



ASX / BWX

**ASX Announcement**  
29 August 2018

## FY18 COMPANY AND FINANCIAL RESULTS

Melbourne, Australia – BWX Limited (ASX: BWX) is pleased to report its 2018 full year (FY18) financial results, representing:

### **TRANSFORMATIONAL YEAR WITH SIGNIFICANT INVESTMENTS IN LONG TERM GROWTH, INTEGRATION OF ACQUIRED BUSINESS LARGELY COMPLETE, BUILDING A GLOBAL PLATFORM FOR FUTURE GROWTH**

- Revenue of \$148.7m, representing a 104.6% increase versus prior full year 2017;
- Sukin branded product sales of \$65.8m, representing a 6.1% increase versus prior full year 2017;
- Gross margin of 59.4%, down from 65.4% from the prior full year 2017 due to the acquisition of beauty brands which are not vertically integrated (Mineral Fusion and Andalou Minerals) and lower margin e-commerce platform (Nourished Life);
- EBITDA (normalised)<sup>1</sup> of \$40.3m, representing a 52.4% increase versus prior full year 2017;
- NPAT (normalised)<sup>1</sup> \$24.2m, representing a 37.5% increase versus prior full year 2017;
- EBIT (statutory) of \$33.4m, representing a 56.0% increase versus prior full year 2017;
- NPAT (statutory) of \$19.2m, representing a 42.9% increase versus prior full year 2017;
- The Company declares a final fully franked dividend of 4.2 cents per share, which together with the 3.25 cent interim dividend, represents a 11.2% increase on full year 2017;

BWX Interim Chief Executive Officer, Mr Myles Anceschi, said: *“The period saw continued organic growth in BWX’s core and acquired businesses and significant progress on all of our strategic priorities. Integration and operational improvements delivered in-year, strengthened our platform and will support long term revenue and earnings growth.”*

<sup>1</sup> Normalised EBITDA and NPAT excludes the impact of one-off acquisition and restructuring costs of \$5.0m. Statutory FY18 EBITDA (including one-offs) \$35.3m, representing a 58.5% increase versus prior full year 2017.

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“FY18 was a transformational year for BWX, which saw: expansion into new channels and geographies, significant investments into our infrastructure, people and capabilities and strategic accretive acquisitions which have laid the foundation for long term growth. We expect to see benefits of these investments and initiatives in FY19 and beyond”

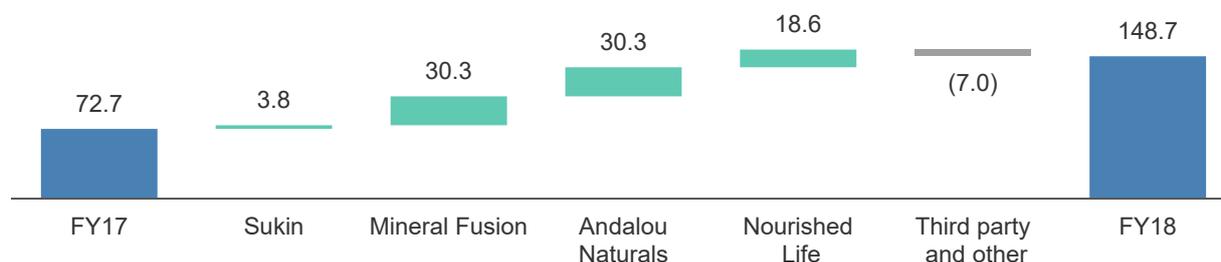
Mr Anceschi continued: “We expect FY19 to benefit from a full year contribution of acquisitions, integration synergies and operational initiatives including a number of new products which we expect to bring to market during this financial year. I would like to thank the global BWX team for their continued effort and contribution throughout the year and particularly during the strategic review.”

### Summary of financial performance

|   | FY17   | FY18   | % growth  |
|---|--------|--------|-----------|
| Revenue                                   | 72.7   | 148.7  | 104.6%    |
| Gross profit                              | 47.6   | 88.3   | 85.6%     |
| Operating expenses                        | 21.2   | 49.6   | 133.7%    |
| EBITDA (normalised)                       | 26.4   | 40.3   | 52.4%     |
| EBITDA (including one-offs)               | 22.2   | 35.3   | 58.5%     |
| Net profit after tax (normalised)         | 17.6   | 24.2   | 37.5%     |
| Net profit after tax (statutory)          | 13.4   | 19.2   | 42.9%     |
| Gross margin                              | 65.4%  | 59.4%  | (606 bps) |
| Basic EPS (cents per share) (statutory)   | 14.3   | 17.0   | 18.9%     |
| Diluted EPS (cents per share) (statutory) | 13.4   | 16.6   | 23.9%     |
| Net cash/(debt)                           | (57.0) | (52.9) | (7.2%)    |

### FY18 Financial Performance

#### Net revenue bridge (AUD million)<sup>2</sup>



Total net revenue for FY18 grew by 104.6% to \$148.7m, driven by:

- acquired businesses improving in H2 post integration process;
- Sukin organic growth of 6.1% through expansion into domestic grocery channel and ongoing international expansion; and
- \$79m sales contribution from acquisitions with significant upside potential.

<sup>2</sup> Net of intercompany eliminations.

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## Gross profit margin

As highlighted during the period, the companies recently acquired generally have lower gross profit margins as compared to the historical BWX business. Unlike the historic BWX brands, Andalou and Mineral Fusion are not vertically integrated, while the Nourished Life e-commerce platform has gross margins reflecting its direct to consumer retail business model.

As a result, BWX have achieved a blended gross profit margin of 59.4% in FY18 from 65.4% in FY17.

There has been no reduction in the core underlying gross margin from the pre-existing business prior to completing the recent acquisitions. Furthermore, Sukin gross margin increased during the period with the ranging of the Sukin brand in grocery not diluting domestic gross margins.

## Operating expenses

Operating expenses for FY18 were (\$49.6m) compared to FY17 (\$21.2m), the primary drivers for the increase in operating expenses were:

- a) investments in the recently acquired Mineral Fusion and Andalou businesses;
- b) investments in the infrastructure and platform of Nourished Life;
- c) a greater level of marketing investment to increase awareness for the Sukin brand.

With the significant investments made across the business in FY18 in a number of key areas, and the integration of acquired businesses largely complete, BWX is well positioned to leverage its unique global platform for long term sustainable future growth.

## Non-recurring acquisition and restructuring expenses

Acquisition and restructuring costs of \$5.0m were incurred in relation to the acquisition of Nourished Life and Andalou Natural businesses, finalisation of Mineral Fusion acquisition matters, assessment of Mineral Fusion deferred consideration and restructuring of the Australian manufacturing and distribution business.

## Cash generation and working capital

Net cash flows from operating activities for FY18 was \$4.3m compared with \$13.4m in FY17 driven by payments for transaction costs of \$9.2m up from \$1.3m.

Free cash flow conversion while remaining strong at 67.3% reduced on FY17 to support operating growth initiatives undertaken in H2 2018, which included:

- additional investment in Nourished Life inventories to assist in transition of logistics and order fulfilment of Nourished Life operations to Dandenong South in June 2018;
- an increase in working capital to secure supply of components and ingredients for use in FY19; and
- investment in inventory to ensure business continuity during the implementation of the ERP system

## Capital expenditure

During FY18 the Company invested approximately \$2.4m in the purchase of property, plant and equipment, which included the commencement of the Company's new ERP system. The level of capital expenditure is expected to remain within 1% to 2% of net revenues on an annual basis.

## Final dividend declared

The Directors are pleased to declare a final fully franked dividend to shareholders of 4.2 cents per share, having been determined in respect of the year ended 30 June 2018, payable on 12 October 2018. The dividend is in line with the Company's continuing annual dividend payout ratio guidance of between 35% and 50% of NPAT.

## Full Year 2019 outlook and beyond

The global beauty and personal care market continues to grow strongly with the global shift towards natural products accelerating, creating strong tailwinds for BWX's brands. In addition, changing consumer preferences which have translated into higher growth rates for natural products is expected to continue and drive market growth. BWX's brands are leaders in their respective categories, markets and geographies, and are well positioned to benefit from this demand.

BWX's recent acquisitions in conjunction with organic initiatives implemented have provided a solid foundation for growth in FY19 with FY18 representing a transformational year for the business with significant progress and investments made in building a platform for sustainable long term growth.

FY19 financial performance is expected to be strong across all geographic regions and the entire brand portfolio.

BWX Management will be hosting a Results Briefing on Wednesday 29 August at 9am AEST.

Dial in: 1800 804 595 or + 613 8687 0650

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

### For further information please contact:

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