

# healthzone limited

ACN 118 715 772

316 Horsley Road  
Milperra NSW 2214

## **Healthzone Limited: EPS Accretive Business Acquisitions & Update**

SYDNEY, 1 April, 2009 - Healthzone Limited (ASX code: HZL), a leading distributor, franchise retailer and producer of health and beauty products today announces that it has exchanged contracts for the acquisition of the businesses of Pro-Hair Australia Pty Limited ("Pro-Hair") and Alexem Pty Limited ("Alexem"). Settlement of these business acquisitions is expected to occur by 30 April 2009, subject to completion of satisfactory due diligence by Healthzone.

Pro-Hair and Alexem are national distributors of hair care and fragrance products which are complementary to Healthzone's Jasham, Health Minders and Bod businesses. Brands distributed by Pro-Hair and Alexem include Redken, Joico, Victory and Parley.

The acquisition of these businesses is consistent with Healthzone's objectives to increase margins of its distribution businesses, expand the range of products Healthzone distributes and expand the retailer distribution channels of Healthzone. The Alexem business is also expected to support market expansion of the Bod premium hair care and skincare range in the Australian speciality retail and hair care markets.

Healthzone plans to absorb these businesses within its Health Minders and Jasham businesses with a view to adding significant sales volumes through Healthzone's national pharmacy and health food distribution businesses, which have more than 5,000 wholesale supply customers.

Historical annual sales of the businesses are in the vicinity of \$500,000 with gross profits in the vicinity of \$150,000. It is envisaged that Healthzone will invest working capital in these businesses to support higher sales volumes through Healthzone's national distribution channels.

## **Brand Management Focus**

Healthzone is developing its national brand management and sales capabilities with a view to supporting Healthzone's brand management initiatives and adding value to the company's distribution business suppliers. The company has recently appointed Michael Trevaskis to lead development of Healthzone national sales force and brokerage initiatives. Michael brings to the role a wealth of industry experience in sales, marketing and new product development. Although these national sales initiatives will require investment in the short term, preliminary results indicate that these initiatives are expected to add significant value to Healthzone in terms of competitive advantages, market share, revenues and margins for products distributed by Healthzone, including the company owned brands. It is envisaged that these initiatives will assist Healthzone to expand its markets both in terms of suppliers to the company's distribution business and retail customers seeking products.

Having established distribution channels in Australia, Asia, North America and Europe, Healthzone seeks to expand the portfolio of product brands that it manages, including through ownership, joint venture and exclusive distribution arrangements with leading suppliers in Australia's health and beauty markets. In doing so, Healthzone seeks to participate in the growth of these brands by providing greater support in terms of sales, marketing and business partnership with its suppliers. Robert Dulhunty will focus on these activities as a consultant to the Company and has resigned as a director in accordance with ASX Corporate Governance Policy 2.1. Key focus markets for these initiatives include brand managers of vitamins, supplements, herbal remedies, skincare, cosmetics and hair care products which Healthzone can add value to in terms of marketing, distribution in the health food and pharmacy channels and business services. The company expects to make further announcements regarding these initiatives throughout the year.

Healthzone launched its "HL" range of vitamin and supplement products in 2008, which are sold exclusively through and supported by the company's national Healthy Life franchise. The range consists of 65 SKU's and is sold exclusively through the Healthy Life and banner stores.

Healthzone's "Natural Alternative" range of more than 90 products was launched in October 2008 and includes "Free From" food, tea, cleaning, natural body care and hair care products. This range was developed exclusively for sale through the health food channel, including more than 130 network stores of Healthzone. Healthzone plans to expand this product range to 300 products by 30 June 2010. The Natural Alternative range provides significant potential benefits, including health food channel loyalty, sales expansion to non-Healthzone franchised stores, higher profit margins, control of supply arrangements and the ability to more effectively respond to the needs of Healthzone's retail customers.

Healthzone's Bod business has been successfully integrated into the Health Minders business with expansion of distribution from around 200 national retailers to 250 national retailers as at 31 December 2009. Bod's international expansion since June 2008 has included trail penetration into the European market. Healthzone launched Bod's hair care range in 2008 and is experiencing positive early results.

## **Contact Details**

Healthzone Limited  
Peter Roach  
Executive Chairman  
Tel: (02) 9772 7100

Healthzone Limited  
Michael Jenkins,  
Company Secretary  
Tel: (02) 9772 7102

## **BACKGROUND NOTES FOR EDITORS**

### **Healthzone Limited**

Healthzone Limited operates a portfolio of distribution, consumer product and retail businesses in the Wellness sector. Each business provides immediate opportunities for earnings growth through business development and integration. Healthzone's businesses are comprised of three principal activities.

#### **Health and Beauty Distribution**

- Health Minders national health food distribution, with warehouse facilities in most states of Australia.
- Jasham distribution of beauty and fragrance products to more than 1,700 pharmacies and department stores in Australia.
- Healthzone distribution through more than 1,400 outlets in China.
- North America, Europe and Asia distribution.

#### **Health and Beauty Products**

- More than 300 "Healthy Life" and products including vitamins, supplements, health foods and beverages which are sold exclusively through Healthy Life stores.
- More than 65 "HL Vitamin" vitamin and supplement products.
- More than 90 "Natural Alternative" products, including food, household and cleaning products.
- The 'Bod' products are natural beauty products made in Australia. These products are sold in Japan, Hong Kong, Taiwan, Korea, Canada, Europe and New Zealand. These products will be the target of further development of the significant export market potential. The Bod products range is also actively marketed through Healthzone stores in Australia.
- The company produces a range of more than 45 supplement and vitamin products under its "Aurinda" brand, which are manufactured in Australia for export sale.
- The Company plans to acquire or develop its portfolio of Wellness products and is exploring opportunities to expand distribution of these products in Australian and international Wellness markets.

#### **Health Retail**

- Healthzone is the master franchisor of more than 130 health food retail stores
- The Company has eight stores owned outright (seven in Sydney and one in Melbourne)
- Healthzone sells more than 800 wellness products online at [www.healthonline.com.au](http://www.healthonline.com.au), including products from other leading vendors. Other online stores include Bod Online.
- Healthzone has more than 400,000 registered loyalty club members.
- Healthzone's Healthy Life magazine has a circulation of more than 4 million copies per annum.