



HealthzoneLimited

ASX Code: HZL

Overview

Healthzone

Company Name	Healthzone Limited	
ASX Code	HZL	
Businesses	Retail	130 + franchised stores 8 company owned stores
	Distribution	Australia's largest distributor to the health food channel Jasham national beauty and fragrance distribution International distribution to Asia, America, Europe
	Products	300 + Healthy Life products Natural Alternative range 45 Aurinda health products 45 Bod skin and hair care products
Headquarters	Sydney, Australia	
Distribution Facilities	NSW, Victoria, Queensland, South Australia, West Australia	
ASX Listing	November 2006	
Shares on Issue	41.3 million	

Healthzone's Businesses and Brands

HZL Retail

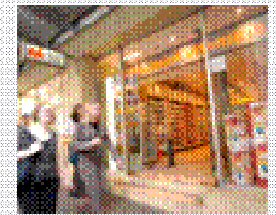
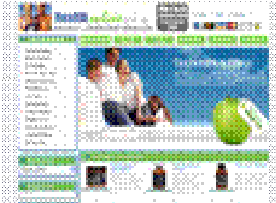
- 130+ franchised stores
- 8 company stores
- E-Com : Healthonline, Bod
- 400,000+ loyalty club members
- Wild Food stores

HZL Products

- 300 Healthy Life
- Natural Alternative
- Bod
- Aurinda

HZL Distribution

- Health Minders 5,000 retailers
- Jasham national 1700 retailers
- Asia 1,400 counters
- North America, Europe, Asia



Healthzone Limited

Healthzone Limited Operating Performance	Statutory Year to 30 June 2007 \$ Million	Statutory Year to 30 June 2008 \$ Million	Change
Revenue	12.6	63.8	+ 406%
EBITDA	2.3	4.8	+ 107%
Pre-Tax Profit	2.0	3.4	+ 67%
Net Profit After Tax	1.7	2.7	+ 59%
Earnings Per Share	6.3 cents	7.4 cents	+ 17.5%

FY 08 Highlights

- Acquisition and integration of Health Minders
- Acquisition and integration of Jasham International
- Developing more than 100 products for distribution through health food channel
- Project 2010 initiatives to boost distribution, retail and product sales
- \$6 million capital raising
- Expansion of export distribution in North America, South Korea and Hong Kong
- Platform for robust growth



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Distribution

■ Australia's largest distributor to the health food channel

- National distribution with facilities in NSW, Vic, Qld, SA, WA
- Distributes more than 4,000 lines to major supermarkets, pharmacies and health food stores
- Australian and international product supply customers
- \$70 million turnover
- 25 years
- Customers seek export expansion
- Margin growth through value add services . Introducing sophisticated market systems



Key Objectives:

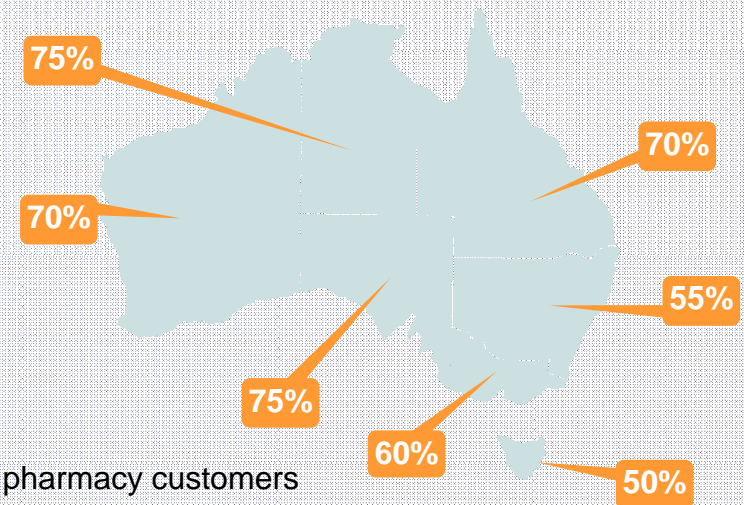
- Expand markets:
 - Scope : Pharmacy, high margin non-health food products
 - Import: Brands seeking entry to Australia from USA, Europe and Asia
 - Export: Australian brands seeking export growth in USA, Asia
- Value add services: Marketing, logistics, export development
- Margin expansion: Services and type of products



Jasham - National Beauty Products Distribution

- Acquired June 2008
- National distributor of beauty products
- Annual EBITDA and Operating Cash Flow of approx \$2 million
- Advance cash flow cycle
- Price of \$1 million + stock + 2 x actual EBITDA
- Accelerates Healthzone penetration of pharmacy sector – more than 1,700 pharmacy customers
- Expansion of skincare and cosmetics distribution - BRW October 2008 Recession proof businesses
- Key Objectives
 - Capitalise on Healthzone scale
 - Utilise Jasham relationships for Healthzone Pharmacy expansion
 - Streamline / reduce overheads

Market Penetration - Pharmacy





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Retail

Australian Retail

Healthy Life – 120 stores - Australia's largest health food retail franchise

- \$90 million annual turnover of franchisee stores
- More than 130 franchised Healthy Life and DVC stores nationally
- More than 400,000 club life members and Healthy Life magazine subscribers
- Healthy Life Magazine with 4 million copies per annum
- Healthy Life commenced 1968

Healthzone - 8 Company owned stores

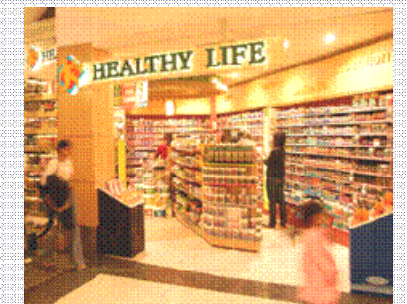
- Fully integrated with uniform electronic platform
- Consumer and target brands intelligence
- Health-online electronic commerce platform (800+ products)
- Test market for product , retail and marketing development

Wild Food

- 20% strategic interest in expanding health food retail and brands business
- High growth market and business model

Key Objectives

- Expansion of the Healthy Life and Wild Food footprint to 200+ stores / 3 years
- Maximise synergies through combination of Healthy Life brand
- Boost turnover: superior service, merchandising, marketing, niches, training
- Expand GP margins: group buying power, focus on high GP products, supplier initiatives
- Apply market intelligence from stores, club members and online consumers
- Expand loyalty club members to 500,000+: marketing, enhanced offer to members
- Rationalise overheads: central administration, branding logistics and marketing





Products

Healthy Life Products

■ Healthy Life Products Range

- More than 300 Healthy Life brand health food products
 - Vitamins and supplement
 - Nutritional foods
- Contract manufactured for distribution through Healthy Life stores
- Brand renovation in 2008
 - According to consumer research in our stores
 - For market expansion from 130 stores to 200+ stores



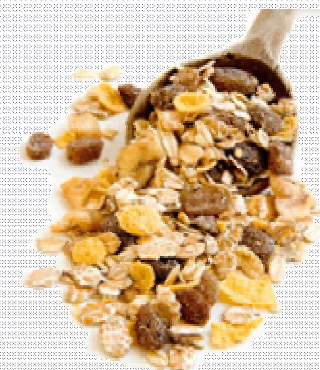
■ Key Objectives

- Turnover growth: Double growth with re-branding, Project 2010 and marketing
- Expand range: Deliver products tailored to emerging consumer trends and needs: stores and loyalty club
- Expand margins: Economies of scale, consolidated production , focus on high margin products

Natural Alternative Products

■ Natural Alternative Products Range

- Key P2010 initiative for the health food channel
- Range developed for natural products demands of our markets
- Developed from research from national stores and 400,000 members
- More than 80 products developed in 2008
- Objective to expand range to 200+ products by 2010
 - Pastas and flours
 - Cake mixes
 - Cereals and muesli
 - Snack bars
 - Chocolates
 - Organic teas
 - Soaps
 - Organic cleaners
 - Hair care
 - Skin and body care
- Low cost launch with produce-to-demand contract manufacture
- Supported by health food channel and national franchise



■ Objectives

- Support by Health minders national health food customers and franchisees
- Continued development of products to meet consumer needs
- Margin expansion through economies of scale and focus on high margin products

Bod Skincare Range

Overview

- 45 + skincare and beauty products
- Bod Hair Care range developed for sale via HMPL
- Premium products and packaging
- Produced in Australia by Healthzone
- Distribution nationally and internationally
- Expanded sales in Healthzone stores
- Online Bod store established and trading
- Export expansion

Key Objectives

- Leverage group retail store, wholesale and retail channels
- Further international expansion
- Focus on high GP margin products
- Continued expansion of product range
- Expand gross profit margins by 5% to 10%



Aurinda Health Products

Background

- Established 1996
- Range of 45+ OTC natural supplements and vitamins
- Produced by Healthzone in Australia using contract manufacturers
- Sold in Australia (Asian specialty stores) and China
- High GP margins

Key Objectives

- Leverage Healthy Life, Healthzone and HMPL national distribution channels
- Expand product range and margins : Company owned and third party products
- Utilise channel to identify health and beauty products for distribution in Australian markets
- Expansion in Asia
 - Opportunities for Healthy Life Franchise growth
 - Licensing and joint ventures
 - Online distribution





Markets

Global Markets



Australia

Australia

- >140 franchised and corporate stores
- >400,000 loyalty club members
- >65% of members over 50 years with 17% pa growth
- > 4 million Healthy Life news circulation
- > 3,200 pharmacy customers of 5,000 market
- > 800 Health food retailers
- Approx \$2 billion health foods and supplements sales

Queensland

- Brisbane distribution facility
- 730 of 990 pharmacy customers
- 43 franchised stores
- 150 health food stores

New South Wales

- Sydney distribution facility
- 1,000 of 1,700 pharmacy customers
- 56 franchised stores
- 290 health food stores

Victoria

- Melbourne distribution facility
- 700 of 1,200 pharmacy customers
- 17 franchised stores
- 180 health food stores

West Australia

- Perth distribution facility
- 350 of 500 pharmacy customers
- 9 franchised stores
- 90 health food stores

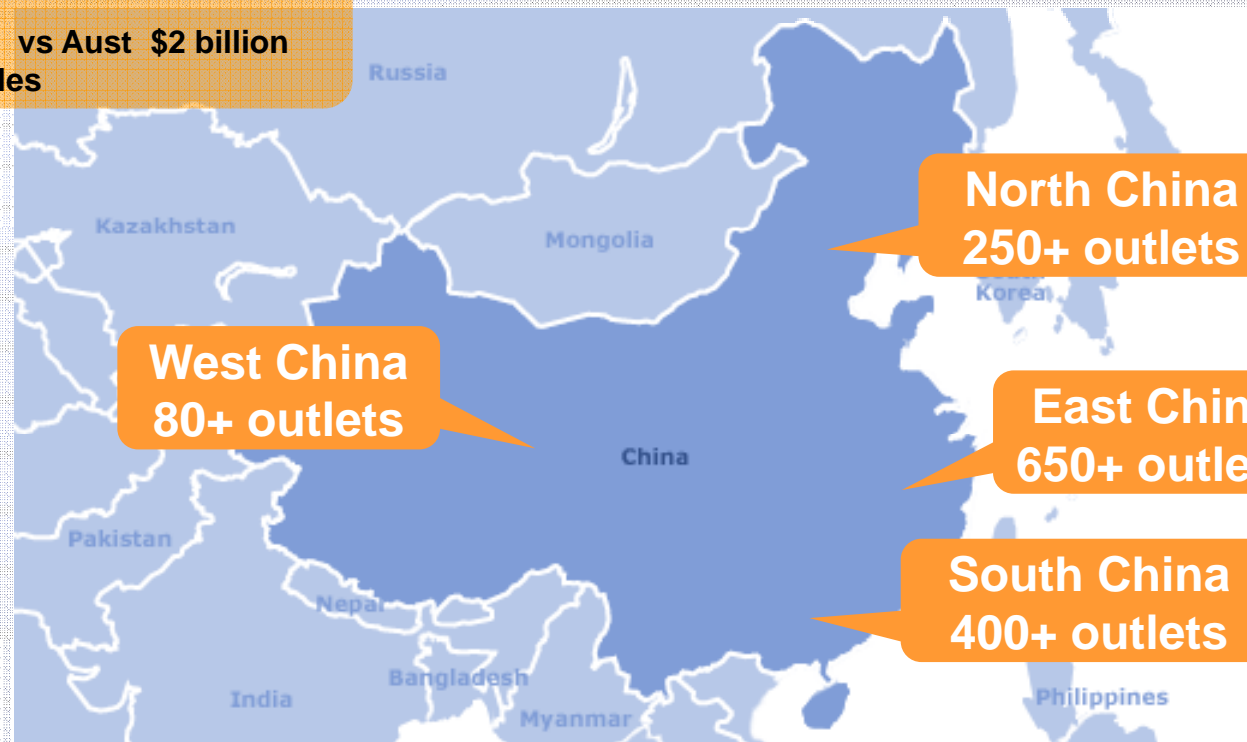
South Australia

- Adelaide distribution facility
- 300 of 400 pharmacy customers
- 14 franchised stores
- 60 health food stores

Markets - China

China

- > 1.3 billion population
- > US \$13 billion beauty sales vs Aust \$2 billion
- > US \$7 billion OTC health sales



Market Conditions

- Health consumption historically resilient to economic cycles
- Cautious outlook
 - Economic conditions
 - Employment, wealth, discretionary consumption
 - Real traffic and consumer spending
 - Changes in consumer trends
 - Challenging conditions internationally
- September 2008 quarter EBITDA of \$1.7 million
- Deferral of growth initiatives subject to certainty
- Target 20% to 30% growth in statutory EBITDA

Project 2010 : Key Profit Growth Initiatives

■ Streamlined business administration

■ Distribution

- Increase purchases from franchise and company owned stores
- Value added services to suppliers
- Expand market to new segments (pharmacy, grocery products) and geographic markets (import and export)

■ Retail / Franchise

- National support of company owned stores (2 brand focus with supplier support)
- Enhanced marketing and co-ordination with franchisees (joint initiatives, effective marketing)
- Expand retail footprint to more than 200 stores / 3 years

■ Other

- Expand Healthy Life and Natural Alternative range and margins
- Expand market scope (pharmacy, non-health food products)
- International trade

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Summary

Outlook

- Profitable and expanding businesses, established for 35+ years
 - Largest Australian health food distributor
 - Largest Australian health food retailer
 - Leading Australian health food brand in China
 - Sustainable competitive advantages
 - Immediate opportunities for growth
- Project 2010 synergies
- Challenging economic conditions
- Experienced Management team adding value to each business
- Established platform for long term growth