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(ASX: MCP)

McPherson's Trading Update

Revised forecast for Dr. LeWinn's export sales and inventory provision

FY22 Group sales expected to grow between 6% - 8% on FY21

McPherson's Limited ("McPherson's" or "Company") has concluded an updated review of its 1H22 and FY22 trading expectations.

The Company's FY21 results release noted that improved FY22 performance was subject to Dr. LeWinn's returning to growth in China and no significant interruption of supply chain or significant economic impact resulting from COVID lockdowns. Disappointingly sales of Dr. LeWinn's product to China are significantly below expectations, with cross-border e-commerce distribution into China not showing signs of improvement in the near future.

Following efforts to secure sales in China through a variety of strategies, the Company has now concluded that there will be no material improvement in the short-term and is not expecting any material profit contribution from its trading in China in FY22. Consequently, the Board has determined that it will be prudent to incur a one-off provision in the range of \$8 million to \$10 million in relation to excess Dr. LeWinn's inventory (and associated costs) that was acquired in 2019 and 2020 specifically to satisfy anticipated demand from China.

While various options are being explored to sell the excess Dr. LeWinn's inventory, the scale of the provision reflects a desire to maintain the health of the brand and reduce the adverse impact of substantial discounting in market. As this provision has arisen because of a fundamental change in the cross-border market and the recognition by the Company of a requirement to restructure the approach to selling Dr. LeWinn's in China, the provision will be classified as a non-recurring, significant item and will be excluded from the Group's underlying earnings.

The Company is however pleased to report the strength and material improvement in its domestic operations where Company owned brands continue their growth trajectory into FY22. Year to date sales growth of core brands Manicare and Swisspers are approximately 18% and 30% respectively, and low single-digit sales growth in Multix and Lady Jayne have been recorded.

Based on current trends:

- (i) Total sales growth in the range of 8% to 10% is forecast in 1H22 (1H21: \$101.7 million). 1H22 underlying profit before tax is expected to be between \$0.4 million to \$0.7 million below 1H21 (1H21: \$7.1 million), excluding the non-recurring provision mentioned above and other non-recurring items of approximately \$1.0 million; and
- (ii) Sales growth in the range of 6% to 8% is forecast for the full financial year FY22 (FY21: \$200.5 million). FY22 underlying profit before tax is expected to be in the range of \$1 million to \$2 million above FY21 (FY21: \$10.1 million), excluding the non-recurring items noted above.

2H22 underlying profit before tax is projected to be positively impacted by a more favourable FX hedging result and the full effect of various cost reduction initiatives, including a reduction in the executive team headcount, and productivity improvements in the Kingsgrove distribution centre.



Reflecting the inclusion of the above non-recurring items:

- (i) 1H22 statutory loss before tax is forecast to be in the range of (\$2.5 million) to (\$4.5 million), (1H21: statutory profit before tax was \$1.6 million); and
- (ii) The full financial year FY22 statutory profit before tax is forecast to be in the range of \$1 million to \$3 million (FY21: statutory loss before tax of (\$4.5 million)).

Maintenance of Strong Balance Sheet

The Group's balance sheet remains strong with net bank debt at 30 June 2022 forecast to be similar to that recorded at 30 June 2021 (FY21: \$8.4 million). Based on the trading period to 31 October 2021 and the Company's visibility on the performance of core brands, underlying cash conversion is also forecast to be in the range of 85% to 90% in FY22.

Annual General Meeting

A more detailed update, including progress on the Operational Review initiatives outlined in May 2021, will be provided at the Company's virtual Annual General Meeting which is being held on-line at 11.00 a.m. on 23 November 2021.

The URL to access the Annual General Meeting is: <https://web.lumiagm.com/371792891>

Authorisation

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

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About McPherson's Limited

McPherson's, established in 1860, is a leading supplier of Health, Wellness and Beauty products with operations in Australia, New Zealand and Asia. McPherson's markets and distributes beauty care, hair care, skin care, vitamins, supplements, 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 revenue is primarily derived from its diversified portfolio of owned, market-leading brands, including Dr. LeWinn's, A'kin, Manicare, Lady Jayne, Swisspers, Multix, Fusion Health, Oriental Botanicals, Moosehead and Maseur. McPherson's also manages several brands for agency partners.

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