

# Vinda International Holdings Limited

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

(Stock code: 3331)



## 2016 Interim Results Investor Presentation

Healthy Lifestyle  
Starts with Vinda



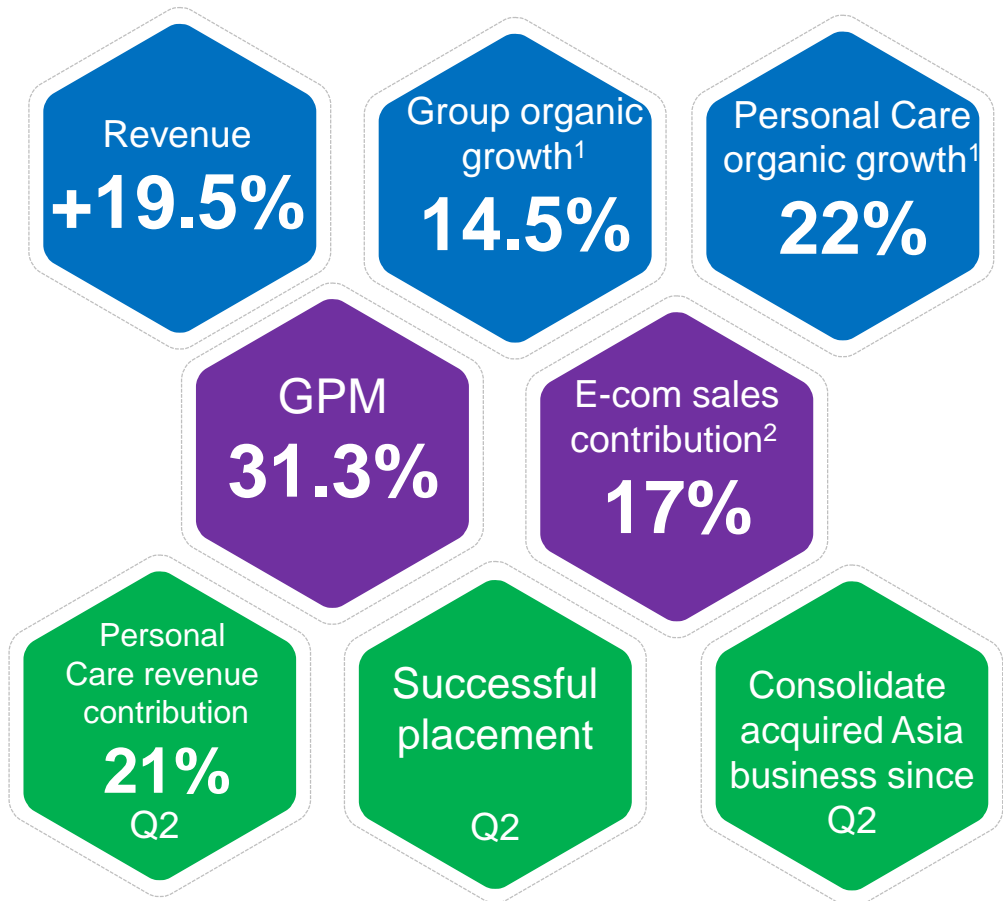


## Key Accomplishments

# Key Accomplishments in 1H2016

## Ambition

To become a leading hygiene company in Asia



1.Excluding acquisition and exchange rate effects

2.Excluding acquisition effect



# Financial Highlights



# Financial Highlights

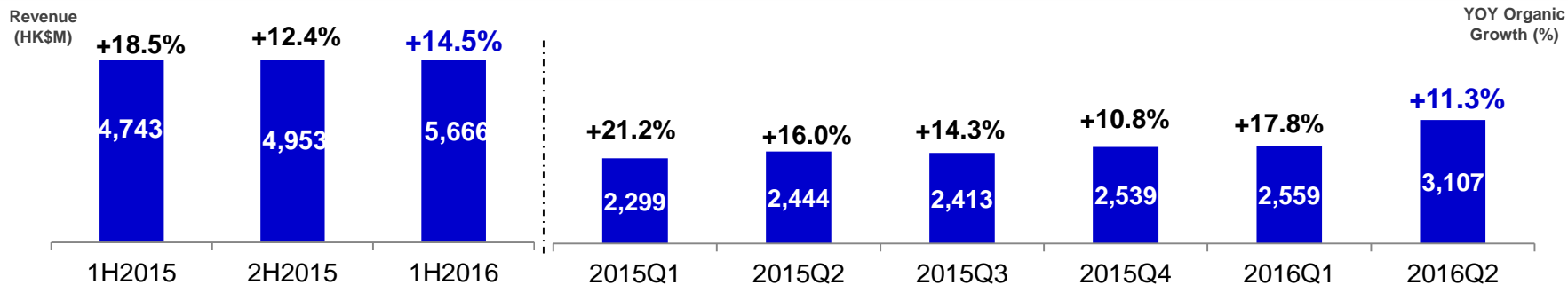
(HK\$M)	1H2016	1H2015	Change
Revenue*	5,666	4,743	+19.5%
Gross profit	1,772	1,497	+18.4%
EBITDA	831	702	+18.3%
Operating profit	515	468	+9.9%
Net profit	321	331	-2.9%
Basic earnings per share (HK cents)	30.6	33.1	
Proposed interim dividend per share (HK cents)	5.0	5.0	

\* **Organic revenue growth: 14.5%**<sup>1</sup>

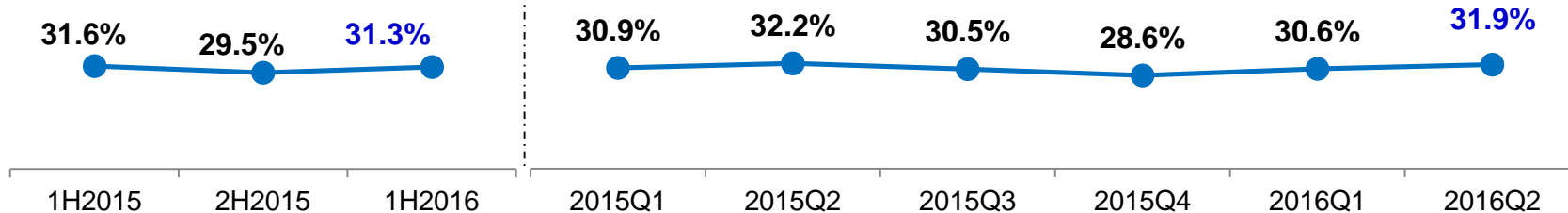
<sup>1</sup>Excluding acquisition and exchange rate effects

# Financial Highlights

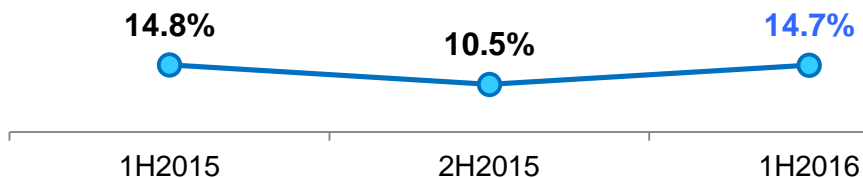
## Revenue & Organic Growth



## Gross Margin



## EBITDA Margin



# Enlarged Personal Care Portfolio



	1H2015	2H2015	1H2016
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1H2016
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Revenue			
<b>Tissue</b>	4,583 (97%)	4,774 (96%)	<b>4,923 (87%)</b>
<b>Personal Care</b>	160 (3%)	178 (4%)	<b>743 (13%)<sup>1</sup></b>
<b>Total</b>	<b>4,743 (100%)</b>	<b>4,952 (100%)</b>	<b>5,666 (100%)</b>

Organic revenue growth <sup>3</sup>	
<b>Tissue</b>	<b>14%</b>
<b>Personal Care</b>	<b>22%</b>
<b>Total</b>	<b>14.5%</b>

Gross margin			
<b>Tissue</b>	31.7%	29.6%	<b>31.5%</b>
<b>Personal Care</b>	26.2%	26.5%	<b>29.7%</b>
<b>Total</b>	<b>31.6%</b>	<b>29.5%</b>	<b>31.3%</b>

Segment results <sup>2</sup> margin			
<b>Tissue</b>	12.3%	9.4%	<b>11.1%</b>
<b>Personal Care</b>	(28.2%)	(29.1%)	<b>5.4%</b>

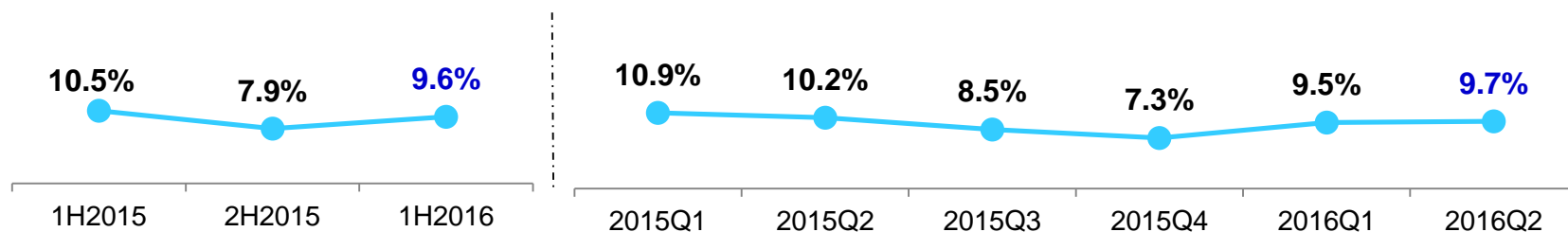
<sup>1</sup> Personal care accounted for 4% and 21% of total revenue in 1Q16 and 2Q16 respectively

<sup>2</sup> Segment results: segment profit before amortisation of trademarks, licenses & contractual customer relationship

<sup>3</sup> Excluding acquisition and exchange rate effects

# Financial Highlights

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



Items Affecting Comparability (HK\$M)	1H2016	1H2015
<b>Operating items:</b>		
• Foreign exchange gain/ (loss)	(14)	(32)
• Amortisation of the acquired intangible assets related to the acquisition on 1 Apr 2016 (non-cash item) <sup>2</sup>	(14)	-
• <i>Transaction cost related to acquisition</i>	(3)	-
<b>Financing items:</b>		
• Foreign exchange gain/ (loss)	(1)	2
• Fair value downward adjustment on convertible note (non-cash item)	(18)	-

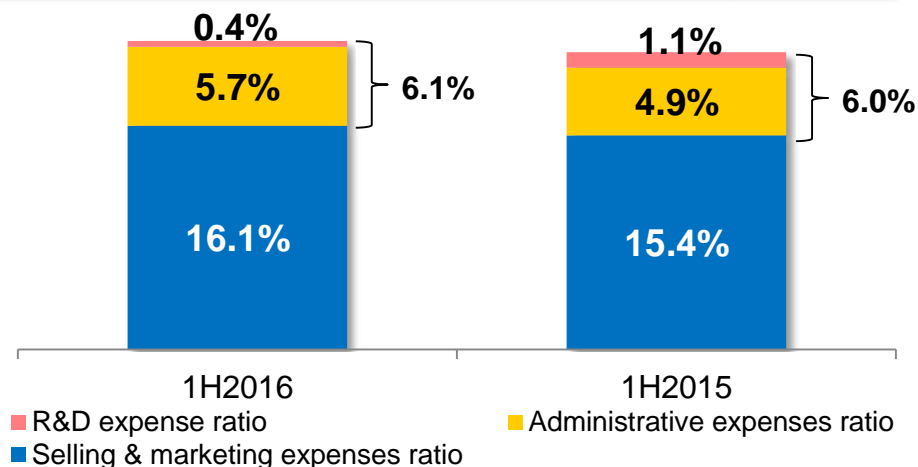
<sup>1</sup> Excluding items affecting comparability

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



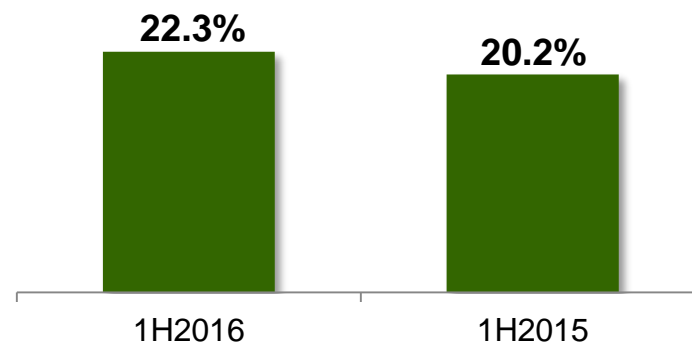
# Expenditure

## Operating Expenditure as % of Sales



- Increase in SG&A ratio
  - Due to the amortisation of the acquired intangible assets related to the acquisition on 1 Apr 2016 (non-cash item)
  - Due to the continuing commitment to brand building & promotional activities for Vinda brand, new brands & personal care business

## Effective Tax Rate



- Increase in effective tax rate, mainly due to:
  - Non-tax deductible items including fair value downward adjustment on convertible note

# Key Ratios

(HK\$M)	As at 30 Jun 2016	As at 31 Dec 2015	As at 30 Jun 2015
Debtors turnover days	44	43	45
Creditors turnover days	66	79	71
Finished turnover days	45	43	40
Working capital to sales ratio	14%	14%	16%
(HK\$M)	As at 30 Jun 2016	As at 31 Dec 2015	As at 30 Jun 2015
Cash and cash equivalents <sup>1</sup>	632	393	514
Total borrowings <sup>2</sup>	5,666	4,739	4,528
<i>Borrowings in CNY (%)</i>	<i>61%</i>	<i>42%</i>	<i>10%</i>
Net debt	5,035	4,345	4,014
Net gearing ratio <sup>3</sup> (%)	74%	88%	76%
Interest coverage <sup>4</sup> (times)	5.8	6.2	7.4

HK\$390M  
net proceeds from share  
placement in May 2016

Lower  
gearing level

Reduced FX  
exposure by increasing  
proportion of CNY loans

As at 30 June 2016:

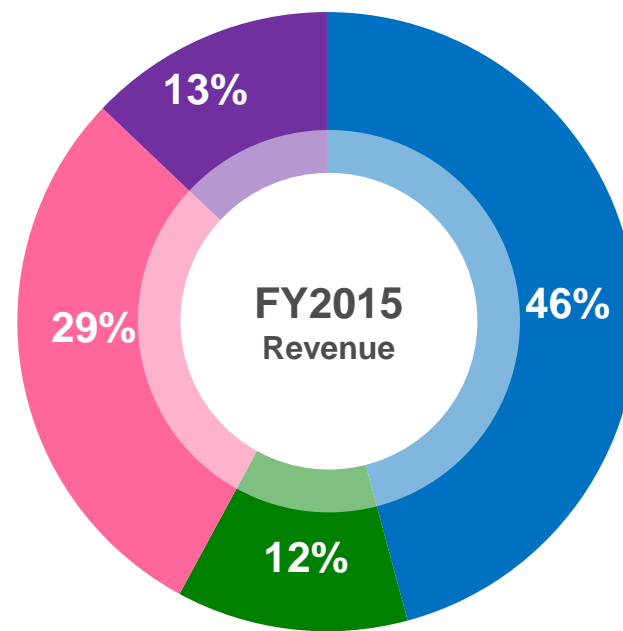
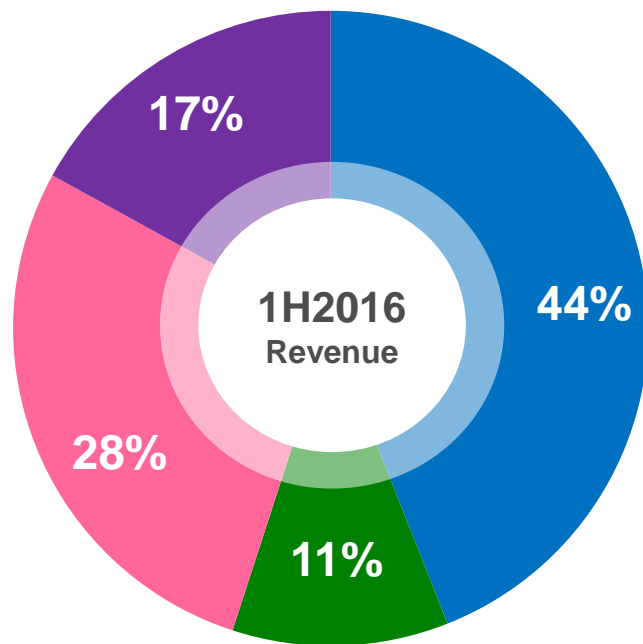
- Total outstanding loans from SCA: HK\$1.8 B
- Total unutilized credit facilities (incl. unutilized loan from SCA): HK\$5.7 B

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. Underlying EBIT/interest (times), excluding interest capitalisation factor.

# Rapid Growth in E-commerce

## Revenue<sup>1</sup> (by sales channels)

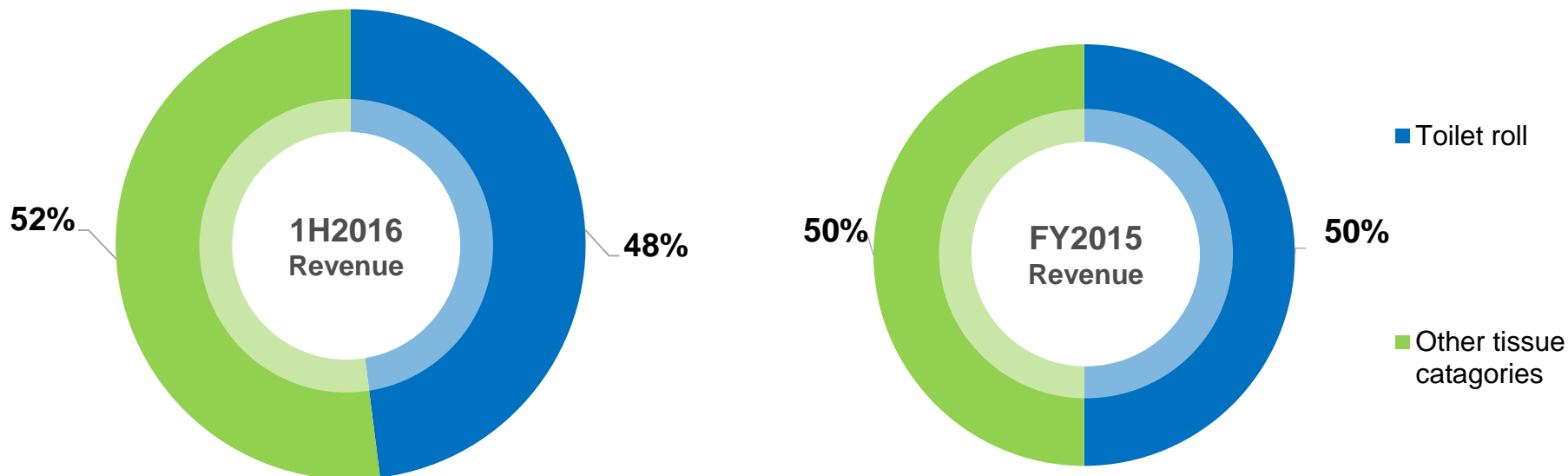


- Traditional channels (i.e. Distributors)
- B2B (i.e. Corporate clients)
- Modern channels (i.e. Hypermarkets, Supermarkets)
- E-Commerce

<sup>1</sup> Excluding the acquired sales in 2016

# Enhanced Tissue Mix

## Tissue Revenue<sup>1</sup> (by categories)



### 1H16 vs 1H15

**Tissue organic sales**  
**HK\$4.9B**  
**+14%<sup>2</sup>**

**Tissue sales volume**  
**360,000 tons**  
**+13%**

**Sales of Tempo, higher-margin categories**  
**e.g. softpack, box tissue, wet wipes**  
**grew significantly**

<sup>1</sup>Excluding the acquired sales in 2016

<sup>2</sup>Excluding acquisition & exchange rate effects

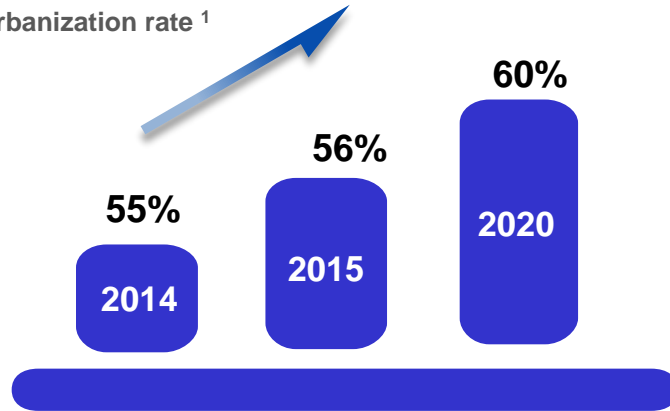
# Future Outlook



# Mid-Long Run Growth Catalysts

## Urbanization

Urbanization rate <sup>1</sup>



## Stringent environment regulations

China tissue capacity (tons)

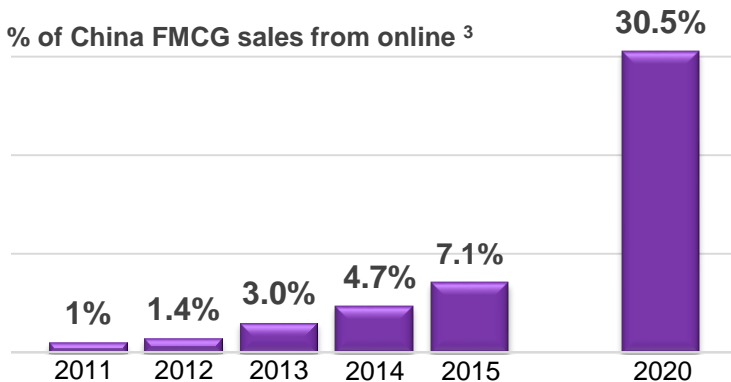
	2013	2014	2015
Shut down by government <sup>2</sup>	>0.2M	0.42M	0.47M

Accelerate the market consolidation



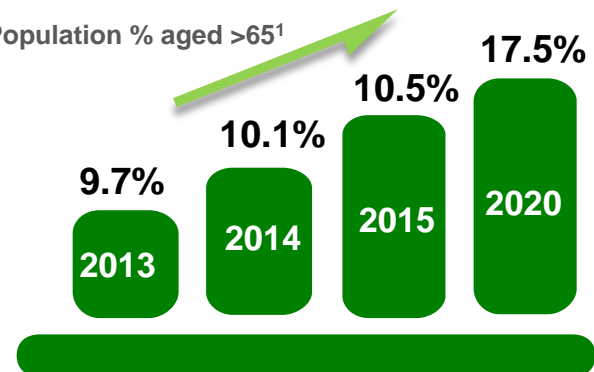
## Growing E-commerce

% of China FMCG sales from online <sup>3</sup>



## Aging population

Population % aged >65<sup>1</sup>

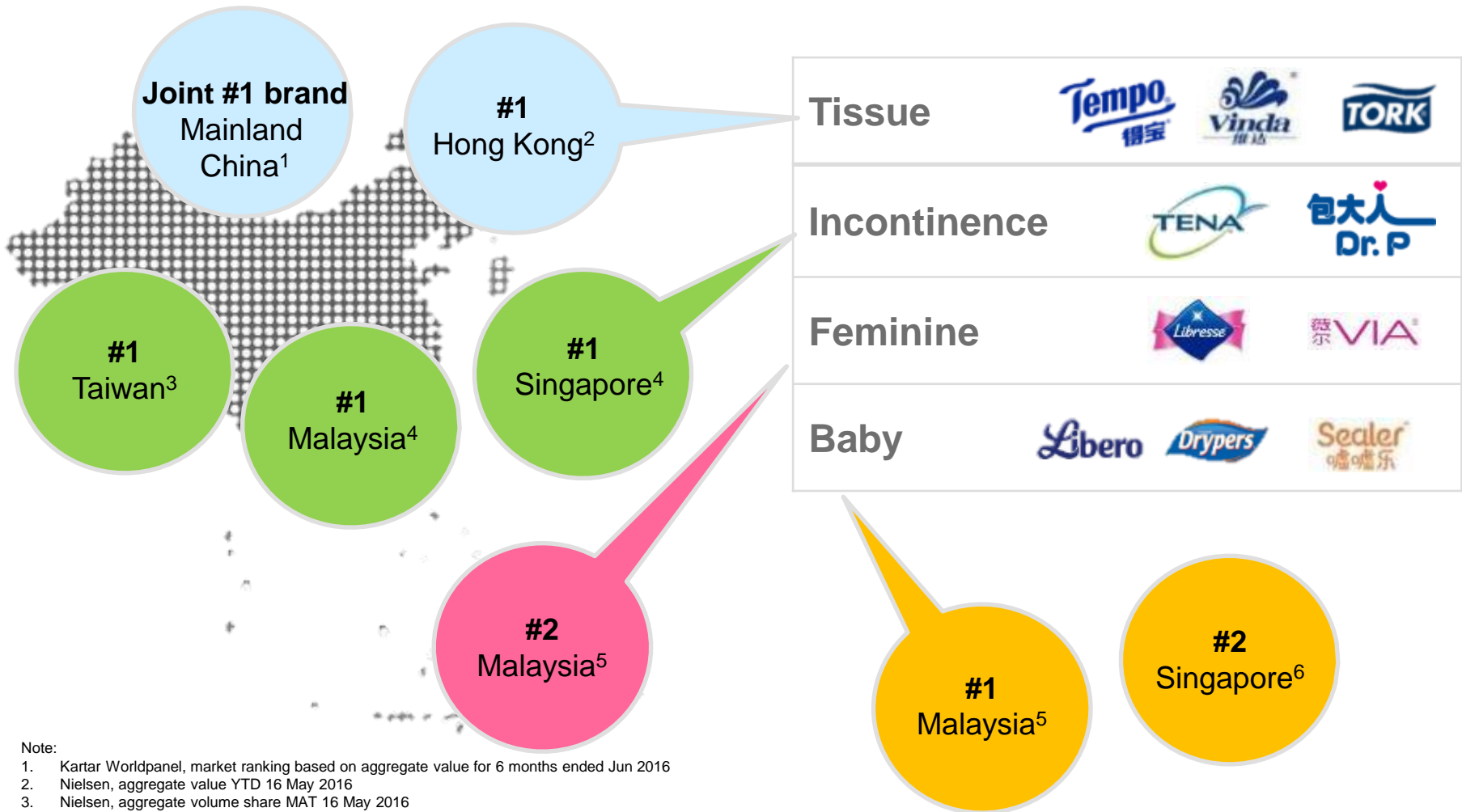


<sup>1</sup> National Bureau of Statistics & National Development & Reform Commission

<sup>2</sup> China Paper Association & China Silver Industry Association <sup>3</sup> Kantar 2015



# Strong Market Positions



Note:

1. Kantar Worldpanel, market ranking based on aggregate value for 6 months ended Jun 2016
2. Nielsen, aggregate value YTD 16 May 2016
3. Nielsen, aggregate volume share MAT 16 May 2016
4. According to SCA's internal estimates
5. Kantar Worldpanel Malaysia, MAT 16 May 2016
6. Nielsen volume for 12 months ending 31 May 2016

# Strong Supply Chain Support



## Tissue

### Annual Designed Production Capacity (tons)

Production sites	1H2016	Add in 2H2016	2016 end
Xinhui, Sanjiang	380,000	60,000	440,000
Hubei	180,000		180,000
Zhejiang	150,000		150,000
Shandong	80,000	30,000	110,000
Liaoning	55,000		55,000
Sichuan	75,000		75,000
Beijing	30,000		30,000
<b>Total</b>	<b>950,000</b>	<b>90,000</b>	<b>1,040,000</b>

## Personal Care

- 2 production plants in **Malaysia** and 1 in **Taiwan**
- Incontinence care production facilities in **Zhejiang**
- Baby care production facilities in **Hubei**

## SCA support

- Ongoing cost-free support from SCA on R&D, branding etc.

📍 Yangjiang production site under-construction

# Our Priorities

## Ambition

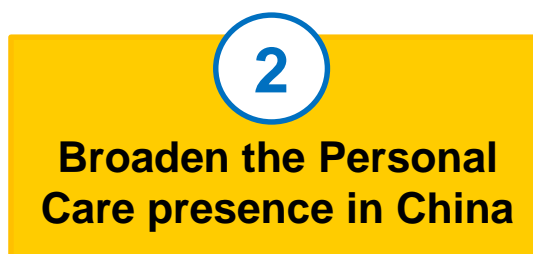
To become a leading hygiene company in Asia



1

### 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



2

### Broaden the Personal Care presence in China

- Become the leader in Incontinence with *TENA* & *Dr. P*
- Establish feminine as a future profit contributor
- Selective presence in competitive baby market



3

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

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

# Core Principles



## Sustainability

- 100% certified pulp
- Reduce energy consumption
- Reduce water usage

- Consumer-focused
- Technology-focused
- Leverage global technological platform



## Innovation

## Integrity



- Good corporate governance
- Code of conduct
- Compliance



# Q&A



# Disclaimer

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**Thank You**

*Healthy Lifestyle  
Starts with Vinda*

