

Q2 FY23 Earnings Presentation

November 10, 2022



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Zydus Wellness:
A leading
Consumer Wellness
Company in India



Steady revenue growth in challenging times



Financial performance – Q2FY23



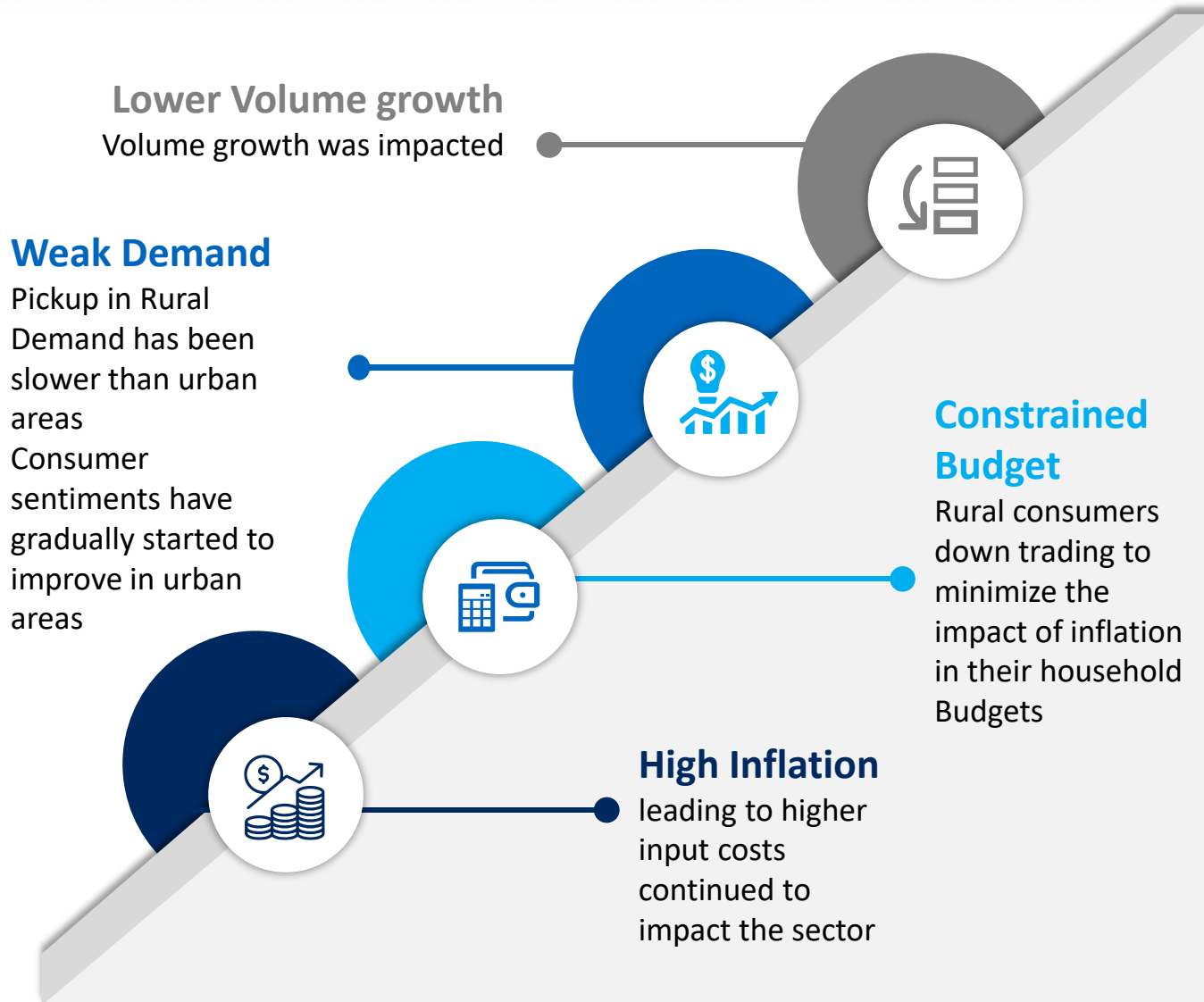
Business and Brand performance



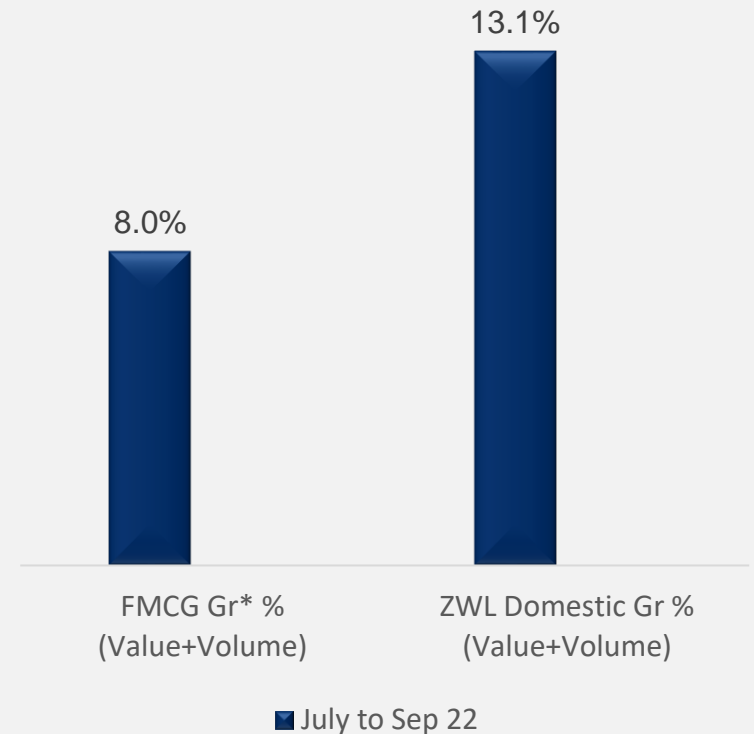
The Road Ahead



Steady Revenue Growth in challenging times



Zydus Wellness outperformed the sector



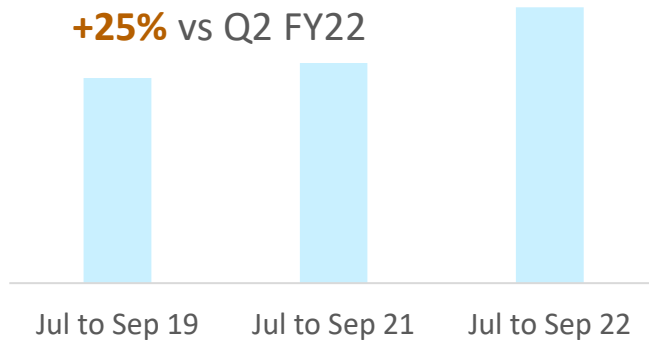
All India (Urban + Rural)

*As per September 2022 Nielsen report

Price Inflation - Partly priced in, remaining work-in-progress

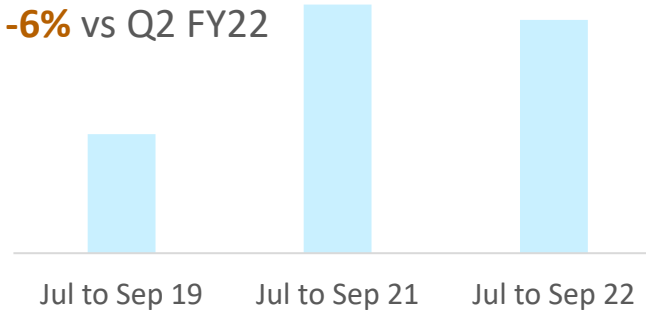
Milk

+35% vs Q2 FY20
+25% vs Q2 FY22



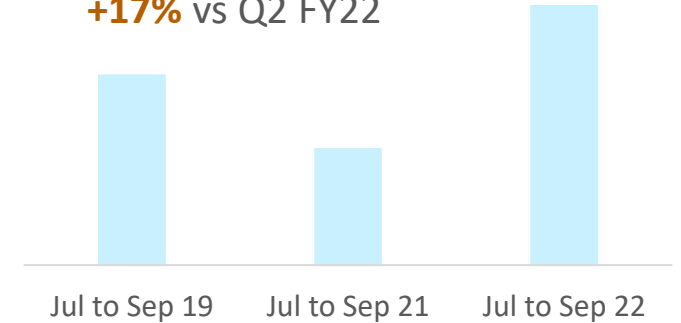
RPO*

+96% vs Q2 FY20
-6% vs Q2 FY22



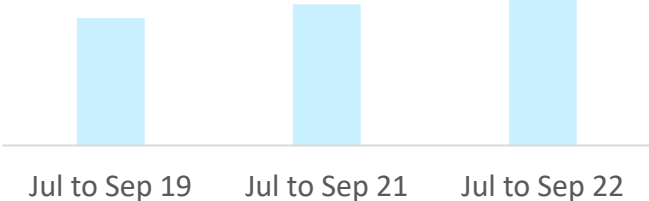
DMH*

+8% vs Q2 FY20
+17% vs Q2 FY22



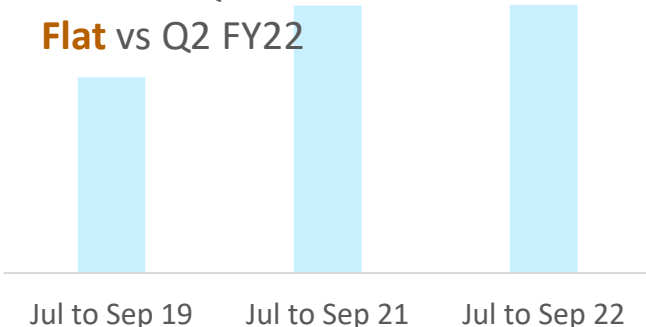
Aspartame

+83% vs Q2 FY20
+65% vs Q2 FY22



Diesel

+37% vs Q2 FY20
Flat vs Q2 FY22



- Milk prices continue to impact gross margins of dairy portfolio
- Weakening of INR vs. USD is impacting the gross margins
- Monitoring the environment and undertaking actions to mitigate the impact

*RPO- Refined Palm Oil
DMH- Dextrose Monohydrate

Q2 FY23 - Financial Performance

Registered steady net sales growth of **+12.3 percent** on a consolidated basis (**volume growth ~5%**), supported by continued marketing efforts across brands

Gross margin declined by 479 bps YoY, largely due to commodity inflation in milk, product mix and weakening INR vs USD

Other expenses up by 15.1%, driven by increased coal and husk rates, and the statutory wage rate hike

Quarterly Summary

| INR Million | Q2 FY22 | Q2 FY23 | YoY | 3-Yr CAGR |
|------------------------|---------|---------|--------|-----------|
| Net Sales | 3,801 | 4,268 | +12.3% | +10.4% |
| Income from operations | 3,837 | 4,295 | +11.9% | +9.6% |
| Gross contribution | 1,850 | 1,860 | +0.5% | +0.2% |
| EBITDA | 305 | 163 | -46.8% | -18.9% |
| PBT | 211 | 82 | -60.9% | 133.4% |
| PAT | 215 | 85 | -60.5% | 115.2% |

Leaders in 5 out of 6 categories



Strengthen “Energy” credential with new launches

- Category leading brand with 99% plus brand recall
- Surpassed 60%* market share milestone for the first time in many years



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
- Could 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 42.3%*
- 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 38.1%*









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 September 2022 Nielsen report

Strengthening competitive edge with gain in Market share across categories that Zydus leads

| |  |  |  |  |  |  | | |  | |
|---------------------------|---|---|---|---|---|---|-------|----------|---|-------|
| 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 % | 60.0 | 4.6 | 95.6 | NA | 35.0 | 6.5 | 41.8 | 75.7 | NA | NA |
| Change vs Q2FY20 (in bps) | ↑+110 | ↓-110 | ↑+140 | NA | ↑+170 | ↑+40 | ↑+800 | ↓-870 | NA | NA |

Market share source: MAT September 2022 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

Quarterly Brand Performance– HFD, Glucose Powder



Strengthening core through Relaunch of the Brand

- ❖ HFD Category continued to witness slow-down and similar trend was reflected for Complan
- ❖ Interventions with launch of sachets and pouches in key markets
- ❖ Increasing market share of Complan in Modern Trade and E-commerce channels sequentially
- ❖ Market share stood at 4.6%* in the Health Food Drink (HFD) category



Strengthen “Energy” credential with new launches

- ❖ Registered a strong double-digit growth, leveraging 2nd summer opportunity across our key markets through TV campaigns
- ❖ Won Gold for Mother's Day campaign, #MyEnergyMaaEnergy, in the category of Small Budget Campaign at the SPOTT Awards by Economic times
- ❖ Maintained No 1 position with market share of 60.0%* in the Glucose powder category



*As per MAT September 2022 Nielsen report

Quarterly Brand Performance– Nutralite, SugarLite and SugarFree



Building 'Dairy + Spread' portfolio

- ❖ Continued to build momentum in the overall business and delivered strong double-digit growth
- ❖ DoodhShakti dairy portfolio, which includes Butter, spreads & Ghee, has *delivered strong performance* backed by increased distribution drive, festival specific digital activations and online recipe videos endorsed by celebrity Shilpa Shetty



Replacing sugar in all forms of consumptions

- ❖ Sweeteners portfolio registered muted growth due to higher base effect, albeit remained at high single digit on 3Y CAGR basis
- ❖ Focused actions drove growth of Sugar Free Green. Direct distribution of Sugar Free Green has doubled during the quarter on a sequential basis
- ❖ Sugar Free won 2 awards during the quarter, a Bronze for the best social media campaign and a silver for Best integrated campaign at the E4M health marcom awards
- ❖ Sugar Free brand continues to maintain leadership with a market share of over 95 percent*



Quarterly Brand Performance– Everyuth and Glucose Powder



Growing Faster than Market

- ❖ Brand is at No 5 position with market share of 6.5%* for overall facial cleansing segment
- ❖ Registered another quarter with a strong double-digit growth supported with campaigns across face wash, scrubs and peel-off
- ❖ Scrub continues to maintain its leadership position with market share of 41.8 percent* in the facial scrub category
- ❖ Peel off has maintained its number one position with a market share of 75.7%* in the Peel off category



A Leader getting stronger

- ❖ Registered strong double-digit sales growth, on the back of prolonged monsoon
- ❖ Won *Silver award* in the “outdoor activations” category at the outdoor advertising awards 2022 for the UP-van drive activation
- ❖ Maintained its number one position with a market share of 35%* in the Prickly heat powder category



Awards & Recognitions (1/2)



Awarded at ET Brand
Equity SPOTT Award

Small Budget Campaign on social
media platforms



Awarded at E4M health marcom

Bronze - Best social media campaign
Silver - Best integrated campaign



Awards & Recognitions (2/2)



Silver Award at the outdoor advertising awards 2022

UP-van drive activation



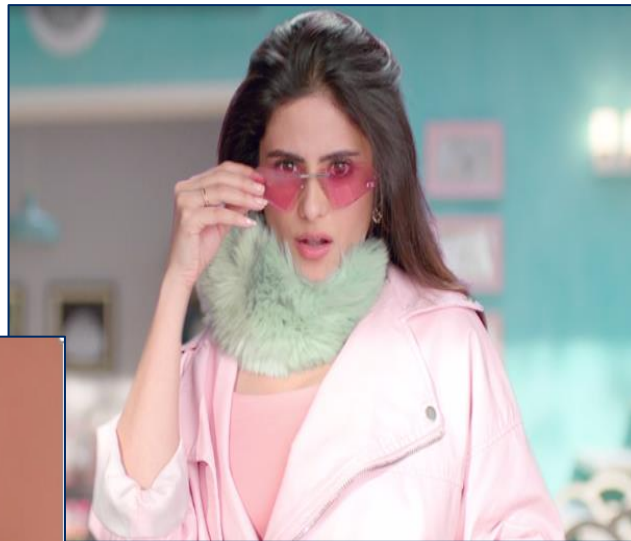
Awarded at 14th Express Logistics & supply chain solutions Leadership awards

Excellence in Global supply chain solutions

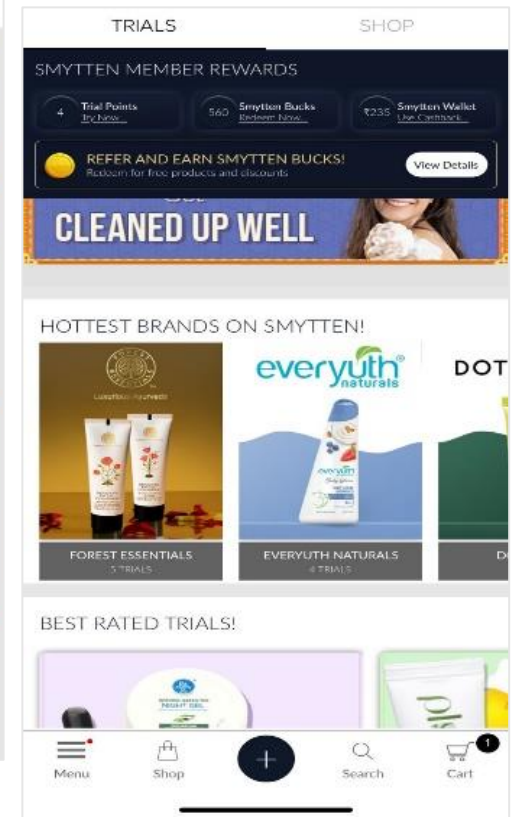
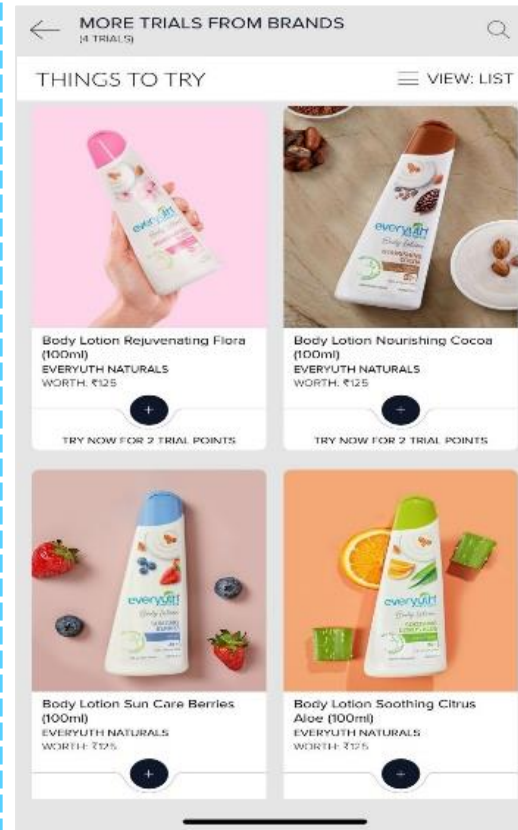




Scrub and Peel Off



Body Lotions available on Apps



Campaigns during the quarter (2/7)



To make people relive a fond memory with their mother by bringing it to life as a **“Customized hand-drawn caricature”** drawn by caricature artists in real-time



#MyEnergyMaaEnergy



Campaigns during the quarter (3/7)

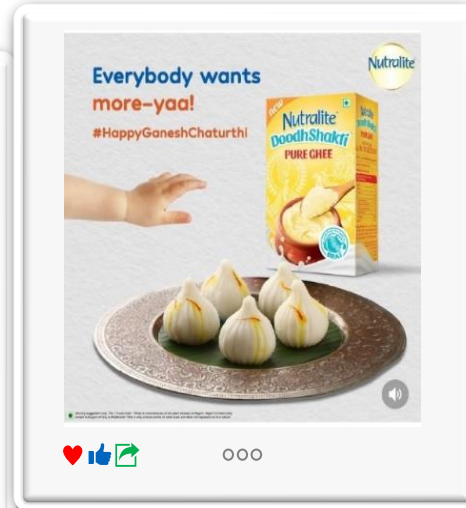
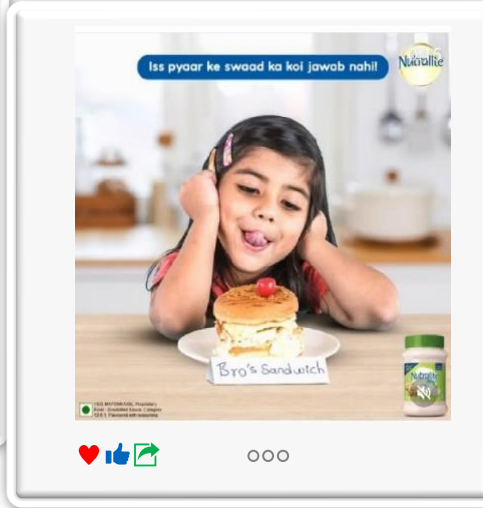


New Recipe video by Shilpa Shetty

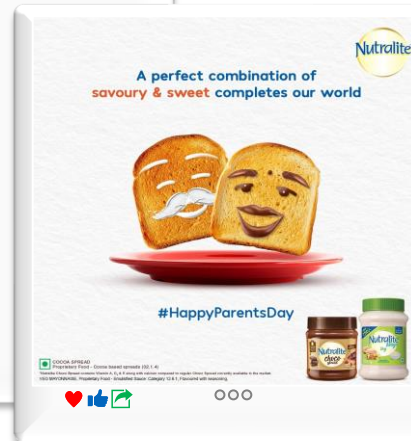
Campaigns during the quarter (4/7)



Social Media promotions on Festivals



Choco spread and Mayo promotion on World Emoji Day

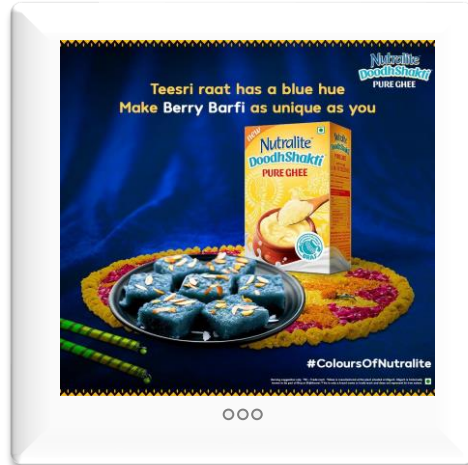


Choco spread and Mayo promotion on Parents Day

Campaigns during the quarter (5/7)



Nutralite Ghee & Butter promotion during festive seasons: Navratri & Dusshera



Campaigns during the quarter (6/7)



**“Pack Pulto, Fark Dekho”
Superiority campaign
across
TV and Digital**



□ कम्प्लाने विविध भागीदार विभाग (1,1,1,2) (सहायक विभाग) शीतल विभाग, संपूर्ण भारत किर्लाकार्गन (सहकारा) - भारत विभाग (2,1) कम्प्लाने भारत सरकार 198 मी 14 मार्च 6394 मी प्रतिदिन (27 मी) शीतल विभाग संपूर्ण भारत किर्लाकार्गन (सहायक विभाग) संपूर्ण भारत

Launch of Royale Chocolate Pouch



**Offers on key
variants:
Royal Chocolate
and Kesar Badam**



**New Creamy Classic
pouch launched in
West Bengal**

Campaigns during the quarter (7/7)

sugarlite™

शुगर बदलो,
हेल्थ बदलो.

Made from 100% Natural Ingredients,
Provides 50% Less Calories!

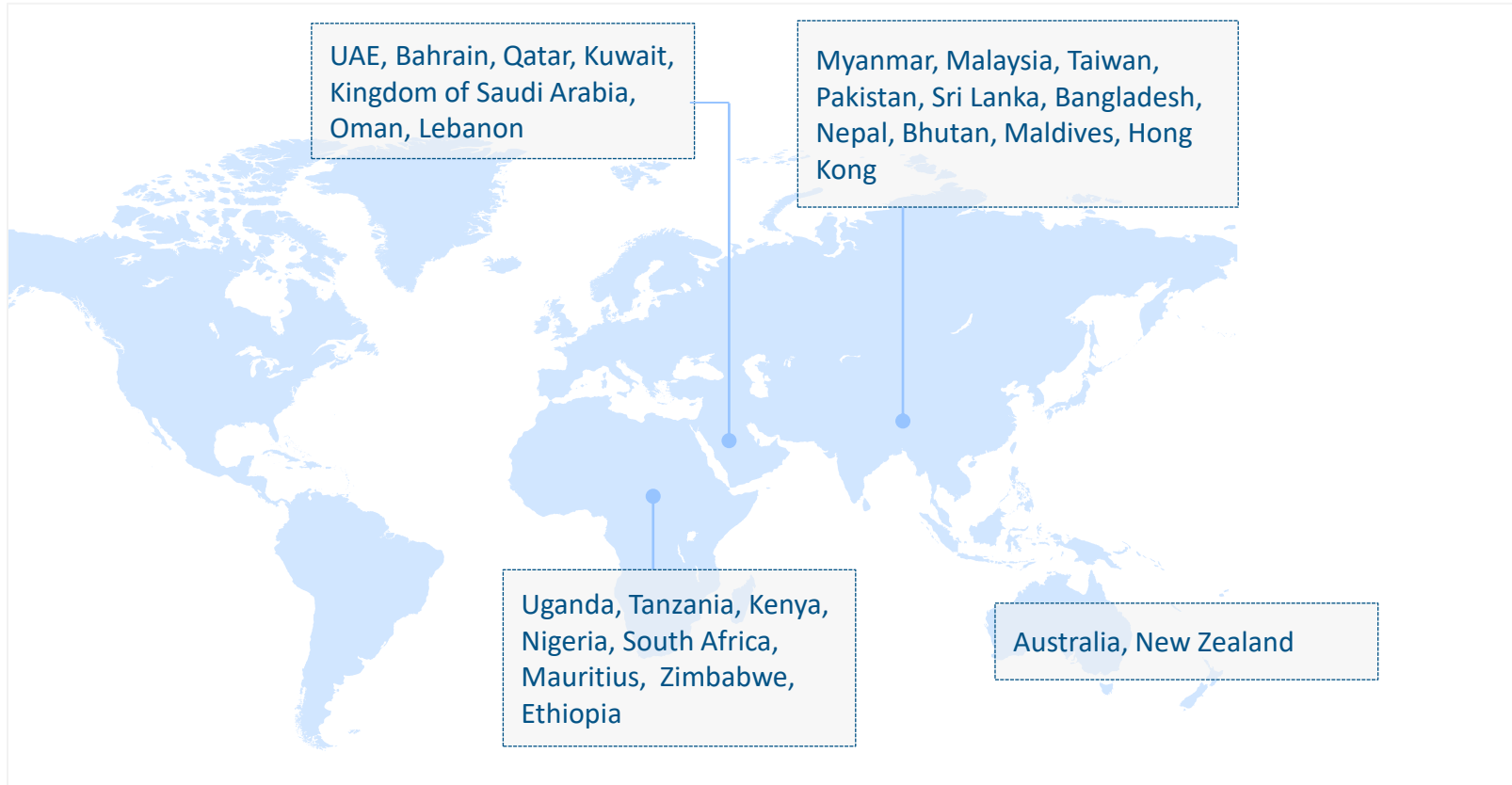
50%
Less
Calories!

औषधीय इस्तेमाल के लिए नहीं, पैरेटेरल इस्तेमाल के लिए नहीं. इस प्रॉडक्ट को बिना मेडिकल सलाह के भी इस्तेमाल किया जा सकता है. स्पेशल डायटरी इस्तेमाल के लिए फूड, कैलरी मैनेजमेंट के लिए फूड.* मिठास में एक चम्मच शुगरलाइट 2 चम्मच शक्कर के बराबर होता है.

Sugar Free™

| | | |
|--|--|---|
| <p>Mouthwatering or melts in minutes? You decide after trying the Guilt Free</p> <p>Malai Kolls</p> | <p>This Festive Season Count your blessings, not Sugar Calories!</p> | <p>Simply, Sweetly & Smartly irresistible</p> <p>Pal Khova</p> |
| <p>This Onam go Nom Nom on your favourite festive delicacies!</p> | <p>Savour the sweet deliciousness of</p> <p>Sugar Free Payasam</p> | <p>Celebrate this Onam with the Mahabali of all sweeteners, bringing us only joyful sweetness and kicking out the Sugar Calories</p> |
| <p>Sweeten up the festivities for your sweet tooth with the delectable & guilt free</p> <p>PURAN POLI</p> | <p>This Ganesh Chaturthi, allow us to be the Sugar Free against the unwanted Sugar Calories lurking in your favourite sweets!</p> | <p>When it comes to Ganpati's favourite we all say "Shukh Ya" to the delectable</p> <p>CHOCOLATE MODAK</p> |
| <p>CELEBRATE THE Freedom TO ENJOY YOUR FAVOURITE SWEETS GUILT FREE</p> | <p>CELEBRATE 75 YEARS OF INDEPENDENCE WITH OUR SWE TRICOLOUR RABDI</p> | <p>Freedom IS ALWAYS SWEET! ESPECIALLY WHEN IT'S FREE FROM THE HARMS OF SUGAR</p> |
| <p>AMLA MOJITO</p> | <p>MANGO SHRIKHA</p> | |

International Business – Presence in more than 25 countries



- ❖ Sugar Free franchise and Complan constitute 93% of the overall business
- ❖ Top 5 markets constitute ~80% of the business
- ❖ Entered new geographies like Hongkong, Lebanon, Zimbabwe, Muscat, Ethiopia and Australia in FY22
- ❖ Launched new extensions to Sugar free - Sugar Free D'Lite Cookies and Sugar Free D'Lite Chocolate spread - in international markets during FY22

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



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



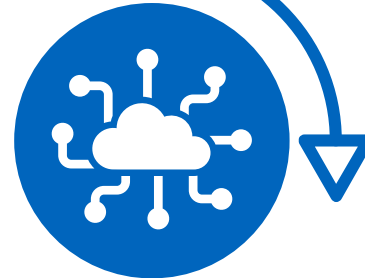
Leading Route to Market

- Plan to enhance distribution infra to 3Mn+ reach and 1 Mn 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 14% (FY 21) to 18% (FY 22). Potential to increase to 25% in next few years
- E-com continuing good growth, contributing to 8.6% of sales in Q2FY23 (vs 7.7% same period prev. year)
- Leverage changing shopper behaviour by investing in building stronger presence and efficient spends on visibility and Promotions



Traditional Trade

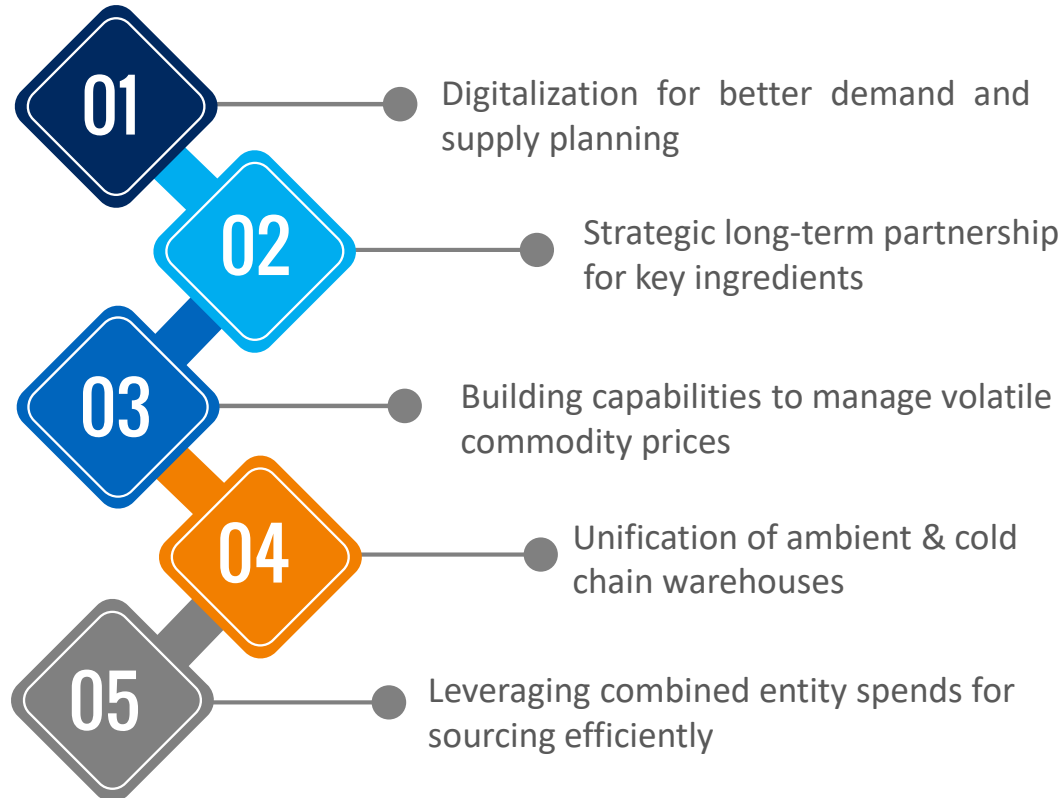
- **Direct reach ~6 lakh stores** expansion across sub channels
- **Plan to reach 1 million stores directly in next 3 years**
- **Overall availability of our products crossing 2.5 million stores as reported by Nielsen**, with equal split between urban and rural distribution.



Building future ready capabilities in S&D

- **Implementing Integrated Business Planning (IBP) tool** to automate the demand planning, supply planning and sales & operations planning (S&OP) resulting in better availability and reduction in inventory
- **Digitization till last mile sales**
- **Reduced cost to serve** through distributor disintermediation in organized trade

Building an Efficient Supply Chain



Reorganizing Manufacturing Operations

Revisited manufacturing footprint focusing on redistributing the manufacturing of same product in different geographies.

Ceased operations of Sitarganj plant with the objective of having leaner operations closer to the consumers

Reduced operational costs

Reduced variable cost through automation

Digitization across Value Chain

Financials Summary – Q2FY23

| INR Million | 2Q FY22 | 2Q FY23 | YoY Growth | 3Y CAGR |
|-------------------------------|---------------|---------------|---------------|---------------|
| Net Sales | 38,013 | 42,677 | 12.3% | 10.4% |
| Total Operating Income | 38,365 | 42,947 | 11.9% | 9.6% |
| Gross Contribution | 18,497 | 18,598 | 0.5% | 0.2% |
| HR Cost | 4,230 | 4,363 | 3.1% | 4.4% |
| Advertisement Expenses | 4,749 | 5,169 | 8.8% | -1.6% |
| Other Expenses | 6,464 | 7,440 | 15.1% | 6.4% |
| EBITDA | 3,054 | 1,626 | -46.8% | -18.9% |
| PBT | 2,110 | 824 | -60.9% | 133.4% |
| Adjusted PBT | 2,110 | 824 | -60.9% | 112.5% |
| PAT | 2,147 | 847 | -60.5% | 115.2% |
| Adjusted PAT | 2,147 | 847 | -60.5% | 162.5% |

Financials Summary - H1FY23

| INR Million | 1H FY22 | 1H FY23 | YoY Growth | 3Y CAGR |
|--------------------------------------|---------------|----------------|--------------|--------------|
| Net Sales | 96,834 | 111,975 | 15.6% | 6.6% |
| Total Operating Income | 98,123 | 112,623 | 14.8% | 6.0% |
| Gross Contribution | 51,601 | 56,413 | 9.3% | 0.7% |
| HR Cost | 8,529 | 8,872 | 4.0% | 5.0% |
| Advertisement Expenses | 11,674 | 14,786 | 26.7% | 0.2% |
| Other Expenses | 14,302 | 16,317 | 14.1% | 3.0% |
| EBITDA | 17,096 | 16,438 | -3.8% | -2.8% |
| PBT | 15,190 | 14,813 | -2.5% | 13.2% |
| Exceptional items | - | 291 | | -57.1% |
| PBT (after Exceptional items) | 15,190 | 14,522 | -4.4% | 30.6% |
| PAT | 15,227 | 14,548 | -4.5% | 28.6% |
| Adjusted PAT | 15,227 | 14,839 | -2.5% | 12.2% |

THANK YOU

Zydus Wellness Limited

