



ASX / BWX

ASX Announcement

18 October 2016

2016 ANNUAL GENERAL MEETING CEO ADDRESS

Melbourne, Australia – BWX Limited (ASX: BWX) is pleased to provide the CEO and Managing Director's, Mr John Humble, address to the Company's Annual General Meeting of Shareholders held today.

"The Company would like to take this opportunity to update the market on our progress throughout Q1FY17.

Domestic Sales

As reported in our FY16 Annual Report, domestic trading conditions experienced in Q1FY17 remained stable with continued solid demand across our retail network.

Supported by our in-house sales force, acquired through BWX's recent purchase of the Lightning Distribution business, our relationships with our retail partners continue to strengthen with sales increasing across all segments of our domestic market.

H1FY17 will see the first release of Sukin's value added Christmas packs, designed to increase awareness of the Sukin brand and broaden our consumer base. Each of these value packs have been well supported in the market with particular appeal to our Chinese export customers.

In terms of new product development, our previously released Oil Balancing sub-range continues to perform well. Additionally, our newly introduced Sukin Baby range has enjoyed widespread acceptance across our distribution network and is now being supported by promotional and catalogue activity designed to establish a presence in the category of Baby Skin Care.

Export Markets

Developing sustainable export markets continues to be a major focus for the Company throughout FY17.

To this end we have established an international sales office to deal with the growing number of sales enquiries we are generating.

We are currently investigating early stage opportunities in Spain, Poland, UAE, Malaysia, India and Hong Kong.

In addition to our geographies of New Zealand and Singapore, both of which are expected to continue to grow in line with their recent trends, we expect contribution from our emerging markets

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of the UK and China to lift our total share of revenues generated from exports to grow from approximately 17% in FY16 to in excess of 25% in FY17.

United Kingdom

In the UK we continue to supply our existing network of independent pharmacy and health food retailers through our local distribution partner.

In addition, we have established BWX Brands UK Ltd to directly service and manage our key accounts such as Holland and Barrett (Q4FY16 roll out to 700 health food stores) and Boots (Q2FY17 rollout to 220 leading pharmacies) and pursue further distribution in the UK. Whilst we expect to be profitable in the UK in FY17 we expect a substantially more material contribution in FY18.

China

Our strategy in engaging with domestic export partners to service the wide range of e-commerce platforms in China has seen a build in demand for Sukin product in the lead up to the Chinese gifting event of "Singles Day " which will take place on 11/11.

We are encouraged by the momentum of sales through the Chinese e-commerce market however a longer period of activity is required to fully understand the true underlying growth trend in this market.

Canada

The most recent development in our export markets is our activity in Canada. The Company is well advanced in establishing a co-operative distribution relationship aimed at broadening the retailing base in Canada from predominately health food retailers to the wider pharmacy and beauty category. A successful Canadian expansion is expected to positively impact revenues in FY18.

Capacity

For a company experiencing such high levels of growth, continuity of supply is critical. It is very pleasing to note that, despite a considerable increase in demand for products, we are currently meeting the demand on a single shift operation with considerable headspace in capacity available. Through our rolling CAPEX program, equal to between 1% and 2% of net revenues per annum, we aim to consistently remain six months ahead of forecast increases in demand.

As a result of our acquisition of Lightning Distribution, we also have an increased level of finished stock available to draw down should demand grow significantly ahead of forecast.

Our business is as much about our people as the products that we produce. In recognition of this, we continue to invest in our human resources across all levels of the business, from the production floor to executive management, to ensure we remain not only competitive on a global scale but as well prepared as possible for our future growth.

Summary

Finally, I'd like to take this opportunity to thank all of our dedicated staff that have made the last year possible.

In summary, it's been an exciting period of growth for BWX and the continuing trajectory of sales growth across our markets gives us a high level of confidence in our FY17 EBITDA guidance of \$26.2 million, being 30% growth on the FY16 result."

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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, DermaSukin, Uspa, Edward Beale, and Renew Skincare brands.

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