

McPherson's Limited First Half Results Release Financial Year 2016

Paul Maguire – Managing Director

Paul Witheridge – Chief Financial Officer

23 February 2016



MCP 1H2016 - Financial Overview

- ⌘ Overall 1H2016 Sales Revenue of \$168.3m, 8.9% below prior year
- ⌘ Sales revenue excluding the partially divested Housewares business 6.2% above prior year, impacted by:
 - ❄ Growth in Health & Beauty and Home Appliances
 - ❄ Brand consolidation and SKU rationalisation program
 - ❄ Exiting poor performing private label contracts
- ⌘ Underlying 1H2016 EBIT, PAT & EPS in line with guidance
 - ❄ Underlying EBIT of \$16.0m, 3.6% above prior year*
 - ❄ Underlying PAT of \$8.8m, 2.2% above prior year*
 - ❄ Underlying EPS of 9.1 cents, 1.1% above prior year*

* Figures reflect the early adoption of AASB 9 *Financial Instruments* and the restatement of 1H2015 due to timing of recognition of sales and promotional discounts



MCP 1H2016 - Financial Overview

- ⌘ Net debt at 31 December 2015 \$92.8m, gearing 46.4%
- ⌘ Net debt and gearing projected to be significantly lower at 30 June 2016 after application of an estimated \$20m in proceeds from McPherson's Housewares divestment to reduce debt
- ⌘ Interim dividend of 6.0 cents per share fully franked
 - ❄ 66% payout ratio of underlying EPS
 - ❄ Payment date 7 April 2016
 - ❄ Dividend Reinvestment Plan retained at a discount of 2.5%



Strategy Update

Paul Maguire

Managing Director





Trading commentary

- ⌘ Retail trading conditions favourable
- ⌘ Commercial building approvals trending upwards
- ⌘ Margins adversely impacted by the weak AUD
- ⌘ Strong branded revenue across all divisions helped offset the weak AUD
- ⌘ Easing commodity prices in 1H2016 partially offset the weak AUD
- ⌘ Price increases and other performance improvement initiatives were also required in 1H2016 to help offset the impact of currency

- ⌘ Note - 2H2015 was adversely impacted by the requirement to supply unprofitable private label products. These contracts were exited June 2015, therefore did not adversely impact 1H2016, and 2H2016 will benefit from their absence



Divisional revenue summary (Aus & NZ)*

		SHARE OF REVENUE 1H2016	REVENUE GROWTH 1H16 vs 1H15	REASONS	OUTLOOK
HEALTH & BEAUTY	  	48%	11%	New products and new ranging	Growth in revenue and profit
HOME APPLIANCES	 	23%	18%	New products and new ranging	Growth in revenue and profit
HOUSEHOLD CONSUMABLES	 <small>Inspiring Professional Results</small>	25%	(10%)	Multix sales up 1%, market leadership maintained, some private label exited	Consistent performance
IMPULSE MERCHANDISING (IMD) / OTHER		4%	(7%)	IMD grew but pet products exited	Consistent performance

* Revenue summary excludes Housewares due to the divestment of 51% of Housewares, which has been 'equity accounted' since Nov 2014



Company transformation

McPherson's is substantially **transforming** through acquisition & divestment and the establishment of new agency partnerships; increasing participation in more profitable categories, channels and markets

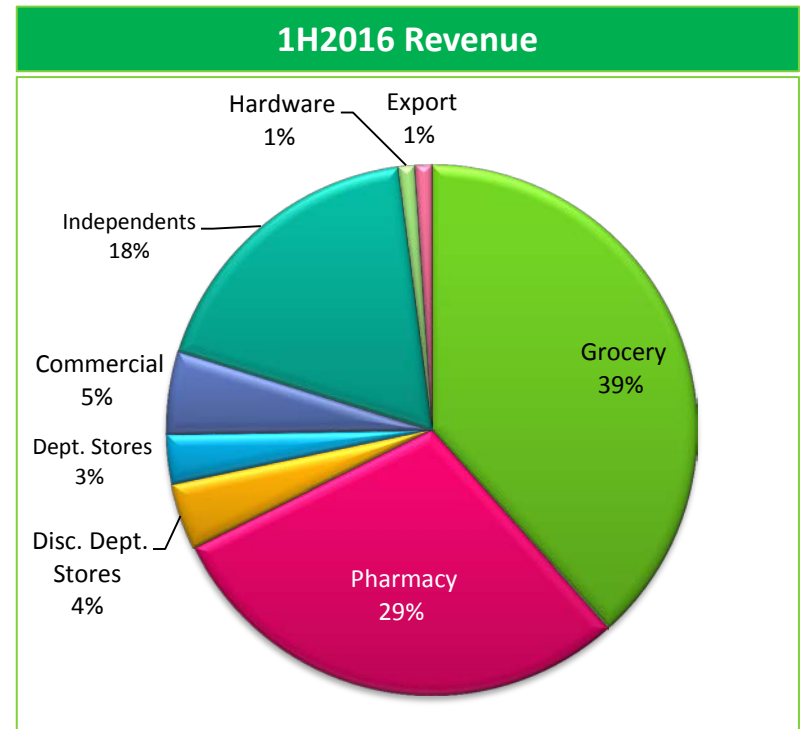
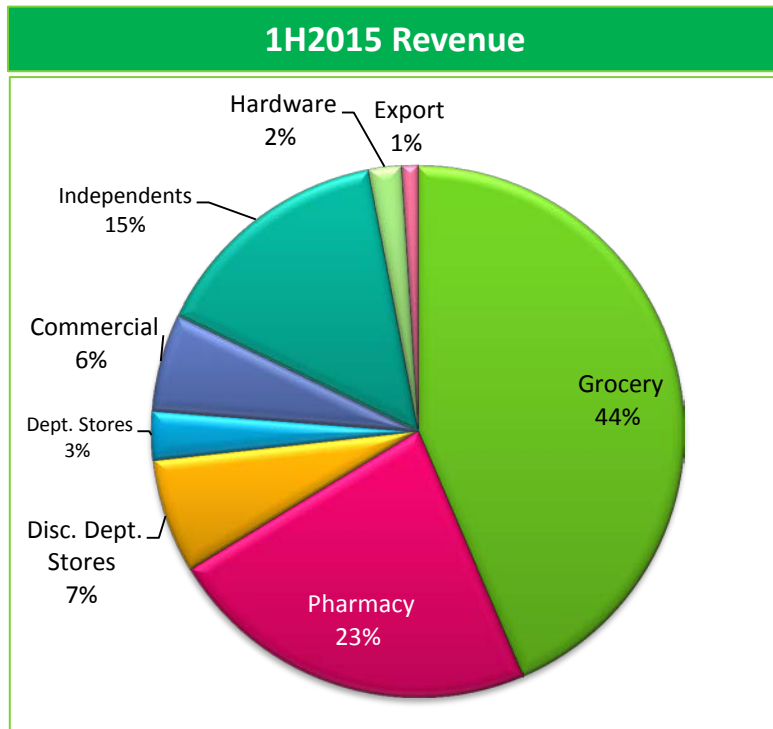
McPherson's is a **consumer centric** organisation committed to providing consumers with **innovative, high quality** branded products that **improve** their lives

Our **transformation** is designed to ensure that we can **continue to deliver on this promise** and in doing so **create value** for shareholders



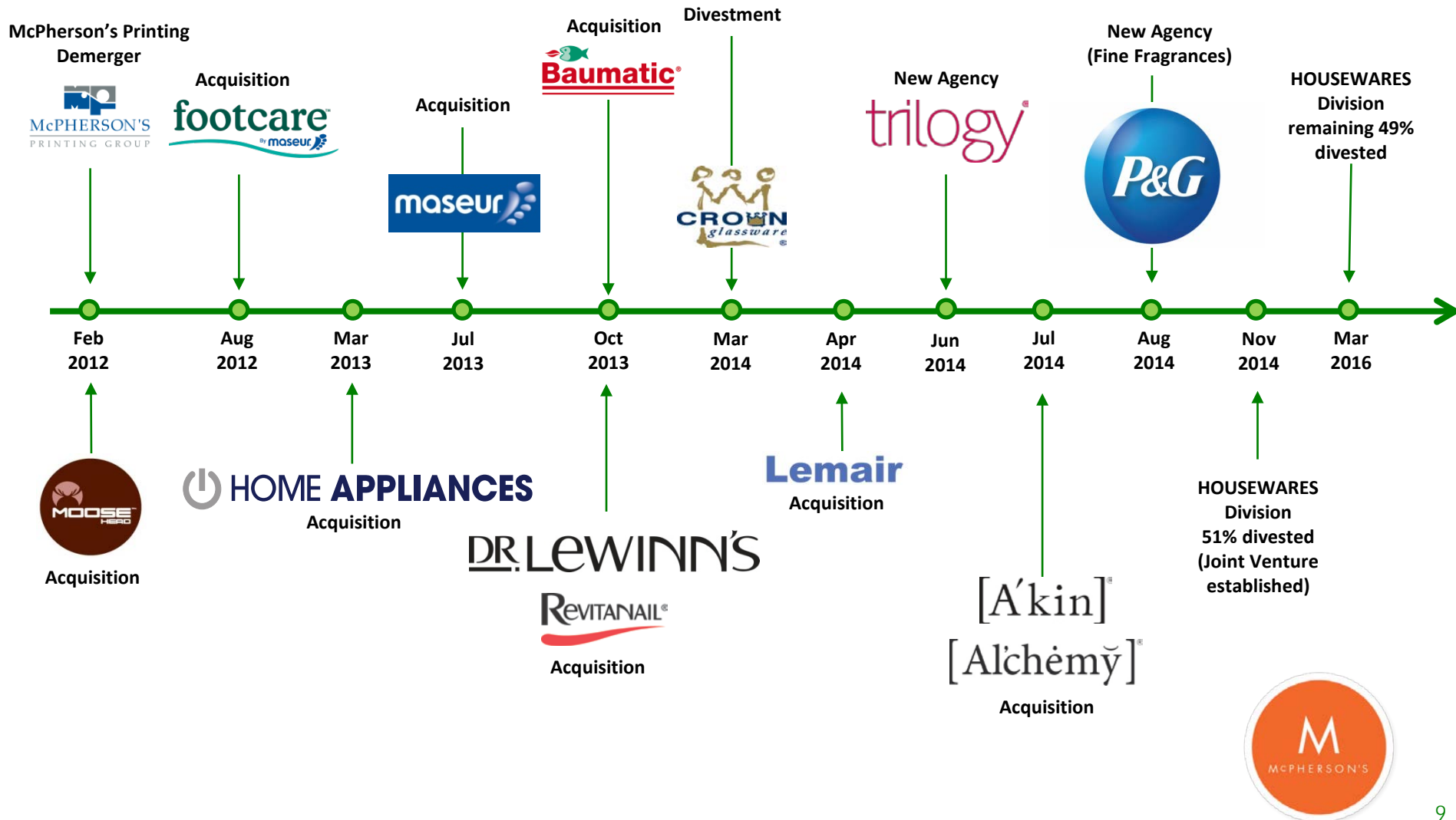
Transformation benefits

- ⌘ Lessened exposure to foreign exchange
- ⌘ A more profitable channel and customer mix



Company transformation timeline

Diversification achieved through acquisitions, divestments and new agencies



Transformation progress



Acquisitions



Partnerships



Divestment



New Products



Performance Improvement



Home Appliances

- ⌘ 'Home Appliances' business acquired, inclusive of the Euromaid and Baumatic brands
 - ❄ providing growth via diversification into electrical retail, hardware and commercial building





Beauty brands

- ⌘ Dr LeWinn's skincare
- ⌘ A'kin natural skincare & haircare
 - ❄ Leveraging McPherson's strengths
 - ❄ Expansion in Pharmacy channel
 - ❄ Significant growth potential



[A'kin][®] DR. LEWINN'S

Beauty Agency

⌘ Partnership with Trilogy natural skincare



Partnership

trilogy®



Beauty Agency

⌘ Partnership with Procter & Gamble Fine Fragrances



Partnership



GUCCI



BOSS
HUGO BOSS



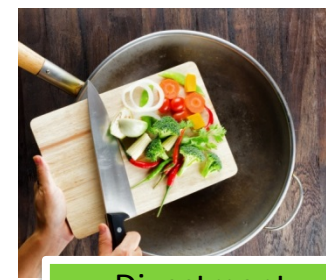
D&G
DOLCE & GABBANA



Procter&Gamble



McPherson's Housewares



Divestment



- ⌘ 51% of 'McPherson's Housewares' divested to FACKELMANN (Germany) Nov 2014 to establish a JV
- ⌘ Remaining 49% share divested to FACKELMANN, effective 31 March 2016, reducing McPherson's debt by \$20 million
- ⌘ Divestment benefits McPherson's customer & channel mix



Füri®



 Stanley Rogers



wiltshire®

New Products

⌘ Pipeline of innovative new products across all divisions



Innovation



Performance improvement

>\$10 million in annualised benefit from:



Performance Improvement

Price Increases



Organisational Redesign



Product Cost Savings



IT System



In progress...

...brand consolidation, product rationalisation and digital transformation

Digital transformation

- ⌘ Digital transformation is technology enabling innovation, creativity, and growth
- ⌘ Driven by our strategic objectives and consumer expectations
- ⌘ Helps build meaningful relationships with consumers based on their actions
- ⌘ Leverages McPherson's capabilities
- ⌘ McPherson's selected e-commerce platform is:



Digital transformation impacts McPherson's across:



Platforms / Technology



Syndication



Marketing



Big Data



Customer & Consumer Relationships



Product

Outlook



Health and Beauty division

Current Status

- ⌘ Revenue 11% 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®



Outlook

- ⌘ Brand consolidation
- ⌘ Range harmonisation
- ⌘ Profitability boosted by price increases, structural reforms and operational initiatives
- ⌘ Focus on advanced beauty and natural beauty
- ⌘ Enhanced digital capability
- ⌘ Continued growth through:
 - ⌘ new product development
 - ⌘ the potential to utilise available DC capacity for additional product lines
 - ⌘ international expansion



Lady Jayne



Home Appliances division

Euromaid

Current Status

- ⌘ Excellent customer and supplier network
- ⌘ New products launched 2H2015 and 1H2016
- ⌘ Commercial building approvals up
- ⌘ Revenue up 18% but margins adversely affected by weak AUD
- ⌘ Uncertainty around business in Masters

Outlook

- ⌘ Initiatives to offset weak AUD:
 - ❄ Price increases
 - ❄ Growth from recent new ranging
 - ❄ Strong building approvals benefiting commercial
 - ❄ Supplier consolidation delivering lower product costs
 - ❄ Supply chain savings
 - ❄ Savings from Service Centre efficiencies



Household Consumables division

Current Status

- ⌘ Multix branded revenue up 1% and market leadership maintained
- ⌘ Profit impacted by:
 - ⌘ Unfavourable effect of weak AUD
 - ⌘ Delayed acceptance of price increases
 - ⌘ Increased 'promotional support' required
 - ⌘ Favourable lower commodity prices

Outlook

- ⌘ Multix market leadership maintained
- ⌘ Reduced private label involvement
- ⌘ Favourable impact of price increases, new products, sourcing initiatives and easing commodity prices but downside currency risk
- ⌘ Expansion in New Zealand



Outlook summary



- ⌘ Price increases, operational initiatives and reduced operational expenditure will improve profit in FY2016; however, currency downside risk remains longer term
- ⌘ Health & Beauty and Home Appliances to benefit from new products and continued growth
- ⌘ Multix to maintain market leadership but profitability dependent upon currency and commodity pricing mix
- ⌘ Housewares divestment to substantially strengthen balance sheet
- ⌘ Company transformation to continue through further price increases, innovative new products, brand consolidation and expense reductions
- ⌘ Emphasis on Health & Beauty expansion through boosted digital capability and market development





APPENDIX

McPherson's Limited - Financial Performance Results for the Half Year Ended 31 December 2015

Paul Witheridge

Chief Financial Officer



Group Financial Summary for H1 FY2016

Excluding non-recurring items

	1H2015* (\$A million)	1H2016* (\$A million)
Sales	184.7	168.3
EBITDA	16.8	17.3
Depreciation & amortisation	(1.4)	(1.3)
EBIT	15.4	16.0
Interest	(3.3)	(3.6)
NPBT	12.1	12.4
Tax	(3.5)	(3.6)
NPAT	8.6	8.8
EPS excluding non-recurring items (cents)	9.0	9.1
EPS (cents)	9.7	10.4
Total dividend (cents – fully franked)	6.0	6.0

8.9% Sales decrease

3.6% EBIT increase

Interest cover 4.4 times

2.1% PBT increase

2.2% NPAT increase

* Figures reflect the early adoption of AASB 9 *Financial Instruments* and the restatement of 1H2015 due to timing of recognition of sales and promotional discounts



Group Financial Summary for 1H FY2016

Statutory (i.e. including non-recurring items)

	1H2015* (\$A million)	1H2016 (\$A million)
NPBT excluding non-recurring items	12.1	12.4
Non-recurring items:		
- Contingent consideration adjustments	1.7	1.5
- Restructuring costs	(1.4)	(0.2)
- Other non-recurring items	(0.1)	(0.2)
Statutory NPBT	12.3	13.5
Income tax expense	(3.0)	(3.4)
Statutory NPAT	9.3	10.1
Statutory EPS (cents per share)	9.7	10.4

* Figures reflect the early adoption of AASB 9 *Financial Instruments* and the restatement of 1H2015 due to timing of recognition of sales and promotional discounts



Overview of Group Balance Sheet

	31 December 2014 [*] (\$A million)	31 December 2015 (\$A million)
Inventories	62.0	75.2
Receivables	58.2	59.0
Assets held for sale (inventories)	17.0	-
Payables	(70.3)	(51.2)
Net working capital	66.9	83.0
Property, plant & equipment	5.9	6.1
Investment in joint venture	7.9	12.8
Intangibles	89.9	114.7
Assets held for sale	19.3	-
Provisions & other net liabilities	(11.4)	(8.8)
Total funds employed	178.5	207.8
Net financial debt	(68.8)	(92.8)
Net tax balances	(3.8)	(7.7)
Shareholders' funds	105.9	107.3
Gearing [Net debt / (Net debt + Shareholders' funds)]	39.4%	46.4%
ROFE (underlying EBIT / Total funds employed) for half year	8.6%	7.7%
ROSF (underlying PAT / Shareholders' funds) for half year	8.2%	8.2%

* Figures reflect the early adoption of AASB 9 *Financial Instruments* and the restatement of 1H2015 due to timing of recognition of sales and promotional discounts



Group Operating Cash Flows

	1H2015 (\$A million)	1H2016 (\$A million)
Cash flows from operations		
Receipts from customers (inclusive of GST)	203.2	186.4
Payments to suppliers and employees (inclusive of GST)	(183.4)	(185.5)
Net cash inflows from operations before interest and tax	19.8	0.9
Net interest and borrowing costs paid	(4.0)	(3.3)
Income tax paid	(2.9)	(2.7)
Net cash inflows (outflows) from operations	12.9	(5.1)



Group Investing and Financing Cash Flows

	1H2015 (\$A million)	1H2016 (\$A million)
Cash flows from investing activities		
Payments for acquisition of business assets	(8.0)	(6.6)
Payments for purchase of property, plant and equipment	(1.5)	(1.9)
Payments for purchase of intangibles	(0.7)	(0.3)
Proceeds from sale of business assets	6.6	0.1
Net cash outflows from investing activities	(3.6)	(8.7)
Cash flows from financing activities		
Net proceeds from capital raising	-	-
Net proceeds from (repayment of) borrowings	1.5	20.7
Dividends paid (net of DRP participation)	(3.3)	(1.7)
Net cash inflows (outflows) from financing activities	(1.8)	19.0
Net increase in cash held	7.5	5.2



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.

