Media Release

21 August 2018

Asaleo Care Releases Half Year Results for 1H18

Asaleo Care today announced its Half Year results for 2018 with an underlying EBITDA of $46.3 million and underlying Net Profit After Tax (NPAT) of $17.8 million. The Company recorded a statutory Net Loss After Tax (NLAT) of $101.5 million. The statutory result includes non-cash non-recurring charges of $148.5 million relating to impairment and write-down of assets.

Key Financials

A$m	Underlying 1H18	Underlying 1H17	Change
Revenue	267.2	294.2	(9%)
Gross Profit	98.8	116.0	(15%)
EBITDA	46.3	60.9	(24%)
EBIT	31.9	46.1	(31%)
NPAT	17.8	28.2	(37%)
Earnings Per Share (EPS)	3.3 cps	5.2 cps	(37%)
Leverage (Net Debt/EBITDA)	2.82x	2.05x	0.77x
Return on Equity (ROE)	29.4%	22.3%	+7.1 pp
Return on Invested Capital (ROIC)	12.0%	13.0%	-1.0 pp
	Statutory 1H18	**Statutory 1H17**	
Net Loss/Profit After Tax	(101.5)	27.7	(466%)
Dividend	Nil	4cps, 50% Franked	n/a

In commenting on the Half year results, Interim Chief Executive Office of Asaleo Care, Mr Sid Takla, said:

“We are facing a challenging year. Significant headwinds from higher pulp prices and energy costs coupled with lower retail sales volumes has heavily impacted our result.”

“Our Tissue segment endured lower sales volumes and pulp and energy head winds of ~$10 million which could not be fully offset by cost out and price increases. A large proportion of the price increases were achieved. However, we have not yet seen price increases from competitors and have decided to invest in additional trade spend to support market share and protect our range. Pleasingly, Professional Hygiene rose from the previous half with growth in sales due to an increase in new business.”

"Personal Care earnings were lower in our Feminine and Baby Care businesses. We have seen a modest recovery in Feminine Care in volume and value share since moving off of Every Day Pricing late 2017. We are undertaking renewed promotional activity and investing in trade spend to further protect our market share. Baby Care sales in NZ continue to be challenged despite rectifying previous quality issues. It will take time to rebuild trust with consumers and new competitors and brands have since entered this market. Incontinence performed strongly in both retail and Healthcare channels."

"During the half, we had non-recurring charges of $148.5 million for an impairment and write-down of assets in our Tissue Australia and New Zealand Personal Care business. These charges are non-cash and do not affect our debt covenants."

"We have been recognised as a successful consumer branded business over many decades with an enviable portfolio of market leading brands. We are operating in an environment of intense competition and input costs at historic highs. We are taking strong and decisive action to ensure the long-term success of our brands and making additional investment now to underpin our future growth."

"We have invested in a major quality upgrade for Sorbent and are making a $25 million capital investment in our B2B business which will deliver cost savings, quality improvements and extend our range."

"With a renewed strong focus on consumers and customers, we are creating new growth opportunities. Key retailers have agreed to add a number of our new products as range additions in the Tissue and Personal Care categories. We have recently secured a major private label contract which commences in the fourth quarter this year. To build resilience and to support our future strategy, we have achieved $5 million of annualised sustainable cost savings which will partly offset significant increases incurred in pulp and energy."

"In July, we announced that we are undertaking an in-depth strategic review of the whole business. The objective of this review is to design and implement the most efficient structure and business model for sustainable long-term growth and to maximise return on invested capital. The strategic review is moving rapidly and we expect to provide an update in the last quarter of 2018."

The Board has declared no interim dividend.

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