



## 1H16 HALF-YEAR FINANCIAL RESULTS

24 FEBRUARY 2016

INVESTOR PRESENTATION

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Healththeries



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MUSASHI



bodytrim



## 1H16 Financial Highlights

1. **\$110.5 million Revenue, up 37.6% on pcp (up 22% excluding Musashi)**
2. **\$10.4m Pro Forma\* EBITDA, up 10.8% on pcp (up 37% excluding Musashi & Currency impact)**
3. **Strong growth in all divisions, excellent result in Vitamins & Dietary Supplements (VDS) • Revenue up 41% on pcp, • EBIT up 77% on pcp**
4. **1H China sales of \$11.5m supported by 233% increase in VDS sales to China**
5. **Dividend of 1.69 cents per share declared**
6. **Year to date trading in line with expectations, re-affirming full year IPO forecasts**

\*Pro Forma EBITDA has been calculated in accordance with the adjustments made in Figures 77 and 78 of Vitaco's IPO Prospectus dated 4 September 2015. A reconciliation between Pro Forma EBITDA and Vitaco's reported NPAT is included on page 26 of this presentation. We note that adjustments for 1H16 include adding 2.5 months of listed company costs (\$335k, that was not actually incurred by Vitaco) prior to Vitaco's admission on to the official list of ASX companies on 16 September 2015.

## 1H16 Operational Highlights

1. **Solid sales base in China established**  
Future growth to be supported with infrastructure and marketing investment
2. **Musashi integration milestones met or exceeded**
3. **Strong innovation continues with 63 new products launched**
4. **Investment in new capsule machine capable of manufacturing 120,000 capsules per hour, supporting current & future China sales growth**
5. **Healtheries voted most-trusted NZ Supplements brand for the 9th Year Running**







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## Summarised Financial Performance

### Record Net Revenue of \$110.5m, up 37.6% on 1H15

#### Revenue growth driven by:

- Ongoing growth in domestic markets
- Musashi acquisition
- Strong growth in supplements sales to China

#### Gross margin up 22% on 1H15

Gross margin % compared to 1H15 impacted by pre integration Musashi losses, currency (AUD/NZD weakness) and product mix

Musashi EBITDA of -\$0.4m on revenue of \$12.2m as a result of non recurring legacy costs. Musashi is now trading at better than breakeven and is on-track to deliver a run-rate EBITDA of \$4.0m from April 2016

EBITDA margin excluding Musashi & currency up 1.5 points due to operating leverage

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, as outlined in Vitaco's IPO Prospectus dated 4 September 2015

#### Group Financial Performance

A\$000s	Pro Forma			Statutory
	1H16	1H15	% chg.	1H16
<b>Net Revenue</b>	<b>110,540</b>	<b>80,321</b>	<b>37.6%</b>	<b>110,540</b>
Vitamins and Supplements	50,837	36,136	40.7%	50,837
Sports & Active Nutrition and Health Foods	59,292	43,680	35.7%	59,292
Other	411	505	-18.6%	411
<b>Gross Margin</b>	<b>43,776</b>	<b>35,935</b>	<b>21.8%</b>	<b>43,776</b>
GM%	39.6%	44.7%		
GM% (excl Musashi, constant FX)	43.2%	44.7%		
<b>EBITDA</b>	<b>10,435</b>	<b>9,414</b>	<b>10.8%</b>	<b>(12,412)</b>
EBITDA%	9.4%	11.7%		
EBITDA% (excl Musashi, constant FX)	13.2%	11.7%		
Depreciation & Amortisation	(1,483)	(1,475)	0.5%	(1,483)
<b>EBIT</b>	<b>8,952</b>	<b>7,939</b>	<b>12.8%</b>	<b>(13,895)</b>
Net interest expense	(1,080)	(967)	11.8%	(1,922)
<b>PBT</b>	<b>7,872</b>	<b>6,972</b>	<b>12.9%</b>	<b>(15,817)</b>
Tax expense	(2,283)	(2,022)	12.9%	393
<b>NPAT</b>	<b>5,589</b>	<b>4,950</b>	<b>12.9%</b>	<b>(15,424)</b>

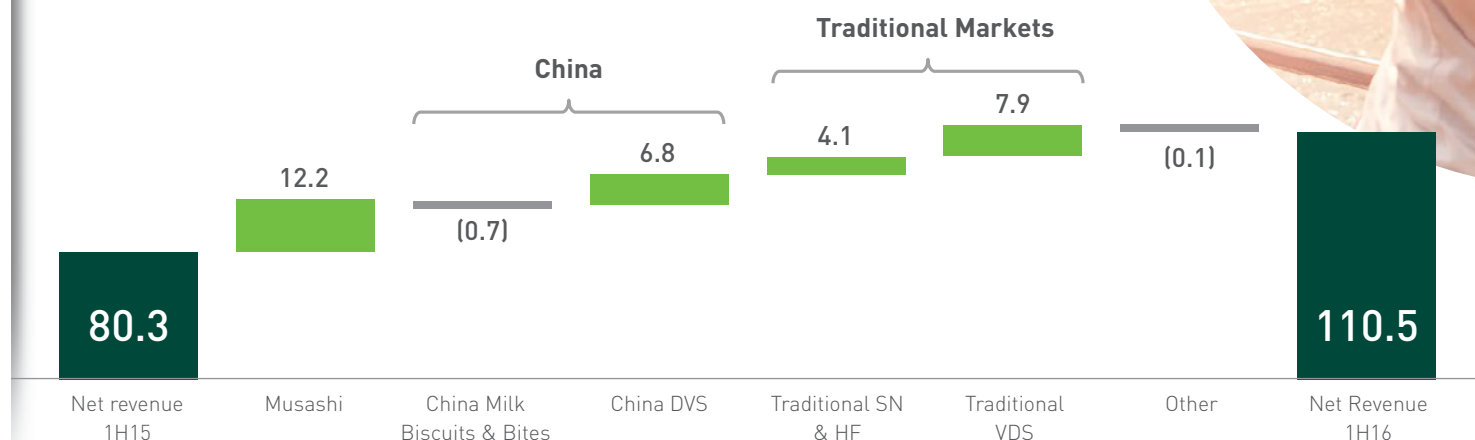


# Understanding Revenue Growth

Record revenue driven by strong organic growth

## Three drivers of revenue growth:

- ✓ Ongoing traditional markets growth (up \$12.0m or 16% growth)
- ✓ Vitamin and Dietary Supplement sales to China (up \$6.8m or 233% growth)
- ✓ Musashi acquisition (\$12.2m)



# Segment Results – Vitamins & Dietary Supplements

Outstanding performance in VDS segment

## Strong organic growth in VDS:

- 233% growth in China VDS sales
- 24% growth in traditional markets
- 77% improvement in segment EBIT

## Strong growth in all key VDS brands:

- Healtheries Supplements sales growth in NZ of 12%
- Wagner sales growth of 45%
- Nutra-Life sales growth of 58%

## Vitamins and Dietary Supplements (VDS)

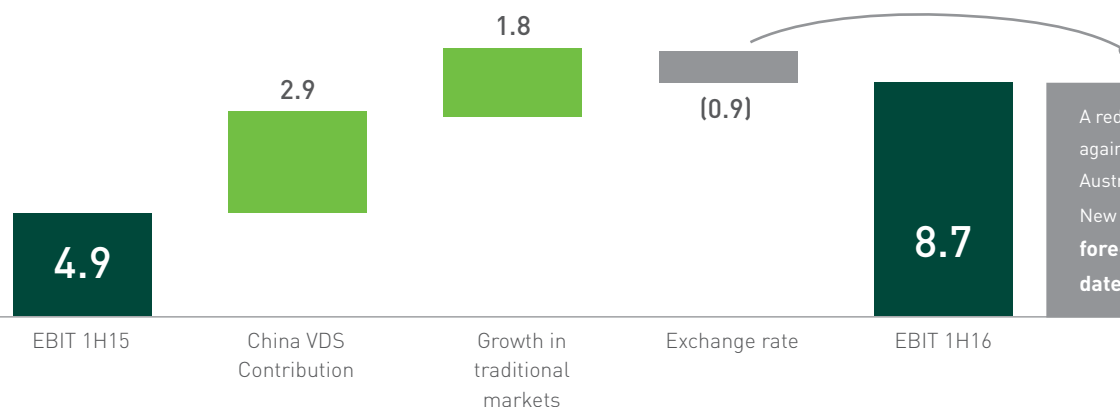
A\$000s	1H16	1H15	% chg.
Revenue	50,837	36,136	40.7%
EBIT	8,733	4,926	77.3%
Margin	17.2%	13.6%	
Margin (excl. Currency)	19.0%	13.6%	

Healtheries

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## Vitamins & Dietary Supplements– EBIT Bridge 1H15 to 1H16 (\$m)



A reduction in the AUD exchange rates (specifically against the NZD) has increased the price Vitaco Australia pays for finished goods manufactured in New Zealand. **This was factored into Vitaco's forecasts included in its IPO Prospectus dated 4 September 2015.**

## Segment Results – Sports Nutrition & Health Food

Solid growth in core brands supplemented by successful Musashi acquisition

**Sports & Active Nutrition and Health Foods (SN & HF) has also enjoyed strong revenue growth:**

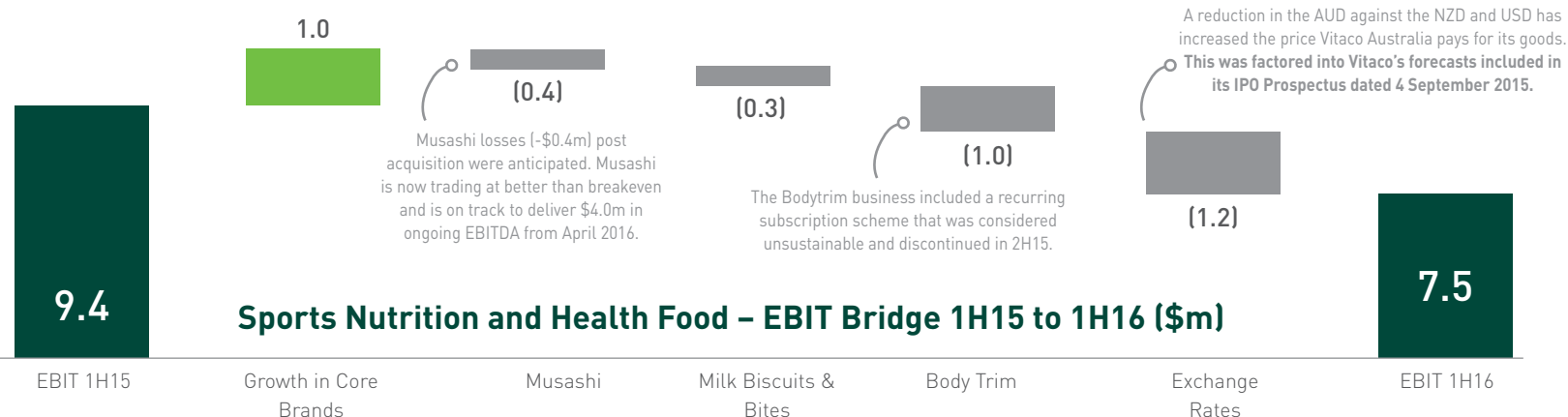
- 8% organic growth in existing markets (excl. Musashi)
- 36% revenue growth including Musashi

**The Vitaco Sports portfolio of brands is the clear #1 in the Australian Sports market\***

- Aussie Bodies Grocery sales growth of 10%

### Sports Nutrition & Health Food (SN & HF)

A\$000s	1H16	1H15	% chg.
<b>Revenue</b>	<b>59,292</b>	<b>43,680</b>	<b>35.7%</b>
<b>EBIT</b>	<b>7,523</b>	<b>9,431</b>	<b>-20.2%</b>
<b>Margin</b>	<b>12.7%</b>	<b>21.6%</b>	
<b>Margin (excl. Musashi &amp; Currency)</b>	<b>19.4%</b>	<b>21.6%</b>	



\*Aztec



# Balance Sheet

## Strong Financial Position

- Inventory and Trade Debtors increased due to impact of Musashi acquisition and organic revenue growth. Musashi working capital increase includes:
  - Buffer stock whilst manufacturing is transferred to New Zealand
  - Raw material purchases to enable in-housing of out-sourced production
- Non-Current Assets generally consistent with Mar-15
- Capex of \$956k during 1H16 (1 July to 31 Dec):
  - \$523k maintenance capex
  - \$433k growth capex including an investment in a high speed capsule machine to meet Chinese VDS demand
- Net Debt (borrowings less cash) \$44.5m. Up from \$39.8m Pro Forma Net Debt as expected due to Musashi working capital investment
- Considerable headroom on all banking covenants

Balance Sheet			
A\$000s	Dec-15	Mar-15	% chg.
<b>Current Assets</b>			
Cash & Equivalents	1,925	3,753	-48.7%
Trade Debtors	34,528	29,094	18.7%
Inventory	49,565	36,014	37.6%
Other Current Assets	893	1,757	-49.2%
	86,911	70,618	23.1%
<b>Current Liabilities</b>			
Trade Creditors & Provisions	(34,643)	(28,143)	23.1%
Borrowings	(2,508)	(76,844)	nm
Other	(89)	(4,374)	-98.0%
	(37,240)	(109,361)	-65.9%
<b>Non-Current Assets</b>			
PP&E	18,480	18,676	-1.0%
Intangible Assets	107,900	113,742	-5.1%
Other Non-Current Assets	4,289	3,567	20.3%
	130,669	135,985	-3.9%
<b>Non-Current Liabilities</b>			
Provisions	(1,263)	(198)	nm
Borrowings	(43,870)	(779)	nm
	(45,133)	(977)	nm
<b>Net Assets</b>	<b>135,207</b>	<b>96,265</b>	<b>40.5%</b>
Banking Covenants			
	Dec-15	Covenant	Headroom
Interest Cover (greater than)	6.37x	3.00x	112%
Net Debt Coverage (less than)	1.99x	3.00x	51%

# EPS and Dividend

## Strong Financial Position

- ✔ Pro Forma 1H16 Earnings per Share \$0.04
- ✔ Dividend of \$0.0169 declared (being 55% of Pro Forma NPAT, excluding the impact of non-recurring legacy Musashi operating costs, since listing on ASX) as outlined in the Vitaco's IPO Prospectus:
  - Ex Date: 2 March 2016
  - Record Date: 4 March 2016
  - Payment Date: 31 March 2016
- ✔ Franking and imputation credits will not be available for this dividend (due to the tax impact of Vitaco's IPO transaction costs and Musashi integration costs), however are expected to be attached to future dividend payments

### Earnings per Share

	Pro Forma	
	1H16	Since Listing*
EPS	\$0.0402	\$0.0307
Dividend		\$0.0169

\*Covering the period 15 September 2015 to 31 December 2015. Based on Vitaco's Pro Forma NPAT adjusted to exclude the impact of non-recurring legacy Musashi operation costs
















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## Leading Market Positions with Established and Trusted Brands

	Vitamins and Dietary Supplements			Sports and Active Nutrition and Health Foods					
				Sports and Active Nutrition				Health Foods	
									
AGE OF BRAND (YEARS)	111	48	35+	24	28	30	8	111	35+
% OF 1H16 REVENUE	10%	23%	8%	18%	14%	7%	2%	16%	2%
	#1 Vitamin and dietary supplements brand in the New Zealand grocery channel	A leading brand in the New Zealand pharmacy and healthfood channels with a longstanding presence in the Australian health food channel	Fast growing vitamin and dietary supplements brand in the Australian pharmacy channel	The leading sports nutrition brand in the Australian sports nutrition market, with wide distribution in mainstream channels	One of the leading brands in the Australian sports nutrition market, with wide distribution in mainstream channels	A leading sports nutrition brand in the New Zealand market and a longstanding presence in the Australian health food channel	Weight management brand in the Australian grocery, pharmacy and DTC channels	Grocery and health food channel brand, holding a leading position in a number of specialist grocery channel sub-categories	Stable brand in the Australian grocery and health food channels







## ✓ CATEGORY GROWTH

### ✓ 1H16 DEVELOPMENTS:

- Market share in Australian Sports Nutrition and Diet category increased from 33.7% to 35.3% in the 12 months ending Dec-15 (both figures include sales for Musashi)\*
- Australian supplements brand Wagner experienced 45% increase in sales over 1H15
- Healtheries Supplements in New Zealand experienced a 12% increase in sales and holds a 39% share of the grocery market\*

## ✓ EXPANSION OF DISTRIBUTION

### ✓ 1H16 DEVELOPMENTS:

- Extending our reach in traditional markets, including roll out of Nutra-Life in Australian pharmacies
- Flagship Healtheries TMall Global site launched May-2015; establishing a Musashi Sports presence via a soon to be launched TMall Global Store
- Increased the number of key domestic traders to China from Australia and New Zealand

## ✓ NEW PRODUCT DEVELOPMENT

### ✓ 1H16 DEVELOPMENTS:

- 63 new SKUs launched in 6 months to 31 December 2015
- Expanded Aussie Bodies 'Crunch' range and launched Aussie Bodies 'Naked' bar range
- Launched Aussie Bodies 'Protein Revival' in PET bottle through 7/11 stores nationwide, experiencing a 17% uplift in units per store per week\*

\*Aztec



## IN-SOURCING & MANUFACTURING

### 1H16 DEVELOPMENTS:

- Material increase in capacity with commissioning of new high speed capsule machine capable of making 120,000 capsules per hour
- Vitamin and supplement manufactured volumes up 51% on 1H15
- Successful in-housing of Musashi powder, capsule & bar manufacturing

## INTERNATIONAL GROWTH

### 1H16 DEVELOPMENTS:

- Significant growth in China, especially in VDS segment
- 67% growth on the pcp in VDS Sales to the Middle East

## INDUSTRY CONSOLIDATION

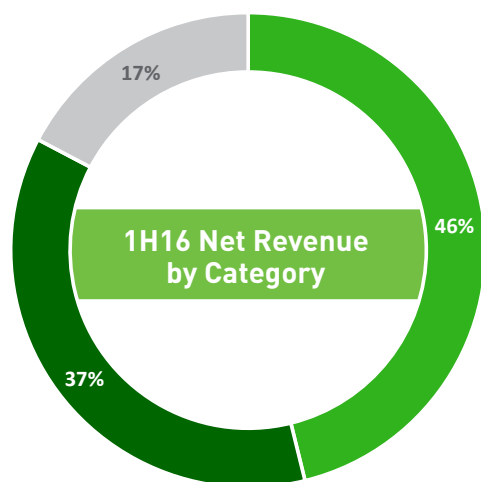
### 1H16 DEVELOPMENTS:

- Musashi integration progressing very well – meeting or exceeding all milestones
- As Musashi integration draws to a close and internal management capacity is freed up, we will continue to consider further M&A opportunities

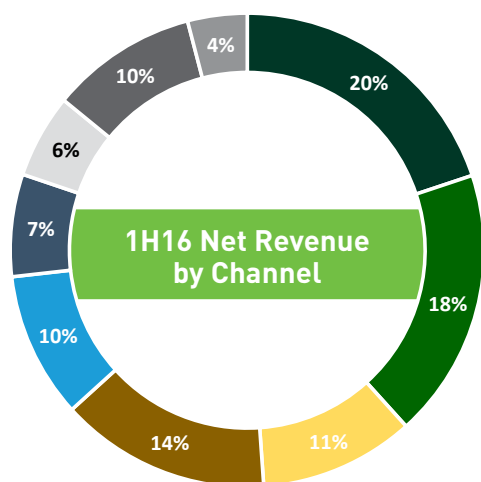


# Diversified Product Portfolio with Multiple Channels to Market

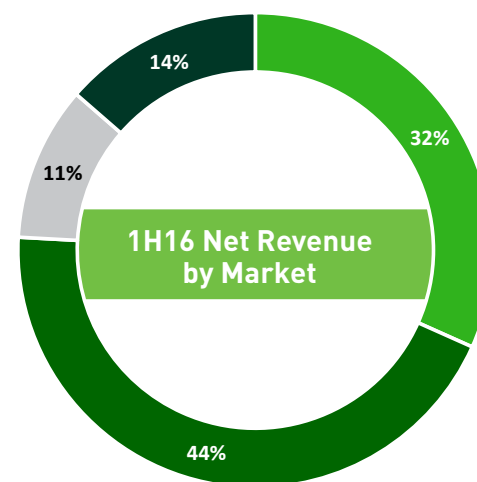
Diversified across product categories, sales channels and geographies



- Vitamins and dietary supplements
- Sports Nutrition
- Health and wellness, packaged food



- AU Grocery
- NZ Grocery
- AU Health food and specialty stores
- NZ Health food and specialty stores
- AU Pharmacy
- NZ Pharmacy
- Route
- International
- Contract



- New Zealand
- Australia
- China
- Other Export



## Vertically Integrated Business Model with Capacity to Support Future Growth

We develop, manufacture, distribute and market our own products

- ✔ **Vertical integration provides us with competitive advantages through lower costs of goods sold, operating expenditure efficiencies, maintenance of high standards of quality control, and speed to market**
- ✔ **Continue to maintain significant spare capacity to meet expected increases in demand across the portfolio:**
  - We are operating at an estimated 50% of total capacity for tablets, capsules and bar production
  - Sports powder blending is operating at an estimated 41% of total capacity post Musashi integration



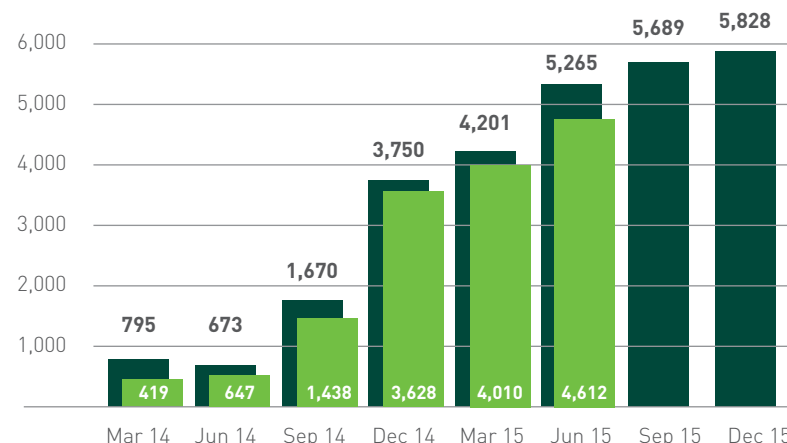
## China Update

Meeting projections and building the platform for significant growth

**We have achieved a solid sales base.**

**Accelerated growth will be a function of our investment in marketing and infrastructure:**

- ✔ Nutra-Life supplement sales continue to progress well via domestic traders
- ✔ Healtheries TMall Global site showing good early signs (RMB1 million sales on Singles Day)
- ✔ In the process of launching Musashi Sports Nutrition TMall Global site
- ✔ We are seeing good early signs for our newly launched range of flavoured Milk Bites
- ✔ An extended Healtheries dairy range is due for launch in Q4 FY16



### Group Sales to China Customers (A\$000s)

■ As reported in Vitaco's IPO Prospectus

■ Revised measure\*

\*To better account for, and report against, the performance of China sales, we are now measuring China sales to specific customers rather than measuring specific SKU's.



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## Natural Skin Care Category






- ✔ Our agency agreement for the Trilogy natural skin care range in New Zealand will end on 30th June 2016
- ✔ Trilogy has acquired a business that provides them with an internal sales and distribution capability in New Zealand
- ✔ This provides an opportunity for Vitaco to develop natural skin care products that represent a natural extension to our current branded portfolio in Australia and New Zealand
- ✔ Provides an opportunity to transition from lower agency margin (10-15%) to higher branded margins in line with the rest of Vitaco's portfolio
- ✔ Natural skin care is a growing and attractive category both domestically and in China
- ✔ The full year negative EBITDA impact is \$1.4m to \$1.7m\*

\*Gross impact excluding any contribution from replacement skin care products



## Musashi Acquisition

Musashi integration milestones – running to, or ahead of, schedule

Sales and distribution fully integrated from 1 October 2015	COMPLETED ON TARGET 
Manufacturing transferred to Vitaco's East Tamaki site from 30 October 2015	COMPLETED AHEAD OF TARGET 
Close out completed on 2 of Musashi's 3 Melbourne leases	ON TARGET 
In-sourcing of Bar Manufacturing underway and on-target for 31 March completion	ON TARGET 
Cost of Goods savings on Powders and Drinks locked-in	COMPLETED AHEAD OF TARGET 





## Musashi Acquisition

Financial performance on target

1H16 Revenue of \$12.2m

ON TARGET



Total one-off integration & acquisition costs during 1H16 of \$7.0m

COMPLETED ON TARGET



EBITDA positive from December 2015

ON TARGET



On track to deliver annual EBITDA run-rate of \$4.0m by April 2016

ON TARGET





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## Outlook

### Vitaco is well positioned for the future

- ✔ We re-affirm our full year forecasts included in Vitaco's IPO Prospectus of \$23.7m Pro Forma EBITDA and \$12.7m Pro Forma NPAT. Subject to no change in market conditions
- ✔ 2H16 earnings are forecast to exceed 1H16 due to:
  - The elimination of legacy non-recurring Musashi costs resulting in a turn around from loss to profit
- ✔ Vitaco is well positioned to enjoy continued growth:
  - Our domestic business continues to perform to expectations
  - China sales growth will be supported by investment in marketing and human resources
  - Musashi is EBITDA positive and will deliver projected run-rate earnings from April 2016
  - Our balance sheet is in excellent shape enabling us to invest in the future growth of Vitaco





## Summary

- ✔ Record net revenue of \$110.5 million, up 37.6% on pcp driven by outstanding growth in VDS division
- ✔ Pro-forma EBITDA \$10.4 million, up 10.8% on pcp
- ✔ Pro Forma EBITDA excluding impacts of Musashi and currency up 37% on pcp
- ✔ The Health & Wellness category continues to build momentum
- ✔ Our domestic market position continues to strengthen
- ✔ Musashi acquisition has met or exceeded key milestones
- ✔ Solid sales base established through cross border e-commerce into China





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## Appendix: Reconciliation of Pro Forma to Statutory

### Reconciliation between Pro Forma EBITDA and Statutory NPAT

A\$000s	Pro Forma	
	1H16	1H15
Comprehensive Income attributable to the shareholders of Vitaco Holdings Limited	(11,127)	3,889
Add back other comprehensive losses / (deduct other comprehensive income)		
Exchange rate difference on translation of foreign operations	(3,353)	(895)
Cash flow hedges taken directly to equity	(944)	-
	(4,297)	(895)
Profit / (Loss) attributable to the shareholders of Vitaco Holdings Limited	(15,424)	2,994
Add back / (deduct):		
Income tax expense / (benefit)	(393)	879
Finance costs	1,922	4,344
Depreciation and amortisation expense	1,483	1,475
Items considered to be Non-Recurring by Vitaco Management and Board		
- Musashi transaction and integration costs	6,982	-
- Share issue costs	14,495	-
- Impact of closing hedging contracts (relating to foreign denominated debt paid off on IPO)	1,705	-
Operating Profit before Depreciation and Amortisation	10,770	9,692
Pro-Forma Adjustments:		
Incremental Listed Company Costs (1H16 includes 2.5 months of costs prior to IPO)	(335)	(662)
Pro-Rata allocation of STIs paid during FY15	-	(250)
Non-recurring costs paid during 1H15	-	634
Pro Forma EBITDA	10,435	9,414
less:		
Depreciation and amortisation expense	(1,483)	(1,475)
Pro forma finance costs	(1,080)	(967)
Pro forma taxation costs	(2,283)	(2,022)
	(4,846)	(4,464)
Pro Forma Net Profit After Tax	5,589	4,950

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## Appendix: Full Year Historic & Forecast Financial Performance\*

Full Year Financial Performance				
A\$000s	Pro Forma			Statutory
	FY16F*	FY15	% chg.	FY16**
<b>Net Revenue</b>	211.3	172.4	22.6%	255.7
Vitamins and Supplements	91.8	79.5	15.5%	114.7
Sports & Active Nutrition and Health Foods	118.5	92.3	28.4%	139.7
Other	1.0	0.6	66.7%	1.3
<b>Gross Margin</b>	88.5	75.1	17.8%	107.7
GM%	42%	44%		42%
<b>EBITDA</b>	23.7	20.6	15.0%	7.0
EBITDA%	11%	12%		
Depreciation & Amortisation	(3.7)	(3.1)	19.4%	(4.5)
<b>EBIT</b>	20.0	17.5	14.3%	2.5
Net interest expense	(2.1)	(1.8)	16.7%	(6.8)
<b>PBT</b>	17.9	15.7	14.0%	(4.3)
Tax expense	(5.2)	(4.6)	13.0%	(5.4)
<b>NPAT</b>	12.7	11.1	14.4%	(9.7)

\*As reported in Vitaco's IPO Prospectus dated 4 September 2015

\*\*Statutory FY16 is for the 15 months to 30 June 2016 and is as reported in Vitaco's IPO Prospectus dated 4 September 2015



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All references starting with 1H refer to the financial period ended 31 December. For example, 1H16 refers to the period ended 31 December 2015.