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ASX/media release **(ASX: MCP)**

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McPherson's 1H 2013 NPAT $10.9 million

- **Results in line with guidance**
- **1H sales 6.5% above prior period**
- **Interim dividend of 10 cents per share**
- **Another acquisition successfully integrated and synergies achieved**
- **Operational excellence initiatives on track**

McPherson's Limited, the consumer products company, today announced an after-tax profit of $10.9 million for the six months to 31 December 2012. This compares with $11.7 million from continuing operations[1] for the previous corresponding period and is in line with guidance provided at the annual general meeting in November 2012.

Sales revenue from continuing operations increased by 6.5% to $153.2 million from $143.9 million.

The directors have declared an unchanged interim dividend of 10 cents per share fully franked, consistent with the company's policy to distribute at least 60% of net profit before amortisation. The dividend will be paid on 11 April 2013 to shareholders on the register at 25 March 2013. The dividend re-investment plan remains in place with a discount of 2.5%.

Results summary for six months ended	**31 Dec 11[1] ($ million)**	**31 Dec 12 ($ million)**	**Change (%)**
Sales revenue	143.9	153.2	6.5
EBITDA	20.7	19.8	(4.5)
EBIT	19.4	18.5	(4.8)
Net profit before tax	16.6	15.3	(7.9)
Net profit after tax	11.7	10.9	(6.4)
Earnings per share (cents)	16.1	15.0	(6.8)
Interim dividend (cents) – fully franked	10.0	10.0	-

[1] Continuing operations exclude the printing business demerged in January 2012 and the costs of the demerger

‘This solid result demonstrates the resilience of our product range at a time when consumer spending on discretionary items has been weak,’ said Paul Maguire, managing director. ‘We have taken significant steps to increase the productivity and efficiency of all aspects of our operations, while continuing to strengthen our brands and product portfolio, and the company is well placed to benefit as consumer confidence improves.

‘Revenue growth was underpinned by a 36% increase over the previous corresponding period in sales of our **Personal Care** products, helped by the acquisitions of the Moosehead and Da Vinci brands (Cosmex International) in January 2012 and the Footcare brand in August 2012. Excluding these acquisitions, the introduction of new products enabled us to increase sales in our personal care range by an aggregate of 10%. Personal care products contributed 33% of the company’s revenue.

‘**Household Consumable** products accounted for 34% of company revenue. The market-leading brand, Multix, maintained its leadership position, with a 2% increase in sales revenue.

‘**Housewares**, which are marketed under the Wiltshire, Stanley Rogers and complementary agency brands, contributed 28% of company revenue. Sales revenue declined by 6% due to the net effect of retailer range rationalisation, but higher sales are expected in the second half following a major launch of new ranges, resulting from a strong platform of innovation.

‘Revenue from the **Impulse Merchandising** business, which accounted for 5% of company revenue, declined by 15% due to the net effect of distribution changes. New opportunities are being pursued with a major retailer,’ said Mr Maguire.

Achieving operational excellence

The company has introduced a quality management program throughout its operations, with the aim of improving productivity, customer service and profitability and facilitating the integration of future acquisitions. This has already resulted in significant process improvements and assisted in establishing a culture of continuous improvement, with all members of the extended leadership team completing both leadership and quality management training.

The introduction of a mobile Customer Relationship System for the field team in September 2012 has increased field force productivity, and warehousing changes completed in January 2013 have streamlined operations, creating capacity for 2000+ additional product lines and reducing costs by $0.5 million per annum.

The ERP system upgrade in Australia will be finalised by April 2013 and rolled out to the New Zealand, Hong Kong and Singapore offices later in the calendar year, resulting in improved efficiency. A new Forecast Sales & Operations Planning system to be implemented from May 2013 will improve inventory management and reduce working capital.

Other initiatives currently underway that will improve performance include a revised ‘new product development’ process to increase the success rate of new product launches; a review of alternative low cost, high quality sourcing options; and an inventory review aimed at ensuring the retention of profitable product lines only.

Cash flow, balance sheet and hedging
Operating cash inflow before interest and tax was $8.1 million, reflecting the normal pattern of higher debtor receipts in the second half of the financial year. Cash inflow before interest and tax for the full year is expected to be in line with underlying earnings before interest and tax. Capital expenditure on property, plant and equipment was in line with depreciation.

Net debt at 31 December 2012 was $85.2 million compared with $76.7 million at 30 June 2012. The gearing ratio (net debt / total funds employed) was 32.2%, within the company's target range.

The company's debt facility was refinanced in December 2012. The new facility consists of an amortising three-year term debt of $81 million, a working capital facility of $35 million and an acquisition facility of $15 million.

The company's foreign exchange hedging policy remains unchanged. Estimated USD requirements are hedged eight months forward on a rolling basis, utilising options, foreign exchange contracts and collars.

Outlook
Mr Maguire said: 'While trading conditions are expected to remain challenging, significant new product launches, combined with efficiency and productivity gains, are expected to result in an improvement in second half earnings compared with the second half of FY 2012.

'We are continuing to pursue additional growth opportunities through complementary acquisitions, new agency agreements, further product innovation and growth in international sales.'

About McPherson's
McPherson's, established in 1860, is a leading marketer of personal care, housewares and household consumable products in Australia and New Zealand, with operations in Asia. Existing product ranges include beauty care; hair care; skin care; kitchen utensils such as cutlery, kitchen knives, bakeware and cookware; and kitchen essentials such as plastic bags, baking paper, cling wrap and aluminium foil. The company owns and markets a portfolio of market-leading brands, including Manicare, Lady Jayne, Swisspers, Moosehead, Footcare, Wiltshire, Stanley Rogers and Multix.

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