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Operator^ Thank you for standing by and welcome to the Billabong full year results conference call. (Operator instructions). I must advise you that this conference is being recorded today, Thursday August 27, 2015. I would now like to hand the conference over to your first speaker today, Neil Fiske. Please go ahead, Mr Fiske.

Neil Fiske^ Good day everyone and thank you for joining our full 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'll follow the same three-part agenda of our other results calls, namely a summary of results, progress on our turnaround plan and financial details.

This year-end results call marks an important juncture in our turnaround program. The Company is reporting its first full year profit since 2011. EBITDA is up year-on-year for the first time since 2008.

The Americas region, which we earlier called out as both our greatest challenge and opportunity, showed significant improvement, with second half EBITDA rising 17.5% on a constant currency basis after the allocation of global CAR. Europe has turned in a dramatic lift in profitability. Our big three brands, Billabong, Element and RVCA all showed year-over-year EBITDA growth in their wholesale channel on a constant currency basis.

Global social media followership for our big brands has grown 12% this past year to nearly AUD15 million. Corporate overhead costs are down. Our major global platform initiatives are now well underway. We are becoming a brand-driven, truly global company and the results are beginning to show the benefits of our focus.

Against our seven-part strategy we are making good progress but have a long way to go. Much hard work and opportunity still lie ahead. We face headwinds in currency and pockets of macroeconomic and sector weakness. Retail remains challenging.

On balance though, more things are working for us than against us. As we move forward, you will continue to hear consistent themes from us. Our seven-part strategy, fewer, bigger, better, focus on the core, brand authenticity and integrity, quality products, quality distribution, global brands supported by global platforms, merchant frontend, omni-channel, wherever, whenever, however our customer wants to shop.

A supply chain configured for speed, quality and lower cost. Globally driven, regionally responsive. Build it once, build it right, get scale and pay as you go.

As we said from the start, this is a multi-year agenda. I'm confident that we are well on our way.

Turning to results for the year, all figures expressed in Australian dollars unless otherwise stated. Net profit after tax was AUD4.2 million for the year versus a loss of AUD233.7 million a year ago. EBITDA from continuing businesses rose 8.8% on an as-reported basis from AUD60.3 million to AUD65.7 million and grew 1% on a constant currency basis.

Second half EBITDA rose 49% to AUD22.9 million on an as-reported basis and 16% on a constant currency basis. For the year, total revenue increased 2.6% as reported and down slightly on constant currency.

As we go through regional results, we will use local or constant currency for comparability. In the Americas, EBITDA lifted 17.5% in the second half to AUD22 million from AUD18.7 million in the prior year.

While the overall year was down due to our transition of the West 49 business to the YM group as we described at the half-year, the second half improvement is an important turnaround marker for the regions. In the US Billabong wholesale sales advanced 13.1% for the year and 13.7% for the second half in spite of the port delays which caused shipping delays and lost time on the selling floor.

RVCA increased 11.5% for the year and accelerated to 15.3% for the second half. We continue to see weakness in Canada and Latin America, which were down substantially year-over-year, but we view the surge in Billabong and RVCA in the US as important indicators of brand momentum and strong execution. We said we were going to focus first on growing the biggest brands in the biggest regions and can now point to tangible success.

Comp store sales for the Americas were down 3.7% with the US comps down a more moderate 2.3%. However, that softness was offset by improved store level profitability which increased 300 basis points before the effect of division. Store count was down from 69 to 64 at year end.

E-commerce revenues in the Americas increased 35% and represent 4% of our total revenues. This region is furthest along in e-commerce development as it has always had control of our major brand and retail website. Total direct consumer comparable revenues for retail and e-commerce together were up 1%.

In Europe, we continue to see the strength in the turnaround. EBITDA for the year jumped from a loss of AUD1.4 million to a gain of AUD5.6 million on a constant currency basis. Gross margins lifted 650 basis points for the year as we focused on quality revenue, quality accounts, quality distribution.

We are also seeing the benefits of our merchant frontend process and fewer, bigger, better merchandising philosophy. Revenue for the year declined 1.7% as a result of our decision to narrow our account base, tighten trading terms and build margin.

In retail, comp store sales for the region were up 2.9%. Store level profitability improved 160 basis points before the effect of provisions, driven by the improvement in retail gross margins. Total store count at year end was down from 111 to 102 as we rationalised our network of outlet stores from 24 to 17 and country presence from nine to five.

During the year we repatriated and then launched our Two Seasons and mono-brand website. As a result, e-commerce is still very under-developed in the region and a big opportunity for us going forward.

E-com revenue reached AUD2.5 million for the year. We are encouraged by the week-by-week build we are seeing and know that our omni-channel deployment will accelerate growth.

APAC was soft this year. Total sales was roughly flat but EBITDA declined AUD4.1 million or 12.2% on a constant currency basis to AUD29.4 million. While our wholesale business in the region grew 1.6% like-for-like, retail was down.

Comp store sales declined 3.2%. In Australia, multi-brand comp sales were down 4.9%. Retail gross margins were flat for the year. We opened 17 new stores this year, four for Tigerlily, 12 for Billabong and one multi-brand.

We are generally pleased with the performance of these new stores and based on initial results they should be accretive to our overall retail margins in the region. As described in the half-year result, we are undertaking dramatic and sweeping reform in the APAC retail business to improve its growth and profitability. By coincidence, that reform agenda also has seven parts.

Number one, rationalising the disparate retail banners under the Surf Dive 'n' Ski nameplate in order to build one national omni-channel brand and get scale leverage from our retail marketing. This rebranding is largely complete. The exception is Kirra Surf which will retain its heritage and unique identity.

Number two, close underperforming stores. This year we closed 20 and another 13 are targeted in FY16.

Number three, restructure the organisation. We are moving our multi-brand retail operation to our headquarters in Burleigh Heads in order to drive much closer integration between our brand and retail teams. The move of the multi-brand group will be done, for the most part, by the end of September.

For similar reasons, we recently moved the Billabong retail group under the leadership of the Billabong brand team. Since making that move we have seen a big swing in performance from negative to positive comp store sales.

Number four, clean up our inventory to improve turns and product freshness. We have reduced our inventory by just under 20% and aged stock greater than 12 months old is down 40% or AUD3.5 million year over. We are also instituting a new markdown cadence to ensure that we are moving on slow-turning products sooner and making more room for fresh deliveries.

Number five, bricks to omni transformation. We are still largely a bricks-and-mortar operation in Australia. Our team here will take the lead in implementing the new omni-channel platform and business model late in the fiscal year. This will be a big transformational move for us. More on this in a minute.

Deployment of a new planning and allocation system. We are hamstrung today with manual and relatively crude capabilities for planning, buying and allocating our retail stock. I see it every time I'm in stores, not enough depth in key items, broken sizes, out-of-stock on core replenishment items, inefficient inventory allocation. We are leaving money on the table.

We believe we can unlock big improvements in sales turn, margin and profitability by upgrading our capability in this critical area. Australia will be the lead region for the new planning and allocation system we are deploying as part of our omni suite. I'm excited about this and believe it will unlock comp store sales growth and margin improvement.

Seven, talent and capability. Lastly, we are filling in our talent gaps in anticipation of building stronger omni-channel retailing capability.

So that's an overview of performance in the regions. Let me now turn to an update on our strategy, the components of which are listed again in the slide deck. Today I'll concentrate my comments on a few areas.

The first is brand. Everything we do starts with a brand mindset. We are advancing well in our evolution from autonomous regional structures to a global brand organisation and the results show it.

Consistent with this evolution, in today's presentations we are providing more information in relation to the financial performance of our brands in recent years, including a view on sales, margin and EBITDA through the wholesale channel. We don't currently report this information but intend to add to this over time as we build out more complete views of our brand performance.

For brand Billabong, wholesale EBITDA grew AUD7.3 million for the year. Global wholesale sales were relatively flat for the year on a like-for-like basis, up in the Americas and APAC but offset by the planned contraction in Europe, where we are moving to a tighter, more profitable customer stat.

US wholesale sales grew 13% for the year and 14% for the half, although elsewhere in the Americas we saw the continued effect of weakness and restructuring in Canada and Brazil.

Wholesale margins were up 220 basis points, helped by improvements in Europe and the US, and we expect improvements from our key global initiatives of concept-to-customer merchant frontend and supply chain to build in the future.

We're proud to say that Billabong was named again as both the men's and women's Brand of the Year for the second consecutive year at the Australian Surf Industry Awards, along with swimwear Brand of the Year and Marketing Campaign of the Year in both men's and women's.

The brand has one of the most diverse and compelling athlete teams in the industry, including the current number one female surfer on the championship tour, Courtney Conlogue.

Billabong also has the two biggest marquee events on the world surfing tour in the Tahiti Pro and Pipe Masters. Last year both events smashed all records for viewership and engagement, a great example of fewer, bigger, better.

RVCA also turned in a strong year. Global wholesale sales grew 12.6% for the year, including 11.5% for the year in the US and 15% for the second half, plus a strong 28% lift in APAC and 9% growth in Europe.

Wholesale margins were up 90 basis points, led by the Americas. Wholesale EBITDA was up AUD0.3 million or 2% for the year, but up more than 38% in the second half. We invested substantially in marketing and CODB to accelerate the growth of the brand.

RVCA is one of the hottest global brands in the action sports segment. The brand's mix of athletes and advocate spans the subcultures of art, skate, surf and mixed martial arts, people like MMA Champion, BJ Penn, big wave world surfing champion, Makua Rothman, artist Ed Templeton and X Games skate park gold medallist winner, Curren Caples.

RVCA is a brand with big global potential. In APAC, for example, the brand has seen a dramatic uptake and acceleration in both owned retail and independent wholesale channels.

The turnaround at Element is definitely underway. Global wholesale EBITDA was AUD2 million ahead of the prior year, and in the Americas a small second half improvement in EBITDA reversed a significant negative trend.

Wholesale sales were down 10% globally but Europe, which represents half the revenue, was up 5% on a like-for-like basis, driven by a very strong first half. Wholesale gross margin rates expanded 510 basis points, led by Europe and were stable in the Americas. We saw double-digit growth in our own retail store, including Two Seasons.

In addition to the continued strength in Europe, we're seeing the beginning of a promising brand revival for Element in the Americas. We entered the new fiscal year with positive strong gains and orders for the fall and holiday seasons. Feedback on Element's new product line has been tremendous and we're seeing encouraging early sell-throughs.

We believe the Americas has big upside potential for Element. Global GM Frank Voit is moving to the US this month to help maintain the resurgence of the brand and ensure that we capitalise on the opportunity.

APAC is Element's smallest region and only about 14% of the total. Wholesale sales in the region were down 8% for the year. We're excited about the comeback potential of Element. It has a unique differentiated position built around positive skateboarding and its intersection with the outdoors. It also has flat out one of the best skate teams in the industry, including perennial world champion, Nyjah Huston and newly signed Brandon Westgate. Element is poised for growth.

Among our emerging brands, Tigerlily has shown standout performance once again. Sales are up over 40% and comp store sales grew 7.8% for the year. Collectively, the rest of the emerging brand portfolio was down in sales and EBITDA. With the progress of the big three brands well underway, we can now focus on the strategy and the performance of the emerging brands.

Ultimately, to sustain the success we are seeing and realise the full potential of our brands, we need to strengthen the global platforms upon which they rest. These platforms include sourcing, global product development, global logistics and distribution, Omni channel technologies, IT, finance and HR.

Out of that list, we have prioritised four big initiatives: Omni, sourcing, global logistics and what we call concept-to-customer. Omni is the most transformational. It will become our new operating system, our way of doing business. It is built around one singular focus: the way the customer wants to shop.

We have strong conviction that the winners in this rapidly evolving consumer landscape will be seamlessly Omni, wholesale and retail, bricks and clicks, anytime, anywhere, one brand experience.

We know that multi-channel shoppers are worth two to three times the value of the single channel shopper and we are putting them at the centre of our strategy.

Earlier this year, we selected our Omni channel platform partner, NetSuite. This one global platform will ultimately support all our brands across retail, e-commerce, business to business, customer relationship management, social integration, content management, international shipping, multi-language and multi-currency.

The platform has the capability to operate in 110 countries, 190 currencies, 50 international tax jurisdictions, all major languages. It is Cloud-based, which makes deployment and global scalability much faster and more economical, while making it far easier to implement a continuous release of the latest technology upgrades.

Our new planning and allocation system, JustEnough, comes pre-integrated with NetSuite giving us a step-function improvement in our ability to plan, buy and management assortments in a multi-channel environment.

This new Omni channel platform will be a game changer for us. Slide 16 outlines the capability improvements we will deliver based on the new platform, and I would emphasise that it's not just the consumers who will benefit. We believe the new platform will equally benefit our wholesale partners; first, because we will drive more customer activity across all channels, and secondly, because we will be deploying a much more advanced business to business capability to improve our joint operations.

Omni deployment will take place over the next two years or so. The first implementation will be with brand Billabong and our Australian multi-brand banner, Surf Dive 'n' Ski, towards the end of FY16. The other brands and retail banners will follow in FY17.

With regard to sourcing, I have previously described our plan to build a global sourcing capability focussed on speed, quality and cost, with a targeted improvement of at least AUD20 million in our cost to goods over time.

I am pleased to report that we are advancing against our objectives and starting to see significant savings in key categories. We have restructured our Hong Kong operation, brought in new talent and formed a global sourcing organisation for the first time in the history of the Company.

We have narrowed our vendor base dramatically by more than 50% so that we are more meaningful to them and as a result get better quality, innovation and cost. We are also showing up as one organisation with major scale, not a collection of regions and brands each doing business on their own. We are still early in the game, but I am encouraged by what we are seeing. Much of the opportunity is yet to be tapped.

Global logistics is the third of our big four initiatives. When we benchmarked ourselves versus other industry players a couple of years ago we found that we were 100 to 150 basis points too high in our global logistics and distribution costs. It was a familiar story. Regional decision-making and fragmentation versus one coherent global network.

In FY16 we will begin the implementation of project Pipeline, a phased overhaul of our logistics systems based on a global redesign of the network. We are targeting AUD10 million in annual cost reduction at maturity, plus improvements in quality by shifting QA back to the source and shorter lead times by a more direct shipping, bypassing regional DC.

We are setting up two consolidation centres, one in China and one in Singapore, so that we can ship directly to our customer's store and distributors where possible. These centres will be run by a third party logistics provider, APL Logistics. We have completed the technical and functional designs for the new network, and expect to begin test shipments later this calendar year.

As part of the network redesign, we will also be reducing the number of distribution centres we operate around the world. We will be closing the distribution centre we have in Montreal later this calendar year. We will also be downsizing our Australian DC and improving the productivity of our European operation.

On a related note, we need to improve the performance of our Paris distribution facility, where we have had ongoing operational issues.

Finally, let me conclude with a few words about concept-to-customer , our fourth big initiative. This is the process that pulls it all together from the start of design to delivery of product to the customer. It integrates our merchant frontend, sourcing and pipeline initiative. Our goal is to be faster to market, to be able to respond to market trends, winners in our assortment and changes in order of pattern.

Earlier this year we saw just how important this is to our success, as we were unable to fully capitalise on an upswing in orders due to our long lead time. We are still buying too much of our merchandise essentially blind without visibility to forward orders. Improving speed to market will not only accelerate the top line, it will lift margins as we reduce our markdown exposure.

In order to get that speed, we have to have much tighter coordination with our narrowed vendor base, capacity management and visibility across the supply chain globally, and a very disciplined product development process led by a merchant frontend.

The Billabong team was the first to implement both the merchant frontend and concept-to-customer processes. Improvements in both initial and maintained product margins are now starting to flow through the business, particularly in the US and Europe.

These four projects are big and transformational. Benefits have begun to accrue to the business and will continue to do so over the course of the financial year, particularly in the back half. However, as we have said previously, this is a long lead time business and it will take time to realise the full potential. That said, we expect these projects to be EBITDA accretive this year, with the benefits building year-over-year over the next several years.

As with any project set of this magnitude, there are always implementation risks in timing and delivery. It's been a busy year. We've made good progress. The agenda ahead is no less ambitious, our commitment no less intense, and our passion for building global brands stronger than ever. We know what we need to do.

We have great people across the globe, and I'd like to thank them for their hard work, perseverance and inspiration. Pete, over to you.

Peter Myers^ Thanks, Neil. So most of you know that I've been here since early 2013, having come on board to try and help the Company through its well-chronicled challenges. So to be here on the Gold Coast this morning, sharing the progress that we've made, reporting our first improvement in EBITDA for seven years, updating you on our reform agenda and what still lies ahead in terms of both the challenge and the opportunity, it's really exciting.

If you would all permit me to acknowledge the staff listening to the call, a big thank you to all of you, and at the same time a reminder that we still have much to do.

It's strange to describe such a small earnings improvement as a turning point, and whilst we're all pleased, we think of it much more as progress than success. Turning around long-term trends in EBITDA in Billabong and in Europe is very satisfying, but they are still more in the nature of good starts than great wins.

RVCA's growth in the second half in particular was strong, but we needed to invest in it to drive the growth.

Currency and retail remain challenges for us. I'll talk more about currency later, but I assure you we're looking forward to our Omni plans giving our retail an exciting future.

Despite Neil's powerful fewer, bigger, better agenda, we must recognise that having now built some momentum in that agenda of key markets in our big three brands, we must

also address the smaller markets and the other pockets of weakness that dilute the financial effect of the progress we've made on our big agenda.

Anyhow, we've still got a bit to get through, so let's move to the financial slides.

We've included the reconciliation of the statutory result to the continuing operations result, again, to help people navigate from one to the other, to get the set of figures that we believe give investors the key information they want on the performance of our continuing portfolio of businesses, excluding significant items, so a normalised view.

Again, we note that there have been changes to the portfolio during the reporting period and since the prior year, although none in the second half. Our portfolio of businesses going forward is not the same portfolio that makes up the statutory result. Remember that in the first half, SurfStitch and Swell are in this year's statutory numbers after September, and in the prior year we had these businesses plus a part year of West 49 and DaKine.

So they're only in the statutory comparisons. All of the continuing business numbers that we talked to and that Neil talked to have those effects stripped out.

Sales to customers, AUD1.05 billion, EBITDA of AUD65.7 million. They're the key measures. I might just say, to assist you understanding those comparisons, we've included a similar analysis in the appendices for the prior year, doing exactly the same split-out.

In terms of the results summary, Neil has covered this in his presentation, so I don't have much to add other than to point out that again, for your convenience, we have disclosed both the as-reported change whereby that difference is on the basis of the actual FX rates that existed for the year, and as well a constant currency comparison, which is akin to a local currency measure, which gives you, I think, a better measure of the operational performance.

You will note that the differences occasioned by the FX movements are significant, and especially so in the second half. That, as we'll talk later, reinforces the importance and opportunity represented by the rebuild of the profitability of our businesses in the Americas.

The impact on our balance sheet is also significant, where the US/Australian exchange rate at the end of June was \$0.768 compared to \$0.942 last year. Again, I'll say a little more about that later.

In terms of the regional performance in the Americas, at the half year we talked extensively about the impact on the 2014 figures from the sale of West 49, and I don't propose to repeat chapter and verse the detailed explanation of those effects. The main point we made was that in the continuing business results, the transition to a wholesale supplier had negatively impacted the comparisons against the 2014 year by about AUD6.1 million in the first half.

We also told you that that complication would not arise in the second half, since after February this year we've been cycling comps post the sale of West 49, and you can see that the full year effect is only AUD7 million, so as I said, no material effect from the difference in the second half improvement of the 17.5% that Neil has identified.

So returning to the Americas to complete the picture, revenues up in key pockets and large pockets, that is, although still weak in Canada and South America. Margins up and local overheads before the allocation of global costs or CODB, if you prefer, down 2% on a constant currency basis, as we continue to work on costs out and at the same time putting ourselves in a position to drive the investments such as those that we made in RVCA to drive that business forward.

Turning to Europe, Europe has continued the strong margin improvement story that drove the first half. Up 650 basis points, driven by the same factors in H2 as in H1. A strong focus on key accounts and territories (technical difficulty) retail comps were positive. Our family brand penetration also grew.

We still have a lot of work to do to lift our EBITDA margins in this region, but we have made significant progress this year, with a strong transition to profit.

Neil has already taken us through the weak comp store performance in Asia-Pacific, and that certainly has impacted the results, and Neil has also identified the comprehensive reform agenda we have for retail, and the importance of the roll-out in the Omni-channel platform.

In Asia-Pac, maintenance of growth margin rates at this stage, in the face of pressure from a lower Australian dollar against the US. Improved inventory management and a significant reduction in aged inventory were strong features of the APAC result.

Turning to significant items, we continue to keep the theme of complete transparency here, so we've provided a lot of detail regarding this item, both here and in the accounts. The main thing to point out is that the list is smaller this year and we're focused on seeing it reduce further next year, but it is inevitable that our reform agenda brings with it some restructuring costs.

In particular, I want to highlight the AUD21.6 million of turnaround costs. This includes restructuring, including reviews and implementation costs associated with our four major projects, the logistics project, concept-to-customer, and our other turnaround office projects.

You will see that we've consolidated last year's list to fewer items than we actually presented last year. If you're desperate to understand all of that detail, it's all in the last year presentation.

You'll also notice that we've reinstated a component of our tax losses in this half. I want to stress that this is only in Australia and Japan, only to the extent of timing differences and, I think importantly, the Company continues to have significant losses not raised as an asset, which will, subject to jurisdictional issues and continuing to satisfy all of the relevant tests, be available at a later time, and full details of all of those losses are provided in the annual report, which was also released today.

Turning to the balance sheet, net debt is up AUD40 million since last June, of which the majority is the effect of FX on our US dollar term loan. Gross debt has increased AUD48 million, all of which is the FX effect.

AUD38 million of net proceeds from the divestments of SurfStitch and Swell have been offset by significant items, financing costs, and CapEx.

Our interest costs continue at 11.9% on our term debt, and we continue to have very little debt other than the term loan.

Working capital levels have increased to AUD165 million, which compares to AUD144 million last year, once we removed the divested businesses, and of that increase, about two-thirds of it is the FX effects on our working capital.

Inventory aging has improved, but overall inventory remains higher than last year, with the currency effect adding to this increase.

In terms of the currency, I want to make a couple of key observations, since I know from my conversations with investors over recent months, people are very interested in this subject. First, I'd like to deal with the term loan. As an Australian listed entity with US operations, it is logical for us to have a significant part of our debt denominated in US dollars to match our foreign currency assets with foreign currency debt.

So whilst it is true that the Aussie dollar equivalent of our debt is higher, so is the Aussie dollar value of our businesses and our US dollar earnings, although you don't see these higher asset values quite as clearly in the account.

But rest assured, the Aussie dollar value of businesses that are predominantly US-based, like RVKA and BZ, and the value of our US dollar earnings from our more global businesses like Billabong are also growing in Australian dollar terms.

We also have US dollar cash flows to match our US dollar interest obligations. So quite importantly, on page 24 you can see that EBITDA from the Americas of AUD27 million, but it's important that you appreciate that this is after the allocation of AUD14.5 million of global costs.

So before that allocation of central costs, the Australian dollar value of the earnings from the Americas was AUD42 million, or about \$35 million. So you see we have the Americas give us US dollar EBITDA of \$35 million to match our US dollar interest obligations of \$25 million, but -- and it's a significant but -- it does serve to reinforce how important it is to us that we build the earnings base in North America, as it's obvious the FX changes do impact on all of our financial ratios, et cetera.

The other big impact of the currency is in our input prices, the product purchases. In APAC alone, and bear in mind there is a European effect here as well, we have cost of goods sold of over AUD150 million, the vast majority of which is bought in the US dollar-exposed market.

But the issue isn't just the absolute level of the Australian dollar and the other relevant currencies. A big part of the challenges of managing the FX moves is the sharp adjustment we've seen over the last 18 months, and the last six months in particular, and it may take some time before importers adjust to the new levels in terms of prices and in terms of the product builds so as to preserve margins and margin dollars in particular.

So whilst we and other apparel companies have operated with the dollar at these levels before, it might take a couple of seasons before we reach an appropriate equilibrium.

So overall, on both currency fronts, I wouldn't want to leave you with any message other than it's an issue for us and our marketplace but I can assure you we are working very hard on the things that we can control in response.

Turning to cash flow, cash flows from trading were satisfactory compared to our earnings after allowing for the cash effect of the significant items. So as you think about bridging the AUD14 million of net receipts from customers to our EBITDA you need to include cash payments for the significant items for the year, around AUD26 million, payments from provisions of around AUD12 million and also some complexity in the first half with the cash flows associated with the asset sales. Finance costs are significantly lower this year due to the lower debt levels following the recapitalisation and refinancing in the second half of the last financial year.

Turning to trading to date and to page 30, or slide 30 of the presentation, in talking to investors throughout the year, more information in respect of the performance of our big brands has been a common theme, and you'll note that, as Neil has identified in this

report, we've again added significantly more information around brand performance. In particular now, I'd like to move to the new year.

The Directors have agreed the statements set out in the presentation on page 30, and I trust that -- and I draw your attention to that. I trust that we have provided a comprehensive report in relation to FY15 and we want to ensure of course that investors are up-to-date with key matters and risks that you should be aware of as we move into the new year.

And then finally, as I mentioned, we have included a couple of annexures which have various foreign exchange details that have impacted on the results to help you try and navigate your way through those results and the reconciliation of the statutory result to the continuing operations result in the prior period.

So that's it from me. Sorry to be a bit detailed, and I'll happily hand now back to Neil for some Q&A.

+++ q-and-a

Neil Fiske^ Thanks, Pete. I'd like to open up the lines for questions.

Operator^ We'll now begin the question-and-answer session. (Operator instructions). Your first question comes from the line of Craig Woolford from Citigroup. Please go ahead.

Craig Woolford^ Neil. Morning, Peter. Can I just start off with a question about the Americas? The gross margin was up 40 basis points. From the comments you made about the brands like Billabong and RVCA it felt like things are better, so I'm just trying to understand what had dragged down gross margins in the Americas in the FY15 result.

Neil Fiske^ Two things on that, Craig, really. One is the geographic weaknesses that we had in Canada and Brazil and then some margin reversion in some of the smaller brands in our portfolio, again I think consistent with Pete's comment that now having really gotten some momentum behind the big brands we need to and have the opportunity to pay attention to some of these smaller pockets of our business and make sure that they're going in the same direction.

Craig Woolford^ Yes, because as I look through -- it's good you give the disclosure now, give the gross margins as you've been doing for a while, but if you're on reflection taking a higher-level view you've got gross margins sort of mid-50%s, 55%, 56% in Asia Pac and Europe but only 48% and a bit in the Americas. Is there a reason why you think Americas might be a structurally lower gross margin?

Peter Myers^ Craig, one of the things, don't forget, is you've got a different mix of retail in those regions, particularly stark the difference between the US and Asia Pac. So you've got the full vertical margin sitting in the -- more pronounced in the APAC business, that's probably the biggest single structural issue.

Neil Fiske^ Again I would say in addition to that, Craig, there's no question we see margin expansion opportunity across the globe but in particular in the Americas. And again, one of the reasons why we've started with the implementation of a number of our initiatives such as merchant frontend, concept-to-customer and sourcing with the biggest brands in that region and starting to see, I think, some positive traction there.

Craig Woolford^ Sure. So it's something that's going to take a bit of time because on the sourcing comments you made in your presentation I didn't pick up on clarity around the timeframe for when you might see the benefits of sourcing. So do you have any clarity around the improvements in timing-wise from shifting to China sourcing?

Neil Fiske^ I think of it as sort of a continual release of benefits from the sourcing and concept-to-customer initiatives, not sort of a light switch on-and-off kind of thing. And out of the AUD20 million in sourcing benefits that we've identified I think we've been clear and are consistent with our previous statements that that's really a multi-year benefit that we're going to be building into given that product development times are about a year.

And so we're not calling out year-by-year gains from sourcing but believe the opportunity that we've identified before, the AUD20 million, has been validated by the early results, will continue to accrue over the course of the next couple of years and we'll get to that level sometime over that timeframe. And obviously if we can go faster we'll go faster.

Craig Woolford^ My only other question was just to clarify, so can you give us a sense of the proportion of wholesale sales that come from Billabong, RVCA and Element?

Peter Myers^ We say they represent about two-thirds of the wholesale business. It depends a little bit on which jurisdiction you're in, Craig, but in the US about two-thirds. And I think we said that the US itself represented about 70% of the total region. The total Americas region, sorry.

Craig Woolford^ Thanks guys. Yes.

Operator^ Your next question comes from the line of Shaun Cousins from JP Morgan. Please go ahead.

Shaun Cousins^ Thanks, good morning. Just a question regarding APAC retail or APAC generally. You highlighted that there was a cost I think around AUD4 million from retail. Could you just talk a bit about when you think these initiatives in retail in Australia will actually see those businesses profitable and is that the right assumption that your retail operations in APAC are not profitable?

Neil Fiske^ Well, a couple of things. One, I'd say our retail operations are profitable; that's number one. Number two, we're convinced they can be more profitable; and number three, realising that profit improvement really falls on two parallel paths.

One is short-term tactical execution, going after opportunities that we see in the stores every day, and then second, really transforming that business to a true omni-channel operating model. And that really is not going to start until the end of this fiscal year. There's a lot of preparation and work in advance of that deployment, so it really underscores the fact that we've got to stay focused on short-term executional opportunities that we've got.

And again, I see that those are out there for us to go get. The regional GM, Paul Burdekin and I spent 10 days in June going up and down the east coast of Australia really digging into our store performance and we really identified right away a number of smaller, tactical things that we thought we could be doing to improve both the comp performance and the margin profile of that business.

I'd also say the new stores that we're opening we're quite happy with. So we know the store model works. We have conviction around the store model. We believe we can open more stores, particularly mono-brand stores, and that's very much in our future strategy.

And then the last thing I'd say is just maybe as an example of some of these short-term improvements we can get by better aligning the brand operations with the retail teams is, since we've moved there, Billabong retail group under the Billabong brand team we've seen those mono-brand Billabong stores swing from mid-to-high negative single digit comps to mid-positive single digit comps. And while that's only been over a period of the

last four months or so, it really shows what we can do once we get the brand teams and the retail teams more tightly integrated.

Later this year I'm looking forward to having our multi-brand operation, which has been in Sydney, moved up to the Gold Coast so that we can get that same kind of integration we saw with Team Billabong for the multi-brand operation.

Shaun Cousins^ Okay, fantastic. And just in terms of maybe just Peter's comment earlier about currency, the risk of a -- there being some recalibration that may take some time. Is the Company anticipating that gross margins in the APAC division may have to come down given the challenge of sourcing just given that it might take some time, be it to receive some supply chain benefits to offset currency or to effectively push prices up, or to reengineer products? I'm just curious about currency risk, particularly in the Asia Pacific division, from a wholesale perspective.

Neil Fiske^ I'll start and let Pete add to it. I think you've identified an important issue which is there is a little bit of a timing lag here that's created some exposure for the business, which is the short-term currency effects hit us pretty quickly and supply chain, pricing, remerchandising initiatives that we undertake in response to those take a little bit of time. So I think there is the potential for some mismatch of timing there. Having said that, I think we're all intensely focused on accelerating our sourcing and supply chain benefits as fast as we possibly can in anticipation about the Australian dollar at its current level and as a contingency against any further decline.

Peter Myers^ Neil, the only thing I'd add to that would be that naturally enough, and without going into the explicit detail, we do have some currency protection in place for our immediate -- for the sort of near term for us, in terms of product costs. It's not as though you're instantly exposed. So that helps, to catch up that sort of mismatch that Neil was describing.

Probably the second point I would make would be not that we would want to necessarily concede the question about margin rate, but you don't need an equivalent move in price to match the margin dollars against -- you can maintain your margin dollars without having to move prices, for example, as much as the currency moves.

So margin dollar preservation is certainly an easier target, if you like, than margin rate preservation.

Shaun Cousins^ Terrific. Maybe just secondly, and this is a little bit more of, I guess, a housekeeping question. What is the split of sales currently within the Group across retail and wholesale, across the aggregate brand portfolio?

I think you highlighted with Craig's question what it might have been across your three brands, but just where is the retail/wholesale split at a Group perspective, please?

Peter Myers^ It's about 55% wholesale, Sean, and that's very similar to last year. A little bit of movement, but pretty similar to last year.

Shaun Cousins^ Yes. And just finally, where are you at, I guess in terms of thinking about cost savings? You obviously highlighted AUD30 million of cost savings over the medium term. Is further EBITDA growth requiring revenue growth and hence operating leverage, or just improving some of the businesses that are struggling here, or are there other pools of cost savings that are available in addition to the AUD30 million that you see but you have yet to quantify?

Peter Myers^ I think the way we think about that, Sean, is today the business has got a 6% or 7% EBITDA margin on AUD1 billion of revenue, and I think we've been clear that we

need to lift margins with the supply chain reform, we need to target margin improvements out of concept-to-customer, and we will need to find some CODB efficiencies, albeit I think we've been equally clear, and you can see it a little bit this year, that we want to also find some room in that equation to reinvest in building our brands and putting marketing effort behind our brands.

So we do have to get better and get margin improvement out of the revenue we've already got, but I certainly wouldn't want that comment, and I'm sure Neil will have something to say, to ignore the growth opportunities that we enjoy as we look around our portfolio of brands, and indeed we look to some of the initiatives that we've described, such as Omni.

Neil Fiske^ I'd just add to that, as we look at the value equation going forward, clearly a big driver of that is our gross margin rate, and the two levers that we think about to move that are number one, the sourcing and supply chain benefit that we talked about, but secondly also how we plan our assortments through our merchant, what we call our merchant front end, and remixing our assortments so that we're growing accretive categories faster, we're focusing on fewer styles that turn faster, have less mark-down.

We think there's quite a bit of juice in that merchant front end to boost margins, and it's really the combination of the sourcing and the merchant front end that leads us to believe we have a significant gross margin expansion opportunity over the medium term, as you say.

Then a little bit of growth gives us pretty good leverage on our fixed costs. We'll do a little reinvestment in the growth opportunities to make sure that we're capitalizing on those. We've managed, in the course of this year, in taking out corporate costs to nonetheless increase our AMP as a percentage of sales by about 0.5 percentage points or so, so we'll continue to look for some of those reinvestment opportunities that can drive the top line.

Peter Myers^ Then I think just to round that out, the relationship between that and navigating our way through some of the currency challenges is what makes it hard to perfectly imagine the timeline for all of these things flowing through into the financials. But I think that gives you a good flavour of it, hopefully.

Shaun Cousins^ Fantastic, thank you very much.

Operator^ Your next question comes from the line of Chris Northwood from Canaccord. Please go ahead.

Chris Northwood^ Yeah, I just wanted to ask a couple of questions. First of all, the devaluation of the Chinese RMB, whether you think that will have any flow-through or you're predominantly US dollar-based when you're buying?

Peter Myers^ That's a good question. It's a bit early to tell. We're looking to see whether there are opportunities that that creates. At this stage, we're not baking those into our thinking, if you like. I think we're much more focused on the US dollar nature of that market. But it will be interesting to see how that dynamic impacts on us.

Chris Northwood^ Okay. You've talked in the past about building a marketing war chest. Can you add any colour on that front?

Neil Fiske^ I think it's looking predominantly at our corporate and regional overheads as the target areas to fund that, and again, if you look at our result this year, you see some costs coming out of those corporate overheads that we've managed to reinvest into a higher AMP ratio that jumped up 0.5 percentage points.

Peter Myers^ I think probably the only thing that I'd add, Neil, would be that as we talked about this issue before, I think we identified that we were probably more like 150 to 200 points below benchmark, so this is a start to the extent, under your early observation and your remarks today reminding us of the sort of pay as you go mentality that we're adopting here.

We'd like to see that AMP spend continue to grow. Obviously we've got to find the room for that within a total CODB envelope.

Chris Northwood^ Would you say that the uptick you've seen in the key brands in America, in particular -- has that come from a marketing drive or is it just from better product range, better merchandising?

Neil Fiske^ It's both, really. I think the assortments have gotten better. They're much more strategically planned. I do believe we're seeing some benefit from the merchant front end, and our merchandising strategy that has clear hierarchies of best at categories, winner categories, competing categories -- we're seeing tremendous response to our best at categories in a number of cases. It's really gratifying to see those merchandising strategies start to pay off.

I have to say, I think our merchandising and design teams are dramatically better now than they were a couple of years ago. They've been infused with talent. They're on better process, product development processes, and they're turning out fantastic product. Every time I look at a new assortment, it's better than the last one, and I'm really encouraged by the quality of the progress we're seeing in product and innovation.

The marketing, I think likewise has benefited from a fewer, bigger, better kind of focus, making sure that we tell fewer stories but amplify them more and make sure that they cut through.

Chris Northwood^ If I can, just one last question on the stores. You closed quite a few stores during the period. Have you right-sized the retail business in your mind, or will there be more store closures? Could it even turn around and start growing again?

Neil Fiske^ I think we've got a few more to go. We'll probably close around 40 this year, 13 in APAC and likewise we also believe, as I alluded to earlier, that we have a very good store model and that we have ample opportunity to open up more stores, and so net changes to the fleet may not be so dramatic in the aggregate, but I think you'll see a pretty dynamic decomposition under that of closing, rationalising under-performing stores at the same time we open up new ones.

Chris Northwood^ Thank you.

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

Neil Fiske^ At this point I'd like to conclude our results call. I appreciate everybody listening in. Thanks again to the staff across the globe. Well done.

Operator^ That does conclude our conference for today. (Operator instructions).