



08 May 2017

Australian Financial Review, Australia

Author: Simon Evans • Section: Companies and Markets • Article type : News Item
Audience : 48,009 • Page: 15 • Printed Size: 379.00cm² • Market: National
Country: Australia • Words: 621 • Item ID: 770904515

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China's Eagle Health flies to ASX with eye on clean and green image

Simon Evans

Eagle Health Holdings, a Chinese company that makes protein powder, throat lozenges and vitamins and is chaired by former Federal Sports and Tourism Minister Andrew Thomson, is headed for the ASX. Its market capitalisation is forecast to be \$130 million if it succeeds in raising up to \$30 million in fresh capital.

Eagle Health is aiming to capitalise on the same "clean and green" theme that helped drive growth in Australian vitamins firms Blackmores and Swisse as it looks to add Australian products to its range of health and nutrition products manufactured in Xiamen in south-east China.

The company, which was established in 2001, generated net profit after tax of \$15.9 million in calendar 2016, according to its prospectus, up from \$14.0 million in 2015. Revenues increased to \$84.2 million in 2016, up from \$72.5 million in 2015.

Net profit margins in the business were 18.8 per cent in 2016, a slight decline from 19.3 per cent a year earlier. Earnings before interest and tax margins were 25.7 per cent in 2016, down from 26.0 per cent in 2015.

Eagle sells into 23 provinces in China and owns a 28,000 square metre manufacturing and warehousing facility in Xiamen. It sells its products through

supermarkets, pharmacies and trading companies, and has a large presence on

online platforms such as Tmall, Alibaba and JD.com.

Mr Thomson told *The Australian Financial Review* that Eagle had a strong, vertically integrated business that was already strong in China, but would bolster its operations further with some Australian products.

"In a sense Blackmores and Swisse came into the market that Eagle was already in," said Mr Thomson, who lives in Japan and is fluent in Mandarin, and regularly travels to China and Australia.

Roadshows to fund managers are planned in Sydney this week, after a string of presentations in Melbourne last week. The lead manager is Melbourne's Beer & Co.

Proposed floats are generally receiving a tough reception among share-market investors now, with hot water tap group Zip Industries deciding to abandon a \$300 million raising and ASX listing on Thursday last week. Mr Thomson said the long-term fundamentals of the health supplements and nutrition sector Eagle was in should help it withstand any short-term souring of investor sentiment. "Fingers crossed we'll be okay," he said.

Eagle generates 24 per cent of its annual sales from amino acid liquids which are consumed by Chinese people to enhance their immune systems,

and 23 per cent of sales come from Eagle's range of protein powders.

Throat lozenges make up 19 per cent of sales, with vitamins and minerals supplements comprising about 5 per

cent. Other products including iron granules, dietary fibre, herbal teas and edible bird's nests make up the remainder.

Eagle Health is offering up to 75 million shares to new investors at 40¢ each. The indicative market capitalisation upon listing will be between \$125 million and \$130 million, depending on whether the maximum amount is raised.

Mr Thomson is a lawyer who was the federal MP from 1995 to 2001 in the seat of Wentworth in Sydney's eastern suburbs, now held by Prime Minister Malcolm Turnbull. Mr Thomson was a former sports and tourism minister in the Howard government. He said in a letter to potential shareholders that Eagle had experienced sales growth "driven by favourable long-term health and wellness product consumption trends in China".

Much bigger rivals Blackmores and Swisse have been at the forefront of a significant increase in exports of Australian vitamins to China, although the pace of that growth slowed in 2016 after confusion about potential e-commerce regulation changes, which have now been postponed.



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