



Fantastic Holdings
Limited

Half Year Results Presentation

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1. Fantastic Holdings – Results Overview

Record sales with scale and efficiency gains improving earnings

- Record sales revenue of \$272.8M up 11.7% on pcp
- Group same store sales growth of 15.7%, compared to 8.7% growth in the pcp
- Improved supply chain management and focus on customer service
 - Group undelivered customer orders were \$27.4M, down 15.6% on \$32.5M in 1HFY15
- Gross margin of 43.8% down 1.4% pts on pcp
 - Foreign exchange impact from depreciating AUD
- NPAT of \$10.9M, 56.6% increase on pcp
- EPS of 10.57 cents, 56.4% increase on pcp
- Strong balance sheet with net cash of \$30.3M
- Interim dividend of 7.0 cents per share, fully franked
- Encouraging start to 2H with January same store sales growth of 10.5% and total sales growth of 6.1%



2. Fantastic Holdings - Financial Overview

Increased sales drives profitability and improved return on equity

| Half Year Ended | Dec-15 | Dec-14 | Change |
|--|----------|----------|------------|
| Sales \$ ⁽¹⁾ | \$272.8M | \$244.3M | 11.7% |
| LFL Sales % | 15.7% | 8.7% | 7.0% pts |
| Gross Profit \$ | \$119.6M | \$110.5M | 8.2% |
| Gross Margin % | 43.8% | 45.2% | (1.4% pts) |
| Other Income \$ | \$0.8M | \$0.9M | (16.6%) |
| CODB \$ | \$105.4M | \$100.5M | 4.9% |
| CODB % of sales | 38.6% | 41.1% | (2.5% pts) |
| EBITDA \$ | \$18.3M | \$13.9M | 31.8% |
| EBIT \$ | \$14.9M | \$10.2M | 45.8% |
| Net Profit After Tax \$ | \$10.9M | \$7.0M | 56.6% |
| Operating Cash Flow \$ | \$8.2M | \$10.0M | (18.0%) |
| Store Numbers (2) | 126 | 135 | (9) |
| EPS (cents) | 10.57c | 6.76c | 56.4% |
| Half Year Dividend per Share (cents) | 7.0c | 6.0c | 1.0c |
| Half Year Special Dividend per Share (cents) | - | 4.0c | (4.0c) |
| 6 Month Return on Equity % | 9.5% | 6.2% | 3.3% pts |

(1) Total sales includes all external sales by the Group and is exclusive of GST

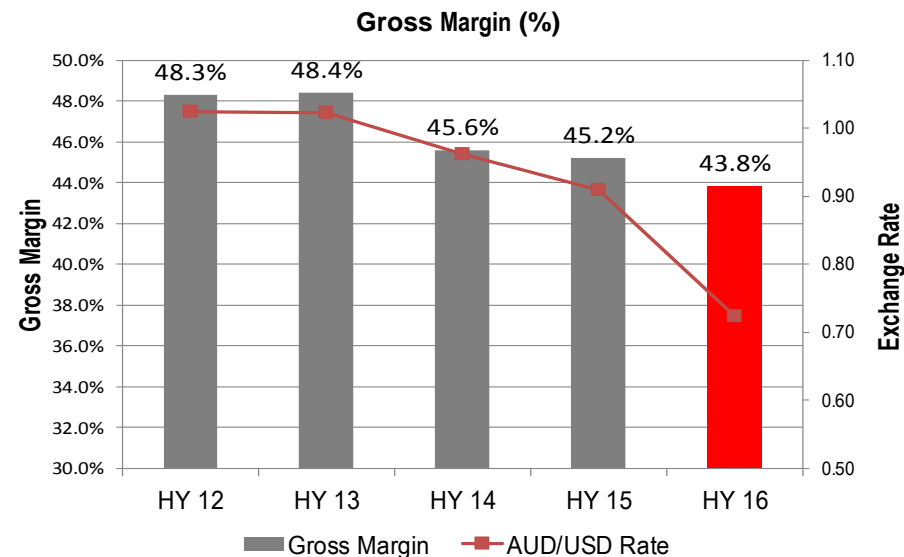
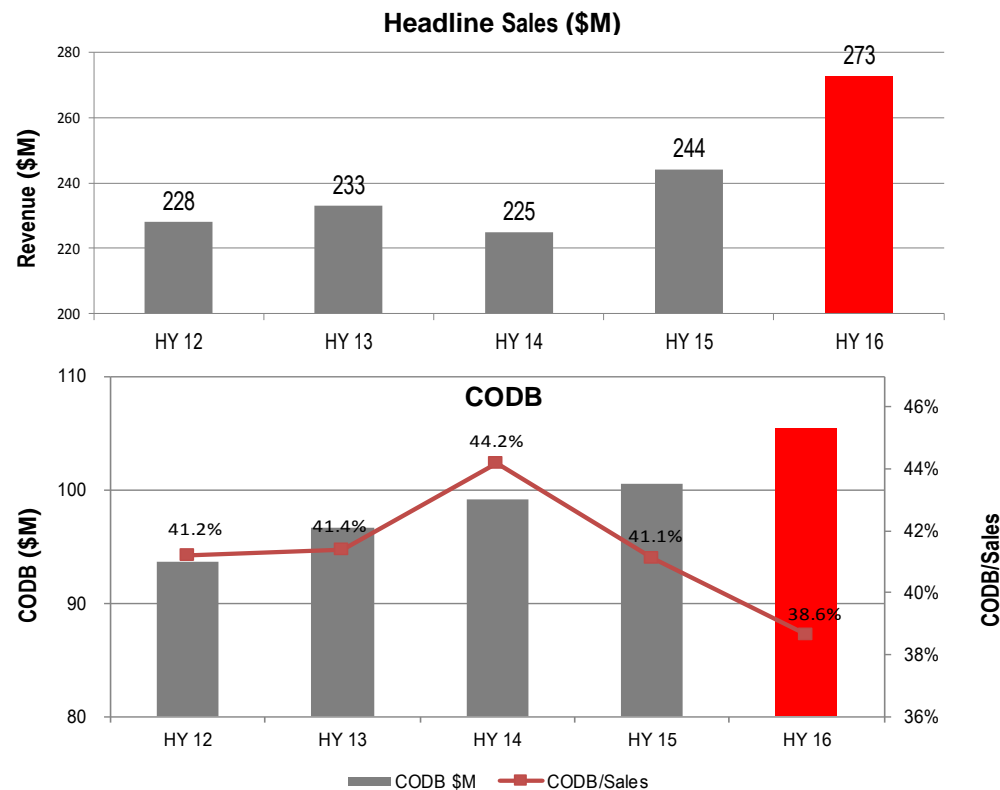
(2) Total number of stores is 126 excluding 2 franchise stores

Note 1: All calculations have been computed based on actual numbers

HIGHLIGHTS

- Group sales increased \$28.5M to a record high of \$272.8M (up 11.7% on pcp).
 - Prior period included Dare Gallery contribution of \$12.4M.
- Same store sales were up 15.7% on pcp compared to growth of 8.7% in pcp.
- Gross profit dollar increase of 8.2%.
- CODB as a percentage of sales decreased from 41.1% (pcp) to 38.6% as higher volumes resulted in scale and productivity improvements.
- EBITDA includes FHL's share of loss from China manufacturing operations of \$51K (post tax) compared to share of loss in pcp of \$707K.
- Operating cashflow decreased from \$10M to \$8.2M mainly driven by higher tax payments relating to prior period.
- Total dividends of 7.0 cents per share, fully franked – a payout ratio of 66.2%. (Prior period was a 6.0 cents interim and 4.0 cents special dividend).

3. Fantastic Holdings – Underlying Financial Results



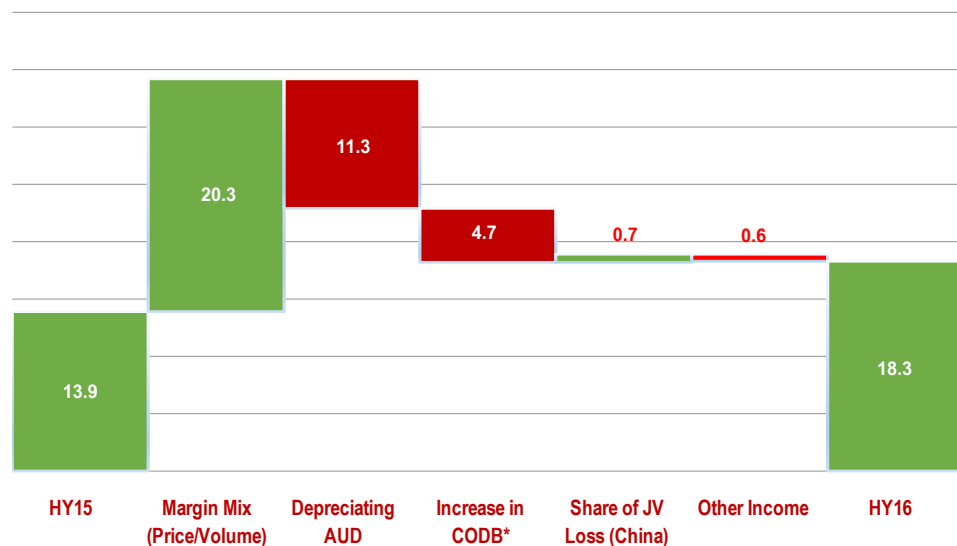
MAIN POINTS

- Group same store sales growth of 15.7%, with strong growth from Fantastic Furniture, Plush and OMF.
- Measures to improve gross margin include new product introductions, improving product margin mix, foreign exchange contracts and supplier negotiations.
- 38.6% represents the lowest CODB/sales ratio in five years, reflecting higher sales volume leading to scale and productivity improvements.
- The \$4.9M increase in CODB include increased costs associated with higher sales mainly in employment and marketing initiatives, cost of store network changes and offset by savings of \$5.8M with Dare Gallery no longer being part of the group in this current period .

4. Fantastic Holdings - EBITDA

EBITDA improvement indicates progress in restoring profit margins

EBITDA
(HY2015-HY2016, \$M)



* CODB excludes depreciation and amortisation charges

EBITDA to Sales Analysis

| | HY12 | HY13 | HY14 | HY15 | HY16 |
|--------------------|-------|-------|-------|-------|-------|
| Sales (\$M) | 227.6 | 233.4 | 224.7 | 244.3 | 272.8 |
| EBITDA (\$M) | 20.6 | 21.3 | 11.4 | 13.9 | 18.3 |
| EBITDA / Sales (%) | 9.1% | 9.1% | 5.1% | 5.7% | 6.7% |

MAIN POINTS

- EBITDA increased to \$18.3M driven by:
 - Gross profit improvement partially offset by adverse FX impact and CODB increase with a net improvement of \$4.3M in EBITDA earnings.
 - Strong performance in Fantastic Furniture compared to pcp across retail and manufacturing/supply chain businesses.
 - Improvements in sales volume and price contributed incremental margin of \$20.3M across the Group.
 - Improved result from China manufacturing facility on pcp by \$0.7M as a result of increased sales to Fantastic Furniture.

5. Fantastic Holdings - Balance Sheet

Balance sheet remains robust with strong net cash position

| As at | Dec 15(\$M) | Jun 15(\$M) | Mvt(\$M) | Mvt (%) |
|---|-------------|-------------|----------|---------|
| Cash | 35.3 | 36.7 | (1.4) | (3.7%) |
| Inventory | 91.2 | 90.5 | 0.7 | 0.7% |
| Investment Property ⁽¹⁾ | - | 3.7 | (3.7) | n/a |
| Property, Plant and Equipment | 31.2 | 27.1 | 4.1 | 15.2% |
| Intangibles | 8.1 | 7.8 | 0.3 | 4.5% |
| Interest Bearing Loans | 5.0 | 5.0 | - | - |
| Net Assets | 114.5 | 109.9 | 4.6 | 4.1% |
| Net Cash | 30.3 | 31.7 | (1.4) | (4.3%) |

(1) The Rockhampton property was tenanted to Fantastic Furniture during the period and has been transferred from Investment Property to Property, Plant & Equipment. All calculations have been based on actual numbers

| 6 months | Dec 15 YTD | Dec 14 YTD | Mvt (%) |
|-------------------------|------------|------------|----------|
| Return on Equity | 9.5% | 6.2% | 3.3% pts |



MAIN POINTS

- Robust balance sheet with cash of \$35.3M and debt of \$5M.
- Inventory has been built to support higher sales volume. Stock turns have improved.
- Reduction in Investment Properties reflects the reclassification of Rockhampton property to property, plant and equipment.
- The six month Return on Equity improved to 9.5% from 6.2% in prior period primarily due to growth in gross profit.

6. Fantastic Furniture – Highlights

Stronger customer proposition led by a focus on value

• Sales

| | HY16 | HY15 | Change (%) |
|-------------|----------|----------|------------|
| Total sales | \$198.2M | \$165.1M | 20.0% |
| L4L sales | 19.2% | 2.4% | 16.8% pts |

• Initiatives undertaken

- Further strengthening Customer Value Proposition (customer offer)
- Better stock availability reducing lead time
- Product innovation through licencing (Wiggles launch)
- Improved workforce engagement and lower staff turnover
- Leadership bench strength improved with 3 new senior executives

• E-commerce

- E-commerce platform now fully operational
- On-line sales up over 50%
- Online channel profit margin above group average



• Store footprint

| Store movements | Jun 15 | Open | Closed | Dec 15* |
|-----------------|-----------|--------------------|----------------------|-----------|
| NSW | 30 | | | 30 |
| VIC | 18 | | | 18 |
| QLD | 12 | 1 (Rockhampton) | 1 (Aspley) | 12 |
| WA | 6 | | | 6 |
| Other | 7 | | 1 (Noarlunga, SA) | 6 |
| TOTAL | 73 | 1 | 2 | 72 |

* In addition, 2 franchise stores are in operation

- Store national footprint expansion into Far North Queensland continues with opening of Rockhampton store
- Potential to grow network to over 90 stores in Australia

• Fantastic Furniture Outlook

- Continued development of product range
- Investment in our people and their development
- Margin improvement through new product innovations and supplier relations
- Refurbishment of stores to improve customer experience
- Supply chain re-design to improve efficiency and customer experience
- Further investment in e-commerce to drive sales growth
- January same store sales growth of 14.6%.

7. Plush – Highlights

Simplifying business model



- **Sales**

| | HY16 | HY15 | Change (%) |
|-------------|---------|---------|-------------|
| Total sales | \$45.3M | \$38.2M | 18.8% |
| L4L sales | 18.8% | 53.7% | (34.9% pts) |

- **Initiatives undertaken**

- Stronger Customer Value Proposition
- Enhanced marketing mix
- Improved employee engagement
- Lower CODB through reduced stock holdings

- **E-commerce**

- E-commerce platform development commenced



- **Showroom footprint**

| Showrooms by State | Dec 15 |
|--------------------|-----------|
| NSW | 13 |
| VIC | 12 |
| QLD | 4 |
| SA | 3 |
| ACT | 1 |
| TOTAL | 33 |

- New showroom opened in Erina, NSW
- Potential to grow network to 60 showrooms

- **Plush Outlook**

- Fortitude Valley, QLD opened February 2016
- 2 further showrooms to open in second half 2016
- New concept showrooms to be trialled in two locations
- Continuing focus on improving product offering
- E-commerce launch in early FY17
- January same showroom sales growth of 11.3%.

8. Original Mattress Factory – Highlights

Emerging brand set for growth

• Sales

| | HY16 | HY15 | Change (%) |
|-------------|--------|--------|------------|
| Total sales | \$9.9M | \$7.4M | 33.8% |
| L4L sales | 16.9% | 2.6% | 14.3% pts |

• Initiatives undertaken

- Strengthening of marketing message & consumer value proposition
- Further development of product mix, premium end focus
- Continued team engagement and training initiatives
- Refresh of selected stores, improved customer shopping experience

• E-commerce

- E-commerce sales growth of 55%

• Store footprint

| Store movements | Jun 15 | Open | Dec 15 |
|-----------------|-----------|-----------------|-----------|
| NSW | 16 | 1 (Wagga Wagga) | 17 |
| ACT | 1 | | 1 |
| TOTAL | 17 | 1 | 18 |

- Store footprint expansion continues in NSW with opening of Wagga Wagga store.
- Further store expansion planned in NSW & QLD
- Potential to grow network to 90 stores

• OMF Outlook

- Continued product development with both local and overseas suppliers to deliver innovation & value
- Continued e-commerce growth
- Emerging brand set for growth
- January same store sales growth of 16.0%.



9. Le Cornu



New General Manager to address business and operational issues

- **Sales**

| | HY16 | HY15 | Change (%) |
|-------------|---------|---------|-------------|
| Total sales | \$17.5M | \$21.2M | (17.3%) |
| L4L sales | (17.3%) | 5.4% | (22.7% pts) |

- **Le Cornu Outlook**

- New General Manager recently appointed to address business and operational issues.
- Product range to be refreshed in response to customer surveys
- Initiatives to improve staff engagement and customer service
- Store presentation and layout to be improved
- More aggressive marketing to address drop in store traffic

- **Store footprint**

| Stores by State | Dec 15 |
|-----------------|----------|
| SA | 1 |
| NT | 1 |
| TOTAL | 2 |

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