



23 July 2013

**Funtastic announces \$15 million capital raising,
acquisition and revised FY13 guidance**

Highlights:

- Funtastic Limited (ASX: FUN or the “Company”) today announces the completion of a placement to raise \$15 million at an offer price of \$0.17 (“Offer Price”) per share
- In addition the Company is finalising an agreement to acquire the patents, trademarks and other intellectual property which constitute the CHILLFACTOR™ and Slushy Magic™ brands, for a total consideration of \$10 million. The consideration to be paid is made up of \$5 million cash and \$5 million in FUN scrip based on the issue of 25 million shares at an issue price of \$0.20
- This acquisition allows the Company to further bolster wholly owned brands within the Company's portfolio and ensure FUN's shareholders benefit more fully from the commercialisation of "Slushy Magic" and the "CHILLFACTOR Slushy Maker"
- The CHILLFACTOR acquisition is expected to be EPS accretive in FY2014
- The Company expects FY13 EBITDA to be approximately \$20m to \$21m (excludes impact of \$3m gain on early settlement of deferred acquisition consideration). This compares with previous guidance for FY13 in a range of \$23m to \$25m. In FY14 the Company anticipates tough Australian conditions but solid growth from its international operations and particularly from its wholly owned brands including CHILLFACTOR. The Directors anticipate earnings per share growth in FY14 of at least 10%

Capital Raising:

The Company has raised \$15 million via the placement to domestic professional and sophisticated investors of 88.2 million shares at \$0.17 per share (“Placement”). The Placement was oversubscribed and Placement shares will be issued under the 25% placement capacity of the Company in accordance with ASX Listing Rule 7.1 and ASX Listing Rule 7.1A.

The Offer Price of \$0.17 per share represents a 5.6% discount to the last closing price of FUN shares on 19 July 2013.

The proceeds of the Placement will be used to fund the \$5 million cash component for the acquisition of CHILLFACTOR. The balance of the proceeds will be used to strengthen the Company's balance sheet.

Bell Potter Securities Limited acted as Lead Manager to the Placement.

Settlement of the Placement is expected to occur on Monday 29 July 2013, with New Shares expected to be allotted and to commence trading on ASX on Tuesday 30 July 2013. New Shares will rank pari passu with existing FUN shares.

Acquisition:

FUN is finalising an agreement to acquire the patents, trademarks and other intellectual property which constitute the CHILLFACTOR™ and Slushy Magic™ brands (“CHILLFACTOR”)

Outstanding early brand success has been driven by the CHILLFACTOR Slushy Maker. Still in early launch phase the CHILLFACTOR Slushy Maker is already a top selling item across all markets launched to date.

CHILLFACTOR Slushy Maker is a simple, easy to use product for the whole family, which turns any favourite drink into a frozen Slushy in a matter of minutes.

Using the same patented technology, Funtastic will drive future innovation within this unique CHILLFACTOR category.

The benefits of the proposed acquisition allow the Company to further bolster wholly owned brands within the Company's portfolio. The acquisition will ensure FUN's shareholders benefit more fully from the commercialisation of "Slushy Magic" and the "CHILLFACTOR Slushy Maker."

FUN has agreed to acquire CHILLFACTOR for a total consideration of \$10 million. The consideration to be paid is made up of \$5 million cash and \$5 million in FUN scrip based on the issue of 25 million shares at an issue price of \$0.20 (“Vendor Shares”).

Vendor Shares will be issued under the 25% placement capacity of the Company in accordance with ASX Listing Rules 7.1 and 7.1A. Completion of the acquisition and issue of Vendor Shares is subject to usual terms and conditions expected for a transaction of this nature and is expected to complete in September 2013.

The acquisition of CHILLFACTOR is expected to be EPS accretive to FUN in FY2014.

Revised Guidance:

The Company expects FY13 EBITDA to be approximately \$20m to \$21m (excludes impact of \$3m gain on early settlement of deferred acquisition consideration). This compares with previous guidance for FY13 in a range of \$23m to \$25m. In FY14 the Company anticipates tough Australian conditions but solid growth from its international operations and particularly from its wholly owned brands including CHILLFACTOR.

The Directors anticipate earnings per share growth in FY14 of at least 10%.

Managing Director, Stewart Downs commented “we are delighted that a number of our major shareholders have supported this capital raising so enthusiastically. This enables Funtastic to take full ownership of one of the most exciting brands in our portfolio.”

“The CHILLFACTOR acquisition is totally in line with our stated strategy of owning and developing our own brands and IP.”

“The additional cash we have raised ensures that our balance sheet is strengthened appropriately. We are disappointed to be flagging earnings which are below our previous guidance; this reflects an Australian retail environment which has been more challenging than we had anticipated.”

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For more information on Funtastic visit the web site at www.funtastic.com.au and for comment contact Stewart Downs (CEO and Managing Director). Ph: 03 8531 0002.