

# FY15 Results Presentation

Peter Diplaris – CEO and Managing Director & Paul Townsend – Chief Financial Officer

25 February 2016



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# FY15 Results Presentation

Peter Diplaris – CEO and Managing Director

25 February 2016



# Highlights

## Record FY15 Results and underlying EPS growth of +12%

- **Underlying NPAT** growth 5.3% to record high of \$76.1m (Statutory NPAT \$75.6m)
- **Underlying EPS** growth 12% to 13.4cps including impact of EPS accretive on-market buy-back
- **Underlying EBITDA** growth of 3.1% to \$145.2m
  - Tissue EBITDA growth of 3.4%
  - Personal Care EBITDA growth of 2.9% following strong growth in FY14
- **Revenue** -1% due to volume decline in Consumer Tissue in NZ private label and low margin brands, and sales decline in Feminine Care
- **Leverage Ratio** at 1.8x EBITDA, despite \$62m impact from 2H15 buy-back
- **Share buy-back** progressed with \$62m already spent for on-market buy-back for ~6.1% of issued capital
- **Unfranked Dividend** 6cps for 2H15, up 11% on 2H14
- **Strategy** on track with market and operational improvement initiatives being executed
- **Guidance:** Steady underlying EBITDA and NPAT in FY16
  - Attributable to weaker A\$ and NZ\$ impacting pulp costs
  - Underlying guidance before impact of ~\$5m (pre-tax) non-recurring costs associated with nappy machine relocation and machine upgrades to support product innovation initiatives in both Feminine Care and Baby Care

**Underlying NPAT:**  
**+5.3%**

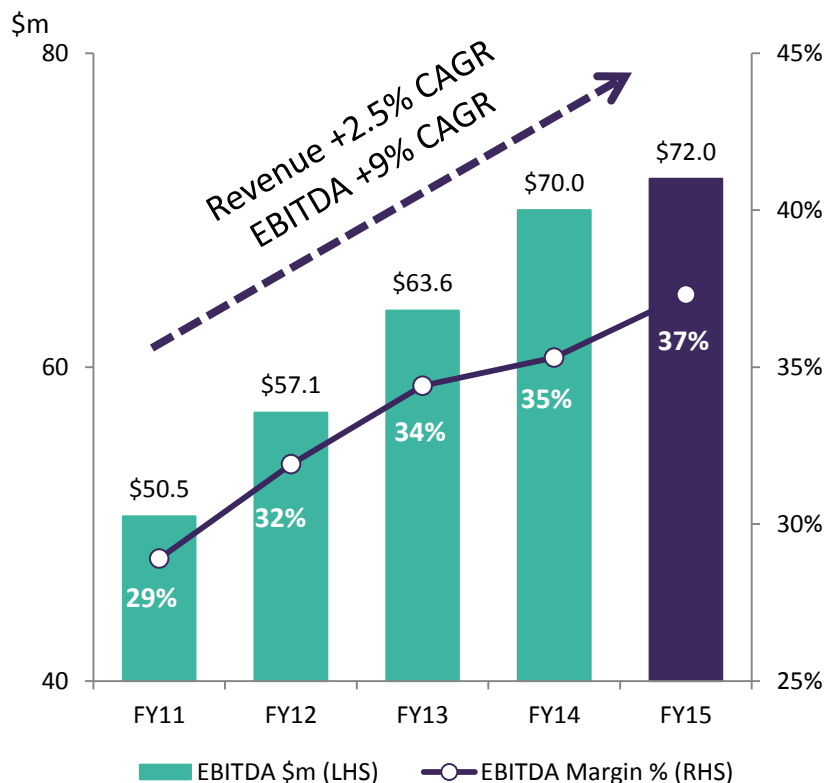
**Underlying EPS:**  
**+12%**

**2H15 DPS: 6cps**  
**+11%**

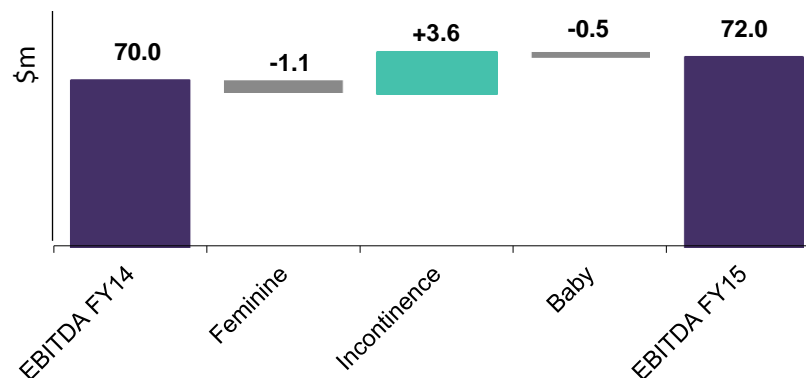
# Segment Performance: Personal Care

+9% EBITDA CAGR over recent years: +2.9% in FY15 following +9.5% in FY14

Personal Care EBITDA (\$m)



Key drivers of EBITDA +\$2.0m (+2.9%)



- **Incontinence Care:**
  - Strong growth in Healthcare and Retail channels
  - Volume growth in Healthcare from new and existing customers combined with price increase and reduced rebates
  - Favourable mix in Retail with strong growth in Pharmacy
- **Feminine Care:**
  - Sales impacted by increased price discounting in the market place in second half with increased trade spend required in response to support volumes
  - COGS reductions and other cost savings partially offset EBITDA impact
- **Baby Care:**
  - Reduction in NZ private label sales

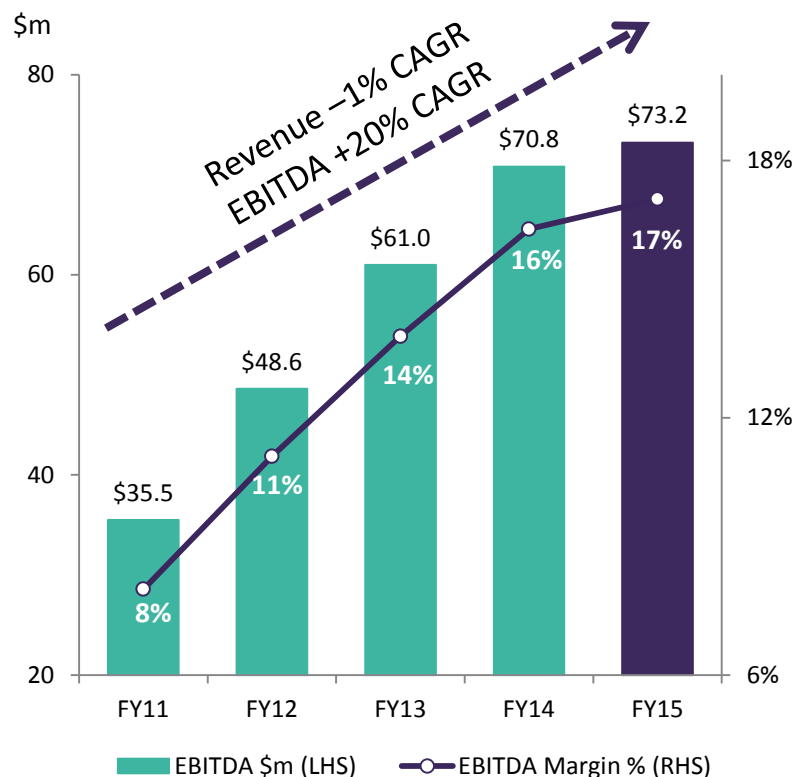


Treasures

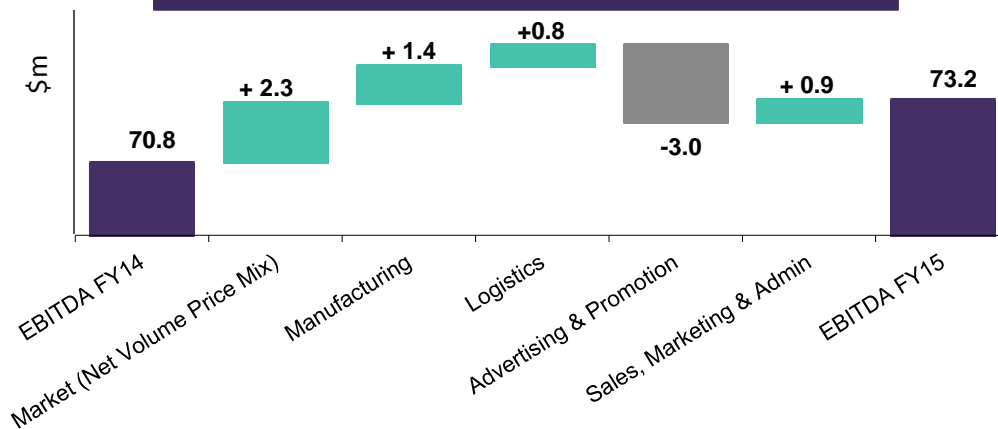
# Segment Performance: Tissue

Earnings growth from improved pricing, sales mix and cost reductions, despite higher A&P

## Tissue EBITDA (\$m)



## Key drivers of EBITDA +\$2.4m (+3.4%)



- **Consumer Tissue:**
  - Earnings growth through improved pricing and sales mix of higher margin products in a very competitive market-place, slightly offset by volume declines in NZ private label and low margin Purex in Australia
  - Hero brands Sorbent and Handee relaunched with significant Advertising and Promotional investment
- **Professional Hygiene:**
  - Increased volumes with new contract wins and improved sales mix through Tork proprietary products
- **COGS:**
  - Benefits generated by Tissue Capital Investment Program and other operational cost reductions more than offsetting FX and inflationary cost imposts

# FY16 Outlook

<b>Underlying EBITDA*</b>	Steady
<b>Underlying NPAT*</b>	Steady
<b>Earnings Per Share</b>	Low to mid-single digit growth (depending on purchase price achieved in buy-back)
<b>Capital Management</b>	<p><b>Clear principles:</b></p> <ol style="list-style-type: none"> <li>1) Dividend policy: Distribute 70-80% of statutory NPAT</li> <li>2) Optimal gearing range: 1.5x to 2.5x EBITDA</li> <li>3) Distribute excess cash to shareholders unless reinvest; Gateway for reinvestment - return to exceed hurdle rate above Asaleo Care WACC</li> </ol> <p><b>On-market buy-back:</b> Complete on-market buy-back of up to another ~4% of issued capital (up to \$38m)</p>

\* Underlying result is before ~\$5m (pre-tax) non-recurring costs associated with nappy machine relocation and machine upgrades to support product innovation initiatives in both Feminine Care and Baby Care



# FY15 Results Presentation

Paul Townsend – Chief Financial Officer

25 February 2016





# FY15 Results vs. Pro Forma FY14

Record Result, despite competitive market and FX headwinds in FY15

Consolidated \$A millions	Underlying FY15	Pro Forma FY14	% Change
Revenue	622.2	629.9	-1.2%
Cost of Sales	(356.4)	(366.3)	-2.7%
<b>Gross profit</b>	<b>265.8</b>	<b>263.6</b>	<b>0.8%</b>
Distribution expenses	(72.2)	(73.0)	-1.1%
Sales, Marketing and Admin	(71.5)	(71.4)	0.2%
Other Income/Expenses	(5.5)	(6.1)	-9.5%
<b>EBITDA</b>	<b>145.2</b>	<b>140.8</b>	<b>3.1%</b>
Depreciation and Amortisation	28.6	27.6	3.6%
<b>EBIT</b>	<b>116.7</b>	<b>113.2</b>	<b>3.0%</b>
Net Finance Costs	(10.0)	(12.8)	-22.8%
<b>NPBT</b>	<b>106.7</b>	<b>100.4</b>	<b>6.3%</b>
Income Tax Benefit/(Expense)	(30.6)	(28.1)	8.8%
<b>NPAT</b>	<b>76.1</b>	<b>72.3</b>	<b>5.3%</b>
Statutory NPAT (vs Statutory)	75.6	3.0	n/a

- Revenue:**

- Small decline due to falls in Feminine Care sales (including impact of trade spend to protect volume) and Baby Care private label sales. Tissue sales also impacted by declines in NZ private label and Purex in Australia
- Sales growth in Towel, Professional Hygiene and Incontinence, as well as improved sales mix across the business

- Cost of Sales:**

- Reduced COGS through Tissue Capital Investment Program benefits being realised, lower US\$ pulp prices, and other non capex and procurement savings, partially offset by increase from adverse FX impacts on raw materials and finished goods pricing, and cost-base inflation

- Gross Profit:** FY15 margin increased to 42.7% from 41.9% in FY14

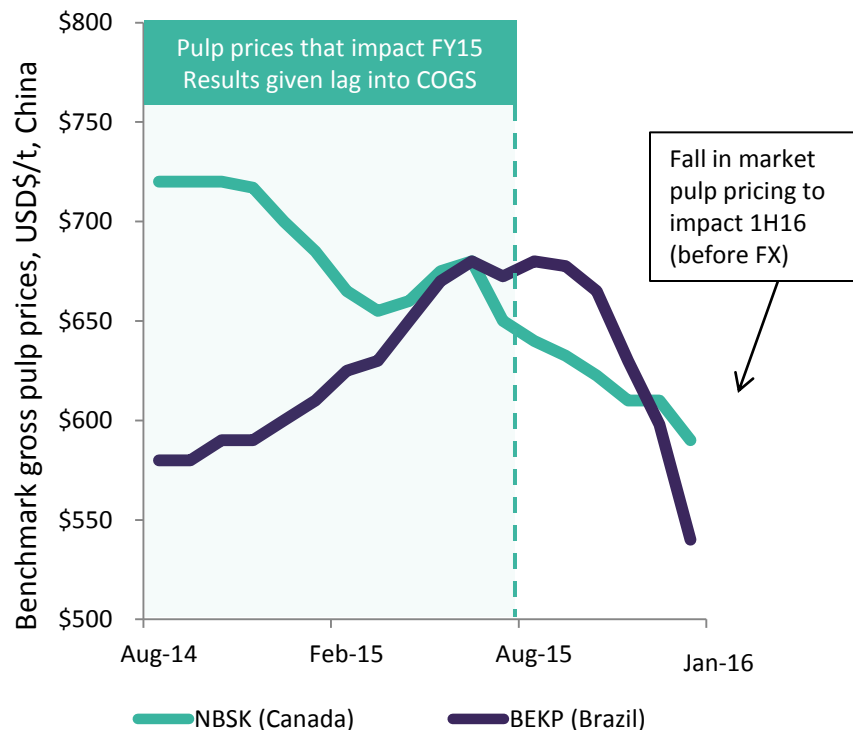
- Expenses:**

- Distribution Expenses:** Decrease in line-haul volume in Consumer Tissue, partially offset by annual rental increases for distribution centres
- Sales, Marketing and Admin Expenses:** Savings from functional restructuring and overhead rationalisation and tight discretionary spend control, partially offset by increased investment in Advertising & Promotion for Sorbent and Handee, and employee costs
- Depreciation:** Increase due to full year impact of the depreciation on new plant introduced as part of the \$114.8m Tissue Capital Investment Program
- Other Income/Expenses:** Includes costs of TMTLA agreement with SCA, offset by R&D tax offset and other minor items
- Net Finance Costs:** Reduction due to May 2015 refinance with lower margins and decrease in the underlying base interest rate
- Statutory NPAT:** FY14 significantly impacted by non-recurring IPO related expenses incurred in 1H14

# FY15 Results – Impact of FX and Pulp

Some cost headwinds in FY15 due to falling A\$/NZ\$ against US\$, pulp prices falling

## 'Market Pulp' Pricing^



- **FY15 FX impact on P&L: ~\$5.6m\***

- **Pulp prices:** Have decreased due to a range of supply/demand factors, including:
  - US\$ strength driving down US\$ cash costs in Canada, Indonesia and South America
  - Falling RMB increasing demand for domestic China pulp over imported pulp
  - Absence of disruptions that previously impacted key supply sources

## Gross Pulp Sensitivity (excluding FX impact)

Assumption	Variance	Forecast FY16 NPAT impact (\$m)
US\$ pulp price	-/+1%	<b>+0.5/-0.5</b>

^ Source: Hawkins Wright. The price Asaleo Care pays is subject to commercial arrangements that impact price. Asaleo Care primarily sources Softwood from Canada & NZ and Hardwood from South America.

\* Includes impacts of changes to A\$ and NZ\$ against US\$ and Euro

# FX - Sensitivities and Hedging Policy

Rolling 12 month hedging policy to mitigate risk

## Gross FX Sensitivity (excluding mitigation from hedging)^

Assumption	Variance	Forecast FY16 NPAT impact (\$m)
A\$/US\$	-/+1%	<b>-0.5/+0.5</b>
NZ\$/US\$	-/+1%	<b>-0.4/+0.4</b>
A\$/EUR	-/+1%	<b>-0.3/+0.3</b>
NZ\$/EUR	-/+1%	<b>-0.1/+0.1</b>

### NZ\$/A\$: Natural hedge in FY16 due to offset between:

- Net imports of NZ finished goods, and
- NZ EBITDA translated into A\$ accounts

^ Gross FX sensitivity also **excludes** “Natural hedges and Offsets” from (i) potential relationship between pulp prices and US\$/A\$ that has existed historically, and (ii) the Net Impact of FX changes on competitive dynamics. Refer to additional detail in Appendix.

## FX Hedging Policy

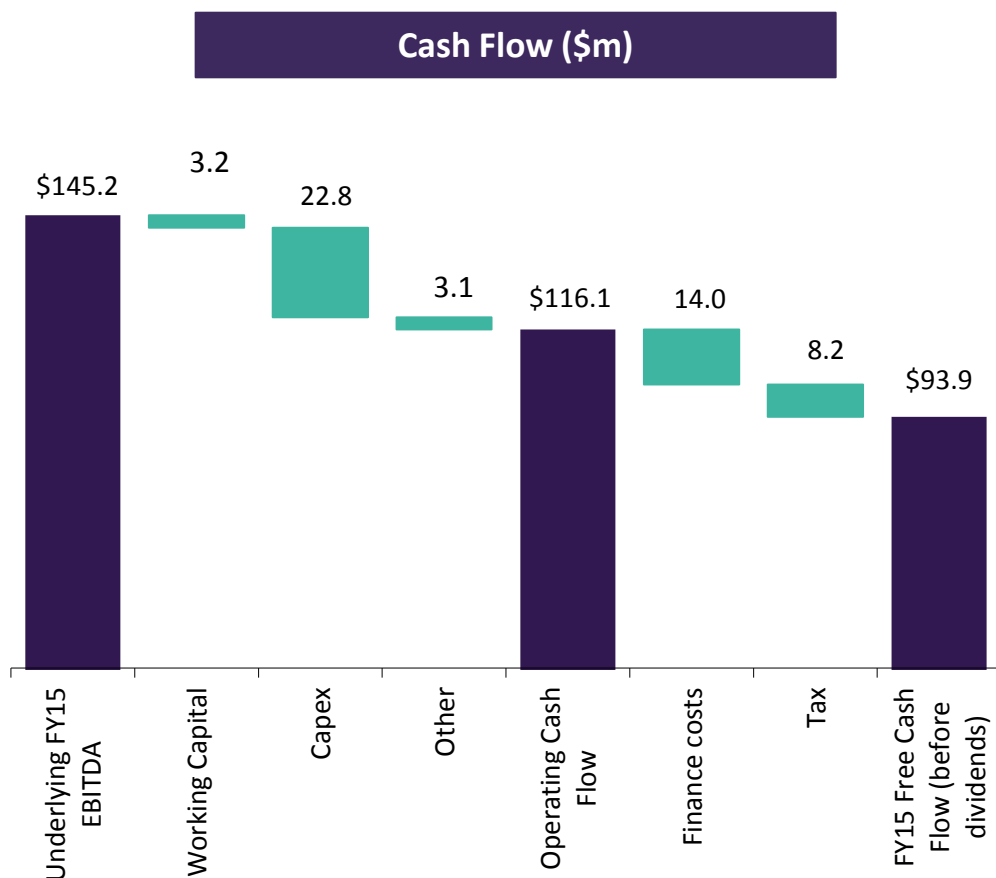
Time Period	Policy*
0-6 months	75%-100% of exposure hedged
7-12 months	25% -75% of exposure hedged

\* The exposure and hedging in place is measured at the end of each month on a rolling 12-month basis in respect of cash flows



# Cash Flow

Strong cash generation following completion of Tissue Capital Investment Program



## Free Cash Flow:

- In line with guidance of \$95m to \$100m before change in Working Capital

## Working Capital:

- Increase in inventory primarily due to increase in Consumer Tissue finished goods for promotional activity in January and February 2016, and stock build associated with nappy machine relocation/upgrade and machine upgrades in Feminine Care
- Offset primarily by improved payables and accounts receivable days

## Capex:

- Maintenance: \$15.1m
- Growth: \$7.7m primarily relates to residual activity associated with the Tissue Capital Investment Program

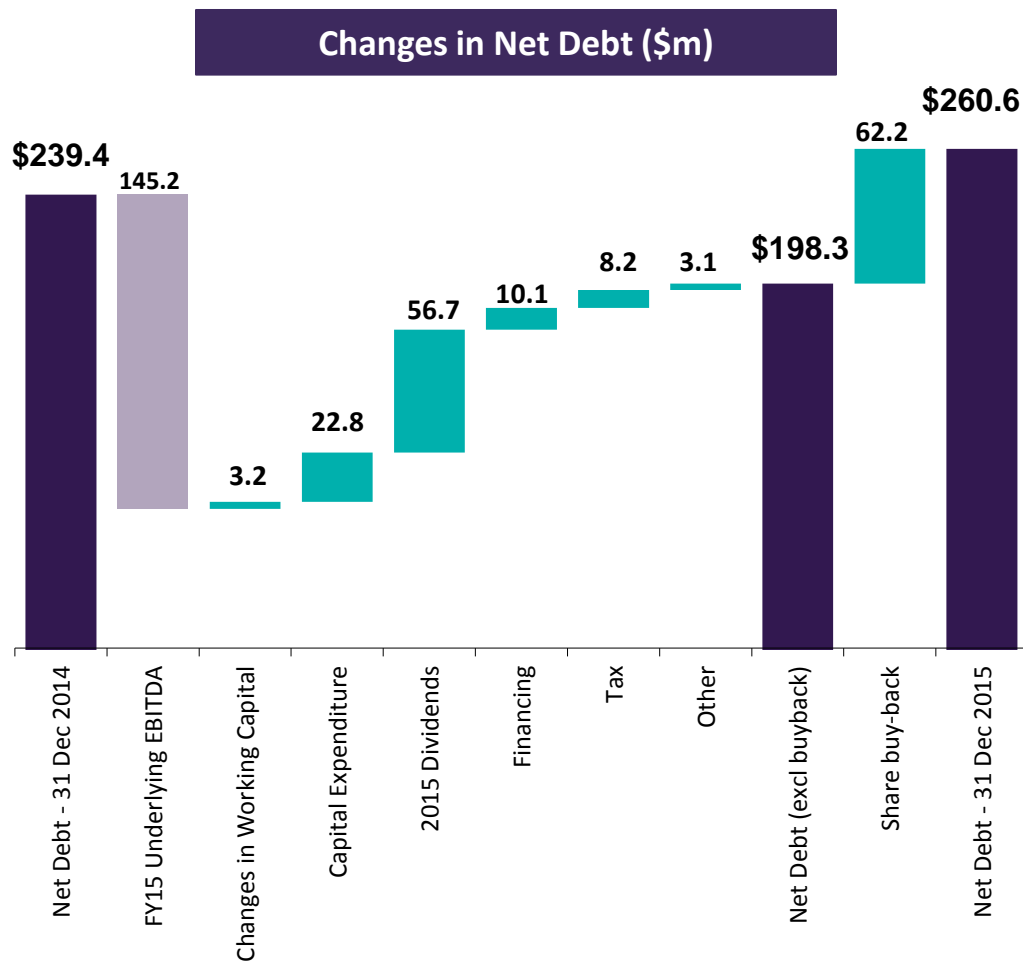
## Other:

- Includes Structural Expenditure (\$2.3m) and non-cash items

\* Financing costs of \$14.0m includes \$4.1m net interest accrued outside FY15

# Net Debt Movement

Leverage 1.8x EBITDA



## Capital Management:

- Dividend of \$56.7m and on-market share buy-back of \$62.2m

## Financing:

- Gross financing cash outflow of (\$14.2m) less movement on net interest accrued on drawn debt between 31 December 2014 and 31 December 2015 (\$4.1m)

## Tax:

- No Australian tax currently payable due to accumulated losses
- Tax paid in FY15 of \$8.2m, including NZ tax paid of \$7.9m and Fiji tax paid \$0.3m

# Debt Management

Leverage of 1.8x comfortably within target range despite significant capital management through share buy-back

	As at 31 December 2015
Total Facilities	\$350m
Drawn Debt	\$295.8m*
Cash & cash equivalents	\$35.2m
Net Debt	\$260.6m*

## Leverage^ Target Range:

- Target leverage range between 1.5x and 2.5x to minimise cost of capital and maintain investment grade credit profile
- Leverage at 1.8x after impact of \$62.2m of share buy-back

## Facilities:

- Facility A: \$157.5m due 30 June 2017. Average margin 1.10%
- Facility B: \$157.5m due 30 June 2019. Average margin 1.30%
- Facility C: \$35m due 30 June 2017. Average margin 1.10%

## Benefits negotiated from re-pricing in May 2015:

- 20 basis point reduction in margin costs on Facility A, B & C
- Pricing broadly consistent with other investment grade issuers

\* After adjusting for accrued interest of \$0.8m on drawn debt

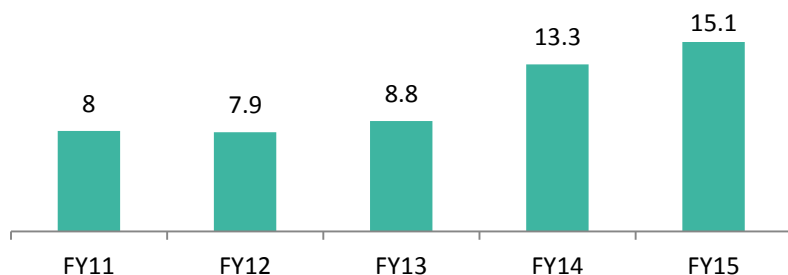
^ Leverage = Net Debt / EBITDA



# Capex and Depreciation

Capex < Depreciation due to recent substantial Growth Capex investments

**Maintenance Capex (\$m)**



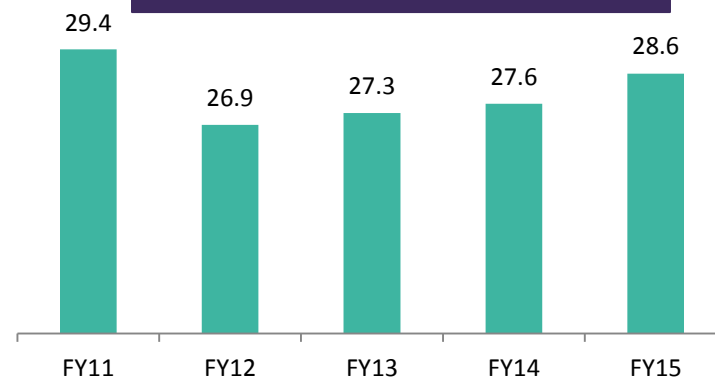
## Maintenance Capex:

- FY15 Maintenance Capex of \$15.1m
- FY16 Maintenance Capex spend to be ~\$15m

## Growth Capex:

- FY15 Growth Capex of \$7.7m mainly related to peripheral parts of now completed \$114.8m Tissue Capital Investment Program
- FY16 Growth Capex to be ~\$5m including relocation/upgrade of nappy plant, and machine upgrade in Feminine for new product innovations

**Depreciation (\$m)**

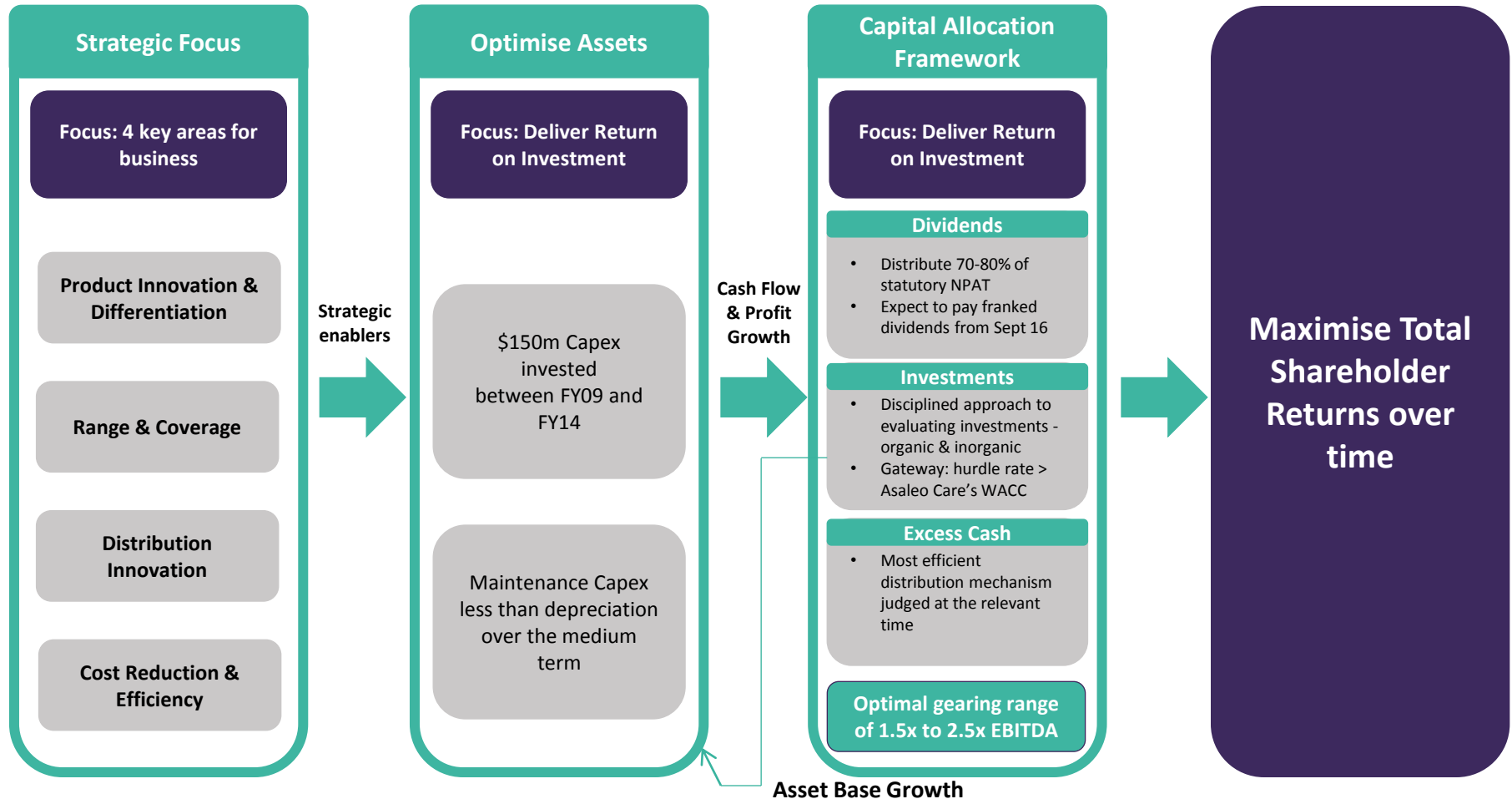


## Depreciation:

- Increase due to impact of the depreciation on new plant that was introduced as part of the \$114.8m Tissue Capital Investment Program
- Depreciation expense to stabilise at current levels in FY16

# Capital Management – Principles

Disciplined drive to maximising shareholder returns



# Capital Management

Substantial progress with on-market buy-back in 4Q15

## On-market Buy-back: up to \$100m or 10%

- **Objectives:**
  - Optimise shareholders' returns
  - Treat shareholders equitably with the option of participating in the program
  - EPS and DPS accretive
  - Maintain an efficient and flexible capital structure
- **Implementation:** On-market buy-back of up to 10% of issued capital (or up to \$100m) over the 12-month period commenced on 1 October 2015
- **Target Gearing:** Intend to stabilise around the mid-point of the optimal gearing range of 1.5x to 2.5x EBITDA
- **SCA:** Will not participate in the buy-back\*

## Buy-back Progress

Issued Capital – Pre buy-back	603,469,434 shares
Buy-back completed (up to 31 December 2015)	36,997,236 shares
Issued Capital	566,472,198 shares
Cost to date	\$62,083,699 (average of \$1.678/share)
Buy-back remaining	Up to 23,349,707 shares or \$37,916,300 (whichever comes first)

\* As a result of the buy-back being undertaken and SCA not participating, SCA's stake in Asaleo Care has increased from its 32.5% holding prior to the start of the buy-back to 34.7%. If Asaleo Care purchases 10% of its shares in the buy-back, SCA's holding will increase to 36.2%.



# Shareholder Returns Focused

Strong growth in EPS, ROE and ROIC

## Key objective: Maximise ROIC

- ROIC substantially exceeding current WACC of 8.9%
- Strict discipline maintained for all investment decisions – hurdle rate greater than WACC

	FY15 Underlying	FY14 Pro Forma	Growth*
EPS	13.4cps	12.0cps	+12%
ROE	22.6%	18.6%	+4.0pp
ROIC	13.9%	13.1%	+0.8pp

## Methodology:

- Earnings Per Share (**EPS**)
  - NPAT / Shares on issue excluding Treasury shares (as at 31 Dec 2015)
  - $\$76.1\text{m} / 566,472,198 = 13.4 \text{ cps}$
- Return on Equity (**ROE**):
  - NPAT / Equity (as at 31 Dec 2015)
  - $\$76.1\text{m} / \$337.2\text{m} = 22.6\%$
- Return on Invested Capital (**ROIC**):
  - NoPAT / Debt + Equity (as at 31 Dec 2015)
  - $\$83.3\text{m} / (\$259.8\text{m} + \$337.2\text{m}) = 13.9\%$

\* 'pp' means percentage points

# FY15 Results Presentation

Peter Diplaris – CEO and Managing Director

25 February 2016



# Strategic Focus

1. Product Innovation  
& Differentiation

2. Range &  
Coverage

3. Distribution  
Innovation

4. Cost Reduction  
& Efficiency

## Major marketing initiatives in core consumer brands following investment



Campaign: *'Small detail, big difference'*

Launch: 2H15

Medium: Primarily TVC

Innovation: Improved product quality through innovative processing of tissue



Campaign: *The 'Good Sheet'*

Launch: 2H15

Medium: TVC

Innovation: Interlock Weave, Ultra strong, ultra absorbent



Campaign: *'Live Fearless'*

Launch: 2H15

Medium: Unique digital led media strategy creating engagement

Innovation: "Slimpon"



Campaign: *The 'Beauty of Normal'*

Launch: 1H15

Medium: Black and white masterbrand campaign on TV, Digital, Sampling and Print

Innovation: TENA Thin Pads

# Strategic Focus

1. Product Innovation  
& Differentiation

2. Range &  
Coverage

3. Distribution  
Innovation

4. Cost Reduction  
& Efficiency

Professional Hygiene outperformance underpinned by increasing proportion of 'Proprietary' systems

## Proprietary Systems\* sales



- Professional Hygiene sales and profitability outperformance in FY15 driven by:
  - higher proportion of sales of 'Proprietary' innovative systems
  - investment in the "Tork works for us" campaign
  - lower production costs from Tissue Capital Investment Program
- New innovations to continue, led by Tork EasyCube™ in 2H16



## Tork EasyCube™



\* Proprietary systems include Xpressnap, SmartOne and a wide range of other unique proprietary dispensers



# Strategic Focus

1. Product Innovation  
& Differentiation

2. Range &  
Coverage

3. Distribution  
Innovation

4. Cost Reduction  
& Efficiency

Significant opportunities within existing markets

## ALDI

**Opportunity:** Commence Tissue and Feminine Care supply

**Status:**

- Secured private label Toilet Tissue contract to commence April 2016
- Libra sold into 152 Aldi stores in 2 regions from December 2015

Customer base continues to diversify

## Treasures®

**Opportunity:** Increase Baby Care sales in Australia following FY14 launch

**Status:**

- Launch into Chemist Warehouse
- NZ market share has gone from 22% in FY10 to 28% in FY15
- Treasures' Slim Fit Nappy Pants launched



**Opportunity:** Launch in NZ Healthcare (B2B) and grow Retail sales as category expands

**Status:**

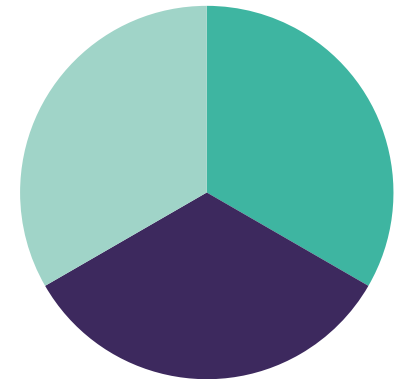
- Healthcare NZ team built and added onto the panel to supply the NZ District Area Health Boards (largest contract for Incontinence Healthcare in NZ)
- Solid Retail category growth driven by strong growth in Pharmacy, positive demographic trends and greater product acceptance



**Opportunity:** PNG launch and increased sales in other Pacific Islands markets

**Status:** Established PNG distributor with strong network and market presence.

Regular shipments to PNG from Fiji commenced June 2015 and continues to grow with regular order flow received



■ B2B

■ Coles/Woolworths

■ Other Retail

# Strategic Focus

1. Product Innovation  
& Differentiation

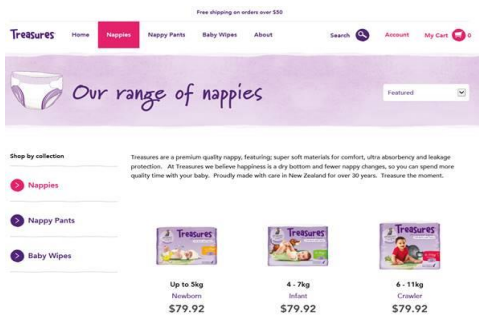
2. Range &  
Coverage

3. Distribution  
Innovation

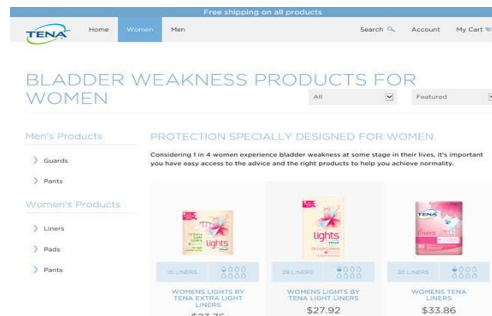
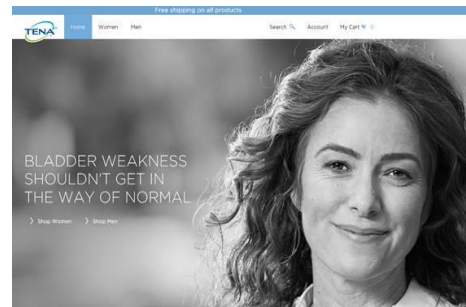
4. Cost Reduction  
& Efficiency

Treasures, TENA & Libra B2C online stores launched in Australia; Treasures NZ online store growing

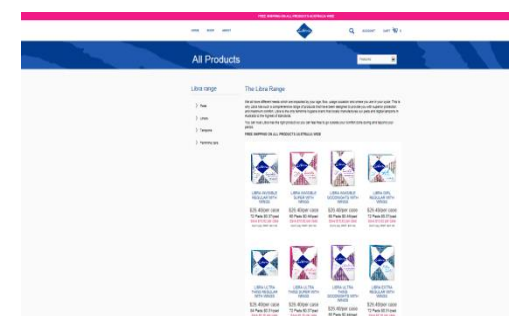
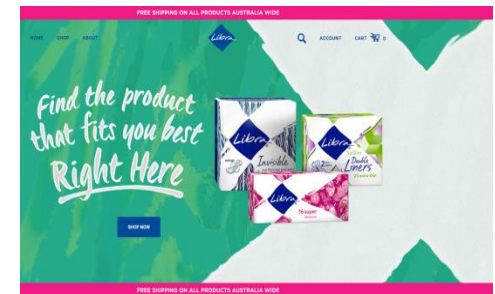
## Baby Care



## Incontinence Care



## Feminine Care



# Strategic Focus

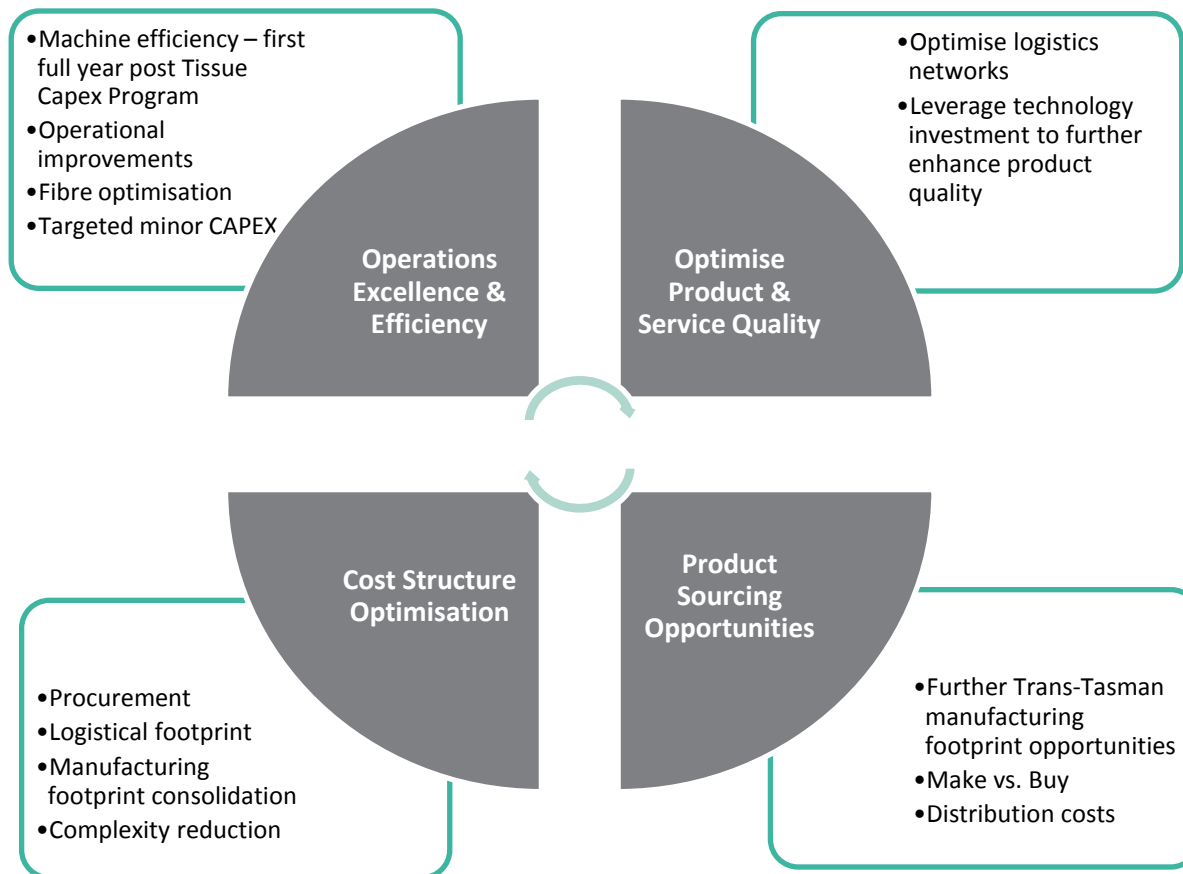
1. Product Innovation & Differentiation

2. Range & Coverage

3. Distribution Innovation

4. Cost Reduction & Efficiency

Operational stability to drive further efficiency and cost reduction opportunities



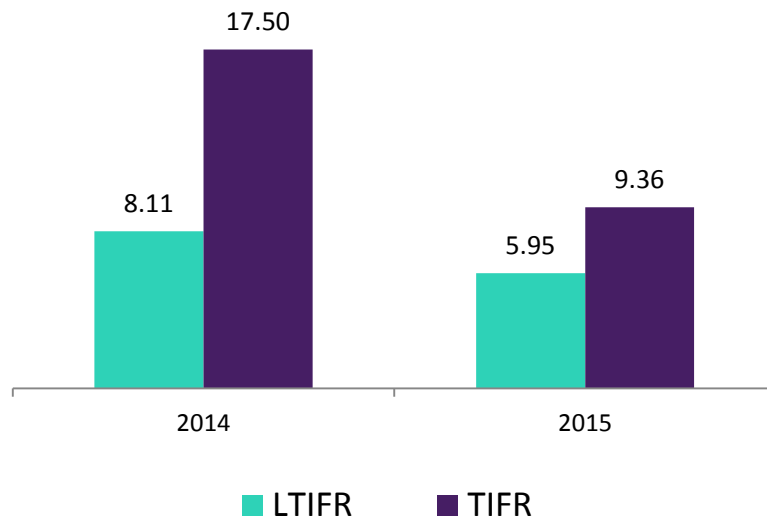
## Key FY15 savings initiatives

- Functional restructuring and overhead rationalisation
- SKU standardisation and simplification, and fibre initiatives
- Delivered logistics, procurement and other operational cost efficiency initiatives
- Formal completion of Tissue Capital Investment Program in 1H15

# Safety

Key area of business focus with targeted objectives for improvement

## Injury Frequency Rates (R12)



- Improvement in both LTIFR and TIFR compared to last year
- Australian Distribution Centers achieved AS4801 Safety certification, joining major manufacturing sites
- Target for improved performance in 2016 with areas of focus including:
  - Standardised Safety Management System defines minimum safety standards that ensures safety practices are high and consistent across the business
  - Revitalised Risk Management Program supported by training, expertise and a database to provide visibility and continued focus on high risks

- LTIFR – Lost Time Injury Frequency Rate (no. of lost time injuries per million hours worked)
- TIFR – Total Injury Frequency Rate (no. of lost time, doctors cases and restricted work injuries per million hours worked)
- R12 is the frequency rate calculated on a rolling 12-month basis

# Summary

## 'Defensive yield' attributes demonstrated

### Solid EPS, ROE & ROIC Growth

- NPAT +5.3% delivered in highly competitive environment and underlying EPS +12% to 13.4cps
- FY15 ROE up to 22.6% (+4pp) and FY15 ROIC up to 13.9% (+0.8pp)

### FY16 Guidance

- Steady underlying EBITDA and NPAT due to significant headwinds from weaker A\$ and NZ\$ impacting pulp costs
- Underlying EPS growth of low to mid-single digit

### Delivering Capital Management

- Unfranked second half dividend of 6cps, +11% on 2H14.
- On-market buy-back of up to 10% of issued capital (up to \$100m) more than 60% complete



# FY15 Results Presentation

## Appendices





# Asaleo Care – Business Overview

Leading personal care and hygiene company that manufactures, markets and distributes Personal Care and Tissue products under market leading brands

## Incontinence Care



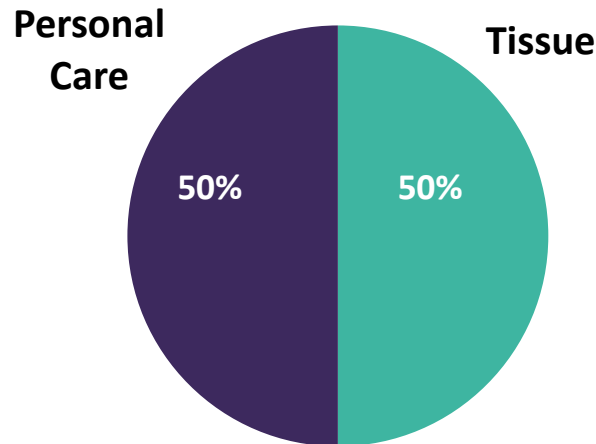
## Feminine Care



## Baby Care



## FY15 EBITDA split



## Consumer Tissue



## Professional Hygiene



## Manufacturing Plants

Personal Care	Springvale (Feminine Care, Incontinence Care), Te Rapa (Nappy Care)
Tissue	Box Hill, Kawerau, Fiji

1. Licensed from SCA.

# Past Strategic Focus and Financial Results

Significant operational improvements and ~\$150m Growth Capex invested from FY09-FY14

## 1. Fix Tissue

### FY09-FY14 Capex: ~\$125m

- Tissue Capital Investment Program and Facial plant investment
- Focus on core brands, change sales mix including exiting low margin business
- Shut underperforming assets
- Tissue EBITDA CAGR FY11-14: +26%

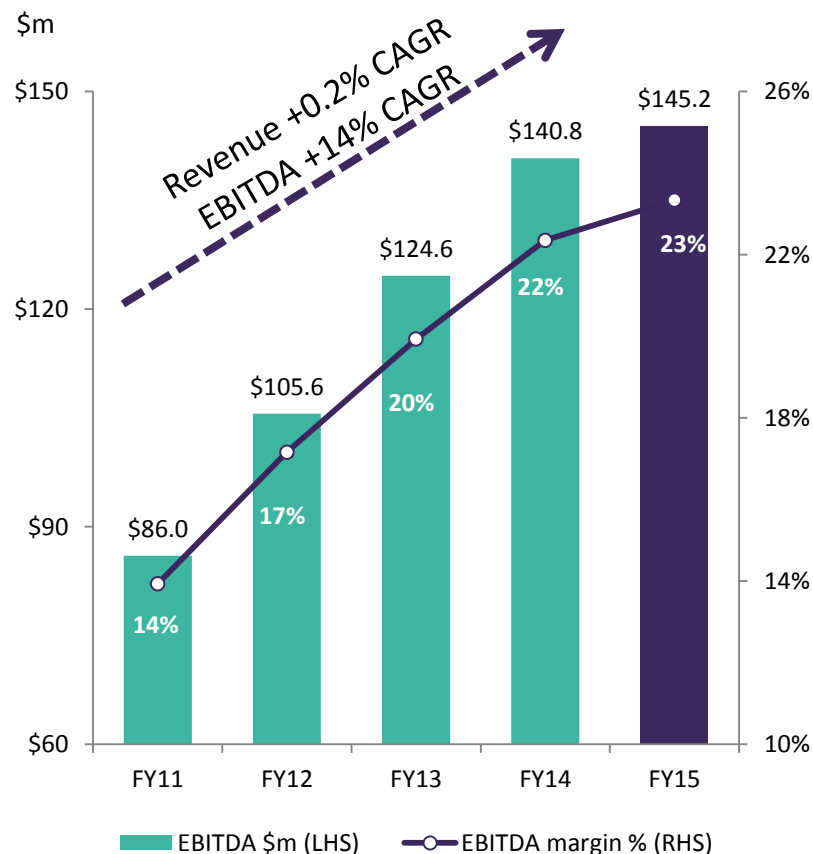
## 2. Grow Personal Care

### FY09-FY14 Capex: ~\$25m

- Upgrading machines and optimising footprint
- Accelerate new product development
- Marketing support
- Personal Care EBITDA CAGR FY11-14: +11%

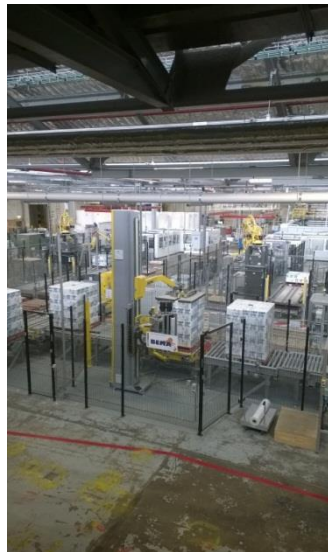
## 3. Non-capex profit improvement initiatives

- Machine efficiency improvement
- Product mix
- Sourcing
- Logistics footprint
- Right sizing structure



# Tissue Capital Investment Program: FY12 – 1H15

Project completed in 1H15



## The Project: \$114.8m Capex

- Reconfiguring Tissue manufacturing footprint to increase efficiency and flexibility, and reduce the costs of production
- Six new machines commissioned
- Four existing machines relocated
- Exit of Te Rapa Tissue manufacturing (Baby to remain at Te Rapa)
- Shift structure change from 7 to 5 days

## Project Progression

- **1Q13 - 3Q13:**
  - Production volumes inflated by stock-building done on non-optimal cost basis
- **1Q14:**
  - Lower production volumes due to machine relocations, decommissionings, line start ups
- **2Q14 - 3Q14:**
  - Commissioning and ramp up for new and relocated lines
- **4Q14**
  - Production with the optimal cost structure
  - Program effectively complete following successful execution of commissioning
  - Delay in commissioning increased overall fixed unit costs through lower volumes than planned
- **1H15**
  - Project completed

# Business Unit Financials

Consistent improvement in profitability trends on stable revenue base

## Personal Care – Pro Forma

	FY11	FY12	FY13	FY14	FY15	FY15 vs FY14 Growth	FY11-15 CAGR
Revenue (\$m)	174.7	178.8	184.9	198.5	192.8	-2.9%	2.5%
EBITDA (\$m)	50.5	57.1	63.6	70.0	72.0	2.9%	9.3%
EBITDA Margins	28.9%	31.9%	34.4%	35.3%	37.3%	2.0pps	8.4pps

## Tissue – Pro Forma

	FY11	FY12	FY13	FY14	FY15	FY15 vs FY14 Growth	FY11-15 CAGR
Revenue (\$m)	442.7	436.5	440.2	431.4	429.4	-0.5%	-0.8%
EBITDA (\$m)	35.5	48.6	61.0	70.8	73.2	3.4%	19.8%
EBITDA Margins	8.0%	11.1%	13.9%	16.4%	17.1%	0.7pps	9.1pps

\* EBITDA Margin FY11-14 CAGR reflects percentage point change between FY11 and FY15

# FX - Impact of Natural Hedges and Offsets

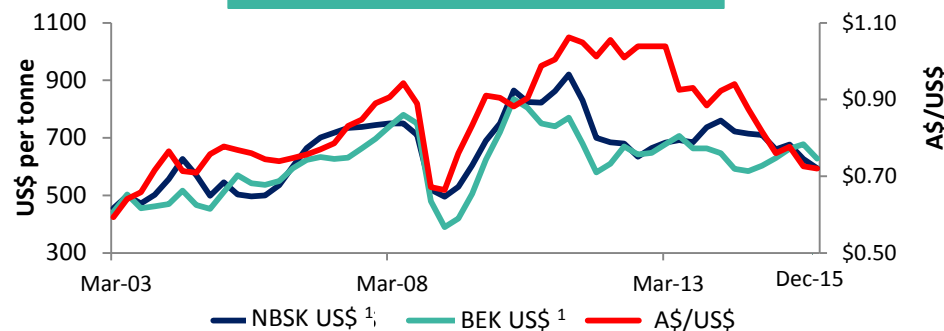
## Potential market hedges and offsets to gross FX sensitivities

### Pulp Prices

- There has been a strong historic correlation between pulp prices and US\$/A\$<sup>1</sup>
- Although the historic correlation has existed, no conclusions can be drawn as to whether future prices will reflect these historic trends

### Competitive dynamics

### Pulp price index and FX



Category	Competitor dynamics
Feminine Care	Asaleo Care is only local manufacturer competing against imported products primarily from Asia
Incontinence Care	Asaleo Care is part local manufacturer and part importer (EUR cost base) competing against imported products primarily from Asia
Baby Care	Asaleo Care is NZ manufacturer competing against Australian and imported products
Consumer Tissue	<b>Paper:</b> Asaleo Care has local paper making competing against local and imported paper makers <b>Converting:</b> Asaleo Care has local converting competing against other local converting
Professional Hygiene	Local manufacturing competing against local and imported paper makers and tissue importers (including private label)

### Net Impact of FX Change from Competitive Dynamics

Net impact depends on market dynamics:

- **Short term:** Competitor WIP and inventory, denominated currency, FX and hedging positions, competitor responses to price increases and promotional activity, market supply and demand dynamics
- **Medium to longer term:** competitor response to changes to prices and promotional activity

1. Source: China pricing from Brian McClay & Associates Inc. Dec 2015. Historic pulp price index shown is indicative and does not represent the actual price paid by Asaleo Care. Although the historic correlation has existed, no conclusions can be drawn as to whether future prices will reflect these historic trends.

# Statutory to Underlying / Pro Forma Results Reconciliation

FY14 Pro Forma significantly impacted by non-recurring IPO related expenses

\$A millions	FY15	FY14
<b>Statutory Net Profit After Tax</b>	<b>75.6</b>	<b>3.0</b>
Non-recurring costs	2.4	52.8
Depreciation	(1.9)	-
Finance costs	0.2	45.6
Tax expense	(0.2)	(29.1)
<b>Underlying (FY15)/Pro Forma (FY14) Net Profit After Tax</b>	<b>76.1</b>	<b>72.3</b>

## FY15 - Reconciliation from Statutory to Underlying

- **Non-recurring costs** include the following:
  - Redundancies (\$1.5m) – Operational headcount reductions and corporate restructure
  - Other (\$0.9m) – Including temporary transition costs relating to Tissue Capital Investment Program and outside storage costs associated with nappy machine relocation
- **Depreciation:** Removal of machine impairment write-back from the underlying result
- **Finance costs:** Incremental financing costs associated with the share buy-back
- **Tax expense:** Tax effect of the non-recurring costs and impairment write-back

## FY14 - Reconciliation from Statutory to Pro Forma

- **Non-recurring costs (IPO and business transformation):** Pro Forma adjustments are represented by items including Share based payment (MIP) expense, IPO transaction costs and restructuring costs associated with the Tissue Capital Investment Program
- **Finance Costs:** : Pro Forma adjustments represented by Debt establishment costs write-off, Settlement of existing swap book, Preference share interest expense and interest expense differential on IPO facility
- **Tax Expense:** Pro Forma tax expense applies an FY14 effective tax rate of 28%



# FY15 Results Presentation

Peter Diplaris – CEO and Managing Director & Paul Townsend – Chief Financial Officer

25 February 2016

