

Eagle Health Holdings Ltd

ASX: EHH

FY2017 Full Year Financials Results Presentation

28th February 2018

Helping people live healthier lives on their road to success



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Our Mission

Helping people live healthier lives on their road to success

Our Vision

To be a leading enterprise in the nutrition, health & wellness industry



FY2017 Financial Highlights

FY2017 Financial Highlights

Revenue

\$89.2m

YoY ↑
6.1%

\$93.6m Constant currency
YoY ↑ **11.3%**

Gross Profit

\$46.4m

GP margin
52.0%

YoY ↑ **1.5%**

EBIT[^]

\$20.1m

EBIT margin
22.6%

YoY ↓ **-6.8%**

NPAT[^]

\$14.7m

NPAT margin
16.5%

YoY ↓ **-7.2%**

[^]Adjusted for one off IPO costs incurred in FY2017

2017 Highlights

- **Business**

- Launch of pre-meal diabetes shake, Hutang 1, with 4 concept stores in Xiamen, Fujian Province, China
- Expansion of distribution channels in China adding 3 provincial-level regions (16 distributors) from 23 provinces (258 distributors) in 2016, to 26 provinces and (274 distributors) 2017
- Invested \$3.1m and committed further \$5.7m for factory, warehouse and exhibition centre upgrades including a high speed line for the production of Hutang 1 diabetes product

- **Corporate**

- IPO raised A\$25m in July 2017 – listed on ASX with market cap of A\$124.8m
- AMKA strategic investment of A\$10.8m ~ 8.6% of company
- Australian office was opened in September 2017 to focus on investor relations and sourcing of Australian and New Zealand new products, IP and M&A potential targets

- **Full Year Financials**

- Revenue of A\$89.2m – constant currency A\$93.6m (all revenues are incurred in RMB)
- Gross profit of A\$46.4m – 52.0% margin
- Statutory EBITDA of \$20.0m, EBIT of \$18.6m and NPAT of \$13.2m
- Closing cash balance of \$34.9m – targeted for growth and acquisition opportunities
- Earnings per share of 5.18 cents

- **Final Dividend declared**

- Declared final dividend of 0.5 cents– holders at record date of 29th March 2018



FY2017 Financial details

FY2017 Financial Summary



Statutory Profit & Loss

	\$AUDm	FY2017	FY2016
Revenue		89.2	84.1
Gross Profit		46.4	45.7
<i>GP margin %</i>		52%	54%
Sales & Marketing		16.5	15.5
Distribution & Freight		3.6	2.9
Research & Development		3.0	2.6
Other expenses		3.3	1.6
Total expenses		26.4	22.7
EBITDA		20.0	23.0
Depreciation		1.4	1.5
EBIT		18.6	21.6
<i>EBIT margin %</i>		21%	26%
NPAT		13.2	15.9
Total expenses (incl D&A)^		26.3	24.2
EBIT		20.1	21.6
<i>EBIT margin %</i>		23%	26%
NPAT		14.7	15.9
^ Adjusted costs		1.5	-
Cash on hand		34.9	5.2
Debt		5.8	5.5
Inventory		2.3	2.0

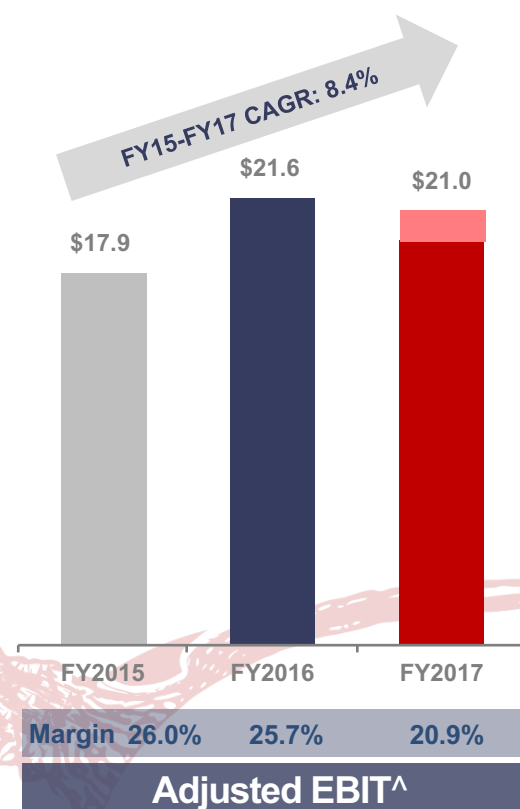
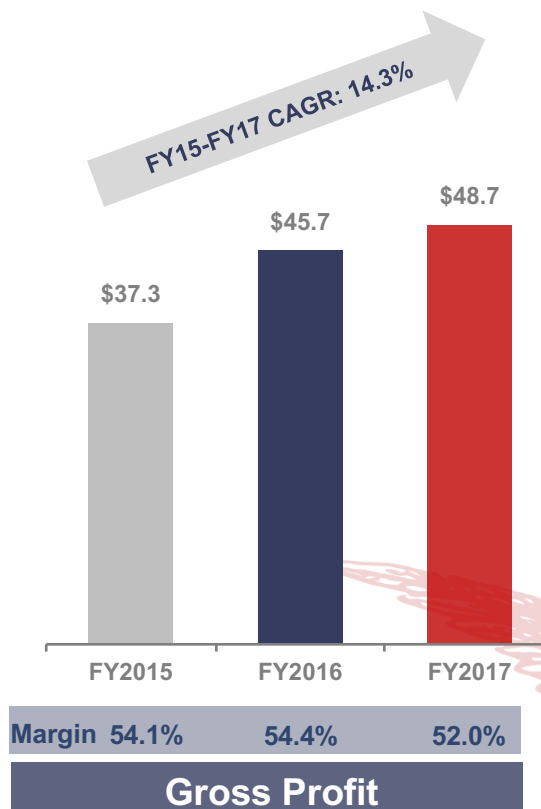
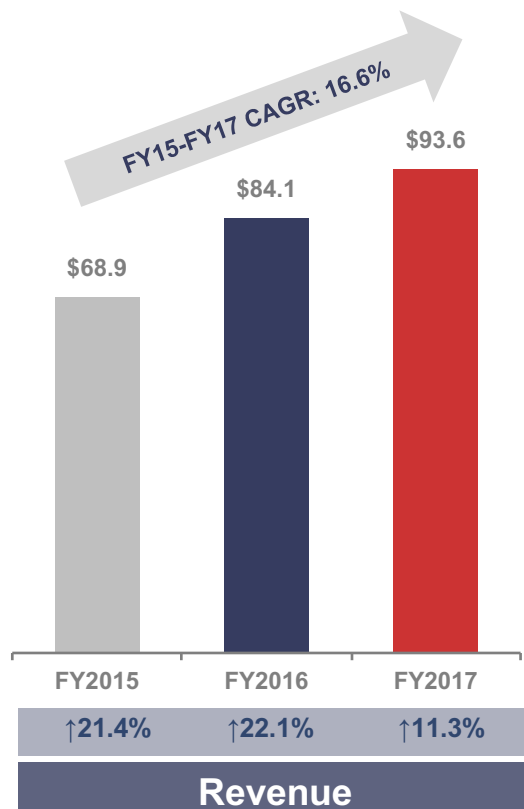
Adjusted Profit & Loss

Balance Sheet

Key drivers

- Revenue grew 6% (11% constant currency)
 - Driven by growth in distributors
 - Lozenge range had the highest yoy growth growing 16.6% in FY2017
 - Strong 2H FY2017 sales \$53.4m
- Gross profit
 - Gross profit margin marginally lower due to increase in raw material costs
- Expenses
 - Increased investment in sales and marketing by 6.4%, R&D increased by RMB 2.5m
- Adjustments
 - One off costs related to IPO

Constant currency performance - A\$m



Notes:

* Currency exchange rate of AUD:RMB - \$0.2026

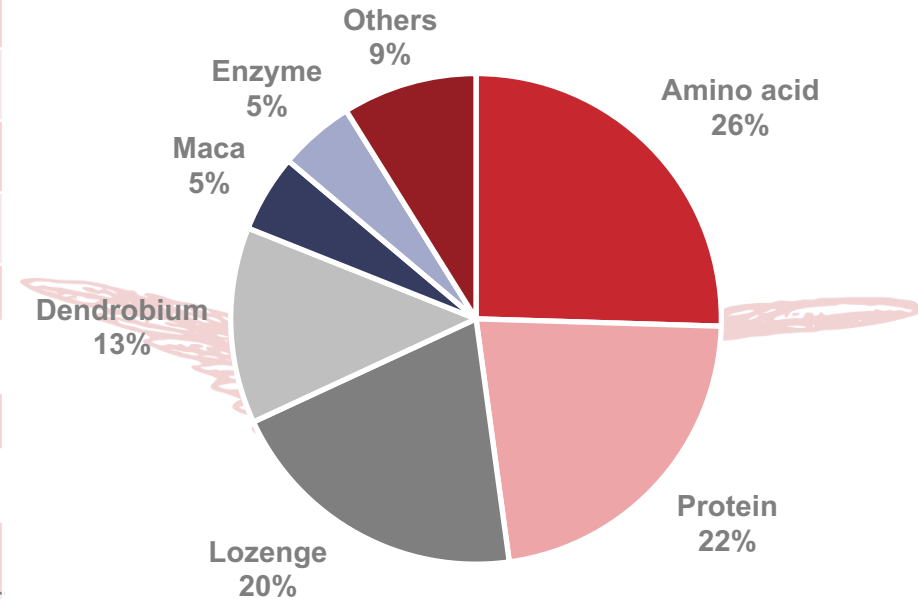
[^] EBIT adjusted for one off IPO Costs incurred in FY2017

Double digit growth in key product categories

Product growth 2016 – 2017 (constant currency)

Category	Consumer benefits	Growth %
Amino acid	Enhances body strength by aiding in production of protein in protein deficient subjects	10.8%
Protein	Additional protein before and during mealtime to improve strength, mobility and immunity	10.1%
Lozenge	Traditional Chinese Medicine based ingredients for sore and dry throat and hoarse voice	16.6%
Dendrobium	Improves gastrointestinal function	10.7%
Maca	General wellbeing, vitality, stamina & endurance	9.0%
Enzyme	Supports wellbeing and digestion	5.5%
Heme Iron	Source of iron and other blood building nutrients for women's health	6.3%
Vitamin	Vitamins and minerals supplements	10.5%
Ginseng	Relieves physical fatigue, enhances immune system	13.0%
Hutang 1	Manages post prandial blood sugar levels in type 2 diabetes	Launch 2017
Total Revenue Growth		11.3%

FY2017 Revenue breakdown by product



Robust Balance Sheet

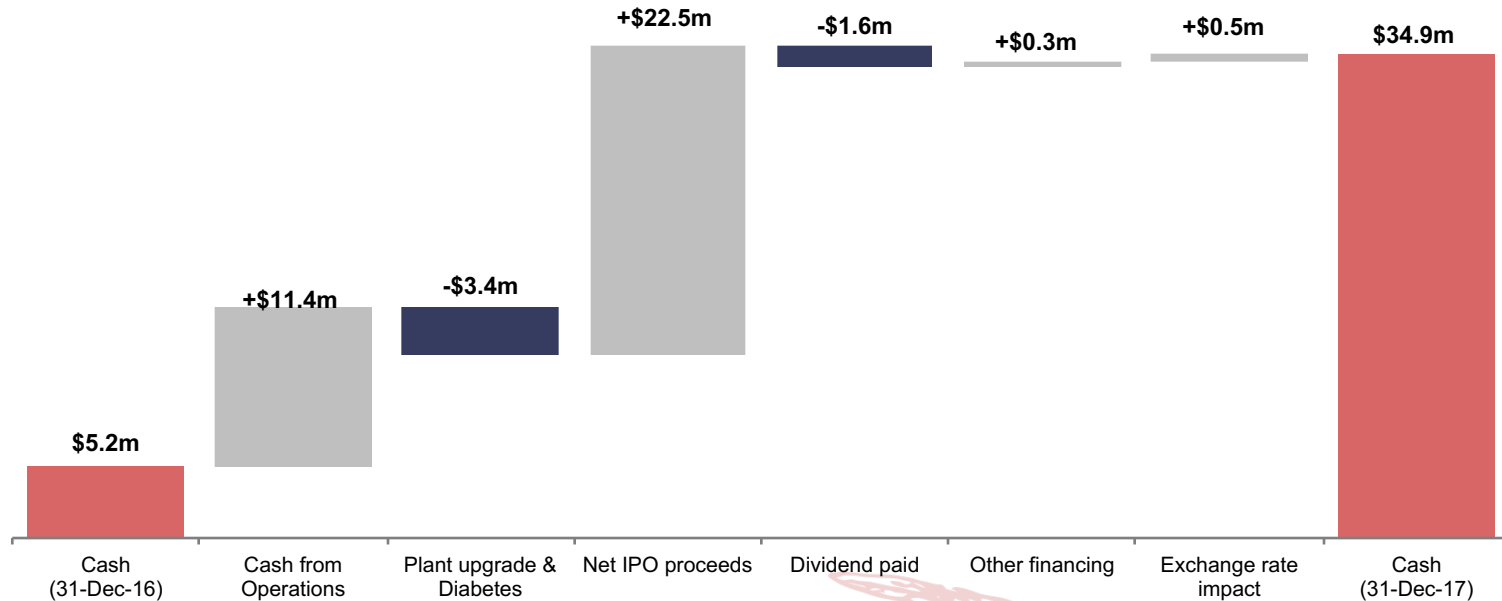
Audited Balance Sheet		31 Dec 2017 A\$'000
Current assets		
Cash and cash equivalents		34,909
Trade and other receivables		18,274
Inventories		2,325
Total current assets		55,508
Non-current assets		
Property, plant and equipment		12,542
Intangibles		1,438
Total non-current assets		13,980
TOTAL ASSETS		69,488
Current liabilities		
Trade and other payables		7,278
Financial liabilities		5,788
Current tax liabilities		1,412
Total current liabilities		14,478
TOTAL LIABILITIES		14,478
NET ASSETS		55,010

Commentary

- Strong cash balance of A\$35m
 - IPO on ASX in June 2017 raised A\$25m before costs of the issue
 - Operating activities boosted cash by a further A\$10m in FY2017
- Investment in PP&E of \$2.4m
 - Expansion of the high speed production line for diabetes pre-meal shake, Hutang 1
 - Upgrade of manufacturing facility at Xiamen, China to meet TGA standards
- Core debt of \$5.8m is long term debt associated with manufacturing facility

Strong cash reserves for new product development and, potentially, in acquisition or joint venture transactions, with a view to increasing sales and profitability

Cash generation and applications



Commentary

- Plant upgrade & Diabetes
 - Licensing fee for diabetes pre-meal shake, Hutang 1
 - Plant upgrade for high speed production of Hutang 1
- Net IPO Proceeds from A\$25m IPO in July 2017
- FY 2016 dividend of 0.5 cents per share paid October 2017
- Other financing – includes interest on debt
- Exchange rate impact is due to changes in the AUD and RMB exchange rate as Eagle Health's operations are based in China and significant cash balances are held in RMB

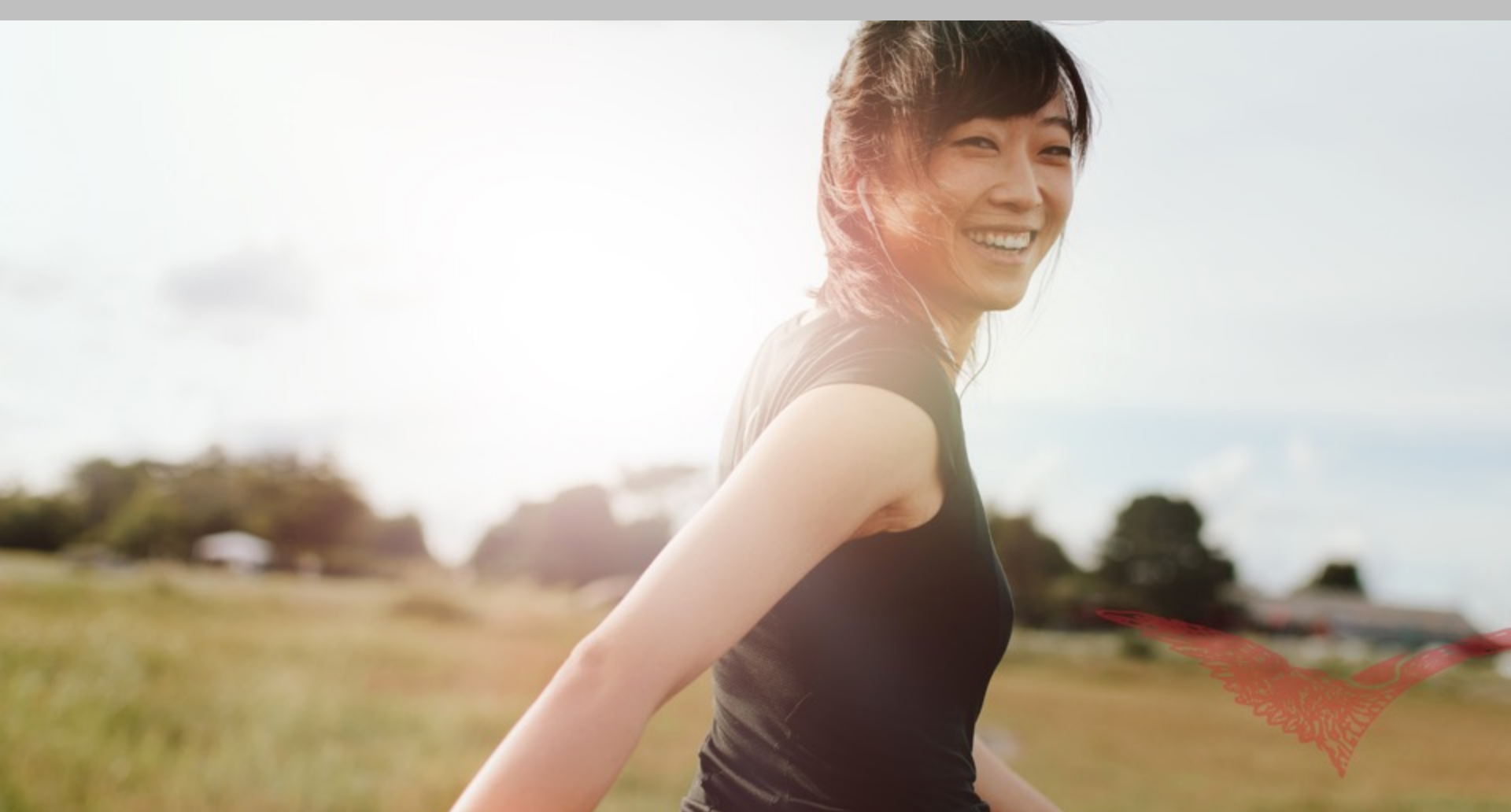
Dividend - successive years



Ordinary Dividend of 0.5 cents per share

- EPS of 5.18 cents per share
- Full year dividend of A\$0.005 per share, in-line with FY2016
- Dividend payout ratio of 10%
- Shareholders need to be registered 29th March 2018
- Payment date 30th April 2018





Growth strategies and Outlook

Identified Growth Strategies



Strategies	Status	Comments
1. Grow markets and channels	On-track	<ul style="list-style-type: none">• 274 distributors and growing
2. Expand product portfolio	On-track	<ul style="list-style-type: none">• Sourcing new products from Australia, South Africa and other markets• Collaboration Agreement with AMKA
3. Continuously enhance brand	Ongoing	<ul style="list-style-type: none">• Expanded media campaign
4. Investment & Acquisitions	Evaluating	<ul style="list-style-type: none">• Sourcing innovative health products
5. Strengthen R&D capabilities	Commenced	<ul style="list-style-type: none">• MOU with Monash University• Agreement with University of Adelaide
6. Upgrade production facilities	Commenced	<ul style="list-style-type: none">• Upgrade funded by the IPO proceeds

Growth Strategies – Grow markets & sales channels



International Expansion – Eagle and AMKA

- AMKA HOA signed 6th September
- Adding AMKA products to our range
- Selling Eagle products in Africa
- Fully supported by South African Ministry of Trade aligned with BRICS strategies
- Opening potential for both China and Africa significant emerging market growth



Growth Strategies – Expand product portfolio - China



New product launch 2015



Dendrobium juice powder

- Dendrobium seedlings grown at Eagle Health factory
- Plants grafted onto trees on Eagle Health forests in China
- Root harvested and ground into powder
- **Product sold in powder and capsule form**
- Dendrobium well established in TCM to provide benefits for gut and gastro issues
- **Rapid growth since launch**

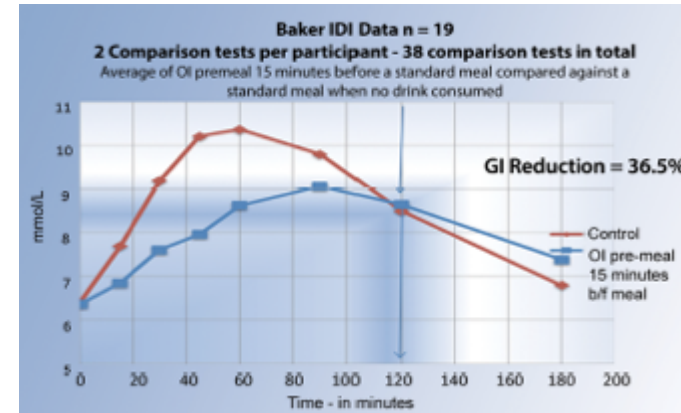


Growth Strategies – Expand product portfolio



Diabetes pre-meal shake China launch December 2017

- Clinically proven blood sugar management
- **Studies conducted in Australia by Baker IDI**
- Long term treatment benefits
- **Fully supported technology transfer**
- Key Opinion leader engagement



1. Eagle Health estimates based on industry data



- **120m men¹ and women** in China with Type 2 in 2018
- An aging and growing population, and increasing obesity – strong urban prevalence
- Eagle Health's pharmacy and supermarket distribution footprint - **well positioned to help Type 2 diabetes sufferers make lifestyle and diet changes**

Growth Strategies – Sourcing health products



Australia sourced – DHA supplements for cognition

DHA Taurine capsules

- **Composition:** DHA microcapsules (35%), soy lecithin, taurine
- **Function:** to help improve memory, prevent dementia



Australia sourced – Lutein for children's eye health



Siming granules

Composition: anthocyanins (blueberries), lutein, inulin, vitamin C.

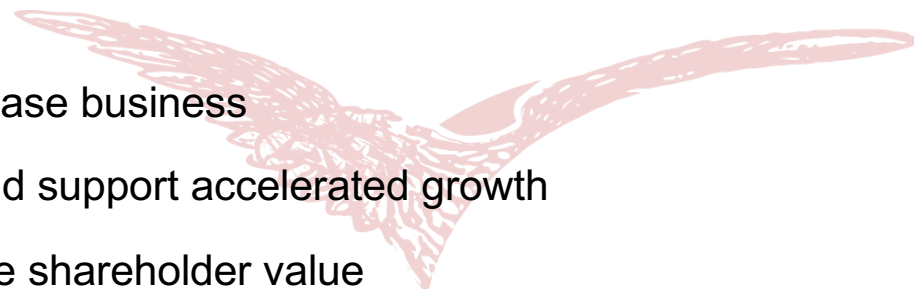
Function: relieve visual fatigue



FY2018 Outlook



- Continued strong growth in established product categories underpinned by supporting government policy
- Accelerated efforts to expand market and distribution channels > 400 distributors
- Continue to leverage Eagle brand nationally in China
- Pre meal diabetes shake Hutang 1 expected to boost sales – first mover in category
 - previous new products have significantly impacted
- Focus on developing new products through partnerships with AMKA and the universities, both in China and Australia
- Focussed effort on margin improvement on base business
- Plant upgrade expected to drive efficiency and support accelerated growth
- Ongoing review of acquisitions to further drive shareholder value



Appendices



Milestones and Achievements



2002

- Eagle Group branded health food and nutritional products launched

2006

- Xiamen International Marathon designated nutritional products
- Commenced construction of a new production facility in Xiamen

2008

- The brand was awarded "Fujian Provincial Famous Brand"

2016

- EHH was incorporated in Australia in preparation of its proposed listing on the ASX

2001

- The Company was founded by Zhang Mingwang in Xiamen to engage in health food and nutritional products business

2004

- The company's products were recognised as "consumers quality satisfaction products"

2007

- Stage one of production facility completed and operational
- Passed GMP inspection

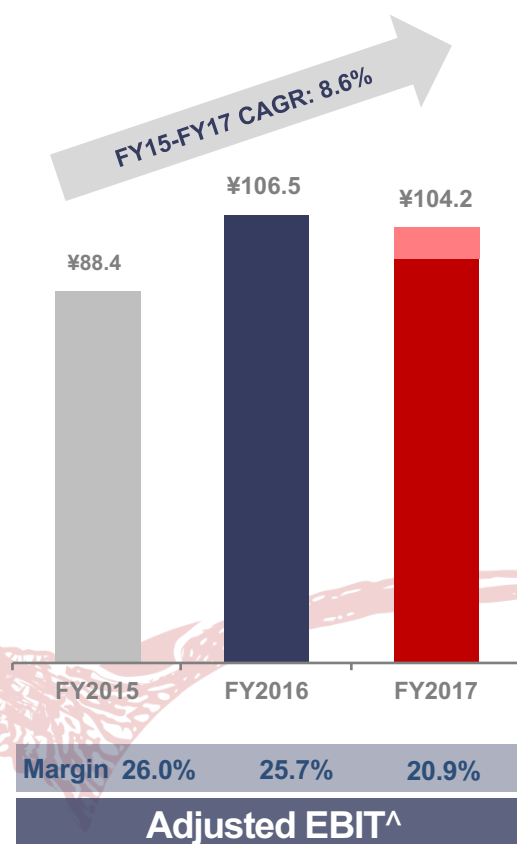
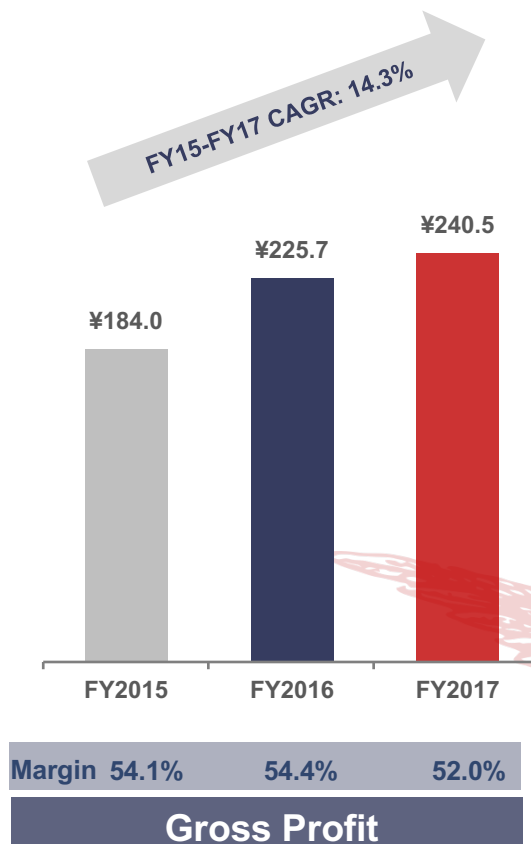
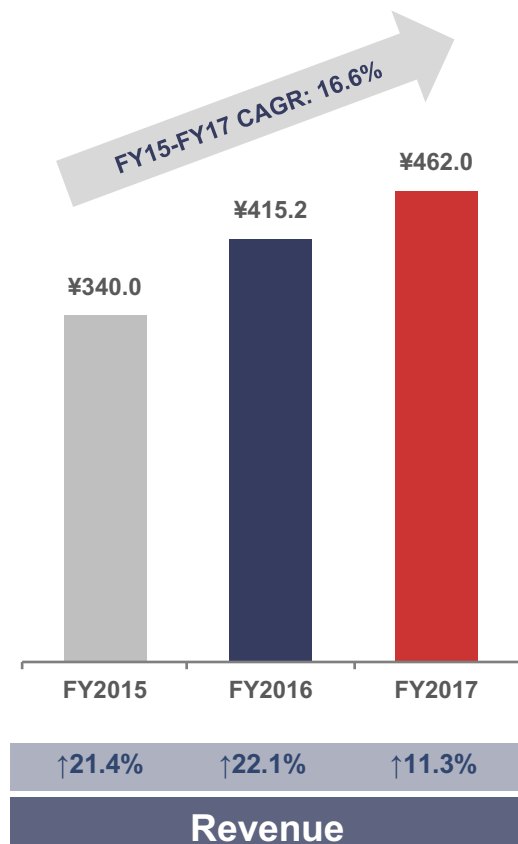
2012

- Recognised as High-tech enterprise
- Establishment of Natural Herbs Research Center jointly with Xiamen University

2017

- 3rd July 2017 EHH listed on the ASX

Appendix – RMB Constant currency performance



[^]EBIT adjusted for one off IPO costs incurred in FY2017