



23 November 2021

ASX: MCP

Company Announcements
ASX Limited
Level 4, 20 Bridge Street
SYDNEY NSW 2000

Dear Sir / Madam,

2021 ANNUAL GENERAL MEETING – CHAIRMAN’S ADDRESS

The Chairman of McPherson’s Limited, Mr. Ari Mervis, is today addressing shareholders in the company’s Annual General Meeting (AGM), which is being held virtually at <https://web.lumiagm.com/371792891>, commencing at 11.00 a.m. (Sydney time).

The Chairman’s Address follows below.

The Chief Executive Officer’s AGM Address and the AGM Presentation will be lodged separately.

Approved for release by MCP’s Company Secretary.

Yours sincerely,

Phil Bennett
Company Secretary

McPherson's Limited 2021 Annual General Meeting

DRAFT Chairman's Address – Mr. Ari Mervis

23 November 2021

2021 IN REVIEW:

The results of this past financial year were unacceptable, and your board is acutely aware of the disappointment experienced by shareholders, and the need for rapid and significant change.

At the 2020 AGM, despite the initial ramifications of Covid-19, there was optimism within the company. Strong sales to China were projected to continue, the pending acquisition of the Fusion Health and Oriental Botanicals brands provided a new revenue stream, and the well-supported capital raise provided funding for further acquisitions and growth.

Disappointingly, the positive results were not forthcoming, and the China cross border e-commerce channel all but disappeared and further appropriate acquisitions were not identified. The extended government enforced lockdowns to contain the spread of Covid-19 changed consumer shopping patterns and behaviours, driving more at-home purchases, and reduced spending on skincare products. Furthermore, many health stores, where the newly acquired health brands are distributed, were forced to close their doors for extended periods. This culminated in 2021 being one of the most challenging years for McPherson's in its recent history.

While the fundamental opportunities in the Health, Wellness and Beauty sectors remain robust and the domestic business, particularly in core company owned brands continues to deliver positive results, your board recognised the need for swift and significant action to address the underperformance. Starting at the top, a process to refresh the board was undertaken, and I was fortunate to be approached to join the board, and subsequently be appointed as Chairman. I will speak more about this prior to the resolution being put before shareholders regarding my election as a director of the company.

It would be remiss of me however to not recognise at this point the enormous contribution made by Graham Cubbin to the company over the past decade as a director and the last six years as chairman. His leadership and direction have been a fundamental driver of the clarification of the company's strategic direction as a Health, Wellness and Beauty brand owner and provider.

The true value of his influence should not be underestimated. While the journey has had its challenges, none more so than this past year, the destination and clarity of purpose has not wavered. Graham has always put the welfare of those under his charge and the stakeholders of the company above personal pride, and it was he who identified and recognized that the time was appropriate to step down as chairman. We are however

grateful that Graham has agreed to stay on the board until we appoint a replacement independent non-executive director, and we are making good progress in this regard and hope to be able to make an announcement on this in the near future.

Furthermore, a new CEO was appointed, and we are fortunate to have someone of Grant's skill set and leadership to reset the business and position McPherson's for future growth. Grant has also implemented numerous changes at the senior levels within the Company and he will expand on this during his presentation.

When McPherson's disappointing performance became apparent, the board and management team, assisted by external advisors, undertook an extensive operational review. In May 2021, the outcomes of this review were announced, which included identifying and prioritising McPherson's key growth drivers and related strategies to deliver both short- and long-term value to all stakeholders.

The primary focus remains on continuing to drive core owned-brand and key domestic channels. This is where the majority of the company's earnings are generated and it is crucially important to win with the winners, both in terms of brands and customers.

Secondly, the integration of the Health Division is progressing as contemplated, and as the organisation develops further competencies in this area, health and wellness offer a new and to date untapped growth platform.

Thirdly, leveraging the lessons of the past, the company will continue cautiously to expand its international footprint.

And finally, with the need to enhance profitability, the cost base is being continually scrutinised to find efficiencies to be able to free up resources to drive growth.

I am confident that management is making significant progress against these strategies, and Grant will elaborate in more detail in his section of this meeting.

On November 1 this year the company announced an update to the market including expectations for the first half of 2022. This announcement also included a material provision for Dr LeWinn's inventory held for China. While it is most disappointing that this provision was deemed necessary, it not only removes the uncertainty of how the stock was to be sold, it also provides management with clear space to continue their strategy implementation and will ensure that the brand integrity is maintained.

While the financial results of the past year are evident, and the disappointment experienced particularly with regards to sales to China should not be underestimated, it is important to recognise the ongoing success in the core domestic market. It is encouraging that in spite of macro headwinds, the strength of the company's core range ensured continued growth. During the pandemic consumers continued to buy trusted brands from trusted sources, and it is pleasing that this trend has continued into the current year.

With this as a backdrop, we remain cautiously optimistic that the platform for growth will continue as management recalibrate the company to deliver sustainable and profitable growth.

Importantly the Company's financial position remains strong, with its leverage ratio being defined, as net bank debt excluding lease liabilities to underlying EBITDA, at 0.5 times and its gearing ratio remaining low at 6.8% as at 30 June 2021.

Given the strength of the balance sheet, capital management initiatives have been considered, however your board deems it prudent to retain flexibility as we move beyond the recent covid-19 related uncertainties.

During these uncertain times, McPherson's has proudly remained a key supporter of our community and partners, including the collaboration between Lady Jayne and the Children's Charity Variety, as well as McPherson's employee volunteers teaming up with the Two Good Company. This epitomises the dedication and commitment of our employees, and I would like to take a moment also to thank them all for their support during a challenging FY21. They have been exceptional under trying circumstances and we are most grateful for the professional way they have conducted themselves.

I would also like to thank you our shareholders for your continued support. The board does not underestimate the disappointments that shareholders have experienced over the past year and fully recognise the need for improvement.

With a strong plan in place, we look forward to working with the Management Team to deliver sustainable profitable growth and generate value for shareholders, employees and customers alike.

I now call on Grant Peck to present his CEO's address to the meeting.