



ASX: MCP

24th March 2022

McPherson's enters into a significant Strategic Alliance with Chemist Warehouse Group

McPherson's Limited ("McPherson's" or "MCP") is pleased to announce it has entered into a series of formal agreements with relevant members of Chemist Warehouse Group ("CWG") to establish a unique strategic alliance ("Strategic Alliance") with CWG, structured to deliver material commercial and operational benefits to McPherson's.

In summary, under these agreements:

1. McPherson's will be appointed as Chemist Warehouse's exclusive long-term distributor of a select portfolio of Chemist Warehouse-owned or controlled health and beauty brands outside of the Chemist Warehouse Network in Australia and New Zealand ("Exclusive Distribution Agreement"). The range, which includes Wagner Vitamins, Wagner Body Science, Bondi Protein, Foster Grant, INC and Microgenics, and will be made available to all customers within the McPherson's distribution network. Chemist Warehouse will, by way of initial engagement and training, and by making relevant knowhow, IP and other deliverables available to MCP, support the effective sale and distribution of the CWG brands under the Exclusive Distribution Agreement. The exclusive distribution rights will be for an initial term of five-years commencing on 1 July 2022. McPherson's will have three five-year options to extend the arrangements, subject to certain minimum performance thresholds on a brand-by-brand basis which McPherson's considers it is well placed to meet;
2. Chemist Warehouse will increase the portfolio of McPherson's brands which CWG currently ranges in Australia and New Zealand, to include Moosehead, Maseur, Fusion Health, Stratton, Sugar Baby and Happy Flora. Chemist Warehouse will also recognise McPherson's as a preferred supplier of CWG, allowing MCP to enjoy the benefits of that status ("Preferred Brand Agreement"). The Preferred Brand Agreement will have an initial term of five-years commencing 1 July 2022. Chemist Warehouse will have three five-year options to extend the arrangements; and
3. As part of the Strategic Alliance Chemist Warehouse will be issued approximately 14.1 million McPherson's shares on 1 July 2022, thereby becoming a substantial shareholder, with a holding of 9.9% of McPherson's shares on a fully diluted basis. The shares will be issued at a value of \$0.88 each, based on the 5-day VWAP of MCP's securities on the ASX up to 22 March 2022.

The initial establishment of the Strategic Alliance will have no material cashflow implications for McPherson's. Please see the Annexure for further details regarding the initial arrangements in this regard.

All McPherson's shares issued to Chemist Warehouse will be escrowed for a period of 2 years and will be subject to market standard stand-still arrangements.

McPherson's expects the Strategic Alliance to be EPS accretive in FY2023 (being the first financial year of the arrangement) based on the growth targets agreed between McPherson's and Chemist Warehouse.

Commenting on the Strategic Alliance, McPherson's Chairman Ari Mervis said: "McPherson's is delighted to welcome Chemist Warehouse onto our share register as a significant shareholder, and to be entering into the Strategic Alliance with our largest customer that is strongly aligned to our growth aspirations in the health, wellness and beauty categories".

"The strong support to be provided by Chemist Warehouse for our Core Brands as well as the incremental ranging in-store and online for our other health and beauty brands is expected to accelerate our growth domestically as well as internationally through Chemist Warehouse's physical and e-commerce platforms."

"Further, the ability to sell the Chemist Warehouse owned or controlled health and beauty brands through McPherson's distribution channels is highly complementary and synergistic to our existing capabilities."

Chemist Warehouse Chairman and Co-Founder, Jack Gance said: "The Chemist Warehouse team are very excited to significantly deepen our trusted relationship with McPherson's through this Strategic Alliance. There are natural synergies with this partnership, and we look forward to working collaboratively with McPherson's to unlock mutual growth opportunities both here in Australia and in overseas markets."

"We are particularly excited about the opportunity for McPherson's to be the long-term custodian and exclusive distributor of our portfolio of Chemist Warehouse owned or controlled health and beauty brands outside of the Chemist Warehouse Network. This distribution arrangement will allow us to invest more heavily in marketing and advertising to grow the sales of these products. McPherson's has a leading distribution network across independent pharmacy, grocery and health food stores and we believe our brands will significantly complement McPherson's existing product offering through this channel. Further, by investing in McPherson's, we have strong alignment alongside McPherson's existing shareholders to ensure that this Strategic Alliance delivers for the benefit of both organisations over the long term."

Authorisation

This ASX announcement has been authorised by the McPherson's Limited Board of Directors.

For further information please contact:

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About McPherson's Limited

McPherson's, established in 1860, is a leading supplier of Health, Wellness and Beauty products in Australasia and increasingly China, with operations in Australia, New Zealand and Asia. McPherson's markets and distributes beauty care, hair care, skin care and personal care items such as facial wipes, cotton pads and foot comfort products, as well as a range of kitchen essentials such as baking paper, cling wrap and aluminium foil.

McPherson's manages some significant brands for agency partners; 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>

About Chemist Warehouse Group

Chemist Warehouse is Australia's largest pharmacy retailer with over 500 franchised stores operating under the banners "Chemist Warehouse" and "My Chemist" throughout Australia, and other "Chemist Warehouse" branded operations in The People's Republic of China, Ireland and New Zealand.

Chemist Warehouse is focused on providing competitive pricing and an extensive product range to customers, which has facilitated rapid historical growth and international expansion. Chemist Warehouse is the largest international merchant on Alibaba's online marketplace, Tmall Global, which is the largest cross-border online marketplace and has strong traction with Chinese consumers.

Annexure

In order to effect the transactions to establish the Strategic Alliance, McPherson's will be invoiced by the relevant Chemist Warehouse entities for services supplied and to be supplied by those Chemist Warehouse entities to McPherson's including marketing, branding, incremental ranging support, and IP / know-how transfer and support ("Services").

Chemist Warehouse will transfer the full subscription price for the shares to a bank account nominated by McPherson's. McPherson's will utilise these funds to pay the GST-exclusive price of the Services to the Chemist Warehouse entities.