



# Shareholder Presentation

November 2015



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# OVERVIEW

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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.







# Company Highlights

**Successful ASX Listing  
IPO offering raising \$39.3 million  
Oversubscribed**

# COMPANY HIGHLIGHTS

## Market leading brand – Sukin

- Australia's No.1 selling 'natural' skin care brand in pharmacies
- Sukin is Australia's No.2 selling skin care brand in the pharmacy channel
- Fastest growing brand by revenue of the top 5 skin care brands sold in Australian pharmacies<sup>1</sup>

## Strong Business Model

- BWX developed and manufactured Sukin products since 2007
- BWX purchased Sukin in June 2015
- BWX owns the IP for the formulations of Sukin products and its other brands
- BWX operates from a purpose built manufacturing facility which it leases in Dandenong South, Victoria.
- Integration and control of the production cycle provides cost efficiencies and scalability
- Utilisation of independent domestic and international distributors provides a broad sales platform with low overheads

## Substantial growth opportunities

- The 'Natural' segment of the skin care market grew 29 2015
- Sukin's total revenue is forecast to grow 26% in FY16
- Sukin's export revenue is forecast to grow 37% in FY1
- Sukin's products currently account for only 3.6% of Australian skin care pharmacy sales



# COMPANY HIGHLIGHTS

## New Product Development Capability

- Ability to respond rapidly to market trends by developing new products and brands
- Owner of a large formulation database which can be utilised to develop new products
- Launched *Sukin Super Greens* range in February 2015 which had achieved ~ \$1 million in sales by June 2015

## Experienced Board, management and personnel

- Strong board with complementary skill sets
- Experienced management
- Highly qualified and experienced new product development team

## Attractive Financial Profile

- BWX pro-forma Revenue of \$45.1m in FY15 is forecast to increase by 11.1% to \$50.1m in FY16
- BWX pro-forma EBITDA of \$14.8m in FY15 is forecast to increase by 18.2% to \$17.5m in FY16
- BWX pro-forma NPAT of \$9.6m in FY15 is forecast to increase by 15.6% to \$11.1m in FY16
- BWX pro-forma gross margins in FY15 of 56.8% are forecast to increase to 58.7% in FY16
- Low debt and capital light operating model<sup>2</sup>

## Dividends

- Target dividend payout ratio of 35% to 50% FY16 forecast <sup>1</sup>

<sup>1</sup> Subject to financial conditions the BWX board intends to pay a final full year FY16 dividend.

# Industry Overview



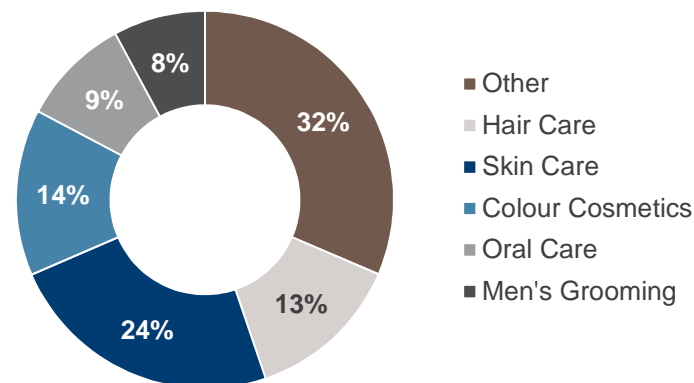


# GLOBAL AND DOMESTIC BEAUTY AND PERSONAL CARE MARKET

## BWX operates in the beauty and personal care market in Australia and internationally

- BWX and its flagship brand Sukin operate predominantly in the skin care segment of the broader beauty and personal care market.
- In 2014 the global beauty and personal care market generated sales of approximately USD\$465 billion.
- The Australian beauty and personal care market generated sales of approximately A\$6.7 billion in 2014 of which skin care products accounted for 25% or \$1.67 billion.

## Australian Beauty and Personal Care Market 2014 by Segment





# SKIN CARE MARKET AUSTRALIA

## PHARMACY CHANNEL

BWX's flagship brand Sukin operates in the skin care segment of the beauty and personal care market

- The majority of Sukin products are sold through pharmacies.
- Australian consumers spent A\$5.6 billion on non-prescription over the counter products in pharmacies in FY15, growing at 12.7% on a moving annual total basis.
- Sales of skin care products in Australian pharmacies for the 12 months ending June 2015 were A\$649 million. This result was up by 13.6% from the previous corresponding 12-month period when sales of A\$571 million were recorded.
- The broader Australian skin care market is projected to grow by 4.1% in total between 2014 and 2019.



# 'NATURAL' SKIN CARE MARKET SEGMENT

## The Sukin brand targets the 'natural' segment of the beauty and personal care market

- The 'natural' skin care segment outperformed the broader skin care market with year on year growth of 35% in the 12 months to June 2015.
- According to Euromonitor International:  
*"Sustainable and ethical aspects of beauty and personal care will be a key focus for manufacturers over the forecast period [2014-19] as they have become increasingly influential in consumers' purchasing decisions."*
- BWX's management believes that the growing demand for 'natural' beauty and personal care products is driven by mounting public concerns for health and safety and increasing "green" consciousness and a growing awareness of the potential hazards of synthetic chemicals.

Nielsen and Euromonitor 2015



# Business Overview



# BWX

## SUKIN BRAND





# SUKIN

## KEY HIGHLIGHTS

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# SUKIN

## COMPETITIVE LANDSCAPE

### Sukin operates in the 'natural' skin care market in Australia

- Sukin is the number 1 'natural' skin care brand and the number 2 selling skin care brand overall in Australian pharmacies.
- The Sukin brand is targeted at the top end of the mass market segment of the broader skin care market known as *Masstige*.
- Sukin's average per unit price of \$11.30 aligns with Sukin's strategy of being perceived by consumers as a high end brand while remaining competitively priced and affordable.

*"Skincare that doesn't cost the earth"*

### Australian Pharmacy Skin Care Sales June 2015

Brand	Val Sales ('000)	Unit Sales ('000)	Average \$A Price Per Unit
XXXXXXXXXX	\$25,826.5	3,626.3	\$7.12
Sukin	\$23,777.8	2,104.0	\$11.30
XXXXXXXXXX	\$21,732.5	1,079.8	\$20.13
XXXXXXXXXX	\$20,545.7	1,406.9	\$14.60
XXXXXXXXXX	\$18,538.6	952.8	\$19.46
XXXXXXXXXX	\$17,221.5	1,604.4	\$10.73
XXXXXXXXXX	\$15,521.6	1,114.0	\$13.93
XXXXXXXXXX	\$11,885.3	326.8	\$36.36
XXXXXXXXXX	\$10,546.3	2,411.5	\$4.37
XXXXXXXXXX	\$9,334.2	933.3	\$10.00

Source: AC Nielsen June 2015



# SUKIN SALES GROWTH

## Number one 'natural' skin care brand in Australian Pharmacies

- Fastest growing brand by revenue of the top 5 skin care brands sold in Australian pharmacies in the 12 months to June 2015.
- Sukin total annual skin care sales in pharmacies were A\$23.7 million which represented a growth rate of 35%.
- Sales of skin care products in Australian pharmacies grew by 13.6% to A\$649 million over the previous corresponding 12-month period when sales of A\$571 million were recorded.
- Sales of 'natural' skin care brands within pharmacies in the twelve months to June 2015 experienced growth of 29%.



Nielsen 2015

# SUKIN

## DISTRIBUTION – DOMESTIC

### BWX utilises independent distributors to sell the Sukin products

- BWX utilises a wholesale distributor model to sell its products into pharmacies, health food stores and specialty stores.
- BWX also sells Sukin products direct to Priceline.
- BWX engages directly with the larger pharmacy banner groups such as Chemist Warehouse, Priceline and Terry White.
- Each Australian State based distributor has a sales team that drives demand for Sukin products.





# SUKIN

## DOMESTIC GROWTH OPPORTUNITIES

### Sukin's market leading performance will be maintained

- During FY15 Sukin significantly outperformed the broader skin care market within Australian pharmacies.
- Opportunity for further growth as Sukin accounted for 13% of the top 10 brands and 3.6% of the overall skin care sales in pharmacies in the 12 months to June 2015.
- Through brand extensions and new product development, BWX anticipates that it will continue to grow sales through the pharmacy channel.
- BWX's digital marketing campaign for Sukin is focused on reinforcing key brand messages to drive consumers demand.
- eCommerce enabled through [www.sukinorganics.com](http://www.sukinorganics.com) where the majority of Sukin products are available for delivery within Australia.



Bianca Cheah  
Brand Ambassador

# SUKIN

## EXPORT OPPORTUNITIES

Export markets represent a strong growth opportunity for the Sukin brand

- FY15 export sales of \$4.6m are forecast to increase by 37% to \$6.3m in FY16.
- The largest export markets in FY15 were New Zealand, US, Canada, Singapore and the UK.
- Products exported through a variety of different distribution channels.
- BWX management intends to expand Sukin's presence and penetration in various high growth export markets.
- The Chinese market will be the primary focus for growth in 2016



# NEW PRODUCT DEVELOPMENT

BWX has the in-house capability to rapidly develop and commercialise new products in response to consumer trends

- BWX's management has two decades of experience developing and commercialising beauty and personal care products.
- BWX have the facilities and expertise to develop new products from conception through to shelf readiness.
- BWX has a database of proprietary formulations.
- In February 2015 BWX launched the **Sukin Super Greens** range which achieved sales of ~\$1m to June 2015



# BWX DEVELOPMENT & PRODUCTION CAPABILITIES

BWX's products are produced at its purpose built and leased production facility

- BWX controls the production cycle for its products.
- The production facility is scalable to meet increased demand.
- The BWX production facility is ISO 22217:2006 'Guidelines on Good Manufacturing Practices (GMP)' certified for the manufacturing beauty and personal care products.
- Full R&D and new product development capability.





# COMPLEMENTARY BRANDS

In addition to Sukin, BWX owns a range of complementary skin and hair care brands



- Uska is a premium range of skin care and hair care products formulated using essential oils and herbal extracts
- Uska operates its own signature day spa and retail outlet which trades as the *"Immersion Day Spa"* in Brighton, Victoria.
- Uska products are distributed in the Australian market to day spas and beauty salons through a network of State based distributors.
- Uska is exported to USA, Singapore, New Zealand, Denmark, Netherlands, Malaysia, Taiwan, Japan, and Australia.
- There is substantial opportunities for growth both domestically and internationally



# COMPLEMENTARY BRANDS

**Derma  
Sukin**

**Natural  
Skin Care Brand  
for Sensitive Skin**



Natural skin care range formulated for consumers with sensitive skin.

**renew**  
skincare australia

**Natural  
Skin Care Brand**



Face, body and hair care products produced using rose hip oil.

**EB**  
edward beale

**Premium  
Hair Care Range**



Salon and retail range of hair care products.

# THIRD PARTY MANUFACTURING

BWX provides product development and manufacturing services to select third party brands and customers



- BWX's strategy is to focus on developing its own brands.
- Revenue from third party manufacturing is anticipated to be diluted from approximately 32% in FY15 to 24.5% in FY16.
- Despite this strategic direction BWX intends to continue providing manufacturing services to select clients.
- The benefits to BWX of producing for external brands include large volume sales, scale of purchasing and potential acquisition opportunities.
- The demand for BWX's manufacturing services is driven by:
  - customers seeking Australian made products;
  - the integrity, traceability and safety of ingredients;
  - standards and certifications around the manufacturing process; and
  - speed to market.

# ACQUISITION OPPORTUNITIES

BWX is well positioned as an acquirer of successful scalable brands and companies in the Australian beauty and personal care market



- The Australian beauty and personal care market includes a range of large multinational brands such as Nivea, L'Oreal and Garnier.
- Opportunities exist for brands such as Sukin to exploit undeveloped growth segments of the market.
- Many of these companies/brands in the Australian market have some or all of the following attributes:
  - rely on third party service providers for R&D and production capabilities;
  - limited warehouse and logistics capacity;
  - yet to access large distribution channels; and
  - insufficient capital and human resources to manage sustained growth.

# Board & Management





# BOARD



**Denis Shelley**  
Chairman

Experienced marketing executive with more than 30 years in a range of brands, FMCG and manufacturing.

Broad industry background encompassing health and beauty, personal care, intimate apparel, household products and pharmaceuticals.

Past roles include Group Chairman of Sara Lee Australia, CEO Sara Lee South Africa, CEO Sara Lee Household & Body Care Australia, Group Marketing director Reckitt & Colman South Africa, President of Nutrimetics Australia.



**John Humble**  
Chief Executive Officer  
and Managing Director

More than 20 years' experience in formulating, developing and producing personal care products.

Original founder of Leisure and Hospitality Services Pty Ltd (now merged into BWX Ltd) in 1993.

Instrumental in positioning BWX in the 'natural' personal care space.

Worked with Sukin in developing its IP/formulations since 2007.



**Aaron Finlay**  
Finance  
Director

More than 20 years experience as a chartered accountant and company secretary.

Has extensive public company experience in executive and director roles for ASX listed companies, including Mayne Pharma Group Limited (an ASX top 200 company), where Mr Finlay was instrumental in the acquisition of Mayne Pharmaceuticals International in 2009.

Also held roles as Australian CFO of INVESCO and Head of Group Tax & Treasury for INVESCO's global operations in London.



**Craig Bottomley**  
Independent Non-Executive Director

More than 20 years' experience establishing and developing commercial ventures in manufacturing and import/export. He has developed national and international sales channels for a number of local and domestic products.

One of the founders of Halcygen Pharmaceuticals Ltd working as COO and Executive Director from 2005 to 2010. Instrumental in acquiring Mayne Pharmaceuticals International in 2009, now Mayne Pharma Group Limited.



**Ian Campbell**  
Independent Non-Executive Director

Over 30 years of senior management and operational experience in manufacturing, sales and marketing, brand management, mergers and acquisitions, industrial relations and OH&S.

Currently a director of ASX listed Mirrabooka Investments Ltd.

14 years as Managing Director of ASX 200 GUD Holdings Ltd.

10 years with Pacific Dunlop Cables Group, the last six as Managing Director.

# Financial Information



# BWX FINANCIAL INFORMATION

## HISTORICAL AND FORECAST

Consolidated income Statement	Pro forma historical				Forecast		
	6 months				6 months		
\$m	30-Jun-14	31-Dec-14	30-Jun-15	FY15	31-Dec-15	30-Jun-16	FY16
Revenue	16.7	22.0	23.1	45.1	24.7	25.4	50.1
Cost of sales	-7.8	-9.9	-9.6	-19.5	-9.8	-10.3	-20.1
Gross profit	8.9	12.1	13.5	25.6	14.9	15.1	30.0
Operating Costs	-4.3	-5.7	-5.1	-10.8	-6.3	-6.2	-12.5
EBITDA normalised	4.6	6.4	8.4	14.8	8.6	8.9	17.5
Acquisition and restructuring costs	-4.0	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	0.6	6.4	8.4	14.8	8.6	8.9	17.5
Depreciation and amortisation	-0.2	-0.2	-0.3	-0.5	-0.4	-0.4	-0.8
EBIT	0.4	6.2	8.1	14.3	8.2	8.5	16.7
Interest	-0.5	-0.5	-0.7	-1.2	-0.3	-0.1	-0.4
Profit before tax	-0.1	5.7	7.4	13.1	7.9	8.4	16.3
Income tax expense	-1.0	-1.8	-1.7	-3.5	-2.5	-2.7	-5.2
NPAT	-1.1	3.9	5.7	9.6	5.4	5.7	11.1

# BWX FINANCIAL INFORMATION

## FY15 AND FY16 COMPARISON OF SELECTED FINANCIAL INFORMATION

	Pro forma historical	Forecast	
\$m	FY15	FY16	Change
Revenue	45.1	50.1	11.1%
Cost of sales	-19.5	-20.1	3.1%
Gross profit	25.6	30.0	17.2%
Costs	-10.8	-12.5	15.7%
EBITDA normalised	14.8	17.5	18.2%
Acquisition and restructuring costs	0.0	0.0	0.0%
EBITDA	14.8	17.5	18.2%
Depreciation and amortisation	-0.5	-0.8	60.0%
EBIT	14.3	16.7	16.8%
Interest	-1.2	-0.4	-66.7%
Profit before tax	13.1	16.3	24.4%
Income tax expense	-3.5	-5.2	48.6%
NPAT	9.6	11.1	15.6%
Revenue growth on pcp	n/a	11.2%	n/a
Gross margin	56.7%	59.9%	310 bpts
EBITDA normalised margin	32.8%	34.9%	210 bpts
EBITDA margin	32.8%	34.9%	210 bpts
EBIT margin	31.7%	33.3%	160 bpts
NPAT margin	21.3%	22.2%	90 bpts

# BWX FINANCIAL INFORMATION

## BALANCE SHEET AS AT 30 JUNE 2015

	Statutory	Impact of Offer	Pro forma
<b>Current assets</b>			
Cash and cash equivalents	3.1	1.2	4.3
Trade and other receivables	7.4		7.4
Inventory	6.6		6.6
Other assets	-		-
<b>Total current assets</b>	<b>17.1</b>	<b>1.2</b>	<b>18.3</b>
<b>Non-current assets</b>	-		-
Property, plant and equipment	2.3		2.3
Intangible assets	70.1		70.1
Deferred tax assets	0.5		0.5
<b>Total non-current assets</b>	<b>72.9</b>		<b>72.9</b>
<b>Total assets</b>	<b>90.0</b>	<b>1.2</b>	<b>91.2</b>
<b>Current liabilities</b>	-		-
Trade and other payables	6.0		6.0
Borrowings	16.9	(7.3)	9.6
Income tax payable	-		-
Provisions	0.4		0.4
<b>Total current liabilities</b>	<b>23.3</b>	<b>(7.3)</b>	<b>16.0</b>
<b>Non-current liabilities</b>	-		-
Borrowings	10.1	(10.0)	0.1
Provisions	0.2		0.2
<b>Total non-current liabilities</b>	<b>10.3</b>	<b>(10.0)</b>	<b>0.3</b>
<b>Total liabilities</b>	<b>33.6</b>	<b>(17.3)</b>	<b>16.3</b>
<b>Net assets</b>	<b>56.4</b>	<b>18.5</b>	<b>74.9</b>

\* \$18.5m is net of \$1.5m to get to the \$20m Company raising



# Corporate Structure



# CORPORATE STRUCTURE

## Key Statistics

Shares on Issue	90.6m
Indicative market capitalisation at \$2.70 per share	\$244.6m
Estimated net debt	\$0.5m
Indicative enterprise value	\$245.1m

Of the shares currently on issue, 13,886,398 or 15.3% of the issued capital are on issue to the Board and are subject to voluntary escrow until 11 Nov 2016.

Of the shares currently on issue, 2,050,000 have been issued in accordance with the Company's employee loan plan and remain subject to performance milestones.

The Company has 5,940,000 options on issue over fully paid ordinary shares in the Company with an exercise price of \$2.00, an expiry date of 30 September 2018 and remain subject to performance milestones.

BWX has an undrawn \$15m debt facility which may be used to fund or part fund future acquisitions.



# Company Summary



# COMPANY SUMMARY

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- Market Leading Pharmacy Brand – Sukin
- Positive ‘Natural’ skin care market dynamics
- Vertically integrated business manufacturing own brands
- Strong Business Model
- Multiple Growth Opportunities
- New Product Development Capability
- Experienced Management
- Potential Growth through Acquisitions
- Attractive Financials
- Dividends







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