

Vinda International Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 3331)



2016 Annual Results Investor Presentation

Healthy Lifestyle
Starts with Vinda



Ambition

To become a leading hygiene company in Asia

- secure the forefront position in the tissue market
- speed up the expansion of personal care business

2016 Highlights



1

Strong growth & margins expansion continue

- Double-digit organic growth in revenue
- Improvement in profitability (i.e. GPM, EBITDA margin, NPM)

2

Successful integration of SCA Asia business

- New income stream from Asia
- Larger sales contribution from Personal Care

3

Reinforced market leading positions

- No.1 in e-commerce (Tissue category)
- Market share gains across categories and regions

4

Strong cash flow

- Good operating results, working capital management & CAPEX planning
- Net gearing reduced significantly

5

Enhanced corporate governance

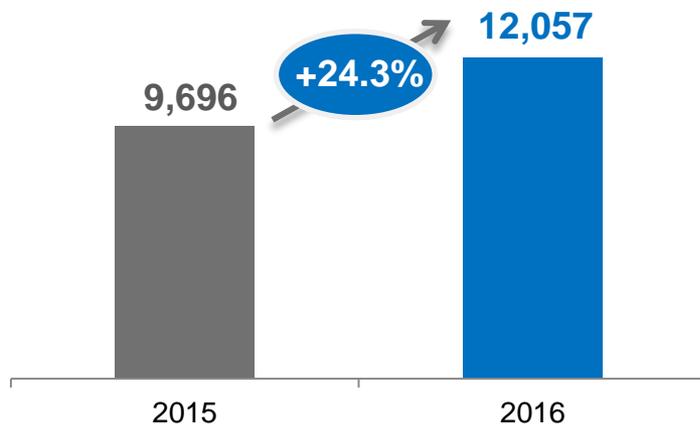
- New Code of Conduct, 98% of employees got trained by year end
- “Directors of The Year Award” from Hong Kong Institute of Directors

A photograph of a family consisting of a man, a woman, and a young girl, all smiling and looking towards the camera. They are dressed in light-colored clothing. The background is softly blurred, suggesting an indoor setting with greenery.

Financial Highlights

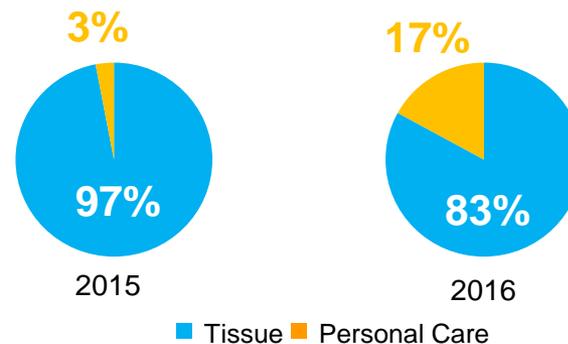
Strong Revenue Growth

Total Revenue (HK\$M)



*** Organic growth: +13.7%**

Revenue Mix (%)

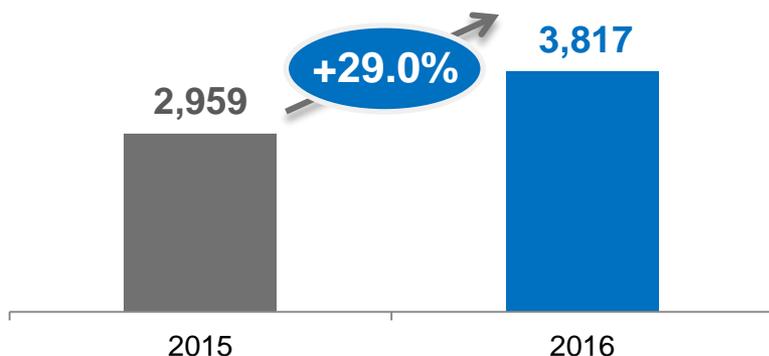


- Both tissue and personal care (Inco and Fempro in particular) contributed to the strong organic growth
- Larger sales contribution from personal care primarily came from the acquired Asia business since 2016Q2

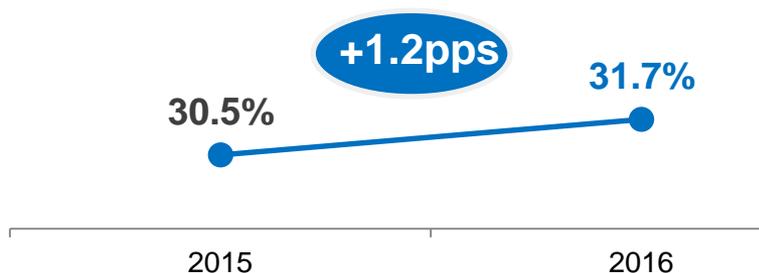
* Excludes acquisition and exchange rate effects

Gross Margin Expansion

Gross Profit (HK\$M)



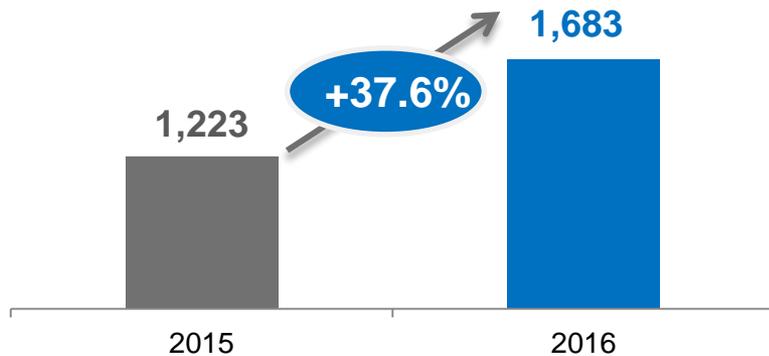
Gross Profit Margin



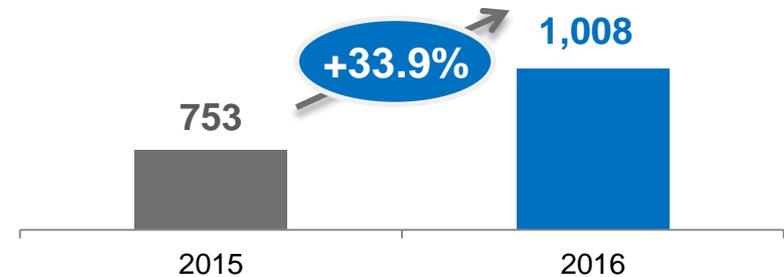
- Lower wood pulp cost
- Continuous portfolio optimisation
- Significant increase in sales of higher-margin tissue products, such as softpack, wet wipes etc.
- Higher fixed cost coverage

Improved Operating Earnings

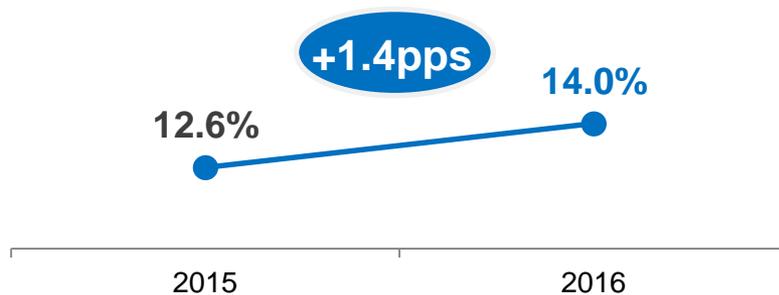
EBITDA (HK\$M)



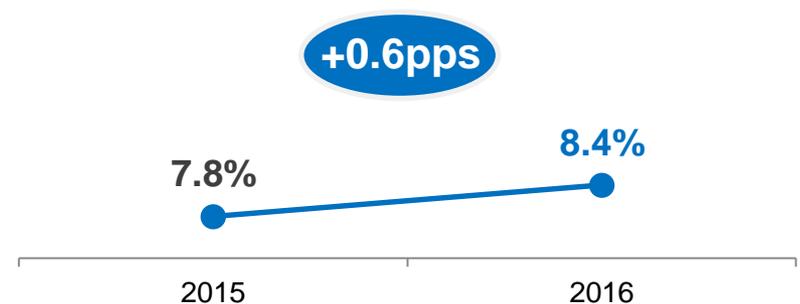
Operating Profit (HK\$M)



EBITDA Margin

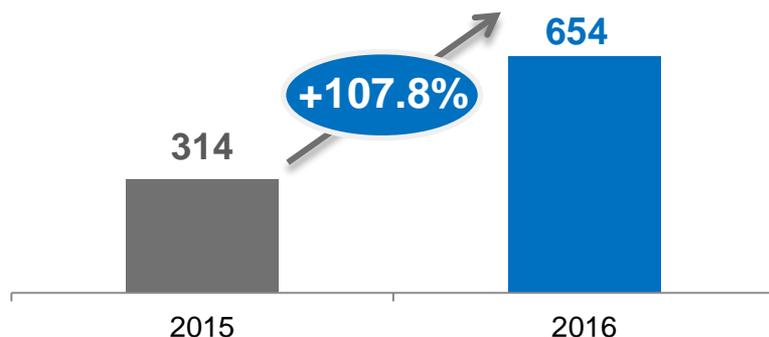


Operating Margin



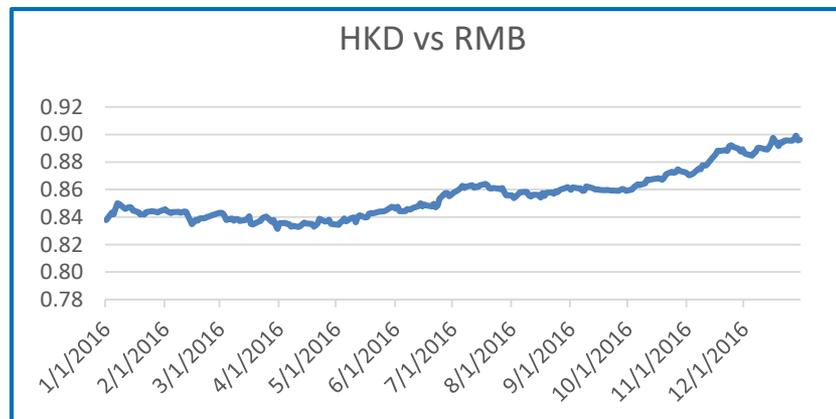
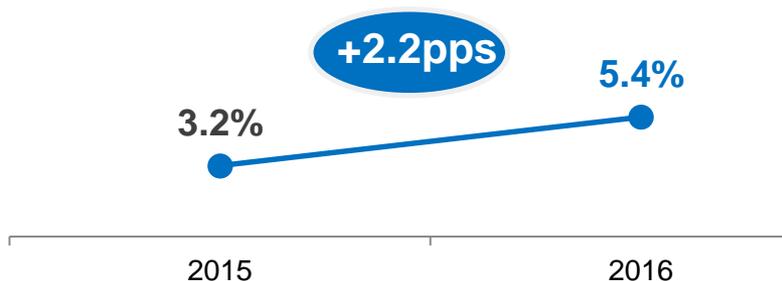
Net Profit Doubled

Net Profit (HK\$M)



- Better operating performance
- Significant reduction of foreign exchange loss, despite ongoing devaluation of RMB

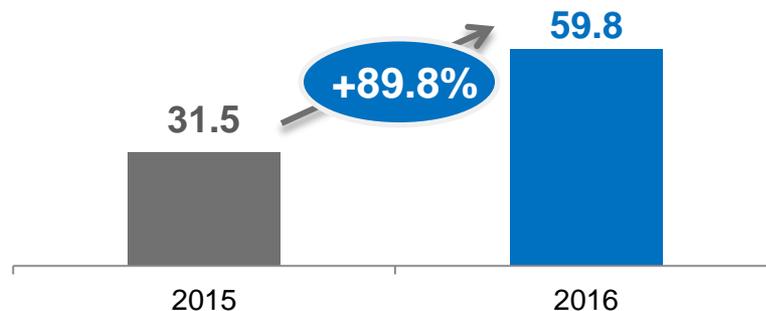
Net Margin



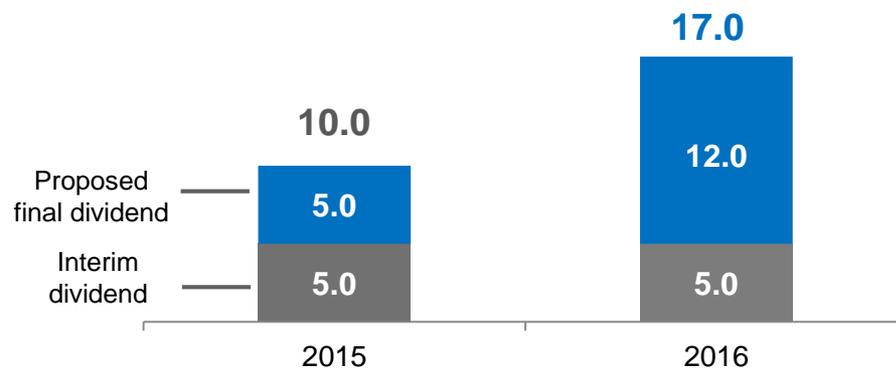
HK\$M	2015	2016
Total FX loss	309	45

Increased Total Dividend

Basic EPS (HK\$ cents)



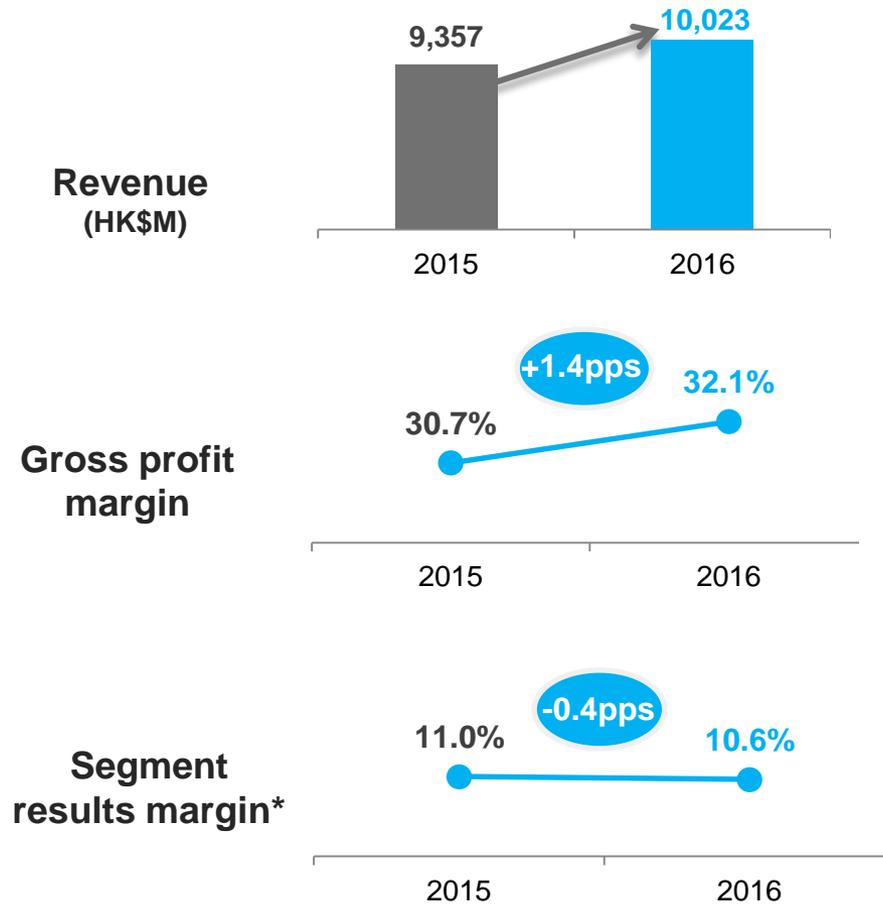
Proposed Total Dividend (HK\$ cents per share)



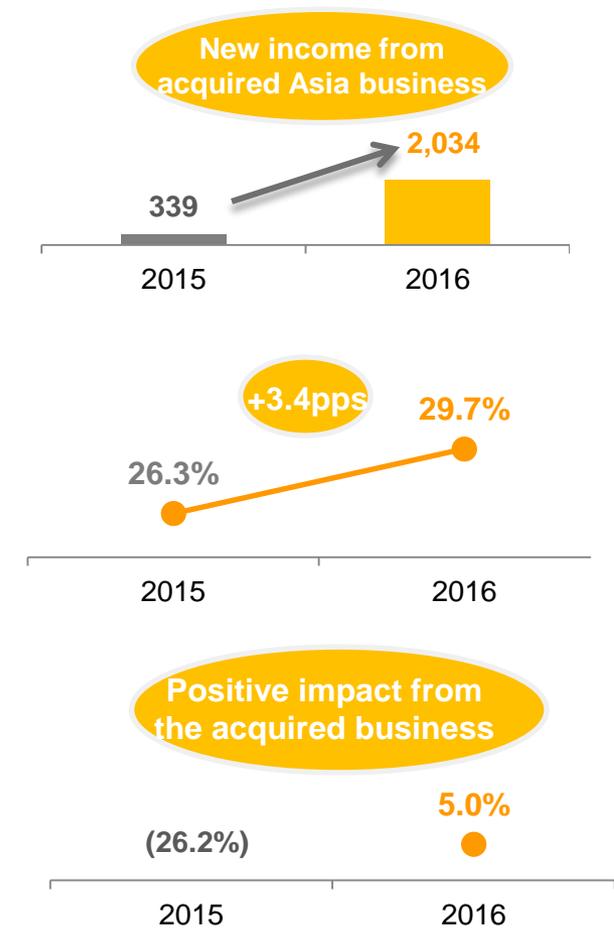
- 2016 dividend payout: 29% of net profit, which is in line with the dividend policy of not less than 25% of net profit

Segment Performance

Tissue



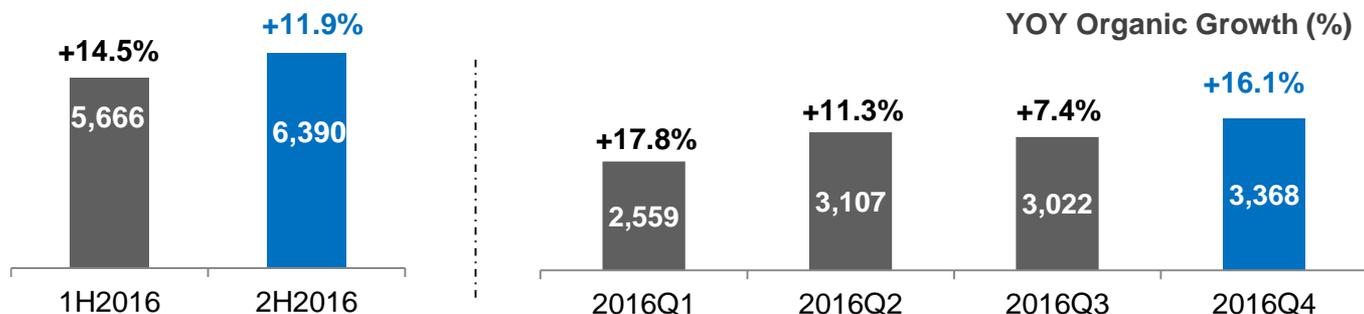
Personal Care



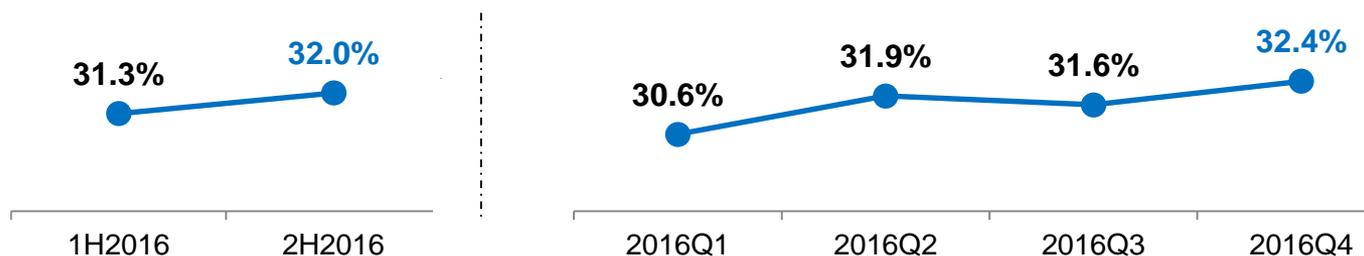
*segment profit before amortisation of trademarks, licenses & contractual customer relationship)

Periodic Performance

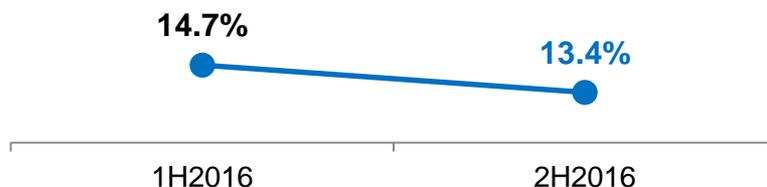
Revenue (HK\$M)



Gross Profit Margin

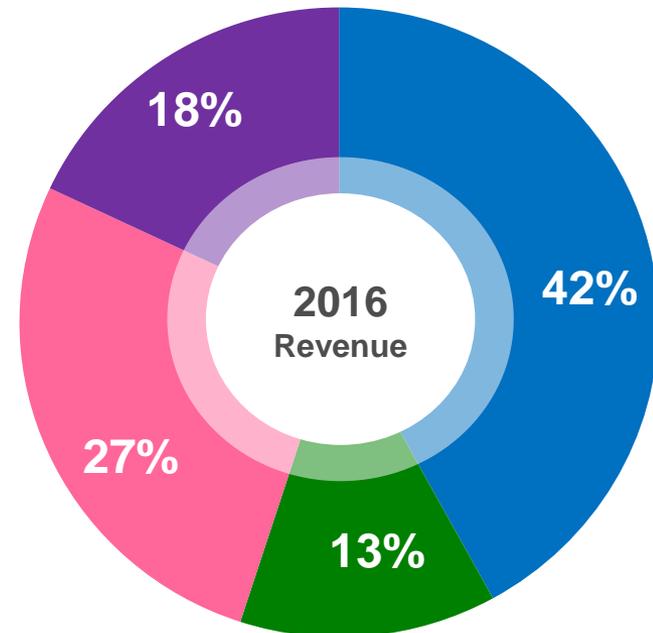
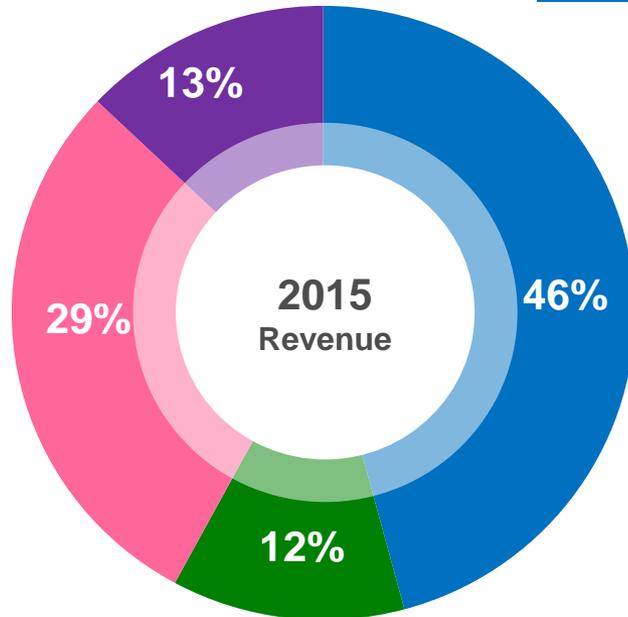


EBITDA Margin



Continuous Growth in E-commerce

Total Company

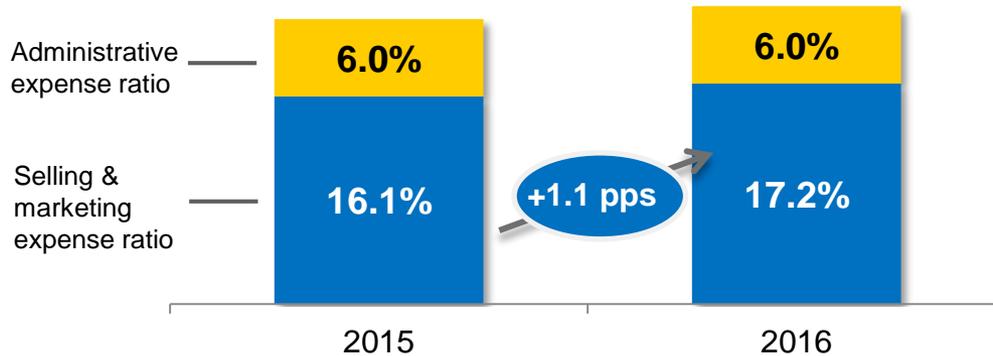


- Traditional channels (i.e. Distributors)
- B2B (i.e. Corporate clients)
- Key accounts (i.e. Hypermarkets, Supermarkets)
- E-Commerce

Expenditure



OPEX as a % of Sales

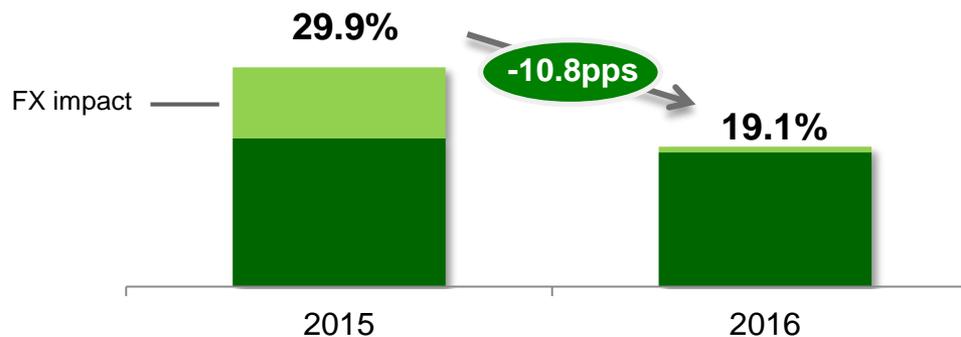


Good control on administrative cost

Higher OPEX ratio, due to:

- Increase in marketing activities & logistic cost due to shift to e-commerce
- Higher amortisation expense arising from acquired intangible assets

Effective Tax Rate



Lower effective tax rate, due to:

- Substantial reduction of non-tax deductible foreign exchange loss
- Approval of certain tax deductions in Malaysia and Hong Kong

Key Indicators



(HK\$M)	As at 31 Dec 2016	As at 31 Dec 2015
Debtors turnover days	43	43
Creditors turnover days	70	79
Finished goods turnover days	40	43
Working capital to sales ratio	3%	14%
(HK\$M)	As at 31 Dec 2016	As at 31 Dec 2015
Cash and cash equivalents ¹	1,015	393
Total borrowings ²	5,017	4,739
<i>Borrowings in CNY (%)</i>	<i>69%</i>	<i>42%</i>
Net debt	4,001	4,345
Net gearing ratio ³ (%)	59%	88%
Net debt/EBITDA	2.4	3.6
Net cash flow ⁴	339	-633

Improved working capital efficiency

Reduced FX exposure

Lower gearing level

Strong cash flow

- Total unutilised credit facilities as at 31 Dec 2016: HK\$4.0 billion

1. Incl. restricted bank deposit. 2. Total borrowings (incl. SCA shareholder loan)
 3. Total borrowing less bank balances and cash and restricted deposits / total shareholders' equity.
 4. Change of net debt, including exchange rate effect

Outlook



Opportunities & Challenges

Opportunities

Urbanization¹

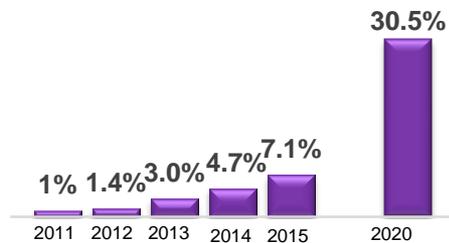
- 2014: 55%
- 2015: 56%
- 2020: 60%

Aging population¹

- 2013: 9.7%
- 2014: 10.1%
- 2015: 10.5%
- 2020: 17.5%

Growing e-commerce²

% of China FMCG sales from online



ASEAN Rise of middle class

(BY 2020)

>200M³

Middle class definition:
spending US\$16-US\$100 per day

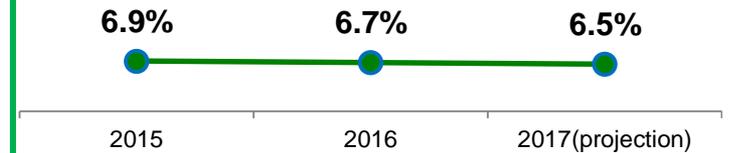
Stringent environment regulation

China tissue capacity (tons)	2013	2014	2015	2016
Shut down by government ⁴	>0.2M	0.42M	0.47M	>0.4M

Challenges

Slowdown in economic growth

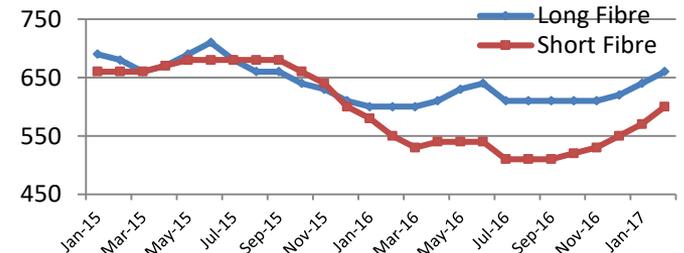
China GDP⁵



Weaker market growth & Intensified competition

Uncertain movement of RMB

Pulp Price



¹ National Bureau of Statistics & National Development & Reform Commission, China Silver Industry Association

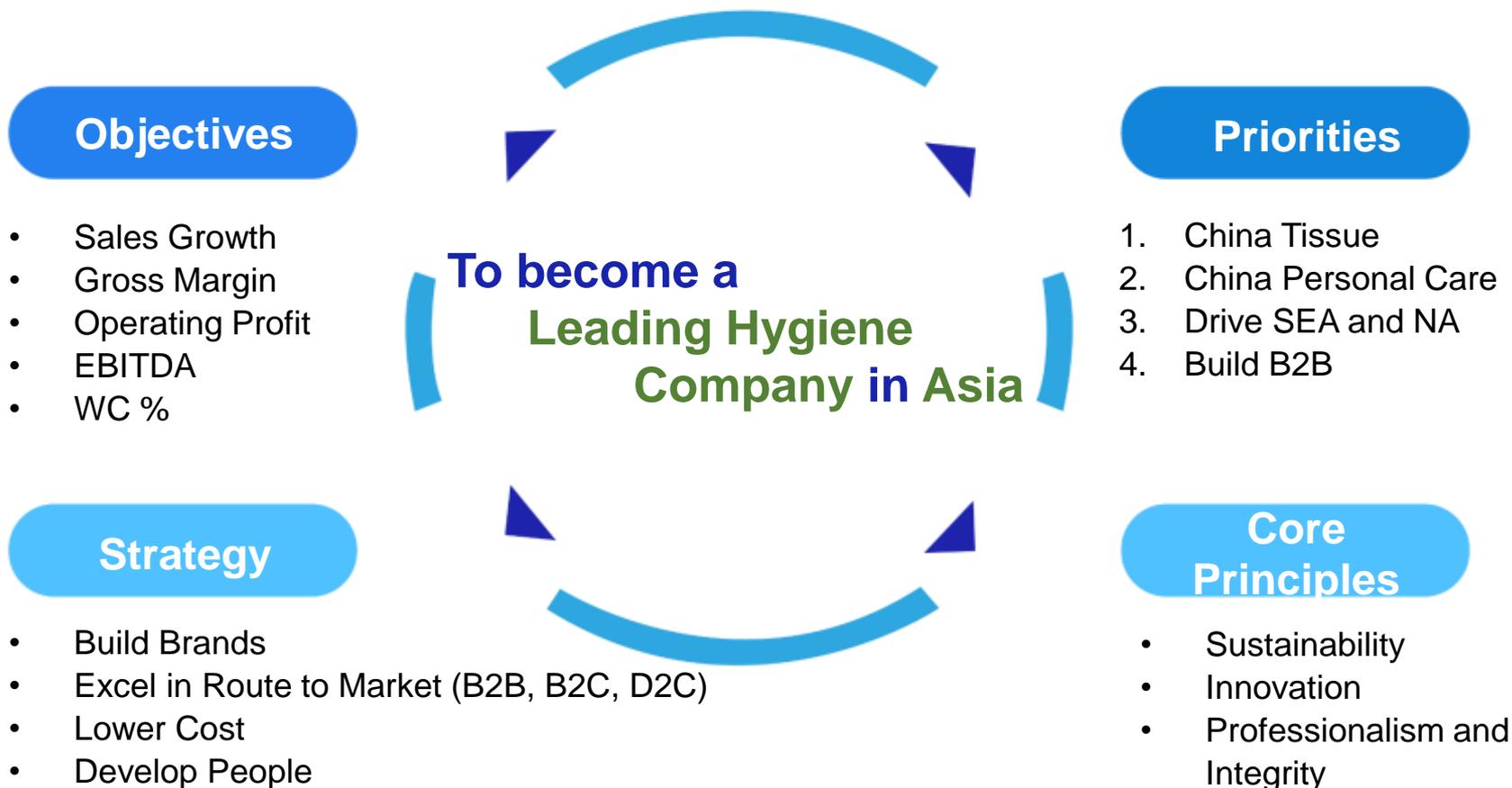
² Kantar 2015

³ Nielsen forecasting in 2015

⁴ China Paper Association & internal estimate

⁵ National Bureau of Statistics & The World Bank

Strategic Framework



Our Priorities



Drive Tissue business in China

- Drive Tissue sales in China with innovative-driven product, R&D & marketing campaigns
- Increase contribution from Tempo in high-end market



Broaden the Personal Care presence in China

- Become the leader in Incontinence with TENA & Dr. P
- Build VIA & Libresse as future profit contributor
- Selective presence in competitive baby market



Drive Personal Care growth in Asia & roll out tissue business

- Strengthen Personal Care market positions where we have presence
- Roll out tissue to Asia by leverage the strong route to market



Build up B2B business

- Build Away-from-home Tissue business and TENA institutional sales

Invest for the Future



- Add 60,000 tons of tissue capacity in Zhejiang in 2017H2, bringing the total of 1.1M tons by end of 2017
- Upgrade the converting technology & environmental protection facilities
- Continue the construction of Yangjiang production site for future demand
- Ongoing R&D and technology support from SCA

Targets

Revenue

- Grow faster than the market

Gross Margin

- Expand margin through portfolio management & improvement in production efficiency

OPEX %

- Keep good control on OPEX

Working Capital & cash flow management

- Continuous improvement

Dividend Payout Policy

≥ **25%** of net profit

Q&A

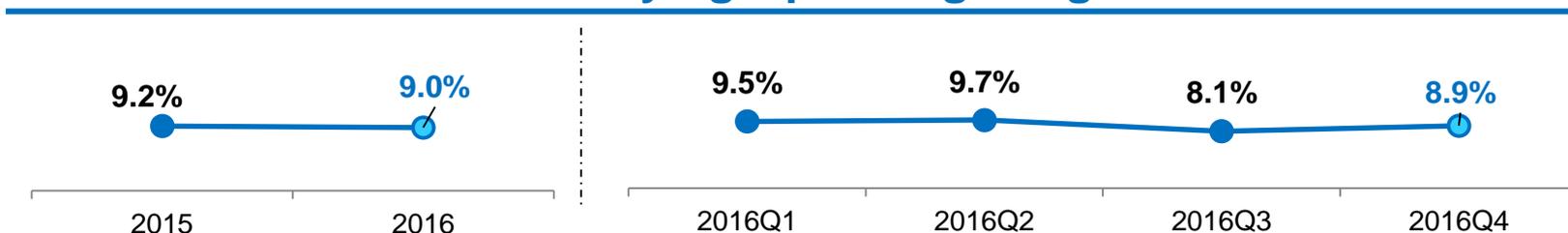




Appendix

Underlying Operating Margin

Underlying Operating Margin¹



Items Affecting Comparability (HK\$M)	2016	2015
Operating items:		
• Foreign exchange gain/ (loss)	(25)	(108)
• Amortisation of the acquired intangible assets related to the acquisition on Apr 1, 2016 (non-cash item) ²	(42)	-
• <i>Transaction cost related to acquisition</i>	(3)	(31)
• <i>Loss on fair value re-measurement of trademark</i>	(11)	-
Financing items:		
• Foreign exchange gain/ (loss)	(20)	(201)
• Fair value downward adjustment on convertible note (non-cash item)	(18)	-

¹ Excluding items affecting comparability

² It will only be presented as an item affecting comparability where it was not included in comparative prior year period

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Thank You

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Starts with Vinda*

