



McPherson's Limited First Half Results Release Financial Year 2017

Laurence McAllister – Managing Director

Paul Witheridge – Chief Financial Officer

21 February 2017

MCP FY2017 - Financial Overview

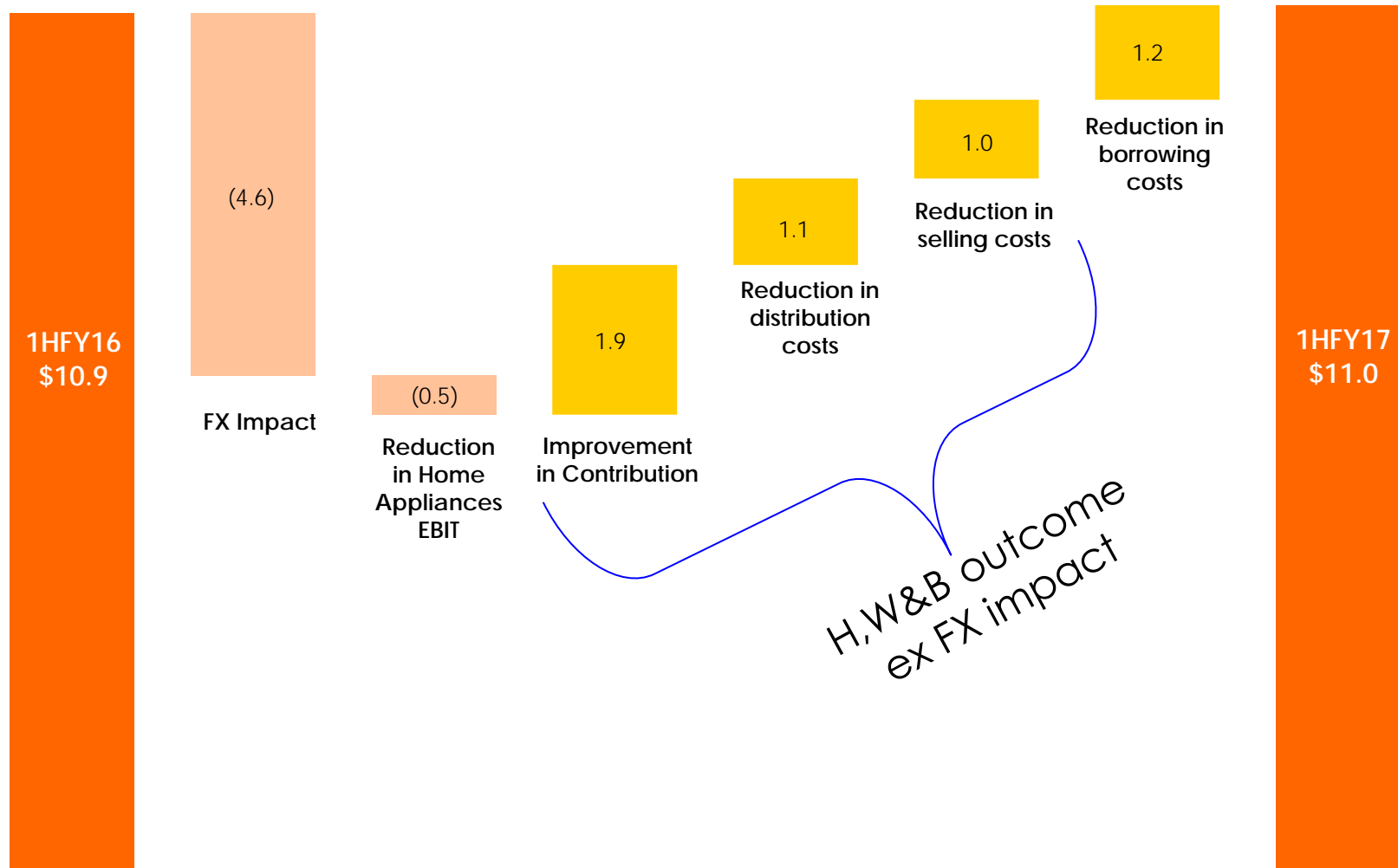
Underlying Results from continuing operations*

Revenue from continuing operations \$149.1m	↓ 11.4%	Closure of Impulse Merchandising Division Reduction in low margin private label and agency sales
EBIT \$13.5m	↓ 6.6%	Adverse AUD/USD currency impact Improved contribution margins Reduced selling and distribution costs
PBT \$11.0m	↑ 1.2%	Significant reduction in borrowing costs due to reduction in debt and reduced effective interest rate
PAT \$7.9m	↑ 7.4%	
EPS 7.6cps	↑ 1.2%	

* Underlying amounts exclude the results of the Housewares JV (divested 31 March 2016) and the other significant, non-recurring items outlined on Slide 4

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Summary Bridge of Underlying PBT from Continuing Operations 1HFY16 to 1HFY17 (\$m)



MCP FY2017 Financial Overview

Significant Items

Significant Items A\$m	FY2017	FY2016
Impairment of Home Appliances intangibles	(12.0)	-
Impairment of Revitanail brand	(6.0)	-
Impairment of New Zealand goodwill	(1.8)	-
Restructure costs	(0.8)	(0.2)
Bond buyback cost	(0.7)	-
Profit on divestment of IMD Singapore	0.2	-
Contingent consideration from Housewares divestment	-	1.6
49% share of Housewares JV profit	-	1.5
Legal and acquisition costs	-	(0.2)
Total Significant Items before Tax	(21.1)	2.7
Tax benefit on Significant Items	1.4	0.1
Total Significant Items After Tax	(19.7)	2.8

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MCP 1HFY2017 - Financial Overview

(In comparison with 31 December 2015)

Underlying Cash Conversion*
106%

\$15.9m operating cash flow before
interest and tax payments

Net Debt
\$40.9m

↓ 55.9%

Strong operating cashflow
Improved working capital efficiency
Divestment of 49% interest in
Housewares joint venture

Gearing
30.4%

↓ 16.0pp

ROFE for half**
8.8%

↑ 1.6pp

\$47m reduction in total funds
employed

* Underlying EBIT excludes non-recurring items.

**\$18.7m impairment of intangibles added back to funds employed.

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MCP 1HFY2017 - Financial Overview

(In comparison with 31 December 2015)

Normalised EBIT Interest Cover*
5.4 times

↑ 1.4 times

EBIT* / Interest*

Normalised leverage Ratio*
1.5 times

↓ 1.6 times

Net Debt / EBITDA*

- Interim dividend of 6.0 cents per share fully franked
 - Payout ratio of 78% of underlying EPS
 - Payment date 23 March 2017
 - Dividend Reinvestment Plan (DRP) retained

* Underlying EBIT and EBITDA exclude significant, non-recurring items
Interest normalised to exclude bond buyback costs

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Strategy Update

Laurence McAllister - Managing Director

Strategic Summary: McPherson's H,W&B

- **Focussed on Health, Wellness & Beauty Brands stable is the #1 PRIORITY!**

Deliver quality **growth** of our **MCP Health , Wellness & Beauty business** by **re-launching our top 5 TM's**: Dr. LeWinn's, A'kin, Manicare, Lady Jayne & Swisspers

Increase our **Australian Health, Wellness & Beauty commercial focus & execution** around across our top 6 customers

Course correct the trajectory of our commercial division within HAPL

Fix the **NZ business** model and return to growth

Retain & selectively grow our **Agency portfolios** – **Leverage our portfolio offering** position, RTM and A&P **prosess**

Realise the Supply chain / Kingsgrove EBIT opportunity - A significant **re-investment enabler**

- **Implement a revised EXPORT & International business model with a tight supporting structure**

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Strategic Summary

Focused on:

Health



Wellness

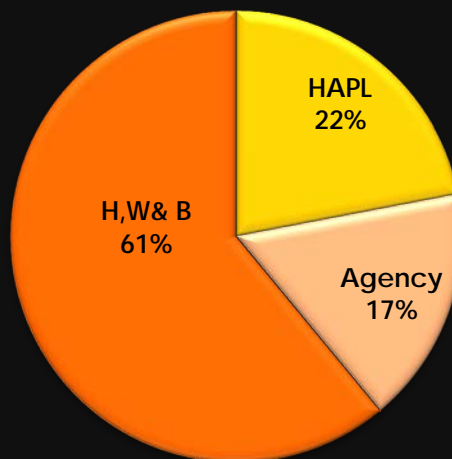


Beauty



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Net Sales Contribution



- High Growth
- High Demand
- High Margins

Our #1 priority is to deliver quality growth on our top 5 power brands

32% of revenue

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DR. LEWINN'S®



[A'kin]®

swisspers



We will collaborate with selective partners that will leverage our portfolio offering

18% of revenue

trilogy®

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GUCCI



BOSS
HUGO BOSS



Partnerships Update

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<u>Country</u>	<u>Partner</u>	<u>Target / Sign Date</u>
Australia	 POWERFULLY NATURAL	Renewed December 2016
Singapore		WIP Qtr1 2017
Singapore		WIP Qtr1 2017
New Zealand	 TRANSFORM YOUR SKIN. NATURALLY	January 2017
Australia		Renewed Feb 17
Singapore	[A'kin] [®]	Terminated current distributor and will transfer distribution to MCP January 17
Australia		Expanding ranging with Australia; and increasing territories to Singapore and New Zealand WIP Qtr1 2017
Australia / NZ		Renewed

Increase our commercial focus and execution around our capabilities by developing Strategic Joint Business Planning and in-store metrics across the top 6 customers

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The New Zealand business model...

Key initiatives being:

- Continued focus on cost efficiencies
- Securing agency business with target revenue of \$1m or greater i.e. Evolu
- Driving our core business through collaboration with our key customers i.e. Green Cross Health JBP
- Having a high performing and engaged team empowered to make quick decisions



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Supply Chain Improvements: Kingsgrove - Warehouse

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Kingsgrove Warehouse - Total capacity 12,500 pallet spaces

Jan 2015 - 200 spaces available 99% full – 1% space available (\$43mil Stock holdings)

Jan 2017 - 6000 spaces available – 48% capacity opportunity (\$28mil Stock holding)

**35% reduction in working capital over 2 years by
Improving inventory efficiency & Supply Chain management**



Hit rates

Jan 2015 - Ave hits per operator per day – 1000 hits

Jan 2017 - Ave hits per operator per day – 1200 hits

**20% increase in pick efficiency over 2 years
by improving pick line management**



SKU Rationalisation

Jan 2015 - Number of active SKUs - 1600 SKUs

Jan 2017 - Number of active SKUs - 1100 SKUs

**32% reduction in active SKUs – eliminating the tail,
eliminating non valuable work**

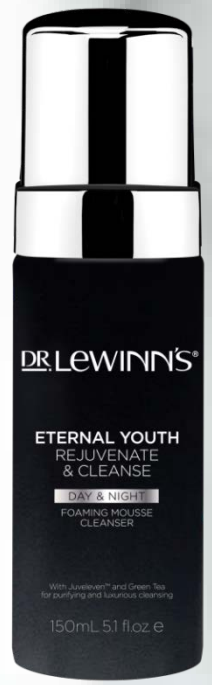
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- The #1 Cosmeceutical brand
- Experts in Anti-Ageing
- Currently launching new prestige packaging
- We are passionate about addressing skin concerns for women of all ages
- Increased R&D investment allows us to
 - Work with our global suppliers on continued leading edge innovation that delivers real results
- Our Dr. LeWinn's 'Masterbrand' campaign featuring Anna Bamford is aiming at
 - targeting the younger consumer 25+; and
 - attracting new users to Dr. LeWinn's brand
- Our new Dr. LeWinn's website delivers increase consumer engagement.

INTRODUCING ETERNAL YOUTH



FOUR NEW PRODUCTS LAUNCHING APRIL 2017



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A'kin Relaunch



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- One Global A'kin Haircare and Skincare Brand
- New highly appealing natural, contemporary packaging
- Innovator in Natural with pure, authentic, efficacious products such as
 - Coconut Water & Green Tea Hydration Range
 - Rosehip + Vitamin C
 - Natural Dry Shampoo (Bamboo)
- Transform A'kin with a new positioning & purpose
- New brand campaign and merchandising
- New website engaging our consumers

NPD, Visual Identity and Creative



Not all Mist Toners are created equally.

Organic Coconut Water & Green Tea for the ultimate hydration boost.

Experience the instant hydration and toning benefits your skin craves with Akin Hydrating Mist Toner - a toner, daily refresher, summer saviour and travel companion all in one. Delicately infused with Organic Coconut Water to cool and refresh, Green Tea to tone and Chamomile to calm and soothe. No Parabens. No Sulfates. Just as nature intended.

It's what goes in that makes it **Akin**

NO NASTIES AUSTRALIAN MADE & OWNED NOT TESTED ON ANIMALS 100% VEGAN RECYCLABLE PACKAGING

Discover more at skin.com.au

Not all Micellar Waters are created equally.

Organic Coconut Water & Green Tea for the ultimate natural cleanse.

Discover the magic of Akin Cleansing Micellar Water - a soap-free, alcohol-free and rinse-free way to gently (and effectively) remove make-up and impurities in just one step. Delicately infused with Organic Coconut Water to cool and refresh, Green Tea to tone and Chamomile and Curcumer to calm and soothe. No Parabens. No Sulfates. Just as nature intended.

It's what goes in that makes it **Akin**

NO NASTIES AUSTRALIAN MADE & OWNED NOT TESTED ON ANIMALS 100% VEGAN RECYCLABLE PACKAGING

DISCOUNT CHEMIST

Purchase any Akin skincare product at Chemist Warehouse and receive a

FREE

Akin Cleansing Micellar Water 150ml* Infused with Organic Coconut Water & Green Tea

VALUED AT **\$14.95*** Recommended Retail Price

*Validated by Akin. Offer valid from 24.02.17 to 08.03.17. Limited to one per customer, while stocks last.

Not all Rosehip Oils are created equally.

100% Organic Rosehip Oil & Vitamin C for deeply-nourished, glowing skin.

Experience the brightening powers of Akin Certified Organic Rosehip Oil with Vitamin C - super hydrating, lightweight and non-greasy for a healthy, glowing complexion. Combining the wonders of Rosehip Oil with Macadamia and Vitamin C, this unique, highly concentrated facial oil brightens overall skin tone while helping to reduce the appearance of pigmentation and sun damage. No Parabens. No Sulfates. Just as nature intended.

It's what goes in that makes it **Akin**

NO NASTIES AUSTRALIAN MADE & OWNED NOT TESTED ON ANIMALS 100% VEGAN RECYCLABLE PACKAGING

Discover more at skin.com.au

Not all Dry Shampoos are created equally.

Unique Bamboo Powder for superior absorption, volume and texture.

Discover the secret to beautiful looking hair in-between washes with Akin Dry Shampoo - refresh, revive and instantly transform your hair in one easy step. Enriched with bamboo, a unique and powerful ingredient proven to be 4 x more absorbent than rice powder, to absorb excess oil, boost volume and enhance texture - without leaving any build up or white residue. No Parabens. No Sulfates. Just as nature intended.

It's what goes in that makes it **Akin**

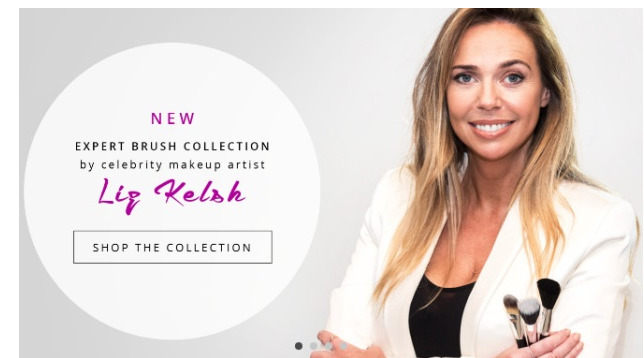
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DISCOVER MORE AT skin.com.au

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- Distribution expansion in supermarkets
- Maintain loyalists whilst attracting younger consumers via Glam innovation & engagement
- Glam growing at +23%* with 98k Facebook fans
- Available to purchase on-line
- Exciting innovations in high growth segments
- Catwalk trends, Celebrity endorsement, Fashion collaborations
- Collaboration with Liz Kelsh includes online tutorials using the Manicare brush range



Any time is
glam time!

10:45 BRUNCH LASH

glam
by manicare

NATURAL

Any time is
glam time!

23:20 PARTY LASH

glam
by manicare

DRAMATIC

Any time is
glam time!

18:00 T.G.I.F LASH

glam
by manicare

LENGTH

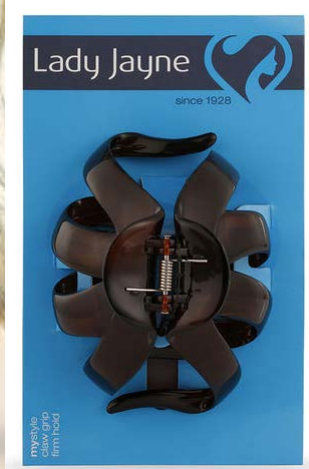
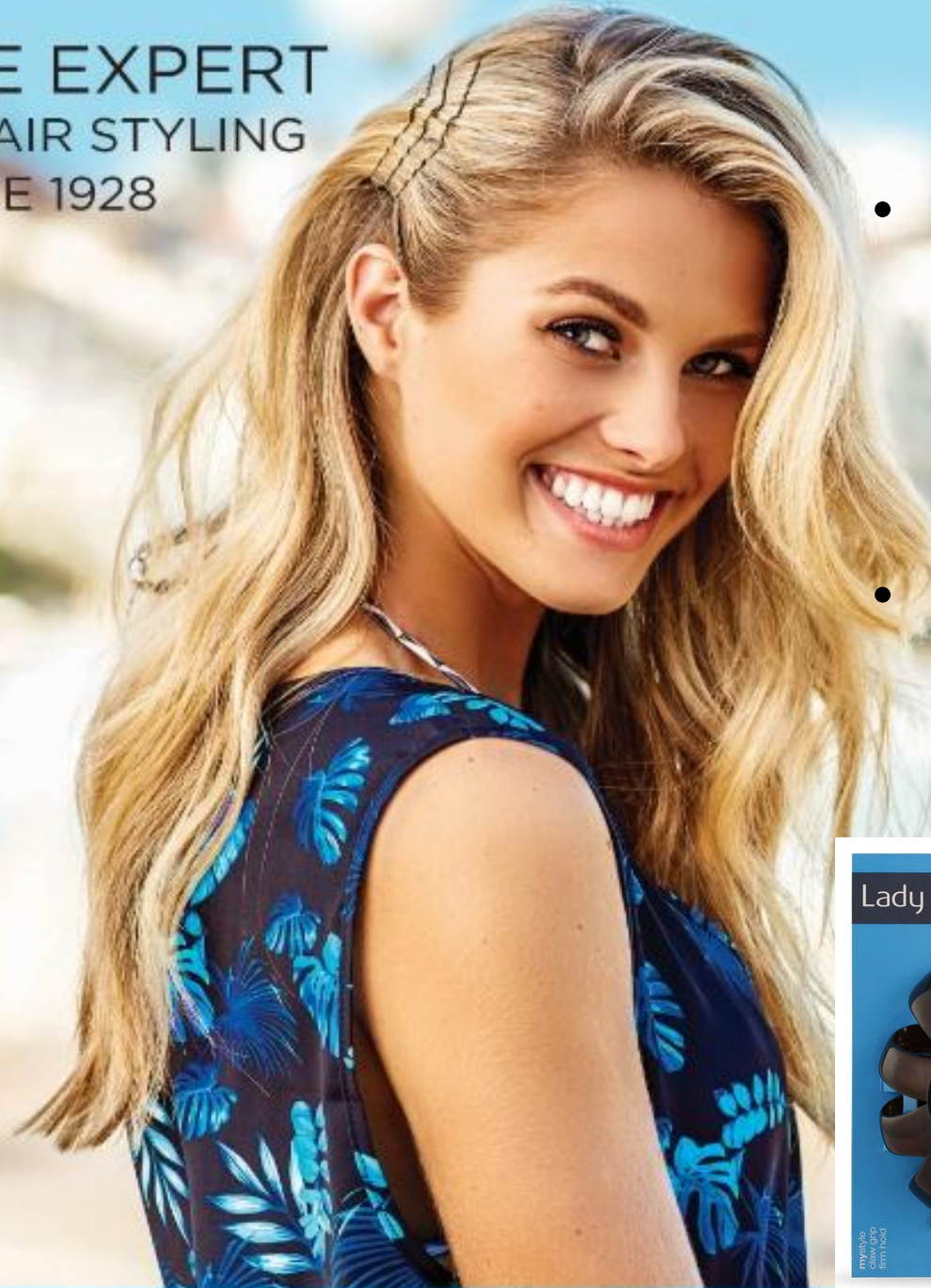
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THE EXPERT
IN HAIR STYLING
SINCE 1928



- Convert high brand awareness into strong growth through:
 - Distribution expansion in supermarkets and ecommerce
- Contemporise Lady Jayne brand through packaging relaunch and differentiated innovation

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WIP
→





New Visual Identify (WIP)

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Inspiring Professional Results

Multix delivering at top & bottom line

#1 Brand

in Australia for the total B/W/F category

*Market leader at 34.3% share (\$) total plastic bags/wraps/foils MAT to 11/01/17 Aztec

50%



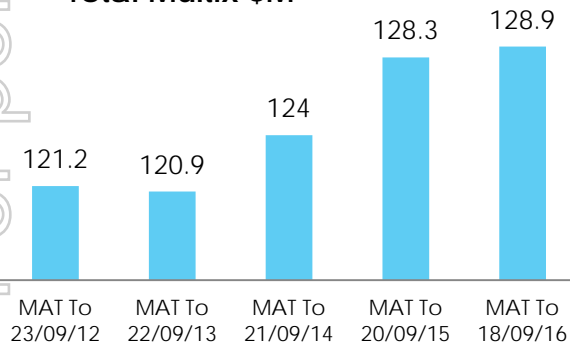
of Australian households have at least one Multix product in their home

*Nielsen Homescan MAT to 06/09/2016



We've had successful tactical innovation...

Total Multix \$M



...and still growing

*Aztec Scan, Multix Brand Total, Bags/Wraps and Foils



Consumers think Multix is good quality



High engagement

*135,000 facebook fans 'The Clever Cook'



- ✓ Full range
- ✓ Customer category champions

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- HAPL underlying retail business remains very solid.
- **Retail Channel:** All key retail partners ahead of plan and prior year, excluding the negative impact of;
 - Masters store format Closure
 - Loss of Laundry business in Harvey Norman
- **Commercial/Kitchen:** Building project delays in Victoria and New South Wales
- **Operations:** Supply chain efficiencies driving inventory improvements

FY 2017- Second Half Outlook

- Refocus on our core cooking categories, built in ovens, upright ovens, rangehoods and cooktops
- Release of new products in existing categories, Laundry and Refrigeration
- Launch of innovative new products, healthy Combi steam oven
- Leverage key retail partnerships within, Harvey Norman, Good Guys, Appliances Online
- Launch exclusive Baumatic cooking offer with Bunnings Commercial division
- Invest in our branded web sites to enhance the customer experience

Digital

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Primary Objective

- Build one on one relationships with **new and existing** consumers to increase **brand awareness**, brand engagement, **brand loyalty** and drive **offline and online sales**.
- Retail store **locator functionality** has been added to **our website**, with over **five thousand retail outlets** included in the database.

Secondary Objective

- As the **experts on our brand** we will always be **where our customers want us to be**, when they want us to be there, providing them with accurate and informative information, **convenience and exceptional service**.

www.drlewinns.com.au

www.ladyjayne.com.au

www.akin.com.au

www.manicare.com.au

International Business



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A'kin

- Working together to drive A'kin in the UK and EU
- A'kin has been positioned as a straightforward and simple choice to a confused customer.
- Distributed through Holland & Barrett, Wholefoods market, Naturismo, Waitrose, Aer Lingus, Thomas Cook.



China

A'kin Distributor

- Specialise in natural, good value – mid tier skincare and health brands
- 5 star Tmall TP store operator
- Secured the opening of Akin's Official Tmall store.
- Targeted purchases of \$1m in Year 1

Dr. LeWinn's Distributor

- Specialise in Premium skincare brands
- Focus will be on LSC and EY
- Exclusive repackaged range (based on Korean design) of LSC for China only.
- Forecasting purchases of \$1.5m in Year 1
- UCO to marketing and build the brand in China from virtually zero presence.

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APPENDIX

McPherson's Limited - Financial Performance
Results for the Half Year Ended 31 December 2016

Paul Witheridge
Chief Financial Officer

Group Financial Summary for H1 FY2017

Continuing operations*, excluding non-recurring items

	1H2016* (\$A million)	1H2017* (\$A million)	
Sales	168.3	149.1	11.4% Sales decrease
EBITDA	15.8	15.0	
Depreciation & amortisation	(1.3)	(1.5)	
EBIT	14.5	13.5	6.6% EBIT decrease
Interest	(3.6)	(2.5)	Interest cover 5.4 times
NPBT	10.9	11.0	1.2% PBT increase
Tax	(3.6)	(3.1)	
NPAT	7.3	7.9	8.0% NPAT increase
EPS (cents)	7.5	7.6	
EPS (including non-recurring items) (cents)	10.4	(11.4)	
Total dividend (cents – fully franked)	6.0	6.0	

* The impact of the Groups 49% interest in the Housewares JV is excluded from FY16 as it was divested on 31 March 2016.

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Group Financial Summary for 1H FY2017

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

	1H2016 (\$A million)	1H2017 (\$A million)
NPBT excluding non-recurring items	10.9	11.1
Non-recurring items:		
- Impairment of intangibles	-	(19.8)
- Restructuring costs	(0.2)	(0.8)
- Bond buyback costs	-	(0.7)
- Other non-recurring items	(0.2)	0.2
- 49% share of Housewares JV profit	1.5	-
- Contingent consideration adjustments	1.5	-
Statutory NPBT	13.5	(10.0)
Income tax expense	(3.4)	(1.8)
Statutory NPAT	10.1	(11.8)
Statutory EPS (cents per share)	10.4	(11.4)

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Group Operating Cash Flows

	1H2016 (\$A million)	1H2017 (\$A million)
Cash flows from operations		
Receipts from customers (inclusive of GST)	186.4	164.7
Payments to suppliers and employees (inclusive of GST)	(185.5)	(148.9)
Net cash inflows from operations before interest and tax	0.9	15.8
Net interest and borrowing costs paid	(3.3)	(2.6)
Income tax paid	(2.7)	(1.0)
Net cash inflows (outflows) from operations	(5.1)	12.2

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Group Investing and Financing Cash Flows

	1H2016 (\$A million)	1H2017 (\$A million)
Cash flows from investing activities		
Payments for acquisition of business assets	(6.7)	-
Payments for purchase of property, plant and equipment	(1.9)	(0.7)
Payments for purchase of intangibles	(0.3)	(0.3)
Proceeds from sale of business assets	0.2	0.2
Net cash outflows from investing activities	(8.7)	(0.8)
Cash flows from financing activities		
Net proceeds from (repayment of) borrowings	20.7	(2.0)
Bond buy-back	-	(10.4)
Dividends paid (net of DRP participation)	(1.7)	(1.9)
Net cash inflows (outflows) from financing activities	19.0	(14.3)
Net increase / (decrease) in cash held	5.2	(2.9)

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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.

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Lady Jayne[®]

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agency partners

trilogy

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