

ASX / Media Release

(ASX: MCP)

27 October 2020

McPherson's acquisition of Global Therapeutics and associated Equity Raising

- **Acquisition of Global Therapeutics, a leading provider of branded Oriental and Western herbal and complementary medicine formulations for \$27.0 million, subject to customary adjustments**
- **Acquisition consistent with McPherson's stated strategy to expand its Health, Wellness and Beauty portfolio**
- **Expansion into herbal and complementary medicines through recognised brands and broad product portfolio is the first pillar in McPherson's Health and Wellness Division**
- **Enhanced channel diversification achieved through entry into niche Health and Wellness customer base**
- **Acquisition expected to be mid-single digit EPS accretive on a pro forma FY2021 basis¹ with significant growth potential**
- **Acquisition funded by a fully underwritten \$36.5 million institutional placement ("Placement") and non-underwritten Share Purchase Plan ("SPP") to raise up to \$10 million ("Equity Raising")**
- **Completion of the Acquisition is expected on 30 November 2020, subject to satisfaction of closing conditions**

McPherson's Limited ("McPherson's" or "the Group") today announced the execution of a Business Sale Agreement in relation to the acquisition of the Global Therapeutics business from Global Therapeutics Pty Ltd, a subsidiary of Blackmores Limited (ASX: BKL) ("Blackmores"), for an Enterprise Value of \$27.0 million² (the "Acquisition").

The Acquisition consideration represents a multiple of 7.4 times normalised FY2020 EBIT of \$3.7 million³.

Established in 1999 and based in Byron Bay, Global Therapeutics develops, markets and sells Oriental and Western herbal and complementary medicine formulations in Australia and New Zealand through its premium Fusion Health and Oriental Botanicals brands. Its formulation strategy comprises embedding traditional herbal medicine evidence and principles with modern dosage and science-based materials.

The Acquisition is highly complementary to McPherson's and provides a respected foundation from which it can execute and grow health and wellness as a core strategic priority:

¹ On a pro forma basis, assuming the Acquisition was completed on 1 July 2020 and including the proportion of Equity Raising proceeds required to fund the Acquisition. Excludes transaction costs and potential synergies

² Subject to customary working capital and completion adjustments

³ Adjusted to reflect the pro forma impact of the incremental operating cost structure under McPherson's ownership, including additional warehousing and identified additional regulatory and support resources.

- Fusion Health and Oriental Botanicals are well recognised and supported premium brands across health food stores and pharmacy channels
- The unique product profile provides a point of difference for consumers, delivering a strong margin and value proposition to McPherson's relative to the broader vitamins and mineral supplements category
- Global Therapeutics has a strong brand heritage underpinned by a highly qualified and aligned team with deep health food store and pharmacy distribution experience who will transition to McPherson's to help execute McPherson's health and wellness strategy
- The Acquisition provides for meaningful revenue and operational benefits over the medium term delivered through brand investment, channel expansion, export focus and operational and collaboration efficiencies across the McPherson's Group.

Commenting on the acquisition, Managing Director and CEO Mr. Laurence McAllister said "Building on McPherson's 160-year rich history and our strategic focus on Health, Wellness and Beauty categories, has recently seen us establish a new Health and Wellness Division within McPherson's. Acquiring Global Therapeutics embeds a strong vitamins and dietary supplements business in that Division with recognised brands, a go to market capability and a strong product innovation pipeline."

"We have been very impressed with the passion and capability of the Global Therapeutics team and we look forward to growing the business in partnership with this highly engaged group. Both McPherson's and Blackmores are committed to a smooth transition. We believe the heritage and culture of Global Therapeutics will be an extremely strong fit with McPherson's."

Financial Impact

Global Therapeutics has a track record of steady growth with FY2020 net revenue of approximately \$20 million and normalised FY2020 EBIT of \$3.7 million⁴.

The acquisition is expected to be mid-single digit earnings per share accretive in FY2021 on a pro forma basis⁵, this being the first full financial year following completion of the Equity Raising.

McPherson's balance sheet will be strengthened following completion of the Acquisition and Equity Raising, with the company well placed to continue its stated strategy of generating growth through further acquisitions of compatible businesses.

Key Terms of the Acquisition

The assets being acquired include intellectual property rights, inventory and rights under material contracts. Completion of the acquisition is expected to occur by 30 November 2020 and is conditional on Global Therapeutics obtaining consents to the assignment of material contracts to McPherson's, a minimum number of employees accepting MCP's offer of employment to them and no material adverse event occurring between signing and completion. McPherson's is confident these conditions will be met.

⁴ Adjusted to reflect the pro forma impact of the incremental operating cost structure under McPherson's ownership, including additional warehousing and identified additional regulatory and support resources

⁵ On a pro forma basis, assuming the Acquisition was completed on 1 July 2020 and including the proportion of Equity Raising proceeds required to fund the Acquisition. Excludes transaction costs and potential synergies

After Completion, Blackmores will provide McPherson's with a range of customary transitional services to support the integration of the Acquisition.

Additionally, McPherson's will continue to be supported by Blackmore's Catalent manufacturing facility for a period of up to 18 months.

A restraint is in place for a period of three years from Completion over any products or brands expressly positioned, branded, marketed or promoted as a fusion or mix of Oriental traditional medicines and Western medicines, without the consent of McPherson's.

Acquisition Funding and Equity Raising

McPherson's has today launched a fully underwritten institutional placement to raise approximately \$36.5 million in new equity through the issue of approximately 16.1 million new fully paid ordinary shares (representing approximately 14.9% of current shares on issue) ("Placement").

New shares will be issued at an issue price of \$2.27 per share ("Placement Price"), which represents a:

- 8.1% discount to the last closing price of \$2.47 on Monday, 26 October 2020;
- 13.7% discount to the 5-day volume weighted average price of \$2.63; and
- 19.8% discount to the 30-day volume weighted average price of \$2.83.

The funds raised under the Placement will be used to:

- fund the Global Therapeutics acquisition and associated transaction costs; and
- provide McPherson's with additional balance sheet capacity for potential future acquisition and growth initiatives.

McPherson's notes that it is in advanced discussions and varying stages of due diligence with a number of parties in relation to other inorganic growth opportunities to complement our Health and Wellness and sustainability strategy.

The Placement is fully underwritten by Moelis Australia Advisory Pty Ltd ("Moelis Australia") who are acting as sole lead manager, bookrunner and underwriter to the Placement.

In addition, a non-underwritten Share Purchase Plan ("SPP") will be offered to eligible shareholders with registered address in Australia and New Zealand to subscribe for up to \$30,000 of New Shares free of transaction and brokerage costs.

The SPP will not be underwritten and is expected to raise up to \$10 million⁶.

The offer price per New Share under the SPP will be the lower of:

- the Placement Price of \$2.27 per New Share; and
- a 2.5% discount (rounded down to the nearest cent) to the volume-weighted average price of MCP traded on ASX during the five trading day up to and including the SPP closing date (expected to be 19 November 2020).

⁶ The Board of McPherson's retains the ability to scale back SPP applications or to issue a higher amount, at its absolute discretion.

Further details of the SPP, including instructions on how to apply, will be announced on the ASX and distributed to eligible shareholders in due course.

New Shares issued under the Placement and the SPP will rank equally with existing fully paid ordinary shares in McPherson's.

The Placement is being made under MCP's existing 15% placement capacity in Listing Rule 7.1. The SPP is being made under an exception in Listing Rule 7.2 (exception 5) and, as such, will not use up any of MCP's existing 15% placement capacity in Listing Rule 7.1. Neither the Placement nor the SPP requires shareholder approval.

Further details on the Placement and SPP, including fees payable to Moelis Australia, and other material fees to be incurred by MCP in connection with the Placement and SPP, as well as the rights of Moelis Australia to terminate the underwriting agreement, are described in the Appendix 3B enclosed with this announcement.

Further details of the Placement and Acquisition including key risks and foreign selling restrictions are set out in the Investor Presentation which has been lodged with the ASX today.

Key dates

Event	Date
Record date for SPP	7:00pm (Sydney time) on Monday, 26 October 2020
Placement bookbuild	Tuesday, 27 October 2020
Announce completion of Placement on ASX	Wednesday, 28 October 2020
Settlement of New Shares under Placement	Friday, 30 October 2020
SPP Offer Open	Friday, 30 October 2020
Allotment and normal trading of New Shares issued under the Placement	Monday, 2 November 2020
Close SPP offer	Thursday, 19 November 2020
Announcement of results of the SPP	Tuesday, 24 November 2020
Issue of New Shares under SPP offer	Thursday, 26 November 2020
Normal trading of SPP Shares and dispatch of holding statements	Monday, 30 November 2020

The above timetable is indicative only and subject to change. McPherson's and Moelis Australia reserve the right to amend any and all of these events, dates and times subject to the Corporations Act 2001 (Cth), the ASX Listing Rules and other applicable laws. In particular, McPherson's and Moelis Australia reserve the right to extend the closing time and date of the bookbuild, or to close the bookbuild early without any notification. The commencement of quotation of new shares is subject to confirmation from ASX. All references are to Sydney time.

Additional Information

Further details of the Acquisition and the Equity Raising can be found in the accompanying Investor Presentation also provided to the ASX today.



Authorisation

This ASX announcement and media release has been authorised by the McPherson's Limited Board of Directors.

For further information please contact:

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About McPherson's Limited

McPherson's, established in 1860, is a leading supplier of Health, Wellness and Beauty products in Australasia and increasingly China, with operations in Australia, New Zealand and Asia. McPherson's markets and distributes beauty care, hair care, skin care and personal care items such as facial wipes, cotton pads and foot comfort products, as well as a range of kitchen essentials such as baking paper, cling wrap and aluminium foil.

McPherson's manages some significant brands for agency partners and via joint venture arrangements; 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, Multix, Moosehead and Maseur.

For further information on McPherson's business and its strategy and to view our most recent corporation video please refer to the company's website <http://www.mcphersons.com.au>

McPherson's Limited Registered Address:

105 Vanessa Street, Kingsgrove, New South Wales, 2208

About Global Therapeutics Pty Ltd.

Since 1999, Global Therapeutics has been a leader in harnessing the benefits of combining traditional herbal medicines with western complementary medicines, specially formulated to deliver optimal therapeutic results, with 80% of the range based on traditional herbal medicines. For further information please visit

<https://www.globaltherapeutics.com.au/>