

ASX/Media Release

(ASX: MCP)

21 November 2018

McPherson's enters joint venture with New Zealand Deer Cosmetics Ltd. "Kōtia"

The world's first cosmetic range formulated with New Zealand deer milk

McPherson's Limited ("McPherson's" or "the Group") today announced a joint venture with New Zealand Deer Cosmetics Ltd (NZDC) a privately owned New Zealand company, to create a unique market offering as the world's first cosmetic range formulated with pure New Zealand deer milk under the new brand "Kōtia".

The Kōtia venture:

- Supports McPherson's focus on the \$13 Billion Health, Wellness & Beauty market;
- Creates a further international expansion opportunity; and
- Is forecast to be earnings accretive from FY2020.

Under the terms of the agreement, McPherson's will initially acquire a majority holding of Kōtia with consideration for this holding determined in part through a modest initial investment, but primarily through application of reasonable multiples to actual future EBIT outcomes over the first three years ending 30 June 2022. McPherson's also has a call option in relation to an additional 44 per cent of the venture. Consequently, the consideration structure is largely determined by actual earnings outcomes and is therefore a low risk investment model, incentivising both venture parties to generate demonstrated future earnings growth.

Laurie McAllister, Managing Director of McPherson's said: "We're incredibly excited to partner with the NZDC team to create the Kōtia venture, leveraging McPherson's significant market expertise, operational scale and international and domestic distribution capability, to create a platform from which Kōtia can reach its full growth potential".

The Kōtia range is the world's first cosmetic range formulated with New Zealand deer milk pioneering a new frontier between natural actives and scientifically proven cosmetics to improve skin health, provide nourishing hydration, protect against environmental pollutants and deliver unique formulations for anti-ageing, skin rejuvenation and brightening. The range is developed by leading a New Zealand skincare specialist, dermatologically tested and certified range with clinical proven performance.

Mr Graeme Shaw, Director of NZDC commented that: "We have found a trusted partner in McPherson's with each of us bringing to the table deep industry experience, R&D capability, and unique intellectual property and trademarks. Importantly, the people in the businesses share values and behaviours – an essential foundation of a successful long-term partnership."

The venture is highly compelling and complementary to the McPherson's Group as it pursues new product growth categories in Health, Wellness & Beauty markets that best fits with the company's core expertise, domestic and international geographic footprint and available capacity in the Kingsgrove facility.

The Kōtia venture aligns with the McPherson's international growth strategy, with particular reference to China as both a significant opportunity to launch the Kōtia brand into the region and the strong association of deer in the Chinese culture – meaning 'wealth and longevity'.

McPherson's has a healthy balance sheet and continues to assess merger and acquisition opportunities that will enhance the Company's core brands strengths, geographic footprint and utilise existing capacity and operational go-to-market expertise.

“We see the Kōtia venture as a great example of our strategy to actively grow in the \$13 Billion Health, Wellness and Beauty market in which we operate. Having developed a strong team, capability and low risk financial model, it will likely be the first of a number of “incubation” ventures in this space.” Mr McAllister concluded.

For further information please contact:

Cannings Strategic Communications

Renée Bertuch

+61 409 550 389 or +61 2 8284 9990

rbertuch@cannings.net.au

About McPherson's Limited

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

McPherson's manages some significant brands for agency partners such as Trilogy skincare; however, the majority of revenue is derived from the company's diversified portfolio of owned market-leading brands, including Manicare, Lady Jayne, Dr. LeWinn's, A'kin, 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>