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ASX/Media Release

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McPherson's FY2015 Results
(Statutory PBT $11.2m)

- Underlying PBT $16.4 million in line with guidance
- Revenue growth of 15.3%, excluding the partially divested Housewares business
- Profit improvement initiatives including price increases and restructuring now in place to benefit FY2016 earnings
- Strong performance in Health & Beauty following successful acquisitions
- Housewares partnership with the Fackelmann Group performing to plan
- Final dividend of 2.0 cents per share, fully franked

McPherson's Limited today announced an underlying pre-tax profit of $16.4million[1] for FY2015 (FY2014: $20.0 million[1],[2]). Statutory pre-tax profit was $11.2 million compared with a statutory pre-tax loss of $62.6 million in FY2014 when there were non-recurring items, including impairment of intangibles, totalling $82.6 million before tax.

Excluding the Housewares business, 51% of which has been divested, sales revenue increased by 15.3% to $318.2 million. On a statutory basis, which includes the revenue of the Australia, Singapore and Hong Kong Housewares businesses until 31 October 2014, overall sales revenue declined by 1.0% to $349.1 million (FY2014: $352.7million).

Results summary for year ended	**30 June 2014[2] ($ million)**	**30 June 2015 ($ million)**	**Change (%)**
Sales revenue	352.7	349.1	(1.0)
EBITDA (excluding non-recurring items)	29.5	25.2	(14.7)
Underlying EBIT[1]	26.6	22.5	(15.4)
Underlying profit before tax[1]	20.0	16.4	(18.2)
Underlying profit after tax[1]	14.3	12.0	(16.1)
Statutory profit/(loss) before tax	(62.6)	11.2	
Statutory profit/(loss) after tax	(67.0)	8.8	
Underlying earnings per shares (cents)	15.4	12.4	(19.5)
Statutory earnings/(loss) per share (cents)	(72.4)	9.2	
Final dividend (cents – fully franked)	5.0	2.0	(60.0)
Full year dividends (cents – fully franked)	11.0	8.0	(27.3)

[1] Underlying amounts exclude the following significant non-recurring items before tax:
FY2015: $2.0m interest rate swap termination loss; $4.1m restructuring costs; $0.4m acquisition costs; $0.6m impairment of intangible assets; $2.0m contingent consideration adjustment benefit.
FY2014: $80.0m impairment of intangible assets; $1.5m restructuring costs; $1.1m acquisition costs.
[2] The FY2014 amounts have been restated to reflect a change with respect to the timing of recognising revenue and promotional discounts. The impact has been to reduce sales revenue $0.7m, increase the loss before tax $0.7m and the loss after tax $0.5m.

Directors have declared a final dividend of 2.0 cents per share fully franked (FY2014: 5.0 cents), payable on 10 November 2015 to shareholders on the register at 23 October 2015. This will bring dividends for the full year to 8.0 cents per share fully franked (FY2014: 11.0 cents). The dividend reinvestment plan remains in place with a discount of 2.5%.

Paul Maguire, managing director, said: 'Over the past three and half years, since the demerger of our printing business, many aspects of the company have been restructured to create a more resilient and stronger platform for earnings growth. During this time, despite some very challenging headwinds, we have successfully integrated eight acquisitions, secured several profitable agency brands, formed a joint venture, and developed and launched new product ranges. We remain steadfastly confident in our transformation strategy and believe the improvements we have made, and continue to make, will be of significant benefit to shareholders.

‘As anticipated in our trading update on 4 June, our FY2015 results have been impacted by the rapid decline in the AUD/USD exchange rate and delays in realising the benefits from the company’s substantial transformation program.

‘Specifically, in 2H2015 we experienced a delay in the acceptance of selling price increases by some customers, however new pricing arrangements are now in place. Also, as part of our transformation program, we have recently implemented significant expense reductions, particularly in supply chain, and negotiated product cost reductions with suppliers.

‘The re-shaping of our New Zealand business proved costly in 2H2015, however the outsourcing of the logistics function to a third party provider and the transition to McPherson’s primary ERP system have provided a solid base for profit improvement in FY2016.

‘During FY2016 we will also rollout the primary ERP system to our Hong Kong-based sourcing operation and the Home Appliances business, which will deliver meaningful productivity and efficiency gains. We will also advance our digital capability, thus further improving the accessibility of product information to consumers and enabling selected brands to be purchased online.’

Divisional performance

Health & Beauty sales increased by 32% and the division contributed 44% of group revenue, excluding housewares, compared with 39% in FY2014.The pharmacy channel contributed 23% of group revenue, up from 16% in FY2014, further reducing the company’s reliance on the grocery channel.

The A’kin and Al’chemy natural skincare and haircare brands acquired in December 2014 and the Trilogy agency which began in June 2014 performed well, as did the Dr LeWinn’s and Swisspers brands. Sales of the market leading Manicare and Lady Jayne brands were steady.

While initial sales of Procter & Gamble’s fine fragrances (Gucci, Dolce&Gabbana and Hugo Boss), for which the company received the agency in August 2014, were lower than expected due to delays in re-establishing distribution, the outlook for these products has improved significantly. McPherson’s recent success with the launch of the new Dolce&Gabbana Intenso fine fragrance for men and Gucci Bamboo for women instil considerable confidence in the year ahead.

The division’s brands will be consolidated over the coming months, reducing the total number of product lines and providing scope to reduce distribution, marketing and sales expenses, further boosting profitability. This brand consolidation will also facilitate increased investment in our key beauty brands that have significant growth potential.

The **Home Appliances** division contributed 21% of group revenue, excluding housewares, and sales were 12% higher than the previous year, with increased sales of Euromaid branded products partially offset by lower than expected sales of the Baumatic range, and a short delay in introducing some new products. Margins were adversely impacted by the fall in the AUD/USD exchange rate. The appointment of a new chief executive, significant restructuring and confirmed new ranging in two major retailers has materially improved Home Appliances' outlook for FY2016.

The **Household Consumables** division contributed 29% of group revenue, excluding housewares, and sales increased by 7%, driven by higher sales of private label products, while sales of the market-leading Multix brand were steady. Margins were lower due to delays in agreeing selling price increases with major customers, however these have now been agreed and margins have increased.

Additional ranging of **Impulse Merchandising** products in supermarkets resulted in a 3% increase in sales and further growth is expected in FY2016.

The results of the **Housewares** business in Australia, Singapore and Hong Kong have been equity accounted from 1 November 2014 following the divestment of a 51% stake to the Fackelmann Group, a global manufacturer and distributor of kitchen, baking, home, leisure and bathroom products. This new venture is working well for both parties and its contribution on an annualised basis to McPherson's earnings is expected to increase in FY2016.

Cash flow, balance sheet and hedging

Operating cash flow before interest and tax was $19.5 million (FY2014: $33.9 million), representing 89% of EBITDA including significant non-recurring items.

Net debt at 30 June 2015 was $77.2 million compared with $74.7 million a year earlier, with the increase mainly due to acquisitions and capital expenditure. The company's gearing ratio (net debt/total funds employed) was 43.9% compared with 44.6% at 30 June 2014.

In March 2015, the company issued two $30 million tranches of unsecured corporate bonds with tenures of four years (floating interest) and six years (fixed interest), providing funding certainty over the medium term and adding diversity to the company's capital base. The funds raised were applied to extinguish secured term debt. Additionally, a new two year secured working capital facility was established.

In light of historically low interest rates, the company took the opportunity to restructure its fixed interest rate hedging profile, establishing a new five year fixed interest rate swap agreement. This will reduce interest expenses in FY2016 and FY2017, but resulted in a one-off non-cash cost of $2.0 million in FY2015.

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.

Outlook

Mr. Maguire said: ‘The depreciating AUD/USD exchange rate caused a significant fall in profitability in FY2015 but appropriate steps have been taken to counter this and we are recovering well. All the issues within our control that affected our performance in FY2015 have been addressed and, coupled with recent selling price increases, will result in improved profitability in FY2016.

‘Initiatives to grow the key brands in the business as well as improve productivity and profit are continuing at pace, including further restructuring, operating expense reductions, brand consolidation, further selling price increases and new product launches, all of which are expected to contribute favourably to future earnings.’

For further information please contact:

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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 Appliance Division markets and distributes large appliances such as ovens, cooktops, washing machines and dishwashers; and the Household Consumables Division markets and distributes kitchen essentials such as plastic bags, baking paper, cling wrap and aluminium foil.

The Housewares Division markets and distributes products such as cutlery, knives, bakeware and kitchen accessories under brands such as Wiltshire, Stanley Rogers, Furi and Luigi Bormioli. McPherson’s has a 49% stake in this division with the remaining 51% owned by the Fackelmann Group. Founded in Germany in 1948, the Fackelmann Group is a global manufacturer and distributor of kitchen, baking, home, leisure and bathroom products.

McPherson’s manages some significant brands for overseas agency partners such as Gucci, Dolce&Gabbana and Hugo Boss Fine Fragrances; 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, A'kin, Al'chemy, Swisspers, Moosehead, Maseur, Euromaid, Baumatic and Multix.