

McPherson's Limited

Results as at 31 December 2012

19 February 2013

Paul Maguire – Managing Director

Paul Witheridge – Chief Financial Officer



McPHERSON'S
CONSUMER PRODUCTS

"Making life easier"

Executive Summary



Financial Performance



Strategy Update



Outlook

Executive Summary

Paul Maguire

Managing Director



Summary of Results

- ❑ 6.5% increase in H1 2013 sales to \$153.2 million, with strong growth in personal care brands
- ❑ Net Profit after tax (NPAT) of \$10.9 million
- ❑ Earnings per share (EPS) of 15.0 cents
- ❑ Interim dividend maintained at 10 cents per share, fully franked










Total revenue:
\$153.2m

Net Profit After Tax:
\$10.9m

Earnings per share:
15.0cps

Fully franked dividend:
10.0cps

Category Performance Summary

		% of Total Revenue*	% Growth*	Reasons	Outlook
Housewares	 	28%	(6%)	Range deletions	Growth through new ranges
Personal Care	    	33%	36%**	New product development & acquisitions	Growth through new ranges & acquisitions
Household Consumables		34%	2%	Consistent trading	Continued market leadership
Impulse Merchandising		5%	(15%)	Net effect of distribution changes	New opportunities being pursued with retailers

* YTD December 2012 (% Growth is against prior corresponding period)

** Growth rate excluding Cosmex and Footcare acquisitions = 10%

**McPherson's Limited
Financial Performance
as at 31 December 2012**

Paul Witheridge
Chief Financial Officer



Group Financial Summary for H1 2013

Continuing Operations

	December 2011 (\$A million)	December 2012 (\$A million)	
Sales	143.9	153.2	6.5% Sales increase
EBITDA excluding significant non-cash items (*)	19.9	19.1	4.0% EBITDA decline
EBITDA	20.7	19.8	
Depreciation & amortisation	(1.3)	(1.3)	
EBIT	19.4	18.5	4.7% EBIT decline
Interest and borrowing expenses	(2.8)	(3.2)	Interest cover 5.8 times
NPBT	16.6	15.3	7.9% NPBT decline
Tax	(4.9)	(4.4)	
NPAT	11.7	10.9	6.4% NPAT decline
Operating cash flow (before interest and tax)	11.4	8.2	
EPS from continuing operations (cents)	16.1	15.0	
EPS (cents)	14.0	15.0	
Interim dividend (cents)	10.0	10.0	

* Significant non-cash items which have been excluded are:

2012: \$0.6m favourable contingent consideration adjustment and \$0.1m favourable time value in FX option hedging adjustment.

2011: \$0.8m favourable time value in FX option hedging adjustment.

Overview of Group Balance Sheet

Continuing Operations

	December 2011 (\$A million)	December 2012 (\$A million)
Inventories	51.4	55.6
Receivables & prepayments	63.9	71.3
Trade & other payables	(32.8)	(36.4)
Net working capital	82.5	90.5
Property, plant & equipment	7.0	7.7
Intangibles	179.3	191.1
Provisions & other liabilities	(9.2)	(13.8)
Total funds employed	259.6	275.5
Net financial debt	(68.9)	(85.2)
Net tax balances	(10.5)	(10.7)
Shareholders' funds	180.2	179.6
Gearing [Net debt / (Net debt + Shareholders' funds)]	27.7%	32.2%
ROFE (Group EBIT / Total funds employed)	7.4%	6.7%
ROSF (NPAT / Shareholders' funds)	6.5%	6.1%

Group Operating Cashflow Continuing Operations

	December 2011 (\$A million)	December 2012 (\$A million)
Cash flows from operations		
Receipts from customers (inclusive of GST)	146.4	154.5
Payments to suppliers and employees (inclusive of GST)	(135.0)	(146.4)
Net cash inflows from operations before interest and tax	11.4	8.1
Net interest and borrowing costs paid	(2.8)	(4.3)
Income tax paid	(7.8)	(3.0)
Net cash inflows from operations	0.8	0.8

- ❑ Early January is the seasonal peak for cash receipts.
- ❑ \$6.4m received from customers on 2 January 2013.
- ❑ Full year cash inflow from operations before interest and tax forecast to be in line with full year underlying EBIT.

Group Operating Cashflow

Continuing Operations (continued)

	December 2011 (\$A million)	December 2012 (\$A million)
Cash flows from investing activities		
Payments for purchase of property, plant and equipment	(1.2)	(1.5)
Payments for acquisition of businesses	(0.6)	(4.6)
Cash injection and costs of printing demerger	(0.6)	-
Net cash outflows from investing activities	(2.4)	(6.1)
Cash flows from financing activities		
Net proceeds from borrowings	10.5	10.0
Dividends paid net of DRP	(10.1)	(3.8)
Net cash inflows from financing activities	0.4	6.2
Net increase / (decrease) in cash held	(1.2)	0.9

Capex in line with depreciation

Footcare International (\$4.6m)

Debt Refinance

- ❑ The Group's debt facility was refinanced in December 2012 with CBA, ANZ and NAB.
- ❑ The new facility includes:
 - 3 year term debt of \$81m terminating December 2015 amortising \$4m every 6 months.
 - Working Capital facility of \$35m, inclusive of \$8m seasonal facility.
 - Acquisition facility of \$15m with a termination date of December 2015.

FX Hedging (Australia)

- ❑ Comprehensive FX hedging program in place using Options, Forward Exchange Contracts (FECs) and Collars:
 - Options Protect downside with premium cost but allow upside benefit
 - FECs Fixed rate with lost forward points
 - Collar Improved downside protection in exchange for limiting upside
- ❑ Current Policy
 - Hedge 8 months forward on a rolling basis for 100% of estimated USD requirements.
 - Options to comprise at least 50% of 8 month estimated requirement. Options, FEC's and tunnel collars to be used for remaining 50%.
 - FEC's placed covering:
 - Next 30 days where strike is 5 cents above the protected rate; and
 - Next 31 to 90 days where strike is 10 cents above the protected rate.

Strategy Update

Paul Maguire
Managing Director



Operational Excellence Objectives and Strategies

Improved productivity & efficiency through;

- Substantial process improvement; and
- Significant enhancement of IT Systems to enable the automation of processes

A strong company culture with highly engaged employees through;

- The establishment of a culture of continuous improvement
- The training and development of high achievers

Benefits

- Improved productivity, efficiency, customer service and profitability; and
- More efficient and effective integration of acquired businesses

Operational Excellence Current & Planned Initiatives

ERP system upgrade to IBS Version 7

- Fully implemented in Australia by April 2013
- Rolled out to New Zealand, Hong Kong & Singapore this calendar year
- Resulting in improved efficiency and productivity

New Forecast Sales & Operations Planning (FS&OP) System

- Launched in Australia in May 2013
- Rolled out to New Zealand and Singapore this calendar year
- Resulting in enhanced efficiency and reduced working capital through better planning & the aggregation of demand

A mobile Customer Relationship Management (CRM) System

- Launched in September 2012
- Boosting Sales force efficiency & effectiveness

MCP Australia warehousing changes (inventory redeployment)

- Streamlining of operations completed in January 2013
- Increasing available capacity at Kingsgrove (2000+ new SKUs) and saving \$500,000/annum

Operational Excellence

Current & Planned Initiatives

A superior New Product Development (NPD) process

- Roll out scheduled for July 2013
- Resulting in greater efficiency and increased success rate of new initiatives

Sourcing review

- On-going establishment of low cost, high quality, supply options

Inventory review

- A program of product rationalisation is underway and will continue this calendar year

Continuous Improvement

- Leadership training and 'Yellow Belt' training implemented and on-going, as part of a Quality Management Program

MCP Growth Strategies

INNOVATION

- Focused on innovating our major brands in both existing and new categories

AGENCIES/ LICENCES

- New agency partners chosen to strengthen ranging

ACQUISITIONS

- Proactively identifying and approaching businesses that have well regarded brands, scope to grow and the potential to leverage Company infrastructure

INTERNATIONAL EXPANSION

- A platform for growing profit and brand equity

FIELD SERVICES

- Provided to other companies through the utilisation of MCP's existing network of field personnel

SOURCING SERVICES

- Provided to other companies through the utilisation of MCP's sourcing capability (i.e. product development and QA)

Outlook

Paul Maguire
Managing Director



- ❑ Trading conditions expected to remain challenging: however
 - significant new product launches are scheduled in the second half to support McPherson's Consumer Products strong brand portfolio; and
 - efficiency and productivity gains will flow through from operational initiatives

- ❑ Acquisitions remain a high priority

- ❑ Dividend reinvestment plan (DRP) maintained

A large, stylized, orange 'M' logo is centered in the background, partially obscured by overlapping circular shapes in various shades of orange and red. The overall background is a gradient of orange.

Mission

To be a world class consumer products company

through

1st choice products for consumers

and by being a

1st choice partner for customers and suppliers

1st choice employer for employees

1st choice investment for shareholders



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