



# 2019 Half Year Results

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20 August 2019



#bloodnormal

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# Performance in line with expectations

- Outlook for FY19 unchanged
- Sale of Australian Consumer Tissue business completed 29 March 2019 – \$150m reduction in net debt
- Reduced volatility and renewed consumer and customer focus driving growth
- Major capital investment in NZ manufacturing on track to deliver substantial operating efficiency
- Essity license agreement finalized, affirming long term commitment
- No FY 2019 Interim Dividend declared

## Revenue from continuing operations

UP 2.2% TO \$202m



## Statutory NPAT

UP 107% TO \$7.3m



## Brand investment (advertising & promotion)



↑ 19%

## Underlying EBITDA

DOWN 8% TO \$39.4m



## Net debt



DOWN 42% TO \$151.9m

## Leverage ratio



DOWN TO 2.1 times

# New segment structure

Higher growth, higher margin, less capital-intensive businesses



## RETAIL

### AUS, NZ & Pacific Islands

Feminine Hygiene



Incontinence Retail



### NZ

Baby Care

Treasures

Consumer Tissue



### Pacific Islands

Orchid

Viti

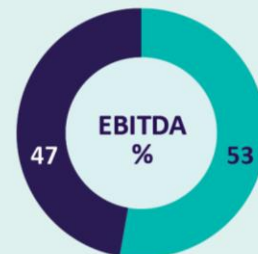
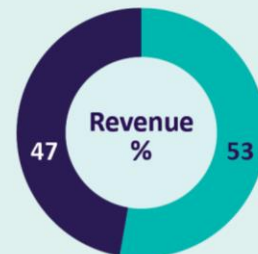
## BUSINESS TO BUSINESS (B2B)

### AUS, NZ & Pacific Islands

Professional Hygiene



Incontinence Healthcare



● Retail ● B2B

# Essity reaffirms long-term commitment



New Trade Mark and  
Technology License  
Agreement in place

&

New Director Appointed

## License Agreement finalised

- Finalised 5-year extension of the Trade Mark and Technology License Agreement to 2027
- New mechanism to calculate license fee based on sales with commercial terms better reflecting scope and scale of future business
- Continued access to technology, marketing materials and pipeline to world-leading R&D and innovation for the Tork, TENA and Libra brands

## Director changes

- Following an internal promotion within Essity, Robert Sjostrom has resigned as a Director of Asaleo Care
- Marie-Laure Mahé, Essity's Commercial Director: France and Belgium for Consumer Goods, has been appointed as a Director of Asaleo Care
- Marie-Laure's extensive experience in consumer sales/marketing in Europe and Essity personal care will be valuable given Asaleo Care's increased personal care focus

# Business to Business (B2B) Performance

## Investing for Growth

### Significant Investment in:

- Launch of new innovative proprietary 'Hero systems'
- Sales field force
- New converting equipment to deliver improved quality, cost competitiveness and range extension

TENA revenue up 5.1%

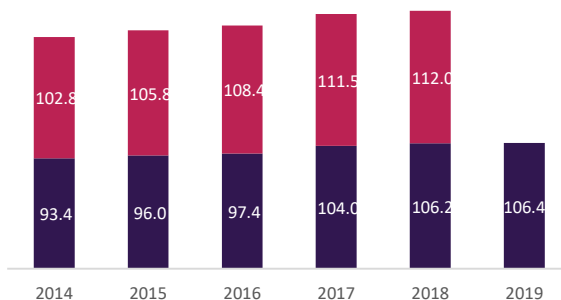
### Tork Professional Hygiene:

- Revenue marginally down (1%) despite exiting two high volume, low margin contracts post price increase
- Margin adversely impacted – high pulp costs and production shuts to install new asset
- Pulp price easing to benefit P&L in H2



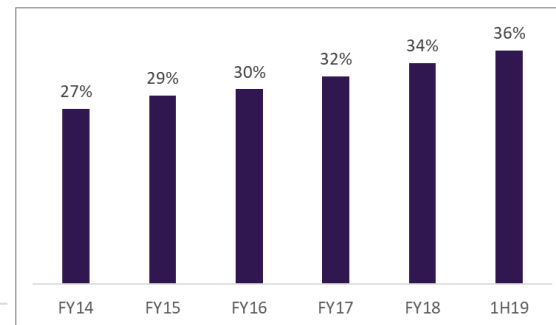
\$m	1H19	1H18*	△ %
Revenue	106.4	106.2	0.2%
Underlying EBITDA	20.8	24.0	(13.4%)
EBITDA Margin %	19.5%	22.6%	

### B2B – NSV \$AUD(m)



■ H1 ■ H2

### Hero Systems - % of Professional Hygiene Sales





# B2B Growth Initiatives

## Launch of world-leading innovation – TENA® Identifi, Tork EasyCube®



- **Insight** – Government and Industry focussed on improved healthcare outcomes (Aged Care Royal Commission, NDIS)
- **Action** – Launch of TENA Identifi: evidence-based data to improve continence care
- Tork EasyCube launched in NZ – 3 trial facilities now paying customers; Australian launched 2019, several trials in progress
- Strong Essity NPD pipeline to leverage future growth; Major Q4 launch of new, innovative system
- Significant investment in B2B sales resources to drive growth

### TENA Identifi



#### Record

During the 72-hour assessment period comfortable TENA Identifi™ Sensor Wear is used in place of other incontinence pads. These disposable products collect information about urine voids through integrated thread-like sensors. A reusable TENA Identifi™ logger records the filling of urine.



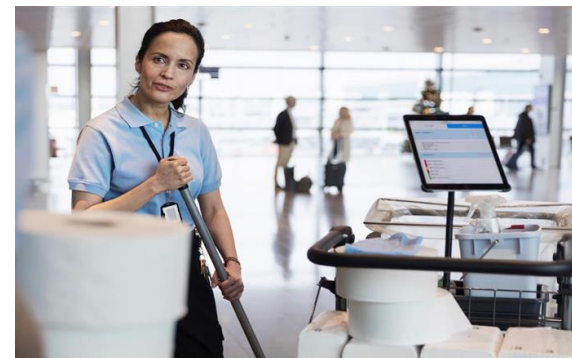
#### Transmit

The voiding information is automatically transmitted from the TENA Identifi™ logger to a secure web portal via an embedded mobile SIM card.



#### Report

Log onto the secure TENA Identifi™ website from any device or computer to access individual voiding reports and create individual care plans.

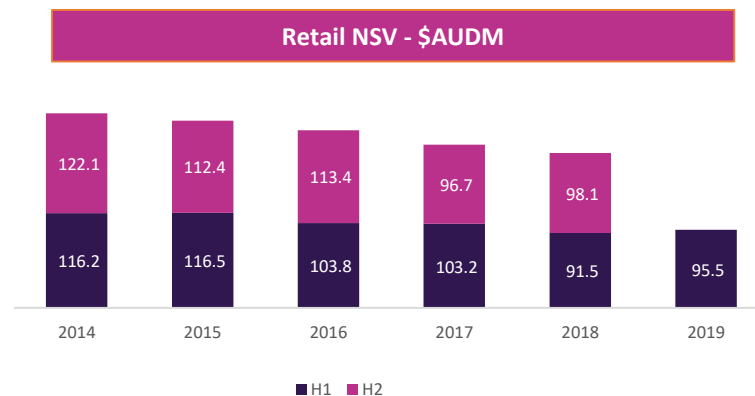


# Retail Segment Performance

## Volume and value growth across key categories

- Strong top line growth of 4.5%
- Incremental ranging achieved in major grocery channels
- Consumer Tissue NZ revenue up 16%
- Incontinence Retail (TENA) revenue up 4%
- Libra volume up 6%, value up 1% due to heavier promotional investment
- Increased investment to drive growth:
  - shopper promotional activity
  - brand advertising
  - key appointments
- High Pulp cost in H1 will ease to benefit P&L in H2

\$m	1H19	1H18*	△ %
Revenue	95.5	91.4	4.5%
Underlying EBITDA	18.6	18.8	(1.4%)
EBITDA Margin %	19.5%	20.1%	





# Retail Growth Initiatives

## Investing in our brands for long-term growth



- Significant increase in TENA NPD – launch of TENA Ultra Long Liners, Discreet Ultra Thin Pads and Coloured Pants
- Launch of unique Libra Girl tampon - designed for smaller bodies
- Libra in-store activation promotes Australian-made and 'Share the Dignity' collaboration
- Major Libra advertising campaign #Bloodnormal launched August 2019
- Key Sorbent NZ innovations ranged in 2018 delivers strong >10% sales in 2019
- Launched new Handee Max 3-ply in NZ – most absorbent paper towel in NZ; Awarded Gold by Black Box members

### H1 NPD - Incontinence (Tena)



### Feminine Care (Libra)



New Libra Girl Tampon



In-store activation



New #Bloodnormal campaign

### Consumer Tissue New Zealand



New luxury Thick and large – King size sheets – bigger than any other brand



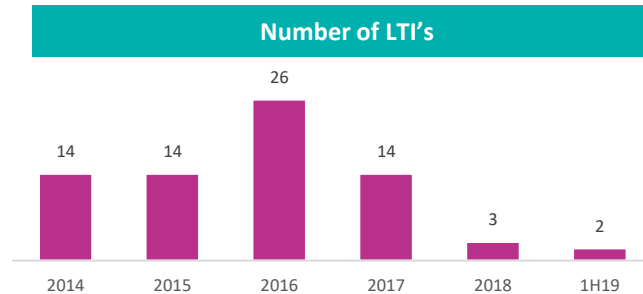
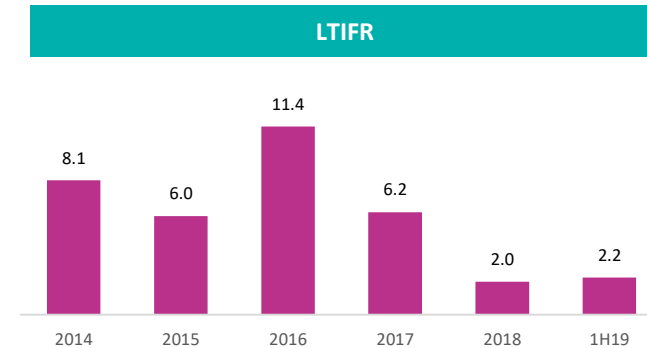
New Handee Max premium 3 ply – most absorbent towel in NZ

# Safety

## Continued Focus and Investment



- Over 15% of maintenance CAPEX in continuing operations invested in safety initiatives in the last 24 months
- Investment in new converting asset in NZ introduces new technology with higher safety standards
- Random drug and alcohol testing being rolled out across all sites, all employees
- Asaleo Care was a finalist in the 2019 Endeavour Awards for Safety Solution of the Year recognising an operator-led manual handling solution



- **LTIFR:** Lost Time Injury Frequency Rate (no. of lost time injuries per million hours worked)
- Statistics based on rolling 12 months
- Statistics exclude Box Hill manufacturing site for 2018 and 2019

# Corporate Social Responsibility

## Living our purpose of Care, Comfort and Confidence every day



### Community

Ronald McDonald House Charities

- Cash and product donations
- Staff volunteering

Share the Dignity - providing feminine care products for women in need

- Product donation
- Building awareness by co-branding with Libra

### Sustainability

- Major NZ investment in converting equipment that improves efficiency and reduces waste
- NZ Treasures Care nappies – made using FSC pulp and packaging made from 51% sugar cane

### Advocacy

- Submission to the Aged Care Royal Commission on continence management



Asaleo Care has been a proud supporter of RMHC for +15 years



JOIN THE CAMPAIGN  
FOR DIGNITY



In-store activation in partnership with Share the Dignity



Asaleo Care will submit a White Paper to the Royal Commission into Aged Care Quality and Safety, specifically on Continence Care



New Treasures Care – the first step in our sustainability story. Launch August 2019



# Financials

Half Year Results 2019

**Campbell Richards**

Chief Financial Officer

20 August 2019



# Financial Performance



- Year on year revenue growth driven by Retail segment, B2B flat
- Gross margins challenged by higher pulp costs, increased investment in trade activity, partly offset with lease accounting change
- Distribution costs higher due to increased sales volume slightly offset with lease accounting change
- SM&A costs higher due to increased spend on Advertising & Promotion and investment in incremental resources to drive sales growth

\$m	Underlying 1H19	Underlying* 1H18	%
<b>Revenue from continuing operations</b>	<b>202.0</b>	<b>197.6</b>	<b>2.2%</b>
Cost of Sales	(125.2)	(113.9)	9.9%
<b>Gross profit</b>	<b>76.8</b>	<b>83.7</b>	<b>-8.2%</b>
Distribution expenses	(21.7)	(21.1)	2.8%
Sales, Marketing & Admin	(25.3)	(24.5)	3.3%
Other Income/expenses	(2.6)	(3.3)	-21.2%
<b>EBIT</b>	<b>27.2</b>	<b>34.8</b>	<b>-21.8%</b>
add: Depreciation and Amortisation	12.2	8.1	50.6%
<b>EBITDA</b>	<b>39.4</b>	<b>42.9</b>	<b>-8.2%</b>
Depreciation and Amortisation	(12.2)	(8.1)	50.6%
Net Finance Costs	(7.4)	(6.5)	13.8%
<b>Underlying NPBT</b>	<b>19.8</b>	<b>28.3</b>	<b>-30.0%</b>
Income Tax Expense	(5.5)	(7.6)	-27.6%
<b>Underlying NPAT</b>	<b>14.3</b>	<b>20.7</b>	<b>-30.9%</b>
Non-recurring (expenses)/benefit	(3.7)	(38.5)	N/A
Income tax benefit/(expense) non-recurring	1.1	7.2	N/A
<b>Statutory NPAT Continuing Operations</b>	<b>11.7</b>	<b>(10.6)</b>	<b>N/A</b>
Gain on sale of Consumer Tissue Australia	7.4	0.0	
(Loss)/Profit from discontinued operation	(11.8)	(90.9)	N/A
<b>Statutory (NLAT)/NPAT</b>	<b>7.3</b>	<b>(101.5)</b>	<b>N/A</b>

# Reconciliation of Underlying Continuing NPAT to Statutory NPAT

## Non-Recurring Costs:

- **Gain on Sale of Consumer Tissue Australia:** does not include environmental indemnity (capped at \$9M) or a favourable working capital adjustment of up to \$6.2m – to be finalised H2 FY19
- **NZ Manufacturing Investment:** costs associated with removal / relocation of equipment, new equipment training and obsolete asset write-off
- **Restructuring Costs:** represents redundancy costs from permanent reduction in NZ diaper production

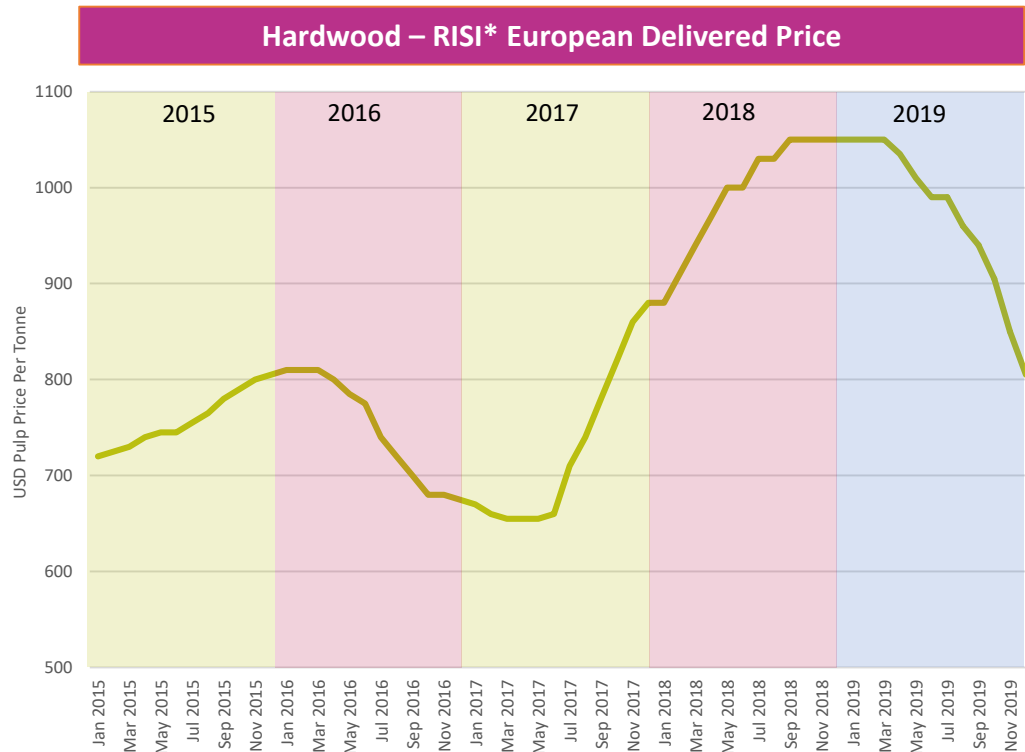
\$m	1H19	1H18
<b>Underlying Continuing NPAT</b>	<b>14.3</b>	<b>20.7</b>
NZ manufacturing investment	(3.4)	(3.3)
Restructuring costs	(0.3)	(2.7)
Impairment losses		(27.3)
Inventory write-down		(5.0)
Strategic review cost		(0.2)
Tax Benefit	1.1	7.2
<b>Statutory NPAT Continuing Operations</b>	<b>11.7</b>	<b>(10.6)</b>
Gain on sale of Consumer Tissue Australia	7.4	
(Loss)/Profit from discontinued operation	(11.8)	(90.9)
<b>Statutory NPAT</b>	<b>7.3</b>	<b>(101.5)</b>

# Pulp price decline to benefit margins in H2 2019

- Pulp exposure halved with sale of Consumer Tissue Australia
- 6-month lag of pulp pricing into COGS still holds
- Continue to source and use high quality FSC certified pulp in all paper products manufactured
- Declining pulp pricing to benefit margins in H2 FY19

**Indicative impact of US\$ pulp price changes** – a ~6 month lag from pulp purchase price being set to pricing reflected in Cost of Sales has been taken into consideration

\* Source: Risi, Inc. The price Asaleo Care pays is subject to commercial arrangements that impact price. Asaleo Care primarily sources Softwood from Canada and New Zealand and Hardwood from South America.





# Significant debt reduction with sale of Consumer Tissue Australia

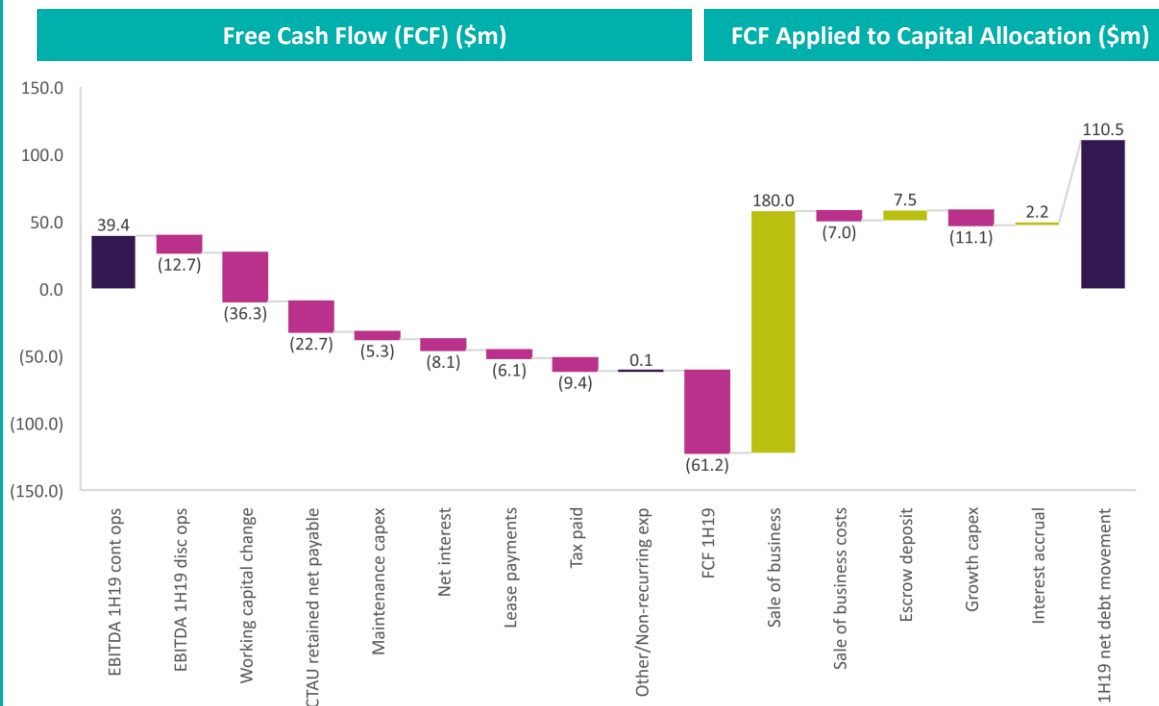


## Free Cash Flow (FCF)

- FCF of (\$61.2m)
- Significant working capital payments made during H2 FY19
  - Unwind FY18 working capital initiatives
  - Retained Consumer Tissue Australia net trade payables at date of sale

## Cash Flow Applied to Capital Allocation:

- Purchase of new converting machine operational in H2 FY19
- Consumer Tissue Australia business sale costs relates to escrow receipt offset by transaction costs



# Reduced leverage ratio highlights strong balance sheet



## Leverage Ratio\*

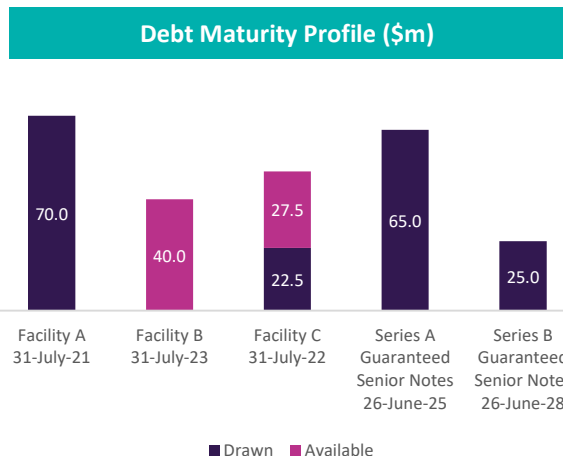
- Leverage ratio at 30 June 2019 is 2.1x (31 December 2018 3.25x)

## Net Debt Movement:

- Decrease of \$110.4m to \$151.9m at 30 June 2019 (Dec-18: \$262.4m)

## Facilities

- Consumer Tissue Australia sale proceeds applied to reduce debt - total debt facilities reduced from \$400m to \$250m
- Number of lenders in the syndicated facility have reduced from 5 to 3



Net Debt (\$m) as at 30 <sup>th</sup> June 2019	
Total Facilities	250.0m
Drawn Debt	182.5m
Cash & Cash Equivalents	30.6m
<b>Net Debt</b>	<b>151.9m</b>

# Capital Expenditure

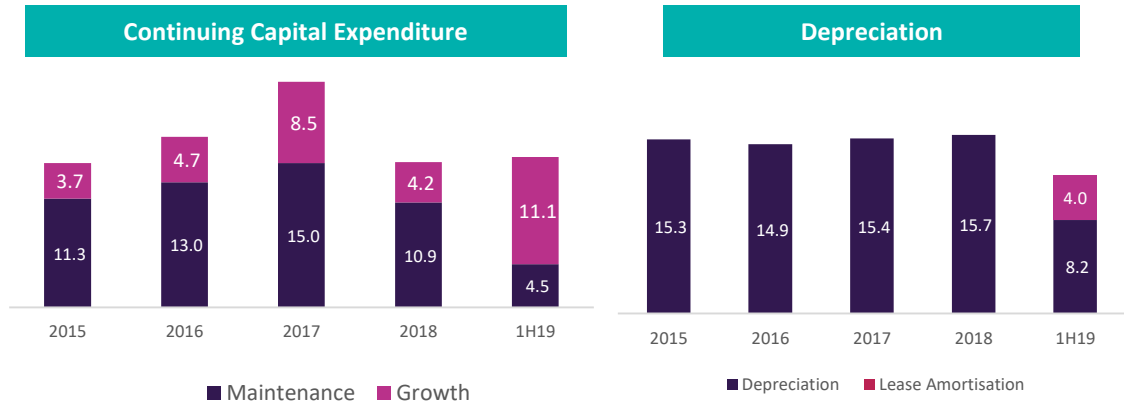
## Major investment in new NZ converting asset

### Capital Expenditure

- Growth CAPEX - new converting equipment in Kawerau NZ being commissioned, operational in Q4 FY19

### Depreciation:

- Continuing operations depreciation relatively consistent with an average annual charge of \$15.3m
- 1H19 depreciation in-line with average
- Lease Amortisation now included in depreciation



# Summary - Performance on track

- Financial performance in line with expectations
- Significant debt reduction - strong Balance Sheet
- Essity license agreement finalised, affirming long term commitment
- Renewed consumer and customer focus driving growth



# Outlook - Focus on strategy execution



## Our Strategy

### OUR PURPOSE

Care, comfort and confidence every day

### OUR VISION

#1 Personal Care and Hygiene in Australasia

### OUR STRATEGIC PILLARS



Targeted Sales Growth



Differentiated Offer



Supply Chain Excellence



Exceptional People

Sustainable long-term growth  
Adaptive customer/consumer focus

# Outlook – Full Year FY19 unchanged



## **Underlying EBITDA (Continuing Operations)**

- EBITDA in the range of \$80m to \$85m
- USD pulp price easing in H2, partially offset by weaker AUD
- H1 v H2 split returning to long term trend with stronger H2
- Increasing level of brand investment in H2

## **Free Cashflow**

- H2 back to positive cashflow
- Full year free cashflow is expected to be minimal after unwinding FY18 tactical working capital initiatives and investment in strategic capex

## **Capital Management**

- No FY19 interim dividend declared