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ASX/Media Release **(ASX: MCP)**

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McPherson's FY2014 underlying PAT up 12.8% to $14.7[1] million

(Statutory loss of $66.6 million following first half impairment)

- Full year sales revenue 18.1% above prior year
- Second half underlying EBIT up 21.3%, reflecting business transformation initiatives
- Significant channel diversification achieved through acquisitions and new agencies
- Heads of Agreement signed for new Housewares partnership
- Final dividend of 5 cents per share fully franked
- Recent acquisitions and new agencies to boost FY2015 performance

Consumer products company, McPherson's Limited, today announced an underlying after-tax profit of $14.7[1] million for FY2014. Sales revenue increased by 18.1% to $353.4 million, with the increase mainly attributable to acquisitions. Second half performance was positively impacted by these acquisitions, with underlying second half earnings before interest and tax up 21.3% to $9.2 million.

Directors have declared a final dividend of 5 cents per share fully franked, payable on 11 November 2014 to shareholders on the register at 8 October 2014. This will bring dividends for the full year to 11 cents per share fully franked. The dividend reinvestment plan remains in place with a discount of 2.5%.

Results summary for year ended	30 June 2013[2] ($ million)	30 June 2014 ($ million)	Change (%)
Sales revenue	299.2	353.4	18.1
Underlying EBITDA[1]	27.9	30.2	8.2
Underlying EBIT[1]	25.2	27.3	8.2
Underlying profit before tax[1]	18.7	20.7	10.9
Underlying profit after tax[1]	13.1	14.7	12.8
Statutory loss before tax	(29.7)	(61.9)	
Statutory loss after tax	(33.3)	(66.6)	
Underlying earnings per share (cents)	16.9	15.9	(5.9)
Statutory loss per share (cents)	(43.2)	(71.9)	
Final dividend (cents – fully franked)	7.0	5.0	(28.6)
Full year dividends (cents – full franked)	17.0	11.0	(35.3)

1These EBITDA, EBIT, PBT, PAT and EPS figures exclude the impact of the $80m before tax ($79.5m after tax) non-cash impairment of intangibles reported in the company's results for the six months ended 31 December 2013, the $50m before tax ($48.5m after tax) non-cash impairment of intangibles reported in the company's results for the year ended 30 June 2013, and the other non-recurring items noted on page 3 of this release.

2 FY2013 figures have been restated to reflect early adoption of AASB9 Financial Instruments.

Paul Maguire, managing director, said: 'We are very encouraged by McPherson's improved performance in the second half, which reflects the company's substantial transformation since the demerger of our printing business in early 2012. In just over two years, we have developed and launched many exciting new product ranges, and successfully integrated eight earnings-accretive acquisitions, secured several profitable new agency brands and divested our underperforming Crown glassware business. All of these initiatives have further diversified the business, increasing our participation in channels that offer more attractive margins.

'During the past year, we have continued to "right size" the business and improve our systems and processes. We have upgraded our IT system in Australia, which will be rolled out across the group in the coming months, created capacity for 2,000+ additional product lines in our Kingsgrove distribution centre, and substantially reduced the number of product lines within key divisions. Importantly, we have rationalised underperforming product ranges, discontinuing unprofitable lines and improving overall profitability, and implemented price increases across our ranges in response to cost inflation.

'Today, we are announcing four significant developments that will contribute to McPherson's FY2015 performance. Firstly, with effect from this month we have been appointed Australian distributor for Proctor & Gamble's fine fragrance brands – Gucci, Dolce & Gabbana and Hugo Boss. Secondly, we have been appointed exclusive Australian distributor of Trilogy natural skincare products. Collectively these two new agencies will contribute additional revenue of approximately $35 million per annum to our Health & Beauty division.

'Thirdly, we are in the process of acquiring rights to the A'kin natural skin care and Al'chemy natural hair care brands. Together with our new agencies, these new product ranges will increase our sales to the pharmacy and department store channels, where margins are less constrained, and enable us to capitalise on distribution synergies.

'Lastly, we have signed a Heads of Agreement with the Fackelmann Group which proposes the transfer of our existing housewares business to a new venture in which the Fackelmann Group will acquire a majority stake. Once established, the new venture will market and distribute our combined ranges of housewares products. There are considerable synergies expected from the Fackelmann Group's investment in the new venture and we look forward to finalising arrangements and working with the Fackelmann Group to re-establish the earnings contribution from the housewares channel, where the return on investment has been low. This new venture is intended to be established by 1 November 2014.

'Founded in Germany in 1948, the Fackelmann Group is a global manufacturer and distributor of kitchen, baking, home, leisure and bathroom products with annual sales of more than AUD470 million.

'In addition to their contribution to McPherson's revenue and earnings, these four developments will strengthen our business by further increasing channel diversification. In FY2015, the pharmacy channel is expected to contribute 25% of total revenue, compared with 18% in FY2013, and the grocery channel is expected to contribute 40%, compared with 55% in FY2013. The proportion of our purchases in US dollars is also expected to fall to approximately 65% in FY2015 from 83% in FY2013.'

Category performance

The **Health & Beauty** division's revenue for the year increased by 13%, mainly due to the acquisition of the Dr LeWinn's and Revitanail brands in October 2013, with sales of other brands including Lady Jayne, Manicare and Swisspers increasing by 2.5% collectively. The division accounted for 31% of McPherson's total revenue, and this is expected to grow significantly in FY2015 as a result of the new agencies, acquisitions and new product launches.

The **Home Appliances** division, established through the acquisition of Home Appliances Pty. Ltd. in March 2013, was strengthened significantly during the year with the acquisition of Think Appliances, inclusive of the Baumatic, D'Amani and Venini brands, in November 2013 and the Lemair refrigeration business in April 2014. The division, which accounted for 17% of McPherson's FY2014 revenue, is expected to grow significantly over the next year due to organic growth, new product launches, and the full year impact of recent acquisitions. Home appliance products have further diversified the company's revenue base, opening opportunities in the electrical retail, hardware and home building channels.

Revenue from **Housewares** products, marketed under the Wiltshire, Stanley Rogers, Furi and a select number of agency brands such as Luigi Bormioli, was 8% lower than FY2013 due to the divestment of Crown glassware in March 2014 and product rationalisation to increase profitability. The proposed new venture with the Fackelmann Group is expected to strengthen this division and thus provide an opportunity to increase housewares earnings in the future.

Revenue from **Household Consumables**, which accounted for 25% of McPherson's FY2014 revenue, was in line with the prior year. The Multix brand continued to maintain market leadership in Australia and has achieved increased ranging in New Zealand that will benefit FY2015.

Cash flow, balance sheet and hedging

Operating cash flow before interest and tax was $34 million, an increase of 23.2% over FY2013 ($27.7 million) and representing 112% of underlying EBITDA. The company's gearing ratio (net debt/total funds employed, including the $79.5 million after-tax non cash impairment of intangible assets in the first half) was 44.1% compared with 48.3% at 31 December 2013.

The company's foreign exchange hedging policy remains unchanged, with estimated US dollar requirements hedged eight months forward on a rolling basis, using options, foreign exchange contracts and collars.

Non-recurring items

In addition to the charges for the non-cash impairment of intangibles in the first half of FY2014 and the full year ended 30 June 2013, the company's statutory results include non-recurring items before tax as follows:

- for FY2014, restructuring costs of $1.5 million and acquisition costs of $1.1 million; and
- for FY2013, the write-back of a contingent consideration provision of $3.5 million related to an acquisition, restructuring costs of $1.6 million and acquisition costs of $0.2 million.

Assets and liabilities held for sale

In its FY2014 Financial Statements, McPherson’s has classified the assets and liabilities of the Housewares and Household Consumables divisions as assets and liabilities held for sale.

The terms of the Heads of Agreement with the Fackelmann Group provide a Put Option for McPherson’s to divest the remaining 49% of the new housewares venture after one, two or three years for a consideration comprising the sum of net asset value and a multiple of future earnings. Additionally, the Fackelmann Group has a corresponding Call Option on similar terms. The parties are not bound to exercise these options.

Outlook

Mr. Maguire said: 'Business conditions in FY2015 are expected to remain consistent with the prior year.

‘The Household Consumables and Housewares divisions will be strengthened by a number of profit optimisation initiatives, and continued strong performances will be delivered by the Health & Beauty and Home Appliances divisions, boosted by the full-year effect of recent acquisitions, new agencies and price increases already implemented.

‘We have a strong pipeline of new products, and the company's transformation will continue with a number of operational initiatives to improve productivity and profitability, including the outsourcing of our New Zealand logistics function. We also expect to continue to diversify our channels through synergistic acquisitions and new agency partnerships.’

About McPherson’s

McPherson’s, established in 1860, is a leading supplier of health & beauty, consumer durable and household consumable products in Australasia, with operations in Australia, New Zealand and Asia.

The Health & Beauty division markets and distributes beauty care, hair care, skin care and fragrance product ranges; the Home Appliances division markets and distributes large appliances such as cooktops, ovens, washing machines, dishwashers and refrigerators; the Housewares division markets and distributes products such as cutlery, knives, bakeware and kitchen accessories; and the Household Consumables division markets and distributes kitchen essentials such as plastic bags, baking paper, cling wrap and aluminium foil.

McPherson’s manages some significant brands for overseas agency partners; however, the majority of revenue is derived from the company’s diversified portfolio of owned market-leading brands, including Manicare, Lady Jayne, Dr LeWinn’s, Revitanail, Swisspers, Moosehead, Maseur, Euromaid, Baumatic, Wiltshire, Stanley Rogers and Multix.

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