



MCPHERSON'S
Est. 1860

FY 2021 RESULTS PRESENTATION

18TH AUGUST 2021



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AGENDA

1. FY21 OVERVIEW
2. DETAILED FINANCIAL RESULTS
3. STRATEGY AND OPERATIONAL UPDATE
 - CORE BUSINESS
 - HEALTH & WELLNESS
 - INTERNATIONAL
 - COST OPTIMISATION
4. SUMMARY and OUTLOOK
5. Q&A



FY21 IN REVIEW



MANICARE
Sonic Mini – Facial Cleansing Brush

FY21 RESULTS – PERFORMANCE IN LINE WITH GUIDANCE

TOTAL SALES REVENUE

\$200.5m

FY20: \$222.2m

SALES EXCLUDING CHINA

\$193.8m

FY20: \$185.0m

UNDERLYING EBIT

\$11.3m

FY20: \$25.1m

STRONG CASH CONVERSION

108%

FY20: 88%

ROBUST BALANCE SHEET

\$8.4m in debt

Gearing 6.8%

FINAL DIVIDEND

1.5cps

fully franked

FY21 financial summary

- Resilient domestic performance offset by lower international sales of Dr. LeWinn's and one-off items
- Sales revenue excluding China increased 5% to \$193.8m
- Underlying EBIT of \$11.3m in-line with guidance
- Strong balance sheet with low debt and gearing

Strategy and operational update

- Clear strategy in place to progressively achieve FY26 targets
- Acquired and integrated Fusion Health and Oriental Botanicals brands
- Began reset to simplify business, drive efficiencies and focus on growth
- Established three Commercial Business Units
- Exiting three joint ventures in FY22
- Board and CEO refresh
- Leaner and focused Senior Leadership Team
- \$2 million in cost reduction initiatives in FY22 identified

SUMMARY OF REVIEW

MCPHERSON'S TODAY

- Opportunities in Health, Wellness and Beauty remain strong
- We have a robust consumer proposition and brands in the domestic market
- Extremely attractive and valuable skincare brand in Asia with Dr. LeWinn's

LOOKING AHEAD

- Greater focus and better return from existing brand and capabilities
- Drive fewer, higher quality initiatives with a more mature approach to balancing risk in our growth opportunities
- Review our international approach
- Recalibrate cost base

MARKET CONDITIONS AND COVID-19



PEOPLE, HEALTH & SAFETY

- Safety and wellbeing of our people is top priority
- Remote operations in all domestic office locations
- Kingsgrove warehouse with limited lost time and zero cases



SUPPLY

- Increased shipping lead times
- Despite Aware impairment, MCP remains confident in local formulated supply capability
- COVID reinforces global supply confidence best served by multi geographic approach



DEMAND

International

- Impacted cross border e-commerce and reduced daigou trade during FY21. Any return may be moderate relative to the past

Domestic

- Shift to 'Care at Home' increased demand for Beauty and Household Essentials
- Shift to 'one stop' shopping supports grocery channel

FINANCIAL UPDATE



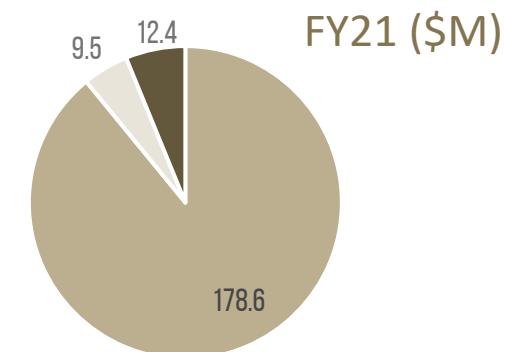
FY21 SALES REVENUE

Sales revenue increased by 5% in FY21 excluding the decline in sales to ABM

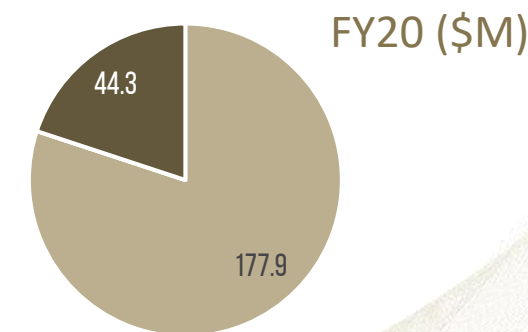
	FY21	FY20	% change
SKIN, HAIR & BODY	30.9	62.9	-50.8%
ESSENTIAL BEAUTY	66.6	58.0	14.9%
HOUSEHOLD ESSENTIALS & OTHERS	61.2	64.3	-4.9%
HEALTH	9.5	-	-
TOTAL OWNED BRANDS	168.2	185.2	-9.2%
AGENCY BRANDS	12.0	13.5	-11.1%
PRIVATE LABEL	20.2	23.4	-13.5%
TOTAL SALES	200.5	222.2	-9.8%

- Decline in Dr. LeWinn's sales to China from \$37.2m in FY20 to \$6.7m in FY21
- 11% increase in A'kin following ranging in large grocery retailer
- +40% in Lady Jayne, +13% in Manicare & +4% in Swisspers
- Strong growth driven by new product innovations & trend to home based beauty solutions
- 8% decline in Multix due to deranging of Kitchen Tidy bags in grocery
- Multix is responding by further strengthening its sustainability range
- Acquisition of Fusion and Oriental Botanicals effective 1 December 2020
- Initial out-of-stock position with some suppliers almost eliminated
- Recorded 9% increase in sales of owned brands, excluding China
- \$1.3m decline in hand sanitiser sales, due to significant glut in the market
- Decline in low margin private label sales due to increased competition from direct manufacturers

Business Unit sales split

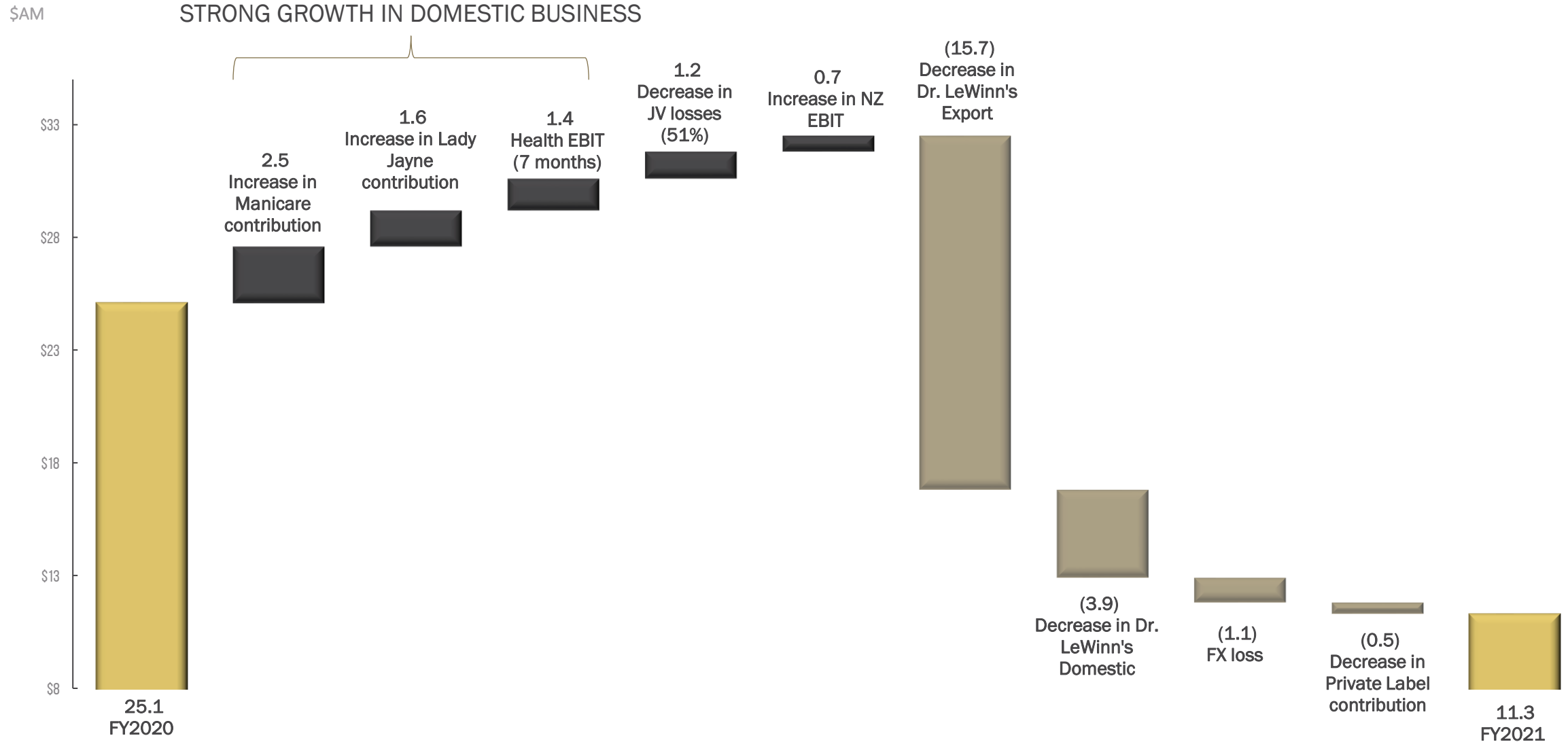


■ ANZ (EXC HEALTH) ■ HEALTH ■ INTERNATIONAL

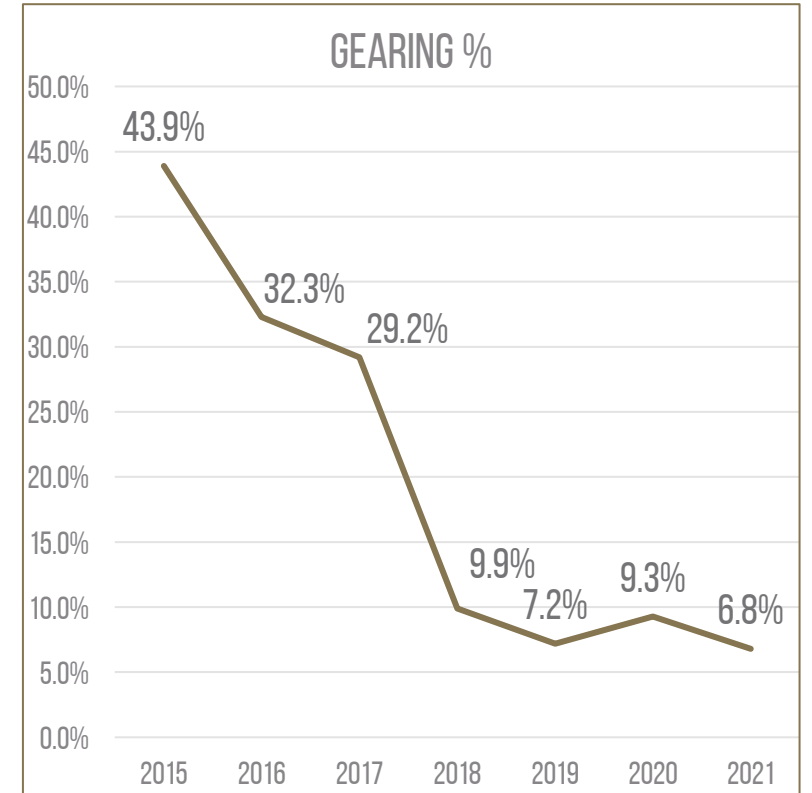
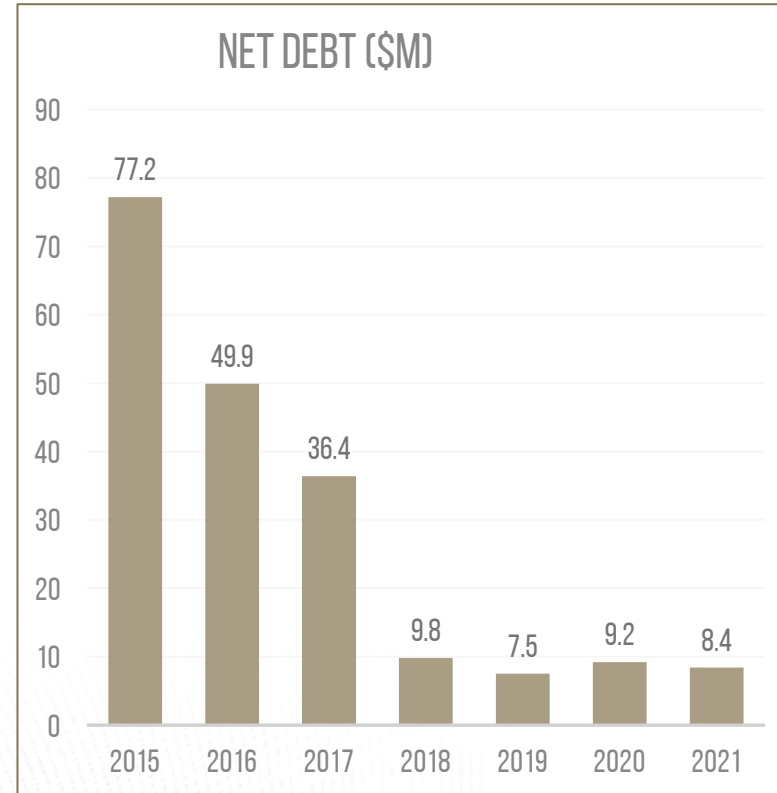
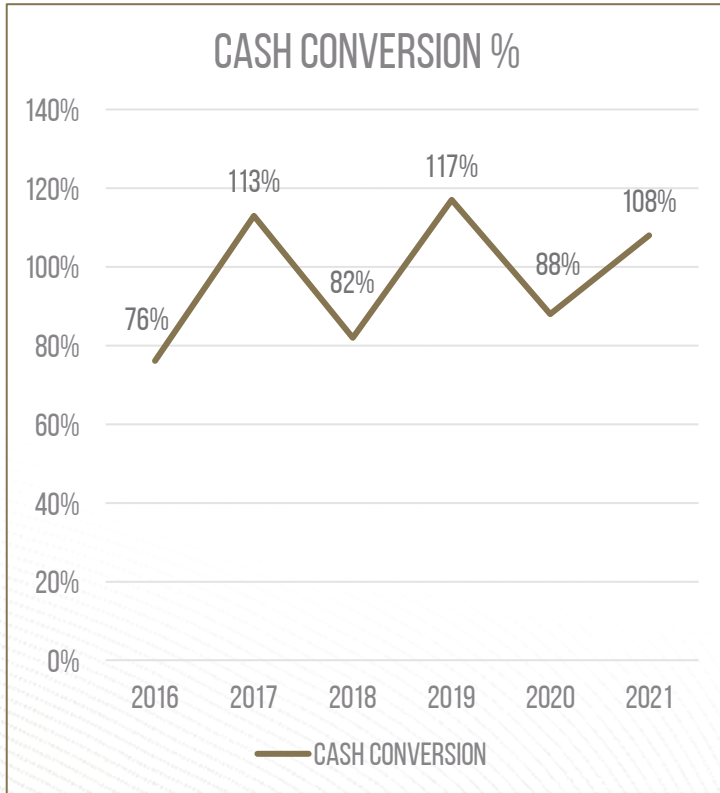


■ ANZ (EXC HEALTH) ■ HEALTH ■ INTERNATIONAL

BRIDGE OF FY20 TO FY21 UNDERLYING EBIT



HEALTHY UNDERLYING CASH CONVERSION & STRONG BALANCE SHEET



- The Company continues to generate healthy underlying cash conversion
- Net debt remains low at \$8.4m at 30 June 21
- Gearing remains low at 6.8% at 30 June 21

CAPITAL MANAGEMENT CONSIDERATION & FY21 FINAL DIVIDEND



Final Dividend

- Final ordinary dividend of 1.5 cents per share (cps) fully franked (2H20: 7.0cps)
- Full year ordinary dividends of 5.0cps fully franked (FY20: 11.0cps)
- Payout ratio of 99% of FY21 underlying profit after tax
- Final dividend payable 23 September 2021



Capital Management

- Given strong balance sheet, various capital management initiatives have been explored
- Prudent to defer any decision to implement these while there is a high level of uncertainty due to COVID-19

STRATEGY UPDATE



HEALTH, WELLNESS & BEAUTY – A GROWING MARKET

WE'RE OPERATING IN A \$15.2 BILLION MARKET

HEALTH & WELLNESS¹
 (\$7.5 Billion, +5.7% vs Year Ago)

BEAUTY¹
 (\$7.7 Billion, +4.6% vs Year Ago)



NATURAL HEALTH

- Immunity & Protection
- Sleep & Mood
- Joint & Movement
- Digestive Health



HEALTHY SKIN & BEAUTY

- Cosmeceutical
- Australian Natural
- Essential Beauty
- Clean Beauty



LEVERAGED TO POSITIVE MACRO TRENDS

PRO-ACTIVE
BEAUTY

AUSTRALIAN
BEAUTY

BEAUTY AT
HOME

SUSTAINABLE
LIVING

1. Health & Wellness, Beauty Market size defined using IRI MarketEdge based on Health, Wellness & Beauty definitions provided by McPherson's Consumer Products
 IRI Big Picture: Pharmacy Moving Annual Total (MAT) 02/08/2020, plus Grocery MAT 03/01/2021 Vs MAT Year Ago

STRATEGIC UPDATE

Target \$300 million sales and \$50 million EBIT in FY26

6 CORE OWNED BRANDS & KEY CHANNELS



INITIATIVES TARGETED TO DELIVER \$230 MILLION SALES AND \$29 MILLION EBIT BY FY26

HEALTH & WELLNESS A NEW GROWTH PLATFORM



INITIATIVES TARGETED TO DELIVER \$30 MILLION SALES AND \$7 MILLION EBIT BY FY26

SELECTIVELY EXPAND INTERNATIONAL FOOTPRINT



INITIATIVES TARGETED TO DELIVER \$40 MILLION SALES AND \$8 MILLION EBIT BY FY26

COST OPTIMISATION



INITIATIVES TARGETED TO DELIVER \$6 MILLION EBIT BY FY26



ANZ - CORE 6 OWNED BRANDS & KEY CHANNELS FY21 PERFORMANCE HIGHLIGHTS



6 CORE OWNED BRANDS & KEY CHANNELS

- **Strong core brand performance**
 - Increased sales in majority of core owned brands
 - Pharmacy core brands outperformed vs category during FY21 (3.7% vs 0.1%)
 - Daigou impact on Dr. LeWinn's and Multix competitors in "Greener" catch up
- **Category and online expansion**
 - Shift to in-home beauty solutions drove Essential Beauty category growth
 - 8 online retail partners and 1361 incremental distribution points executed
 - +22% increase in online sales through a major retailer
- **Continued focus on Sustainability**
 - Swisspers #1 in Sustainable Cotton, Multix #1 in Sustainable Wraps & Foil
 - Partnerships with Red Cycle, Australian Packaging Covenant & Great Barrier Reef Foundation
- **Expanding Capability**
 - Launch of MCP Academy – training and product knowledge
 - Continued investment on e-commerce channel with +19% investment in online assets
 - Investment in digital capability increasing engagement

Manicare ▲ 13%

Swisspers ▲ 4%

Lady Jayne ▲ 40%

A'kin ▲ 11%

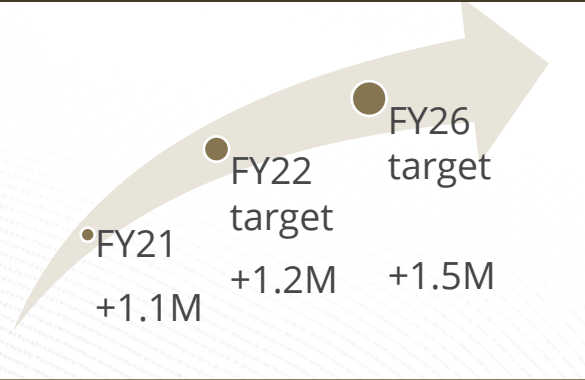


ANZ - CORE 6 OWNED BRANDS & KEY CHANNELS STRATEGY PROGRESS UPDATE



6 CORE OWNED BRANDS & KEY CHANNELS

DISTRIBUTION POINT TARGET – ANZ BEAUTY



STRATEGIC PLAN

Expand core brands via better ranging, customer and channel expansion



Tap into adjacencies and focus on innovation

PROGRESS UPDATE

- Confirmed incremental distribution points over 25% of annual target
 - A total increase of 26,180 distribution points confirmed for H1 2022, on track to reach FY22 target of 1.2M
 - Lady Jayne and Manicare: +3,562 incremental distribution points in market by Oct 2021
 - A'kin expansion in skincare: +3,808 incremental distribution points in market by Sep 2021
- Strong collaborative activity driving key Beauty Essential brands and skincare including CWH and Priceline TVCs
- Continued focus on customer expansion in FY22
 - Launch with KG Group, The Iconic, Myer, Pretty Green Australian Eco-Friendly Online Supermarket in 1H22

- Baby category:** Swisspers launched in CWH. In market H1 FY22 CWH NZ in February 2022 delivering 1,073 distribution points
- Innovation:** NPD on track to deliver over 10% of sales in FY22
- New products:** Innovation driving the planned release of 28 new products in Pharmacy from September 2021



ANZ - CORE 6 OWNED BRANDS CATEGORY EXPANSION & INNOVATION



CATEGORY EXPANSION



BABY \$320M CATEGORY



MEN'S GROOMING \$350M CATEGORY



BEAUTY AT HOME MOMENTUM



**NPD ON TRACK
TO DELIVER
OVER 10% OF
SALES IN FY22**

SKINCARE INNOVATION PIPELINE



EXPAND SUSTAINABILITY FOOTPRINT

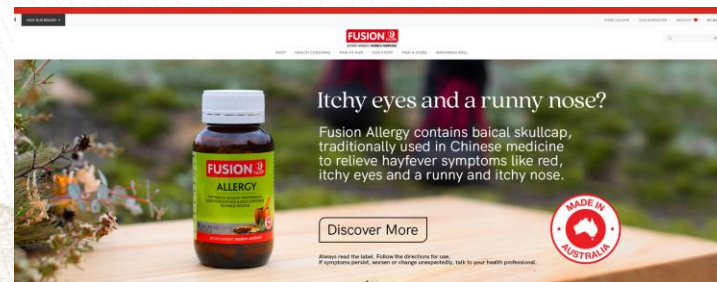


HEALTH AND WELLNESS GLOBAL THERAPEUTICS INTEGRATION AND PERFORMANCE



HEALTH &
WELLNESS
A NEW GROWTH
PLATFORM

- Acquired Global Therapeutics' Fusion Health and Oriental Botanical brands, establishing a new platform for growth
- Successful integration of GT into MCP, including IT and financial systems, and stock now being distributed from MCP Kingsgrove warehouse. Service offering alignment and go to market distribution review underway. Manufacturing transition out of Blackmores progressing strongly
- Recorded \$9.5 million in sales in FY21 with brands contributing from 1 December 2020 (7 months). In April 2021, recorded highest sales month since September 2019 – (excepting COVID March 20 panic buying)
- Out of stock recovery with highest availability levels in two years in Q4 FY21
- Quarterly profit and sales baseline established in Q4 of FY21. Like for like sales growth of 16%* YOY
- Engaged consumers through the Fusion Health Wintering Well campaign



HEALTH AND WELLNESS STRATEGY PROGRESS UPDATE



HEALTH &
WELLNESS
A NEW GROWTH
PLATFORM

STRATEGIC PLAN

Access ranging upside in Australian pharmacy, reset in New Zealand

Accelerate New Product Development (NPD)

PROGRESS UPDATE

- Current domestic Independent Pharmacy ranging of <40%
- Commenced selling into the health food channel in Q4 FY21
 - 47 additional doors in Q4 for A'kin
 - 30 additional doors for Happy Flora
- China market opportunity identification and clarification underway with completion due Q2 of FY22
- Broader International assessment in e-commerce platforms in progress.

- 6 NPD rollouts targeted in FY22 to exploit health trends
- Additional opportunity to review sectors stymied by prior ownership
- NPD resource focus on potential International labelling compliance

EXPAND INTERNATIONAL FOOTPRINT FY21 PROGRESS



SELECTIVELY
EXPAND
INTERNATIONAL
FOOTPRINT

STRATEGIC PLAN

Build on Dr. LeWinn's success but de-risk approach

Progress entry into non-China markets

PROGRESS UPDATE

China:

- Reduced sales to ABM of Dr. LeWinn's with \$7m FY21 (FY20: \$37m)
- In market sell through by ABM of \$19m, down 21% on FY20
- Brand performance in line with other beauty brands, which are estimated to be down 20-25% on FY20 in cross border e-commerce
- Significant inventory weight being worked through

Now working to address:

- Our arrangement with ABM and its relevance to the new market realities
- The brand and how we manage it in the future

USA:

- Contracted Boston Distribution & Sales Factory to commence sales in USA e-commerce market, on a self-funding basis

Fusion Health:

- Fusion Health international market entry assessment in FY22

Dr. LeWinn's Global Brand IP:

- Registered Dr. LeWinn's trademark in key markets: UK, EU, USA, UAE

COST OPTIMISATION FY21 ACHIEVEMENTS AGAINST STRATEGY



COST
OPTIMISATION

Our approach is to drive efficiencies in our business, and optimise our supply chain and distribution process to best support our growth initiatives.

KEY ACTIVITIES

Restructured business units and leadership team

Our business will be centered around three units:

- Core Range – ANZ
- Health
- International

Review of JV arrangements

- Exiting three JVs in FY22
- Removing unnecessary complexity

Warehousing & distribution

- Re-contracting Kingsgrove lease
- Warehouse and Distribution efficiency opportunities being progressed

SUMMARY & OUTLOOK



TRADING UPDATE AND OUTLOOK

- Despite the external environment, we are optimistic that FY22 will deliver improved revenue and EBIT on FY21
- Market uncertainties support maintenance of a less geared balance sheet
- Balanced multi geographic and multi brand offerings, with breadth of risk profile will drive a more sustainable and predictable business – consistent with our strategy.
- Trading update will be provided at the AGM on 23 November 2021



SUMMARY

OPERATIONAL REVIEW PROGRESSING WELL

- Resilient performance from core business
- Clear strategy in place and rapid execution on initiatives
- Prioritising simplification and cost efficiencies
- Health business integrated and performance base re-established
- International restage commenced.
- On track to meet FY26 targets

BOARD & SLT

Refresh in progress with leaner SLT team

ACQUISITIONS

- No acquisitions currently being considered
- Any acquisition will be of meaningful scale and aligned to Health, Wellness and Beauty



Q & A



APPENDIX 1: FURTHER COMMENTARY ON UNDERLYING EARNINGS

Revenue	FY21 (\$m)	FY20 (\$m)	Var %	Further Commentary
Sales revenue	200.5	222.2	-9.8%	Refer detailed presentation
Other income	0.3	0.3	0.0%	
Total revenue and other income	200.8	222.5	-9.8%	
Underlying Expenses				
Materials and consumables	(106.6)	(116.1)	-8.2%	Reduced sales of Dr. LeWinn's increases materials %
Employee costs	(36.9)	(35.2)	4.8%	Acquisition of Global Therapeutics
Advertising and promotions	(20.9)	(20.1)	4.0%	Acquisition of Global Therapeutics
Cartage and freight	(6.0)	(5.9)	1.7%	Acquisition of Global Therapeutics
Third party warehousing	(2.2)	(2.3)	-4.3%	Reduced volumes through 3PL facilities
Rental expenses	(0.3)	(0.4)	-25.0%	
Share of net loss of joint ventures accounted for using the equity method	(0.7)	(1.9)	-63.2%	Reduced cost of JV operations
Other expenses	(10.7)	(10.7)	0.0%	
Depreciation & amortisation	(5.1)	(4.9)	4.1%	Acquisition of Global Therapeutics
Underlying EBIT	11.3	25.1	-55.0%	
Net borrowing costs	(1.2)	(1.2)	0.0%	
Underlying profit before tax	10.1	23.9	-57.7%	

APPENDIX 2: RECONCILIATION OF UNDERLYING TO STATUTORY PROFIT BEFORE TAX

	FY21 (\$m)	FY20 (\$m)
Underlying profit before tax	10.1	23.9
<u>Significant items before tax included in statutory (loss) / profit before tax</u>		
Inventory provision for hand sanitisers	(6.7)	0.0
Impairment of investments in joint ventures, shareholder loans and receivables	(5.0)	0.0
Takeover response advisory fees	(1.9)	0.0
Acquisition costs in relation to Fusion Health and Oriental Botanicals brands	(0.9)	0.0
Employee costs for the resignation of the Managing Director	(1.5)	0.0
Due diligence costs on other acquisition targets	(0.3)	0.0
Release of contingent consideration for the My Kart joint venture	1.8	0.0
Impairment of A'kin and Moosehead brand names	0.0	(8.5)
Share of net loss from the Kotia joint venture, incl impairment	0.0	(2.2)
Total significant items before tax	(14.6)	(10.6)
Statutory (loss) / profit before tax	(4.5)	13.3
Statutory income tax expense	(0.5)	(7.2)
Statutory (loss) / profit after tax	(5.0)	6.1