



Fantastic Holdings
Limited

Half Year Results Presentation

28 December 2014



FHL 2015 Half-Year Results Summary

FHL delivers strong first half results with a 10 cent dividend payment

- Sales revenue of \$244.3M up 8.7% on the prior comparative period
- Group like-for-like sales for FY15 half-year was positive 8.7%, compared to prior comparative period negative 6.2%
- NPAT of \$7.0M, 43.0% increase on prior comparative period
- Half year EBITDA of \$13.9M, 21.6% increase on prior comparative period
- Group undelivered customer orders were up 41.4% from \$23.0M at Dec 13 to \$32.5M at Dec 14
- Sale of Dare Gallery business completed in January 2015
- Sale of Dandenong property completed in February 2015
- Interim dividend of 6.0 cents per share, plus a 4.0 cents special dividend, fully franked. Payout ratio increased to 88.9% (excluding special dividend)

Operational Highlights

Solid management progress on operational initiatives

Trading Performance

Total sales: *\$244.3M, +8.7%, L4L +8.7%

Business Unit	FY15 HY Headline Sales	FY15 HY L4L Sales	L4L HY FY14
Fantastic Furniture (FF)	+2.7%	+2.4%	-3.6%
Plush	+52.5%	+53.7%	-21.0%
OMF	+3.9%	+2.6%	+8.1%
Dare Gallery	+6.9%	+6.9%	-9.4%
Le Cornu	+5.4%	+5.4%	-6.8%

* Total sales and L4L sales include only retail sales at company owned stores and wholesale sales to franchise stores and are exclusive of GST

Management Initiatives

Progress made on key initiatives including:

- Plush turnaround is complete with strong profits on the back of significant sales growth;
- Sale of Dare Gallery business completed above book value;
- Sale of Dandenong property completed above book value releasing cash to re-invest into the business;
- Fantastic International Manufacturing (China) facility operational and started delivery of product direct to store on a trial basis;
- The first Ashley Furniture store successfully opened post half year in Gepps Cross, Adelaide with trading in line with expectations;
- Management roll out of new store processes at Fantastic Furniture is complete. On track to finalise upgraded business systems to stores;
- E-commerce for FF to be operational in second half of 2015. The Fantastic Furniture business will capture retail sales through the website.

Number of Stores

Net 3 stores opened since 30 Jun 2014 to date (four opened, one closed)

FF: 1 new store, 1 close store, total stores: 73 (plus 2 franchises)
 Plush: nil new stores, total stores: 33
 OMF: 2 new stores, total stores: 17
 Dare Gallery: nil new stores, total stores: 10 (plus 1 franchise). Business now sold.
 Le Cornu: nil new stores, total stores: 2
 Ashley: 1 new store

126 stores (plus 2 franchise stores) as at 26 February 2015 following divestment of Dare Gallery at the end of January 2015.

FHL opened the first Ashley Furniture Homestore in Adelaide SA in January. This is an extension of the Le Cornu store in store concept.

Financial Management

- Robust balance sheet with cash position of \$25.2 million as at December 2014. Debt position of \$15 million.
- 6 months Return on Equity of 6.2% improved from 4.4% in the pcp mainly due to higher trading profits for the half year.
- Interim dividend of 6.00 cents per share, fully franked, with a payout ratio of 88.9% of NPAT. A special dividend of 4.00 cents per share to be paid.

Business Structure

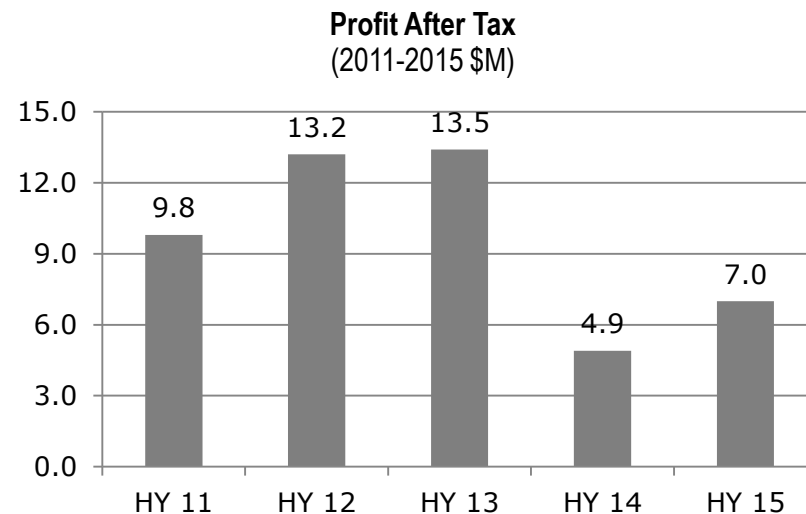
- Organisation Structure – Appointment of Robyn Watts as Non-Executive Director effective 10 November 2014.
- Dare Gallery sale completed on 25 January 2015 at a price above book value.

Financial Summary

Significant improvement in profitability due to strong L4L sales growth

Half Year Ended	Dec-14	Dec-13	Change
Sales \$ ⁽¹⁾	\$244.3M	\$224.7M	8.7%
LFL Sales %	8.7%	(6.2%)	14.9pts
Gross Profit \$	\$110.5M	\$102.4M	7.9%
Gross Margin %	45.2%	45.6%	(0.4pts)
Other Income (\$)	\$0.9M	\$4.1M	(77.7%)
CODB \$	\$100.5M	\$99.2M	1.2%
CODB % of sales	41.1%	44.2%	(3.1pts)
EBITDA \$	\$13.9M	\$11.4M	21.6%
EBIT \$	\$10.2M	\$7.2M	41.8%
EBIT % on Sales	4.2%	3.2%	1.0pts
Net Profit After Tax \$	\$7.0M	\$4.9M	43.0%
Operating Cash Flow \$	\$10.0M	\$8.1M	22.8%
Store Numbers ⁽²⁾	135	135	-
EPS (cents)	6.76c	4.73c	42.7%
Half Year Dividend per Share (cents)	6.00c	3.00c	+ 3.00c
Special Dividend per Share (cents)	4.00c	-	+ 4.00c
6 Months Return on Equity %	6.2%	4.4%	1.8pts

1. Total sales and L4L sales include only retail sales at company owned stores and wholesale sales to franchise stores and are exclusive of GST
2. Includes only company owned stores at Dec 14. Total number of stores now in operation is 126 excluding franchise stores
3. Note: All calculations have been computed based on actual numbers

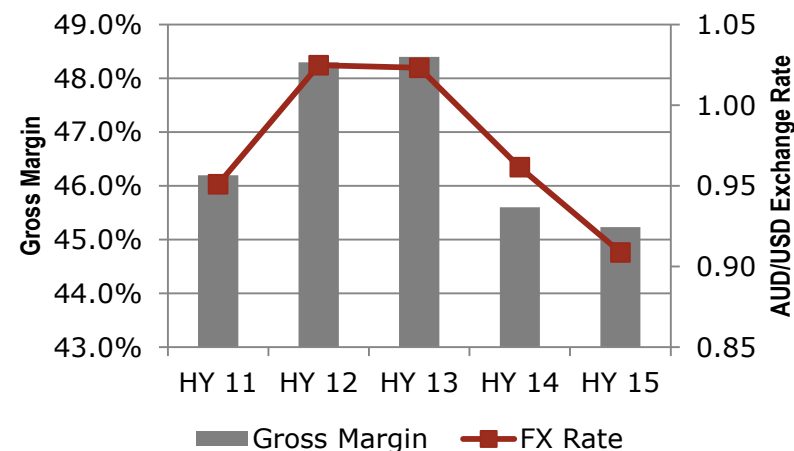
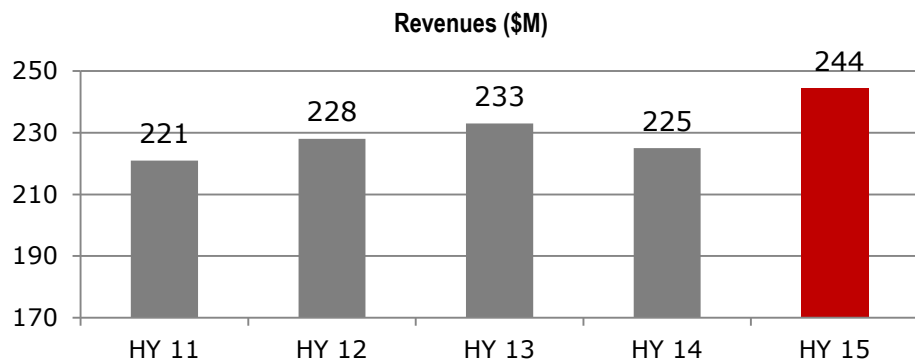


KEY MESSAGES

- Positive sales growth and strong L4L sales across each business unit.
- Gross profit increased by 7.9% driven by improved sales and savings initiatives. Gross margin percentage modestly declined due to depreciating Australian Dollar.
- Prior year result included \$2M profit on sale of Campbelltown Property in Other Income.
- CODB as % of sales has reduced by 3.1 percentage points due to cost control measures and increase in sales.
- FHL's share of loss in China operations is \$707K in the current period.
- Sale of Dare Gallery and Dandenong not reflected in the half year results.

Business Performance – Sales & Gross Margin

Margins reflect strong revenue growth and cost reductions offset by lower AUD



Half Year to	Dec14	Dec13	Change
Sales (1)	\$244.3M	\$224.7M	8.7%
LFL Sales (%)	8.7%	(6.2%)	14.9pts

Half Year to	Dec14	Dec13	Change
Gross Profit (\$M)	\$110.5M	\$102.4M	7.9%
Gross Margin (%)	45.2%	45.6%	(0.4pts)

(1) Total sales and L4L sales include only retail sales at company owned stores and wholesale sales to franchise stores and are exclusive of GST.

(2) All calculations have been computed based on actual numbers

KEY MESSAGES

- Headline sales growth of 8.7% due to strong sales growth in Plush with higher average transaction values.
- Gross Profit was \$110.5M compared to \$102.4M in the previous corresponding period.
- Gross margin percentage impacted by depreciating AUD on imported product.
- Cost saving initiatives assisted to reduce the impact of the depreciating AUD on gross profits.
- The impact of the lower AUD on gross profit in the half year was circa \$4.9M.

Business Performance – Sales Analysis

L4L Sales growth strong reflecting management focus on products

TOTAL HEADLINE SALES BY PERIOD			
\$M	1H15	1H14	%Variance
FF	165.1	160.9	2.7%
Plush	38.2	25.0	52.5%
OMF	7.4	7.1	3.9%
Dare	12.4	11.6	6.9%
Le Cornu	21.2	20.1	5.4%
Total	244.3	224.7	8.7%

TOTAL L4L SALES BY PERIOD			
%	1H15	1H14	Variance
FF	2.4%	(3.6%)	6.0pts
Plush	53.7%	(21.0%)	74.7pts
OMF	2.6%	8.1%	(5.5pts)
Dare	6.9%	(9.4%)	16.3pts
Le Cornu	5.4%	(6.8%)	12.2pts
Total	8.7%	(6.2%)	14.9pts

Total sales and L4L sales include only retail sales at company owned stores and wholesale sales to franchise stores and are exclusive of GST

All calculations have been computed based on actual numbers

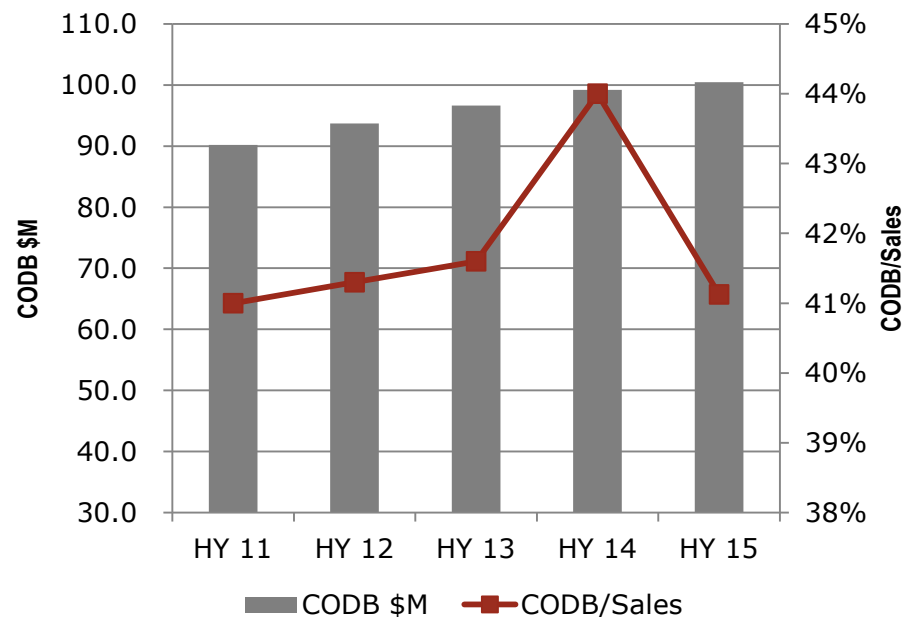
Note: Adjustments have been made to prior year comparatives to ensure consistency

KEY MESSAGES

- Group like-for-like sales of positive 8.7% for HY15. All retail brands delivered positive L4L sales, with a significant contribution from Plush.
- Focus on product ranges, customer offers and continued staff training has assisted to deliver improved sales performance in Fantastic Furniture.
- Plush – significant improvement in sales (albeit off a low base). Business has turned around and delivering on objectives.

Business Performance – Cost of Doing Business

CODB / sales showing improvement



	HY 11	HY 12	HY 13	HY 14	HY 15
Sales (\$M)	220.6	227.6	233.4	224.7	244.3
CODB (\$M)	90.2	93.7	96.6	99.2	100.5
CODB / Sales (%)	40.9%	41.2%	41.4%	44.2%	41.1%

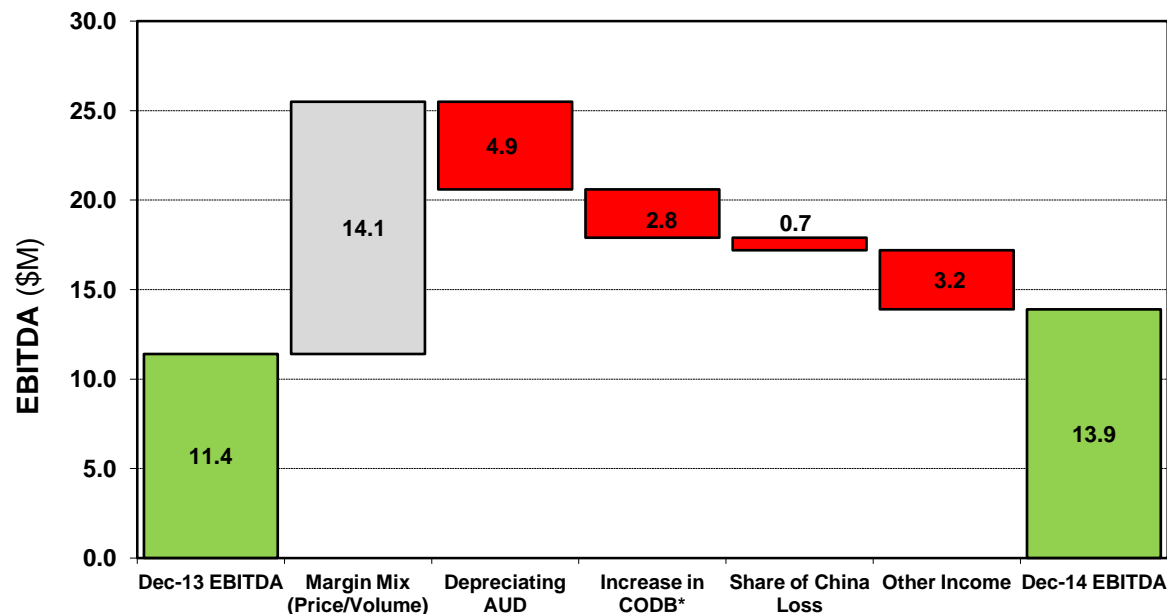
(1) Note: Prior year comparatives have been adjusted for consistency with current year

KEY MESSAGES

- The CODB / Sales ratio was 41.1% down from 44.2% in the pcp with improved sales and cost saving initiatives. A modest increase in the COBD from \$99.2M to \$100.5M largely reflects the increase in store wages.
- Some of the benefits of the cost reduction program have been reinvested into up skilling the store sales teams and uplifting the sales team wages to improve customer service, employee engagement and reduce employee turnover.

Financial Performance – EBITDA

EBITDA up 21.6% on prior comparative period



* CODB excludes depreciation and amortisation

	HY 11	HY 12	HY 13	HY 14	HY 15
Sales (\$M)	220.6	227.6	233.4	224.7	244.3
EBITDA(\$M)	16.3	20.6	21.3	11.4	13.9
EBITDA / Sales (%)	7.4%	9.1%	9.1%	5.1%	5.7%

KEY MESSAGES

- EBITDA result of \$13.9M to December 2014 up \$2.5M on prior comparative period.
- Turnaround performance in Plush has assisted in delivering improved EBITDA compared to prior comparative period.
- Margin mix impacted by FX movements of circa \$4.9M.
- Dec 13 EBITDA included \$2.0M profit from the sale of Campbelltown property classified as Other Income.

Balance Sheet

Balance sheet has strengthened further with increased net cash position

As at	Dec 14(\$M)	Jun14(\$M)	Mvt(\$M)	Mvt (%)
Cash⁽¹⁾	25.2	21.1	4.1	19.3%
Inventory	79.6	81.3	(1.7)	(2.1%)
Investment in a joint venture	4.3	-	4.3	100%
Investment Properties	24.3	24.4	(0.1)	(0.7%)
Fixed Assets	27.4	30.3	(2.9)	(9.6%)
Intangibles	8.0	8.1	(0.1)	(0.9%)
Interest Bearing Loans	15.0	15.0	-	0.0%
Net Assets	112.5	110.6	1.9	1.8%
Net Debt⁽²⁾	10.2	6.1	4.1	66.6%

Half Year to	Dec 14(\$M)	Dec 13(\$M)	Mvt (%)
Return on Equity (6 months)	6.2%	4.4%	(1.8pts)

(1) Cash at Dec 14 excludes cash held in China

(2) Net Debt is positive as cash exceeds debt

Note: All calculations have been computed based on actual numbers

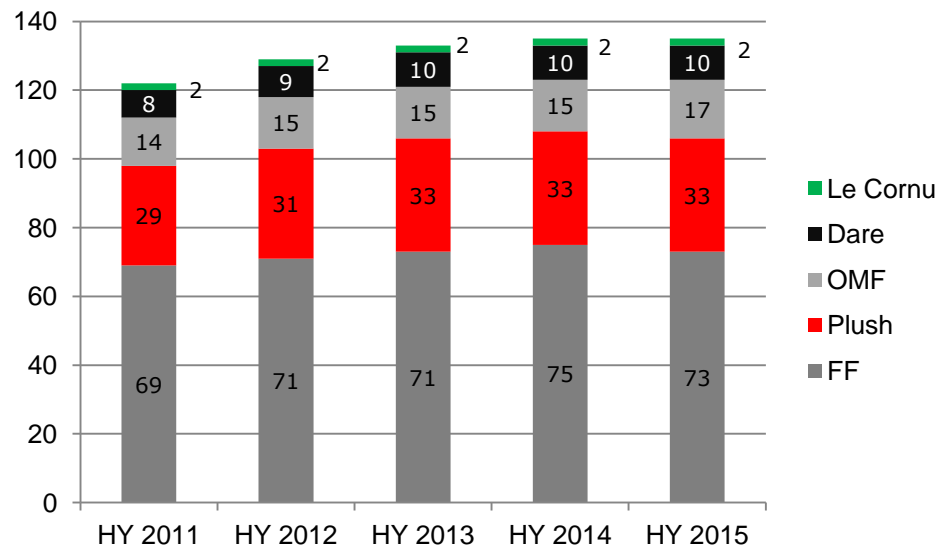
KEY MESSAGES

- Strong Balance Sheet position with positive net cash balance.
- Cash position of \$25.2M and debt of \$15M as at 28 December 2014.
- Dandenong property sale proceeds of \$22.7M received in February.
- Investment in China operations included as part of investment in a joint venture under the equity method.

Business Performance – Store Network Growth

Store network across key markets

Number of Company Owned Stores (as at 28 December 2014)



Network of Company Owned Stores ⁽¹⁾

(as at 28 December 2014)

	NSW	VIC	QLD	WA	OTHER	TOTAL*
FF	30	18	12	6	7	73
Plush	13	12	4		4	33
OMF	16	-	-	-	1	17
Dare ⁽²⁾	2	6	2	-	-	10
Le Cornu	-	-	-	-	2	2
Total	61	36	18	6	14	135

(1) Only company owned stores. Franchise stores are excluded.

(2) Business now sold.

KEY MESSAGES

- Movement in store numbers during the half year period were as follows:
 - Fantastic Furniture opened 1 store; Townsville (QLD); closed 1 store: Stanmore (NSW).
 - OMF opened 2 stores; Belrose and Caringbah (NSW).
- No change in stores in other retail brands.
- The opening of Fantastic Furniture's Townsville store marks our entry into the North East Queensland market and to date the performance has been encouraging.

Property Segment

Supporting the retail business with site location and leasing expertise

Half-Year Ended	Dec 14	Dec 13	Change \$M
Property EBIT*	\$0.1M	\$2.2M	(\$2.1M)

- Property segment income comprises primarily leasing income and the sale of property assets.
- Completion of Dandenong property sale took place on 20 February 2015.
- FHL owns two other properties as at December 2014: Newcastle (NSW) and Rockhampton (QLD). The total book value of properties owned is \$6.9M reflected as \$3.8M in Investment Property and \$3.1M reflected in Property, Plant and Equipment.
- Sale and leasing alternatives being considered for the Rockhampton Property.
- Prior comparative period includes lease income and profit from sale of Campbelltown Property.

* Property EBIT excludes intersegment revenues

FHL Group FY15 Second-Half Outlook

Strong FY15 - focus on customers and product strategy in FY15 second half

- FHL sales in January and February (8 February) were strong representing L4L growth of 9.2%. Gross margin percentage was below prior comparative period but gross profit dollars increased on prior comparative period. The depreciation of the Australian dollar will continue to impact second half product margins for the FHL group.
- Strong half year 2015 with undelivered customer orders of \$32.5M at December 14 compared to \$23.0M for prior comparative period.
- Fantastic Furniture will continue to focus on its product strategy and customer value proposition, its supply chain operations and processes to improve shareholder returns and value to consumers.
- Plush's new simplified business model and refreshed range has proven successful so far and it is anticipated that the business will contribute strongly to FHL profits in FY15.
- OMF will continue to expand in FY15. Management are currently working through the Le Cornu business model to deliver improved efficiency .
- FHL will review its Ashley stand alone store which opened in early January 2015 in Adelaide before considering further expansion.

Questions & Answers

Disclaimer

- Information in these presentations relating to the price at which relevant investments have been bought or sold in the past or the yield on such investments cannot be relied upon as a guide to the future performance of such investments.
- These presentations do not constitute an offering or recommendation to purchase securities or otherwise constitute an invitation or inducement to any person to underwrite, subscribe for or otherwise acquire securities in any company within the Fantastic Holdings Limited group (the “Group”).
- The information in these presentations does not take into account the potential and current individual investment objectives or the financial situation of investors. Before making or varying any investment in securities in the Group, all investors should consider the appropriateness of that investment in light of their individual investment objectives and financial situation and should seek their own independent professional advice .
- The presentations contain forward-looking statements which are subject to risks and uncertainties because they relate to future events, many of which are outside the control of, and are unknown to, Fantastic Holdings Limited. These risks and uncertainties may cause actual results to differ from any expected future events or events referred to in the forward looking statements. Fantastic Holdings Limited disclaims any obligation or undertaking to disseminate any updates or revisions to any forward looking statements in these materials to reflect any change in expectations in relation to any forward looking statements or any change in events, conditions or circumstances on which any such statement is based.
- No representation, warranty or assurance (express or implied) is given or made in relation to any forward looking statement by any person (including Fantastic Holdings Limited). In particular, no representation, warranty or assurance (express or implied) is given in relation to any underlying assumption or that any forward looking statement will be achieved.