

22nd November 2022

Company Announcements
ASX Limited
Level 4, 20 Bridge Street
SYDNEY NSW 2000

ASX:
MCP

ABN:
98 004 068 419

ADDRESS:
**105 Vanessa Street
Kingsgrove
NSW 2208**

PHONE:
(02) 9370 8000

Dear Sir / Madam,

2022 ANNUAL GENERAL MEETING – CEO’S ADDRESS

The Chief Executive Officer (CEO) of McPherson’s Limited, Mr. Grant Peck, is today addressing securityholders at the company’s Annual General Meeting (AGM).

McPherson’s is holding a hybrid AGM, meaning that the meeting can either be attended in person at the offices of Thomson Geer, Level 14, 60 Martin Place, Sydney, or accessed online by entering this link in your browser: <https://web.lumiagm.com/361828837>.

The meeting commences at 11.00 a.m. (Sydney time).

The CEO’s Address follows below.

The Chair’s AGM Address has been lodged separately.

The AGM Presentation will be lodged separately.

Yours sincerely,

P R Bennett
Company Secretary

Approved for release by MCP’s Company Secretary.

McPherson's Limited 2022 Annual General Meeting

CEO Address – Mr. Grant Peck

22 November 2022

Thanks Ari.

SLIDE 12 – SLIDE INTRODUCTION

Welcome all – both those who have made it in person and those joining us virtually in what is the first McPherson's "hybrid" AGM - and surely a positive sign following the challenges associated with the pandemic.

This is my second AGM as CEO.

Following what we acknowledged was a difficult reset year in 2021, we have seen McPherson's business and team stabilise in FY22, creating a strong platform for future growth.

Whilst we are all enjoying greater personal freedoms, in what we hope is our post pandemic recovery, the economy remains challenging for reasons that are well understood.

However, in spite of this external turbulence, the Company's FY22 result indicates that we have a sustainable and resilient business, well placed in the face of these uncertainties.

This is due to our choice of Health, Wellness and Beauty as the driving category definition, our strong and broad brand participation in this space, and our robust balance sheet.

SLIDE 13 - PURPOSE

I will recap the results shortly, but first some important updates in respect of our Purpose, and Values, areas we have given some real focus to in FY22.

As many would understand, the McPherson's business has a long and resilient history dating back to 1860. We are one of the oldest listed companies on the ASX, with our listing dating back to 1944.

The McPherson's business has evolved through many iterations through these 162 years.

Just as our predecessors have done in the past, we recognise the need to continue to evolve to survive and grow.

In FY22 we devoted considerable time to developing our leadership structure. Throughout FY21 and FY22 we reduced the Leadership team by 3 roles, replaced 4 of the team and introduced new and industry relevant talent .

We clarified and restructured how we focus the business in Health and Beauty, and introduced clear performance regimes and accountability.

Through this process we inevitably recognised the need to clarify and refresh our Purpose and Values.

In the last quarter, as we reported our full year results, we announced our revised purpose, being:

“To provide Care Solutions to nurture confident, healthy and sustainable lifestyles”.

SLIDE 14 - VALUES

In addition our team has updated and codified our values – presented here for you today and as illustrated in our Annual Report

These key building blocks support our Employee Value proposition and in this ever competitive world, place us in a stronger position to hire, and retain the key talent that drives the business

It is no surprise we landed on “Caring” as the overall capture of our values.

Our products support consumers in their efforts to care for themselves, their health and their family.

Our major customers exist to care for their communities and we support them in that endeavour.

I am confident the outcome of this work is a meaningful framework to attract, develop and retain key talent.

SLIDE 15 - FY22 OVERVIEW

Now to a brief recap of our FY22 results.

As announced in August, our FY22 sales growth of 7% to \$214m was primarily due to 11% growth in sales of the Company’s core owned brands.

This performance was driven by the pharmacy channel where our Essential Beauty brands - Manicare, Lady Jane and Swisspers – recorded exceptionally strong growth.

This growth was supported by the Company’s impressive pipeline of new product innovation, some of which you will be able to experience today in our complimentary sample packs, if you are here in person.

SLIDE 16 - NPD VISUALS

Innovation and new product development is a consistent theme driving our brand performance. Highlights in the last year include

- “Step up” essential beauty tools, for Manicare and Lady Jane
- the introduction by Dr Lewinn’s of ingestible collagen products,
- Swisspers sustainable cotton products – such as the environmentally superior paper cotton tips
- and most recently the Dr Lewinn’s serums range.

These have been just some of the innovation successes in the last 12 months.

We continue to see new products bringing interest to our brands and a key strategic imperative in the future

SLIDE 17 – FY22 OVERVIEW

Whilst imported product and material cost increases presented a challenge in FY22 the Company has progressed selling price increases to support profitability, with our underlying EBIT increasing 9% to \$11.8m in FY22.

Strong cashflow performance and a robust underlying balance sheet with gearing at just 1%, enabled the Company to maintain a high dividend payout ratio, the full year FY22 dividend being five cents per share, fully franked.

Just as important as the financial metrics however, we took actions to build a better platform for the future and I would like to outline those actions here.

SLIDE 18 – F22 KEY ACHIEVEMENTS

As noted in the Annual Report, following on from our revised Purpose and Values we spent considerable time on redefining our Strategy.

This Strategy Refinement highlighted the enhanced potential for many of our choices taken around Core Brands, Customers and Channels, and Synergistic opportunities in Health and Beauty.

At the same time we recognised there is substantial progress we need to make in the area’s of Sustainability, our Employee Value proposition and our International Market models.

I would point out this strategy work did not hamper real progress in addressing the fundamentals; indeed our F22 achievements were considerable ;

As referenced earlier, we have a revised, stream-lined leadership team, aligned through relevant processes and simplified focus. We have removed unnecessary and redundant complexity and duplication.

Our strong pipeline of new product innovation continues to be a driver of consumer interest in our brands and categories. This focus will deliver category growth and improved company and retailer returns.

We are partnering for growth - and our brands and innovation programs remain key in winning and fostering positive relationships with our retail partners.

Our key strategic alliance with the Chemist Warehouse Group is now into it's first half year of performance.

We are encouraged by our initial combined performance, and at the same time we recognise the long term nature of this important partnership with the Chemist Warehouse Group. We look forward to continuing to build on our combined opportunities.

The now improved reliability in the supply chain for our Fusion brand (which was in poor shape on acquisition, then struggled through COVID) – means we can now secure channels and markets previously not considered, and this will be a feature of the FY23 year.

And finally we are in the process of cautiously broadening our International footprint, and investing in select International channels and markets. As mentioned previously, we will only expand where there is a solid business case and clear pathway to return on investment.

SLIDE 19 - SUSTAINABILITY

I'd like to spend a little time on the subject of Sustainability.

From a product perspective we are proud of the fact that both the Multix and Swisspers brands have led their respective categories in providing consumers with environmentally sensitive offerings to support them in their everyday choices around sustainability.

From a business perspective we are now expanding our ambitions beyond these two brands to the company as a whole.

Our commitments are laid out in the Annual Report

1. We will put programs in place with the ambition to achieve Net Zero in 2035 across scope 1,2 and 3 emissions
2. We will achieve APCO Sustainable Packaging Goals by 2025 across our core brands
3. We will implement a Sustainable Supply Chain Policy and assurance mechanisms by the end of CY2022
4. Implement guidelines by the end of CY2022 in respect of diversity and inclusion for all core brands

We are partnering with the NSW Government's Sustainability Advantage program as we take on this sustainability journey.

SLIDE 20 – FY23 SO FAR

The first 4 months of FY23 demonstrate continued strength associated with Pharmacy channels, supported by our strong brand relevance and strategic alliances.

Additional investment support behind growth brands (Manicare and Lady Jayne) – and expansion brands (Fusion) are establishing increased consumer awareness for these growth opportunities.

The Grocery channel most recently is characterised by real caution in consumer buying patterns, which is impacting the Multix brand as a higher share of spend is directed to private label and mainstream products.

In Grocery, notwithstanding price actions taken, margins impacted by commodity costs, seafreight and the \$A/\$US exchange rate remain challenged.

While we have recently observed moderating costs in commodity and seafreight, both will take at least 6 months to work through the supply chain and our inventory holdings. Of course our hedging policy is providing a level of protection against the current AUD weakness.

While grocery consumer sentiment is presently a watch out for us, we remain confident in the resilience of the pharmacy channel consumer and our ability to drive continued growth through brand, customer, and category expansion.

SLIDE 21 - RECAP

Before handing back to Ari to conduct the formal part of the meeting I'd like to reiterate some of the key points:

1. Following our reset in FY21 we have stabilised the business in FY22 and returned to profitable underlying growth.
2. We are encouraged by our early performance in respect of the Chemist Warehouse Strategic Alliance and the related growth opportunities
3. We have revised our Purpose and Values, and provided a platform for our employees to grow capability and the business.
4. We have taken deliberate measures to simplify and improve processes, and refine our strategy with further opportunities being implemented in this space.
5. We have brands and innovation that are driving our growth in the Pharmacy sector across a broad set of sub-categories in Health Wellness and Beauty.
6. Our focus on sustainability is being introduced through the business consistent with our Purpose.

Thankyou

I would now like to hand back to Ari for the formal component of the meeting