

THE AUSTRALIAN

'Wellness' products a healthy, wealthy and wise investment

By **TIM BOREHAM**,

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It seems the only advertisers these days are Harvey Norman, sports betting shops and Chemist Warehouse and Priceline with their pages of pills and ointments.

Indeed, the term “health and wellness” might be overused and even tautologous, but tell that to the households that spend many billions of dollars annually on cosmetics, dietary supplements and surgical nips and tucks.

According to Euromonitor, the Australian/New Zealand consumer healthcare market is worth \$8.2bn and has been growing at an average 7.7 per cent per annum over the last five years.

For investors, maintaining the body beautiful has had the occasional ugly ending.

In March, **Wellness & Beauty Solutions (WNB)** slid into voluntary administration after failing to lodge its financial returns.

A supplier of products directly to beauticians, Wellness & Beauty was a casualty of the pandemic, which shut down beauty parlours for months.

But ahead of the collapse two other health and beauty providers debuted on the ASX — with pleasing results to date.

The most recent, **EZZ Life Science Holdings (EZZ)**, listed on March 1 after raising \$6m at 50c apiece.

The shares soared to \$1.17 on the first day and at last glance traded at a still-healthy 61c.

EZZ straddles the beauty and nutraceutical sectors, having been created to handle the exclusive distribution of Eaoron skincare products (notably face masks, but not the COVID type).

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But the company's greater ambitions lie with rolling out its own product lines with supplements promoting energy, longevity and DNA repair.

It currently markets three, including iron jellies and a blokes' energy-boosting herbal product.

"There's a fair bit of science going on around with these sort of supplements," says EZZ chairman Philippa Lewis.

"They're not so much about taking a vitamin C tablet if you got a cold, but about long-term health promotion."

EZZ sells to China via T mall — the country's equivalent of Amazon — but is hedging its bets with a strong presence on the shelves of pharmacies (and Woolworths).

The skincare market is crowded and EZZ competes not just with the multinationals but the likes of the listed BWX, custodian of the more mainstream Sukin brand (see below).

The sizzle around EZZ's debut looks to relate more to the higher-margin nutraceuticals side, which makes the company more a miniature version of the \$1.6bn market cap **Blackmores (BKL)**, Christine Holgate's old stomping ground which no doubt she wished she had never left.

The jury may be out on the efficacy of offerings such as beehive jelly face masks, but they sell: the company made \$1.2m in the first (December) half, on revenue of \$12.6m (up 38 per cent).

Management points to full-year revenue being at least 25 per cent higher than the previous year's tally, with the net profit margin stable or improving.

Silk Laser Clinics (SLA)

To the uninitiated, laser clinics are redolent of Star Wars-style light sabres but in reality they are venues for procedures such as unwanted hair removal, botox, fillers and body sculpting.

COVID interruptions and the fate of Wellness & Beauty Solutions aside, they are largely high-margin businesses.

Take Silk Laser, which has 330,000 customers across 56 clinics, mainly in Western Australia, South Australia and Queensland (it's the market leader in the former two states).

Founded by the current CEO Martin Perelman, Silk Laser reported a 78 per cent surge in half-year revenue to \$30.6m, with net profit growing 318 per cent to \$4.8m.

Silk Laser listed in mid-December last year after raising a chunky \$83m at \$3.45 apiece. They peaked at \$5.25 and current trade around \$4.50.

Prospectus forecasts often turn out to be as illusionary as diet program weight loss promises, but in this case management has actually upped its initial forecast of full-year underlying earnings of \$13.5m, to \$14m-\$15m.

Silk Laser opened five new clinics in the December half and plans to have 60 by June this year, with a master plan of having more than 150 outlets eventually.

BWX (BWX)

BWX's repertoire includes Australia's biggest selling natural skincare brand (Sukin), the No 1 facial skincare brand (Andalou) and, intriguingly, the biggest natural cosmetics name in the US (Mineral Fusion).

Having said that, BWX needed to apply some restorative balm to its own body corporate after a rough couple of years.

Under the new management shingle, restorative measures included honing the bloated product line-up and de-emphasising the Chinese potential.

Locally, BWX has entered an expanded equity-based partnership with Chemist Warehouse and has also expanded its shelf presence in Woolworths to 930 outlets (previously Sukin was stocked exclusively by Coles).

The makeover appears to be paying off, with December half earnings climbing 133 per cent to \$9.9m, on a 12 per cent revenue boost to \$37m.

The shares have climbed 37 per cent over the last 12 months, to around \$5. Then again, they were trading at that level three years ago.

Tim Boreham edits The New Criterion.

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