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# FUNTASTIC LIMITED

## ANNUAL GENERAL MEETING

29 November 2018



# FUNTASTIC LIMITED

## AGM PRESENTATION

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



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# 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%)

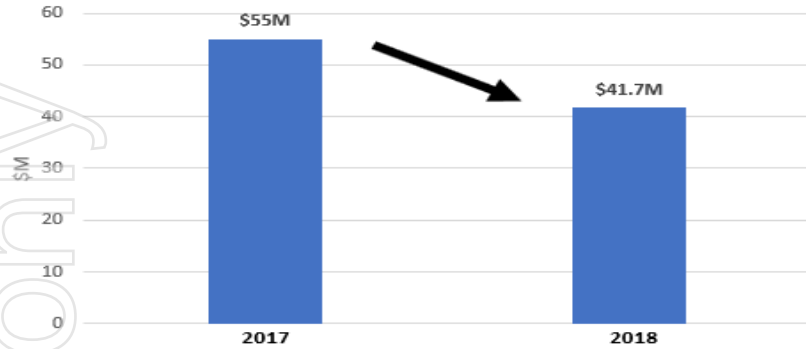
### Net debt/EBITDA

**\$0.6 x**

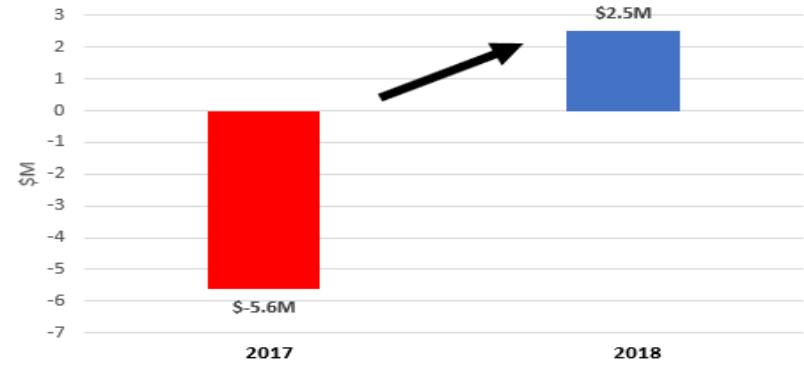
2017: N/A

# FY18 RESULTS SUMMARY

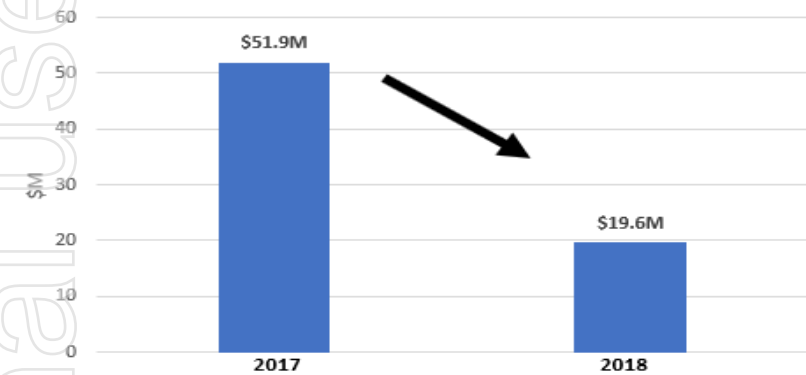
**REVENUE**



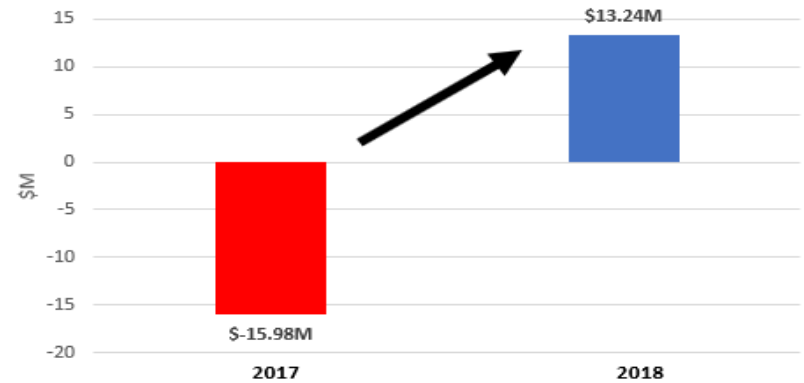
**OPERATING EBITDA**



**NET DEBT**



**RETURN ON EBITDA**



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

# FY18 RESULTS SUMMARY

## Key Metrics

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

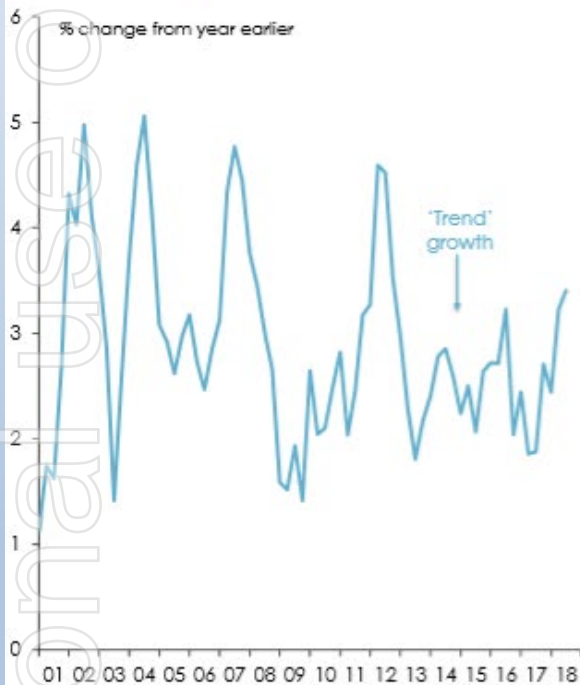
# Market Data - Current



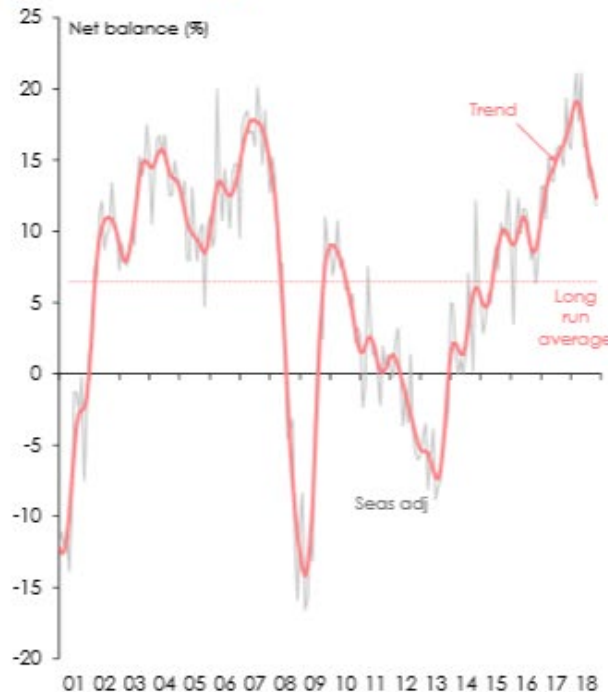
# MARKET DATA

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

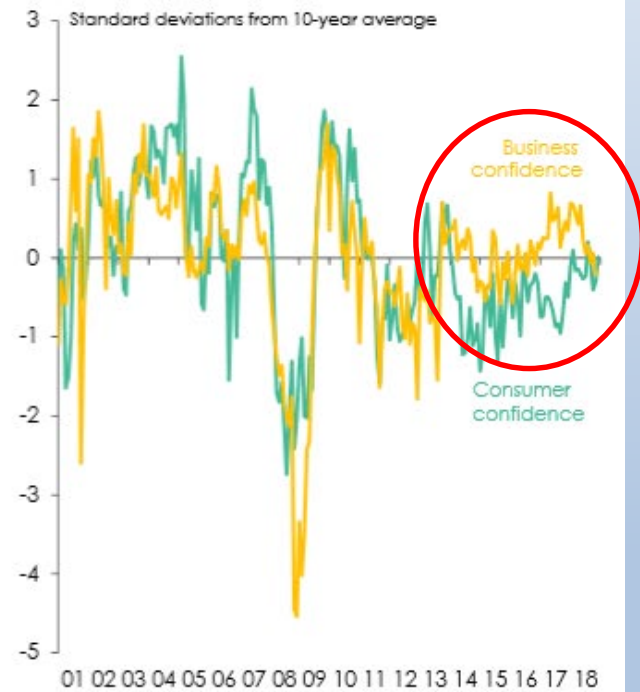
## Economic growth (real GDP)



## 'Business conditions' (NAB survey)



## Business and consumer confidence



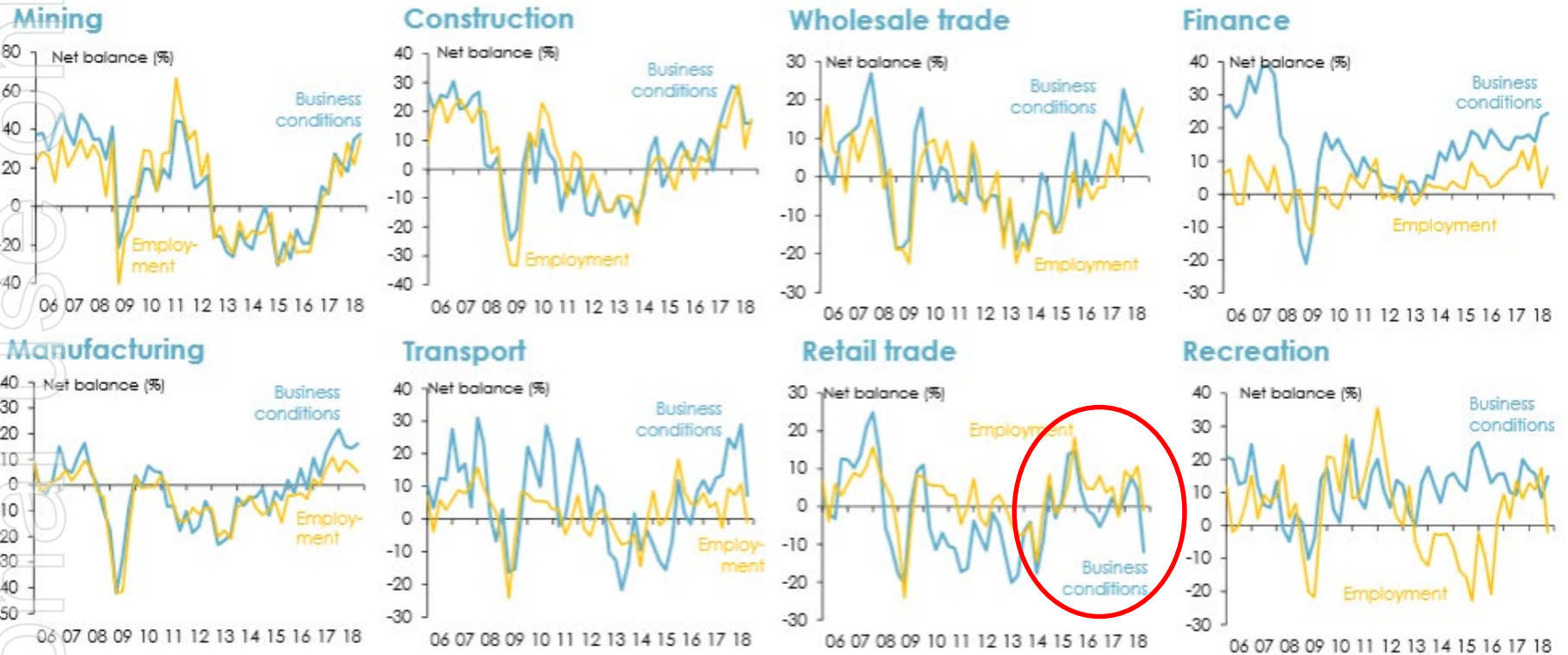
Sources: ABS; National Australia Bank; Westpac-Melbourne Institute.

**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



Source: National Australia Bank.

**SAUL ESLAKE**  
CORINNA ECONOMIC ADVISORY

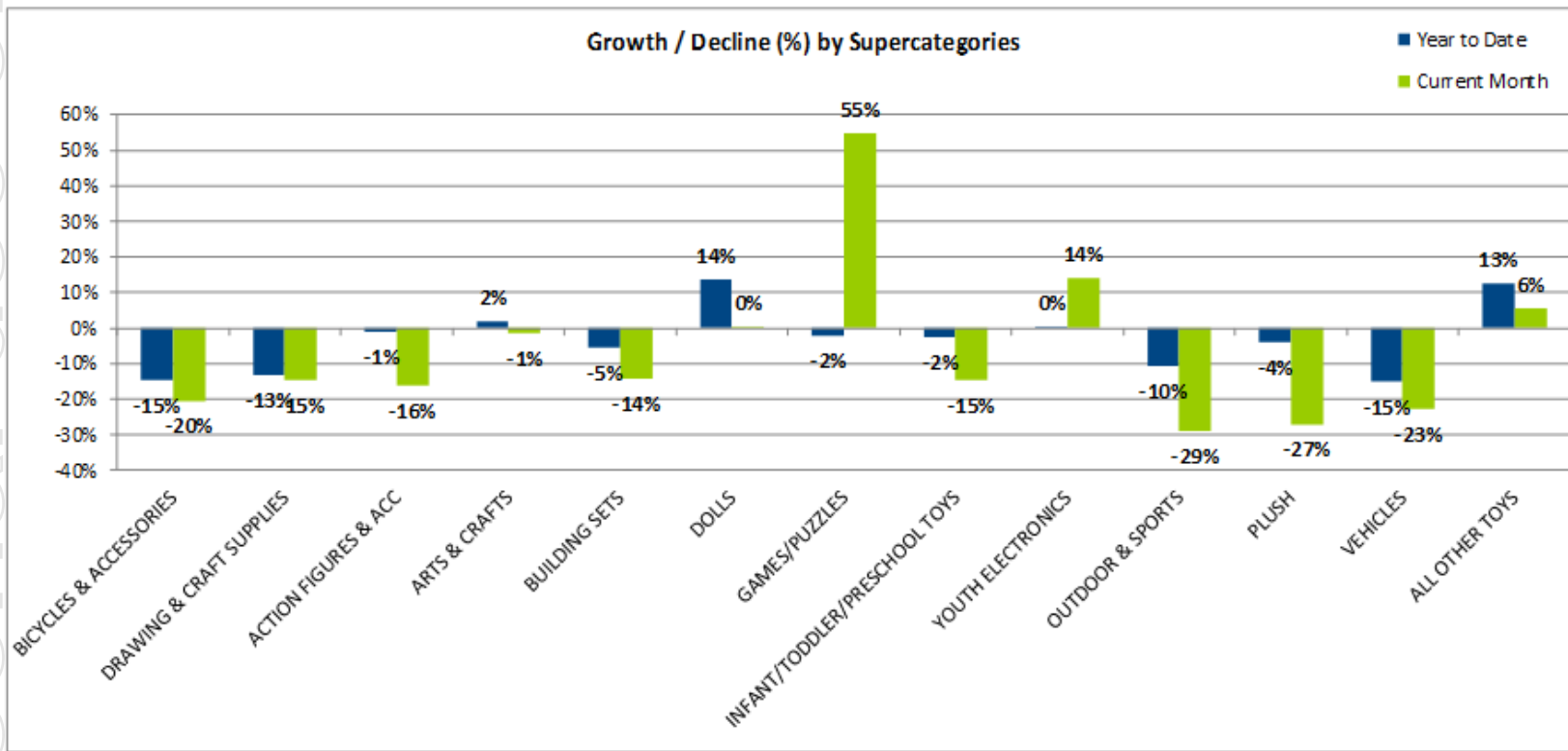
# NPD

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
<b>TOTAL</b>	<b>677,272</b>	<b>-3%</b>	<b>41,626</b>	<b>-7%</b>	<b>16.27</b>	<b>4%</b>	<b>68,919</b>	<b>-12%</b>	<b>3,869</b>	<b>-18%</b>	<b>17.81</b>	<b>8%</b>



# 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



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# 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 3<sup>rd</sup> 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 21<sup>st</sup> JUNE**  
SCHOOL HOLIDAYS

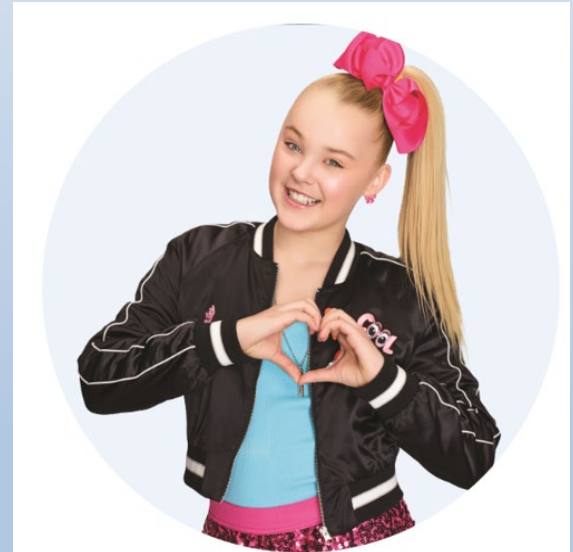
**DVD RELEASE NOVEMBER**  
CHRISTMAS DECEMBER

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# 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

