



# McPherson's Limited

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**McPHERSON'S LIMITED**  
**CHAIRMAN'S ADDRESS by MR GRAHAM CUBBIN**  
**ANNUAL GENERAL MEETING 18 NOVEMBER 2015**

Good morning. I am pleased to welcome you to this, my first AGM as Chairman of McPherson's. As many of you would know, I have been involved with McPherson's as a Non-Executive Director for five years. I now welcome the opportunity to contribute in the role of Chairman.

The reported results for financial year 2015 were disappointing and unfortunately continued a trend of underperformance over the past few years. We have faced some very challenging headwinds, including a rapidly depreciating Australian currency and an intensely competitive retail environment. Despite an enormous effort from management, it has not been possible to fully off-set the adverse impacts of these variables on profit. On behalf of your Board I take this opportunity to apologise for this poor financial performance.

However, I recognise that an apology is little comfort if not accompanied by action. A number of actions, both strategic and operational, have already been put in place and I am pleased to advise you that we are already seeing good outcomes from these actions. I can assure shareholders that both the Board and management are aligned, focused and working extremely hard with the singular goal of improving our financial performance as quickly as possible. I am also confident that we have the optimum platform in place to achieve future profit growth.

Paul Maguire, Managing Director, will explain in his address that we have a clear strategy for growth, focused on strengthening our presence in Health & Beauty as well as improving our balance sheet. Significant progress is being made by management in transforming the company and Paul will update you on our most recent operational and strategic initiatives.

To support the pursuit of our strategic imperatives, in March 2015 the company issued two \$30 million tranches of corporate bonds with tenures of four years (floating interest) and six years (fixed interest), providing funding certainty over the medium term and adding diversity to the company's capital base. The funds raised were applied to extinguish secured term debt. Additionally, a new two year secured working capital facility was established.

In light of historically low interest rates, the company also took the opportunity to restructure its fixed interest rate hedging profile, establishing a new five year fixed interest rate swap agreement, which will reduce interest expenses in financial years 2016 and 2017, with a one-off non-cash expense of \$2.0 million having been taken up in financial year 2015.



The company's foreign exchange hedging policy remains unchanged, with estimated US dollar requirements hedged eight months forward on a rolling basis, using options, foreign exchange contracts and collars.

Our financial performance has improved in the first four months of this financial year and performance in the first half of 2016 is expected to be approximately in line with the prior corresponding period. If this run rate is maintained, it positions us well for the second half of financial year 2016 to improve significantly over the very disappointing prior corresponding period. It is too early in the year to quantify this increase but we will be in a position to do so when we announce the first half results in February 2016.

On behalf of the Board I would like to take this opportunity to thank all of the staff at McPherson's for their considerable efforts in repositioning the company both strategically and operationally during a very challenging year, and I would like to thank our shareholders for their continuing support.

I would also like to formally recognise the contributions of two departing directors and welcome two new directors to the Board. In February 2015 John Clifford retired from McPherson's Board following 12 years as a non-executive director, and in July 2015 David Allman retired from the Board following 20 years as a director, initially as managing director and since late 2011 as chairman. The Board thanks David Allman and John Clifford very much for their considerable contributions to the company.

In February 2015, Jane McKellar, an experienced director of both public and private companies in Australia and overseas, was appointed to the Board. Ms McKellar has an executive management background and possesses extensive customer and consumer focused brand, marketing and digital experience.

In October 2015, Patricia Margaret Payn, a highly knowledgeable and experienced non-executive director with experience as a member of audit and risk committees of both public and private companies, was appointed to the Board. Ms. Payn has more than 20 years experience both domestically and internationally leading the finance, strategic planning, operations, capital management and risk functions in large organisations. Please join me in welcoming our new directors.

Paul Maguire will now present the Managing Director's address.

***Paul Maguire Presents the Managing Director's Address***