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ASX/Media Release **(ASX: MCP)**

29 July 2016

McPherson's preliminary unaudited results for FY2016

Underlying PBT up 15.7% to $18.9 million

Statutory PBT up 30.5% to $14.7 million

- Underlying profit up 15% and statutory profit up 30%
- Substantially reduced debt with gearing down from 44% to 32%
- Remaining 49% interest in Housewares joint venture successfully divested
- Sales and margins up on priority Health & Beauty brands
- Business transformation on track

McPherson's Limited has completed its preliminary, unaudited results for the year to 30 June 2016, generating underlying profit before tax of $18.9 million[1] for FY2016 (FY2015: $16.4 million[1]) and statutory profit before tax of $14.7 million (FY2015: $11.2 million).

These improved profit outcomes have been achieved despite a reduction in revenue on both a statutory and underlying basis. This is evidence of a significant improvement in revenue quality resulting from a disciplined program of brand consolidation whereby lower margin branded and private label product ranges have been discontinued.

On a statutory basis, which includes a portion of revenue from the Housewares business in FY2015, overall sales revenue declined by 10.5% to $312.6 million (FY2015: $349.1 million). Excluding the Housewares business, which has been fully divested, sales revenue decreased by 1.3% to $312.6 million.

Preliminary, unaudited results summary	FY2016 ($ million)	FY2015 ($ million)	Change (%)
Sales revenue	312.6	349.1	(10.5)
Underlying EBIT[1]	25.8	22.5	14.4
Underlying profit before tax[1]	18.9	16.4	15.7
Underlying profit after tax[1]	13.5	12.0	12.7
Statutory profit before tax	14.7	11.2	30.5
Statutory profit after tax	11.0	8.8	25.0
Net Debt	49.9	77.2	(35.3)
Underlying earnings per shares (cents)	13.6	12.4	9.7
Statutory earnings per share (cents)	11.2	9.2	21.7

[1] Underlying amounts exclude the following significant non-recurring items before tax:
FY2016: $2.0m profit recognised from the divestment of Housewares; $4.3m inventory rationalisation & restructuring costs; $1.4m costs associated with exiting the Impulse Merchandising Division; $0.2m legal & acquisition costs; $0.3m bond buyback costs.
FY2015: $2.0m interest rate swap termination loss; $4.1m restructuring costs; $0.4m acquisition costs; $0.6m impairment of intangible assets; $2.0m contingent consideration adjustment benefit.

In a trading environment that continues to present challenges, the strategies to improve business outcomes have delivered significantly improved results. Paul Maguire, managing director, said: 'Double-digit growth in underlying earnings in the face of significant AUD/USD currency devaluation has been a very credible achievement. Despite the adverse impact of currency, the Company has been able to grow its overall contribution margin and underlying profit as a result of broad based selling price increases, product cost reductions across all divisions, and significant operating expense reductions particularly in Health & Beauty.'

In addition to improving underlying profitability, the balance sheet has been materially strengthened with net debt reducing by 35% to $49.9 million at 30 June 2016 ($77.2 million at 30 June 2015). This has been achieved through the divestment of the remaining 49% interest in the Housewares joint venture on 31 March 2016 and strong operating cash flow.

Consistent with the foreshadowed strategy of brand consolidation and product range rationalisation, the company has implemented a comprehensive 'makeover' of its brand portfolio, allowing it to now focus its resources on fewer, bigger, more profitable brands. This has lead to the deletion of many peripheral brands and products from our portfolio, resulting in a one-off, non-recurring inventory rationalisation cost. Additionally, the company has significantly improved the efficiency of its operations through the expansion of its Australian IT system into New Zealand and Hong Kong, consequently incurring one-off redundancy costs.

Following the recent and sudden decision by a major Australian grocery retailer to cease operating an Impulse Merchandising program in its stores, the company decided to exit its Impulse Merchandising business in Australia, leading to a one-off, non-recurring closure cost of $1.4 million. This relatively small non-core business became loss-making in FY2016 due to the decline in the Australian dollar and reduced scale; therefore its closure will marginally improve earnings in FY2017 and free-up approximately $2.0 million working capital.

The above initiatives and structural changes are facilitating a leaner, more focused operation and provide a solid platform for further growth.

A more detailed overview of FY2016 divisional performance together with details of the major growth initiatives in progress will be provided with the full year results announcement, due for release on Monday 22 August 2016.

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About McPherson's

McPherson's, established in 1860, is a leading supplier of health & beauty, household & personal care, and home appliance products in Australasia, with operations in Australia, New Zealand and Asia. The health & beauty division markets and distributes beauty care, hair care, skin care and fragrance product ranges; the household & personal care division markets and distributes 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; the home appliance division markets and distributes large appliances such as ovens, cooktops, washing machines and dishwashers.

McPherson's manages some significant brands for overseas agency partners such as Gucci, Dolce&Gabbana and Hugo Boss prestige fragrances and 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 Le Winn's, A'kin, Swisspers, Moosehead, Maseur, Multix, Euromaid and Baumatic.