



McPHERSON'S LIMITED
CHAIRMAN'S ADDRESS by MR GRAHAM CUBBIN
ANNUAL GENERAL MEETING 21 NOVEMBER 2018

It is my pleasure to report on your Company's transformation and strong performance in the 2018 financial year, which resulted from the successful implementation of our strategy to strengthen its position as a leading supplier of Health, Wellness and Beauty brands in Australasia.

I said to you at last years' AGM that "Your Company has undergone significant operational and capital transformation and now has a clear path to profitable growth."

I am pleased to report a year later that McPherson's has indeed completed its transformation and is focused on our core brands. McPherson's has strengthened its strategic customer and supplier partnerships and achieved growth across multiple geographies to deliver a strong financial result for the business.

The underlying profit before tax from continuing operations for 2018 was \$19.0 million, an increase of 17 per cent on the previous year. The statutory profit before tax was \$10.9 million, a very significant improvement over the 2017 financial year loss of \$4.7 million.

The Company's net debt was \$9.8 million at 30 June 2018, a reduction of 73% on the prior year, in large part due to the divestment of Home Appliances on 28 February 2018. This created approximately \$29 million in net consideration, which was applied to reduce debt including buying back the remaining \$25 million in Corporate Bonds. The company's gearing was a comfortable 9.9% at 30 June 2018, providing us with a very strong financial platform for future investment in Health, Wellness and Beauty opportunities.

The Group revised its agency brand partnerships model to better align the business with its core focus and to ensure we maximise the benefits from growing brands. This has meant that we apply more rigorous criteria before taking on potential new agency brands to ensure they complement our existing owned brands, enhance the overall portfolio and are consistent with our core competencies.

The profitability of the Group's core six owned brands was strong during the 2018 financial year with revenue from these brands combined growing by 6 per cent. Our customer base remains strongly affiliated with these core brands, which have benefited from an increased level of capital invested through new permanent in-store merchandising fixtures developed in partnership with our key account customers. The roll-out of new packaging across Dr. LeWinn's, A'kin, Swisspers and Lady Jane and increased investment in research and development to support innovations across brands, particularly the Multix Brand, have also strengthened our owned brands.

During the year, the Group's geographic presence has broadened with an increase in demand from domestic and export channels, particularly into China and the United Kingdom. We have seen a return to profitability of our New Zealand operations.

In the 2019 financial year, McPherson's expects continued growth within the \$13 billion Health, Wellness and Beauty market segment in which we operate. The Group is well placed to capitalise on growth in consumer spending in these categories, with its innovative and sustainable products, available on a global platform. Our view remains that there are considerable growth opportunities for the business, including potential accretive merger, acquisition and venture opportunities across its key sectors. Consequently, given the company's improved balance sheet, we are devoting significant effort and resources to identifying and evaluating such opportunities. This will complement our organic growth and will allow the company to benefit from its operating leverage and scale efficiencies.

Dividend Payment

The Board is committed to maintaining a high dividend payout ratio as reflected in our current dividend policy, which is to distribute at least 60 per cent of the Company's underlying profit after tax to shareholders, subject to other funding requirements. The total dividend for the 2018 year was 8.5 cents per share, fully franked, representing a payout ratio of 69 per cent.

Renewed and High Quality Board

As part of the commitment we made to refresh our Board with the experience and skills required as the Company moves to grow in the Health, Wellness and Beauty market, this year we welcomed Mr Grant Peck, Mr Geoff Pearce and Ms Alison Mew, as Independent, Non-Executive Directors to the Board.

In the 2018 financial year, we saw the retirements of Ms Amanda Lacaze and Ms Margaret Payn as Independent, Non-Executive Directors. On behalf of the Board, I would like to thank Amanda and Margaret for their valuable contribution to the Board and to our business as McPherson's transformed from a diversified consumer goods business, into a market-leader in Health, Wellness and Beauty products. We wish them both the very best for the future, and we welcome the new Board members.

I cannot stress enough the importance of a skilled, dedicated and hardworking team of people to attribute to the success of an Australian Listed Company. Since the appointment of Laurie McAllister as Managing Director, your company has gone from strength to strength; delivering impressive strategic and operational improvements.

With a refreshed Board and capable leadership team, your company is fit for the future with a winning team culture, focused on sound values and behaviours such as accountability, innovation and collaboration for growth.

On behalf of the Board, I would like to express my sincere thanks to all the company's employees for their contribution and hard work in achieving a very successful year for the business.

Finally, and importantly, I would also like to thank all the company's shareholders for your continued support and interest.

I will now hand over to Laurie who will talk through the operational and financial highlights of the year. We will then hear from David Fielding, Strategy Planning and Innovation Director and Donna Chan, Marketing Director. We look forward to updating you on our progress over the course of the coming year.

Graham Cubbin
Chairman