



TRILOGY  
INTERNATIONAL  
LIMITED

trilogy

ECOYA

*goodness*

CS&Co.

## Half Year Result to 30 September 2016



# Trilogy International Limited overview

---



TIL - *Trilogy International Limited* (NZX:TIL, ASX:TIL) is a cultivator of essential natural products and home fragrance brands: Trilogy Natural Products, ECOYA and Goodness Natural Beauty Lab in New Zealand and around the world.

It's subsidiary CS&Co distributes international cosmetics, fragrances, skincare and haircare brands in New Zealand.

## Consumer Product Brands

---

trilogy

ECOYA

***goodness***

## Distribution

---

CS&Co.



# First Half '17 Performance

---

III



# First Half '17 highlights



- Revenue up 63% to \$47.8m
- EBITDA up 34% to \$7.2m
- NPAT up 10% to \$3.5m
- Gross Margin 50.7%
- Term debt down 38% to \$21.4m
- Secured long term rosehip oil supply through joint venture with Forestal Casino
- Natural Products transitioned to CS&Co as NZ distributor
- Capital raise completed
- ASX Foreign Exempt Listing completed in October



# Financial overview



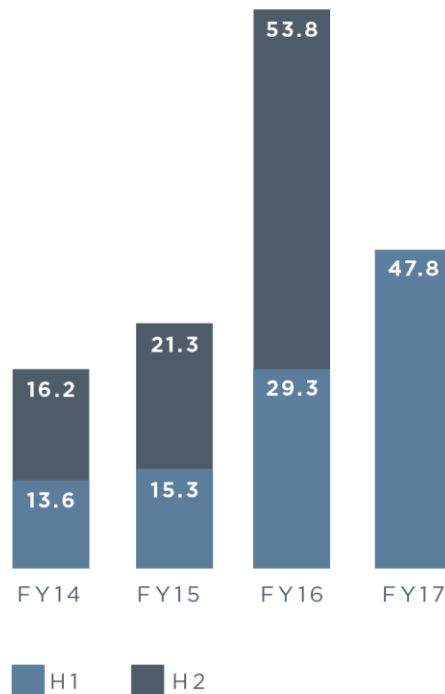
NZ\$ m	H1 FY17	H1 FY16	YoY	YoY (%)
<b>Revenue</b>	47.8	29.3	18.4	63%
<b>Gross profit</b>	24.2	17.1	7.2	42%
<b>% margin</b>	50.7%	58.1%		
<b>EBITDA</b>	7.2	5.3	1.8	34%
<b>% margin</b>	15.0%	18.2%		
<b>EBIT</b>	6.0	5.1	0.9	17%
<b>% margin</b>	12.5%	17.4%		
<b>NPAT</b>	3.5	3.2	0.3	10%
<b>EPS</b>	0.05	0.05		



# Group revenue up 63%



REVENUE (\$M)



11% growth from Natural Products & Home Fragrance & Bodycare collectively

38% growth in revenue from Australia for Natural Products

9% growth in revenue from Australasia for Home Fragrance & Bodycare

28% growth in Distribution revenue, totaling \$24.0m (including Natural Products distribution)

Revenue affected by one-off impact (\$1.6m) from changing Natural Products NZ distributor to CS&Co and not being able to recognise initial stock build as revenue.



# Revenue mix evolves with inclusion of CS&Co



35% of Total Revenue  
15% HoH growth



Natural Products

18% of Total Revenue  
4% HoH growth



Home Fragrance & Bodycare

48% of Total Revenue  
28% HoH growth



Distribution

## Inter-Company Elimination

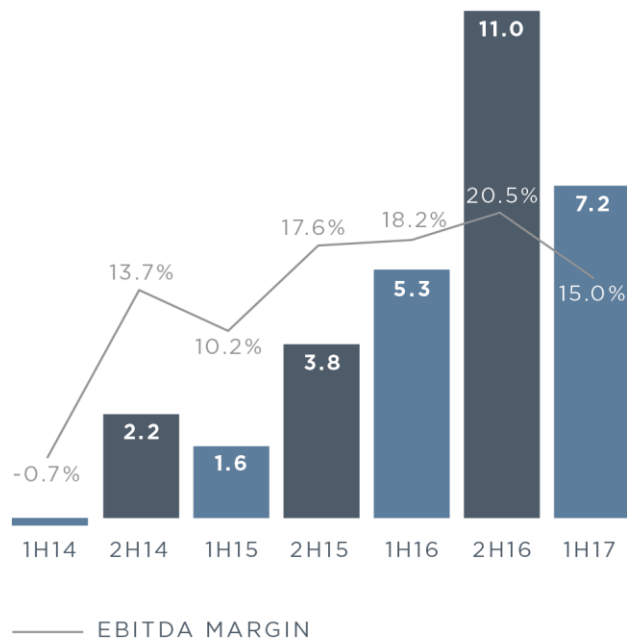
Inter-segment sales represents the sales between Trilogy and Goodness and CS&Co, TIL's wholly owned subsidiary and NZ distributor for Trilogy and Goodness. For the six month period ending 30 September 2016, these were \$3.04m. The combined sales from external customers and inter-segment sales in New Zealand represent total sales for Natural Products in NZ. The above revenue mix includes inter-segment sales to show the true performance of the brands. For the purpose of reporting, the inter-segment sales are eliminated from the Natural Products segment so revenue is not double counted.

\* For CS&Co comparisons, the Pro Forma contribution has been used to include the 4.5 month period of trading in FY16 prior to CS&Co being acquired.

# Group EBITDA up 34%



GROUP EBITDA (\$M)



Revenue growth of 63%

Annualised impact of  
CS&Co contribution

Share of associate earnings,  
Forestal Casino, \$0.2m

Gross margin lower reflecting annualised  
impact of CS&Co,  
a lower margin business

Foreign currency negatively  
impacted EBITDA by \$0.6m

Investment in premises and people to  
support growing business

Investment in Goodness of \$1.2m

One-off acquisition and capital structure  
costs of \$0.25m



# Strong balance sheet provides financial flexibility

---



NZ\$ m	H1 FY16	H2 FY16	FY16	H1 FY17
Cashflow from operating activities	(3.4)	9.1	5.7	(4.3)
Cashflow from investing activities	(34.2)	(1.3)	(35.5)	(5.7)
Cashflow from financing activities	35.6	(5.1)	30.5	8.4
<b>TOTAL increase/ (decrease)</b>	<b>(2.0)</b>	<b>2.7</b>	<b>0.7</b>	<b>(1.6)</b>

## Term Debt

Term debt is down 38% following successful capital raise during the period.

## Net Operating Cashflow

Net operating cashflow of (\$4.3m) reflects the seasonal operating outflows that occur in the first half of the financial year as inventory levels are built up and brand development executed to support the Christmas sales period in the second half. In addition, higher inventory on hand relating to the transition of Trilogy and Goodness to an internal distributor, CS&Co.

# EBITDA to NPAT



NZ\$ m	H1 FY17	H1 FY16
<b>EBITDA</b>	7.2	5.3
<b>Gains/(losses) on derivatives</b>	(0.6)	0.1
<b>Depreciation and amortisation</b>	(0.4)	(0.2)
<b>Finance costs</b>	(0.9)	(0.5)
<b>Contingent consideration remeasurement</b>	(0.3)	(0.1)
<b>Tax expense</b>	(1.5)	(1.4)
<b>NPAT</b>	<b>3.5</b>	<b>3.2</b>

## Gains/(losses) on derivatives

Forwards in place were predominantly long USD and AUD and both currencies weakened against the NZD during the period causing a loss of \$0.60m.

## Depreciation and amortisation

Up on last year due to full 6 months consolidation of CS&Co this year vs only 1.5 months prior year and the fit out of new office in Auckland.

## Finance costs

Up on last year due to debt taken on to finance CS&Co acquisition. Debt levels have reduced considerably following the capital raising in first half and therefore interest costs will reduce significantly in second half.

## Contingent consideration remeasurement

Fair value unwind is for a full 6 months this year versus only 1.5 months prior year.

## Tax expense

In line with last year as percentage of net profit before tax.

# Strategic brand priorities



Natural Products	Progress
Drive market share growth in NZ and AU	<ul style="list-style-type: none"> <li>• Strength of partnership with MCP continues to grow, delivering an increase of 38% growth in Australia this half.</li> <li>• Appointed CS&amp;Co for NZ distribution.</li> <li>• Launched four new products in October.</li> </ul>
Strengthen distribution networks	<ul style="list-style-type: none"> <li>• Appointed a master broker in the USA in August and signed Credo Beauty, a specialist natural beauty chain.</li> <li>• Signed agreement with QBID in September to drive cross border e-commerce in China.</li> </ul>
Maintain and secure high quality rosehip oil supply	<ul style="list-style-type: none"> <li>• JV with Forestal Casino which delivers future supply certainty of certified organic rosehip oil, while enabling Forestal Casino to expand at a faster rate to meet growing demand.</li> </ul>
Goodness to own chia seed oil	<ul style="list-style-type: none"> <li>• Over 25,000 followers and fans on social media.</li> <li>• Launched 3 new products containing chia seed oil.</li> </ul>
Home Fragrance & Bodycare	Progress
Continue to profitably grow the home fragrance in home markets	<ul style="list-style-type: none"> <li>• Maintained #1 market position in New Zealand with 8% growth in sales.</li> <li>• Australia sales grew 10%.</li> </ul>
Focus on brand-relevant product development	<ul style="list-style-type: none"> <li>• Three launches of limited edition collections this financial year to date.</li> </ul>

# TIL reaffirms guidance

---



- We anticipate H2 seasonality to be consistent with previous years, with both revenue and profit being higher than H1.
- While China is a significant opportunity, the changing regulatory environment of cross-border e-commerce sales and the nature of local China-bound wholesale accounts in New Zealand and Australia means this market has the potential to be unpredictable.
- The recently signed agreement with QBID, our China e-commerce partner, will enable us to build this market over time, giving TIL greater transparency and control of sales into the dynamic China CBEC market.
- Based on current trading and company forecasts, subject to FX fluctuations, TIL is tracking to deliver previously disclosed guidance for FY17. TIL expects revenue to be approximately \$100-110 million, a 20-32 percent increase compared to FY16.
- In line with our strategic priorities and required investment for the future, TIL's FY17 EBITDA guidance is \$19-21 million, representing an increase of 17-19 percent compared to FY16.



# Natural Products

trilogy *goodness*

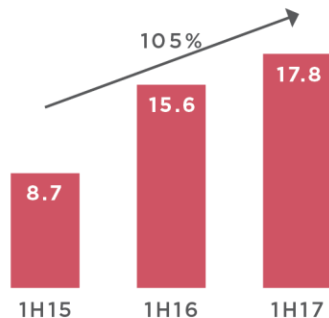


III

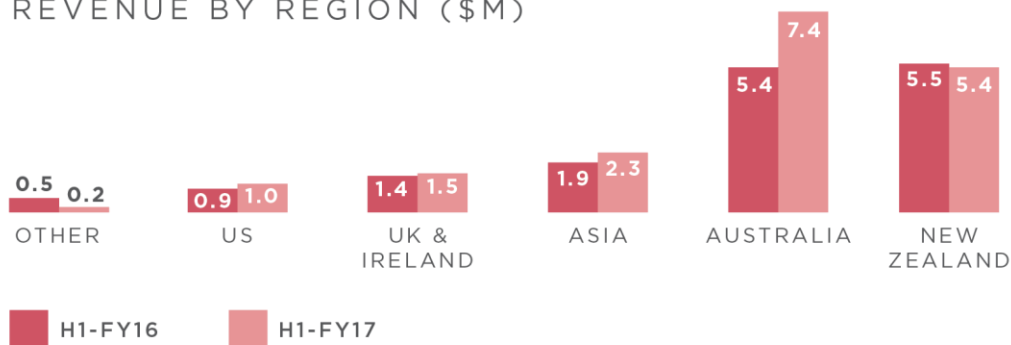
# Australia market drives revenue growth in Natural Products



H1 REVENUE (\$M)



REVENUE BY REGION (\$M)



Natural Products revenue up 15% HoH<sup>1</sup>.

105% growth in three years.

Australia distributor, MCP, drives 38% growth in Australia.

NZ revenue increased 25% excluding the one-off impact of ~\$1.6m from changing distributor to CS&Co and not being able to recognise initial stock build as revenue.

NZ revenue impacted by lower demand from traders buying stock in NZ and selling into China.

20% growth in Asia (excl. e-commerce China).

Partnership with Whole Foods Market drives 21% growth in USA.

Revenue negatively impacted by FX (\$0.3m).

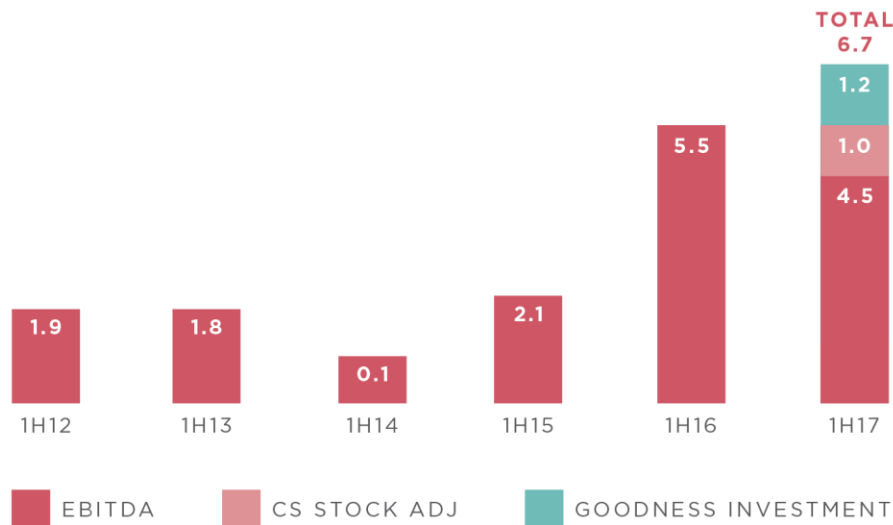
<sup>1</sup> Pre inter-company elimination

# Underlying Natural Products continues to grow profitably



- Revenue growth of 15%<sup>1</sup> compared to H1 FY16
- Excluding one-off stock adjustment HoH revenue growth of 25%.
- EBITDA of \$4.5m, down 18.0% reflecting one-off stock adjustment relating to transition to CS&Co, investment in Goodness, and higher investment in people and premises to support the growing business.
- Trilogy continued to lead the New Zealand natural/organic skincare segment with 30%<sup>2</sup> market share of the NZ natural/organic skincare segment.
- Trilogy continued to gain share in Australia and now has 13%<sup>3</sup> of the total natural/organic skincare segment in Australia.

H1 EBITDA (\$M)



1. Pre inter-company elimination  
2. IRI MarketEdge NZ Pharmacy, dollars & units, 6 months to 11/09/16  
3. IRI MarketEdge AU Pharmacy, dollars & units, 6 months to 16/10/16



# Goodness investment in brand

*goodness*

- Goodness has 5.2%<sup>1</sup> market share in natural facial skincare in New Zealand grocery.
- In the competitive Australian grocery market, Goodness continues to grow, albeit early days.
- Rate of sale of Goodness Certified Organic Chia Seed Oil has increased by 19%<sup>2</sup>
- Launched three new products in October which will increase shelf presence; Twice-a-Day Eye Cream, Be Cool Mist Toner, Break-up Make-up Balm
- Won two awards to date:
  - Every Day Cream Cleanser in Nature and Health Beauty Awards Australia
  - Best Face Oil in Bauer NZ Best in Beauty Awards 2016
- Main focuses now are to broaden and deepen the distribution of the range, educate consumers on the power of chia seed oil, and accelerate customer acquisition via instore trial and creative and disruptive marketing to increase brand awareness.

1. IRI Market Edge NZ Grocery Natural/organic facial skincare, dollars & units, 6 months to 11/09/16  
2. IRI Market Edge Progressive (Excl SVFC), 6 months to 06/11/16



# Home Fragrance & Bodycare

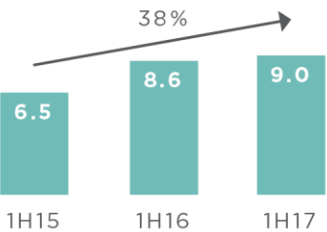
ECOYA

III

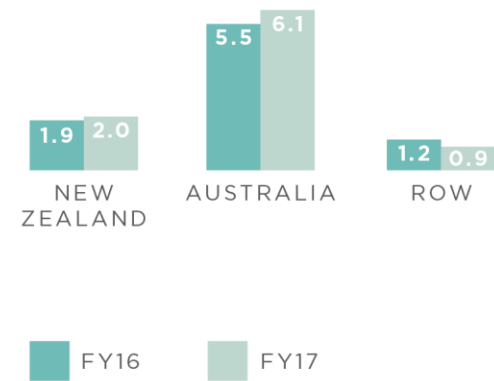


# ECOYA focuses on home markets of NZ & Australia

H1 REVENUE (\$M)



H1 REVENUE BY REGION (\$M)



Revenue up 4% to \$9m.

38% growth in three years.

Maintained position in New Zealand with 8% growth, driven largely by independent sales, representing 48% of NZ sales.

Grew Australia revenue by 10% driven by increased demand from independents and chains (excl. department stores).

ROW lower as business focused on more profitable home markets.

# ECOYA more profitable as it focuses on home markets



- Revenue for the ECOYA brand grew 4% HoH to \$9m.
- EBITDA of \$0.34m, up 12% compared to H1 FY16.
- EBITDA margin of 3.8%
- Continued to deliver limited editions to maintain brand relevance and grow seasonal sales.
- While maintaining ECOYA's leading position in the NZ market, ECOYA is focused on increasing sales and gaining share in the Australian market.

H1 EBITDA (\$M)



# ECOYA maintains profitability

---



Three limited edition product launches this financial year to date: 2016 Mothers Day White Lily & Rosewood candle, 2016 Summer Limited Editions including Sweet Papaya & Melon, Citrus & White Magnolia and Lime & White Jasmine and, the 2016 Christmas Collection including Fresh Pine and Sweet Fruits.

- In addition to the seasonal launches, ECOYA delivered on a number of other product initiatives:
  - In August the Mini Reed Diffuser was launched as a standalone product following on its success as a limited edition giftset. The standalone Mini Reed Diffuser and giftset collectively contributed 10% of sales for the first half.
  - Guava and Lychee proved to be so popular as a limited edition, it was relaunched into the core range and has become Redcurrent's number one fragrance.
  - Re-launched the ECOYA hand cream across seven core fragrances and increased the size to 100ml which was loved by consumers.





# Distribution

CS&Co.



# CS&Co delivered strong revenue growth



- Revenue increased 28% on H1 FY16 Pro Forma<sup>1</sup> due to growth in existing business and addition of TIL brands.
- EBITDA grew 37% to \$3.6m compared to Pro Forma FY16 H1.
- CS&Co has 33% share of fragrance market, 13% share of makeup market and 50% share of hand and body market<sup>2</sup>.
- Focused on driving organic growth of its existing brands through the appropriate level of investment within the NZ market and developing new opportunities by sourcing on trend worldwide brands that fit with existing brand portfolio.

1. Pro forma contribution adjusts CS&Co figures to include the 4.5 month period of trading in FY16 prior to CS&Co being acquired by Trilogy  
Source: CTFA





# Appendix

---

TIL



# Trilogy segment overview



	Natural Products		Home Fragrance & Bodycare	Distribution
Brands	Trilogy	Goodness	ECOYA	CS&Co
Products	Certified natural and organic rosehip oil-based skincare range	Certified organic chia seed oil skincare range	Soy-based home fragrance (candles, diffusers, bodycare)	Third party premium beauty products distribution
Target Market	Affordable luxury / premium self-select	Mass market / cost conscious consumers – developed specifically for the grocery channel	House proud, fashion conscious consumer	New Zealand retailers
Channels	4000+ stores <ul style="list-style-type: none"> <li>• Pharmacies / health stores</li> <li>• Department stores</li> <li>• Online</li> </ul>	2000+ stores <ul style="list-style-type: none"> <li>• Grocery</li> <li>• Farmers</li> <li>• Priceline</li> <li>• Chemist Warehouse</li> </ul>	2100+ stores <ul style="list-style-type: none"> <li>• Department stores</li> <li>• Independent gift and homeware stores</li> </ul>	1900+ stores <ul style="list-style-type: none"> <li>• Pharmacies</li> <li>• Department stores</li> <li>• Grocery</li> <li>• Salon</li> </ul>
Geographies	<ul style="list-style-type: none"> <li>• New Zealand &amp; Australia</li> <li>• United Kingdom &amp; Ireland</li> <li>• Asia</li> <li>• USA</li> </ul>	<ul style="list-style-type: none"> <li>• New Zealand &amp; Australia</li> </ul>	<ul style="list-style-type: none"> <li>• New Zealand &amp; Australia</li> <li>• Asia</li> <li>• United Kingdom</li> </ul>	<ul style="list-style-type: none"> <li>• New Zealand</li> </ul>
Established	2002	2015	2006	1976
H1 FY17 Revenue		\$17.8M <sup>1</sup>	\$9.0M	\$24.0M
EBITDA		\$4.5M	\$0.3M	\$3.6M
EBITDA Margin		25%	4%	15%

<sup>1</sup>. Pre inter-company elimination

# FY17 product development



## ECOYA



Mothers Day Candle 2016



Summer Limited Edition



2016 Christmas Collection

## Goodness



Twice-a-day Eye Cream



Break-up Make-up Balm



Be Cool Mist Toner

## Trilogy



Rosapene™ Radiance Serum &  
Rosehip Oil Light Blend



Relaunched Trilogy  
Body Care range



Exfoliating Body Balm  
& Pure Plant Body Oil

# Trilogy management team

---



**Angela Buglass**  
CEO

15 years of skincare and cosmetics experience in the International markets.



**Kristy Macgregor**  
Operations Manager

Background in project management and business development in the UK retail industry, Operations Manager with Trilogy International since 2011.



**Claire Barnes**  
ECOYA General Manager

Over 10 years of sales and marketing experience centred around fashion, advertising and media.



**Lindsay Render**  
CFO

Chartered Accountant with over 15 years commercial experience.



**Louise Clayton**  
Trilogy General Manager

More than 20 years' experience in leading health and beauty teams in NZ.



**Sonya Fynmore**  
Investor Relations Consultant

Over 10 years' experience in the financial markets across multiple jurisdictions.

# Board of Directors

---



**Geoff Ross**  
Chairman  
The Business Bakery  
Representative



**Stephen Sinclair**  
Executive Director  
The Business Bakery  
Representative



**Grant Baker**  
Director  
The Business Bakery  
Representative



**Mandy Sigaloff**  
Independent Director



**Jack Matthews**  
Independent Director

# Disclaimer

---



**This presentation is given on behalf of Trilogy International Limited (Company number NZ 2090514, NZX: TIL).**

*Information in this presentation:*

Is for general information purposes only and is not an offer or invitation for subscription or recommendation for purchase of securities in Trilogy International Limited;

Should be read in conjunction with, and is subject to, Trilogy International Limited's Annual Report, market releases, and information published on ([www.trilogyproducts.com/investors](http://www.trilogyproducts.com/investors));

Includes forward-looking statements about Trilogy International Limited and the environment in which Trilogy International Limited operates, which are subject to uncertainties and contingencies outside of Trilogy International Limited's control – Trilogy International Limited's actual results or performance may differ materially from these statements;

Includes statements relating to past performance, which should not be regarded as a reliable indicator of future performance; and may contain information from third parties believed to be reliable; however, no representations or warranties are made as to the accuracy or completeness of such information.

All information in this presentation is current as at the date of this presentation, unless otherwise stated.

All currency amounts are in NZ dollars unless stated otherwise.