

# McPherson's Limited

Results for 6 months to 31 December 2011

22 FEBRUARY 2012

Paul Maguire – Managing Director

Paul Witheridge – Chief Financial Officer



McPherson's

# Group Financial Summary for H1 2012

## Continuing Operations



	6 months to Dec 2010 (\$A million)	6 months to Dec 2011 (\$A million)	
Sales	158.4	143.9	9% Sales decline
EBITDA	27.9	20.7	
Depreciation & amortisation	(1.3)	(1.3)	
<b>EBIT</b>	<b>26.6</b>	<b>19.4</b>	27% EBIT decline
Interest	(4.0)	(2.8)	Interest cover 6.9 times
<b>NPBT</b>	<b>22.6</b>	<b>16.6</b>	
Tax	(6.8)	(4.9)	
<b>NPAT</b>	<b>15.8</b>	<b>11.7</b>	26% NPAT decline
Pre-tax operating cash flow **	20.6	9.5	
EPS from continuing operations (cents)	22.1	16.1	
EPS (cents) **	23.6	14.0	
Interim dividend (cents)	12.0	10.0	

\* December 2011 figures reflect the continuing operations i.e. exclude McPherson's Printing results and demerger / acquisition costs (net \$1.5m after tax).

\*\* December 2010 comparatives adjusted to exclude McPherson's Printing.

\*\* Inclusive of McPherson's Printing

# Balance Sheet

## Continuing Operations



	Dec 2010 (\$A million)	Dec 2011 (\$A million)	
Fixed assets (including intangibles)	186.6	186.3	
Net working capital (*)	101.3	93.9	<i>Reduced working capital</i>
Other	(44.0)	(31.1)	
	<b>243.9</b>	<b>249.1</b>	
Shareholders' funds	173.6	180.2	
Net debt (*)	70.3	68.9	
Total funds employed	<b>243.9</b>	<b>249.1</b>	
Gearing [Net debt / (Shareholders' funds + Net debt)]	29%	28%	<i>Gearing reduced marginally</i>
Group EBIT / Total funds employed	11%	8%	
ROSF (NPAT / Shareholders' funds)	9%	7%	

- December 2011 figures reflect the continuing operations i.e. exclude McPherson's Printing results and demerger / acquisition costs (net \$1.5m after tax).
  - December 2010 comparatives adjusted to exclude McPherson's Printing.
- (\*) Net working capital and net debt adjusted for change in accounting policy in relation to 1<sup>st</sup> days cash receipts.

# Consumer Products Trading Commentary



- Retail sales in the first half were subdued, with consumer confidence adversely impacted by cost of living increases and global economic uncertainty
- Discretionary retail purchases were adversely impacted by an increase in the overall savings rate, consumers reallocating what they spend their discretionary money on (e.g. holidays) and how they spend their money (e.g. on-line)
- Challenging retail trading conditions resulted in retailers requesting deeper discounting and greater support, and an increased emphasis on private label
- The appreciation in the Australian dollar, while assisting margins, lead to more intense competitor activity
- USD product cost pressures continued to be felt ex Asia

# Consumer Products Operations

- Operations in Australia, New Zealand, and Singapore
- Distributors in Canada and South Africa
- Highly professional sourcing operation in China
- Sophisticated logistics capability and large in-field presence
- Specialists in product development, with a stable of owned brands typically occupying the number one or number two position in the categories in which they compete; complemented by agency brands



# MCP Existing Product Categories

## Housewares



Bakeware, cookware, knives, kitchen gadgets, cutlery, dinnerware, glassware, and BBQ

## Personal Care



Beauty care, hair care and skin care

## Household Consumables



Bags, Wraps & Foil: products for food preparation, food storage and refuse disposal

## Impulse Merchandising



Everyday items for kids, babies, beauty, pets, cleaning and the kitchen

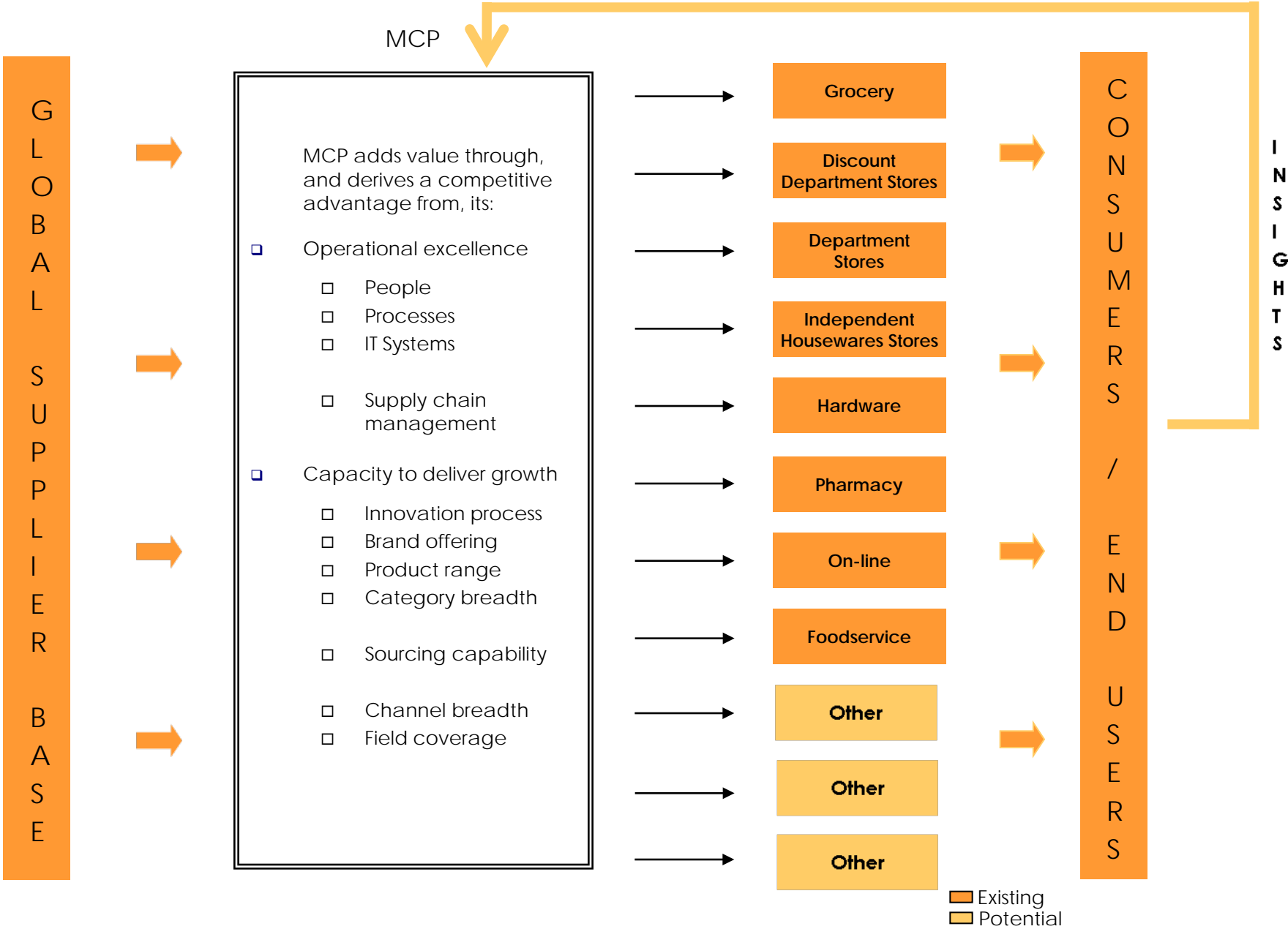
## Pet Care



Pet accessories and pet health & grooming products

• Strength through a multiplicity of products, brands, categories and channels

# McPherson's Consumer Products Business Model



# MCP Operational Excellence Strategies

## PRODUCTIVITY & EFFICIENCY

- Improve customer service, productivity and operational efficiency through the significant enhancement of IT Systems to enable the on-going automation of processes

## CULTURE

- Establish a culture of continuous improvement, and attract and retain high achievers, through the training and development of our people



# MCP Growth Strategies

## RENOVATION & INNOVATION

- Focused on both existing and new categories
- Lead by Product Marketing teams and a dedicated team for Innovation and Business Development

## AGENCY/LICENCE RECRUITMENT

- New agencies partnered with if their product offering complements MCP's existing portfolio, extends our presence and drives positive financial outcomes

## INTERNATIONAL EXPANSION

- Currently focused on South Africa, North America and Singapore, with scope to broaden our horizons

## ACQUISITIONS

- Targets evaluated for their potential to build scale, leverage existing infrastructure, provide synergies, and strengthen MCP's presence in existing (and new) categories, customers and channels

# Cosmex Acquisition

## Personal Care products (Hair & Beauty)



Acquired January 23<sup>rd</sup> 2012, Consideration \$5.8 million.  
Revenue \$16 million, Incremental EBIT \$2.5+ million annualised.

# Outlook

- Retail sales environment expected to remain challenging, with currency and raw material costs volatile at present; however the business will be managed accordingly
- Upward pressure on product costs ex China is expected to remain but sourcing initiatives will assist in managing this trend
- Continued emphasis on innovation and new product development will be maintained to underpin the strength of the brand portfolio
- Efficiency gains are expected from rigorous cost control & 'cost out' business initiatives
- Solid fully franked dividends are expected to continue
- McPherson's is now a 'pure play' consumer products company with a focused management team, a portfolio of well recognised brands, outsourced manufacturing capability, and a strong balance sheet – all of which supports growth via acquisitions