

ASX Release

6 December 2018

Asaleo Care announces \$180 million sale of Australian Consumer Tissue business and 5-year extension of License Agreement with Essity

- **\$180 million sale of Australian Consumer Tissue business**
- **In principle Agreement to 5-year extension of Trade Mark and Technology License Agreement with Essity to 2027**
- **The Company will retain its Australasian Personal Care and B2B operations, as well as the Consumer Tissue business in New Zealand and Pacific Islands**
- **Retained businesses have better margins, lower capital intensity, and strong cash flow**
- **The sale is expected to improve EBITDA margin and be accretive to Group FY19 EBITDA forecast**

1. Sale of Australian Consumer Tissue

Asaleo Care today announced the sale of its Australian Consumer Tissue business to Solaris Paper Pty Ltd. Under the terms of the transaction¹, Solaris Paper has agreed to pay Asaleo Care \$180 million, resulting in a book profit on sale of between \$15-20 million. The Australian Consumer Tissue business includes leading brands Sorbent toilet and facial tissue, Handee Ultra paper towel, and Deeko serviettes and disposable tableware.

The Company will retain its Consumer Tissue business in New Zealand, including Purex toilet tissue, Sorbent toilet and facial tissue and Handee towel. It will also retain its Consumer Tissue business in Fiji and Pacific Islands, which distributes the Orchid and Viti brands for toilet, towel and facial tissue, and serviettes.

Solaris Paper is an Australian operated company that distributes high quality toilet and tissue paper products throughout the Australasia region to both the Retail and Away From Home markets. They have a converting facility in Sydney and are part of a global organisation vertically integrated from the manufacture of pulp through to the conversion of finished tissue products.

The transaction value represents a multiple of over 10x pro forma EBITDA² reflecting strong historic profitability and the underlying value of the Box Hill property despite current year earnings being

¹ Transaction is structured as a sale of the shares in the company that operates the Australian Consumer Tissue business.

² Pro forma adjustments to current year EBITDA relate primarily to pulp prices, trade spend and standalone carve-out adjustments



materially lower than in recent years. The sale is expected to be completed during the first quarter of 2019, and is not expected to encounter any competition issues.

On announcing the sale, Asaleo Care Chairman, Mr Harry Boon, said: “The decision to divest the Australian Consumer Tissue business flows from the comprehensive strategic review initiated by the Company in the first half 2018. This transaction represents a win-win, with significant strategic value for both companies, and positions both well for future growth. The sale will enable us to concentrate on our core, higher margin and less capital-intensive businesses in Personal Care and B2B, and continue to innovate and invest in our brands for long-term growth.”

CEO and Managing Director, Mr Sid Takla, said: “The objectives of the strategic review were firstly, to drive profitable growth through our brands by being more consumer and customer focused and second, to build a resilient business model that delivers sustainable, long-term growth. We believe this transaction delivers on both objectives. The core Personal Care and B2B brands and businesses offer higher margins, stronger sales growth and less volatile returns.

Proceeds from the sale will significantly strengthen the Group’s balance sheet, reduce net debt and improve the Company’s leverage ratio. Following completion of the transaction, the Company’s leverage ratio is expected to be at the bottom of our target range of 1.5 x to 2.5x,” said Mr Takla.”

An update on the payment of dividends will be provided with the Full Year results in February 2019.

2. Extension of license agreement with Essity

Asaleo Care has secured in principle agreement for a 5-year extension to its Trade Mark and Technology Licensing Agreement (TMTLA) with Essity to 2027. The TMTLA provides technology, marketing and sales rights for the Tork and Tena brands, and a pipeline to world-leading research, development and innovation for all of our brands. Tork is the world’s number one professional hygiene brand and TENA is the global leader in products for incontinence.

3. Future business profile

Asaleo Care will continue to be a market leader in Personal Care and Professional Hygiene across Australasia. It will also retain its cost competitive consumer tissue business in New Zealand and the Pacific Islands. Over half of future revenue will be generated from the B2B channel which has grown strongly over recent years and where Asaleo Care is the market-leader in Australasia.

Cash generation will also be stronger as the Australian Consumer Tissue business has historically consumed some 30% of the Group’s capital spending. This will support continued investment in Personal Care and Professional Hygiene in Australasia, with its highly recognisable brands of Libra, TENA, and Tork.

Webcast

Asaleo Care will hold a webcast at 10:30 am AEST today – details are:

<http://streamcast.com.au/asaleo/06Dec18/>

– ends –

About Asaleo Care

Asaleo Care is a leading personal care and hygiene company that manufactures, markets, distributes and sells Personal Care and Tissue products. Asaleo Care's portfolio of market-leading brands includes Sorbent, Handee Ultra, Deeko, Purex, Libra, Treasures, TENA, Tork, Viti and Orchid. The Company has 16 manufacturing and distribution facilities throughout Australia, New Zealand and Fiji and employs 1,000 people.

INVESTORS:

Lyndal York, Chief Financial Officer

P: +61 3 9258 0715

E: lyndal.york@asaleocare.com

MEDIA:

Sandi Harwood, Corporate Communications Manager

M: +61 411 027 006

P: +61 3 9258 0634

E: sandi.harwood@asaleocare.com

Asaleo Care Limited

Alisa Street, PO Box 117 Box Hill Victoria, 3128

ABN 61 154 461 300 www.asaleocare.com



Strategic Review Update



Sid Takla – Chief Executive Officer and Managing Director

6 December 2018



Important Notice and Disclaimer

This presentation has been prepared by Asaleo Care Limited ACN 154 461 300 (**Company**). This presentation contains summary information about the Company, its subsidiaries and the entities, businesses and assets they own and operate (**Group**) and their activities current as at 3 December 2018 unless otherwise stated and the information remains subject to change without notice. This presentation contains general background information and does not purport to be complete. It has been prepared by the Company with due care but no representation or warranty, express or implied, is provided in relation to the accuracy, reliability, fairness or completeness of the information, opinions or conclusions in this presentation.

Not an offer or financial product advice: The Company is not licensed to provide financial product advice. This presentation is not and should not be considered, and does not contain or purport to contain, an offer or an invitation to sell, or a solicitation of an offer to buy, directly or indirectly, in any member of the Group or any other financial products (**Securities**). This presentation is for information purposes only.

Past performance: The operating and historical financial information given in this presentation is given for illustrative purposes only and should not be relied upon as (and is not) an indication of the Company's views on its future performance or condition. Actual results could differ materially from those referred to in this presentation. You should note that past performance of the Group is not and cannot be relied upon as an indicator of (and provides no guidance as to) future Group performance.

Future performance: This presentation contains certain "forward-looking statements". The words "expect", "anticipate", "estimate", "intend", "believe", "guidance", "propose", "goals", "targets", "aims", "outlook", "forecasts", "should", "could", "would", "may", "will", "predict", "plan" and other similar expressions are intended to identify forward-looking statements. Any indications of, and guidance on, future operating performance, earnings and financial position and performance are also forward-looking statements. Forward-looking statements in this presentation include statements regarding the Company's future financial performance, growth options, strategies and new products. Forward-looking statements, opinions and estimates provided in this presentation are based on assumptions and contingencies which are subject to change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions.

Forward-looking statements, including projections, guidance on future operations, earnings and estimates (if any), are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. No representation is given that the assumptions upon which forward looking statements may be based are reasonable. This presentation contains statements that are subject to risk factors associated with the Group's industry. These forward-looking statements may be affected by a range of variables which could cause actual results or trends to differ materially, including but not limited to earnings, capital expenditure, cash flow and capital structure risks and general business risks. No representation, warranty or assurance (express or implied) is given or made in relation to any forward-looking statement by any person (including the Company). In particular, but without limitation, no representation, warranty or assurance (express or implied) is given that the occurrence of the events expressed or implied in any forward-looking statements in this presentation will actually occur. Actual operations, results, performance or achievement may vary materially from any projections and forward-looking statements and the assumptions on which those statements are based. Any forward-looking statements in this presentation speak only as of the date of this presentation. Subject to any continuing obligations under applicable law, the Company disclaims any obligation or undertaking to provide any updates or revisions to any forward-looking statements in this presentation to reflect any change in expectations in relation to any forward-looking statements or any change in events, conditions or circumstances on which any such statement is based. Nothing in this presentation will under any circumstances create an implication that there has been no change in the affairs of the Group since the date of this presentation.

Non-IFRS terms: This presentation contains certain financial data that has not been prepared in accordance with a definition prescribed by Australian Accounting Standards or International Financial Reporting Standards, including the following measures: EBITDA, EBITDA margin. Because these measures lack a prescribed definition, they may not be comparable to similarly titled measures presented by other companies, and nor should they be considered as an alternative to financial measures calculated in accordance with Australian Accounting Standards and International Financial Reporting Standards. Although the Company believes that these non-IFRS terms provide useful information to recipients in measuring the financial performance and the condition of the business, recipients are cautioned not to place undue reliance on such measures.

No liability: The Company has prepared this presentation based on information available to it at the time of preparation, from sources believed to be reliable and subject to the qualifications in this document. To the maximum extent permitted by law, the Company and its affiliates, related bodies corporate (as that term is defined in the Corporations Act), shareholders, directors, employees, officers, representatives, agents, partners, consultants and advisers accept no responsibility or liability for the contents of this presentation and make no recommendations or warranties. No representation or warranty, express or implied, is made as to the fairness, accuracy, adequacy, validity, correctness or completeness of the information, opinions and conclusions contained in this presentation. To the maximum extent permitted by law, the Group does not accept any responsibility or liability including, without limitation, any liability arising from fault or negligence on the part of any person, for any loss whatever arising from the use of the information in this presentation or its contents or otherwise arising in connection with it.

Strategic Review

Action taken for long-term success

- Clear objectives set out for the review:
 - Driving profitable growth through our brands by being more consumer and customer focused
 - Build a resilient business model that delivers sustainable, long-term growth
- Range of options considered
- Successful outcomes that deliver on key objectives:
 - Divestment of Australian Consumer Tissue business for \$180 million
 - In principle agreement for a 5-year extension of Trade Mark and Technology Licensing Agreement (TMTLA) with Essity to 2027

Divestment of Australian Consumer Tissue Business

Strong outcome delivered for Asaleo Care shareholders

Transaction Overview

- Sale of Australian Consumer Tissue business to Solaris Paper for \$180 million (Transaction)
- Transaction multiple of over 10x pro forma EBITDA¹ – reflecting strong historic profitability and the underlying value of the Box Hill property, despite current year earnings being materially lower than recent years
- Asaleo Care to recognise a book profit on sale of between \$15-20 million
- Transaction expected to complete Q1 2019
- Consumer Tissue business in New Zealand and the Pacific Islands retained
- Personal Care and Professional Hygiene businesses retained across Australasia

Use of Proceeds

- Proceeds will significantly strengthen the balance sheet
- Sale enables Asaleo Care to concentrate on its core, higher margin, less capital-intensive businesses in Personal Care and B2B and continue to innovate and invest in Asaleo Care's brands for long-term growth
- Net debt reduction expected to improve the leverage ratio.
- Following completion of the transaction the leverage ratio is expected to be at the bottom of Asaleo Care's target range of 1.5x – 2.5x
- Dividend policy update to be provided at full year result in February 2019

Extension of Essity License Agreement

License extended until 2027 for market leading Tork and TENA brands

Agreement Highlights

- In principle agreement for a 5-year extension of Trade Mark and Technology Licensing Agreement (TMTLA) with Essity to 2027, subject to agreement on the commercial terms

- The TMTLA provides technology, marketing and sales rights, and a pipeline to world-leading research, development and innovation for the Tork and TENA brands

Market Leading Brands



World's Number One Professional Hygiene Brand



Global Leader in Incontinence Products

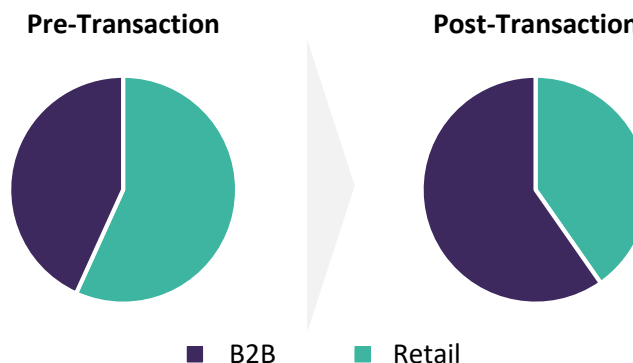
Future Business Profile

Enhanced focus on higher margin Professional Hygiene and Personal Care businesses

Key Takeaways

- Asaleo Care will continue to be a market leader in Personal Care and Professional Hygiene across Australasia
- Cost competitive consumer tissue business retained in New Zealand and the Pacific Islands
- Over half of Asaleo Care's revenue will be generated from the Business-to-Business channel which has grown strongly over recent years and where Asaleo Care is the market-leader in Australasia
- Asaleo Care will continue to invest in its Personal Care and Professional Hygiene businesses with its highly recognisable brands of Libra, TENA and Tork
- Asaleo Care EBITDA margin expected to improve as a result of the Transaction and be accretive to Group FY19 EBITDA forecast
- Stronger cash generation due to reduced capex spend and working capital requirements

Illustrative FY18 NSV Split



Cash Requirements

