



ASX / BWX

ASX Announcement

9 February 2017

1HFY17 COMPANY AND FINANCIAL RESULTS

Melbourne, Australia – BWX Limited (ASX: BWX) is pleased to report its first half year 2017 (1HFY17) financial results, representing:

CONTINUED GROWTH ACCELERATED INVESTMENT; AND MAINTAINING GUIDANCE

- Revenue of \$37.5m, representing a 36.4% increase versus prior first half year 2016;
- Gross margin of 65.1%, up from 58.9% from the prior first half year 2016;
- Accelerated investment of \$2.95m in operational expenses with a view to future growth;
- EBITDA of \$12.8m, representing a 30.6% increase versus prior first half year 2016;
- EBIT of \$12.4m, representing a 30.5% increase versus prior first half year 2016;
- NPAT of \$8.2m, representing a 30.2% increase versus prior first year 2016;
- Sukin branded product sales of \$31.0m, representing a 59.4% increase versus prior first half 2016;
- Sukin export sales of \$6.7m, representing a 115.7% increase versus prior first half 2016;
- Sukin domestic sales of \$24.3m, representing a 48.7% increase versus prior first half 2016;
- The Company declares an interim fully franked dividend of 2.5 cents per share; and
- Balance Sheet strength with zero net debt

BWX Chief Executive Officer, Mr John Humble, said “The outstanding growth in the sales of Sukin branded product during the period has increased the Company’s underlying profits by 30%. The increased sales and profitability levels for the Company has enabled us to accelerate our investment in the operations of the business to fuel future growth.”

“During the first half we have continued to see strong growth in our domestic market driven by larger distribution with more product on more shelves, more effective execution and presentation of product in stores and new product releases. In parallel we have been positioning ourselves to grow our export markets where we have seen an increase in export sales of 115.7% as we continue to implement and initiate our long-term strategies for markets such as the UK, China and Canada.”

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Statutory Earnings Highlights for the BWX Limited Group			
	1HFY16	1HFY17	% growth
	\$'m	\$'m	
Revenue	27.5	37.5	36.4%
Gross profit	16.2	24.4	49.7%
Operating expenses	-6.5	-11.7	80.0%
EBITDA	9.8	12.8	30.6%
Profit (loss) from ordinary activities before income tax expense	9.0	12.0	33.3%
Profit (loss) from ordinary activities after income tax expense	6.3	8.2	30.2%
Total comprehensive income (loss) attributable to owners of the Company	6.3	8.2	30.2%
Gross margin	58.9%	65.1%	620 bpts
Basic EPS (cents per share)	8.01 ⁽¹⁾	8.93	11.5%
Diluted EPS (cents per share)	7.38 ⁽¹⁾	8.28	12.2%
Net tangible assets (cents per share)	11.65	20.17	73.1%
Net cash	3.9	0.2	(94.9)%

1 EPS effected by issue of shares on 10 Nov 2016 as part of the IPO in 1HFY16

Mr Humble said, "During the half, the business has established an export sales office in Sydney focused on the management of the Sukin export opportunities. This has been accompanied by the incorporation of operating subsidiary companies in the UK and more recently in Canada to support the level of activity and opportunities that are opening up in these markets for the Sukin branded product. China remains a significant opportunity for the business which we continue to monitor as we further develop and refine our e-commerce and domestic export distribution channels."

Mr Humble said, "During the first half, we received the full benefit of the Oil Balancing sub-range released earlier in calendar year 2016 and launched the Sukin Baby sub-range during the first half, which contributed to 11.9% of the Sukin sales growth. New product development is an important part of our continued growth, particularly in the domestic market, and we are excited about the new products that are currently planned for release in the second half of FY17. We will continue to invest in new product development to ensure we have a pipeline of new product offerings."

"During the first half, the Company has maintained the expansion of its manufacturing capacity with a modest capex programme, at a cost equivalent to between 1% and 2% of net revenues, with the view of staying ahead of the expected growth."

Mr Humble went on to say, "The Company has continued to improve gross margins from the prior corresponding period which was in part a result of the successful transitioning of our product mix away from low margin, low volume, non-strategic third party manufacture, a process which is now largely complete."

"Work to refresh and update both the Usps professional and Edward Beale salon inspired hair care brands is now complete and we look forward to progressing distribution opportunities through our enhanced sales and marketing capabilities."

Interim Dividend Declared

The Directors are pleased to declare an interim fully franked dividend to shareholders of 2.5 cents per share, having been determined in respect of the half year ended 31 December 2016, payable on 6 April 2017. The dividend is in line with the Company's continuing annual dividend payout ratio guidance of between 35% and 50% of NPAT.

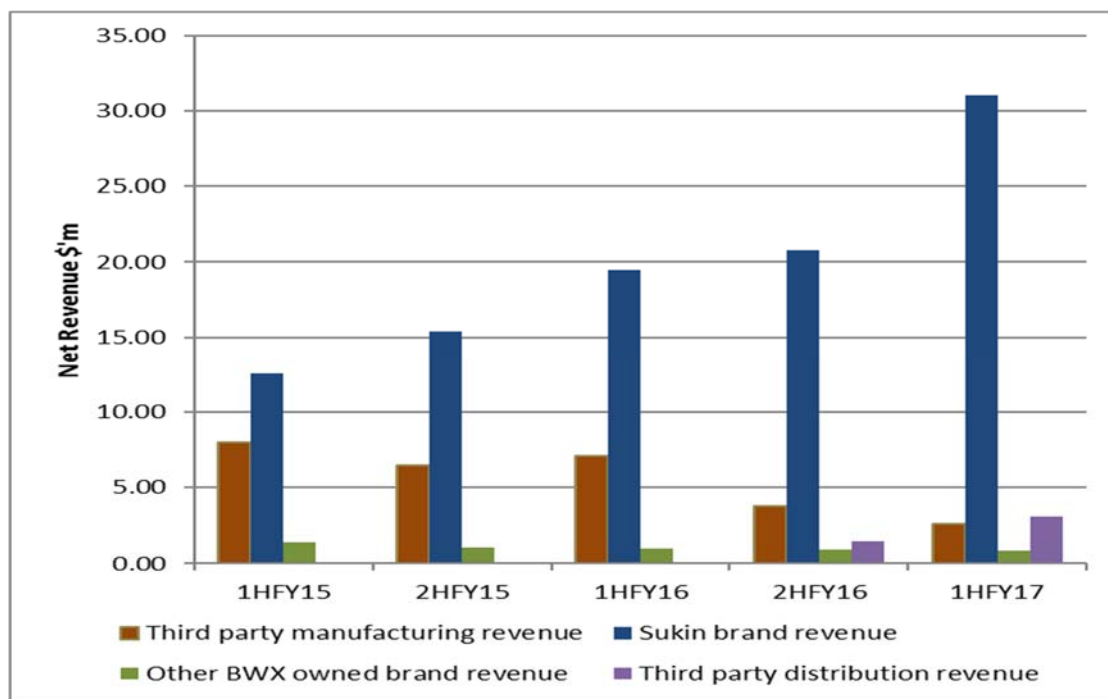
Full Year 2017 Outlook

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

The Company is expecting this can be achieved whilst having significantly reduced the amount of third party manufacturing in line with the Company's strategic objectives.

1HFY17 Financial Performance

Sales



Total sales for 1HFY17 grew by 36.4% to \$37.5m. This includes:

- (a) a 59.4% growth in the sales of Sukin product from the corresponding 1HFY16
- (b) a 115.7% growth in the export sales of Sukin product from the corresponding 1HFY16; and
- (c) in line with the Company's stated objective, the continued reduction in non-strategic third party manufacturing.

Gross profit margin

The gross profit margin has improved to 65.1% during 1HFY17 from 58.9% in the corresponding prior period. This margin expansion is broadly in line with that recognised in the 2HFY16 period, which was realised through economies of scale brought about by the higher level of sales of Sukin products, manufacturing efficiencies, and an improved manufacturing mix of product from the reduction in third party manufacturing.

Operating expenses

Investment in operating expenses for the first half FY17 (\$11.7m) increased significantly as compared to the first half FY16 (\$6.5m). The primary drivers of this cost expansion were:

- The recognition of the Lightning Distribution costs that the Company did not have prior to the acquisition of the distribution business in March 2016; and
- With the Sukin sales growth levels during the half, the business was in a position to accelerate investment in both export markets and the domestic market ahead of expectations. This investment took the form of:
 - (a) the recruitment of additional resources;
 - (b) a greater level of marketing and promotional activities; and
 - (c) the establishment of physical operations in export territories.

Cash generation and working capital

Net cash flows from operating activities for the first half FY17 was \$8.7m and demonstrated a higher level of cash conversion from 2HFY16. The business was able to support the level of Sukin product sales increase and initiate the expansion into export territories with little increase in the level of inventories and finished goods on hand as compared to 30 June 2016. The level of trade receivables increased to \$17.1m (\$11.6m at 30 June 2016) and is reflective of the significantly increased level of sales revenue experienced during the half.

Capital expenditure

During the first half FY17 the Company invested approximately \$0.4m 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. This level of expenditure is within the expected 1% to 2% of net revenues which the Company expects to spend on an ongoing basis to remain ahead of the expected growth.

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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, Uspa, Edward Beale, and Renew Skincare brands.

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