



McPHERSON'S
Est. 1860

ANNUAL GENERAL MEETING PRESENTATION

23 NOVEMBER 2021



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ARI MERVIS

CHAIRMAN



OUR BOARD



ARI MERVIS
Independent Non-Executive
Director and Chairman



JANE M. McKELLAR
Independent Non-Executive
Director



GRAHAM A. CUBBIN
Independent Non-Executive
Director



**GEOFFREY R.
PEARCE**
Non-Independent
Non-Executive Director



ALISON J. COOK
Independent Non-Executive
Director



GRANT PECK
CEO & Managing
Director

AGENDA

1. CHAIRMAN'S ADDRESS

2. CEO & MANAGING DIRECTOR'S ADDRESS

3. FORMAL BUSINESS

- 3.1 FINANCIAL STATEMENTS AND OTHER REPORTS
- 3.2 REMUNERATION REPORT
- 3.3 ELECTION OF A DIRECTOR – ARI MERVIS
- 3.4 RE-ELECTION OF A DIRECTOR – ALISON COOK
- 3.5 RE-ELECTION OF A DIRECTOR – GEOFFREY PEARCE
- 3.6 APPROVAL OF ISSUE OF PERFORMANCE RIGHTS TO
MANAGING DIRECTOR – GRANT PECK

4. SHAREHOLDER QUESTIONS



ONLINE ATTENDEES – VOTING



When open, the vote will be accessible by selecting the voting tab at the top of the screen



To vote simply select the direction in which you would like to cast your vote. The selected option will change colour

For



Against



Abstain



There is no submit or send button, your selection is automatically recorded. You can change your mind or cancel your vote any time before the poll is closed

123-456-789

HOME

MESSAGING

VOTING

Poll Open

You have voted on 0 of 2 items

Resolution 1

Select a choice.

For



Against



Abstain



CANCEL

Question 2

Select a choice.

Yes



No



Unsure



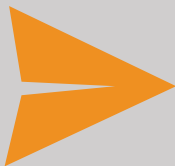
ONLINE ATTENDEES – TEXT QUESTION PROCESS



When the question function is available, the messaging tab will appear at the top of the screen



To submit a question, type your question in the “Ask a question” box and press the send arrow



Your question will be sent immediately for review



123-456-789

HOME

MESSAGING

VOTING

Messaging

Ask a question



Moderator

Type your question in the box above and then press the send arrow. Please include the number of the resolution at the beginning of your question. Questions may be moderated or amalgamated if there are multiple questions on the same topic


ONLINE ATTENDEES – AUDIO QUESTION PROCESS LUMI

When the audio questions line is available, a link will appear on the home tab titled **Asking Audio Questions**

If you would like to ask an audio question, **pause the meeting broadcast** and click on the link

You will be prompted to enter your name and the topic of your question before being placed in the audio questions queue

123-456-789

 HOME

 MESSAGING

 VOTING

Instructions

Watching the Webcast

Press **play** to begin the broadcast. Ensure your device isn't muted and the volume is turned up. On mobile devices, the broadcast can be minimised and audio will continue to play.

Asking Text Questions

Select the **MESSAGING** tab at the top of this page, then type your question in the box provided and press the send arrow.

Asking Audio Questions

If you would like to ask a question verbally, **pause the broadcast** and then click **HERE**. You will be connected to the audio questions line where you can listen to the meeting while waiting to ask your question. Please return to this page if you have any issues.

Voting

When voting opens, a **VOTING** tab will appear at the top of the screen. Selecting this tab will open a list of resolutions, select **For**, **Against** or **Abstain** to cast your vote. There is no enter or send button. You may however cancel your vote and enter a new selection while voting is open.



McPHERSON'S
Est. 1860

PROXIES AND VOTING





AGENDA

1. CHAIRMAN'S ADDRESS

2. CEO & MANAGING DIRECTOR'S ADDRESS

3. FORMAL BUSINESS

4. SHAREHOLDER QUESTIONS

GRANT PECK

CEO &
MANAGING
DIRECTOR



FY21 RESULTS SUMMARY

TOTAL SALES REVENUE

\$200.5m

FY20: \$222.2m

SALES EXCLUDING CHINA

\$193.8m

FY20: \$185.0m

UNDERLYING EBIT

\$11.3m

FY20: \$25.1m

STRONG CASH CONVERSION

108%

FY20: 88%

ROBUST BALANCE SHEET

\$8.4m in debt

Gearing 6.8%

FULL YEAR DIVIDEND

5.0cps

fully franked

HIGHLIGHTS

- ✓ Resilient domestic performance offset by lower international sales of Dr. LeWinn's and one-off items
- ✓ Sales revenue excluding China increased 5% to \$193.8 million
- ✓ 9% increase in domestic sales of company owned brands v FY20
- ✓ Underlying EBIT of \$11.3 million
- ✓ Strong balance sheet with low debt and gearing



CHINA MARKET UPDATE



2017 – 2020

- Dr. LeWinn's experienced stellar growth from 2017 – 2020 fueled by the diagou phenomenon
- Extremely successful in key Chinese consumer promotional periods
- Inventory positions built in anticipation of continued strong demand



2021

- Significant change in the fundamentals of cross-border e-commerce for skincare products
 - Diagou demand for Australian products materially reduced
 - Stronger domestic Chinese skincare offerings
- Vulnerability of overreliance on one channel in one country became clear
- Moderation of opportunity for Dr. LeWinn's in China



2022 and beyond

- Expected rebound in demand from China in FY22 has not occurred
- Announced decision to incur \$8 million - \$10 million provision in 1H22 in relation to excess Dr. LeWinn's inventory
- Revised strategy involving broader distribution, avoiding over-reliance on one channel in one country
- Measured and self-funding approach to international expansion
- First US sales recorded in September 2021

HEALTH, WELLNESS & BEAUTY – A GROWING MARKET

WE'RE OPERATING IN A \$15.2 BILLION MARKET (AUD)

HEALTH & WELLNESS¹
(\$7.5 Billion, +5.7% vs Year Ago)



NATURAL HEALTH

Immunity & Protection
Sleep & Mood
Joint & Movement
Digestive Health



happy
flora.



BEAUTY¹
(\$7.7 Billion, +4.6% vs Year Ago)



HEALTHY SKIN & BEAUTY

Cosmeceutical
Australian Natural
Essential Beauty
Clean Beauty

DR. LEWINN'S®

swisspers®



[A'kin]®



LEVERAGED TO POSITIVE MACRO TRENDS

PRO-ACTIVE
BEAUTY

AUSTRALIAN
BEAUTY

BEAUTY AT
HOME

SUSTAINABLE
LIVING

1. Health & Wellness, Beauty Market size defined using IRI MarketEdge based on Health, Wellness & Beauty definitions provided by McPherson's Consumer Products
IRI Big Picture: Pharmacy Moving Annual Total (MAT) 02/08/2020, plus Grocery MAT 03/01/2021 Vs MAT Year Ago

OPERATIONAL REVIEW

Target \$300 million sales and \$50 million EBIT in FY26

**6 CORE OWNED-BRANDS &
KEY CHANNELS**



INITIATIVES TARGETED TO DELIVER
\$230 MILLION SALES AND \$29
MILLION EBIT BY FY26

**HEALTH & WELLNESS
A NEW GROWTH PLATFORM**



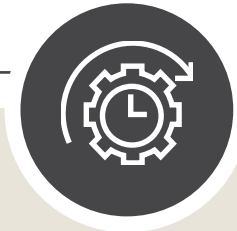
INITIATIVES TARGETED TO DELIVER
\$30 MILLION SALES AND \$7 MILLION
EBIT BY FY26

**SELECTIVELY EXPAND
INTERNATIONAL FOOTPRINT**



INITIATIVES TARGETED TO DELIVER
\$40 MILLION SALES AND \$8 MILLION
EBIT BY FY26

**COST
OPTIMISATION**



INITIATIVES TARGETED TO DELIVER
\$6 MILLION EBIT BY FY26

Restructured team to drive results



6 CORE OWNED BRANDS & KEY CHANNELS



6 CORE
OWNED-BRANDS
& KEY
CHANNELS



PLANNED INITIATIVES

- Expand core brands via better ranging, customer and channel expansion
- Tap into adjacencies and focus on innovation

ACHIEVEMENTS

Core brand growth

- Core owned-brands recorded 9% growth YTD up to 30 October 2021 vs pcp
- Significant growth in Pharmacy channel, up 11% YTD to 30 October 2021 vs pcp
- Gaining share in Manicare, Lady Jayne, Swisspers and A'kin haircare
- Multix Greener pioneer in sustainable offering with 79% of sustainable buyers purchasing Multix Greener

Channel expansion

- Increase of 60,000 distribution points*, on track to reach FY22 target of 1.2 million
- Launched in Kogan Group, The Iconic, Pretty Green Australian Eco-Friendly Online Supermarket

Customer collaboration

- Strong collaborative activity driving key Beauty Essential brands and skincare including CWH and Priceline TVCs

Expand into adjacencies through innovation

- Innovation continues to fuel growth with incremental sales from 163 active and planned projects in the NPD pipeline
- Expansion into attractive adjacent categories including beauty supplements, Baby and Men's Grooming

* Individual stock keeping unit in an individual retail outlet

HEALTH & WELLNESS – A NEW GROWTH PLATFORM

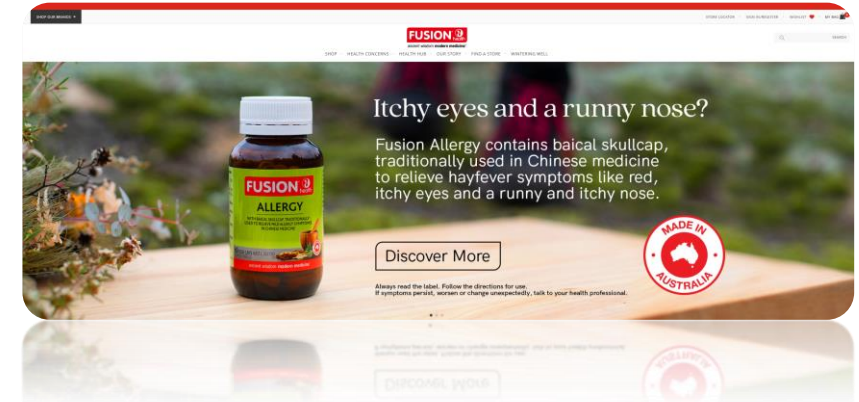


HEALTH & WELLNESS A NEW GROWTH PLATFORM



HIGHLIGHTS

- Acquired Global Therapeutics' Fusion Health and Oriental Botanical brands in December 2020, establishing a new platform for growth – McPherson's Health & Wellness Division.
- Health category represents a key adjacency that our core skill sets, broad customer base, and logistics capability are uniquely positioned to support.
- Successful integration into MCP, including IT and financial systems, and stock now being distributed from MCP Kingsgrove warehouse. Service offering alignment and go to market distribution review underway.
- Recorded \$9.5 million in sales in FY21 with brands contributing from 1 December 2020 (7 months).



HEALTH & WELLNESS – A NEW GROWTH PLATFORM



HEALTH & WELLNESS
A NEW GROWTH
PLATFORM



PLANNED INITIATIVES

- Access ranging upside in Australian pharmacy channel, reset in New Zealand
- Accelerate New Product Development (NPD)

ACHIEVEMENTS

Stock shortages addressed

- Stock shortages addressed with availability now over 95%
- On target to deliver planned sales and EBIT for FY22 despite key health store channel impacted by COVID lockdowns

Channel expansion

- Achieved incremental distribution of A'kin in to 129 health stores

NPD

- NPD to deliver 7.5% of sales in FY22 as consumers continue to seek natural solutions to immunity.

Increased consumer engagement

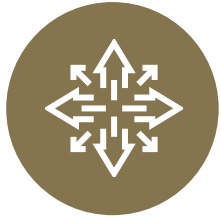
- Refreshed Fusion brand identity to appeal to consumers
- Successful Wintering Well campaign
 - Increased Fusion Health website traffic by 48% and new users by 44%, Over 23 million ad impressions and 2 million video views across Google and Facebook, over 115,000 click through to Fusion Health's website
 - eCommerce sale revenue up 58% YOY

Efficiencies

- Swift progress on operational efficiency initiatives including new WA go-to-market distribution strategy, which creates improved customer insights. This strategy will be cost neutral in FY22 and on track to deliver 10% improvement in Health EBIT in FY23.



INTERNATIONAL FOOTPRINT



SELECTIVELY
EXPAND
INTERNATIONAL
FOOTPRINT



PLANNED INITIATIVES

- Build on Dr. LeWinn's success but de-risk approach
- Progress entry into targeted non-China markets

ACHIEVEMENTS

China

- Announced decision to incur a one-off provision in the range of \$8 million - \$10 million in relation to excess Dr. LeWinn's inventory

USA

- Contracted Boston Distribution & Sales Factory to commence sales in USA e-commerce market, on a self-funding basis
- Distribution commenced in the US with first sales recorded in September 2021; live on Amazon

Dr. LeWinn's Global Brand IP

- Registered Dr. LeWinn's trademark in key markets: UK, EU, USA, UAE

Fusion Health

- Fusion Health international market entry assessment in FY22

Middle East & South-East Asia

- A'Kin launching on Look Fantastic in H2'22
- Dr LeWinn's available at Watson's in Saudi Arabia, Kuwait and targeting Singapore in 2H22

COST OPTIMISATION



COST
OPTIMISATION

OUR APPROACH

Drive efficiencies in our business and optimise our supply chain and distribution process to best support our growth initiatives

KEY ACTIVITIES

Realigning Business in Three Commercial Business Units

Business will be centered around three units:

- Core Range – ANZ
- Health
- International

Exiting Joint Ventures

- Removes unnecessary complexity

Reduced Senior Leadership Team

- Leadership focused on three key business units, with accountability

Cost base recalibration resulted in annualised cost reductions of \$3.5 million in line with operational review

TRADING UPDATE AND GUIDANCE

- No short-term material improvement in sales into China with no expectation of a material profit from trading in China in FY22.
- Continuing improvement in domestic operations (Manicare up 18%, Swisspers up 30%)
- Momentum challenged by supply chain pressure; closely monitoring and managing supply instability
- Cost pressures in commodities and international freight are being addressed

GUIDANCE

1H22

- Total sales growth expected between 8% - 10%
- Underlying profit before tax expected between \$0.4 million and \$0.7 million below 1H21, excluding non-recurring, significant items
- Including non-recurring, significant items, statutory loss before tax forecast between \$2.5 million to \$4.5 million

FY22

- Total sales growth between 6% - 8%
- Underlying profit before tax between \$1 million and \$2 million above FY2021, excluding non-recurring, significant items
- 2H22 projected to be positively impacted by FX hedging and various cost initiatives
- Including non-recurring, significant items, underlying profit before tax forecast between \$1 million - \$2 million



CASH AND DIVIDENDS



Balance sheet remains strong – net bank debt \$8.4 million



Underlying cash conversation forecast to be 85% to 90% in FY22



Bank debt supports maintenance of dividend policy to pay at least 60% of underlying profit after tax as dividends (subject to appropriate approvals)



UNIQUE CAPABILITIES

Strong demand for
core products



Innovation driving
additional ranging and
value



Supply chain and
warehouse capacity offers
opportunities



Strong balance
sheet



Rejuvenated team
driving execution of
strategy



FORMAL RESOLUTIONS

- 1 FINANCIAL STATEMENTS AND OTHER REPORTS
- 2 REMUNERATION REPORT
- 3 ELECTION OF A DIRECTOR – ARI MERVIS
- 4 RE-ELECTION OF A DIRECTOR – ALISON COOK
- 5 RE-ELECTION OF A DIRECTOR – GEOFFREY PEARCE
- 6 APPROVAL OF ISSUE OF PERFORMANCE RIGHTS TO
MANAGING DIRECTOR – GRANT PECK



AGENDA ITEM 1 – FINANCIAL STATEMENTS AND OTHER REPORTS

To consider the financial statements and reports for year ended 30 June 2021

- Shareholders are not required to vote or formally approve or adopt the financial reports
- Shareholders can, however, submit questions regarding the financial reports and the company

AGENDA ITEM 2 – REMUNERATION REPORT

To adopt the remuneration report for the financial year ended 30 June 2021

In accordance with the Corporations Act, this resolution is advisory only and does not bind the company or the directors. The directors will consider the outcome of the vote and comments made by shareholders on the remuneration report at the meeting when reviewing the company's remuneration policies

ITEM 2 – PROXY VOTES

ITEM 2	PROXY VOTES RECEIVED (MILLIONS)					
	FOR NO.	FOR %	AGAINST NO.	AGAINST %	OPEN NO.	OPEN %
REMUNERATION REPORT	35.5	76.8%	10.1	21.9%	0.6	1.3%

AGENDA ITEM 3 – ELECTION OF A DIRECTOR – MR. ARI MERVIS



To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

“To elect as a director of the company, Mr. Ari Mervis, who having been appointed a director of MCP on 16 February 2021 in accordance with the company's constitution, offers himself for election as a director of MCP”

Relevant information about Mr. Mervis is set out in the explanatory notes to the notice of annual general meeting

ITEM 3 – PROXY VOTES

ITEM 3	PROXY VOTES RECEIVED (MILLIONS)					
	FOR NO.	FOR %	AGAINST NO.	AGAINST %	OPEN NO.	OPEN %
ELECT ARI MERVIS	45.8	96.7%	1.0	2.0%	0.6	1.3%

AGENDA ITEM 4 – RE-ELECTION OF A DIRECTOR – MS. ALISON COOK



To pass the following resolution as an ordinary resolution:

“To elect, as a director of the company, Ms. Alison cook, who retires by rotation as a director in accordance with the company's constitution and the ASX listing rules and offers herself for re-election”

Relevant information about Ms. Cook is set out in the explanatory notes to the notice of annual general meeting

ITEM 4 – PROXY VOTES

ITEM 4	PROXY VOTES RECEIVED (MILLIONS)					
	FOR NO.	FOR %	AGAINST NO.	AGAINST %	OPEN NO.	OPEN %
RE-ELECT ALISON COOK	38.1	80.3%	8.7	18.4%	0.6	1.3%

AGENDA ITEM 5 – RE-ELECTION OF A DIRECTOR – MR. GEOFFREY PEARCE



To pass the following resolution as an ordinary resolution:

“To elect, as a director of the company, Mr. Geoff Pearce, who retires by rotation as a director in accordance with the company's constitution and the ASX listing rules and offers himself for re-election”

Relevant information about Mr. Pearce is set out in the explanatory notes to the notice of annual general meeting

ITEM 5 – PROXY VOTES

ITEM 5	PROXY VOTES RECEIVED (MILLIONS)					
	FOR NO.	FOR %	AGAINST NO.	AGAINST %	OPEN NO.	OPEN %
RE-ELECT GOEFFREY PEARCE	37.4	80.0%	8.6	18.4%	0.8	1.6%

AGENDA ITEM 6 –

APPROVAL OF ISSUE OF PERFORMANCE RIGHTS TO THE MANAGING DIRECTOR, MR. GRANT PECK, UNDER THE MCPHERSON'S LIMITED PERFORMANCE RIGHTS PLAN



To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

“That for the purposes of part 2e.1 of the Corporations Act and ASX listing rule 10.14, and for all other purposes, the grant of performance rights and shares on exercise of such performance rights to Mr. Grant Peck, the managing director of the company, under the McPherson’s Limited performance rights plan and his employment agreement with the company, is approved on the terms set out in the explanatory notes to the notice of annual general meeting ”

ITEM 6 – PROXY VOTES

ITEM 6	PROXY VOTES RECEIVED (MILLIONS)					
	FOR NO.	FOR %	AGAINST NO.	AGAINST %	OPEN NO.	OPEN %
APPROVAL OF PERFORMANCE RIGHTS GRANT PECK	22.9	48.6%	23.7	50.1%	0.6	1.3%

Q & A SESSION



THANK YOU

A'KIN
Natural
Deodorant

