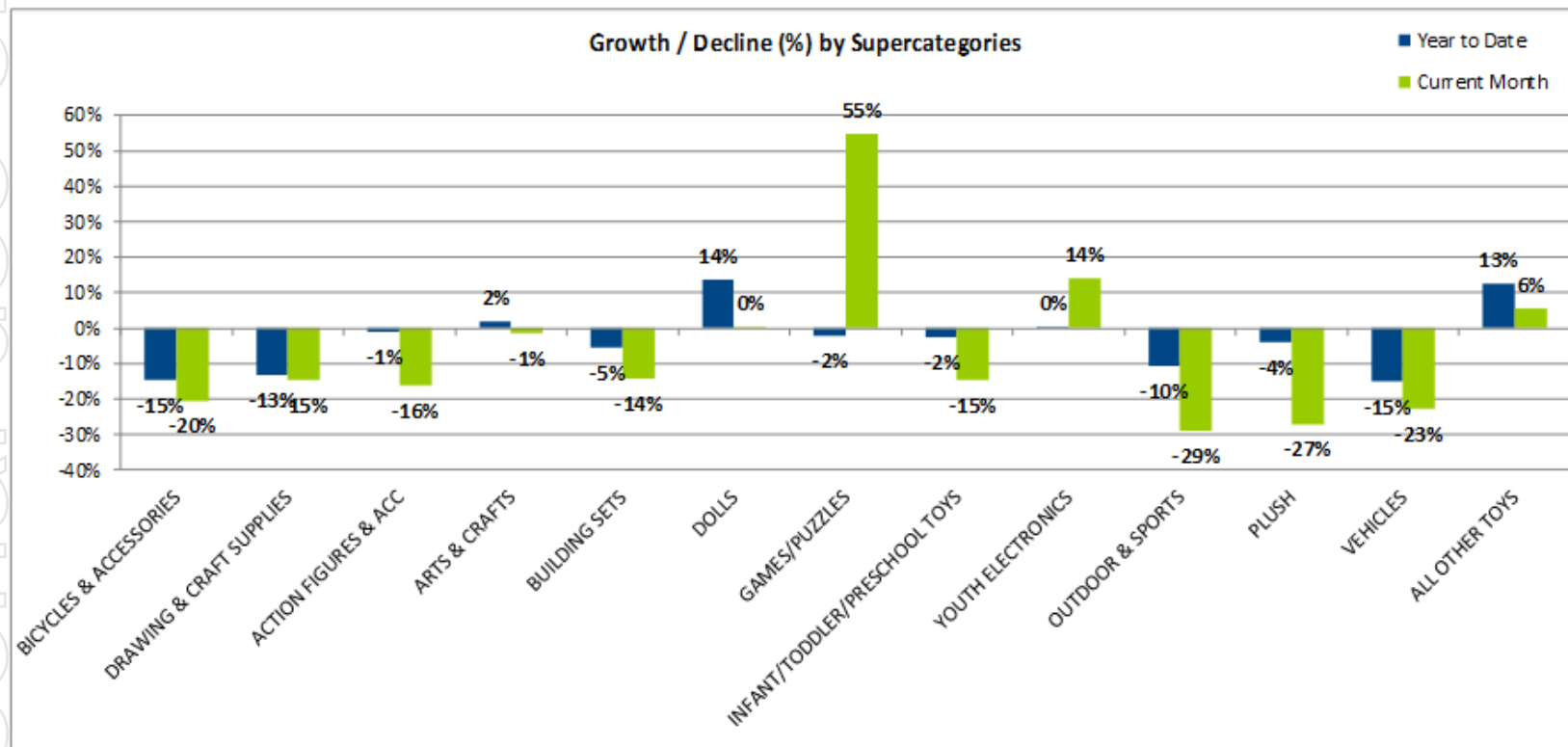
Current Month & Year to Date

EPoS Service Australia



Since the closure of TRU the revenue it generated hasn't migrated to other retailers – Xmas trading should realise growth within existing customers

	Year to Date						Current Month					
	Sales (K AUD)	%chg	K Units	%chg	Avg. Price	%chg	Sales (K AUD)	%chg	K Units	%chg	Avg. Price	%chg
TOTAL	677,272	-3%	41,626	-7%	16.27	4%	68,919	-12%	3,869	-18%	17.81	8%



FY19/20/21 Strategic Initiatives

STRATEGIC INITIATIVES

Today we have 8 key strategic initiatives that will drive and improve sustainable revenue and profitability, they are:

- 1. Grow and build our own brands.**
- 2. Grow our International footprint and performance**
- 3. Develop, align and acquire long term supply partnerships that reduces the dependence of transactional revenue opportunities.**
- 4. Focus/grow/develop our licensing portfolio.**
- 5. Develop our distribution and customer footprint outside of Mass. Specialty, E-commerce and Independents.**
- 6. Build commercial acumen and implement disciplined business processes.**
- 7. Cost base – continual review with a variable and reduction focus.**
- 8. Invest in people, culture and leadership.**

SUCCESS AGAINST STRATEGIC INITIATIVES

1. Grow and Build our own Brands

- ❖ Chill Factor – relaunch with license propositions Jan 2019
- ❖ Pillow Pets – continued rollout of rebranding
- ❖ New Product Development – key releases scheduled for CY19

2. Grow our International Footprint – Key Launches in FY19

- ❖ Centralise Int Ops - Nov
- ❖ Chill Factor - Jan
- ❖ Sqooshy Mushy - Jan
- ❖ Pillow Pets - Jan
- ❖ Energy Blok - Jan

3. Long Term Suppliers

- ❖ Major Distribution partnerships:

Razor, HER, Joker, Alpha, Thinkway, Pai International, Learning Resources

SUCCESS AGAINST STRATEGIC INITIATIVES

4. Major Licenses acquired for product offers

- ❖ Jo Jo Siwa
- ❖ Paw Patrol
- ❖ LOL
- ❖ Sqooshy Mushy
- ❖ TS4

5. Develop our distribution and customer base

- ❖ Significant distribution gains within Independent toy retailers, Outdoor sports and specialist
- ❖ Double digit growth for Ecommerce year on year - +50%

6. Build commercial acumen and discipline business processes

- ❖ Improved Management Team both in skill and competency base
- ❖ Business processes and practices – financially driven
- ❖ Innovation Council – commercially outcome focussed

SUCCESS AGAINST STRATEGIC INITIATIVES

7. Continual review of fixed and variable cost base

- ❖ Improved Warehouse / Freight and Supply chain contracts
- ❖ Renegotiation of marketing and communications contracts
- ❖ Refined International Structure
- ❖ Refined Management Structure

8. People

- ❖ Improved Skill and competency based team – CFO / Mktg Dir / Supply Chain Dir / EC
- ❖ E-Commerce additional resources
- ❖ Diverse skill set
- ❖ Results focussed

Toy Story 4 - Update

TOY STORY 4 TEASER TRAILER

MOVIE LAUNCH June 2019





TEASER TRAILER FAN EXCITEMENT



Results from our first Toy Story 4 teaser trailer, posted on Tuesday 13th November

The trailer generated a huge organic reach (over 4.3m) and engagement (162k) so far, the highest post ever on the Walt Disney Studios Facebook page. Of the total organic reach, 96% has been viral, a further indication of fan excitement.

A few common topics being discussed so far:

- **General fan excitement**
- **Fan emotion** – reminiscing on the 3rd movie triggered a strong emotion reaction from fans – “...I don't think I can handle it!”
- **Toy Story marathon** – some fans planning on watching the first 3 movies again before this comes out
- **Song** - fans enjoyed the choice of song in the trailer
- **Millennial audience** - as we saw with other movies like Incredibles, the millennial audience joke about pushing kids out of the way/borrowing kids to see the movie
- **Forky** – fans enjoyed meeting Forky for the first time



INSTORE PHASING



PHASE 1 APRIL

PHASE 2 JUNE - JULY

PHASE 3 NOV - DEC

NEW PRODUCT
RELEASED TO MARKET

MOVIE RELEASE
SCHOOL HOLIDAYS

DVD RELEASE
CHRISTMAS



WORLDWIDE EMBARGO
17TH APRIL, 2019

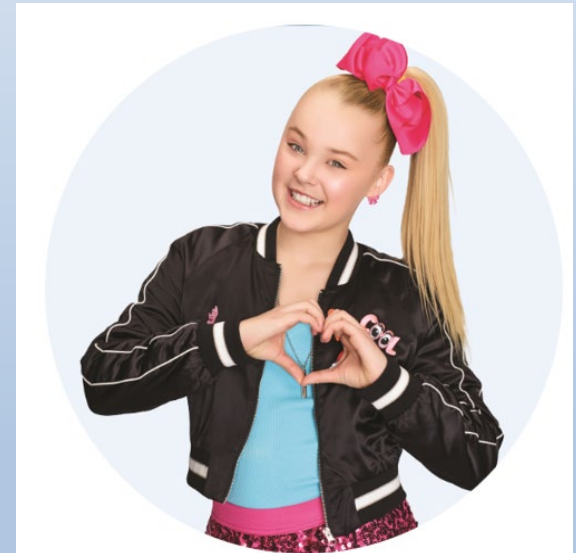
MOVIE RELEASE 21st JUNE
SCHOOL HOLIDAYS

DVD RELEASE NOVEMBER
CHRISTMAS DECEMBER

Commercial Outlook

OUR CHALLENGES

- 1. Retail landscape**
 - TRU closure
 - E-commerce development
 - Price/competitiveness of Private Label
- 2. Sourcing**
 - Relevant
 - On trend
- 3. Licenses**
 - On trend
 - 2 years out



- 4. NPD**
 - Development of own Brands and Products

IMMEDIATE OUTLOOK

- ❖ **Xmas Trading** - Physical Retail challenged without Toys R Us, Ecommerce +50% growth, Amazon slower than expected.
- ❖ **TS4 Sell in** - On forecast and plan, ranges presented and accepted, launch for April on track.
- ❖ **NPD** - Company owned products being developed outside of traditional toys - Launch 2019.
- ❖ **New categories** - STEM/Tech major developments with all retailers 2019.
- ❖ **Positive opportunities balanced with mixed Retailing/Consumer confidence**
 - Core categories (Toys/Plush) experiencing price and margin pressures
 - New categories showing positive signs/growth to be achieved
 - NPD H2 2019 + H1 2020
 - TS4 Initial research data of movie exceeding Disney expectations.

THANK YOU

