

# Venture Life Group plc

Interim results presentation  
Six months to 30 June 2016

September 2016



# Agenda

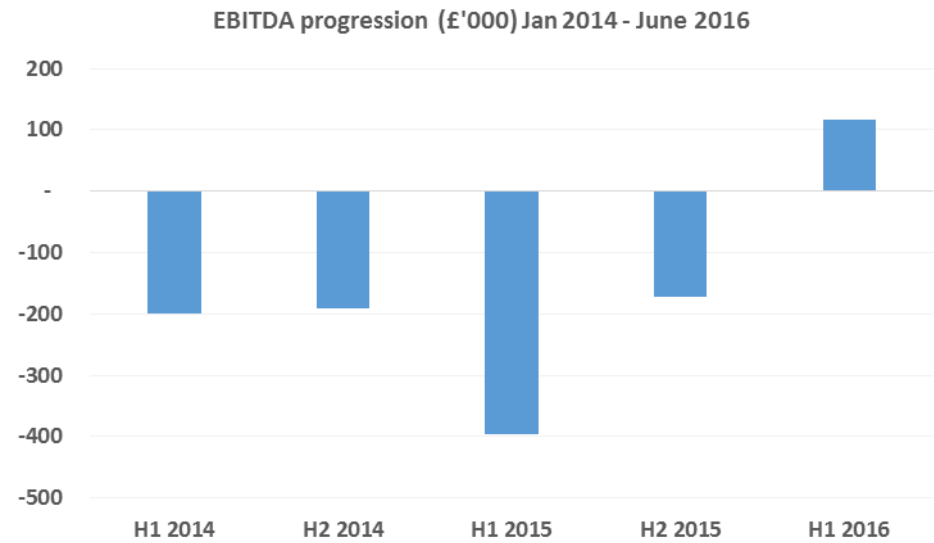
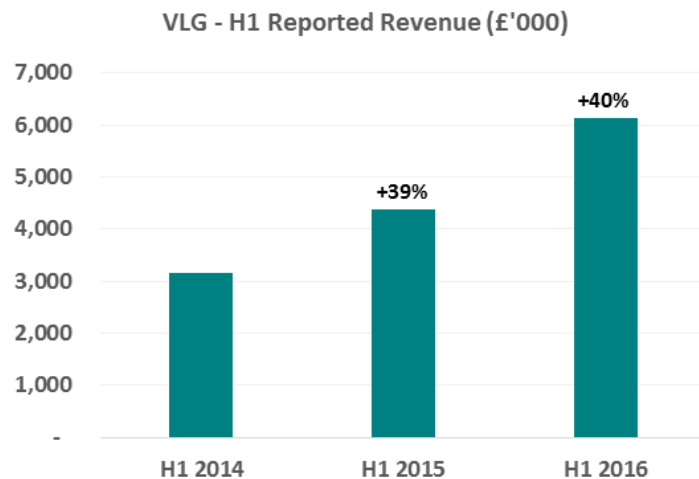
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- H1 2016 highlights
- Global progress
- Operational leverage
- Update on Periproducts acquisition
- Commercial update
- Financial review
- H1 2016 Summary
- H2 2016/H1 2017 Outlook
- Appendices

# H1 2016 Highlights

## Financial highlights

- Revenues up 40% to £6.1m (H1 2015: £4.4m)
- Gross profit increased 47% to £2.3 million (H1 2015: £1.5 million), giving a gross margin of 37% (H1 2015: 35%)
- Adjusted EBITDA profit of £0.1 million (H1 2015: loss of £0.4 million) – **first reported positive EBITDA contribution**
- Loss before tax, amortisation and exceptional items of £0.3m (H1 2015: loss of £0.4m)
- Cash at 30 June 2016 of £1.6m (31 December 2015: £2.9m)



# H1 2016 Highlights (cont'd)

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## Commercial highlights

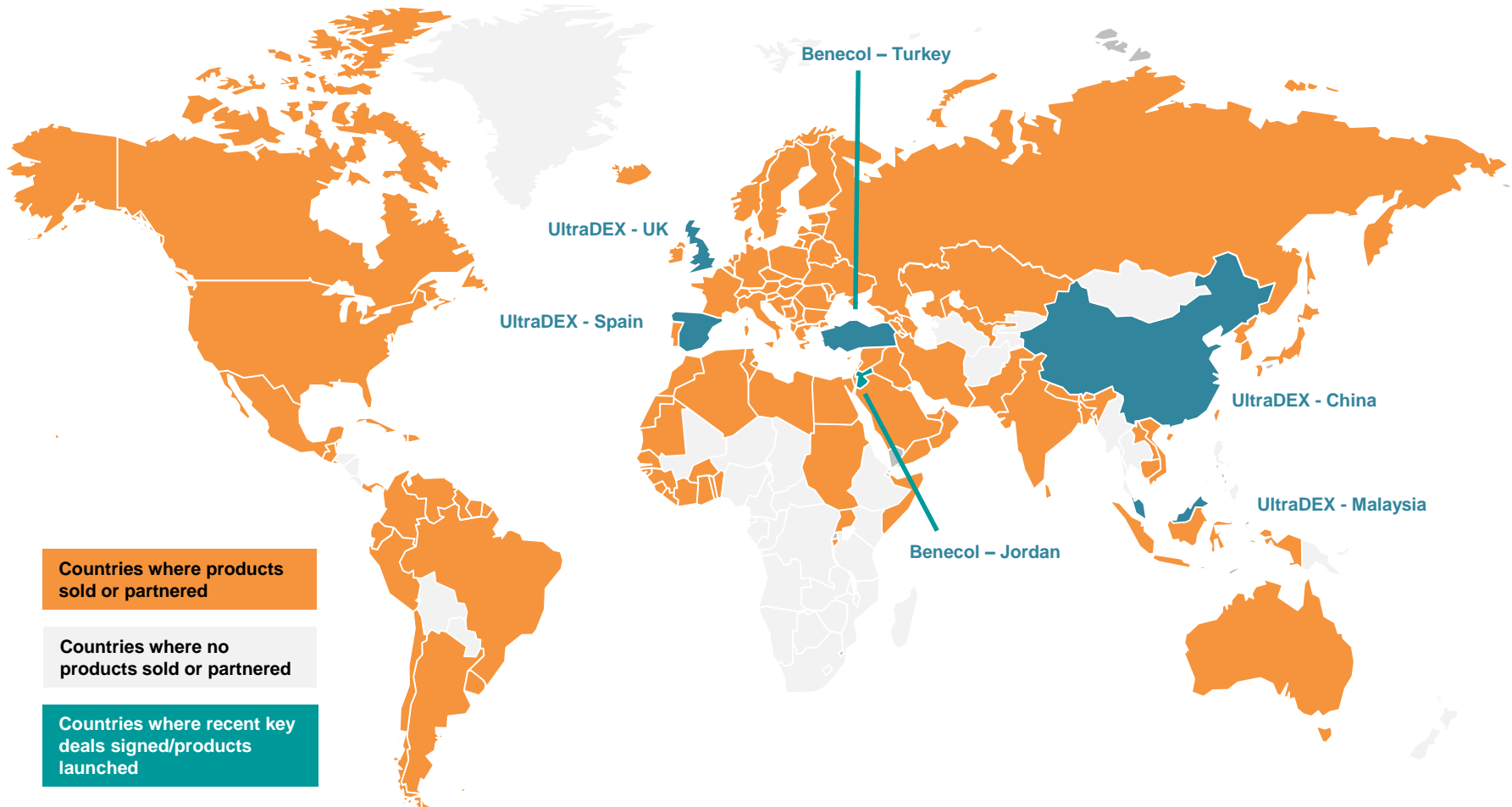
- Acquisition of the UltraDEX oral care products brand with Periproducts Limited in March 2016
- Nine new long term exclusive distribution agreements signed, including:
  - UltraDEX in Spain, Malaysia and China
  - Benecol once-a-day liquid sachet in Turkey and Jordan
- New development and manufacturing partnerships agreed
- Brands product revenue now accounts for 20% of Group revenue

## Post-period end highlights

- Three further exclusive distribution agreements signed covering Procto-eze in Greece and Taiwan and Vonalei in Greece
- Full Lubatti range of skin-care products now stocked and on sale in China
- Increased store distribution and product listings for UltraDEX expected in Q4 2016, supported by a significant advertising campaign
- Good growth and strong order book into H2 2016

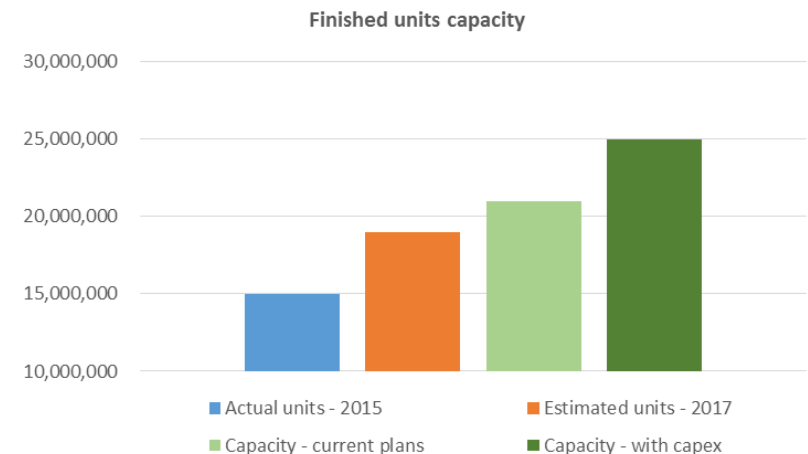
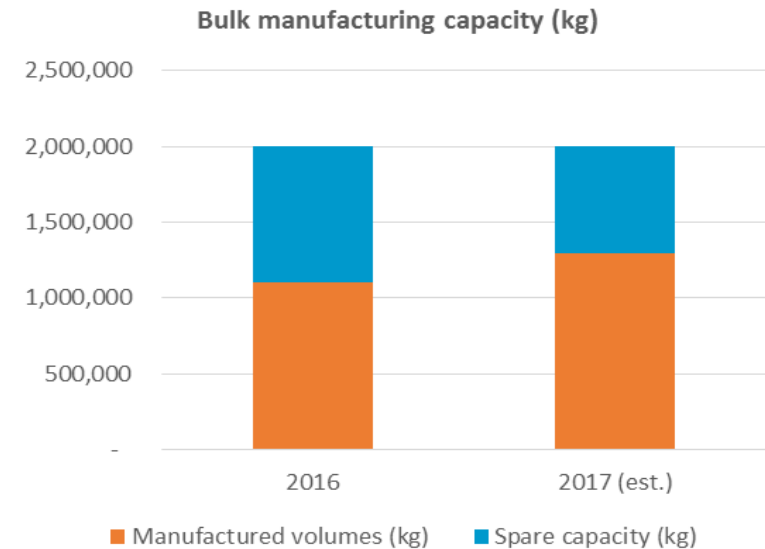
# Global Progress

Venture Life's reach now extends to over 40 countries and 80 customers globally - significant opportunities remain



## Operational Leverage

- Investment made in manufacturing business in anticipation of growing volumes
- Platform in place to accommodate organic and acquisitive growth
- Acquisition of UltraDEX – exemplifying the benefits of leverage
- Significant growth opportunities remain



## March 2016 – Acquisition of Periproducts Limited

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- Established UK oral care business (20+ years old) – Periproducts Limited
  - UltraDEX mouthwash and toothpaste products
  - International trade mark portfolio
  - Supporting clinical data evidencing efficacy
  - Patent protected IP and licensed IP
  - Long-standing relationships with leading UK retailers
  - Boots, Tesco, Sainsbury's, Ocado, Amazon
  - Established revenues - £2.8 million (FY2015 reported revenues)
- Significant forward growth and synergy opportunities in our hands



**Periproducts**  
INNOVATION IN ORAL CARE

## Strategic Rationale

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- Product range complementary to existing portfolio
- Opportunity to exploit our international distribution relationships to generate revenue growth
- Extensive in-house experience in oral care sector: manufacturing and commercial
- Brings existing relationships with Boots and other UK multiples
- Opportunities to generate significantly improved profitability
  - Grow UK brand sales
  - Develop international sales
  - Internalise manufacturing margin and lower COGS
  - Reduce overheads using current VLG resource

*ultra***DEX**<sup>®</sup>



## Anticipated Synergies

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### Leveraging Venture Life's existing:

- Business development infrastructure and relationships ✓
- Manufacturing oral care experience, capability and capacity ✓
- QA, regulatory, development and administrative resource ✓

### To deliver:

- UK and international revenue growth ✓
- Target year 1 cost synergies of £0.4m ✓ (on target)
- Target year 2 cost synergies of £1.0m ✓ (on target)
- Acceleration of time to profitability ✓
- Extensive brand revitalisation ✓

# **Commercial Update**

**Sharon Collins**



## Commercial Progress

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- Signed nine new, long-term distribution agreements in H1 2016
  - Two new deals for Benecol 'once a day' liquid sachets under registration in Turkey and Jordan
- Five product launches in H1 2016 with nine products still in registration
- India - registration completed, launch scheduled for Q4 2016
- China – saw launch of Lubatti into market
- UltraDEX progress made on both sales & marketing – key focus
- Post-period end, signed three new, long-term distribution agreements on key products

## Commercial Progress - UK

### Sales update

- **Re-engaged** with **all key accounts** in UK market – positively received
- **Increasing product penetration**
  - new SKU's - 250ml rinse, Oral Spray, and Interdental Brushes - to be listed into three major retailers (1,000+ new facings, none lost)
- **Increasing store penetration**
  - new listings/facings – 350+ (net) new facings with two major retailers
- **New Sales Director** appointed

### Marketing update

- **Revitalise brand** – new 'fresh' identity, clearer messages on pack/adverts
- Focus on **brand awareness** – investment in new Autumn campaign
  - Advertising campaign on Underground
  - Radio campaign
  - Sampling
  - New website
  - Promotional activity

# ATL Marketing Collateral



*ultra***EFFECTIVE**  
*ultra***CONFIDENT**  
*ultra***DEX**

12 HOUR FRESH BREATH

- Eliminates bad breath instantly
- Protects teeth & gums
- Free from alcohol

DEVELOPED, USED AND RECOMMENDED  
BY DENTAL PROFESSIONALS.



FRESH BREATH

Find out more at [ultradex.co.uk](http://ultradex.co.uk)

Available at good quality retailers\*  
\* Subject to availability, selected stores only



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## Commercial Progress - International

- Signed x3 international deals so far
  - Spain, Malaysia & China
- Malaysia – registration complete
- Spain launch scheduled for Q4 2016
  - Full marketing plan
  - Consumer, Pharmacist, Dentist
  - TV, POS, Congresses
- £300k of international sales expected in 2016 vs. £60k in 2015



ActiveOxi  
TECHNOLOGY®  
Tecnología patentada

*ultra*DEX

**Elimina el MAL ALIENTO  
de forma INSTANTÁNEA**

**DURANTE**  
**12h**

- Sin alcohol
- Sin clorhexidina



GARANTÍA  
DEVOLUCIÓN  
ESTÁS SATISFECHO  
TE DEVOLVEMOS  
DINERO  
★ ★

## Commercial Progress - China

- Roll out underway across mainland China (1,300 stores)
- 14 products now registered
  - Part launch - January 2016
  - Full product launch – July 2016
  - Marketing collateral finalised – July 2016
  - Intensive training conducted – August 2016
  - Commission introduced - September 2016
  - September onwards – push on sales



lubatti

## Commercial Progress - Benecol

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- First deals done on Benecol 'once a day' liquid sachet
  - under registration in Turkey and Jordan – expected launch H1 2017
- Benecol capsules to launch in Jordan - Q4 2016
- New flavours in progress – 4/5 new flavours being developed/tested
- Additional commercial discussions on-going





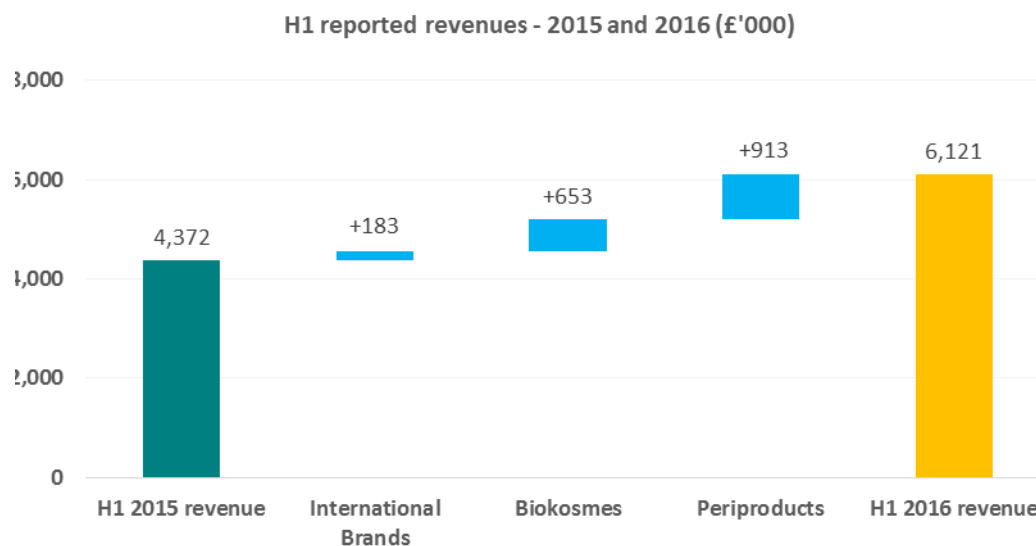
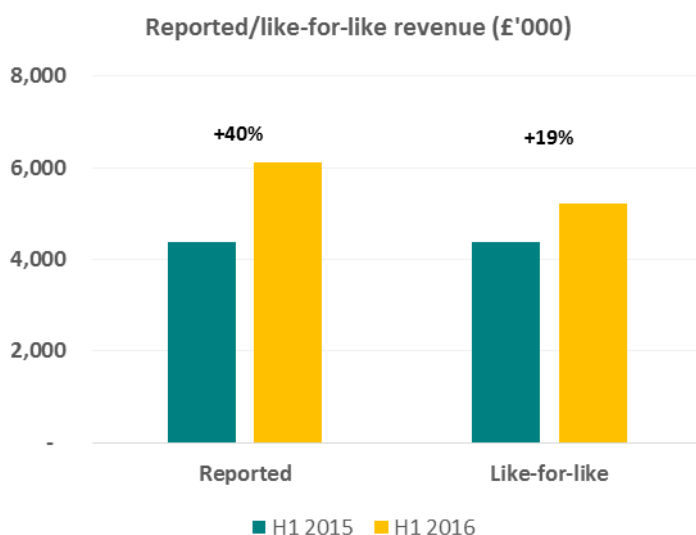
# Financial review

James Hunter



## Income Statement - revenue

- Reported revenues increased 40% to £6.1m (H1 2015: £4.4m)
- Growth in Brands and Development & Manufacturing, plus Periproducts acquisition contributed £0.9m of revenue
- Like-for-like revenues increased 19% to £5.2m (H1 2015: £4.4m)
- Order book ahead of September 2015



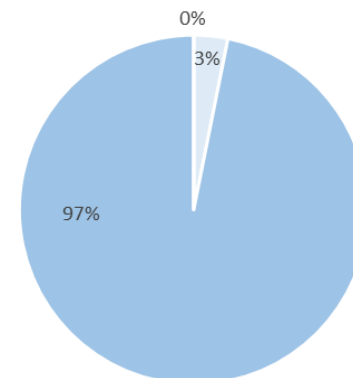
(Like-for-like excludes the effect of the Periproducts acquisition in March 2016)

# Income Statement – gross profit and overheads

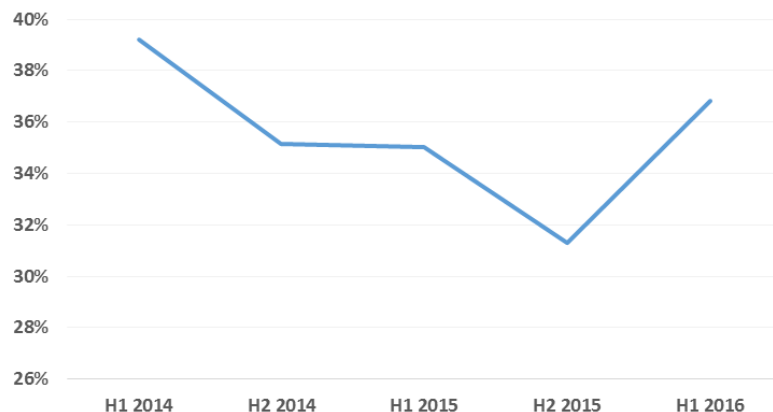
- Gross profit increased 47% from £1.5m in H1 2015 to £2.3m in H1 2016
- Gross margin achieved of 37% (FY 2015: 33%, H1 2015: 35%)
- Margin improvement due to contribution of Periproducts
- Administrative costs increased by £0.3m (11%), driven by additional overhead costs at Periproducts
- Periproducts administrative costs to reduce in H2 but increase planned in advertising and promotional activity
- Exceptional costs relate to acquisition and restructuring

■ International Brands  
■ Manufacturing  
■ Periproducts (UK Brands)

H1 2015 revenue by segment

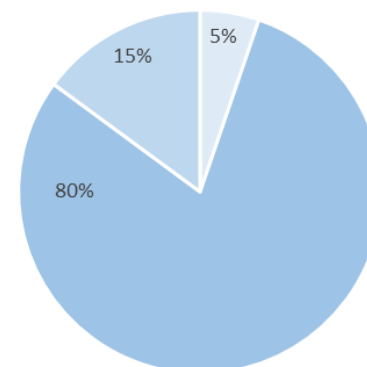


Gross margin performance Jan 2014 - June 2016



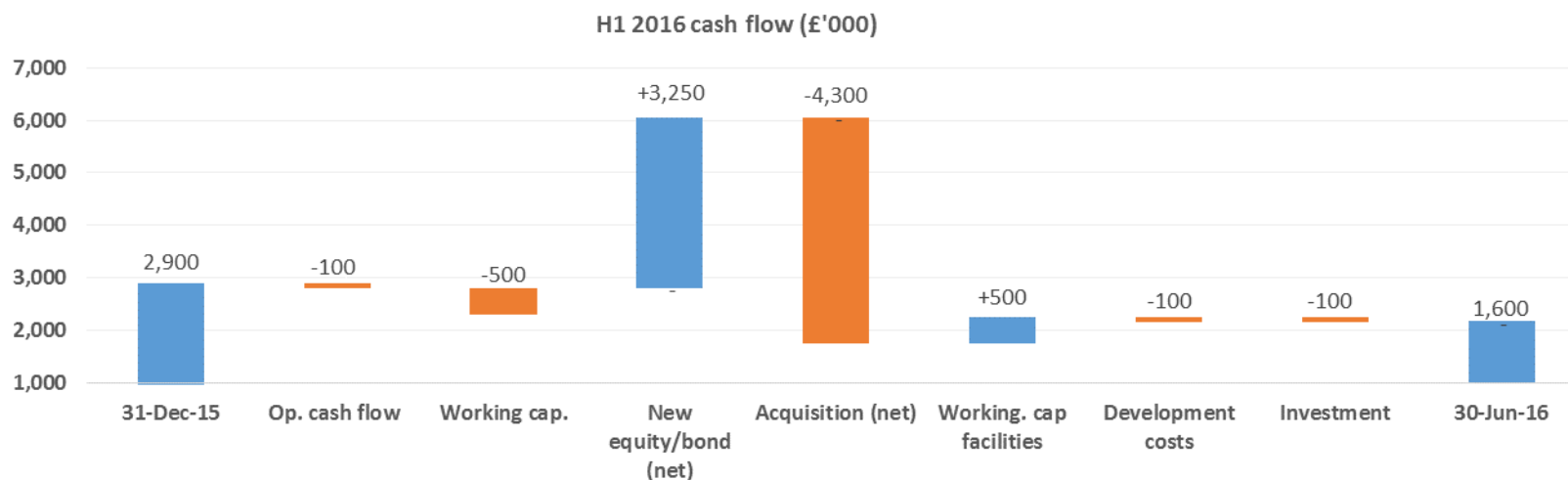
H1 2016 revenue by segment

■ International Brands  
■ Manufacturing  
■ Periproducts (UK Brands)



## Financial results – Cash flow

- Cash and cash equivalents at 30 June 2016 totalled £1.6 million (31 December 2015: £2.9 million)
- Net cash outflow during H1 2016 of £1.3 million:
  - Operating cash flow before movements in working capital - outflow of £0.1m
  - Movement in working capital - outflow of £0.5m
  - Acquisition of Periproducts – outflow of £4.3m (net)
  - Issue of new equity and convertible bonds – inflow of £3.25m (net)
  - New working capital facilities – inflow of £0.5m
  - Development costs – outflow of £0.1 million
  - Investment in manufacturing facility – outflow of £0.1 million



## Cash/debt position

£'000	30 June 2016	31 December 2015	Change
<b>Cash at bank and in hand</b>	<b>1,600</b>	<b>2,900</b>	<b>(1,300)</b>
RiBa (invoice financing)	(600)	-	(600)
Unsecured bank loans > 1 year	(2,000)	(1,800)	(200)*
Vendor loan notes	(1,600)	(1,400)	(200)*
Issue of convertible bond	(1,900)	-	(1,900)
Deferred consideration	(400)	-	(400)
<b>Net (debt)/cash</b>	<b>(4,900)</b>	<b>(300)</b>	<b>(4,600)</b>

\* Impact of FX

# H1 2016 Summary

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- Acquisition and integration of Periproducts Limited
- First partnering deals on UltraDEX
- First partnering deals on Benecol once-a-day sachet
- Lubatti launched in China
- Revenues up 40% over H1 2015
- EBITDA positive for the first time

## H2 2016/H1 2017 Outlook

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- UltraDEX advertising campaign in London and South East
- New UK Sales Director appointed
  - focus on broader and deeper penetration of UltraDEX range and other own brand ranges
- R&D / product development to drive organic revenue growth:
  - Fungal infections
  - Skin inflammation
- Active marketing of patented photo sensitivity technology
- Improved visibility of Lubatti product sell through in China
- Strong order book and continued financial momentum from H1 2016
- On target to meet strategic objective of sustainable profitability

# Appendices





## Reported Group Income Statement

All amounts expressed as £'000 under IFRS	Six months ended 30 June 2016	Six months ended 30 June 2015	Year ended 31 December 2015
Revenue	6,121	4,372	9,077
Cost of sales	(3,868)	(2,841)	(6,073)
Gross profit	2,253	1,531	3,004
Gross margin	37%	35%	33%
Administrative expenses	(2,263)	(2,063)	(3,853)
Amortisation of intangibles	(409)	(338)	(658)
Other income	28	27	59
Exceptional items	(142)	-	(246)
Operating loss	(533)	(843)	(1,694)
Net finance income/(costs)	(321)	88	57
Loss before tax	(854)	(755)	1,637
Tax	(155)	(170)	(124)
Loss for the period	(1,009)	(925)	(1,761)
EBITDA	(116)	(397)	(569)

## Reported Group balance sheet

£'000		30 June 2016	31 December 2015	30 June 2015
Fixed assets	Intangibles	16,500	12,527	12,689
	Property, plant & equipment	1,229	1,120	979
Fixed assets - total		17,729	13,647	13,668
Current assets	Inventories	3,352	2,235	2,043
	Trade and other receivables	4,448	3,173	3,357
	Other debtors	-	5	-
	Cash and cash equivalents	1,583	2,857	3,253
Current assets - total		9,383	8,270	8,653
Total assets		27,112	21,917	22,321
Shareholders' funds	Share capital & premium	13,399	11,929	11,929
	Reserves	8,235	7,819	7,753
	Profit and loss	(6,969)	(5,946)	(5,110)
Shareholders' funds - total		14,665	13,802	14,572
Current liabilities		5,681	3,799	3,716
Long term liabilities		6,766	4,316	4,033
Total liabilities		12,447	8,115	7,749
Total equity and liabilities		27,112	21,917	22,321

## Shareholder register

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Mr Gianluca Braguti	19.2%
J O Hambro	11.6%
Mr Jerry Randall and associated holdings	10.7%
Aviva plc	9.9%
Dr Michael Flynn and associated holdings	7.9%
Mr Andrew Sinclair and associated holdings	5.8%
Quilter Cheviot Limited	5.7%
Mr Anthony Ahearne and associated holdings	4.6%
Ms Sharon Collins	4.3%
Other directors	0.2%
Others	20.1%
<b>TOTAL</b>	<b>100.0%</b>

(34.4% held by directors)

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