

BWX FY2019 RESULTS

Friday 23 August 2019

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AGENDA

1. Highlights & Business Review
2. Financial Review
3. Strategy & Outlook
4. Questions





HIGHLIGHTS & BUSINESS REVIEW

Dave Fenlon, Group CEO & Managing Director

FY19 HIGHLIGHTS

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NET SALES
\$149.5m

US retail market momentum
 19.5% up on 1H19

GROSS MARGIN
52.7%

Stabilising
 +120 bps in 2H19

UNDERLYING EBITDA¹
\$21.3m

In line with guidance
 Up 100% on 1H19

BALANCE SHEET STRENGTHENED

Refinancing completed
 Improved terms
 Flexibility for growth

BRANDS HEALTHY



sukin
AUSTRALIAN • NATURAL

Sukin growth outperforming the natural segment in pharmacy (+4.4% vs -3.7%)

ANDALOU
NATURALS

Andalou remains #1 in Facial Skin Care with a 15.5% share, +0.6%

MINERAL FUSION
minerals on a mission™

Mineral Fusion revenue +37.5% in 2H19

Nourished Life

Nourished Life club membership up 29% yoy

OPERATIONAL HIGHLIGHTS

USA SALES MOMENTUM

Market share growth; multi-brand selling model.

Mineral Fusion relaunch well received; launching in mass channel February 2020.

Sukin (14 SKUs) and Andalou (37 SKUs) now available in Albertson's, #2 USA grocery chain.

BRAND EXPANSION

Sukin selling in 448 new USA doors; 318 new domestic doors; strong double digit growth recorded in UK, Canada, New Zealand, Malaysia, Singapore and China.

Mineral Fusion successfully rebranded.

Andalou Naturals completed successful trial in Priceline.

Nourished Life ready to sell internationally after systems upgrade; 29% increase in members during FY19.



OPERATIONAL HIGHLIGHTS

WAREHOUSE & PLATFORM UPDATES

- Capacity to process up to 3,300 eCommerce orders in a single shift.
- Integration and systems upgrade provides upside for multi-brand selling model.
- USA facility consolidation delivers cost and leverage benefits.

ERP DELIVERING BENEFITS

- Operational in Australia; implementation underway in USA.
- Improved efficiency, data and forecast accuracy.
- Increased margin visibility.

INCREASED CAPABILITY

- US President appointment being finalised.
- Hires in governance, sales, marketing.

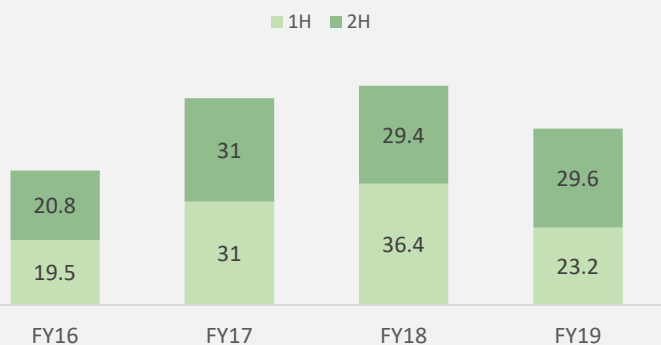


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SUKIN



Net Revenue (\$m)

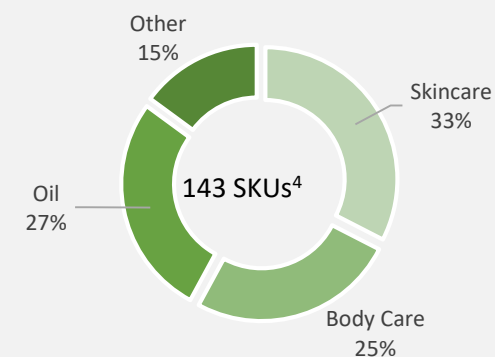


#1 Natural Skincare – outstripping growth of natural pharmacy (+4.4% vs -3.7%)

#2 Total Skincare brand in Pharmacy – Sukin continues to perform strongly²

#4 Total Skincare brand in Coles¹ – compelling sales growth (+38%)

Scan revenue per product type³



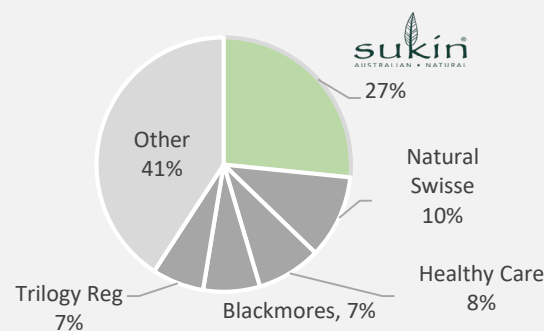
35.3% of Group Revenue

Gross margin of 65-67%

Resilient to the impact of domestic export sales (changing Daigou tax impacts)

Almost no pharmacy sales cannibalisation

AU Pharmacy Natural Skincare Market (%)²



Popular products - 2 Sukin products in Top 10 Skincare at Coles¹

Margin accretive new products – Blemish Control (\$1.4m, 3.4% sales)²

Strong pipeline of new products (rollout 2020)

¹ IRI Market Edge Data – Coles – Dollars growth – MAT to 07/07/2019

² IRI Market Edge Data – AU Pharmacy (Natural) Skin Care – Dollars Share – MAT to 07/07/2019

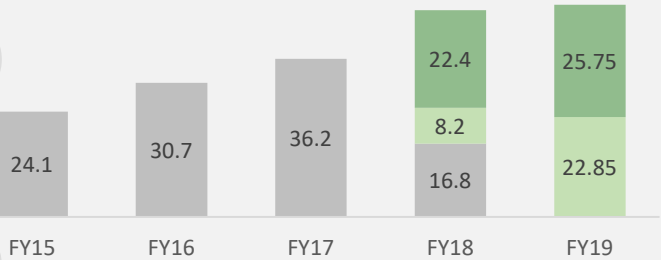
³ IRI Market Edge Data – AU Pharmacy – MAT to 07/07/2019 – No Hair Care included

⁴ Based on all SKUs in IRI Market Edge Scan Data - Pharmacy – MAT to 07/07/2019

ANDALOU NATURALS

Net Revenue (\$AUDm)¹

■ Andalou ■ BWX owned, 1H ■ BWX owned, 2H

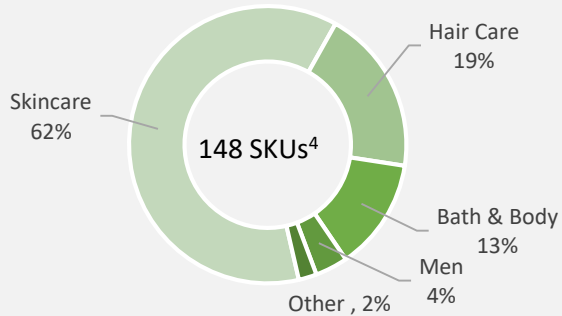


#1 Facial Skincare Brand – Strong performance in US Naturals (15.5%, +0.6%)

#4 Hair Care Brand – growing share in US Naturals (7.6%, +14%)

#5 Facial Skincare Brand – US conventional

Revenue by product type (FY19)

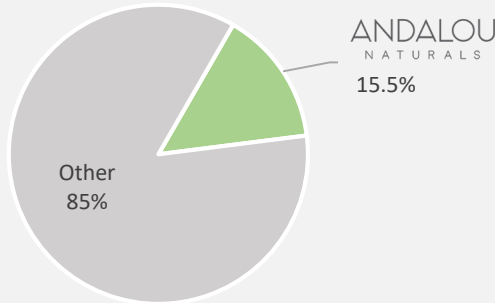


32.5% of Group Revenue

Gross margin of 43-45%

Total Andalou Sales +19% in 2019 in Whole Foods Market (#1 Natural retailer)

US Naturals Skincare Market (%)³



Popular products – 4 Andalou products in Top 10 Facial Skin Care (US Naturals)

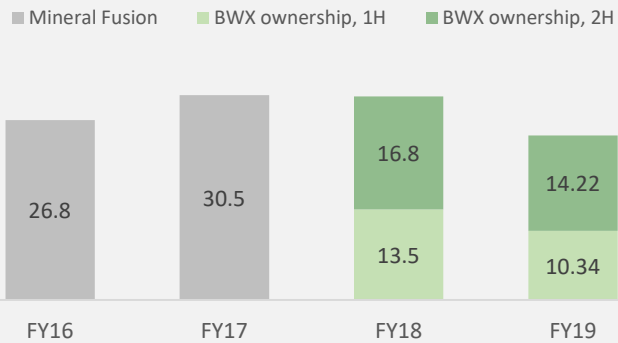
CannaCell collection – launched in June 2018 – represents 21% of Total Andalou sales in Facial Skin Care

¹ Pre-acquisition figures are unaudited and have not been restated using BWX accounting policies

² Based on SPINS 12 week data for period ending 07/07/19 and Nielsen Whole Foods data for period ending 07/07/19

MINERAL FUSION

Net Revenue (\$AUDm)¹

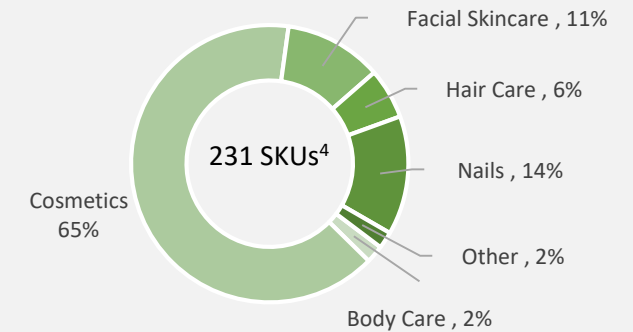


#1 Cosmetics Brand – dominant market share in US Naturals

#3 Natural Cosmetics Brand in US conventional market

Regaining market share – positive early signs from packaging re-launch (01-2019)

Revenue by product type (FY19)

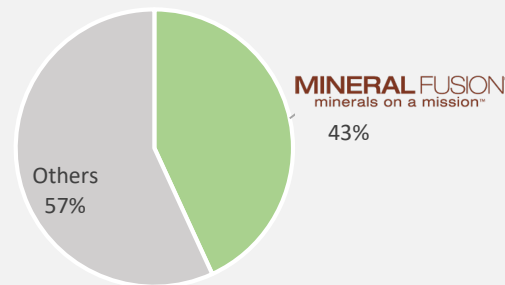


16.4% of Group Revenue

Gross margin of 52-54%

AU channel expansion – early momentum from Priceline store test signals potential upside

US Naturals Care Market (%)²

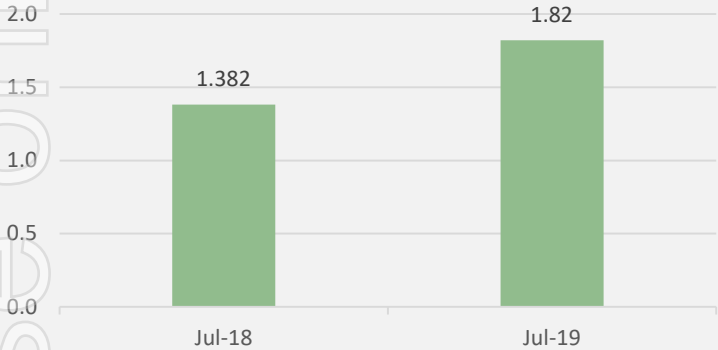


Popular products – 16 Mineral Fusion products in Top 20 Cosmetics (US Naturals)

Outperforms – MF sales -1.6% vs. -6.2% Cosmetics (US conventional market)

NOURISHED LIFE

Net Sales (\$m)

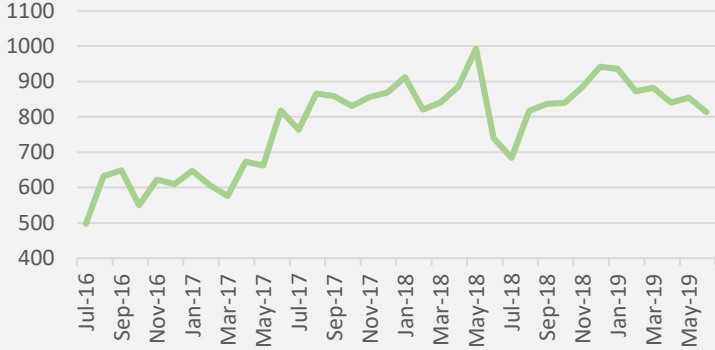


Member Loyalty – continued expansion of Loyalty Club (+29% in FY19)

Website upgrade – direct international shipping now available

Customer audit complete – implementing plan to enhance customer experience

Website Daily Order Average

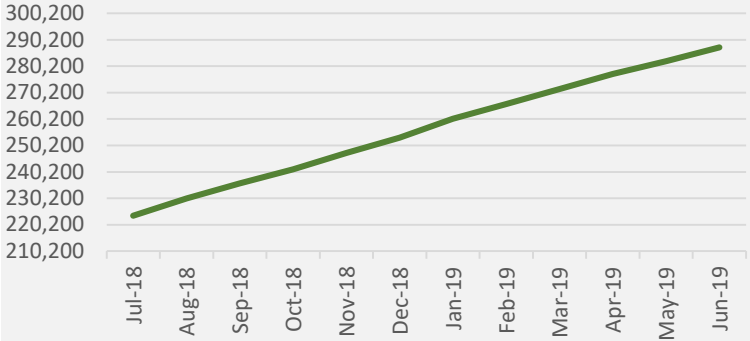


14% of Group Revenue

Gross margin of 35-37%

Stable performance over FY19

Loyalty Club Membership

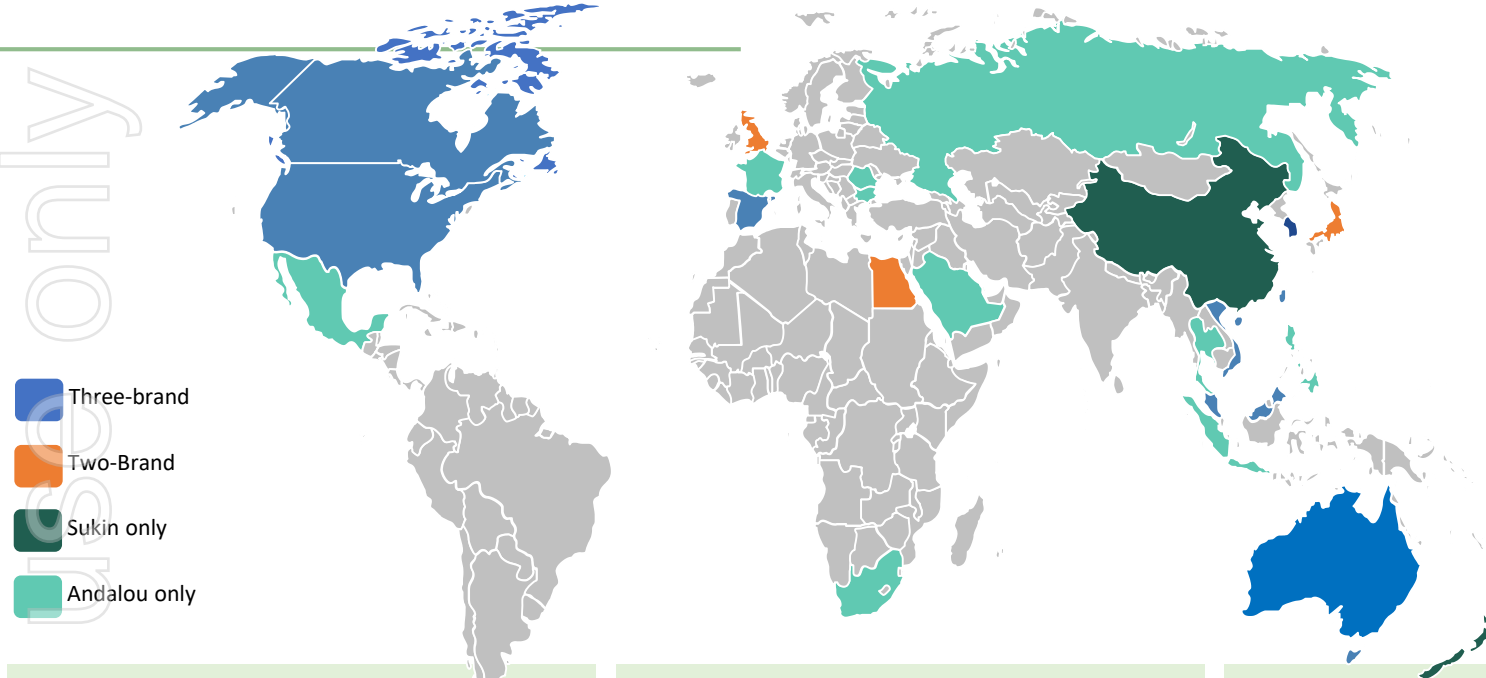


Leading digital platform for deep consumer insights on natural and beauty

Measured expansion – increase in daily orders in 2H19 (+4%)

Capacity to extend Life Basics range

PERFORMANCE BY GEOGRAPHY



North America

- Multi-brand selling model supported by channel expansion
- Mineral Fusion rebrand success
- ERP roll-out conducive to smarter working capital

China

- Net sales of \$2.4m; China influence sales are less than 10% of group revenues
- Opportunity to unlock this market further – not materially impacted by Daigou regulatory changes

Asia Pacific & International

- Focus on key customer relationships
- Continued roll-out of Andalou
- Roll-out of Nourished Life platform and other BWX e-commerce sites
- Potential upside once Mineral Fusion roll-out underway

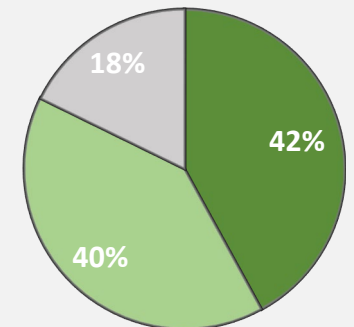
Net sales revenue by region

AUD million

	FY18	FY19
Australia	77.0	62.8
USA	48.0	60.2
Other	23.6	26.5
Total	148.7	149.5

FY19 GEOGRAPHICAL SPLIT

■ Australia ■ USA ■ Other



FINANCIAL SUMMARY

Vinod Somani, Chief Financial Officer

PROFIT AND LOSS

AUD million	FY18	1H19	2H19	FY19	Change
Revenue	148.7	68.1	81.5	149.5	0.5%
Gross Profit	88.3	35.1	42.9	78.0	-11.7%
Gross Profit Margin	59.4%	51.5%	52.7%	52.2%	-7.2%
EBITDA – Reported	35.3	7.2	12.6	19.8	-43.9%
EBITDA - Underlying ¹	40.3	7.1	14.2	21.3	-47.2%
EBITDA margin – Underlying	27.1%	10.4%	17.4%	14.2%	-12.9%
Depreciation & Amortisation	-1.9	-1.4	-1.7	-3.1	66.5%
Interest Expense	-4.4	-2.8	-1.4	-4.2	-4.5%
Tax	-9.8	-0.4	-2.5	-2.9	-70.2%
NPAT – Reported	19.2	2.6	6.9	9.5	-70.0%
NPAT - Underlying ¹	24.2	2.5	8.5	11.0	-54.5%
EPS - Reported	14.3	2.1	5.6	7.7	-46.2%
EPS - Underlying	18.7	2.1	6.8	8.9	-52.4%
Dividends per share	7.45	-	2.7	2.7	-63.8%

Net revenue:

- 2H19 increase of 19.5% compared to 1H19

Gross Profit:

- Gross profit margin impacted by increased proportion of net revenue from acquired businesses, which operate at lower margins
- 120 basis points margin improvement in 2H19

Operating expenses:

- Increase primarily attributable to acquired businesses 12-month contribution during FY19

Depreciation & Amortisation:

- Higher D&A due to recognition of intangibles stemming from finalisation of Nourished Life acquisition and amortisation of the ERP

Lower tax expense:

- Lower tax expense impacted by Andalou Naturals deferred payment

Dividend:

- A final fully franked dividend of 2.7 cents per share determined for FY19 within dividend payout guidance of 35-50%

BALANCE SHEET

As at 30 June 2019, the Group re-financed its debt facilities via extension until July 2022, at improved margins. The Group is compliant with all banking covenants.

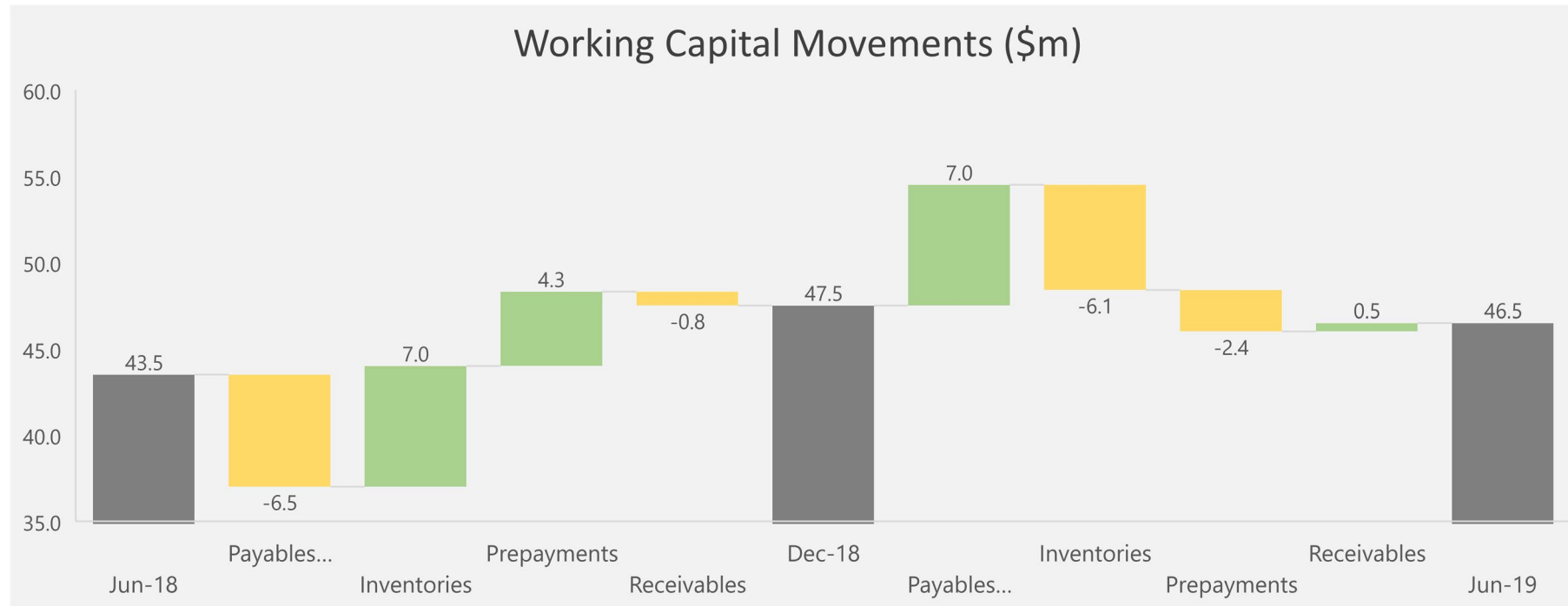
Lower financial liabilities due to a \$9.2m reduction in deferred consideration/payments on acquisitions, offset by movement in working capital facility.

	FY19
Bank debt	54.8
Deferred consideration	12.8
Total debt	67.6

AUD million	June 2018	Dec 2018	June 2019	Change
Assets				
Cash	19.9	5.7	12.0	-39.7%
Trade and other receivables	31.2	30.4	30.9	-1.0%
Inventories	27.9	34.9	28.8	3.2%
Prepayments	1.8	6.1	3.7	105.6%
Current tax asset	0	0	1.0	
Plant and equipment	3.5	3.9	4.3	22.9%
Intangible assets and goodwill	274.3	284.5	285.2	4.0%
Deferred tax assets	3.2	6.1	4.6	43.8%
Total assets	361.8	371.7	370.5	2.4%
Liabilities				
Trade and other payables	16.2	22.9	15.5	-4.3%
Financial liabilities	72.8	69.7	67.6	-7.1%
Current tax liabilities	1.4	0.4	0	-100.0%
Employee benefits	1.4	1.2	1.6	14.3%
Total liabilities	91.8	94.2	84.7	-7.7%
Net assets	270.0	277.5	285.8	5.8%

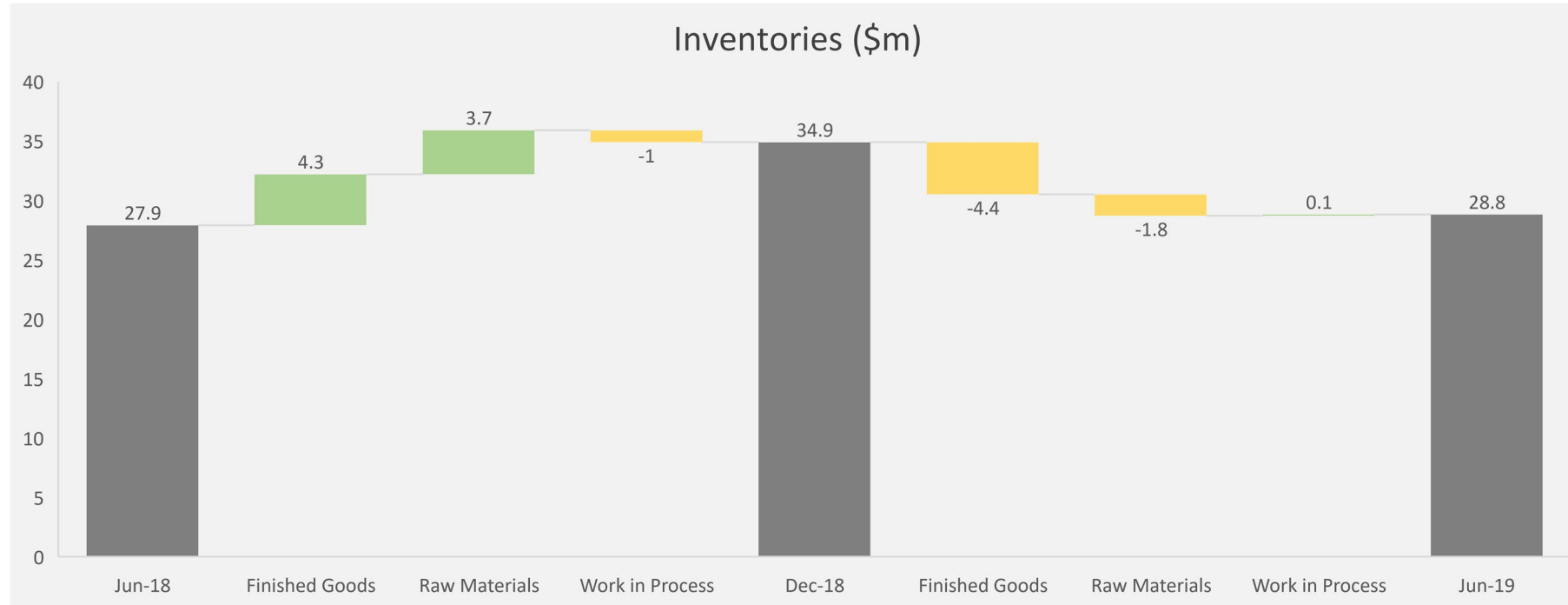


WORKING CAPITAL



- Improved position in second half
- Successful execution of inventory reduction plan in during 2H19
- The group reduced payables by \$7.0m in 2H19, whilst maintaining healthy cash position

INVENTORIES



- Inventory reduction projects across Australia and US delivered for both raw materials and finished goods in 2H19
- Benefits from the ERP intelligence and S&OP processes introduced during the year
- Inventory holding decreased by 17% in the second half

CASH FLOW RECONCILIATION

AUD million	1H19	2H19	FY19
EBITDA (underlying)	7.1	14.2	21.3
Working Capital movements	-4.0	1.0	-3.0
Non-Recurring Costs	-2.1	-4.5	-6.6
Interest expense	-1.9	-1.5	-3.4
Tax	-2.5	-3.5	-6.0
Other	-3.9	5.3	1.4
Operating Cash Flow	-7.3	11.0	3.7
Capital Expenditure	-2.6	-2.0	-4.6
Acquisitions	-5.1	-	-5.1

Significant improvement in Operating Cash-flow in 2H19 (\$11.0m) compared to 1H19 (-\$7.3m)

Non-Recurring Costs relate to \$4.9m MBO and other restructure and acquisition costs of \$1.7m



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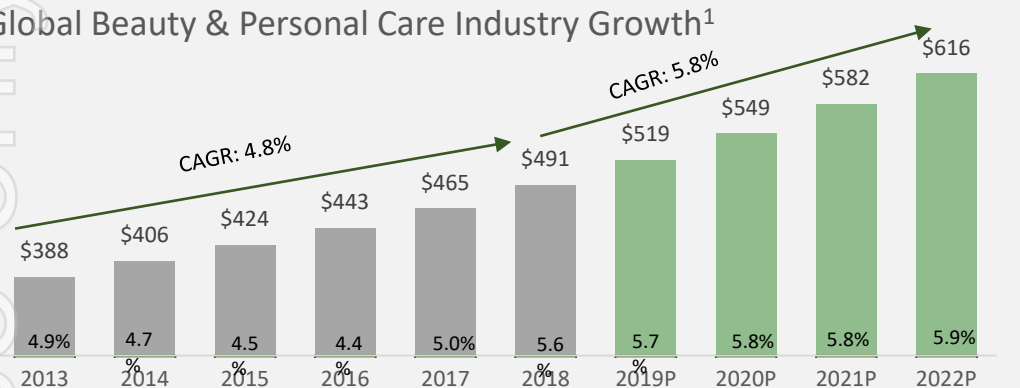


STRATEGY & OUTLOOK

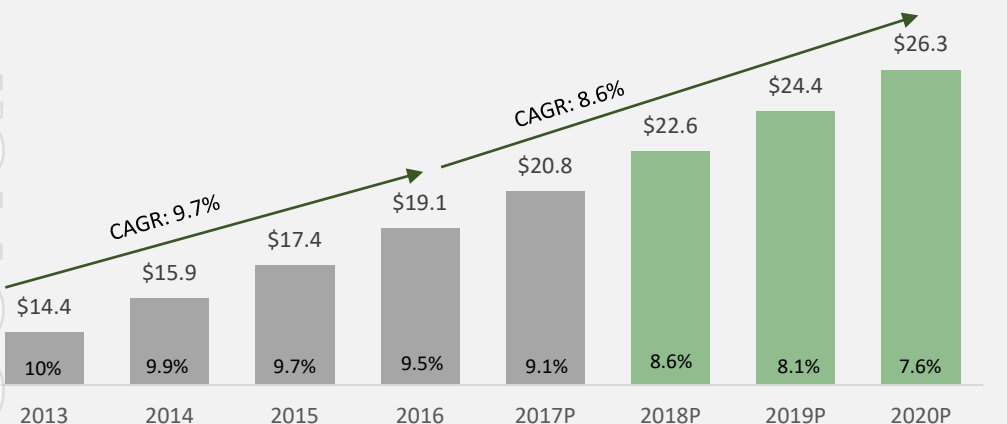
Dave Fenlon, Group CEO & Managing Director

MARKET OPPORTUNITY

Global Beauty & Personal Care Industry Growth¹



Natural Personal Care Market Growth (USA)



- By 2022 – the **global beauty and personal care market** is expected to reach the value of **US\$616 billion**, growing at 5.8% (CAGR 2017-2022)
- The **skincare segment is expected to dominate** with a 26.6% share (5.7% CAGR)
- **Australasia is the second largest region in terms of per capita spend** on beauty and personal care, accounting for a third of the industry value in 2018
- The **natural and organic personal care market is outperforming the broader market** with 8.6% growth (CAGR 2016-2020 in US)

Global megatrends driving growth of Natural and Organic:

- Heightened consumer consciousness, particularly among millennials
- Willingness to pay more for natural ingredients
- Pressure on retailers to supply environmentally friendly and ethically sourced products
- Discerning consumers demanding transparency around ingredients
- eCommerce channel educating consumers directly

STRATEGIC PRIORITIES

CONNECT TO CONSUMERS



Invest more in marketing – speak directly to the consumer.

Reinforce our brand values.

Invest more in NPD to serve the consumer.

Go direct to the consumer. Leverage Nourished Life platform.

Build a meaningful direct-to-consumer model by brand.

GO GLOBAL, GO MAINSTREAM



Grow natural segment. Compete with mainstream skincare.

Build customer and influencer base in China around key brands: Sukin, Andalou and Mineral Fusion.

Launch Nourished Life into new markets. Launch Sukin in Germany.

Invest in supermarket and mass channel relationships in key geographies.

Objective to have a \$50m supermarket skincare business in Australia and a \$75m conventional and mass skincare business in the US.

INVEST IN OURSELVES



Build capability. Lift Net Promoter score to 67%+. Be an employer of choice.

GET CLEAN & GET HEALTHY



Focus on operational efficiency. Invest in scalable systems and processes to support growth. Ensure best practice governance.

OUR STATUS

GROWTH



GROWTH

CONNECT TO CONSUMERS



- ✓ Consumer-led, data driven approach to innovation
- ✓ Best-in-class on speed to market

- ✗ Rationalise SKUs
- ✗ Define brands clearer and differentiate products better

GO GLOBAL, GO MAINSTREAM



- ✓ Number 1 in AUS and USA in natural category
- ✓ Strong partners in all our markets

- ✗ Address pricing anomalies in international markets
- ✗ Prioritise markets and channels better
- ✗ Unlock China platform business

OPERATIONAL IMPROVEMENT



INVEST IN OURSELVES



- ✓ Leading product formulators – highly qualified and experienced
- ✓ Significant capability added

- ✗ Invest in developing talent
- ✗ Align global executive team better

GET CLEAN & GET HEALTHY



- ✓ All SKUs profitable
- ✓ ERP maturing in Australia; rollout underway in USA
- ✓ Fully integrated manufacturing model

- ✗ Improve data quality and forecasting accuracy
- ✗ Modify channel and pricing process

WINNING **Strategic** use only **MUST IMPROVE**

GROWTH INITIATIVES



- Invest in global enterprise approach to marketing
- Appoint Chief Marketing & Revenue Officer
- Launch Sukin in Germany
- Invest in CBEC capability

HORIZON ONE

- Reduce SKU count by 10%
- Exit sub brands of NE and third party representation
- Improve working capital
- Phase rollout ERP project kick-off

- Target 15% of net revenue from NPDs
- Joint business plans with key retailer customers
- Launch Chinese-influenced SKUs
- Launch Nourished Life in next two markets

HORIZON TWO

- GROW, MAINTAIN & EXIT market prioritisation strategy implemented
- Implement ERP in USA business
- Manufacture 60% of group revenue
- Lift employee engagement (Net Promotor Score 67%)

- Invest in partnerships with leading natural platforms
- Transform cost-base to fund growth
- Accelerate growth of a direct-to-consumer model per brand

HORIZON THREE

- Become THE brand for talent + employer of choice
- Champion globally recognised natural benchmark
- Improve gross margin by 1.5-2.0%



OPERATIONAL IMPROVEMENT

GROWTH

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OUTLOOK

BWX is well positioned with **CATEGORY LEADING BRANDS** that are **INCREASING MARKET SHARE**.

The **BWX brand portfolio** has **non-discretionary attributes** and is exposed to favourable megatrends which are **accelerating growth of the natural and organic category** and outpacing the growth of the global personal care and beauty industry.

Through **TARGETED INVESTMENT** in brand building, process improvement, capability and innovation, BWX is confident of driving **DEEPER CONSUMER PENETRATION** and **BASKET SIZE**, to support **20-25% REVENUE GROWTH** and **25-35% EBITDA GROWTH** in FY2020.



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Thank you