

The logo for SurfStitch Group, featuring the brand name in a white, sans-serif font. The 'h' in 'Stitch' is stylized with a small 'n' inside it. The background is a scenic view of a beach with waves and a blue sky.

SurfStitchGroup

# SURFSTITCH GROUP

MORGANS QUEENSLAND CONFERENCE 2015  
*23 OCTOBER 2015*

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**1.0 Business Overview**

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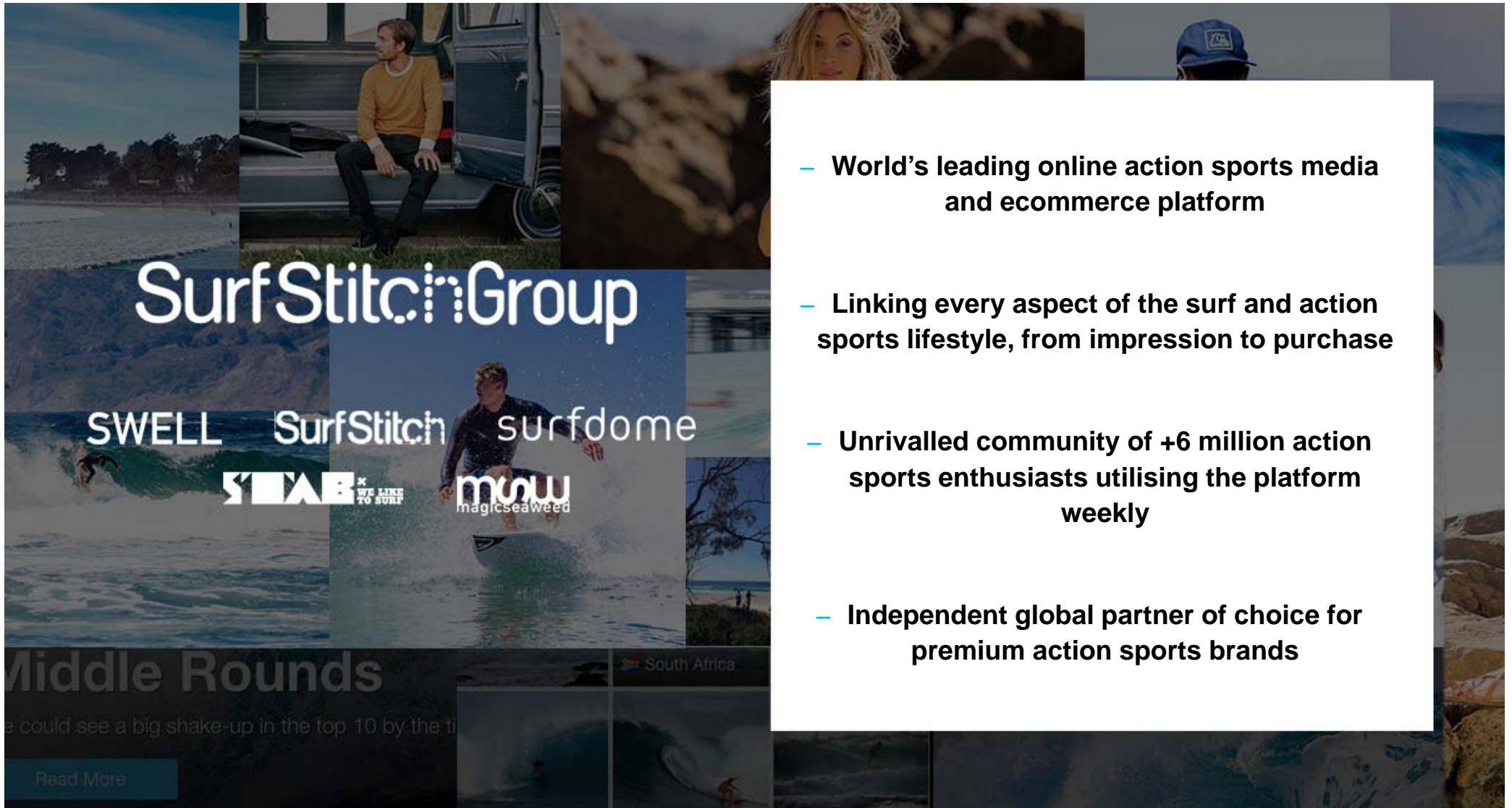
**4.0 Appendix**

# 1.0 BUSINESS OVERVIEW

A man with a beard and a green baseball cap is carrying a woman on his shoulders. The woman has long blonde hair, is wearing sunglasses, a grey t-shirt, and black sandals. They are outdoors in a sunny, open area with trees in the background. The man is wearing a black and white striped shirt and dark shorts. The woman's hair is blowing in the wind, and she has her arms outstretched. The background shows a clear blue sky and a line of green trees.



# WORLD'S LEADING ONLINE ACTION SPORTS MEDIA AND ECOMMERCE PLATFORM



**SurfStitchGroup**

SWELL SurfStitch surfdome

**Middle Rounds**

Read More

- World's leading online action sports media and ecommerce platform
- Linking every aspect of the surf and action sports lifestyle, from impression to purchase
- Unrivalled community of +6 million action sports enthusiasts utilising the platform weekly
- Independent global partner of choice for premium action sports brands

# OUR DIGITAL MEDIA ECOSYSTEM CAPTURES AND RETAINS CUSTOMERS...

Products span surf, skate, street and snow

Content drives core traffic growth

700 established and emerging brands

Increases repeat visitation

50,000 different product offerings

Increases purchasing frequency

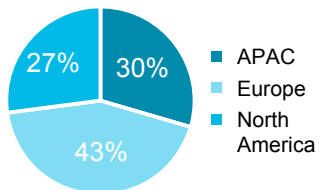
**msw**  
magicseaweed

**STAB**  
WE LIKE TO SURF

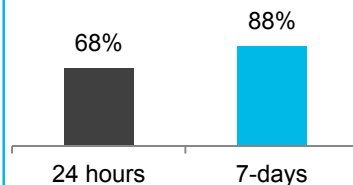
THE  
LENS



Users by Region



Repeat visitation



Pro forma financial highlights (A\$m)

	Revenue	GM	EBITDA	Cash
FY2015	\$199.4	45.9%	\$7.7	\$40.8
YoY change	30%	+251bps	nm	nm

# GLOBAL REACH WITH BALANCED GEOGRAPHICAL MIX AND LOCAL EXPERTISE

## Asia-Pacific



★ Headquarters

● Distribution centre

● IT offices

● Product sourcing

● Local offices

## Europe



## North America



### GLOBAL OPERATIONS...

- Ship to over 130 countries, next day
- 1 order processed every 3 seconds
- 3 strategically located logistics centres in major action sports markets to maximise delivery speed and customer service
  - Australia, UK, USA
- Capacity for growth across all logistics centres
- 6 local offices
  - Australia (Gold Coast, Sydney)
  - UK (London, Devon)
  - USA - California (Irvine, Venice Beach)
- Cross regional and cross seasonal fulfillment to maximise gross profit and sales by fulfilling orders where it is most economic to do so

### ...WITH LOCAL PRESENCE

- 6 local language websites (English, German, Spanish, French, with Portuguese and Japanese going live in 1H FY16)
- 18 currencies
- Local payments
- Dedicated couriers in selected markets to fulfill specific local needs and minimise costs
- Next-day, Saturday and Sunday delivery in different markets
- All local hubs equipped with local sourcing, digital production and distribution capabilities in order to:
  - Optimise cost structure
  - Efficiently handle returns (locally, including cross region sales)
  - Minimises impact of FX on product cost and distribution cost while still pricing at local rates

# INVENTORY STRATEGY DELIVERING A PREMIUM PRICING MODEL

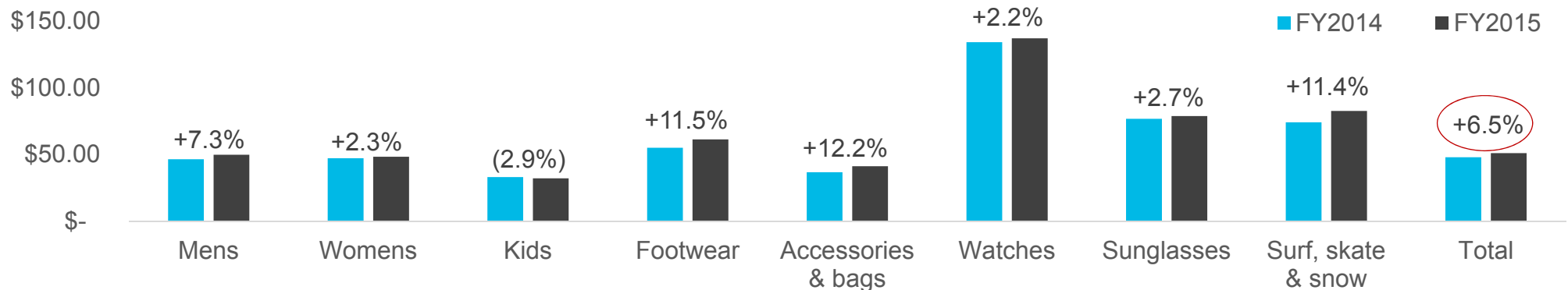
## PREMIUM PRICING MODEL...

- Large exclusive product ranges in each region
- First to market product offering
- Next day delivery to more than 130 countries
- Consignment and strong rebate / rotation inventory model
- Male demographic focus (70%), which reduces fast fashion exposure

## ...WITH SUSTAINABLE GROSS PROFIT MARGINS

- Margin protection made possible through exclusive brand and product assortment
- Benefits of global buying power with a large audience
- New market focus
- Unique infrastructure model provides an effective FX hedge
- Cross regional and counter seasonal sales maximise sell-through at higher gross margins

## Average price per unit sold (AUD)





## 2.0 FINANCIAL REVIEW





# FY2015 FINANCIAL HIGHLIGHTS

## FY2015 pro forma financial highlights

- **FY2015 Results exceeded upgraded guidance**
  - Revenue A\$199.4m (+30%)
    - Asia-Pac: A\$82.9m (+44%)
    - Europe: A\$87.3m (+22%)
    - North America: A\$29.1m (+17%)
  - Significant gross profit margin expansion in all regions (+251bps)
  - EBITDA +7.7m, up 51% on prospectus guidance
- **Executed on significant milestones 2H 2015**
  - ✓ Separation from Billabong and Quiksilver Groups
  - ✓ Completed capital raise and acquisitions of Magicseaweed & Stab
  - ✓ Accelerated growth in all regions
  - ✓ Commenced Phase I of integrated media & commerce brand strategy

## Pro forma consolidated sales (A\$m)

	FY2014	FY2015	Change
Revenue	\$154.1	\$199.4	30%
Gross profit	\$66.9	\$91.6	37%
<i>GP margin</i>	43.4%	45.9%	+251bps
EBITDA	(\$3.4)	\$7.7	nm
Profit before tax	(\$8.1)	\$4.1	nm
Basic earnings per share	n/a	\$0.02	nm
Cash & equivalents	n/a	\$40.8	nm

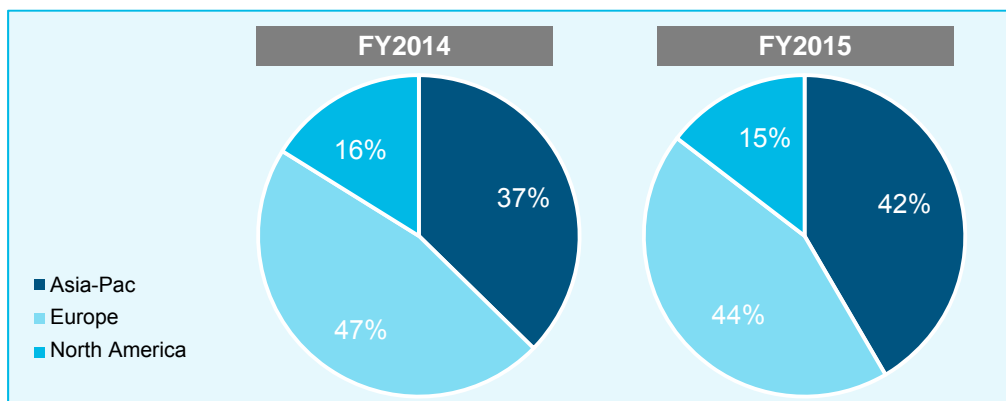
Note: Pro forma numbers reflect the full period of 1 July 2013 to 30 June 2014 and 1 July 2014 to 30 June 2015, respectively; Exclude Billabong managed websites; Assumes SurfStitch, Surfdome, SWELL, Magicseaweed and Stab acquired as at 1 July 2013 and are included in all periods shown; Excludes IPO listing, capital raise and acquisition fees

# KEY FINANCIALS BY REGION

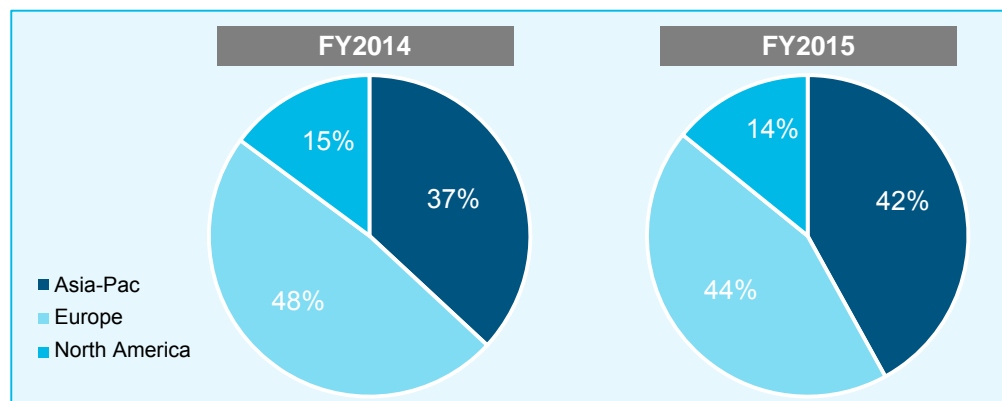
A\$m

FY2015	Asia-Pac	Europe	North America	Group total
Revenue	\$82.9	\$87.3	\$29.1	\$199.4
<i>Growth yoy</i>	44%	22%	17%	30%
Gross profit	\$38.4	\$40.2	\$13.0	\$91.6
<i>Gross profit margin</i>	46.3%	46.0%	44.6%	45.9%
<i>Margin improvement</i>	341bps	97bps	465bps	251bps

## Revenue contribution by region



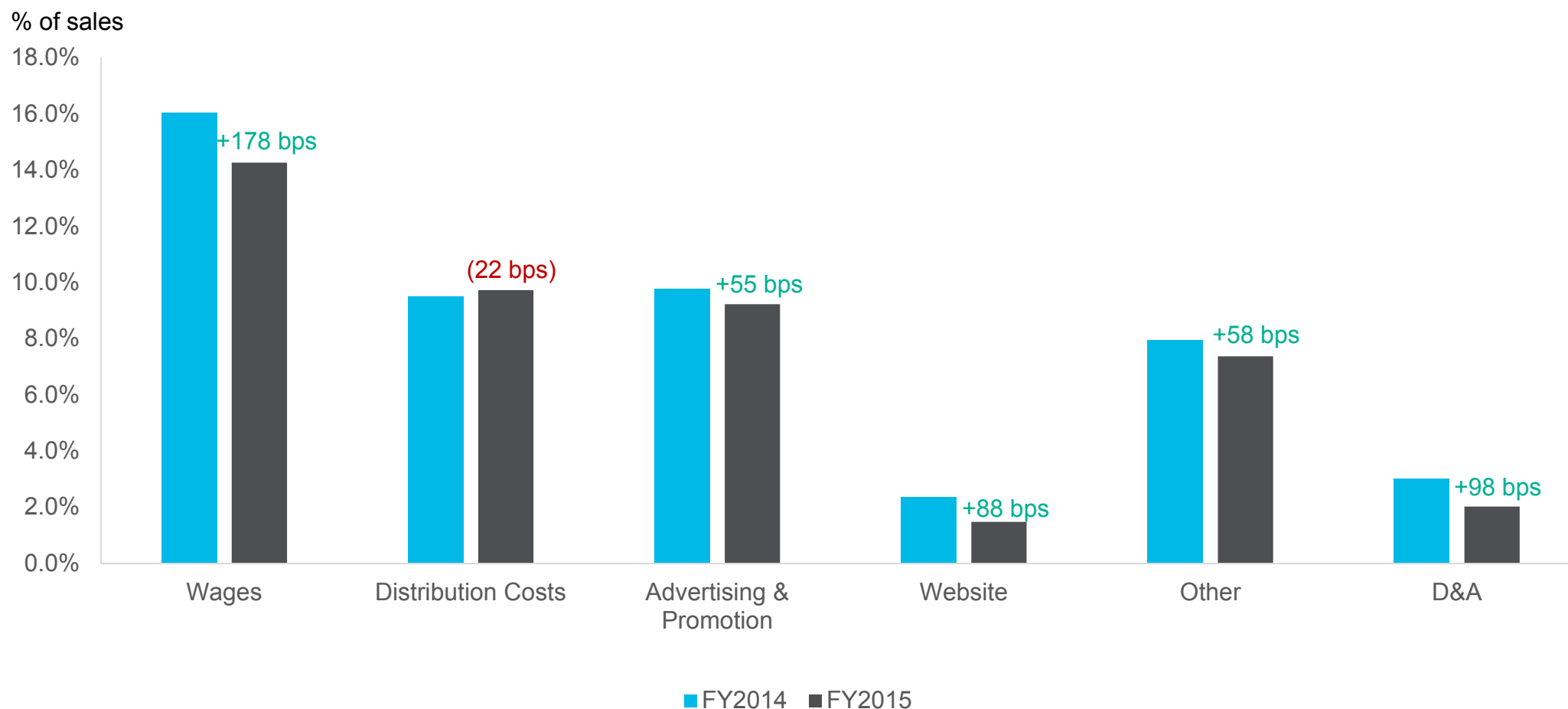
## Gross profit contribution by region



Note: Pro forma numbers reflect the full period of 1 July 2013 to 30 June 2014 and 1 July 2014 to 30 June 2015, respectively; Exclude Billabong managed websites; Assumes SurfStitch, Surfdome, SWELL, Magicseaweed and Stab acquired as at 1 July 2013 and are included in all periods shown; Excludes IPO listing, capital raise and acquisition fees

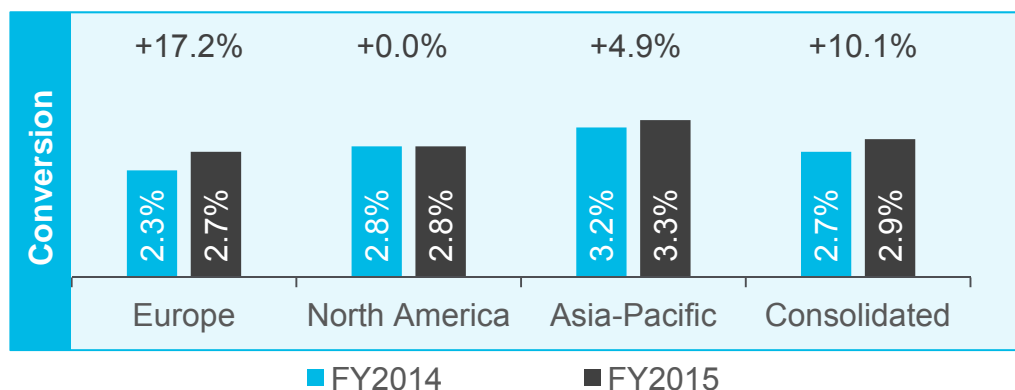
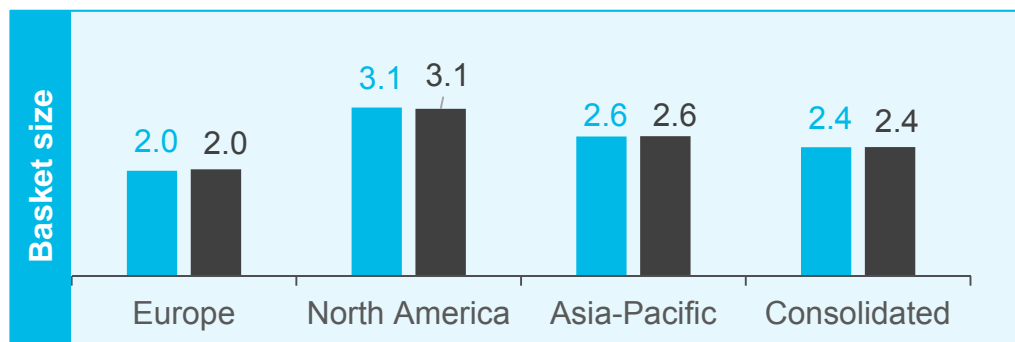
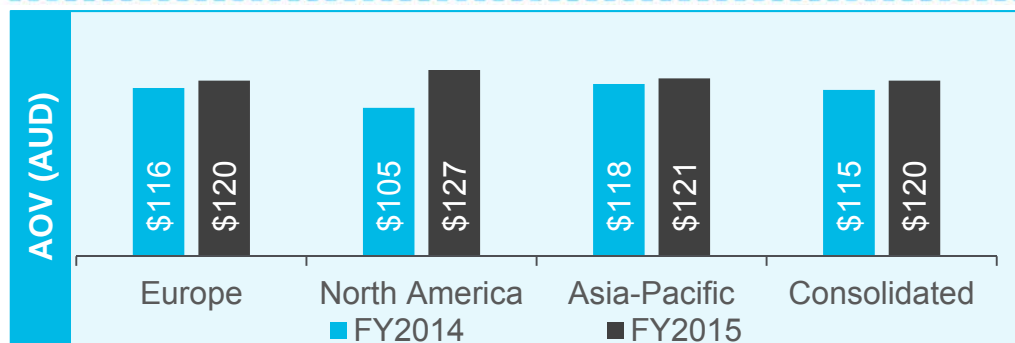
# +455BPS IMPROVEMENT IN OPERATING COSTS TO SALES RATIO

+455bps improvement in operating costs to sales ratio following regional and business restructuring, shared infrastructure cost savings and economies of scale





# ALL CUSTOMER METRICS TRENDING POSITIVELY



## Unique monthly



6.2m

## Email database



2.9m

## App downloads



1m

## Social followers



529k



1,801k



122k

## Repeat visitation



## Usage metrics

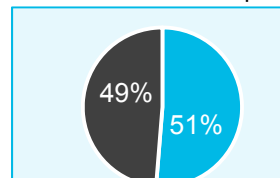
### Retail

STEAM

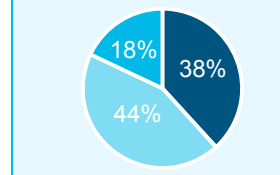
msw  
magicseaweed

■ Mobile ■ Desktop

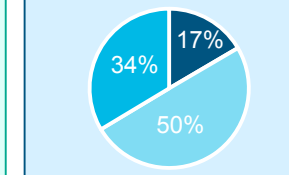
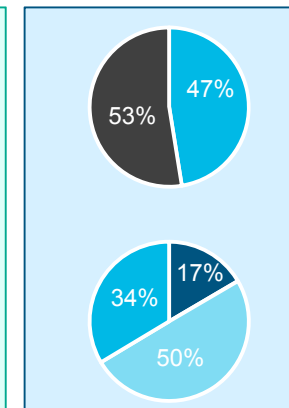
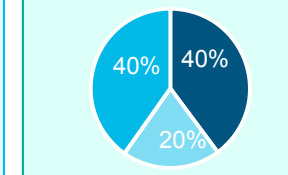
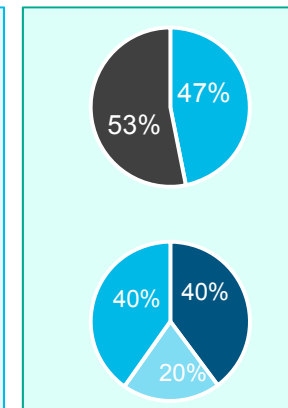
## Device by usage



## User by region



■ Asia-Pac ■ Europe ■ USA



# FY2016 OUTLOOK

## FY16 guidance

- Strong double digit revenue growth to continue
- EBITDA for FY16, with an expected stronger second half, will range between consensus estimates of A\$15-18m (growth of 100%+)
- Additional opportunities for growth exists through acquisitions to support the Group's strategy
- No dividend currently planned. Cash will continue to be reinvested in growth given recognisable double digit growth opportunities



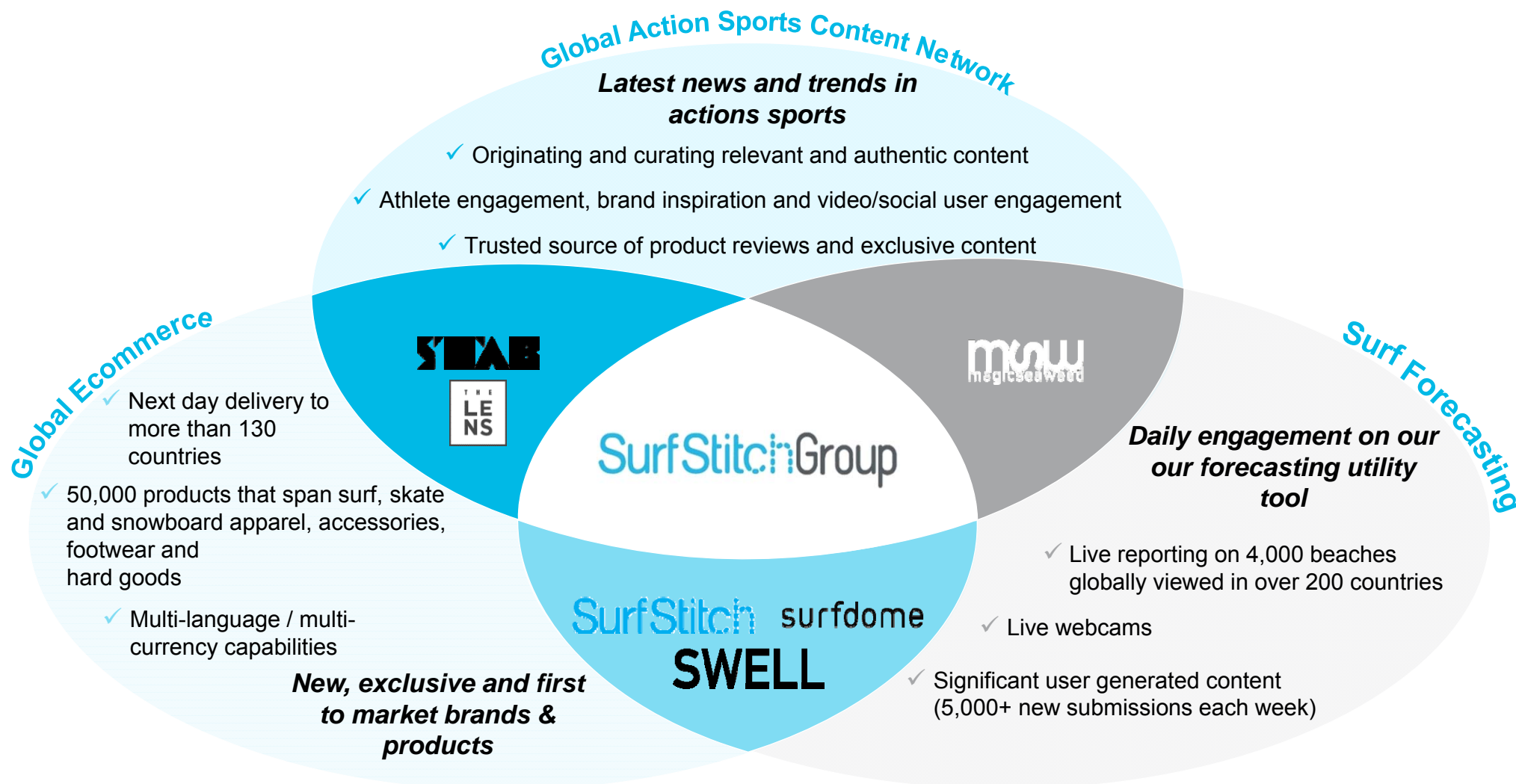


A person is sitting on a skateboard, wearing a patterned shirt and jeans. Their hands are resting on the skateboard deck, and a watch is visible on their left wrist. The background is blurred, suggesting an outdoor setting. The text "3.0 STRATEGIC REVIEW" is overlaid in the center in a blue, sans-serif font, flanked by two horizontal dashed lines.

## 3.0 STRATEGIC REVIEW



# OUR VISION: BECOME THE DOMINANT & UNDISPUTED GLOBAL LEADER IN ACTION SPORTS & YOUTH LIFESTYLE



**SurfStitch has transformed from an ecommerce brand aggregator to a unique digital ecosystem that marries content with commerce**

# SIGNIFICANT OPPORTUNITIES FOR GROWTH EXIST IN MEDIA

Top 5 Online Activities		Competency	
% internet users who did the following online last month			
Watched a video clip	<div></div> 74%	✓	
Uploaded photos	<div></div> 73%	✓	
Used social networking	<div></div> 72%	✓	
Purchased online	<div></div> 71%	✓	
Checked weather	<div></div> 65%	✓	
Specific Media Consumption		Competency	Investment opportunity

# SURFSTITCH TO EVOLVE TO THE NETFLIX AND AMAZON OF ACTION SPORTS

## Capturing the Audience



- Unlimited, instant movie & television streaming with an emphasis on exclusive content (in key markets)
- Free two-day shipping
- Unlimited music streaming
- Free e-books

**MR. ROBOT**  
25 Sep 2015

**HBO**  
23 Apr 2015

**TopGear**  
30 Jul 2015

**NETFLIX**

- Dominant internet streaming video service
- Curated, robust library of movie & television
- International rights
- Exclusive content (own + 3<sup>rd</sup> party)

**ARRESTED  
DEVELOPMENT  
NETFLIX**

**NARCOS**

**HOUSE  
of CARDS**

**ORANGE  
is the new  
BLACK**

## Monetisation

- Annual subscription USD\$99
- Television episode / season purchase
- Movie rentals
- E-commerce on Amazon platform

- Tiered subscription (ad free)

Plan \$/mo (USD)	Quality	Screens
\$7.99	SD	1
\$9.99	HD	2
\$11.99	Ultra HD	4

## Key Stats (USD)



60-80 million  
prime  
subscribers



'15E Rev  
\$106bn  
(retail + prime)



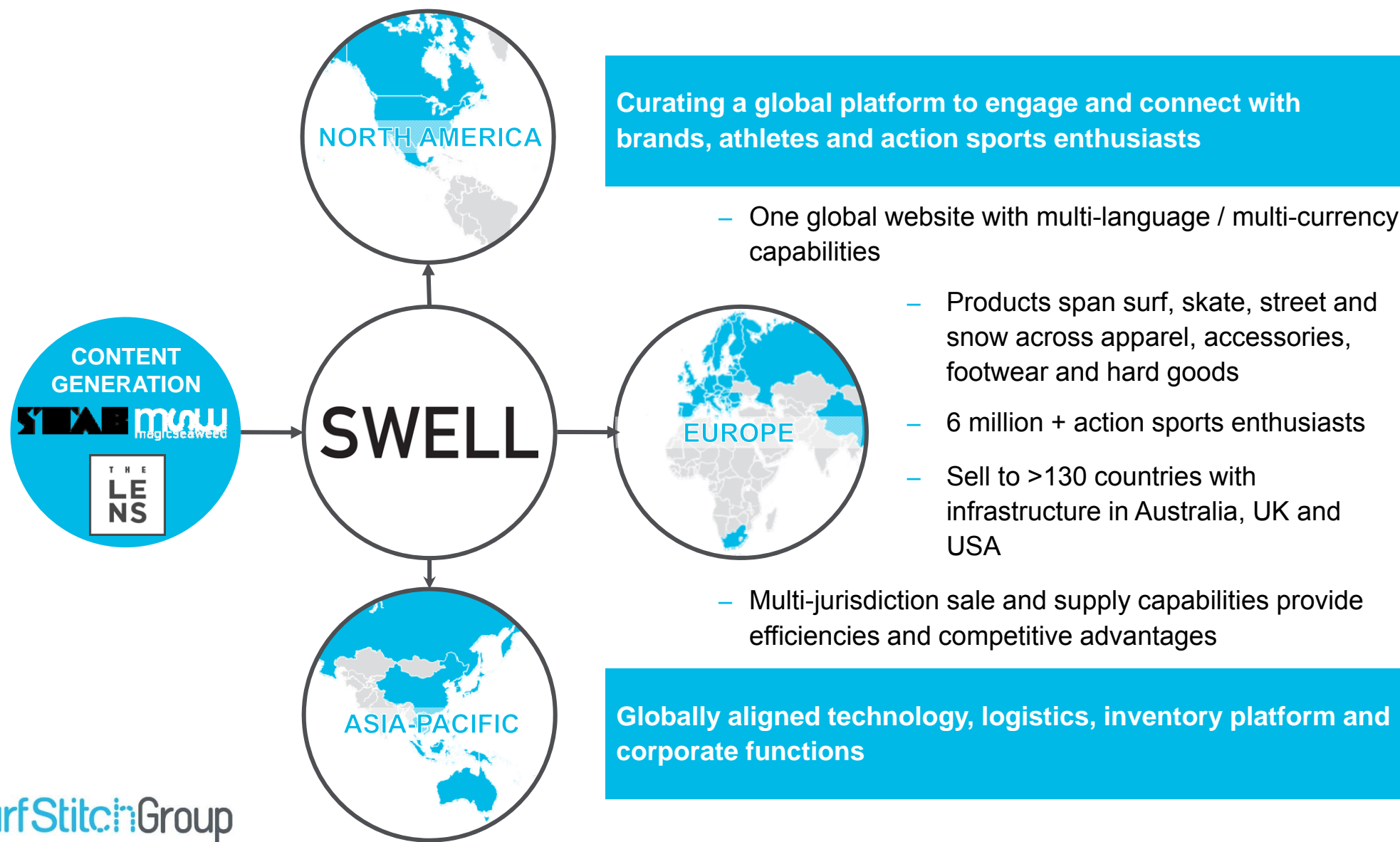
69 million  
subscribers



'15E Rev  
\$6.8bn

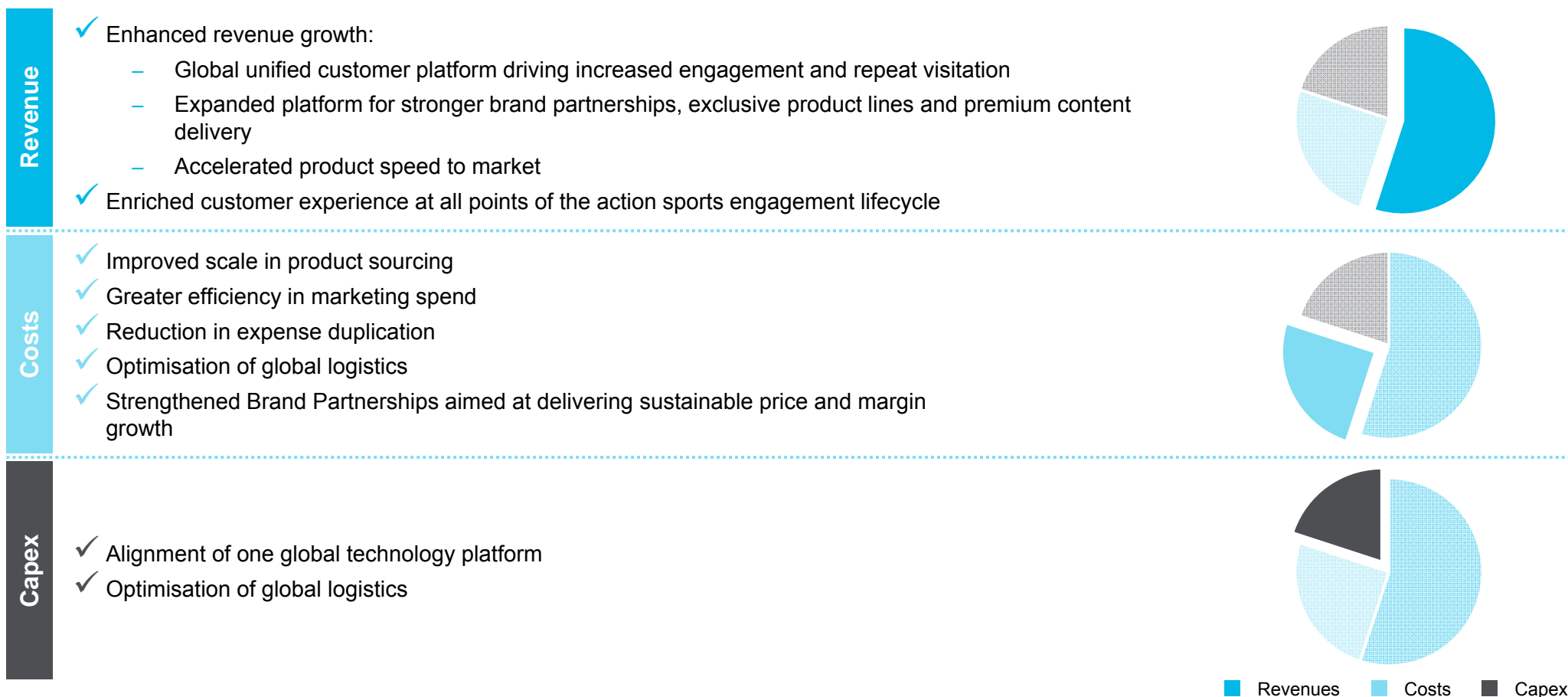


# TO ACCELERATE GROWTH, WE ARE MAKING A STRATEGIC SHIFT TO A SINGLE ECOMMERCE BRAND...



# DRIVING SYNERGY BENEFITS ACROSS THE CONSOLIDATED GROUP

*Estimated annual run-rate synergies of A\$12.5m (EBITDA + Capex)  
realised by FY17 with a positive impact from 2H16*



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# SUMMARY

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- SurfStitch Group is the global online destination for action sports and youth lifestyle
  - We have created a digital environment where more than 6 million people go to find the latest action sports news, trends and forecasts, to be inspired by world-class athletes, and to purchase exclusive products from leading and emerging brands
- We expect strong double digit revenue growth to continue with EBITDA growth of 100%+ in FY2016
- Additional opportunities for growth exists through acquisitions to support the Group's global content strategy

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# 4.0 APPENDIX

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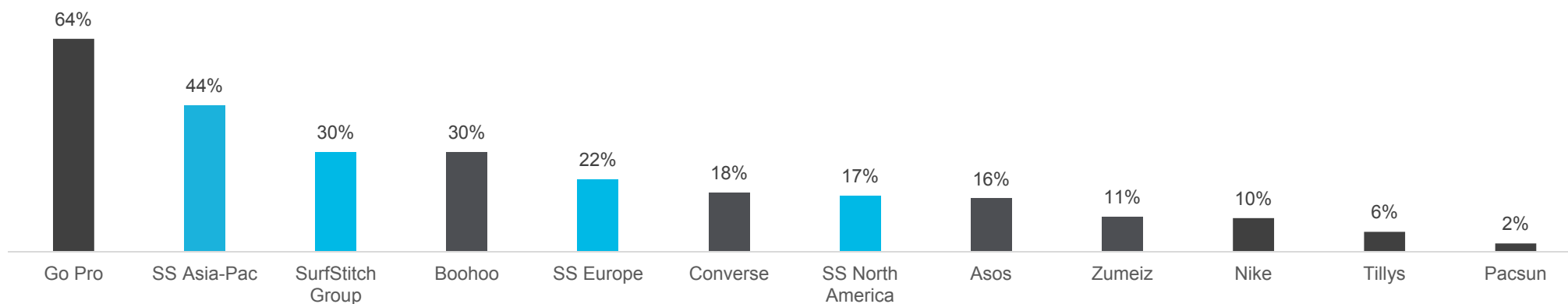
# CONSOLIDATED PRO FORMA HISTORICAL PROFIT OR LOSS STATEMENT

Consolidated pro forma historical profit or loss statement				Commentary
A\$m	FY2014	FY2015	% chg	
<b>Revenue</b>	<b>154.1</b>	<b>199.4</b>	<b>30%</b>	<i>Revenue growth accelerating</i>
COGS	(87.2)	(107.8)	(24%)	<i>Improved inventory management</i>
<b>Gross profit</b>	<b>66.9</b>	<b>91.6</b>	<b>37%</b>	<i>Margin improved 251bps vs prior year</i>
Distribution expenses	(14.7)	(19.4)	(32%)	<i>Remained flat as a % of revenue</i>
Administrative expenses	(55.8)	(64.6)	(16%)	<i>Improved 381bps as a % of revenue</i>
Net other income	0.1	0.1	(4%)	
<b>EBITDA</b>	<b>(3.4)</b>	<b>7.7</b>	<b>nm</b>	<i>Group consolidation benefits positively impacting FY2015 EBITDA</i>
Depreciation and amortisation	(4.6)	(4.0)	13%	
<b>EBIT</b>	<b>(8.1)</b>	<b>3.7</b>	<b>nm</b>	
Interest income / (expense)	(0.0)	0.5	nm	
<b>Profit before tax</b>	<b>(8.1)</b>	<b>4.1</b>	<b>nm</b>	
Income tax expense	0.0	0.0	nm	<i>Carry forward tax loss benefits</i>
<b>NPAT</b>	<b>(8.1)</b>	<b>4.1</b>	<b>nm</b>	

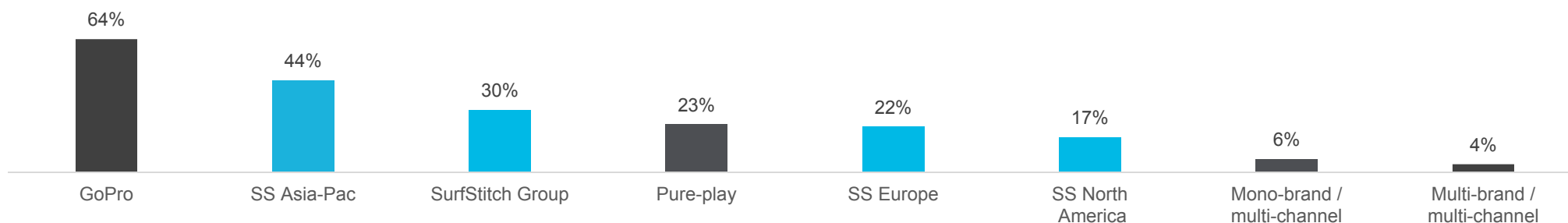
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# SURFSTITCH GROUP IS OUTPERFORMING GLOBAL COMPETITORS

## FY2015 sales growth vs competitors



## FY2015 sales growth by competitor type



Source: Broker's Research; Company filings

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

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# DISCLAIMER

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This presentation and information communicated verbally to you may contain certain projections and other forward-looking statements with respect to the financial condition, results of operations, businesses and prospects of SurfStitch Group Limited ("SurfStitch Group"). These statements are based on current expectations and involve risk and uncertainty because they relate to events and depend upon circumstances that may or may not occur in the future. There are a number of factors which could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements. Any of the assumptions underlying these forward-looking statements could prove inaccurate or incorrect and therefore any results contemplated in the forward-looking statements may not actually be achieved. Nothing contained in this presentation or communicated verbally should be construed as a profit forecast or profit estimate. Investors or other recipients are cautioned not to place undue reliance on any forward-looking statements contained herein. SurfStitch Group undertakes no obligation to update or revise (publicly or otherwise) any forward-looking statement, whether as a result of new information, future events or other circumstances. Neither this presentation nor any verbal communication shall constitute an invitation or inducement to any person to subscribe for or otherwise acquire securities in SurfStitch Group.



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