(ASX: MCP)

31 July 2018

McPherson's Preliminary Results for FY2018

(Underlying PBT of $19.0m[1]; Statutory PBT of $10.9m)

Successful execution of strategic priorities delivers 17% growth in underlying profit before tax

SUMMARY

- **6% increase in sales from six core brands**
- **17% increase in underlying PBT from continuing operations**
- **42% increase in sales from owned skincare brands, driven by domestic pharmacy and export channels**
- **Divestment of Home Appliances at 7 x EBITDA**
- **73% reduction in net debt to $9.8 million**
- **Successful execution of key strategic priorities**

McPherson's Limited (ASX:MCP) ("McPherson's" or "the Group") today announced that it has completed its preliminary, unaudited results for the year to 30 June 2018, generating underlying profit before tax from continuing operations of $19.0 million[1] (2017: $16.2 million[1,2]), excluding the underlying result of its Home Appliances Division which was divested on 28 February 2018. The company expects to report a statutory profit before tax of $10.9 million (2017: $4.7 million loss).

The strong result, was primarily due to the successful execution of McPherson's strategy to grow in health, wellness and beauty by investing and delivering growth in its six core owned brands, establishing strategic customer and supplier partnerships and driving growth across geographies.

Underlying results from Continuing Operations	**FY18 ($ million)**	**FY17[2] ($ million)**	**Change (%)**
Sales revenue	210.4	211.2	(0.4)
Underlying EBIT[1]	21.6	20.7	4.1
Underlying profit before tax[1]	19.0	16.2	17.0
Underlying profit after tax[1]	12.9	11.4	12.2
Underlying EPS (cents per share)[1]	12.4	11.0	11.8

[1] Underlying amounts from continuing operations exclude the following significant non-recurring items and discontinued operations before tax:

FY2018: Items associated with the discontinued operation, Home Appliances $6.1m expense (primarily $6.4m impairment of goodwill), $1.0m bond buyback costs, $0.5m redundancies due to restructuring in continuing operations and $0.5m hedge ineffectiveness of interest rate swaps.

FY2017: Items associated with the discontinued operation, Home Appliances $8.7m expense (primarily $12.0m impairment of intangible assets), $9.6m impairment of intangible assets in continuing operations; $0.2m profit recognised from the divestment of Impulse Merchandising operation; $1.6m restructuring costs and $1.3m bond buyback costs.

[2] The FY2017 underlying amounts shown for EBIT, profit before tax, profit after tax and EPS outcomes have each been amended from those disclosed last year so as to exclude $3.3m of Home Appliances profit, given this aspect of the Company's operations is not continuing.

Statutory results	FY18 ($ million)	FY17 ($ million)	Change (%)
Statutory profit / (loss) before tax	10.9	(4.7)	Large
Statutory profit / (loss) after tax	5.1	(9.1)	Large
Net Debt	9.8	36.4	(73.0)

McPherson's Managing Director, Laurie McAllister said: "This strong result reflects our unwavering focus on delivering on our key strategic priorities. At the start of the financial year we set out key objectives for the 2018 financial year, including:

- Divesting Home Appliances and resetting our focus on a Health, Wellness and Beauty strategy;
- Accelerating the core six owned brand performance;
- Embracing the export business model;
- Redesigning major customer trading terms via joint business plans;
- Executing supply chain EBIT optimisation initiatives to re-invest in the core six owned brands; and
- Returning our New Zealand operation to EBIT growth.

We have delivered on each of these key priorities in an assertive manner and we are very pleased that this has been reflected in a strong FY18 outcome and a very healthy balance sheet."

Sales of the Group's major skincare brands, Dr. LeWinn's and A'kin were particularly strong, growing by 42% combined, due to increased ranging in the Australian pharmacy market and significant growth in export markets.

The **Multix** brand also achieved a solid 11% growth in 2H18 sales in comparison with 2H17, predominantly as a result of strong take-up of its new **"Greener"** innovation in the bags, wraps and foils segment. This has been well received by consumers and customers alike as the focus on sustainability gains momentum.

Growth in the profitability of the Group's core six owned brands more than offset the impact of the loss of Fine Fragrance distribution from 31 January 2018.

Following the 7% decline in 1H18 sales from continuing operations (i.e. excluding Home Appliances) when compared to 1H17 sales, 2H18 sales increased by 7% in comparison with 2H17 largely due to strong growth in sales of the company's owned brands: Dr. LeWinn's, A'kin, Multix, Swisspers and Lady Jayne. Consequently, FY18 sales of $210 million were in line with last year (FY17: $211 million).

The overall contribution margin achieved in FY18 was in line with FY17, with a higher proportion of customer terms now invested in mutually beneficial co-operative advertising activity as opposed to volume based rebates.

The divestment of the Home Appliances business was completed on 28 February 2018 with approximately $29 million in net consideration applied to reduce debt including buying back the remaining $25 million in Corporate Bonds, further reducing the company's borrowing costs. A non-cash, non-recurring impairment of $6.4 million in goodwill related to Home Appliances is reflected in the FY18 statutory results.

Mr. McAllister said: “To further leverage the Group’s strength in Health, Wellness and Beauty and execute our strategy to grow our core six owned brands, the financial plan for FY19 includes elevated capital and operating expenditure. Capital expenditure will be directed to areas such as permanent in-store merchandising fixtures, developed in partnership with our key accounts customers. Additionally, we see an opportunity to increase our investment in new product development, advertising and promotional spend to support the fundamental health of our core six brands as well as continuing to strengthen our export business and new business development capabilities”.

Further details on the FY18 result will be provided when the audited full year results are released on 22 August 2018.

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About McPherson’s Limited

McPherson’s, established in 1860, is a leading supplier of health, beauty, household and personal care products in Australasia, with operations in Australia, New Zealand and Asia. McPherson’s 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.

McPherson’s manages some significant brands for agency partners such as 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, Multix, Moosehead, and Maseur.

For further information on McPherson’s business and its strategy and to view our most recent corporation video please refer to the company’s website http://www.mcphersons.com.au