



ASX / BWX

## ASX Announcement

16 August 2016

### FY16 FINANCIAL RESULTS

Melbourne, Australia – BWX Limited (ASX: BWX) is pleased to report its 2016 full year (FY16) financial results, including:

- Revenue of \$54.0m, representing a 19.7% increase versus pro-forma prior year 2015;
- EBITDA of \$20.2m, representing a 36.5% increase versus pro-forma prior year 2015;
- EBIT of \$19.2m, representing a 34.3% increase versus pro-forma prior period 2015;
- NPAT of \$12.0m, representing a 25.0% increase versus pro-forma prior year 2015; and
- The Company declares its maiden fully franked dividend of 4.8 cents per share.

In order to provide a comprehensive view of the consolidated business and to provide visibility into year over year comparisons, pro forma adjustments have been taken to reflect the consolidated year of 1 July 2014 to 30 June 2015 as detailed and reported in the Company's prospectus dated 20 October 2015.

BWX Chief Executive Officer, Mr John Humble, said "We are pleased to have met and exceeded our prospectus commitments with our annual FY16 profit result which reflects the continued growth in the sales of Sukin products at greater than 40% during the financial year. During the second half we have continued to concentrate our efforts on executing well in the domestic market whilst implementing and initiating our longer term strategies for the UK and China markets."

Earnings Highlights for the BWX Limited Group			
	FY15 <sup>(1)</sup>	FY16	% growth
	\$'m	\$'m	
Revenue	45.1	54.0	19.7%
Gross profit	25.6	33.4	30.5%
Operating expenses	-10.8	-14.4	33.3%
EBITDA	14.8	20.2	36.5%
EBIT	14.3	19.2	34.3%
NPAT	9.6	12.0	25.0%
Gross margin	56.8%	61.9%	510 bpts
Basic EPS (cents per share)	n/a	14.1	n/a
Net tangible assets (cents per share)	n/a	14.5	n/a
Net debt	n/a	3.0	n/a

<sup>1</sup> pro-forma historical results for the year ended 30 June 2015 as presented in the Company's prospectus dated 20 October 2015

In line with the first half, the majority of sales growth in the second half and for FY16 came from the sale of Sukin product in the domestic market as the group continued to increase the number of retail outlets stocking Sukin products. Following the successful initiatives taken to increase the ranging and sales to existing customers in existing outlets during FY16, focus is now turning to increasing the depth and breadth of representation in store along with enhancing store and shelf presence.

Mr Humble said, "During the second half, the launch of the Sukin Oil Balancing sub-range has exceeded our expectations and we are excited to be in a position to shortly be launching the new Sukin Baby range. With the continued investment in new product development we aim to ensure a continued pipeline of new products into the Sukin core range and Sukin sub-ranges."

"During the year the Company has expanded its manufacturing capacity with a modest capex programme that was undertaken along with the recruitment of additional resources in order to support the scale of business operations and expected growth into FY17."

Mr Humble went on to say, "The Company continues to improve margins and during the second half was successful in actively transitioning our product mix away from low margin, low volume third party manufacture which, along with the plant improvements made, has allowed us to continue to realise greater efficiencies in manufacturing."

"It is pleasing to see that initiation of our export market strategies is on track both in China, with the establishment of flagship Tmall.com and JD.com flagship stores, and in the UK, with the ranging in Holland & Barrett and the recently announced ranging in Boots. We expect to see the benefit of these in the second half of FY17. Whilst we acknowledge that China represents a tremendous opportunity through the development of both our e-commerce and domestic export channels, we intend to continue to actively develop our export revenues by diversifying into other markets in a similarly strategic and measured manner, as we have done to date."

During the second half, the regeneration programme for the Edward Beale brand was completed with a soft launch in Priceline stores during May and June 2016. The Company is in the process of finalising a similar exercise with the Uspa brand and range of products which will be completed during Q2FY17.

The Directors are pleased to declare a maiden fully franked dividend to shareholders of 4.8 cents per share, having been determined in respect of the full year ending 30 June 2016, payable on 12 October 2016. The dividend is in line with the Company's continuing dividend payout ratio guidance of between 35% and 50% of NPAT.

## Full Year 2017 Outlook

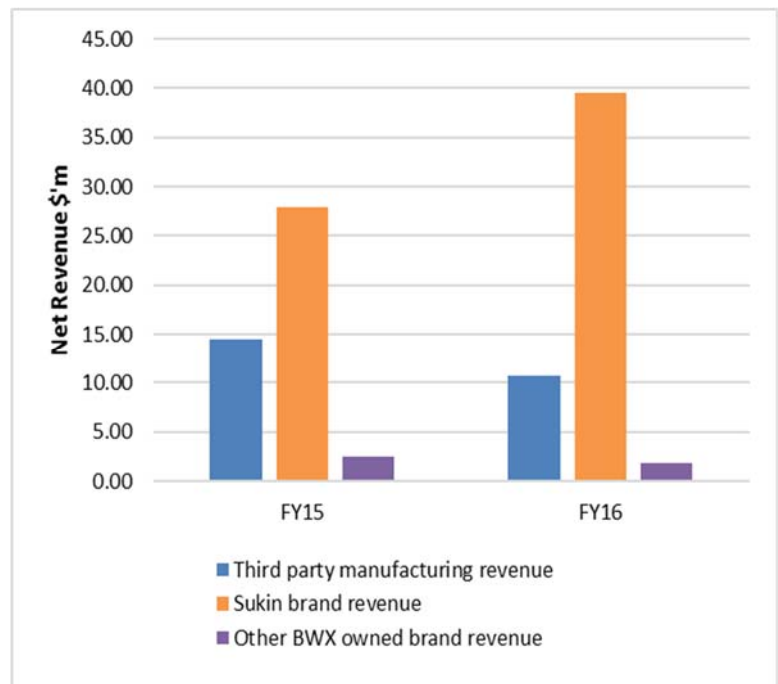
The Company is expecting to continue the growth of the business into FY17 with a forecast 30% growth in EBITDA, assuming no corporate actions, transactions or changes in market or economic conditions during the period. This growth is expected to come from continued growth in the domestic market together with sales growth in export territories, in particular the UK and China initially. The Company is forecasting that this growth can be achieved whilst maintaining gross margins at approximately 62%.

The Company is expecting a continued reduction in the amount of third party manufacturing as the Company continues to improve the production mix and focus on wholly owned branded product along with strategic manufacturing relationships.

## 2HFY16 Financial Performance

### Sales

Total sales for FY16 grew by 19.7% to \$54.0m. This includes a greater than 40% growth in the sales of Sukin product from the corresponding FY15 and a more effective continuation in the rationalisation of low margin, low volume third party manufacturing during the second half FY16.



### Gross profit margin

The gross profit margin has improved 510bpts during FY16. This margin expansion resulted from economies of scale brought about by the higher level of sales of Sukin products in addition to an improved manufacturing mix of product, whereby the Company has continued a programme to actively migrate a number of third party smaller, lower margin customers.

### Operating expenses

Operating expenses for the second half FY16 and FY16 generally were in line with expectation as the Company supported the release of the Sukin Oil Balancing sub-range of product and sought to continue to invest for the future with the recruitment of additional resources to support the expected growth levels.

### Cash generation and working capital

The 30 June 2016 working capital was principally impacted by the acquisition of the Lightning distribution business earlier in the year and resulted in a significant increase in the level of trade and other receivables to \$11.6m (\$7.5m at 31 December 2015), along with an increase in inventories to similarly \$11.2m (\$8.1m at 31 December 2015). Notwithstanding, operating cash generation in FY16 remained strong.

### Capital expenditure

During FY16 the Company invested approximately \$0.8m in the purchase of property, plant and equipment, which included the purchase of capital equipment required to ensure production capabilities remain ahead of the expected growth in demand for Sukin products.

### **Lightning Brokers Acquisition**

The acquisition of the Lightning Distribution business during the year, whilst financially sound and capturing further sales margin relating to the Sukin brand in particular, was of strategic benefit in providing greater ability to influence the representation of the Sukin brand at the retail level.

This acquisition has increased the Company's investment in working capital required in the business with the increase in finished stock on hand and in trade debtors.

In addition, there was a minor one-off impact on the consolidated group sales, equivalent to approximately one month of Sukin product sales to Lightning Brokers in a pre-acquisition environment.

The group is expecting to invest further in the distribution business during the course of FY17.

-ENDS-

### **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, Usps, Edward Beale, and Renew Skincare brands.

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