



BILLABONG INTERNATIONAL LIMITED

END OF YEAR RESULTS

27th August 2015

COURTNEY CONLOGUE
#1 Ranked female surfer in the world



CHIEF EXECUTIVE OFFICER

NEIL FISKE

 BILLABONG  RVCA  ELEMENT  VONZIPPER

 HONOLUA  PALMERS  TWO SEASONS  Sun Dive n Ski*

 KUSTOM  Tiger Lily  XCEL  SECTOR

TODAY

- 1 | SUMMARY OF RESULTS
- 2 | PROGRESS ON OUR TURNAROUND
- 3 | FINANCIAL DETAILS



KEY MESSAGES

Profit up for the first time since 2011

- Net profit after tax was \$4.2m for the year (vs. loss of \$233.7m a year ago)
- EBITDA \$65.7m* vs. \$60.3m last year

Big three brands showing improvement

Second half turnaround in the Americas

Europe profits surge on strong margin lift

Implementation underway for our four major global initiatives:
Omni channel, global sourcing, project Pipeline, concept to customer

Seven part strategy is working – much more to do

Currency headwinds

*Continuing operations excluding significant items



OVERVIEW

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An unrelenting
focus on our
strategy is
starting to
deliver results

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Neil Fiske
Chief Executive Officer

\$1.0b*

GROUP REVENUE

\$65.7m*

GROUP EBITDA

\$4.2m

NET PROFIT AFTER TAX

(including significant items)

*Continuing operations excluding significant items



SUMMARY OF RESULTS

AUD millions	Continuing Businesses ¹				Including Discontinued Businesses ²	
	This Yr	Last Yr	% Change (Reported)	% Change (CC*)	This Yr	Last Yr
Revenue						
Americas	451.8	417.9	8.1%	(0.4%)	455.6	538.0
Asia Pacific	418.9	420.0	(0.3%)	(0.4%)	428.5	480.5
Europe	177.7	183.6	(3.2%)	(1.7%)	179.7	199.0
Total	1,048.4	1,021.5	2.6%	(0.6%)	1,063.8	1,217.5
EBITDA						
Americas	27.2	25.2	7.9%	(9.6%)	26.6	17.6
Asia Pacific	29.4	33.4	(11.8%)	(12.2%)	29.1	34.6
Europe	5.6	(1.1)			4.0	(8.1)
Global	3.5	2.8	21.8%	21.8%	3.5	2.8
Total	65.7	60.3	8.8%	1.0%	63.2	46.9

*Constant Currency

1. Excluding Surfstitch, Swell, West49 and DaKine; and excluding Significant items
2. Including Surfstitch, Swell, West49 and DaKine pre disposal; and excluding Significant items



AMERICAS: Improving



SITUATION

- US rebound dampened by continued weakness in Canada and South America
- Impacted by transition of West 49 (H1) and port delays

ACTIONS

- Investment in talent driving improvement
- Focused on growing wholesale market share
- Improving retail operations in advance of omni

PROGRESS

- EBITDA turnaround in second half; up 17.5% (cc)
- Billabong US WHSL (wholesale) sales up 13.1%
- RVCA US WHSL sales increased 11.5%; up 15.3% H2
- Comp store sales down 3.7% for the region (2.3% for the US) offset by 300 bps (before the effect of provisions) increase in store level profitability
- Ecomm revenues up 35% for the year



EUROPE: Improving



SITUATION

- Element continues to grow in its largest region
- Restructuring efforts showing good results
- Operational issues with Paris distribution facility

ACTIONS

- Focused on quality revenue, accounts, distribution
- Repatriated Two Seasons and mono-brand websites
- Rationalized stores (especially outlets)
- Grew brands in owned retail

PROGRESS

- EBITDA increased \$7.0m (cc) for the year
- Gross margins up 650 bps
- Retail comp store sales were up 2.9%
- Store level profitability improved 160 bps (before the effect of provisions)
- Ecomm revenues \$2.5m in its first year



ASIA PACIFIC: Transitioning



SITUATION

- FX impacting input costs
- Retail was soft with comp store sales declining 3.2% and retail gross margins flat for the year

ACTIONS

- Restructuring retail operations and rationalising fleet (closed 20 underperforming stores, banner consolidation, planned relocation of retail office to Burleigh)
- Preparing for Omni (APAC lead region)

PROGRESS

- New stores performing and accretive to retail margins
- Wholesale sales grew 1.6% (cc) LFL
- Opened 17 stores with focus on mono brand (12 Billabong, 4 Tigerlily & 1 multibrand)



7 POINT STRATEGY

- 1 | BRAND
- 2 | PRODUCT
- 3 | MARKETING
- 4 | OMNI-CHANNEL
- 5 | SUPPLY CHAIN
- 6 | ORGANISATION
- 7 | FINANCIAL DISCIPLINE



BILLABONG



CONLOGUE

#1 US Surf Open 2015
 97.7k followers



Billabong Womens wins Swimwear and Marketing award based off 'Bikini Kinda Life' at SBIA



DORIAN

Ride of the Year – Big Wave Awards
 255k followers



(0.8%)

WHSL SALES (cc)

- +13% US WHSL SALES (cc)
- +1% APAC WHSL SALES (cc)
- PLANNED CONTRACTION IN EU TO FOCUS ON QUALITY ACCOUNTS & REVENUE

+220 bps

WHSL MARGIN

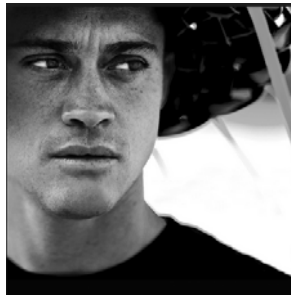
+\$7.3m

WHSL EBITDA

CC = Constant currency
 WHSL does not include the benefit sales to the groups owned retail operations



RVCA



ROTHMAN

Big Wave Champ 2015

41.7k followers



CHRISTIE

World Championship Tour qualifier

19.5k followers



RVCA launches denim



BLIND GIRL SURF CLUB

Artist Collaboration with Julian Schnabel

+12.6%
WHSL SALES (CC)

- +12% FY15, 15% H2 US WHSL SALES (cc)
- +28% FY15 APAC WHSL SALES (cc)
- + 9% FY15 EU WHSL SALES (cc)

+90 bps
WHSL MARGIN

+\$0.3m
WHSL EBITDA

- INVESTING IN MARKETING & CODB TO DRIVE GLOBAL GROWTH

CC = Constant currency

WHSL does not include the benefit sales to the groups owned retail operations



ELEMENT



(9.7%)

WHSL SALES

- +5% EU WHSL SALES (cc)
(BIGGEST REGION)
- AMS AND APAC DOWN
- AMS IMPROVING

+510 bps
WHSL MARGIN

+\$2.0m
WHSL EBITDA



WESTGATE

Signed as a pro rider

65.9k followers



Released Jeremy Fish Zip Series



HUSTON

Perennial world champion

1.2m followers



Most successful Slam cover reaches 2M
Rumble down under tour wrap 13M impressions

CC = Constant currency

WHSL does not include the benefit sales to the groups owned retail operations



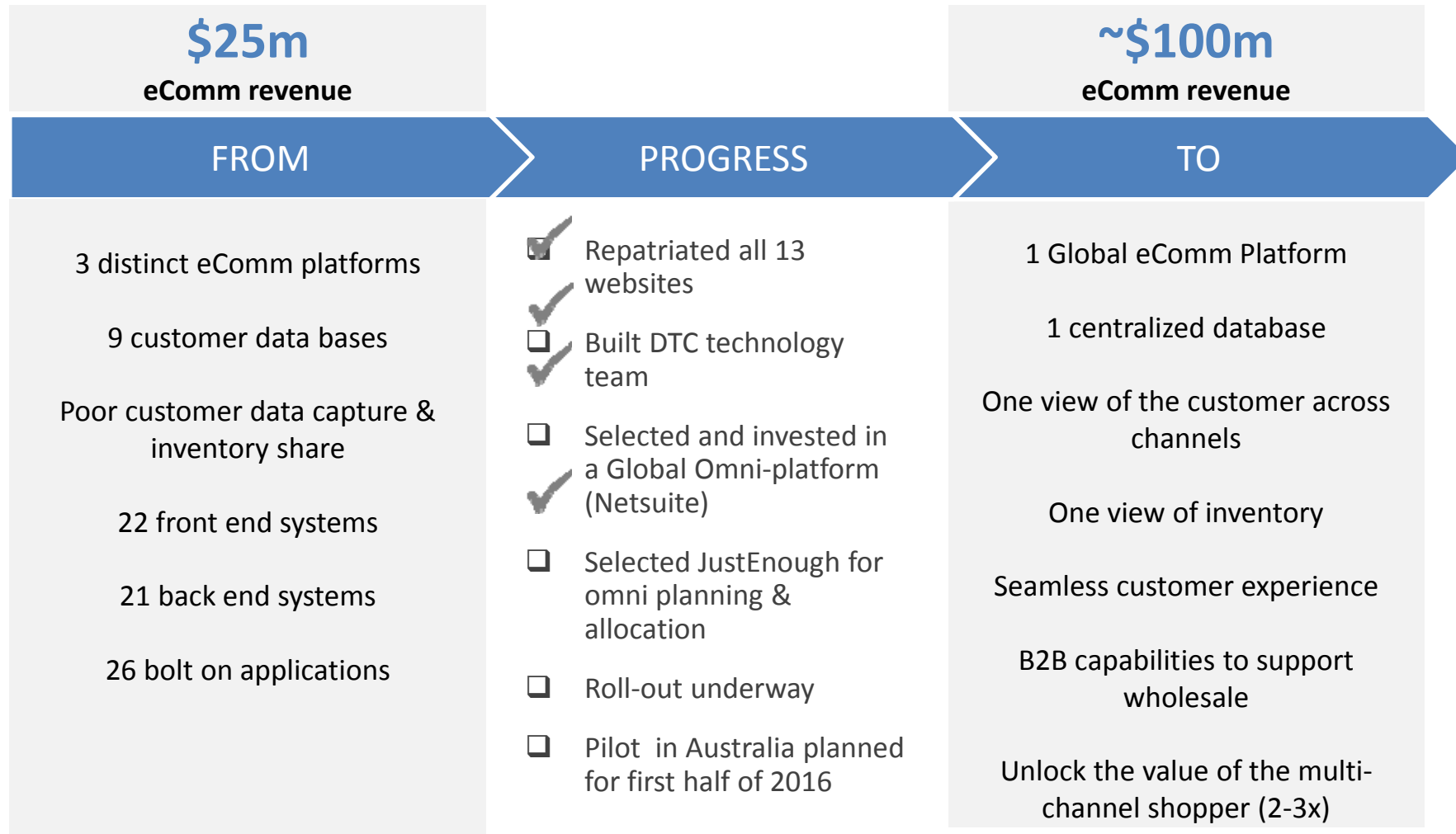
Global Brands supported by Global Platforms

4 MAJOR INITIATIVES

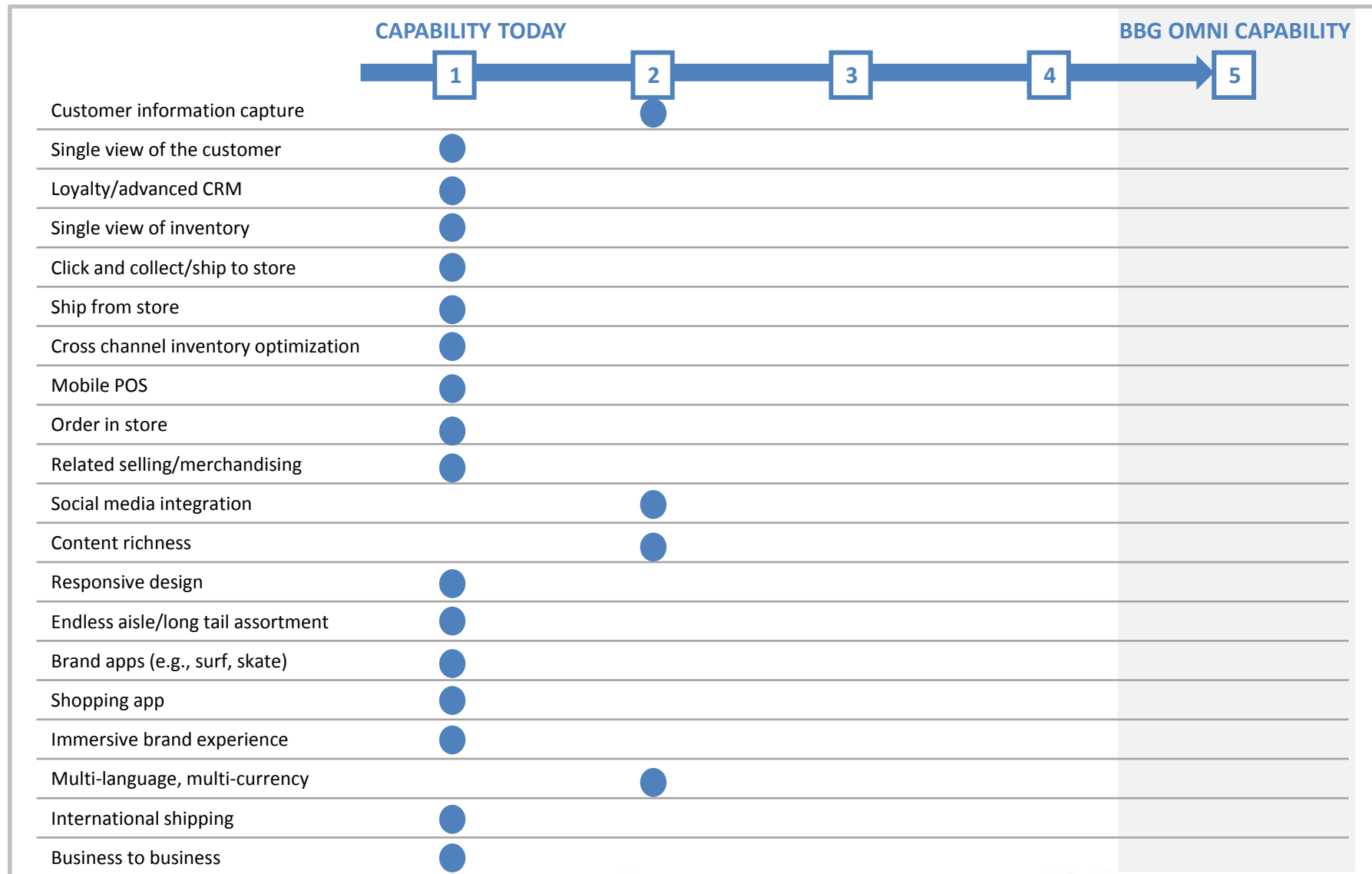
- Omni Channel
- Sourcing & Supply Chain
- Distribution & Logistics
- Concept to Customer



OMNI CHANNEL



OMNI TRANSFORMATION



GLOBAL SOURCING



PROGRESS

- ✓ Restructured Hong Kong Operations
- ✓ Formed a global sourcing organization
- ✓ Targeted savings in seven biggest categories
- ✓ Narrowed our vendor base by more than 50%
- ✓ Rolling out new standard operating procedures
- ✓ Moving more production outside of China

TARGET IMPROVEMENT

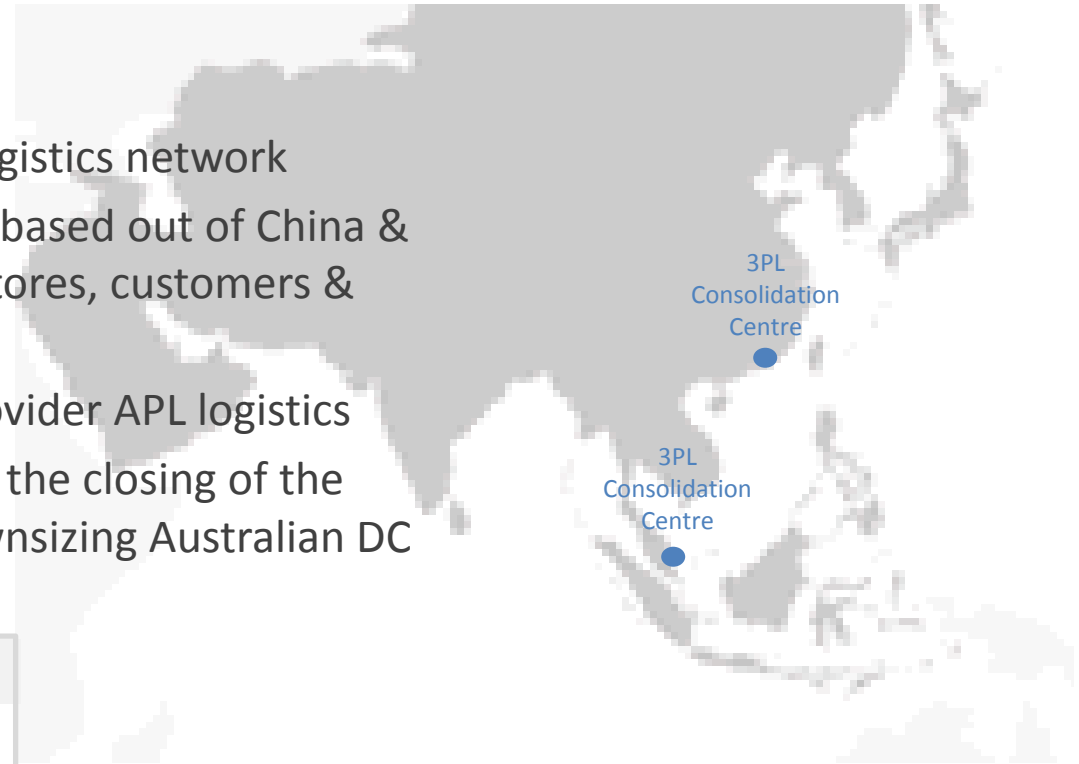
\$20m

In annual savings at maturity

GLOBAL DISTRIBUTION & LOGISTICS PROJECT PIPELINE

PROGRESS

- ✓ Global redesign of distribution & logistics network
- ✓ Setting up 2 consolidation centres (based out of China & Singapore) for direct shipment to stores, customers & smaller regions
- ✓ Selection of third party logistics provider APL logistics
- ❑ Rationalising warehouses including the closing of the Montreal DC in November and downsizing Australian DC



TARGET IMPROVEMENT

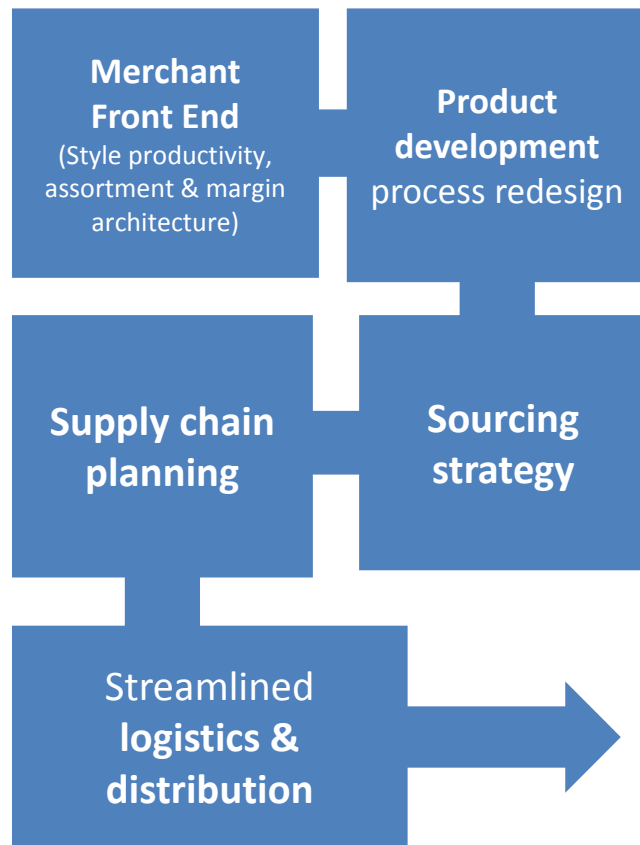
\$10m

in annual cost reduction at maturity



CONCEPT TO CUSTOMER

Concept to customer is the integration of



Focused on improving speed to market through...

- Quick strike product development for trends
- Chase capability for the winning styles
- Never out of stock on core replenishment items
- Fewer blind buys and better order visibility
- Made to order vs. made to forecast

Leading to...

- Higher initial & maintained gross margin
- Sales growth from chasing demand
- Faster inventory turns

PROGRESS

- Piloted at Brand Billabong FY15
- Phased roll out for rest of brands globally beginning in FY16



IN SUMMARY...

The strategy is working – clear signs of progress across the brands and regions

Undertaking sweeping change – from regional, fragmented and subscale to global, brand driven, and platform enabled

Implementation underway on the big four initiatives

Risk: Currency impacting input prices and operational issues with the Paris distribution facility; underscores the importance of supply chain and concept to customer improvements

Stronger today on many dimensions – cornerstone investors, recapitalized balance sheet, focus, discipline, talent, confidence, momentum



DETAILED FINANCIALS



BILLABONG END OF YEAR RESULTS - AUG 2015

RECONCILIATION

STATUTORY RESULT TO CONTINUING OPERATIONS

Billabong - Full Year to June 2015

AUD millions	Statutory Result	Included In Statutory Result			
		Significant Items	FY15 Divestments: SurfStitch, Swell *	Continuing Businesses FY15	Continuing Businesses FY14
Sales Revenue	1,063.7	-	(15.4)	1,048.4	1,021.5
EBITDA	55.2	8.0	2.5	65.7	60.3
Less Depreciation, Amortisation & Impairment	36.5	(3.0)	(0.7)	32.8	34.5
EBIT	18.7	11.0	3.2	32.8	25.9
Less Finance Charges	28.4	-	(0.0)	28.3	
Profit Before Tax	(9.7)	11.0	3.2	4.5	
Less Tax Benefit	(12.2)	13.7	-	1.5	
Net Profit/(Loss) After Tax	2.6	(2.7)	3.2	3.0	
Less Outside Equity Interests	(1.6)	-	1.6	-	
Net Profit (Loss) After Tax Attributable to Members	4.2	(2.7)	1.6	3.0	

* Results up to 5 September 2014

- Results for the period include significant items and discontinued businesses
- Significant items include restructuring costs offset in part by SurfStitch and Swell gain on sale, RVCA contingent consideration adjustment
- Discontinued Businesses include SurfStitch and Swell (and West 49 and DaKine in the prior year)
- Continuing Businesses represent the current asset and portfolio base as at 30 June 2015
- All Continuing Businesses are 100% owned



RESULTS SUMMARY

AUD millions

	Continuing Businesses				Including Discontinued Businesses	
	(excluding SurfStitch, Swell, West 49 and DaKine and excluding Significant Items)				(including SurfStitch, Swell, West 49 and DaKine pre disposal and excluding Significant Items)	
	This Yr	Last Yr	% Change (as reported)	% Change (constant currency)	This Yr	Last Yr
Revenue						
Americas	451.8	417.9	8.1%	-0.4%	455.6	538.0
Asia Pacific	418.9	420.0	-0.3%	-0.4%	428.5	480.5
Europe	177.7	183.6	-3.2%	-1.7%	179.7	199.0
Total	1,048.4	1,021.5	2.6%	-0.6%	1,063.8	1,217.5
EBITDA						
Americas	27.2	25.2	7.9%	-9.6%	26.6	17.6
Asia Pacific	29.4	33.4	-11.8%	-12.2%	29.1	34.6
Europe	5.6	(1.1)			4.0	(8.1)
Global	3.5	2.8	21.8%	21.8%	3.5	2.8
Total	65.7	60.3	8.8%	1.0%	63.2	46.9

- \$1,048.4m in sales and \$65.7m EBITDA from continuing businesses – EBITDA is \$5.4m up on the pcp
- Sale of SurfStitch and Swell completed September 2014. Sale of West 49 and DaKine completed February 2014 and July 2013 respectively
- Total Sales revenue up 2.6% (down 0.6% on a constant currency basis)
- Americas EBITDA is \$2.0m up on the pcp – includes the \$7.1m lower wholesale contribution from West 49 this year
- For the Americas, 2nd half EBITDA is up 17.5%
- Strong performance from Europe



REGIONAL PERFORMANCE - AMERICAS

- Revenue (continuing operations) was up 8.1% - down 0.4% (constant currency)
- In the USA brands Billabong and RVCA showed sales growth on the pcp on a like for like basis, up 13.1% and 11.5% respectively
- Result include weakness in the Canadian market and the Element brand but the second half showed some improvement
- The wholesale contribution from West 49 is down \$7.1 million year on year, mostly H1
- Overheads down 2.2% (constant currency)
- Sale of Swell completed September 2014

Continuing Business (AUD)	FY15 \$m	FY14 \$m	Reported Change %	Constant Currency Change %
Sales	451.8	417.9	8.1%	(0.4%)
Gross Profit	220.1	212.4	3.6%	(4.1%)
Gross Margin	48.7%	50.8%		
Gross Margin adjusted for divestments *	48.4%	48.0%		
Overheads (net of other income)	178.4	170.2	4.8%	(2.2%)
Global Allocation	14.5	17.1	(14.8%)	(15.2%)
EBITDA	27.2	25.2	7.9%	(9.6%)
EBITDA Margin	6.0%	6.0%		

	FY15	FY14
Comp Store Sales %	(3.7%)	(3.3%)
Store Count (Number)	64	69

As Reported (AUD) including Significant Items	FY15 \$m	FY14 \$m	Reported Change %	Constant Currency Change %
Sales	455.6	538.0	(15.3%)	(20.6%)
EBITDA	15.3	(49.0)	131.3%	132.3%
EBITDA Margin	3.4%	(9.1%)		

* Gross Margin adjusted for divestments adjusts for retained wholesale gross profit from sales to disposed retail operations – no corresponding prior year external revenue



REGIONAL PERFORMANCE - EUROPE

- Revenue (continuing operations) was down 3.2% - or down 1.7% (constant currency)
- Gross Margin improvement of 650 basis points (when adjusted for the SurfStitch Europe divestment) driven by focus on key accounts and territories and contracting the customer set to reduce low margin customers
- Comp store sales up 2.9%
- Sale of SurfStitch Europe completed September 2014

Continuing Business (AUD)	FY15 \$m	FY14 \$m	Reported Change %	Constant Currency Change %
Sales	177.7	183.6	(3.2%)	(1.7%)
Gross Profit	98.1	88.8	10.4%	12.1%
<i>Gross Margin</i>	55.2%	48.4%		
<i>Gross Margin adjusted for divestments *</i>	54.6%	48.1%		
Overheads (net of other income)	86.8	83.6	3.8%	5.0%
Global Allocation	5.7	6.3	(9.2%)	(9.6%)
EBITDA	5.6	(1.1)	618.0%	486.5%
<i>EBITDA Margin</i>	3.1%	(0.6%)		

	FY15	FY14
Comp Store Sales %	2.9%	5.9%
Store Count (Number)	102	111

As Reported (AUD) including Significant Items	FY15 \$m	FY14 \$m	Reported Change %	Constant Currency Change %
Sales	179.7	199.0	(9.7%)	(8.3%)
EBITDA	25.9	(20.8)	225.0%	223.7%
<i>EBITDA Margin</i>	14.4%	(10.4%)		

* Gross Margin adjusted for divestments adjusts for retained wholesale gross profit from sales to disposed retail operations – no corresponding prior year external revenue



REGIONAL PERFORMANCE – ASIA PACIFIC

- Revenue (continuing operations) was down 0.3% - or down 0.4% (constant currency)
- Sales performance reflects weak comparable store sales trading in Australia
- Gross Margin slightly down (when adjusted for the SurfStitch Australia divestment) due to lower hedge rates on imported product due to AUD decline offset through better inventory management
- Tigerlily performing strongly in Australia
- Overall EBITDA down 12.3% (constant currency)
- Sale of SurfStitch Australia completed September 2014

Continuing Business (AUD)	FY15 \$m	FY14 \$m	Reported Change %	Constant Currency Change %
Sales	418.9	420.0	(0.3%)	(0.4%)
Gross Profit	237.5	243.1	(2.3%)	(2.4%)
<i>Gross Margin</i>	<i>56.7%</i>	<i>57.9%</i>		
<i>Gross Margin adjusted for divestments *</i>	<i>56.6%</i>	<i>56.8%</i>		
Overheads (net of other income)	194.4	194.5	(0.0%)	(0.0%)
Global Allocation	13.7	15.2	(10.3%)	(10.7%)
EBITDA	29.4	33.4	(11.8%)	(12.2%)
<i>EBITDA Margin</i>	<i>7.0%</i>	<i>7.9%</i>		
	FY15	FY14		
Comp Store Sales %	(3.2%)	1.3%		
Store Count (Number)	238	244		

As Reported (AUD) including Significant Items	FY15 \$m	FY14 \$m	Reported Change %	Constant Currency Change %
Sales	428.5	480.5	(10.8%)	(10.9%)
EBITDA	10.5	14.6	(28.3%)	(28.7%)
<i>EBITDA Margin</i>	<i>2.4%</i>	<i>3.0%</i>		

* Gross Margin adjusted for divestments adjusts for retained wholesale gross profit from sales to disposed retail operations – no corresponding prior year external revenue



SIGNIFICANT ITEMS

As Reported (AUD)	FY15 \$m	FY14 \$m
Significant Items - Income Items		
SurfStitch and Swell gain on sale, net of transaction costs	13.7	-
Gain from adjustment to contingent consideration	7.7	-
SurfStitch option fair value adjustment	-	4.5
Foreign currency translation reserve reclassified to income statement	-	0.7
Term debt repayment foreign exchange derivative impact	-	4.2
Reversals of provisions previously booked as a significant item	0.9	2.3
	22.3	11.7
Significant Items - Expense Items		
Net realisable value shortfall expense on inventory	2.7	13.5
Turnaround strategy and other restructuring costs	21.6	19.2
Redundancy costs	2.0	7.2
RVCA compensation expense	2.3	4.5
Borrowing costs	-	42.1
South American sales tax provision/restructuring	-	5.3
West 49 and DaKine loss on sale including transaction costs	-	11.3
Loss from adjustment to contingent consideration	-	5.9
Impairment and fair value adjustment charges	3.0	47.0
Other significant items	1.7	1.9
Total pre tax income / (expense) significant items	(11.0)	(146.2)
Income tax benefit / (expense)	13.7	(73.2)
Total after tax significant and exceptional income / (expense) items	2.7	(219.4)



BALANCE SHEET, GEARING AND INTEREST

- Working capital at \$164.5 million represents 15.2% of the prior twelve months' sales (excluding SurfStitch and Swell external sales) stated at year end exchange rates, being 1.6% higher compared to the pcp of 13.6% (excluding West 49, DaKine North America and Europe wholesale external sales)
- Net debt of \$74.3 million at 30 June 2014 or \$112.5 million in constant currency terms compares to \$113.5 million at 30 June 2015. Gross debt 30 June 2015 \$266.9 million (excludes deferred consideration of \$20.4 million) – increase driven by exchange rates
- The decrease in net interest expense from \$34.2 million to \$28.4 million reflects lower term loan following the C/O Placement and Rights issue in the second half of FY14
- Term loan at balance date US\$203.8 million at 11.9%

As Reported (AUD)	Jun-15 \$m	Jun-14 \$m	Reported Change %
Working capital			
Receivables	164.5	153.9	6.9%
Inventory	187.1	180.2	3.8%
Creditors	187.1	183.9	1.8%
Working capital	164.5	150.2	9.5%

As Reported (AUD)	Jun-15 \$m	Jun-14 \$m	Reported Change %
Debt levels			
Gross debt	266.9	219.4	21.6%
Net debt	113.5	74.3	52.7%

As Reported (AUD)	FY15 \$m	FY14 \$m
Net interest expense	28.4	34.2



CASH FLOW

- Net receipts and payments of \$14.0 million is lower than the pcp primarily due to the divestments having cash inflows in the pcp
- Financing costs of \$32.9 million reduced on the pcp which included the costs of the refinancing
- Cash inflow from investing includes the proceeds from the sale of SurfStitch and Swell
- Capex includes investment in the Omni-Channel platform and has been impacted by FX
- Payments to suppliers includes ~\$26 million of significant items and ~\$12 million payments from provisions

As Reported (AUD)	FY15 \$m	FY14 \$m	Change %
Receipts from customers (inclusive of GST)	1,137.4	1,356.9	
Payments to suppliers and employees (inclusive of GST)	(1,123.4)	(1,334.4)	
	14.0	22.5	(37.8%)
Other income	6.5	5.4	
Finance costs	(32.9)	(92.3)	
Income taxes paid	(2.2)	(12.3)	
Net cash outflow from operating activities	(14.6)	(76.6)	(80.9%)
Cash flows from investing activities			
Payments for purchase of subsidiaries and businesses, net of cash acquired	-	(41.6)	
Payments for capex	(27.7)	(24.9)	
Proceeds from sale of business, net of cash divested and transaction costs	38.4	83.9	
Proceeds from sale of property, plant and equipment	0.3	0.2	
Net cash inflow from investing activities	11.0	17.6	
Cash flows from financing activities			
Proceeds from issues of shares	-	182.1	
Net repayments of borrowings	-	(88.1)	
Net cash inflow from financing activities	-	94.0	
Net Movement in Cash Held	(3.6)	35.0	



FY16 TRADING TO DATE

Since the end of the financial year in the wholesale channel, the Group continues to see growth in forward order books around the globe consistent with the view that the big three brands are making progress.

In retail, trading has been more mixed. In North America, the early part of back to school saw a slow start, not just for the Group, but for the sector as a whole. Europe, on the other hand, has been above expectations. The trend in Asia Pacific has been improving since year-end with trading broadly in line with the prior year.

The group results note a number of risk factors including the impact of currency on input prices and debt, and further disruption from the operational issues with the Paris distribution center. However, we do expect the benefits of supply chain and other initiatives to begin in the second half of FY16.



ANNEXURE



BILLABONG **RVCA** **ELEMENT** **VONZIPPER** **HONOLUA** **M. PALMERS** **25** DVD seasons *Sunf Diven Ski** **KUSTOM** *tigerlily* **XCEL** **sector**

BILLABONG END OF YEAR RESULTS - AUG 2015

RECONCILIATION

STATUTORY RESULT TO CONTINUING OPERATIONS – PRIOR PERIOD

Billabong - Full Year to June 2014

AUD millions	Statutory Result	Included In Statutory Result				Continuing Businesses FY14
		Significant Items	Statutory Result Excluding Significant Items	FY14 Divestments: West 49, DaKine	FY15 Divestments: SurfStitch, Swell	
Sales Revenue	1,217.5	-	1,217.5	(98.3)	(97.7)	1,021.5
EBITDA	(52.3)	99.2	46.9	5.6 *	7.8 *	60.3
Less Depreciation, Amortisation, Impairment & Fair Value Adjustment	86.6	(47.0)	39.7	(2.0)	(3.2)	34.5
EBIT	(138.9)	146.2	7.3	7.5	11.1	25.9
Less Finance Charges	34.2	-	34.2			
Profit Before Tax	(173.1)	146.2	(26.9)			
Less Tax Expense	66.8	(73.2)	(6.4)			
Net Profit/(Loss) After Tax	(239.9)	219.4	(20.5)			
Less Outside Equity Interests	(6.2)	-	(6.2)			
Net Profit (Loss) After Tax Attributable to Members	(233.7)	219.4	(14.3)			

* EBITDA Losses added back



FOREIGN EXCHANGE

- To assist users understanding the impact of foreign exchange on the Group’s key financials the following key exchange rates have been provided for information purposes
- The Group’s results are converted at average exchange rates each month. The exchange rates set out below represent an approximate average of those rates for the financial year

Full Year Average Rates

	USD	EUR
FY15 Average	0.8370	0.6960
FY14 Average	0.9183	0.6769

Spot / Period End Rates

	USD	EUR
30 June 2015	0.7680	0.6866
30 June 2014	0.9420	0.6906



DISCLAIMER

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Any forward-looking statements contained or implied, either within this document or verbally, involve known and unknown risks, uncertainties and other factors (including economic and market conditions, changes in operating conditions, currency fluctuations, political events, labour relations, availability and cost of labour, material and equipment) that may cause Billabong's actual results, performance or achievements to differ materially from the anticipated results, performance or achievements, expressed, projected or implied by any forward-looking statements.

