

Q4 FY23 Earnings Presentation

May 17, 2023



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Zydus Wellness:
A leading
Consumer Wellness
Company in India



Financial performance – Q4 FY23 & FY 23



Operating environment- Overview



Brand Highlights



The Road Ahead



**Financial Performance
&
Operating Environment - Overview**



01

Moderating Inflation

Retail inflation moderating sequentially

02

Constrained Budgets

Rural consumers downtraded to minimize the impact of inflation in their household budgets

03

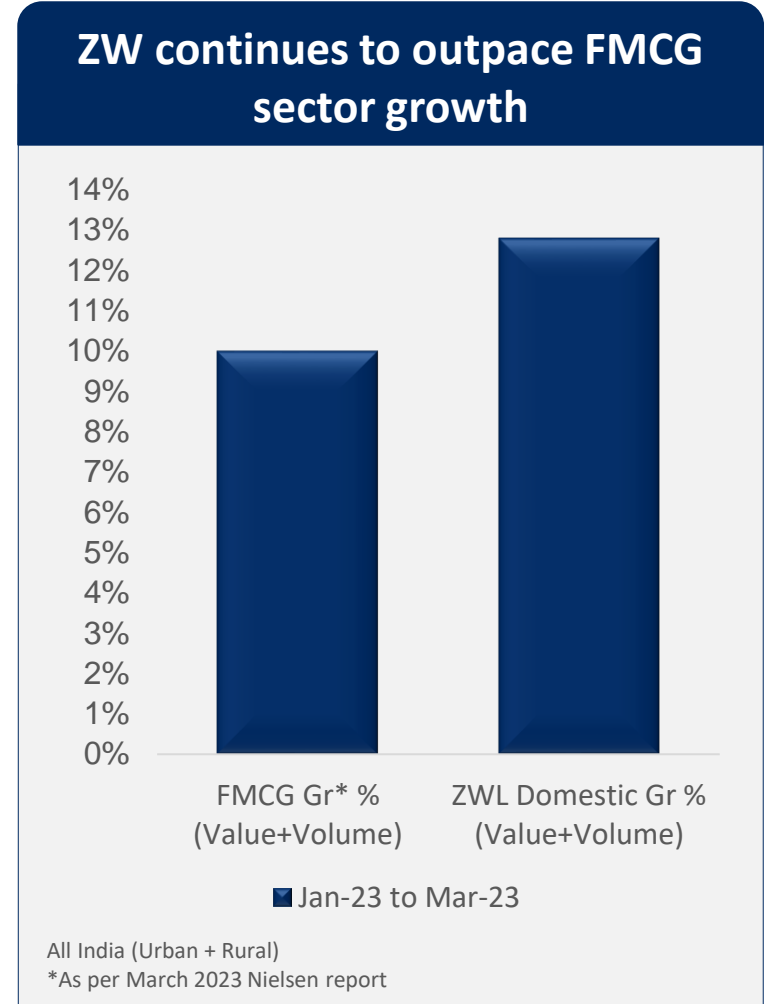
Improving Demand

Consumer sentiment have gradually started to improve in the rural areas
Urban demand continued to be better than rural.

04

Volume growth picked up

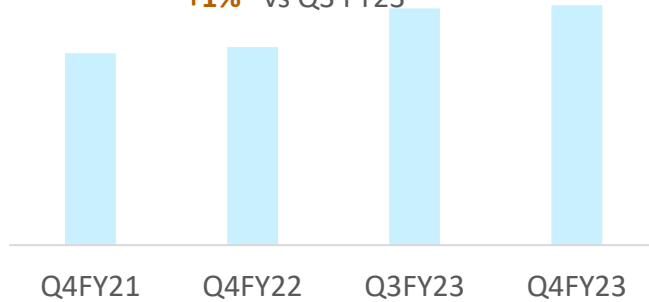
Volume growth improved



Price inflation for our key inputs moderated (except milk)

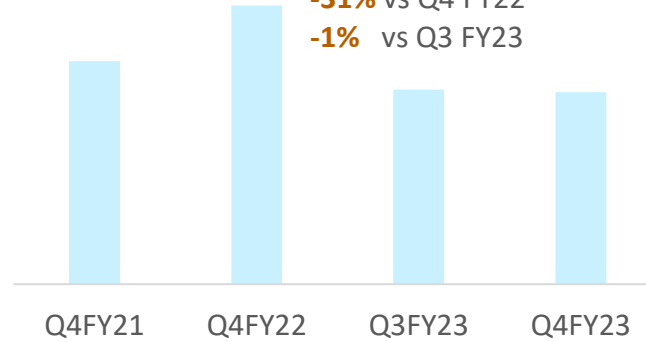
Milk

+25% vs Q4 FY21
+21% vs Q4 FY22
+1% vs Q3 FY23



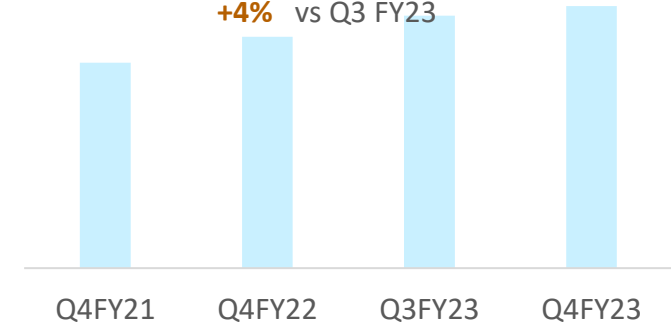
RPO*

-14% vs Q4 FY21
-31% vs Q4 FY22
-1% vs Q3 FY23



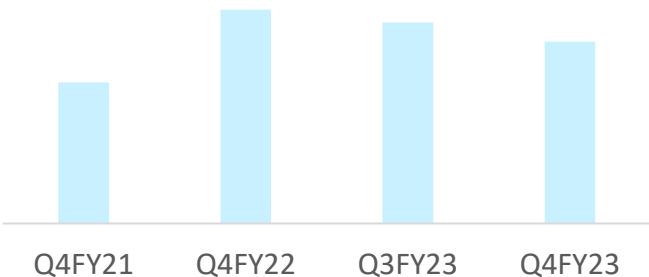
DMH*

+28% vs Q4 FY21
+13% vs Q4 FY22
+4% vs Q3 FY23



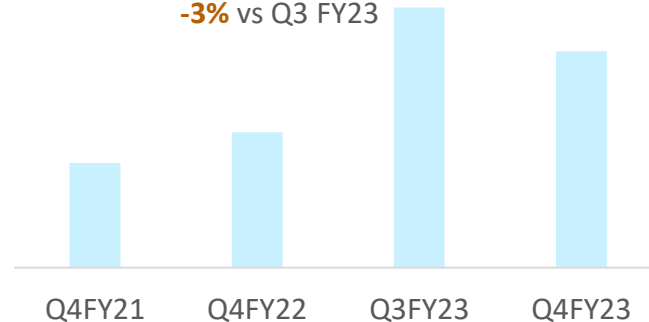
Aspartame

+29% vs Q4 FY21
-15% vs Q4 FY22
-10% vs Q3 FY23



Diesel

+10% vs Q4 FY21
+7% vs Q4 FY22
-3% vs Q3 FY23

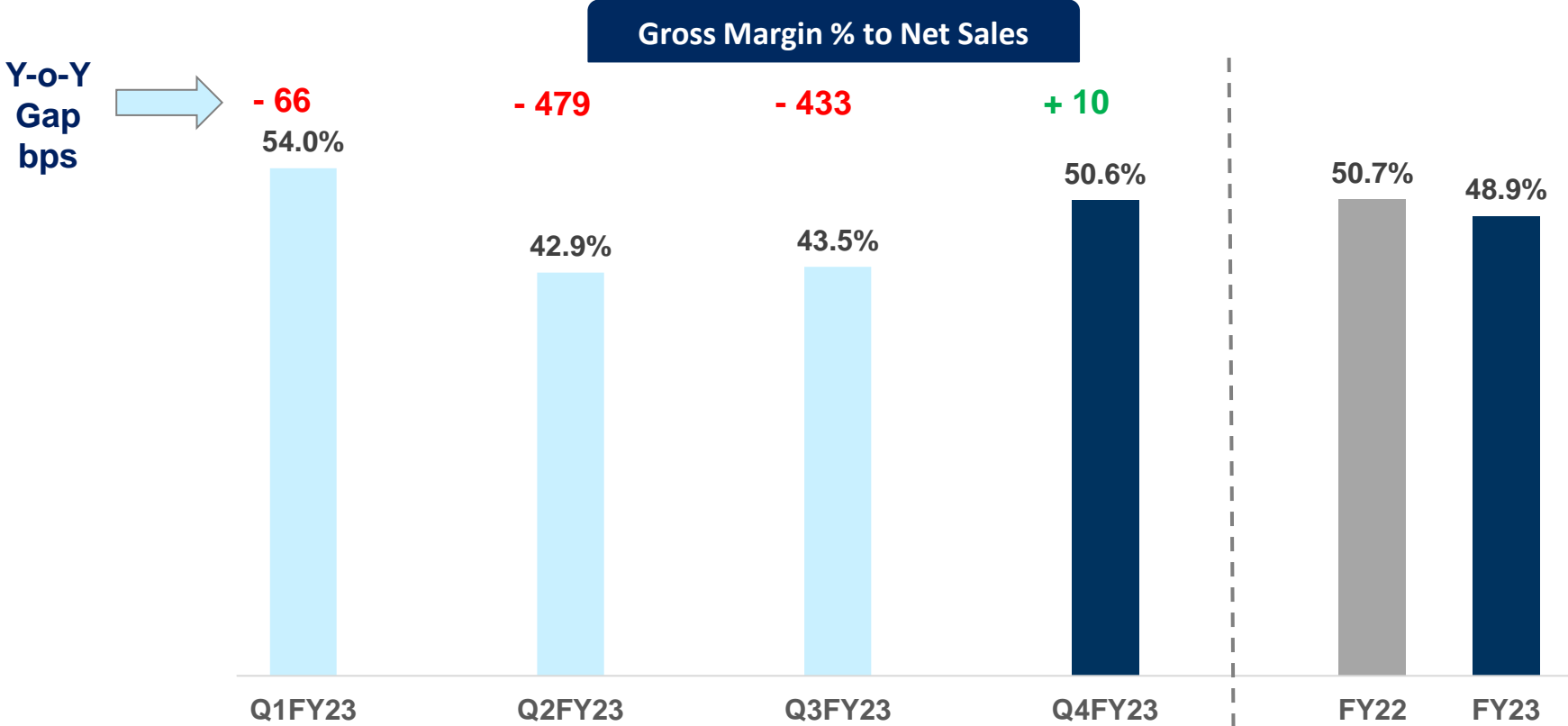


- ❑ Effective price increase of 7.8% in Q4 FY23 and improved product mix helped offset inflationary pressure resulting in gross margin improvement
- ❑ Gross margin of non-dairy portfolio continued to improved
- ❑ Elevated price of milk continue to partially impact dairy portfolio's gross margin
- ❑ Weakening of INR/USD

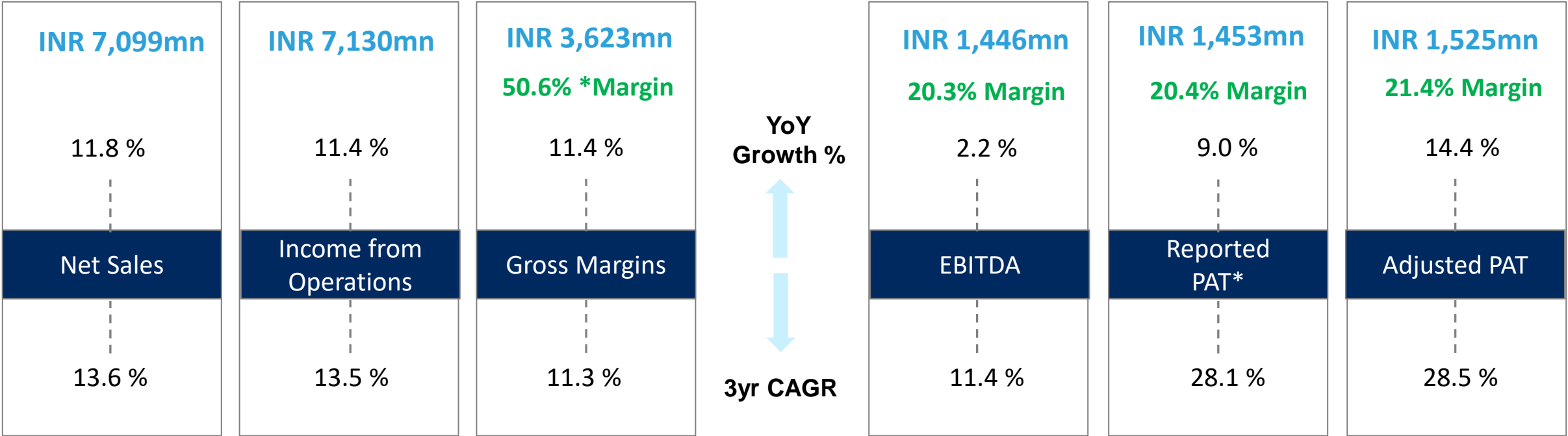
*RPO- Refined Palm Oil
 DMH- Dextrose Monohydrate

Ploughing back gross margins with right actions...

Continuous efforts to improve gross margins with calibrated price increases across portfolio at appropriate time without compromising on growth helping to recover the gross margin

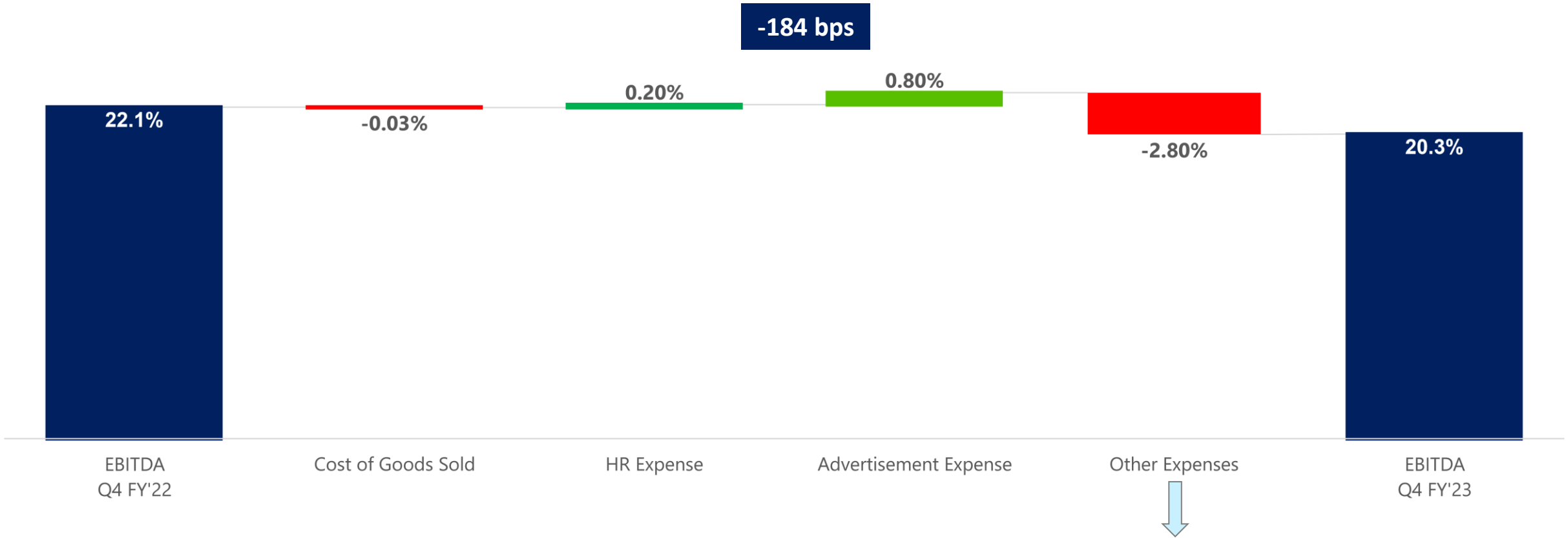


Q4FY23 – Financial highlights



* Margin is Gross Margin calculated on Net Sales

Q4FY23- EBITDA bridge

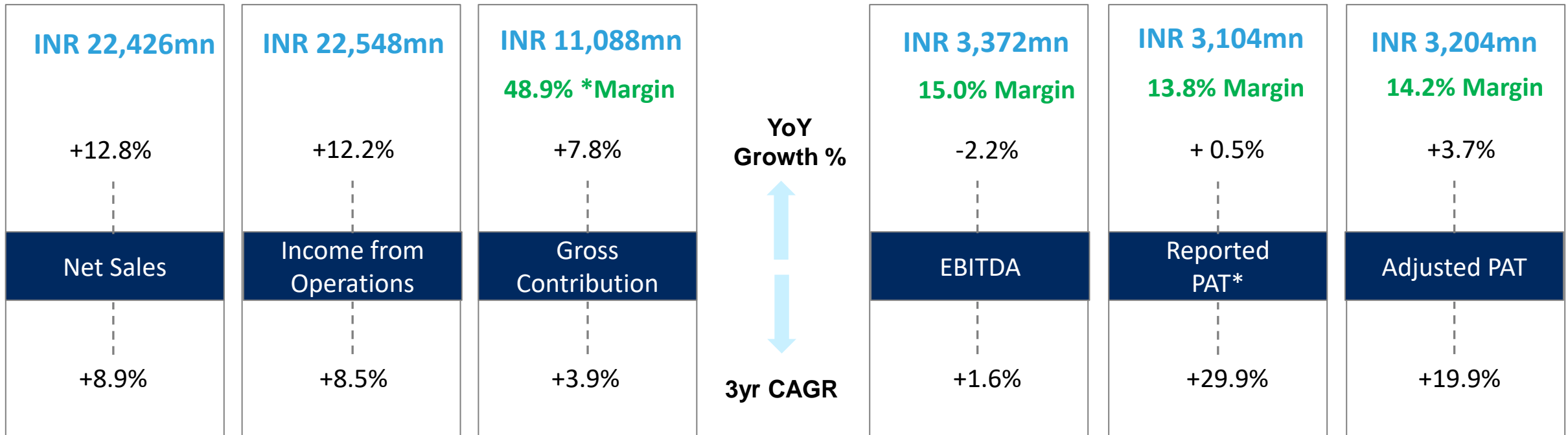


Key Reasons of increase are as below (almost half of it is one time in nature) –

- Third party manufacturing of Glucon-D to cater to seasonal demand
- Wage rate hike in north eastern belt
- Inflation across alternate fuels like husk and coal

Source: EBITDA% = EBITDA/Total Operating Income

FY23 – Financial highlights



* Margin is Gross Margin calculated on Net Sales

Brand Highlights

Zy⁺us
Wellness

Leaders in 5 out of 6 categories



Strengthen “Energy” credential with new launches

- Category leading brand with 99% plus brand recall
- ~60% market share in the category



Strengthening core through Relaunch of the Brand

- Focused on scientifically proven claims on memory and concentration and enhanced chocolate taste
- 1 lakh stores added since acquisition



Replacing sugar in all forms of Consumptions

- India’s first low calorie sugar substitute with more than 95% market share
- Potential to be amongst top 3 global brands



Doubling each year after launch

- “Healthier Sugar” which is completely natural with 50% less calories than regular sugar
- Potential to be the next sizeable brand in sweeteners portfolio



Growing Faster than Market

- Growing faster than overall facial cleansing category
- Scrub Volume market share from 34.8% in 2018 to 41.9%*
- New launches in previous years – Body lotions and Aloe Gel



A Leader getting stronger

- Market leading brand with heritage of over 65 years
- Strengthening leadership with Volume market share from 29.6% in 2018 to 38.2%*



Building ‘Dairy + Spread’ portfolio

- Leveraged milk sourcing to expand dairy segment with Doodhshakti Ghee in retail and institutional channels and Pro-biotic Butter

*As per MAT March 2023 Nielsen report

Continuing to strengthen brand leadership

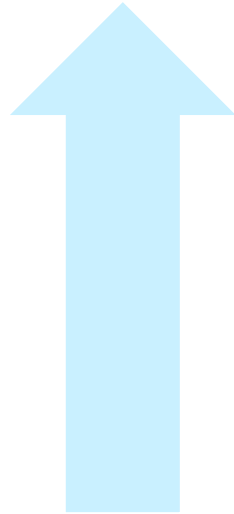
Category	Glucose Powder	HFD	Sugar substitute	Blended Sugar	Prickly heat powder	*Facial cleansing	Scrub	Peel-off	Fat spread	Dairy
Mkt. Rank	1	5	1	NA	1	5	1	1	1#	NA
Mkt. Share %	60.1	4.5	96	NA	35.4	6.2	41.9	78.4	NA	NA
MS change YoY (in bps)	↑ +159	↓ -50	↑ +2	NA	↑ +157	↓ -30	↑ +68	↑ +7	NA	NA

Market share source: MAT March 2023 report as per Nielsen and IQVIA.

*Everyuth market rank 5 is at Total Facial cleansing segment which includes Face wash, Scrub, Peel-off, face masks

Market rank as per company estimate

Power brands – On the path to be Bigger and Better



FY 23 Revenue
INR 2 Billion +



Quarterly brand performance



Supporting brand with activations and communication

- ❖ Continuous support by 360-degree campaigns highlighting highest protein, “Pack Palto, Farak Dekho”, and nutritional differentiation of the brand
- ❖ Improved brand penetration with consumer offers to generate trials
- ❖ Market share stood at 4.5%* in the Health Food Drink (HFD) category



Strengthened “Energy” credential with new launches

- ❖ Good traction and growth registered in Q4 with arrival of summers, despite the inclement weather in some parts of the Country in March which delayed offtakes
- ❖ Launched new variant of Mango under the flavored glucose powder during the quarter.
- ❖ Brand continues to **maintains its number 1 position** with a value market share of 60.1%*, +159bps YoY* in the Glucose powder category.



Quarterly brand performance



Growing faster than the market

- ❖ Continued to outpace category growth with robust growth rate during the quarter and building market shares
- ❖ Scrub continues to maintain its leadership position with market share of 41.9 percent, +68bps YoY* in the facial scrub category
- ❖ Peel off has maintained its number one position with a market share of 78.4%*, +7bps YoY* in the Peel off category
- ❖ Constant support by TV and digital campaigns across its core portfolio



Market share source: MAT March 2023 report as per Nielsen.



Summers driving the growth

- ❖ Gained traction during the quarter with arrival of summer season
- ❖ New packaging to highlight “coolness factor” and brand campaigns highlighting “Ghamoriyon ki Chutti”
- ❖ Re-launched Body mist
- ❖ Maintained its number one position with a market share of 35.4%*, +157bps YoY* in the Prickly heat powder category





Strong growth across the range of products

- ❖ Delivered robust growth for quarter four driven by well-planned digital and on-ground activations
- ❖ Continued to support the brand with print and digital media for dairy portfolio under umbrella of Nutralite Doodhshakti



Offtake turnaround continues to get stronger

- ❖ **Sweeteners portfolio** witnessed a revival with mid single digit growth during the quarter four
- ❖ Continuous support to build Sugar Free Green franchise through aggressive media campaigns and enhanced distribution
- ❖ Sugar Free Green and Sugarlite contribute to ~14% of the sweeteners business
- ❖ Sugar Free has maintained its number one position with a market share of 96%*



*Market share source: MAT March 2023 report of IQVIA

International business – Presence in more than 25 countries



- ❖ Aim for robust growth of the international business , with Sugar Free franchise and Complan constituting ~ 90% of the overall business
- ❖ Supply chain issues in New Zealand and demonetization in Nigeria temporarily impacted the business in mid of FY 23
- ❖ Operationalized the subsidiary in Bangladesh to expand presence in Indian sub-continent
- ❖ Top 5 markets constitute ~80% of the business

Targeting 8-10% of revenues in next 4 to 5 years



Campaigns during the quarter (1/3)



New Flavor 'Mango Blast' launched under Glucon-D



Restarted Immunovolt campaign



'Fitness Ka Pehla Kadam' with Katrina Kaif!

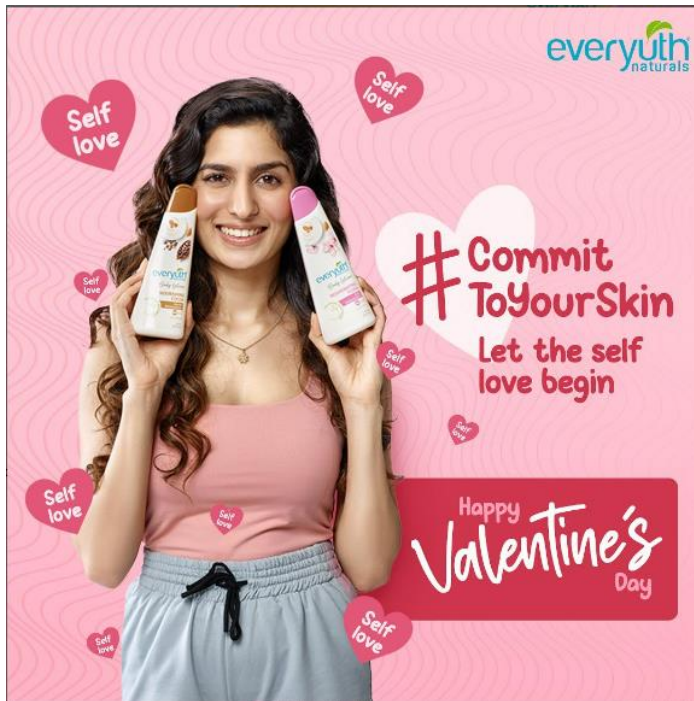


'Sugar Free Sundays' with Sanjeev Kapoor!





Valentine's Week Engagement



Awards & Recognitions (1/2)

Nutralite

Campaign – Baccho Ka Khel

- ❖ Silver – Content Marketing
- ❖ Silver – Best Use of Video
- ❖ Bronze – Best use of Social Media

ADGULLY

DIGIXX

SUMMIT | AWARDS

Glucon-D

Small Budget Digital Marketing Campaign



Sugar Free

Gold Award for Best Use of Content Marketing



Awards & Recognitions (2/2)

Manufacturing Awards



ALIGARH



SIKKIM



AHMEDABAD

INDIASTAR 2022 packaging awards



The Road Ahead

Zy⁺us
Wellness

Three Pillars to drive growth – staying on course



Accelerate Growth of Core Brands

Innovations to focus on portfolio diversification and expansion with an aim to recruit new customer

Differentiated propositions supported by strong GTM



Build International Presence

Build scale in international business by focusing on SAARC, MEA and SEA and suitable innovations to grow them further

Enter new markets with relevant offering



Significantly Grow Scale

Open to bolt-on acquisitions at the right time

Growing the customer base with increased penetration

The building blocks

Category Building

- Volume led focus
- Recruit new consumers
- Innovation to contemporize/
differentiate the offerings
- Build online-first portfolio



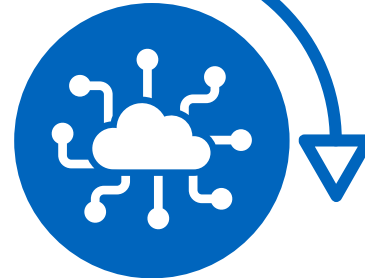
Leading Route to Market

- Plan to enhance distribution infra
and direct coverage over next 3
years
- Invest in capabilities; for
converging Offline & Online trade
- Engage shoppers at multiple
touch points



Digital backbone to decision making

- Digitizing the whole value chain –
Sourcing to fulfillment
- In next phase work with
downstream and upstream
partners for data sharing
- Build capability around predictive
analysis



Inorganic play for gap filling

- Proactively look for Bolt-on
acquisitions
- Focus on international
opportunities in top
geographies of interest



Building Route to market to adapt shifting channel mix



Organized Trade

- Channel mix shift towards MT+Ecom from 17.5% (FY22) to 19.6% (FY23). Potential to increase to 25% in next few years
- E-com continuing good growth, contributing to 7.0% of sales in FY23 (vs 6.0 % same period prev. year)
- Leverage changing shopper behaviour by investing in building stronger presence and efficient spends on visibility and Promotions



Traditional Trade

- Direct reach ~6 lakhs stores expansion across sub channels, plan to take it to ~7 lakhs in FY 24
- Plan to take overall availability of our products from current 2.5 million stores to 3 million as reported by Nielsen



Building future ready capabilities in S&D

- Implementation underway for dashboarding of key KPI's as enablers for real time decision making
- Digitization till last mile sales
- Reduced cost to serve through distributor disintermediation in organized trade

Appendix

Zy⁺us
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Financial Summary – P&L

INR Million	Q4 FY23	Q4 FY22	YoY Gr. %	3Y CAGR	FY 23	FY 22	YoY Gr. %	3Y CAGR
Net Sales	7,099	6,352	11.8%	13.6%	22,426	19,885	12.8%	8.9%
Total Operating Income	7,130	6,398	11.4%	13.5%	22,548	20,091	12.2%	8.5%
Gross Contribution	3,623	3,254	11.4%	11.3%	11,088	10,287	7.8%	3.9%
<i>Gross Contribution Margin-(% of net sales)</i>	<i>50.6%</i>	<i>50.5%</i>			<i>48.9%</i>	<i>50.7%</i>		
HR Cost	435	401	8.5%	1.0%	1,673	1,636	2.3%	2.4%
Advertisement Expenses	667	648	2.8%	12.9%	2,588	2,348	10.2%	4.9%
Other Expenses	1076	790	36.3%	15.5%	3,456	2,857	21.0%	6.4%
EBITDA	1,446	1,415	2.2%	11.4%	3,372	3,448	-2.2%	1.6%
<i>EBITDA Margin</i>	<i>20.3%</i>	<i>22.1%</i>			<i>15.0%</i>	<i>17.2%</i>		
PBT	1,335	1,314	1.6%	27.6%	3,009	3,060	-1.7%	22.1%
Exceptional items	71	0	0.0%	36.1%	100.5	0		-39.0%
PBT (after Exceptional items)	1,263	1,314	-3.9%	27.1%	2,909	3,060	-5.0%	33.9%
PAT	1,453	1,333	9.0%	28.1%	3,104	3,089	0.5%	29.9%
<i>PAT Margin</i>	<i>20.4%</i>	<i>20.8%</i>			<i>13.8%</i>	<i>15.4%</i>		
Adjusted PAT	1,525	1,333	14.4%	28.5%	3,204	3,089	3.7%	19.9%
<i>Adjusted PAT Margin</i>	<i>21.4%</i>	<i>20.8%</i>			<i>14.2%</i>	<i>15.4%</i>		

Zydus Wellness Limited

Regd. Office: Zydus Corporate Park, Scheme No. 63,
Survey No. 536, Khoraj (Gandhinagar), Nr. Vaishnodevi
Circle, S. G. Highway, Ahmedabad – 382481, India.

CIN: L15201GJ1994PLC023490

 +91-79-71800000

 www.zyduswellness.com

