



Acquisition of West 49
30 June 2010



Transaction overview

- Billabong has entered into an agreement to acquire West 49 Inc. (“West 49”), a leading Canadian action sports lifestyle retailer listed on the TSX (WXX:TO)
- Purchase price represents an enterprise value of C\$99.0 million (A\$110.4 million)^{1,2}
- Unanimously recommended by West 49’s board and with the support of the major shareholders who represent approximately 56% of shares on issue³ (subject to customary “fiduciary out” provisions)
- The transaction will be executed via a plan of arrangement (similar to an Australian scheme of arrangement) and requires two thirds support from voting shareholders
- Completion is expected to take place in September 2010
- The acquisition is to be wholly funded through Billabong’s existing debt facilities and is not contingent on financing
- West 49 is well known to Billabong as a significant customer and also the current operator of five Billabong stores under license in Canada
- The transaction is expected to be EPS accretive in FY2011 with significant synergies to be achieved by FY2012 through optimising vertical brand mix

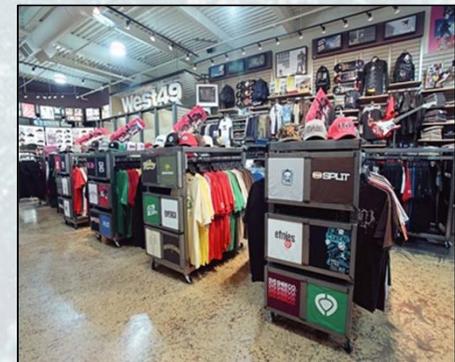
¹ Based on fully diluted equity value of C\$90.2 million (A\$100.6 million) and net debt of C\$8.8 million (A\$9.8 million) as of 30 April 2010.

² F/X rate of 1.1158 C\$:A\$ used throughout.

³ Assumes fully diluted shares on issue and the conversion of all West 49 preference shares into common shares.

West 49 overview

- Leading Canadian specialty retailer of apparel, footwear, accessories and equipment related to the youth action sports lifestyle demographic
- Founded in 1995 by Sam Baio, the current CEO, is headquartered in Burlington (near Toronto, Ontario) and has 138 primarily mall based stores in nine provinces across Canada
- Consists of five banners including West 49, D-Tox, Off The Wall, Amnesia / Arsenic and Billabong
- Targets the key Canadian tweens and teens demographics which spend a combined c. C\$2.5 billion per year on clothing, footwear and accessories



West 49 banner overview

Banner	No. of stores	Comment
	81	<ul style="list-style-type: none"> Leading Canadian specialty retailer of apparel, footwear, accessories and equipment related to skateboarding, snowboarding and surfing Targets tweens and teens who are action sports participants or enthusiasts
	19	<ul style="list-style-type: none"> Specialty retailer of officially licensed apparel and accessories related to music artists and pop culture Targets teens and young adults
	16	<ul style="list-style-type: none"> Specialises in denim and street wear Leverages the strengths of the core West 49 banner in its young men's and women's offering
	17	<ul style="list-style-type: none"> Quebec based action sport specialty retailers of apparel, footwear and accessories Similar offering to West 49
	5	<ul style="list-style-type: none"> Leading global surf and action sports brand specialising in board sports apparel and accessories Targets a broader demographic than West 49
Total	138	

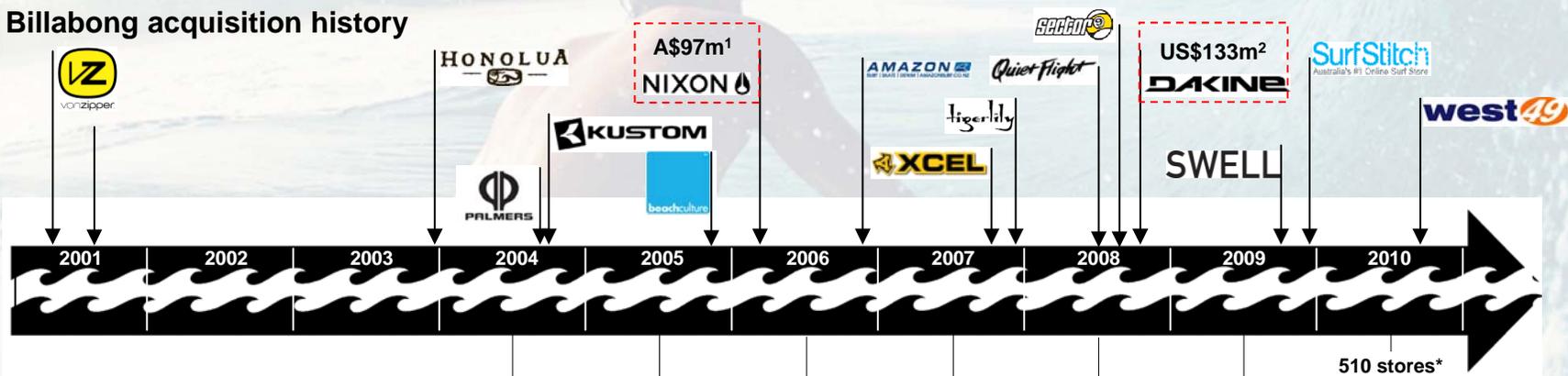
Strategic rationale

- ✓ Increases the availability of Billabong's brands in the key action sports market of Canada
- ✓ Provides the ability to increase wholesale throughput via an expanded retail network – currently across West 49's portfolio Billabong has a brand share of approximately 15%
- ✓ Increases Billabong's participation in an important distribution channel including greater influence over the store environment and brand image presented to consumers
- ✓ Provides the opportunity to expand on West 49's current platform to enhance premium action sports retailing in the Canadian market
- ✓ Provides North American retail expertise and efficiencies for Billabong's expanded retail network
- ✓ Enhances retail presence providing Billabong with faster feedback on consumer trends and the ability to test product
- ✓ Provides increased branding opportunities, which in turn will drive demand
- ✓ Broadens Billabong's banner portfolio to better target key Canadian demographics via West 49's banners

Billabong's long term strategy

Billabong has a long track record of successfully acquiring and integrating 'bolt-on' acquisitions consistent with its key strategic objectives of growing its brand portfolio and expanding its retail distribution network

Billabong acquisition history



Comparable sized transactions

Retail network

* Approximate pro forma store numbers

- 1 Assumes a minimum guaranteed deferred consideration of A\$24m, subject to certain conditions.
- 2 Assumes a minimum guaranteed deferred consideration of US\$33m, subject to certain conditions.

49 stores



64 stores



110 stores



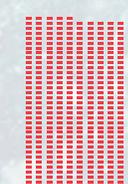
159 stores



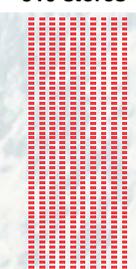
242 stores



335 stores



510 stores*



Billabong and West 49 going forward

- West 49 represents an extension of Billabong's North American retail footprint and a scale entry into the Canadian market
- Development of retail expertise in a strategic Billabong market
 - Key management will be retained within West 49, including current CEO Sam Baio, who will continue to lead and grow the West 49 business
 - West 49 to remain a multi-branded retailer (i.e. West 49 will continue to stock competitor brands)
- Substantial opportunities to grow sales and earnings and realise significant synergies
 - Systematic shift in vertical brand mix delivering significant synergies
 - Open new stores
 - Reduce costs (e.g. public company expenses)
- Billabong has a strong track record of successful integration and synergy realisation from its previous bolt-on acquisitions, including a history of retaining existing management and employees

Financial impact and funding

- Enterprise value of C\$99.0 million (A\$110.4 million)¹, representing a forward EBITDA multiple of 10.4x²
 - In line with Billabong's assessment of 'replacement' asset value
- EPS accretive in FY2011
- Significant synergies to be realised by FY2012
 - Achieved through systematic shift in vertical brand mix
- ROCE to exceed Billabong's pre-tax WACC in FY2012
- Debt funded from existing facilities
 - Billabong to remain conservatively geared
 - Adequate headroom remaining on covenants

¹ Based on fully diluted equity value of C\$90.2 million (A\$100.6 million) and net debt of C\$8.8 million (A\$9.8 million) as of 30 April 2010.

² Based on latest consensus FY2011 EBITDA forecast (calendarised to Jun-YE) of C\$9.5m from Desjardins Securities (11-Jun-2010), PI Financial (11-Jun-2010) and Versant Partners (10-Jun-2010).

Transaction details

- Z** Acquisition agreement entered into with West 49 and has the unanimous support of the West 49 board, subject to customary “fiduciary out” provisions
- Z** The transaction will be carried out via a statutory plan of arrangement (similar to an Australian scheme of arrangement)
 - To be filed with Canadian courts
 - Proxy circular is to be submitted to West 49 shareholders and special meeting of shareholders is to be called
 - The transaction must be approved by not less than two thirds of the votes cast by West 49 shareholders and is subject to Canadian court approval
- Z** Billabong has executed lock-up agreements with key securityholders, including Ken Fowler (West 49 Chairman), Retail Dimensions (an associate of Ken Fowler) and Michael Gold
 - Combined these securityholders represent approximately 56% of the outstanding securities¹
- Z** Deal protections include West 49 non-solicitation, Billabong matching rights and a break fee of C\$2.475 million (A\$2.762 million) payable to Billabong

¹ Assumes fully diluted shares on issue and the conversion of all West 49 preference shares into common shares.

Timetable

Milestone	Date
Announcement	30 June
Proxy circular delivered to West 49 shareholders	Late July / early August
West 49 special meeting of shareholders	Late August
Court approval	September
Completion	September

Summary

- Significantly expands Billabong's North American retail network and increases distribution platform in a key market
- West 49 is a well known partner of Billabong's and therefore a logical addition to help achieve Billabong's long term business strategy
- Provides Billabong with the ability to increase wholesale throughput via an expanded retail network
- Introduction of the five West 49 banners into the Billabong stable will increase penetration of Billabong brands within the Canadian market
- Significant synergies available to Billabong by optimising West 49's sales mix
- Billabong has a strong track record of successful integration and synergy realisation from previous bolt-on acquisitions

Appendix: West 49 consensus financials

Jun-YE; C\$m

FY2011F¹

Sales

216.1

EBITDA

9.5

% Margin

4.4%

EBIT

1.1

% Margin

0.5%

¹ Includes broker forecasts from Desjardins Securities (11-Jun-2010), PI Financial (11-Jun-2010), and Versant Partners (10-Jun-2010) calendarised to Jun-YE.



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