



TENA

2020 Half Year Results

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18 August 2020



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Key Highlights

Focus on customer, delivering profitable market share growth



• Revenue growth of 10%

- Continued investment in our brands delivering market share growth
- COVID-19 panic buying boosted sales in March/April, eased back in May/June
- Successful NPD ranging & activation

• EBITDA growth of 24%

- Incremental margin from sales growth
- Pulp price benefits, partly offset by unfavourable FX and significant insurance cost increases

• **Proactive portfolio management** – decision made to exit loss-making Baby Diaper business in NZ

• **Strong cashflow** – debt reduced a further 14% this half (55% reduction in the last 18 months)

Financial Performance

Revenue (continuing operations)*
UP TO
10% **\$215m**



EBITDA (continuing operations)*
UP TO
24% **\$49.4m**



Brand investment  UP **↑10%**

Statutory NPAT
UP TO
158% **\$18.8m**



Capital Efficiency

Working capital
DOWN TO
24% **\$45.3m**



Leverage ratio
DOWN TO
1.4 times



Net debt
DOWN TO
14% **\$118.9**



Earnings per share (continuing operations)*
UP TO
53% **4.2 cents**



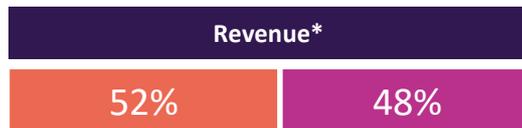
On track to deliver full year Underlying EBITDA guidance at upper end of \$84-\$87m range

* Continuing operations excludes the Baby division

Asaleo Care Business by Segment



B2B		Retail			
Australia & New Zealand		Australia & New Zealand	New Zealand	Pacific Islands	
<i>Professional Hygiene</i>	<i>Incontinence Healthcare</i>	<i>Feminine Hygiene</i>	<i>Incontinence Retail</i>	<i>Consumer Tissue</i>	<i>Tissue and Personal Care</i>
				 	 



* Continuing operations: excludes the Baby division

Business to Business (B2B) Segment Performance

Strong growth in Incontinence Healthcare, resilience in Professional Hygiene



Professional Hygiene revenue up 2.5%:

- COVID-19 panic buying in March/April across all categories. Heightened hygiene awareness driving increased demand on soaps, sanitisers, hand towel and wiping products
- Lockdown measures have heavily impacted sales into HORECA, Office Cleaning & Education sectors partly offset by strong performance in Healthcare and Food-processing sectors due to increased hygiene requirements

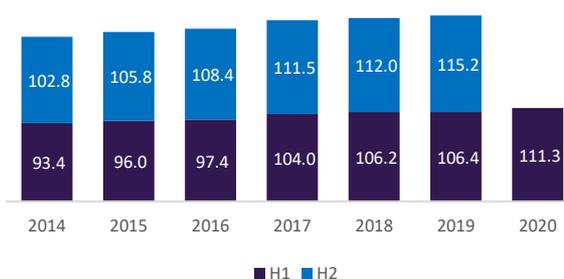
Incontinence Healthcare revenue up 11%:

- Increased focus on quality of patient care driving strong TENA sales
- Share growth supported by our ability to supply incremental COVID driven demand
- Some customers holding extra inventory to assure supply of an essential product during COVID-19, we anticipate this will correct in H2

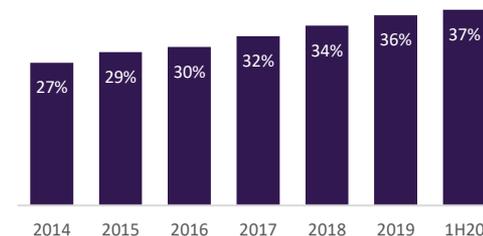
B2B margin favourable 2.4pp - favourable pulp prices plus cost savings delivered from our new manufacturing investment in NZ last year, partly offset with unfavourable FX and insurance cost increases

B2B \$M	Continuing 1H20	Continuing 1H19	Δ %
Revenue	111.3	106.4	4.6%
EBITDA	24.4	20.8	17.3%
EBITDA %	21.9%	19.5%	2.4pp

B2B NSV History (\$M)



Hero Systems - % of Professional Hygiene sales



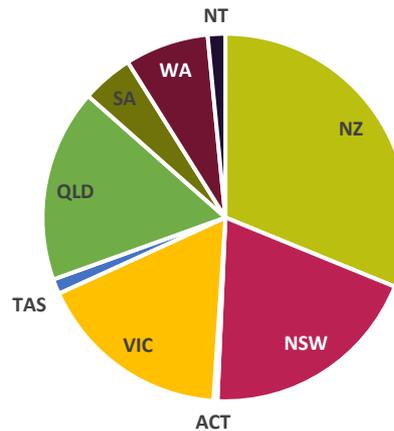
COVID-19 Implications on the B2B segment

Resilience in B2B earnings driven by industry sector and regional diversification

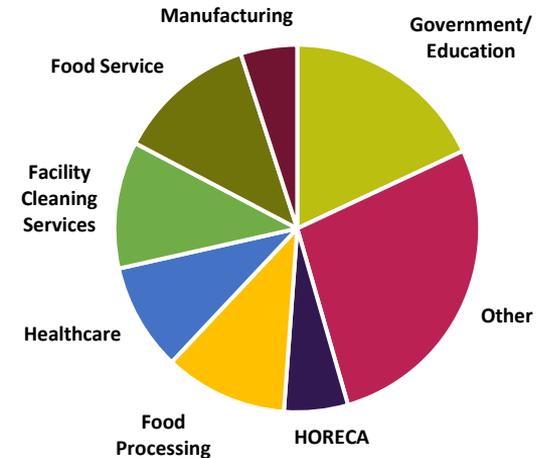


- Lower away-from-home activity has impacted sales in the HORECA, Education & Office cleaning sectors. This has partly been offset by increased hygiene requirements in Healthcare, Food Processing and general Facility Cleaning Services
- Second COVID-19 wave in Victoria temporarily dampening away-from-home activity, further impacting Professional Hygiene performance in that state. Victoria represents less than 20% of total Professional Hygiene sales
- Sales activity in other Australian states has improved post the first COVID wave but overall away-from-home activity is expected to remain down on last year
- Removal of COVID-19 domestic lockdown restrictions in New Zealand has seen a strong bounce back in June/July sales.
- COVID-19 is not a direct driver of an increase in consumption in Incontinence Healthcare, but it has heightened focus on “quality of care” underpinning strong growth for TENA

Professional Hygiene Sales by Region*



Professional Hygiene Sales by Industry sector*



*2019 full year data for Professional Hygiene

COVID-19 Implications on the B2B division

The increased focus on hygiene bodes well for Asaleo Care growth



Opportunities

- Change in personal and workplace hygiene habits and requirements leading to increased usage of sanitisers, soap, hand towel and wiping products
- Increased awareness of effectiveness of drying hands driving shift from air dryers to paper towels
- Greater acceptance of single use disposable products that are more hygienic
- Increase in requests for no-touch sensor dispensers
- Strong customer and consumer sentiment towards locally manufactured product providing a competitive advantage for Asaleo Care

Challenges

- Away-From-Home activity impacted heavily in certain industry sectors. Ongoing lockdown measures will continue to impact Professional Hygiene sales
- Victorian Government Schools initiative to provide free feminine care products – revenue from replenishment service impacted by school lockdowns

Accelerated New Product Development

New sanitisers + mounting solutions



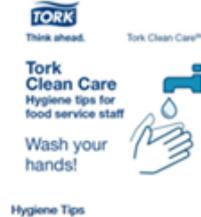
Portable wiping caddies



Disinfecting wipers



Emphasising our expertise in hygiene



Still using air dryers?

Gambling with hygiene?

Don't blow it



You can touch this



Retail Segment Performance

Profitable market share growth achieved in all key categories



- Both Australian and New Zealand businesses were favourably impacted in 1H20 by unprecedented demand in March and April from COVID-19 panic buying
- **Market share growth achieved in all key categories driven by:**
 - Continued investment in the Brands
 - Local manufacturing capabilities provided ability to respond quickly to COVID-19 demand spikes
 - Extended range and distribution
 - NPD including new Libra packaging, Tena Men and Tena Discreet
- **Consumer Tissue New Zealand Revenue up 12.4%**
- **Feminine Care Revenue up 24.4%**
- **Incontinence Care Revenue up 18.7%**
- **Margin improvement of 2.9pp** driven by retailer cancellation of promotional activities during COVID panic-buying, favourable pulp costs, slightly offset with unfavourable foreign exchange and insurance cost increases. Some A&P spend was deferred to 2H20 to reduce pressure on supply network

Retail \$M	Continuing 1H20	Continuing 1H19	Δ %
Revenue	103.6	89.6	15.6%
EBITDA	25.0	19.0	31.6%
EBITDA %	24.1%	21.2%	2.9pp

Continuing Retail NSV History (\$M)



COVID-19 Implications on the Retail division

Our focus remains on underlying share growth activity



Opportunities

- Customer & Consumer support of locally produced products has increased markedly as a result of COVID-19. Communications to emphasise that Asaleo Care is the only local manufacturer of Feminine and Incontinence Care products
- More in-home activity will drive higher consumption of consumer tissue products in NZ
- Focus will remain on activity to drive share growth including extension of ranging and distribution of NPD e.g. Libra Extra Wide & Long, Libra Night pants, TENA Discreet black pants

Challenges

- Some range reviews postponed due to COVID-19, delaying further opportunities of ranging of NPD
- Victorian Government Schools initiative to provide free feminine care products - consumption impacted by school lockdowns



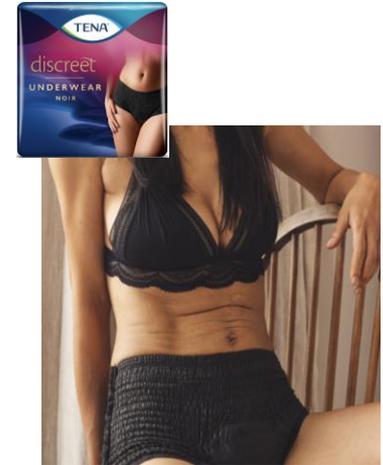
Extra Wide & Long



Night Pants



Black Pants



COVID-19 Impact on Company Operations

Keeping our team safe & ensuring supply of our essential products

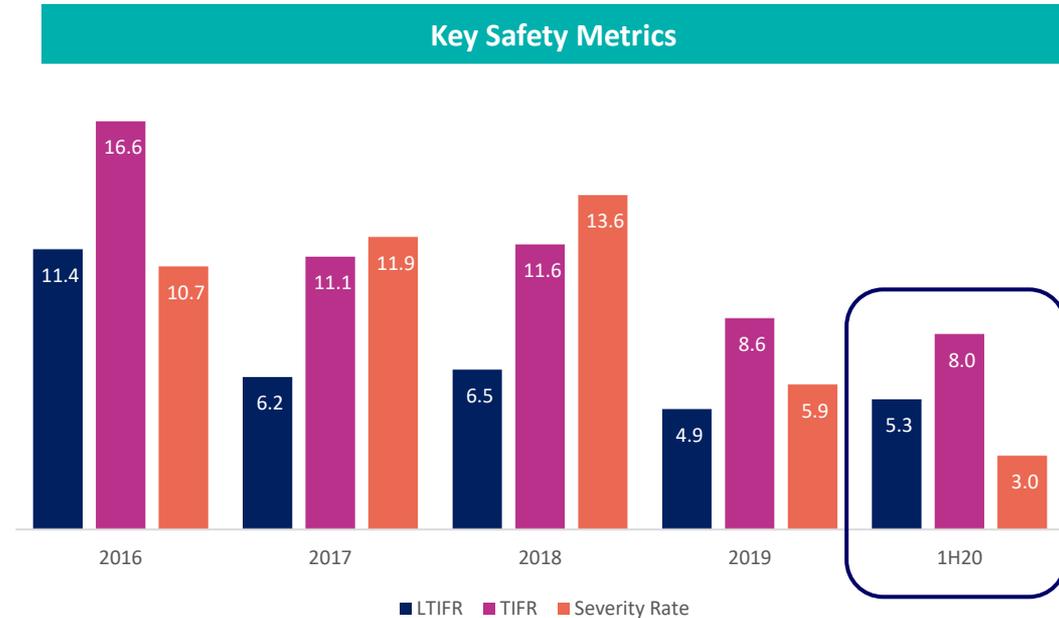


- Our priority has been to ensure all our staff remain safe and healthy – No employees or contractors have contracted COVID
- Measures have been put in place to ensure all manufacturing operations and distribution centres remain in operation – no closures or down-time experienced
 - Management have conducted business continuity planning exercises centered around potential COVID-19 scenarios – contingency plans have been put in place as a result
 - Rigorous cleaning regimens implemented in all work-places
- All office-based staff in Australia have been and still are remote-working since early March (note, NZ office staff returned to work upon removal of lockdown measures)
- Although additional costs incurred to maintain social distancing and lift hygiene requirements, these have been offset by savings in travel costs
- **Asaleo Care has not claimed any Government assistance either in Australia or New Zealand (e.g. Job Keeper)**



Safety - always a key priority

- Sale and closure of higher-risk manufacturing sites coupled with continued investment in state-of-the-art converting assets built to higher safety standards is creating a safer working environment for our people
- Ongoing investment in our OH&S management systems and a focus on building a culture of individual accountability have been key pillars in the improvement of our safety metrics
- During the period, we successfully set up two new Distribution Centers in Queensland and Victoria with no major incidents
- Our Pacific Islands facility has recently achieved 6 years of no lost time injuries



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)

Environment, Sustainability and Governance

Key initiatives underpinning our focus on social responsibility



- We launched our first Reconciliation Action Plan to support the national reconciliation movement in Australia for Aboriginal and Torres Strait Islander peoples, communities and organisations
- We advanced our commitment to addressing risks associated with Modern Slavery by conducting independent ethical audits across the supply chain of our key sites
- We strengthened our partnership with Ronald McDonald House Charities for supply of toilet rolls, hand towel and dispensers to Chapter Houses across Australia
- Libra partnered with Share the Dignity to support supply of feminine hygiene products to women and girls in difficult socio-economic circumstances



As a member of Sedex (Supplier Ethical Data Exchange), successfully completed three independent SMETA ethical audits at our manufacturing sites to ensure responsible business practices across Sedex's four pillars of Labour, Health & Safety and Environment & Business Ethics.

Half 1 Summary

Earnings Resilience



- Financial performance during the half was strong despite challenging operating conditions resulting from COVID-19
- Investment in the brands delivered profitable market share growth
- No interim dividend as we focus on debt reduction and a strong Balance Sheet
- Proactive portfolio management improving focus and diverting investment to higher margin, higher growth categories





Financials

Half Year Results 2020

Campbell Richards

Chief Financial Officer

18 August 2020



Asaleo Care Financial Performance



- Year on year revenue growth across both Retail (+15.6%) and B2B (+4.6%) through unprecedented demand driven by COVID-19 panic buying and richer mix of product being sold
- Improved Gross Margins through lower pulp costs, benefits from new converting machine installed in 2H19, partly offset with higher insurance costs and unfavourable FX
- SM&A costs higher due to full year impact of investment last year in sales resources to drive topline growth and increased advertising and promotion investment. Also includes a quarter of a year of stranded costs post divestment of Consumer Tissue Australia (completion end of Q1 2019)
- A portion of the A&P spend has been deferred to the second half due to the COVID-19 situation

Asaleo Care \$M	1H20	1H19	Δ %
Revenue from continuing operations	215.0	196.1	9.6%
Cost of sales	(116.5)	(112.4)	3.6%
Gross profit	98.5	83.7	17.7%
Distribution expenses	(20.8)	(18.3)	13.7%
Sales, Marketing & Admin	(28.4)	(25.6)	10.9%
Other income	0.1	0.0	
EBITDA	49.4	39.8	24.1%
Depreciation and amortisation	(12.8)	(11.5)	11.3%
EBIT	36.6	28.3	29.3%
Net finance costs	(4.1)	(7.3)	-43.8%
NPBT	32.5	20.9	55.5%
Income tax expense	(9.8)	(5.8)	69.0%
NPAT from continuing operations	22.8	15.2	50.0%
Non-recurring expenses	(0.1)	(2.6)	-96.2%
Discontinued operations	(3.9)	(5.2)	-25.0%
Statutory NPAT	18.8	7.3	157.5%

Underlying to Continuing Operations Reconciliation

Exit of NZ Baby Diaper Business



- Announced withdrawal from the NZ Baby Diaper category on 25th June 2020, including closure of the Te Rapa manufacturing facility
- Decision is consistent with the company's focus on exiting businesses that generate poor returns
- Closure expected to complete during 2H20 i.e. sell remaining inventory and manufacturing assets
- Baby Division is now disclosed as a "Discontinued Operation" for both the current year and prior year
- The Baby division generated an EBITDA loss YTD FY20 of \$3.2m and \$0.4m in the prior corresponding period

A\$m	Half 1 2020			Half 1 2019		
	Underlying inc Baby	Baby Disc Ops	Continuing	Underlying inc Baby	Baby Disc Ops	Continuing
Revenue	219.6	4.6	215.0	202.0	5.9	196.1
EBITDA	46.2	(3.2)	49.4	39.4	(0.4)	39.8

	Variance A\$m			Variance %		
	Underlying inc Baby	Baby Disc Ops	Continuing	Underlying inc Baby	Baby Disc Ops	Continuing
Revenue	17.6	(1.3)	18.9	9%	-22%	10%
EBITDA	6.8	(2.8)	9.6	17%	700%	24%

Reconciliation of Continuing to Statutory NPAT



Baby Diaper Trading Loss

- YTD Baby Diaper division loss reclassified to Discontinued Operations which includes additional trade spend to sell through excess inventory

Baby Diaper Closure Costs

- Costs associated with redundancies, property make good, onerous lease and fixed asset write-off at the Te Rapa manufacturing facility
- Asset sales to be undertaken in H2

Australian Consumer Tissue Business

- Costs relating to the transition to new distribution facilities post sale of the Australian Consumer Tissue business
- Redundancy costs related to right-sizing the organization post sale of Consumer Tissue Australia

A\$m	1H20
NPAT from continuing operations	22.8
Non-recurring expenses	(0.1)
Baby loss before tax 1H20	(3.6)
Baby closure costs	(6.0)
Australian Consumer Tissue Business	(2.2)
Tax	7.9
Statutory NPAT	18.8

Pulp - Global supply and demand dynamics keep prices low, depreciation in local currencies partly offsetting cost benefit



Market

- Pulp prices at low point in cycle driven by over capacity and falling demand
- Prices have stabilized at this lower level
- Hardwood prices have been impacted by a global oversupply which has been further elevated due to postponement of paper mill maintenance programs
- Softwood prices have been stagnant with lower demand being slightly offset with lower capacity due to supply constraints
- Depreciation of local currencies partly offsetting benefit of lower pulp prices

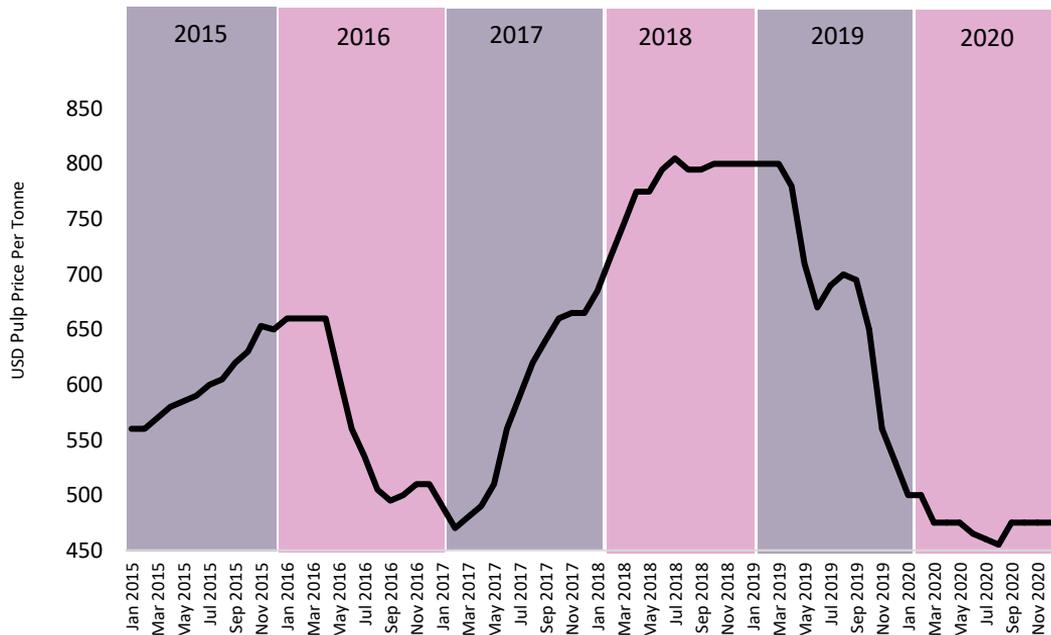
Asaleo Care

- 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.

Hardwood - RISI China Delivered Price



Strong free cash flow generation

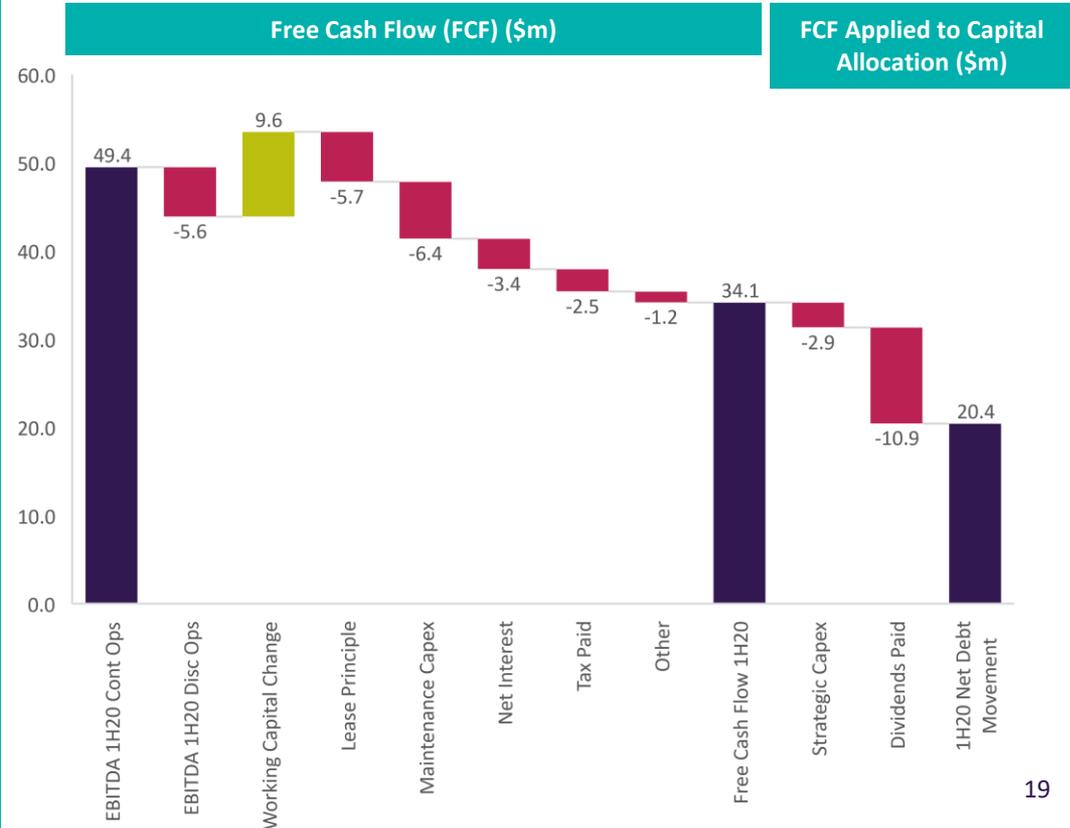


Free Cash Flow (FCF)

- FCF of \$34.1m
- Strong EBITDA (continuing operations) growth delivered by both Retail and B2B
- Favourable Working Capital movement due to timing of sales and customer payments. Increased inventory offset with increased payables

Cash Flow Applied to Capital Allocation:

- Two cent unfranked FY19 final dividend paid in April
- Strategic capital investment includes progress payments for NZ converting asset and cost of dispensers for Victorian Government schools feminine care program



Net Debt

Continued focus on debt reduction driving a strong Balance Sheet



Leverage Ratio

- Leverage ratio at 30 June 2020 is 1.4x, down from 1.95x at 31 December 2019
- Reduced internal leverage ratio target from a range of 1.5x - 2.5x EBITDA to 1.0x - 2.0x EBITDA to ensure a strong balance sheet and improve credit metrics

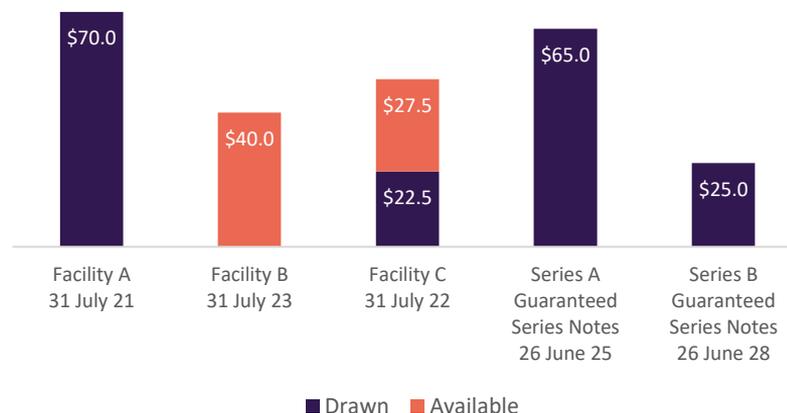
Net Debt Movement

- Decrease of \$20.4m to \$118.9m at 30 June 2020 (Dec-19: \$139.3m)

Debt Facilities

- Negotiations currently underway to extend tenor of Facility A

Debt maturity Profile (\$m)



Total Facilities	\$250m
Undrawn Debt	\$67.5m
Drawn Debt	\$182.5m
Cash and Cash Equivalents	\$63.6m
Net Debt	\$118.9m

Capital Expenditure



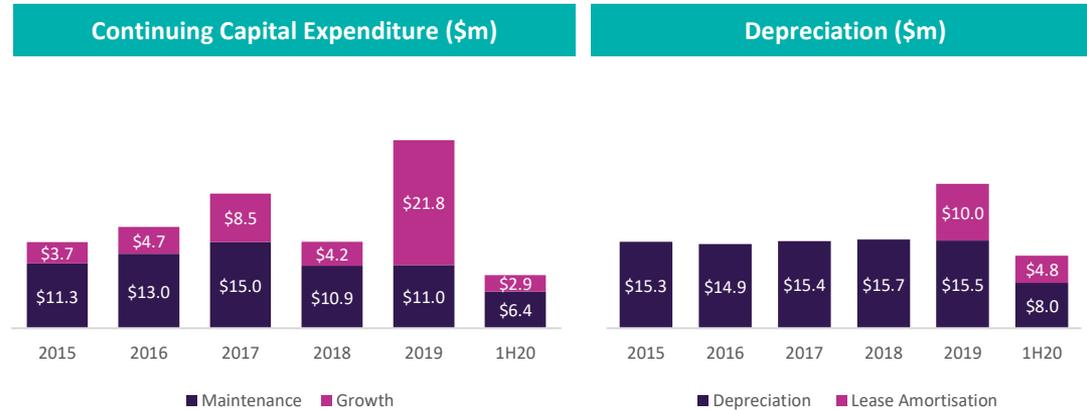
Growth Capital Expenditure

- Progress payments for the new converting equipment in NZ Tissue plant. Final payment of \$1.6m to be paid in H2
- Investment in dispensers for the Victorian Government Schools feminine care program

Maintenance CAPEX to remain in-line with historical average

Depreciation:

- Depreciation for continuing operations will be higher than prior years, due to commencing depreciation of the investment made in the new B2B Tissue converting asset in NZ
- AASB 16: Lease amortisation is included in overall depreciation since 2019



Outlook

Full-Year Profit guidance remains unchanged



Sales Revenue	<ul style="list-style-type: none">• Brand investment will continue to drive underlying sales growth• Continued lockdown measures in H2 will negatively impact Professional Hygiene sales, although partly offset by increased demand in hygiene-critical sectors (i.e. healthcare, food processing)• Expect panic buying from March and April to continue to unwind in the second half of the year
EBITDA	<ul style="list-style-type: none">• Full year Underlying EBITDA guidance expected to be at the upper end of the \$84m to \$87m range.• H2 impacted by:<ul style="list-style-type: none">- unwind of H1 panic buying in H2- less favourable foreign exchange levels in hedged positions- deferral of H1 planned brand investment to H2
Capital Management	<ul style="list-style-type: none">• No interim dividend declared - conservative cash management in these uncertain times• Strong H2 cashflow will be applied to reduce debt and further strengthen the balance sheet• No major Growth Capex activity planned for H2