



ASX / BWX

ASX Announcement

16 August 2017

FY17 COMPANY AND FINANCIAL RESULTS

Melbourne, Australia – BWX Limited (ASX: BWX) is pleased to report its 2017 full year (FY17) financial results, representing:

**CONTINUED GROWTH;
DEVELOPING A GLOBAL BUSINESS
WITH
A DEVELOPING INTERNATIONAL PLATFORM;**

- Revenue of \$72.7m, representing a 34.0% increase versus prior full year 2016;
- Gross margin of 65.5%, up from 62.1% from the prior full year 2016;
- EBITDA (normalised) ⁽¹⁾ of \$26.4m, representing a 30.7% increase versus prior full year 2016;
- NPAT (normalised) ⁽¹⁾ of \$17.6m, representing a 41.9% increase versus prior full year 2016;
- EBIT (statutory) of \$21.4m, representing a 11.5% increase versus prior full year 2016;
- NPAT (statutory) of \$13.4m, representing a 11.7% increase versus prior full year 2016;
- Sukin branded product sales of \$62.0m, representing a 53.9% increase versus prior full year 2016;
- The Company declares a final fully franked dividend of 4.2 cents per share, which together with the 2.5 cent interim dividend, represents a 39.6% increase on full year 2016; and
- FY18 EBITDA outlook for growth to comfortably exceed the 30.7% increase achieved in FY17, following the acquisition of Mineral Fusion.

⁽¹⁾ normalised amounts exclude \$4.2 million of one-off costs incurred on the acquisition of Mineral Fusion

BWX Chief Executive Officer, Mr John Humble, said “The continued growth in the sales of Sukin branded product during the period has again increased the Company’s underlying profits by 30.7%. We have seen the growth in Sukin sales maintained through the second half of FY17, having increased 48.8% versus pcp. With this continued growth in sales and profitability we have continued to invest and develop our international platform to drive future growth.”

“Throughout 2017 after a strong first half, in the second half we have continued to see strong growth in our domestic market driven by more effective execution and distribution, with more product on more shelves, better presentation of product in stores and new product releases.”

“In parallel to these domestic activities, we have been positioning ourselves to grow our export markets where we have seen an increase in export sales of 103.2% as we continue to implement and initiate our long-term strategies for markets such as the UK, China and Canada. In FY17 we have continued to develop our export markets, with Sukin export sales contributing 23% of total Sukin sales revenue. During the course of FY17, we established direct distribution in Malaysia and made our first Sukin sales directly to Vietnam. We are continuing to identify new export opportunities for our Sukin brand and assess each market on an individual basis, with many opportunities already identified. The strategic acquisition of Mineral Fusion in the US is expected to provide us with such an opportunity.”

Earnings Highlights for the BWX Limited Group			
	FY16	FY17	% growth
	\$'m	\$'m	
Revenue	54.3	72.7	34.0%
Gross profit	33.7	47.6	41.3%
Operating expenses	-14.4	-21.3	47.9%
EBITDA (normalised) ⁽¹⁾	20.2	26.4	30.7%
EBITDA (statutory)	19.8	22.2	12.1%
Net profit after tax (normalised) ⁽¹⁾	12.4	17.6	41.9%
Net profit after tax (statutory)	12.0	13.4	11.7%
Gross margin	62.1%	65.5%	340 bpts
Basic EPS (cents per share)	14.1	14.6	3.5%
Diluted EPS (cents per share)	13.0	13.7	5.4%
Net cash/(debt)	3.9	3.6	n/a

¹ EBITDA and NPAT have been normalised to remove the one-off transaction costs associated with the acquisition of Mineral Fusion which completed on 30 June 2017. EPS has also been effected by acquisition costs incurred by the Company on the acquisition of Mineral Fusion.

Mr Humble said, “As we have continued to develop our export markets, in FY17, each of our UK, Chinese and Canadian markets have now surpassed New Zealand in sales revenue. We have incorporated an operating subsidiary in Malaysia to deal with our growing distribution in that market. We have also incorporated BWX in India, in order to undertake product registration to facilitate distribution in the Indian market. With the CBEC regulatory changes in China during the year, we have gained comfort in allocating dedicated resources to building a growing, sustainable brand presence within the Chinese market and are actively supporting both our diagogu and export partners.”

Mr Humble said, “Despite a light promotional period at the beginning of the second half, Sukin sales have continued to grow strongly in the domestic market during the second half, up 38.6% versus pcp. We continue to realise the benefits of further integrating the Lightning distribution sales field team and moving to a National Distribution for our pharmacy accounts.”

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“During FY17 the Company has continued to improve gross margins which have benefitted from the continued rationalisation of the Company’s third party manufacturing activities, less aggressive price discounting during the period and the procurement benefits of increased scale. We have maintained our capex programme at a cost equivalent to between 1% and 2% of net revenues. This programme is designed to provide both on-going productivity gains and increased production capacity to stay ahead of forecast growth.”

Mr Humble went on to say, “Whilst the Sukin brand has certainly been a focus, the Company is beginning to realise opportunities with our other brands, such as Uspa and DermaSukin.”

Mineral Fusion Acquisition

On 30 June 2017, the Company acquired Mineral Fusion National Brands LLC, the owner of Mineral Fusion, the number one natural cosmetics brand in the US distributed in the natural channel, for cash consideration of USD\$38.4 million excluding working capital and costs of the acquisition, plus a potential earn out of USD\$4.6 million.

The Company incurred \$4.2 million in one-off costs associated with the acquisition of the Mineral Fusion business which have impacted the statutory NPAT and EPS for the Company’s FY17 results.

The acquisition was funded by the draw down of USD\$22.5 million and AUD\$28.1 million acquisition facilities, which sees the net debt position for the Company at 30 June 2017 at AUD\$57 million.

The Mineral Fusion brand of natural cosmetics will provide significant 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. In addition, the business will be seeking to expand the distribution of Mineral Fusion branded products outside the US, leveraging the strong retail relationships Sukin has developed in the domestic and international markets. The acquisition delivers a new growth category of products to the BWX group.

Final Dividend Declared

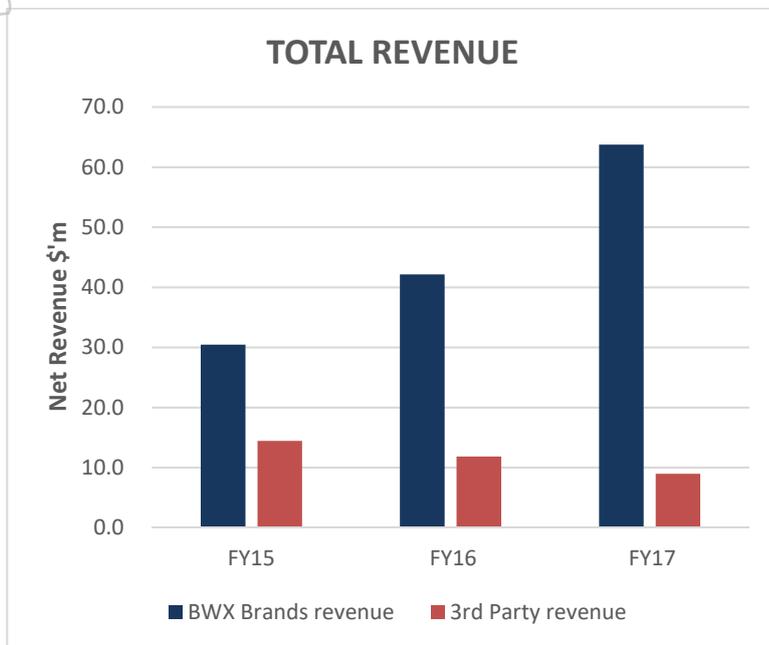
The Directors are pleased to declare a final fully franked dividend to shareholders of 4.2 cents per share, having been determined in respect of the year ended 30 June 2017, payable on 12 October 2017. The dividend is in line with the Company’s continuing annual dividend payout ratio guidance of between 35% and 50% of NPAT.

Full Year 2018 Outlook

With the ongoing strategic initiatives we have in place, aimed at continuing to grow our brands across our existing domestic and expanding International platforms, combined with the expected contribution from recently acquired Mineral Fusion, we look forward to the continued growth of the Company and expect growth in FY18 EBITDA to comfortably exceed the 30.7% increase achieved in FY17, assuming stable market and economic conditions during the period.

FY17 Financial Performance

Revenue



Total net revenue for FY17 grew by 34.6% to \$72.7m. This includes:

- (a) a 53.9% growth in the total sales of Sukin product from the corresponding FY16
- (b) a 103.2% growth in the export sales of Sukin product from the corresponding FY16; and
- (c) in line with the Company’s stated objective, the continued reduction in non-strategic third party manufacturing saw this revenue source decrease from \$10.8m in FY16 to \$3.1m in FY17, a reduction of 71.3% or \$7.7m.

Gross profit margin

The gross profit margin has improved to 65.5% during FY17 from 62.1% in the corresponding prior period. This margin expansion is broadly in line with the continued realisation of efficiencies through economies of scale brought about by the higher level of sales of Sukin products, less aggressive price discounting during the period, manufacturing and operational efficiencies, and an improved manufacturing mix of product from the reduction in third party manufacturing.

Operating expenses

Investment in operating expenses for FY17 (\$21.3m) increased significantly as compared to FY16 (\$14.4m), in line with Company expectations. The primary drivers of this cost expansion were:

- A full year of operating costs of Lightning Distribution which the Company did not have prior to the acquisition of this business in March 2016;
- The introduction of a short term incentive bonus structure which was effective for FY17; and

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- Increased investment in the form of:
 - (a) the recruitment of additional resources and capabilities;
 - (b) a greater level of marketing and promotional activities; and
 - (c) the establishment of physical operations in export territories.

Cash generation and working capital

Net cash flows from operating activities for FY17 was \$13.4m and demonstrated a higher level of cash conversion from FY16 and in line with 1HFY17. The business (ex Mineral Fusion) was able to support the level of sales increase, both domestically and in export markets and continue the expansion into export territories with little increase in the level of inventories, finished goods on hand and receivables as compared to 31 December 2017.

Capital expenditure

During FY17 the Company invested approximately \$0.9m in the purchase of property, plant and equipment, which included the purchase of capital equipment required to ensure production capabilities remain ahead of the forecast growth in demand for Sukin products. The level of capital expenditure is expected to remain within 1% to 2% of net revenues on an annual basis.

BWX Management will be hosting a Results Briefing on Wednesday 16 August 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 skin and hair care products with an emphasis on the natural segment of the beauty and personal care market.

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

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