

Event ID: 139916161671

Culture: en-US

Event Name: Interim 2015 Billabong International Ltd Earnings Call

Event Date: 2015-02-26T09:30:00

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+++ presentation

Operator^ Thank you for standing by and welcome to the half year results conference call. (Operator Instructions). There will be a presentation followed by a question and answer session. (Operator Instructions). I must advise you that this conference is being recorded today, Thursday February 26 2015. I would now like to hand the conference over to your first speaker for today, Mr Neil Fiske, please go ahead Mr Fiske.

Neil Fiske^ Good day, everyone, and thank you for joining our half year FY15 results call. With me today is our Chief Financial Officer Peter Myers. A short while ago we lodged a results statement and today's slide pack presentation with the ASX and posted them on our website www.billabongbiz.com. We will be referring to those slides throughout today's update.

Today we will follow the same three part agenda of our other results calls, namely a summary of results, progress on our turnaround plan and financial details. In this my third results call since starting at Billabong, I am pleased to be able to report on some positive progress across the Group. While much work remains to be done, and there are significant challenges ahead of us, we continue to see encouraging signs that our seven part turnaround program is gaining traction.

The Company has returned to profitability for the first time in three years. In the United States the Group's biggest market brand Billabong is growing again in the critically important wholesale channel. RVCA is also growing in the US wholesale market and is taking off in Asia Pacific. Element was up strong double digits for the half in its largest region, Europe, and is beginning to turnaround in North America.

Global social media followership for our big three brands has grown over 40% in the last 12 months. New global platforms are being designed and built in sourcing, supply chain, direct to consumer and information technology, all with the potential to support our brands growth and profit improvement. The transformation of Billabong into a brand driven, truly global company is underway.

Turning to results for the half, all figures expressed in Australian dollars unless otherwise stated. Net profit after tax for the half was AUD25.7 million versus a loss last year in the same period of AUD126.3 million. After stripping out significant items and discontinued businesses, NPAT was a positive AUD14 million. EBITDA from continuing businesses came in at AUD42.8 million versus a comparable last year number of AUD45.0 million as reported. In constant currency the last year number was AUD45.3 million, so not much difference than the reported number.

It's important to note that this half year result is particularly impacted by the transition of our former West 49 business in Canada, from an owned retail chain to a wholesale relationship. I think it's fair to say that when we owned this business, we were pushing our family brands hard. Arguably with too much inventory and too little regard for the

natural level of consumer demand. As we transition the business to the YM Group, our inventories and sales through these stores contracted substantially. Partly as expected, partly due to new ownership and partly due to the difficult conditions in the Canadian market. This effect is highly concentrated in the first half, given the size and importance of the holiday season.

We are working hard to strengthen our partnership with the YM Group in order to rebuild our wholesale sales through West 49. Excluding the West 49 wholesale contribution from both years, EBITDA for the rest of the Group was up over the prior period, by AUD3.9 million. Comparable revenues adjusted for asset sales for the Group were close to flat to last year, at AUD522.1 million versus AUD524.5 million. Gross margins on a reported basis were down 50 basis points, but on a comparable basis, adjusted for asset sales were up 120 basis points. Overheads were slightly lower for the continuing businesses at down 0.7%.

Let's look at each regions performance. In the Americas, we are seeing the business stabilise. EBITDA for the region declined from AUD11 million to AUD5 million, but this includes the AUD6.1 million lower wholesale contribution from West 49 compared to the prior year. Excluding West 49 the region was essentially flat in EBITDA. Total revenues for the Americas region was down about 1% on a constant currency basis. Canada, Brazil and Element were down in revenue but the two biggest brands in the US, Billabong and RVCA are growing again. Comparable gross margins were down 50 basis points after adjusting for the effect of discontinued operations.

Comp store sales were down 3.5%, dragged down by a sharp contraction in Canada and weakness in Brazil. In the US comp store sales were down 0.4% while total direct consumer comparable revenues, including retail and e-commerce were up 4.7%. Store numbers at December 31 were down from 173 the prior year, to 68 due mostly to the divestment of West 49. Closures also included our Times Square store, where we chose not to renew our lease, due to steeply escalating rents.

The actions we have taken to turn around the Americas region have been sweeping and far reaching. We have rebuilt the team across virtually every function, finance, sales, operations, marketing, HR, IT, brand management and country management. We still have work to do, but have a dramatically more capable organisation now than a year ago. At our full year results in August last year, I highlighted that the Americas were our biggest challenge and greatest opportunity. With the transition of West 49 behind us, the restructuring of Brazil well advanced, new leadership in key positions, and the improving profile of our big brands, we can now see the opportunity for stabilisation and growth in the region.

One important footnote to that assessment however, are the delays in moving cargo through the West Coast ports in the US as a result of a long running labour dispute and productivity slowdown. While a tentative agreement has been reached, there is an enormous backlog of cargo still to be processed. While we took precautionary measures to protect future orders through air shipping, we remain concerned about the timely delivery of product that is currently on the water or at the port.

In Europe we are seeing positive results from the new leadership team and the restructuring program. EBITDA from continuing businesses improved from a loss of AUD0.5 million last year to a profit of AUD4.6 million this year.

Comparable gross margins expanded by 650 basis points. This dramatic improvement was driven by better inventory control, improved merchant planning, margin management and a focus on higher quality distribution. Revenues were down slightly at 0.5%, but this overall figure masks good like-for-like growth in high quality accounts which was offset by cutting back on lower quality distribution.

Comp store sales in Europe were roughly flat for the half, while retail gross margins were up 170 basis points. Store count was essentially flat at 111 versus 112 last year.

In APAC results were down due to a disappointing first half in Australian retail, which represents the majority of our retail footprint in the region. Total revenues from continuing businesses was off 1.5% or AUD3.7 million.

EBITDA on the same basis was down AUD1.4 million to AUD31.5 million comp store sales for the region were up 4.5% driven by softness in the Australian market. However, retail gross margins expanded by 200 basis points due to better inventory management and less promotional activity. Store count increased from 252 to 254 although we have closed six underperforming stores since June 30, 2014.

While there was softness in the overall Australian retail market amid mixed consumer sentiment this past Christmas season, our takeaway from these results is that we must accelerate the transformation of our multi-branded retail fleet from a traditional brick-and-mortar operation into a true omni-channel model.

Omni-channel is more than just bolting on e-commerce, it's about continuously managing customer relationships seamlessly across channels and touch points. Previously we have described the opportunity that an omni-channel model represents but today we are even more convinced of its importance as we come back from more recent macroeconomic changes, from weakness in the natural resources market and a lower Australian dollar.

There are five keys to this omni-channel transformation in Australia. Number one, regaining 100% ownership of our websites, which we did in the half. Number two, rationalising the disparate retail nameplates and formats under the Surf Dive 'n' Ski banner in order to gain consumer awareness and drive economies of scale in branding, advertising and promotion.

Number three, building our e-commerce business, which today is less than 1% of our brick-and-mortar sales in Australia. Number four, building a true customer relationship management marketing engine based on customer data. We have limited capability here today and it keeps us from conversing with our customers and using the most powerful forms of marketing.

Number five, deploying a new omni-channel platform that gives us one view of the customer, one view of the (technical difficulty) seamlessly across channels. More on that in a minute.

We know that multi-channel customers who shop both stores and the web are typically worth two to three times the value of a store-only or e-commerce only shopper and can drive 50% or more of a retailer's sales. With the transformation to a true omni-business model we see a tremendous opportunity to tap fully the value of these multi-channel shoppers and by doing so leverage our leading position in Australian action sports retail.

Let's turn now to an update on our turnaround program. In prior reports we have laid out in detail the components of our seven-part strategy. We remain focused against executing all seven parts of that strategy and are making good progress.

Today I'll focus on brands and few of the global platforms we are building to support them. At the AGM in November I provided forward order views for Billabong and RVCA brands in the US wholesale market as leading indicators of success in the turnaround.

These forward orders are measures of gross demand, not sales. As they exclude so-called advance orders, any mismatch between orders and available inventory due to supply chain lead times and order cancellations or credit holds.

Billabong and RVCA are the biggest brands in our biggest market and we believe success here will ultimately translate to other parts of the Company around the world. For the half, the results are largely consistent with the picture presented back in November.

Brand Billabong grew 9.5% in the first half in US wholesale, a big turnaround. This was driven by a robust fall season and a strong spring order book, roughly a third of which typically ships in the first half of the year. The summer order book is also up significantly on last year and fall 2015 appears to be off to a very good start, although we remain cautious about the potential disruptive impact of the West Coast port delays that I mentioned earlier.

Feedback on the Billabong product lines from our specialty accounts has been quite positive, and the tighter integration between merchandising and sales and marketing in our go-to-market calendar has been well received. Many of our core accounts have asked for or agreed to expanded Billabong sections and shop build-outs. Indeed, the demand for store build-outs have exceeded our current capacity to execute them all. Billabong has momentum again in this key market.

We have invested in talent and the results are beginning to show it. I believe Brand Billabong now has one of the deepest and strongest management teams in the industry. We intend to continue to invest in design, merchandising and marketing talent to drive the growth, innovation and vitality of the brand. We are back on offence and playing to win.

You see that in our marketing as well. Earlier this year we set new records for viewership with the Billabong Tahiti Pro. Almost 2 million unique online visitors. It was called the best surf event ever by Stab magazine and many others in the industry.

Then came the Billabong Pipe Masters in December, and shattered the records again, this time with 3 million unique online visitors. On the pro surfing tour, Billabong is the title sponsor on the two last events, another good example of cutting through with the strategy of fewer, bigger, better. It's an exciting time to be part of brand Billabong.

At RVCA US wholesale sales grew 5.7% for the first half, showing a strong acceleration in the second quarter after a flat Q1. Acknowledging the same cautions about the port delays, summer forward orders looking strong this spring, an early response to fall is encouraging.

We know we still have a lot of potential to go after in the US, both within existing accounts and in the underdeveloped markets on the East Coast and Midwest. Internationally, we are just scratching the surface with the RVCA brand. With a global leadership team now in place, RVCA is getting footholds in key opportunity markets. The brand is performing very well in our Australian multi-brand fleet with above-average stock turns, sell-throughs and consumer demand greater than supply.

In APAC RVCA was up 30% in the first half, admittedly off a smaller base. In London we opened three RVCA shopping shops in our 2Seasons format and have been pleased with the initial results.

Element is an interesting story, one that is starting to show the benefit of our global brand management approach. Europe is Element's largest market and the brand has a strong and growing consumer following in the region. Here, Element has been successfully positioned as a streetwear brand with its roots in skateboarding.

Building on the strong double-digit growth in the first half, we put an important stake in the ground last December with our opening of our London store in Covent Garden. Element Europe is a great story and now we are starting to see the signs of a turn in the Americas. I believe this fall season in the Americas we will see growth in Element for the first time in a number of years.

Under the leadership of Global GM Frank Voit, we are unifying the brand under a consistent brand positioning, new global design and marketing direction. That's not to say we don't have differences by region, we will. Our strategy is to have strong global brands that are regionally and locally responsive.

But we are, for the first time, taking the best of Europe, APAC and the Americas to create a stronger, more coherent presentation. For example, we have taken Europe's strengths in outerwear and denim and adapted them to the US and Canadian markets. That allows us to leverage the design team, create scale in purchasing and most importantly, present a more compelling line.

The response to the new approach has been very positive. While the fall pre-order book window has not closed in the Americas, feedback from accounts has been excellent and preliminary indications suggest the potential for meaningful year-over-year growth in forward orders. Another leading indicator of the brand's resurgence is that skate hard goods sales are trending up over 30% in the US.

Hard goods sales are small in comparison to apparel but they are nonetheless an important sign of brand momentum. We still have a long way to go to recapture lost market share in the US but we have one of the best skate teams in the industry, new talent across the organisation and strong, confident global brand leadership with proven success.

During the last 18 months we have put disproportionate effort into driving our big three brands and taking share in the US. That's because those are the biggest levers to move the overall result. For the smaller brands our strategy is to invest behind demonstrated growth opportunities while allowing these brands more autonomy and agility to operate.

Tigerlily is a great example. The brand is up 42% in the first half and we have opened five stores during the period with results that have met or exceeded expectations.

Ultimately, the sustained growth in profit improvement of all of our brands rests on the global platforms upon which they will operate. These platforms will include an advanced omni-channel direct-to-consumer technology system, an integrated global supply chain, and information systems that put better decision-making tools in the hands of our brand, function and regional leaders.

These global platforms take time to build -- to design, build and deploy, and frankly we are starting a long way back from what others in our market are doing, as a result of our historically regionalised approach. But as we've described before, these platforms offer the potential for substantial improvements in our margin structure and growth profile. For each, our philosophy is to build it once, build it right and leverage our global scale for better costs and functionality.

Let's take omni-channel as an example. At the AGM in November I described the high degree of fragmentation and complexity of our current systems, resulting in a disadvantaged and under-developed direct-to-consumer business. Last year we took a critical step in regaining full control of all our websites. Today I'm pleased to report that we're making very good progress in identifying our go-forward omni-channel solution and building the team that can implement it.

Our goal is to deploy the new platform within the next 12 to 15 months, first with brand Billabong and the transformation of our Australian multi-brand retail discussed earlier. Staged implementations for other brands in retail formats will follow thereafter. This new platform will be a game changer for us. For the first time we will have one system capable of supporting all our channels in all our regions, including brick and mortar retail, catalogue, digital commerce, wholesale accounts and licensed stores.

New functionality will include the following, one view of the customer across all our direct consumer channels, including all transaction history, interactions and profile data. The ability to run sophisticated loyalty, CRM and customer segmentation marketing programs, to really know our customer and talk to them on their terms, not ours. One view of inventory across channels and the ability to deploy it where needed given its faster terms, lower mark downs, better customer conversion, higher store productivity and more revenue growth.

Dramatically better speed, uptime, user interfaces and navigation to drive conversion. Mobile point of sale and in store customer selling support. A seamless customer experience across channels with ship to store, ship from store, easy returns and cross channel customer service. B2B tools to support our wholesale channel with better marketing, selling and merchandising programs.

We are excited about the value that we will unlock with the new omni-channel platform to accelerate growth and build customer loyalty while improving margins and inventory term. Most critically, it will allow our customers, particularly young action sports consumers, to shop the way they want to shop.

Platforms aren't just technology, they are the people, processes and systems that create capability and competitive advantage. They require significant organisational change and therefore change management. That is true with omni-channel and it's true with supply chain, one of our other priority platform initiatives. Year two we are coming from behind with long lead times, no global sourcing organisation, no standard processes for operating procedures, inefficient distribution and logistics, high costs, industry lagging vendor terms and slow inventory terms.

Much work is underway to rapidly close this capability gap and build an integrated global supply chain configured for speed and turn. This is a multi-year effort, but here again, we are making good progress.

For starters, we have completely revamped our Asian sourcing organisation with new leadership in key positions and new talent at every level. Next, we are folding the regional sourcing structures under global leadership to create one global sourcing organisation. This gives us the opportunity to build standard processes, develop people and leverage skills, scale and systems whilst still being responsive to local and regional needs.

Once that system is (technical difficulty) for supply chain that creates end to end visibility and transparency for vendor management, transportation management and financial settlement between us and our vendors. Effective supply chains depend on this kind of visibility and information flow. It is foundational.

Over the next six months we will be deploying the cloud based GT Nexus [metal ware] which will allow us to aggregate and better manage purchase orders, track in real time the status of any product, create vendor scorecards, provide advance shipping notice information to DC stores and customers, better align inventory to orders and ultimately configure the most optimal, logistical paths to market.

With this information having in place, we will be well positioned to develop and deploy two advanced processed based capabilities. The first is sales and operations planning, or S&OP.

S&OP is the critical cross functional process by which demand and supply are constantly and dynamically realigned based on the latest selling and trend information. Companies with effective S&OP processes are able to much more effectively manage their supply chains with better factory capacity and long material planning, inventory management, buying and order fulfilment.

S&OP also enables the second critical process-based initiative we have underway called Concept to Customer. This is all about speed to market and cutting our product development in order to delivery times. Our goal is to design closer to market, make to order instead of make to forecast and create the capability for fast response to customer needs. Let me give you an example of what we're trying to accomplish.

Earlier I spoke of the potential mismatch between inventory and customer demand cutting into forward orders. This happened to us with RVCA during the summer 2015 seasons where orders came in substantially higher than the forecast upon which we made our inventory buys. By reconfiguring our concept to customer process, we believe it's possible to make to order on most, if not all of our product and therefore eliminate on that demand, reduce leftover inventory and improve customer service. But it requires a very different supply chain than we have had historically.

At the end of the day, all of the supply chain reform depends on having the right vendors as partners. We are in the process of reducing our global vendor list from over multiple hundreds of suppliers to a much smaller group of preferred vendors. We want to be more meaningful to them and them to us, fewer, bigger, better.

Last month we brought our key vendors together for our first global suppliers summit where over the course of two days we laid out our key initiatives, our expectations of them and our implementation timelines. I can tell you our vendors walked away reenergised and recommitted to Billabong International with a clear view of where we are going and how they must partner with us to get there. It was exciting to see.

Before handing it over to Pete, let me say again that this is a time of enormous change and transformation at Billabong. We are getting traction and seeing some promising results. Yet we know we have a long way to go and much to do before we will be satisfied with our performance. Challenge and hard work await us. Currency fluctuations and a tepid Australian economy will put pressure on the APAC region. The port issue in the Americas has been distracting and is still requiring intense focus. Retail on every continent is challenged with the need to transition to an omni-channel model and we have not yet seen early successes translate into consistent performance across the world.

But taking stock of our progress, it is clear we are on the right track. I am encouraged by the results thus far and remain confident in our brands, our people and our future. I'd also like to take this opportunity to thank the dedicated employees across this Company for their inspiring effort and energy, commitment and passion for the brands they live and breathe every day. Thank you, sincerely thank you.

Pete, over to you.

Peter Myers^ Thanks Neil. Well as many of you know, I've been here just two years and so for me, it's exciting to report my first Billabong profit, before and after significant items. It reflects our improving stability in the balance sheet recapitalisation work that was finally completed just about a year ago. It reflects relatively stable operating performance, improvements in some areas and ongoing challenges in others and some where the benefits of the turnaround agenda are in place but yet to be reflected in the financials. But as you've heard from Neil, there's still a lot ahead of us and we're approaching this task with enthusiasm.

Anyhow, we've got a lot to get through this morning, so let's move onto the slides. We've included this information again in terms of the reconciliation from statutory result to continuing operations to help you navigate to the set of figures that we believe gives investors the key information they want on the performance of Billabong's continuing portfolio of businesses, excluding significant items, that is, a normalised view.

Again, we note that there have been changes to the portfolio during the reporting period and since the prior year. Our portfolio of businesses going forward is not the same portfolio that makes up the statutory results. SurfStitch and Swell are in this year's statutory figures up to early September and these businesses, plus West 49 and DaKine for a brief period, are in the prior year statutory comparisons. So the real purpose of this slide is to clearly identify the performance of what is left, being the continuing business columns.

Sales to consumers of AUD522 million, EBITDA of AUD42.8 million are the key measures and to assist you to understand the comparisons, we've included a similar analysis for last year, splitting out those significant items of discontinued businesses as an appendix to this presentation.

Turning to the results summary, Neil has covered this in his presentation and I don't have much to add, other than to point out that for your convenience again we have disclosed the as reported change, whereby the differences on the basis on the actual exchange rates that existed last year and as well we have provided a constant currency comparison which is effectively the percentage change expressed in local currency, which gives you perhaps a better measure of the operational performance.

You'll note that the differences occasioned by the FX movements is not that significant to this half, despite what feels like a fairly volatile AUD/USD exchange rate. It's important to look at the impacts on the profit and loss and the balance sheet differently. The calculation on the profit and loss is based on the average actual exchange rate for each individual month. The balance sheet is based on period end rates, again we've set out all of these relevant rates in a further appendix to help you tie up any of these movements.

Looking forward, the impact of the lower AUD and to a lesser extent the Euro, compared to the USD, has implications for the Group. It increases the AUD value of our USD earnings. It increases the AUD value of our USD assets and liabilities, including our term loan and the value of our US business. It also increases the cost of our imported input prices. That is our product cost, especially in Australia. And that will put pressure on our APAC business to respond, especially in an environment where the change back to an exchange rate much more reflective of the AUD's long term average, has happened over a relatively short period.

Turning to regional performance in the Americas, we have made a number of references to the impact and treatment of the sale of West 49 in the prior year result and, as a consequence, on the year-on-year comps. Again, we have provided you all of the transparency and detail that you need to follow these impacts in the detailed appendix to the results presentation.

In the last full calendar year leading up to the sale -- that is calendar 2013 -- the retail operations at West 49 lost AUD10.3 million. At the same time the wholesale profit made by our continuing operations, by selling product into the West 49 channel, was AUD13.7 million. So, on a combined wholesale and retail basis, we made AUD3.4 million. Or, put differently, our retail operations lost nearly all of the wholesale profit we made from selling our brands into that channel.

The sale delivered other benefits, less fixed costs, a simpler business, less exposure to the Canadian market, which has weakened since the sale, and a portfolio more aligned to our strategy. Of course, we have seen a contraction in the wholesale contribution from the

days when we owned the channel, and that difference is reflected in a reduction in our continuing business results.

And, of course, it's taking time to reap the full benefit of the partnership with the new owners of West 49, for all of the reasons that Neil has outlined. But the point to remember is if it were not for the sale, our continuing business results would still include the retail losses and all of the risks that go with it.

So appreciating this is complex -- and the reason we included such detail in the appendix is that we don't want to get bogged down on it on this call -- but when it's all said and done, there are two big takeaways from all of this noise around West 49. First, if I look at the results and completely exclude the West 49 wholesale contribution in both years from our continuing business results, the rest of the Group was up year-on-year in EBITDA, and the Americas result was just about flat.

And, second, from February 2015 we will be cycling comp performance that is post the sale, so we shouldn't see any material effect from this difference in our second half result.

So returning to the Americas to complete the picture, margin's down a little, but it's important that you look at the margins adjusted for divestments, since, in all regions -- but most notably in the Americas -- there are some margin effects of the discontinued business treatments.

Overheads, or CODB, if you prefer, were down 2.1% on a constant currency basis as we continue to work on costs out of the business.

Turning to Europe, Neil's mentioned we've seen strong growth in EBITDA, a AUD5 million increase, driven by margin expansion, achieved by a focus on key accounts and territories, contracting the customer set, consistent with the objectives we shared with you at the full year, we have a tighter, better business.

The region is no longer impacted by start-up SurfStitch losses, and whilst we still have further work to do on our EBITDA margins in the region, we are pleased with the progress to date.

Turning to Asia Pacific, Neil's already discussed the weak comp store sales in Australia which has impacted the results. Gross margin -- and, again, you should focus on the adjusted margins -- improved through better inventory management and mix, although there were some impacts from lower and more volatile AUD on our input prices.

As noted earlier, Asia Pac faces the challenge of managing the impacts of that lower exchange rate as it reverts to a more traditional long term level.

Moving to significant items, we continue to keep the theme of complete transparency here, so we've provided a lot of detail re this item, both here and in the accounts. The main things to point out is that we have some positive significant items of income -- worth AUD23 million during the half -- partly offset by AUD10 million of cost during the period.

The income relates to the gain on sales from the divestment of SurfStitch and Swell and the restatement of the contingent consideration associated with the prior year acquisition. In terms of costs we have, and will, continue to incur costs associated with the restructuring components of the turnaround strategy. And there are some meaty turnaround and restructuring projects ahead, so we'll continue to provide transparency on these items, but we do expect to see a shorter list, going forward, just as there are fewer items in this half.

Turning to the balance sheet, net AUD18 million since last June, despite AUD30 million plus of foreign exchange impact of converting the USD term loan to AUD. Since June 2014, this exchange rate movement has increased the AUD equivalent debt from about AUD216 million to AUD250 million as at December as the dollar has gone from AUD0.94 to AUD0.81.

AUD38 million of net proceeds from the divestment of SurfStitch and Swell will help reduce that debt, partly offset by some significant items and refinancing costs and CapEx. Our interest cost continues at 11.9% on the term debt, and we continue to have very little debt otherwise.

Working capital levels have decreased to AUD147 million at December 2014, after removing the divested businesses from the prior year. Inventory ageing has improved significantly, giving us a better go forward position, but there is much work to do in this area also.

Actual cash flows from trading were satisfactory compared to our earnings, after allowing for the cash effect of significant items. However, when comparing the cash flow to the prior year we have seen an impact of the timing of cash flows due to the complexity of the treatment of the divestments, of the retail businesses SurfStitch, Swell and West 49, whereby some of the trading cash flows for inventory et cetera are being caught up in the disposal accounting. As well, there are impacts from the timing of significant item payments.

Finance costs are significantly lower due to the lower debt levels following the recapitalisation and refinancing in the second half of last year, and remembering the prior year included significant one-off payments to do with all of the associated recapitalisation issues at that time.

Moving to the second half, the Directors met yesterday and agreed the statement set out in the presentation. As we have said consistently, at this stage of the turnaround we do not intend to make financial promises or forecasts. However, we do want to keep you up to date with the key matters that you should be aware of, which we hope the outlook statement does.

And I -- for those who are not following the slide show I'll just read the last couple of paragraphs.

This year the second half earnings will benefit from the fact that from February we'll be cycling the West 49 business on a comparable wholesale basis and, as such, very little of the contraction in contribution from West 49 will carry over to the second half result.

However, the Group faces the complexity of the contrary impacts of a lower AUD, while benefiting from the conversion of our USD earnings into a higher AUD equivalent, the Group is exposed to higher costs to import product into markets such as Australia.

And, as Neil has mentioned, in addition the long running industrial dispute at major Californian ports, while headed for resolution, still has the potential to slow the flow of new product and disrupt what is positive momentum in the US market.

Overall, the Group anticipates the December half will, this year, continue to be weighted as the strongest contributor to the Group's EBITDA, although more consistent improvements in the North American wholesale earnings will, over time, reduce that bias.

And then, finally, as I mentioned previously, to help users we have included a number of annexures -- a reconciliation of last year's statutory profit to continuing operations, key

foreign exchange numbers impacting the Group's results during the period and, finally, the detailed West 49 analysis.

That's it from me, and I'll hand back to Neil for Q&A.

Neil Fiske^ Thanks, Pete. And we'll open up the lines for questions.

+++ q-and-a

Operator^ (Operator instructions). Phillip Kimber, Goldman Sachs.

Phillip Kimber^ G'day, Neil and Pete. Just a question really on the retail business, because I think all your regions had like-for-like sales going backwards and, obviously, you're talking there about omni-channel initiatives.

So as we think about the turnaround, I mean how -- given retail's still a reasonable part of your business, how important are they when we're thinking about potential profit improvement, that actually it's really going to be somewhat reliant on the successful integration of the omni-channel platform, because you're -- it's going to be hard to move the dial on your retail business before that system is in place. Is that a fair way to think about it? Or am I being a bit too harsh?

Neil Fiske^ Well, I think we would say categorically that we see, regardless of the deployment of the omni-channel platform, opportunities to improve our retail business. I'd also say it's important not just to look at comps, but margins. And, I think, in a number of the regions you saw significant improvement in gross profit margins as a result of better inventory management, less promotional activity, and I think we're building better retail businesses and retail practices.

If you look in the US it's maybe an indicator of what could be the potential, or the start of the potential, of an improving picture. Stripping out Canada and Brazil -- which both have very unique market contraction issues associated with them -- US brick and mortar comps were, essentially, flat.

Then when you fold in the growth in online revenues, as a lot of retailers report in a comparable revenue figure, we're actually up mid-single digits in the region. Europe retail comps were, essentially, flat but, again, if you look at the margin improvement in Europe -- almost a couple of hundred basis points -- you can almost think about one point of basis points being worth two points of comp. And that gives you a very different picture of what's happening in retail in that region.

Again, I think we're getting better at running our operations, sometimes at the expense of pumping up top line sales, but with better margins. And even in the Australian region you see a lift of 200 basis points in gross margins this half. We were less promotional than I think a lot of other retailers were in this region. We tried to maintain a full price brand building, equity building business, and not chase volume for the sake of volume, where we'd dilute our margins.

So I think our inventories are in better shape, a much less aged inventory and our margins have improved and actually, if you think about that one step further and think that embedded in that margin improvement is also the allowance that we've taken to clear our inventories, our aged inventories and get in a better position, that margin improvement is that much more impressive.

So, we'll continue to work on better merchant planning through our merchant front end, inventory management, execution against our go-to-market calendars and I think we have plenty of tools within our grasp right now to move the performance of our retail group.

Harmony will just accelerate that and I think has the potential over time to make it a dramatically better and more profitable business.

Phillip Kimber^ That's great. Thanks Neil. Can I ask a follow up on retail, whether there was a meaningful change in the percentage of your own brands going through retail, because that could be why the GP has improved. But we can't tell whether there has been a material change in the mix at your retail business of your own brand.

Neil Fiske^ Yes, it's a good question. In Australia I think there has been a marginal improvement in the brand penetration as a percentage of total, but not dramatic enough to account for the majority of that 200 basis point improvement. In particular, we've seen RVCA accelerate nicely in our multi-brand fleet. But it's still a relatively small brand within the total portfolio.

So I wouldn't say that that's the primary driver of the margin improvement. In Europe. same story. We've seen improvement in our family brand presentations. Element is doing extremely well in our Two Season stores and RVCA has positive response from the three shopping shops that we installed this past half. But again, I think the bigger drivers are better inventory management, our merchant front end and retail execution.

Phillip Kimber^ Excellent, thanks for that Neil.

Operator^ Your next question is from the line of Craig Woolford from Citi. Your line is open, please go ahead.

Craig Woolford^ Hi Neil. Can I just start off with a question about the comments on the brand Billabong and RVCA for the US. You gave those strong -- those numbers that were quite good. You used the words like-for-like and then you referenced that it is wholesale sales. Is it total sales growth for those brands in those countries or is some sort of like-for-like calculation you're doing for brand Billabong and RVCA?

Neil Fiske^ Yes, a great question Craig. We used the words like-for-like because we really tried to strip out the effect of other things that would inflate that number artificially. So, in particular as we sold the Swell business and we transitioned West 49 to a wholesale versus our retail business, as we converted our Latin American operation from our own business to a distributor model.

These are things that could come in as additional wholesale revenue and make it a non-comparable number. So we chose to take those factors, set them aside and give you truly a like-for-like similar account in view of what's happening in the business.

Craig Woolford^ Yes, because you mentioned that you're building -- you have floor space build out for brand Billabong and you couldn't even keep up with the demand. Can you just elaborate a bit more on what you are doing there? Are you building fit outs for the stores and is that why they're taking on the brand because you're offering a better return on investment for them?

Neil Fiske^ Well, I think we're just at the beginning of our build out program. We see that as a big opportunity for us. It is not the thing that's driving the 9.5% like-for-like wholesale channel growth in the US. We've just started. We've done a few pinnacle accounts. I think I mentioned a couple of calls ago the fit out of Jack's at Huntington Beach, which was sort of our prototype. We got a very good response to that. We started to roll that out to other specialty accounts. But that will be more our future driver, than a driver in the past half.

Craig Woolford^ The obvious question is what is driving the strength of brand Billabong in the US at the moment? Is it account growth? Is it pricing growth?

Neil Fiske^ No. It's not account growth significantly. It's really the front end reforms that we've brought to the business, particularly the merchant front end and what I talked about before is the integrated go-to-market calendar, where we got much better alignment now between the merchants, the designers, the sales team and the marketing organisation.

We're very clear every month what our big story is. What we want retailers to be presenting and we're going to market not with an unedited line of styles for retailers to pick from. But a point of view on what we're standing for. What's important and we'll probably want them to get behind. That's cutting through and having an impact.

Craig Woolford^ Okay. Two other quick questions, hopefully. Just with all the investment in the platforms, what is the outlook for CapEx, both for the second half and probably more importantly, for FY16?

Peter Myers^ Hi Craig. It's not really different to what we talked about before. We're obviously trying to manage the CapEx line pretty carefully. But we do know we've got some investment that we have to make. I think that we previously said to people you might expect a few tens of millions of dollars over the course of the next few years. Exactly where that will fall, I'm not sure relative to the current recurring level. But these aren't enormous numbers.

Craig Woolford^ Okay and then the tax rate, while I've got you Pete, the tax rate, going forward as a tax benefit in the first half, what's the outlook on that one?

Peter Myers^ Yes, the tax is pretty complicated, Craig, because you've got a jurisdiction by jurisdiction lens on it. I think the big tax message is there is significant unbooked tax losses in all of our large jurisdictions. So tax will be a pretty minimal part of the picture for some time to come.

Craig Woolford^ Excellent and one small positive from the past mistakes. Thanks guys.

Operator^ Your next question is from the line of Shaun Cousins from JP Morgan. Your line is open, please go ahead.

Shaun Cousins^ Great, thanks guys, just a question regarding Australia and passing on the impact of higher sourcing costs. Sorry, you may have mentioned it on the call. But just could you talk a bit about much you've had to increase prices or if you have increased prices and how confident you are that you can manage that? You've called it out as a risk, so just curious how you can handle the decline in the Australian dollar, please.

Neil Fiske^ Yes. So I think Shaun, there is probably three levers we have to pull in working to combat the adverse effect of the currency. The first is pricing, as you mentioned. The second is managing our mix and assortment planning and third is our supply chain, the form that I talked about. We're looking for contributions from all three of those areas to offset the adverse impacts of currency.

I think it's fair to say that we're looking to take prices up where we can take prices up and not affect volume or margin dollars. We have to think pretty carefully about what price points are in the market and where you have natural price points – ceilings -- you increase your prices under those ceilings, but be careful of crossing them. We're not going to give out an overall percentage on pricing. But I think it's fair to say that we're looking to, where we can, take some price.

Shaun Cousins^ That's helpful.

Peter Myers^ Shaun, just to add a couple of things to that. Obviously we shouldn't lose sight of the fact that it is a sort of contrary issue for us. We do end up with more valuable USD earnings as a result. The second point I'd make is that in the context of the Australian marketplace, this is a challenge for all importers, all apparel, a vast number of apparel importers as well. So it's not a unique issue to us. It will be interesting to see how the market will generally react.

Shaun Cousins^ Sorry Pete, on that. Could you just talk about the extent to which your USD debt doesn't offset much of the USD EBITDA? I just was of the view that previously Billabong had been much of a USD play. But given much more of your debt now is in USD, there is somewhat of a natural hedge which moderates that?

Peter Myers^ I think your observation is correct. But we probably have a higher proportion of US dollars. But essentially, that is a good nature and a good hedge against our US earnings. What it reminds us is that the rebuilding of our US earnings base is more important and amplified in that context, I think. But it feels like we're in the right place there.

Shaun Cousins^ Yes, okay, that is helpful. Maybe just talk a bit about forward order. I think there was indications at the AGM that you had forward order growth in Billabong and RVCA of low [20s] for spring. Just in terms of how your current rate of forward orders for those brands? Obviously you've highlighted strong growth in terms of wholesale sales. But just whether or not you've been able to sustain elevated levels of forward order growth, as you indicated at the AGM.

Neil Fiske^ A great question Shaun. So, let me just again make sure we are all clear on what forward orders are and aren't. So we look at forward orders as an indicator of gross demand. Not a predictor of sales. Between forward orders and actual sales, as you know, you have a couple of things where you could lose a little bit of volume. One is if there is a mismatch between your inventory and your orders. That's particularly problematic for us, given our long lead times and one of the reasons we're pushing so hard on a faster supply chain.

You can also lose orders due to cancellations or credit risk. So there is some inherent attritionalities in a forward order book and hopefully those attrition factors are relatively comparable across years and make forward orders therefore a useful indicator. But it's important for us all to bear in mind that that's what they are only, an indicator.

Having said that, I would say -- and I've said it. The -- caveat to that is forward orders unfortunately never evenly line up to fiscal quarters or halves and so mapping those two financial impacts always gets tricky. For example, I think about one-third of our Billabong forward order in the US falls in the first half of this year for spring and likewise a chunk of our fall forward order book will hit in June and therefore this fiscal year and a chunk will be in next fiscal year.

So, all of that makes for a little bit of tricky mapping of forward orders for sales. But having said that, I think that the pattern that we described at the AGM is still a pattern that we're seeing in the business. In the case of RVCA, we know had more demand in summer in forward orders than we could match against our inventories. So the actual sales results would be less than that forward order momentum. But again, a great indicator that that brand is reaccelerating in the US market wholesale market.

Shaun Cousins^ Just to be clear, was there any sort of greater level of be it cancellation or credit risk within this period or I guess a broader question on the health of your wholesale customer base?

Neil Fiske^ No, the only caveat, I think, Shaun, is if product gets stuck in the ports too long, we run the risk of those orders go up against order deadlines and that's why we're putting out that cautionary note on the West Coast port delays. But on a day-in-day-out comparable operating business, we don't see any significant changes in those factors.

Shaun Cousins^ Okay, thank you, that's very helpful. Just a final question from me, just in regards to the Australian bricks and mortar retail business, you've got multiple brands and I understand over time there's the plan to sort of put them all onto the common brand of Surf Dive 'n' Ski. Can you just talk about how quickly you can do that, particularly given the comps in this market were a bit weaker?

Australia is a little bit unusual in that you've got multi-brand retail where you've gotten out of that in much of the other parts of the world where you operate retail, how do you think about multi-brand retail now in Australia, given some slightly softer performance?

Neil Fiske^ So first on the banner question, I think we can actually roll that out fairly quickly and we have plans, pretty aggressive plans, to do that banner rationalisation. It's not super capital intensive just to change banners, but you really want to go store by store and figure out which stores you want to refresh, at the same time to change out the banner. Then also we're thinking through what sort of store reopening marketing programs need to be put in place in order to get the lift from those banner conversions. But I would say over the course of the next 6 to 12 months, we could be getting the majority of those opportunities underway.

With respect to overall multi-brand retail in Australia, I say New Zealand as well, given the strength and size of our Amazon business there, the reason we've always liked this business is because it's a strong, dominant player in the market. The stores are big, but they're not too big and so we can present our brands in their fullest brand presentations and actually benefit from attracting a broader customer base and then fold into those own brand presentations, emerging niche brands that kind of give you a sort of cool factor to the retail format over all.

It's really making sure you get that mix right between own the brands and interesting third party brands so that you don't become too repetitive and too monotonous on the one hand or too skewed towards small niche brands on the other. We're constantly trying to find that right balance, but the thing we like about the Surf Dive 'n' Ski format in particular is the store size is generally good, allows us to present three big brand stories and then appropriately show in with other third party brands without getting overextended in inventory.

Shaun Cousins^ Fantastic, thank you very much Neil.

Operator^ Your next question is from the line of Michael Simotas from Deutsche Bank. Your line is open, please go ahead.

Michael Simotas^ Good morning guys. So we can see the leakage of wholesale sales post the West 49 sale. Should we expect anything similar with the sale of the multi-channel businesses?

Peter Myers^ You mean with SurfStitch and Swell, Michael?

Michael Simotas^ Yes.

Peter Myers^ Yes, I think the difference I'd point to there is that those businesses are growing and we've got every confidence in those businesses and so I do think you'll probably see a slight reduction in perhaps the weighting of family brands in those businesses, but I think the growth, the natural growth that we should see in our own sales

should just about neutralise that. So I don't think and we're not seeing -- we might see bits and pieces of it, but we're not seeing anything as significant as the West 49 effect.

I think Neil covered pretty comprehensively some of the issues behind that and to some extent this is about those businesses finding their way into more natural homes and owners. So we're confident that they will continue to be good customers. We're confident in the case of West 49 that in what's proving to be quite a difficult market, we'll build that business and relationship into the one that we want.

Michael Simotas^ Okay, good. Then the Australian retail business, there's been a bit of commentary. Other retailers have talked about a fairly sharp pick up in late December and into January. Did your businesses see an improvement over that period?

Neil Fiske^ Yes, we saw probably the same pattern as soft early December and acceleration in the last two weeks, which is really the post-Christmas/Boxing Day sale we benefited from as well.

Michael Simotas^ That's good. Then you spoke about the CapEx outlook in some detail, particularly around the omni-channel offer. What about OpEx? Are you still expecting to be able to save costs elsewhere to fund the investment in the omni-channel roll out?

Neil Fiske^ It's a challenge, for sure and I think we've taken quite a bit of costs out of the business as Pete mentioned, to fund the investment that we've made to date. We'll continue to try to maintain that pay-as-you-go approach, but I think we've reserved the option to selectively accelerate OpEx growth to capitalise on market opportunities or to prime the pump for businesses where you have to invest a little bit ahead of sales in order to get those sales. So you might see some select increase in OpEx going forward.

Michael Simotas^ Okay, no that's helpful. Then maybe just a couple more for Pete if I can, you've given us some good guidance on P&L tax, should we think of cash tax roughly approximating P&L tax going forward for the next couple of years?

Peter Myers^ Well as I said, it's slightly challenging as you've got to think about it by jurisdiction, but I don't have a better answer than yes, that's the way I'd look at it.

Michael Simotas^ Okay, so there won't be any sort of big discrepancies between cash tax paid and P&L tax, they'll be similar this period.

Peter Myers^ Not that I can see.

Michael Simotas^ Alright, then, thank you.

Neil Fiske^ Thanks Michael.

Operator^ There are no further questions at this time Mr Fiske, please continue.

Neil Fiske^ (technical difficult) good set of questions and we look forward to keeping the market updated on our progress.