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PRESENTATION

Operator

Thank you for standing by and welcome to the Billabong International 2013 full year results conference call. (Operator instructions) I must advise you that this conference is being recorded today, Tuesday the 27th of August 2013. I would now like to hand the conference over to your speakers today, Mr. Peter Myers, Acting CEO and CFO of Billabong International and Dr. Ian Pollard, Chairman of Billabong International. Please go ahead, Dr. Pollard.

Ian Pollard - *Billabong International Limited - Chairman*

Actually, I will pass over to Peter to speak first.

Peter Myers - *Billabong International Limited - Acting CEO and CFO*

Thank you.

Ian Pollard - *Billabong International Limited - Chairman*

Thank you.

Peter Myers - *Billabong International Limited - Acting CEO and CFO*

Thanks, Ian and good morning to all of you from here on the sunny Gold Coast and thank you very much for joining us today. My name is Peter Myers and I will be taking you through the results for the 2013 year, in my capacity as CFO of the business and also as acting CEO today.

When I spoke with you all at the half year results in February, I had been with Billabong for a little over six weeks and our Chairman, Ian Pollard, who joins me on this call today, had at that time been with the Company for around three months. Over recent months, our goal has been to put in place an agreement that provided the Company with the liquidity it needed to secure its short term future and a long term financing need-- it needed to undertake the rebuilding of Billabong and its brand.

The first part of that task has been achieved and the second part, in terms of a long term financing package is expected to be put in place in the next few weeks. Ian will address any questions in regard to the Altamont Consortium and Centerbridge and Oaktree Consortium, after I've run through the presentation, which was released to the ASX this morning and is on the Company's website and I hope those of you, who have the opportunity, can follow me through the slideshow. Despite the distractions, we've successfully progressed a number of key business improvement issues during the last few months and let me begin on the first slide with an overview of the year.

Overall, the Group has made a net loss, after tax, of AUD860 million. This loss is mainly driven by the balance sheet restructure, which includes, amongst other things, AUD867 million of significant items. All but AUD33 million of which are non-cash. The significant items include impairment charges, relating predominately to the impairment of goodwill and brands. The bulk of these brands, and goodwill charges were booked in the December half, with a further AUD200 million in H2. As I say, the goodwill and brand values impairment are non-cash and they reflect the necessary response to our accounting obligations re. carrying values.

Overall, the impairment and other write-offs bring our net asset base in-line with the current market capitalisation and share price of the Company. Underlying trading remains in-line with our guidance in June, with adjusted EBITDA of AUD73 million. The highlight of the trading was both Australasia and Americas showing positive EBITDA growth for the full year. However, the European market remains weak, including AUD7.6 million of startup losses from our online retail outlet, SurfStitch. Significantly, our refinancing efforts are entering their final stages and at long last, we'll be able to focus all of our collective efforts on rebuilding Billabong to the Company we all believe it can be. Turning to the results overview.

So as to enable better assessment of our performance with and without the impact of the significant items, we have set out our results on a reported basis, which includes significant items and separately, on an adjusted basis, whereby the significant items are stripped out in both years and the Nixon results are stripped out of the prior corresponding period.

On an adjusted basis, before significant items, we recorded sales of AUD1.3 billion and EBITDA of AUD73 million and NPAT of AUD8 million, and we've included more detail on the slides to follow. Suffice to say, it's been an interesting year.

Turning to the refinancing update. The various takeover in refinancing proposals received during the year have meant that the Group has been subject to various periods of due diligence and restricted strategic activity for a significant proportion of the year. But there have been a lot of developments during the last couple of months. On the 4th of June, the Group announced that the proposals from both the Sycamore and the Altamont/VF Consortiums had been withdrawn and replaced with refinancing and asset sale transaction proposals. On the 16th of July, we announced that we had entered into binding documentation with the Altamont Consortium that secured bridging facility and the sale of the DaKine brand to Altamont.

This resolved important short term liquidity issues with the repayment of the syndicated facility and providing working capital for the Group. Further, the Group signed a commitment letter with the Altaman Consortium for a long term financing arrangement capable of funding operations and providing sufficient flexibility for the Group to implement a proper improvement strategy. Following intervention from the takeover panel on the 21st of August, the Group announced it had signed a revised Altamont refinancing proposal and I will take you through the details of that a little later. We expect the documentation of this will be completed within weeks.

Then on the 23rd of August, the Group announced it had received an alternative refinancing proposal from the Consortium comprising of Centerbridge Partners and Oaktree Capital. The Directors are considering the Centerbridge and Oaktree proposals, in light of their judiciary obligations and their responsibilities to shareholders. These obligations extend to consideration the transaction as a whole, including non-financial considerations, but we are determined to finalise the long term financing arrangements as soon as possible. So in terms of rebuilding Billabong, as I noted a moment ago, we've secured Billabong's liquidity and expect that an agreement to long term funding is imminent.

This will enable the Group to continue with the rebuilding strategy as we improve our performance. For our shareholders and our hardworking staff, the messages about the imperatives and the opportunities to improve our business remain consistent with the themes you've been hearing from us for some time now. Rebuilding and reinvesting in our brand and differentiating key areas, such as product, experience and design innovation. Simplification of the business in many respects, from the numbers of staff to rationalisation of the supply base, so as to leverage scale and reduce cost or to right sizing our operations to build stronger operations in specific geographies and to pull back in some smaller markets.

We want to focus on our core retail operations, driving performance improvements, including the continued rationalisation of our store footprint. We want to develop a strong e-commerce platform in all our regions. Our Americas e-commerce revenues, including Swell, have shown good growth as have SurfStitch and despite the disappointment of startup losses in Europe, the e-commerce opportunity remains a key priority for this Group. Supply chain reform, including globalisation and integration of our supply chain to balance costs with flexibility that matches our need. This remains a significant opportunity. These are things you've heard before.

Turning to the balance sheet, we've had a good hard look at the balance sheet and looked to align it with our reform plans. This action has included a full review of intangible assets and resulted in the impairment of goodwill and brands, which accounts for the majority of the AUD637 million of impairment provision. We've written off our investment in Nixon, as part of resolving our long term take or pay obligations with Nixon. We have provided against inventory and receivables, mainly in South America and Europe, which continue to be the focus of our restructuring and simplification efforts. Although we are also continuing to simplify parts of our Australasian business, having now exited a number of territories.

We've also looked at various fair value adjustments, with compensation and other expenses in relation to the investment in SurfStitch and we have written off our tax losses, amounting to a further significant item of AUD62 million. During the period and despite significant disruption and uncertainty, the Group has made some strong progress in relation to key parts of the strategy. As I noted, we've reached agreement with Nixon to extinguish significant future purchase obligations. The sales process in respect of the West 49 Canadian retail chain is well advanced. We have now closed 158 under performing retail stores since that store program was announced a little over a year ago.

Supplier reductions of over 75% are targeted and that is designed to drive cost savings and improve our quality control and that process is ongoing, but well advanced. Business simplification remains a key thematic and our progress includes reductions in European headcount, restructuring our Australian wholesale operations and moving to a distributed model in some of our subscale markets. Finally, restructuring and refocusing our businesses in South Africa and South America. Finally, our sales to close out channels have been significantly reduced, particularly in the US and we are determined to preserve that brand integrity in these markets.

Turning to regional performance. In the Americas, we had a decline in sales, primarily linked to the store closure program with 73 stores closed in this region. On a comp. store sale basis, sales fell by 1.3%, which is an improvement on recent North American trends. As I said, in the Americas, we've shifted away from the use of low margin close out channels, so as to improve our margins and to preserve our brand integrity. RVCA, Xcel and Von Zipper continue to perform well and our e-commerce business, Swell, continues to grow.

For the year the results for adjusted EBITDA increased slightly to AUD38 million and EBITDA margins up to 6% of sales and whilst the second half of the year was down on the PCP, this prior period did receive some assistance from (inaudible) sales and some one-offs.

Turning to Europe, we continue to experience difficult trading conditions as a result of macroeconomic factors, sovereign debt issues and weak consumer confidence especially in Southern Europe. A contraction in our wholesale customer base combined with the impact of the store closure program saw sales fall 10.4%. We also saw greater discounting and retail promotions have stimulated sales which has put downward pressure on our retail margins.

We did see a significant reduction in overheads across the year, down by AUD9 million notwithstanding the inclusion of something like AUD10 million of SurfStitch overheads, however, this was not enough to offset the sales decline.

Our ecommerce start up losses of AUD7.6 million were material and bigger than we had expected. I should point out that the Group consolidates this loss for accounting purposes but only has a 51% interest in SurfStitch Europe and importantly I think once the SurfStitch effect is extracted from the European figures the revenue and EBITDA decline that we saw in the first half moderated in H2.

Obviously the sale of DaKine is a significant change for our European business and represents an opportunity to restructure our operation to focus on rebuilding Billabong and Element and to support the opportunity to grow our smaller brands.

In Australasia we've seen a 6.6% decline in sales as a result of the store closure program, softer wholesales sales and the exit of some smaller Asian operations. Billabong's performance has been solid and RVCA in particular has shown strong growth. We've decreased our clearance activity and with cost reductions we've seen an increase in EBITDA margins to 6.8%. Overall for the year the region increased EBITDA by AUD4.7 million although the second half was impacted by weak retail sales in Australia, although it is pleasing to note that the early FY14 results are promising especially for Australian retailers.

Turning to the detailed financials, I don't have the consolidated results slide. I don't propose to dwell on this slide because we covered the details earlier, but I do however want to refer you to the subsequent slide, slide 20 in the pack, which does set out clearly a couple of brief statements that we have made to adjusted EBITDA for FY'12 and for H1'13 to bridge how EBITDA has been calculated in prior years compared to the current year.

There are two issues, one is the reallocation out of EBITDA, the amortisation of capitalised borrowing costs previously treated as just normal overheads when they're an amortisation cost and secondly, the reallocation out of EBITDA of our share of after-tax profits or losses from associates which in this year includes Nixon. There're set out very clearly on slide 20 just to give you the picture. They're not overly material but I just wanted to make that point. Otherwise all of our treatment of Nixon and pre the period that was divested in the prior year are consistent with the way we've shown things in the past.

Moving to the significant and exceptional items, in this slide we provide full detail of the significant and exceptional items that we described earlier. You'll see that it's a very comprehensive list and for the brave amongst you there is even more detail in the statutory accounts. The inventory and receivable adjustments are mostly where we're looking to restructure our operations, exit territories or otherwise, reorganise and are almost exclusively outside our major Australian and North American markets.

In particular, I point out the tax charge of AUD26 million which is a combination of the tax effective variance of the significant items themselves plus the write down of AUD62 million of tax losses that otherwise would have been carried as an asset. Again I point out there's AUD33 million of those significant items that were represented in cash (inaudible) for the year.

Moving onto the balance sheet, our net debt has increased AUD46 million for the period and our gross debt has closed the year at AUD320 million. It's important to focus on the gross debt as much as the net debt. Billabong has traditionally had relatively large cash balances at balance date which represents cash in various jurisdictions, cash in tools and in some instances cash securing performance bonds and the like.

As well and importantly, Billabong's cash needs are seasonal, with the peak period still ahead of us in the lead up to Christmas sales. Finally, we have certain trade finance requirements for our day-to-day operations. The reason I've set these is that it is the gross debt and the seasonal peak that we have to address in the re-financing and that explains why the commitments we're secured are so much larger than the net debt numbers that are in our accounts at balance date.

Although there are two proposals in front of the Company, given that the Altamont proposal was the basis of the Company's announcement on the 21st of August, I wanted to outline clearly the detail of that proposal so as to assist analysts in particular get their modelling right for the new capital structure. I trust the detail on the slide is clear, but I want to emphasise that the proceeds of the $60 million of redeemable preference shares will be used to retire part of the $310 million term facility and reduce the net interest bearing term loan to $250 million. We've estimated the interest cost to the new capital structure would be in the range of AUD43 million to AUD48 million per annum depending on the exchange rate function.

With regard to the second proposal, we continue to evaluate it as we previously advised, but it's not appropriate to comment further until various aspects of that proposal are clarified.

Turning to our cash flow for the year, our cash flow from operations was understandably weak. AUD26 million of cash flow compared to AUD73 million of adjusted EBITDA, so the difference of course is the significant items and also cash payments in respect of provisions made in prior periods for restructuring and the like.

The other point I would highlight is the reduction in CapEx and you can expect further falls in 2014 but we would like to think that we're beginning to reinvest in some of our key initiatives shortly thereafter.

In terms of the slide with depreciation and amortisation disclosed, the only thing to highlight here is the amortisation of the borrowing costs which are now classified in this line item rather than cash overheads where it was previously included. Not a big item, I just wanted to make that clear.

So in closing, above all else, the Group has a strong portfolio of brands led by Billabong which gives us a foundation from which we can build and begin to take the business forward. 2013 has clearly been a tumultuous year with all that has gone on, but in recent weeks we have made much progress to establishing a secure and flexible funding base. Whilst there are still some issues to be resolved, a significant uncertainty has been removed and we continue to focus on an expeditious resolution to our long term funding needs.

Our 6000 strong staff have been resilient through all of this uncertainty and we look forward to the contribution they can all make to the important and exciting task that we have ahead of us and finally, despite the early progress that we've described today, there is much that remains to do. There is a great opportunity ahead and we look forward to getting on with it in the months and years ahead.

So that concludes my remarks and we would happily take questions at this stage.

QUESTIONS AND ANSWERS

Operator

We will now begin the question and answer session. (Operator instructions). The first question comes from the line of Mr. Michael Simotas from Deutsche Bank. Your line is open, please go ahead.

Michael Simotas - *Deutsche Bank - Analyst*

Good morning, I just had a question on the store closure program. So there are a large number of stores closed but if I look at the rental commitment on year out in the commitment note in the accounts it hasn't actually fallen much, it's fallen from about AUD100 million to AUD93 million. Can you just talk about the drivers there please?

Peter Myers - *Billabong International Limited - Acting CEO and CFO*

One of the drivers for that Michael would be the exchange rates so it should have come down if you were looking in constant currency terms.

Michael Simotas - *Deutsche Bank - Analyst*

Okay and can you talk about how many more stores you think might need to close and within the existing store mix how many are loss making?

Peter Myers - *Billabong International Limited - Acting CEO and CFO*

There's still a number of stores to be closed, about 15 or 20 stores Michael are still to go and in terms of those that are loss making, there's still a significant -- there's still a decent proportion of those stores that are loss making, certainly the 15 or 20 stores that I described that have got -- they're the ones that have got cash losses.

Michael Simotas - *Deutsche Bank - Analyst*

Sure and then a somewhat related question -- I mean the sale process of West 49 is still underway. Is that business profitable on a standalone basis and if it's sold will there be any stranded costs associated with it?

Peter Myers - *Billabong International Limited - Acting CEO and CFO*

On a standalone basis that business is not profitable. The negotiations in relation to the sale of that -- not profitable but improving and the negotiations in relation to the sale of that business are ongoing and clearly there are significant opportunities for us to continue to supply a prospective purchaser of those stores. So I think that's the key part of the negotiation that's still being developed.

Michael Simotas - *Deutsche Bank - Analyst*

Okay, alright, thank you.

Operator

The next question comes from the line of Mr. Craig Woolford from Citigroup. Your line is open, please go ahead.

Craig Woolford - *Citi Investment Research - Analyst*

Good morning Peter. Can I just ask a couple of questions? If you can present some information as was done historically perhaps around the percentage of sales coming from retail and the EBITDA margin of retail?

Peter Myers - *Billabong International Limited - Acting CEO and CFO*

(Technical difficulty).

Craig Woolford - *Citi Investment Research - Analyst*

Sure no problem. If you want to take it off-line.

Peter Myers - *Billabong International Limited - Acting CEO and CFO*

No it's okay Craig. So retail still represents about 50% of the Group turnover; obviously stronger in Australia where the retail presence was high.

Craig Woolford - *Citi Investment Research - Analyst*

Okay. Then that EBITDA margin of retail?

Peter Myers - *Billabong International Limited - Acting CEO and CFO*

Yes we'll come back to you on that one Craig thank you. (Inaudible) back before the end of the conference.

Craig Woolford - *Citi Investment Research - Analyst*

Are you able to disclose the earnings contribution from DaKine in FY13?

Peter Myers - *Billabong International Limited - Acting CEO and CFO*

Yes I think we said at the time of the transaction that it was sold on about a seven times multiple so --

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Craig Woolford - *Citi Investment Research - Analyst*

Seven times EBITDA?

Peter Myers - *Billabong International Limited - Acting CEO and CFO*

Yes.

Craig Woolford - *Citi Investment Research - Analyst*

Yes.

Peter Myers - *Billabong International Limited - Acting CEO and CFO*

So between six and seven times.

Craig Woolford - *Citi Investment Research - Analyst*

Okay; round numbers. The only other question I had was just around the business performance. America's sales conditions seem a little bit softer than general retailing across the American economy. What's the forward order profile for Billabong in the North American market?

Peter Myers - *Billabong International Limited - Acting CEO and CFO*

We're quite satisfied with the way that things are looking in terms of oil and shipping and indents and so forth that we're looking at right now given as you'd appreciate some of the noise around the businesses have not made things particularly easy. So in the circumstances we're quite satisfied with how that's looking.

Craig Woolford - *Citi Investment Research - Analyst*

Alright. Thanks Peter.

Operator

The next question comes from the line of Mr. Ben Gilbert from UBS. Your line is open, please go ahead.

Ben Gilbert - *UBS - Analyst*

Morning Peter. Just first question just around the inventory. I noticed the inventory data actually picked up for the year. Just in terms of how you're progressing in terms of cleaning inventory and how you're sitting in there around aged stock at the moment?

Peter Myers - *Billabong International Limited - Acting CEO and CFO*

Look I think that it's a story that's probably split between regions. So I think we feel very satisfied with where our inventory is sitting in terms of Australia and North America in particular. I think that we've made the point that as we see some opportunities to reshape and reorganise our businesses in some of the other markets that we try to position the inventories and the provisioning that has been made as part of the balance sheet review accordingly.

So there are opportunities for us to re-focus some of those businesses on a tighter group of customers; we've exited some markets and we've moved industry (inaudible) models in some markets. All of those -- they've been a bit disruptive around some of the inventories in those markets but in our big core markets we're very satisfied with the way they are.

Ben Gilbert - *UBS - Analyst*

Good. The second one from me just in terms of the SurfStitch the AUD7.5 million of start-up losses how much of those should we think should be repeated through FY14?

Peter Myers - *Billabong International Limited - Acting CEO and CFO*

We're working very hard with our partner in SurfStitch to look at all opportunities to reduce those losses. So we're certainly pushing very hard to see them contract materially from those levels.

Ben Gilbert - *UBS - Analyst*

Great and just a final one from me. Obviously a lot of talk around what's going to happen with currency and pricing in Australia. Just in terms of what you're thinking for the next six to 12 months around pricing and gross margins in Australia in the context of a softer Aussie and some cost pressures coming out of China now on the sourcing side?

Peter Myers - *Billabong International Limited - Acting CEO and CFO*

Yes we're obviously thinking that we have to learn to live with a lower dollar and the adjustments and so forth to our product ranges and how we look to do things smarter will be a very important part of managing that environment.

Ben Gilbert - *UBS - Analyst*

Right fantastic. Thanks very much.

Operator

The next question comes from the line of Phillip Kimber from Goldman Sachs. Your line is open, please go ahead.

Phillip Kimber - *Goldman Sachs - Analyst*

Good day Peter. Maybe just following on from Craig around DaKine. Could you give us a sense of the sales and any sort of sense on the split across the different divisions just thinking about our numbers for the next year?

Peter Myers - *Billabong International Limited - Acting CEO and CFO*

Yes. So Phil the DaKine turnover about AUD100 million. As I said AUD6.5 million for the (inaudible) and a very significant part of that business and the earnings in particular were coming out of Europe. So that will create some interesting challenges for us in terms of the European operation but also some interesting opportunities as well.

Phillip Kimber - *Goldman Sachs - Analyst*

Will the -- you've given us the implied EBITDA -- I mean is that on a pre-overhead costs allocated basis or I guess the stranded cost question?

Peter Myers - *Billabong International Limited - Acting CEO and CFO*

Yes it is post the overhead allocation and our challenge of course will be to make sure that we limit the amount of stranded costs that are in that -- that we get left with as a result. We've certainly got transition services agreements which give us some time so as to look to restructure our operations and take those costs out. So we'll continue to provide a number of services for a brief period of time -- 12 months or 18 months I think. But we will have some work ahead of us to take those costs out for sure.

Phillip Kimber - *Goldman Sachs - Analyst*

Then --

Peter Myers - *Billabong International Limited - Acting CEO and CFO*

But they're in the order of a few million dollars.

Phillip Kimber - *Goldman Sachs - Analyst*

Okay and then it's always hard with constant currency and the changes that the business has gone through but if I just sort of look at the constant currency growth rates in the first half in your media release for the first half and compare them to the full year media release it looks pretty well like every -- at the EBITDA line all the momentum has gone down in the second half, i.e. the full year constant currency number is lower than the first half. Is that fair and are there any things -- what things should we keep in mind when looking at that again just trying to get a read on the momentum of the business going into '14?

Peter Myers - *Billabong International Limited - Acting CEO and CFO*

Yes well I think there's a couple of things. Clearly we were -- clearly we've had some results in the second half that were weaker than what we were seeing in the first half but in large measure they were what we expected. In fact Phil if I think about the performance of the business then there's probably only two pockets that in the second half have really surprised us. One is obviously the higher than expected start-up losses in SurfStitch in Europe and the second was Australian retail.

So whilst it's true to say that the Americas were down year-on-year for the second half some of that was deliberate with the reduction in the close out channels. I think we've been quite consistent in our observations that we intended to do that. Then also there's a little bit of help from someone obviously in the second half of last year in a couple of those markets. Importantly I think the Americas in particular have delivered on our expectations for the second half that we set for you back in February.

So if I think about when I joined the business and what our expectations were at that point the Americas have certainly done what we expected it would and as I say a part of that was about reshaping the business a bit and pulling away from some of that close out activity whereas in Australia we had seen weaker results than we expected and that's really been around bricks and mortar retail. Then in Europe we all know that Europe is going to be a difficult market but it's the SurfStitch peak that surprised us there. So in many respects the trends that you're suggesting were what we were planning for in any event and I think as we've said we look forward to getting some of these extraneous issues behind us and focusing on the business.

Phillip Kimber - *Goldman Sachs - Analyst*

Sure and is there anything -- you mentioned in the US there some sort of issues with the base if you like. Are there anything we should consider in the first half '14 that we need to think about where you might have been doing some additional discounting of that that won't be repeated or are we pretty clean from all of the '14 year?

Peter Myers - *Billabong International Limited - Acting CEO and CFO*

I think it's pretty clean Phil. Obviously for me trying to work out whether they'll be anything odd about the circumstances of the business back in the early part of the 2013 financial year before I joined but nothing that I'm starting at, nothing that I've been thinking through as we look at what do we expect for the upcoming year?

Phillip Kimber - *Goldman Sachs - Analyst*

Okay thanks Peter.

Operator

The next question comes from the line of Shaun Cousins from J.P. Morgan. Your line is open, please go ahead.

Shaun Cousins - *J.P. Morgan - Analyst*

Thanks very much. Good morning guys. Just a few quick housekeeping ones. You made the point about ongoing CapEx that I think you highlighted of AUD40 million to be lower next year. Just first you had another element of investing cash outflow in terms of the purchase -- can you just describe and remind me what that is? I think it was around AUD60 million plus?

Peter Myers - *Billabong International Limited - Acting CEO and CFO*

There is about AUD58 million I think of --

Shaun Cousins - *J.P. Morgan - Analyst*

Yes sorry pardon me it was a bit higher--

Peter Myers - *Billabong International Limited - Acting CEO and CFO*

-- and of that there is AUD10 million in this financial year Phil -- sorry Shaun.

Shaun Cousins - *J.P. Morgan - Analyst*

That's fine don't insult Phil. Okay no that's fine. So when we think about that CapEx going forward and just CapEx depreciation going forward should we be looking at CapEx relative to that AUD40 million? Should that be like an AUD30 million and how should we consider D&A going forward for the business?

Peter Myers - *Billabong International Limited - Acting CEO and CFO*

I think the two points I'd make; the first is that we obviously are gearing up for a reasonably tight year this year with all of the -- all things considered but we would certainly like to think that we'd be back with the opportunity to reinvest in some key projects with obviously clear return criteria going forward. So I would think as we move into 2015 you're looking somewhere starting to build back up to that AUD40 million level. All of that I think we need to just bear in mind that West 49 obviously the retail footprint is with a decent capital (inaudible) and West 49 would make a difference to that if it comes out.

Shaun Cousins - *J.P. Morgan - Analyst*

So in that instance possibly a reduction in fiscal '14 on CapEx below AUD40 million but then with a view that Fiscal '15 we should be getting up above AUD40 million as you get into a bit of growth CapEx. Is that the right way to think about it?

Peter Myers - *Billabong International Limited - Acting CEO and CFO*

I think that's the right way to think about it except whether we'll end up above AUD40 million or pushing back towards AUD40 million who knows. Again all of that is subject a little bit to the West 49 point.

Shaun Cousins - *J.P. Morgan - Analyst*

Okay and the outlook for D&A?

Peter Myers - *Billabong International Limited - Acting CEO and CFO*

We it would reflect that profile so--

Shaun Cousins - *J.P. Morgan - Analyst*

Alright just another question on online or ecommerce that's been highlighted as one of the key growth drivers. Can you quantify the proportion of sales that are -- pardon me that are online at the moment and was there anything in particular that went wrong in terms of the United States? I believe that the Americas' online growth was only around 6.5%. Is that as you'd expect it? So maybe some numbers there regarding your online business please?

Peter Myers - *Billabong International Limited - Acting CEO and CFO*

So online is about just short of 15% of total retail. In respect to the Americas look I think that business has been -- we've been restructuring it, changing it around or changing the platform. I think that we're particularly satisfied with the progress that we've made in the second half of the year but I would say that there's still a lot of opportunity ahead of us there.

Shaun Cousins - *J.P. Morgan - Analyst*

Okay and so just to be clear that that's 15% obviously given retail's are just over 50% of sales which we're looking -- which we'd be looking there at online of 7.5% of Group sales?

Peter Myers - *Billabong International Limited - Acting CEO and CFO*

Yes that's right Shaun.

Shaun Cousins - *J.P. Morgan - Analyst*

Yes and just finally just a bit about the broader turnaround and maybe this is one for Ian. What's holding up the appointment of Scott Olivet or the commencement of Scott Olivet as CEO and what's the status of the turnaround that Launa outlined 12 months ago? Does that change a lot? Is it very similar?

There are obviously a lot of questions. I'm trying to get some clarity about what the financials look like. But how does this turnaround of this business play out relative to what you've told us? What the Company has released regarding turnaround plans previously?

Ian Pollard - *Billabong International Limited - Chairman*

Well Shaun, it's Ian. Perhaps I'll tackle the first one and then Peter can comment on the one re. the turnaround and Launa's strategy, etc.

Before answering your question, I think it's appropriate I just make some comments re. the methods of the Altamont proposal and the Oaktree and Centerbridge proposal. I expected we'd have a number of shareholders and members of the media on our call today, so I'd like to just clearly reiterate the position that we've publicly stated in a couple of ASX announcements last week.

The first and really key thing is that today's result demonstrates that prolonging any process that we're in now and the distraction costs deferral and strategy associated with that is in no-one's interests. Nor is there any reason for it to be prolonged. We've entered into a transaction with Altamont, which has already delivered important value to our shareholders and has enabled us to meet our financial commitments.

Altamont and Scott Olivet spent eight months looking at the business. They have -- they, Altamont, have brought Scott in as potential CEO, along with a clearly enunciated strategy and we're currently working on long form documentation of that transaction.

The Board has received and is carefully evaluating the proposal from Oaktree and Centerbridge on a full range of factors. We're methodically working through those factors, although there are a number of aspects of that proposal that are yet to be clarified.

In addition to the financial and economic turns of it, the Board will be considering other aspects, such as management, strategy and alignment with the Board, governance construct, certainty and conditionality related to the transaction and timing of being able to move forward with the business.

We don't intend to negotiate these proposals in the media or with any parties other than the proposers themselves. But what we do intend is to finalise a.s.a.p. our long term re-financing and the strategic leadership and partnership which will accompany it.

Since 1973 Billabong has faced some tough times and has come through them stronger and it will do so again on this occasion. What's driven the Board and the people within this business during the hardest and most high profile challenge it's ever faced, is a deep conviction in the Group's brands and what they stand for. So along with Peter, and on behalf of the Board, I want to thank our team globally for all they've done during the time of turbulence and uncertainty.

Now Shaun, back to your specific question, what's holding up the appointment of Scott, firstly Scott has indicated that he would not wish to be on the list of potential CEO candidates for an Oaktree and Centerbridge re-financing. In those circumstances, neither we nor Scott think it's appropriate for him to be appointed as CEO at this point until this matter has been resolved.

So hence, he is acting as a consultant and decisions will be made in due course, along with the decisions regarding the alternative proposals. I trust that answers your question there Shaun.

Shaun Cousins - *J.P. Morgan - Analyst*

Yes, that helps regarding the timing on Scott's potential arrival and just the broader turnaround Peter? You guys have been distracted by a whole bunch of things through effectively -- 18 to 24 months.

What turnaround are you guys deploying at the moment and how does that turnaround play out, given it's not -- Launa is no longer there to implement her turnaround and there is a potential CEO in the wings. But what happens with the turnaround?

Peter Myers - *Billabong International Limited - Acting CEO and CFO*

That's a great question Shaun and one of the reasons that one of the earlier slides that I talked to this morning, had I think the -- identified a series of very strong and familiar thematics that are running through our thinking in terms of the future for this business.

Certainly -- I know from our discussions with the Altamont team, through the due diligence and through the Board appointees, that those thematics resonates from there as well. I think it's important that, as Ian said, our very hardworking staff can look forward to the same thematics being part of the rebuilding process of Billabong as we go forward. There will be variations on it.

As to what progress we've made today, I think the think the thing that's been hardest is to actually invest in and look to rebuild the brands and get that part of the equation right. We've also had trouble at a practical level, I think it's fair to say, getting -- mobilising too much of the supply chain's [performance], because naturally we need some resources for that and it's been a pretty insecure environment in which to recruit and so forth, until that whole question of liquidity and so forth was satisfied.

But we made pretty good progress, I think, in terms of simplification. We've made pretty good progress, I think, in terms of a retail footprint. We've certainly been able to resolve a pretty thorny issue in terms of the Nixon legacy arrangements.

We've -- and I think we're well underway in terms of West 49. So I think there are pockets where we can be pleased with what we've achieved. But I think more broadly and the biggest of all, I think, is the opportunity of rebuild and reinvigorate our brands. I think that's the piece that we are anxiously waiting for.

Shaun Cousins - *J.P. Morgan - Analyst*

Great. Thanks very much.

Operator

The next question is a follow-up question from the line of Michael Simotas from Deutsche Bank. Your line is open. Please go ahead.

Michael Simotas - *Deutsche Bank - Analyst*

Thanks for taking another question. Just a quick one. I was hoping to get a little bit more clarity on the intra period working capital swing and how much headroom there is in the proposed facility.

So will it all be used with the expected intra period swing?

Peter Myers - *Billabong International Limited - Acting CEO and CFO*

No, no. It's got an appropriate level of headroom in it Michael. But I guess the point -- the reason that I dwelt on perhaps some of those remarks earlier was to make the point that we don't have a net debt problem that we are solving for here.

This is a -- we've got good facilities in place that cover our trade finance needs, the various guarantees that we've got in place. We certainly need to cover the deferred purchases and obviously those seasonal factors. But we're very satisfied with the arrangements that are contemplated.

Michael Simotas - *Deutsche Bank - Analyst*

Okay, good and then maybe just one more quick one, if I can. A little bit more colour on the adjustment to the structure of the Nixon vehicle. So, presumably the dilution that Billabong faces is a result of the removal of the take or pay arrangements. Is that the right way to think about it?

Peter Myers - *Billabong International Limited - Acting CEO and CFO*

Yes, that's the right way to think about it. So the take or pay arrangements have gone. We've now got an AUD9 million obligation for 2014. We remain very happy -- customer of Nixon's and continue to work with them. But we -- and we've obviously got a cash payment to make.

I think that difficult situation was resolved very constructively and we thank them for their support in that.

Michael Simotas - *Deutsche Bank - Analyst*

Okay and AUD9 million commitment sounds like a very low number. Is that just to be conservative in terms of future obligations?

Peter Myers - *Billabong International Limited - Acting CEO and CFO*

Correct.

Michael Simotas - *Deutsche Bank - Analyst*

Alright. Thank you.

Operator

I will now return the call to Mr. Myers and Dr. Pollard for any additional or closing remarks.

Peter Myers - *Billabong International Limited - Acting CEO and CFO*

Just before we close, just a bit of housekeeping. A couple of those questions from earlier. In terms of how the revenues for DaKine are split across the globe. Essentially about 10% in Australia and then the rest of it evenly between Europe and the US. In terms of our EBITDA margins in retail, we're just under 10% of the full profit basis. So I hope that captures a bit of the housekeeping.

Then beyond that, I think from my perspective, thank you for your time this morning. Thank you for your interest in what's a great Company and a continuing and very interesting situation we're in the middle of and one which we hope to resolve and give all of the clarity that we've spoken about this morning. Give light to that as soon as we possibly can.

Ian Pollard - *Billabong International Limited - Chairman*

I have nothing to add to what Peter has said. I'll just reiterate his thanks.

Operator

That does conclude our conference for today. Thank you for participating. You may all disconnect.

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