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(ASX: MCP)

Operations and Trading Update

McPherson's on track to meet FY20 underlying PBT guidance

McPherson's Limited ("McPherson's" or "the Company") has been actively managing the impact of COVID-19 on the Company and today provides an update on its operations and trading performance.

Highlights

- Initiatives in place to ensure safety of team; prior investments in IT system and systems facilitating seamless business continuity
- Core six brands tracking 20% above FY19
 - Majority of MCP brands benefitting as people stay home resulting in more baking, freezing and cleaning and greater focus on hygiene
 - Key brand Dr. LeWinn's performing well in China through ABM relationship
- Top 150 SKU supply chain operating at 100% with McPherson's teams in China, HK, Singapore ensuring sustainability of supply
- Rapid response from R&D and marketing teams driven launch of sanitation and immunity products including MCP's first hand sanitiser product
- Incremental recruitment across key departments; no redundancies
- Strong balance sheet with low gearing ratio of 13%
- On track to meet FY20 underlying PBT guidance, up 10% on FY19, however material uncertainty still exists in the market

1. Operational response to COVID-19

McPherson's key priority has been to protect the safety and wellbeing of its people and ensure the continuity of business operations.

Laurie McAllister, CEO and Managing Director, McPherson's commented: "The Company has implemented a number of initiatives to minimise risk for our people and ensure the continuation of safe operations. These include the activation of our focussed Rapid Response Team and crisis protocols, reducing in-person interactions where possible and a smooth transition to work-from-home for the majority of our team.

"To support our employees, McPherson's has also launched a support package which includes a technology and hobby allowance that we are encouraging team members to put towards learning a musical instrument, language or reigniting a hobby. This initiative aims to enhance home and work environments and ease some of the financial burden of remote working. In recognizing the impact of COVID-19 beyond our team, the Company has extended its corporate influenza immunisation program to include employees' families."

To date, no McPherson's employee has tested positive to COVID-19. Social distancing measures have been effectively implemented at its Kingsgrove distribution facility and contactless delivery has been employed for McPherson's 5,300 average daily customer deliveries.

McPherson's is making incremental investments to recruit additional talent in its Sales, Marketing, Research and Development and Supply Chain teams. The recently established "Think Beyond" working group challenges employees to deploy innovation internally at McPherson's and consider how they can emerge with a new personal skill.

Laurie McAllister commented: "I want to acknowledge the cooperation and resilience of the entire McPherson's team, including senior leaders and our Board, whose professionalism and agility during this challenging time has ensured the seamless continuation of safe operations. It is also very pleasing to see that the recent investments in our IT and supply chain systems have paid off, with the majority of our team transitioning seamlessly to remote working."

2. Business performance

McPherson's continues to see strong demand particularly for its household essential products, which are benefiting from an increased basket size in supermarkets. As people spend more time in their homes and change behaviour towards baking, freezing, home cleaning and personal hygiene, there has been a positive initial impact on the Multix and Swisspers brands.

Overall, McPherson's core six brands, Dr. LeWinn's, A'kin, Swisspers, Manicare, Lady Jayne and Multix, are performing in-line with expectations announced before the outbreak of COVID-19. Key brand Dr. LeWinn's continues to perform well in the export market, driven by sales in China thanks to McPherson's strategic partnership with Access Brand Management (ABM), announced in November 2019.

Importantly, McPherson's has not experienced any material adverse disruption to its supply chain with delivery of products from China being supported by McPherson's teams in Hong Kong and Sydney. Independent manufacturing facility Aware Group is also positively supporting McPherson's to ensure sustainable product supply.

Given the significant growth in demand through online channels, McPherson's is increasing its investment in its customers' online content and its own e-commerce store, as it believes the current environment provides an opportunity to increase accessibility and distribution through these growing channels.

McPherson's continues to gain ranging in its traditional channels with increased distribution to existing retailers set to deliver approximately \$1.5 million of additional annual sales. McPherson's products have also been subject to reduced discounting and other promotional activity by customers in the March 2020 quarter, which has resulted in improved margins.

McPherson's focus on R&D has seen it enter the sanitation and immunity industry. This month it launched a hand sanitiser product through a new partnership with Game On and the Chemist Warehouse licensed Ozguard brand with \$9 million of confirmed orders.

At this stage, with the confidence of the above new initiatives, McPherson's remains on track to meet its FY20 guidance of growth in underlying profit before tax of approximately 10% over FY19 based on the strong performance for the nine months to March 2020 and the updated forecast for the June 2020 quarter. However, the current environment presents material uncertainty, with the spectre of major economic contraction in the short term.

As indicated previously, the Company continues to closely monitor the impact of COVID-19 and will be as responsive as possible to the different and quickly changing circumstances. This forecast has been provided on an underlying basis and is prior to the completion of the Company's typical asset impairment assessment procedures.

Laurie McAllister commented: “Our strong mix of brands and channels, combined with our agility to adapt to changing consumer needs, means we are well positioned in the current environment. We have a great portfolio of products and are seeing steady demand in both the domestic and export markets. Our close relationship with ABM is driving sales in China while our strategic partnership with the Aware Group is maintaining steady supply to ensure we are meeting demand. We are pleased to confirm previously stated FY20 underlying profit before tax guidance of approximately 10% above FY19, while acknowledging the significant uncertainty that exists in the market.”

3. Strong foundations

Laurie McAllister continued: “Our strong culture and team have enabled us to withstand immediate pressures from the pandemic.

“Growth through a focussed approach on acquisitions and ventures in Health, Wellness and Beauty remains a key focus and we are well positioned to leverage opportunities that align with our strategy.

“As of 31 March 2020, Company net debt, excluding lease liabilities, was \$14.7m with the gearing ratio low at 13%. McPherson’s is currently in the advanced stages of finalising a new three year \$47.5m debt facility with the support of its banking partners.

“We have a robust domestic and global business model, our people are safe and engaged and we are investing to grow our team. Supported by a strong balance sheet, we are standing resilient in the current environment and also being opportunistic in building tomorrow’s business today through this difficult period.”

Authorisation: This ASX announcement is approved and authorised for release by the McPherson’s Limited Board.

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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 significant brands for agency partners and via joint venture arrangements such as Soulful and Sugarbaby, 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>