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McPherson's H1 results

McPherson's Limited, the consumer products and printing group, today announced an after-tax profit of $13.5 million for the six months to 31 December 2008, 13.5% below the previous corresponding period ($15.6 million). EBITDA was 8.2% lower at $26.8 million, while sales continued to grow and were up 8.8% to $186.8 million.

Net debt at 31 December 2008 was $122.8 million, representing 79% of shareholders' funds, up from 69% at 30 June 2008 due mainly to the increased value of inventory following the decline in the Australian dollar. Interest expense for the half was $5.2 million, compared with $4.8 million for the previous corresponding period. The Company's banking facilities extend to July 2011 and the company remains fully compliant with all covenants and other facility requirements.

Directors have decided not to declare an interim dividend. In the difficult prevailing economic and financial environment the preferred strategy is to conserve cash in order to reduce debt. The Directors will consider the payment of a final dividend at the appropriate time. The Company continues to enjoy substantial franking credits which will enable future dividends to be fully franked.

Results summary for the six months to	**31-12-07* ($ million)**	**31-12-08 ($ million)**	**% change**
Sales revenue	171.6	**186.8**	8.8
EBITDA (Earnings before interest, tax, depreciation and amortisation)	29.2	**26.8**	(8.2)
EBIT (Earnings before interest and tax)	26.4	**24.0**	(9.1)
Profit before tax	21.6	**18.8**	(13.0)
Profit after tax	15.6	**13.5**	(13.5)
Earnings per share – diluted (cents)	24.1	**20.9**	(13.3)
*Excluding non-recurring costs of $0.5 million pre-tax related to proposed printing joint venture			

Segment summary for the six months to	**Sales ($ million)**		**Trading EBIT ($ million)**	
	31-12-07	**31-12-08**	**31-12-07**	**31-12-08**
Consumer Products	136.2	**151.6**	26.4	**24.0**
Printing	35.5	**35.3**	1.9	**1.7**
Corporate/unallocated	(0.1)	**(0.1)**	(1.9)	**(1.7)**
Group	171.6	**186.8**	26.4	**24.0**

Consumer Products Division - EBIT $24 million

McPherson's produces a large range of consumer products, focused on its key brands Wiltshire (housewares), Manicare (beauty care), Lady Jayne (hair care), Multix (kitchen essentials) and Swisspers (skin care). The products are distributed through all major retailers throughout Australia and New Zealand, and in Asia. Manufacturing is outsourced to a range of countries, particularly China, and McPherson's has a major presence in Hong Kong and China focused on quality assurance and product sourcing. Most products are purchased in US dollars.

Despite tough economic conditions in the division's main markets of Australia and New Zealand, sales revenue increased by 11% compared with the previous corresponding period. Organic sales growth, excluding the impact of the Oneida and Mita acquisitions in February 2008 and November 2007 respectively, was 4%.

The decline in the value of the Australian dollar against the US dollar during the first half increased product costs by between 40% and 50% and, although the company was partly protected by currency hedging, this had a major negative impact on EBIT margins during the December quarter. Cash flow was also impacted due to the higher cost of inventory. Physical inventory has been reduced but, despite this, its value at 31 December 2008 was $9.5 million above 30 June 2008.

Management is restoring EBIT margins to previous levels through price increases, product cost reductions based on lower raw material costs, overhead reductions, and deletion of low margin products coupled with the introduction of new products at sustainable margins. The new product development program continues to work very well.

The company's US dollar requirements are now fully covered until August 2009, and further hedging will be put in place progressively.

Printing – EBIT $1.7 million

Sales revenue was in line with the previous corresponding period, but margins were lower due to a change in the revenue mix, reflecting the subdued market conditions, and cost increases resulting from the lower Australian dollar.

Management is focused on cost containment and efficiency gains through technology enhancements. Recent investment in new short-run equipment is expected to provide operational efficiencies and new business opportunities.

Outlook

'Second half trading to date has been reasonably solid, and the Consumer Products Division's earnings have begun to benefit from the profit improvement initiatives taken last year,' said David Allman, Managing Director. 'As a result, we now expect the company's earnings per share for the full year to be between 25 cents and 30 cents, compared with 25 cents anticipated at the annual general meeting in November.'

'Looking forward, the strength of our brands and our high proportion of non-discretionary products are expected to provide resilience in the current difficult trading environment.'

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