

# FY22 Results Presentation

25 August 2022

# Disclaimer

The following provisions apply to this presentation. Please consider its contents carefully.

## Currency of information

The information contained in this presentation is current as at the date of this presentation or such earlier date as specified in this presentation.

## Summary information

The information in this presentation is of a general nature only. It does not purport to be complete.

## Not investment advice

The information contained in this presentation is not investment or financial product advice or any recommendation to acquire or sell securities in McPherson's Limited (ASX: MCP). This presentation has been prepared without taking into account your investment objectives, financial situation or particular needs.

## Company information

MCP's historical information in this presentation is, or is based on, information that has been released to ASX. This presentation should be read in conjunction with MCP's other periodic and continuous disclosure information lodged with ASX, which are available at [www.asx.com.au](http://www.asx.com.au).

## Third party information

Certain market and industry data used in connection with this presentation may have been obtained from research, surveys or studies conducted by third parties, including industry or general publications. Neither MCP nor any of its related bodies corporate, directors, employees, agents or advisers have independently verified such market or industry data and no representation or warranty is made as to the accuracy, completeness or reliability of the information.

## Historical information

Past performance information in this presentation is given for illustrative purposes only and should not be relied upon as, and is not, an indication of future performance.

## Forward looking information

This presentation contains certain forward-looking statements that involve risks and uncertainties many of which are beyond MCP's control, and which may cause actual results to differ materially from those expressed in the statements contained in this presentation. MCP can give no assurance that these expectations will prove to be correct. You are cautioned not to place undue reliance on any forward-looking statements. Actual results may differ materially from those anticipated in these forward-looking statements due to many important factors, risks and uncertainties including, without limitation, risks associated with future capital needs, general economic uncertainty and other risks detailed from time to time in MCP's announcements to ASX. MCP does not undertake any obligation to release publicly any revisions to any "forward-looking statement" to reflect new information events or circumstances after the date of this presentation, except as may be required under applicable laws.

## Disclaimer

No representation or warranty, whether express or implied, is made by any person as to the fairness, accuracy, completeness or correctness of the information, opinions and conclusions contained in this presentation. You should carry out your own investigations and analysis of MCP and verify the accuracy, reliability and completeness of the information contained in this presentation.

Neither MCP nor any of its related bodies corporate, directors, employees, agents and advisers accept any responsibility for any loss arising from anyone acting or refraining from acting in reliance on the contents of this presentation.



# FY22 Agenda

**01** Overview

**02** Business Unit Performance

**03** Financial Results

**04** Summary and Outlook

## Our Speakers



**GRANT PECK**  
CEO & Managing  
Director



**SUPRIYA SINGH**  
Commercial Director  
- ANZ



**PAUL  
WITHERIDGE**  
CFO



**JADE PEAK**  
Commercial Director  
- International

# FY22 Overview

# FY22 Overview



**\$214m**

TOTAL SALES  
REVENUE

▲ 7%

on FY21: \$200.5m

▲ 11%

SALES GROWTH  
OF CORE  
OWNED BRANDS

**\$11.8m**

UNDERLYING EBIT

▲ 9%

on FY21: \$10.8m

**\$10.7m**

UNDERLYING PBT

▲ 11%

on FY21: \$9.6m

**1%**

GEARING

FY21: 6.8%

**2.0 CPS**

DIVIDEND

FY21: 1.5 cps

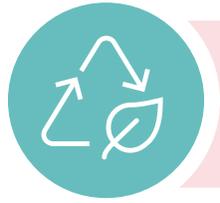
## FY22 Summary

- **Sales up 7%**, in line with stated guidance, driven by strong growth in six core owned brands and full year contribution from health business
- **Strong underlying PBT** despite cost pressures
- Underlying PBT impacted by commodity and sea freight cost increases
- **Strong balance sheet** with net debt of \$1.7m and gearing of 1%
- Cashflow conversion of **131%**
- Declared final **dividend of 2.0 cps** (Fy21: 1.5 cps)

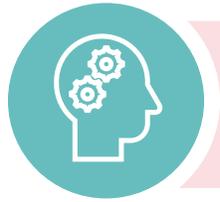
# Health, Wellness & Beauty

A \$16.5 billion market - and *growing*

## Demand dynamics



**Demand for sustainable products**



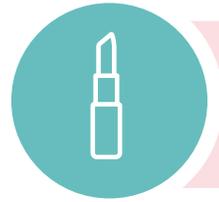
**Growth of pro-active beauty**



**Demand for at-home beauty treatments**

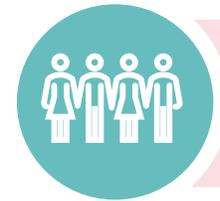


**Heightened awareness of internal health**



**Growth in “clean” brands**

## Challenges



**Weakening consumer confidence**



**Distribution channel contractions**



**Sea freight inflation**

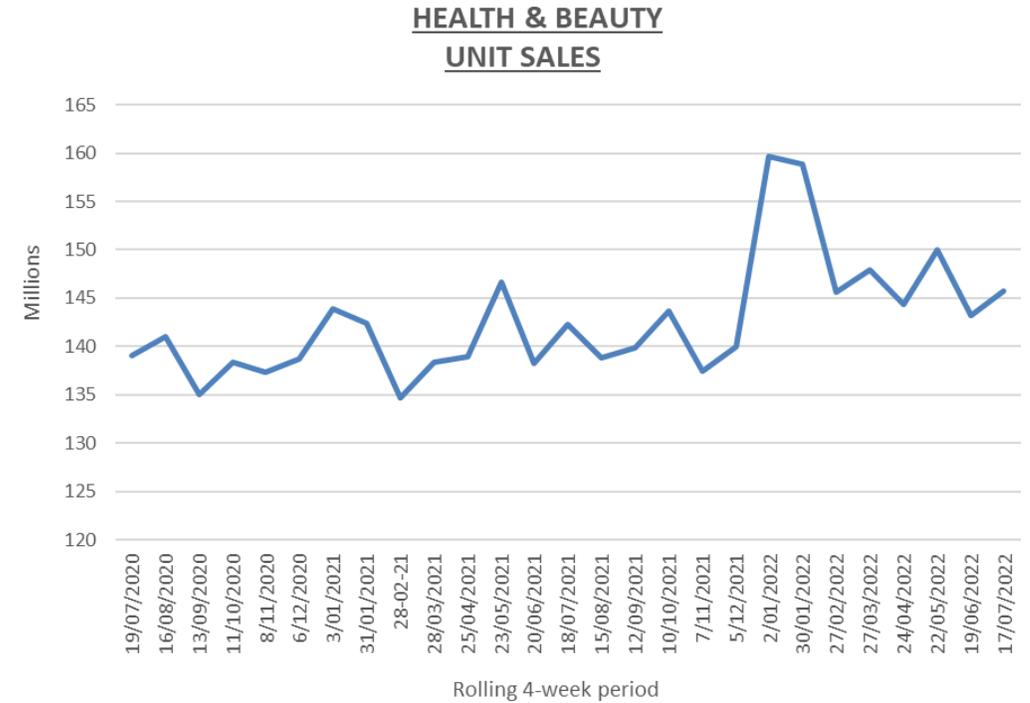
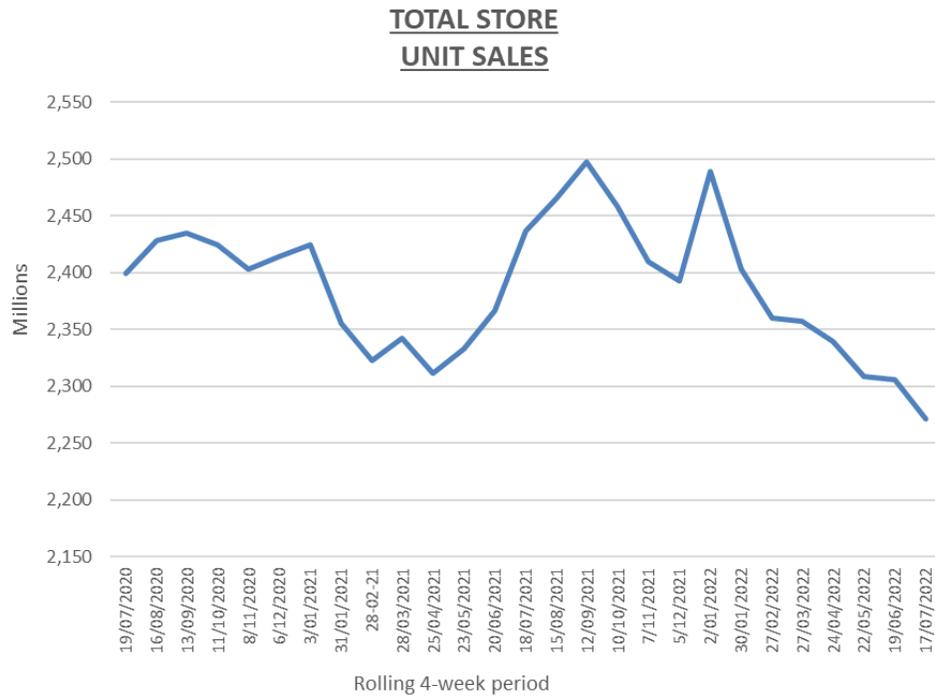


**Commodity cost pressures**

# Health & Beauty Outperforming



Total consumption at its lowest levels but Health & Beauty remains resilient in challenging inflationary environment



**+6.6%**  
Rev/Unit  
Sales

**-3%**  
Units  
Quarterly Growth

**+3%**  
Units  
Yearly Growth

**+4.6%**  
Rev/Unit  
Sales

**+3%**  
Units  
Quarterly Growth

**+8%**  
Units  
Yearly Growth

# FY22 Achievements



Reset year has created a platform for growth

1. New leadership, structure, business processes and focus
2. Continued innovation and focus on NPD
3. Ranging increments driving brand performance
4. Growing with winning customers in partnership
5. Price increases implemented in inflationary environment
6. Strategic Alliance with Chemist Warehouse
7. Supply stability provides strong growth opportunities in Health
8. More cross business alignment and resource leverage between Health and Beauty



# Chemist Warehouse Alliance

Established a unique strategic alliance with Chemist Warehouse in March 2022 to deliver benefits to both parties:

- McPherson's appointed exclusive distributor for select CWH brands
- Brands available to all pharmacies in McPherson's distribution partner network include *Wagner Vitamins, Bondi Protein, INC and Microgenics*
- Increased ranging of MCP products in CWH ANZ and recognition of MCP as a preferred supplier
- CWH now a substantial shareholder of MCP with 9.9% of MCP shares, effective 1 July 2022.



# Our People & Purpose



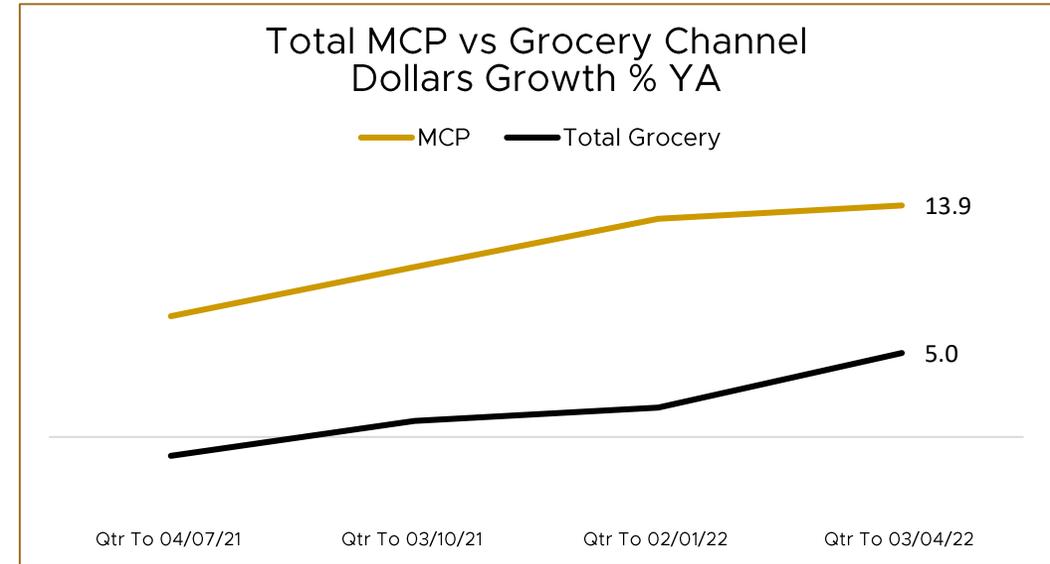
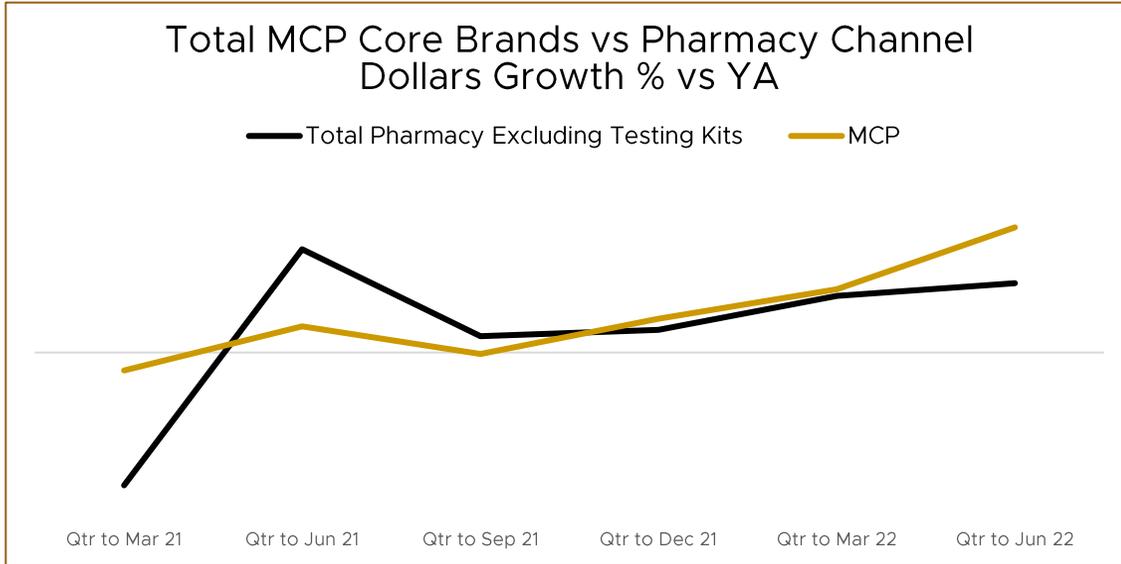
*"To provide care solutions to nurture confident, healthy, and sustainable lifestyles"*

FY22  
Business Unit  
Performance

# Channel/ Category Performance



MCP core brands outperforming pharmacy and grocery channel growth



## Strong Demand for Our Brands



#1 Australian Cosmeceutical Pharmacy Brand



Leading Natural Haircare in Pharmacy



#1 Beauty Tools & Accessories



#1 Hair Tools & Accessories



#1 Foil, Bake, Garbage & Freezer Bags



#1 Cotton

Source: Data sourced from IRI MarketEdge based on data definitions provided by McPherson's Consumer Products. Australian Pharmacy & Grocery Weighted Market. Beauty Accessories, Hair Accessories Category MAT 05//12/21; Cotton, Facial Skincare, Haircare, BWF category MAT 05/12/21

# ANZ Beauty - FY22 Highlights



Segment Performance	FY22 (\$m)	FY21 (\$m)	Change (\$m)	Change (%)
Sales Revenue	187.7	178.4	9.3	5%
Underlying EBIT	16.1	16.5	(0.4)	(2%)



Sales growth on all core brands excl. A'kin



Beauty At Home premiumisation with Manicare & Lady Jayne



42% growth in eCommerce sales



Inner Beauty expansion with Dr. LeWinns' Collagen



Ranging growth +28,000 points of distribution



Sustainability leadership on Swisspers & Multix

## FY22 Sales vs FY21

Manicare	▲ +14%
Lady Jayne	▲ +14%
Dr LeWinn's	▲ +8%
Akin	-
Swisspers	▲ +20%
Multix	▲ +10%

- Sales of owned brands increased by 11%
- Essential Beauty brands grew double digit
- Commodity and sea freight pressures offset growth in owned brand sales
- Implemented price increases for some Multix products in 2H22 with plans for further increases across core brands in FY23
- Investment in advertising and promotion

# ANZ Health – FY22 Highlights

Segment Performance	FY22 (\$m)	FY21 (\$m)	Change (\$m)	Change (%)
Sales Revenue	18.4	9.7	8.7	90%
Underlying EBIT	3.4	1.5	1.9	127%



On trend launch of Immunity & Stress



Award Winning Integrated Marketing



Increased Digital reach +47%



Field Sales integrated with Beauty



McPherson's Academy online learning launch



3,000 store staff educated

- FY22 reflects first full year of ownership of Fusion and Oriental Botanicals brands
- Difficult 1H22 with many health stores closed due to COVID-19
- Like-for-life growth of 19% in 2H22, driven by 26% growth in Fusion sales
- Fusion remains as leading VMS brand in health food channel with an estimated 95% distribution
- Underlying EBIT grew faster than sales, reflecting integration efficiencies, with more to be delivered in FY23

# Growth Tactics



Innovation  
& new product  
development



Distribution  
expansion



Integrated  
marketing  
campaigns



Continued  
Beauty & Health  
service alignment

# ANZ - Core Brand Performance



Premium power accessories & tools launches have accelerated growth of Manicare to +15% and Lady Jayne to +20% since launch

Leader in sustainability with Swisspers launch of paper stems delivering +\$5.6M in retail sales and Multix partnering with retailers on Greener launches



# ANZ - Core Brand Performance



Dr. LeWinn's launch of *Collagen Powders and Liquid shots* drove strong growth and is now 10% of total brand sales, growing by +145%

Fusion continues to innovate behind trending ingredients and won prestigious awards for *Wintering Well* integrated marketing campaign



# International – FY22 Highlights

Segment performance	FY22 (\$m)	FY21 (\$m)	Change (\$m)	Change (%)
Sales revenue	7.9	12.4	(4.5)	(36%)
Underlying EBIT	(2.6)	(1.7)	(0.9)	(53%)



International market access



Partnership assessments  
and target operating models



Demand challenges with  
stock weight of Dr. LeWinn's  
addressed in FY22 H1



China trading conditions and  
zero covid policy in China



Inbound tourism and  
consumer caution in Asia



Diversification of geography,  
brand and partner base

# International – FY23 Strategic Initiatives

Selective expansion supported by omni channel distribution

New market entry with prudence

Ecommerce as lead channel for entry and expansion

Leverage continued growth in beauty and personal care globally

Value enhancing partnerships key to servicing international markets

CBEC accessibility and favourable regulations

Growth continues in cosmeceutical skincare in China

Diversified portfolio and platforms in China with expansion across open platform

# FY22 Financial Results



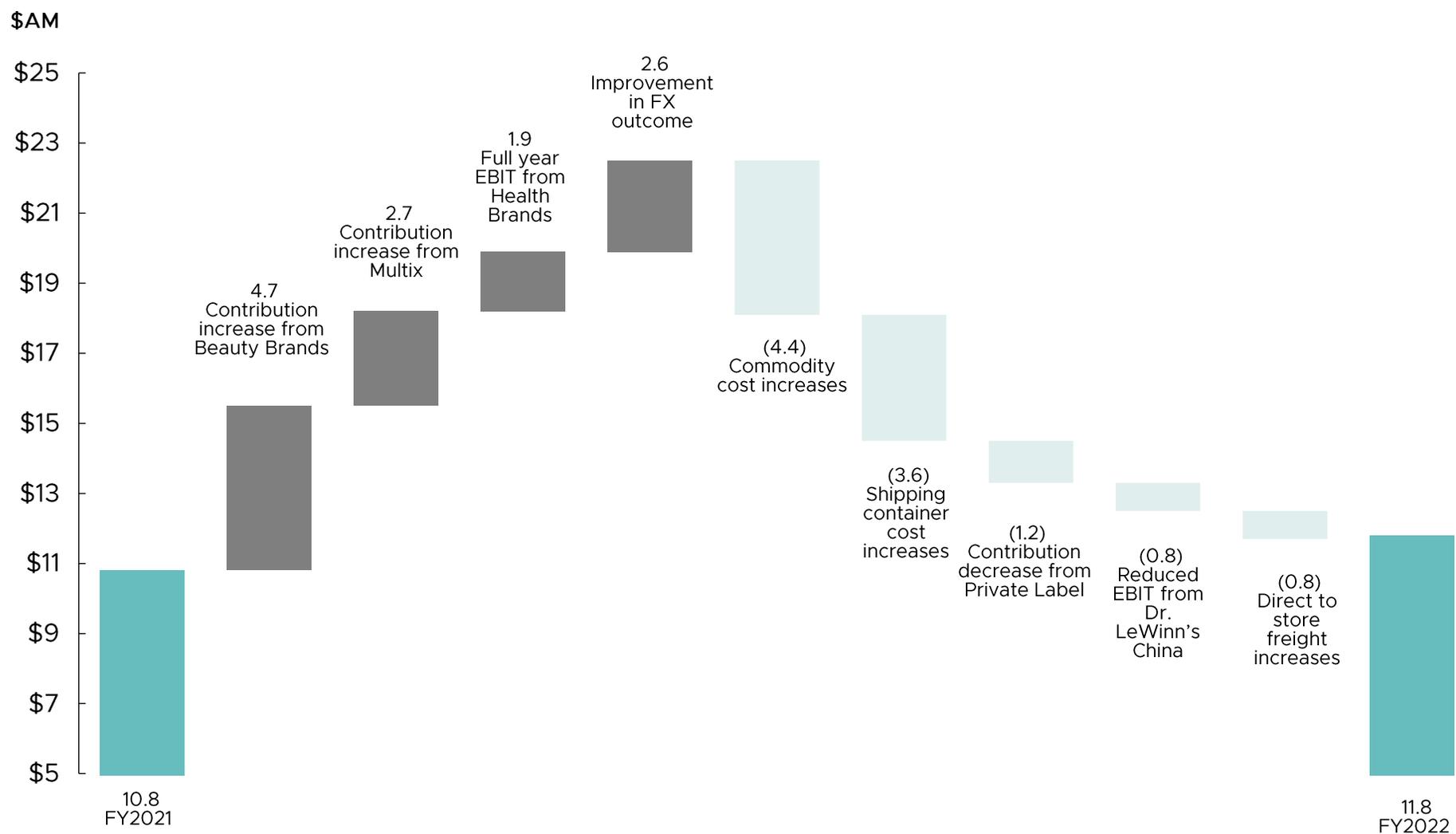
McPHERSON'S  
Est. 1860

# 7% Growth In FY22 Sales Revenue

All figures \$m	FY22	FY21	% change	
<b>Total Group Sales</b>	<b>214.0</b>	<b>200.5</b>	<b>6.7%</b>	
<b>ANZ - Beauty &amp; Household Consumables</b>				
Skin, Hair & Body	24.4	23.0	5.8%	Domestic sales of Dr. LeWinn's grew 8%, A'kin sales were steady
Essential Beauty	75.1	65.5	14.6%	20% growth in Swisspers, 14% growth in Manicare and 12% growth in sales of Lady Jayne driven by new product innovations and a shift toward home-based beauty solutions
Household Consumables & Others	65.1	60.0	8.5%	Strong demand for the broad range of Multix products
<b>Total Owned Brands</b>	<b>164.5</b>	<b>148.5</b>	<b>10.8%</b>	
Agency brands	8.1	9.6	(15.7%)	
Private Label	15.1	20.2	(25.5%)	
<b>Total Sales</b>	<b>187.7</b>	<b>178.4</b>	<b>5.2%</b>	
<b>Health CBU</b>				
<b>Total Sales</b>	<b>18.4</b>	<b>9.7</b>	<b>89.3%</b>	Full year of sales in FY22 vs 7 months of sales in FY21, with 19% growth in 2H22 vs 2H21
<b>International CBU</b>				
Skin, Hair & Body	3.3	7.7	(56.9%)	Cross-border e-commerce distribution into China remains constrained
Other owned brands	2.5	2.4	4.6%	
<b>Total Owned Brands</b>	<b>5.8</b>	<b>10.0</b>	<b>(42.4%)</b>	
Agency brands	2.1	2.4	(10.7%)	Singapore and surrounding countries adversely impacted by reduced in-bound tourism
<b>Total Sales</b>	<b>7.9</b>	<b>12.4</b>	<b>(36.3%)</b>	

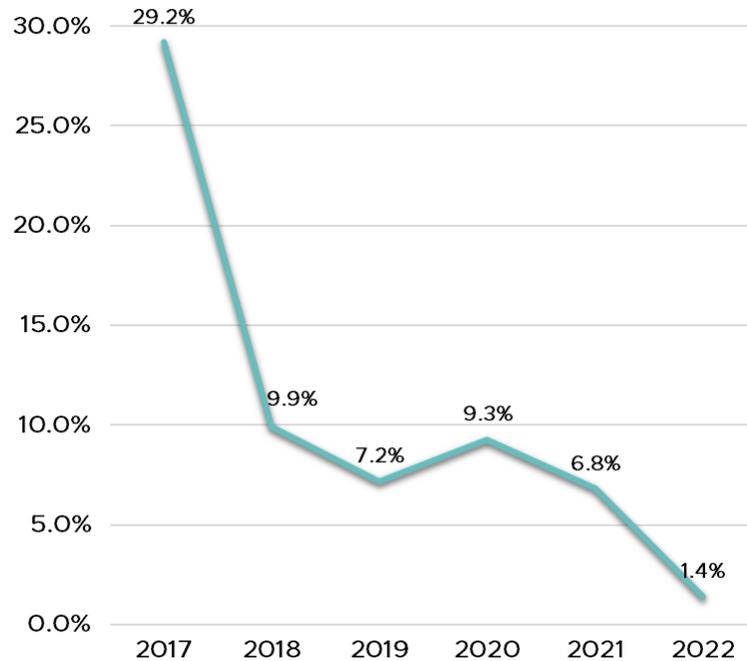


# 9% Growth In FY22 Underlying EBIT

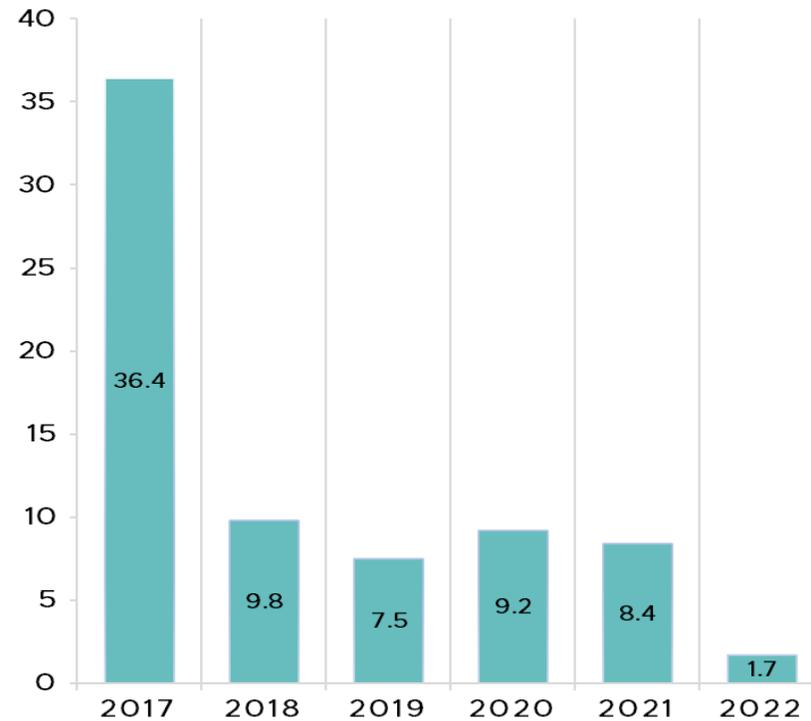


# Low Gearing and Net Bank Debt

Gearing\* % (30 June)



Net bank debt\* (\$m – 30 June)



## Highlights:

Net bank debt remains low at \$1.7m at 30 June 2022.

Gearing remains low at 1% at 30 June 2022.

The Company had strong underlying cash conversion of 129% in FY22 (FY21: 110%), largely due to a \$7.9 million reduction in trade receivables.

\*Excludes lease liabilities

# Dividend & Capital Management

## Dividend

- Final ordinary dividend of 2.0 cents per share (cps) fully franked (FY21 1.5 cps).
- Full year ordinary dividends of 5.0cps (FY21: 5.0 cps).
- Consistent with policy to pay a minimum of 60% underlying profit after tax.
- Final dividend payable 23 September 2022.

## Capital Management

Capital management initiatives will be considered in conjunction with the upcoming debt facility review in 1H23, remaining cognisant of evolving macro-economic conditions and business requirements.





M

McPHERSON'S

Est. 1860

# Summary & Outlook

# Outlook



- Strong demand in Health, Wellness & Beauty category with resilient, well recognised and respected brands delivering superior growth rates
- Solid customer relationships, CWH alliance and continued innovation will drive revenue growth
- Robust balance sheet supports business requirements in current environment
- Approach in international markets will be selective and risk commensurate with opportunity
- Global cost pressures remain a challenge, mitigated by price increases
- Macro-economic environment changed significantly since 2021 Operational Review
- Given changes in macro environment, uncertain trading conditions and inflationary pressures, guidance will not be provided.



Q+A



McPHERSON'S  
Est. 1860

# Appendix 1 - Further commentary on underlying earnings



Revenue	FY22 (\$m)	FY21 (\$m)	Var %	Further Commentary
Sales revenue	214.0	200.5	6.7%	Refer detailed presentation
Other income	0.2	0.3	-42.7%	
<b>Total revenue and other income</b>	<b>214.2</b>	<b>200.8</b>	<b>6.7%</b>	
<b>Underlying Expenses</b>				
Materials and consumables	(113.8)	(106.6)	6.7%	Increase consistent with Revenue
Employee costs	(38.5)	(36.9)	4.3%	Full year impact of Health CBU in comparison to 7 mths in FY21
Advertising and promotions	(22.4)	(20.9)	6.9%	Full year impact of Health CBU & increase in spending for DRL domestic
Cartage and freight	(6.8)	(6.0)	13.1%	Increase in volume (consistent with sales) and rates
Third party warehousing	(2.0)	(2.2)	-6.6%	
Rental expenses	(0.5)	(0.3)	44.3%	
Share of net loss of joint ventures accounted for using the equity method	(0.2)	(0.7)	-78.8%	Reduced cost of JV operations
Other expenses	(12.5)	(10.7)	17.4%	Full year impact of Health CBU in comparison to 7 months in FY21
Depreciation & amortisation	(5.7)	(5.6)	2.2%	
<b>Underlying EBIT</b>	<b>11.8</b>	<b>10.8</b>	<b>9.2%</b>	
Net borrowing costs	(1.1)	(1.2)	-3.6%	
<b>Underlying profit before tax</b>	<b>10.7</b>	<b>9.6</b>	<b>10.8%</b>	

# Appendix 2 - Reconciliation of underlying to statutory profit before tax



	FY22 (\$m)	FY21 (\$m)
<b>Underlying profit before tax</b>	<b>10.7</b>	<b>9.6</b>
<b>Significant items before tax included in statutory profit / (loss) before tax</b>		
Dr. LeWinn's inventory provision	(9.4)	0.0
Chemist Warehouse Strategic Alliance establishment expenses	(0.6)	0.0
Restructuring expenses	(0.6)	0.0
Other items including reversal of estimated joint venture costs	0.3	0.0
Inventory provision for hand sanitisers	0.0	(6.7)
Impairment of investments in joint ventures, shareholder loans and receivables	0.0	(5.0)
Takeover response advisory fees	0.0	(1.9)
Acquisition costs in relation to Fusion Health and Oriental Botanicals brands	0.0	(0.9)
Employee costs for the resignation of the Managing Director	0.0	(1.5)
Due diligence costs on other acquisition targets	0.0	(0.3)
Release of contingent consideration for the My Kart joint venture	0.0	1.8
<b>Total significant items before tax</b>	<b>(10.3)</b>	<b>(14.5)</b>
<b>Statutory profit / (loss) before tax</b>	<b>0.4</b>	<b>(4.9)</b>
Statutory income tax expense	(0.1)	(0.4)
<b>Statutory profit / (loss) after tax</b>	<b>0.3</b>	<b>(5.4)</b>

Thank You



MCPHERSON'S  
Est. 1860

Health | Wellness | Beauty