

# Vinda International Holdings Limited

*(Incorporated in the Cayman Islands with limited liability)*

(Stock code: 3331)



## 2016 Annual Results Investor Presentation

Healthy Lifestyle  
Starts with Vinda





## Ambition

---

**To become a leading hygiene company in Asia**

- secure the forefront position in the tissue market
- speed up the expansion of personal care business

# 2016 Highlights



1

## Strong growth & margins expansion continue

- Double-digit organic growth in revenue
- Improvement in profitability (i.e. GPM, EBITDA margin, NPM)

2

## Successful integration of SCA Asia business

- New income stream from Asia
- Larger sales contribution from Personal Care

3

## Reinforced market leading positions

- No.1 in e-commerce (Tissue category)
- Market share gains across categories and regions

4

## Strong cash flow

- Good operating results, working capital management & CAPEX planning
- Net gearing reduced significantly

5

## Enhanced corporate governance

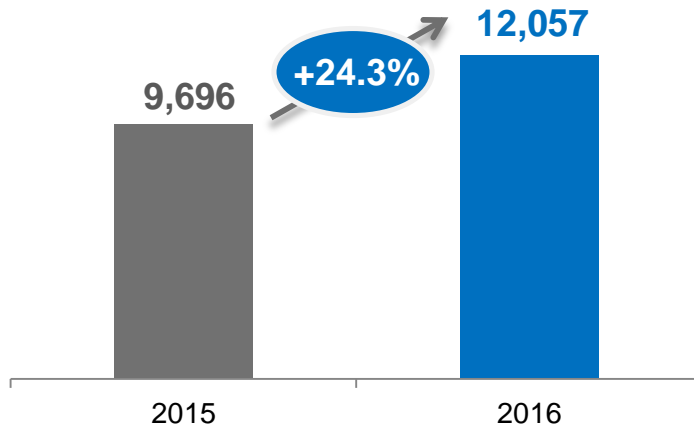
- New Code of Conduct, 98% of employees got trained by year end
- “Directors of The Year Award” from Hong Kong Institute of Directors

A photograph of a family consisting of a man, a woman, and a young girl, all smiling and looking towards the camera. They are dressed in light-colored clothing. The background is softly blurred, suggesting an indoor setting with greenery.

# Financial Highlights

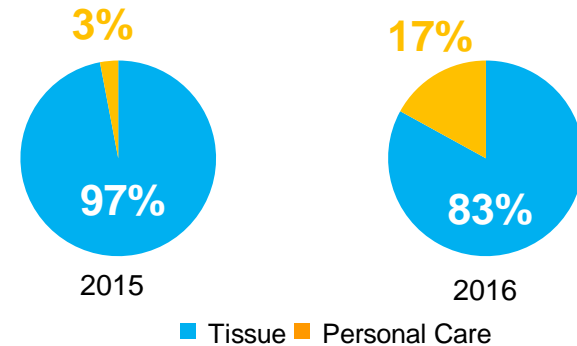
# Strong Revenue Growth

## Total Revenue (HK\$M)



**\* Organic growth: +13.7%**

## Revenue Mix (%)

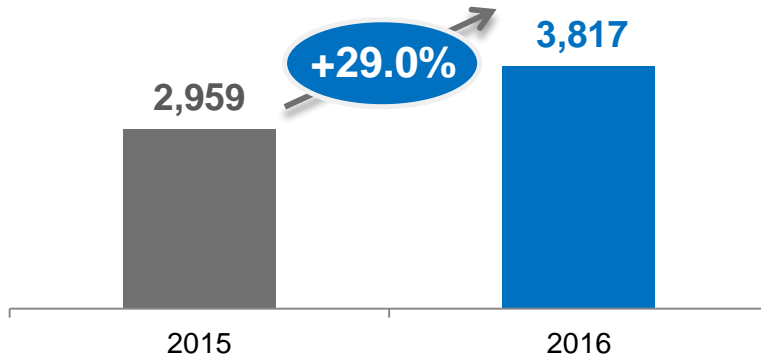


- Both tissue and personal care (Inco and Fempro in particular) contributed to the strong organic growth
- Larger sales contribution from personal care primarily came from the acquired Asia business since 2016Q2

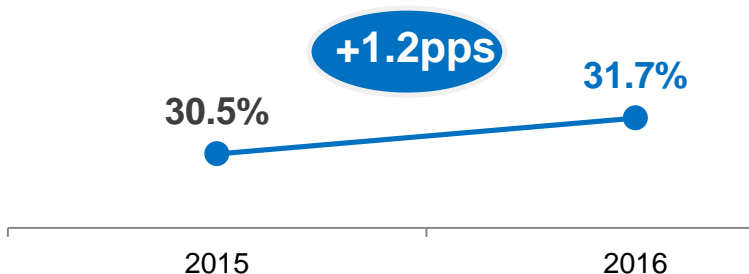
\* Excludes acquisition and exchange rate effects

# Gross Margin Expansion

## Gross Profit (HK\$M)



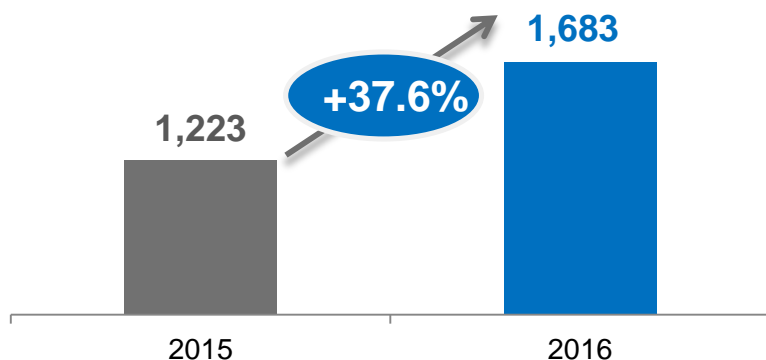
## Gross Profit Margin



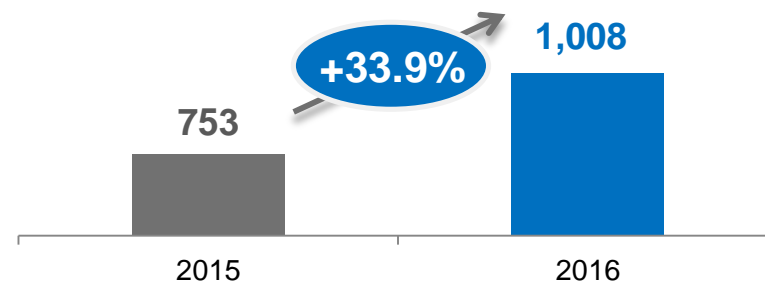
- Lower wood pulp cost
- Continuous portfolio optimisation
- Significant increase in sales of higher-margin tissue products, such as softpack, wet wipes etc.
- Higher fixed cost coverage

# Improved Operating Earnings

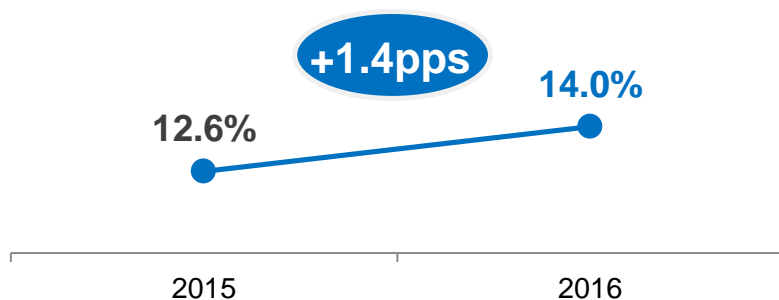
## EBITDA (HK\$M)



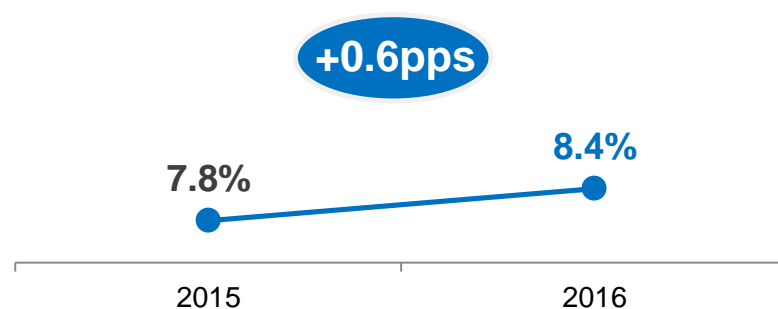
## Operating Profit (HK\$M)



## EBITDA Margin

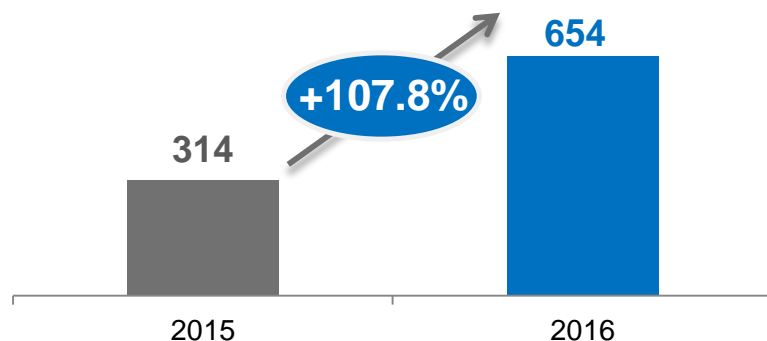


## Operating Margin



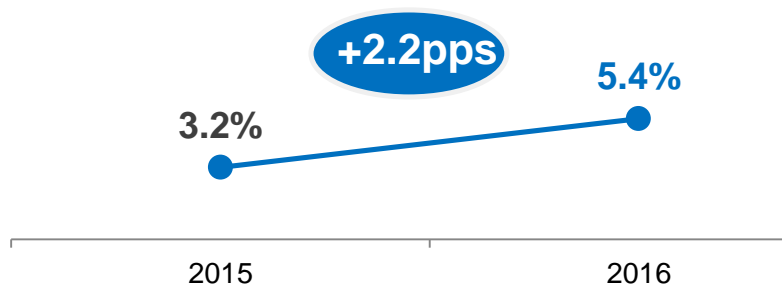
# Net Profit Doubled

## Net Profit (HK\$M)

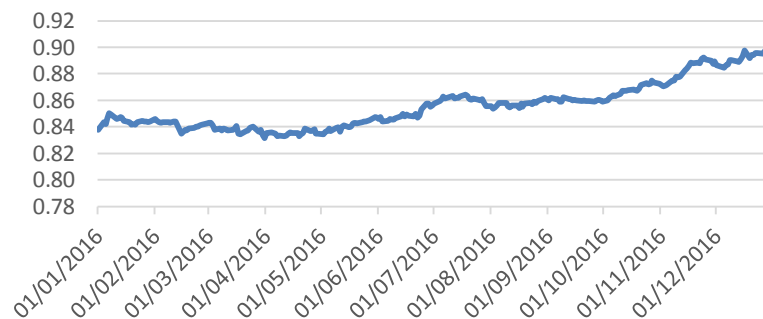


- Better operating performance
- Significant reduction of foreign exchange loss, despite ongoing devaluation of RMB

## Net Margin



## HKD vs RMB

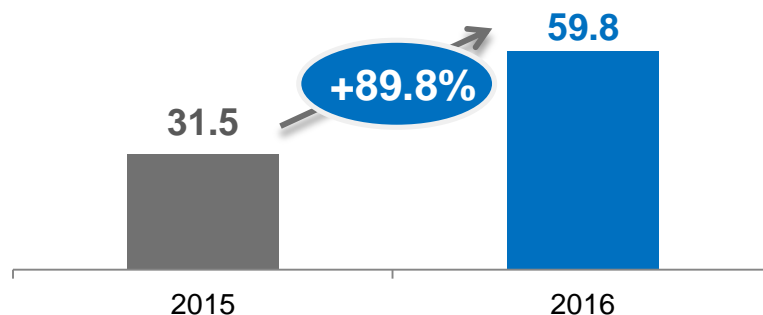


HK\$M	2015	2016
Total FX loss	309	45

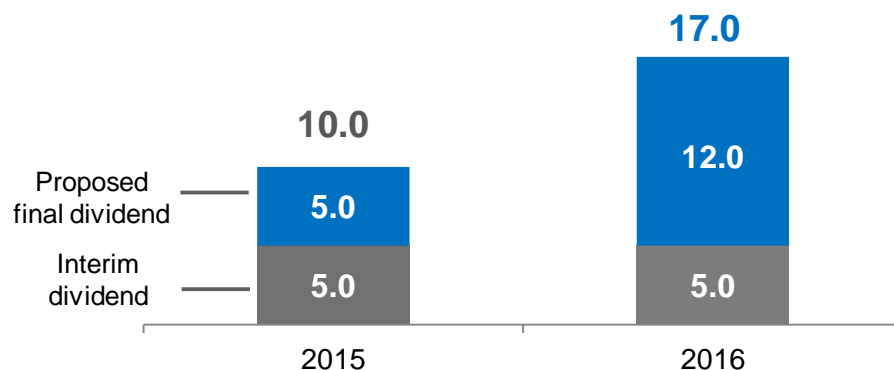


# Increased Total Dividend

## Basic EPS (HK\$ cents)



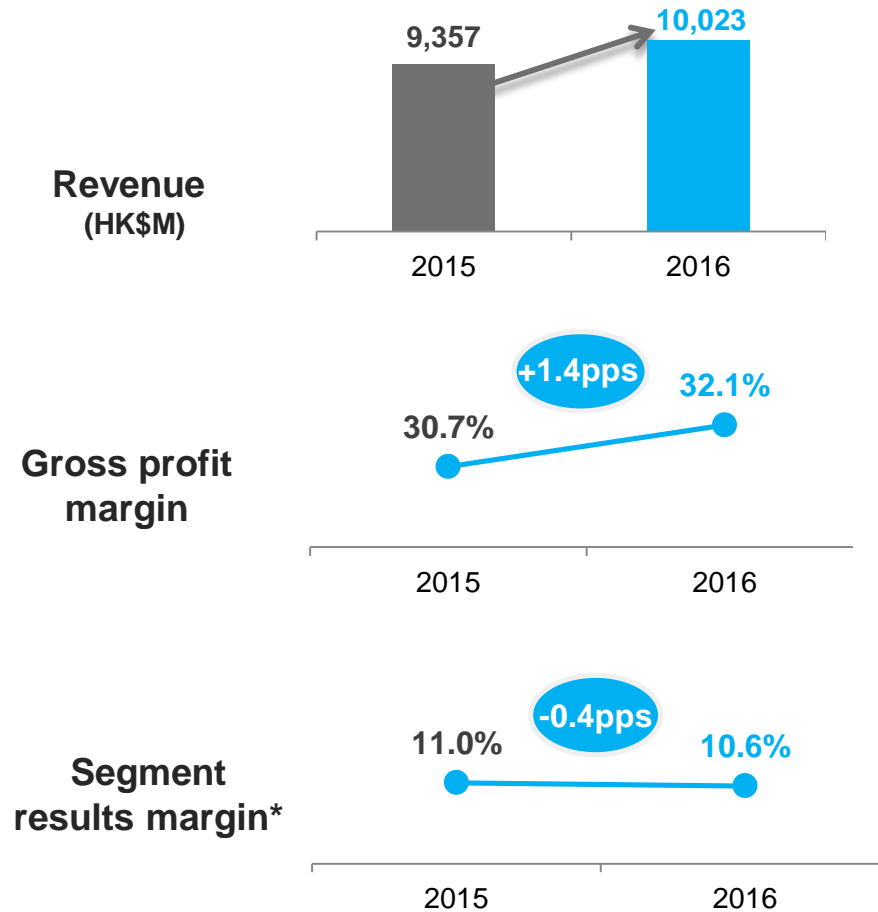
## Proposed Total Dividend (HK\$ cents per share)



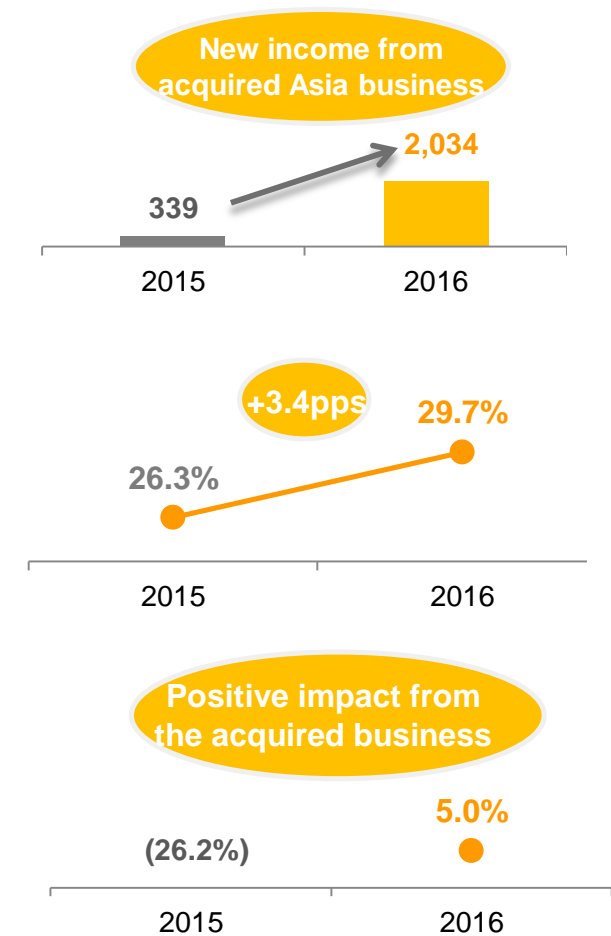
- 2016 dividend payout: 29% of net profit, which is in line with the dividend policy of not less than 25% of net profit

# Segment Performance

## Tissue



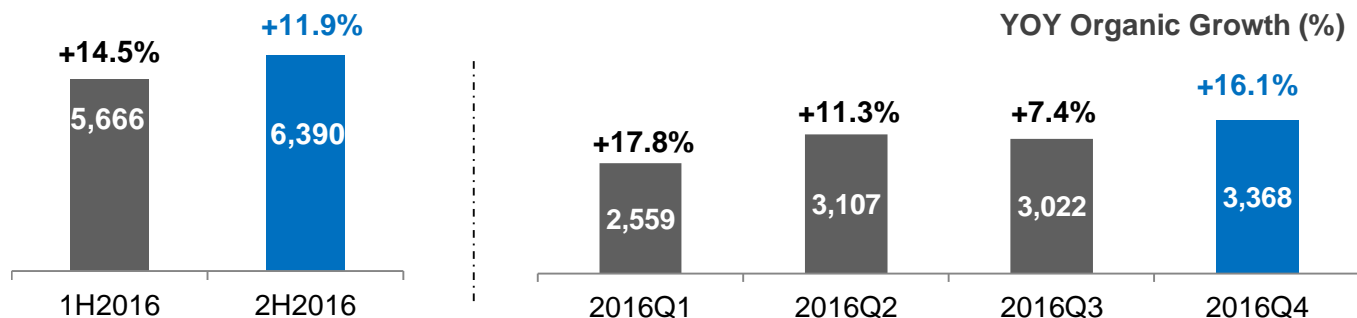
## Personal Care



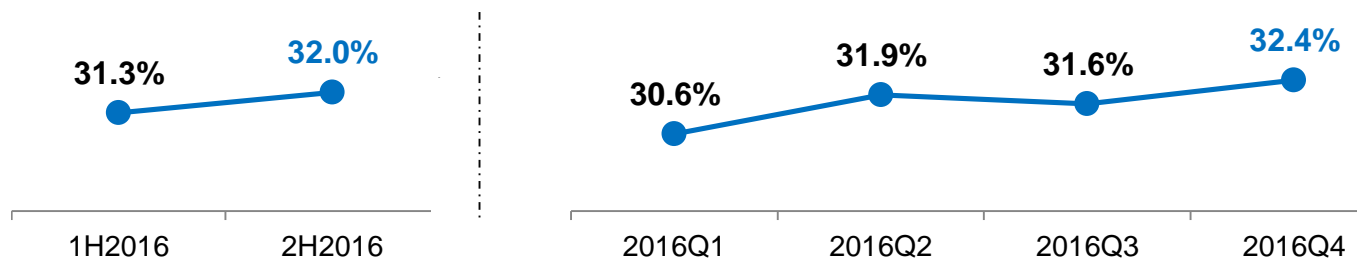
\*segment profit before amortisation of trademarks, licenses & contractual customer relationship)

# Periodic Performance

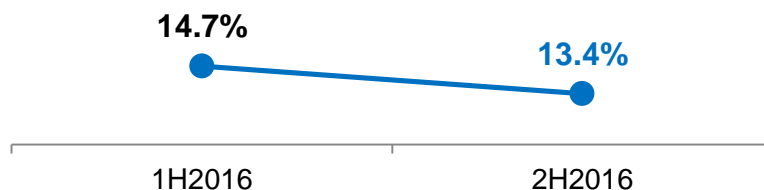
## Revenue (HK\$M)



## Gross Profit Margin

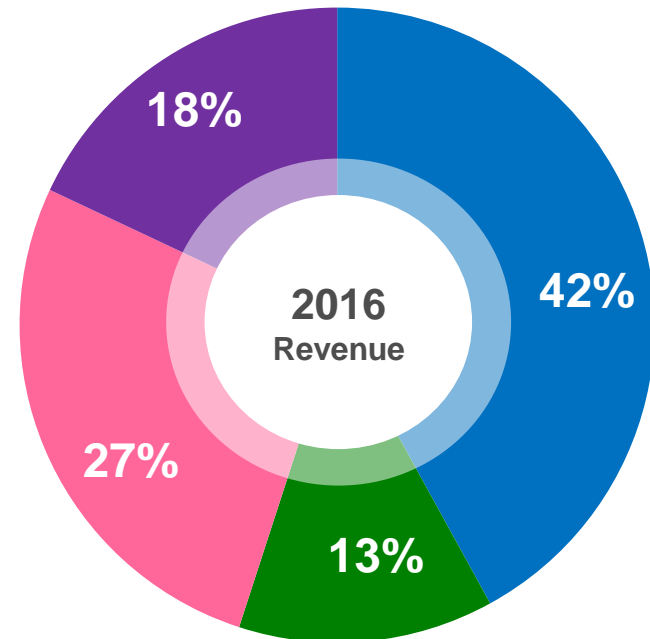
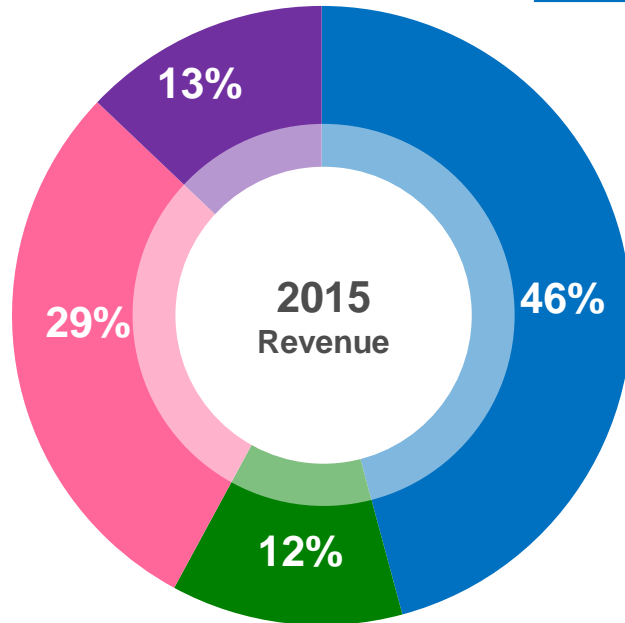


## EBITDA Margin



# Continuous Growth in E-commerce

## Total Company

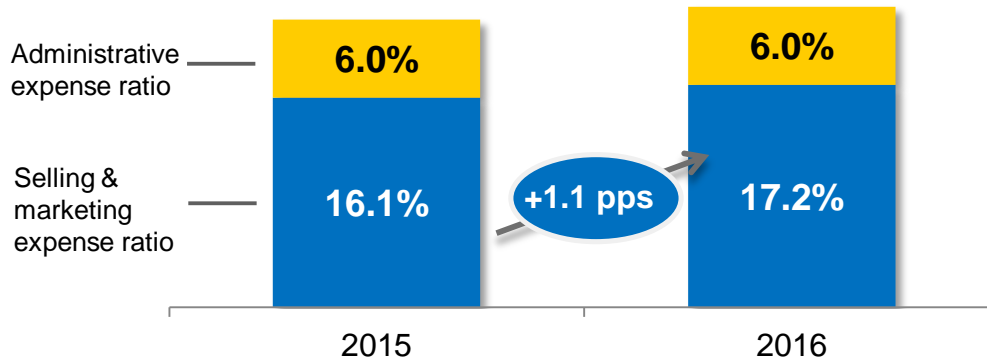


- Traditional channels (i.e. Distributors)
- B2B (i.e. Corporate clients)
- Key accounts (i.e. Hypermarkets, Supermarkets)
- E-Commerce

# Expenditure



## OPEX as a % of Sales

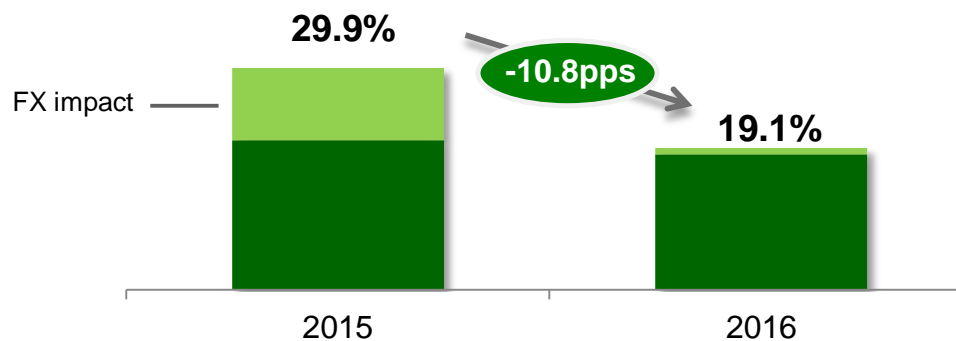


Good control on administrative cost

Higher OPEX ratio, due to:

- Increase in marketing activities & logistic cost due to shift to e-commerce
- Higher amortisation expense arising from acquired intangible assets

## Effective Tax Rate



Lower effective tax rate, due to:

- Substantial reduction of non-tax deductible foreign exchange loss
- Approval of certain tax deductions in Malaysia and Hong Kong

# Key Indicators



(HK\$M)	As at 31 Dec 2016	As at 31 Dec 2015
Debtors turnover days	43	43
Creditors turnover days	70	79
Finished goods turnover days	40	43
Working capital to sales ratio	3%	14%
(HK\$M)	As at 31 Dec 2016	As at 31 Dec 2015
Cash and cash equivalents <sup>1</sup>	1,015	393
Total borrowings <sup>2</sup>	5,017	4,739
<i>Borrowings in CNY (%)</i>	<i>69%</i>	<i>42%</i>
Net debt	4,001	4,345
Net gearing ratio <sup>3</sup> (%)	59%	88%
Net debt/EBITDA	2.4	3.6
Net cash flow <sup>4</sup>	339	-633

Improved working capital efficiency

Reduced FX exposure

Lower gearing level

Strong cash flow

- Total unutilised credit facilities as at 31 Dec 2016: HK\$4.0 billion

1. Incl. restricted bank deposit. 2. Total borrowings (incl. SCA shareholder loan)  
 3. Total borrowing less bank balances and cash and restricted deposits / total shareholders' equity.  
 4. Change of net debt, including exchange rate effect

# Outlook



# Opportunities & Challenges

## Opportunities

### Urbanization<sup>1</sup>

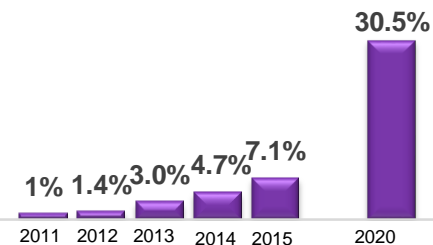
- 2014: 55%
- 2015: 56%
- 2020: 60%

### Aging population<sup>1</sup>

- 2013: 9.7%
- 2014: 10.1%
- 2015: 10.5%
- 2020: 17.5%

### Growing e-commerce<sup>2</sup>

% of China FMCG sales from online



### ASEAN Rise of middle class

(BY 2020)

>200M<sup>3</sup>

Middle class definition: spending US\$16-US\$100 per day

### Stringent environment regulation

China tissue capacity (tons)	2013	2014	2015	2016
Shut down by government <sup>4</sup>	>0.2M	0.42M	0.47M	>0.4M

## Challenges

### Slowdown in economic growth

China GDP<sup>5</sup>

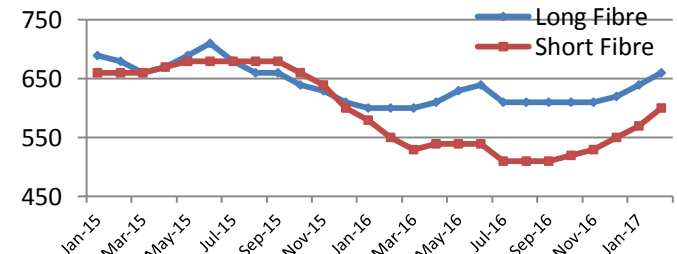
6.9%                      6.7%                      6.5%

2015                      2016                      2017(projection)

Weaker market growth & Intensified competition

Uncertain movement of RMB

### Pulp Price



<sup>1</sup> National Bureau of Statistics & National Development & Reform Commission, China Silver Industry Association

<sup>2</sup> Kantar 2015

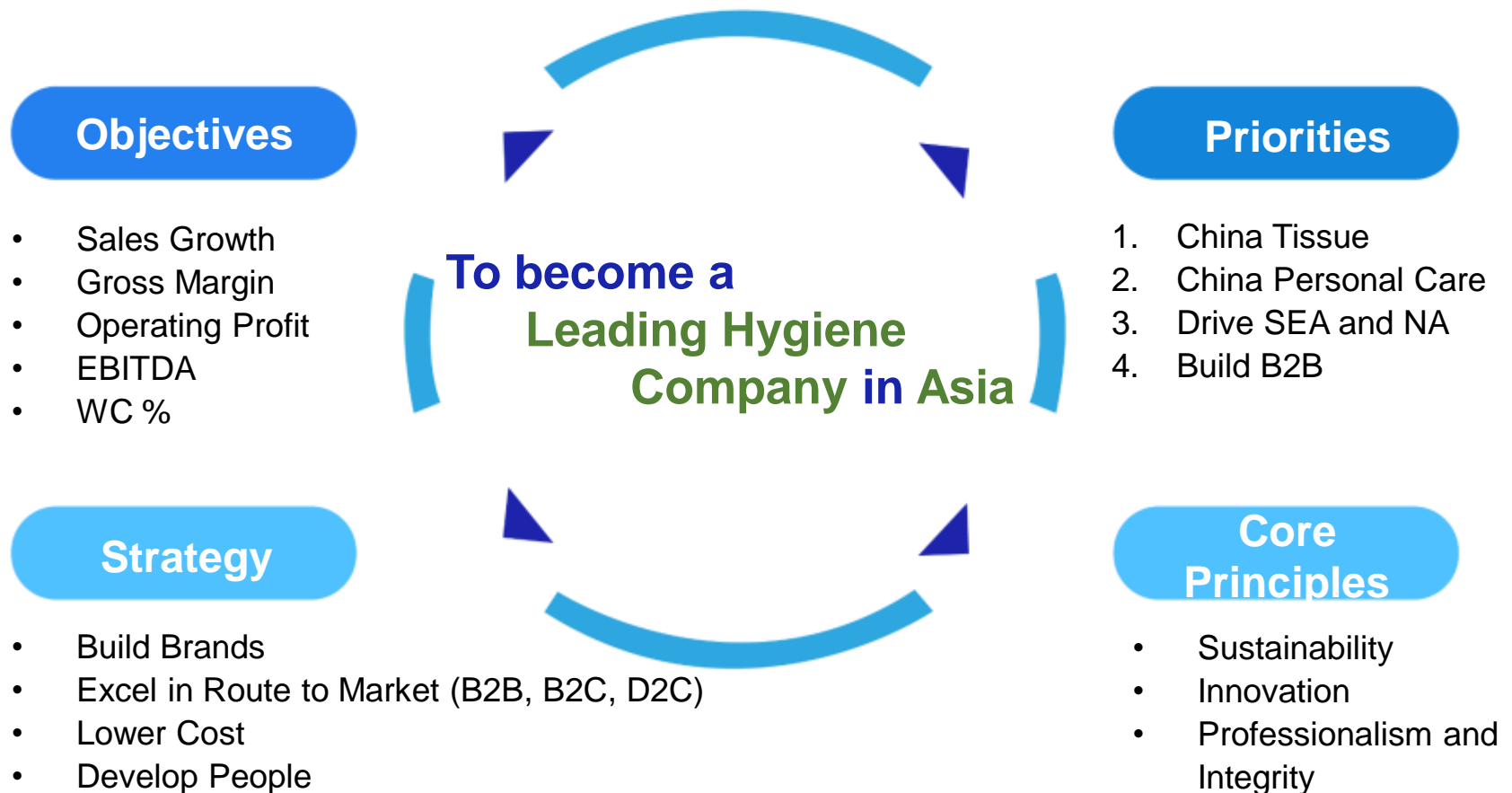
<sup>3</sup> Nielsen forecasting in 2015

<sup>4</sup> China Paper Association & internal estimate

<sup>5</sup> National Bureau of Statistics & The World Bank



# Strategic Framework



# Our Priorities



## Drive Tissue business in China

- Drive Tissue sales in China with innovative-driven product, R&D & marketing campaigns
- Increase contribution from Tempo in high-end market



## Broaden the Personal Care presence in China

- Become the leader in Incontinence with TENA & Dr. P
- Build VIA & Libresse as future profit contributor
- Selective presence in competitive baby market



## Drive Personal Care growth in Asia & roll out tissue business

- Strengthen Personal Care market positions where we have presence
- Roll out tissue to Asia by leverage the strong route to market



## Build up B2B business

- Build Away-from-home Tissue business and TENA institutional sales

# Invest for the Future



- Add 60,000 tons of tissue capacity in Zhejiang in 2017H2, bringing the total of 1.1M tons by end of 2017
- Upgrade the converting technology & environmental protection facilities
- Continue the construction of Yangjiang production site for future demand
- Ongoing R&D and technology support from SCA

# Targets

## Revenue

- Grow faster than the market

## Gross Margin

- Expand margin through portfolio management & improvement in production efficiency

## OPEX %

- Keep good control on OPEX

## Working Capital & cash flow management

- Continuous improvement

## Dividend Payout Policy

≥ **25%** of net profit

# Q&A

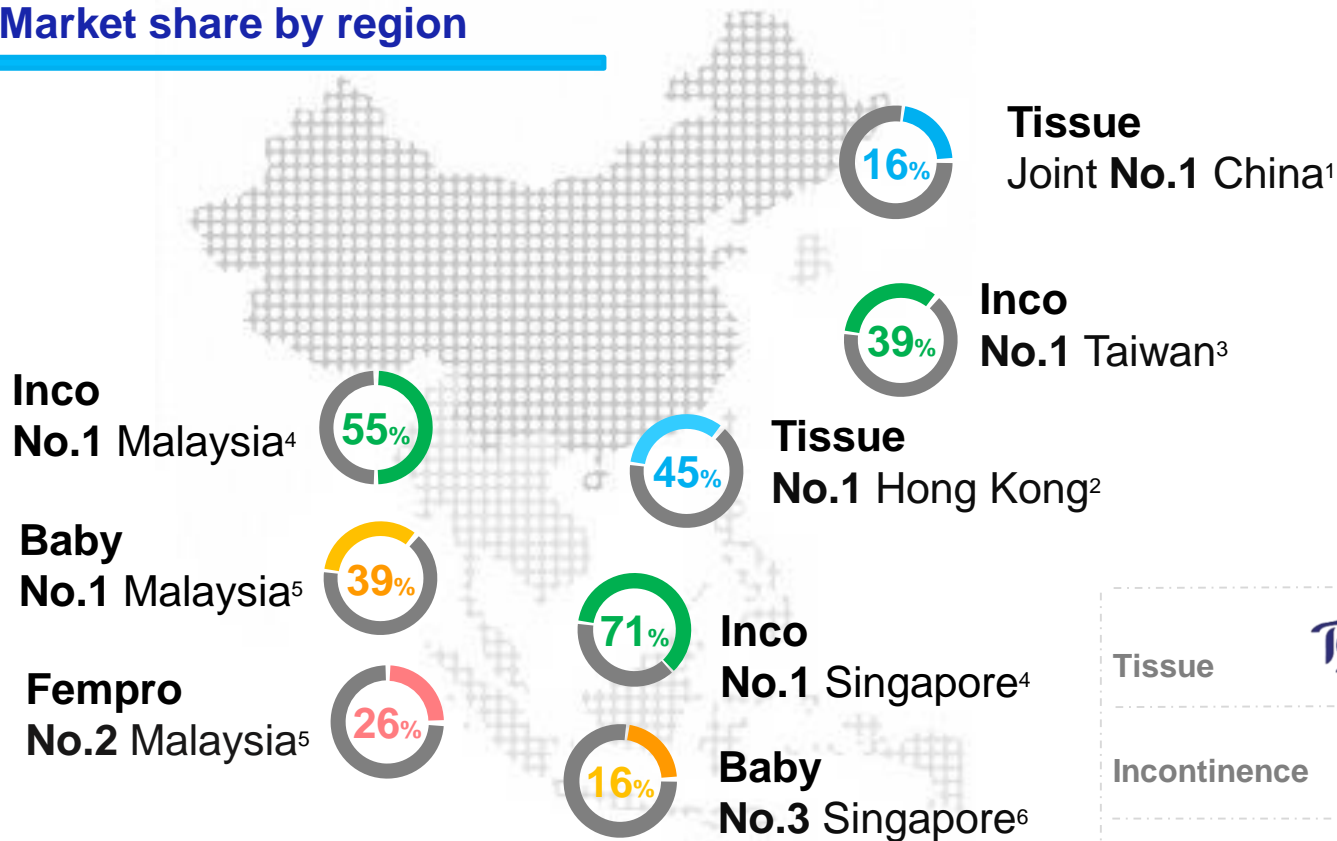




# Appendix

# Market Positions in 2016

## Market share by region

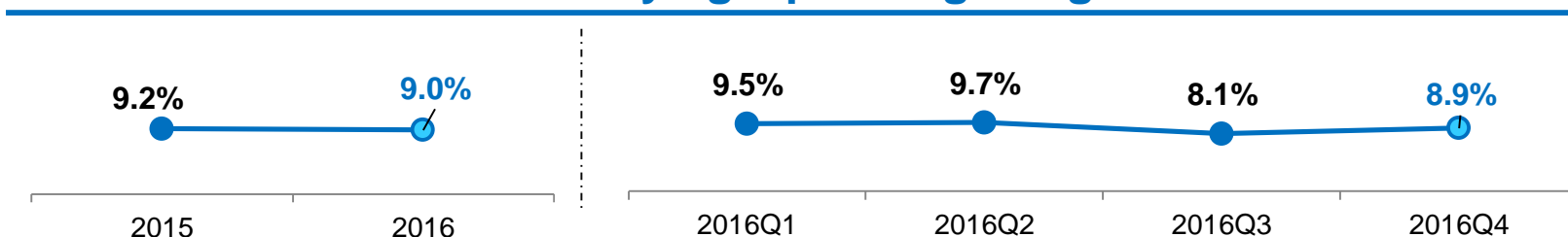


Note:

1. Kantar Worldpanel, based on sales value for the period 1-12 ended 2 Dec 2016
2. Nielsen, MAT value Nov 2016
3. Nielsen, volume share MAT Dec 2016
4. Internal estimates, value share 2016
5. Kantar Worldpanel, value share MAT 4 Dec 2016
6. Kantar Worldpanel, value share MAT Dec 2016

# Underlying Operating Margin

## Underlying Operating Margin<sup>1</sup>



Items Affecting Comparability (HK\$M)	2016	2015
<b>Operating items:</b>		
• Foreign exchange gain/ (loss)	(25)	(108)
• Amortisation of the acquired intangible assets related to the acquisition on Apr 1, 2016 (non-cash item) <sup>2</sup>	(42)	-
• Transaction cost related to acquisition	(3)	(31)
• Loss on fair value re-measurement of trademark	(11)	-
<b>Financing items:</b>		
• Foreign exchange gain/ (loss)	(20)	(201)
• Fair value downward adjustment on convertible note (non-cash item)	(18)	-

<sup>1</sup> Excluding items affecting comparability

<sup>2</sup> It will only be presented as an item affecting comparability where it was not included in comparative prior year period



# Disclaimer

Information contained in our presentation is intended solely for your personal reference and is strictly confidential. Such information is subject to change without notice, its accuracy is not guaranteed and it may not contain all material information concerning the company and/or its business. We make no representation or warranty, express or implied, regarding, and assumes no responsibility or liability for, the fairness, accuracy, correctness or completeness of, or any errors or omissions in, any information or opinions contained herein.

In addition, the information contains projections and forward-looking statements that reflect the Company's current views with respect to future events and financial performance. These views are based on current assumptions which are subject to various risks and which may change over time. No assurance can be given that future events will occur, that projections will be achieved, or that the company's assumptions are correct. Actual results may differ materially from those projected. It is not the intention to provide, and you may not rely on this presentation as providing, a complete or comprehensive analysis of the Company's financial or trading position or prospects.

This presentation does not constitute an offer or invitation to purchase or subscribe for any shares and no part of it shall form the basis of or be relied upon in connection with any contract, commitment or investment decision in relation thereto.



**Thank You**

*Healthy Lifestyle  
Starts with Vinda*

