

**Media Release – 2022 Annual Results**  
**21 March 2023**

## **H&H Group delivers revenue growth across all three business segments for 2022 and expects positive outlook for 2023**

- Reported revenue growth of 10.6% with revenue of RMB12,775.9 million and adjusted EBITDA growth of 6.5% despite significant headwinds
- Baby Nutrition and Care segment returned to growth (+1.1% on a like-for-like basis), turnaround of the probiotics business and stabilising the infant milk formula (IMF) business in mainland China
- Adult Nutrition and Care segment achieved robust growth of 12.5%, with Swisse continuing to be the no.1 player in mainland China's online VHMS market and increasing market share in the Australia and New Zealand (ANZ) market in 2022
- Pet Nutrition and Care segment saw 20.9%<sup>1</sup> overall growth, led by North America which is now our third-largest market and a major source of growth
- 98.5% of adjusted EBITDA was converted into operating cash flow, thanks to the Group's high cash generation business model which will help to deleverage the balance sheet while continuing to drive growth across the business
- Maintained stable annual dividend pay-out ratio of 50% to reward shareholders
- Significant strides in sustainability progress including maintaining Morgan Stanley Capital International (MSCI) ESG rating of 'A' and Hong Kong Quality Assurance Agency (HKQAA) rating of 'A' for ESG performance

Leading global family nutrition company Health and Happiness (H&H) International Holdings Limited (stock code: 1112.HK) has announced its 2022 annual results, delivering uninterrupted top-line growth and like-for-like (LFL) expansion, and achieving positive EBITDA across all three business segments: Baby Nutrition and Care (BNC), Adult Nutrition and Care (ANC), and Pet Nutrition and Care (PNC).

Akash Bedi, Interim Chief Executive Officer and Chief Strategy & Operations Officer, says, "I'm pleased to announce that in 2022, as a result of our adaptable and agile business structure and well-implemented strategies, the Group demonstrated resilience and achieved strong results. We made significant progress in delivering profitable growth through our long-term strategy, which focuses on winning in core, globalisation and diversification, and investing in future growth opportunities. Our ultimate vision is to become a global leader in family nutrition and wellness, offering superior products and aspirational brands."

Mr Bedi continued, "In 2022, the Group gained new consumers across our key markets, as well as expanding into new markets, while continuing to drive brand growth through consumer-led innovation. We also accelerated our sustainability efforts, aiming to deliver long-term business growth with a positive impact on our team members, stakeholders, communities, and the environment. This cultivates an impact-driven mindset and reinforces our purpose as a responsible and purpose-led organisation."

### **Mainland China**

Mainland China accounted for 74.9% of the Group's total revenue in 2022, achieving growth of 6.4% on a LFL basis. Biostime's branded probiotics also saw impressive revenue growth of 12.8% compared to 2021, solidifying its position as the no. 1 brand in the mainland China probiotics market<sup>2</sup>. Our super-premium Biostime IMF segment also had a promising year, with a market share of 12.1% and positive retail scan sales growth, outperforming the overall market growth rate.

Mr Bedi comments, "I'm pleased that despite market challenges due to declining birth rates and constrained demand, our IMF business in mainland China has stabilised and we successfully turned around our probiotics business, while remaining the no.1 brand of children's probiotics worldwide."

Mr Bedi cites consumer-led innovation and engagement as playing key roles in Biostime's success in 2022.

"We launched next-generation new products with a focus on engaging our consumers such as Biostime Children's Milk Powder and probiotics containing lactoferrin – a vital component of the human immune system. In addition, Biostime has released ground-

<sup>1</sup> The LFL change of PNC segment and North America are on pro forma basis as if the revenue of Zesty Paws for the twelve months ended 31 December 2022 and 2021 were consolidated

<sup>2</sup> Kantar Consumer Panel, LTM 31 December 2022

breaking research on goat milk LPN, which demonstrates the innovative and breakthrough results of Biostime's goat milk powder in terms of key immune-boosting ingredients.”

The ANC segment experienced revenue growth of 14.1%, accounting for 64.4% of the total ANC revenue. Swisse ranked as the number one brand in the Vitamin, Herb, and Mineral Supplement (VHMS) online market in mainland China, with a market share of 7.5% (up from 6.6% in 2021), driven by its new brand positioning and introduction of innovative products. Swisse's brand image was revamped to 'Swisse, Natural and Healthy, Our New Fashion', while the launch of the Swisse Plus premium range catered to the needs of high-end Chinese consumers, featuring advanced NAD+ products and cholesterol protection supplements.

In 2022, the PNC segment made significant progress in mainland China, with Solid Gold already ranking as the number two brand in the premium dry cat food category, holding a 14.7% market share, despite its recent entry into the market. Solid Gold focused on refreshing its brand image and launched new products in the Chinese market, expanding its presence to approximately 7,600 pet stores and pet hospitals offline. In December 2022, Zesty Paws was launched in mainland China through cross-border e-commerce.

### **Australia & New Zealand (ANZ)**

In the ANZ market, the ANC segment maintained double-digit revenue growth (+11.7% on a LFL basis) with promising revenue growth in all channels and an overall market share of 12.3%<sup>3</sup>. Swisse outpaced growth in the domestic market with retail scan sales growth of 12.9% vs 7.4% industry growth in the twelve months ended 31 December 2022.

Mr Bedi comments, “The growth was fuelled by increasing demand for immune and wellness products, including new products led by the launch of the highly acclaimed Swisse Collagen + Hyaluronic Acid Booster, which has quickly become the no.1 beauty innovation in the market.”

“We also saw success with Biostime in ANZ in 2022 with the launch of Biostime ready-to-feed (RTF). In addition, we’re proud that our Australian Biostime Human Milk Oligosaccharides (HMOs) product range won the NutraIngredients Asia 2022 Editors Award for best infant and child nutrition initiative.”

### **North America**

“After completing the acquisition of Zesty Paws in 2021, our focus in 2022 was on integrating the brand and our PNC segment further into our business. As a result, North America has become a significant source of growth for our Group and is now our third largest market, largely due to the success of our PNC segment,” adds Mr Bedi.

In 2022, Solid Gold and Zesty Paws achieved a reported revenue growth of 152.5% in North America. Total revenue for North America also increased by 18.9% on a like-for-like basis.

Zesty Paws remains the no.1 pet supplement brand in the United States in the e-commerce channel with 11.5%<sup>4</sup> market share. Zesty Paws and Solid Gold continued to expand their distribution reach across the market including into major chains such as Walmart, Target, PetSmart as well as independent pet stores, and are now present in more than 7,700 and 3,400 stores, respectively.

Innovation was a core focus with the launch of the premium Solid Gold NutrientBoost range and functional treats and toppers and new Zesty Paws Vet Strength, Dental Bones and Puppy products.

### **Other Territories**

Revenue from other territories was down 6.9% on a LFL basis, accounting for 4.6% of the Group’s total revenue. This was mainly due to strategic restructuring in the European markets putting pressure on sales.

In Asia (excluding mainland China), the Group grew 39.0% on a LFL basis with phenomenal growth momentum in expansion markets including Vietnam, Thailand, India and Malaysia, driven by distribution gains (both in online and offline channels). Hong Kong SAR and Singapore reached strong domestic VHMS market share and contributed positively to growth with EBITDA margins on par with the overall ANC segment. Swisse also reached no.1 Beauty from within brand in Singapore.

<sup>3</sup> Market share data from IQVIA, LTM 31 December 2022

<sup>4</sup> Stackline, YTD 31 December 2022

Mr Bedi says, “In Europe, we are very proud that we maintained leadership in the French market, while focusing on improving brand awareness and celebrating new product launches. Biostime reinforced its no.1 position in both organic IMF in French pharmacy with 41.7%<sup>5</sup> market share and in Goat IMF with 41.5%<sup>6</sup> market share. In Italy, we’re pleased to see that Swisse is now ranked no.2 in the Beauty VHMS market with 9.3%<sup>7</sup> market share.”

### **Sustainability Progress**

Mr Bedi says the Group is committed to driving business performance while making a positive impact on its team members, stakeholders, communities, and the planet.

“In 2022, we made significant progress in our sustainability initiatives, achieving our sustainability goals and driving shared value through our four core impact areas. This includes 'Advancing the Story for Good Health,' 'Reducing our Footprint on the Planet,' 'Honouring Human Rights and Fairness,' and 'Supporting Good Governance.' We also maintained our 'A' rating for ESG performance from MSCI and the HKQAA.”

In 2022, the H&H Board established an ESG Committee to refine its governance framework and oversee ESG risks and opportunities.

H&H has made significant progress towards its sustainability goals in 2022. The company completed a Group-wide carbon footprint assessment for Scopes 1, 2, and 3 and developed science-based greenhouse gas emissions reduction targets, to be submitted to the Science Based Targets initiative (SBTi). The Group also reduced water consumption intensity in owned manufacturing facilities by 18.9% per unit produced, demonstrating its continued efforts to conserve natural resources. Embedding circularity into its products and business models has also been a key focus, with 98% of its packaging now being recyclable, biodegradable, or compostable. Examples of innovation in this area include the Swisse Earth range in Australia, which uses award-winning packaging made from up to 70% recycled content, and initiatives to reduce the use of virgin packaging, such as reducing the size of vials for certain Swisse products.

### **2023 Outlook**

Looking ahead to 2023, Mr Bedi comments that the Group remains optimistic as it strives for growth, global expansion, and diversification.

“One of our main priorities will be to pursue organic growth strategies in both established and new markets, whilst also emphasising the importance of "winning in core" to drive profitability and growth. We expect continued growth in mainland China, with faster expansion in North America and other Asian markets with positive EBITDA. Additionally, we will focus on reducing debt levels and deleveraging its balance sheet to achieve a healthier financial standing.”

The Group will prioritise the stabilisation of its IMF business by focusing on growth in the super-premium category, gaining market share in mainland China, and strengthening its position as the top probiotics market share holder for both existing and new products. In February 2023, the Group obtained approval for the new 'GB standards' for the Biostime Alpha Star IMF series and remains confident about the approval of other series while having planned our inventory based on the estimated approval timing and customer demand.

The primary focus for the ANC segment in mainland China will be to retain its leading position, while increasing its market share in cross-border e-commerce. Along with this, the Group will aim for double-digit growth in the normal trade market, building on its current no.4 ranking with 2.0%<sup>8</sup> market share. Additionally, the segment aims to elevate Swisse's product portfolio by expanding into new product ranges like Swisse Plus. The priority in the ANZ market will be to gain market share and regain its domestic leadership position, while Asia and Europe will concentrate on driving higher growth and improving profitability.

For PNC in mainland China, the Group's main objective is to increase market share for Solid Gold in the premium cat food category. In North America, the Group aims to expand Zesty Paws' online leadership on Amazon and Chewy while selectively growing in offline channels to increase category penetration. The Group also plans to achieve profitable growth for Solid Gold by focusing on the super-premium category and expanding across e-commerce.

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<sup>5</sup> GERS, LTM 31 December 2022

<sup>6</sup> IQVIA, LTM 31 December 2022

<sup>7</sup> IQVIA, LTM 31 December 2022

<sup>8</sup> Early Data, LTM 31 December 2022

The Group will continue to integrate sustainability into its core strategy and corporate governance, collaborating with the ESG Committee to identify significant long-term sustainability trends that will shape the future and impact the business, thus enabling sustainable and long-term growth.

## FINANCIAL RESULTS

(RMB million unless otherwise stated)	Year ended 31 December		
	2022	2021	Change
Revenue	12,775.9	11,547.8	10.6%
Gross profit	7,703.5	7,248.0	6.3%
EBITDA <sup>1</sup>	1,847.9	1,428.9	29.3%
Adjusted EBITDA <sup>1</sup>	1,971.9	1,851.9	6.5%
Net Profit	611.8	508.5	20.3%
Adjusted Net Profit <sup>2</sup>	731.2	952.9	-23.3%

1. EBITDA refers to earnings before interest, income tax expense, depreciation and amortisation. Adjusted EBITDA = EBITDA + Non-cash losses of RMB70.3 million for the year ended 31 December 2022 (2021: losses of RMB361.7 million) + Non-recurring losses of RMB53.7 million for the year ended 31 December 2022 (2021: losses of RMB61.3 million)
2. Adjusted net profit = Net profit + EBITDA adjustment items of losses of RMB124.0 million for the year ended 31 December 2022 (2021: losses of RMB423.0 million) – Other non-cash gain of RMB4.6 million for the year ended 31 December 2022 (2021: losses of RMB21.4 million)

	Year ended 31 December			
	2022	2021	Reported Growth	LFL Growth <sup>3</sup>
	RMB million	RMB million	%	%
<b>Revenue by product segment</b>				
Baby nutrition and care products	6,687.2	6,612.2	1.1%	1.1%
<i>Infant formulas</i>	5,180.0	5,146.4	0.7%	0.7%
<i>Probiotic supplements</i>	1,087.6	964.4	12.8%	12.8%
<i>Other pediatric products</i>	419.6	501.4	-16.3%	-16.3%
Adult nutrition and care products	4,559.2	4,209.2	8.3%	12.5%
Pet nutrition and care products	1,529.5	726.4	110.6%	20.9%
<b>Revenue by geography</b>				
Mainland China	9,565.9	9,084.6	5.3%	6.4%
ANZ	1,387.3	1,307.4	6.1%	10.1%
North America	1,220.8	499.3	144.5%	18.9% <sup>3</sup>
Other territories	601.9	656.5	-8.3%	-6.9%
<b>Group Total</b>	<b>12,775.9</b>	<b>11,547.8</b>	<b>10.6%</b>	<b>7.1%</b>

3. The LFL change of PNC and US are on pro forma basis as if the revenue of Zesty Paws for Year ended 31 December 2022 and 2021 were consolidated.

The 2022 Annual Results announcement is available [here](#).

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