



## PROBIOTEC LIMITED

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### ASX ANNOUNCEMENT

23 November 2017

#### CHAIRMAN AND CEO'S ADDRESS TO SHAREHOLDERS

##### Address by the Chairman – Mr Geoff Pearce

It is a pleasure to welcome you all to Probiotec's 2017 Annual General Meeting. After joining the board a year ago, I can honestly say I am more enthusiastic than ever about the future of Probiotec.

For the 2017 financial year, Probiotec increased its net profit after tax<sup>1</sup> by 16%. Whilst we have far higher aspirations, we believe that this was an important stepping stone in PBP's development to not just consolidate our turn-around result from the prior year but also continue to grow. With the continued improved performance and the outlook for the future, the Board was pleased to continue with the payment of a 1.5 cents per ordinary share fully franked final dividend, bringing the full year dividend to 2 cents per ordinary share.

The past few years have seen Probiotec turn around and consolidate its financial performance. The Group is now positioned to enter an exciting period of expansion. In the absence of any significant deterioration in economic conditions, the Directors reasonably expect to deliver strong growth in both revenue and earnings in the 2018 financial year. This will be driven most heavily by demand for our contract manufacturing services, together with growth in our pharmaceutical and obesity management branded portfolio. The recent acquisition of South Pack Laboratories (South Pack) will supplement this growth with a circa 9 months contribution to earnings.

The acquisition of South Pack has added further capabilities and opportunities to Probiotec and we are delighted that the team at South Pack have joined our expanding business. The business has been integrated seamlessly into the Group as the team continue to provide their customers with the same service, support and value offering. Whilst less than two months since completion, the business is already performing in line with our expectations. We expect South Pack to make a small contribution in the first half after allowing for the related transaction costs, with the second half of the year showing the full contribution to the Group.

We believe the Company is well positioned to capitalise on numerous opportunities and realise its potential in the upcoming period. This first acquisition is a strong sign of the confidence the Board and myself have in Probiotec's future.

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<sup>1</sup> Excluding \$0.3 million in non-recurring costs

I would like to thank our CEO Mr Wes Stringer, his dedicated executives and the entire Probiotec team for their commitment and hard work. There is a great feeling and sense of energy in the business and we look forward to realising the potential of the Company and sharing this with you our shareholders.

#### **Address by the CEO – Mr Wes Stringer**

I would like to add my welcome to that of the Chairman. I would also like to thank the board and shareholders for their ongoing support and most importantly the staff of Probiotec for their considerable efforts in driving the business forward over the past year. We are looking forward to a busy FY2018 and this is only made possible by the efforts of the entire team.

As CEO, I am excited by what the future holds for Probiotec as we enter the next phase of growth as a company. Demand for Probiotec's products and services continues to strengthen and our capabilities and service are being increasingly recognised. As at the end of October, I am pleased to say that all of our divisions are showing growth, other than our small UK business, which is broadly in line with the prior year and not expected to materially impact our results.

#### ***Contract Manufacturing***

I am delighted to advise that in addition to experiencing ongoing strong demand and enquiry we have signed several new supply agreements to manufacture a number of products under a range of leading brands in the pharmaceutical and functional food space.

These new contract wins will complement the growth in our existing portfolio that we had already previously locked in. As a result, we are forecasting strong growth in revenue and earnings from this segment in FY2018 and FY2019.

Our past investments have positioned us well to handle this new business as we still have significant capacity across the majority of our operations along with the ability to bolt on further capacity in a modular fashion, thus avoiding the need for major new capital expenditure.

As our reputation, service and quality become increasingly better known in the industry we believe this growth will continue.

#### ***Branded Pharmaceuticals***

Our branded pharmaceutical portfolio, which consists of the Gold Cross, David Craig and Skin Basics brands is continuing to perform well. This business unit is delivering modest growth as our well-known and trusted products continue to be well supported by consumers.

#### ***Obesity and Health Management***

I am happy to advise that both our Impromy and Celebrity Slim brands are growing versus the prior year. As many would know, the Impromy brand was developed in conjunction with the CSIRO and this collaboration led to the release of a new sub-program and range of products, namely 'FLEXI by Impromy'.

The Flexi program was released late in FY2017 and has now gained strong support from both existing Impromy retailers as well as new outlets. This has further strengthened the existing Impromy offering and increased our leverage in this space within domestic pharmacy. The combination of our continued work on the Impromy program together with the contribution of Flexi is expected to deliver strong growth in this brand for FY2018.

The Celebrity Slim brand has also returned to growth. This brand has a well-established loyal following in the domestic grocery and pharmacy market and has continued to rally in recent years consolidating its position in the market. We have provided the market with innovative new products developed in house and remain upbeat about the performance of this brand and associated earnings in the future.

This was reinforced by the fact that Celebrity Slim recently won the 2017 Canstar Blue Customer Satisfaction Awards for weight loss shakes with the highest ranking in 5 of the 6 categories assessed.



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### About Probiotec

Probiotec Limited is a brand owner, manufacturer, marketer and distributor of a range of prescription and over-the-counter (OTC) pharmaceuticals, complementary medicines and specialty ingredients. The company owns two manufacturing facilities in Australia and distributes its products both domestically and internationally. Products are manufactured by Probiotec for both its own products and on behalf of others, including major international pharmaceutical companies.

Further details about Probiotec are available at [www.probiotec.com.au](http://www.probiotec.com.au).

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