FY20 Trading Update

FY21-22 Outlook

Response to Essity Proposal

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Approved and authorised for release by
James Orr, Company Secretary

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FY20 Trading Update

FY20 Trading Update[1]

Growth momentum in a challenging market

Another year of underlying revenue and earnings growth

- FY20 revenues $419.2m, up 2.3% after 3.0% growth in FY19
  - Strong performance in Retail and B2B Incontinence Healthcare, collectively up 6.7%
  - B2B Professional Hygiene solid, despite impact of COVID-19 restrictions on "away from home" activity, down only 4.0%
- Underlying EBITDA $87.2m, ahead of previous guidance of upper end of $84 - $87m
- Underlying EBITDA $89.2m from continuing businesses (excluding Baby NZ loss); up 6.3% on FY19

Portfolio now optimised; increase in core brand investment

- After exiting Australian Consumer Tissue and NZ Baby, portfolio now exposed to categories with higher growth potential and stronger economics
- Announced acquisition of TOM Organic[2] represents a strong opportunity to drive growth and innovation in the ‘better for you’ category; growing faster than traditional feminine care
- TOM Organic expected to be immediately accretive; first full year underlying EBIT $1.7 million, increasing to $3.5 - $4.0 million in the second full year, after realising scale and supply benefits
- FY20 brand investment up 11% after 49% increase FY19, which resulted in market share gains in core categories

Strong cashflow, debt further reduced

Robust & flexible balance sheet

- Strong cash flow generation and disciplined application of sales proceeds from Australian Consumer Tissue transaction has resulted in a significantly stronger balance sheet
- Net debt further reduced to $94.9m from $139.3m FY19 and $260.1m FY18; FY20 leverage ratio 1.21x vs. 1.95x FY19 and 3.25x FY18
- Sufficient capacity to fund ongoing dividends
- Flexibility to accommodate accretive bolt-on acquisitions

[1] *Trading update based on FY20 unaudited results. Full year audited results will be released on 17 February 2021*

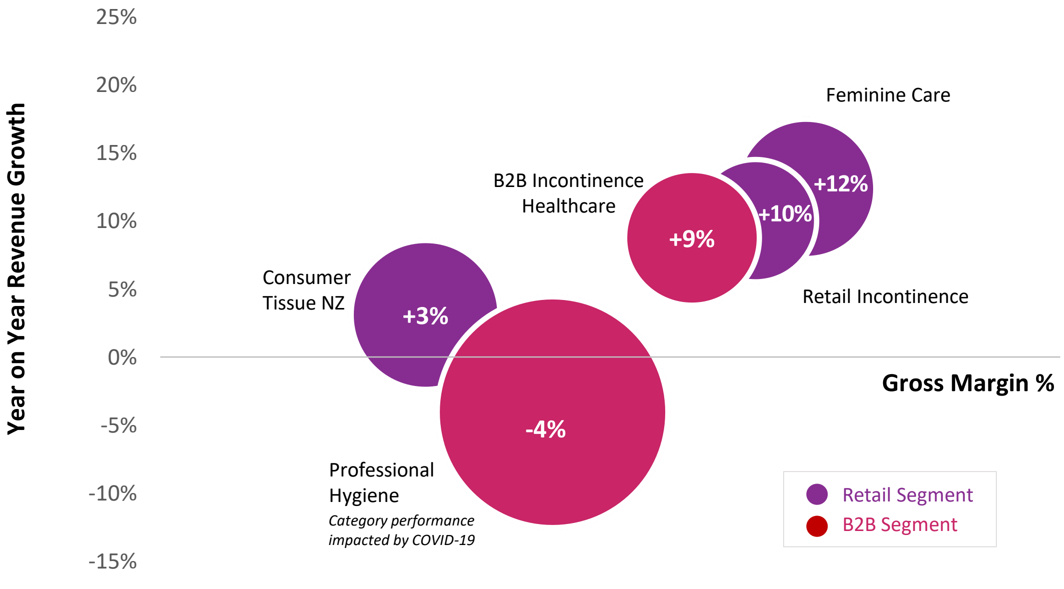
[2] *Sale Agreement executed but transaction yet to complete*

Category Growth FY20

Strong growth in key business segments mitigated COVID-19 related softness in Professional Hygiene

- **Feminine Care revenue up 12%**
- **Retail Incontinence up 10%**
- **Consumer Tissue NZ up 3%; branded** Consumer Tissue **up 7%**
- **B2B Incontinence Healthcare up 9%**
- **Professional Hygiene**, representing 40% of revenues, **down only 4%**, despite the impact of COVID-19 restrictions on ‘away from home’ activity

Investment across key categories drove market share gains and revenue growth



Bubble size represents relative revenue contribution

FY21-22 Outlook

FY21-22 Outlook[1]

Targeting continued revenue growth from FY21 and margin expansion from FY22

FY21

Targeting 5-7% revenue growth

- **momentum** in Feminine Care, Retail Incontinence and B2B Incontinence Healthcare
- **recovery** in Professional Hygiene as COVID-19 impacts expected to moderate in Q3
- part year **contribution** from TOM Organic

Targeting EBITDA $90-93m

- **growth** in revenue and gross margin
- earnings growth **moderated** by final year of absorption of stranded costs from exit of Australian Consumer Tissue and NZ Baby businesses along with rising pulp prices

FY22

Targeting mid-single digit revenue growth

- continued **growth** across all core categories
- second year **benefit** from TOM Organic

Targeting EBITDA growth 10%+

- **benefit** from abatement of stranded costs
- TOM Organic contribution including **synergies**

[1] *Outlook approved by Independent Board Committee*

Response to the Essity Proposal

The Essity Proposal

- On 9 December 2020 Asaleo Care received an unsolicited, indicative, conditional and non-binding Proposal from the ultimate parent of its major shareholder, Essity Aktiebolag (publ) ("Essity").
- The Proposal is to acquire all ordinary shares in Asaleo Care at a price of $1.26 per share in cash, less any dividends or distributions declared or paid by Asaleo Care after 9 December 2020 (the "Proposal"). An Essity subsidiary currently owns 36.2% of the issued share capital of Asaleo Care.
- The Proposal is conditional; subject to due diligence, binding transaction documents, unanimous board recommendation, independent expert concluding the Proposal is in the best interests of shareholders and certain regulatory and other approvals
- A Board Committee consisting of Asaleo Care Independent Directors,[1] following careful review of the Proposal, is now able to update shareholders and the market

[1] *Excludes Essity nominated directors*

Response to the Essity Proposal

The Independent Board Committee, after careful review, considers that the Proposal **fundamentally undervalues** Asaleo Care and is **materially inadequate**

Response to the Essity Proposal (cont'd)

The Proposal fundamentally undervalues Asaleo Care and is materially inadequate

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1 The Proposal **fundamentally undervalues the Company**

- Independent Directors believe the Proposal fundamentally undervalues the Company on a standalone basis
- Other factors to be considered (and reflected in any offer) should include:
  - value creation from the announced TOM Organic acquisition, expected to be immediately accretive
  - absorption of stranded costs from legacy businesses (which cease to constrain earnings in FY22 and beyond)
  - planned supply initiatives to drive margin expansion

2 Asaleo Care has reset the business for **long term value creation**

- Exited low margin, capital intensive businesses (Australian Consumer Tissue, NZ Baby)
- Re-invested in core brands to drive revenue and market share growth
- Invested in the supply base to create capability and improve efficiency
- Delivered strong FY19 and FY20[1] results; targeting continued growth FY21 and beyond
- Has a strong balance sheet with capacity to fund ongoing dividends
- Has the flexibility to accommodate accretive bolt-on acquisitions

[1] *Trading update based on FY20 unaudited results (full year audited results will be released on 17 February 2021)*

Response to the Essity Proposal (cont'd)

The Proposal fundamentally undervalues Asaleo Care and is materially inadequate

3 Asaleo Care is on a clear path towards **sustainable future growth**

- Continues to target initiatives which create sustainable and profitable growth
- Management focused on higher margin, higher growth categories, leveraging the Company's scale and realising ongoing cost efficiencies to generate strong cash flow

4 The Proposal **should reflect** the **strategic and financial benefits** an acquisition would deliver to Essity

- A combination of Asaleo Care with the Essity Medical business in the Asia Pacific region provides scope to unlock substantial synergies
- Cost savings from a potential delisting of Asaleo Care
- EPS accretion that would benefit Essity shareholders from earnings consolidation and the current record low interest rate environment

5 Key shareholders **unsupportive** of proposal

Asaleo Care shares continue to trade **above offer price**

- Shareholders representing approximately 42% of non-Essity shareholders (approximately 27% of Asaleo Care's share register[1]) have publicly stated they are not supportive of the Proposal
- Since the Proposal, Asaleo Care shares have traded at a VWAP of $1.32[2]

[1] *Beneficial share register as at 13 January 2021*

[2] *VWAP – Volume Weighted Average Price, per IRESS from 11 December 2020 to 25 January 2021*

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