asaleo care

2019 Full Year Results

Sid Takla
CEO & Managing Director

Campbell Richards
Chief Financial Officer

19 February 2020

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FY19 Highlights

- **Return to revenue growth for the first time in 5 years - up 3.0%**
  - Growth across all key brands
  - Step change in brand investment
  - Commenced launch of strong NPD pipeline
- **Underlying EBITDA of $82.4m in line with guidance**
- **Disciplined capital management**
  - Significant debt reduction from proceeds on sale of Australian Consumer Tissue
  - Completed (on target) major capital investment in NZ manufacturing
  - Return to positive cash generation in 2H19

Revenue from continuing operations
UP 3.0% TO $420.2m

Dividend
2¢ per share
UNFRANKED

Brand investment (advertising & promotion)
UP ↑ 49%

Leverage ratio
DOWN TO 1.95 times

Underlying EBITDA
$82.4m

Net debt
DOWN 46% TO $139.3m

Statutory NPAT
UP $27.7m TO $28.5m

ROIC improvement
UP 39% TO 11%

(* All financials are for continuing operations only)

Asaleo Care Business by Segment

B2B		Retail				
Australia & New Zealand		Australia & New Zealand		New Zealand		
Professional Hygiene	*Incontinence Healthcare*	*Feminine Care*	*Incontinence Retail*	*Consumer Tissue*	*Baby Care*	*Pacific Island*
TORK	TENA	Libra	TENA	Handee, Purex, Sorbent	Treasures	Orchid

	REVENUE	EBITDA
B2B	53%	57%
Retail	47%	43%

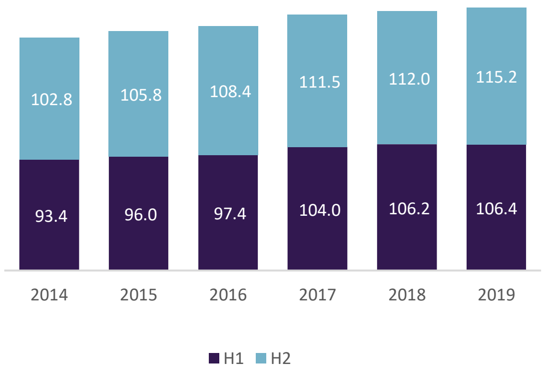
B2B Retail

Business to Business (B2B) Segment Performance
Continued growth in proprietary systems

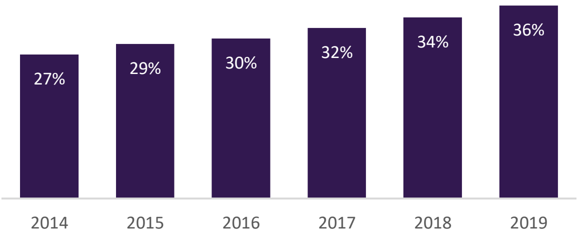
- TENA Incontinence Healthcare revenue up 3% driven by strong growth in the community channel and improved product mix
- Tork Professional Hygiene (TPH) revenue up 1% (up 3.2% v pcp in H2). Continued focus on proprietary 'Hero systems' driving margin growth
- B2B margin adversely impacted by increased energy and insurance costs in NZ, production shuts to install new converting machine, FX and investment in incremental B2B Sales resources
- Pulp prices have eased although minimal benefit in 2019. Despite an FX headwind, we do expect some pulp price benefit in 2020

B2B $M	Underlying FY19	Underlying FY18	Lease Adjustment	Underlying Restated FY18	Δ %
Revenue	221.6	*218.2*	*0.0*	218.2	*1.6%*
EBITDA	46.8	*45.1*	*4.1*	49.2	*-4.9%*
EBITDA %	*21.1%*	*20.7%*		*22.5%*	

B2B – NSV $M



Hero Systems - % of Professional Hygiene Sales



B2B – Investment in Growth Initiatives

- Product from our new $23m converting line in New Zealand is now in market. Investment is delivering improved cost and quality and a wider product range that will enable growth
- Tork Peakserve™ hand towel innovation launched in Q4 2019. Designed for high traffic facilities, with our first installations at Eden Park Stadium in NZ and the new Sydney Zoo
- Tork Coreless toilet paper innovation launched in Q4 2019; less run outs, less refilling, less storage, less waste.
- We have completed our first large scale installation of TENA Identifi™, a sensor-based incontinence assessment tool that improves individualised care. Several commercial trials in progress
- Investment in B2B Sales resources to drive growth

Tork Peakserve™

Tork Coreless

New Converting Line Kawerau, NZ

TENA Identifi™

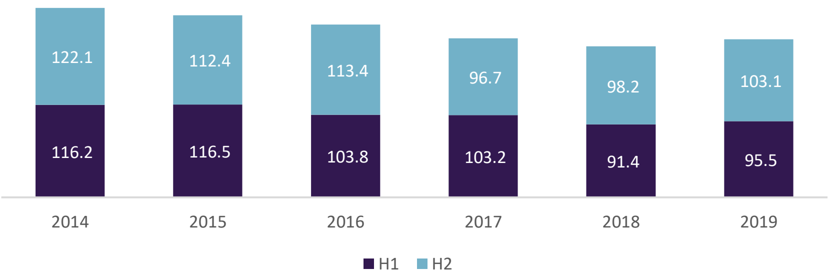
Retail Segment Performance

Growth across all key brands

- **Strong top line growth of 4.7%**
  - Consumer Tissue New Zealand revenue up 17%, driven by NPD and trade investment
  - Incontinence Retail (TENA) revenue up 6%, through new product launches, improved ranging and new TVC campaign
  - Branded Feminine care (Libra) up 1.0%. Increased brand investment driving growth
  - Incremental ranging achieved across categories
- **EBITDA Margins suppressed due to:**
  - Significant increase in brand investment:
    - advertising and promotion up 49%
    - additional shopper activity to support new product launches
    - incremental sales and marketing resources to drive growth
  - Higher manufacturing input costs:
    - energy, property insurance & FX

Retail $M	Underlying FY19	Underlying FY18	Lease Adjustment	Underlying Restated FY18	Δ %
Revenue	198.6	*189.6*	*0.0*	189.6	*4.7%*
EBITDA	35.6	*36.4*	*6.9*	43.3	*-17.8%*
EBITDA %	*17.9%*	*19.2%*		*22.8%*	

Retail NSV - $M



Retail – Increased Brand Investment to support Growth Initiatives

- **TENA brand investment:**
  - TENA Carnivale TVC campaign to continue support for TENA Discreet Ultra Thin Pads
  - New TENA Partnership with Prostate Cancer Foundation to be activated in AU & NZ
  - In-store shopper activity to support NPD
- **Libra brand investment:**
  - New major Libra advertising campaign for 2020 building on success of #Bloodnormal
  - Continued investment in Libra in-store activation promoting Australian-made and ‘Share the Dignity’ collaboration
- **Consumer Tissue NZ brand investment:**
  - Sorbent, Purex and Handee above-the-line advertising support & in-store activations

Incontinence Care (TENA)

Continue successful TENA Carnivale TV advertising to support new Discreet ultra-thin pads

Feminine Care (Libra)

Partnered with “Share the Dignity” in Woolworths

New Libra campaign in development for 2020

Consumer Tissue (NZ)

Purex made in Kawerau TV

Handee above the line support

New Sorbent Silky White NPD and advertising support

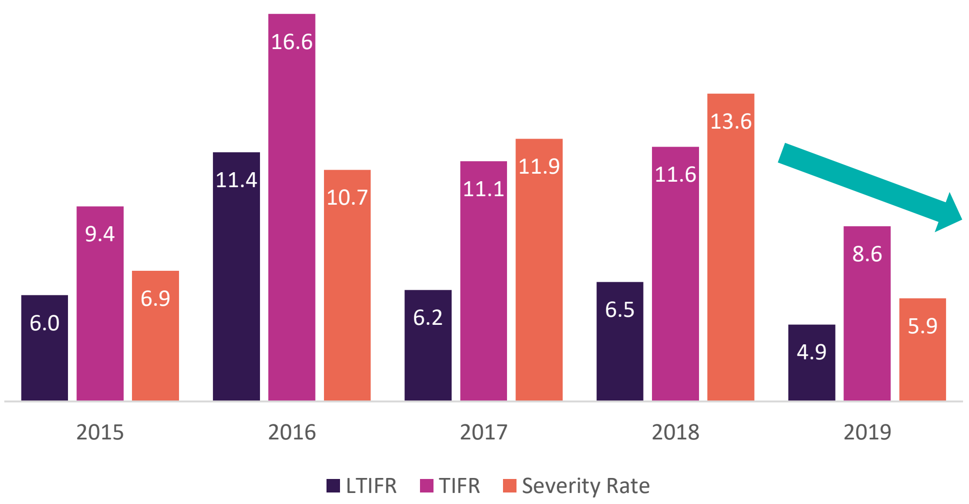
Continued focus on safety, reducing injuries

- Continued focus and investment in achieving our vision – *'safe and healthy every day, everyone, in every way'* - over 21% of maintenance CAPEX invested in safety initiatives in the last 24 months

- Major projects including relocation of napkin line to Springvale, Head Office move to Springvale, installation of new Kawerau industrial converting line and relocation of Victorian Distribution Centre, completed without any Reportable Injuries

- Our state-of-the-art fleet of converting assets in our Tissue factory in NZ have all been installed over the last 5 years and are designed with a much higher safety standard

Key Safety Metrics



- **LTIFR:** Lost Time Injury Frequency Rate (no. of lost time injuries per million hours worked)
- **TIFR**: Lost Time and Medical Treatment injuries per million hours worked
- **Severity Rate:** days lost per lost time injury (Includes employees and contractors)

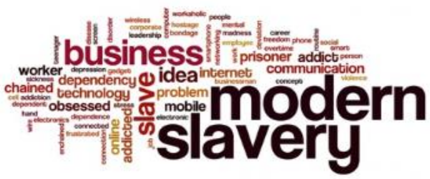
Sustainability

Living our purpose of Care, Comfort and Confidence every day

- **New Kawerau, NZ converting equipment** to improve efficiency and reduce waste
- **NZ Treasures Care nappies** – made in NZ , designed to reduce environmental impact of disposable nappies: made with pulp from FSC certified forests, 80% renewable energy, 100% plant-based nappy cover, packaged in 51% sugarcane
- Environmental Product Declarations for Tork and NZ products – Handee, Sorbent, Purex – measures environmental impact of products over the lifecycle

Committed to:

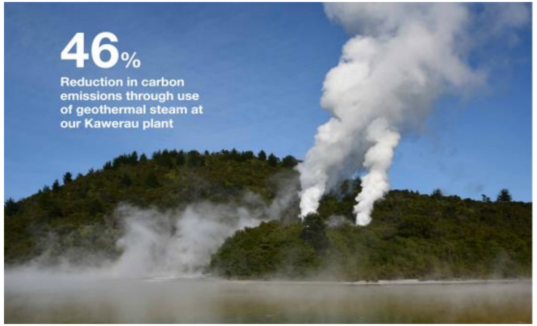
- Eliminate Modern Slavery within our supply chain – Preliminary Statement released
- Responsible Forestry and Fibre Sourcing Policy, no Deforestation, No Exploitation, No Drained Tropical Peatland
- 100% recyclability of our packaging by 2025 - Partner with Soft Plastics Recycling



Preliminary Modern Slavery Statement issued today

Reducing the impact of disposable nappies

First in our industry to commit to Tropical Peatland Free



Committed to 28% reduction in greenhouse gases - Scope 1 and 2 - by 2025

Financials
Full Year Results 2019

Campbell Richards
Chief Financial Officer

19 February 2020

Asaleo Care Financial Performance

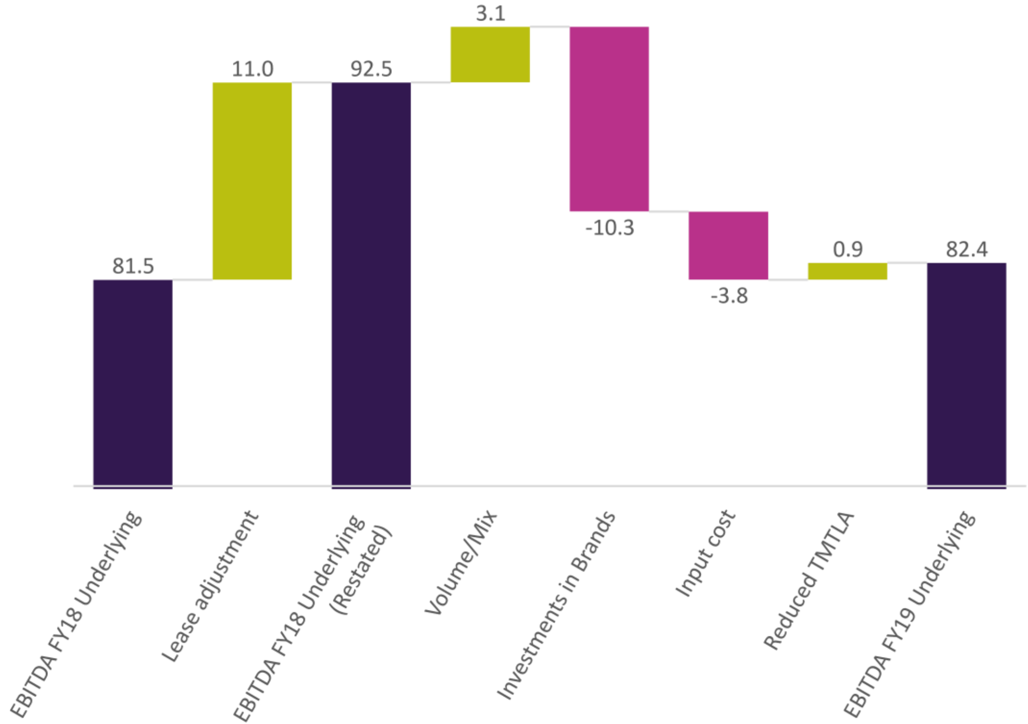
- Full year revenue growth driven by both Retail and B2B. Significant investment in promotional trade spend to drive volume and protect market share
- Whilst pulp costs remained largely flat on prior year, cost of sales impacted by higher insurance and energy costs and adverse FX movements
- Distribution costs higher due to increased sales volume
- SM&A costs higher due to increased spend on Advertising & Promotion and investment in incremental resources to drive sales growth
- Lower finance costs due to debt reduction and lower cost of debt

Asaleo Care $M	Underlying FY19	Underlying FY18	Lease Adjustment	Underlying Restated FY18	Δ %
Revenue from continuing operations	420.2	407.8	0.0	407.8	3.0%
Cost of Sales	(244.7)	(233.0)	3.1	(229.9)	6.4%
Gross profit	**175.5**	**174.8**	**3.1**	**177.9**	**-1.3%**
Distribution expenses	(38.5)	(42.1)	6.5	(35.6)	8.1%
Sales, Marketing & Admin	(54.7)	(51.4)	1.4	(50.0)	9.4%
Other Income/expenses	0.1	0.2	0.0	0.2	-50.0%
EBITDA	**82.4**	**81.5**	**11.0**	**92.5**	**-10.9%**
Depreciation and Amortisation	(25.5)	(15.7)	(10.0)	(25.7)	-0.8%
EBIT	**56.9**	**65.8**	**1.0**	**66.8**	**-14.8%**
Net Finance Costs	(12.0)	(14.8)	(1.0)	(15.8)	-24.1%
Underlying NPBT	**44.9**	**51.0**	**0.0**	**51.0**	**-12.0%**
Income Tax Expense	(13.2)	(14.0)	0.0	(14.0)	-5.7%
Underlying NPAT	**31.7**	**37.0**	**0.0**	**37.0**	**-14.3%**
Non-recurring (expenses)/benefit	(4.5)	(46.6)	0.0	(46.6)	-90.3%
Income tax benefit/(expense) non-recurring	1.3	10.4	0.0	10.4	-87.9%
Statutory NPAT Continuing Operations	**28.5**	**0.8**	**0.0**	**0.8**	**>100.0%**
Discontinued Operations	(6.4)	(109.5)	0.0	(109.5)	-94.2%
Statutory (NLAT)/NPAT	**22.1**	**(108.7)**	**0.0**	**(108.7)**	**>100.0%**

Underlying EBITDA movement
FY18 (lease accounting restated) v FY19

Like-for-like Underlying EBITDA down 10.9% due to:

- Significant increase in brand investment
  - 49% increase in A&P
  - Shopper activity for new launches
  - Incremental S&M resources
- Higher production input costs:
  - Energy in NZ
  - Property insurance
  - FX, noting pulp was flat v prior year
- Partially offset by:
  - Improved sales volume and mix
  - Renegotiated Essity license agreement (TMTLA) post divestment



Capital Expenditure and Depreciation

Major investment in new NZ converting asset

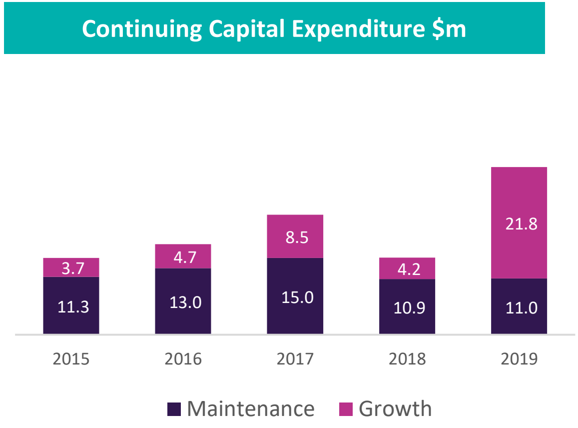
Growth Capital Expenditure

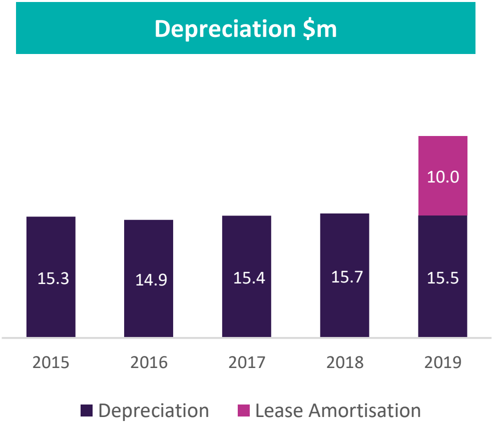
- Investment in new converting equipment at our NZ Tissue factory, which was commissioned in 2H19.
- Investment in our Feminine Care facility to locally manufacture new TENA Discreet ultra-thin pads

Depreciation:

- Continuing operations depreciation is relatively consistent, with an average annual charge of $15.3m

- AASB 16: Lease Amortisation now included in overall depreciation





Reconciliation of Underlying to Statutory NPAT

Non-Recurring Costs:

- **NZ Manufacturing Investment:** restructuring costs (redundancies and obsolete asset write-off) associated with the installation of the new rewinder in NZ
- **Gain on Sale of Consumer Tissue Australia:**
  - Total gain on sale (FY18 & FY19) $6.1m
  - FY 19 includes $3.4m receivable in relation to final completion adjustment. Environmental assessment for the Box Hill site still in progress, $0.16m provision based on preliminary assessment

Asaleo Care $M	FY19
Underlying NPAT	**31.7**
NZ manufacturing investment	(4.5)
Tax Benefit	1.3
Statutory NPAT Continuing Operations	**28.5**
Proceeds from sale of Consumer Tissue Australia	180.0
Completion adjustment	6.1
Net assets sold	(165.6)
Sale of business costs	(8.8)
Discontinued operations	(16.2)
Tax expense	(1.9)
Total Discontinued Operations	**(6.4)**
Statutory NPAT	**22.1**

Gain on Sale $11.7m

2019 full year pulp price in-line with 2018
2020 USD pulp price upside, partly offset by FX

Market

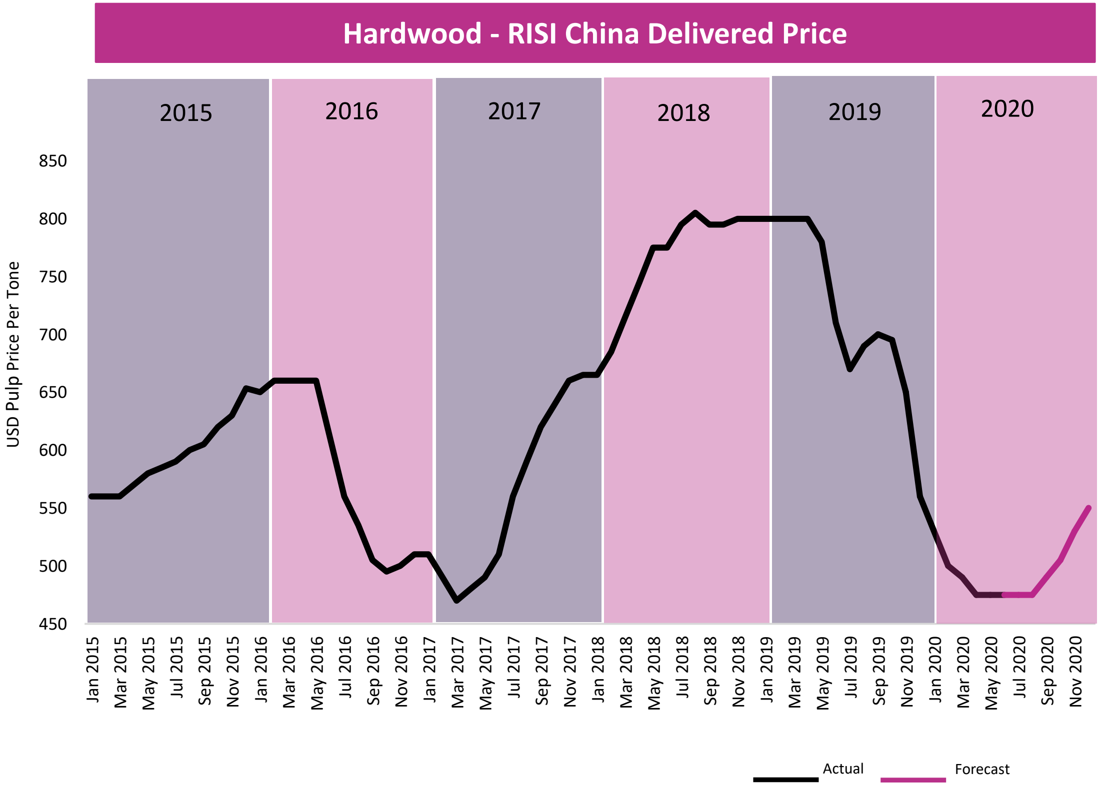
- Global pulp inventory levels have reduced resulting in stable to firming prices
- Softwood prices are on the rise due to unexpected mill downtime
- New hardwood capacity on track for 2021
- Uncertainty around implications to China demand as a result of coronavirus

Asaleo Care

- Overall pulp exposure reduced due to the sale of Consumer Tissue Australia
- Continue to source and use high quality FSC certified pulp in all paper products manufactured
- 6-month lag of pulp pricing into COGS still applies

Indicative impact of US$ pulp price changes – a ~6 month lag from pulp purchase price being set to pricing reflected in Cost of Sales has been taken into consideration

* Source: Risi,Inc. The price Asaleo Care pays is subject to commercial arrangements that impact price. Asaleo Care primarily sources Softwood from Canada and New Zealand and Hardwood from South America.



Significant debt reduction with sale of Consumer Tissue Australia. Free Cash Flow in 2H19 of $21.8m

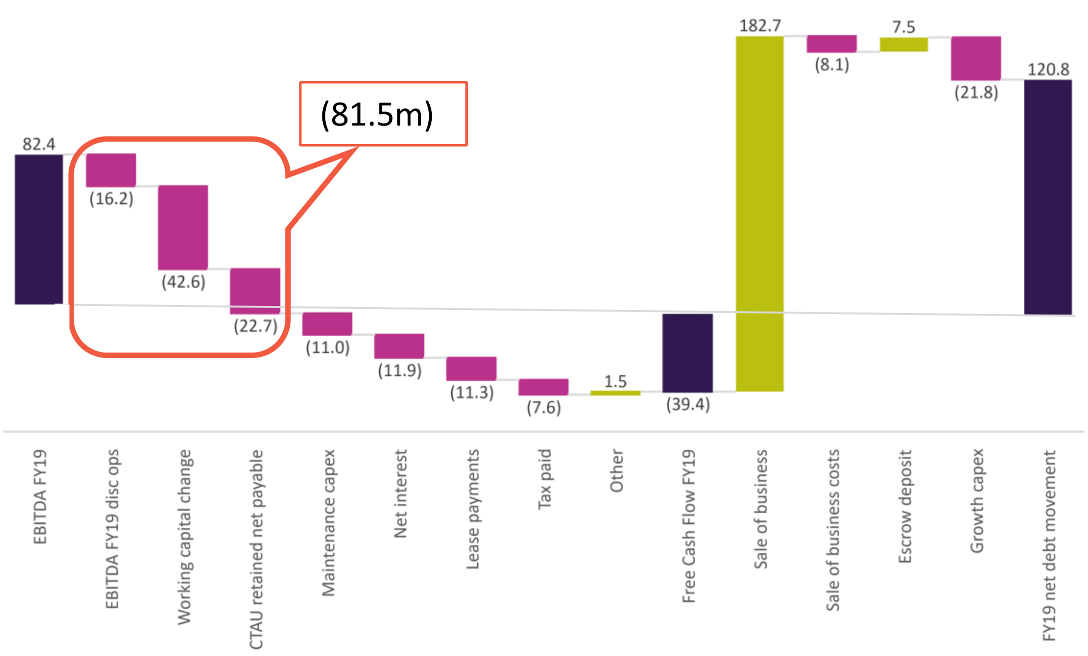
Free Cash Flow (FCF)

- Full year FCF deficit of -$39.4m
- 2H19 Free Cash Flow generation of $21.8m
- Significant working capital payments made during 1H19
  - Unwind FY18 working capital initiatives
  - Retained Consumer Tissue Australia net trade payables at date of sale

Cash Flow Applied to Capital Allocation:

- Purchase of new converting machine in NZ - launched in November.
- Sale of business includes $180m of sale proceeds plus $2.7m final sale adjustment
- Escrow deposit - receipt of funds back from escrow account after sale of Consumer Tissue Australia

Free Cash Flow (FCF) ($m) | **FCF Applied to Capital Allocation ($m)**



Stronger Balance Sheet - lower debt and leverage ratio

Leverage Ratio*

- Leverage ratio at 31 December 2019 is 1.95x (31 December 2018 3.25x)
- Leverage ratio at the mid point of our preferred range of 1.5 to 2.5x EBITDA

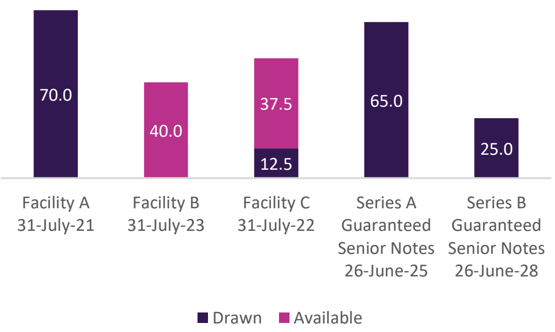
Net Debt Movement:

- Decrease of $120.8m to $139.3m at 31 December 2019 (Dec-18: $260.1**)

Facilities

- Consumer Tissue Australia sale proceeds applied to reduce debt - total debt facilities reduced from $400m to $250m
- Number of lenders in the syndicated facility have reduced from 5 to 3

Debt Maturity Profile ($m)



Net Debt ($m) as at 31 December 2019

Total Facilities	**$250m**
Drawn Debt	$172.5m
Cash & Cash Equivalents	$33.2m
Net Debt	**$139.3m**

- *Leverage = Net Debt/Underlying EBITDA adjusted for lease benefit
- **Prior year Net Debt has been restated from $262.4 to $260.1 with the removal of $2.2m of accrued interest

Return to growth across all key shareholder metrics

Divestment of under-performing Australian Consumer Tissue business has enabled creation of shareholder value by:

- allowing management to focus on better performing businesses; and
- unlocking capital to allocate to assets generating higher returns

Asaleo Care	Continuing FY19	Continuing FY18
EPS	5.2cps	4.3cps
ROIC	10.7%	7.7%
ROE	13.9%	12.4%

Metric	Methodology	Continuing FY19	Continuing FY18
EPS	NPAT/Weighted average shares on issue	$28.5m/543.1m shares	$23.3m/543.1m shares
ROIC*	Annualised NoPAT/Debt+Equity	$36.9m/$344m	$34.5m/$447.3m
ROE	Annualised NPAT/Equity	$28.5m/$204.6m	$23.3m/$187.2m

* Prior period impairment of Retail assets ($22.5m) has been added back to equity in FY19 and FY18. This amount has also been added back to FY18 NOPAT (included within ROIC calculation) and FY18 NPAT (included within ROE calculation)

2020 Full Year Outlook

Sid Takla

CEO and Managing Director

19th February 2020

Focus on Strategy Execution

Our Strategy

OUR PURPOSE

Care, comfort and confidence every day

OUR VISION

#1 Personal Care and Hygiene in Australasia

Targeted Sales Growth

Differentiated Offer

Supply Chain Excellence

Exceptional People

Sustainable long-term growth
Adaptive customer/consumer focus

FY20 Outlook

Underlying EBITDA Outlook for FY20 – $84m - $87m

Revenue Growth

- New Product launches in both Retail and B2B
- Further increase in brand investment
- Secured supply contract for Victorian Government Feminine Care Schools initiative (4-year term)
- Secured large Private Label contract in B2B Tissue

Costs

- Pulp USD pricing continuing to ease in H1 but expected to rise in H2 FY20
- Higher input costs due to energy, insurance and FX
- Incremental Brand investment – A&P, shopper activity
- Full year impact of stranded costs post divestment of Consumer Tissue Australia
- Cost benefits from new NZ asset installed late 2019

Free Cashflow

- Free Cashflow will be positive in FY20 as significant cash outflows related to Australian Consumer Tissue business in FY19 and the large capital investment in NZ manufacturing, will not be repeated

Capital Management

- Application of Free Cashflow to continue to pay down debt
- Reinvest in the business for growth
- Resume consistent payment of dividends

Summary

- Returned to revenue growth
- Completed sale of Consumer Tissue AU
- Healthy Balance Sheet with lower debt and leverage ratio within desired range
- Ongoing investment in both Retail and B2B
- Return to dividend payments
- Continue to execute growth plans in 2020