ASX/Media Release **(ASX: MCP)**
21 February 2017

McPherson's 1H2017 Results

(Underlying PBT of $11m; Statutory pre-tax loss of $10m)

- **56% reduction in net debt to $41m over the last 12 months**
- **Full year outlook remains positive with underlying earnings expected to grow**
- **Business consolidation to deliver strategy execution and growth**
- **Interim dividend of 6.0 cents per share (cps) fully franked, consistent with prior corresponding half**

McPherson's Limited today announced underlying profit before tax from continuing operations of $11.0m[1] for 1H2017 (1H2016: $10.9m[1]). As announced on 9 February 2017, the company's statutory loss before tax of $10.0m for 1H2017 (1H2016: $13.5m profit) was impacted by the non-cash impairment of intangible assets of $19.8m (before tax).

Sales revenue decreased by 11.4% from $168.3m to $149.1m, reflecting the closure of the unprofitable Impulse Merchandising Division and declines in low margin private label and agency revenues.

Directors have declared an unchanged interim dividend of 6.0 cps fully franked, payable on 23 March 2017 to shareholders on the register at 6 March 2017. The dividend re-investment plan remains in place.

Results summary for six months ended from continuing operations	1H2017 ($ million)	1H2016 ($ million)	Change (%)
Sales revenue	149.1	168.3	(11.4)
Underlying EBIT[1]	13.5	14.5	(6.6)
Underlying profit before tax[1]	11.0	10.9	1.2
Underlying profit after tax[1]	7.9	7.3	7.4
Statutory (loss) \ profit before tax	(10.0)	13.5	Large
Statutory (loss) \ profit after tax	(11.8)	10.1	Large
Net debt	40.9	92.8	(55.9)
Underlying earnings per share (cents)[1]	7.6	7.5	1.2
Statutory (losses) \ earnings per share (cents)	(11.4)	10.4	Large
Interim dividend (cents – fully franked)	6.0	6.0	-

Managing Director Laurence McAllister said, "The company's first half improvement in underlying profit, driven by improved EBIT margins in our core Health, Wellness & Beauty brands, and the significant reduction in net debt has been achieved despite an adverse AUD/USD currency in comparison with last year. This result is a clear reflection of the strength and resilience of the company's brands and its earnings base.

The company is in a very strong financial position, providing a solid platform for future growth."

[1] Underlying amounts exclude the following significant, non-recurring items before tax, including the 49% share of Housewares JV profit in 1H FY16 as it was divested on 31 March 2016 and is a discontinued operation:

1H FY2017: $19.8m impairment of intangible assets; $0.2m profit recognised from the divestment of Impulse Merchandising operation; $0.8m restructuring costs; $0.7m bond buyback costs.

1H FY2016: $1.6m increase in contingent consideration from the Housewares divestment; $1.5m 49% share of Housewares JV profit; $0.2m restructuring and $0.2m legal & acquisition costs.

Divisional performance

Our new **Health, Wellness & Beauty** division, comprising our hero brands of Manicare, Lady Jayne, Dr. LeWinn's, and A'kin and now including our Multix, Swisspers, Footcare, Maseur and Moosehead brands, contributed 78% of Group revenue. The deliberate strategy to reduce sales of low margin private label products led to a material improvement in margins across all key brands and a decrease in revenue of 7%. Margin growth was achieved through innovation led expansion of ranging and resetting of prices.

The market leading brand Manicare achieved significant revenue and contribution growth, while Swisspers and Lady Jayne, key brands within our Health, Wellness & Beauty portfolio, achieved solid contribution growth despite strong competition.

The more recently acquired A'kin natural skincare and haircare brand and the Trilogy natural skincare agency each continued to perform very well. Sales of the market leading cosmeceutical skincare brand Dr. LeWinn's were impacted by a decision to cease promotion of lower margin gift packs. The ensuing decline in volumes was offset by an improvement in contribution and EBIT margins from the brand.

Sales and contribution from our strong partnership with Coty in fine fragrances (Gucci, Dolce & Gabbana and Hugo Boss) achieved a creditable result given the assignment of the distribution agreement from Proctor & Gamble to Coty and the withdrawal of Dolce & Gabbana from the new agreement. The company's successful key agency partnerships have recently been extended.

Sales declined in our **Home Appliances** division as the market adjusted to the closure of Masters. In addition delays in key building projects affected Commercial sales. This division contributed 22% of Group revenue.

A reduction in forecast full year EBIT has led to a reassessment of the carrying value of intangible assets in the Home Appliances division, resulting in non-cash impairments of $7.0m and $5.0m in goodwill and brand names respectively. Continued range rationalisation has lead to the carrying value of the Revitanail brand and goodwill recorded in the Group's New Zealand operation being subject to non-cash impairments of $6.0m and $1.8m respectively. Management has well advanced plans to improve the profitability of these assets.

Business Development

Mr McAllister said: "After three months in my new role as Managing Director of McPherson's Limited, I'm excited by the potential for future profitable growth. The areas of key focus for growth will be:

- Re-invigorating existing brands;
- Incremental ranging in top six Australian customers;
- Leveraging under-utilised capacity through Partnerships;
- China development;
- International market development; and
- Digital Technology."

Cash flow, balance sheet and FX hedging

Strong operating cash flow, improved working capital efficiency and the divestment on 31 March 2016 of the remaining 49% interest in the Housewares joint venture, have led to a 56% reduction in net debt over the 12 months to 31 December 2016 to $40.9m (from $92.8m at 31 December 2015). The company's gearing ratio (net debt/total funds employed) has reduced from 46.4% to 30.4% over the same period.

The buyback of an additional $10m of fixed rate corporate bonds in November 2016, in combination with reduced debt levels will result in lower borrowing costs going forward.

The company's foreign exchange hedging policy remains unchanged, with estimated USD and Euro requirements for certain customers hedged 12 months forward and other customers hedged eight months forward, each on a rolling basis using options and foreign exchange contracts.

Outlook

Mr McAllister said: "Improved EBIT margins from core brands, a more favourable hedged AUD/USD profile in comparison with last year and reduced borrowing costs are anticipated to lead to an increase in underlying profit before tax from continuing operations for the second half of FY2017 and for the year ended 30 June 2017 compared with the equivalent prior year periods."

"The company is pursuing new business initiatives in a number of areas. These initiatives, supported by the renewed emphasis on effective product innovation and the expansion of our commercial partnerships will serve to strengthen our ongoing performance".

For further information please contact:
Laurence McAllister, Managing Director; Tel +61 2 9370 8042

About McPherson's

McPherson's, established in 1860, is a leading supplier of health, beauty, household, personal care and home appliance products in Australasia, with operations in Australia, New Zealand and Asia. The Health, Wellness & Beauty division markets and distributes beauty care, hair care, skin care and fragrance product ranges, kitchen essentials such as baking paper, cling wrap and aluminium foil, and personal care items such as facial wipes, cotton pads and foot comfort products. The Home Appliances division markets and distributes large appliances such as ovens, cooktops, washing machines and dishwashers.

McPherson's manages some significant brands for overseas agency partners such as Gucci and Hugo Boss prestige fragrances and Trilogy skincare; 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, Swisspers, Moosehead, Maseur, Multix, Euromaid and Baumatic.