



# 1H22 RESULTS PRESENTATION

23 FEBRUARY 2022

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# 1H22 RESULTS PRESENTATION AGENDA

1. Overview
2. Financial Performance
3. Division Highlights
4. Update on Operational Review
5. Outlook



# OVERVIEW

**\$108.8M**

TOTAL SALES  
REVENUE

1H21: \$101.7M

**11%**

ORGANIC GROWTH -  
DOMESTIC OWNED  
BRANDS

**\$7.2M**

UNDERLYING\* EBIT

1H21: \$7.5M

**48%**

CASH CONVERSION

1H21: 67%

**7.3%**

GEARING

NET DEBT: \$8.8M

**3.0 CPS**

INTERIM DIVIDEND

FULLY FRANKED

## 1H22 SUMMARY:

- **Organic domestic growth** with owned brand sales up 11%, driven by Manicare, Lady Jayne and Swisspers, despite COVID-19 related challenges
- **Underlying\* PBT** of \$6.7m and statutory LBT of (\$3.0)m in line with stated guidance
- **Strong balance sheet** with low net debt and gearing
- **Finalised \$9.4m provision** for Dr. LeWinn's Inventory
- Broader channel and portfolio strategy to be initiated for Dr. LeWinn's in China
- **Continued progress** on initiatives resulting from operational review
- **Unchanged FY22 guidance**, subject to no unforeseen circumstances

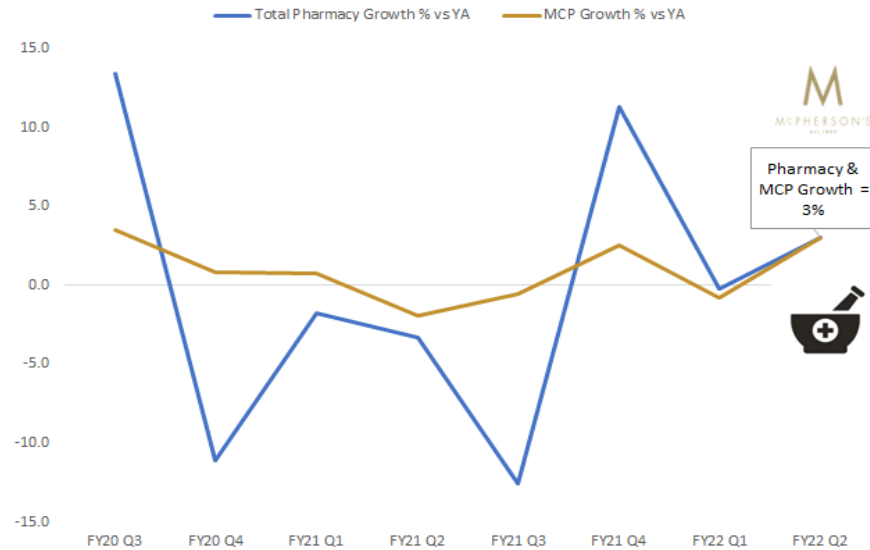
\* Excluding material non-recurring items. Refer to the reconciliation of underlying to statutory results contained in the appendix of the ASX Results Release dated 23 February 2022.



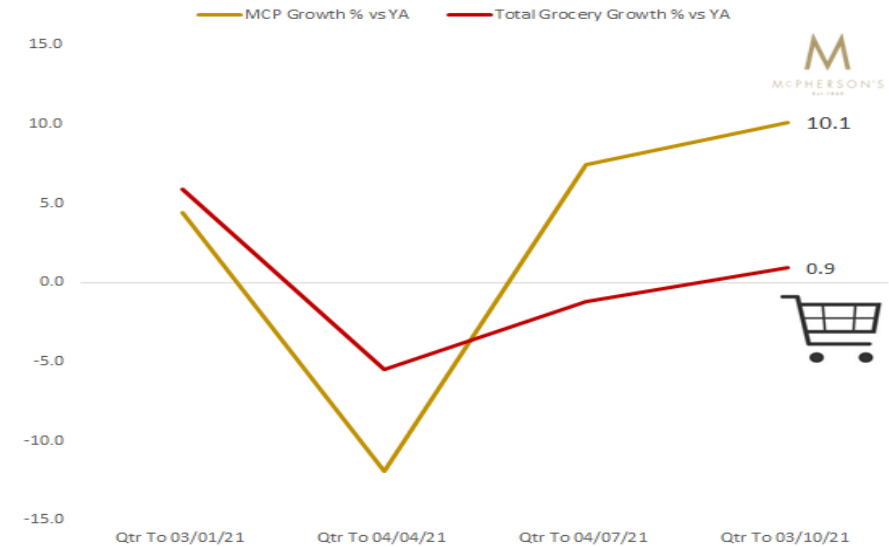
# HEALTH, WELLNESS & BEAUTY – A \$17BN MARKET

## MCP CORE BRANDS OUTPERFORMING PHARMACY AND GROCERY AND CHANNEL GROWTH

Total MCP vs Pharmacy Channel Growth % vs YA



Total MCP vs Grocery Channel Growth % Qtr vs YA



## STRONG DEMAND FOR OUR BRANDS



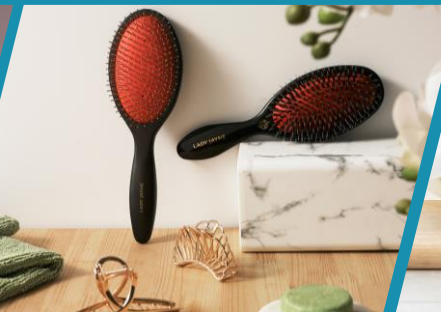
#1 Australian Cosmeceutical Brand



Leading Natural Haircare in Pharmacy



#1 Beauty Tools & Accessories



#1 Hair Tools & Accessories



#1 Foil, Bake, Garbage & Freezer Bags



#1 Cotton

# MARKET CONDITIONS AND COVID-19

## DEMAND

### MCP brand breadth strong!

- Skincare struggling as lockdowns, missing daigou and international students weaken demand
- Health channel closures in Delta wave in Q1 a headwind
- However - Essential Beauty and Home Essentials sectors in growth

## SUPPLY

- **Supply chain** disruptions in November and December 2021 and substantial increases in **commodity and sea freight costs** offset increased sales

## 2H22

- Material **selling price increases** implemented in household consumables category
- Anticipated improvement in **supply chain consistency**
- Favourable FX hedging forecast



# MARKET TRENDS

## DEMAND FOR AT-HOME BEAUTY TOOLS & TREATMENTS



- Consumers opting for in-home beauty and skin treatment alternatives in absence of salons and to cater for busy lifestyles
- Growing desire to take more control over beauty routines

## DEMAND FOR ETHICAL & SUSTAINABLE PRODUCTS



- 61% of Australians are concerned, more than ever, on sustainability when it comes to shopping choices post-COVID
- Consumers want companies to reduce waste and tackle plastic pollution

## HEIGHTENED AWARENESS OF INTERNAL HEALTH



- 75% of Australians have used at least one form of complementary medicine in the last year.
- Australian medicines and vitamins are recognized around the world for quality, safety and efficacy

## GROWTH OF PRO-ACTIVE BEAUTY



- Custodians of your own skin health. More choice, technology, information & education enabling empowerment

## GROWTH IN "CLEAN" BEAUTY / SKINCARE BRANDS



- Consumers increasingly demanding more natural products without "bad" ingredients
- Sales are growing for products that are gluten free and organic, as well as contain no sulfates, phthalates and similar ingredients.

glam  
by manicare

ESTD 1928  
LADY JAYNE

DR. LEWINN'S

manicare

swisspers

Multix

FUSION 康  
health

東方 寶  
方 堂  
Oriental  
Botanicals

DR. LEWINN'S

[A'kin]

FINANCIAL PERFORMANCE



# 1H22 SALES REVENUE PERFORMANCE BY CBU

All Figures \$m

	1H22	1H21	% change
<b>Total Group Sales</b>	<b>108.8</b>	<b>101.7</b>	<b>6.9%</b>
<b><u>ANZ CBU - Beauty &amp; H'hold Consumables</u></b>			
Skin, Hair & Body	12.9	12.2	6.2%
Essential Beauty	38.3	32.4	18.3%
Household Consumables & Others	33.1	31.6	4.7%
<b>Total Owned Brands</b>	<b>84.3</b>	<b>76.1</b>	<b>10.7%</b>
Agency brands	4.5	5.2	-12.4%
Private Label	7.8	11.3	-30.8%
<b>Total Sales</b>	<b>96.7</b>	<b>92.6</b>	<b>4.4%</b>

<b><u>Health CBU</u></b>			
<b>Total Sales</b>	<b>8.4</b>	<b>1.3</b>	<b>NCM*</b>

<b><u>International CBU</u></b>			
Skin, Hair & Body	1.6	5.3	-70.7%
Other owned brands	1.1	1.2	-4.5%
<b>Total Owned Brands</b>	<b>2.7</b>	<b>6.5</b>	<b>-58.5%</b>
Agency brands	1.0	1.3	-19.2%
<b>Total Sales</b>	<b>3.7</b>	<b>7.8</b>	<b>-52.0%</b>

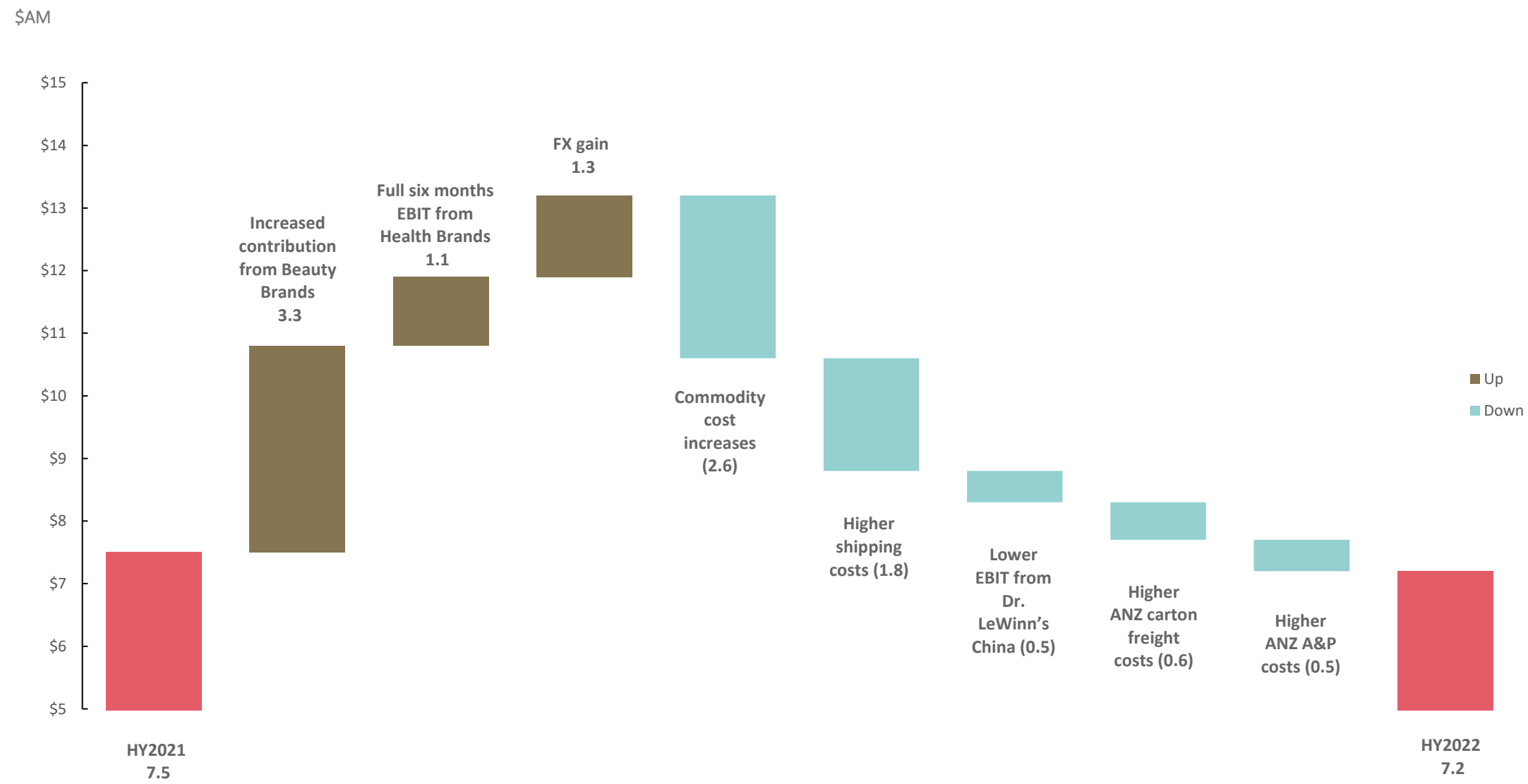
- ▶ Domestic sales of Dr. LeWinn's and A'kin products grew 3% and 17% respectively
- ▶ 25% growth in Swisspers, 19% growth in Manicare and 10% growth in sales of Lady Jayne driven by new product innovations and a shift toward home-based beauty solutions
- ▶ Strong demand for Multix Alfoil products, garbage bags and baking papers

- ▶ Many health stores and pharmacies experiencing reduced foot traffic during COVID-19 lockdowns, particularly in Q1

- ▶ Cross-border e-commerce distribution into China remains constrained by excess inventory and reduced consumer demand, due to absence of international students/daigou demand

- ▶ Singapore and surrounding countries adversely impacted by reduced in-bound tourism

# BRIDGE OF UNDERLYING\* EBIT IMPACTS 1H22 vs 1H21

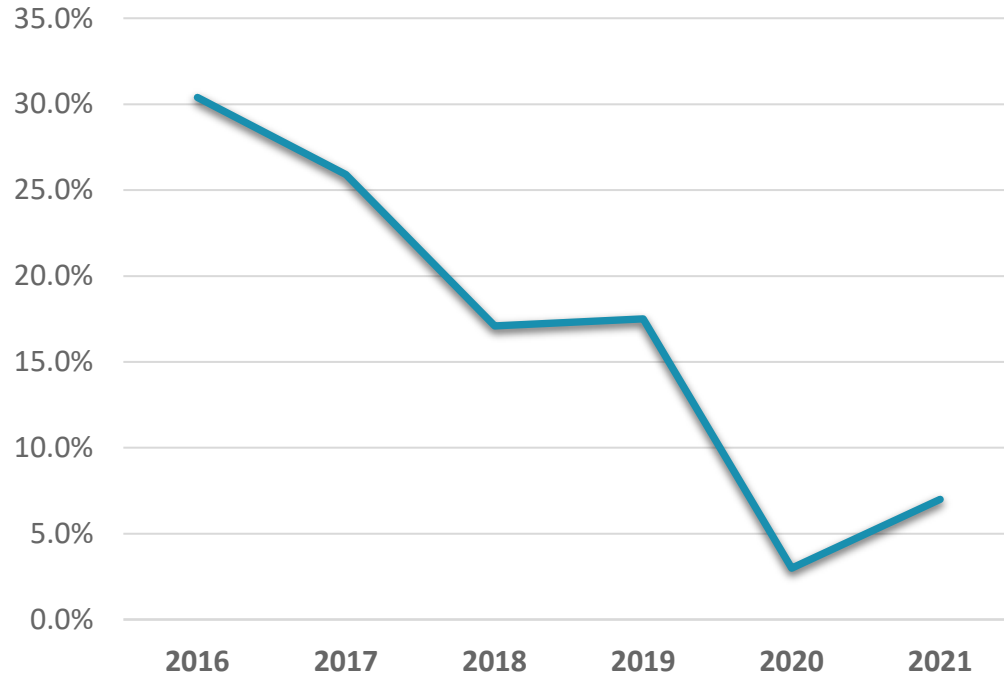


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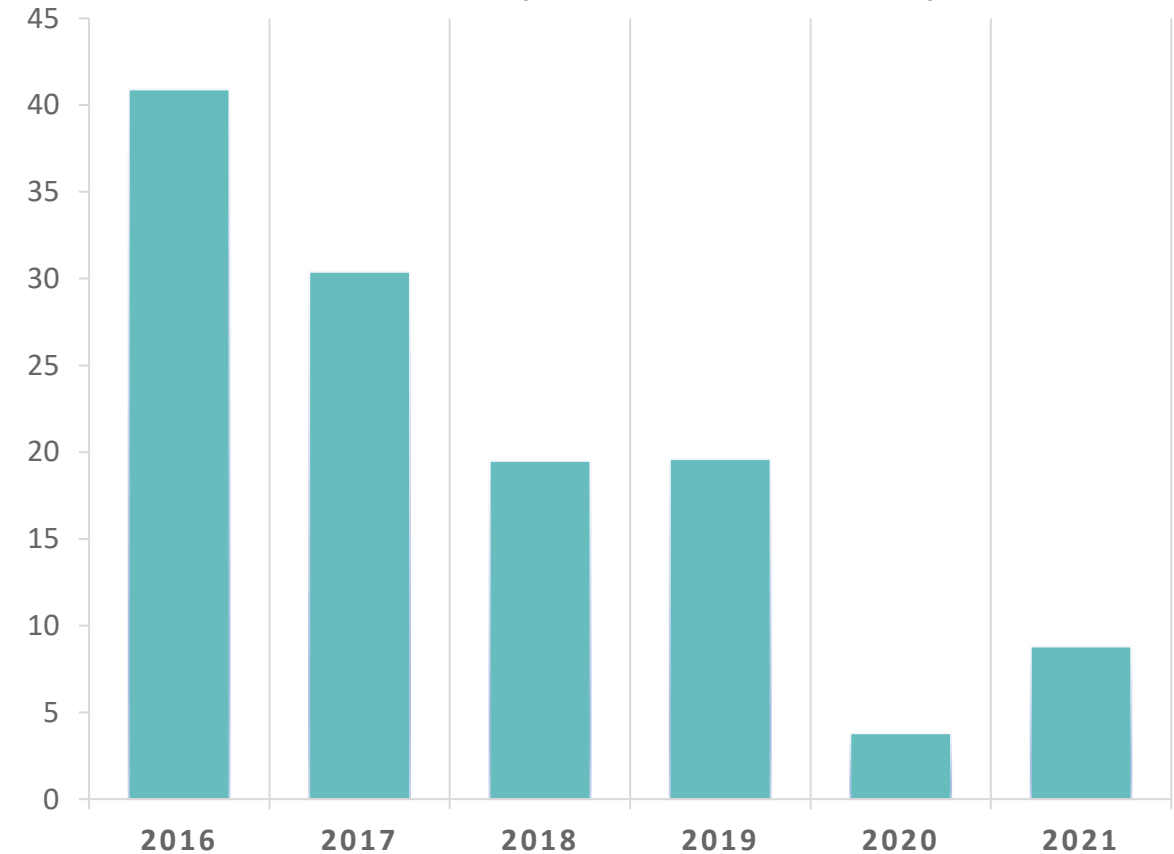


# STRONG BALANCE SHEET WITH LOW NET DEBT & GEARING

**Gearing\* % (31 DECEMBER)**



**NET DEBT\* (\$M - 31 DECEMBER)**



- Net debt remains low at \$8.8m at 31 December 21
- Gearing remains low at 7% at 31 December 21
- The Company had seasonally low cash conversion of 48% in 1H22
- Net debt at 30 June 22 is projected to be \$1m to \$3m below 30 June 21 (\$8.4m)

*Note: \* Gearing and net debt exclude lease liabilities*

# INTERIM DIVIDEND & CAPITAL MANAGEMENT CONSIDERATION

## Interim Dividend

- Interim ordinary dividend of 3.0 cents per share (cps) fully franked (1H21: 3.5cps)
- Payout ratio of 87% of 1H22 underlying profit after tax
- Interim dividend payable 18 March 2022

## Capital Management

- Prudent to defer any decision to return capital while there is a high level of uncertainty in the market due to potential supply chain disruptions or adverse economic impacts from COVID-19



# DIVISIONAL HIGHLIGHTS



# ANZ - 1H22 HIGHLIGHTS

Segment performance	1H22 (\$m)	1H21 (\$m)	Change (\$m)	Change (%)
Sales revenue	96.7	92.6	4.1	4%
Underlying EBIT	10.8	11.3	(0.5)	(4%)

- **Strong core brand performance with increased sales of all core owned brands**
  - Market share growth in four of the six owned brand product categories
- **Renewed leadership driving collaboration and performance**
  - Integration complete and new routines delivering benefits
- **Resilient performance despite difficult trading period**
  - Strong essential beauty market dynamics despite weakened demand in cosmeceutical and natural skincare category
- **Price rises to combat margin pressures**
  - Profit growth challenged by increased commodity and sea freight costs

## 1H22 SALES v 1H21

MANICARE ▲ 19%

SWISSPERS ▲ 25%

LADY JAYNE ▲ 10%

A'KIN ▲ 17%

DR. LEWINN'S ▲ 3%

MULTIX ▲ 5%





# HEALTH - 1H22 HIGHLIGHTS

Segment performance	1H22 (\$m)	1H21 (\$m)	Change (\$m)
Sales revenue	8.4	1.3	7.1
Underlying EBIT	1.3	0.2	1.1

- **Results for 6 months versus one month in prior year**
  - Availability challenges addressed in FY21, lead times for production and raw materials in FY22 still challenging
- **Difficult trading conditions in H1**
  - Health store channel closures during Delta wave in Q1 on Eastern seaboard
- **Resilient Performance**
  - Sales and EBIT margins in line with expectations
- **Growth opportunities**
  - H2 demand to be driven by immunity products and relevant NPD



# INTERNATIONAL - 1H22 HIGHLIGHTS

Segment performance	1H22 (\$m)	1H21 (\$m)	Change (\$m)	Change (%)
Sales revenue	3.7	7.8	(4.1)	(53%)
Underlying LBIT	(1.1)	(0.5)	(0.6)	(120%)

- **Strategy to broaden channel participation and decrease risk profile**
  - Well advanced in finalising target operating model in key markets including China to reduce over-reliance and risk
- **Research demonstrates the proposition for Dr. LeWinn's is attractive**
  - Functional anti-ageing skincare remains the most desired and fastest growing skincare sector in China
  - China skincare is expected to be a \$66bn AU market in 2021 with an estimated 48% purchased online in 2024\*
- **Cross border e-commerce market (CBEC) is challenging but still with long term potential**
  - Growth in CBEC is expected to moderate to 24%\* in 2023 given lost daigou/ travel / China lockdowns has increased domestic brand demand
- **1H22 sales in**
  - Dr LeWinn's sales to China impacted by in-market inventory clearance and moderated demand while Singapore sales down on reduced tourism and COVID
- **Reductions in advertising and promotion expenditure during reset and clearance of legacy stock**
- **Finalised one-off \$9.4 million provision**





# UPDATE ON OPERATIONAL REVIEW



# PROGRESS AGAINST KEY PILLARS

**Target \$300 million sales and \$50 million EBIT in FY26**

## 6 CORE OWNED BRANDS & KEY CHANNELS



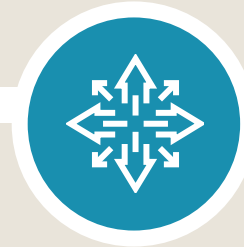
INITIATIVES TARGETED TO DELIVER \$230 MILLION SALES AND \$29 MILLION EBIT BY FY26

## HEALTH & WELLNESS A NEW GROWTH PLATFORM



INITIATIVES TARGETED TO DELIVER \$30 MILLION SALES AND \$7 MILLION EBIT BY FY26

## SELECTIVELY EXPAND INTERNATIONAL FOOTPRINT



INITIATIVES TARGETED TO DELIVER \$40 MILLION SALES AND \$8 MILLION EBIT BY FY26

## MARGIN OPTIMISATION



MATERIAL SELLING PRICE INCREASES IMPLEMENTED IN 2H22 AND CONTINUED FOCUS ON EFFICIENCY IMPROVEMENTS



# PROGRESS AGAINST STRATEGIC PLAN



**CONTINUED FOCUS ON CORE OWNED BRANDS AND KEY DOMESTIC CHANNELS**



**ESTABLISH HEALTH & WELLNESS AS A NEW GROWTH PLATFORM**



**EXPAND INTERNATIONAL FOOTPRINT**



**MARGIN OPTIMISATION**

## ACTIONS TAKEN TO PROGRESS THESE OUTCOMES DURING 1H22

New leadership, structure, business performance process and focus in ANZ

- Continued innovation and ranging increments driving brand performance
- Growing with winning customers in partnership
- Strong growth opportunities evident in Health with growing supply stability
- Better cross business alignment and resource leverage between health and beauty
- Award winning marketing platform to be built on
- Leverage potential for consumer immunity needs deliver confidence in outlook
- Potential for Dr. LeWinn's brand in research continues to warrant focus and energy
- New operating model for Dr. LeWinn's in greater China with a broader channel and portfolio strategy initiated
- Graduated "other" export market entries rolling out and revision where applicable
- Cost mitigation initiatives: on track to generate savings through leaner senior leadership team, exit from loss making JVs and reduced warehousing costs
- Now pivoting to inflationary environment, with significant selling price increases implemented for household consumables

# OUTLOOK





# BOARD CHANGES



Graham Cubbin



Helen Thornton

# UNCHANGED FY22 SALES AND UNDERLYING\* PBT OUTLOOK

- Retain confidence in resilience of market leading owned brands
- Subject to domestic market stability and no material impact from supply chain disruptions, re-affirm FY22 guidance provided on 1 November 2021
  - FY22 sales growth forecast in the range of 6% to 8% (FY21: \$200.5 million)
  - FY22 underlying\* profit before tax expected to be \$1 million to \$2 million above FY21 (FY21: \$10.1 million)
  - FY22 statutory profit before tax forecast between \$1 million to \$3 million (FY21: statutory loss before tax of (\$4.5 million))
  - 2H22 underlying\* profit before tax projected to be positively impacted by more favourable FX hedging result and material selling price increases
  - Net debt forecast for 30 June 2022 revised lower to be \$1 million to \$3 million below 30 June 2021
  - FY22 underlying\* cash conversion forecast revised to be between 90% to 100%

*\* Excluding material non-recurring items*





# UNIQUE CAPABILITIES

Market-leading  
brands



Innovation driving  
additional ranging  
and value



Supply chain and  
warehouse capacity  
offers opportunities



Strong balance  
sheet



Rejuvenated team  
driving execution of  
strategy





# Q&A





MCPHERSON'S  
Est. 1860

THANK YOU

23 FEBRUARY 2022