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# McPherson's Limited

Results for 6 months to 31 December 2010



# Group financial summary for H1 2011

	6 months to Dec 2009 (\$A million)	6 months to Dec 2010 (\$A million)	
Sales	190.1	189.7	
EBITDA	27.1	30.8	
Depreciation & amortisation	(2.8)	(2.8)	
<b>EBIT</b>	<b>24.3</b>	<b>28.0</b>	<b>15% EBIT growth</b>
Interest	(4.2)	(4.0)	<b>Interest cover 7.0 times</b>
<b>NPBT</b>	<b>20.1</b>	<b>24.0</b>	
Tax	(6.0)	(7.1)	
<b>NPAT</b>	<b>14.1</b>	<b>16.9</b>	<b>20% NPAT growth</b>
Pre-tax cash flow	16.1	23.7	
EPS (cents)	20.3	23.6	<b>16% EPS growth</b>
Interim dividend (cents)	10.0	12.0	<b>20% lift in fully franked dividend</b>

# Balance sheet

	Dec 2009 (\$A million)	Dec 2010 (\$A million)
Fixed assets (including intangibles)	213.1	210.2
Net working capital	100.6	100.5
Other	(43.0)	(45.6)
	<b>270.7</b>	<b>265.1</b>
Shareholders' funds	189.5	203.1
Net debt	81.2	62.0
Total funds employed	<b>270.7</b>	<b>265.1</b>
Gearing (Net debt / Shareholders' funds)	43%	31%
Funds employed – Consumer Products	240.2	235.3
Funds employed – Printing	30.5	29.8
	<b>270.7</b>	<b>265.1</b>
Group EBIT / Total Funds Employed	9%	11%
ROSF (NPAT / Shareholders' funds)	8%	8%

*24% reduction in net debt*

*Gearing significantly improved*

# McPherson's Consumer Products: Financial summary

	6 months to Dec 2009 (\$A million)	6 months to Dec 2010 (\$A million)
Sales	157.7	158.4
EBITDA	26.1	30.4
Depreciation / amortisation	(1.3)	(1.3)
<b>EBIT</b>	<b>24.8</b>	<b>29.1</b>
EBITDA / sales	16.6%	19.2%
EBIT / sales	15.7%	18.4%

*17% growth in EBIT,  
benefiting from  
favourable currency*

## GEOGRAPHIC EBIT BREAKDOWN

Australia	21.4	25.8
International	3.4	3.3
<b>EBIT</b>	<b>24.8</b>	<b>29.1</b>
EBIT / Total Funds Employed	10%	12%

# McPherson's Consumer Products: Trading commentary

- The retail environment was subdued primarily due to successive interest rate rises
- Increased competitiveness was evident in the retail market
- Despite the above, McPherson's still achieved growth in key brands
- Gross margins improved across all major categories, with earnings impacted favourably by currency
- Raw material costs increased and product cost pressures were felt in Asia

# McPherson's Consumer Products: Operations

- Operations in Australia, New Zealand, and Singapore
- Hong Kong / China sourcing division
- Distributors in Canada and South Africa
- Sophisticated logistics capability and large in-field presence
- Established relationships with a multiplicity of customers in various channels
- Strong track record of innovation and product development



Sydney



Melbourne



New Zealand



Singapore



Hong Kong

# McPherson's Consumer Products: Four product categories

## Housewares



~ 35% of sales  
3,000+ SKUs

### Channels:

- Department stores
- Independent housewares stores
- Grocery, hardware, discount department stores
- Commercial

## Personal care



~ 25% of sales  
1,500+ SKUs

### Channels:

- Grocery stores
- Pharmacy stores
- Discount department stores

## Household consumables



~ 30% of sales  
200+ SKUs

### Channels:

- Grocery stores
- Discount department stores

## Impulse merchandising



< 10% of sales  
100+ SKUs

### Channels:

- Grocery stores
- Discount department stores
- Hardware

- Strength through a multiplicity of products, brands, categories and channels

# McPherson's Consumer Products: Housewares



- All the products needed for food preparation and dining: cutlery, bakeware, cookware, knives, kitchen gadgets, dinnerware and glassware
- Housewares purchases are often discretionary, but some McPherson's housewares products and brands are less affected by changes in consumer discretionary spending
- Agency brands are used strategically to complement McPherson's own brands





# McPherson's Consumer Products: Personal care



- Beauty care, hair care and skin care products
- Manicare, Lady Jayne and Swisspers are leading brands in their channels
- Glam, Cosmetica and Artiste are brands recently launched under the umbrella brand Manicare
- Personal care is a growth area for McPherson's



# McPherson's Consumer Products: Household consumables



- Products for food preparation, food storage and kitchen refuse disposal
- Multix is well established in the retail market
- A market leading brand in its segments
- One of McPherson's largest brands



# McPherson's Consumer Products: Impulse merchandising



- Clip strip products for major supermarkets and discount stores in Australia and New Zealand
- Clip strips tailor-made to suit each retailer
- Products delivered direct to stores and merchandised by McPherson's field team
- Some retailers are reviewing the space allocated to clip strips



# McPherson's Printing: Financial summary

	6 months to Dec 2009 (\$A million)	6 months to Dec 2010 (\$A million)
Sales	32.4	31.3
EBITDA (before equipment leases)	3.9	3.7
Equipment lease expense	(0.9)	(0.8)
Depreciation / amortisation	(1.5)	(1.5)
<b>EBIT</b>	<b>1.5</b>	<b>1.4</b>
EBITDA (before equipment leases) / sales	12.0%	11.8%
EBIT / sales	4.6%	4.5%

- Focus is on cost containment and efficiency improvements
- New 'Heidelberg 10 colour XL' printing press



# Outlook

- Retail environment to remain challenging; the business will be managed accordingly
- Ongoing upward pressure on product costs in China
- Innovation, product development and sourcing to remain a high priority
- Further efficiency gains expected through rigorous cost control and business initiatives
- Gearing and interest cover have improved
- In line with previous guidance, 10% EPS growth is forecast for the full year
- Interim dividend up 20% with fully franked dividends expected to continue
- Strong balance sheet – actively seeking consumer products acquisitions

# Questions



McPherson's