

ASX Release

6 December 2018

Asaleo Care announces \$180 million sale of Australian Consumer Tissue business and 5-year extension of License Agreement with Essity

- **\$180 million sale of Australian Consumer Tissue business**
- **In principle Agreement to 5-year extension of Trade Mark and Technology License Agreement with Essity to 2027**
- **The Company will retain its Australasian Personal Care and B2B operations, as well as the Consumer Tissue business in New Zealand and Pacific Islands**
- **Retained businesses have better margins, lower capital intensity, and strong cash flow**
- **The sale is expected to improve EBITDA margin and be accretive to Group FY19 EBITDA forecast**

1. Sale of Australian Consumer Tissue

Asaleo Care today announced the sale of its Australian Consumer Tissue business to Solaris Paper Pty Ltd. Under the terms of the transaction¹, Solaris Paper has agreed to pay Asaleo Care \$180 million, resulting in a book profit on sale of between \$15-20 million. The Australian Consumer Tissue business includes leading brands Sorbent toilet and facial tissue, Handee Ultra paper towel, and Deeko serviettes and disposable tableware.

The Company will retain its Consumer Tissue business in New Zealand, including Purex toilet tissue, Sorbent toilet and facial tissue and Handee towel. It will also retain its Consumer Tissue business in Fiji and Pacific Islands, which distributes the Orchid and Viti brands for toilet, towel and facial tissue, and serviettes.

Solaris Paper is an Australian operated company that distributes high quality toilet and tissue paper products throughout the Australasia region to both the Retail and Away From Home markets. They have a converting facility in Sydney and are part of a global organisation vertically integrated from the manufacture of pulp through to the conversion of finished tissue products.

The transaction value represents a multiple of over 10x pro forma EBITDA² reflecting strong historic profitability and the underlying value of the Box Hill property despite current year earnings being

¹ Transaction is structured as a sale of the shares in the company that operates the Australian Consumer Tissue business.

² Pro forma adjustments to current year EBITDA relate primarily to pulp prices, trade spend and standalone carve-out adjustments



materially lower than in recent years. The sale is expected to be completed during the first quarter of 2019, and is not expected to encounter any competition issues.

On announcing the sale, Asaleo Care Chairman, Mr Harry Boon, said: “The decision to divest the Australian Consumer Tissue business flows from the comprehensive strategic review initiated by the Company in the first half 2018. This transaction represents a win-win, with significant strategic value for both companies, and positions both well for future growth. The sale will enable us to concentrate on our core, higher margin and less capital-intensive businesses in Personal Care and B2B, and continue to innovate and invest in our brands for long-term growth.”

CEO and Managing Director, Mr Sid Takla, said: “The objectives of the strategic review were firstly, to drive profitable growth through our brands by being more consumer and customer focused and second, to build a resilient business model that delivers sustainable, long-term growth. We believe this transaction delivers on both objectives. The core Personal Care and B2B brands and businesses offer higher margins, stronger sales growth and less volatile returns.

Proceeds from the sale will significantly strengthen the Group’s balance sheet, reduce net debt and improve the Company’s leverage ratio. Following completion of the transaction, the Company’s leverage ratio is expected to be at the bottom of our target range of 1.5 x to 2.5x,” said Mr Takla.”

An update on the payment of dividends will be provided with the Full Year results in February 2019.

2. Extension of license agreement with Essity

Asaleo Care has secured in principle agreement for a 5-year extension to its Trade Mark and Technology Licensing Agreement (TMTLA) with Essity to 2027. The TMTLA provides technology, marketing and sales rights for the Tork and Tena brands, and a pipeline to world-leading research, development and innovation for all of our brands. Tork is the world’s number one professional hygiene brand and TENA is the global leader in products for incontinence.

3. Future business profile

Asaleo Care will continue to be a market leader in Personal Care and Professional Hygiene across Australasia. It will also retain its cost competitive consumer tissue business in New Zealand and the Pacific Islands. Over half of future revenue will be generated from the B2B channel which has grown strongly over recent years and where Asaleo Care is the market-leader in Australasia.

Cash generation will also be stronger as the Australian Consumer Tissue business has historically consumed some 30% of the Group’s capital spending. This will support continued investment in Personal Care and Professional Hygiene in Australasia, with its highly recognisable brands of Libra, TENA, and Tork.

Webcast

Asaleo Care will hold a webcast at 10:30 am AEST today – details are:

<http://streamcast.com.au/asaleo/06Dec18/>

– ends –

About Asaleo Care

Asaleo Care is a leading personal care and hygiene company that manufactures, markets, distributes and sells Personal Care and Tissue products. Asaleo Care's portfolio of market-leading brands includes Sorbent, Handee Ultra, Deeko, Purex, Libra, Treasures, TENA, Tork, Viti and Orchid. The Company has 16 manufacturing and distribution facilities throughout Australia, New Zealand and Fiji and employs 1,000 people.

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Strategic Review Update



Sid Takla – Chief Executive Officer and Managing Director

6 December 2018



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Strategic Review

Action taken for long-term success

- Clear objectives set out for the review:
 - Driving profitable growth through our brands by being more consumer and customer focused
 - Build a resilient business model that delivers sustainable, long-term growth
- Range of options considered
- Successful outcomes that deliver on key objectives:
 - Divestment of Australian Consumer Tissue business for \$180 million
 - In principle agreement for a 5-year extension of Trade Mark and Technology Licensing Agreement (TMTLA) with Essity to 2027

Divestment of Australian Consumer Tissue Business

Strong outcome delivered for Asaleo Care shareholders

Transaction Overview

- Sale of Australian Consumer Tissue business to Solaris Paper for \$180 million (Transaction)
- Transaction multiple of over 10x pro forma EBITDA¹ – reflecting strong historic profitability and the underlying value of the Box Hill property, despite current year earnings being materially lower than recent years
- Asaleo Care to recognise a book profit on sale of between \$15-20 million
- Transaction expected to complete Q1 2019
- Consumer Tissue business in New Zealand and the Pacific Islands retained
- Personal Care and Professional Hygiene businesses retained across Australasia

Use of Proceeds

- Proceeds will significantly strengthen the balance sheet
- Sale enables Asaleo Care to concentrate on its core, higher margin, less capital-intensive businesses in Personal Care and B2B and continue to innovate and invest in Asaleo Care's brands for long-term growth
- Net debt reduction expected to improve the leverage ratio.
- Following completion of the transaction the leverage ratio is expected to be at the bottom of Asaleo Care's target range of 1.5x – 2.5x
- Dividend policy update to be provided at full year result in February 2019

Extension of Essity License Agreement

License extended until 2027 for market leading Tork and TENA brands

Agreement Highlights

- In principle agreement for a 5-year extension of Trade Mark and Technology Licensing Agreement (TMTLA) with Essity to 2027, subject to agreement on the commercial terms

- The TMTLA provides technology, marketing and sales rights, and a pipeline to world-leading research, development and innovation for the Tork and TENA brands

Market Leading Brands



World's Number One Professional Hygiene Brand



Global Leader in Incontinence Products

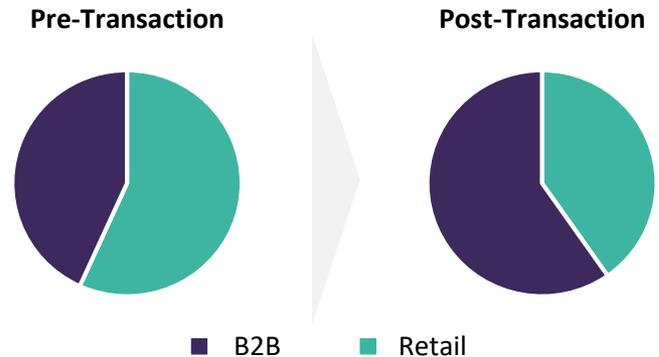
Future Business Profile

Enhanced focus on higher margin Professional Hygiene and Personal Care businesses

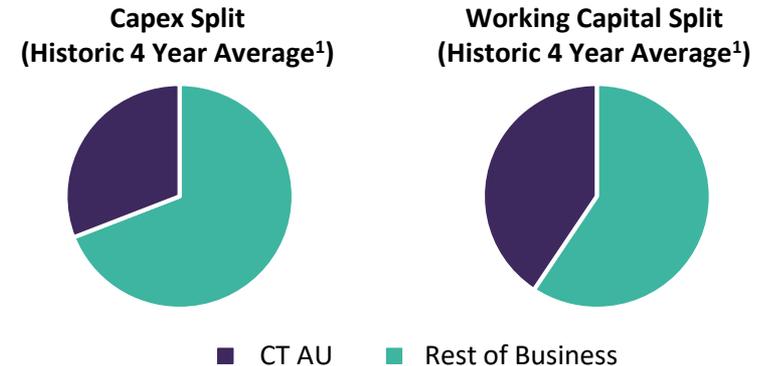
Key Takeaways

- Asaleo Care will continue to be a market leader in Personal Care and Professional Hygiene across Australasia
- Cost competitive consumer tissue business retained in New Zealand and the Pacific Islands
- Over half of Asaleo Care’s revenue will be generated from the Business-to-Business channel which has grown strongly over recent years and where Asaleo Care is the market-leader in Australasia
- Asaleo Care will continue to invest in its Personal Care and Professional Hygiene businesses with its highly recognisable brands of Libra, TENA and Tork
- Asaleo Care EBITDA margin expected to improve as a result of the Transaction and be accretive to Group FY19 EBITDA forecast
- Stronger cash generation due to reduced capex spend and working capital requirements

Illustrative FY18 NSV Split



Cash Requirements



Note: 1. Figures shown are averages from FY15 to YTD18