

# Vinda International Holdings Limited

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

(Stock code: 3331)



## 2018 Annual Results Investor Presentation

Healthy Lifestyle  
Starts with Vinda



# Chairman's Highlights



1

## Double-digit revenue growth despite challenging environment

- Double-digit topline growth
- Double-digit growth in high margin categories (*softpack, wet wipes, kitchen towels*)
- Double-digit sales growth in e-commerce & B2B

2

## Resilient profit margins albeit high pulp cost

- Effective price-increase initiatives
- Product mix enhancement
- Solid cost-saving efforts
- Smart spending on selling & marketing

3

## Innovation instead of price competition

- Newly launched product series:  
*Tempo Cotton Soft*  
*Vinda Cotton Care*  
*Vinda Deluxe Color*

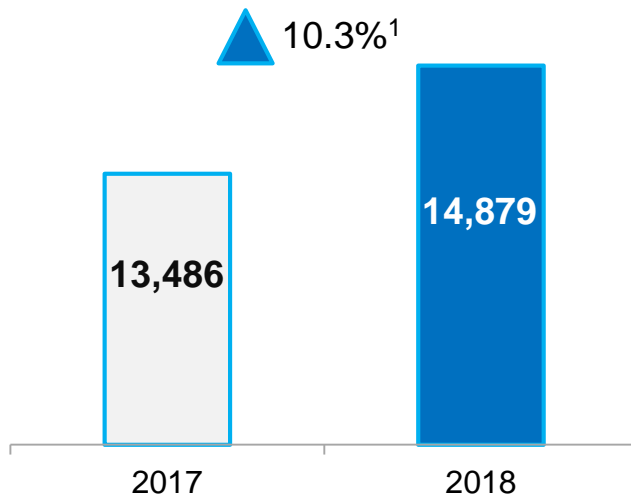


# Financial Highlights

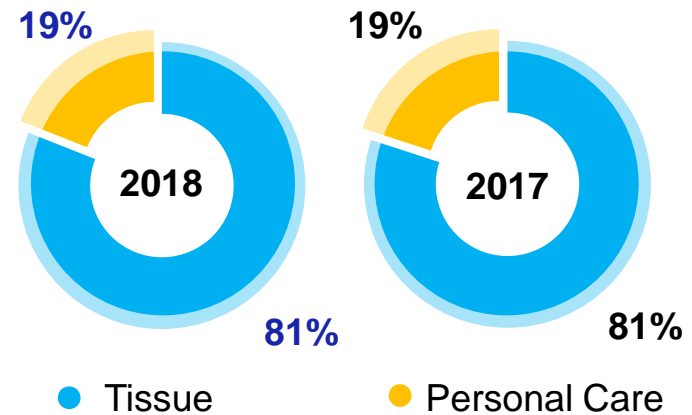


# Double-digit Revenue Growth

Total Revenue (HK\$M)



Revenue Mix (%)

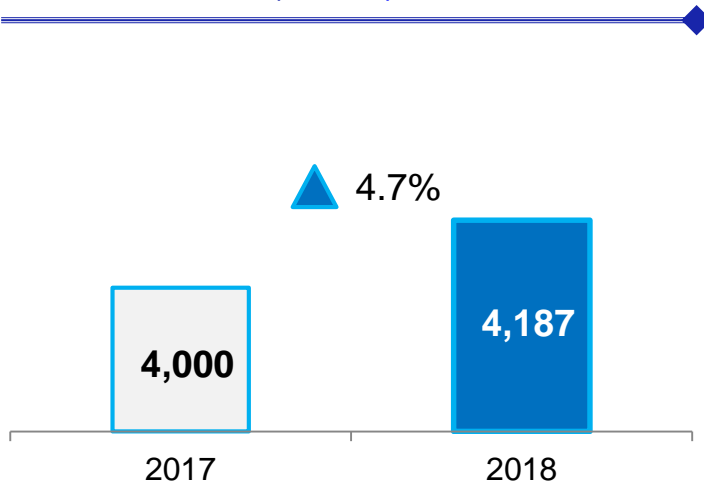


- Positive development in ASP
- Stable volume development
- Solid growth in all regions

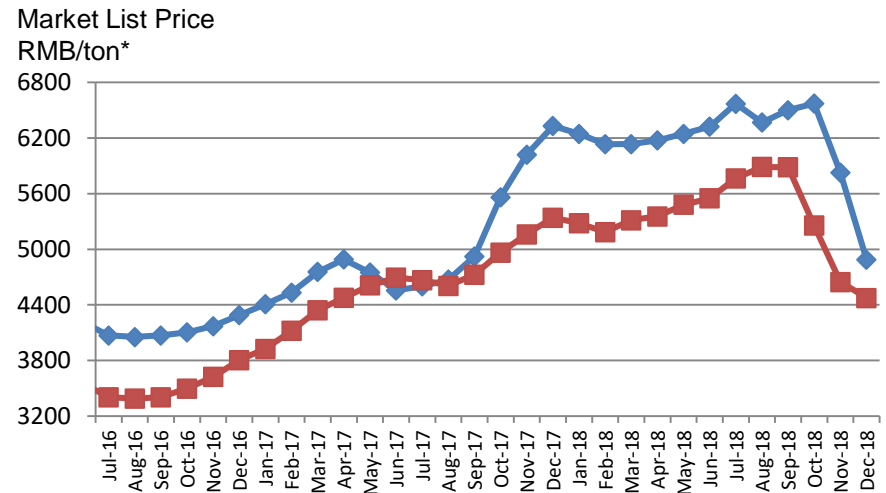
<sup>1</sup> YoY growth at reported rate: 10.3%. YoY growth at constant exchange rate: 7.8%

# Resilient Gross Margin

## Gross Profit (HK\$M)

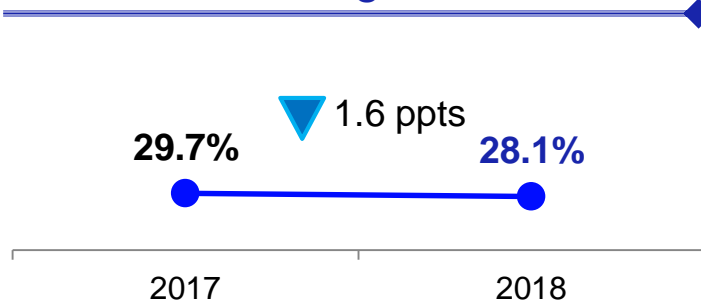


## Significant increase in pulp cost



\* Market list price in USD x monthly average exchange rate

## Gross Profit Margin (%)

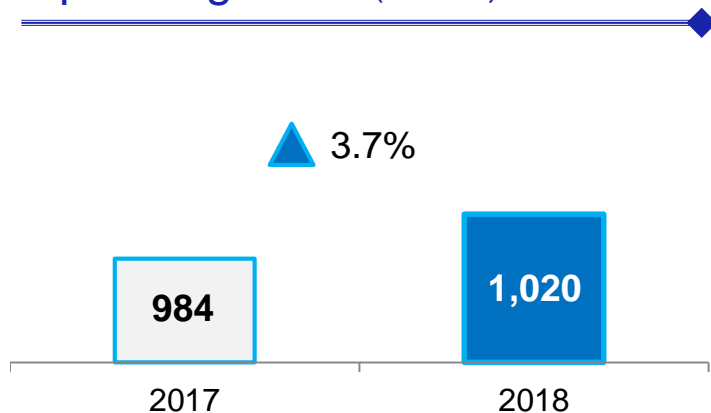


Limited GPM contraction despite high pulp cost:

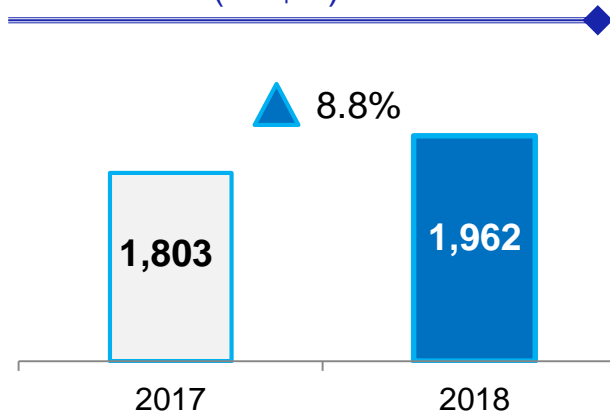
- Effective price-increase initiatives
- Mix enhancement *e.g. Double-digit growth in softpack, wet wipes, kitchen towel, Tempo*
- Solid cost-savings efforts

# Stable Operating Profit & EBITDA

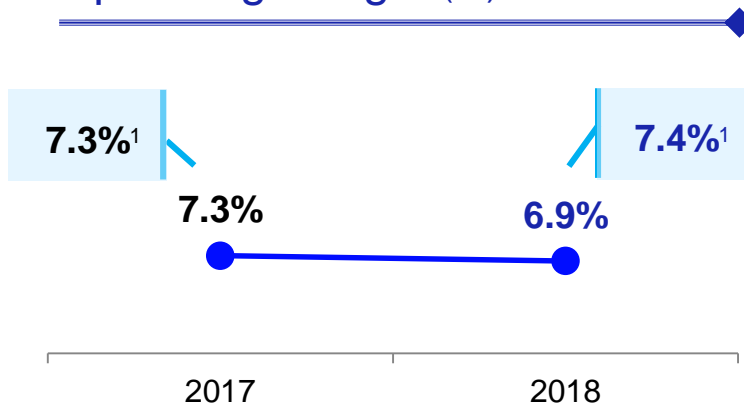
## Operating Profit (HK\$M)



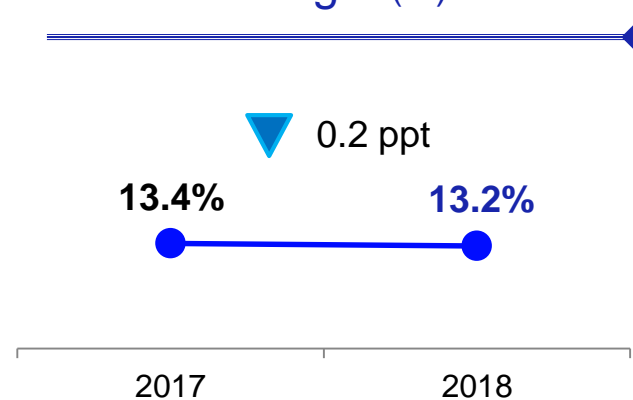
## EBITDA (HK\$M)



## Operating Margin (%)



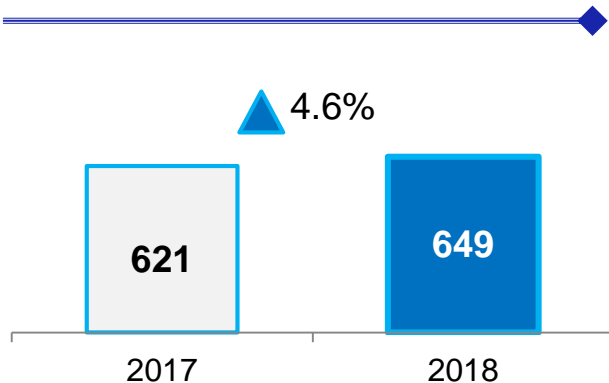
## EBITDA Margin (%)



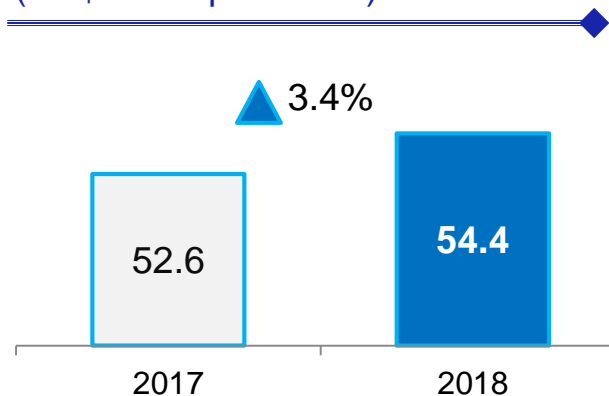
<sup>1</sup> If excluding the foreign exchange effect from operating activities

# Net Profit & Dividend

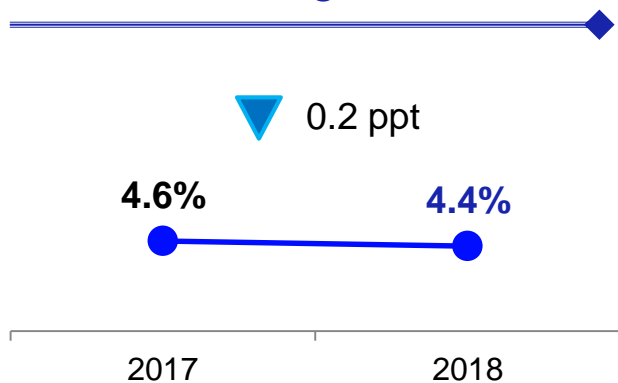
## Net Profit (HK\$M)



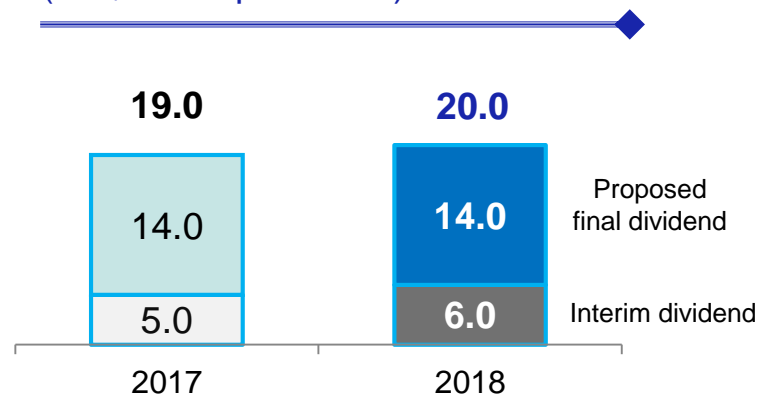
## Basic Earning Per Share (HK\$ cents per share)



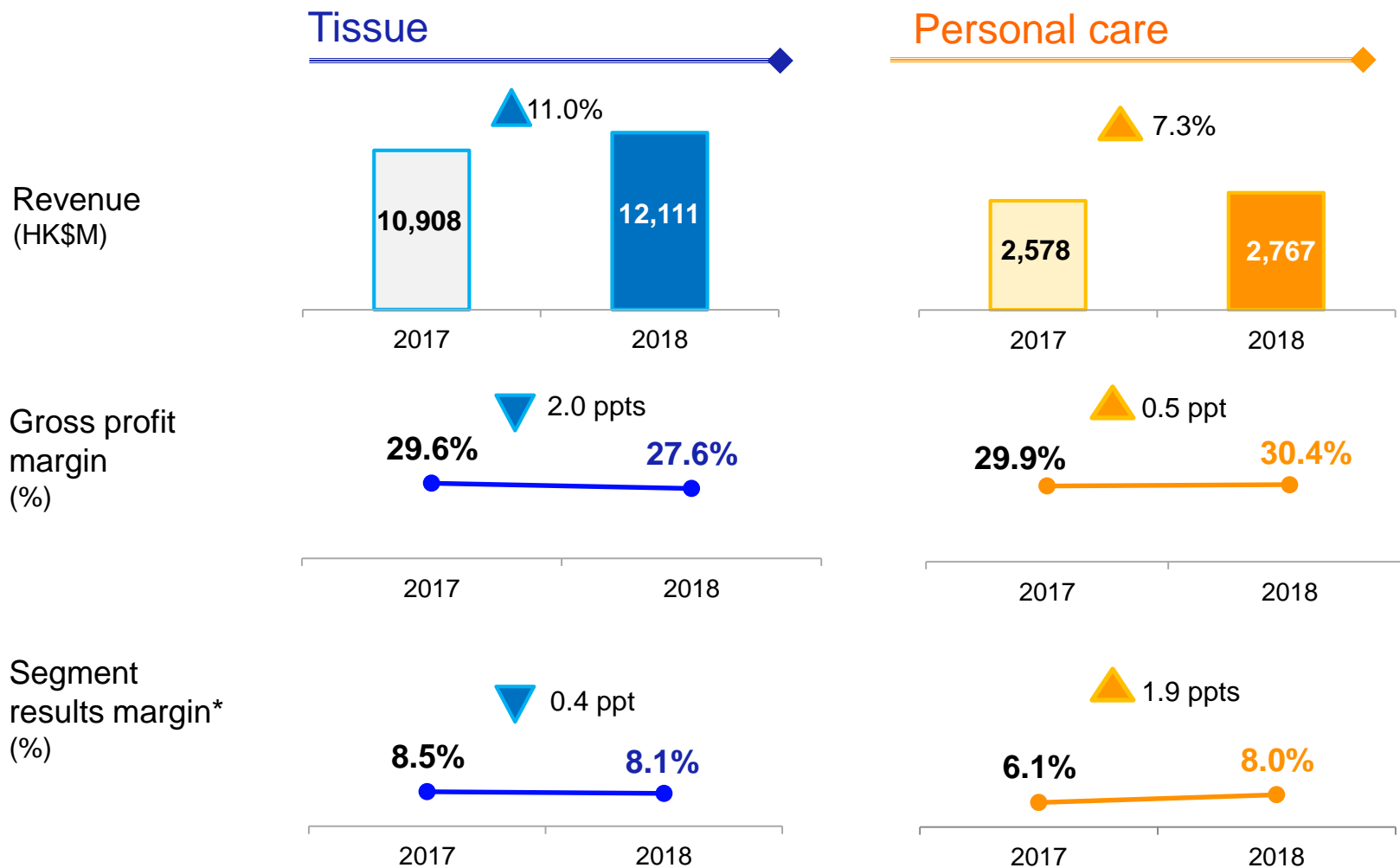
## Net Profit Margin (%)



## Total Dividend (HK\$ cents per share)



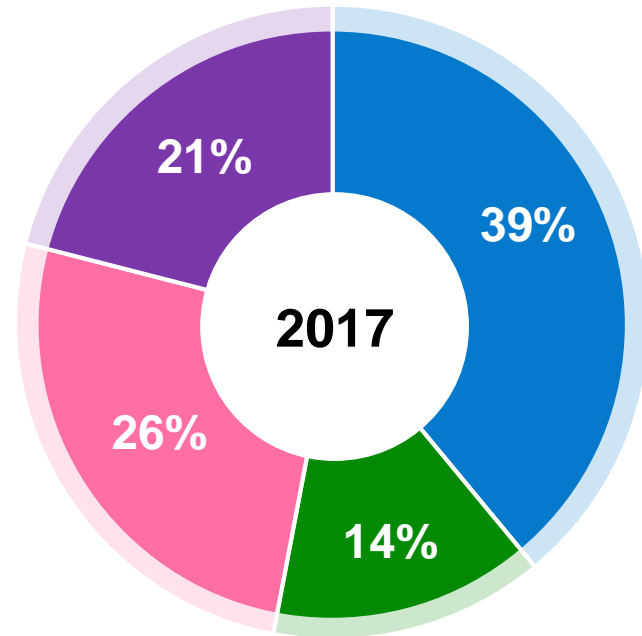
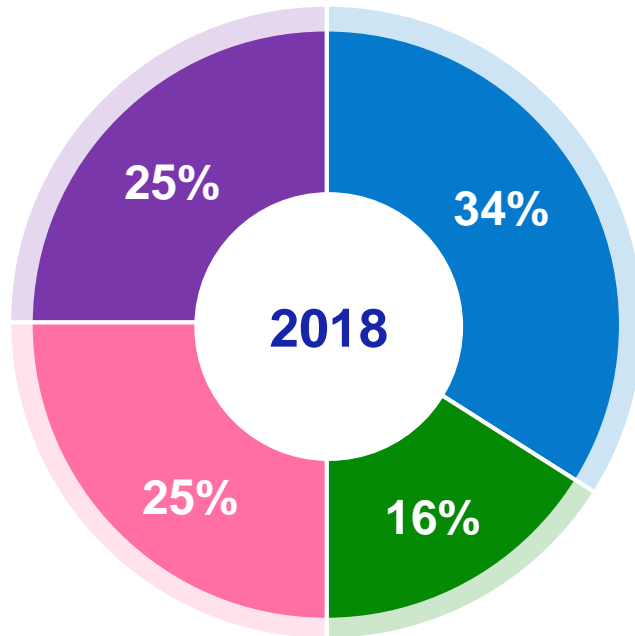
# Segment Performance



\*segment profit before amortisation of trademarks, licenses & contractual customer relationship)



# Continuous Growth in E-commerce & B2B

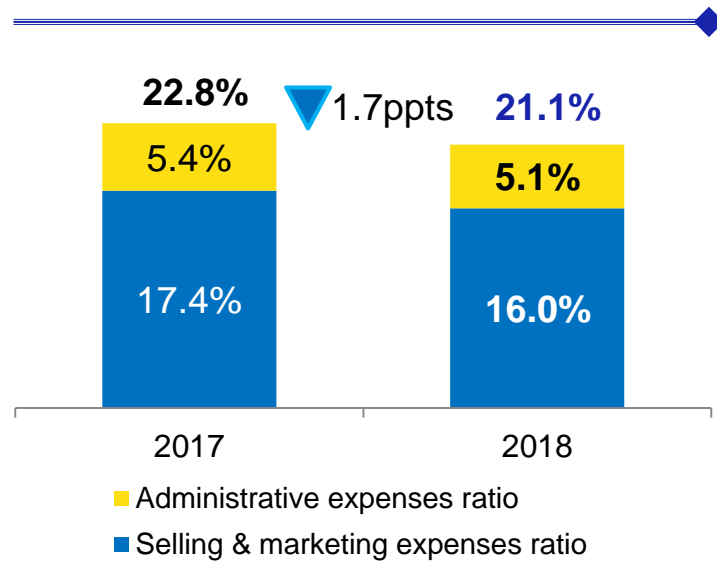


- Double-digit sales growth in E-commerce & B2B
- China E-commerce represented more than 30% of China sales

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

# Savings in SG&A

SG&A as a % of Sales



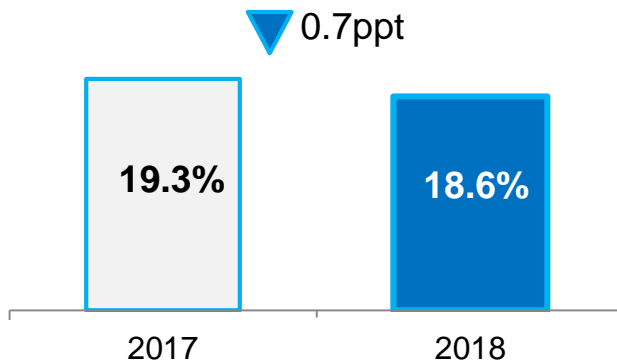
- Cost-saving across the board
- Smart marketing spent
- Prioritised to invest in higher-margin products



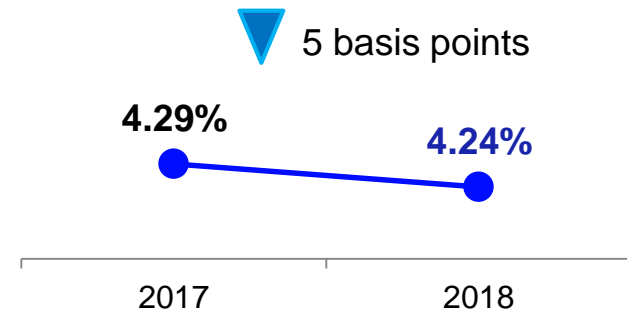
# Lower Effective Tax Rate & Effective Interest Rate



## Effective Tax Rate (%)



## Effective Interest Rate (%)



- As at end of 2018, we had 70% of our borrowings in RMB (2017: 72%)

# Key Indicators

(HK\$M)	As at 31 Dec 2018	As at 31 Dec 2017
Debtors turnover days <sup>1</sup>	43	44
Creditors turnover days <sup>2</sup>	87	86
Finished goods turnover days <sup>3</sup>	49	41
Working capital to sales ratio <sup>4</sup>	4.6%	6.3%
(HK\$M)	As at 31 Dec 2018	As at 31 Dec 2017
Cash and cash equivalents	574	535
Total borrowings	5,245	5,236
Net debt	4,671	4,702
Net gearing ratio <sup>5</sup>	54%	54%
Net debt/EBITDA	2.4	2.6

<sup>1</sup> Multiplying 12-month average account receivables by 360 days and dividing the result by the revenue for the last 12 months

<sup>2</sup> Multiplying 12-month average account payables by 360 days, and dividing the result by the cost of sales for the last 12 months

<sup>3</sup> Multiplying 12-month average finished goods by 360 days, and dividing the result by the cost of sales for the last 12 months

<sup>4</sup> Total working capital (excl. cash & cash equivalents)/ total revenue

<sup>5</sup> Total borrowing less cash & cash equivalents and restricted bank deposits/ total shareholders' equity

# Environmental, Social and Governance

## 1 Health & Safety

Mainland China	2018	2017
• Safety seminars	1,505	698
• LTA (case)	14	20
Malaysia	2018	2017
• LTA (case)	1	1
Taiwan, China	2018	2017
• LTA (case)	0	0

LTA: Lost Time Accidents

## 2 Green Production

Mainland China	2018	2017
• Avg. overall energy consumption per ton of paper (ton of stand coal)	0.31 <sup>1</sup>	0.32 <sup>1</sup>
	<sup>1</sup> below national standard upper limit of 0.42	
• CO2 emission (per 10,000 tons of product)	10,726	11,189
• Water recycling rate	>95%	
• Wood pulp sourcing	>99% environmentally certified	

## 3 Human Resources

### Employee Engagement Survey

- > 80% of engagement degree, significantly higher than market & industry average

### HR award

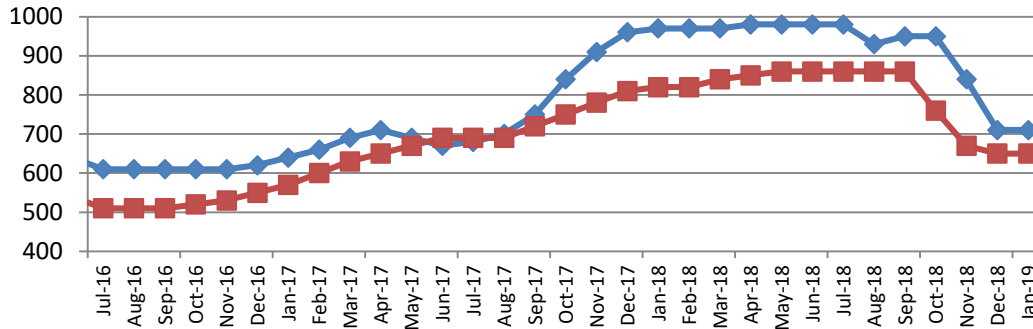
- M100 Leading Graduate Employer in Malaysia award
- Guangdong Outstanding Enterprise

# Uncertainties in 2019

1

## Uncertain Pulp Price Movement

Market List Price  
USD/ton



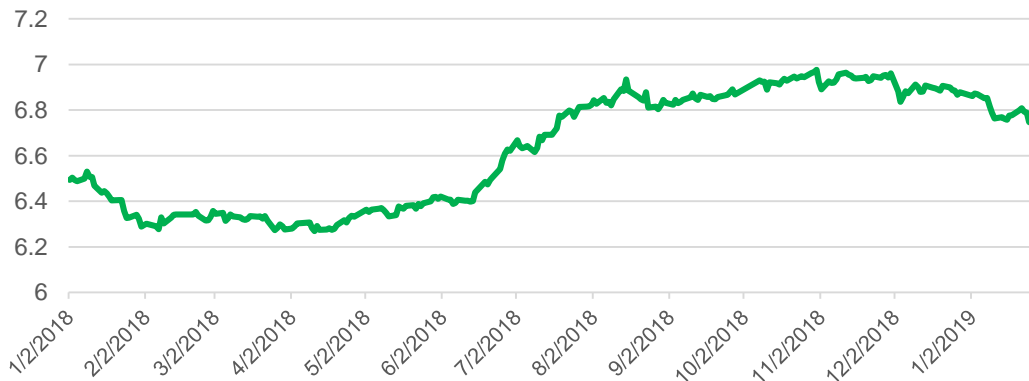
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Lingering Sino-US  
trade tension

2

## Uncertain RMB Movement

USD-RMB



4

Nation-wide  
deleveraging situation

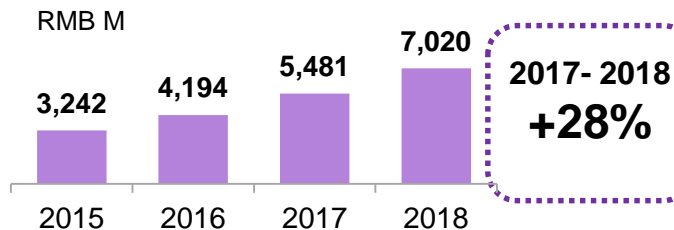
# Opportunities

1

Government-led economic stimulus  
e.g. Tax cut

2

Fast growing online sales<sup>1</sup>



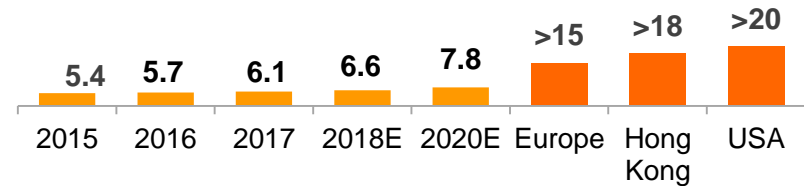
<sup>1</sup> National Bureau of Statistics of China

<sup>2</sup> China Household Paper Association & internal estimate

3

Increasing Tissue Consumption in China<sup>2</sup>

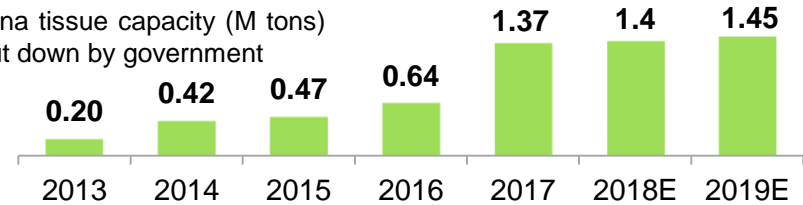
Per capita consumption (kg)



4

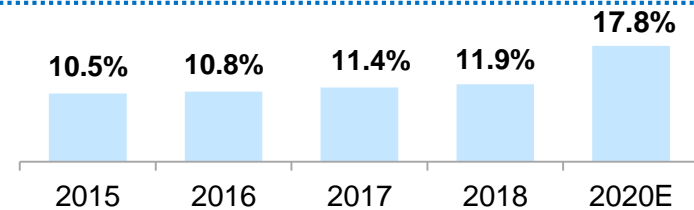
Stringent Environment Regulation<sup>2</sup>

China tissue capacity (M tons)  
shut down by government




5

Aging Population<sup>1</sup> (aged 65 or above)



# Production Capacity Plan

## Tissue annual designed capacity

**1.22 M tons**  
(2018)            **1.25 M tons**  
(2019)

- +60,000 tons in 19Q2 in Hubei
- -30,000 tons (discontinue operation of an old and high-energy consuming machinery) in Xinhui

## Personal care facility

- Expand local production for feminine and incontinence products



# 2019 Focus: Growth & Profit & Efficiency



## Growth & Profit & Efficiency

- Continue growth momentum & improve profit margins

- Enhance portfolio mix

- Innovation

- Save cost & smart spent across all functions, projects and business units

- Improve production and operational efficiency

- Improve working capital management & cash generating ability



## Appendix

# Financial Highlights Summary

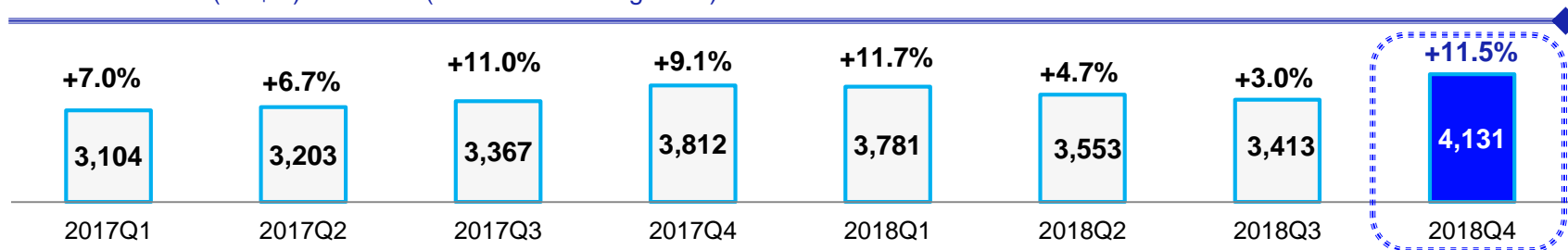
(HK\$M)	2018	2017	YOY
Revenue	<b>14,879</b>	13,486	+10.3%
<i>Constant exchange rate</i>	<b>+7.8%<sup>1</sup></b>	<b>+8.5%<sup>2</sup></b>	
Gross profit	<b>4,187</b>	4,000	+4.7%
<i>Gross margin</i>	<b>28.1%</b>	<b>29.7%</b>	<b>-1.6 pts</b>
Operating profit	<b>1,020</b>	984	+3.7%
<i>Operating margin</i>	<b>6.9%</b>	<b>7.3%</b>	<b>+0.4 ppt</b>
EBITDA	<b>1,962</b>	1,803	+8.8%
<i>EBITDA margin</i>	<b>13.2%</b>	<b>13.4%</b>	<b>-0.2 ppt</b>
Net profit	<b>649</b>	621	+4.6%
<i>Net margin</i>	<b>4.4%</b>	<b>4.6%</b>	<b>-0.2 ppt</b>
Basic EPS (HK cents)	<b>54.4</b>	52.6	+3.4%
Proposed total dividend per share (HK cents)	<b>20.0</b>	19.0	+5.3%

<sup>1</sup> Growth at constant exchange rate

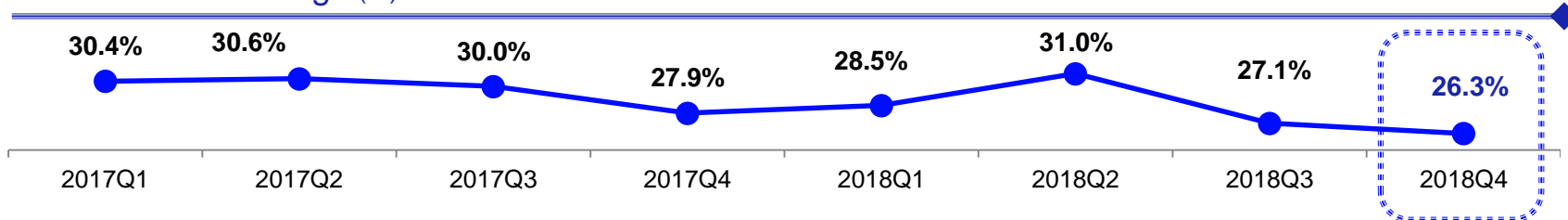
<sup>2</sup> Growth excluding the acquisition and exchange rates effect

# Quarterly Financial Highlights

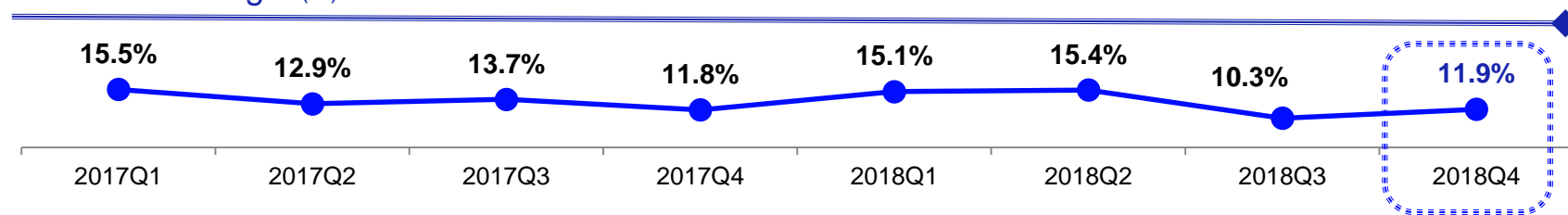
Revenue (HK\$M) & YOY (Constant exchange rate)



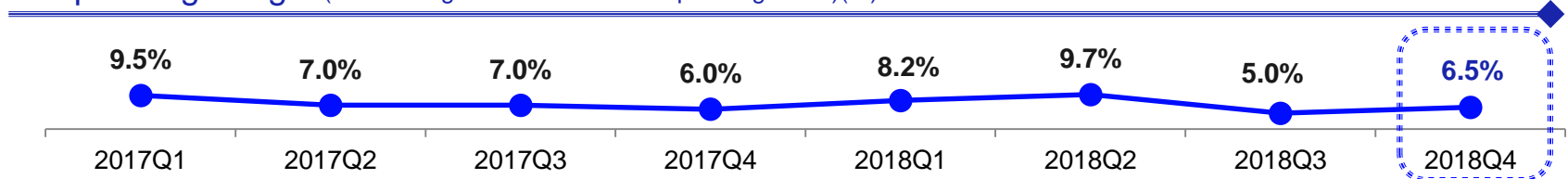
Gross Profit Margin(%)



EBITDA Margin (%)



Operating Margin (if excluding the FX effect from operating items)(%)



Q&A



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