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ASX/Media Release **(ASX: MCP)**

24 February 2015

McPherson's 1H2015 underlying PBT [1] $13.0 million

(Statutory PBT $13.2 million)

- Full year outlook remains positive with FY2015 underlying pre-tax profit expected to be 5% to 10% higher than FY2014
- Health & Beauty division performing strongly and expected to contribute 40% of revenue in FY2015
- Housewares partnership with the Fackelmann Group performing to plan
- Net debt at 31 December 2014 25% lower than last year
- First half earnings adversely affected by fall in AUD/USD and lower than anticipated revenue in November
- Interim dividend of 6 cps fully franked, consistent with last year

McPherson's Limited today announced an underlying pre-tax profit[1] of $13.0 million for the six months to 31 December 2014 (1H2014: $14.8 million[2]). The company's statutory pre-tax profit was $13.2 million (1H2014: loss of $66.9 million[2]).

Reported sales revenue increased by 3.3% to $186.6 million. Excluding the Housewares division, which has been equity accounted from 1 November 2014 following the divestment of a 51% stake to the Fackelmann Group, sales revenue increased by 18.1% to $168.7 million.

Directors have declared an unchanged interim dividend of 6.0 cents per share fully franked, payable on 9 April 2015 to shareholders on the register at 23 March 2015. The dividend re-investment plan remains in place with a discount of 2.5%.

Results summary for six months ended	**31 Dec 13** [2] **($ million)**	**31 Dec 14 ($ million)**	**Change (%)**
Sales revenue	180.6	186.6	3.3
EBITDA (excluding non-recurring items)	19.6	17.7	(9.9)
Underlying EBIT[1]	18.2	16.3	(10.2)
Underlying profit before tax[1]	14.8	13.0	(12.1)
Underlying profit after tax[1]	10.6	9.3	(12.7)
Statutory (loss)/profit before tax	(66.9)	13.3	
Statutory (loss)/profit after tax	(70.1)	9.9	
Underlying earnings per share (cents)[1]	11.7	9.7	(17.1)
Statutory (loss)/earnings per share (cents)	(77.4)	10.4	
Interim dividend (cents – fully franked)	6.0	6.0	

[1] Underlying figures exclude the following significant non-recurring items before tax:
1H2015: $1.7m reduction in provision for contingent consideration; $1.4m restructuring costs; $0.1m acquisition costs
1H2014: $80.0m non-cash impairment of intangibles; $1.1m restructuring costs; $0.6m acquisition costs

[2] 1H2014 figures have been restated to reflect early adoption of AASB9 financial instruments

Paul Maguire, Managing Director, said: 'First half earnings were affected by two significant factors: lower than expected sales in November, and the rapid decline in the Australian dollar against the US dollar which, despite the benefit of hedging, materially increased the cost of goods. Higher product costs due to the adverse exchange rate, increased resin prices and higher Chinese manufacturing costs were unable to be offset fully by selling price increases.

'We are beginning to see the benefits of the company's substantial transformation through acquisitions, divestments and new agencies, with our Health & Beauty division achieving growth of 33.0% in revenue. This division is expected to contribute over 40% of group revenue in fiscal 2015, further increasing channel diversification and reducing our dependence on margin-constrained channels and our purchases in US dollars.

'We are continuing to review and refine all aspects of the company's operations. In September 2014 we transitioned our New Zealand business to the Group's upgraded IT system and outsourced logistics to an external service provider. The benefits of these changes, including back-office synergies and lower working capital, will begin to be realised in the second half.'

Divisional performance

Illustrating the effectiveness of the Group's strategy, the **Health & Beauty** division's revenue and earnings continued to increase strongly, generating a solid return on capital. This reflects the acquisition of the Dr LeWinn's and Revitanail brands and businesses in October 2013, and A'kin and Al'chemy in July 2014, as well as the new agency agreements entered into with Trilogy in June 2014 and Procter & Gamble Fine Fragrances in August 2014.

Sales of Fine Fragrances (under the Gucci, Dolce&Gabbana and Hugo Boss brands) were lower than expected in November, which adversely affected the first half result, but this was simply due to this new agency business being awarded to McPherson's too close to Christmas to gain significant shelf space in-store. Sales of these products have continued to grow at a solid pace and the outlook for these brands remains very positive.

The pharmacy channel is expected to contribute 24% of Group revenue in FY2015, compared with 17% in FY2014, reducing the company's reliance on the grocery channel. The Health & Beauty division's share of group revenue increased to 39% in 1H2015 from 31% in the previous corresponding period.

The performance of the **Home Appliances** division was in line with 1H2014, with additional earnings from Think Appliances, acquired in October 2013, and Lemair, acquired in March 2014, offset by lower than anticipated sales to two key customers. Several initiatives to grow revenue and improve productivity are currently being pursued and will yield gains in the second half. The division contributed 17% of Group revenue.

The **Housewares** division's results are equity accounted from 1 November 2014 following the divestment of a 51% stake to the Fackelmann Group, a global manufacturer and distributor of kitchen, baking, home, leisure and bathroom products. This new venture is performing in accordance with expectations and proving beneficial for both parties.

The **Household Consumables** division, with products sold under the Multix brand, maintained its market leadership position with strong sales and contributed 25% of Group revenue. However, margins were adversely affected by the AUD/USD depreciation and higher commodity costs. Pleasingly, commodity prices and therefore product costs are now easing. Opportunities to divest this business are being pursued.

Additional ranging in supermarkets of **Impulse Merchandising** products, managed by the Health & Beauty division, enabled the Impulse Merchandising business to improve profitability.

Cash flow, balance sheet and hedging

Net debt at 31 December 2014 was $68.8 million compared with $91.7 million at 31 December 2013. The company's gearing ratio (net debt / total funds employed) was 38.8% compared with 48.3% at 31 December 2013.

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.

Outlook

Mr. Maguire said: 'The process of transforming the company to a more diversified business, with increased involvement in more profitable channels, will continue in the second half. The business will benefit from a strong pipeline of new products, a number of initiatives to improve productivity and profitability, and the full-year effect of recent acquisitions and new agencies. While the depreciation in the AUD/USD represents a significant challenge, management is seeking to mitigate its impact through the aforementioned initiatives and the re-setting of product selling prices wherever possible.

'The full year effect of acquisitions and new agencies and a known AUD/USD hedging profile, assisted by productivity initiatives and anticipated reductions in commodity prices, are expected to lead to significantly stronger Group earnings in the second half compared with the previous corresponding period. As a result, we expect underlying pre-tax profit for the full year to be 5% to 10% above FY2014.'

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About McPherson's

McPherson's, established in 1860, is a leading supplier of health & beauty, consumer durable and household consumable products in Australasia, with operations in Australia, New Zealand and Asia. The Health & Beauty division markets and distributes beauty care, hair care, skin care and fragrance product ranges; the Home Appliance division markets and distributes large appliances such as ovens, cooktops, washing machines and dishwashers; and the Household Consumables division markets and distributes kitchen essentials such as plastic bags, baking paper, cling wrap and aluminium foil.

The Housewares division markets and distributes cutlery, knives, bakeware, glassware and kitchen accessories under brands such as Wiltshire, Stanley Rogers, Furi and Luigi Bormioli. With effect from 1 November 2014 McPherson's stake in this division reduced to 49% with the remaining 51% owned by the Fackelmann Group. Founded in Germany in 1948, the Fackelmann Group is a global manufacturer and distributor of kitchen, baking, home, leisure and bathroom products with annual sales of more than AUD470 million.

McPherson's manages some significant brands for overseas agency partners such as Gucci, Dolce&Gabbana and Hugo Boss Fine Fragrances; however, the majority of revenue is derived from the company's diversified portfolio of owned market-leading brands, including Manicare, Lady Jayne, Dr LeWinn's, A'kin, Al'chemy, Swisspers, Moosehead, Maseur, Euromaid, Baumatic, and Multix.