



VITACO FIRST HALF FY16 RESULT

Highlights

- Record net revenue of \$110.5m, up 37.6% on HY15, driven by outstanding growth in Vitamins & Dietary Supplements (VDS) Division
- Pro-forma EBITDA of \$10.4m, up 10.8%. Excluding currency impacts and the non-recurring legacy costs relating to Musashi EBITDA is up 37% on HY15
- Statutory NPAT loss of \$15.4m, down \$18.4m. This includes \$23.2m of non-recurring costs relating to Vitaco's IPO and the integration of Musashi, outlined in the Prospectus.
- Strong growth in all divisions, excellent result in VDS with revenue up 41%, EBIT up 77%
- 1H China sales of \$11.5m supported by 233% increase in VDS sales to China
- Musashi acquisition has met key milestones
- Interim dividend declared of 1.69 cents per share in line with dividend policy
- Year to date trading in line with expectations and re-affirm full year IPO forecasts

Vitaco Holdings Limited (ASX:VIT) (Company) today released first half results for 2016 and reaffirmed the company is on track to meet its full year IPO profit forecasts.

Pro Forma net revenue of \$110.5m is up 37.6% on 1H15, driven by strong organic growth, particularly in the Vitamins and Dietary Supplements Division (VDS). Pro Forma EBITDA of \$10.4m is up 10.8% on 1H15 and Pro Forma NPAT of \$5.6m is up 12.9% on 1H15.

Statutory NPAT was a loss of \$15.4m, down \$18.4m and as outlined in the company's Prospectus. This includes \$23.2m of one off costs relating to Vitaco's IPO, and the integration of Musashi.

The integration of the Musashi business that was acquired in July 2015 is on track, is trading better than break-even and is expected to deliver a run rate EBITDA of \$4.0m from April 2016. Profit, Gross Margin and EBITDA Margin was impacted for the first half by non-recurring legacy costs related to Musashi, and also a weaker AUD exchange rate during the period. Excluding the impacts of Musashi and currency EBITDA would be up by 37%.

The Board has declared a maiden interim dividend of 1.69 cents per share, representing a payout ratio of 55% of Pro Forma NPAT¹. The dividend is payable on 31 March 2016 to shareholders registered as of 4 March 2016.

CEO of Vitaco Ryan d'Almeida said; "Overall this is a solid result that reflects a huge amount of work across the group since we became a public company in September last year.

"Vitaco's revenue growth has a number of drivers being ongoing traditional markets, our traction into China, and sales coming from the recently acquired Musashi.

¹ excluding the impact of non-recurring legacy Musashi operating costs

“The domestic business continues to trade well. Vitaco is in an excellent position to benefit from the significant expected growth in the health and wellness industry. We have market leading brands across Australia and New Zealand, trusted products, and in-house manufacturing with control of the supply chain from procurement through to distribution.

“There is a significant focus on China and a strong sales base has been established in this market, yet we are still at an early stage of our growth trajectory and there is a lot of work still to be done.

“Vitaco is taking a carefully planned and methodical approach to capturing further market share in China. Significant investment in recruiting across management and marketing is now occurring, and we are ramping up marketing initiatives post Chinese New Year celebrations,” Mr d’Almeida said.

Vitamin and Dietary Supplements Division (46% of 1H16 net revenue)

The VDS Division, which contains the brands Healtheries, Nutra-Life and Wagner experienced strong organic growth for the half. Healtheries Supplements revenue was up 12%, and Wagner and NutraLife were up 45% and 58% respectively. China VDS sales of \$9.8m were up by \$6.8m (233%), and growth in traditional markets up \$7.9m (24%). Vitaco revenue in the Middle East market grew by 67%. Segment EBIT increased by 77% to \$8.7m.

Nutra-Life supplement sales continue to grow via the indirect/domestic trader channel with 225% growth achieved across the Nutra-Life Cranberry range, with the product now rating third across all Cranberry products on TMall Global.

The Healtheries TMall site was launched in May 2015 to facilitate direct sales into China, with encouraging early signs including RMB 1 million in sales on Singles Day. Vitaco is experiencing good early traction with its newly launched range of flavoured milk bites, and an extended Healtheries dairy range is due for launch in China in Q4 FY16.

The division is benefiting from its in-house manufacturing capability with manufacturing volumes up 51% on 2H15. The company successfully commissioned a new capsule machine with capacity to produce 120,000 capsules per hour, and to support expected future sales growth into China.

The agency agreement for the Trilogy natural skincare range will end on 30 June 2016. The negative impact on FY17 EBITDA is \$1.4m to \$1.7m. This provides an opportunity for Vitaco to develop natural skincare products within its branded portfolio and to transition from lower agency margins to higher branded margins in this category.

Sports & Active Nutrition and Health Foods Division (54% of 1H16 net revenue)

The Sports & Active Nutrition and Health Foods (SN & HF), which includes the brands Aussie Bodies, Musashi, Balance, BodyTrim, Healtheries and Abundant Earth, saw sales up \$3.4m (8%) in traditional markets, with a further \$12.2m sales increase (28%) resulting from the Musashi acquisition. Segment EBIT declined by 20.2% to \$7.5m on the back of anticipated post acquisition Musashi losses and a weaker AUD exchange rate.

The Musashi integration has met or exceeded management milestones to date. Revenue growth is strong and a number of new initiatives are underway including the establishment of a Musashi Sports presence via a TMall global store to capitalise on the growing potential in the Sports Nutrition category in China.

Vitaco is the clear number 1 in the Australian Grocery Sports and Active Nutrition category with the Aussie Bodies and Musashi brands, and market share increased from 33.7% to 35.3% in the 12 months to December 2015 (including Musashi). In the Australian grocery channel Aussie Bodies has grown at 10% for the half year and has increased its market share by 1.6 share points. Aussie Bodies has continued to lead category innovation with the launch of the “Crunch” bar range and the “Naked” bar range.

Mr d’Almeida continued, “Vitaco develops, manufactures, distributes and markets its own products providing us with numerous competitive advantages. We maintain significant spare capacity to meet expected increases in demand across the portfolio.”

Outlook

Year to date the company continues to trade in line with management expectations, and the company today reaffirms full year IPO profit forecasts of \$23.7m Pro Forma EBITDA and \$12.7m Pro Forma NPAT subject to no material change in market conditions. 2H16 earnings are forecast to exceed 1H16 due to the elimination of legacy non-recurring Musashi costs.

-ENDS-

For Further Information:

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A results briefing for analysts, institutional investors, retail investors and media will be held via teleconference at 11am (AEDT) today, Wednesday 24 February 2016.

Details of the conference call dial in are as follows:

Conference name:	Vitaco Holdings Half Year Financial Results
Conference ID:	51115899
Australia dial in details:	1800 087 756 (toll free) or +61 2 9083 3215 (toll)
Hong Kong dial in details:	800 906 604 (toll free) or +852 30186774 (toll)
New Zealand dial in details:	0800 880 514 (toll free)