

## **FHL delivers growth from core brands and declares higher dividends**

Fantastic Holdings Limited (ASX: FAN) ("FHL"), owner of specialist segment-specific furniture brands Fantastic Furniture, Plush and Original Mattress Factory, and manufacturing plants in Australia, Vietnam and China, today reported its full year results for the year ended 30 June 2016.

---

### **FY16 Highlights**

- ✓ **Sales revenues up 9.4% (\$46.8m) to a record \$543.7m**
  - 2H sales up 7.2% on pcp
- ✓ **Like for like store sales up 11.8%.**
  - Continued strong growth on top of 12.2% in FY15
  - 2H LFL sales up 8.2%
- ✓ **Statutory EBIT of \$16.2m (FY15: \$19.0m)**
- ✓ **Continuing business EBIT up 58.3% to \$30.1m** (excluding Le Cornu/Ashley/Dare)
  - Results impacted by Le Cornu/ Ashley performance with trading losses of \$4.8m and pre tax closure costs of \$9.1m for FY16 (cash component of \$2.2m)
- ✓ **Statutory NPAT of \$11.4m (FY15: \$13.2m)**
- ✓ **Continuing NPAT up 63% to \$21.4m**
- ✓ **Final ordinary dividend of 7 cps with a special dividend of 15 cps, fully franked**
  - Total FY16 Dividends Per Share (DPS) to 29 cps (FY15: 15 cps)
- ✓ **Debt free balance sheet with a net cash balance of \$31.9m**

---

### **Retail Commentary**

Group CEO Retail, Debra Singh, said: "This is a pleasing result with the business well positioned for continuing growth. Closing the Adelaide Le Cornu business, while disappointing, was a critical step in focusing efforts on our core brands, which are all performing strongly.

"The initiatives we have taken around the connected customer, brand leverage, network optimisation and supply chain/distribution efficiencies to improve performance are delivering and strengthening our position".

Group like-for-like sales increased by 11.8%. Fantastic Furniture like-for-like sales increased 14.6% for FY16, with a strong second half increase of 10.3%. Plush like-for-like sales increased by 12.4% for FY16, with sales for the second half increasing by 7.0% over the pcp.

### **Manufacturing Commentary**

FHL's local manufacturing operations reduced costs of doing business relative to sales by 6% through a strong focus on productivity and enhancement initiatives. The China joint

venture manufacturing facility expanded its production range of sofa products and generated its first external sales to international customers.

The Group's 10,000+ square metre purpose built Vietnam manufacturing facility is now fully operational and producing steel beds and metal components for FHL's Australian manufacturing facilities. The project was delivered ahead of time and under budget.

### **Balance Sheet (at 30 June 2016)**

FHL continues to have a strong debt free balance sheet and net cash balances of \$31.9 million. This provides a sound base to fund store refurbishment, new store roll-out plans and provide for continuing shareholder returns. Return on equity was 10.6% reported or 20.0% on a continuing business basis compared with 12.0% in 2015.

### **Leadership**

In March 2016, FHL appointed Debra Singh as Group CEO Retail responsible for all retail operations, and Jason Newman as CEO FHL Manufacturing. In June 2016, Ms Melissa Blackley was appointed Chief People Officer. Post year-end, Brian Cassell was appointed Group CFO.

FHL Chairman Mr Julian Tertini said: "FHL's second half performance demonstrates the ability of the leadership team to navigate change quickly and successfully. The company remains on the strategic path approved by the Board in mid 2015."

### **Outlook/Year Ahead**

Ms Singh said: "We are optimistic about FY17. The Group is well positioned for growth through expanding our retail store networks, accelerating our already market-leading connected customer sales channel, managing our costs of doing business and by leveraging the benefits of our wholly owned, high quality manufacturing and direct import capabilities."

In FY17, the Group will also prudently look to expand its store network by around 15 new stores across its retail brands. Further, an additional 15 Fantastic Furniture sites and 6 Plush showrooms will be refurbished.

In Manufacturing, the Royal Comfort Bedding factory will be relocating to a new state of the art factory in Sydney's western suburbs late in the year. It will provide future efficiency benefits and reduce our environmental footprint. Both the China and Vietnam factories will be targeting measured expansion of their customer base outside the FHL group.

### **Dividends**

FHL declared a final dividend of 7 cps, with a special dividend of 15 cps, both fully franked. This along with interim dividend of 7 cps, took total FY16 dividends to 29 cps. This represents an increase of 93% over FY15 DPS. FY16 DPS (excluding special dividends) is in line with FHL's target dividend payout ratio of 60 – 80% of continuing earnings. The dividend payment date is 19 September 2016, with the record date of 5 September 2016.

### **For Further Information:**

**Debra Singh**  
**Group CEO- Retail**  
**+61 2 8717 2621**

**Brian Cassell**  
**CFO and Company Secretary**  
**+61 2 8717 2621**

## Additional Information

### Financial Results Summary

	Reported Results		Continuing Business	
For year ended 30 June	2016	Change to FY15	2016	Change to FY15
Sales Revenue	<b>\$543.7m</b>	<b>9.4%</b>	<b>\$505.4m</b>	<b>14.6%</b>
Gross profit	\$236.8m	7.0%	\$219.2m	13.1%
Gross margin	43.5%	(100bp)	43.4%	(50bp)
EBIT	<b>\$16.2m</b>	<b>(14.7%)</b>	<b>\$30.1m</b>	<b>58.3%</b>
NPAT	<b>\$11.4m</b>	<b>(13.4%)</b>	<b>\$21.4m</b>	<b>62.8%</b>
EPS – cents	11.08	(13.4%)	20.76	62.8%
Ordinary DPS (fully franked) – cents	29 cents	14 cents	29 cents	14 cents

(1) EBIT from continuing business adds back provisions of \$9.1m relating to closure of Le Cornu/Ashley Adelaide and trading losses of \$4.8m in FY16 to reported group EBIT

### Store Network

Brand	Company Owned Store Network at year end	New Stores Opened	Stores Closed	Refurbished
Fantastic Furniture <sup>(1)</sup>	71	1	3	8
Plush	35	2	-	-
OMF	18	1	-	-
Le Cornu <sup>(2)</sup>	2	-	-	-
Ashley <sup>(2)</sup>	1	-	-	-
<b>TOTAL</b>	<b>127</b>	<b>4</b>	<b>3</b>	<b>8</b>

(1) Excludes two franchised stores

(2) Le Cornu/Ashley Adelaide to be closed in first half FY17

### Sales by Brand

Brand	Sales FY16 (\$m)	Revenue Growth (vs pcp)	LFL growth (vs pcp)
Fantastic Furniture	\$387.2	14.5%	14.6%
Plush	\$95.5	13.2%	12.4%
OMF	\$20.6	23.6%	14.0%
Le Cornu	\$34.7	(14.2%)	(14.2%)
Ashley	\$3.6	n/a	n/a

### About FHL

Fantastic Holdings Limited (ASX:FAN) is a leading Australian furniture retailer and manufacturer. FAN operates over 125 stores across three furniture retail chains including national retailers Fantastic Furniture, Plush and the Original Mattress Factory in NSW and ACT. FAN is also Australia's largest sofa manufacturer, is one of the country's leading mattress manufacturers and operates a national supply chain to service all FAN's retail brands. FAN also has manufacturing activities in China and Vietnam.