



**Health and Happiness (H&H) International Holdings Limited**  
健合(H&H) 國際控股有限公司

**2020 Annual Results Media Release**  
**23 March 2021**

**Health & Happiness Group continues to deliver profitable growth**

- A further consecutive year of profitable growth with revenue up 2.5% YoY on a LFL basis and adjusted net profit up by 10.1% YoY.
- Maintained healthy cash position and net leverage as well as strong cash conversion capability.
- Maintained high dividend payout of 50% of net profit (final dividend HKD0.39 per ordinary share).
- Strong progress on ESG initiatives driven by organizational purpose and sustainability strategy.
- Confident 2021 outlook of profitable growth and continuation of strategy.

Health and Happiness (H&H) International Holdings Limited (“H&H Group” or the “Company”, together with its subsidiaries, the “Group”; stock code: 1112), has released its 2020 annual results and sustainability progress, with a confident outlook on the year ahead.

The leading provider of nutrition and wellness products has attributed its successes over the past year to resilience in its categories, and a demonstrated agility to pivot the business and accelerate strategic initiatives in order to respond to shifts in consumer demand and operational challenges.

H&H Group CEO, Mrs Laetitia Garnier, reinforced the ongoing growth of the business and commended the efforts of the team in adapting across the turbulent year to deliver a strong performance.

“We are pleased to announce another consecutive year of increased revenue and net profit, continuing our track record of profitable growth. In this unprecedented environment, we have made improvements in organic growth, profitability and return on invested capital, and continued to focus on creating shared value for the broader society and the planet, driving value for all our stakeholders. Our results announced today reflect the team’s ability to shift and respond to the environment whilst maintaining focus on our strategy. Ultimately, in 2020, we carried on our strategic roadmap. We retained our consumer-led approach which is at the core of our purpose, and combined this with our strong innovation capabilities to accelerate some of our plans. Through these challenging times we have acted quickly to protect our people and our business, and to support our customers, partners and communities. It was an opportunity to improve our business operations,” she said.

“Our financial principles and ongoing prudent capital management also meant we were able to continue investing for the future – whether that was via our brand and marketing initiatives, strengthening our sustainable foundations, innovation and launching new products or acquisitions. Further, the Group’s gross leverage ratio remained stable even after the settlement of the Solid Gold acquisition, giving us flexibility to continue to invest effectively in the business for the long term.

“From a consumer behavior perspective, we recognized early in the year that many of the changes were accelerations of trends that we had previously noticed, and we believe that the majority will remain even after the pandemic subsides. This includes the enhanced health mindset and shift to ‘preventative health’ with a holistic wellness approach to pursue a better quality of life, as well as the significant swing to digitization across all aspects of life alongside online engagement and purchasing.

“Observation of these trends shows that our categories are resilient – we see this across each of our Adult Nutrition & Care (“ANC”), Baby Nutrition & Care (“BNC”), and Pet Nutrition & Care (“PNC”) business segments. COVID has reinforced our confidence in our strategic business units, and we will continue to refine our portfolio approach to deliver sustainable profitable growth,” Mrs Garnier said.

Online sales across the Group’s portfolio grew robustly throughout the year, as lockdowns around the world fast-tracked the already inevitable shift from offline to online. Offline sales still played an essential part of the H&H core business, despite the weak performance in the ANZ market during the pandemic. Its expanded distribution in the Chinese market exceeded expectations, and further expansion in distribution and penetration is planned in key markets.

“The acquisition of Solid Gold, and the creation of a third growth pillar in our business: pet nutrition and care, enables us to build out our complete family nutrition and wellness, and is a defining highlight in such a globally challenging period,” she said.

Establishing PNC, along with the Group’s innovation efforts on goat infant milk formulas (“IMF”), infant nutrition supplements, super premium infant diapers and ‘beauty from within’ supplements demonstrates its desire to capture the rapidly segmenting nutrition market.

Mrs Garnier also highlighted the groundwork previously put in place in building strategic relationships and governance in the Group’s supply chain, which strengthened its ability to anticipate potential risks and remain nimble.

“Through the year – and through all of the global challenges that were presented – staying close to our markets and our supply partners was essential and led to H&H experiencing no major disruption in our supply chain. This well-managed approach set the standard in maintaining quality and the right balance in supply continuity.”

Despite the difficult and constantly challenging times, H&H team members across the world worked very hard to continue to extend the presence of Swisse and Biostime into several new markets to capture additional growth opportunities. In 2020, Swisse using its “digital first” strategy entered into several markets including Thailand, Malaysia, the United Kingdom, India and with plans to enter into Indonesia and Taiwan, China in 2021. In addition, H&H launched Biostime Probiotics on Amazon US towards the end of the year, providing entry into the world’s second largest children probiotics market.

H&H remained committed to its sustainability targets and practices throughout 2020 and is on track to meet its 2025 target of Group-wide B Corp certification.

“We don’t view our business performance and sustainability focus as two separate streams. We believe they are inextricably linked, and we are looking at how we can continue to evolve our approach to the creation of shared value.”

In 2020, the Group increased focus on sustainability governance and its MSCI Environmental, Social and Governance (ESG) rating was upgraded from ‘BBB’ to ‘A’. During the same month, H&H Group also received a Hong Kong Quality Assurance Agency (HKQAA) rating of ‘A’ for ESG performance.

Environmental progress for the Group included the integration of its Raw Material Sourcing Policy (developed in 2019) into the innovation process and doubling its contribution to the protection of the ecosystems for the most critical raw ingredients that go into its nutrition and supplement products.

“I am pleased to say that following my announcement in late 2019 to commit to renewable energy, over 85% of our operations in 2020 were powered by renewable energy,” Mrs Garnier said.

In 2020 the H&H Foundation passed a milestone of reaching more than one million people with health initiatives and by the close of 2020 raised and invested over US\$500,000.

“As a result of our philosophy to maintain profitable growth and a high cash conversion business model, we preserved our healthy cash position and net debt leverage year-on-year. I am pleased to announce that we have approved to pay annual dividend of 50% of net profit for FY 2020. We remain committed to maintaining a strong cash position and steady dividend policy in the long run while retaining flexibility to invest in the business through efficient capital management.”

The strong performance in the mainland China business was a clear driver for the Group in 2020, remaining the largest revenue contributor for the business. Conditions in the Australian and New Zealand (“ANZ”) markets were still challenging as travel restrictions and logistics challenges impacted daigou activity. This steered a re-focus on domestic development to better capture rising local demand for wellness and immunity.

### **Looking forward**

“As the world and markets change, our mission to make people healthier and happier is more relevant than ever. We have a comprehensive approach to wellness that puts us in a unique position going forward. Our H&H Group Nutrition, Movement and Mindfulness pillars also play an important role as we cater to societal trends and needs, and we will continue investing in new innovations and fast-growing consumer-led trends such as mental wellness, immunity, and plant-based nutrition,” Mrs Garnier commented.

“In 2021, a strategic focus is to expand the penetration of our diversified BNC and ANC products in mainland China’s offline market. We also plan to build further on the fast growth we saw in our online channels in 2020 through the continued implementation of our digital marketing strategy and enhancing our data analytics and technology tools to rapidly respond to local consumer and customer shifts triggered by the pandemic. In the ANC segment, we aim to stimulate higher growth in both CBEC and the normal trade markets, through the continued launch of new blue hat products and by expanding our distribution in pharmacy stores.

“We are excited by the opportunities for pet nutrition and embedding our new PNC category to leverage growth. Some of our existing core markets over-index in growth of pet ownership and trends such as pet humanization and the premiumization of pet nutrition. We expect sales contribution from PNC to grow as we invest in online branding and marketing across its core markets including the US and mainland China.”

Elsewhere, the Group expects sales in the ANZ market to gradually stabilize in 2021, given the lower sales base for the past two years, and will continue to invest in the Swisse brand in that local market to drive domestic demand to reduce reliance on the export business. The Group also expects growing contribution from other markets as it globalizes its Biostime and Swisse brands.

“As we move forward, we remain committed to realizing our vision: to make people healthier and happier whilst moving closer to a shared value creation model. For H&H Group, this apex of operating responsibly and continuing to achieve business growth that benefits all our stakeholders is a force behind our strategic decision-making processes and realizing many future opportunities.

“Working through a year such as 2020 and building a stronger future was a united effort with our internal and external stakeholders. I want to thank everyone for their efforts and One Big Team approach to ensuring our business continued to operate well and grow,” Mrs Garnier concluded.

## Financial Highlights

- Revenue grew 2.5% YoY on a LFL basis with adjusted net profit up 10.1% YoY.
- Total revenue contribution from digital sales increased in 2020 to reach 33% vs. 23% in 2019.
- Maintained high dividend payout of 50% of net profit (final dividend HKD0.39 per ordinary share).
- Double-digit revenue growth from Mainland China core market (10.0% YoY on a LFL basis) accounting for 82.8% of total Group revenue.
- Revenue from Swisse China (Mainland) increased by 25.4% and accounted for 61.2% of total ANC revenue.
- IMF revenue in Mainland China up 2.7% supported by expanded offline distribution and strong online performance, as well as increasing sales contribution from goat milk IMF.
- Strong probiotics revenue with Biostime branded probiotics up 12.7% YoY

(RMB million unless otherwise stated)	For the 12 months ended 31 December		
	2020	2019	Change
Revenue	<b>11,194.7</b>	10,925.2	2.5%
Gross profit	<b>7,187.0</b>	7,228.5	-0.6%
Adjusted EBITDA <sup>1</sup>	<b>2,160.6</b>	2,235.4	-3.3%
Adjusted Net Profit <sup>2</sup>	<b>1,183.1</b>	1,074.5	10.1%
EPS	<b>RMB1.77</b>	RMB1.57	12.7%
Proposed full year dividend per ordinary share	<b>HKD1.02</b>	HKD0.85	20.0%

<sup>1</sup> Adjusted EBITDA = EBITDA - Non-cash gains of RMB69.2 million for the year ended 31 December 2020 (2019: RMB2.9 million) + Non-recurring losses of RMB68.9 million for the year ended 31 December 2020 (2019: RMB16.1 million) + Consolidated EBITDA loss of Solid Gold for the period from 12 December 2020 to 31 December 2020 of RMB4.1 million

<sup>2</sup> Adjusted net profit = Net profit + EBITDA adjustment items of RMB3.9 million for the year ended 31 December 2020 (2019: RMB13.2 million) + Other non-cash or non-recurring losses of RMB42.5 million for the year ended 31 December 2020 (2019: RMB56.2 million)

	Year ended 31 December			
	2020	2019	Reported Change	Like-for-like Sales Growth
	RMB million	RMB million	%	%
<b>Revenue by product segment</b>				
Baby nutrition and care products	<b>7,300.9</b>	6,933.8	5.3%	5.3%
<i>Infant milk formulas</i>	<b>5,244.2</b>	5,071.5	3.4%	3.4%
<i>Probiotic supplements</i>	<b>1,395.6</b>	1,255.0	11.2%	11.2%
<i>Other pediatric products</i>	<b>661.1</b>	607.2	8.9%	8.9%
Adult nutrition and care products	<b>3,867.5</b>	3,991.5	-3.1%	-2.4%
Pet nutrition and care products	<b>26.2</b>	–	N/A	N/A
<b>Revenue by geography</b>				
Mainland China	<b>9,276.1</b>	8,449.5	9.8%	10.0%
Australia and New Zealand (“ANZ”)	<b>1,238.4</b>	1,833.7	-32.5%	-32.0%
Rest of the World	<b>680.2</b>	642.1	5.9%	2.2%
<b>Group Total</b>	<b>11,194.7</b>	10,925.2	2.5%	2.5%

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