McPHERSON'S

McPherson's Limited

First Half Results
Financial Year 2015

Paul Maguire – Managing Director

Paul Witheridge – Chief Financial Officer

24 February 2015

MCP 1H FY2015 Financial Overview

- 1H FY2015 Sales Revenue of $186.6m, 3.3% above prior year
  - Excluding 'McPherson's Housewares', which has been equity accounted from 1 Nov 2014 following the divestment of 51% to the Fackelmann Group, revenue increased by 18.1% to $168.7m
  - Comparable sales revenue in line with prior year; i.e. excluding acquisitions, new agencies and divestments
- Underlying 1H FY2015 EBIT, PAT & EPS in line with updated guidance
  - Underlying EBIT of $16.3m, 10.2% below prior year*
  - Underlying PAT of $9.3m, 12.7% below prior year*
  - Underlying EPS of 9.7 cents, 17.1% below prior *

* Figures reflect the early adoption of AASB 9 *Financial Instruments*

MCP 1H FY2015 Financial Overview

- ‘Cash flow from operations before interest and tax payments’ of $19.8m, significantly above prior year ($8.5m)
- EBIT Interest Cover[1] of 5.0 times and Leverage Ratio[2] of 2.2 for the 12 months to 31 December 2014
- Interim dividend of 6.0 cents per share fully franked
  - 63% payout ratio of underlying EPS
  - Payment date 9 April 2015
  - Dividend Reinvestment Plan (DRP) retained
- Consistent approach to FX hedging
  - Proportionally lower purchases denominated in USD in FY2015 due to Health & Beauty expansion

1. Normalised LTM EBIT / Net borrowing cost
2. Net Debt / Normalised LTM EBITDA

Note that normalisations include the full year effect of acquisitions and divestments and non-recurring items

STRATEGY UPDATE

Paul Maguire
Managing Director

Revenue Summary by Division (Aus & NZ)

	% OF TOTAL REVENUE 1H FY2015	REVENUE GROWTH 1H FY15 vs 1H FY14	REASONS	OUTLOOK
HEALTH & BEAUTY	39%	33%*	New agencies & acquisitions	Growth in revenue and profit
HOME APPLIANCES	18%	31%**	New products & acquisitions	Growth in revenue and profit
HOUSEWARES	14%	(20%)	Product range rationalisation	Lower sales but improved profitability
HOUSEHOLD CONSUMABLES	25%	5%	Market leadership maintained	Ongoing market leadership but tough trading conditions
OTHER (e.g. Impulse Merchandising)	4%	(11%)	Distribution changes	Profitable growth through new ranging

* Health & Beauty sales excluding acquisitions & agencies in line with prior year

**Home Appliance growth rate excluding acquisitions = 8.6%

Transformation Strategy

McPherson's stated strategy is:

*"to substantially **transform** through acquisition/divestment, the establishment of new agency partnerships and channel expansion*

*........**diversifying** away from margin constrained channels and increasing participation in channels with greater profit potential"*

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Transformation Achievements

Over the past two years we have…

... successfully integrated 8 Earnings Per Share (EPS) accretive acquisitions; accessing synergy benefits and providing growth in profitable channels

... established agency partnerships with two prestige Beauty businesses

... divested 'Crown Glassware', exiting the low margin foodservice channel

... established a Housewares partnership with Fackelmann (Germany)

... launched comprehensive new innovative product ranges; *and*

... upgraded IT systems, boosted distribution centre efficiency & capacity, rationalised product ranges and implemented price increases

Transformation Timeline

Significant diversification achieved since the demerger of McPherson's Printing in 2012

Feb 2012
- McPherson's Printing Group (MPG) demerged
- Cosmex acquisition
- Eylure & Montagne Jeunesse Agencies

Aug 2012
- Footcare International acquisition

Mar 2013
- HAPL acquisition

Jul 2013
- Maseur acquisition

Oct 2013
- Think Appliances acquisition
- Dr LeWinn's & Revitanail acquisition

Mar 2014
- 'Crown Glassware' divestment

Apr 2014
- Lemair acquisition

Jun 2014
- Trilogy Agency

Jul 2014
- A'Kin & Al'chemy acquisition

Aug 2014
- Fine Fragrances Agency: *Gucci*, *Dolce&Gabbana*, *Hugo Boss*

Nov 2014
- HOUSEWARES Partnership with Fackelmann (Germany)

Dec 2014
- Appliance Agency

Transformation Benefits

» Transforming through **diversification** reduces risk:

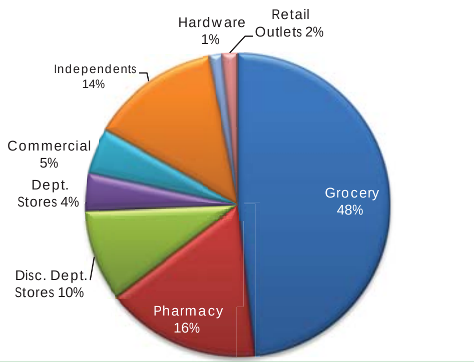
– **Lessened exposure to foreign exchange**

- USD purchases will reduce to 68% of total purchases in FY2015, down from 85% in FY2014

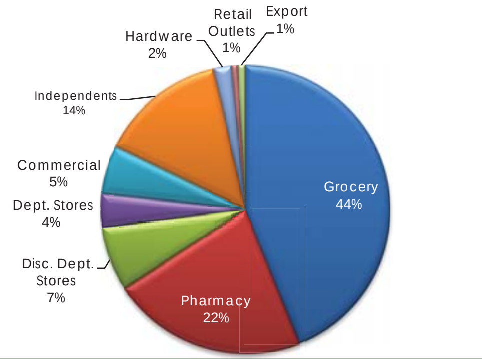
– **A more profitable channel and customer mix**

- In FY2015, the mix of business across the channels will continue to improve

FY2014



FY2015



Beauty Acquisitions Delivering Growth

- » Dr LeWinn's & Revitanail
  - – Iconic skincare brand
  - – Beauty treatment brand
  - – Leveraging MCP strengths
  - – Significant growth potential

- » A'kin & Al'chemy
  - – Natural skincare (A'kin) and natural haircare (Al'chemy)
  - – Leveraging MCP strengths
  - – Significant growth potential

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Beauty Agency
Delivering Growth

trilogy®

… products created from simple and unique blends of the purest natural plant oils and botanical extracts

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Prestige Agency Delivering Growth

GUCCI

D&G
DOLCE & GABBANA

P&G
Procter&Gamble

BOSS
HUGO BOSS

Home Appliance Acquisition Growth

- Think Appliances
  - Baumatic, Venini & D'Amani
  - Further diversification; increasing business in electrical retail, hardware & commercial home building

- Lemair
  - Niche whitegoods brand

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Home Appliance Agency Growth

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Housewares Partnership

McPHERSON'S HOUSEWARES

Member of the FACKELMANN Group

- Housewares joint venture partnership established 1 Nov 2014 with the FACKELMANN Group (FMG) from Germany; (FMG 51% : MCP 49%)
- FACKELMANN is a global manufacturer and distributor of kitchen, baking, home & leisure products, operating 35 manufacturing & distribution centres
- ‘McPherson’s Housewares’ is benefiting substantially from:
  - Manufacturing and shared sourcing capability
  - Leveraging scale, combined product assortments and brands
  - Integrating infrastructure and reducing overheads

Füri®

Stanley Rogers

wiltshire®

Health and Beauty

Current Status

- YTD Sales growth 33% (excl' acquisitions & new agencies sales in line with prior year)
- Successful new product launches under trusted brands
- Acquisitions and new agencies boosting presence in Pharmacy and Department Stores and reaffirming McPherson's beauty industry credentials:
  - Dr LeWinn's and Revitanail Nov 2013
  - Trilogy, A'kin and Al'chemy July 2014
  - Gucci, D&G and Hugo Boss Aug 2014

Outlook

- Synergies from recent brand acquisitions
- Continued growth through:
  - new product development
  - recent acquisitions and agencies
  - potential new acquisitions and agencies, with capacity for >1500 new product lines in the 'pick to light' DC

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Home Appliances

Current Status

- Home Appliances is providing customer and channel diversification; in electrical retail, hardware & commercial
- 1H FY2015 adversely affected by product rationalisation & inventory clearance post the Think acquisition
- Sales in Masters and the Kitchen Channel slower than expected
- New products launched in 1H FY2015

Outlook

- Benefits from operational initiatives and new products launched in 1H FY2015
- Building approvals at a 5 year high
- Price increases in 2H FY2015
- Continued growth through:
  - new product launches in 2H FY2015
  - expansion within existing & new categories and channels
  - the potential for further acquisitions

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Household Consumables

Current Status

» YTD Sales 5% ahead of prior year

» Profit impacted by:
  – protracted negotiations prior to the acceptance of price increases
  – product cost increases ex-Asia
  – AUD decline & high raw material costs
  – increased ‘customer support’ required

Outlook

» Market leadership maintained

» Sales strengthened by new products

» Sourcing initiatives to underpin profitability

» Significant price increases required to mitigate AUD decline

Multix
Inspiring Professional Results

Outlook

- **Consistent** trading conditions anticipated
- Underlying pre-tax profit for the full year **5%-10% above** FY2014
- AUD **currency devaluation** will require mitigation through **price increases**
- **Health & Beauty** and **Home Appliances** to benefit from the full year effect of acquisitions, new agencies and new products
- **Household Consumables** to maintain brand leadership in tough conditions
- **Housewares** to benefit from McPherson's/Fackelmann partnership
- Pipeline of innovative **new products** supporting market leading brands
- Key operational initiatives boosting productivity and **improving profitability**
- Further **diversification** via acquisitions and new agencies

McPherson's Limited

Results for the Half Year Ended 31 December 2014

Paul Maguire – Managing Director

Paul Witheridge – Chief Financial Officer

Mission

To be a world class consumer products company

through

1st choice **brands for consumers**

and by being a

1st choice **partner for customers and suppliers**

1st choice **employer for employees**

1st choice **investment for shareholders**

APPENDIX
McPherson's Limited Financial Performance
Results for the Half Year Ended 31 December 2014

Paul Witheridge

Chief Financial Officer

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Group Financial Summary for H1 FY2015 Excluding non-recurring items

	December 2013* ($A million)	December 2014* ($A million)
Sales	180.6	186.6
EBITDA	19.6	17.7
Depreciation & amortisation	(1.4)	(1.4)
EBIT	**18.2**	**16.3**
Interest	(3.3)	(3.3)
NPBT	**14.8**	**13.0**
Tax	(4.2)	(3.7)
NPAT	**10.6**	**9.3**
Operating cash flow (before interest and tax)	8.5	19.8
EPS excluding non-recurring items (cents)	11.7	9.7
EPS (cents)	(77.4)	10.4
Total dividend (cents – fully franked)	6.0	6.0

3.3% Sales increase

(10.2)% EBIT decrease

Interest cover 5.0 times

12.1% PBT decrease

12.7% NPAT decrease

* Figures reflect the early adoption of AASB 9 *Financial Instruments*

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Group Financial Summary for 1H FY2015 Statutory (i.e. including non-recurring items)

	December 2013* ($A million)	December 2014* ($A million)
NPBT excluding non-recurring items	14.8	13.0
Non-recurring items:		
- Impairment of intangibles	(80.0)	-
- Restructuring costs	(1.1)	(1.4)
- Contingent consideration adjustment	-	1.7
- Other non-recurring items	(0.6)	(0.1)
Statutory NPBT	**(66.9)**	**13.2**
Income tax expense	(3.2)	(3.3)
Statutory NPAT	**(70.1)**	**9.9**
Statutory EPS (cents per share)	**(77.4)**	**10.4**

* Figures reflect the early adoption of AASB 9 *Financial Instruments*

Non-Recurring Items

The following non-recurring items are included in statutory profit before tax:

	December 2013 ($A million)	December 2014 ($A million)
Impairment of intangibles	(80.0)	-
Contingent consideration adjustment	-	1.7
Restructuring costs – housewares disposal, redundancies and inventory clearance	(1.1)	(1.4)
Acquisition costs	(0.6)	(0.1)
Total non-recurring items before tax	**(81.7)**	**0.2**
Total non-recurring items after tax	**(80.7)**	**0.7**

Overview of Group Balance Sheet

	December 2013 ($A million)	December 2014* ($A million)
Inventories	72.8	60.2
Receivables	74.7	63.4
Assets held for sale (inventories)	-	17.0
Payables	(46.9)	(70.3)
Net working capital	**100.6**	**70.3**
Property, plant & equipment	7.3	5.9
Investment in joint venture	-	7.9
Intangibles	113.4	89.9
Assets held for sale	2.1	19.3
Provisions & other net liabilities	(23.1)	(11.4)
Total funds employed	**200.3**	**181.9**
Net financial debt	(91.7)	(68.8)
Net tax balances	(10.5)	(4.8)
Shareholders' funds	**98.1**	**108.3**
Gearing [Net debt / (Net debt + Shareholders' funds)]	48.3	38.8
ROFE (underlying EBIT / Total funds employed^)	7.8%	8.2%
ROSF (underlying PAT / Shareholders' funds^)	5.9%	5.6%

^ Total funds employed and shareholders' funds exclude the $50.0m non-cash impairment of intangibles expensed at 30 June 2013 and the $80.0m non-cash impairment of intangibles expensed at 31 December 2013.

Group Operating Cash Flows

	December 2013* ($A million)	December 2014 ($A million)
cash flows from operations		
Receipts from customers (inclusive of GST)	182.1	203.2
Payments to suppliers and employees (inclusive of GST)	(173.6)	(183.4)
Net cash inflows from operations before interest and tax	8.5	19.8
Net interest and borrowing costs paid	(3.3)	(4.0)
Income tax paid	(2.7)	(2.9)
Net cash inflows from operations	2.5	12.9

Group Investing and Financing Cash Flows

	December 2013 ($A million)	December 2014* ($A million)
cash flows from investing activities		
Payments for acquisition of business assets	(23.0)	(8.0)
Payments for purchase of property, plant and equipment	(0.8)	(1.5)
Payments for purchase of intangibles	(0.6)	(0.7)
Proceeds from sale of business assets	-	6.6
Net cash outflows from investing activities	(24.4)	(3.6)
cash flows from financing activities		
Net proceeds from capital raising	4.7	-
Net proceeds from (repayment of) borrowings	22.1	1.5
Dividends paid (net of DRP participation)	(4.8)	(3.3)
Net cash inflows (outflows) from financing activities	22.0	(1.8)
Net increase in cash held	0.1	7.5

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
FEC's	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 USD requirements
* Options to comprise at least 50% of 8 month requirement. Options, FEC's and tunnel collars to be used for remaining 50%
* FEC's placed covering:
    - Next 30 days where strike is 8 cents above the protected rate; and
    - Next 31 to 90 days where strike is 10 cents above the protected rate

McPherson's Limited

First Half Results

Financial Year 2015

Non-IFRS measures

The non-IFRS measures used by the Company are relevant because they are consistent with measures used internally by management to assess the operating performance of the business. The non-IFRS measures have not been subject to audit or review.

Disclaimer

Statements contained in this presentation, particularly those regarding possible or assumed future performance, estimated company earnings, potential growth of the company, industry growth or other trend projections are or may be forward looking statements. Such statements relate to future events and expectations and therefore involve risks and uncertainties. Actual results may differ materially from those expressed or implied by these forward looking statements.