

Media Release Wednesday August 21 2013

Fantastic Holdings delivers on guidance while maintaining sales in tough conditions

Financial Key Points

- Full year NPAT of \$13.5 million, down 35.6% on pcp, in line with guidance
- Statutory sales of \$445.2 million, down 0.1% on pcp
- Like for like sales down 2.0% on pcp
- Operating cash flow of \$25.1 million, down 18.0% on pcp
- Final dividend of 3.0 cents, full year dividend of 10.5 cents fully franked, down 19% on pcp, reflecting 80.1% pay-out

Leading Australian furniture retailer, manufacturer and importer, Fantastic Holdings Limited (ASX: FAN) today announced a full year NPAT of \$13.5 million, which is within the lower end of the Group's previously provided guidance range. Group sales were maintained at \$445.2 million for the year (a decrease of 0.1% from FY12) despite difficult trading conditions. Group EBIT of \$18.1 million reflects a second half sales decline in Fantastic Furniture, reductions in like store profitability in Plush, and increases in cost of doing business from the prior year.

Comparative store sales declined 2.0%, although the Group's Dare Gallery and Le Cornu brands both recorded improvements in L4L sales. The operating performance in both Dare Gallery and Le Cornu also showed strong improvement over the prior period. As previously advised, Fantastic Holdings is progressing its divestment of Dare Gallery.

Operating cash flow for the full year was \$25.1 million. The Group net debt increased \$2.3 million to \$6.3 million, with the net debt to equity ratio increasing from 3.7% at 30 June 2012 to 5.9% at 30 June 2013 due to construction funding of the Group's large retail property at Dandenong, Victoria.

Fantastic Holdings has declared a fully franked final dividend of 3.0 cents per share. The full year dividend of 10.5 cents reflects a pay-out ratio of 80.1% of NPAT. The closing date for shareholders to be registered for this dividend is 5pm on 1 October 2013. The dividend will be paid on 15 October 2013.

The Group opened a net 3 stores during the year and now operates 136 stores nationally. During the year, the Group's main Support Office moved to a new premise at Chullora, New South Wales.

In July, a new senior leadership team was announced, with Stephen Heath appointed as Managing Director and Chief Executive Officer, George Saoud as Chief Financial Officer and Debra Singh as Chief Operating Officer. Additionally, new CEOs have commenced at Plush and Dare Gallery.

Commenting on the results, Stephen Heath said "Notwithstanding the difficult retail environment, our profit performance was not up to our expectations. Factors affecting the result vary between brands, however they can be summarised as involving a decrease in average spend per transaction, higher than normal rates of slow moving inventory and an increase in cost of doing business. All of these factors, combined with industry wide discounting, impacted the 2013 financial returns. Despite this, the Group was still able to deliver strong operating cash flows, and the balance sheet remains very strong with very low gearing."

Mr Heath said "Our management team has commenced a thorough review of operations across the Group. Despite the current economic climate and cost of living pressures that affect our core Fantastic Furniture customer, I am encouraged by the resilience of that brand."

Looking ahead, Mr Heath said "The outlook for the 2014 financial year is expected to remain challenging due to current macro economic conditions. However, there is scope for efficiency improvements across the Group and FHL's strong financial position will assist in the pursuit of sensible growth opportunities in the future".

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