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+++ presentation

Operator^ Thank you for standing by and welcome to the Billabong half year results conference call. All participants are in a listen-only mode. There will be a presentation, followed by a question and answer session. (Operator instructions). I would now like to hand the conference over to Mr. Neil Fiske, CEO. Please go ahead.

Neil Fiske^ G'day everyone and thank you for joining our half year FY17 results call. With me today is 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 cover a summary of results and update on our key turnaround initiatives and financial details. For this release, unless otherwise stated, all figures are expressed in Australian dollars and exclude significant items.

At our annual general meeting in November, I said that this year would be one of two very different halves, that H1 would be down substantially due to challenges in the APAC region and European retail, but that H2 would more than compensate based on the strength of the improvement in the Americas and line of sight result from our key initiatives.

Today we affirm those major themes. We are seeing a strong profit lift in the Americas. Forward gross margins are improving in all of our regions as the benefits begin to flow from our global sourcing and concept to customer initiatives and we are getting costs out of the business.

CODB was down nearly 4% on a comparable basis for the half and we have further rationalized our portfolio with yesterday's announcement regarding the sale of Tigerlily. The sale is an important step in our strategy to simplify the business, concentrate around global brands on global platforms and at the same time, pay down our debt and reduce our interest cost.

On the basis of gross margin and operating improvements that we're seeing in the core business, we expect fully year EBITDA to be ahead of the prior period, adjusting for the sale of Tigerlily. In short, there's earnings momentum in the Americas leading into the second half. We've had share gains in our core surf markets. Inventories are down. Operating cash flows nearly doubled in the half. Benefits from sourcing and logistics are coming through and will accelerate in the half.

The cost of doing business is down. Social media followership is well up. The key measure of brand equity are mostly up. We've strengthened the leadership team. Our hedging program means there will be no year-on-year foreign exchange related margin pressure in the second half and with the announcement of the sale of Tigerlily, we continue to simplify the business and pay down debt.

Before going into the detail of the half, it is worth quickly revisiting our regional and general profile. Sales of our big three brands, Billabong, Element and RVCA, represented

88% of our wholesale external revenues in the half. For the first half, sales are more weighted to Asia Pacific and retail and the second half, is to the Americas and wholesale.

Looking at the half, we recorded total group sales of AUD508 million, down 5.8% on a constant currency basis, taking the sale of Sector 9 into account. The standout result within the Americas, where EBITDA more than doubled, we see that earnings momentum extending into the second half. Group EBITDA came in at AUD29.3 million, down 21.1% as reported and 20.9% on a constant currency basis.

Factors in APAC and Europe had a large bearing on the outcome primarily, number one, unseasonal weather patterns affected Australia trading through October and an overall weak retail environment for the half. Number two, the adverse currency impacts on product cost which will not impact H2.

Number three, an unusual contraction of orders through our distributor in the Middle East, to reset inventory levels in that region. Number four, the late arrival of cooler fall and winter weather in Europe, which cut into sales of heavier-weight categories.

Overall, gross margins were flat to the prior period. In the Americas, gross margins extended 170 points, however margins in APAC were down due to the adverse impact of currency and difficult trading conditions. On a comparable basis, CODB fell AUD14.7 million, or 5.9% as reported, down 3.9% constant currency.

We've continued to reshape the organization, upgrade talent and take cost out of the business. For the half, we recorded a net statutory after tax loss of AUD16.1 million, versus a loss of AUD1.6 million in the prior period. This includes restructuring and significant items after tax, which was AUD9.5 million higher in this half than in the previous half. Much of this was non-cash in this period. Peter will give details of these significant items later.

Our conversion from EBITDA to cash for this half was materially better than the prior period. Operating cash flow as measured by the net of receipts from customers minus payments to suppliers and employees, nearly doubled from AUD22.8 million to AUD44.2 million.

We're mindful that the factors affecting this half's result are diverse, unusual and somewhat complicated, all of which validates our ongoing moves to simplify the business. This is why we've taken the steps to provide full year guidance, which we believe is more representative of the underlying improvement we're seeing in the business.

That guidance also reflects our confidence in the turnaround in line of sight visibility we have to two major areas of improvement in the second half. First, the turnaround in the profitability of the Americas, which we expect to accelerate in H2. Bear in mind that the second half is the much bigger half of the Americas and it contributes more heavily to the Group result in the coming period.

Second, we anticipate gross margin improvement in every region in the second half as the benefits of our global sourcing and concept to customer initiatives flow through. As mentioned, our hedging against further adverse currency movements per H2 in APAC will allow the region to expand margins for the first time in a number of years. Comparable inventories are in better shape, down 9% at the half on a constant currency basis across the Group, which will help sustain the improvements we are seeing in forward product margins.

I would also point out that the second half is more weighted to wholesale, where we have more visibility to forward revenue and margins. Overall, we remain focused on simplifying the business and delivering on the core components of our strategy.

As we foreshadowed at the AGM in November, the Company has been reviewing a number of its smaller brands, with a view to possible sales that would allow us to pay down debt and continue to simplify our portfolio. Yesterday we announced that we have entered into a sale agreement with Crescent Capital Partners, for the sale of Tigerlily for AUD60 million. Net proceeds will be used to pay down debt and reduce interest cost. The sale is entirely consistent with our strategy.

I would like to thank the amazing team at Tigerlily for their passion, creativity and drive that helped build such a quality brand. We wish them all the best for what I'm sure will be a most successful future and we look forward to an ongoing productive relationship.

Turning now to regional performance, the following results are expressed in constant currency and exclude significant items for comparability. We've talked a lot in the past about the importance of getting the Americas right. Well, we are beginning to see the benefits of simplifying that business and focusing on our big three brands. The result for the half was a more than doubling of EBITDA before global allocations, AUD10.3 million, a gain of 159%.

Total sales for the region declined 4.8%, adjusted for the sale of Sector 9. After our soft first quarter, revenue for the big three brands grew year-on-year in Q2. Of the total sales decline of AUD9.7 million, excluding Sector 9, almost half, AUD4.5 million, represents revenue associated with non-performing stores that closed in the previous year.

Comparable brick and mortar sales in the region were up slightly at 0.5%, while e-commerce surged ahead 22.7% on the strength of brand Billabong in North America which grew 41% year-on-year. More on that later.

Total comparable retail revenues were up 5.8% in the half, with store count declining to 54 from 64 stores in the 12 months to December 31, 2016. Gross margins for the regions expanded 170 basis points for the half, which we expect to improve further in the second half. CODB was down 8%, excluding Sector 9.

In APAC, EBITDA before global allocation was AUD28.9 million, down 21.7% on the prior year. Retail accounted for almost two-thirds of that decline. Australian retail was particularly challenged this half with unseasonal October weather affecting sales and a highly promotional retail environment overall.

The sales trend improved in November and December ended up marginally on a comp store basis. Overall, regional comp store sales were down 3.7% and e-commerce revenues were up 17.7%. Total comparable retail revenues were down 2.1%.

On the wholesale front, we lost about AUD5 million in sales to our Middle East distributors as they reset orders to get inventory in line with the market. We expect sales to improve in forward seasons. Elsewhere, the same issues that affected our October sales also affected our wholesale customers, leading to weaker than normal repeat orders.

Sales in South Africa were down AUD2.5 million, impacted by the fire at the Jeffreys Bay warehouse, although the EBITDA loss should be fully offset by business interruption insurance this fiscal year. Margins in the regions were down 130 basis points in a highly promotional retail environment, notwithstanding 170 basis points of currency headwind.

After a period of strong growth, Europe gave up some of the recent schemes. EBITDA before global allocations were AUD6.8 million, down AUD29.3 million on the prior year. Our (inaudible) seasons business in the UK was particularly impacted in the aftermath of Brexit and the late arrival of cold weather affected both retail and wholesale turnover. The wholesale business was slightly ahead of prior years through the first quarter, but fell behind in the second quarter on weaker repeat orders in winter weight categories.

Gross margins were down as reported by 170 basis points, although that is attributable to a reclassification of cost from CODB into COGS that affect this period's result. On a comparable basis, gross margins were up slightly and CODB was flat.

The table in the slide pack summarizes the comparable direct to consumer sales performance across the region. Overall, we grew e-commerce by 24.6% which reflects investments we made in this area. E-commerce is still under-developed at 4.9% of total sales and are a substantial upside in this channel.

Turning to our brands, we faced challenging trading conditions across each of our markets, however our brands more than held their own competitively with important share gains and growing followership around the globe. Our brands, our athletes and advocates have collectively more than 34 million followers on social media, up 33% on prior year. There's tremendous value to be unlocked from this direct relationship we are building with this highly engaged follower base.

Looking at brand Billabong, wholesale equivalent sales, that is sales to wholesale customers and own retail channels, fell this half by 8% globally. But the pattern varied in each region. In the Americas we started down double digits in the first quarter, due to some timing and return issues, but ended the second quarter positive and overall 4.5% down for the half. In Europe, we were up slightly in the first quarter, but off in the second quarter due to fewer repeat orders and in the half down 5.1%.

In APAC, weak retail conditions in Australia combined with the sharp drop in Middle East, led to a decline in both quarters with wholesale equivalent sales down 12.3% for the region. Still, despite a soft market, the indicators of brand health continue to improve for Billabong.

The brand once again gained market share in the core surf channel in Australia and the US, according to industry research group, [Action Watch], again widening its lead as the number one brand. In the US, Billabong women's gained over 2 share points overall and 6 points in the critical swim category. Another industry study in the US recently concluded, quote, Billabong is the most engaged surf-inspired brand, unquote.

Global social media followership grew 39% versus the prior period to over 70 million for the brand and its athletes. The investments we've made in developing our athlete pipeline are showing promising results. At the recent WSL world junior championship, Billabong showed its future by taking four of the top five men's spots including world champion, world junior champion, Ethan Ewing, as well as the world's women's junior champion, Macy Callaghan. On the championship tour, Billabong has seven men and two women surfers, including 2016 world title runner up, Courtney Conlogue.

Billabong opened seven new Company-owned stores in the first half and we're actively working on a program of licensing many more stores in target markets over the next five years. We believe this capital licensing strategy allows us to expand the brand globally, partner with important local retailers and still maintain visibility and marketing through our end consumer. It's a model that holds a lot of promise for us.

Next month, on March 2, Billabong will unveil its first ever dual gender global launch, an exclusive collaboration with the Andy Warhol Foundation that will feature rarely seen imagery, art and writings from the Warhol archive. The product line looks absolutely amazing and we're all very excited about it, as are our premier retail partners. The Warhol collaboration is more than a new product line. It represents the kind of energy, creativity and innovation we are generating from our global brand leadership model.

For RVCA, the regional story underneath the first half performance is quite different. In the Americas, posted an 8% decline in wholesale equivalent sales. As we foreshadowed, lower orders from PacSun and that had a significant impact on RVCA's numbers. Excluding PacSun, RVCA sales were up single digits. Like Billabong, RVCA again grew share in the core specialty surf channel. In Australia, RVCA continued to share strong momentum, growing 13.9% in wholesale equivalent sales, even in a difficult market.

As we highlighted at the AGM, this is a brand with enormous potential in geographies, in underdeveloped categories in women's and new likes like RVCA Sport where we continue to see high demand. The women's category grew strongly in the half, is now a significant component of the overall product mix. RVCA Sport was up 28% although the base is still small and the growth was constrained by lack of inventory.

On Black Friday, data collaboration with Jiu Jitsu brand, (inaudible), had sold out in one hour as demand far exceeded our expectations. RVCA social media followership is 38%, surpassing 6 million for the brand and its athletes and advocates.

For Element, the retail [variation] and brand performance was the most pronounced. Europe, Element's biggest region, ended down 3% in wholesale equivalent revenues as unseasonably warm weather cut into repeat orders and winter apparel in Q2.

The Americas were down 6.9% with gains in the Americas in the men's business offset by a sharp decline in women's. We are in the process of repositioning the women's business to be more aligned to the overall brand positioning, which is also more in line with market direction. In APAC, Element was off 23.4% from a small base.

Last week, we announced that David Brooks would be taking on the role of Element and Global DM. David has extensive background in sports marketing in the action sports sector, with deep experience in content creation, athlete marketing and digital activation. He has worked with Element founder Johnny Schillereff in a prior venture focused on skate content creation and distribution.

Element has always been at its best when it is closely integrated with content and media, and we're excited to have somebody of David's calibre leading not only the brand globally but the critical role of demand creation. Today, Element still maintains one of the strongest skate teams in the industry. The brand's social media following is well over 10 million when including athletes and advocates, up over 20% on last year. Our opportunity is in activating that team and converting followership to sales. We believe David's expertise will help us realize that opportunity.

Now, let me turn to an update on our global platform initiatives. In previous updates, and again at the AGM, I've described each of these initiatives in some detail. For the most part, we are making good progress and starting to realize the benefits of all the hard work.

Global sourcing and content to customer are beginning to generate the kind of gross margin expansion that underpins our long run goal of a business with double-digit EBITDA margins. While some of that benefit has flowed through in the first half, and has helped offset currency headwinds, we expect those things to accelerate markedly in H2 and lift product margins across the globe.

Similarly, our pipeline initiative is on schedule with cost savings at maturity to reach AUD10 million annually. We are in the process of shutting down our Canadian warehouse and have established consolidation centres in the Far East before which will allow us directly to our large customers, stores and distributor partners, bypassing time and cost of regional warehousing for a significant portion of our volume. Pilot testing of this direct ship model is now underway.

As I have outlined in previous updates, Omni is a multi-product, customer-centric operating system with retail, point of sale, e-commerce and consumer applications. This involves working with a number of major solution providers. While large parts of the rollout are on track, we have run into some implementation setbacks with one of these providers. This has delayed the launch of our new websites for Billabong and SDS onto a new platform.

We are in ongoing discussions with that vendor to get their technical issues resolved, improve the resourcing and oversight of their project, deliver against their promises and contractual obligations and we have requested that they provide us comprehensive corrective action plans. Although we are clearly disappointed at the delay, actions are underway to address the issues.

Meanwhile, other parts of the Omni program are moving forwards. Our new business-to-business digital platform has moved from a successful pilot phase into full implementation. A new retail planning and allocation system is scheduled for deployment later this year in Australia and the rest of the world over the next 12 months. We expect this new capability to substantially improve the allocation of the right product to the right stores at the right time, improving inventory turns, reducing out-of-stocks, lifting sales, expanding gross margins. We are also in pilot testing for a new consumer engagement platform which integrates all of our disparate pieces of consumer data into one unified and enriched view of the customer, allowing for much more powerful direct marketing and segmentation.

Even ahead of these platform deployments, we have been making good progress in building our e-commerce channel capability. A great example is Billabong e-commerce in North America where we have stacked some of our best talent and resources to see how much faster we can drive the business.

It worked. For the first half, Billabong North America, our largest e-commerce business, grew 41.5% and 51.6% in December alone, with accretive EBITDA margins for the business.

Now we need to transfer the learning and capabilities to other brands in other regions. In order to accelerate that effort, we have elevated our e-commerce unit and we'll be adding additional resources to build a global centre of excellence in digital commerce and consumer experience.

The leader of that unit, Stacy Reece, now reports directly to me. She has tasked with building our capability broadly and accelerating our consumer direct marketing in a way that will benefit all our channels, including e-wholesale retail -- e-wholesale partners. Stacy formerly ran our Swell Ecommerce business and was the driving force behind the growth in Billabong Ecommerce. She has deep experience and is a well-respected leader in our organization.

On the technical side, Stacy will be partnered with the new CIO, Chris Conrad, who recently joined us from Lululemon and has tremendous experience in both IT and omni-channel solutions. Under Chris's leadership, we have merged previously separate IT groups into one integrated team, which we believe will be more productive and cost effective.

So in conclusion, the expected improvement in the underlying EBITDA for the second half of FY2017 continues to be based on line-of-sight improvements in the Group's key initiatives. In particular, number one, comparable gross margins in the second half of the financial year which are expected to be up in all regions on the strength of sourcing and merchandising initiatives.

Number two, costs and inventories, which are in better shape heading into the second half. Number three, the turnaround in the Americas which contributes proportionally more in the second half as well. And number 4, the impact of the Group's hedging program which means there will be no year-on-year foreign exchange related gross margin pressure in the second half.

We're looking forward to a much improved half, and we couldn't have achieved what we have so far without the passion, talent and dedication of a truly remarkable team of people around the world. I thank them for their ongoing commitment and drive for success. With that, I'll turn it over to Pete to discuss the financial details.

Peter Myers^ Thanks, Neil. I'm sure people appreciate the detail you've shared in this morning's update, so as usual I'll try to be brief and make sure we've got time for Q&A.

So for me, the result reflects a lot of progress, albeit in a difficult macro-environment. The Americas has endured some very difficult conditions over the last couple of years, but the half gives us confidence that we can deliver improvements even in tough conditions. APAC has had a very challenging retail environment and currency to deal with, and I think it's done fairly well.

And Europe has given back some of its gains in recent years with FX pressures and other disturbances. But despite these macro-challenges, margins are poised to grow, cost of doing business is tightening.

We've addressed the inventory challenges in the Americas. We see EBITDA picking up in the second half and continue to work on the brand portfolio that will help us simplify the good and pay down debts. So whilst we don't shy away from the tough result, we don't want it to drown out the progress.

Turning to the slide, to the reconciliation of the statutory result, we include that again to help people navigate from the statutory accounting numbers to the EBITDA, excluding significant items. It's important to note that the six months -- for this six months, we include Tigerlily in both periods.

And the continuing business numbers also include Sector 9 last year. As we've previously noted, Sector 9 is too small to be treated as a discontinued operation. So it's in all of the relevant continue in business numbers for last year.

Come year end, once the sale has completed, none of Tigerlily's earnings will be included in the reported result for continuing businesses. That is, the Tigerlily earnings will come out for the full year.

And to assist you to make all of those adjustments to Sector 9 and Tigerlily, we've included details in the pack today. For Tigerlily, the relevant numbers are included in an upcoming slide and the Sector 9 impacts detailed on the Americas slide.

Turning to the results summary, Neil has covered the regional results in his presentation. I don't have much to add, other than to point out that for your convenience we've disclosed both the as-reported change which represents the difference on the basis of the actual exchange rates that existed last year, and then separately on a constant currency comparison which is effectively the local currency which we feel is a better measure of operational performance.

Moving to Tigerlily, yesterday we announced that we'd reached agreement with Crescent Capital Partners for the sale of Tigerlily.  And we've included all of the relevant details, both annual and for the half in the presentation this morning.

The financial impacts for the Group are not too complicated. The EBITDA adjustment you need to make is 100% in the APAC region and the proceeds will pay down the term loan.

In terms of the EBITDA impact, we've identified the expected full year EBITDA for 2017. However, I would just note that like all business carve-outs, we'll need to transition the business with the new owners, so it will take a little while before we see the full benefits of the simplification and the streamlining of our Asia Pacific operations.

The strategic significance of this deal, however, should not be underestimated. We have been clear in the past that the Group became too complex, difficult for us to manage and difficult for investors to follow.

Tigerlily is the most profitable of the smaller brands, and following the sale of Sector 9 last year, we've now made significant progress in concentrating the portfolio around the big brands. Fewer, bigger, better. Global brands on global platforms.

And in Tigerlily's case, it will enable us to pay down a meaningful amount of the term loan, noting that since the Australian dollar proceeds will be paying down US dollar debt, the recent rally in the Aussie means that the proceeds are even more attractive to us. More on the debt in a moment.

Turning to significant items, there are a couple of points to make. First, the turnaround in restructuring costs are down consistent with what we have said at our two most recent results presentations, AUD2.3 million less this year than last year.

And second, the significant items include an adjustment to the America's inventory carrying values. This is a result of streamlining the Americas processes, lining them up with other regions. The treatment is one off to reflects the fact that the adjustment did not include any components relating to the current year cost of goods, nor do we consider it had any material impact on 2016 as it related to dated historical practices and there's no cash effect for this item in the current period. To be clear, we have excluded this adjustment in all of the comments we've made about our inventory reductions in the period.

Turning to cash flow, there is a much improved story here, compared to recent results. Neil has indicated receipts less payments delivering AUD44 million this year, just about double last year. This is despite a significant investment in reducing payables as we consolidate our supplier base.

CapEx is down year-on-year, although in part that reflects some of the Omni delay. Turning to the balance sheet, net debt is relatively flat for the six months, even though the movement in the exchange rate on the US dollar term loan added about AUD10 million to the Aussie equivalent this year. Working capital is AUD166 million, similar to a year ago, but with materially less inventory and lower payables as we consolidate our supplier base.

In terms of the refinancing question we're often asked, I point you to the statement. The Tigerlily sale is an important step towards putting us in a position to consider our refinancing options. But an even more important step is delivering on the earnings improvements we've outlined in the second half. Then we can begin to explore the market to see whether there are options that represent a meaningful improvement to our current deal.

In terms of outlook, the Board met yesterday and agreed today's comments in relation to the events and prospects for 2017. Neil has talked you through the basis for the improvement and it's outlined in the statement. But just to be clear, the Group's previous guidance of EBITDA in the AUD60 million to AUD65 million for the 2017 financial year needs to be updated for the sale of Tigerlily, which as I've said before will be treated as a discontinued operation in the 2017 full year results.

This treatment is expected to reduce the Group's continuing business EBITDA that we would report for the 2017 year by approximately AUD8 million. That represents Tigerlily's full 12 month EBITDA contribution to the Group. Accordingly, the Group affirmed the 2017 financial year EBITDA guidance that we provided at the AGM in November, but for the adjustment to exclude Tigerlily.

This equates to an updated EBITDA range for continuing operations for the 2017 financial year of AUD52 million to AUD57 million, excluding significant items. I want to be really clear on the simple math. It's the previous AUD60 million to AUD65 million, simply less the AUD8 million for Tigerlily.

The Group continues to have a significant bias in second half earnings to the month of June in the Americas and performance in this period is key to delivering on the Group's full year expectations. Of course, the Group's full year expectations is subject to reasonable trading conditions and currency markets remaining relatively stable. Whilst exchange rate movements in relation to cost of goods is hedged for the balance of 2017 financial year, the rate at which foreign earnings are translated into Group EBITDA will of course depend on the prevailing rates at that time.

Thank you. That's it from me and I'll hand back to Neil to close and open for Q&A.

Neil Fiske^ Thanks, Pete. So in summary, we're looking forward to second half, where we expect to see a major shift in the profitability of the business, driven by a turnaround in the Americas and a substantial lift in gross margin across the Group. We will continue to simplify the business.

The sale of Tigerlily is in line with that strategy and the proceeds will pay down debt. Importantly, the kinds of improvements we expect to see in H2 will carry us into FY18 with good momentum. Thank you for your time. I'd like to now open it up for questions.

+++ q-and-a

Operator^ Thank you. (Operator instructions). Your first question comes from Craig Woolford of Citigroup. Please go ahead.

Craig Woolford^ Morning, Neil. Morning, Peter. Just wanted to start off and understand the progress on the cost savings, breaking it down firstly between global sourcing and then on logistics.

So what was the saving achieved in the first half of FY17 and what is expected in the second half on those two initiatives?

Peter Myers^ So, Craig, as you would appreciate, there are long-ish lead time in this business and naturally enough we're trying to close them. So you do get an acceleration of the benefits as we're now getting into seasons that have been planned with the sourcing benefits that we've been working on.

So we see the numbers for us are a few million dollars in the first half and that would more than double into the second half. I think we indicated that we're expecting to see north of AUD10 million in the full financial year.

So I think we're hopeful that that program -- well, that program is going very well and we're hopeful we'll get every bit of that AUD10 million in the course of the financial year and probably overachieve on that number.

Craig Woolford^ Right. So that saving of more than AUD10 million in the P&L, as you say, like some of those savings relate to cost of goods --

Peter Myers^ Correct.

Craig Woolford^ -- you mightn't actually sell -- or inventory you mightn't actually sell that product till --

Peter Myers^ No.

Craig Woolford^ -- you get that AUD10 million benefit to the P&L.

Peter Myers^ Correct, Craig. That's what we would expect to see flowing through the P&L on sourcing. Pipeline, the big gains in pipeline are still ahead of us.

Certainly there's some gains out of the work that has been done already. There'll be a little more come through with the plans around Canada. But at this stage, it's still in the sort of few million dollar category, but certainly accelerating into the second half also.

Craig Woolford^ Okay. You mentioned, as you spoke, Neil, the wholesaling business has better visibility. Now, what are you seeing for the second half on your core brand, particularly for the US business or the Americas?

Neil Fiske^ Yes. I think the second half we feel is completely consistent with the guidance that we've given and that line of, say, visibility, the wholesale order book really becomes such a -- a much larger part of the second half. I think the other thing is clearly with the big December month of trading behind us in retail, that takes some of the volatility out of the numbers for the rest of the year.

But I would say overall we're seeing some improvement against the first half trend, less choppiness, and I think we've planned and forecasted the business relatively pragmatically and relatively cautiously in light of the environmental conditions that exist still in the market and not wanting ourselves to get in a position of having too much inventory. So I'd say it's a -- some moderate -- modest revenue outlook that we think we can achieve with a little bit more evenness than we saw in the first half.

Craig Woolford^ Okay. So the European business, in constant currency total sales, were down 5.9% and brick and mortar down, comp store down 2.2%. There's a bit of store opening. So wholesale sales must have been quite weak in the European business.

You mentioned the Brexit impact. Were there any other things that we should be mindful about? Should wholesale be more stable in the second half in Europe?

Peter Myers^ Craig, as ever with this result, there are a lot of smallish moving parts that makes a difference. We did move the -- into -- the XL business out of that market, so that's, what, EUR1.5 million -- just over -- between EUR1 million to EUR1.5 million in the first half of sales that sort of moved around. So kind of there's a limit to how many particular things we can call out, but that certainly has a different -- a sort of slightly negative effect and therefore amplified the sales drop in wholesale that you described.

Craig Woolford^ That'll impact the second half as well, right?

Peter Myers^ No. We moved it -- the -- we only had it in for a brief period in the prior year, so that was -- it was in about -- it was in for about four months in the prior year and had moved then, so it won't affect the second half.

Craig Woolford^ Okay. What -- with -- you mentioned the strength of the core brand, Neil. How are -- what is the positioning of these brands these days? I'm trying to get some indicators of brand health.

Obviously some of the initiatives around social media following are one indicator. But how is pricing on some key lines -- what's happening to your price points on key lines or hero products for each of Billabong's Element and RVCA?

Neil Fiske^ Yes. So I think on pricing, Craig, I would say from an initial price perspective it's stable to marginally up. What has impacted us from -- in certain regions, particularly the APAC, this half, was some of the discounting that went on in the market and cut into our margins. That sometimes does spill over into the terms that we realize on our wholesale business.

But I think it -- if you look at sort of initial pricing and margin architecture of the brands, they continue to improve and so with the stabilization we see coming, that should flow through into higher maintaining gross margins.

Craig Woolford^ Okay. So just a -- my last question was just to clarify. If I strip out Tigerlily, the guidance implies second half EBITDA needs to rise about AUD12 million or AUD13 million.

Peter Myers^ That's correct.

Craig Woolford^ That sounds correct?

Peter Myers^ Yes.

Craig Woolford^ Obviously cost savings go a fair way to achieving that. Then a good inventory position helps gross margins.

Peter Myers^ And the sourcing.

Craig Woolford^ Yes. So your sourcing savings and cost savings. So you need a stable sales backdrop. Is that the best way to summarize the sales outlook that's required?

Peter Myers^ I think we'd say slightly -- I think some of the particular factors that impacted us in the half don't repeat. Obviously a couple of million from the South African via the Middle East issue. We're cycling PacSun's lower comps. So I think there's -- but I still think we're relatively cautious, let me put it that way.

Craig Woolford^ Yes. Okay. Thanks, Peter.

Operator^ There are no further questions at this time. I'll now hand back to Mr. Fiske for closing remarks.

Pardon me, it's the operator, we actually have one more question from Daniel--

Neil Fiske^ Thank you everyone for dialling in today. Appreciate your time. Look forward to you keeping me posted on our ongoing improvement program.