

INDUSTRY SNAPSHOT

Vitamin and Supplement Manufacturing

A snapshot of the key statistics and current industry performance in the vitamin and supplement manufacturing sector.

April 2016

KEY STATISTICS

 Revenue **\$1.0b**

 Profit **\$58.3m**

 Annual growth
(2011-2016) **6.7%**

 Projected growth
(2016-2021) **2.4%**

 Exports **\$365.0m**

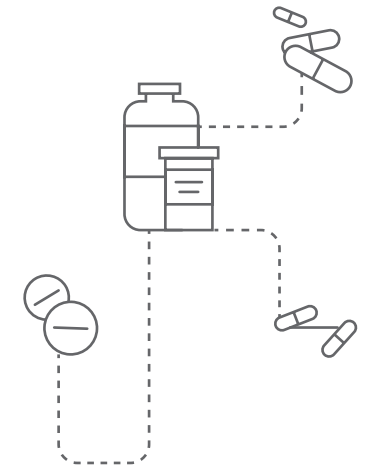
 Number of
businesses **166**

INDUSTRY SNAPSHOT: VITAMIN AND SUPPLEMENT MANUFACTURING

The industry is recovering, due to an increase in consumer health consciousness and real household discretionary income, after years of stagnation during and after the global financial crisis (GFC). Revenue is expected to increase in the next five years with the continued interest in health consciousness of consumers. Imports hold a significant part of domestic demand and exports have been a key driver for industry revenue as a result of the weakening Australian dollar and growing opportunities in Asian markets. Significant growth is expected in 2015-16 but the industry continues to be highly volatile due to the discretionary nature of industry products.

CURRENT INDUSTRY PERFORMANCE

1. Improving economic conditions and increasing health consciousness have aided the recovery of the industry.
2. Demand from supermarkets and grocery stores have increased and this trend is expected to stay.
3. Despite the increase in domestic customers and export markets, the industry still faces keen competition from high import penetration.



Key player analysis

Reporting date	Jun-15	Mar-15	Mar-15
Market cap date	Apr-16	Apr-16	Apr-16
Key player analysis	Blackmores Ltd	Vitaco Holdings Ltd (parent company of Vitaco Health Group Ltd)	AFT Pharmaceuticals Ltd (NZ) ¹
Revenue (\$m)	606.7	170.6	56.1
NPAT %	12.6%	2.7%	-21.3%
EBITDA %	20.0%	13.7%	-7.9%
EBIT %	19.0%	12.2%	-8.3%
ROCE %	62.7%	21.4%	-17.8%
Working capital as a % of revenue	12.3%	-22.7%	41.2%
Market capitalisation (\$m)	3,297.8	0.6	245.3
Market capitalisation/NTA	23.4	-0.03	128.1
Market capitalisation/NA	18.3	0.01	68.1

¹Market announcements from AFT Pharmaceuticals indicate that the loss making position of the company in FY 2015 was primarily due to significant sales and marketing expenses.

Source: Capital IQ

TRANSACTIONS

Sector activity primarily comprised consolidation of businesses over the last five years. The average EV/EBITDA multiple paid in the selected transactions was 10.9x. The largest transaction in the Australian vitamin sector was the sale of Swisse Wellness Pty Limited to a Hong Kong based entity, Biostime, a manufacturer of infant formula and milk powder products. Biostime was the successful bidder in a highly competitive sale process that included Hony Capital and Shanghai Pharma. Biostime acquired an 83% interest in Swisse Wellness for total consideration of \$1.3 billion (HKD7.7 billion) in September 2015.

Acquisitions

Announcement date	Target	Acquirer	Stake acquired %	Implied EV \$m	EV/EBIT	EV/EBITDA
Nov-26-2015	Dermatology Specialities, L.P. and DSGP Ltd	AFT Pharmaceuticals Ltd	50%	N/A	N/A	N/A
Sep-17-2015	Swisse Wellness Pty Ltd	Biostime Healthy Australia Pty Ltd	83%	1,512.1	N/A	13.2
Aug-24-2015	Vitaco Health Group Ltd	Vitaco Holdings Ltd	100%	228.4	11.9	10.6
Jul-02-2012	FIT-Bioceuticals Ltd	Blackmores Ltd	100%	40	8.7	8.8
Jul-02-2010	Pure Animal Wellbeing Pty Ltd	Blackmores Ltd	100%	2	N/A	N/A
Average				445.6	10.3	10.9
Median				134.2	10.3	10.6

N/A = not available

Source: Capital IQ

Private placement

Announcement date	Target	Acquirer	Investment \$m
Aug-08-2013	Swisse Wellness Pty Ltd	Goldman Sachs Group, Merchant Banking Division	70

Source: Capital IQ

IPO ACTIVITY

AFT Pharmaceuticals is based in New Zealand and listed on the ASX as its secondary listing. Recent IPOs have experienced an average decline in share price post listing of circa 11% as of early April 2016.

Recent IPO activity

Company	Listing date	Proceeds raised \$m	Market cap at listing \$m	EV at listing \$m	Implied EV/EBITDA at listing	EV/EBITDA current	Offer price \$	Current price \$	Share price movement since listing
AFT Pharmaceuticals Ltd	Dec-22-2015	33.63	255.6	296.5	NM ¹	NM	2.64	2.50	-5.3%
Vitaco Holdings Ltd	Sep-17-2015	225.84	292.2	367.5 ²	17.4x ³	12.2x	2.10	1.74	-17.4%

Source: Capital IQ

¹NM = Not meaningful. The implied EV/EBITDA multiple at listing for AFT Pharmaceuticals Ltd was -66.7x due to losses at the EBITDA level disclosed by AFT, due primarily to higher selling and distribution costs incurred as a result of the addition of significant sales staff in growing markets, particularly in Australia and south-east Asia. As the sales infrastructure for Australia is largely now in place, no further significant increase in these costs was anticipated at listing date.

²EV at listing (\$m) for Vitaco Holdings Ltd is calculated as the market capitalisation at listing plus net debt as at 31 March 2015.

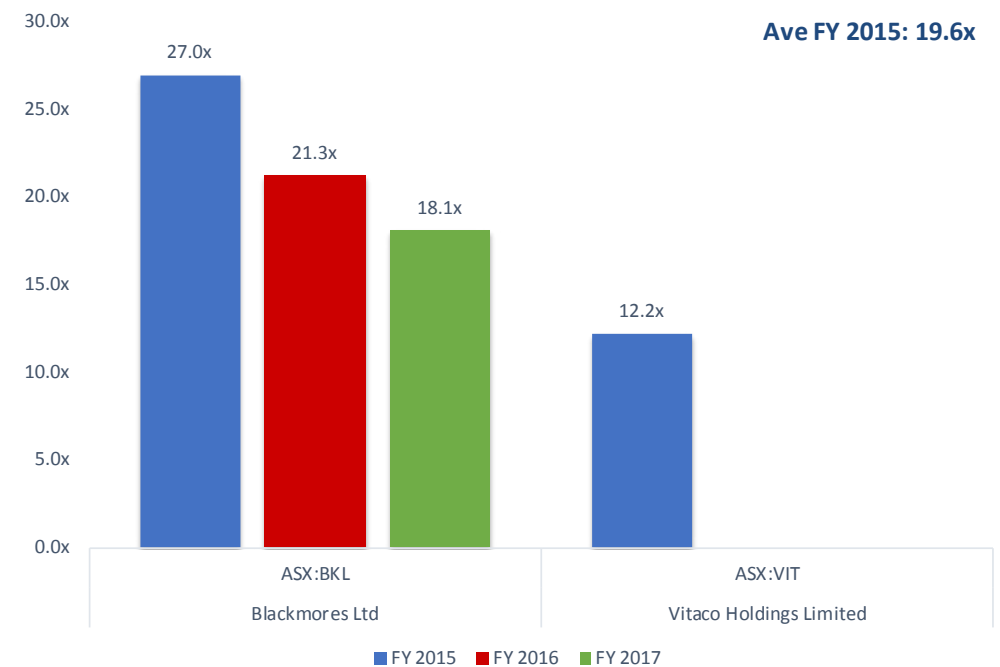
³The implied EV/EBITDA at listing for Vitaco Holdings Ltd is calculated as the EV at listing divided by EBITDA disclosed for the year ended 31 March 2015.

TRADING MULTIPLES

- Limited sector listed multiples are available
- Blackmores Limited disclosed a multiple of 27.0x for FY 15 and forecast multiples of 21.3x and 18.1x for FY 16 and FY 17 respectively, reflecting market expectations of growth in the sector
- Vitaco Holdings Limited listed on the ASX on 17 September 2015 and disclosed a multiple of 12.2x for FY 15
- We note that share prices of key player Blackmores Limited declined in early April in response to China's recent regulatory restrictions on the import of food, dairy and healthcare products

Sector earnings multiples

EV / EBITDA



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