



# SOLID GOLD

## INVESTOR PRESENTATION

NOVEMBER 2020



WE ARE DELIGHTED TO ANNOUNCE THAT H&H GROUP HAS ACQUIRED 100% OF:

solid gold

## OUR THIRD BUSINESS PILLAR

| H&H Mission: To make people healthier and happier

BNC



Biostime



GOOD  
GOUT

ANC



AURELIA  
PROBIOTIC SKINCARE

cbII

PNC












solid gold

## ACQUISITION FUNDAMENTALS

- 100% acquisition of privately-owned Solid Gold Pet for EV US\$163 million
- Deal signals our strategic expansion (consistent with our PPAE model) beyond health and wellness of humans to domestic pets.
- Immediate meaningful presence in US and China pet nutrition markets, with growth potential in other international markets
- Provides a platform to build further scale of H&H in the US, the world's largest consumer goods market, inclusive of pet nutrition where Solid Gold is well established online and offline
- Significant potential to scale up business in China's fast growing pet market
- Strong financial metrics – asset light and cash generative business with robust growth outlook in Ecommerce and international markets
- H&H Group remains in a very strong cash position following the acquisition, funded through internal cash resources



## PET NUTRITION & CARE FOR H&H - A STRATEGIC OPPORTUNITY

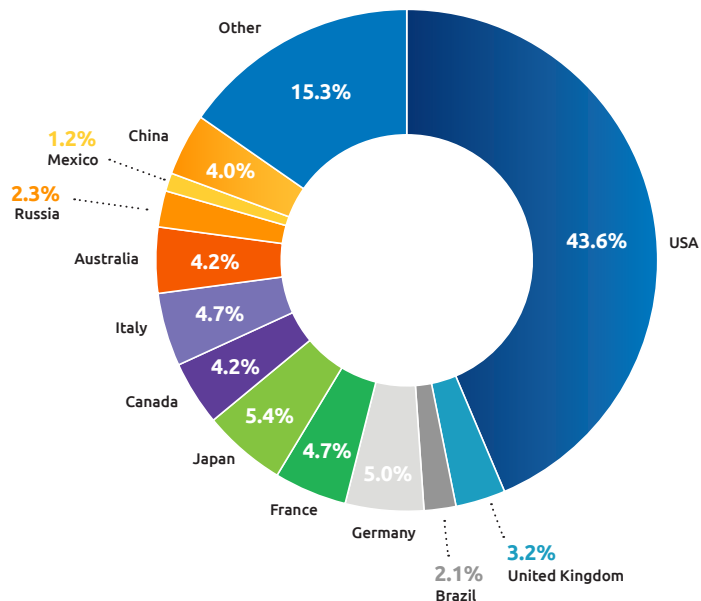
-  PNC forms a highly complementary third pillar of growth for H&H
-  The pet nutrition category (dogs and cats) is currently valued c.\$95 billion USD (the overall market is growing rapidly across all product types)
-  The 2020 pandemic has driven an increase in pet ownership whilst the category has demonstrated resilience to macro conditions
-  Pet humanization trend with popularity of pet ownership among millennials, who are leading a focus on high-quality, ingredients, and 'trading up'
-  Increasing demand for premium brands with quality and regionally sourced ingredients
-  Pet owners have a relative high brand loyalty
-  The market is fragmented overall, with competitors playing across a range of sub-brands, channels, and price points, while private label is growing in major retailers
-  Fast growing online channel with the popularity of pet ownership among millennials
-  Consumers build their perception through vets, friends/family and information on packaging, but true differentiation is through market and product innovation

The US pet market is the largest globally - \$18B - and accounts for c.45% of global premium pet nutrition market) continues to grow within the segment at the CAGR of c.8% (2015-2019).

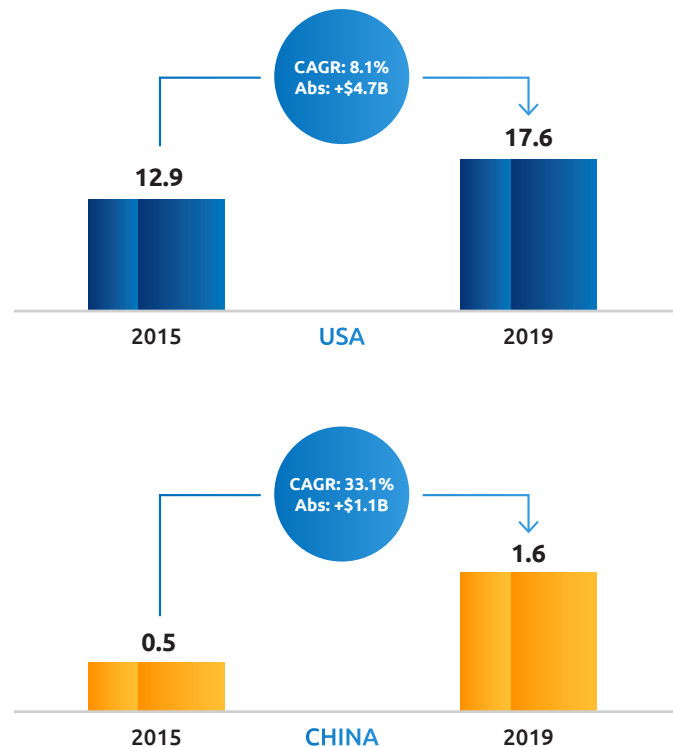
The China pet nutrition market has revenues of \$5.1 billion USD (2019) with 29.4% growth (2015-20 CAGR). The pet population of cats and dogs in China is 92 million and 96.5 million respectively (of which 55M dogs and 44M cats are living in city/urban areas).

## MARKET DYNAMICS

The US represents nearly half the premium market and is driving absolute growth, China seeing huge uplift recently



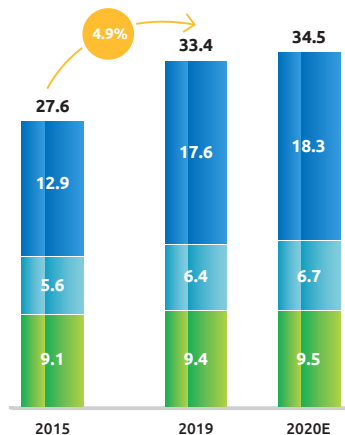
COUNTRY SHARE OF GLOBAL PREMIUM PET NUTRITION MARKET (% OF TOTAL, 2019)



US AND CHINA PREMIUM PET NUTRITION MARKET GROWTH (\$B USD)

## US MARKET DYNAMICS

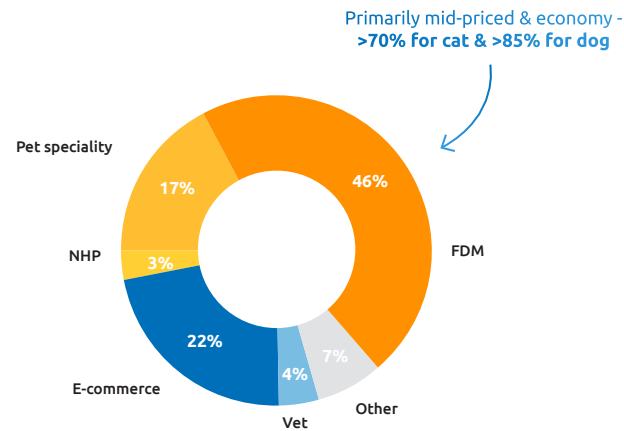
The largest pet nutrition market in the world is showing solid growth trajectory, especially in premium segment and Ecommerce sales



	2015-'19 Growth	
	CAGR	Abs.
Premium	8.1%	\$4.7B
Mid-priced	3.3%	\$0.8B
Economy	0.8%	\$0.3B

### US DOG AND CAT FOOD MARKET BY PRICE SEGMENT (\$B USD)

- Pet population growth ~1.5% p.a. in 2015-20, but is expected to continue to grow and has accelerated post-COVID
- Driven by humanization and premiumization trends, **the premium segment is the fastest growing price segment**, with a CAGR of 8.1% since 2015
  - there are **smaller, but rapid growth opportunities** in limited ingredient diets, raw, and freeze-dried foods as well as in premium treats
- US accounting for **43.6% of global premium pet nutrition market**

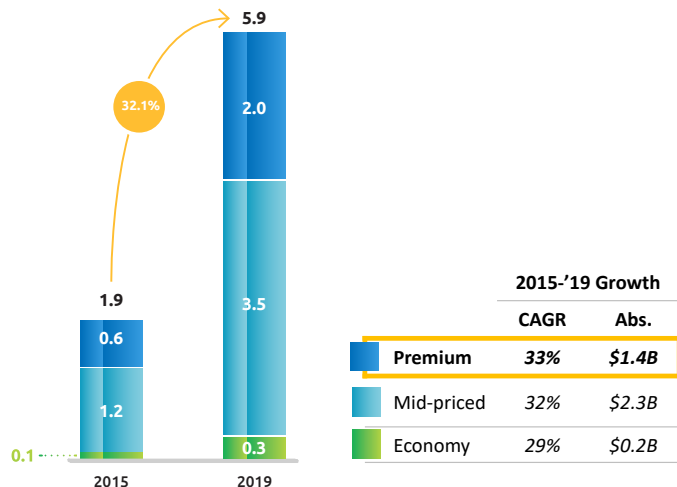


### US DOG AND CAT FOOD MARKET BY CHANNEL

- Strong growth momentum in EC with +54% 2015-20 CAGR**
  - pet nutrition is attractive for EC subscriptions with a steady consumption pattern
- US consumers that shop online have a strong tendency (~80%) to purchase at **Amazon or Chewy** as they seek **convenience and competitive pricing**

# CHINA MARKET DYNAMICS

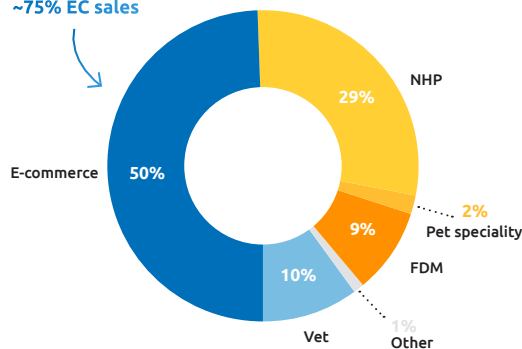
China pet nutrition market showing robust growth trajectory driven by Ecommerce channel



CHINA DOG AND CAT FOOD MARKET BY PRICE SEGMENT (\$B USD)

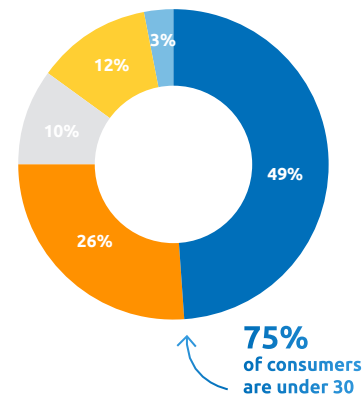
- In 2019, China pet population experience solid growth – 8.2% for dog and 8.2% for cat
- Pet nutrition market is about 50% dog and 50% cat, with robust growth across all segments
- Premium segment has the highest rate and solid absolute value gain**
- Ample growth headroom – China only accounting for ~4% of global premium pet nutrition market, less than 1/10 of US market

Taobao & Tmall accounting for ~75% EC sales



CHINA DOG AND CAT FOOD MARKET BY CHANNEL

- EC as the largest channel with highest growth rate** – 54% 2014-19 CAGR
- Good growth momentum** for NPH and Vet
- Pet specialty and FDM (supermarkets) facing **stagnant** low single-digit growth



CONSUMER AGE DEMOGRAPHIC IN CHINA

Source: Tmall Backend Data





## WHAT IS SOLID GOLD?

- 🐾 America's first holistic pet nutrition company
- 🐾 Founded in the US in 1974 by Sissy McGill on the belief that every pet deserved to be healthy and happy. Sissy also believed the key to a long, happy life was a solid nutritional foundation
- 🐾 A leader in pet gut health and probiotic-based diets (specially formulated recipes)
- 🐾 A premium, proven, aspirational brand, with a highly engaged and loyal customer base
- 🐾 Headquartered in St Louis, Missouri with 30 team members
- 🐾 Net sales of circa US\$55 million (September 2020 LTM) from the US and international markets including China, c.39% year-on-year growth
- 🐾 Main sales channels in the USA : PetCo, Petsmart, neighborhood pet stores, Amazon.com and Chewy.com
- 🐾 Manufacturing in the US, Canada and Thailand
- 🐾 Growing consumer awareness of Solid Gold online in China as a reliable and high quality imported pet nutrition brand

# solid gold®




Holistic Pet Nutrition



Nourish your pet,  
inside & out.

## INNOVATION OVER 45 YEARS



-  Solid Gold has revolutionized the holistic pet nutrition category with: dry foods, wet foods, toppers and supplements.
-  Pet nutrition Focused on Customized Nutrition on Life Stage, Breeds and Dietary Needs.
-  Six dietary ranges: 'Everyday Nutrition'; 'Weight Control'; 'High Protein'; 'Sensitive Stomach'; 'Complete Health'; and 'Indoor Cat'.

H&H Group

**1974**  
Solid Gold launches the natural pet food category with our flagship product – **Hund-N-Flocken**.

**1999**  
Introducing **Holistique Blendz**, a complete and balanced 18% protein recipe. Also a great complement to a fresh meat diet.

**2004**  
**Wolf King, Wolf Cub** and **Wee Bit** launch, introducing bison in dry food for size-specific nutrition.

**2010**  
With 42% protein, our 1<sup>st</sup> grain and gluten free cat food offering – **Indigo Moon** – launches!

**2015**  
**Fit as a Fiddle** and **Fit and Fabulous** weight control foods with Alaskan Pollock are introduced.

**2017**  
**Mighty Mini** dry and wet food flavors are expanded, changing the way toy and small dog owners feed.

**1982**  
**SeaMeal** – a vitamin and mineral supplement that changed traditional thinking – is launched.

**2003**  
Revolutionizing wet dog food, our unique **Green Cow** product is introduced – great for adult dogs.

**2006**  
With 41% protein, our 1<sup>st</sup> grain and gluten free dog food offering – **Barking at the Moon** – launches!

**2011**  
Solid Gold introduces its first chicken dog food – grain and gluten free **Sun Dancer**.

**2016**  
**Purrfect Pairings** and **Holistic Delights** launch – with mousse and bisque as new-to-market product forms.

**2018**  
Break-through innovation with **Triple Layer** wet cat food and 100% human grade **Bone Broth** for dogs.

## A STRONG PRODUCT RANGE FOCUSING ON GUT HEALTH

Solid Gold is the leading brand in gut health with products that support lifelong health, positively impacting the immune system and overall wellness.

### A HEALTHY GUT IMPACTS THE ENTIRE BODY...



IMMUNE



KIDNEY



HEART



BRAIN



DIGESTIONS



WEIGHT

### CLEANSE

With Whole Superfoods To Feed Good Bacteria



### BALANCE

With 90 Million Living Probiotics Per Pound

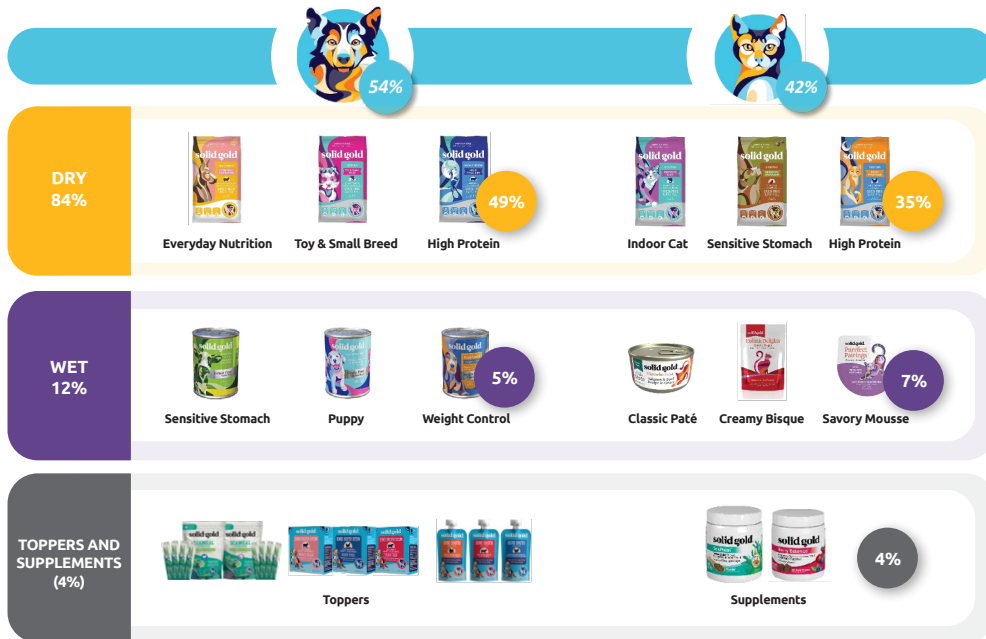


### FUEL


With Omegas To Support Skin, Coat & Immune System



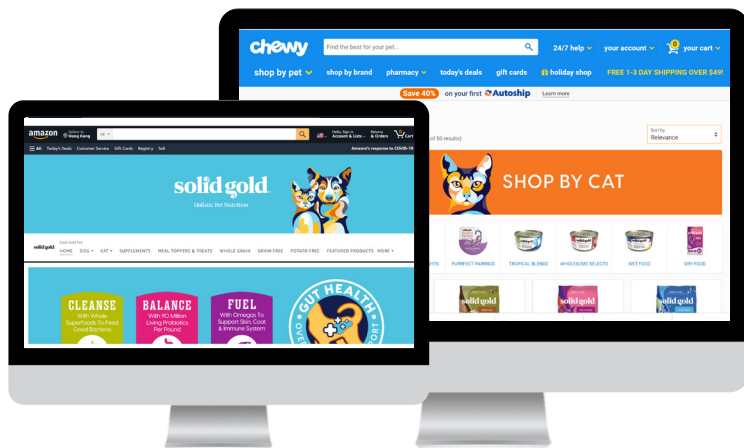
H&H Group



## SOLID GOLD IN THE US

 The brand has been sold in the US for 46 years and is available in major pet stores including Petco and PetSmart, neighbourhood pet stores and more recently on main online platforms - Amazon and Chewy - where it is seeing strong growth momentum.



H&H Group

**53.1%**  
repeat purchase rate

**~40%**  
Subscribe & Save  
(Amazon)



**4.4 Stars**  
average review rating  
on Chewy/Amazon



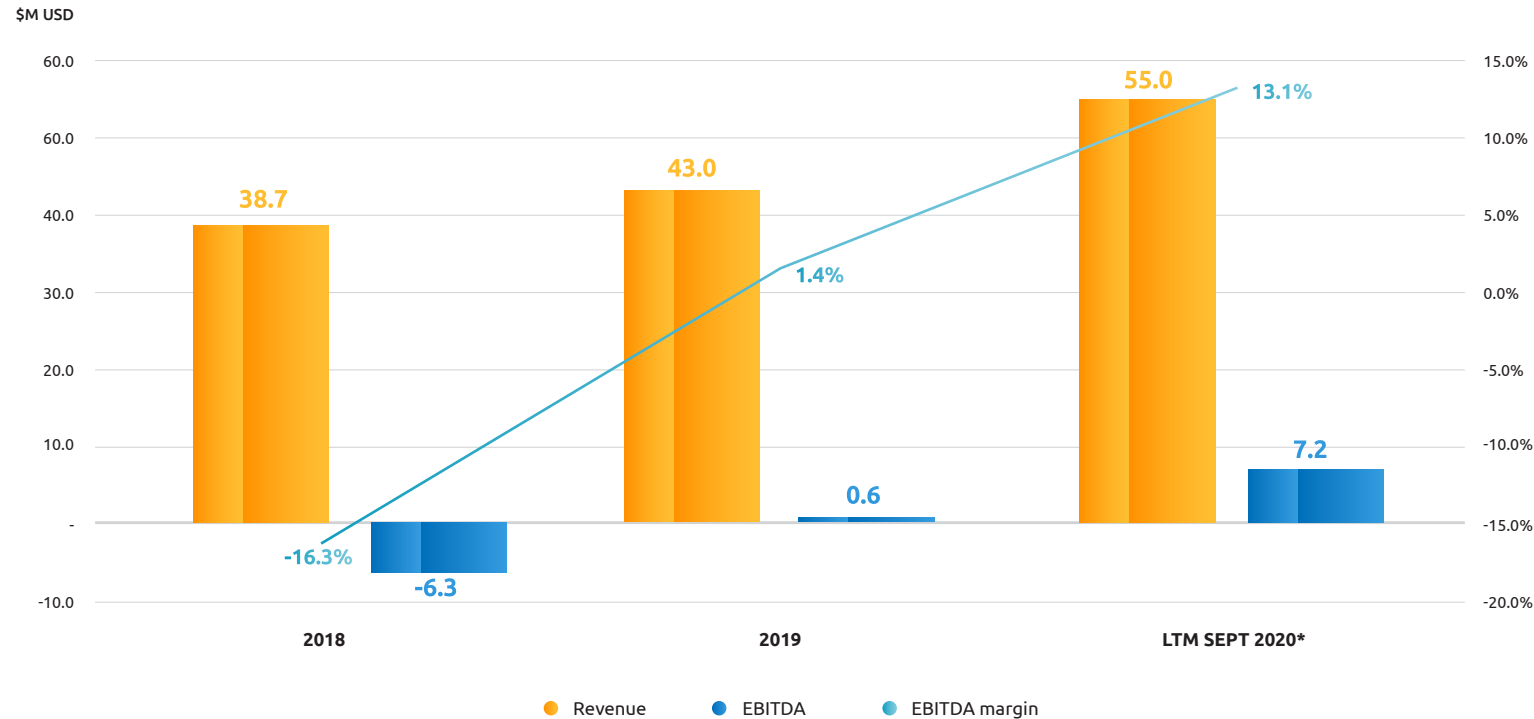
## SOLID GOLD IN CHINA

Solid Gold is the #4 imported cat nutrition brand online in China

Solid Gold products in China are mostly sold on Ecommerce, both CBEC and normal trade (around 50/50 contribution). Solid Gold just opened a flagship store on Tmall in Q2 2020 where it is seeing growing demand from Chinese consumers



# KEY FINANCIALS



*\*2018 and 2019 financials are audited financials, while twelve months ended 30 September 2020 financials are unaudited financials on adjusted basis.*



Thank you

