



ASX Announcement

19 October 2017

BWX ACQUIRES ANDALOU NATURALS, THE NO. 1 SELLING FACIAL SKIN CARE BRAND IN THE US NATURAL CHANNEL, AND LAUNCHES A\$100M ENTITLEMENT OFFER

- **BWX Limited (BWXLtd or the Company) has entered into an agreement to acquire Andalou Naturals, Inc. (Andalou Naturals) for initial consideration of US\$80m, plus potential additional amounts subject to Andalou Naturals achieving particular financial milestones.**
- **Andalou Naturals is a leading skin, hair and body care brand in the US, inspired by innovative product development and quality natural ingredients and is expected to generate revenue for FY2018 of US\$41m and pro forma EBITDA of US\$8.5m.**
- **Implied multiple of 9.4x EV / FY2018 pro forma forecast EBITDA, or 8.4x including expected annual cost synergies¹.**
- **The acquisition creates a sizeable US operating platform when combined with Mineral Fusion, enabling management to drive operating efficiencies which are expected to deliver estimated annualised cost synergies of US\$1m by the end of the first full year of ownership.**
- **The acquisition presents the opportunity to expand distribution of Andalou Naturals and other BWXLtd brands across BWXLtd's broadened geographic and channel footprints.**
- **Initial cash consideration of US\$64m to be funded via a fully underwritten 1 for 5.7 pro-rata accelerated renounceable entitlement offer to raise A\$100m, with remaining proceeds used to paydown existing debt facilities and fund transaction costs.**
- **Approximately 10% EPS accretive on a pro forma FY2018 basis before expected annual cost synergies.**

Melbourne, Australia – BWXLtd (ASX:BWXLtd) is pleased to announce that the Company has entered into a binding agreement to acquire Andalou Naturals for initial consideration of US\$80m, plus potential additional amounts subject to Andalou Naturals achieving particular financial milestones. A California-based business, Andalou Naturals is a leading growth brand of skin, hair and body care brand inspired by innovative product development and quality natural ingredients. Andalou Naturals has a strong distribution network in the US with a presence across a number of

¹ Excludes potential additional amounts of up to US\$11.2m subject to Andalou Naturals achieving particular financial milestones related to gross profit.

key retailers, including Whole Foods Market, Sprouts, ULTA, Target and CVS, and is the number one selling facial skin care brand in the US natural channel.

BWX Chief Executive Officer, Mr John Humble, said “The acquisition of Andalou Naturals is strategically and financially compelling for BWX. Andalou Naturals is a business that is strongly aligned to our goal of becoming a global leader in the natural beauty and personal care markets and will deliver long-term value to our shareholders.”

“The high-quality management team at Andalou Naturals have achieved great success with the business in the US and Canada, creating a brand that is the number one selling facial skin care brand in the US natural channel and is expanding its distribution into the ecommerce, mass and grocery channels. The Andalou Naturals brand is highly complementary to BWX’s existing portfolio, adding a portfolio of 129 SKUs inspired by Nature’s Intelligence® and Fruit Stem Cell Science® across its hair, skin and body care lines, with the products positioned at a clearly differentiated price point to Sukin.”

The key management of Andalou Naturals have committed to the business for the next 4 years. Mark Egide, co-CEO and President of Andalou Naturals commented “Stacey and I welcome the opportunity to join BWX, a growing leader in the global natural personal care market. We are particularly excited to work alongside the team from Mineral Fusion, many of whom we have worked with in the past. The combination of the three leading brands, Sukin, Mineral Fusion and Andalou Naturals, provides a great platform on which to further develop BWX’s sales and distribution. We can’t wait to get started!”

The acquisition, in combination with Mineral Fusion, is transformative for BWX’s US platform, creating the opportunity to streamline and rationalise its US operations and facilities, with further cost savings available through shifting the production of several high volume Andalou Natural SKUs to BWX’s purpose built facility in Dandenong, Victoria. BWX management estimates that these initiatives will deliver US\$1m of annualised cost synergies by the end of the first full year of ownership.

The acquisition broadens and diversifies BWX’s distribution footprint across geographies and channels, with the combined business having a strong presence in key retailers across Australia, the UK, the US and Canada, creating the ability to further expand distribution of the Andalou Naturals brand as well as BWX’s other brands. In particular, the acquisition creates a quality US distribution network, adding key retailers such as Target, CVS, Kroger and Walgreens and is capable of supporting the entry of other BWX brands into the US.

Mr Humble went on to say “The US distribution network that we now have with Andalou Naturals and Mineral Fusion provides significant strategic advantage as BWX continues to expand the export reach of Sukin and other BWX brands in the next 12-24 months. There is also a significant opportunity to increase the distribution of Andalou Naturals products in Australia and other geographies where we have an existing presence.”

Company Outlook

BWX refers to the company outlook statement contained in the Company’s full year results presentation August 2017, noting that it does not include the impact of the recently completed acquisition of Nourished Life. At the Company’s FY17 result, BWX commented:

“With the ongoing strategic initiatives we have in place, aimed at growing our brands across our existing domestic and expanding international platforms, combined with the expected contribution from recently acquired Mineral Fusion, we look forward to the continued growth of the company and expect growth in FY18 EBITDA to comfortably exceed the 30.7% increase achieved in FY17, assuming stable market and economic conditions during the period.”

With the conclusion of the Andalou Naturals transaction the Company considers its current acquisition phase to be complete. Along with the continued growth of our existing brands, our focus will now be on the integration and consolidation of the recently acquired businesses.

BWX looks forward to providing an update on operations and the integration of the BWX businesses at the release of our half year results in February 2018.

Purchase Price

BWX has agreed to acquire Andalou Naturals for initial consideration of US\$80m, implying an acquisition multiple of 9.4x enterprise value / 2018 pro forma forecast EBITDA, or 8.4x including the annualised cost synergies BWX expects to achieve in the first full year of ownership.²

The initial consideration will be comprised of US\$64m of cash and US\$16m of BWX shares. The shares will be issued to Andalou Naturals shareholders at the 30-day VWAP immediately prior to the date which is 3 trading days before completion of the acquisition and subject to a 3 year escrow period.

In addition to the initial consideration, there are potential additional amounts payable up to US\$11.2m over the next 5 years, subject to Andalou Naturals achieving particular financial milestones related to gross profit.

It is anticipated that the transaction will complete on 31 October 2017, subject to customary conditions precedent.

Transaction Funding

The cash component of the initial consideration will be funded via a fully underwritten 1 for 5.7 pro-rata accelerated renounceable entitlement offer to raise A\$100m ("Entitlement Offer"). Remaining cash proceeds will be used to paydown existing debt facilities and fund transaction costs.

Further details on transaction funding are set out in the table below.

Sources	A\$m
Entitlement Offer	\$100m
BWX shares issued to vendor	\$20m
Total	\$120m

Uses	A\$m
Cash consideration (US\$64m)	\$82m
Share consideration (US\$16m)	\$20m
Acquisition and transaction costs	\$8m
Debt paydown	\$10m
Total	\$120m

Any USD amounts converted to AUD at AUDUSD of 0.7842. US\$64m cash component hedged at AUDUSD of 0.7842 through to anticipated closing date.

² Excludes potential additional amounts of up to US\$11.2m subject to Andalou Naturals achieving particular financial milestones related to gross profit.

The funding strategy for the transaction reflects BWX's commitment to maintaining a strong balance sheet to provide financial and operational flexibility. Post transaction net debt / FY2018E pro forma EBITDA (excluding additional cost synergies) will be below 1x, within BWX's stated core debt target.

Entitlement Offer

Under the Entitlement Offer, eligible shareholders are invited to subscribe for 1 new BWX share ("New Shares") for every 5.7 existing BWX shares held as at 7:00pm Melbourne time on Tuesday, 24 October 2017.

All New Shares in the Entitlement Offer will be issued at a price of \$5.92 per New Share, which represents:

- a 14.3% discount to BWX's closing price of \$6.91 on 17 October 2017
- a 12.5% discount to the theoretical ex-rights price of \$6.76³

The Entitlement Offer will consist of:

- an accelerated institutional component to be conducted from Thursday, 19 October 2017 to Friday, 20 October 2017 ("Institutional Entitlement Offer"); and
- a retail component which will open on Friday, 27 October 2017 and close at 5:00pm Melbourne time on Tuesday, 7 November 2017 ("Retail Entitlement Offer").

Institutional Entitlement Offer

Eligible institutional shareholders can choose to take up all, part or none of their entitlements ("Institutional Entitlements"). Institutional Entitlements cannot be traded on ASX. Institutional Entitlements that eligible institutional shareholders do not take up by the close of the Institutional Entitlement Offer and the Institutional Entitlements of ineligible institutional shareholders, will be offered for sale through an institutional shortfall bookbuild ("Institutional Shortfall Bookbuild") to be conducted on Monday, 23 October 2017. Any proceeds from the sale of Institutional Entitlements under the Institutional Shortfall Bookbuild in excess of the Offer Price will be remitted proportionally to those institutional shareholders, less any applicable withholding tax and costs. There is no guarantee that there will be any proceeds remitted to those institutional shareholders.

BWX shares have been placed in trading halt while the Institutional Entitlement Offer and Institutional Shortfall Bookbuild are undertaken.

Retail Entitlement Offer

Eligible retail shareholders will be invited to participate in the Retail Entitlement Offer at the same offer price and offer ratio as the Institutional Entitlement Offer.

Eligible retail shareholders should carefully read the Retail Offer Booklet and accompanying personalised entitlement and acceptance form which are expected to be despatched on Friday, 27 October 2017 and will be made available on BWX's website (www.bwxltd.com).

³ The theoretical ex-rights price is the theoretical price at which BWX shares should trade immediately after the ex-date for the Entitlement Offer. The TERP is a theoretical calculation only and the actual price at which BWX shares trade immediately after the ex-date for the Entitlement Offer will depend on many factors and may not equal the TERP. TERP is calculated by reference to BWX's closing price of \$6.91 on 17 October 2017.

Eligible retail shareholders can choose to take up all, part or none of their entitlements (“Retail Entitlements”). Retail Entitlements which are not exercised by the close of the Retail Entitlement Offer and the Retail Entitlements of ineligible retail shareholders, will be offered for sale through a retail shortfall bookbuild on Monday, 13 November 2017 (“Retail Shortfall Bookbuild”). Any proceeds from the sale of Retail Entitlements under the Retail Shortfall Bookbuild in excess of the Offer Price will be remitted proportionally to those retail shareholders, less any applicable withholding tax and costs. There is no guarantee that there will be any proceeds remitted to those retail shareholders.

Entitlements may only be exercised by eligible shareholders, being persons with a registered address in Australia or New Zealand, or certain categories of institutional investors in United Kingdom, New Zealand, Netherlands, Norway, Hong Kong and Singapore. Persons in the United States and persons acting for the account or benefit of a person in the United States will not be eligible to take up Entitlements.

It is the responsibility of purchasers of Retail Entitlements to inform themselves of the eligibility criteria for exercise. In the event that holders are not able to take up their Retail Entitlements, those Retail Entitlements will be sold into the Retail Shortfall Bookbuild and holders may receive no value for them.

Key dates

Event	Date
Trading halt and announcement of acquisition and Entitlement Offer	Thursday, 19 October 2017
Institutional Entitlement Offer opens	Thursday, 19 October 2017
Institutional Entitlement Offer closes	Friday, 20 October 2017
Institutional shortfall bookbuild	Monday, 23 October 2017
Trading halt lifted	Tuesday, 24 October 2017
Entitlement Offer record date (7.00pm Melbourne time)	Tuesday, 24 October 2017
Retail Entitlement Offer opens (9.00am Melbourne time)	Friday, 27 October 2017
Retail Offer Booklet, Entitlement and Acceptance Forms despatched to Eligible Retail Shareholders	Friday, 27 October 2017
Settlement of Institutional Entitlement Offer, including the Institutional Shortfall Bookbuild	Tuesday, 31 October 2017
Allotment of New Shares under the Institutional Entitlement Offer, including the Institutional Shortfall Bookbuild	Wednesday, 1 November 2017
Retail Entitlement Offer closes (5.00pm Melbourne time)	Tuesday, 7 November 2017
Retail shortfall bookbuild	Monday, 13 November 2017
Settlement of Retail Entitlement Offer, including the Retail Shortfall Bookbuild	Thursday, 16 November 2017
Allotment of New Shares under the Retail Entitlement Offer, including the Retail Shortfall Bookbuild	Friday, 17 November 2017

The indicative timetable is subject to change. BWX reserves the right to vary the timetable for the Entitlement Offer without notice, subject to the Corporations Act 2001 (Cth), ASX Listing Rules and other applicable laws. The commencement of quotation of New Shares under the Entitlement Offer is subject to confirmation from ASX.

Further information

Further information on the acquisition and Entitlement Offer are set out in the investor presentation also provided to the ASX today. The investor presentation contains important information including key risks and foreign selling restrictions with regard to the Entitlement Offer.

Goldman Sachs is acting as sole lead manager, bookrunner, underwriter and financial advisor to BWX. Minter Ellison is acting as legal advisor.

Management will be hosting a conference call on Thursday 19 October at 10:30am AEDT, dial in details as follows:

Australia Toll Free: 1800 200 232

International: +61 3 8687 0634

Pin Code: 6970428

A playback of the call will be posted on the company website shortly after the call finishes.

-ENDS-

About BWX

ASX listed, BWX Limited is a vertically integrated developer, manufacturer, distributor and marketer of branded skin and hair care products with an emphasis on the natural segment of the beauty and personal care market.

The company owns, produces, and distributes under the Sukin, Mineral Fusion, DermaSukin, Uspa, Edward Beale, and Renew personal care brands as well as Nourished Life online marketplace.

For further information please contact:

John Humble
Chief Executive Officer and Managing Director
E: john.humble@bwxltd.com
T: +61 3 8785 6300

Aaron Finlay
Finance Director
E: aaron.finlay@bwxltd.com
M: +61 3 8785 6300

Genevieve Milesi
Investor Relations
E: gm@mileconsult.com.au
T: +61 422 286 207

NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES

This announcement does not constitute an offer to sell, or a solicitation of an offer to buy, any securities in the United States. Neither the entitlements nor the New Shares have been, nor will be, registered under the U.S. Securities Act of 1933 (“U.S. Securities Act”) or the securities laws of any state or other jurisdiction of the United States. The entitlements may not be taken up by, and the New Shares may not be offered or sold to, directly or indirectly, any person in the United States or any person that is, or is acting for the account or benefit of, any person in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable U.S. state securities laws.

FORWARD LOOKING STATEMENTS

This announcement contains forward looking statement of current intention, statements of opinion and predictions as to possible future events.

Forward looking statements can generally be identified by the use of forward looking words such as ‘expect’, ‘anticipate’, ‘likely’, ‘intend’, ‘should’, ‘could’, ‘may’, ‘predict’, ‘plan’, ‘propose’, ‘will’, ‘believe’, ‘forecast’, ‘estimate’, ‘target’, ‘outlook’, ‘guidance’ and other similar expressions within the meaning of securities laws of applicable jurisdictions and include, but are not limited to, statements relating to the impact of the acquisition of Andalou Naturals, Inc., the future performance of BWX and the outcome and effects of the entitlement offer and the use of proceeds. Such forward looking statements are by their nature subject to significant uncertainties and contingencies and are based on a number of estimates and assumptions that are subject to change (and in many cases are outside the control of BWX and its directors) which may cause the actual results or performance of BWX to be materially different from any future results, strategies, objectives, expectations, estimates, intentions or performance expressed or implied by such forward looking statements. The forward looking statements should not be relied on as an indication of future value or for any other purpose. BWX, its Advisers and their respective related bodies corporate, affiliates, directors, employees or agents assume no responsibility for the accuracy of such information. Any market and industry data used in connection with this announcement was obtained from research, surveys or studies conducted by third parties, including industry or general publications. Neither BWX nor its representatives have independently verified market or industry data provided by third parties or industry or general publications.

FINANCIAL DATA

This announcement may include certain financial measures that may be considered “non-GAAP financial measures” under Regulation G of the U.S. Securities Exchange Act of 1934, as amended, and are not recognized under Australian Accounting Standards (**AAS**) or International Financial Reporting Standards (**IFRS**). These measures include underlying EBITDA and underlying EBIT. Such non-GAAP and non-IFRS financial measures do not have a standardized meaning prescribed by AAS or IFRS and therefore may not be comparable to similarly titled measures presented by other entities, and should not be construed as an alternative to other financial measures determined in accordance with AAS or IFRS. The information is presented to assist in making appropriate comparisons with prior periods and to assess the operating performance of the business. BWX uses these measures to assess the performance of the business and believes that information is useful to investors. Recipients are cautioned not to place undue reliance on any non-GAAP and non-IFRS financial measures included in this announcement.