

**Media Release**

25 August, 2020

## **H&H Group Announces 2020 Interim Results**

- Total revenue grew 2.6% on a like-for-like basis<sup>1</sup> to RMB 5,167.2 million
- Adjusted net profit<sup>2</sup> grew 8.9% on a like-for-like basis to RMB 658.3 million
- Revenue from China<sup>3</sup> grew 12.8% year-on-year on a like-for-like basis, accounting for 82.6% of total revenue
- Immunity-focused ranges across both BNC and ANC segments continued to deliver robust growth of 45.4% and 48.5%, respectively, and accounted for 24.3% and 28.1% of total BNC and ANC revenue, respectively
- IMF revenue in China fell 3.5% due to slower offline traffic but online revenue grew by 32.8%, with the contribution to overall IMF revenue increasing from 11.3% to 15.5%
- Revenue from Swisse in China increased by 27.9% and accounted for 56.5% of total ANC revenue
- Operating cashflow increased by 25.4%, with the net leverage ratio lowered to 1.38 times
- Interim dividend payout of 50% of net profit (HKD 0.63 per ordinary share)

Global family nutrition and wellness provider, Health and Happiness International Holdings Limited (H&H Group, HKSE: 1112), has today announced its interim results for the six months ended 30 June 2020 (the “Interim Period”).

During the Interim Period, we achieved healthy revenue and adjusted net profit growth across both its Baby Nutrition and Care (“BNC”) and Adult Nutrition and Care (“ANC”) business segments, despite the impact of the global COVID-19 pandemic. Total revenue grew 2.6% on a like-for-like basis to RMB 5,167.2 million, while adjusted net profit grew 8.9% on a like-for-like basis to RMB 658.3 million.

As part of our philosophy to maintain our profitable growth and high cash conversion business model, we have been able to significantly increase our cash position and reduce our net debt leverage year-on-year. As a result, we have resolved to pay an interim dividend of 50% of net profit. While our cash priorities are still focused on investing in the business through accretive organic growth, we remain committed to a steady and dependable dividend policy in the long run.

The Group’s Chief Executive Officer, Ms Laetitia Garnier, said: “2020 has so far proven to be a highly unpredictable year. Our adaptive and agile business model helped us weather the global COVID-19 pandemic and proactively respond to dramatically changing consumer behaviors, leading us to adapt new ways in which market our products and communicate with our consumers.”

“Looking beyond the current challenging environment, we see a lot of room and opportunities ahead for accelerating our growth as we work to establish leading positions in the premium nutrition and wellness space globally. These opportunities include the sharp increase in demand for our immunity-related supplements, across both our BNC and ANC segments; the robust acceleration of online sales, especially in China; continued space for growing offline sales in China and the ANZ markets; and the continued segmentation of the broad nutrition market, which is supporting the growth of several fast-growing categories such as goat infant milk formulas (“IMF”), infant nutrition supplements, super premium infant diapers and ‘beauty from within’ supplements.”

### ***Detailed Market and Category Performance – 2020 Interim Period***

#### **China: double-digit revenue growth in our core market with improved operational efficiency**

<sup>1</sup> Like-for-like basis is used to indicate sales growth of this year compared with the same period of the previous year, excluding the impact from merger and acquisitions and FX changes.

<sup>2</sup> Adjusted net profit = Net profit - EBTIDA adjustment items of RMB 80.1 million for the six months ended 30 June 2020 (six months ended 30 June 2019: RMB 104.1 million) + other non-cash losses of RMB 20.5 million for the six months ended 30 June (six months ended 30 June 2019: nil)

<sup>3</sup> China mentioned in this media release refers to Mainland China.

Our BNC and ANC businesses in China delivered strong revenue growth, supported particularly by robust growth in our online channels and increasing demand for immunity products. Following the outbreak of COVID-19 in China, we deftly shifted our marketing activity online, utilizing live streaming, online consumer education activities and brand ambassador endorsements – an approach that paid off strongly.

Revenue growth from our BNC business in China was mostly driven by the strong performance of goat IMF and probiotics products. Market segmentation continued in the first half of this year, driving strong demand for our goat IMF launched in November last year. However, our cow IMF ranges experienced a slowdown in the second quarter as a result of higher inventory levels across our channels following ‘pantry loading’ in the first quarter. Furthermore, offline traffic did not fully recover in the second quarter, impacting our revenue and the timing of channel expansion.

Our probiotics lines performed solidly in line with the growing demand for immunity-enhancing products, supported by growing awareness about the immune benefits of probiotics following the outbreak of COVID-19. This has further consolidated our position as the No.1 brand of pediatric probiotic supplements in the world. Our other pediatric products segment also grew robustly as we continued to capture more demand for our premium diaper range, while expanding our marketing efforts both online and offline – especially through mom and baby stores.

China is still the growth engine of our ANC business, with Swisse continuing to deliver rigorous revenue growth, particularly around our expanded immunity and beauty-related ranges. The recent 618 shopping festival was also a strong contributor to this growth, with Swisse remaining the No. 1 ranked health supplement brand across major E-commerce platforms.

#### Australia and New Zealand: overall weak performance due to challenging daigou business

In the ANZ market, conditions remain challenging in the near-term due to the continued decline of daigou activity – already pressured by the new E-commerce law implemented in China last year. Travel restrictions and logistics challenges such as limited freighting services also impacted activity. Thus, revenue growth in the ANZ market in the first half decreased by 35.8% on a like-for-like basis to AUD 127.2 million.

We progressed the domestic development of our business, however, both online and offline. This included achieving 360-degree integration between all our channels in the local market, as well as the launch of Swisse Nutra+, our first nutraceutical range exclusive to pharmacy channels.

ANZ also remains one of our core production locations, particularly for supplements and goat milk. Despite harsh lockdown regimes in both countries and a recent return to lockdown in much of Victoria, our supply chain has experienced no major disruptions.

#### Expanding in new markets

We see tremendous potential to expand our business into other parts of Europe and Asia as both developed and developing economies discover the benefits of health, nutrition and immunity. Apart from a sales decline in Hong Kong SAR, revenue in other overseas markets grew steadily, up 8.5% despite the logistical challenges posed by COVID-19.

We launched our brands in India on Amazon and more than 10 other major e-commerce channels at the beginning of this year, as well as in Malaysia in May. We also launched Biostime’s probiotics range in Singapore, both in online and offline channels, making it our fourth global market for this range after the Hong Kong SAR, France and Australia. Following a pattern that is similar to China, we continued to see sustained growth momentum for our IMF, baby food ranges and immunity-related products in the Netherlands, Italy, France and the United Kingdom, which is hugely encouraging.

#### Outlook: continuing to grow with health and happiness

COVID-19 will have a long-term impact on consumer demand and behavior. Growing demand for immunity-enhancing products and other health-related products is likely to be sustained, first online and then offline as

markets around the world emerge from lockdown. We are incredibly well-positioned to capture this future source of consumer demand with our comprehensive categories.

The further penetration of offline channels also remains a strategic focus as consumers seek new BNC and ANC products that satisfy their desire for health and quality living, both for themselves and their families. Our diversified product portfolio, some of which is yet to be deployed in the China market, will continue to serve this purpose.

In the BNC segment, we recently launched a new IMF series as part of this channel expansion strategy. We will continue to carry out our digitalization strategy in China, enlarging the sales contribution from our online platforms through live streaming and online campaigns. We will also continue to expand our distribution to drive the gradual recovery for our IMF business in the second half following the COVID-19 disruptions.

China will also remain the growth engine of our ANC business. While online sales growth remains robust, we will seek to increase penetration offline. New blue hat products and normal food products will be key to this as it boosts exposure in the important pharmacy channel, bringing Swisse greater scale and stronger recognition of its association with health and wellbeing. We will soon launch several new blue hat SKUs in offline channels, including fish oil and protein powder. Over the mid-to-long-term, we expect our EBITDA margin to gradually improve on the back of this larger scale.

In ANZ, full recovery from lockdown measures are not in sight yet and thus, we are expecting continued pressure on our daigou business into the second half of the year. However, we are continuing to support some daigou activity for overseas-based operators despite travel restrictions. But most of our efforts will be focused on growing domestic sales where we do see upside potential in demand from local consumers, particularly for our immunity ranges.

We will also continue to reaffirm our vision for using business as a force for good and remain devoted to fulfilling our sustainability commitments to achieve shared value growth. Our organic baby food subsidiary, Good Goût has just been certified as one of the 3,499 B Corps around the world. This achievement reflects our core commitments to our employees, customers, suppliers, community and the environment.

**-Ends-**

To access the H&H Group 2020 Interim Results Business Announcement: [Link](#)

***For further enquiries, please contact:***

**Think Alliance Group**

Mr. Matthew Schultz / Mr. Henry Chow

Tel: +852 3481 1161

Email: [matt.schultz@think-alliance.com](mailto:matt.schultz@think-alliance.com) / [henry.chow@think-alliance.com](mailto:henry.chow@think-alliance.com)