

ASX Announcement

26 February 2021

BWX LIMITED – 1H21 FINANCIAL RESULTS

Highlights

- On track to meet full year FY21 guidance of at least 10% revenue and 10% EBITDA growth
- Net revenue increased on a constant currency basis by 3.4%, which is FX adjusted 0.6% to \$84.5m (1H20: \$84.1m)
- Reported EBITDA¹ up 53.5% to \$17.5m (1H20: \$11.4m)
- Underlying EBITDA increased 1.4% to \$11.7m (1H20: \$11.6m)
- Statutory NPAT¹ increased 133.1% to \$9.9m (1H20: \$4.2m)
- Strong balance sheet with net cash position increasing 171% to \$77.7m; strong cash conversion of 83.8%
- Fully franked interim dividend of 1.0 cent per share
- Marketing investment as a percentage of net revenue continues to grow year-on-year at 14.2% in line with target range and reflecting a commitment to educating consumers on the benefits of Natural
- Further efficiency gains supported the delivery of a total operating expenses ratio of 42.4% down 0.2% on prior corresponding period

Post Period End Update

- Equity-linked strategic alliance with Chemist Warehouse Group to fuel growth of Sukin, Andalou Naturals and Mineral Fusion in Australia and international markets
- Woolworths Group retail partnership will see Sukin launched in 930 Woolworths stores
- The first 10 direct-to-consumer (D2C) websites to be launched across 5 countries via The Hut Group
- Distribution gains in global retailers and relaunch of Mineral Fusion in Wholefoods to help drive North American revenue recovery
- BWX Tomorrow forms alliance with the co-founders of major global skincare brand: “YES To”, to launch new masstige natural skincare brands

Melbourne, Australia – BWX Limited (ASX: BWX or “the Group”) today announced its first half results for the period ended 31 December 2020 (1H21). The Group has delivered moderate overall growth in its first half financial performance, reflecting the varying impacts of COVID-19 by region.

Compared to the prior corresponding period (pcp), net revenue increased 0.6% to \$84.5m (or 3.4% on comparable constant currency basis) and underlying EBITDA increased 1.4% to \$11.7m (or 53.5% to \$17.5m on reported EBITDA basis). Reported net profit after tax (NPAT) was \$9.9m, a 133.1% increase on pcp. The Group ended the first half with an improved cash position of \$77.7m and an improved net debt position of \$12.1m (excl. AASB 16 Leases and \$33.7m relating to the new operations facility), 62% lower vs 30 June 2020 and down 70% year-on-year.

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

“The 2021 financial year continues to require a proactive and responsive approach to managing through the global pandemic. While each of our key markets are at varying stages of recovery, BWX has continued to demonstrate resilience during the period and remains committed to delivering on our revenue and earnings

¹ Includes a \$5.8m one-off benefit 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

expectations for the full year.

In our Asia Pacific markets, we have continued to strengthen and grow our business by increasing accessibility to our brands both in-store and online. Our American and European operations, however, have been more challenged by the external environment, and sales in these regions were impacted by retailer closures and COVID-19 related out-of-stock and supply chain issues.

The first half financial outcomes reflect this mixed geographic performance but do not dampen our enthusiasm for the remainder of the financial year. Sales performance is trending closer to expected levels which puts us on a solid growth trajectory for the full year. During the period, total points of distribution increased by 45,000 across Pharmacy, Grocery, Mass and Online – and this rate continues into the second half, particularly with new strategic partnerships coming into effect as announced today with Chemist Warehouse, Woolworths, and Walmart in Canada.

The pandemic has not disrupted our Three-Year Strategic Plan, with the construction of our world-class manufacturing facility progressing to plan. We will continue to innovate while unlocking new direct-to-consumer channels and strategic partnerships to capture more share for our brands in the fast-growing natural personal care market globally.”

PERFORMANCE BY BRAND AND OPERATING SEGMENT

Net revenue (AUD millions)	1H FY20	1H FY21	% change	% change cc rate	% of Group Revenue
Sukin	\$33.1	\$37.1	+12%	+12%	44
Andalou Naturals	\$26.7	\$21.8	-18%	-14%	26
Mineral Fusion	\$12.7	\$12.0	-5%	0%	14
Nourished Life	\$11.3	\$13.4	+18%	+18%	16
Other	\$0.3	\$0.2	-33%	-33%	0
Total	\$84.1	\$84.5	+0.6%	+3.4%	100

Total revenue for 1H FY21 revenue includes \$0.2m from other brands including USPA

APAC and International segment

Sukin continues to dominate the Natural skincare market across Australian Pharmacy and Grocery channels. Sukin’s category expansion for body and hair is producing good results, with the brand gaining more share of the Natural category for both categories in Coles supermarkets as well as in the Pharmacy channel. Sukin is now the #1 Natural Haircare brand in Australian Pharmacy².

The brand continues to expand its accessibility to consumers via D2C platforms both locally and offshore. Further progress is being made towards the longer term objective of unlocking a \$50m supermarket skincare business in Australia following the securement of Woolworths Group as a retail partner for Sukin, significantly increasing the brand’s availability to more consumers across Australia with 50,000 new distribution points.

In Australia, sales of Anadolu Naturals have grown 20% with the brand increasing in popularity amongst local consumers as evidenced by its rise to become the ninth ranked Natural brand in Australian pharmacy channel (up from #11 in 1H20). Mineral Fusion is now available to Australian consumers via the Nourished Life platform which will underpin its growth in this market, alongside the Chemist Warehouse platform, as customer demand for Natural cosmetics accelerates.

² IRI Market Edge Data – AU Pharmacy (Natural) Skin Care – Dollars Share – Dec 20

Nourished Life experienced solid growth in the half, reflecting the benefit of strategic marketing investment which utilises customer insights and personalisation to engage across the entire lifecycle, directly improving customer growth. Website sessions and basket size grew in the first half, and the Group is continuing to automate more processes to further improve margin performance. New contacts on the platform increased 60% on pcp.

Sukin continues to expand its market share across The Americas, while in Europe, BWX's strategic partnership with The Hut Group offers the brand a holistic e-commerce platform solution for growing its footprint in the region during 2H.

Americas segment

Anadolu Natural's 1H21 performance was impacted by what are considered to be temporary issues, including worsening retail conditions in its USA home market, in addition to supply chain and stock shortages as retailers navigated ongoing impacts of the pandemic against a backdrop of political instability. On a constant currency basis, Andalou Naturals' Q2 performance is on an upward trend with performance up 14% versus Q1.

Mineral Fusion 1H21 sales were impacted by the weaker category performance for cosmetics overall due to the pandemic's impact on social activities. This category was down 30-40% globally and historically represented the majority of Mineral Fusion sales. On a constant currency basis, Mineral Fusion's Q2 performance increased by 23% versus Q1, showing a rise in consumer demand for the category, and we are pleased with the consumer uptake on our self-selected packaging. New display units being rolled out for Mineral Fusion across UNIFI and Sprouts incorporate virtual online testing and window swatch packaging, each designed to attract more hygiene-conscious consumers to the brand as category demand recovers.

2H21 distribution gains with key retailers (including Walmart in Canada; UNIFI and Sprouts in USA) as well as online (Amazon, iHerb, Vitacost) are expected to generate significant growth in 2H21 in tandem with a North American led retail recovery.

KEY OPERATIONAL AND STRATEGIC DEVELOPMENTS

In August 2020, a successful [\\$52m capital raising](#) was completed, of which nearly \$34m will be invested to construct a state-of-the-art operations and manufacturing facility in Clayton, Victoria. All key milestones are on track in terms of the development and the capital equipment.

Consumer marketing investment was 14.2% of net revenue, enabling BWX to connect directly with consumers which proved critical during the swift migration to online during the pandemic. During the half, sales via BWX's own brand.com websites (Sukin, Andalou Naturals, Mineral Fusion) grew by 260%, while 28% of total group revenues are now online.

BWX Tomorrow, the Group's dedicated investment arm, is delivering immediate traction adding two further investments in 1H21, including a minority stake in GoodnessMe, and an alliance with the founders of "YES To" Skincare to launch new masstige natural skincare brands.

FINANCIAL REVIEW

BWX reported a NPAT of \$9.9m, a 133.1% increase on pcp. This was boosted by a one-off benefit of \$5.8m. Net revenue increased 0.6% to \$84.5m, or by 3.4% on a constant currency basis. Gross margin in the period was 55.1%. Skincare margins continue to grow and the decline of 61bps was completely driven by margin mix as we unlock hair and body categories. EBITDA margins improved on pcp.

The Group maintains a strong balance sheet supported by a significantly improved cash position of \$77.7m, an increase of 171% compared to June 2020, and includes proceeds from the successful capital raising. Receivables decreased by 27.2% and inventory increased by 5.8% compared to June 2020, to support heightened demand for key products during COVID-19.

Working capital was well maintained, while operating expenses remained in line with the pcp and linked to strategic investment in marketing, people and capability. A disciplined approach ensures this spend continues to sit well below sales growth. A fully franked interim dividend of 1.0 cent per share has been determined and is within the dividend payout guidance of 35-50% of underlying NPAT.

FY21 OUTLOOK

The Group continues to closely monitor external market conditions while executing against growth plans to capture greater market share for our brands. BWX reaffirms its full year guidance of 10% growth in revenue and 10% growth in EBITDA. Notwithstanding the challenging trading environment in the USA, we are seeing improving sales trends and have scheduled distribution gains across all geographies and channels in 2H which will help drive revenue recovery in certain segments.

This outlook is further underpinned by strong brand health and new product development; targeted marketing investment; and operational efficiencies, in addition to a range of strategic initiatives including:

- Chemist Warehouse equity partnership will continue to fuel growth of Sukin, Andalou Naturals and Mineral Fusion in Australia and international markets
- Woolworths Group retail partnership will see Sukin launched in 930 Woolworths (from Q3)
- The Hut Group collaboration to go live, rolling out the first ten D2C websites for Sukin and Andalou Naturals launching in 2H21
- Distribution gains in North American retailers including Walmart (Canada) and natural supermarkets as well as relaunch of Mineral Fusion as lead brand in Wholefood Markets
- Continue investment in all D2C channels and partners with very strong growth accelerating in 2H

In alignment with our Three Year Strategic Plan and our four strategic pillars, BWX is well positioned to unlock more growth while capturing opportunities to lead the Natural wellness revolution.

ENDS

BWX will host a Results Briefing and Webcast on **Friday 26 February at 9.30am AEDT**.

Participants are requested to pre-register for the event via the below link.

<https://s1.c-conf.com/diamondpass/10012062-h4d1jh.html>

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

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