

SurfStitch.com

SURFSTITCH GROUP LIMITED

1H FY2015 RESULTS PRESENTATION



JUSTIN CAMERON - CEO

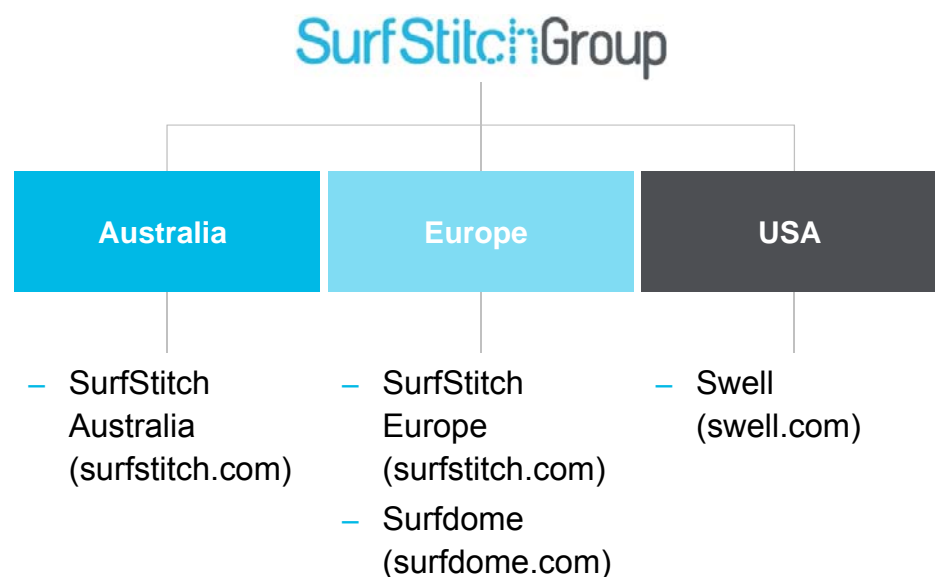


INTRODUCTION TO SURFSTITCH

Company snapshot

- **The World's Leading Online Action Sports Store**
- Products span skate, surf, street and snowboard apparel, accessories, footwear and hard goods
- 2.0 million customers, predominantly in the 15-25 year old male demographic
- Sell to >125 countries with infrastructure in Australia, France, UK and USA
- Multi-jurisdiction sale and supply capabilities provide efficiencies and competitive advantages
- FY12-FY14A revenue CAGR of ~43%
- Prospectus FY2015 forecast revenue \$199 million and EBITDA \$5.1 million

Group structure



700 Established and emerging brands

50,000 Different product offerings

600+ Suppliers globally

200% Increase in product offering since 2010

HIGHLIGHTS

1H FY2015 Pro forma Financial Highlights

- Strong revenue growth in all regions A\$103.6m (+23%)
 - Asia Pacific: A\$42.2m (+40%), +41% in 2Q15
 - Europe: A\$46.7m (+16%) , +22% in 2Q15
 - North America: A\$14.8m (+7%), +13% in 2Q15
- Significant gross profit margin expansion (+236bps) - 1H14 (44.5%) to 1H15 (46.9%)
- EBITDA +\$3.0m (up 160% on pcg)

	Asia-Pacific	Europe	North America	1H FY2015 to December 2014	1H FY2014 to December 2013	Change
Revenue ¹	42,186	46,653	14,798	103,638	84,315	23%
Gross profit	20,868	21,653	6,044	48,565	37,522	29%
<i>Gross profit margin</i>	49.5%	46.4%	40.8%	46.9%	44.5%	+235.8bps
EBITDA ²				3,001	1,153	160%
Profit before tax				274	(1,388)	nm
Basic earnings per share				\$0.00	n/a	nm
Cash and cash equivalents				36,072	n/a	n/a

¹ Includes retail sales, freight revenue; Excludes BBG managed websites; ² Before significant expenses of \$494k in 1H FY2014

HIGHLIGHTS (CONT'D)

1H FY2015 Pro forma Financial Highlights (cont'd)

- Significant progress in Global platform rationalisation
 - Global Inventory system rollout close to completion
 - Europe Consolidation in progress
 - Separation of Billabong Group websites to complete 2H15
- Increasing customer engagement from +2m global database of 15-25 year olds

Statutory financials

- SurfStitch Group reported statutory results for the interim period of 13 October to 31 December 2014
 - Represents two-weeks of trading activity since the Company listed on 16 December 2014
 - \$12.3 million in revenue and (\$5.3) million in net losses
 - Losses incurred in the statutory period resulting from acquisition and IPO listing fees
- Two weeks of operations are not indicative of the overall operations of the Consolidated Group
- In order to provide a comprehensive view of the Consolidated business and to provide visibility into year over year comparisons, pro forma adjustments have been taken to reflect the full 1H period of 1 July to 31 December
 - Pro forma numbers assume SurfStitch AU, SurfStitch EU, Surfdome and SWELL were acquired as at 1 July 2012
 - Historical pro forma numbers for FY13 and FY14 match prospectus numbers and include all four businesses
 - Historical pro forma numbers for 1H FY14 match figures used to build to FY14 prospectus numbers and include all four businesses
 - Pro forma numbers excluded Billabong managed websites to match treatment in the prospectus
- All figures stated this presentation represent pro forma numbers, unless otherwise indicated

A man with a beard and a black cap is carrying a woman on his shoulders. The woman has long blonde hair and is wearing sunglasses and a grey tank top. They are outdoors in a sunny, grassy area with trees in the background. The man is wearing a striped shirt and dark shorts. The woman is holding a small object in her right hand. The text "1.0 FINANCIAL OVERVIEW" is overlaid in the center of the image, flanked by two horizontal dashed lines.

1.0 FINANCIAL OVERVIEW

CONSOLIDATED PRO FORMA PROFIT OR LOSS STATEMENT

A\$000

SurfStitchGroup

	Asia-Pacific	Europe	North America	1H FY2015 to December 2014	1H FY2014 to December 2013	% Change
Revenue ¹	42,186	46,653	14,798	103,638	84,315	23%
COGS	(21,318)	(25,001)	(8,754)	(55,073)	(46,793)	18%
Gross profit	20,868	21,653	6,044	48,565	37,522	29%
<i>Gross profit margin</i>	<i>49.5%</i>	<i>46.4%</i>	<i>40.8%</i>	<i>46.9%</i>	<i>44.5%</i>	<i>+235.8bps</i>
Opex				(45,564)	(36,369)	(25%)
EBITDA ²				3,001	1,153	160%
Profit before tax				274	(1,388)	nm
Income tax expense				—	—	—
Profit after tax				274	(1,388)	nm

Note: Pro forma numbers reflect the full 1H period of 1 July to 31 December; Exclude BBG managed websites; Assume SurfStitch AU, SurfStitch EU, Surfdome and SWELL acquired as at 1 July 2012 and are included in all periods shown; and include 1H FY14 figures used to build to FY14 prospectus numbers

¹ Includes retail sales, freight revenue

² Before significant expenses of \$494k in 1H FY2014

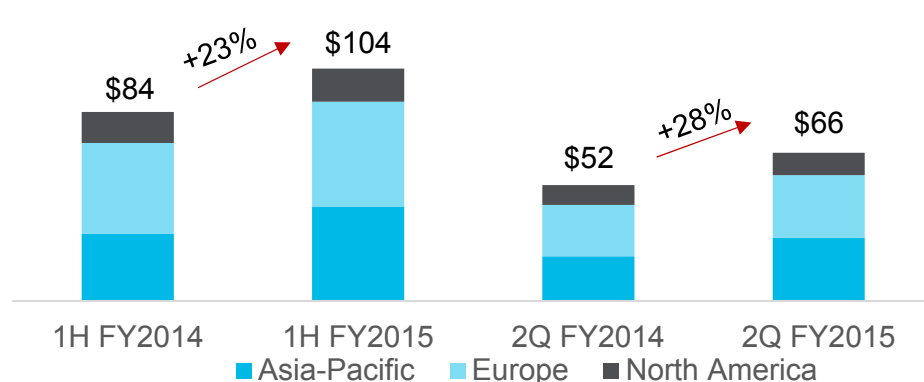
SurfStitchGroup

SALES¹ & GROSS PROFIT PERFORMANCE BY REGION

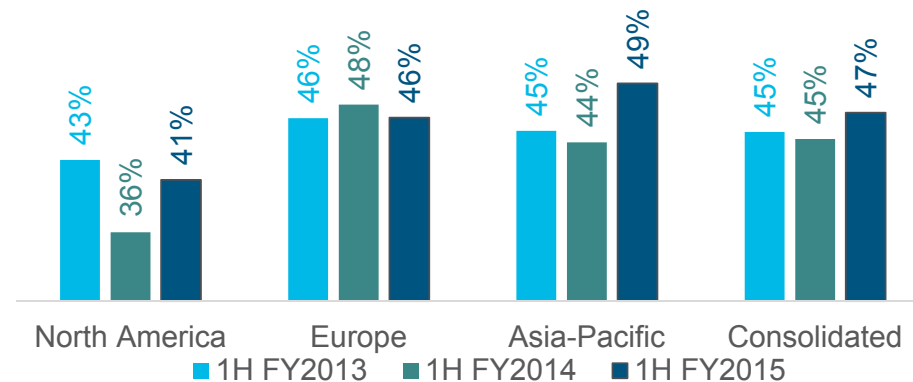
A\$000

1H FY2015	Asia-Pacific	Europe	North America	Group total
Revenue ¹	42,186	46,653	14,798	103,638
% contribution	41%	45%	14%	n/a
Growth 1H15	40%	16%	7%	23%
Growth 2Q15	41%	22%	13%	28%
Gross profit	20,868	21,653	6,044	48,565
Gross profit margin	49.5%	46.4%	40.8%	46.7%
% contribution	43%	45%	12%	n/a

Consolidated sales¹ (A\$ in millions) to December



Gross profit margin to December

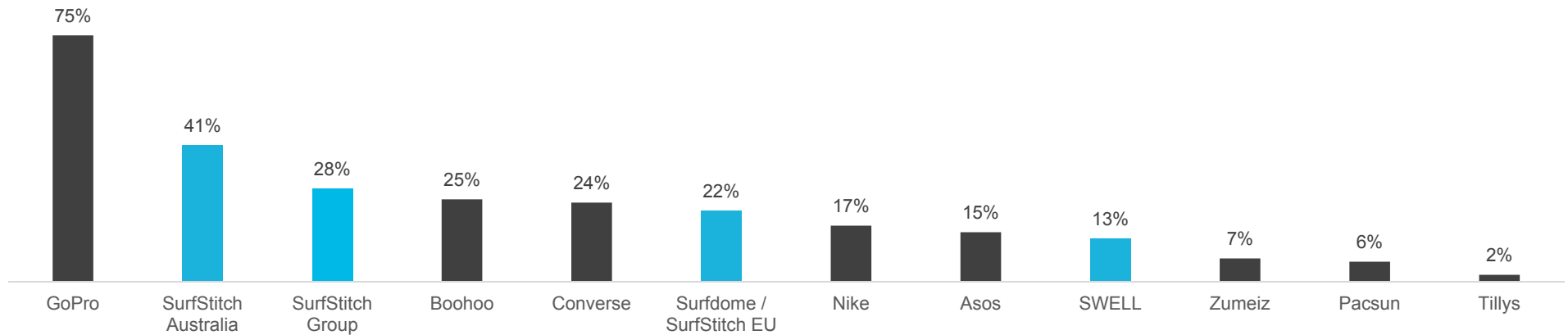


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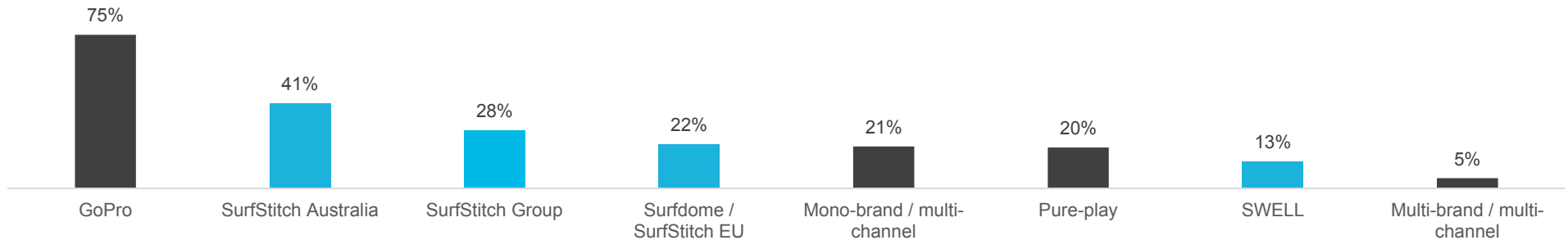
COMPETITIVE LANDSCAPE

Outpacing our global competitors

2Q FY15 comparable store sales growth vs competitors



2Q FY15 comparable store sales growth by competitor type



Source: J.P. Morgan Research

Note: Mono- brand / multi-channel includes: Nike and Converse; Pure-Play includes: Boohoo and Asos; Multi-brand / multi-channel includes: Zumiez, PacSun and Tillys

ACQUISITION INTEGRATION

Acquisition Progress Update

- Gaining momentum as we fully integrate Surfdome and SWELL into the consolidated business
 - After taking control of the North American business “SWELL”, we saw a 13% increase in sales for 2Q FY2015
 - Witnessing early trends in gross profit improvement after acquiring Surfdome in December
- Delivered +160% EBITDA growth on pcp despite meaningful up-front investment relating to integrations
 - Globalising inventory management platform
 - Globalising technology platform
 - Consolidating European businesses
 - Marketing spend around brand awareness of the new product mixes
- We remain on track with our integration schedule for both SWELL and Surfdome



2H FY2015 OUTLOOK

Prospectus Forecasts

- Strong momentum and favorable trends in 1H FY2015 reaffirm our FY2015 full-year prospectus forecast
 - \$199 million in sales
 - \$5.1 million of EBITDA
- January and February trading to date indicate accelerating growth in key regions
- No dividend currently planned. Cash will continue to be reinvested in growth given recognizable double digit growth opportunities

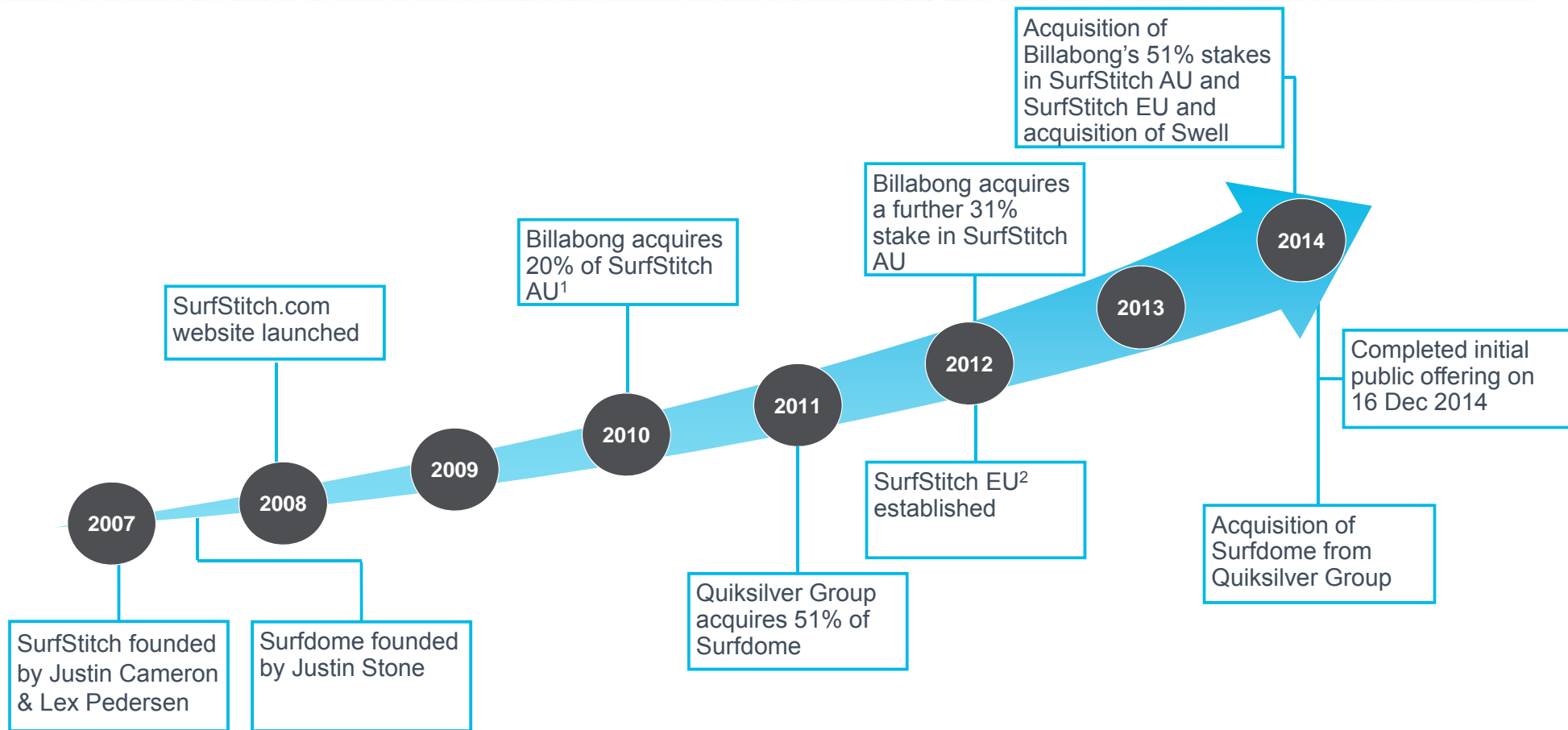


2.0 STRATEGIC OVERVIEW



OUR HISTORY

Consolidating the Worlds leading Online Actions Sports Retailers



SurfStitch has evolved into a global online Action Sports retailer

¹ SurfStitch Pty Limited; ² SurfStitch (Europe) Pty Ltd

DIFFERENTIATED PURE PLAY ONLINE RETAILER

Efficient global business inventory model

- ✓ Unique infrastructure model provides an effective FX hedge
- ✓ Minimises impact of FX on product cost and distribution cost while still pricing at local rates

Investment in content publishing platform

- ✓ Recent launch of dedicated content hub “The Lens”; a content publishing platform created for customers to engage in and experience everything action sports and youth lifestyle related
- ✓ Platform has delivered increased visitation (over 40% of users visit the platform over 10+ times a month)
- ✓ Future investment focus



Premium pricing operating model

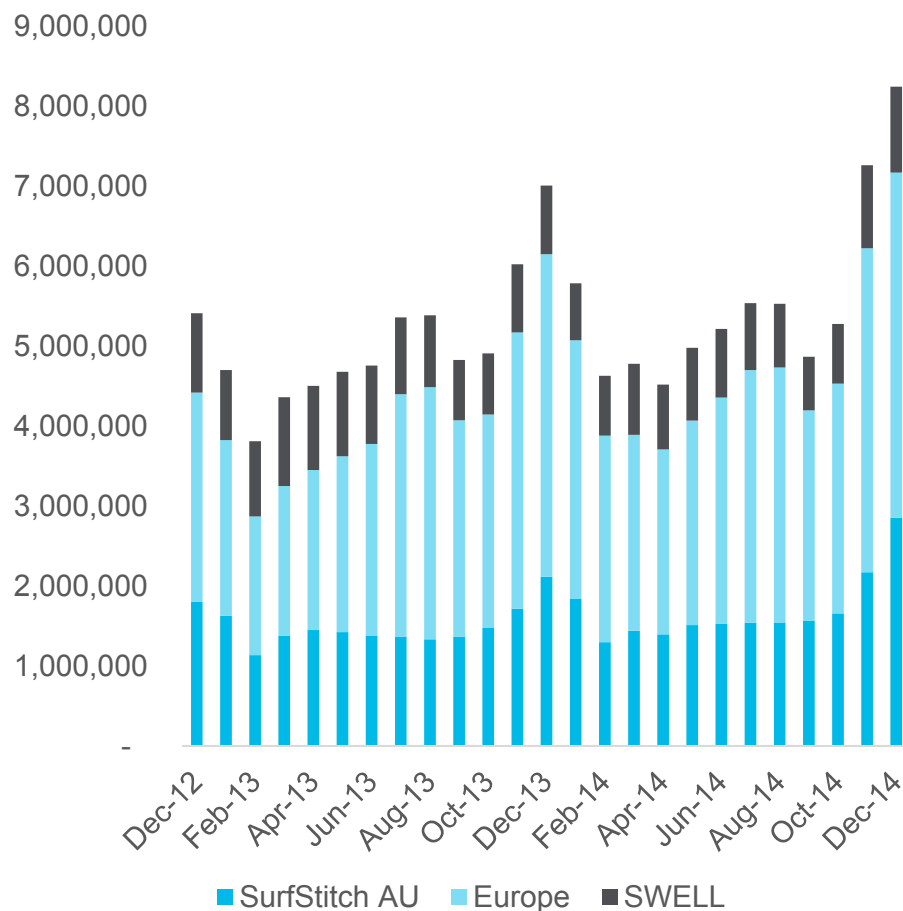
- ✓ Large exclusive product ranges in each region
- ✓ First to market product offering
- ✓ Next day delivery to more than 125 countries
- ✓ Consignment and strong rebate / rotation inventory model
- ✓ Male demographic focus, which reduces fast fashion exposure

Sustainable gross profit margins

- ✓ Benefits of global buying power
- ✓ Margin protection made possible through exclusive brand and product assortment
- ✓ New market focus

CUSTOMER ENGAGEMENT

Consolidated traffic¹

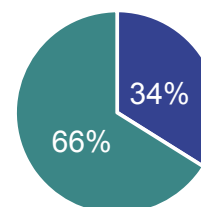


¹ Includes all visits from mobile, tablets and desktops devices

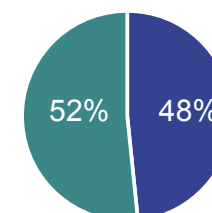
SurfStitch Australia orders by device

- Mobile & Tablet
- Desktop

1H FY2014



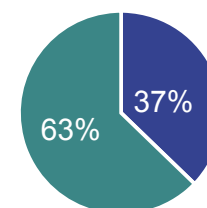
1H FY2015



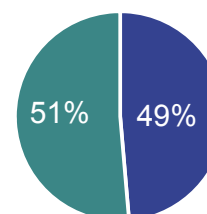
Surfdome / SSE orders by device

- Mobile & Tablet
- Desktop

1H FY2014



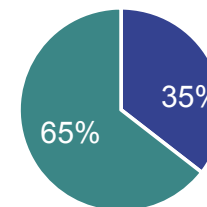
1H FY2015



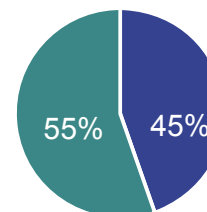
SWELL orders by device

- Mobile & Tablet
- Desktop

1H FY2014



1H FY2015

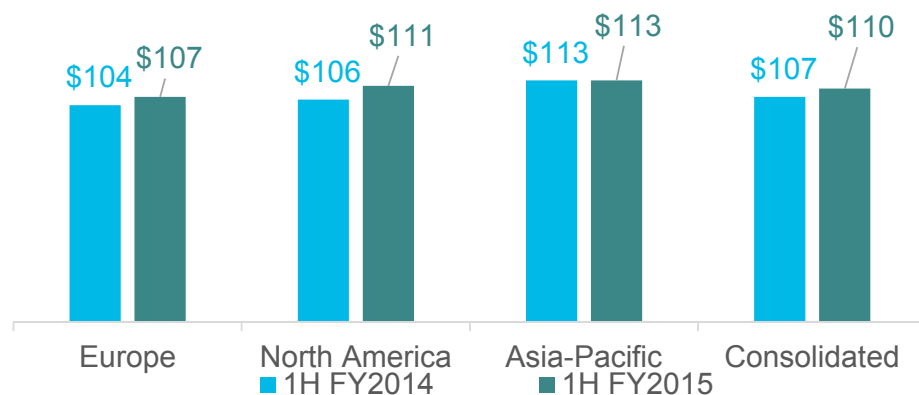


CUSTOMER METRICS

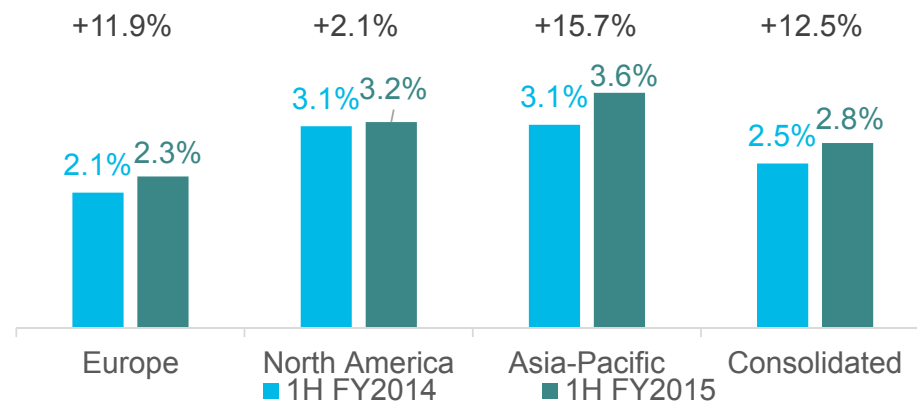
SurfStitchGroup

- Global email database: Over 2mm
- Facebook: Over 1mm followers

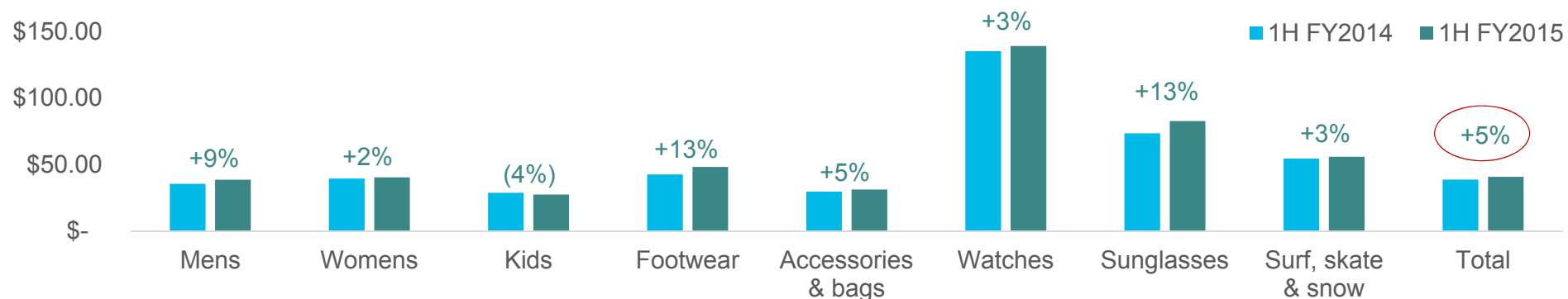
Average order value (AUD)



Conversion



Average price per unit sold (AUD)



Our focus on the male demographic (70%+ of Group sales), driving price inflation in key product categories

SurfStitchGroup

CONTENT DRIVEN STRATEGY

'The Lens' our global content hub driving changes in user engagement

Role of content

- Audience no longer responds as effectively to advertising
- Audience is demanding relevant authentic, entertainment that connects with their personality, interests and friends

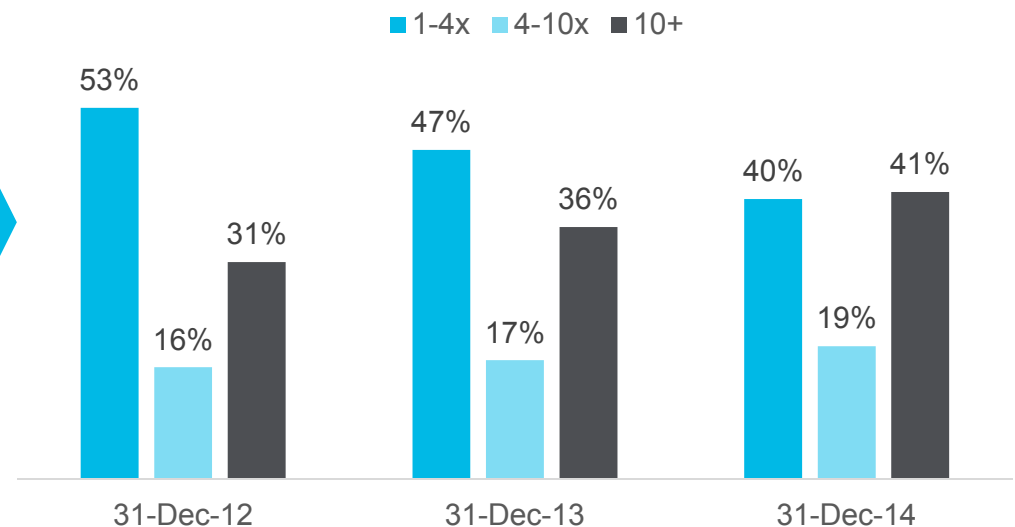
Objectives

- Become a destination retailer and be recognised as a greater entity than a retailer
- Localised content alongside investment in a global content strategy shared within the SurfStitch Group
- Opportunity to share globally relevant content across all businesses






SurfStitchGroup

Frequency visits per month



DUAL-HEMISPHERE FULFILLMENT CAPABILITIES PROVIDE COMPETITIVE ADVANTAGES

Global operations

	Australia	Europe	USA
Where we are			
	<ul style="list-style-type: none"> ● Distribution centre ● IT offices ● Product sourcing 		
IT office and distribution centre location	<ul style="list-style-type: none"> – Burleigh Heads, Queensland – Sydney (IT office) – Warehouse floor space: 7,000m² – Expansion capacity: 5,000m² 	<ul style="list-style-type: none"> – Hossegor, France (SurfStitch Europe) <ul style="list-style-type: none"> – Warehouse floor space: 6,000m² – Expansion capacity: 9,000m² – Wembley, UK (Surfdome) <ul style="list-style-type: none"> – Warehouse floor space: 10,500m² – Expansion capacity: 2,900m² 	<ul style="list-style-type: none"> – Irvine, California – Floor space: 5,400m² – Expansion capacity: 2,000
Where we're going		<ul style="list-style-type: none"> – Drive greater efficiency – Deliver a higher quality service <ul style="list-style-type: none"> – Later cut-offs – Bed in significant operational change – Review further capacity options 	

GLOBAL PRO FORMA ORDER CONTRIBUTION

A\$ in millions, except per order values

1H FY2015	Asia-Pacific	Europe	North America	Group total
COGS	\$21.3	\$25.0	\$8.8	\$55.1
Distribution cost	4.0	4.8	1.5	10.4
Total direct costs	\$25.3	\$29.8	\$10.3	\$65.4
Orders	409,778	470,345	163,129	1,043,252
Direct cost/order	\$61.81	\$63.40	\$63.00	\$62.71
1H FY2014 Direct cost/order	\$65.80	\$75.63	\$64.82	\$70.07
Variance	↓ 6%	↓ 19%	↓ 3%	↓ 12%

Note: Pro forma numbers reflect the full 1H period of 1 July to 31 December; Exclude BBG managed websites; Assume SurfStitch AU, SurfStitch EU, SurfStitch and SWELL acquired as at 1 July 2012 and are included in all periods shown; and include 1H FY14 figures used to build to FY14 prospectus numbers

TECHNOLOGY

Current status

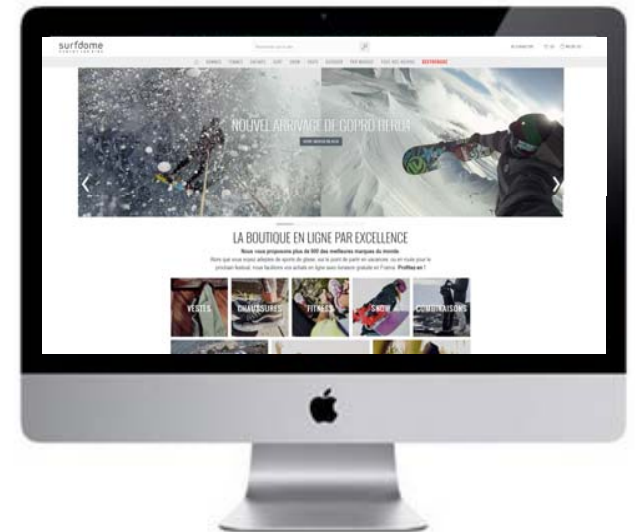
- Global platform migrations

Planning for the future

- Web to cloud
- Customized content driven website that's responsive and adaptive to our customers' needs
- Consolidated data analytics

Key initiatives

- Zonal
- Eurohub
- Improved mobile and tablet platforms
- Improvements for ease of processing and checkout



REMAIN FOCUSED ON GROWTH

Strategic Overview

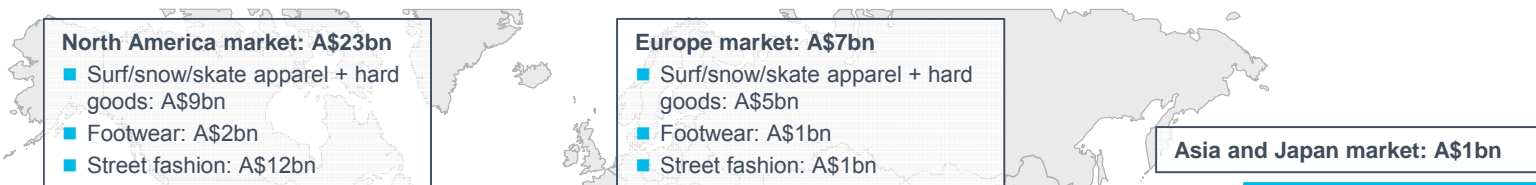
- **Double digit sales growth trends are expected to continue into the second half of FY2015**
 - Further refinement and expansion of merchandise assortment
 - Widening exclusive product and brands offering
 - Increased content publishing strategy
 - New market entries
- **We anticipate continued gross profit margin benefits into 2H FY2015**
 - Benefits of global buying power
 - Margin protection made possible through exclusive brand and product assortment
 - New market focus
- **Continued improvements in operating expenses**
 - Benefits of scale and growth on front-loaded costs
 - Disciplined marketing spend / reinvestment
 - Refinement of freight costs strategy

A person is sitting on a skateboard, with their hands resting on the deck. They are wearing a watch on their left wrist and blue jeans. The background is blurred, showing other people and what appears to be an outdoor setting. The text "3.0 OPERATIONS OVERVIEW" is overlaid in the center in a blue, sans-serif font, flanked by two horizontal dashed lines.

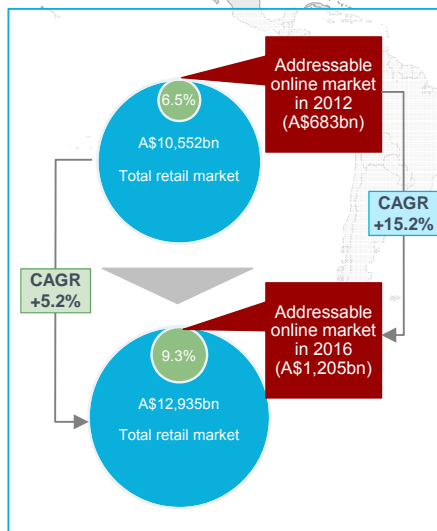
3.0 OPERATIONS OVERVIEW

THE MARKET

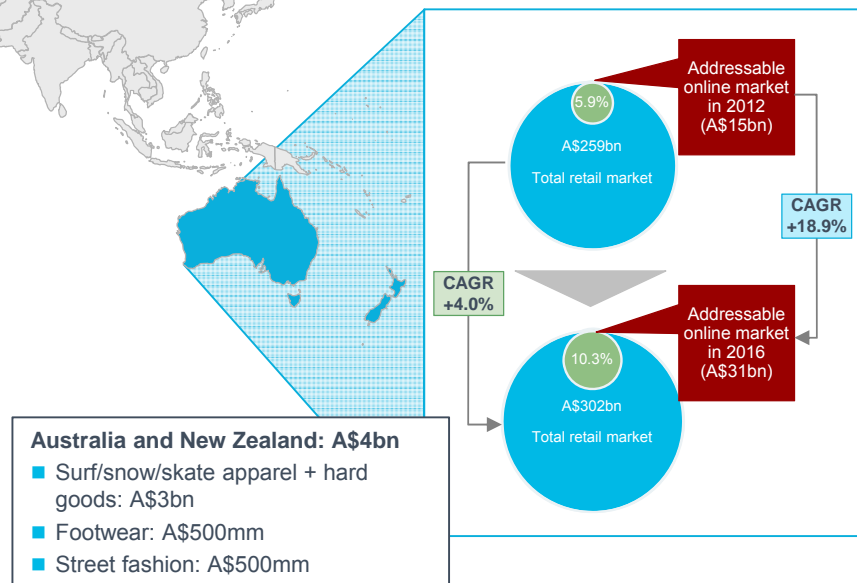
Global action sports market size



Global retail market¹



Australian retail market



SurfStitch dominates the significant niche of Online Action Sports

Source: Equity research, global eCommerce model data, Management data; Converted at an exchange rate of A\$:USD of 1.10

¹ Global is defined as the estimated retail spend of the following 15 countries: United States, United Kingdom, Germany, France, Spain, Italy, Russia, Japan, China, South Korea, Brazil, Argentina, Chile, Mexico and Australia

TRULY GLOBAL

SurfStitchGroup

Asia Pacific	Europe		North America
SurfStitch Australia	SurfStitch Europe	Surfdome	Swell
<ul style="list-style-type: none"> – Only major pure play Action Sports online retailer in Australia and New Zealand – Top-ten online Australian apparel / accessories retailer in Australia over last three years – Approximately 1,075,000 Customers 	<ul style="list-style-type: none"> – A fast growing player in the European online Action Sports segment – Focus on French, Spanish and Italian markets – Approximately 200,000 Customers 	<ul style="list-style-type: none"> – A leading UK-based pure play online retailer of Action Sports products – UK, Germany and Nordic region focus complements SurfStitch Europe – Approximately 500,000 Customers 	<ul style="list-style-type: none"> – USA's first pure play online Action Sports retailer with established market position – Approximately 230,000 Customers

SIZEABLE GLOBAL DATABASE

- Sell to over 125 countries
- Four websites with multi-language / multi-currency capabilities
- Local pricing with sourcing at the least expensive area
- New market entry

NATURAL FX HEDGE

Unique infrastructure model



- SurfStitch Group is a global business with operations in the USA, UK, Europe and Australia
- While we report in AUD, we also earn local revenues in USD, GBP and EURO

Provides an effective natural FX hedge



- Adverse currency movements over the period impacted the broader ecommerce market
- However, SurfStitch Group's unique infrastructure model provided an effective natural hedge driving strong growth in each region by pricing at the regional level

Minimises product cost and distribution cost



- Minimise impact to costs by sourcing at the least expensive area
- Domestic inventory sourcing and warehousing in regions where FX is favorable minimises distribution costs

Materiality



- Although FX movements in 1H FY2015 have been most favorable to the US business, SWELL represents less than 15% of total global consolidated sales

4.0 SUMMARY



1H FY2015 SUMMARY

Successful integration track record



Leverage the dominant positions of each brand in respective regions

- Shared database and marketing driving stronger return on investment
- Conversion benefits from shared intellectual property and existing platform strength



Consolidate IT platforms

- Back end inventory management platform shared globally
- Swell integration achieved in short time frame



Shared global inventory pool

- Improving stock turn and working capital position
- Increasing closing gross profit margins leveraging global buying capability
- Benefits of counter seasonality

Growth & efficiencies realised



Strong revenue growth

- Focus on male demographic (70% of Group sales), driving price inflation
- Unique assortment and range
- Exclusive products and content



Margin expansion

- Improved buying behaviors and strong traffic generation delivering improved conversion rates
- Improved stock management and partnerships with key suppliers



Up-front investment

- Globalising inventory management and technology platform
- Marketing spend around brand awareness of the new invigorated product mixes

SURFSTITCH'S GROWTH STRATEGY

Drive operational synergies

- Share operational best practices across the group
- Integration of e-Commerce technology platforms to remove duplicate costs
- More favourable trading terms from product suppliers and technology providers with global buying power

Grow Action Sports market share

- Continued expansion of brand and product range
- Enhance user experience functionality
- Increase personalisation of email marketing
- Content driven strategy

Complete integration of acquisitions

- Assess and execute acquisitions to build scale or enter new geographies
- Complete integration of newly acquired businesses to capitalise on synergies and scale
- Consolidate position as a global leader in pure play online Action Sports retail

Expansion into new markets

- Evaluate organic expansion opportunities based on certain criteria to achieve greater scale
- Organic expansion into Asia
- Efficiently and cost effectively enter new markets

Leverage operational efficiencies

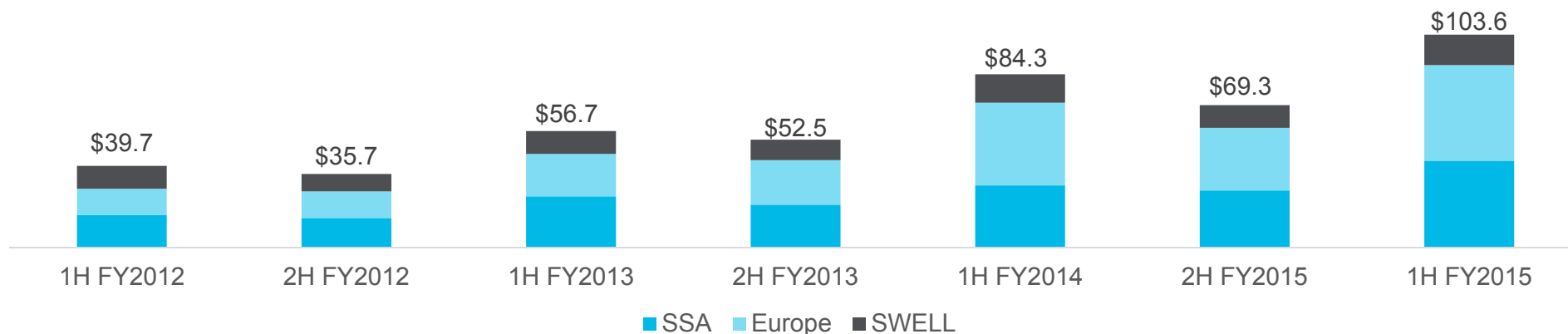
- Increase site traffic and conversion rates
- Exploit counter seasonal aspects of dual-hemisphere operating platforms
- 2H FY2015 to realise benefits of 1H FY2015 up-front investment and increased scale
- Disciplined marketing spend / reinvestment and refinement of freight costs strategy

5.0 APPENDICES

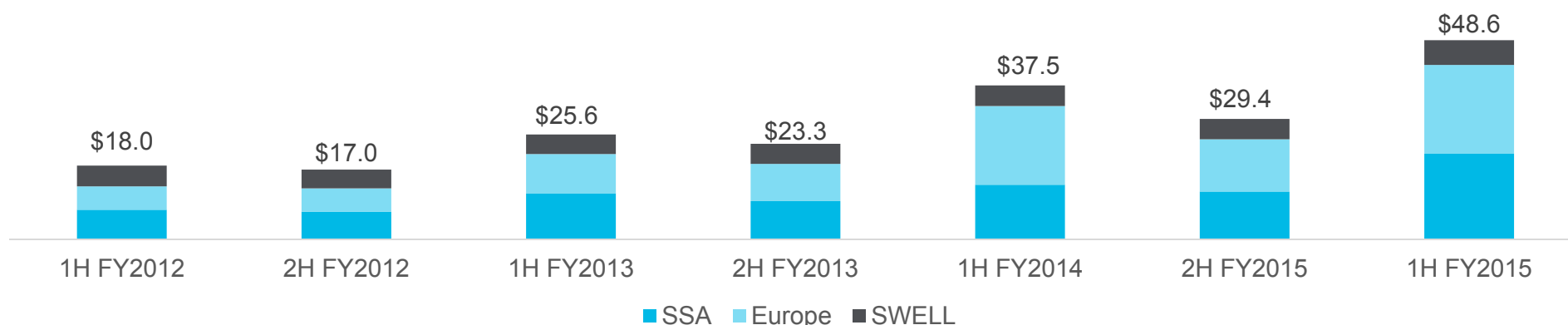


HISTORICAL PRO FORMA REVENUE AND GROSS PROFIT BY REGION

Revenue¹ (A\$ in millions)



Gross profit (A\$ in millions)



Note: Pro forma numbers reflect the full 1H period of 1 July to 31 December; Exclude BBG managed websites; Assume SurfStitch AU, SurfStitch EU, Surfdome and SWELL acquired as at 1 July 2012 and are included in all periods shown; and include 1H FY14 figures used to build to FY14 prospectus numbers

¹ Includes retail sales, freight revenue

CONSOLIDATED PRO FORMA HISTORICAL PROFIT OR LOSS STATEMENT

Start up losses of SurfStitch EU impacting FY 2013 and FY 2014 earnings

Consolidated pro forma historical profit or loss statement

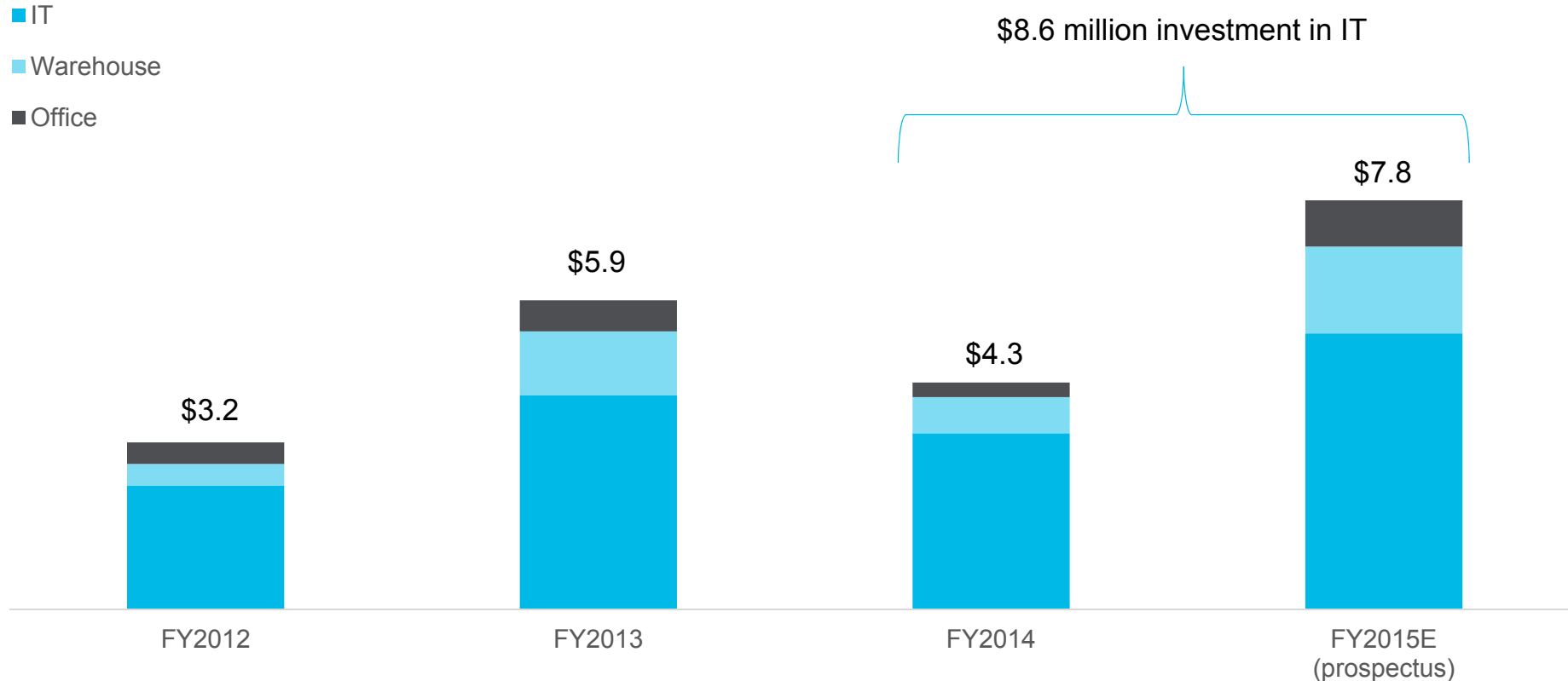
A\$ in millions	Pro forma historical (prospectus numbers)		Pro forma 1H	
	FY2013	FY2014	1H FY2014 (prospectus)	1H FY2015
Revenue	109.1	153.7	84.3	103.6
COGS	(60.2)	(86.7)	(46.8)	(55.1)
Gross profit	48.9	67.0	37.5	48.6
Opex	(50.6)	(69.1)	(36.4)	(45.6)
EBITDA before significant items	(1.7)	(2.1)	1.2	3.0
Significant items	(1.9)	(0.9)	(0.5)	—
EBITDA	(3.6)	(3.0)	0.7	3.0
Depreciation and amortisation	(2.5)	(4.6)	(2.0)	(2.9)
EBIT	(6.1)	(7.6)	(1.4)	0.1
Interest	—	—	—	0.1
Profit before tax	(6.1)	(7.6)	(1.4)	0.3
Income tax expense	(0.4)	(0.5)	—	—
NPAT	(6.5)	(8.1)	(1.4)	0.3

Note: Pro forma numbers reflect the full 1H period of 1 July to 31 December; Exclude BBG managed websites; Assume SurfStitch AU, SurfStitch EU, SurfDome and SWELL acquired as at 1 July 2012 and are included in all periods shown; and include 1H FY14 figures used to build to FY14 prospectus numbers

CAPITAL EXPENDITURE

A\$ in millions

- IT
- Warehouse
- Office



Note: Pro forma numbers reflect the full 1H period of 1 July to 31 December; Exclude BBG managed websites; Assume SurfStitch AU, SurfStitch EU, Surfdome and SWELL acquired as at 1 July 2012 and are included in all periods shown; and include 1H FY14 figures used to build to FY14 prospectus numbers; ¹ Includes retail sales, freight revenue

STATUTORY CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Statutory profit or loss for the period 13 October 2014 to 31 December 2014

Continuing operations (A\$ millions)

Revenue	12.3
COGS	(7.6)
Gross Profit	4.7
Other income	0.01
Selling & distribution expenses	(5.4)
Administrative expenses	(0.8)
Other expenses	(5.7)
Results from operating activities	(7.2)
Finance income	0.02
Finance costs	—
Net finance income	0.02
Profit before tax	(7.2)
Income tax benefit	1.8
Net (loss) attributable to the owners of SurfStitch Group Limited	(5.3)

STATUTORY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Statutory financial position as at 31 December 2014

A\$ in millions	As at 31 December 2014
Assets	
Cash and cash equivalents	36.1
Trade and other receivables	2.3
Inventories	44.9
Other current assets	2.2
Total current assets	85.4
Deferred tax assets	4.4
Property, plant and equipment	4.1
Intangible assets and goodwill	92.5
Total non current assets	101.0
Total assets	186.4
Liabilities	
Trade and other payables	42.7
Employee benefits	3.5
Provisions	2.1
Total current liabilities	48.3
Non current employee benefits	0.2
Total liabilities	48.4
Net assets	138.0
Equity	
Share capital	210.3
Reserves	(66.9)
Retained Earnings	(5.3)
Total equity	138.0

STATUTORY CONSOLIDATED STATEMENT OF CASH FLOW

Statutory cash flow for the period 13 October 2014 to 31 December 2014

A\$ in millions

Cash flows from operating activities

Cash and cash equivalents	11.2
Other current assets	(11.8)
Total current assets	(0.6)

Cash flows from investing activities

Interest received	0.02
Acquisition of intangible assets	(0.1)
Acquisition of subsidiary, net of cash acquired	(42.8)
Acquisition of property, plant and equipment	(0.07)
Total cash used in investing activities	(43.0)

Cash flows from financing activities

Proceeds from share capital	83.2
Transaction costs related to the issue of share capital	(3.5)
Total cash used in financing activities	79.7

Net increase/(decrease) in cash and cash equivalents

	36.1
Cash and cash equivalents at 13 October	—
Effect of exchange rate fluctuations on cash held	(0.008)
Cash and cash equivalents at 31 December	36.1

KEY TERMS & DEFINITIONS

Revenue

- Sales through our internet sites, includes retail sales, freight revenue
- Excludes any Billabong Managed sites
- After returns and GST

AOV

- $\text{Total order value including VAT and before returns} / \text{total orders}$

Basket size

- $\text{Total orders} / \text{total units sold, before returns}$

Active customers

- An “Active Customer” is a customer who has placed an order in the last 12 months

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