McPherson's Limited
ACN 004 068 419

105 Vanessa Street
Kingsgrove 2208
Australia

Telephone: +61 2 9370 8000
Facsimile: +61 2 9370 8090

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

22 August 2016

McPherson's Final FY2016 Results

Underlying PBT up 15.4% to $18.9 million

Statutory PBT up 30.1% to $14.6 million

- Business optimisation initiatives delivering results
- Sales and margins up on Health & Beauty brands
- Remaining 49% interest in Housewares joint venture successfully divested
- Net debt down 35% to $49.9m
- Retirement of Managing Director and transition to appointed successor

McPherson's Limited, the consumer products company, today announced an underlying profit before tax of $18.9 million[1] for the year to 30 June 2016, an increase of 15.4% over FY2015. Statutory profit before tax was $14.6 million, up 30.1% on FY2015. These results are consistent with the preliminary unaudited results released on 29 July 2016.

This improved result was achieved despite lower revenue and is evidence of a significant improvement in revenue quality resulting from a disciplined program of brand consolidation, with lower margin branded and private label product ranges discontinued. Sales revenue was $312.6 million, 1.3% below the previous year excluding the Housewares business which has now been fully divested. Including the Housewares business, sales declined by 10.5%.

Results summary	FY2016 ($ million)	FY2015 ($ million)	Change (%)
Sales revenue	312.6	349.1	(10.5)
Underlying EBIT[1]	25.7	22.5	14.2
Underlying profit before tax[1]	18.9	16.4	15.4
Underlying profit after tax[1]	13.4	12.0	12.3
Statutory profit before tax	14.6	11.2	30.1
Statutory profit after tax	11.0	8.8	24.4
Underlying earnings per share[1] (cents)	13.6	12.4	9.7
Statutory earnings per share (cents)	11.1	9.2	20.7
Final dividend (cents – fully franked)	2.0	2.0	-
Full year dividend (cents – fully franked)	8.0	8.0	-
Net debt	49.9	77.2	(35.4)

[1] Underlying amounts exclude the following significant non-recurring items before tax:

FY2016: $2.0m profit recognised from the divestment of Housewares; $4.4m inventory rationalisation & restructuring costs; $1.4m costs associated with exiting the Impulse Merchandising Division; $0.2m legal & acquisition costs; $0.3m bond buyback costs.

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.

Directors have declared an unchanged final dividend of 2.0 cents per share fully franked, bringing the full year payout to 8.0 cents per share, fully franked. The final dividend will be payable on 8 November 2016 to shareholders on the register at 21 October 2016. The dividend reinvestment plan will apply to the dividend, without discount.

Paul Maguire, Managing Director said 'Double digit growth in underlying earnings, in the face of significant AUD/USD currency devaluation was a very creditable achievement. In a trading environment that continued to present challenges, the strategies to improve business outcomes delivered significantly improved results. The Company grew its overall contribution margin and underlying profit as a result of organisational re-design, broad based selling price increases and product cost reductions across all divisions, and significant operating expense reductions particularly in Health & Beauty.'

The result reflects the success of McPherson's continued 'makeover', with resources now focused on fewer, more significant and more profitable brands with growth potential. This brand consolidation and product rationalisation brought about the deletion of a number of lower margin peripheral brands, resulting in a one-off, non-recurring inventory rationalisation cost, while also creating significant available capacity at the Sydney distribution centre for the warehousing and distribution of more profitable product lines.

Complementing this initiative, the company expanded its Australian IT system into New Zealand and Hong Kong, consequently incurring one-off redundancy costs, but greatly improving operational efficiency.

The company is investing substantially in its digital capability. With a focus on priority brands Manicare, Lady Jayne, Dr. LeWinn's and A'kin, the content and ease-of-use of the new digital platform will facilitate more meaningful consumer relationships and stronger retailer partnerships, while also providing a convenient platform for direct consumer purchases.

The Chinese market represents a largely untapped growth opportunity for the company, particularly the Dr. LeWinn's skincare brand and A'kin natural skincare/haircare brand. Management has diligently researched this opportunity and determined a strategy to expand awareness of a select range of products that are well positioned to meet Chinese consumer demand for Australian beauty products. Commencing September 2016, the company will take its first steps to make its key brands available to Chinese consumers through various channels and it is expected that this initiative will gain momentum throughout FY2017.

The company continued to diversify and strengthen during FY2016, with reduced reliance on the grocery channel which contributed 37% of revenue, compared with 45% the previous year. At the same time, sales through the pharmacy channel continued to grow, contributing 29% of total revenue.

Mr Maguire said: 'Structural changes and successful operational initiatives are facilitating a leaner, more focused operation, with the business successfully re-set to operate in today's currency environment. We will continue to benefit from sourcing initiatives and operational efficiencies, with further benefits to come from our existing pipeline of new products, enhanced digital capability and planned international expansion.'

Divisional performance

McPherson's **Health & Beauty** division contributed 47% of the company's total revenue, with sales increasing by 3% as new products were introduced, peripheral brands deleted and additional ranging secured. Key brands performed strongly, indicating potential for further growth, which will be leveraged through increased advertising investment in FY2017.

The **Home Appliances** division, which contributed 24% of the company's revenue, increased sales by 13%, helped by new product launches, but margins were affected by the weak Australian dollar and the restructuring of a major retail customer's business operations. Successful negotiations with suppliers to reduce product costs, together with supply chain savings and selling price increases, are expected to support profitability in FY2017.

The **Household Consumables** division's revenue was 15% lower than the previous year, as some private label agreements were exited, but sales of Multix branded products were in line with prior year. Margins were affected by the weak Australian dollar; however, easing commodity prices, selling price increases and reduced product costs are expected to support profitability in FY2017. To leverage the company's grocery channel expertise, a new 'Household & Personal Care' division was formed in July 2016, combining the Multix, Swisspers, Moosehead and Maseur brands, all of which are leaders in their categories.

As announced in July 2016, the small non-core **Impulse Merchandising** business has recently been closed following the decision by a major Australian grocery retailer to cease its impulse merchandising program. This has led to a one-off closure cost, but will release approximately $2.0 million of working capital in FY2017. The closure will marginally improve overall company earnings in FY2017.

McPherson's remaining 49% interest in its **Housewares** joint venture was successfully divested to the Fackelmann Group on 31 March 2016.

Cash flow, balance sheet and foreign exchange hedging

The balance sheet has been strengthened materially, with net debt decreasing to $49.9 million at 30 June 2016, 35% lower than $77.2 million a year earlier. The gearing ratio (net debt / total funds employed) at 30 June 2016 was 32%, down from 44% a year earlier. This improvement resulted from the divestment of the remaining 49% interest in the Housewares joint venture, increased underlying profitability and strong operating cash flow, partly due to meaningful reductions in inventory and trade receivables.

The company's foreign exchange hedging policy was reviewed and amended in 2016, with estimated USD and Euro requirements related to particular customers hedged twelve months forward and other USD and Euro requirements hedged eight months forward on a rolling monthly basis using options, foreign exchange contracts and collars.

Leadership transition

Mr Paul Maguire, Managing Director of McPherson's Limited for the past six years, has advised the board of his intention to retire from the business on 21 November 2016, immediately following the Annual General Meeting. Mr Laurie McAllister has been selected to succeed Mr Maguire as Managing Director, commencing 1 November 2016. Please refer to the separate ASX and Media Release for further information.

For further information please contact:
Paul Maguire, Managing Director
Telephone: + 61 2 9370 8042

Media enquiries:
Anthony Tregoning, FCR
Telephone: + 61 2 8264 1000

About McPherson’s

McPherson’s, established in 1860, is a leading supplier of health & beauty, household & personal care, and home appliance 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 household & personal care division markets and distributes kitchen essentials such as baking paper, cling wrap and aluminium foil and personal care items such as facial wipes, cotton pads and foot comfort products; the home appliance division markets and distributes large appliances such as ovens, cooktops, washing machines and dishwashers.

McPherson’s manages some significant brands for overseas agency partners such as Gucci, Dolce&Gabbana and Hugo Boss prestige fragrances and Trilogy skincare; 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, Swisspers, Moosehead, Maseur, Multix, Euromaid and Baumatic.