

ASX Announcement

16 July 2020

BWX Delivers Strong Revenue and EBITDA growth, in line with FY20 Guidance

Launches \$50M Equity Raising to Fund Construction of New Australian Manufacturing Facility and to Drive Growth

Highlights

- BWX delivers FY20 revenue growth of 25% and EBITDA growth of 30%¹ in line with guidance on a preliminary and unaudited basis
- FY20 statutory NPAT growth of 48% on a preliminary and unaudited basis
- Launch of A\$50 million equity raising with ~\$A33.7 million proposed to fund the development and construction of a new manufacturing facility and support office (**'New Operations Facility'**) to support future growth
- The New Operations Facility is expected to be completed in December 2021 (**'Completion'**); expected to have a four-year payback period²; and expected to be EPS accretive in FY23 and onwards
- The New Operations Facility assists BWX to deliver and outperform the previously announced Three Year Strategic Plan which underpins the Group's long term organic growth outlook
- The equity raising will also provide funding for growth, enhance financial flexibility and strengthen the balance sheet
- BWX expects ongoing growth in revenue and EBITDA of at least 10% in FY21
- The outlook for FY21 will be further boosted by a \$4.5 million NPAT benefit due to BWX having agreed the final consideration payable under the Egide Compensation Plan relating to the 2017 acquisition of the Andalou Naturals business

Melbourne, Australia – BWX Limited (ASX: BWX) is pleased to announce its unaudited preliminary revenue and EBITDA for the Financial Year 2020 (FY20) alongside the launch of an equity raising to fund the construction of a new manufacturing facility and support office; further strengthen its balance sheet; and provide flexibility to respond to opportunities in the current environment.

BWX is undertaking:

- a fully underwritten institutional placement of A\$40 million (**'Placement'**); and
- a non-underwritten Share Purchase Plan to eligible shareholders to raise a target of approximately A\$10 million (**'SPP'**).

Dave Fenlon, BWX Group CEO and Managing Director, said:

"The team have continued to execute the Group's strategic priorities with a clear objective to connect with more consumers through our four core brands. Despite the unparalleled social,

¹ Reflects the newly adopted Australian accounting standard AASB 16 Leases.

² Pay back of four years from Completion in relation to the full capital investment of ~\$33.7m to fund the New Operations Facility.

health and economic challenges of the recent half, BWV was able to deliver 30% EBITDA growth in FY20. Our Sukin brand led the way with 55% sales growth versus the prior period.

Having delivered a strong FY20 result in challenging conditions, we now want to continue with the next stage of the BWV Three Year Strategic Plan by investing in our manufacturing capability, strengthening the balance sheet and future-proofing our supply chain, while ensuring financial flexibility for any opportunities that may arise. Without our team demonstrating tremendous agility and commitment, we could not have arrived at this position.

As we usher in a new era as a market-leading natural wellness company globally, the proposed investment will enable BWV to deliver a step change in operational and financial performance in future years, underpinned by our enhanced strategic roadmap.”

Group Trading Update

On a preliminary and unaudited basis, the Group has delivered 25% FY20 revenue growth, to \$187.6 million, EBITDA of \$30.9 million on a post AASB-16 basis; an EBITDA of \$27.5m on a pre-AASB 16 basis (+30% growth vs pcp); and an increase in statutory NPAT of 48%, to \$14.1 million. Gross margin across the Group increased to 58.0%. The Group ended the financial year with an improved net debt position of \$32.0m at 30 June 2020 (down from a net debt position of \$42.8m in FY19) and excluding AASB 16 Leases.

The Group’s 2H20 performance was driven by a significant uptick in online sales and basket sizes across all regions, combined with strong revenue generation in our Asia Pacific engine market. BWV used its Australian manufacturing facility and engaged with its US manufacturing partners to quickly pivot production to meet heightened consumer demand for essential personal care and hygiene products during the pandemic. BWV has also benefited from increased points of distribution, particularly in the USA where it successfully launched the Sukin brand in FY20. BWV has also continued to strengthen existing customer relationships, aligning on the importance of stock levels and sell through rates and return on shelf space for retail partners. The ERP system continues to support and improve management information and decision making globally.

Dave Fenlon added: “All core brands performed well and we continued to gain market share, buoyed by their embedded connection with consumers and non-discretionary attributes. We remain confident in the long-term growth upside across our engine markets of APAC, North America and International, entering FY21 from a position of strength to leverage the wider retail and economic recovery and exploring increased access to China and South East Asia via a direct to consumer model. Our exclusive partnership with Coles is one we are proud of and has delivered both considerable growth to Sukin and brought new consumers into our brand.”

BWV will formally release its audited accounts as part of its FY20 results announcement to the market on 21 August 2020.

Rationale for Equity Raising and Use of Proceeds

The equity raising will enable BWV to continue executing its strategic focus on the four pillars – Connect to Consumers; Go Global, Go Mainstream; Invest in Ourselves; Get Clean & Get Healthy – and is expected to deliver and outperform the BWV Three Year Strategic Plan, by unlocking significant earnings potential beyond the current growth trajectory.

A major part of the strategic focus in FY21 will be the development and construction of the new co-located BWX manufacturing facility and support office which is expected to be open and operational by December 2021. With an estimated capital investment of ~\$33.7 million, the New Operations Facility will extend BWX's core capability within a modern and scalable manufacturing hub that is expected to deliver:

- production efficiencies to further scale current and future volumes, and enhance margins;
- improved quality and consistency of product through modern compounding facilities supported by a dedicated innovation and R&D lab;
- risk mitigation and enhanced control over end-to-end supply chain; and
- enhanced commitment to sustainability.

When fully operational, the New Operations Facility is expected to unlock significant incremental EBITDA growth over and above the current Three Year Strategic Plan. Robust returns are expected and will be underpinned by:

- labour productivity and efficiency improvements;
- material waste reduction of ~50%; and
- material cost reduction.

BWX Group Chief Operations Officer and Managing Director for APAC, Mr. Rory Gratton, tasked with managing the group-wide transition, commented:

"This future world-class facility is expected to significantly boost BWX's in-house manufacturing capacity, capability and competitive advantage; provide up-skilling opportunities for our team; and enhance the ways in which we serve our retail partners, customers, and consumers all over the world. Importantly, this initiative supports local manufacturing and Australian jobs at a time when the retail landscape is being heavily disrupted, and as more companies look to future-proof their business models. As part of this significant investment in Australian manufacturing, we are working with the Government to look to broaden the scope and speed of how we implement this exciting project.

We believe this is an ambitious plan but one that creates further earnings potential to deliver sustainable returns and long-term value creation to shareholders."

Please refer to today's Investor Presentation for further details.

Details of the Offer

The Placement of new fully paid ordinary shares is fully underwritten and will be offered to institutional investors at a fixed price of \$3.40 per share. This represents a:

- 7.1% discount to BWX's last closing price on 15 July 2020 of \$3.66 per share; and a
- 6.6% discount to the VWAP of BWX shares traded during the 5 trading days up to and including 15 July 2020 of \$3.64 per share

The Placement is expected to result in the issue of approximately 11.8 million new shares, representing 9.5% of BWX's existing ordinary shares on issue. The Placement is being conducted today, 16 July 2020, with BWX's shares to remain in a trading halt pending completion of the Placement.

Macquarie Capital (Australia) Limited and Bell Potter Securities Limited are acting as Joint Lead Managers, Bookrunners and Underwriters to the Placement.

The SPP will be offered to eligible shareholders in Australia and New Zealand following the completion of the Placement, with the opportunity to participate in a non-underwritten SPP by applying for up to \$30,000 worth of new fully paid BWX ordinary shares, free of any brokerage or transaction costs.

The issue price of the SPP shares will be the same as the Placement price.

BWX is targeting to raise approximately \$10m under the SPP. Depending on the level of demand, BWX may, in its absolute discretion, decide to scale back applications above the cap amount or apply a higher cap to the SPP and scale back applications over the higher cap. If a scale back is applied, it is BWX's intention that the scale back will be applied having regard to the pro-rata shareholding of eligible shareholders (as at 7:00pm on Wednesday, 15 July 2020) who apply for shares under the SPP.

Further details of the SPP will be set out in the SPP Offer Booklet which is anticipated to be released to the ASX and dispatched to eligible shareholders on or around 23 July 2020.

Indicative Timeline

| Event | Date / Time |
|---|----------------------|
| Record date for the SPP | 7:00pm, 15 July 2020 |
| Trading halt commences | 16 July 2020 |
| Announcement of the trading update, Placement and SPP | |
| Placement bookbuild | 16 July 2020 |
| Announcement of the outcome of the Placement | 17 July 2020 |
| Trading halt lifted – trading resumes on the ASX | 17 July 2020 |
| Settlement of New Shares issued under the Placement | 21 July 2020 |
| Allotment and normal trading of New Shares issued under the Placement | 22 July 2020 |
| SPP offer opens and SPP offer booklet dispatched | 23 July 2020 |
| SPP offer closes | 5 August 2020 |
| Announcement of results of SPP | 10 August 2020 |
| SPP allotment date | 13 August 2020 |
| Normal trading of SPP shares | 17 August 2020 |
| BWX FY20 Result Announcement | 21 August 2020 |

Andalou Naturals settlement

BWX confirms that two subsidiaries of the group have entered into an agreement with Mark Egide and Stacey Egide, under which no further payments will be payable under the Egide Compensation Plan relating to the Andalou Naturals business, in consideration for payment of US\$800,000 and with no impact to the carrying value of Andalou Naturals. BWX will release accounting provisions to provide a A\$4.5 million NPAT benefit in FY21.

Conference Call

Further details on the equity raising are set out in the Investor Presentation also provided to the ASX today. The Investor Presentation contains important information including key risks and foreign selling restrictions with respect to the equity raising.

BWX will conduct a conference call in relation to the announcement today at 10:30am (Sydney time).

We recommend participants pre-register 5 to 10 minutes prior to the conference call via the following link: <https://s1.c-conf.com/diamondpass/10008668-invite.html>

Following pre-registration, participants will receive the teleconference details and a unique access passcode.

ENDS

Authorised for release by:

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