



ASX / BWX

ASX Announcement

3 July 2017

BWX ACQUIRES MINERAL FUSION[®] THE NO.1 NATURAL COSMETIC BRAND IN US

- **BWX Limited (BWXLtd or the Company) has acquired Mineral Fusion National Brands LLC, the owner of Mineral Fusion, the number one natural cosmetics brand in the US, for cash consideration of US\$38.4 million plus a potential earn out of US\$4.6 million.**
- **The acquisition provides significant opportunities to expand the Sukin product range and to leverage the existing Mineral Fusion distribution network to sell Sukin in the US. BWXLtd will also seek to leverage its international networks to grow Mineral Fusion's sales outside the US.**
- **Expected net sales for Mineral Fusion for calendar year 2017 are US\$24 million and stand alone EBITDA for calendar year 2017 is expected to be in the range of US\$3 million to US\$4 million.**
- **The purchase price will be funded by an extension of the Company's existing debt facilities.**

Melbourne, Australia – BWXLtd (ASX: BWXLtd) is pleased to advise that the Company has completed the acquisition of Mineral Fusion Natural Brands LLC, a leading Natural Beauty and Personal care company based in California, US and the owner of the market leading Mineral Fusion brand.

BWX Chief Executive Officer, Mr John Humble, said “We are delighted to announce the completion of the Mineral Fusion acquisition. With our Sukin brand continuing to grow strongly, both domestically and internationally, the Mineral Fusion brand of natural cosmetics will provide opportunities to expand the Sukin product range and to leverage Mineral Fusion's already established distribution infrastructure for the distribution of Sukin in the US to all the key retail groups in the natural sector and the pharmacy channel.”

“The experienced management team at Mineral Fusion have achieved great success with the brand in the US and with our growing international capabilities, we will also be seeking to expand the distribution of Mineral Fusion branded products outside the US. The brand has great parallels with Sukin, in the way it has harnessed the market of natural and organic consumerism across its product categories and is now engaging the mass market.”

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Mineral Fusion is the clear leader in the US within the natural cosmetics category, with expected net sales of approximately US\$24 million and standalone EBITDA expected to fall within the range of US\$3.0 million and US\$4 million for the year ending 31 December 2017. Formed in 2009, and based in Petaluma, California, Mineral Fusion has a diversified product portfolio, with 45 product categories and over 150 SKU's, all targeted towards the growing segment of health conscious "Natural" consumers. The product range covers Cosmetics, Skin Care, Nail and Haircare, and is available in over 3000 retail outlets in North America.

Mineral Fusion continues to be clear a market leader in the very competitive product category of natural cosmetics. In common with BWX's existing flagship brand Sukin, Mineral Fusion's success is based around producing high quality, highly efficacious products produced using high quality natural ingredients. The Mineral Fusion range is free from parabens, artificial fragrance, synthetic dyes and is also phthalate free, 100% vegan and certified cruelty free.

Whilst maintaining the #1 brand in the Natural Cosmetics category, Mineral Fusion continues to enjoy impressive growth within the natural channel boasting a current 3 year CAGR of 20.4%, (2013-2016).

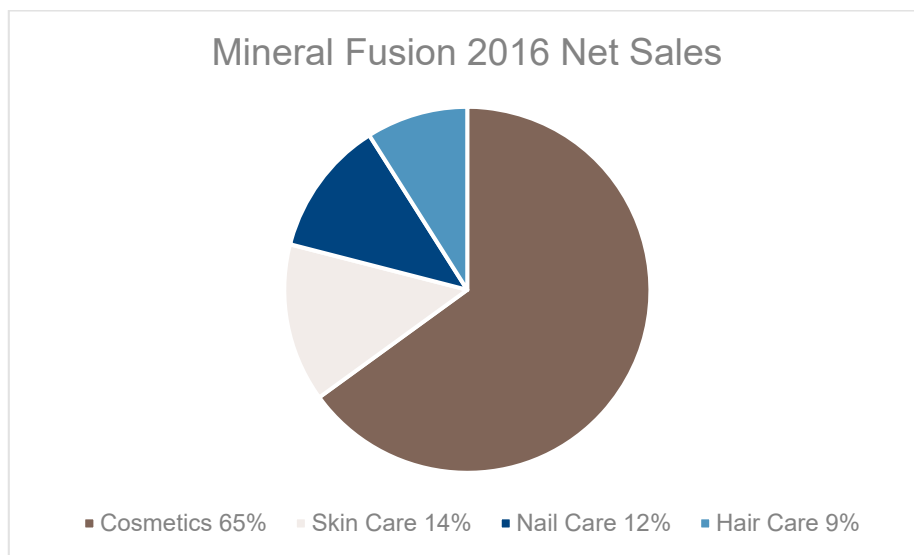


Table 1.1: Mineral Fusion CY 2016 Net Sales by Product Category

The Mineral Fusion brand was sold exclusively in Whole Foods Markets in the US until 2012. Since then management have broadened its distribution across a wide variety of natural grocery and wellness retailers such as Sprouts, Natural Grocers and Earth Fare. In addition to these traditional Natural channel retailers, the Mineral Fusion brand has also gained distribution in several conventional retailers such as Wegmans and Meijer. To fuel the brands continuing growth and further expand on its distribution footprint, Mineral Fusion is now available in 300 of the highest volume CVS pharmacies in the US. Further expansion into the mass market is planned for FY18.

Online is a growing sales channel for Mineral Fusion, accounting for close to 10% of net sales for the 12 months ended 31 December 2016. Investment in the online sales strategy continues to be a key priority, with online sales growing at the highest rate of any current channel, led by Amazon.com with a 3 year CAGR of 49.9%.

The acquisition of Mineral Fusion brings a new depth of natural colour cosmetic products to the BWX group. The significant experience of Mineral Fusion's management in the natural cosmetic and skin

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care category in the US, combined with the capabilities of the Company, is expected to provide significant opportunities for both the Mineral Fusion and Sukin brands across multiple territories.

Mr Humble went on to say “We should not underestimate what this transaction could mean for the export development of BWX into North America. Mineral Fusion has quality, experienced management who have developed a highly successful brand in a channel that is a perfect fit for Sukin. The distribution network that Mineral Fusion has established is clearly of major strategic benefit as we plan for BWX to introduce its existing brands into North America over the next 12-24 months. We also believe there is a similar opportunity for Mineral Fusion within Australia”.

In response Mr Gil Pritchard, CEO Mineral Fusion Natural Brands LLC commented, “I couldn’t agree more with John. Over the past ten years the Mineral Fusion brand has gained the trust and a loyal following of consumers drawn to the brand's ethos of delivering beauty without compromise by producing professional quality, naturally formulated products. Our organisation is just so energised to be working with a company aligned with our passion and values. We can’t help but be impressed by the approach of the management of BWX. To be working so closely with a company such as BWX where there are so many similarities is truly exciting”.

The key management of Mineral Fusion have agreed to minimum 12 months employment agreements and the Company will be looking to augment management following completion. In addition, the Company is expecting to recruit additional resources and capabilities to the Mineral Fusion business over the next 12 months in order to add to the growth of the business, given the significant opportunities that have been identified and referred to above.

Purchase Price

The acquisition of Mineral Fusion from North Castle Partners was completed on 30 June 2017. The initial consideration for the acquisition was US\$38.4 million, excluding working capital and costs of the acquisition. There is a US taxation benefit arising on the structure of the transaction that equates to a NPV of US\$4.2 million that would not otherwise be available to BWX had the acquisition occurred in Australia.

The funding for the acquisition was provided by the Company's existing financier, Commonwealth Bank of Australia. The funding, of up to US\$45 million, comprised acquisition facilities of US\$22.5 million and A\$30 million.

In addition to the initial purchase price there is the potential of a further US\$4.6 million in earn out payments upon the achievement of agreed targets over the next 12 months.

With the acquisition having been completed on 30 June 2017, it will be accounted for in the Company's FY17 financial statements, subject to the fair values on consolidation being provisional and subject to further review during the next 12 months.

Outlook

Having completed the acquisition of Mineral Fusion, BWX will continue to assess further opportunities in line with its strategy of growing the business as a vertically integrated developer, manufacturer, distributor and marketer of branded personal care products on a global scale. Notwithstanding the one-off effects of acquisition accounting in relation to the Mineral Fusion transaction, the Company confirms its previously stated guidance for FY 2017.

BWX Management will be hosting an Investor Call on Monday 3 July 9am AEST.

Toll free dial-in: 1800 804 595

International dial-in: +613 8687 0650

A playback of the conference call will be available at a later date and will be posted on our website.

- ENDS -

About BWX

ASX listed, BWX Limited is a vertically integrated developer, manufacturer, distributor and marketer of branded personal care products with an emphasis on the natural segment of the market.

The company owns, produces, and distributes under the Sukin, Mineral Fusion, DermaSukin, Uspa, Edward Beale, and Renew Skincare brands.

About North Castle Partners

North Castle Partners is a leading private equity firm focused on investments in consumer-driven product and service businesses that promote Healthy, Active, and Sustainable Living. North Castle is a hands-on, value-added investor in high-growth, middle market companies in the (i) beauty & personal care, (ii) consumer health, (iii) fitness, recreation & sports, (iv) home & leisure and (v) nutrition sectors

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