

2018 Interim Results Presentation

28 August 2018



BIOSTIME

dodie 

Swisse

HealthyTimez

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Our Team

Presenter	Title
Mr. Luo Fei	Chairman and Chief Executive Officer
Mr. Jason Wang	Chief Financial Officer
Ms. Laetitia Garnier	Chief Strategy Officer Managing Director, Swisse China
Ms. Joy Tsai	Investor Relations Director

Financial Highlights

Robust Profitable Growth Continued in 1H 2018

<i>(RMB million)</i>	<i>For the Six Months Ended 30 June</i>		
	2018	2017	Change
Revenue	4,573.6	3,551.4	 28.8%
Adjusted EBITDA¹	1,249.0	1,074.8	 16.2%
<i>Adjusted EBITDA margin</i>	27.3%	30.3%	 -3.0 pts
Adjusted net profit²	701.1	495.7	 41.4%
<i>Adjusted net profit margin</i>	15.3%	14.0%	 1.3 pt
Operating cash flows³	1,149.2	1,069.6	 7.4%
Adjusted EPS (RMB)	1.10	0.79	 39.2%

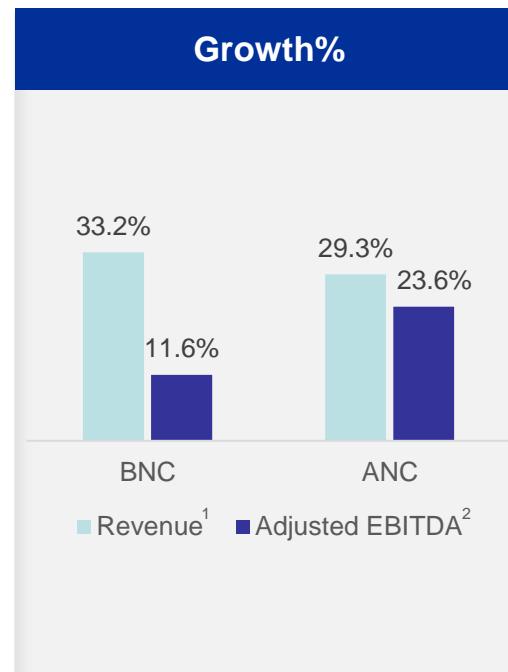
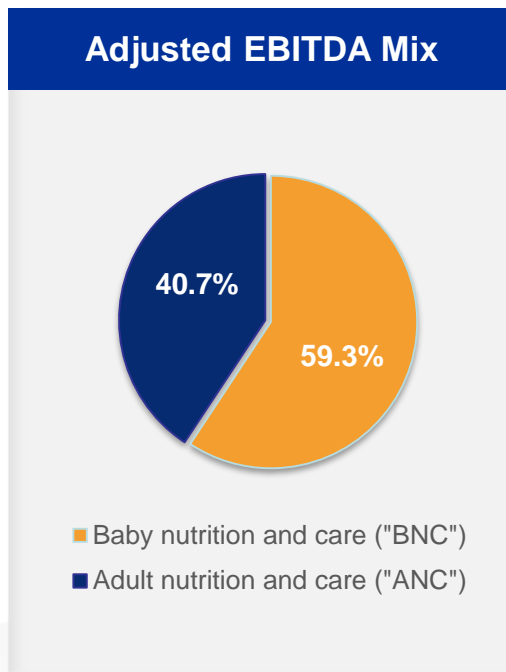
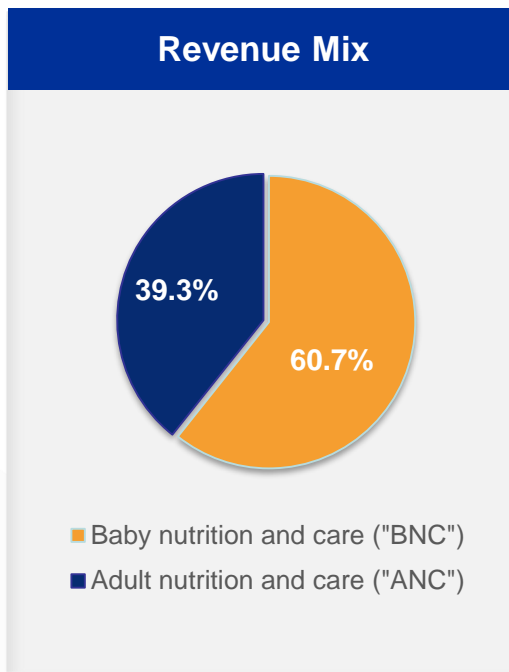
Notes:

1. EBITDA refers to earnings before interest, income tax expense, depreciation and amortization. EBITDA for the six months ended 30 June 2018 amounted to RMB965.7 million (six months ended 30 June 2017: RMB1,004.0 million). Adjusted EBITDA = EBITDA + net foreign exchange loss/(gain) + net fair value losses on derivative financial instruments + non-recurring integration costs – gain on deemed disposal of partial interest in an associate + one-time expense paid to the original shareholders of Swisse on some tax refund

2. Net profit for the six months ended 30 June 2018 amounted to RMB384.3 million (six months ended 30 June 2017: RMB396.6 million). Adjusted net profit = Adjusted EBITDA – depreciation and amortization – finance costs + interest income – income tax expenses + write-off of unamortized transaction costs upon refinancing the interest-bearing bank loans + bank charges relating to the financing for the acquisition of the remaining 17% non-controlling interest in Swisse + non-recurring loss on redemption of convertible bonds

3. The operating cash flows is calculated on a pre-tax basis

Strong Revenue and Adj. EBITDA Growth across Both Segments

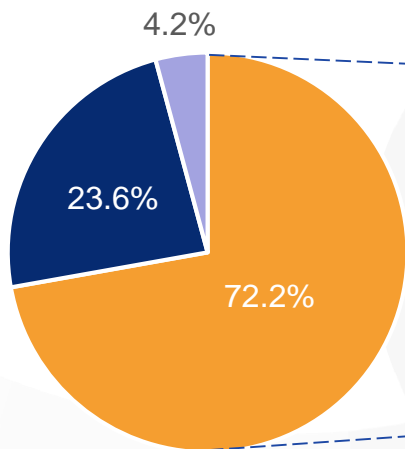


Notes:

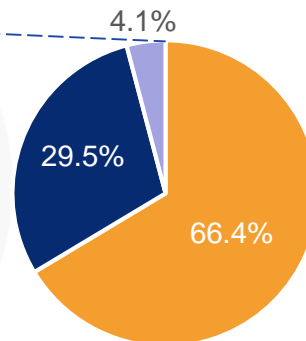
1. The revenue growth of the ANC segment is on currency-adjusted basis
2. Adjusted EBITDA margin for the BNC and ANC segments was 26.6% and 28.3%, respectively

All Regions Achieved Growth while China Remained the Largest Growth Driver

1H 2018
Revenue: RMB4,573.6 mn



1H 2017
Revenue: RMB3,351.4 mn



■ Mainland China*

■ Australia and New Zealand

■ Rest of the World

* Including revenue from Cross-border E-commerce ("CBEC")

Business Review

Four Aspirational Brands under One Group Umbrella



BIOSTIME



Two Core Strategic Businesses

Baby Nutrition and Care

Infant Milk Formulas (IMF)



BIOSTIME

Baby Care Products



dodie 

Probiotic Supplements



Healthy Timez

Adult Nutrition and Care

Vitamin, Herbal and Mineral Supplements (VHMS)



Swisse

Skin Care



PPA as Our Core Business Model

Premium



We source the premium ingredients from all over the world

Proven



We use a science-based approach to developing new and improved products across the food and therapeutic sectors of nutrition

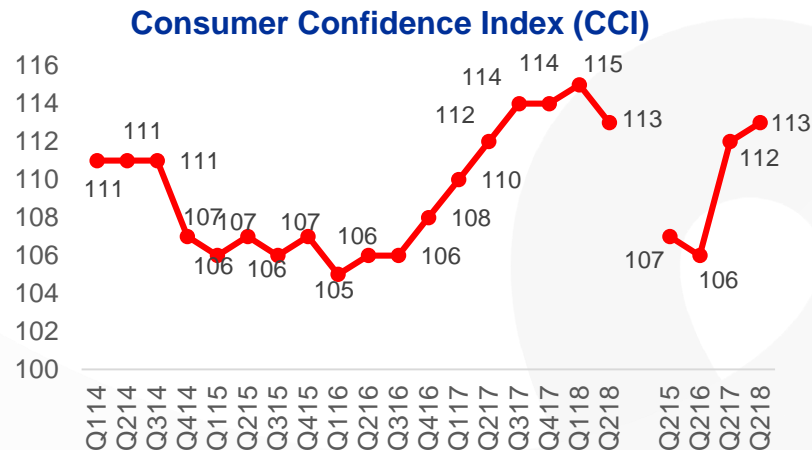
Aspirational



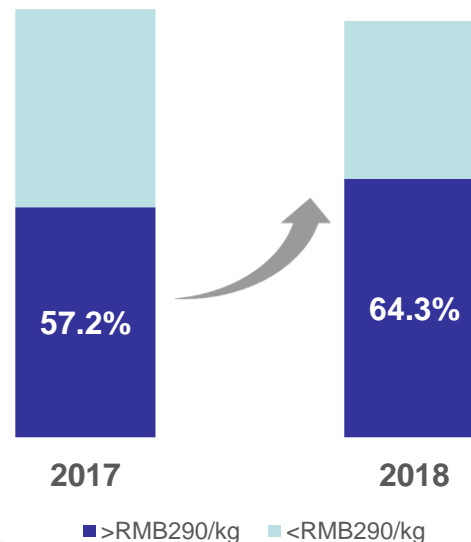
We connect with sports stars, actors and actresses, and celebrities who share the values of our brands. Our partners help us to share our messages of health and happiness at a local and global level

Consumption Trade-up Continued in the Second Quarter

According to data released by Nielsen, China's Consumer Confidence Index (CCI) was slightly down in the second quarter of 2018 but remained stable compared to previous quarters. The consumption trade-up sustained in light of the increased portion of premium and super premium segments in total China IMF sales



Premium and Super Premium Segments¹ Accounting for Higher Portion in Total China IMF Sales



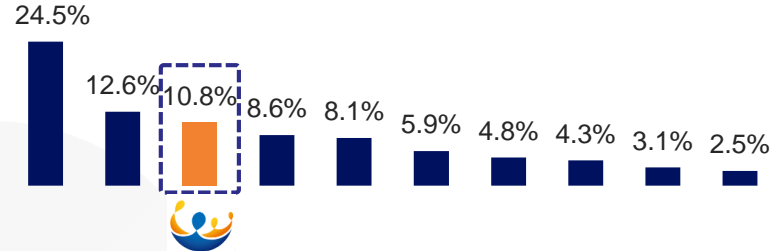
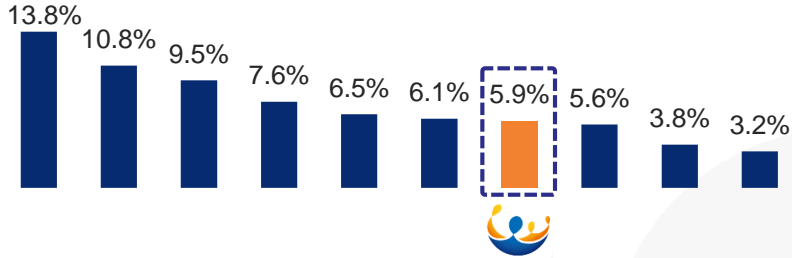
Note:

1. Under Nielsen's definition, IMF products priced at RMB 290-390 per kilogram are categorized as premium, while IMF products priced above RMB 390 per kilogram are categorized as super premium

BNC - Strong Momentum with Overall IMF Market Share Gain

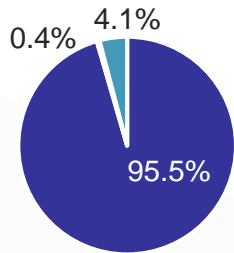
#7 IMF player in the Chinese IMF market¹

#3 in the super premium tier² in the Chinese IMF market

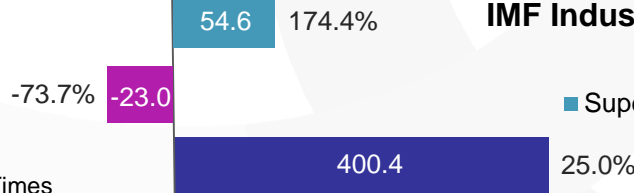


Sales Contribution by Brand

Sales by Channel³

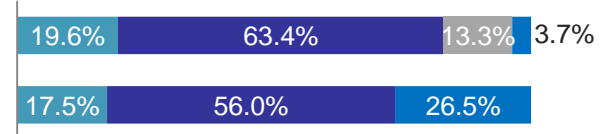


Incremental Sales Growth (2018 versus 2017) (RMB million)



Biostime

IMF Industry Average



■ Supermarkets ■ Baby specialty stores ■ VIP Pharmacies ■ E-commerce

■ Biostime ■ Adimil ■ Healthy Times

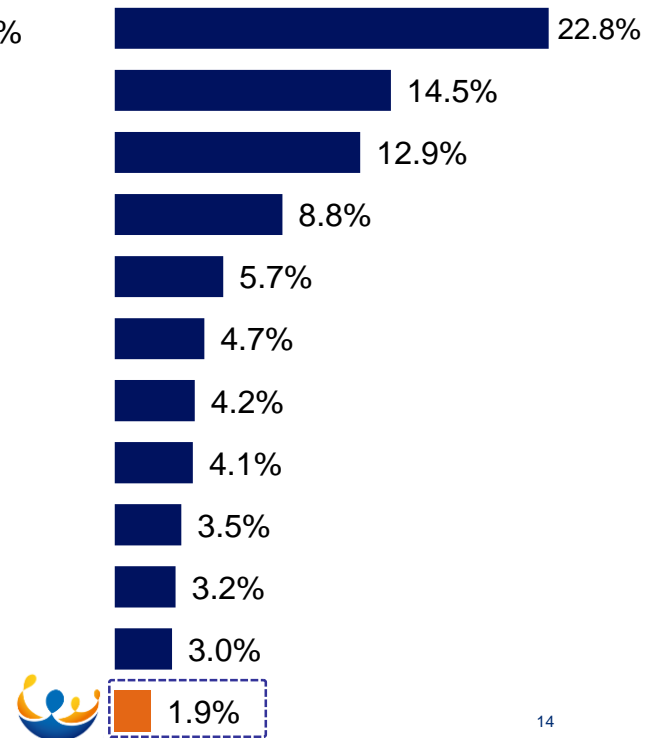
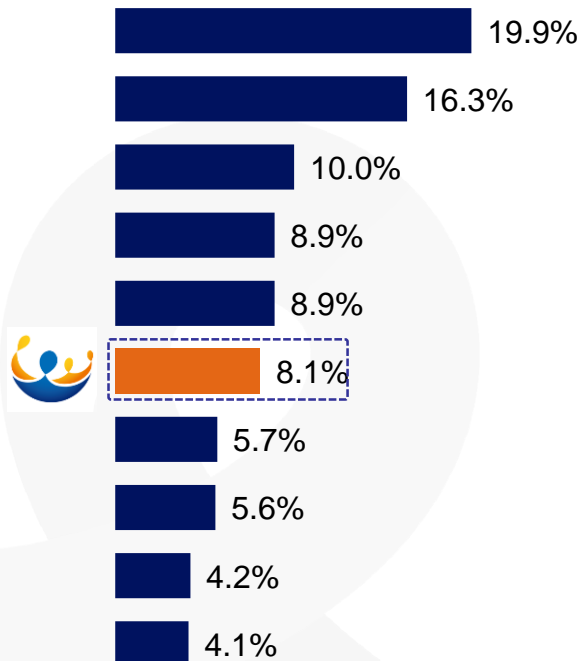
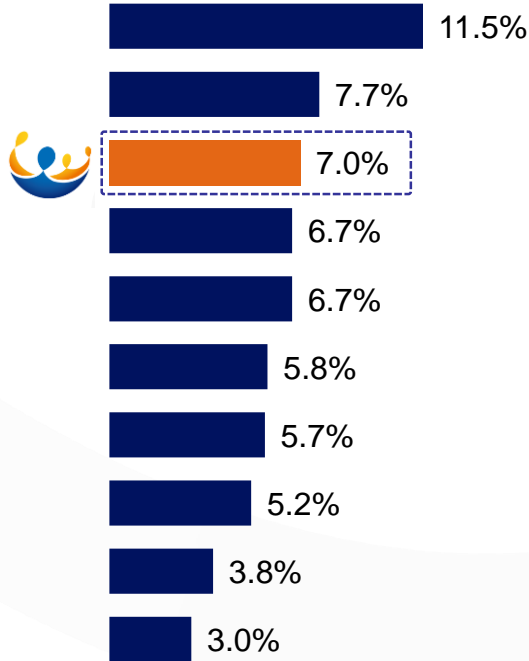
Notes:

- Source: Nielsen market share data for the past twelve months as of 30 June 2018
- According to a Nielsen report, super premium tier products is the fastest growing segment in the IMF market and is driving the continuous growth towards premiumization
- The Group's BNC's presence in the Chinese market as of 30 June 2018 includes 27,798 baby specialty stores; 5,485 supermarkets; 4,636 VIP pharmacies and 598 regional distributors

BNC - Maintained A Leading Position in Baby Specialty Stores

#3 in IMF sales in baby specialty stores #6 in IMF sales in supermarkets

#12 in IMF sales in e-commerce



BNC - New IMF Products Launched with Upgraded Formula and Packaging

- Following the introduction of the CFDA's new registration rules, the Group has launched new products with upgraded formula and packaging in February this year, including the **π -star series** (*Supreme series*), **β -star series** (*Premium series*) and **α -star series** (*Golden Care series*) under the Biostime brand
- Introduced **LPN whey protein** into **π -star series** (*Supreme series*)



BIOSTIME



Launch of New IMF Products with Upgraded Formula and Packaging

BNC - Probiotic Supplements Sales Growth Continued

- Probiotic supplements maintained strong sales momentum in 1H 2018, with sales up **64.0%**
- Launch of probiotic supplements in French market with an estimated target of 2,400 stores by the end of 2018
- The global probiotics market* (including probiotic supplements and yogurt) is growing exponentially. Probiotic supplements has become one of the fastest-growing dietary segments
 - US\$36 billion in 2017 (Global)
 - US\$7 billion in 2017 (China)
 - US\$13.8 billion by 2020 with an average CAGR of 25% (China)



Chinese Version



Hong Kong Version



French Version



Offline Presence of Probiotic Supplements in Different Channels

BNC - Healthy Times Unveiled Brand Ambassador and Launched New CFDA-Approved Formula

- The Chinese organic IMF market¹ displayed strong growth of 44.9% driven by industry consumption trade-up. For the first half of 2018, Healthy Times has demonstrated robust sales with **174.4%** growth compared to same period last year, and ranked the third place in the Chinese offline organic IMF market
- Healthy Times appointed Chinese celebrity Huo Siyan (霍思燕) as brand ambassador, and has launched new packaging subsequent to the approval of the series by the CFDA
- Available in sales of approximately **7,000** baby specialty stores in China



Healthy Times's New Packaging and Offline Presence



Marketing Shot of Huo Siyan (霍思燕) in Organic Farm

Note:

- Nielsen market share data for the past twelve months as of 30 June 2018

BNC - Dodie Receives Positive Feedback from Different Markets



Chinese Market



French Market

- Dodie launched a diaper range last September, both online and offline, and has received positive feedback from consumers ever since
- The diaper range is currently available for sale in around **5,000** baby specialty stores in the Chinese market

- Dodie announced a skincare line for babies, which is now available in French market in **2,000** stores,
- Dodie also has announced the image of *Peppa Pig* to be licensed for its feeding accessories in French market



Offline Presence of Dodie Diaper Range in Baby Specialty Stores

H&H Group



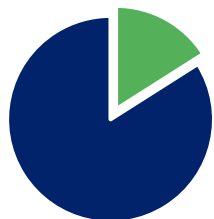
Dodie's Feeding Accessories and Skincare Line



Offline Presence of Dodie Skincare Range

ANC - Leading Position in Australia and China Online with Dynamic Growth in Both Core Markets

Australian Market Leader Natural Health Brand



18.6%
VHMS
Market Share¹

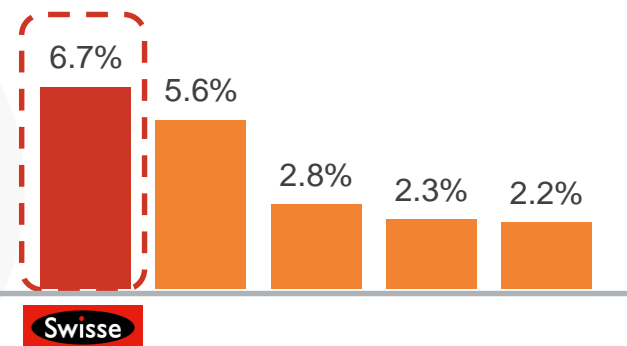


30.1%
Multivitamin
Market Share¹



Chinese Market Leader VHMS Brand Online

#1 in VHMS segment on Alibaba.com²



China sales³ through CBEC and Normal Trade contributed 35.2% of Swisse's total sales in 1H 2018

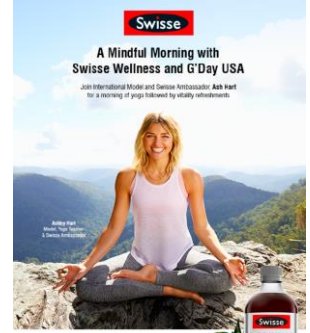
Notes:

1. The market share is updated by excluding the projections of those independent pharmacies stores and certain grocery stores that do not provide exact scan data. This data is based on LTM IRI scan data for past twelve months as of 30 June 2018
2. Based on sales data from Earlydata for past twelve months as of 30 June 2018
3. Swisse China sales for six months as of 30 June 2018

ANC - PPA Marketing Campaigns in Australian Market


Swisse's performance in the Australian market was supported by stable growth across various channels, as well as its strong marketing calendar and through-the-line activation of key partnerships to drive further brand awareness among consumers

- Beauty "Inside & Out" Campaign
- Nicole Kidman Campaign
- Winter Olympics Campaign
- Grand Prix / Scuderia Ferrari Campaign
- AFL and AFLW season Campaign
- Rugby Campaign



ANC - Interactive Marketing Campaigns on Chinese E-commerce Platforms

Marketing Campaign by T-mall Platform



The image shows the Tmall logo at the top. Below it is a ranking chart titled 'HOLD住90后的10大品牌' (Hold the 10 top brands of post-90s). The chart lists 10 brands, with Swisse ranked No.1, AHC No.2, and 雅萌 (Yameng) No.3. Other brands include JMsolution, KAO, moony, RECIPE, SWAROVSKI, and biosland. To the right is a photograph of a Swisse in-store display with greenery and product information.

- Swisse partnered with Tmall.hk to launch online and offline campaigns with celebrities during the 618 campaign
- The campaign attracted well-educated consumers and Swisse was ranked as **the most favored brand** among post-90s consumers during the campaign
- Swisse continued to rank **No.1** in healthcare categories on the Tmall platform

Marketing Campaign by JD Platform



The image shows the JD.com logo at the top. Below it is a Swisse product image with a stadium scene and the text '#至刚之有 自然尽兴'. To the right is a '618战报' (618 Battle Report) graphic showing Swisse as the top brand in the category.

- For the 618 JD campaign, Swisse ranked **No.1** in the VHMS category on the JD platform
- The campaign engaged consumers from online and offline platforms, leveraging hot events such as the World Cup, while delivering skin tests at JD's Pop-up stores to introduce Swisse's product portfolio
- Best-selling products included Calcium + Vitamin D, Liver Detox, Grape Seed, Cranberry, etc.

Other Partnerships



The image shows the logos for three e-commerce platforms: 唯品会 (Vip.com), 考拉海购 (Kaola.com), and 小红书 (Xiaohongshu).

ANC - Normal Trade Expanded Diverse Distribution Channels

- Following the launch of normal trade in April last year, Swisse has expanded its sale network through new and existing channels. It is currently available for sale in approximately **9,000** retail stores by the end of first half of 2018
- The Group will accelerate its product innovation and introduce new products in the second half of the year



Swisse Offline Presence in Diverse Retail Outlets in Chinese Market

Products Launched Offline as Conventional Food (14 SKUs)



ANC - Transition of All PGT Markets Completed



Italy



Singapore



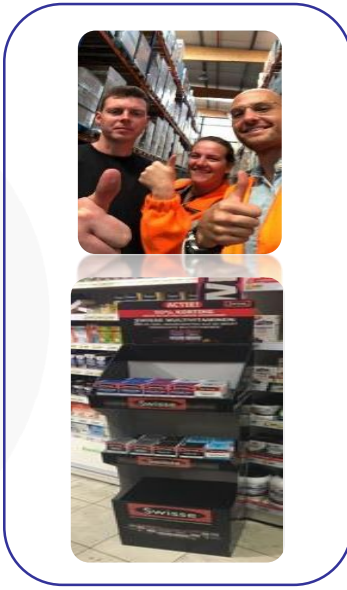
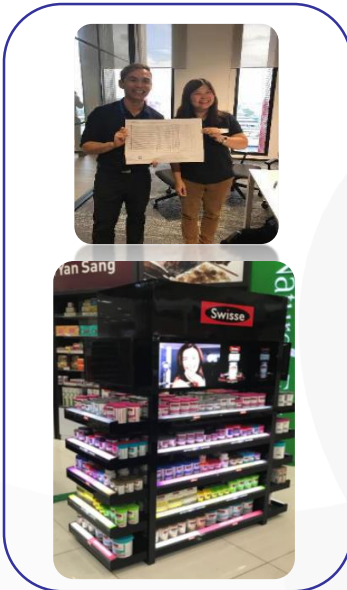
Hong Kong



Netherlands



UK



The Transition of All PGT Markets Was Completed by 30 June 2018

Sustainability Commitment & Development

- The Group launched its first ESG Report for the 2017 period, covering all our businesses and operations worldwide
- The Group was included as a constituent of the Hang Seng Corporate Sustainability Benchmark Index in the quarter ended 29 June 2018, which will take effect on 10 September 2018



Acceptance to the United Nations Global Compact



Offset 100% of Scope 1 & 2 Carbon Emissions Globally



Three areas of focus: The story of good health

Our footprint on the planet

Honoring human rights & Fairness



Prospects

BNC - Dodie Appointed Guo Jingjing as New Brand Ambassador



- The Group has appointed Guo Jingjing (郭晶晶) as the new brand ambassador for Dodie in the Chinese market
- The new brand endorsement will facilitate Dodie's brand exposure among consumers and underpin its premium brand image



Brand Ambassador Guo Jingjing (郭晶晶)

ANC - New Products Launched under Swisse Brand in 2H 2018

- The Group will introduce new products portfolios under the Swisse brand, including an adult probiotics range and a pregnancy and infants range, in the second half of this year. This will be supported through innovative brand ambassador campaigns and PR launches
- These products will be rolled-out in-store and online in Australia and New Zealand, as well as in China markets through CBEC channels



Adult Probiotics Range



Pregnancy and Infants Range

Regulatory Updates in VHMS Market



Cross-Border Ecommerce Regulatory Updates

- The new CBEC regulation, which was first announced on 8 April 2016, has been further postponed to the end of 2018, as stated by the State Council in September 2017
- In December 2017, the Ministry of Commerce expanded the number of trial cities under the new CBEC business policy framework from 10 to 15
- In July 2018, the State Council approved another 22 cities as venues for comprehensive CBEC pilot zones, on top of the 15 cities, which signals the Chinese government's intention to develop CBEC as an important channel for meeting robust domestic consumption demands

Swisse Calcium + Vitamin D Approved by CFDA through Filing Process

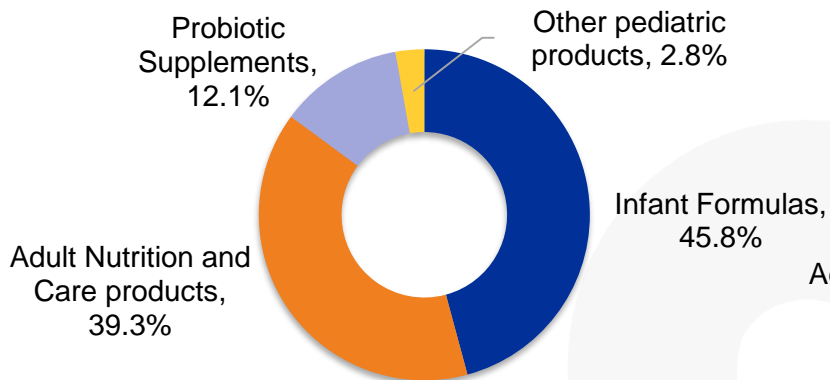


- The Group has successfully secured the blue hat filing approval of hero product Calcium + Vitamin D. It is the first Australian-made product ever approved by CFDA via blue hat filing, which rendered Swisse the first Australian company to acquire the blue hat filing approval in China
- Subsequent to the approval, the Calcium + Vitamin D will be introduced into the normal trade channel, along with the conventional food category, to further facilitate the brand exposure and extend engagement with consumers

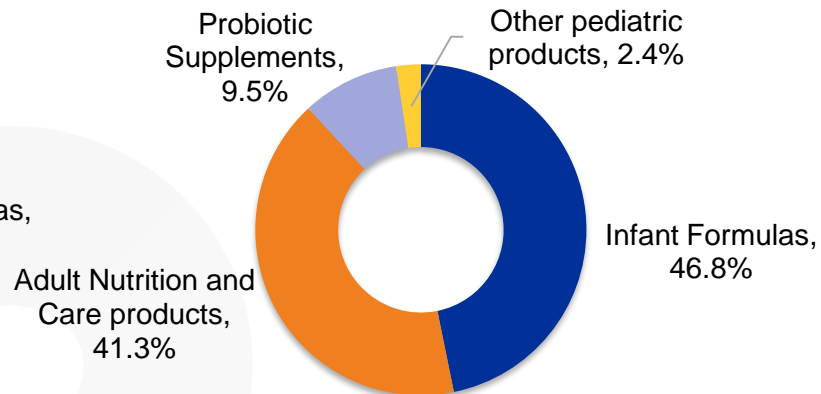
Additional Financial Information

Revenue Mix - Fast Growth across All Product Categories

1H 2018

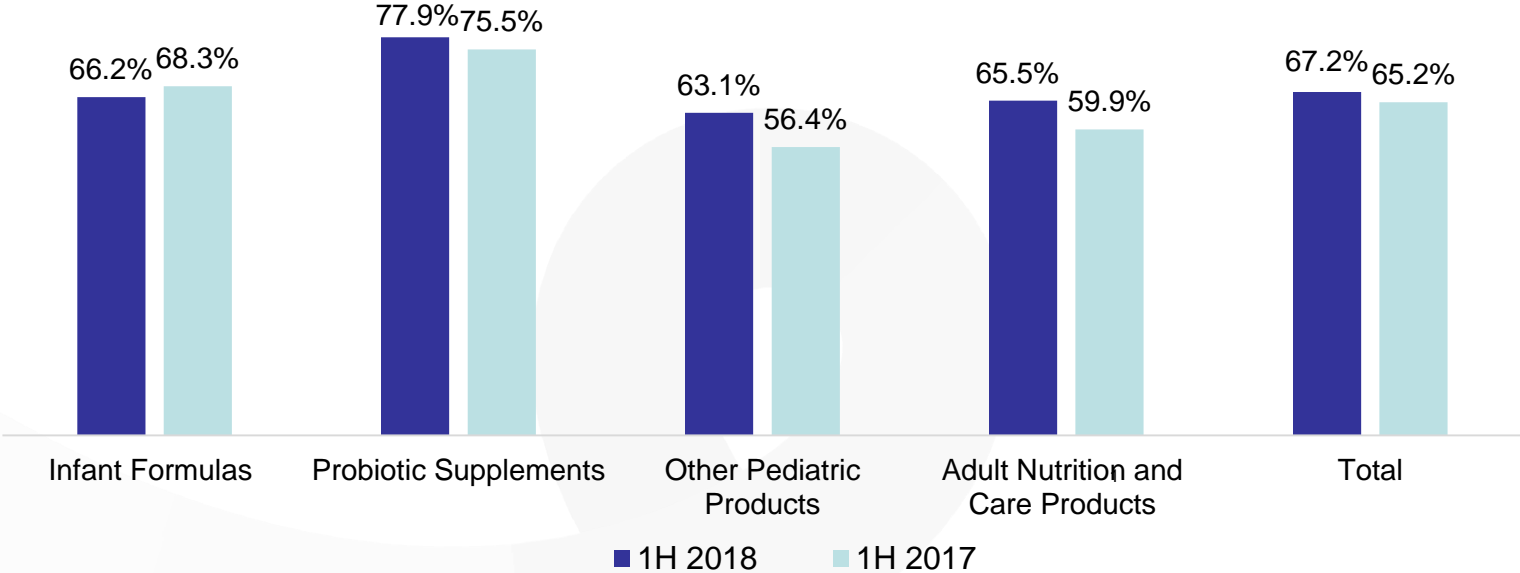


1H 2017



(RMB million)	1H 2018	1H 2017	Change (%)
Infant Formulas	2,093.2	1,661.2	26.0%
Probiotic Supplements	553.9	337.8	64.0%
Other Pediatric Products	130.8	86.4	51.3%
Adult Nutrition and Care Products ¹	1,795.6	1,466.0	22.5%
Total	4,573.6	3,551.4	28.8%

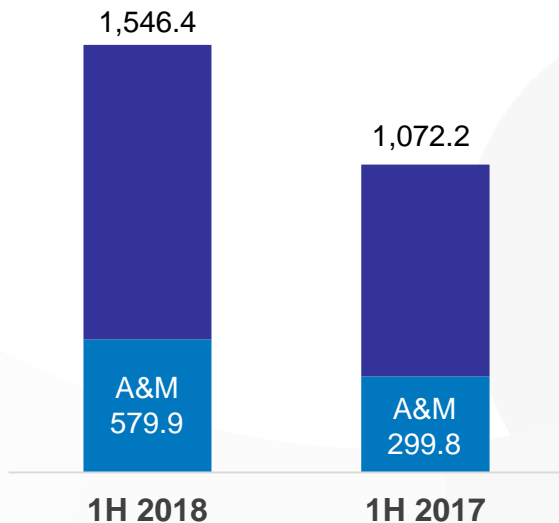
Gross Profit Margin Analysis



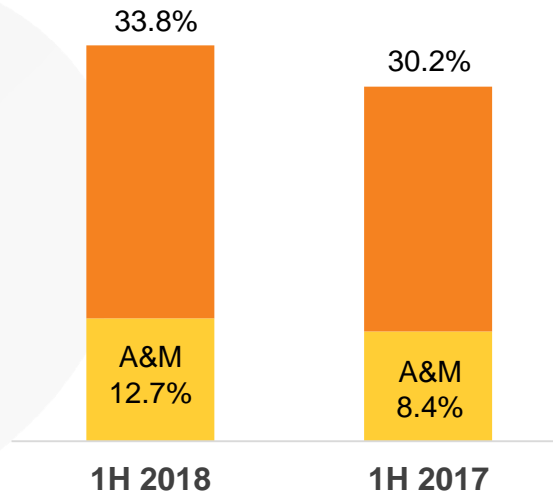
Selling and Distribution Expenses

Selling and Distribution Expenses

(RMB million)



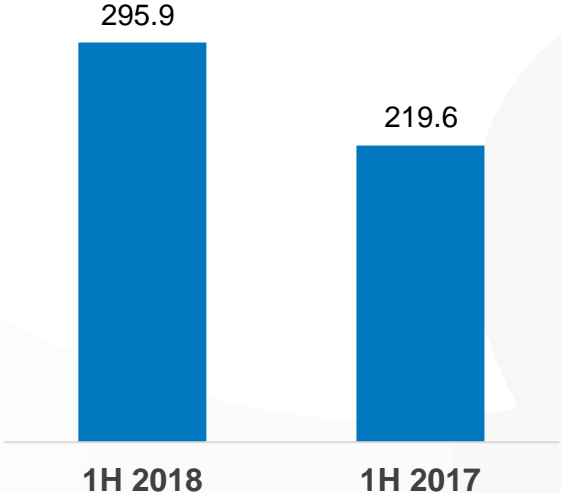
S&D Expenses Ratio of Sales



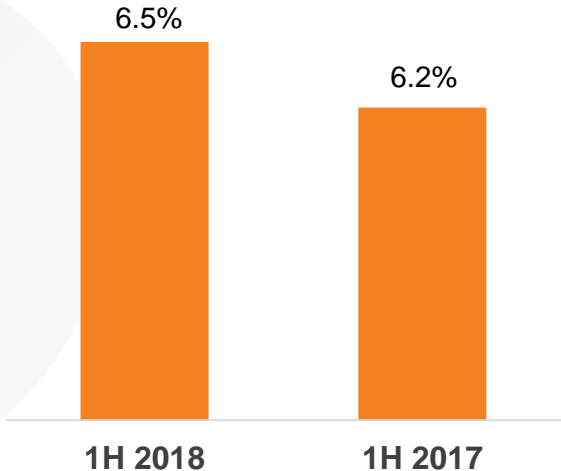
Administrative Expenses

Administrative Expenses

(RMB million)



Administrative Expenses Ratio of Sales



Adjusted EBITDA

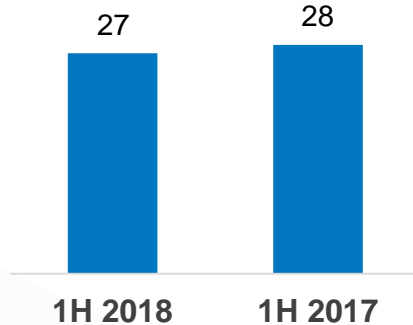
<i>(RMB million)</i>	<i>For the Six Months Ended 30 June</i>	
	2018	2017
EBITDA	965.7	1,004.0
Reconciled by:		
(1) Net foreign exchange loss / (gain) ¹	218.1	(51.0)
(2) Net fair value losses on the derivative financial instruments ²	70.1	73.9
(3) Non-recurring integration costs	4.6	13.0
(4) Gain on deemed disposal of partial interest in an associate	(9.5)	-
(5) One-time expense paid to the original shareholders of Swisse on some tax refund	-	34.9
Adjusted EBITDA	1,249.0	1,074.8

Notes:

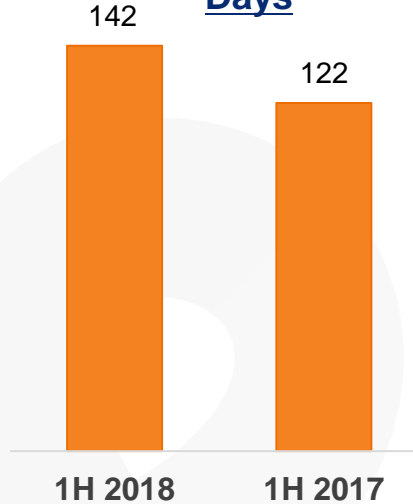
1. The net foreign exchange loss of RMB218.1 million was mainly consisted of: 1) unrealized loss of RMB31.4 million from the revaluation on the Group's interest-bearing bank loan post refinancing on 27 June 2018 and senior notes; and 2) unrealized loss of RMB145.8 million due to the revaluation on the intra-group loans between the Company and its subsidiaries resulted from the acquisition of the non-controlling interest in Swisse of AU\$311.0 million as well as the first installment for PGT buy-out of US\$72.0 million and others
2. The net fair value loss on financial derivatives of RMB70.1 million was mainly caused by the fair value loss on the early redemption option embedded in the Group's senior notes of RMB52.9 million

Working Capital Management

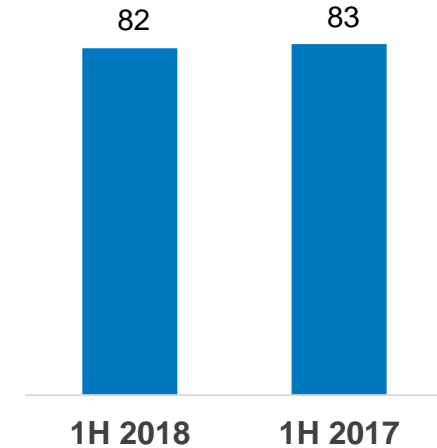
Trade and Bills Receivables Turnover Days



Inventory Turnover Days



Trade Payables Turnover Days



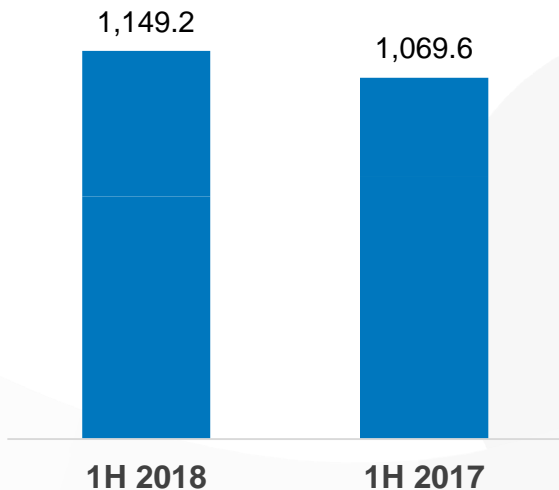
Notes:

1. Turnover days of accounts receivable is derived by dividing the arithmetic mean of the opening and closing balances of trade and bills receivables for the relevant period by turnover and multiplying by 180 days
2. Turnover days of inventory is derived by dividing the arithmetic mean of the opening and closing balances of inventory for the relevant period by cost of sales multiplying 180 days, and the inventory for BNC and ANC is 138 and 148, respectively
3. Turnover days of accounts payable is derived by dividing the arithmetic mean of the opening and closing balances of trade payables for the relevant period by cost of sales and multiplying by 180 days

Cash Balance and Cash Flows

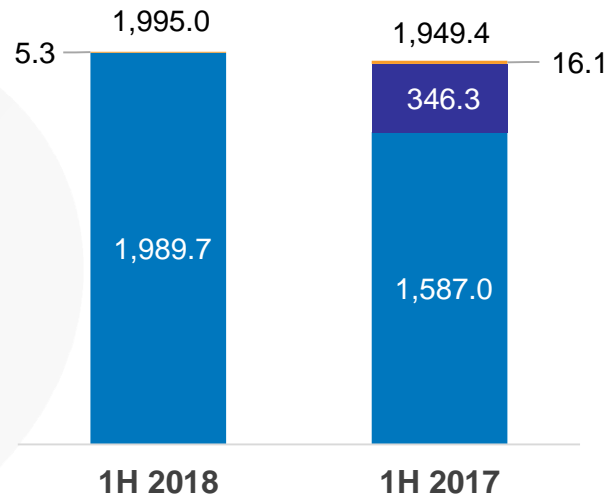
Operating Cash Flows¹

(RMB million)



Cash Balance

(RMB million)



Note:

1. The operating cash flow is calculated on a pre-tax basis

- Restricted deposits
- Time deposits
- Cash and bank balances

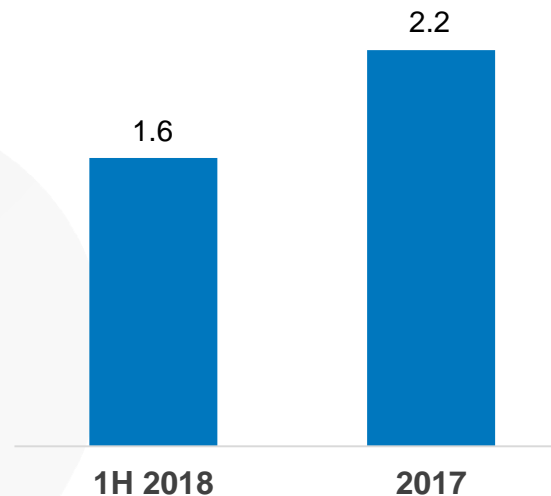
Improved Capital Structure

Overview of Debt Instruments

(RMB million)



Net Leverage Ratio¹



Type	Principal Amount	Maturity
Senior Notes	US\$600 million	2021-06
Term Loan	US\$300 million	2021-06

Note:

1. The net leverage ratio is calculated by dividing the sum of the net debt by adjusted EBITDA. The adjusted EBITDA for the first half of 2018 has been annualized for the calculation

Thank You

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