



ASX/Media Release

(ASX: MCP)

11 November 2019

## **McPherson's and Access Brand Management (ABM) establish Dr. LeWinn's Greater China Joint Venture**

### **Highlights**

- **The successful relationship between McPherson's and Access Brand Management formalised through establishment of a joint venture**
- **Access Brand Management is a trusted distributor in the People's Republic of China market, including mainland China, Hong Kong SAR, Taiwan and Macau SAR (Greater China), with a successful track record of brand management and market expansion**
- **Dr. LeWinn's success in Greater China will increase the value of the Dr. LeWinn's brand in Australia and globally**
- **McPherson's and ABM to co-operate to develop new brands and products for the Greater China market**

McPherson's Limited (ASX: MCP) ("McPherson's"), a leading supplier of health, wellness and beauty products, today announced that it has signed a joint venture (JV) agreement with Access Brand Management (ABM) to expand sales of Dr. LeWinn's branded products in Greater China and to jointly develop new brands and products for the Greater China market.

The JV builds on the existing relationship between McPherson's and ABM and is in line with McPherson's strategy to drive growth in export markets by capitalising on the strong demand for Dr. LeWinn's products, including from Chinese consumers.

Dr. LeWinn's has been managed and distributed by ABM in Greater China for the past two years and has seen sales in that market grow from \$0.4 million in FY17 to \$3.3 million in FY18 and \$16.7 million in the past financial year. McPherson's is targeting net sales of \$25 million of Dr. LeWinn's products in Greater China for the 2020 financial year. This would make the Chinese market the largest offshore market for McPherson's, accounting for approximately 12% of McPherson's sales, with Dr. LeWinn's becoming McPherson's most profitable brand.

Under the terms of the JV agreement, effective 11 November 2019, ABM will acquire, for a nominal value, 51% of the Joint Venture Entity (JVE) that is to be incorporated by ABM and McPherson's in Hong Kong SAR. ABM and the JVE will be granted exclusive distribution rights for Dr. LeWinn's branded products throughout Greater China. To enable the JVE to distribute Dr. LeWinn's branded products, McPherson's will transfer to the JVE, for a nominal value, certain of its trademarks that are registered in mainland China, Hong Kong SAR, Macau SAR and Taiwan.

The JV agreement requires ABM to achieve a target of \$35 million in annual purchases of Dr. LeWinn's products from McPherson's in any year prior to 30 June 2022, or aggregate purchases of Dr. LeWinn's products from McPherson's of \$82.5 million over the three-year period ended 30 June 2022, subject to any applicable adjustments. This represents a compound annual growth rate in purchases from McPherson's of approximately 30% over three years.

If ABM does not achieve either one of the above targets, the Dr. LeWinn's trademarks that were transferred to the JVE by McPherson's will be sold back to McPherson's at the initial nominal valuation.



In parallel with entering into the JV agreement, McPherson's and ABM have also extended their exclusive distribution agreement for the Dr. LeWinn's brand in Greater China until 30 June 2022, with the potential for further extension beyond this date.

**McPherson's Managing Director, Mr. Laurence McAllister, said:** "This JV fits perfectly into our strategic approach to expand international exports in Greater China, which we believe is extremely attractive given the demographics and size of the market. Through the establishment of this JV, we are not only targeting further growth of Dr. LeWinn's in Greater China but elevating the value of the brand globally.

"The JV gives McPherson's greater conviction to achieve our ambitious aspirations for growth in Greater China, by solidifying our relationship with an incredibly successful partner, with a proven track record of market expansion.

"We have been very impressed with the ABM team, and believe their network, knowledge of consumer trends and experience in this important market is unparalleled. We are looking forward to leveraging ABM's expertise to further expand Dr. LeWinn's, as well as our other brands, in Greater China.

"In order to effectively fulfil demand, McPherson's has also deepened its investment and strengthened its partnership with the Aware Group, which is an extremely capable, high quality and reliable Australian manufacturer and supply partner. This is in line with our strategy to increase end-to-end capability and enhances our ability to reliably meet the expected uplift in demand with automation, flexibility, speed, and more importantly greater innovation and capacity.

"With our strong relationship with ABM as an exceptional partner and the Aware Group as a reliable, innovative manufacturer, McPherson's is confident it can achieve exceptional growth and maximise shareholder value," he said.

**Livia Wang, CEO, Australia and New Zealand of Access Corporate Group commented:** "Dr. LeWinn's has seen incredible success in the Chinese market with consumers attracted to its clinically proven formulas and premium products.

"ABM is extremely committed to the partnership with McPherson's and is excited about the opportunity to increase growth and brand awareness in Greater China. While Dr. LeWinn's already has strong brand power amongst Chinese consumers, we are particularly excited about the potential of the future innovation pipeline for the Dr. LeWinn's brand and products to attract even more interest.

"As part of the agreement, we will look to create joint teams over the next six months engaging marketers, R&D, supply chain and operating functions to take our innovation plans to the next level to ensure we are together ready to service the expected increase in demand.

"While our initial growth expectations for FY20 are a significant increase on current volume, we believe this is just the beginning of a very meaningful, innovative and profitable partnership between ABM and McPherson's, built on trust, accountability and shared values."

### **About Dr. LeWinn's**

Dr. LeWinn's has experienced rapid growth with a 125% increase in sales from FY18 to FY19, driven by the significant increase in export sales as well as strong domestic demand. Export sales now equal the volume of domestic sales for Dr. LeWinn's products.

Growth has been achieved through an investment in product innovation with 10 new Dr. LeWinn's products released to market during FY19. The range of anti-aging masks has been particularly popular, contributing 30% to Dr LeWinn's growth with six masks being sold every minute.



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**About McPherson's Limited**

McPherson's, established in 1860, is a leading supplier of health, wellness and beauty products in Australasia and increasingly China, with operations in Australia, New Zealand and Asia. McPherson's markets and distributes beauty care, hair care, skin care and personal care items such as facial wipes, cotton pads and foot comfort products, as well as a range of kitchen essentials such as baking paper, cling wrap and aluminium foil.

McPherson's manages some brands for agency partners and has joint venture arrangements such as Kotia, Soulful and Sugar Baby, however the majority of revenue is derived from the company's diversified portfolio of owned market-leading brands, including Dr. LeWinn's, A'kin, Manicare, Lady Jayne, Swisspers, Multix, Moosehead and Maseur.

For further information on McPherson's business and its strategy and to view our most recent corporation video please refer to the company's website <http://www.mcphersons.com.au>

**About Access Brand Management**

Access Brand Management is a business of Access Corporate Group, a global group which currently manages and represents around 20 Australian and other international brands in the global market with focuses on the China market. It has an exceptional track record in enabling brands to create viable and strong sales growth through its unique and proven approach to brand management, including product marketing, sales and omni-channel distribution. For further information please visit [www.accesscorporate.com](http://www.accesscorporate.com)