

Financial Year 2016 Results

Investor Presentation

August 2016



Fantastic Holdings
Limited



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Results Overview



- Strong year with record sales (up 9.4%) and strong like-for-like sales growth (up 11.8%).
- Continuing core businesses performing well with good growth in H2 FY16 off a strong pcp.
- Statutory results impacted by Le Cornu Adelaide performance (EBIT loss \$4.8m inc Ashley) and closure costs (\$9.1m in asset writedowns and provisions).
- CODB continues to decline relative to sales.
- Impact of foreign exchange on Gross Margin offset by Supply Chain and Sourcing initiatives.
- On a continuing businesses basis, NPAT up 63% to \$21.4m.
- Final dividend of 7 cps, with a special dividend of 15 cps, both fully franked, bringing total FY16 dividends to 29 cps.
- Strong financial position – no borrowings at year end and cash balances of \$31.9m (before dividends).

Reported Results

(including asset writedowns and provisions of \$9.1m relating to the closure of Adelaide business).

- Group sales \$543.7m, up 9.4%.
- L4L sales increase of 11.8% against 12.2% PCP).
- Net profit after tax \$11.4m, down 13.4%.
- Earnings Per Share 11.08 cents, down 13.4%.
- Final dividend of 7 cps, fully franked, bringing FY16 (interim and final) to 14 cps. This represents a payout ratio of 67.4% on the continuing results.
- A special dividends of 15 cps has also been declared

Note: Group sales in FY15 include 7 months of Dare Gallery sales; these are not included in L4L

Continuing Business

- Group sales \$505.4m, up 14.6%.
- L4L sales increase of 14.1%.
- Continuing business NPAT \$21.4m, up 63%.

Note: Excluding the Le Cornu business from FY15 and FY16 and Dare business in FY15 as well as the closure costs taken up in FY16).

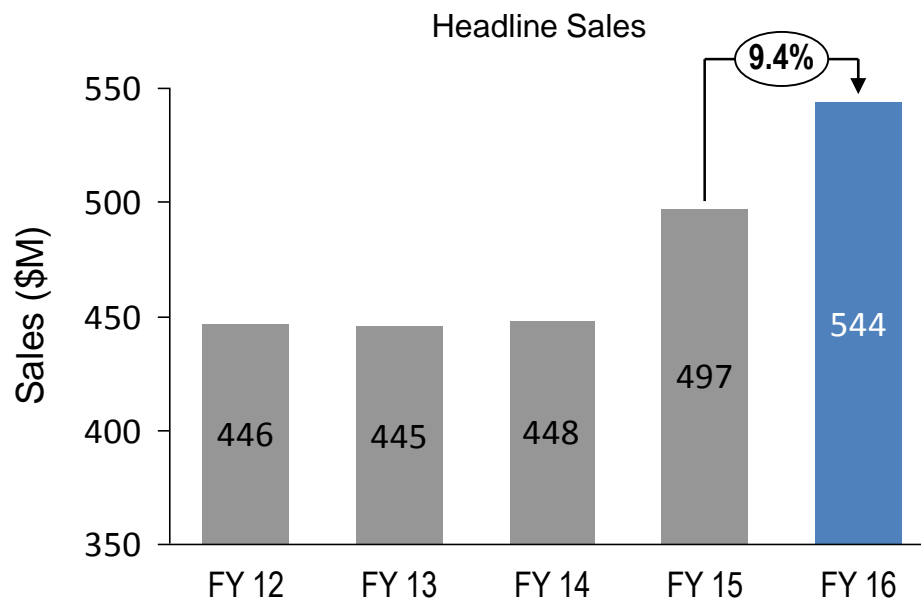
Reported Results

	2016	2015	Change
Sales Revenue	\$543.7m	\$496.9m	9.4%
Gross Profit	\$236.8m	\$221.2m	7.0%
Gross margin	43.5%	44.5%	(100 bp)
EBIT	\$16.2m	\$19.0m	(14.7%)
NPAT	\$11.4m	\$13.2m	(13.4%)

Continuing Results

	2016 ⁽¹⁾	2015 ⁽²⁾	Change
Sales Revenue	\$505.4m	\$441.1m	14.6%
Gross Profit	\$219.2m	\$193.8m	13.1%
Gross Margin	43.4%	43.9%	(50 bp)
EBIT	\$30.1m	\$19.0m	58.3%
NPAT	\$21.4m	\$13.2m	62.8%

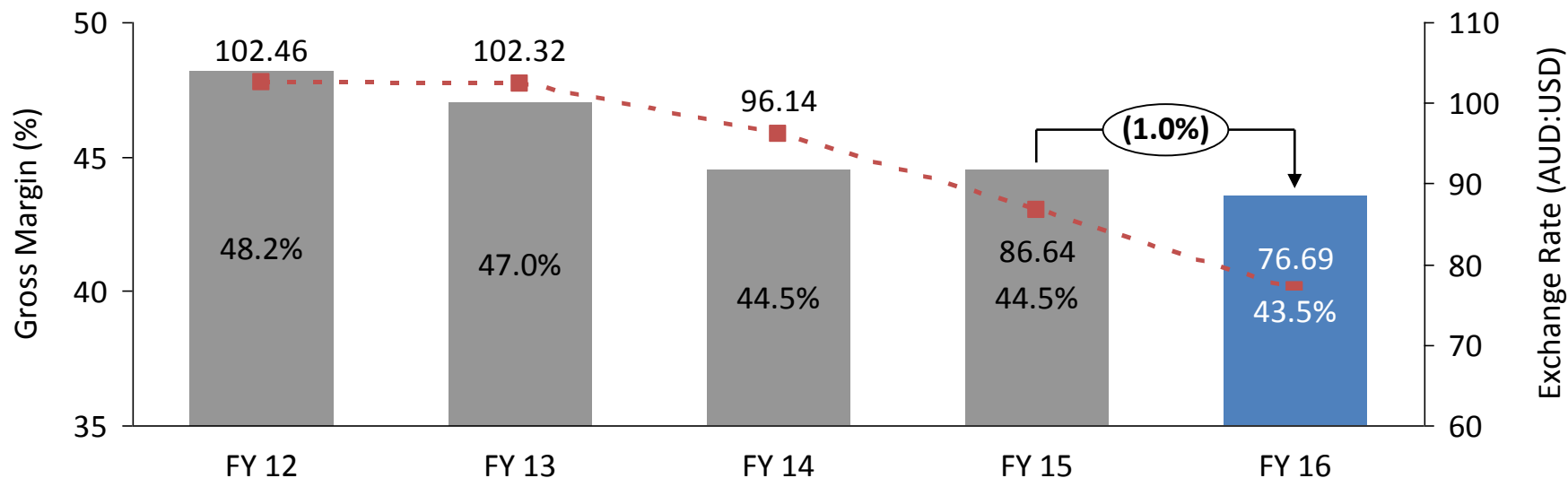
- (1) FY16 Continuing results exclude the asset impairments and restructure provisions of \$9.1m relating to closure of Le Cornu & Ashley in Adelaide and trading losses of \$4.8m.
- (2) FY15 continuing results exclude the trading results of Le Cornu, Ashley and Dare Gallery.



MAIN POINTS

- Group sales grew by 9.4% to a record \$543.7m, with strong growth from Fantastic Furniture, Plush and OMF offset by 14.2% decline in Le Cornu sales.
- Now seeing benefits of seamless omni-channel or connected customer shopping experience with in-store, web and mobile site channels.

Consolidated Gross Margin



MAIN POINTS

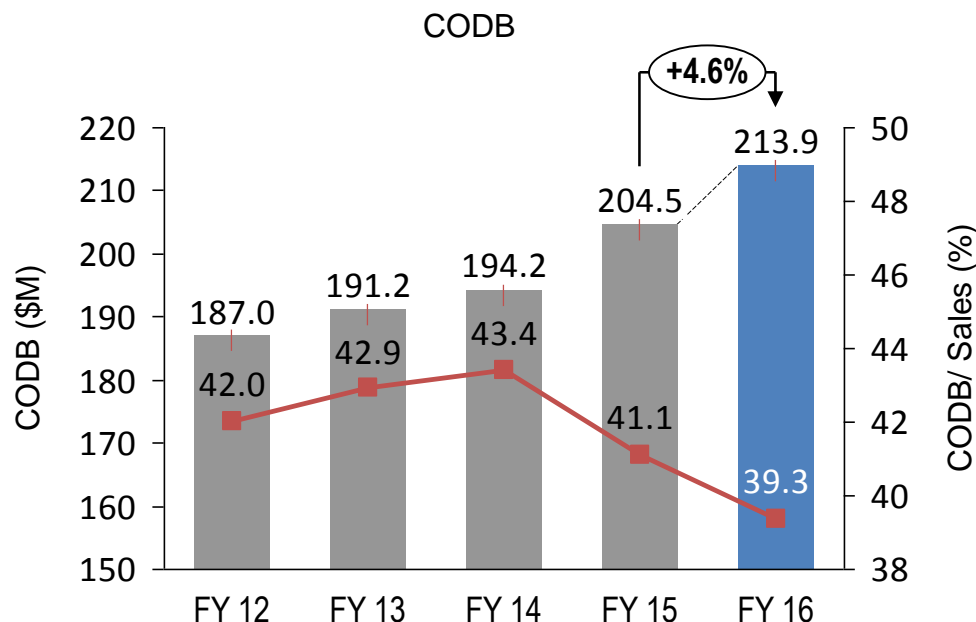
Group Retail gross margin contracted by 1% to 43.5% reflecting:

- Impact of sale of higher margin Dare business in FY15; decline in Le Cornu / Ashley business.
- Fantastic Furniture (FF) declined by circa 1% in spite of a weaker AUD declining by 13%.
- Plush margin maintained, OMF improved by almost 2%.

Exchange impact on FF mitigated by:

- Direct sourcing initiatives from new and existing suppliers and geographies.
- Disciplined execution of product life-cycle management.

Cost of Doing Business (CODB)



MAIN POINTS

- CODB (inc depreciation) continues to decline as a percentage of sales, reflecting productivity gains and efficiency on utilisation of fixed costs.
- The 4.6% increase in CODB includes:
 - increased costs associated with higher sales mainly in employment and marketing initiatives.
 - cost of store network changes, new stores and network optimisation.
 - offset by savings of \$6.8m with Dare Gallery no longer being part of the group in this current period and \$1.9m of prior period STI/LTI accruals written back.

Group Retail Performance – Highlights



- Sales growth of 14.6%*.
- Gross margin of 43.4% compared with 43.9% PCP*.
- EBIT margin of 5.9% compared to 4.3% PCP*.
- EBIT from continuing business of \$30.1m up 58.3%.
- Double digit LFL sales growth across all three brands.
- Key growth initiatives delivering:
 - Customer connection – anyone, anywhere, any channel, anytime.
 - Brand leverage and store refresh.
 - Store network optimisation and expansion.
 - Supply chain/distribution efficiencies.
- Targeted capital investment program continues with \$7.8m capital investment initiatives across all brands and markets during the year, including four new stores.

* Excluding Le Cornu/Ashley in both years and Dare in FY15.

Group Retail Performance – Store Network



MAIN POINTS

Our focus has been to assess store profitability with stores opening only in new geographic corridors without cannibalisation of existing store networks.

In current financial year the group opened four stores and closed three. These were:

- Fantastic Furniture opened a store in Rockhampton (QLD) and closed three stores in Aspley (QLD), Noarlunga (SA) and Richmond (VIC).
- Plush opened two stores in Queensland, being Fortitude Valley and Townsville.
- Original Mattress Factory opened one store in Wagga Wagga (NSW).

Performance by Brand



Fantastic Furniture – Highlights



Stronger customer proposition led by a focus on value

Results

	FY16	FY15	Change (%)
Total sales	\$387.2m	\$338.0m	14.5%
L4L sales	14.6%	8.7%	

Initiatives undertaken

- Further strengthening Customer Value Proposition.
- Better stock availability reducing lead time.
- Product innovation that adds customer value.
- Improved staff turnover.
- Leadership bench strengthened.

E-commerce – The Connected Customer

- E-commerce platform now fully operational.
- Online channel now largest store in the group.
- Innovation supporting our connected customer strategy.

Store footprint

Store movements	Jun 15	Open	Closed	Jun 16
NSW	30			30
VIC	18		1	17
QLD	12	1	1	12
WA	6			6
Other	7		1	6
TOTAL	73	1	3	71

- Store openings in Rockhampton (QLD), with closures in Aspley (QLD), Noarlunga (SA) and Richmond (VIC).
- Potential to grow network to 100 stores in Australia.

Outlook

- Continued development of product range and offer
- Investment in our people and their development.
- Margin improvement through new product innovations and working on efficiencies with suppliers.
- Refurbishment of stores to improve customer journey experience.
- Supply chain re-design to improve efficiency and productivity.
- Further investment in e-commerce to drive sales growth.
- Explore new territory and markets.

Simplifying the business model and positioned for growth

Results

	FY16	FY15	Change (%)
Total sales	\$95.5m	\$84.4m	13.2%
L4L sales	12.4%	43.4%	

Initiatives undertaken

- Stronger Customer Value Proposition.
- Simplified the business model.
- Enhanced marketing mix.
- Improved employee engagement.

Showroom footprint

Store movements	Jun 15	Open	Closed	Jun 16
NSW	13			13
VIC	12			12
QLD	4	2		6
SA	3			3
ACT	1			1
TOTAL	33	2	-	35

- New showrooms opened in Fortitude Valley and Townsville (QLD).
- Potential to grow network to 60 showrooms.

Plush Outlook

- Expansion with 4 new showrooms planned in FY17.
- New concept showrooms to be trialled in two locations.
- Continuing focus on improving product offering.
- E-commerce launched in August 2016.

Original Mattress Factory – Highlights



Emerging brand set for growth

Results

	FY16	FY15	Change (%)
Total sales	\$20.6m	\$16.7m	23.6%
L4L sales	14.0%	6.1%	

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 store for improved customer shopping experience .

E-commerce

- E-commerce sales growth of 55%.

Store Footprint

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

Store movements	Jun 15	Open	Jun 16
NSW	16	1	17
ACT	1		1
TOTAL	17	1	18

Store openings in Wagga Wagga (NSW)

OMF Outlook

- Continued product development with both local and overseas suppliers to deliver innovation & value.
- Continued e-commerce growth.
- Emerging brand set for growth.
- Minor disruption to supply chain in July/August with insolvency of a major supplier – recovering now with minor impact on results

Closure of Keswick, Adelaide store by 1H of FY17

Results- Le Cornu

	FY16	FY15	Change (%)
Total sales	\$34.7m	\$40.4m	(14.2%)
L4L sales	(14.2%)	(2.7%)	

Results- Ashley

	FY16	FY15	Change (\$)
Total sales	\$3.6m	\$1.1m	\$2.5m
L4L sales	42.4%	n/a	

Background

- Adelaide (SA) store to close within six months.
- Darwin (NT) store to continue operating under the Le Cornu name with a hybrid offering.
- Sales declined at an increased rate from September 2015 when the Keswick site was placed on the market.
- Recovery plan adopted in H1 FY16 failed to gain traction.
- \$4.0m loss for the year - \$2.5m in H2.
- Closure will enable focus on core brands.

Manufacturing



Manufacturing – Highlights

Record production with expanded product lines and enhanced efficiency

Results (excludes China Joint Venture)

	FY16	FY15	Change (%)
Total internal sales	\$67.2m	\$53.7m	25.2%
Total external sales	\$2.0m	\$2.0m	nil

Fantastic Lounge Factory

- Production increase driven off very strong sales at Fantastic Furniture.

Royal Comfort Bedding

- Product range continually enhanced to ensure that it aligns with customer needs.

Vietnam Expansion

- New factory opened in early calendar 2016 allowing for expanded product manufacturing.
- Focus on growing sales globally.

China Joint Venture

- Continued ramp up in production with additional product lines.
- Customer base expanded beyond Fantastic Furniture.



Financials



FHL Financial Position

Strong financial position to fund store expansion strategy – debt free and strong operating cash flows



\$M	30-Jun-16	30-Jun-15
Assets		
Cash and cash equivalents	31.9	36.7
Inventories	93.3	90.5
Property, plant and equipment	28.8	27.1
Other assets	18.3	19.4
Equity accounted investments	5.5	5.6
Intangible assets	6.8	7.8
Total assets	184.6	187.1
Liabilities		
Interest bearing loans	-	5.0
Trade Payable	39.7	38.4
Provisions and other liabilities	37.4	33.8
Total liabilities	77.1	77.2
Equity		
Contributed equity	23.6	23.6
Reserves	0.6	2.1
Retained earnings	83.3	84.2
Total equity	107.4	109.9

Major movements:

- Surplus cash utilised to repay borrowings.
- Higher inventory reflective of “Always in store” position and the AUD/USD impact. Stock turn slightly better than PCP.
- PPE and Intangibles - significant investment continues in online platforms for Fantastic Furniture and Plush, new store fit outs and targeted store upgrades. Movement is net of depreciation and Le Cornu write downs (\$2.3m).
- Equity accounted investments in China manufacturing of \$5.5m. Movement to prior year relates to share of associate loss offset by currency gains on conversion.
- Intangibles reduction includes Le Cornu goodwill write-off.
- Provisions include allowances for Le Cornu closedown.

Summary of Movements in Net Cash

	FY16 (\$'m)	FY15 (\$'m)
Cash Inflows		
Net cash from trading	29.1	24.6
Proceeds from sale of investments	-	25.1
Net interest	0.5	0.2
Total Cash Inflows	29.6	49.9
Cash Outflows		
Dividends	12.4	13.4
PPE/Intangibles (net of sales)	7.7	6.3
Deconsolidation of China	-	4.1
Income tax payments	9.3	0.5
Total Cash Outflows	29.4	24.3
Increase in net cash	0.2	25.6
Net Cash Reconciliation		
Cash	31.9	36.7
Net Debt		(5.0)
	31.9	31.7

Strong cash generation from businesses. Group is now debt free.

Major variations:

- Tax payment includes \$4.0m catch up from FY15 arising from timing differences.
- Working capital absorbed almost \$5.0m with additional stores and USD impact.
- PPE primarily new store fit outs, refurbishment and ecommerce platforms.
- FY16 would have generated surplus cash for the year of in excess of \$4m with normalised timing of tax payments.

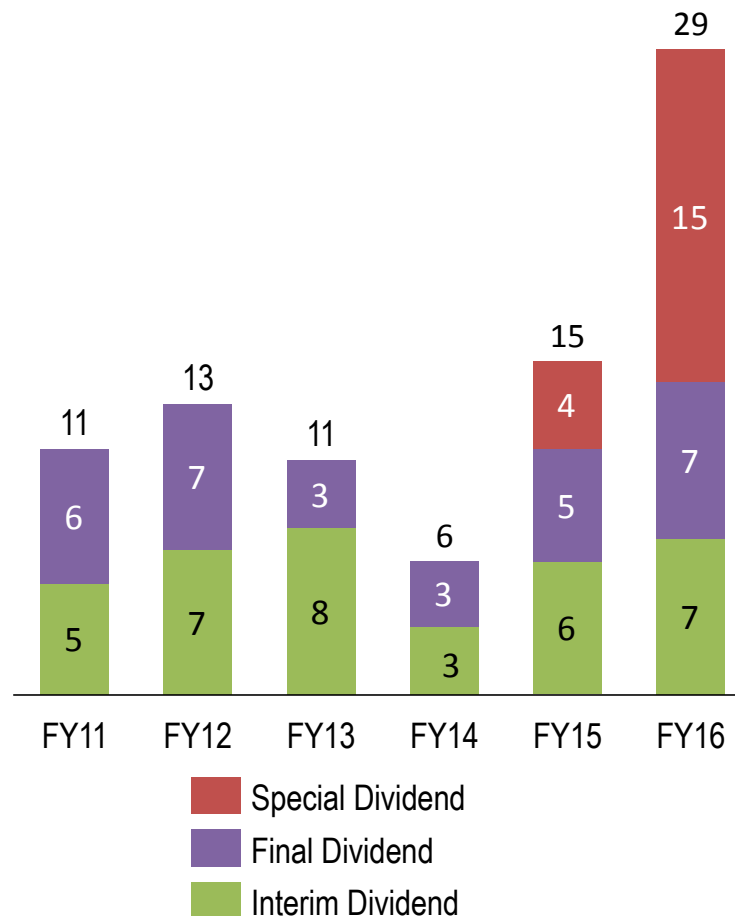
Fantastic Holdings – Dividends

Annual dividends 14 cents per share, in line with target payout range of 60% - 80% on underlying earnings

Final dividend of 7 cents:

- The directors have declared a fully franked final dividend of 7 cents per share.
- Final dividend is 2 cents higher than last year's final dividend of 5.0 cents per share.
- Full year dividends (interim & final) totalling 14 cents per share, in line with target payout ratio of 60% to 80% (of underlying earnings).
- Further, a special fully franked dividends of 15 cents has been declared to distribute surplus cash and franking credits.
- Key dates:
 - Record date – 5 Sep 2016.
 - Dividend payment date – 19 Sep 2016.
- Franking credit pool of \$38.9m before the final and special dividend payment

Fantastic Holdings dividend history (cents per share)



FY17 Focus and Priorities



FY17 Focus and Priorities

A positive start to the year

On track to deliver further organic and new store growth in FY17 as well as improvements in operational efficiency.

- Full year impact from 4 stores opened in FY16.
- Around 15 new stores across three brands to be opened in FY17.
- Reducing supply chain touch points from origin to customer will deliver improved cost efficiency.
- New product ranges planned with increased functionality that delivers even greater customer value.
- Introduction of technology to make it simpler, easier and faster for the customer.
- Expand and further grow the online channel across all brands that connects, inspires and engages customers.
- Build on Employee Value Proposition to become Employer of Choice.
- Sound financial position providing capacity to fund growth.

- Solid year with record revenues (up 9.4%) and strong like-for-like sales growth (up 11.8%).
- Statutory results impacted by Le Cornu performance (EBIT loss \$4.0m) and closure costs (\$9.1m in asset writedowns and provisions).
- On a continuing businesses basis, NPAT up 63% to \$21.4m.
- Final fully franked DPS of 7 cps with a special dividend of 15 cents bringing FY16 dividends to 29 cps.
- Strong financial position – no borrowings at year end and capacity to fund growth initiatives and enable achievement of strategic intent.
- Underlying core businesses performing well with good growth in H2 FY16 off a strong pcg and positive start to FY17.
- Very clear strategic focus to leverage growth and shareholder returns

Q & A



Appendix



About Fantastic Holdings



Fantastic Holdings Limited (FHL) is a market leader in high growth furniture sectors through its specialist segment-specific brands:

- **Fantastic Furniture:** One of Australia's largest furniture retailers with 73 stores (including franchise) . Offering on trend, affordable furniture, with a unique ability for customers to customise fabric finishes.
- **Original Mattress Factory:** One of Australia's leading mattress retailers. Offering a superior range of good quality mattresses through 18 stores.
- **Plush:** Australia's sofa specialist, with 34 showrooms. Offering high quality, hand crafted sofas.

The Group's expertise in furniture retail, manufacturing and distribution - and the efficiencies vertical integration creates - enables our brands to deliver outstanding value for customers.

FHL is well positioned for growth by expanding its retail store networks, accelerating connected customer sales channels, and by leveraging its wholly owned, high quality manufacturing and direct import capabilities.

	Group Continuing Operations	Le Cornu & Ashley Trading	Le Cornu/Ashley Asset Impairment & Restructure	FY16 Reported Results
Revenue (\$M)	\$505.4M	\$38.3M	-	\$543.7M
Gross Margin	43.4%	46.9%	(1.1%)	43.5%
Cost of Doing Business (\$M)	(\$191.2M)	(\$22.7M)	(\$8.7M)	(\$222.5M)
EBIT (\$M)	\$30.1M	(\$4.8M)	(\$9.1M)	\$16.2M
Interest (\$M)	\$0.4M	-	-	\$0.4M
Tax (\$M)	(\$9.0M)	\$1.4M	\$2.4M	(\$5.2M)
NPAT (\$M)	\$21.4M	(\$3.3M)	(\$6.7M)	\$11.4M
EPS (cents)	20.76	(3.22)	(6.46)	11.08

Appendix B – Financial Summary

Full Year Ended	Jun 15	Jun 16	Change
Sales \$	\$496.9M	\$543.7M	\$46.8M
LFL Sales %	12.2%	11.8%	0.4% pts
Gross Profit \$	\$221.2M	\$236.8M	\$15.6M
Gross Margin %	44.5%	43.5%	(1.0%)
Other Income	\$3.2M	\$2.4M	(\$0.8M)
CODB \$	\$204.5M	\$222.5M	\$18.0M
CODB % of sales	41.1%	40.9%	(0.2% pts)
Reported EBITDA \$	\$26.1M	\$23.1M	(\$3.1M)
Reported EBIT \$	\$19.0M	\$16.2M	(\$2.8M)
Reported NPAT	\$13.2M	\$11.4M	(\$1.8M)
Continuing NPAT	\$13.2M	\$21.4M	\$8.2M
Operating Cash Flow \$	\$24.3M	\$20.2M	(\$4.1M)
Store Numbers (2)	126	127	1
EPS based on Statutory Results (cents)	12.79c	11.08c	(1.71 c)
Final Dividend per Share (cents)	5.00c	7.00c	2.00c
Special Dividend per share (cents)	4.00c	15.00c	11.00c
Return on Equity based on Statutory Results %	12.0%	10.6%	(1.4%)

FY16 Consolidated Results Overview



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