

## SurfStitch Group announces the acquisitions of Magicseaweed and Stab Magazine and Capital Raising

- SurfStitch Group Limited (“SurfStitch”) has agreed to acquire Magicseaweed and Stab Magazine for a total cash consideration of A\$13.8 million and 4.8 million shares in SurfStitch
- Magicseaweed and Stab Magazine are both global leaders in their respective online platforms. Magicseaweed is the world’s leading online surf forecaster and user generated surf content network and Stab Magazine is the world’s leading online surf publishing and content provider. Together, they attract over 2.75 million unique monthly visitors to their websites
- The Acquisitions accelerate the delivery of SurfStitch’s strategy to become the global destination for action sports and youth lifestyle content and online retail
- The Acquisitions are expected to be earnings accretive, revenue growth and margin enhancing in FY16, with nominal impact in FY15
- SurfStitch reaffirms recently upgraded FY15 guidance of A\$199 million in revenue and A\$7 million in EBITDA
- SurfStitch also announced a fully-underwritten institutional placement to raise A\$37.5 million and a Share Purchase Plan of up to A\$15,000 per shareholder capped to raise up to a maximum of A\$5 million (the “Capital Raising”)
- Proceeds from the Capital Raising will be used to fund the cash component of the Acquisitions, to provide SurfStitch with the flexibility to pursue further strategic growth initiatives including the continued buildout of SurfStitch’s content strategy, working capital and general corporate purposes

### Overview

**Burleigh Heads, Australia** – SurfStitch (ASX:SRF) today announced that it had entered into definitive agreements to acquire Magicseaweed and Stab Magazine (collectively, “the Acquisitions”) for a total cash consideration of A\$13.8 million and 4.8 million shares in SurfStitch. A fully underwritten institutional placement of ordinary shares to raise A\$37.5 million has also been launched, with proceeds being used (in part) to fund the Acquisitions. SurfStitch also announced a Share Purchase Plan of up to A\$15,000 per shareholder to raise up to a maximum of A\$5 million.

### About the Acquisitions

Headquartered in the UK, Magicseaweed is the world’s largest user generated surf content network, providing forecasting and live reporting of over 4,000 beaches across the globe. Magicseaweed was founded in 2002 and has become the world’s leading online surf forecasting platform, used by surfers and water sports enthusiasts in over 200 countries. Magicseaweed serves the key markets of North America, Europe and Australia, attracting over 2 million unique monthly users to its site, and over 1 million app downloads. For further information, please visit the Company’s website at <http://www.magicseaweed.com/>

Stab Magazine is the world's leading online surf publishing network. Established in 2004 and headquartered in Sydney, Stab Magazine originated as a style and surf print magazine, and leveraged its strong relationships with brands and athletes to launch its successful digital platform. It has become a social media hub in surf and a trusted source of product reviews, exclusive content and access to athletes and brands. Stab Magazine drives over 750,000 unique monthly users to its site. For further information, please visit the Company's website at <http://www.stabmag.com/>

The Acquisitions will form part of a newly formed content network that will consist of Magicseaweed, Stab Magazine and 'The Lens', providing a platform for brands and consumers to engage in an authentic and curated action sports environment. The founders of Magicseaweed (Ben Freeston, Ryan Anderson and Nicholas Lott) and Stab Magazine (Sam McIntosh) will help drive the strategic focus of the new content group.

### **Rationale**

Magicseaweed, Stab Magazine and SurfStitch, together, will represent a digital ecosystem capable of capturing and influencing customers at all points of the surf and action sports lifestyle cycle. By leveraging relevant content to attract and retain a rapidly evolving and increasingly sophisticated customer base, SurfStitch aims to significantly enhance customer engagement levels throughout its family of e-Commerce platforms.

"We are thrilled to be working with the SurfStitch Group as we look to expand Magicseaweed in the USA, Australasia and Europe, said Ryan Anderson, Co-Founder of Magicseaweed. It's a unique opportunity to find the right balance of surf forecasting, inspirational content and product offerings to our global surf community and millions of users."

The Acquisitions materially advance SurfStitch's strategy of becoming a destination site for customers to connect with everything action sports related and engage across all platforms. Magicseaweed is the lead global surf forecaster with access to a large, key surf audience, while Stab Magazine is the leading surf content player and has a loyal viewership in the core action sports surf market. Both subscriber bases are also highly engaged, with between 90 and 95% of visitors returning to their site within 7 days.

"Stab's success has always been about big names and big ideas. From working with the best athletes to creating viral projects that breathe and bleed on-screen," said co-founder Sam McIntosh. "We share SurfStitch's vision for an international content network and connecting with our core audience daily."

In addition to reducing SurfStitch's reliance on external marketing channels, the Acquisitions will deliver incremental revenue synergies as content on both sites will be anchored to drive sales to SurfStitch and will promote recency and repeat visitation across all platforms. The Acquisitions are expected to be earnings accretive, revenue growth and margin enhancing in FY16 (with nominal impact to earnings in FY15), and will add to SurfStitch's growing subscriber base, providing significant cross-promotional opportunities.

"SurfStitch's demonstrated global leadership in action sports and youth culture apparel is greatly enhanced with the addition of Magicseaweed and Stab Magazine. These highly complementary Acquisitions represent the voice of SurfStitch's core audience, connecting us with our customers and providing us greater insight into their preferences, influences and purchasing behaviour," said Justin Cameron, CEO of SurfStitch.

“We are excited to welcome Magicseaweed and Stab Magazine to the SurfStitch Group. These businesses share our enthusiasm and passion in the action sports and youth culture space, and are ideal partners to support SurfStitch’s mission to become the global destination for action sports and youth lifestyle content and online retail. Combined with our recent launch of ‘The Lens’, the Acquisitions will further SurfStitch’s global content driven strategy to provide relevant and engaging content to our growing active customer base.”

“Customer engagement is a key focus for SurfStitch. In an ever evolving digitalised world, where our target demographic is spending more time across different screens, platforms and networks, there is an increasing need to find new and relevant ways of attracting and engaging with potential customers. Traditional mediums of marketing, even digital advertising, are becoming less effective with over 71% of internet users ignoring online banner ads, and over 58% ignoring online search engine ads. The Acquisitions represent an important strategic step for SurfStitch in developing an integrated, digital ecosystem and positioning the business for future growth.”

### **Capital Raising**

A fully-underwritten institutional placement of ordinary shares to raise A\$37.5 million has been launched today to fund the cash component of the Acquisitions, to provide SurfStitch with the flexibility to pursue further strategic content provider acquisitions and to accelerate SurfStitch’s revenue growth via the addition of incremental working capital. The placement has been underwritten at a fixed price of A\$1.50 per share and the shares issued under the placement represent 11.7% of SurfStitch’s issue capital. Settlement of the placement is currently scheduled to take place on 19 May 2015, with allotment and quotation of shares expected to occur on the ASX on 20 May 2015. In conjunction with the institutional placement, SurfStitch today announced a Share Purchase Plan of up to A\$15,000 per shareholder capped to raise up to a maximum of A\$5 million. J.P. Morgan is Sole Bookrunner, Lead Manager and Underwriter to the institutional placement.

SurfStitch is advised by J.P. Morgan and Herbert Smith Freehills in relation to the Acquisitions.

### **SurfStitch Group Resources:**

For more information on the SurfStitch Group, please visit:

- Investor Centre: <https://www.surfstitchgroup.com/investors/>
- SurfStitch Group Website: <https://www.surfstitchgroup.com/>
- SurfStitch Website: <http://www.surfstitch.com/>
- Surfdome Website: <https://www.surfdome.com/>
- SWELL Website: <http://www.swell.com/>
- Magicseaweed Website: <http://magicseaweed.com/>
- Stab Magazine Website: <http://www.stabmag.com/>

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## **About SurfStitch Group**

SurfStitch Group is an industry leading actions sports and youth culture apparel content network and online retailer to over two million dedicated customers via its websites SurfStitch.com, Swell.com and Surfdome.com. A leading pure play online action sports retailer globally, SurfStitch Group is the only major pure play online action sports retailer in Australia and New Zealand, has a leading position in Asia and Europe and is strengthening its growing presence in the North American online action sports segments. SurfStitch Group is home to over 50,000 styles from over 900 of the world's leading and unique action sports and street fashion brands. Headquartered in Burleigh Heads, Australia, the SurfStitch Group has physical locations in Australia, the UK and the USA. The Company's ordinary shares are traded on the Australian Securities Exchange (ASX) under the ticker SRF.

## **Disclaimer**

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