

# ASX Announcement

27 August 2021

## BWX LIMITED – FY21 RESULTS

### Highlights

- Revenue increased to \$194.1m on a reported basis (FY20: \$187.7m)
- Adjusted for constant currency and equity-linked strategic partnership with Chemist Warehouse<sup>1</sup>, revenue increased by 8.6% to \$203.9m
- Statutory NPAT increased 60.9% to \$23.7m (FY20: \$14.7m)
- EBITDA<sup>2</sup> increased 11.5% to \$34.5m (FY20: \$30.9m) – ahead of guidance
- Gross margin improved 134 basis points to 59.3%
- Improved cash position of \$70.5m, while cash conversion was 74.1%
- Earnings per share of 17.1c or 44.9% growth year-on-year
- Fully franked final dividend of 3.1 cents per share<sup>3</sup>
- New Operations and Manufacturing Facility within budget and on track to open at the end of CY21
- Total distribution gains at 1.43m in FY21 and on-track to deliver 42% more throughout FY22
- Continued investment in scaling the Group's direct-to-consumer model which represented 29% of FY21 Group revenues, excluding Flora & Fauna acquisition which completed July 2021
- Separately announced the acquisition of a 50.1% stake controlling interest in leading Australian brand Go-To Skincare to form a strategic partnership, along with details of a capital raising for ~\$100.0m to fund the investment via an Institutional Placement and a Share Purchase Plan, which provides expansion into the "masstige" skin care subcategory

**Melbourne, Australia** – BWX Limited (ASX: "BWXL" or "the Group") today announces its financial results for the full year ending 30 June 2021. Group revenue increased 8.6% to \$203.9m on a constant currency basis. Net revenue increased due to strong sales volumes reflecting recovery in some regions from pandemic conditions and increased consumer adoption of retail omni-channel options, including direct-to-consumer (D2C) models.

The Group delivered underlying EBITDA growth of 11.5% to \$34.5m; and an increase in statutory NPAT of 60.9% to \$23.7m; while gross margin improved 134bps to 59.3% for the period.

BWX ended the financial year with a solid cash position of \$70.5m and an improved net debt position of \$52.4m at 30 June 2021 (improving from a net debt position of \$70.3m in FY20), the result of operational discipline and efficiency.

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

*"BWXL has recorded another solid financial performance in FY21. Despite continual COVID-19 related retail lockdowns, we achieved growth in sales, gross margin and profit, with increased market share across our core categories of skincare, body and hair. Our future trajectory has never been stronger."*

*In FY21 we accelerated our growth in distribution points for our brands Sukin, Andalou Naturals and Mineral Fusion through our new strategic partnership with Chemist Warehouse, and new partnership with Woolworths Australia, and Walmart Canada, as well investment in our direct-to-consumer model to meet growing*

<sup>1</sup> Constant currency excludes FX impact from USD. This is a non-IFRS measure, and excludes \$0.2m Share-Based payment expense relating to the equity-linked strategic partnership with Chemist Warehouse.

<sup>2</sup> EBITDA is a non-IFRS measure that excludes a net \$5.9m benefit comprising of \$6.9m of Acquisition Related Benefits, \$0.2m Share-Based payment relating to the equity-linked strategic partnership with Chemist Warehouse, and \$0.8m impact of IFRIC agenda decision on configuration and customisation costs in cloud computing arrangements.

<sup>3</sup> On 27 August 2021, BWXL declared its intention to raise approximately \$100.0m from an Institutional Placement and Share Purchase Plan. Assuming that these shares are issued prior to the record date, and on the assumption that the full amount is raised, BWXL anticipates that it would pay a fully-franked final dividend of 3.1 cents per share.

consumer demand. We maintained a disciplined approach to our cost base while extracting efficiencies across manufacturing, supply chain and procurement. I'm incredibly proud of our team, who have worked passionately in difficult circumstances to support each other, our retail partners and consumers through an ongoing pandemic, to deliver growth for our brands and products across all channels and regions. We enter financial year 2022 with momentum and a good execution against our Three Year Strategic Roadmap, and our soon-to-be opened manufacturing facility is expected to deliver a step change in both financial and operating performance.

The current environment requires a proactive and responsive approach. While we continue to monitor our key markets – which are at varying stages of recovery – we are confident we have the right strategy and we are in the right category.”

## PERFORMANCE BY SEGMENT

Sales in our Australia & International region increased 12.3% to \$118.2m (FY20: \$105.6m). While sales were down in USA by 8.1% to \$75.9m (FY20: \$82.1m), on a constant currency basis<sup>4</sup>, USA sales increased 3.7%.

## PERFORMANCE BY BRAND

Net Revenue <sup>5</sup> (\$A millions)	FY20	1H FY21	2H FY21	FY21	% change YoY	% change CC rate	% Group Revenue
Sukin	81.7	37.1	57.9	95.0	16%		49%
Andalou Naturals	53.3	21.8	25.8	47.6	(11)%	0%	24%
Mineral Fusion	28.4	12.0	14.3	26.3	(7)%	4%	14%
Nourished Life	24.1	13.4	11.7	25.2	4%		13%
Other	0.2	0.2	0.1	0.3			
<b>TOTAL</b>	<b>187.7</b>	<b>84.5</b>	<b>109.8</b>	<b>194.3</b>	<b>3.5%</b>	<b>8.6%</b>	<b>100%</b>

CC = constant currency

### Sukin

Sukin net sales for FY21 were \$95.0m, an increase of 16% over FY20. Revenue for the second half was \$57.9m, up 56% on first half revenue of \$37.1m.

Sukin continues to dominate the Natural skincare market across Australian Pharmacy and Grocery channels with minimal cannibalisation. The brand was launched into Woolworths in Q4 FY21 and immediately became the #1 Natural skincare brand and #6 Total skincare brand<sup>6</sup>, which is encouraging for BWX's \$50m supermarket skincare revenue target by FY23.

Gross margins remained at 70-72%, despite a growing portion of revenue being derived from lower-margin categories of Body (23%) and Hair (20%). Sukin remains the #1 Natural Haircare brand in Australian Pharmacy<sup>6</sup>.

Sukin's connection with consumers is increasing, and successfully attracting more consumers to the Natural category with points of distribution at 635,788 by the end of FY21. Targeted expansion throughout all sales channels and across key markets of Asia Pacific, the Americas and Europe will see Sukin's distribution grow by a further 47% to over 935,422 by the end of FY22, if targets are met.

### Andalou Naturals

Andalou Naturals net sales for FY21 were \$47.6m, 11% down on FY20, or flat on FY20 on a constant currency basis. Revenue for the second half was \$25.8 million, up 18% on first half revenue of \$21.8 million as Andalou Naturals continued to increase points of distribution across all sales channels.

Like for like sales were impacted while retailers navigated COVID-19, particularly in the US and EU markets where recovery was slower. The higher proportion of international sales meant Andalou Naturals was impacted

<sup>4</sup> Constant currency excludes FX impact from USD. This is a non-IFRS measure.

<sup>5</sup> Excludes \$0.2m Share-Based payment expense relating to the equity-linked strategic partnership with Chemist Warehouse. This is a non-IFRS measure.

<sup>6</sup> Data sourced from IRI Market Edge MAT to 27/06/2021 based on data definitions provided by Sukin Australia

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by currency movements more than the other brands.

Gross margins remained healthy during FY21, improving to 49-51% from 47-50% in FY20, driven by NPD improving revenue per litre. Andalou Naturals remains the #1 Natural Facial Skincare brand, and with increased market share is now the #5 Haircare and Body Care brand in the US Natural channel<sup>4</sup>. Andalou Naturals delivered 382,934 points of distribution by the end of FY21, and through accelerating the brand's global multi-channel roll out, is expected to achieve 36% more with 522,053 points targeted by the end of FY22.

### Mineral Fusion

Mineral Fusion net sales for FY21 were \$26.3m, a decrease of 7% on FY20, but on a constant currency basis was up 4%. Revenue for the second half was \$14.3 million, up 19% on first half revenue of \$12.0 million.

The colour cosmetics market is poised for a return to growth as recovery continues across FY22. We will drive future growth with continued investment in e-commerce and marketing, including transforming the online customer experience with innovations like virtual try-ons.

Mineral Fusion points of distribution were 407,624 at the end of FY21, and are targeted to expand a further 38% to 564,094 by the end of FY22.

### Nourished Life

Nourished Life net sales for FY21 were \$25.2m, an increase of 4% on FY20. This performance reflected investment in customer segmentation and personalisation, leading to increased website traffic and an average basket size increase of 17% over FY20. New users on the platform increased 28% on FY20.

Nourished Life improved profitability during the period, reducing frequency of promotional activity but increasing its effectiveness, while continuing to focus on improving the online customer journey and automating online processes to further improve margin performance and reduce churn. The platform launched 67 new brands and more than 2,450 new products in FY21 while exiting underperforming brands.

New product development is expected to drive growth in FY22, along with the acquisition of Flora & Fauna during the year which established a new Direct to Consumer (**D2C**) unit within the BWV Group and is expected to drive growth via cross-selling opportunities and range expansion.

## KEY OPERATIONAL AND STRATEGIC DEVELOPMENTS

FY21 marked the Company's first full year of execution against the Three Year Strategic Roadmap, which is underpinned by measured success against the four strategic pillars.

**Connecting to Consumers** continues with a focus on building and scaling the Group's D2C model which represented 29% of FY21 revenues. This includes sales via BWV's own brand.com websites (Sukin, Andalou Naturals, Mineral Fusion) and localised websites activated in additional countries via BWV's partnership with UK-based The Hut Group.

BWV's 100% acquisition of Flora & Fauna further positions this channel to become a more significant growth engine for the Group, and together with Nourished Life, provides a leading online retail platform and opportunity to bring more consumers to the Natural category, leveraging more consumer data to support better decision making and add value across the Group's brand portfolio. BWV expects to grow D2C revenue to 38% of total Group revenue in FY23.

Marketing investment was 15% of net revenue in FY21, while new product development as a percentage of group revenue was 14%.

**Going Global, Going Mainstream** continues with 1.43 million points of distribution globally at the end of FY21, and progress towards achieving 42% growth in FY22. BWV intends to increase penetration across all consumer touchpoints including Pharmacy, Grocery, Mass Retail while deepening cross-border e-commerce opportunities to complement this global retail presence.

Further progress is being made towards our longer term objective of unlocking the \$50m supermarket skincare business in Australia, following the securement of Woolworths Group as a retail partner for Sukin which added 50,000 new distribution points during 2H21 and will continue to expand in FY22 with range extensions.

**Investing in Ourselves** continues with the under-construction world-class operations and manufacturing facility in Clayton, Victoria. All key milestones are on track and on budget and we expect this facility to have a

significant positive impact on operational efficiency and financial outcomes.

BWX's people are the core drivers of success and the Group's Employee Engagement scores remain aligned with pre-pandemic levels. During FY21 an expanded incentive scheme for all employees was launched while the BXtraSafe program delivered an 81% better safety result than targeted across all operations. A significant step in the safety compliance was met with the OHS system for the current Australian operations facility achieving ISO standard 45001-2018 certification in 2021.

**Getting Clean, Getting Healthy** continues with gross margin improving 134bps to 59.3% in FY21, supported by better procurement and sourcing initiatives. BWX's ambition to be a leader in sustainability was paved with the creation of an ESG & Sustainability Committee established at Board level to oversee ESG risks, and ensure reporting is aligned with Global Reporting Index (GRI) standards. BWX's application for B Corp accreditation was submitted during FY21 with assessment now underway. The Group is targeting 100% carbon neutrality for all brands (Sukin has been carbon neutral since 2008) and operations by 2030.

## FINANCIAL POSITION

The Group maintains a strong balance sheet supported by a significantly improved cash position of \$70.5m, up from \$28.6m at 30 June 2020, this includes proceeds from the successful capital raising. Financial liabilities reduced to \$52.5m at 30 June 2021 from \$70.3m in FY20.

Cash conversion is strong at 74.1% and highlights the healthy cash generating profile of the Group and sustainable approach to working capital management, which is well maintained to support sales growth along with new product development and global retailer launches into 2H21.

Trade and other receivables increased by 10.2% and inventory increased by 19.6% compared to June 2020, to support heightened demand for key products during COVID-19 and to support momentum in new distribution gains coming online in early FY22.

Operating expenses increased by 3.9% on FY20 as a result of controlled and strategic investment across people and opex. Marketing grew to 15% of net revenue in the year. Capex has increased to support the new manufacturing facility and is in line with expectations. A disciplined approach ensures this spend continues to sit well below sales growth.

BWX has delivered EPS growth of 44.9% year-on-year. A fully franked final dividend of 3.1 cents per share<sup>7</sup> has been determined.

## FY22 OUTLOOK

The Group continues to closely monitor external conditions with key BWX markets and regions remaining at varying stages of the COVID-19 pandemic recovery.

In Australia, the Group has experienced some variability to sales as a result of state based COVID-19 Restrictions. In North America, 2H21 performance showed encouraging signs of recovery vs 1H21, however the 1H22 performance remains subject to the COVID-19 situation in this region which remains uncertain.

Notwithstanding the near-term uncertainty, the Group expects FY22 to benefit from:

- Full year contribution from Woolworths, which commenced in 2H21;
- Full year contribution from Flora & Fauna;
- Continued strong performance of the Group's direct-to-consumer operations;
- Full year benefits from the Chemist Warehouse Strategic Partnership; and
- Recent distribution gains achieved in key retail channels

As the natural category continues to gain momentum and attract more consumers, BWX is ideally placed to benefit from and accelerate this trend with important investments made in our brands and manufacturing capability.

Commenting on the outlook, Dave Fenlon said: *"BWX is focused on continuing to execute against its strategic priorities to capture greater market share for our brands, sales channels and product categories. We are*

<sup>7</sup> On 27 August 2021, BWX declared its intention to raise approximately \$100.0m from an Institutional Placement and Share Purchase Plan. Assuming that these shares are issued prior to the record date, and on the assumption that the full amount is raised, BWX anticipates that it would pay a fully-franked final dividend of 3.1 cents per share

*targeting more than 2 million global distribution points and building more direct-to-consumer capability.*

*With a highly complementary product suite, our strategic partnership with the much loved Go-To Skincare brand is expected to significantly accelerate BWX's growth in the direct-to-consumer channel while enabling our expansion in the masstige subcategory.*

*Our new, world-class operations facility opening later this year will support BWX's growth long into the future. Equally, it reflects our enhanced commitment to sustainability, including reducing our carbon footprint and better waste reduction, which we believe will only serve to strengthen our connection with more consumers globally."*

ENDS

BWX will host a Results Briefing and Webcast at 9.30am AEST. Participants are encouraged to register for the event via this link: <https://s1.c-conf.com/diamondpass/10015133-uefwon.html>

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