

ASX Announcement

25 February 2022

BWV LIMITED – H1 FY22 FINANCIAL RESULTS

Key Highlights

- Strong Group underlying revenue growth of 26.5% and EBITDA growth of 26.2% vs pcp, supported by recent acquisitions and momentum in USA segment
- Statutory revenue of \$103.4m and Statutory NPAT of -\$2.3m
- Completion of Flora & Fauna acquisition in 1Q22 and Go-To Skincare in 2Q22; integration and synergies on target; three-year growth strategy established for Go-To Skincare
- Core brand margin improved 334 basis points vs pcp to 58.5%, lifting Group gross margin 206 basis points vs pcp to 55.7%
- Global points of distribution at 1.6m and on track to achieve 2m target by end FY22
- Clayton Facility supporting a step change in operational and financial performance, targeting 300 basis point margin accretion from FY23
- Solid balance sheet supporting reinvestment for longer-term growth
- BWV anticipates strong underlying revenue and EBITDA growth in FY22 with performance 2H weighted, while continuing to monitor the external COVID-impacted trading environment

Melbourne, Australia – BWV Limited (ASX:BWV or “the Group”) today announced its first half results for the period ended 31 December 2021 (1H22). The Group has delivered strong underlying revenue and EBITDA growth in its first half financial performance, driven by core brand and acquisition-led growth across Australia/International and USA segments.

Sales performance for the USA segment increased 12% driven by growth in brands Mineral Fusion (+33.3% vs pcp) and Andalou Naturals (+5.5% vs pcp) as consumer demand gains momentum. BWV core brands continue their global expansion across key regions and remain on track to achieve their respective distribution targets to reach 2 million total by the end of FY22.

Group Performance Overview

A\$m	1H22	1H21	change
Underlying Revenue ¹	106.9	84.5	26.5%
Underlying Revenue Like-for-Like ²	88.5	84.5	5.0%
EBITDA ³	14.3	11.3	26.2%
Underlying NPAT ³	4.7	3.8	22.1%
Statutory NPAT ⁴	-2.3	9.7	-124.2%

1. Includes 6-month contribution of Flora & Fauna and 3-month contribution of Go-To (‘acquisitions’) and excludes the \$3.5m Chemist Warehouse cost of equity-linked strategic partnership expense
2. Excludes acquisitions and \$3.5m Chemist Warehouse cost of equity-linked strategic partnership expense.
3. Non-IFRS measures that exclude \$3.0m in one-off acquisition costs and \$3.5m Chemist Warehouse cost of equity-linked partnership expense. See slide 8 in the investor presentation for a reconciliation of Statutory to Underlying results.
4. Statutory NPAT results impacted by a 1H21 A\$5.8m one-off benefit following agreement on the final consideration payable under the Egede Compensation Plan, and a 1H22 costs in the \$3.5m Chemist Warehouse cost of equity-linked strategic partnership expense and \$3.0m in one-off acquisition costs.

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

“During 1H22, the Group delivered strong underlying growth despite a heavily impacted first quarter which saw ~7% of our total distribution points forced to close in line with Government responses to COVID outbreaks across key regions. The second quarter reflected stronger sales momentum which is continuing to accelerate and – coupled with a strong performance in our USA segment – demonstrates a broader retail-led recovery as consumers return to socialising and in-store shopping.

“BWV’s unique global scale and diverse brand portfolio continued to connect with more consumers and retail partners as we deliver omnichannel distribution gains. Our direct-to-consumer offering now accounts for 41% of group revenues, with the acquisition of Flora & Fauna and controlling interest in Go-To Skincare diversifying our growth opportunities in Australia and offshore.

“Our growth strategy is simplifying with the focus on execution as we complete the transition to our new head office and manufacturing facility in Clayton, Victoria. There is a significant amount of growth and efficiency to unlock through this asset and we have the team in place to deliver it.”

FINANCIAL PERFORMANCE

BWV’s underlying business delivered strong revenue and EBITDA growth despite widespread pandemic related disruption in the trading period. The Group recorded underlying revenue for 1H22 of \$106.9 million, a 26.5% increase on the prior period, reflecting three- and six-month contributions from the acquisitions of Go-To Skincare (‘Go-To’) and Flora & Fauna respectively. Excluding acquisitions, underlying revenue increased 5% to \$88.5m, supported by the continuing recovery of the US market. Statutory revenue was \$103.4m.

EBITDA increased to \$14.3 million, up 26.2% on the prior corresponding period despite incurring \$1 million in higher freight costs impacting EBITDA and inventory values. Underlying NPAT was \$4.7 million, up 22.1% on the prior period. On a Statutory basis, NPAT was -\$2.3. The decline was driven by the one-off impact of a \$5.8m benefit in 1H21 from settlement of the Egide Compensation Plan to the sellers of the Andalous Naturals business, and costs in 1H22 including one-off acquisition charges of \$3.0m and \$3.5m Chemist Warehouse cost of equity-linked strategic partnership expense.

BWV’s core brand margin was 58.5%, a 334 basis point improvement compared to the corresponding period, lifting Group gross margin to 55.7%. The strong margin uplift was supported by efficiency gains in areas including procurement and sourcing.

SEGMENT PERFORMANCE

Segment Performance Overview			
A\$m	1H22	1H21	change
Australia/International ¹	41.3	33.3	24.0%
BWV Digital ²	19.6	13.4	47.0%
USA	42.4	37.9	12.0%
Total	103.4	84.5	22.0%

1. 1H22 revenue includes 3-month contribution of Go-To
2. 1H22 revenue includes 6-month contribution Flora & Fauna

As a result of recent acquisitions, BWX has changed its segment reporting to better align with the Group's new organisational structure and strategic direction. BWX's operating segments are based on the geographic location where the management of the sale originates.

The Australia/International segment, which now comprises Go-To, contributed 1H22 revenue of \$41.3 million, supported by the continued expansion of Sukin globally; the launch of Andalou Naturals in the UK; and a three-month contribution from Go-To, which launched its Gro-To range in David Jones Australia and Bloomingdales USA. The performance of the segment was impacted heavily by COVID-19 related shutdowns of distribution points in the first quarter, with an improving trajectory as the half progressed.

The USA segment, which also includes Canada, recorded revenue of \$42.4 million, an increase of 12% on the prior period. The performance was driven by strong growth from both Andalou Naturals and Mineral Fusion, supported by a 27% increase in distribution points in the period compared to the prior half. BWX increased penetration in the Food, Drug and Mass categories during the first half and all three core brands are under trial with a major US-based department store.

A new operating segment – Digital – comprises BWX's e-commerce platforms Nourished Life and Flora & Fauna, which contributed a full period of results to the half year. The Digital segment recorded 1H22 revenue of \$19.6 million. Flora & Fauna delivered revenue growth of 3.4%, despite cycling strong sales growth in the pcp. While Nourished Life revenue declined during the half, a strong focus on synergy realisation, operational efficiencies and more targeted promotional activity delivered a 450% increase in profitability compared to the prior corresponding period.

STRATEGIC DEVELOPMENTS

The Group maintained its strong focus on executing its strategic priorities during the first half. BWX's new Clayton Facility opened at the start of CY22 after successfully recouping a 10-week construction delay related to COVID impacts in Victoria.

Growth in BWX's global points of distribution increased by 21% vs pcp to 1.6 million, ensuring the Group is on track to reach its 2 million target by the end of FY22. The acceleration of BWX's direct-to-consumer model continued during first half with total online revenues contributing 41% of Group revenue during the period. This was contributed to by Flora & Fauna, acquired 1 July 2021, and a 50.1% stake in Go-To, acquired 30 September 2021 following a successful \$89 million capital raising. Development of a three-year growth strategy for Go-To by channel and region was completed in the half and execution has commenced.

The Board initiated a CEO succession plan post-period end, with Mr Rory Gratton to succeed Mr Dave Fenlon on 1 March 2022 as Group CEO and Managing Director. Mr Fenlon will remain on the BWX Board as a Non-Executive Director.

FINANCIAL POSITION

The Group maintains a robust balance sheet supported by a healthy cash position of \$58.4 million (30 June 2021: \$70.5m). The Group's operating cash flow of \$2.3m reflects the strategic inventory build and reflects the sustainable approach to working capital management, which is well maintained to support sales growth along with new product development and distribution gains across the group.

Inventory increased by \$20.1m to \$64.1 million compared to June 2021, due to stock build for the transition into the new manufacturing facility, acquired businesses, and additional safety stock to navigate supply chain disruptions. Excluding the transition stock increase, inventory increased 9.7% during 1H22.

The deepening connectivity between BWX brands and consumers benefited from ongoing strategic marketing investment, representing 15% of net revenue for the 1H22 period.

Operating expenses increased by 33.3% on 1H21 as a result of the acquired businesses and strategic investment across marketing initiatives along with building people and capability across the group. Capex has increased to support the new manufacturing facility and is in line with expectations.

OUTLOOK

BWX anticipates strong underlying revenue and EBITDA growth in FY22 with performance weighted to the 2H, while continuing to monitor the external COVID-impacted trading environment. This outlook is supported by sales momentum in 2Q22, which is continuing into 3Q22.

Incoming BWX Group CEO and Managing Director, Mr Rory Gration, said:

“January retail performance has maintained the strong momentum seen in the second quarter, which is encouraging. While the environment remains uncertain, our strategic priorities are simple and we will continue to execute through the unlocking of acquisition-led and organic brand growth and increasing our points of distribution. Our new Clayton Facility is a significant enabler of greater efficiency across operations and financial management, and BWX will keep reinvesting this leverage back into our brands to support longer-term value creation.”

BWX is hosting a conference call and webcast commencing at 9.00am AEDT today, which can be accessed via the links below.

Pre-registration link: <https://s1.c-conf.com/diamondpass/10019526-eo5mph.html>

Webcast of the results briefing here: <https://webcast.openbriefing.com/8439/>

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Authorised for release by the Board Directors of BWX Limited

Contacts:

Head of Group Corporate Communications
Courtney Howe
Courtney.Howe@bwxltd.com
+61 404 310 364

Domestique
Jon Snowball
investorrelations@bwxltd.com
+61 477 946 068