

ASX Announcement

21 August 2020

BWX LIMITED – FULL YEAR 2020 FINANCIAL RESULTS

Financial Highlights

- Net revenue increased 26% to \$187.7m (FY19: \$149.5m)
- EBITDA¹ increased 30% to \$27.5m (FY19: \$21.3m)
- Statutory NPAT increased 59% to \$15.2m (FY19: \$9.5m)
- Gross margin improvements to 58.0%
- Strong balance sheet with improved cash and net debt position
- Fully franked final dividend of 2.6 cents per share

Operating Highlights

- Continued market share gains with increased revenue across all four core brands, driven by Sukin (+55% growth vs pcp) and Nourished Life (+26% growth in 2H vs pcp)
- Rapidly developed and launched a new natural hand sanitiser product range for Sukin and Life Basics in Australia in H2
- Global acceleration of a direct-to-consumer model to manage increased online volumes and align offering with evolving consumer behaviour
- Significant distribution gains for Sukin, Andalou Naturals, and Mineral Fusion across engine markets of Asia Pacific and USA
- Planning underway for new manufacturing hub in Melbourne anticipated to deliver growth above and beyond the current Three-Year Strategic Plan
- Good progress toward building a \$50m supermarket business in Australia; a \$100m mass market business in USA; and plans for \$30m to \$50m supermarket and e-commerce business in Europe by the end of FY23
- Strong growth outlook with at least 10% growth in revenue and EBITDA expected in FY21

Melbourne, Australia – BWX Limited (ASX: “**BWX**” or “**the Group**”) today announced its full year 2020 financial results for the period ended 30 June 2020. The Group delivered 26% revenue growth to \$187.7m; EBITDA of \$30.9m on a post AASB 16 Leases basis; EBITDA of \$27.5m on a pre-AASB 16 Leases basis (+30% growth vs pcp); and an increase in statutory NPAT of 59% to \$15.2m.

The Group ended the financial year with an improved net debt position of \$32.0m (excluding AASB 16 Leases) at 30 June 2020 (down from a net debt position of \$42.8m in pcp).

Commenting on the result, BWX Group CEO and Managing Director, Mr Dave Fenlon, said:

¹EBITDA of \$27.5m on a pre-AASB 16 basis is a non-IFRS measure that excludes non-recurring items relating to acquisition and restructuring expenses of \$0.1m. On a post-AASB 16 basis, EBITDA is \$30.9m. FY19 results are not restated as per transitional accounting provisions adopted under AASB 16.

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“Our brands have an increasingly deep connection with consumers as reflected in their continued growth throughout the last financial year. Despite persisting external challenges in the recent half, I am incredibly proud of our team who have worked hard to achieve the sales and profit targets we provided to the market over 12 months ago.

Relentlessly driven by our four strategic pillars, our efforts in the first-half of FY20 included refining our engine markets for growth; disciplined brand expansion; and investment in a direct-to-consumer online model to grow our addressable market. This work, together with improvements across manufacturing, supply chain and procurement, ensured our business could navigate through the challenges of the COVID-19 pandemic and respond to the significant consumer demand for personal care products.

We enter FY21 with significant momentum as we continue to unlock our brands and their share of the global Natural category, and we expect to deliver revenue and EBITDA growth of at least 10% for the full-year FY21.

We know there’s more growth to be captured. Our Three Year Strategic Roadmap provides the framework from which to connect deeper with our consumers through innovative product development, and will be a key enabler in delivering a step change in our future operating performance supported by our investment in a brand new manufacturing facility.”

FY20 FINANCIAL PERFORMANCE

Revenue and Brand Review

The Group delivered 26% revenue growth to \$187.7 million. For 2H20, Group net revenue was \$103.6m, an increase of 27% on the prior corresponding period. This outcome was driven by strong sales momentum in all regions, in particular our Asia Pacific market where Sukin benefitted from market share gains in Coles and Australian Pharmacy during the second half. All brands benefitted from the acceleration of online shopping where our e-commerce capability and omni-channel retail strategy generated additional value.

Sukin

Sukin net sales for FY20 were \$81.7m, a 55% increase on the prior corresponding period reflecting the strong brand connection with consumers and as Sukin becomes increasingly available through mass channels spanning APAC, the USA and Europe.

In Australia, Sukin continues to be the clear market leader in Natural with good brand awareness. Sukin gained market share in both channels of Australian Pharmacy and Grocery, with strategic partner Coles reflecting an increased share to 62.8% (May 2020)² from 59.6% (Feb 2020).

At the start of the recent half, Sukin launched into the USA making significant inroads to the mass channel. Target USA added 330 new doors, taking its total points of distribution in the USA to over 1,000 doors. Sukin also executed an extension of its online product range in Target USA and gained additional mass channel distribution gains for Sukin in the region through ranging in Wegmans, Publix, and Sprouts.

This strong growth, even in times of government mandated restrictions and lockdowns during 2H20, marks solid progress towards BWX’s longer term objective of a \$50m supermarket skincare business in Australia and a \$100m conventional and mass skincare business in the USA.

² IRI Market Edge Data – Coles Total Skincare – Dollars growth – FY20 YA

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Andalou Naturals

Andalou Naturals' net sales for FY20 were \$53.3m, an increase of 10% on the prior corresponding period. It remains the #1 brand for Natural skincare in the US Natural channel, with increased market share in categories of Facial Skin and Hair³, and continues to make strong gains via its direct-to-consumer model and expansion into Amazon, Target and Ulta.

The brand experienced strong sales momentum in 1H20 with 15% growth on 1H19, but its second half performance – while still in growth at 5% vs pcp – was impacted in the context of severe movement restrictions and delays in distribution gains while retailers navigated COVID-19. This growth is expected to pick up in early FY21 including strong channel gains in Australia across Discount and Traditional Pharmacy channels including MyChemist, Priceline, and Terry White. Sales continue to grow as the brand's roll out gains traction and popularity with Australian-based consumers, supported by a multi-brand and channel retail approach.

Mineral Fusion

Mineral Fusion net sales for FY20 were \$28.4m, an increase of 16% on the prior corresponding period. This growth was buoyed by the brand's online accessibility and increased share of the nail category which captured US shoppers turning to DIY beauty treatments.

At the start of 2H20, Mineral Fusion executed its launched into 770 Target USA stores and online, taking its distribution to over 1,000 as the brand continues to expand into the mass channel. Additional growth is anticipated with its rollout in Publix gaining traction and a wider recovery in cosmetics as people re-enter the workforce and socialise again.

Mineral Fusion enjoys a committed following as the #1 Cosmetics Brand in US Natural channel⁴, and #3 in the US conventional market⁵.

Nourished Life

Nourished Life net sales for FY20 were \$24.1m, an increase of 15% on the prior corresponding period. The second half performance was particularly pleasing with a 26% increase in revenue on 2H19 and was supported by the accelerated shift to online shopping; an expanded product offering on the platform (with almost 7,000 products available); deeper basket sizes; and improved customer conversion rates.

The Group's decision to develop and launch a natural hand sanitiser for Nourished Life's private-label brand, Life Basics, also attracted new customers who are increasingly choosing to adopt and stick to a lifestyle focused on natural health and wellbeing.

Through Nourished Life, BWX continues to engage with consumers and leverage their insights to support decision making and add value across the Group's brand portfolio.

OPERATIONAL AND STRATEGIC DEVELOPMENTS

Capability

In the period since December 2019, BWX has added additional capability across the business.

Ms Efee Peell was appointed Group CFO effective 23 March 2020, bringing more than 20 years of commercial finance and operation experience in retail, wholesale, pharmacy and healthcare. Mr Rory

³ SPINS and Nielsen Whole Foods – scan data – FY20 Total

⁴ SPINS and Nielsen Whole Foods – scan data – FY20 Total

⁵ SPINS and Nielsen Whole Foods – scan data – FY20 Total

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Graton was promoted to the role of Group Chief Operations Officer in February 2020, in addition to his role of MD APAC. In this role he will oversee the development and construction of the new manufacturing and operations facility which commences in FY21.

BWX has added to its global capability with key hires in sales, innovation, marketing, inventory management and warehousing, while carefully ensuring that costs, as a percentage of net revenue, remain within the target band.

Operating Infrastructure and Efficiency

BWX continues to deliver its measurable improvement program via investments in the ERP system; strategic procurement initiatives; efficient manufacturing and diverse supply chains. A three-year sourcing roadmap was developed during FY20 which derives future savings and margin benefits from a fully integrated and agile manufacturing model.

This agility was on display in the recent half when our Global Procurement Team acted swiftly to secure critical stock componentry and ensure supply continuity so our manufacturing and warehouse teams could respond to the demand for key personal hygiene inventory like hand wash and hand sanitiser. The Group have implemented measures to diversify our supply chain to mitigate the risk of reliance on a single market for raw materials or components.

BWX continues to be focused on its four strategic pillars – Connecting with Consumers; Go Global, Go Mainstream; Get Clean & Healthy; and Invest in Ourselves – which underpin the business direction and how the Group will measure success.

FINANCIAL REVIEW

Gross profit margin

Gross profit margin across the Group increased by 210 basis points to 58.0%. Our core Sukin products also experienced healthy growth in gross profit margin.

Net profit after tax (NPAT)

Compared to the prior corresponding period, NPAT increased 59% to \$15.2m.

Cash generation and working capital

BWX ended 30 June 2020 with a cash position of \$28.6m, a significant improvement on the \$14.0m at 31 December 2019.

During 2H20, a challenging external environment saw the Group adopt and implement a rigorous approach to cash flow preservation and maintaining liquidity. Increased routines on cashflow forecasting, mid-month flash reporting routines, along with rolling quarterly financial forecasts assisted with transparency. The balance sheet continues to provide the flexibility to support targeted investment and sales growth.

Balance sheet

Through disciplined working capital management, the Group ended the financial year with a net debt position of \$32m, (excluding AASB 16 Leases), representing a net debt-to-EBITDA leverage ratio of 1.0x. (FY19 Net Debt \$42.8m). This result shows our commitment to being focussed on shareholder returns along with building balance sheet strength

Capital expenditure was \$7.1m for the financial year (FY19: \$4.9m). Capital expenditure included the roll-out of the implementation of the Microsoft Dynamics 365 Enterprise Planning software (ERP) in the USA business that went live on the 1st of May 2020 along with further work completed in stabilising the Australian ERP. All other capital expenditure commitments made during the year supported both

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our maintenance requirements and programs of growth.

Inventories increased 28% during the year, below sales growth, to support increased levels of demand during the second half of the financial year across the entire business as well as ensuring that we had strategic holdings of raw materials and packaging during a period of significantly disrupted overseas supply chains. The increase was effectively managed via a tightening of supplier trading terms and an increased frequency of review in sales forecasting, scan data and demand planning which the ERP system continues to support.

Dividend

A fully franked final dividend of 2.6 cents per share has been declared for FY20 and is within the dividend payout guidance of 35-50%.

Outlook

While the Group continues to monitor external market conditions, BWX is well positioned to capture further market share underpinned by strong brand health, an expanded offering and a protected supply chain as our core business continues to support essential services (such as pharmacies and supermarkets) whilst meeting changing demand trends.

With FY20 providing a stable revenue base, subject to market conditions BWX expects to achieve ongoing growth in revenue and EBITDA of at least 10% in FY21 and remains well positioned for long-term, sustainable growth. As announced on 16 July 2020, the outlook is further boosted by A\$4.5m one-off benefit to FY21 following agreement on the final consideration payable under the Egide Compensation Plan to the sellers of the Andalou Naturals business, with no impact on the carrying value of Andalou Naturals.

ENDS

BWX will host a Results Briefing and Webcast on **Friday 21 August at 9.30am AEST**. Participants are advised to pre-register for the call via the below link. They will receive a calendar invite and a unique code which is to be quoted when dialling into the call. Alternatively, you may access the briefing via a webcast.

Pre-registration link: <https://s1.c-conf.com/DiamondPass/10008818-invite.html>

Webcast: <https://webcast.openbriefing.com/6347/>

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

Authorised for release by: Dave Fenlon, Group CEO and Managing Director – BWX Limited

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