FY20 Full Year Results

Update on Essity Proposal

Sid Takla

CEO & Managing Director

Andrew Leyden

Chief Financial Officer

17 February 2021

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FY20 Highlights

Sid Takla

CEO & Managing Director

FY20 Headlines

Strong performance despite COVID-19 impacts; EBITDA ahead of guidance

REVENUE GROWTH
Continuing revenues
$419.2m, up **+2.3%**

- Retail and B2B Healthcare collectively up **6.7%**
- Market share growth in key retail categories
- Professional Hygiene down **only 4%** despite COVID-19 restrictions impacting "away-from-home" activity

SOLID PROFIT GROWTH
Underlying EBITDA
$89.2m, up **+6.3%**

- EBITDA **up 6.3%** despite **11% increase** in brand investment
- Margin **growth 1.9pp;** favourable input costs, mix
- Continuing NPAT up 25.2%
- **No** COVID-19 related government **assistance**

STRONG, FLEXIBLE BALANCE SHEET
Net Debt
$94.9m, down **31.9%**

- Net debt **reduction $44.4m**
- Leverage ratio **down to 1.21**
- Dividend declared 3 cps; **fully franked**
- Finance facilities **extended**

PORTFOLIO OPTIMISED
Exposure to higher **growth**, higher **margin** categories

- **Less exposure** to capital intensive, low margin consumer tissue
- **Exited** baby category NZ
- TOM Organic **acquisition completed** 29 January 2021

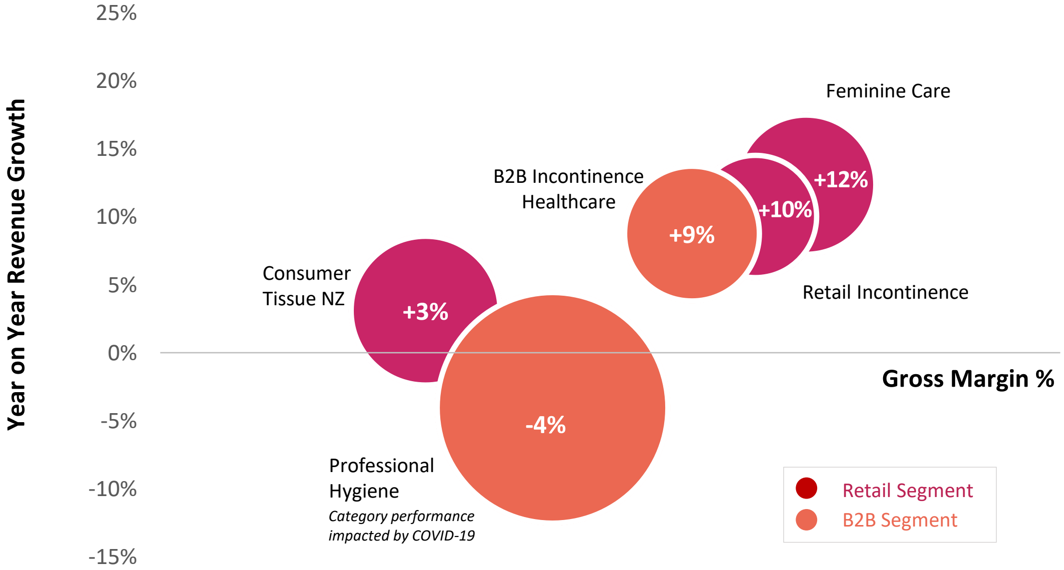
Category Growth FY20

Strong growth in key segments mitigated COVID-19 impacts

- Feminine Care revenue **up 12%**
- Retail Incontinence **up 10%**
- Consumer Tissue NZ **up 3%; branded up 7%**
- B2B Incontinence Healthcare **up 9%**
- Professional Hygiene **down only 4%**

despite 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

Safety

Our first priority

COVID-19 response

- Strong culture of compliance
- No cases reported amongst team
- No disruption to production
- Working from home facilitated successfully
- Positive feedback from regulatory institutions on readiness and proactivity

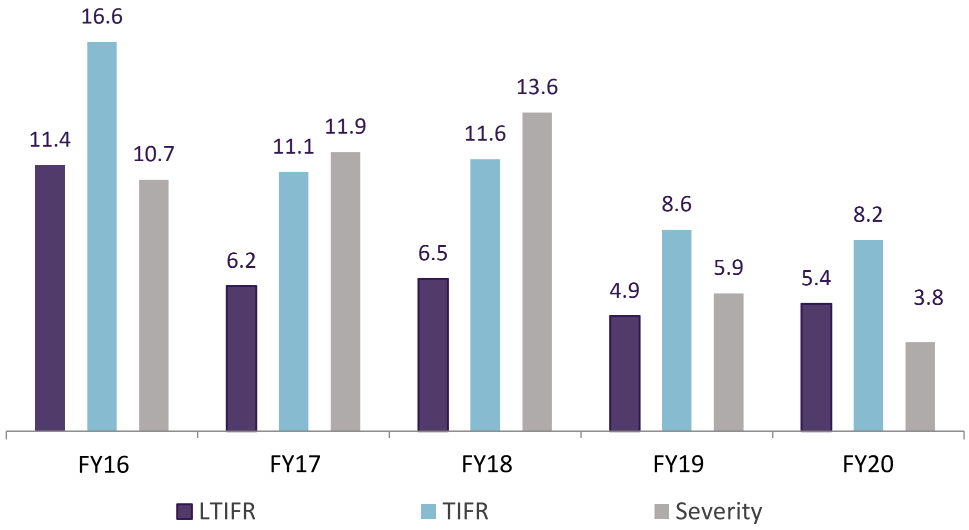
Capital investment

- **Invested $2m** of capital expenditure to strengthen protective safety measures

Safety performance

- TIFR and Severity at **lowest levels in many years** and trending down
- Closed and decommissioned NZ baby manufacturing site without injuries

Key Safety Metrics



LTIFR: Lost Time Injury Frequency Rate (lost time injuries per million hours worked)
TIFR: Total Injury Frequency Rate (lost time & medical injuries per million hours worked)
Severity Rate: Days lost per lost time injury (includes employees and contractors)

Sustainability

A year of great progress and more to come

INCLUSION + DIVERSITY

Launched inaugural **Reconciliation Action Plan** supporting Aboriginal and Torres Strait Islander Peoples

ENVIRONMENTAL IMPACT

Reduced total energy consumption by more than 50% since 2015

COMMUNITY ENGAGEMENT

Inducted to **Ronald McDonald House Charities Australia Supporter Hall of Fame** for long-standing support and partnership

PRODUCT STEWARDSHIP

Awarded government grant to explore end-of-life recycling options for used absorbent products

RESPONSIBLE SOURCING

Celebrated **10 years of Forest Stewardship Council (FSC®)** Certification

FY20
Financial Performance

Andrew Leyden

Chief Financial Officer

Income Statement

A solid result despite COVID-19

Revenue $419.2m, **up 2.3%;** Retail **+6.2%**, B2B **-1.0%**

- Retail growth 6%; higher brand investment
- Strong performance in higher margin Feminine Care (12%) and Incontinence (10%) categories
- B2B down 1%
  - Incontinence Healthcare up 9%; new products, contract wins
  - Professional Hygiene down only 4%; despite COVID-19 restrictions impacting “away from home” demand

Margin expansion **up 2pp**

- Lower pulp costs, benefits from supply investments in NZ
- Lower imports pricing
- Partially offset by higher insurance, FX, Consumer Tissue Australia stranded costs

SM&A increase

- Brand investment **11% up**, Consumer Tissue Australia stranded costs, management incentives

Continuing EBITDA $89.2m, **up 6.3%,** EPS 7.0 cps, **up 34.6%**

- EBIT up 4.9% (higher depreciation)
- Finance costs down on lower net debt
- Continuing NPAT up 34.0%

$m	FY20	FY19	%
Revenue from continuing operations	419.2	409.7	*2.3%*
Cost of sales	(229.5)	(236.2)	*(2.9%)*
Distribution expenses	(42.2)	(37.0)	*14.1%*
Gross margin	**147.5**	**136.5**	***8.1%***
GM%	*35%*	*33%*	*2pp*
Sales, Marketing & Admin	(54.0)	(47.2)	*14.4%*
Other income/expenses	(4.3)	(5.4)	*(20.3%)*
EBITDA continuing	**89.2**	**83.9**	***6.3%***
Depreciation and amortisation	(26.6)	(24.2)	*9.9%*
EBIT	**62.6**	**59.7**	***4.9%***
Net finance costs	(8.0)	(11.9)	*(32.8%)*
Income tax expense	(15.6)	(14.0)	*11.4%*
Non-recurring	(0.8)	(3.2)	*(75.0%)*
NPAT continuing	**38.2**	**30.5**	***25.2%***
Statutory NPAT	**32.3**	**22.1**	***46.2%***
EPS (cents) continuing	*7.0*	*5.2*	*34.6%*

Reconciliation of Continuing to Statutory NPAT

NZ Baby $11.3m

- Underlying trading loss
- Stock write off, inventory clearance costs
- Site makegood
- Redundancies
- Onerous lease

AU Consumer Tissue $4.7m

- Distribution network restructuring VIC & QLD
- Final settlement costs

$m	FY20	FY19
NPAT continuing operations	**38.2**	**30.5**
Discontinued operations		
NZ Baby	(11.3)	(2.8)
AU Consumer Tissue*	(4.7)	(4.5)
Income tax benefit	10.1	(1.1)
NPAT	**32.3**	**22.1**

* Australian Consumer Tissue sold 29 March 2019; costs relating to sale recognized in FY19 and FY20.

Retail

Higher brand investment and innovation driving market share growth

Retail revenue $199.8m, **up 6.2%**

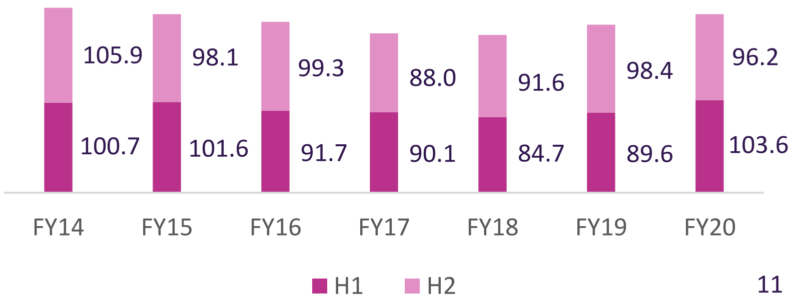
- Strong growth in key categories; Feminine Care 12%, Incontinence 10%, Consumer Tissue NZ 3% (branded 7%)
- Market share growth in key categories:
  - Brand investment up 18%
  - NPD; new Libra packaging, Tena Men and Tena Discreet
  - Rapid response to COVID-19 demand via local manufacturing
  - Exit of NZ private label tissue contracts to allow branded growth
- Benefit of panic buying in 1H reversed 2H

Retail EBITDA $41.3m, **up 11.3%**

- Revenue growth in core categories
- Margin expansion; lower trade spending during COVID-19 restrictions, production benefits, lower pulp prices
- 18% increase in brand investment accommodated

$m	FY20	FY19	%
Revenue	199.8	188.1	*6.2%*
EBITDA	41.3	37.1	*11.3%*
EBITDA %	*20.7%*	*19.7%*	*1pp*

Revenue ($m)



Business to Business (B2B)

Strong growth in Incontinence Healthcare, resilience in Professional Hygiene

B2B revenue **$219.4m**, down 1%

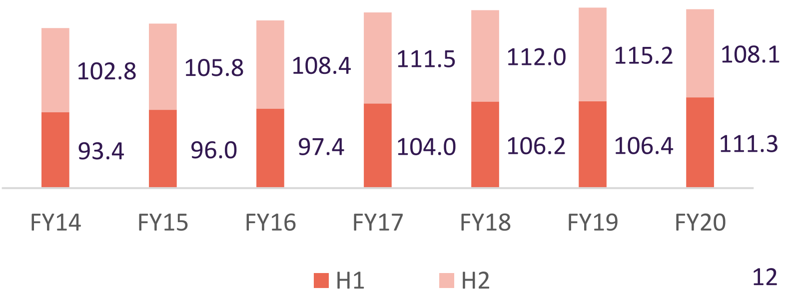
- Incontinence Healthcare revenue **up 8.8%**
  - Strong Tena demand
  - Organic growth and new contract wins
  - Government incentives driving higher level of “in-home” care
- Professional Hygiene **down 4.0%**
  - Robust result given impact of COVID-19 restrictions on “away from home” in commercial, hospitality and public facilities
  - Growth in some categories (soaps, sanitisers, towel)

B2B EBITDA $47.8m, **up 2.1%**

- Margin expansion
  - Lower pulp and imported product prices
  - Cost savings in paper conversion from supply investments
  - Partially offset by higher insurance, FX and Australian Consumer Tissue stranded costs
- Higher SM&A
  - Consumer Tissue Australia stranded costs
  - Management incentives

$m	FY20	FY19	%
Revenue	219.4	221.6	*(1.0%)*
EBITDA	47.8	46.8	*2.1%*
EBITDA %	*21.8%*	*21.1%*	*0.7pp*

Revenue ($m)



Balance Sheet

Capacity to pay dividends and flexibility to invest in growth opportunities

Cash balance up $21.9m

- Strong cash generation, improved working capital

Current assets $28.2m lower

- Lower inventory, including clearance of baby stocks, delayed inbound orders (shipping)
- Significantly improved collections, timing of receipts

Current liabilities $4.5m higher

- Lower trade payables (delayed inbound goods)
- Higher current lease liabilities
- Increase derivatives liability - mark to market FX contracts (stronger AUD, NZD)

Non-current liabilities down $25.3m

- Debt paydown
- Lower lease liabilities (movement to current)

Dividend 3 cps declared; **fully franked**

Net debt **down $44.4m** to $94.9m

$m	FY20	FY19
Cash	55.1	33.2
Current assets (exc. cash)	109.9	138.1
Non-current assets	308.1	309.7
Total assets	**473.1**	**481.0**
Current liabilities	95.0	90.5
Non-current liabilities	183.0	208.3
Total liabilities	**278.0**	**298.8**
Net assets	**195.1**	**182.1**
Cash	55.1	33.2
Debt	(150.0)	(172.5)
Net debt	**(94.9)**	**(139.3)**

Net Debt and Leverage

Major reset of net debt position FY19 and FY20

Net debt $94.9m, **down $44.4m**

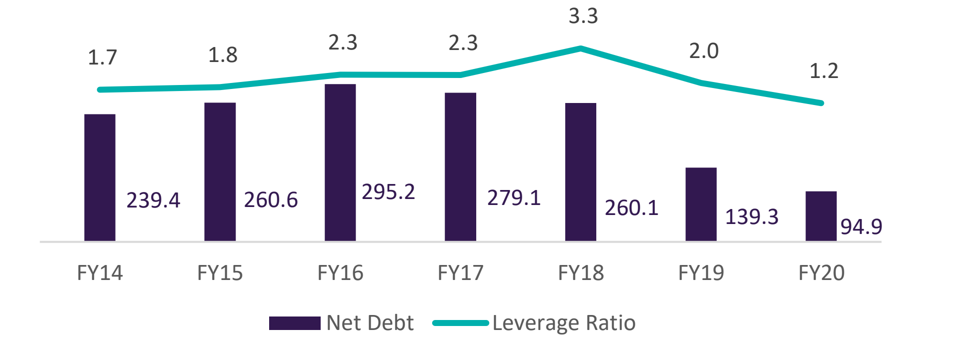
- Lowest since listing

Comfortable debt and leverage position

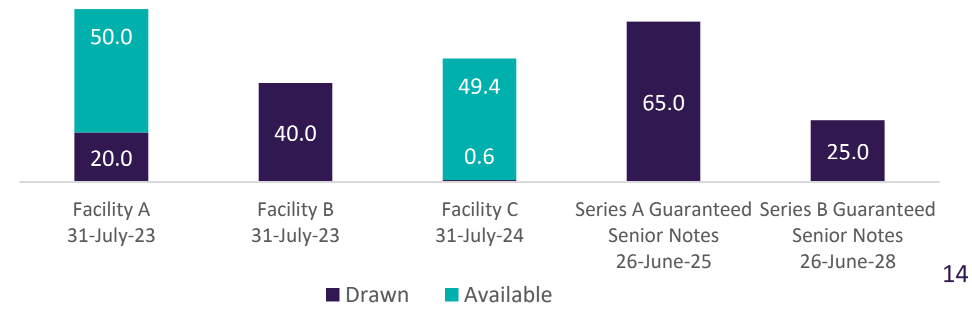
Debt capacity $250m, facilities **extended**

- Facility A ($70m) extended to July 2023
- Facility B ($40m) tenure unchanged
- Facility C ($50m) extended to July 2024
- Just under $100m undrawn
- $55.1m cash

Net Debt + Leverage



Facilities



Cash Flow

Strong cash generation used to fund dividends and reduce debt

Operating $87.1m

- Strong cash generation, improved working capital
- Tax payments $2.0m
  - New Zealand and Fiji payments, offset by refund in Australia
- Net interest $7.0m
  - Interest down on reduced debt

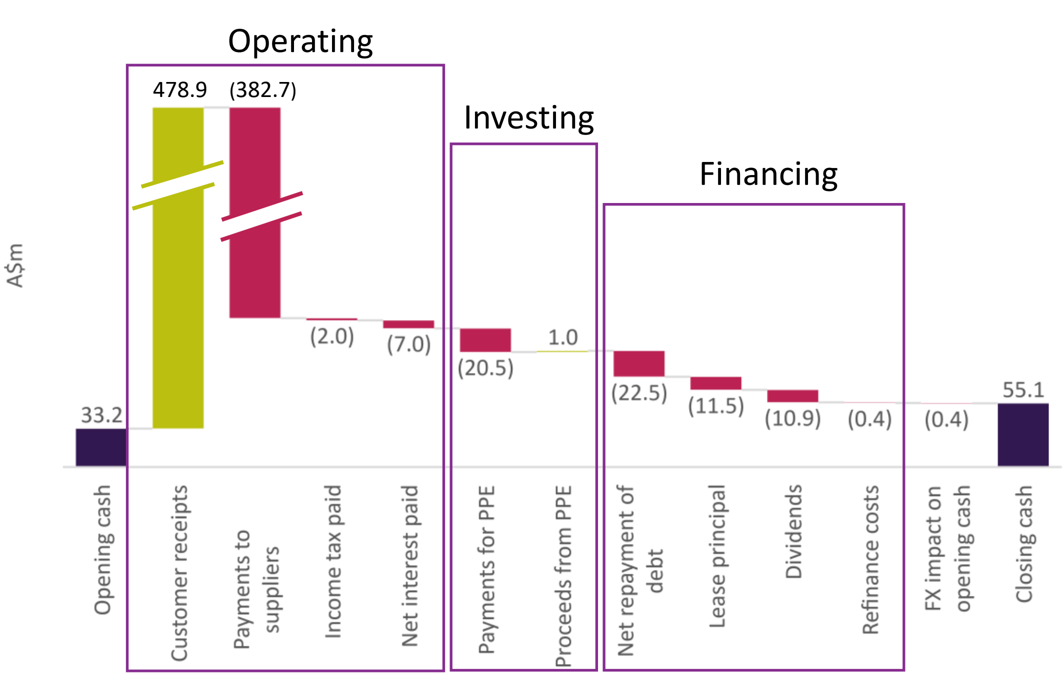
Investing $19.5m

- Strategic and maintenance capex $20.5m
  - production, IT investments, dispensers
- Proceeds from sale of baby assets $1.0m

Financing $45.3m

- Debt repayment $22.5m
- Dividend $10.9m, 2 cents per share, paid 1H20

Cash Movement FY19 to FY20



Pulp and Shipping Costs

Expecting short term increases FY21; looking to mitigate

Softwood (Radiata)

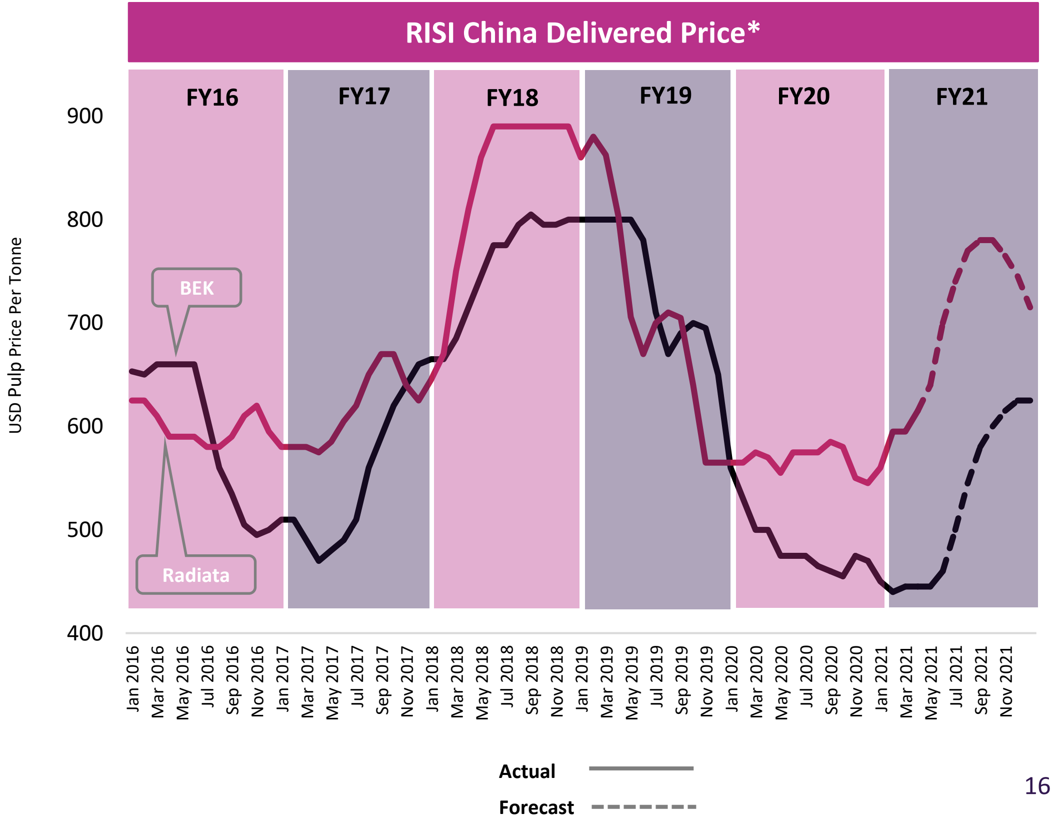
- FY20 low point in cycle; capacity high, lower demand
- FY21 **p**ulp futures higher January 2021 on speculation of future demand from China

Hardwood (BEK)

- FY20 prices impacted by global oversupply
- FY21 futures higher driven by substitution of hardwood for softwood

Sea Freight

- FY21 pricing being driven by supply demand imbalance



* Source: Risiinfo.com

Outlook

Sid Takla

CEO & Managing Director

FY21 – FY22 Outlook

FY21

FY22

Targeting 5-7% revenue growth

- **Momentum** in feminine care, retail incontinence and B2B incontinence healthcare
- **H2 Recovery** in professional hygiene as COVID-19 impacts abate
- 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 and sea freight prices

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**

FY21 Phasing

Significant change in phasing due to COVID-19 impacts

1H FY20

- Retail benefited from COVID-19 panic buying
- COVID-19 related spike in demand in B2B channels
- Lower promotional and discounting activity during COVID-19
- Lower brand investment weighting 1H

EBITDA $89.2m

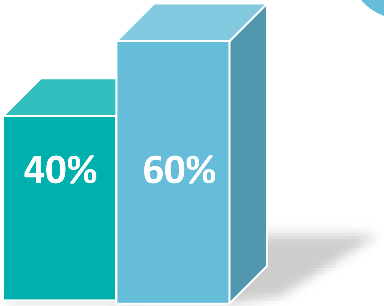
2H FY20

- Lower retail volume as consumers “destocked” after panic buying
- COVID-19 lockdown measures impacted “away from home” demand
- Higher brand investment

1H FY21

- Lower volume due to panic buying in 1H20
- Increased promotional activity and discounting in retail channel
- COVID-19 impact on “away from home” demand
- Higher brand investment

EBITDA $90-93m



2H FY21

- Return to higher levels of “away from home” activity as restrictions lift
- Growth in retail revenues via NPD launches; consumer de-stocking H2 FY20

Focus FY21 and beyond

Business reset complete, targeting sustainable growth and value creation

Reset now complete.
Well positioned for
long term value creation

- Exited **low margin, capital intensive** businesses
- Increased **investment** in core brands
- **Strong** and **flexible** balance sheet
- **Capacity** to fund future M&A

Company on a clear path towards **sustainable future growth**

- Sustainable, profitable **growth** initiatives
- Pipeline of product innovation
- Higher **growth**, higher **margin** categories
- Can **leverage** scale
- Continued brand **investment**

Essity Proposal

Essity Proposal To Acquire Asaleo Care

Recommended Transaction via Scheme of Arrangement

asaleo care

1. Asaleo Care and Essity announce that they have entered into a scheme implementation agreement which proposes Essity will acquire all outstanding ordinary shares in Asaleo, not already owned by Essity.

2. Total proposed value is $1.45[1] per share, comprising $1.40 cash per share in scheme consideration plus $0.05 per share of permitted dividends (comprised of a $0.03 ordinary and a $0.02 special dividend per share). Franking credits attached to dividends are potentially worth an additional $0.02 per share if fully franked.[2]

3. The independent non-Essity directors and the CEO and Managing Director[4] unanimously recommend that shareholders vote in favour of the Scheme, in the absence of a Superior Proposal[3] and subject to the independent expert's report concluding it is in the best interests of shareholders.

4. Shareholders do not need to act at the present time. A scheme booklet containing information relating to the Scheme, including the independent expert's report and details of the Scheme meeting, is expected to be sent to shareholders in late April 2021. Shareholders can vote at a Court-convened meeting, expected to be held first half June 2021.

[1] Subject to being a shareholder on the respective dividend record dates and the Asaleo Board determining, at its absolute discretion, payment of the special dividend.
[2] Asaleo expects that dividends will be fully franked, subject to a class ruling from the Australian Taxation Office.
[3] Superior Proposal has the same meaning as given in the scheme implementation agreement.
[4] CEO & Managing Director, Sid Takla. Refer to separate announcement today in relation to employment arrangements.

Essity Proposal To Acquire Asaleo Care

Transaction Highlights

> ***"The IBC believes the scheme is compelling for shareholders."***
>
> Independent Board Committee

Offer Premium[1]

- **Total value to Asaleo shareholders $1.45[2] representing an attractive premium of:**
  - 43.6% premium to the undisturbed closing price of $1.01 on 9 December 2020;
  - 44.7% premium to the 1-month VWAP of $1.00 to 9 December 2020;
  - 43.7% premium to the 3-month VWAP of $1.01 to 9 December 2020; and
  - 43.5% premium to the 6-month VWAP of $1.01 to 9 December 2020.

Franking Benefit

- Franking credits attached to the dividends are potentially worth an **additional $0.02** per share if fully franked (for shareholders able to realise the full benefit of franking credits)[3].

Certainty of Value

- 100% cash consideration provides shareholders with **certainty of value**.

No Financing or DD Conditions

- The Scheme is **not subject** to financing conditions or due diligence.

[1] VWAPs are subject to rounding

[2] Comprising $1.40 cash per ordinary share in scheme consideration, plus a $0.03 per share ordinary dividend and a $0.02 per share special dividend (subject to being a shareholder on the respective record dates and the Asaleo Board, at its absolute discretion, determining to pay the special dividend)

[3] Asaleo expects that dividends will be fully franked, subject to a class ruling from the Australian Taxation Office.

asaleo
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