



McPHERSON'S
Est. 1860

1H23 Results Presentation

March 2023

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Agenda

01 1H23 Overview

02 Business Unit Performance

03 Financial Results

04 Summary and Outlook

Our Speakers



GRANT PECK
CEO & Managing
Director



SUPRIYA SINGH
Commercial Director
- ANZ



PAUL
WITHERIDGE
CFO



JADE PEAK
Commercial Director
- International



1H23 Overview

1H23 Overview



\$112m

TOTAL SALES
REVENUE

▲ 3%

on 1H22: \$108.8m

\$8.9m

UNDERLYING
EBITDA

▼ 11%

on 1H22: \$10.0m

10%

GEARING

NET DEBT: \$13.9m

▲ 7%

OWNED BRAND
SALES

\$5.1m

UNDERLYING
PBT

▼ 24%

on 1H22: \$6.7m

2.0 CPS

DIVIDEND

1H22: 3.0 cps

1H23 Summary

- Sales growth of 3%, impacted by reduced private label (\$4.7m)
- Multix impacting on overall sales and profit growth: sales down \$1.7m or 6% for 1H23
- Strong growth in sales of HWB core owned brands, up 13% on 1H22, led by Manicare, Lady Jayne and increased ranging of Fusion
- Underlying EBITDA compression due to:
 - Lower Multix outcomes - sales and margin
 - Increased A&P support for HWB
- Multix margin expected to improve in 2H23 and FY24
- Balance sheet remains strong
- Refinancing advanced and dividend approved.

Health, Wellness & Beauty

Demand dynamics

-  Increasing demand for sustainable solutions
-  Proactive beauty and beauty at home
-  Clean and efficacious solutions
-  Increasingly cost-conscious consumer
-  Consumers will prioritise health and beauty

Challenges

-  Global and local costs leaning toward inflationary setting
-  Seafreight, commodity and currency normalising in H2
-  International markets cautiously opening

"On track to deliver first year of the business case"

Unique, two-way relationship created by the strategic alliance with Chemist Warehouse to deliver benefits to both parties:

1. McPherson's appointed exclusive distributor for select CWH brands, which are complementary to existing portfolio. Long-term arrangements will take time to gain momentum.
2. Provides mutual support for increased ranging of new MCP brands in CWH including Fusion.
3. Enhanced support for existing Essential Beauty brands including Swisspers, Manicare, Lady Jayne and Dr. LeWinn's.

The Strategic alliance supported McPherson's strong performance in pharmacy channel in 1H23.



Corporate Items

Material Items – Net \$4.1m charge

- Multix non-cash impairment of \$3.9m
- Other brands non-cash impairment of \$1.0m
- Favourable writeback of Dr. LeWinn's inventory provision of (\$1.0m)
- Other corporate costs \$0.2m mainly relating to integration of Health & ANZ CBUs

Group Refinance Update

- Well advanced

ASIC Litigation Update

- Company intends to defend



1H23
Business
Unit
Performance



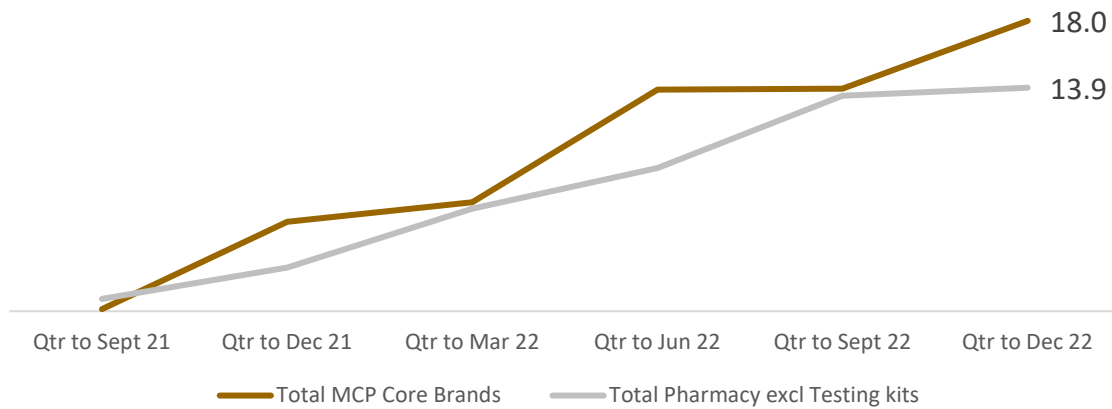
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Channel / Category Performance

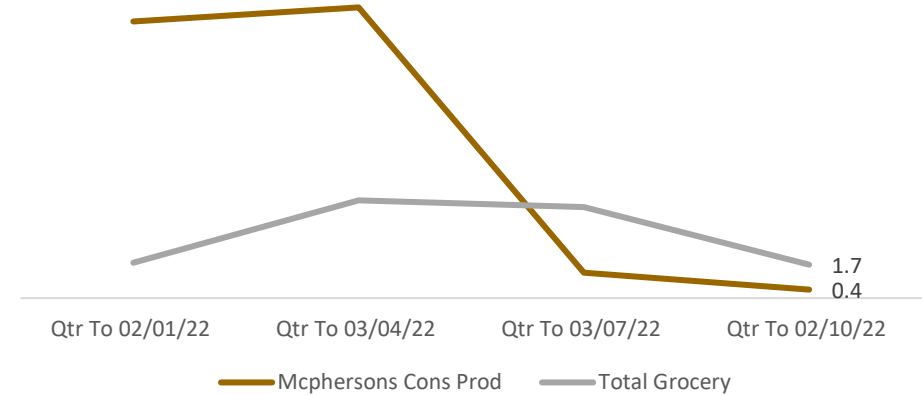


Core brands outperforming pharmacy channel growth, grocery channel more challenging

Total MCP Core Brands vs Pharmacy Channel
Dollars Growth % Qtr vs YA



Total MCP vs Grocery Channel
Dollars Growth % vs YA



Strong Demand for Our Brands



#1 Australian Cosmeceutical Pharmacy Brand



One of the fastest growing VMS brands in Pharmacy



#1 Beauty Tools & Accessories



#1 Hair Tools & Accessories



#1 Foil, Bake, Garbage & Freezer Bags



#1 Cotton Brand

Source: Data sourced from IRI MarketEdge based on data definitions provided by McPherson's Consumer Products. Australian Pharmacy & Grocery Weighted Market. Beauty Accessories, Hair Accessories Category MAT 01/01/23; Cotton, Facial Skincare, Haircare, BWF category MAT 01/01/23

Integration of Health



Successfully integrated the Health business unit into the larger Beauty business unit in ANZ during 1H23

- Improved service for customers with a single point of contact for field sales and consolidated orders, invoicing and delivery
- Achieved cost efficiencies by combining the selling, distribution and administration functions of these previously separate units.



ANZ CBU now comprises McPherson's Beauty, Health and Household Consumables brands sold into the Australia and New Zealand markets.

ANZ – 1H23 Highlights



Segment Performance	1H23 (\$m)	1H22 (\$m)	Change (\$m)	Change (%)
Sales Revenue	107.1	105.1	2.0	2%
Underlying EBIT	11.6	13.6	(2.0)	(15%)

- **Sales growth** on all core brands excl. A'kin and Multix
- **Essential Beauty** products (Manicare, Lady Jayne and Swisspers) performing strongly with double digit growth, ahead of market
- **Dr. LeWinn's** supported by innovation in serums and increased ranging, reduced sales of **A'kin**
- **Fusion Health** sales up 30% v 1H'22 with further upside as ranging expands in Australia and New Zealand
- 16% growth in the **Pharmacy channel**, driven by distribution expansion

Multix

- Currency, commodity and sea-freight impacting contribution from Multix. Cost drivers are recovering but will take time to positively impact margins
- Pricing mitigations have been implemented but the category remains challenging
- The decision to reduce unprofitable private label business in Bags, Wraps and Foils category has also impacted sales

1H23 core brand sales vs 1H22

Manicare	+11%	▲
Lady Jayne	+39%	▲
Dr. LeWinn's	+1%	▲
Swisspers	+17%	▲
Fusion Health	+30%	▲
A'Kin	-32%	▼
Multix	-5%	▼

Growth Tactics



Innovation
& new product
development



Distribution
expansion



Integrated
marketing
campaigns



Continued
Beauty & Health
service
alignment

ANZ - Core Brand Performance



Manicare and Lady Jayne continue to leverage the **Beauty at Home** trend, providing high quality **beauty tools** at affordable prices

Leader in sustainability and innovation with Swisspers eco cleansing pads and baby cotton

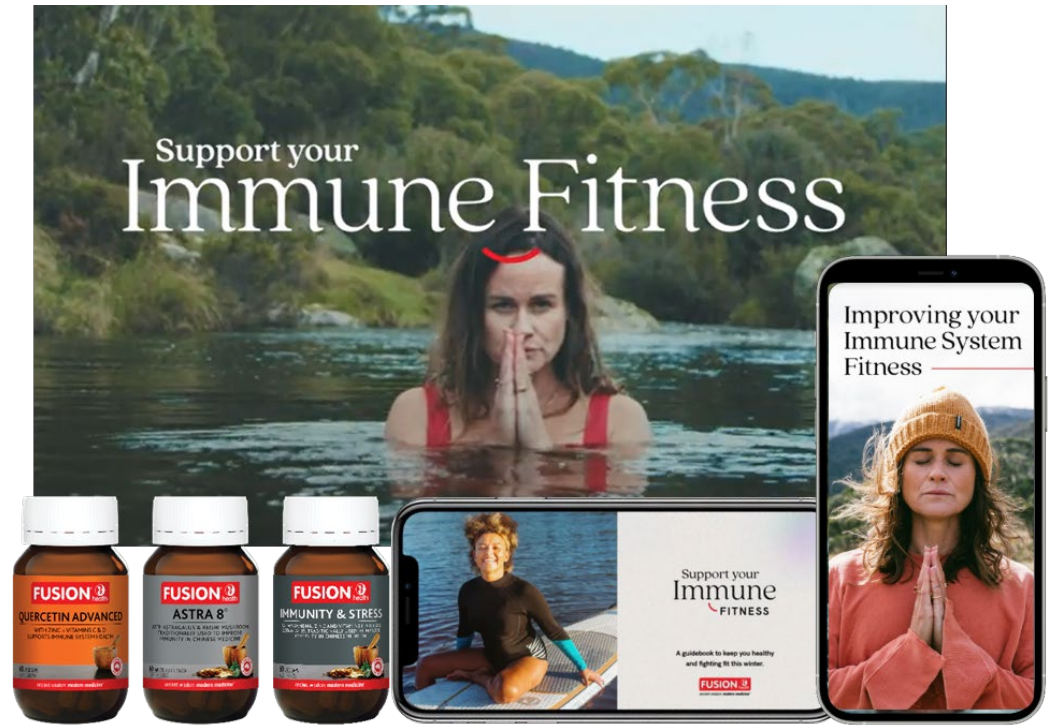


ANZ - Core Brand Performance



Dr. LeWinn's Serum Series launch drove strong growth and distribution expansion in addition to continued success of Marine Collagen

Fusion wins Self Care Excellence Award for second year in a row and invests behind a brand awareness marketing campaign



Awarded by Consumer HealthCare Products (CHP) Australia for calendar year 2022

International – 1H23 Highlights

Segment performance	1H23 (\$m)	1H22 (\$m)	Change (\$m)	Change (%)
Sales revenue	4.9	3.7	1.2	32%
Underlying EBIT	(0.3)	(0.9)	0.6	67%



Sales revenue and EBIT increase vs 1H22 alongside reset of channel strategy for Dr. LeWinn's in China



Capabilities are being reset



Platform is set for selective international expansion with prudent investment



Consumer activity in China continues to improve post the removal of restrictions in January

International Strategic Imperatives



Selective expansion in key regions

Value enhancing partnerships aligned to McPherson's target operating models

Growth in skincare globally supports focus on key brands in this category

Continued relevance of cosmeceutical skincare for CBEC China

Diversified portfolio of brands and products across multiple channels

Omni channel distribution with ecommerce focus



1H23
Financial
Results

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3% Growth in 1H23 Sales Revenue

7% Growth in Owned Brand Sales

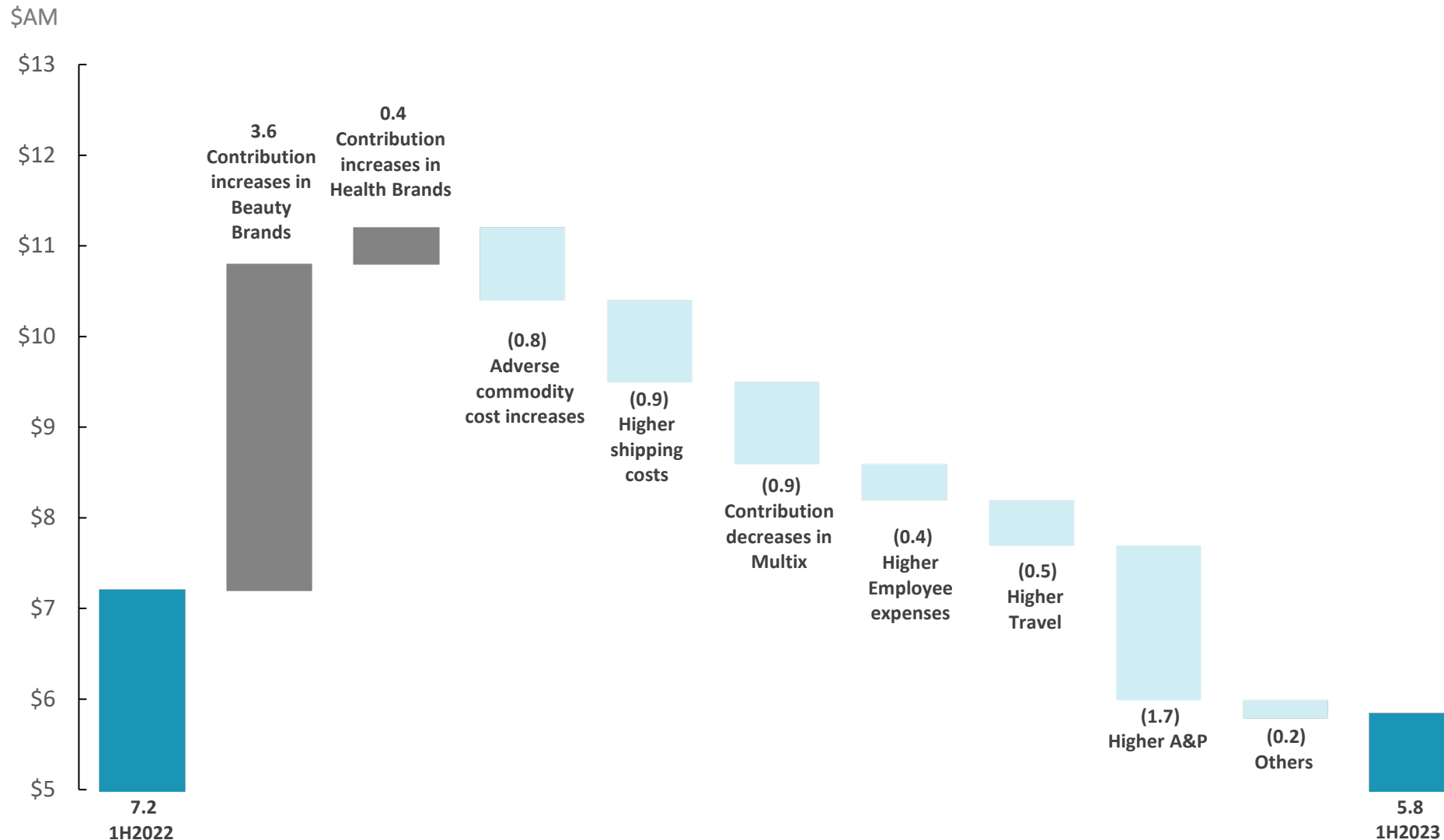
All figures \$m	1H23	1H22	% change	
Total Group Sales	112.0	108.8	3.0	
ANZ				
Essential Beauty	44.9	38.3	17.2	Manicare, Lady Jayne and Swisspers all recorded double-digit growth
Skin, Hair & Body	12.1	13.0	(7.4)	Slight growth in Dr. LeWinn's. 32% decline in A'kin due in part to reduced ranging in grocery
Health	9.7	8.3	17.0	30% growth in Fusion Health driven by Strategic Alliance with Chemist Warehouse
Household Consumables & Others	32.3	33.1	(2.3)	5% decline in Multix due to weaker consumer environment
Total Owned Brands	99.0	92.7	6.8	
Agency brands	4.9	4.5	8.4	
Private Label	3.2	7.8	(59.0)	Reduction in participation in low margin bags, wraps and foils
Total Sales	107.1	105.1	1.9	
International				
Skin, Hair & Body	2.5	1.6	59.5	\$1.0m increase in Dr. LeWinn's sales in China
Other owned brands	0.3	0.4	(18.3)	
Total Owned Brands	3.6	2.7	32.4	
Agency brands	1.3	1.0	29.2	
Total Sales	4.9	3.7	31.6	



1H23 Underlying EBIT

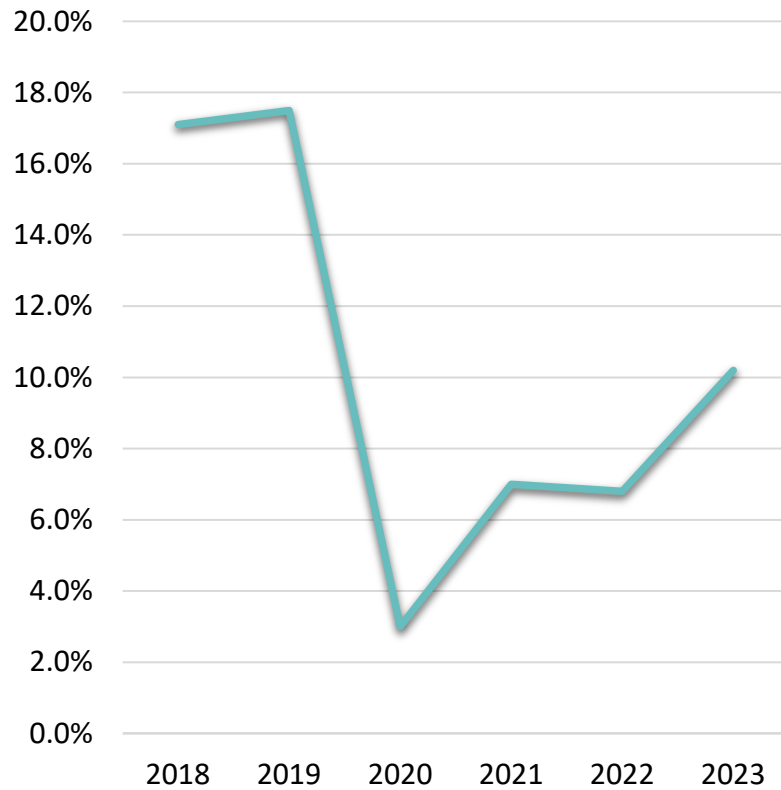
EBIT impacted by cost increases, lower contribution from Multix and investment in advertising and promotion

1H22 TO 1H23 EBIT BRIDGE

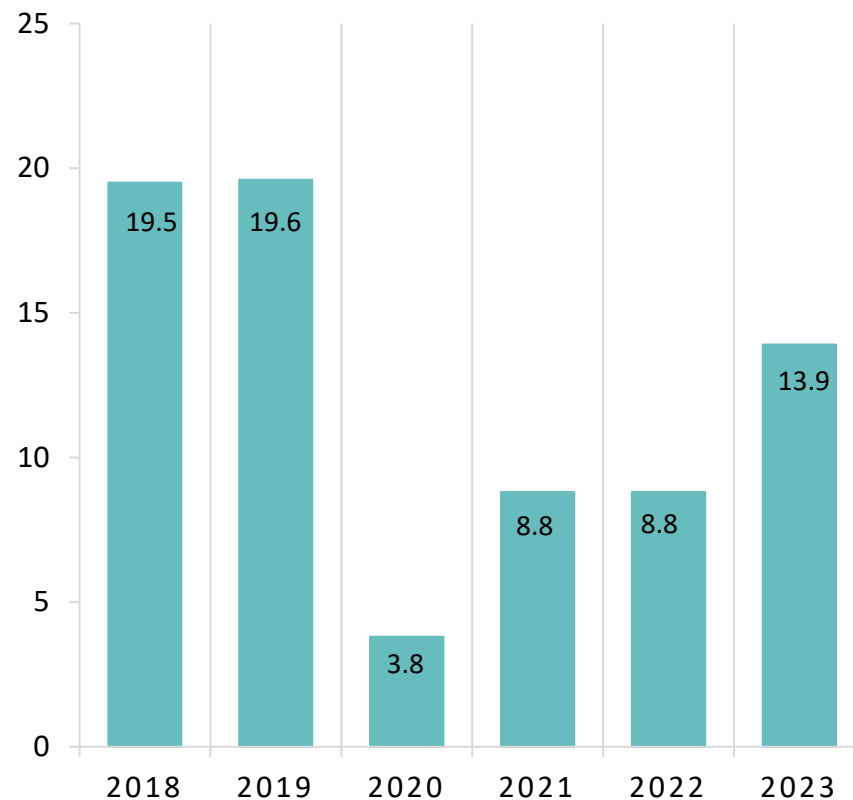


Low Gearing and Net Bank Debt

Gearing* % (31 December)



Net bank debt* (\$m – 31 December)



Highlights:

Net bank debt remains low at **\$13.9 million.**

Gearing remains low at **10%** at 31 December 2022

The Company had an operating cash outflow of \$6.0m for 1H23 largely due to seasonal increases in working capital.

Seasonal reduction in working capital over the six months to 30 June 2023 is forecast to result in strong 2H23 cash conversion.

*Excludes lease liabilities

Interim Dividend

- Interim ordinary dividend of 2.0 cents per share (cps) fully franked (1H22 3.0 cps).
- Underlying payout ratio of 89%.
- Consistent with policy to pay a minimum of 60% of underlying profit after tax.
- Interim dividend payable 6 April 2023.



Summary & Outlook



We are Creating a Unique Platform to Enable Growth

1. Leadership, revised values, enhanced processes



2. Continued innovation and focus on NPD



3. Ranging increments driving brand performance



4. Growing with winning customers



5. Strategic Alliance with Chemist Warehouse



6. Supply stability



7. Health and Beauty alignment



Outlook

- Focus is unchanged, despite the challenging broader economic environment
- Strong demand in Health, Wellness & Beauty category with resilient, well recognized and respected brands
- Creating a platform of capability in Health, Wellness and Beauty to support growth
- Restructured team, simplified and aligned by process, vision and values
 - Innovation driving growth
 - Right partnerships to facilitate and complement our strategy
- Strong balance sheet and demonstrated cashflow capability support business requirements in current environment
- We will address Multix with a focus against changing consumer dynamics as we cost optimize .
- Approach in international markets will be selective.





Q+A

Thank You



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Health | Wellness | Beauty

Appendix 1: Further Commentary on Underlying Earnings



Revenue	HY23 (\$m)	HY22 (\$m)	Var %	Further Commentary
Sales revenue	112.0	108.8	3.0%	Refer detailed presentation
Other income	0.0	0.1	-51.2%	
Total revenue and other income	112.0	108.9	2.9%	
Underlying Expenses				
Materials and consumables	(58.8)	(57.3)	2.7%	Increase consistent with Revenue
Employee costs	(19.8)	(19.6)	2.2%	
Advertising and promotions	(12.5)	(10.6)	17.2%	Investment to support growth in Fusion and essential beauty brands
Cartage and freight	(3.6)	(3.4)	5.3%	Increase in volume (consistent with sales) and rates
Third party warehousing	(1.2)	(1.0)	15.0%	Increase in inventory of Multix product
Rental expenses	(0.2)	(0.3)	-39.2%	
Share of net loss of joint ventures accounted for using the equity method	0.0	(0.2)	-100.0%	
Other expenses	(7.0)	(6.5)	6.9%	Post covid lockdown, increase in travel expense of \$0.5m
Depreciation & amortisation	(3.0)	(2.8)	8.7%	
Underlying EBIT	5.9	7.2	-19.0%	
Net borrowing costs	(0.8)	(0.5)	40.5%	
Underlying profit before tax	5.1	6.7	-23.9%	

Appendix 2: Reconciliation of Underlying to Statutory Profit/(Loss) Before Tax



	1H23 (\$m)	1H22 (\$m)
Underlying profit before tax	5.1	6.7
<u>Significant items before tax included in statutory profit / (loss) before tax</u>		
Dr. LeWinn's inventory provision release	1.0	0.0
Impairment of Multix brand	(3.9)	0.0
Impairment of other brands	(1.0)	0.0
Restructuring expenses	(0.2)	(0.4)
Dr. LeWinn's inventory provision	0.0	(9.4)
Net favourable impact from the exit of joint ventures	0.0	0.4
Regulatory review expenses	0.0	(0.3)
Total significant items before tax	(4.1)	(9.7)
Statutory profit / (loss) before tax	1.0	(3.0)
Statutory income tax expense	(0.9)	0.9
Statutory profit / (loss) after tax	0.1	(2.1)