McPherson's Limited Results for the Year Ended 30 June 2015

Paul Maguire – Managing Director
Paul Witheridge – Chief Financial Officer

24 August 2015

MCP FY2015 Financial Overview

- Overall Sales Revenue of $349.1m, 1.0% below prior year
- Sales Revenue, excluding the partially divested Housewares business, of $318.2m, 15.3% above prior year
- Comparable sales, i.e. excluding FY2014 and FY2015 acquisitions and Housewares, grew 4.3% on prior year
- Underlying FY2015 PBT in line with guidance
  - Underlying EBIT of $22.5m, 15.4% below prior year
  - Underlying PBT of $16.4m, 18.2% below prior year
  - Underlying PAT of $12.0m, 16.1% below prior year
  - Underlying EPS of 12.4 cents, 19.5% below prior year

MCP FY2015 Financial Overview

- Cash flow from operations before interest and tax payments of $19.5m, 89% of EBITDA
- Net debt of $77.2m at 30 June 2015, $74.7m at 30 June 2014
- Gearing ratio of 43.9% at 30 June 2015, 44.6% at 30 June 2014
- EBIT Interest Cover[1] of 3.6 times and Leverage Ratio[2] of 3.1 for the 12 months to 30 June 2015
- Final dividend of 2 cents per share fully franked; total dividend of 8 cents
  - Payout ratio 65% of underlying EPS
  - Payment date of 10 November 2015
  - Dividend Reinvestment Plan (DRP) retained

1. Underlying EBIT / Net borrowing cost, excluding one-off interest rate swap termination cost
2. Net Debt / Underlying EBITDA

McPHERSON'S

MCP FY2015 Financial Overview

- Successful refinancing of debt at 31 March 2015
- $60m of Corporate Bonds issued comprising:
  - $30m, 4 year floating rate of 4.30% above BBSW
  - $30m, 6 year fixed rate of 7.10%
- New 2 year Working Capital Facility established with NAB & WBC
- Funding certainty over medium term and capital diversity achieved
- Consistent approach to FX hedging
  - Proportionally lower purchases denominated in USD in FY2015 due to Health and Beauty expansion

McPHERSON'S

Paul Maguire

Managing Director

STRATEGY UPDATE

Trading commentary

- Significant AUD/USD currency devaluation throughout FY2015
- Raw material prices remained high until 4th Quarter FY2015
- Volatility persists in currency and raw material markets
- McPherson's profit impacted in 2H FY2015 by the requirement to supply private label product at low margin, which has now ceased
- Price increase negotiations with retailers protracted but now satisfactorily resolved
- Revenue performance solid in FY2015 but profitability hit by the delay in price increase implementation
- Promotional spend higher than anticipated in 2H FY2015 but the benefit will be felt in FY2016

Divisional revenue summary (Aus & NZ)#

		SHARE OF REVENUE FY2015	REVENUE GROWTH FY15 vs FY14	REASONS	OUTLOOK
HEALTH & BEAUTY	manicare, DR.LEWINN'S	45%	32%*	Acquisitions & new agencies	Growth in revenue and profit
HOME APPLIANCES	Euromaid	21%	12%**	Acquisition & new products	Growth in revenue and profit
HOUSEHOLD CONSUMABLES	Multix® Inspiring Professional Results	29%	7%	Market leadership maintained	Consistent performance
IMPULSE MERCHANDISING	hl homeliving	3%	3%	Improving distribution	Growth through new distribution

The revenue summary above excludes Housewares due to the divestment of 51% of the Housewares business, which has been equity accounted since Nov 2014

* Health & Beauty growth rate excluding acquisitions 1.1%

** Home Appliance growth rate excluding acquisitions 10.6%

McPHERSON'S

Company transformation

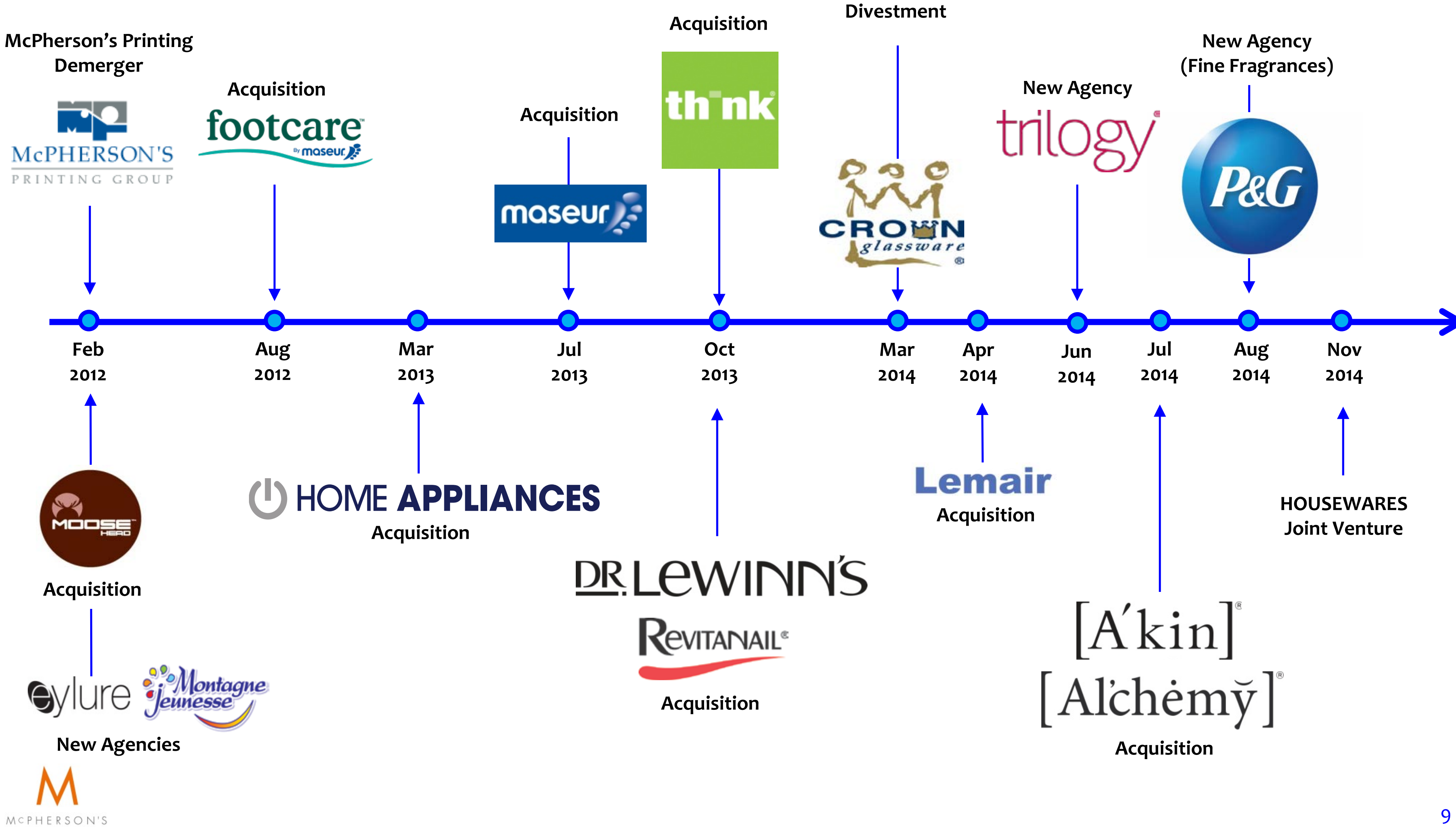
McPherson's stated strategy is:

*"to substantially **transform** through acquisition/divestment, the establishment of new agency partnerships and channel expansion*

*.......**diversifying** away from margin constrained channels and increasing participation in channels with greater profit potential"*

Company transformation timeline

Diversification achieved via acquisitions & new agencies



Transformation progress

Over the past year we have…

… acquired and successfully integrated two natural skincare & haircare brands (A'kin and Alchemy) delivering synergy benefits and growth

… partnered with Trilogy International to distribute the Trilogy brand

… partnered with Procter & Gamble to distribute Fine Fragrances in Australia - Gucci, Dolce&Gabbana and Hugo Boss

… formed a Housewares joint venture with Fackelmann from Germany

… implemented performance improvement initiatives - restructuring, product rationalisation and price increases (late 2H FY2015)

… launched comprehensive new innovative product ranges

Beauty acquisitions

- A'kin & Al'chemy
  - Natural skincare (A'kin) and natural haircare (Al'chemy)
  - Leveraging MCP strengths
  - Significant growth potential

[Al'chemy]®

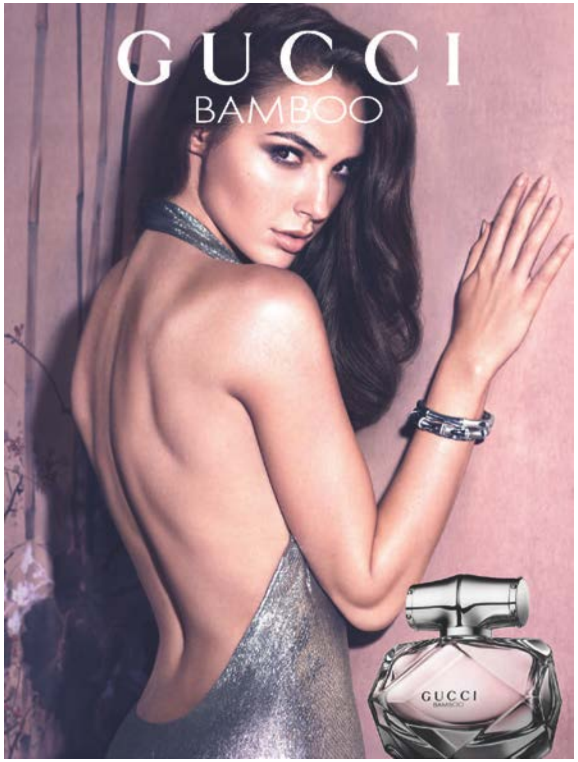
[A'kin]®

New beauty agency – natural skincare

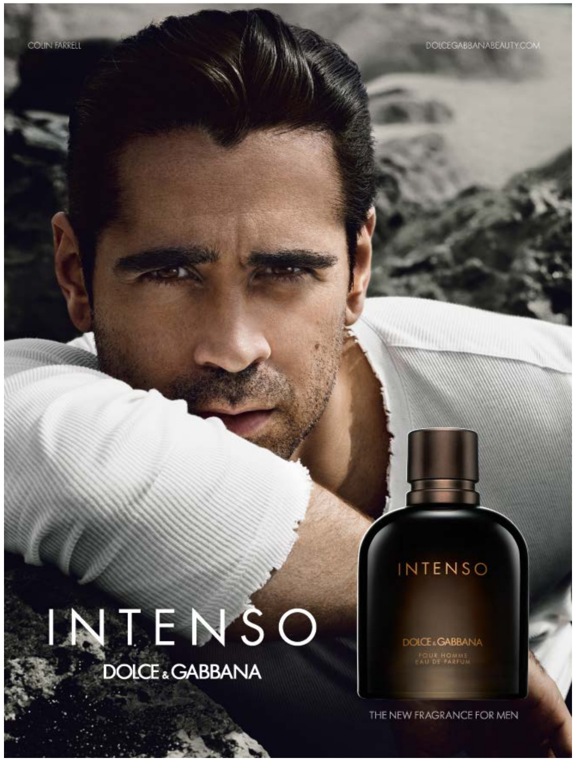
trilogy®

"… products created from simple and unique blends of the purest natural plant oils and botanical extracts"

New beauty agency – fine fragrances



GUCCI



D&G
DOLCE & GABBANA

P&G
Procter&Gamble

BOSS
HUGO BOSS

Housewares joint venture

MCPHERSON'S HOUSEWARES

Member of the FACKELMANN Group

- ‘McPherson’s Housewares’ joint venture established with FACKELMANN from Germany; (FMG 51% : MCP 49%)
- FACKELMANN is a global manufacturer and distributor of kitchen, baking, home & leisure products, operating 35 manufacturing & distribution centres globally
- ‘McPherson’s Housewares’ is benefiting substantially from:
  - Manufacturing and shared sourcing capability
  - Scale, combined product assortments and brands
  - Integrating infrastructure and reducing overheads

Füri®

Stanley Rogers

wiltshire®

MCPHERSON'S

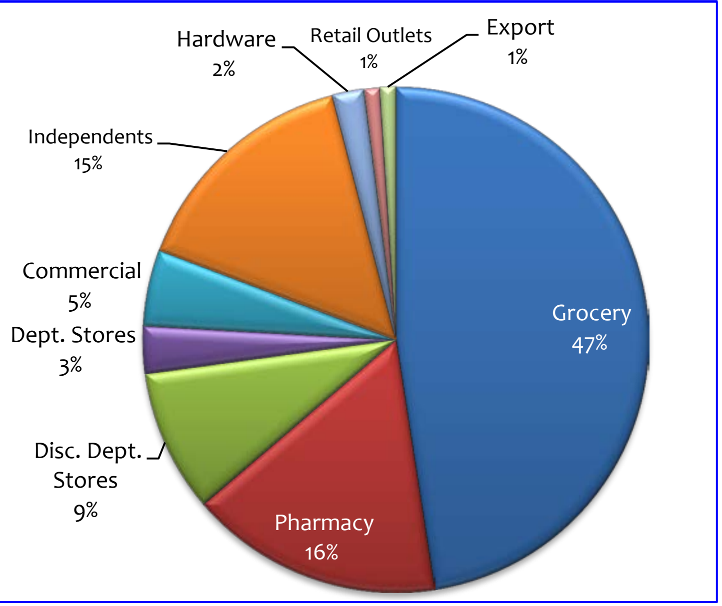
Performance improvement initiatives

- Price increases implemented by all divisions late 2H FY2015
- USD product cost reductions achieved by all divisions 2H FY2015
- McPherson's Australia – restructuring in Sydney distribution centre, field sales and administration 2H FY2015
- McPherson's New Zealand – 1H FY2015 restructuring, Aus ERP System implemented and logistics outsourced to a large scale 3PL provider
- In progress – brand consolidation and product range harmonisation in Health & Beauty, Housewares and Home Appliances

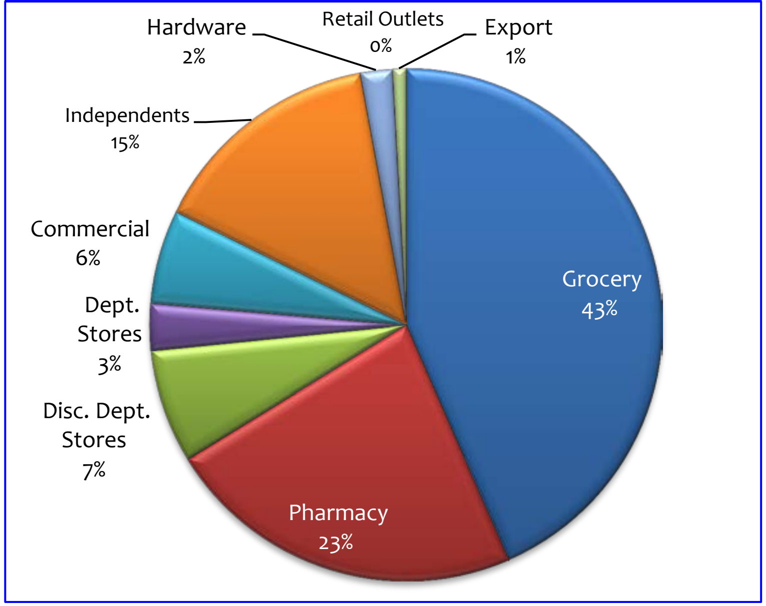
Transformation Benefits

- Transforming through **diversification** reduces risk:
  - **Lessened exposure to foreign exchange**
    - USD purchases will reduce to 63% of total purchases in FY2015, down from 85% in FY2014
  - **A more profitable channel and customer mix**
    - In FY2016 the mix of business across the channels will continue to improve

FY2014



FY2015



McPHERSON'S

Health and Beauty division

Current Status

- Revenue 32% ahead of prior year
- Successful new products under trusted brands
- Acquisitions and new agencies boosting McPherson's presence in Pharmacy and Department Stores and reaffirming McPherson's beauty industry credentials:
  - Dr LeWinn's and Revitanail FY2014
  - Trilogy, A'kin and Al'chemy FY2015
  - Gucci, Dolce&Gabbana, Hugo Boss FY2015

Outlook

- Brand consolidation
- Range harmonisation
- Profitability boosted by price increases and structural reforms
- Focus on advanced beauty and natural beauty
- Enhanced digital capability
- Continued growth through:
  - new product development
  - effect of recent acquisitions/agencies
  - the potential to utilise available DC capacity for 2000+ product lines

McPHERSON'S

Home Appliances division

Current Status

- Home Appliances provides McPherson's with customer and channel diversification - electrical retail, hardware and commercial
- Excellent supplier and customer network
- FY2015 was adversely affected by a depreciating AUD/USD exchange rate
- Sales in some channels slower than expected
- New products launched late 2H FY2015

Outlook

- Benefits from new management, operational initiatives and recent new products
- Supplier rationalisation leading to lower product costs
- Building approvals strong
- Price increases in 2H FY2015 to benefit FY2016
- New ranges accepted in major accounts
- Continued growth through new product launches

Household Consumables division

Current Status

- Revenue 7% ahead of prior year
- Profit impacted by:
  - protracted negotiations prior to the acceptance of price increases
  - the requirement to supply low margin private label....now exited
  - increased ‘customer support’ required
  - high commodity prices until Q4 FY2015
  - AUD/USD currency depreciation

Outlook

- Multix market leadership maintained
- Reduced private label involvement
- Favourable impact of price increases, innovative new products and easing commodity prices
- Sourcing initiatives benefiting profitability

Multix
Inspiring Professional Results

M
McPHERSON'S

Housewares division

Current Status

- Joint venture performing to plan
- 'New Zealand Housewares' joined JV 1 July 2015
- Range rationalisation and clearance complete, leading to overhead reductions and a focus on major brands
- Price increases implemented in 2H FY2015

Outlook

- Profitability boosted by price increases
- Continued product range optimisation to boost profitability
- Launch of profitable new product ranges
- Operational excellence initiatives to further reduce overheads
- The joint venture will continue to leverage scale and manufacturing & sourcing capability to boost competitiveness

MCPHERSON'S

Outlook

- Retail trading conditions expected to remain consistent with the past year
- Financial performance across all divisions boosted by recent price increases, operational initiatives and reduced operational expenditure
- Health & Beauty to benefit from new products and new agencies
- Home Appliances to benefit from new management and new ranging
- Household Consumables to benefit from new ranging and exiting low margin private label
- Housewares joint venture favourably impacted by new ranging
- Innovative new products to support the portfolio of market leading brands
- Company transformation to continue through further price increases, restructuring, expense reductions, e-commerce capability, brand consolidation, divestment and improved channel mix

MCPHERSON'S LIMITED RESULTS FOR THE YEAR ENDED 30 JUNE 2015

Paul Maguire – Managing Director

Paul Witheridge – Chief Financial Officer

Mission

To be a world class consumer products company *through*
1st choice **products for consumers**

and by being a

1st choice **partner for customers and suppliers**
1st choice **employer for employees**
1st choice **investment for shareholders**

Paul Witheridge
Chief Financial Officer

APPENDIX
MCPHERSON'S LIMITED
FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2015

Group Financial Summary for FY2015
Underlying (i.e. excluding significant non-recurring items)

	June 2014 ($A million)	June 2015 ($A million)	
Sales	352.7	349.1	1.0% Sales decrease
EBITDA	29.5	25.2	
Depreciation & amortisation	(2.9)	(2.7)	
EBIT	**26.6**	**22.5**	15.4% EBIT decrease
Interest	(6.6)	(6.1)	Interest cover 3.6 times
PBT	**20.0**	**16.4**	18.2% PBT decrease
Tax	(5.7)	(4.4)	
PAT	**14.3**	**12.0**	16.1% PAT decrease
Operating cash flow (before interest and tax)	33.9	19.5	
EPS excluding non-recurring items (cents)	15.4	12.4	
Total dividend (cents – fully franked)	11.0	8.0	

Group Financial Summary for FY2015
Statutory (i.e. including significant non-recurring items)

	June 2014 ($A million)	June 2015 ($A million)
PBT excluding non-recurring items	20.0	16.4
Non-recurring items:		
- Interest rate swap termination loss	-	(2.0)
- Contingent consideration adjustment benefit	-	2.0
- Impairment of intangibles	(80.0)	(0.6)
- Restructuring costs	(1.5)	(4.1)
- Other non-recurring items	(1.1)	(0.3)
Statutory PBT	**(62.6)**	**11.2**
Income tax expense	(4.4)	(2.4)
Statutory PAT	**(67.0)**	**8.8**
Statutory EPS (cents per share)	**(72.4)**	**9.2**

Overview of Group Balance Sheet

	June 2014 ($A million)	June 2015 ($A million)
Inventories	45.5	57.8
Receivables	60.7	55.0
Assets held for sale (inventories)	26.1	19.7
Payables	(50.6)	(60.4)
Net working capital	81.7	72.1
Property, plant & equipment	6.0	5.5
Investments (49% of Housewares Australia, Singapore and Hong Kong)	-	8.8
Non-current receivables	-	2.6
Intangibles	88.3	89.4
Other assets held for sale	19.3	17.8
Provisions & other net liabilities	(26.0)	(18.5)
Total funds employed	169.3	177.7
Net financial debt	(74.7)	(77.2)
Net tax balances	(1.8)	(1.8)
Shareholders' funds	92.8	98.7
Gearing [Net debt / (Net debt + Shareholders' funds)]	44.6%	43.9%
ROFE (Underlying EBIT / Total funds employed)	15.7%	12.7%
ROSF (Underlying PAT / Shareholders' funds)	15.4%	12.2%

McPHERSON'S

Group Operating Cash Flows

	June 2014 ($A million)	June 2015 ($A million)
cash flows from operations		
Receipts from customers (inclusive of GST)	379.1	382.8
Payments to suppliers and employees (inclusive of GST)	(345.2)	(363.3)
Net cash inflows from operations before interest and tax	33.9	19.5
Net interest and borrowing costs paid	(6.4)	(8.5)
Income tax paid	(4.3)	(4.0)
Net cash inflows from operations	23.2	7.0

Group Investing and Financing Cash Flows

	June 2014 ($A million)	June 2015 ($A million)
cash flows from investing activities		
Payments for purchase of property, plant and equipment	(1.3)	(2.0)
Payments for acquisition of business assets	(23.7)	(8.1)
Payments for purchase of intangibles	(1.1)	(1.4)
Proceeds from sale of business assets	2.2	8.5
Net cash outflows from investing activities	(23.9)	(3.0)
cash flows from financing activities		
Net proceeds from capital raising	4.7	-
Net proceeds from (repayment of) borrowings	7.1	11.8
Dividends paid (net of DRP participation)	(8.7)	(8.4)
Net cash inflows from financing activities	3.1	3.4
Net increase in cash held	2.4	7.4

McPHERSON'S

FX Hedging (Australia)

Comprehensive FX hedging program in place using Options, Forward Exchange Contracts (FECs) and Collars:

Options	Protect downside with premium cost but allow upside benefit
FEC's	Fixed rate with lost forward points
Collar	Improved downside protection in exchange for limiting upside

Current Policy

- Hedge 8 months forward on a rolling basis for 100% of USD requirements
- Options to comprise at least 50% of 8 month requirement. Options, FEC's and tunnel collars to be used for remaining 50%
- FEC's placed covering:
  - Next 30 days where strike is 8 cents above the protected rate; and
  - Next 31 to 90 days where strike is 10 cents above the protected rate

McPHERSON'S

McPherson's Limited

Non-IFRS measures

The non-IFRS measures used by the Company are relevant because they are consistent with measures used internally by management to assess the operating performance of the business. The non-IFRS measures have not been subject to audit or review.

Disclaimer

Statements contained in this presentation, particularly those regarding possible or assumed future performance, estimated company earnings, potential growth of the company, industry growth or other trend projections are or may be forward looking statements. Such statements relate to future events and expectations and therefore involve risks and uncertainties. Actual results may differ materially from those expressed or implied by these forward looking statements.