



McPHERSON'S  
Est. 1860

# TARGET'S STATEMENT

in response to  
the on-market takeover bid made by  
Gallin Pty Ltd (ACN 648 845 738)  
for all of the ordinary shares on issue in McPherson's Limited (ASX: MCP)

**THE MCP DIRECTORS UNANIMOUSLY  
RECOMMEND THAT YOU**

**REJECT**

**GALLIN'S OFFER  
BY TAKING NO ACTION**

THIS DOCUMENT CONTAINS IMPORTANT INFORMATION AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to how to deal with this document, you should consult a licensed financial adviser, accountant, stockbroker, lawyer or other professional adviser immediately.

If you require further information or have questions in relation to the Offer, please contact the McPherson's Shareholder Information Line on 1300 219 452 (within Australia) or +61 3 9415 4328 (outside Australia) between 8.30am and 5.00pm (Sydney time) Monday to Friday.



**MOELIS**  
AUSTRALIA

Financial Adviser

**THOMSON GEER**  
LAWYERS

Legal Adviser

## Key Dates

Offer announced	25 March 2021
Date of Gallin's original Bidder's Statement	25 March 2021
Date of Gallin's first supplementary Bidder's Statement	30 March 2021
Date of Gallin's second supplementary Bidder's Statement (and Replacement Bidder's Statement)	6 April 2021
Date of this Target's Statement	8 April 2021
Offer closes	10 May 2021 (unless extended or withdrawn)

## Important Notices

This document is a Target's Statement issued by McPherson's Limited (ACN 004 068 419) (**MCP, McPherson's** or the **Company**) under Part 6.5 of the Corporations Act, in relation to the on-market takeover bid made by Gallin Pty Ltd (ACN 648 845 738) (**Gallin** or **Bidder**) for all MCP Shares that it does not hold.

This Target's Statement was lodged with ASIC and the ASX on 8 April 2021. Neither ASIC nor the ASX nor any of their respective officers takes any responsibility for the content of this Target's Statement.

### No account of personal circumstances

This Target's Statement does not take into account your individual investment objectives, financial situation or particular needs, nor does it contain personal advice. Before deciding whether or not to accept the Offer, you should consider the contents of the Bidder's Statement and the Target's Statement in their entirety in light of your personal circumstances (including financial and taxation matters), and if you are in any doubt as to what to do in relation to the Offer, you should seek professional advice from a licensed financial adviser, accountant, stockbroker, lawyer or other professional adviser.

### Disclaimer as to forward looking statements

This Target's Statement includes certain statements that may be considered in the nature of forward looking statements. You should be aware that such statements are only predictions and are subject to inherent risks and uncertainties which could cause actual values, results, performance or achievements to differ materially from those expressed, implied or projected in any forward looking statement.

The forward looking statements in this Target's Statement reflect the views held only as at the date of this Target's Statement. While MCP believes that the expectations reflected in the forward looking statements in this document are reasonable, no assurance can be given that such expectations will prove to be correct. You are cautioned not to place undue reliance on any forward looking statement.

### Disclaimer as to information on Gallin

All of the information concerning Gallin contained in this Target's Statement has been obtained from publicly available sources (including most relevantly the Bidder's Statement). None of the information in this Target's Statement relating to Gallin has been verified by Gallin or independently verified by MCP or the MCP Directors for the purposes of this Target's Statement. Accordingly, to the extent permitted by law, MCP makes no representation or warranty (either express or implied) as to the accuracy or completeness of this information. The information on Gallin in this Target's Statement should not be considered comprehensive.

**Foreign jurisdictions**

The release, publication or distribution of this Target's Statement in jurisdictions other than Australia may be restricted by law or regulation in such other jurisdictions and persons who come into possession of it should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable laws or regulations. This Target's Statement has been prepared in accordance with Australian law and the information contained in this Target's Statement may not be the same as that which would have been disclosed if this Target's Statement had been prepared in accordance with the laws and regulations outside Australia.

**Financial amounts and rounding**

Financial amounts in this Target's Statement are expressed in Australian dollars unless otherwise stated. A number of figures, amounts, percentages, prices, estimates, calculations of value and fractions in this Target's Statement are subject to the effect of rounding. Accordingly, actual numbers may differ from those set out in this Target's Statement.

**Photographs and diagrams**

Photographs and diagrams used in this Target's Statement which do not have descriptions are for illustration only and should not be interpreted to mean that any person endorses this Target's Statement or its contents or that the assets shown in them are owned by MCP. Diagrams, charts, graphs and tables used in this Target's Statement are illustrative only and may not be drawn to scale.

**Websites**

Information on the websites referenced in this Target's Statement does not constitute part of this Target's Statement.

**Privacy**

MCP has collected your information from MCP's Register for the purpose of providing you with this Target's Statement. The type of information MCP has collected about you includes your name, contact details and information on your shareholding in MCP. Without this information, MCP would be hindered in its ability to issue this Target's Statement. The Corporations Act requires the name and address of shareholders to be held in a public register. Your information may be disclosed on a confidential basis to MCP's Related Bodies Corporate and external service providers (such as MCP's share registry and print and mail service providers) and may be required to be disclosed to regulators (such as ASIC and ASX). MCP's privacy policy is available at: <https://www.mcphersons.com.au/mc-phersons-privacy-policy>

**Defined terms**

A number of defined terms are used in this Target's Statement. These terms are explained in Section 8 of this Target's Statement. In addition, unless the contrary intention appears or the context otherwise requires, words and phrases used in the Target's Statement have the same meaning and interpretation as in the Corporations Act.

**McPherson's Shareholder Information Line**

If you require further information or have questions in relation to the Offer, please contact the McPherson's Shareholder Information Line on 1300 219 452 (within Australia) or +61 3 9415 4328 (outside Australia) between 8.30am and 5.00pm (Sydney time) Monday to Friday.

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# 1. Chairman's Letter



8 April 2021

Dear MCP Shareholder,

Your Board of Directors **unanimously recommends that shareholders REJECT** Gallin's utterly opportunistic and materially inadequate takeover offer.

## **TO REJECT THE GALLIN OFFER, SHAREHOLDERS SHOULD TAKE NO ACTION**

On 25 March 2021 Gallin announced an unsolicited takeover Offer for all McPherson's Shares. Gallin is ultimately owned by Kin Group and the Geminder family.

Gallin is offering \$1.34 cash for each McPherson's Share you hold, a premium of only 9.8% on the closing price the day prior to the announcement of the Offer and a 4.1% premium to the 3-month volume-weighted average price. The Board believes this offer profoundly undervalues MCP. As at the date of the announcement of the Offer, Gallin owned approximately 4.95% of the Shares in McPherson's.

Separately to the Offer, MCP's Management and the Board have been working through a comprehensive operational review for some months now, which has already determined and will continue to identify growth drivers with the view to implementing a strategy that delivers long term value to shareholders.

The Directors recommend that Shareholders should not act until they have the findings of the review which will be presented in May 2021, or risk losing the potential to participate in share price improvement above recent historical lows.

The Directors of McPherson's have assessed the Offer and unanimously recommend that you **REJECT** the Offer.

### **To REJECT the Offer, simply ignore all documents from Gallin and DO NOTHING.**

Each Director intends to REJECT the Offer in relation to the McPherson's Shares they own or control by doing nothing.

The key reasons why you should **REJECT** the Offer are set out below and in Section 2 of this statement:

- **The timing of the Offer is utterly opportunistic.** The Offer has been opportunistically timed to exploit McPherson's recent share price weakness following a period of challenging trading conditions. The MCP Board's view is that the Offer does not reflect the long-term value of your MCP Shares and that Gallin is implementing a hostile strategy to achieve control or partial control of the Company without paying MCP Shareholders a fair premium for control. The Directors recommend that Shareholders await the findings of MCP's operational review in May 2021 to ensure they have a full picture of the Company's strategy to deliver growth;

- **The Offer is inadequate and profoundly undervalues McPherson's.** The Offer profoundly undervalues your MCP Shares based on a range of methodologies including an analysis of both FY20 and FY21 forecast EV/EBIT and P/E earnings multiples for Australian and New Zealand publicly listed peers, McPherson's own historical trading multiples and broker price targets. A 9.8% premium to the prior day closing price is substantially below the Board's expectation for control of a profitable business, and is consistent with the conclusion that Kin Group is looking to acquire as large an investment exposure as possible to McPherson's at the least possible price;
- **The Offer does not reflect McPherson's strong brands and underlying business.** McPherson's has a strong portfolio of market leading owned brands and has created significant shareholder value through product innovation, research and development, channel optimisation, marketing investment and an active portfolio approach including mergers and acquisitions. McPherson's recent investment in Fusion Health<sup>1</sup> is yet to be fully integrated into the business and by selling your MCP Shares, you will lose the opportunity to participate in any upside from investment in this key new Health pillar to the business;
- **The Offer does not recognise McPherson's significant opportunities for growth.** The MCP Board has been undertaking an operational review for some months and is evaluating a diverse array of growth initiatives, expected to be communicated to Shareholders in May 2021. McPherson's has significant balance sheet strength and operational capacity to invest in our owned brands and enter adjacent categories. The Board is reviewing a number of new product development and innovation opportunities for our owned brands and will also continue to prudently assess and execute accretive acquisitions which strategically complement and enhance our focus on Health, Wellness and Beauty should such opportunities arise;
- **By selling your MCP Shares to Gallin on market, you will lose the opportunity to participate in any potential upside in McPherson's.** Shareholders who sell their MCP Shares to Gallin will not benefit from any future growth and any share price improvement above recent lows. Furthermore, they will not benefit from any subsequent superior offer from Gallin or another third party, should one emerge; and
- **Should Gallin acquire sufficient shares to appoint its own director(s), the future investment and risk profile may be at odds with current shareholder preferences.**

You own part of a high-quality company with a strong outlook and a stable and highly credentialed senior management team. While McPherson's suffered challenging trading conditions in H1 FY21, in large part due to factors relating to COVID-19, your Directors have full confidence in management's ability to execute its Health, Wellness and Beauty strategy and deliver strong results in the future. Your Directors and management intend to continue to operate McPherson's for the benefit of all Shareholders.

This document sets out your Directors' formal response to the Offer, including detailed reasons why your Directors unanimously recommend that you REJECT the Offer. I encourage you to read this document carefully. If you are in any doubt about how to respond to this Offer, seek financial advice from an independent, qualified adviser who is able to take account of your individual circumstances.

We will keep you updated on any significant developments.

If you have any questions in relation to this document or your MCP Shares, please contact the McPherson's Shareholder Information Line on 1300 219 452 (within Australia) or +61 3 9415 4328 (outside Australia) between 8.30am and 5.00pm (Sydney time) Monday to Friday.

Yours sincerely,



**GRAHAM CUBBIN**

Chairman of the Board

<sup>1</sup> Fusion Health includes both the Fusion Health and Oriental Botanicals brands (formerly referred to as "Global Therapeutics").

## **2. Reasons to REJECT Gallin's Offer**

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**1.** The timing of the Offer is utterly opportunistic

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**2.** The Offer is inadequate and profoundly undervalues McPherson's

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**3.** The Offer does not reflect McPherson's strong brands and underlying business

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**4.** The Offer does not recognise McPherson's significant opportunities for growth

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**5.** By selling your MCP Shares to Gallin on market, you will lose the opportunity to participate in any potential upside in McPherson's

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## 2.1 The timing of the Offer is utterly opportunistic

### a) The Offer has been opportunistically timed to exploit McPherson's recent share price weakness

The following chart shows McPherson's historical share price over the two years preceding the announcement of the Offer from 25 March 2019 to 24 March 2021 (the day prior to the announcement of the Offer).

**Figure 1: McPherson's share price performance since 25 March 2019<sup>2</sup>**



The announcement of the Offer has been opportunistically timed. As presented in the chart above, the trading prices of McPherson's shares have substantially decreased subsequent to the:

- trading update released on 20 October 2020 which included a non-recurring provision for hand sanitiser inventory of \$5.7 million; and
- trading update released on 1 December 2020 relating to the decrease in sales of Dr. LeWinn's through the Access Brand Management (**ABM**) channel.

Prior to the announcements noted above, MCP Shares traded at significantly higher prices. The Offer Price represents an implied:

- discount of ~60% to the McPherson's peak close price of \$3.36 per share (on 31 August 2020) over the two years preceding the announcement of the Offer; and
- discount to McPherson's closing share price for approximately 79% of trading days over the two years preceding the announcement of the Offer.

Gallin's takeover offer has also been opportunistically launched prior to the full integration of Fusion Health<sup>3</sup> which was acquired on 30 November 2020.

<sup>2</sup> Source: IRESS. As permitted by ASIC Instrument 2016/72, this Target's Statement contains trading data sourced from IRESS Limited without their consent.

<sup>3</sup> Fusion Health includes both the Fusion Health and Oriental Botanicals brands (formerly referred to as "Global Therapeutics").

On 31 March 2021, the MCP Board announced that it had been undertaking an operational review for some months under the leadership and direction of the (then interim) CEO, Mr. Grant Peck, with assistance from external advisers. The outcome of the review will:

- identify and prioritise McPherson's key growth drivers;
- articulate the steps to be taken to enhance the MCP Group's leading Health, Wellness and Beauty brand portfolio through consumer-centric research and innovation; and
- develop the MCP Group's strategy to continue to drive growth through expanding domestic and export distribution channels.

In addition, the operational review is intended to identify areas of further operational efficiency.

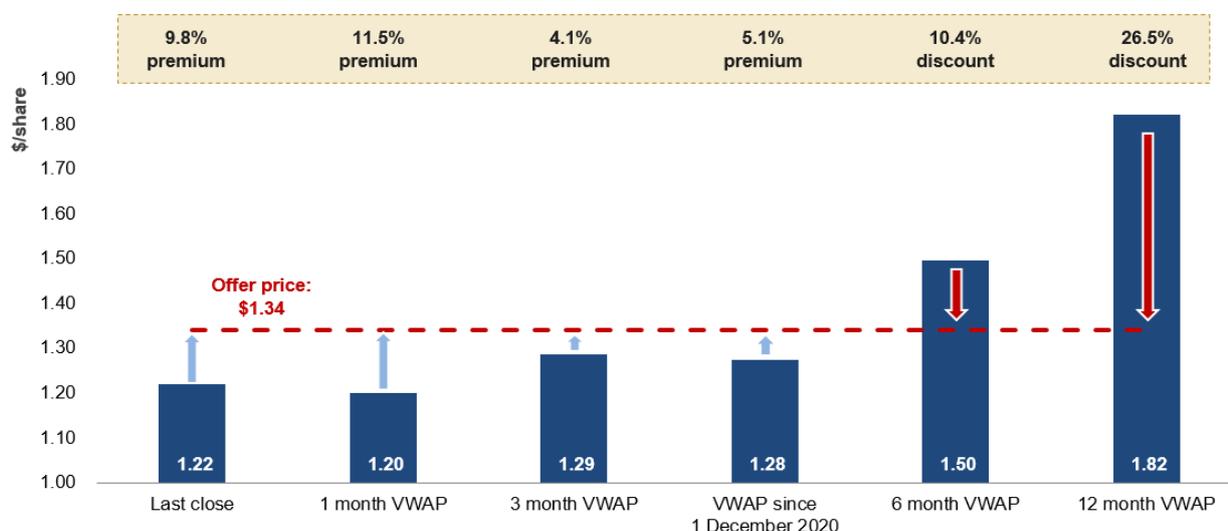
The MCP Board believes that the review will provide a positive catalyst for the continued, sustainable growth of the McPherson's business following the recent challenging trading period. As detailed in Section 2.4, future growth drivers will likely include further channel and category expansion opportunities and operational and organisational improvements.

## b) There is a minimal premium for control implied in the Offer Price

It is usual for an acquirer to pay a premium to the trading value of a company when seeking to obtain control. The MCP Board's view is that Gallin is implementing a hostile strategy to achieve control or partial control of the Company without paying MCP Shareholders a fair premium for control.

The MCP Directors believe that MCP Shareholders should have regard to longer term as well as shorter term share prices when calculating premia implied by the Offer. There is a minimal premium for control implied in the Offer Price compared to the reference points in the chart presented below.

**Figure 2: Offer discount / premium to McPherson's trading prices<sup>4</sup>**



The Offer Price of \$1.34 per share represents the following:

- a 9.8% premium to the closing price of \$1.22 on the day prior to the announcement of the Offer;
- an 11.5% premium to the 1 month VWAP up to 24 March 2021 of \$1.20;
- a 4.1% premium to the 3 month VWAP up to 24 March 2021 of \$1.29;
- a 5.1% premium to the VWAP post release of the Trading Update on 1 December 2020 of \$1.28;
- a 10.4% discount to the 6 month VWAP up to 24 March 2021 of \$1.50; and
- a 26.5% discount to the 12 month VWAP up to 24 March 2021 of \$1.82.

<sup>4</sup> Source: IRESS. Volume Weighted Average Prices (VWAPs) are based on cumulative volume traded prior to the Offer announcement date of 25 March 2021.

**c) McPherson's has experienced a recent period of challenging external trading conditions, impacted by factors associated with COVID-19, with lower sales in H1 FY21 relative to previous guidance**

On 1 December 2020, McPherson's downgraded earnings guidance for H1 FY21 and withdrew earnings guidance for the full year ending 30 June 2021. This followed feedback to the management team from McPherson's key China partner ABM that its significant 11/11 ("Singles Day") event had delivered lower than expected sales of Dr. LeWinn's to the ABM reseller network. As this lower sales event followed a period of significant sales growth for the Dr. LeWinn's brand in China, this left both McPherson's and ABM with substantially higher than forecast inventory levels of Dr. LeWinn's product. Management is working proactively with ABM to increase reseller engagement activity in an effort to sell through the majority of our collective excess inventory in a controlled manner. The timing and eventual outcome of this activity is uncertain at this point and consequently the prudent decision was made to withdraw quantitative earnings guidance.

McPherson's underlying financial performance was also impacted during H1 FY21 by the following:

- a decrease in Dr. LeWinn's domestic sales of approximately \$1.0 million due to lower daigou sales given the substantial decrease in the number of overseas students and tourists entering Australia due to COVID-19; and
- the anticipated adverse AUD/USD foreign exchange rate impacts following a particularly advantageous hedging profile being in place in FY20.

McPherson's share price performance was also impacted during H1 FY21 by the following:

- the resignation of McPherson's previous CEO and Managing Director; and
- the Institutional Placement and retail Share Purchase Plan which closed in October and November 2020 respectively to fund the acquisition of the Fusion Health and Oriental Botanicals brands and two other identified potential acquisitions that the Board subsequently and prudently decided to not proceed with.

**d) Other aspects of Gallin's Offer that indicate an opportunistic bid**

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- 1.** Gallin has pursued an on-market unconditional takeover without requiring a minimum level of acceptances.

Your MCP Directors therefore conclude that Gallin is content with acquiring less than full control of McPherson's or is attempting to acquire control without paying a reasonable premium.

This is consistent with the conclusion that the Offer is designed to give Gallin the opportunity to acquire as large an investment exposure as possible to McPherson's at a low price.

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- 2.** The following observations are consistent with a conclusion that Gallin has not formulated any immediate plans to enhance the value of McPherson's beyond the value to Gallin inherent in the MCP Shares at current levels:

- The Bidder did not approach the MCP Board at any time ahead of announcing its unsolicited, unconditional on-market takeover Offer on 25 March 2021;
  - The Bidder acquired a 4.95% stake (approximately) in McPherson's and launched a hostile on-market takeover Offer without having articulated a strategy for the McPherson's business post completion of the Offer;
  - Should Gallin fail to acquire a controlling stake in McPherson's, the Bidder's
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Statement reveals that Kin Group (Gallin's parent company) intends to impel the MCP Board to conduct a general review of McPherson's on both a strategic and operational level to evaluate McPherson's performance, profitability and future growth prospects. Gallin has stated that this general business review is expected to take 2 to 3 months to complete;<sup>5</sup> and

- The Bidder's Statement also reveals that at the end of the Offer Period, Gallin intends to increase its overall influence on the day to day operations of McPherson's to the extent possible and appropriate regardless of whether it is able to acquire a controlling interest in McPherson's (i.e. an interest above 50%). MCP Shareholders should note that Gallin's intention for increased influence would occur **prior to** the completion of the Bidder's proposed review as detailed above, thus demonstrating the opportunistic nature of the Offer.
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- 3.** Gallin argues that the MCP Board's withdrawal of earnings guidance (as mentioned above) following the announcement of the decline in Dr. LeWinn's sales through the ABM channel on 1 December 2020 is of "most concern".

Similar to McPherson's, a number of ASX-listed companies within the ANZ Broker Selected Peer Set (as defined in Section 2.2) withdrew guidance, or provided qualitative guidance leading into the February 2021 reporting season, with some citing ongoing issues related to COVID-19 and uncertainty in relation to the daigou and Cross-Border E-commerce (**CBEC**) channels.<sup>6</sup> The MCP Board will continue to act in accordance with its fiduciary and regulatory duties and will provide quantitative guidance only when it has a reasonable and proper basis to do so.

As referred to in section 2.1(c) above, the Board and management of McPherson's was not made aware of any oversupply issues through the ABM network until after the Singles Day promotion and notified the market promptly after reflecting the impact of this through the Company's forecast for FY21.

While CY20 featured growth in CBEC volumes for the Dr. LeWinn's brand in all key selling periods preceding the Singles Day promotion, significant consumer behaviour changes in Q4CY20 coincided with the easing of COVID-19 restrictions. As such, we understand the demand for most products including Dr. LeWinn's in this period was unexpectedly lower than anticipated.

As a result, Dr. LeWinn's inventory planned to be sold to ABM this quarter remains in the supply chain and is expected to be absorbed through CY21. The Board and management believe that these are short to medium term issues that MCP is currently navigating through with their partner in this channel and geography, and both parties expect a return to reasonably strong growth across the Company's China CBEC channels in the medium term.

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<sup>5</sup> As detailed in Section 2.4 of this Target's Statement, McPherson's has been undertaking an operational review for some months now under the leadership and direction of the (then interim and now confirmed as continuing) CEO, Mr. Grant Peck, with assistance from external advisers.

<sup>6</sup> Examples within the ANZ Broker Select Peer Set (as defined in Section 2.2) include Treasury Wine Estates (see 'TWE 2020 AGM Addresses and Q1 Trading Update' announced on ASX on 5 November 2020), and Synlait Milk (see 'Synlait FY21 guidance update' announced on ASX on 4 March 2021).

## 2.2 The Offer is inadequate and profoundly undervalues McPherson's

The Offer profoundly undervalues your MCP Shares based on the following analysis:

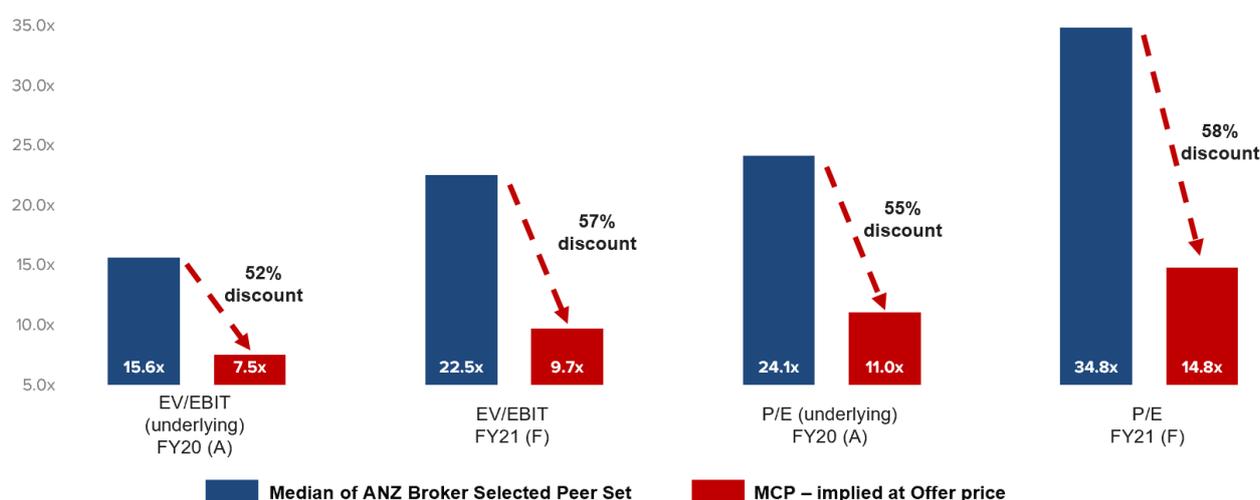
### a) The implied earnings multiple of the Offer is significantly below trading multiples for an ANZ publicly listed peer set

Whilst there are some ASX/NZX listed companies that have elements of similarity to McPherson's (for example in terms of brands, product portfolio, distribution channels, margins and growth outlooks) the MCP Board notes that due to McPherson's unique mix of brands and products, no ASX or NZX listed company is directly comparable to McPherson's.

Nevertheless, four broker research firms have published initiating coverage research reports since the beginning of 2018 wherein certain ASX and NZX listed peers were selected as trading comparables to MCP<sup>7</sup> (ANZ Broker Selected Peer Set).

Figure 3 (below) depicts the implied valuation multiples of the Offer compared to the median multiples of the ANZ Broker Selected Peer Set, as at the Last Practicable Date.<sup>8</sup>

**Figure 3: Valuation multiples implied by the Offer compared to the median of the ANZ Broker Selected Peer Set<sup>9</sup>**



<sup>7</sup> a2 Milk Company Ltd, Asaleo Care Ltd, Australian Vintage Ltd, Bega Cheese Limited, Blackmores Limited, Breville Group Limited, Bubs Australia Ltd, BWX Ltd, Clover Corporation Limited, Freedom Foods Group Limited, Synlait Milk Ltd, Treasury Wine Estates Ltd.

<sup>8</sup> Last Practicable Date being 1 April 2021.

<sup>9</sup> Source: FactSet as at the Last Practicable Date being 1 April 2021, company announcements, annual reports, presentations.

MCP multiples implied by the Offer Price are calculated as follows:

- EV calculated on 128,403,460 MCP Shares on issue, net debt of \$3.8 million (at 31 December 2020), Offer Price of \$1.34 per MCP Share.
- FY20(A) Underlying EBIT (\$23.5 million) and Underlying NPAT from continuing operations (\$15.7 million) are per McPherson's FY20 Annual Report.
- FY21(F) based on the average of the forecasts from the most recent broker research published, which includes forecast disclosure being: Moelis Australia (18-Feb-21, per note 13 the Moelis Australia report dated 25 March 2021 removed its earnings estimates), Ord Minnett (26-Mar-21); CLSA (25-Mar-21); Shaw & Partners (25-Mar-21); Select Equities (19-Feb-21). The MCP Directors do not make any representations regarding the broker consensus forecasts.

ANZ Broker Selected Peer Set multiples are calculated as follows:

- EVs are calculated as the sum of the equity value (calculated as the closing share price as at the Last Practicable Date by total shares on issue) plus net debt and minority interests, less investments in associates (where applicable) as at the last audited balance date.
- FY20(A) Underlying EBIT and Underlying NPAT are per company announcements, annual reports and presentations.
- FY21(F) EBIT and NPAT are consensus of the financial forecasts prepared by a range of brokers for each peer, sourced from FactSet.
- All financials are calendarised to a 30 June year end.
- Bubs Australia (BUB) and Freedom Foods (FNP) do not contribute to the median of the multiples presented. BUB was loss making in FY20 and broker consensus is that a loss will also be generated in FY21. FNP was loss making in FY20 and a single broker has published research estimating a small EBIT contribution in FY21 (but a NPAT loss). Given the inherent uncertainty around FNP's current recapitalisation the Board believes it appropriate to not include FNP's FY21 forecast EBIT multiple.
- For each multiple, the median of the ANZ Broker Selected Peer Set is lower than the average as some companies trade at high multiples that skew the average. We have presented the median as a more conservative benchmark than the average.

Based on the analysis, we note the Offer implies:

- an EV/EBIT (underlying) FY20 multiple of 7.5x;
- an EV/EBIT (broker consensus) FY21 multiple of 9.7x;
- a P/E (underlying) FY20 multiple of 11.0x; and
- a P/E broker (consensus) FY21 multiple of 14.8x.

Importantly, the trading multiples of the ANZ Broker Selected Peer Set do not include a premium for acquiring control of the company. As it is usual for an acquirer to pay a premium to the trading value of a company when seeking to obtain control, the ANZ Broker Selected Peer Set would therefore likely achieve an even higher multiple in situations where they are subject to a takeover offer, such as the offer made for McPherson's.

Each of these key metrics implicit in the Offer Price is materially below the equivalent median metric implied by the ANZ Broker Selected Peer Set.

## b) The implied earnings multiple of the Offer is significantly lower than historical trading multiples of McPherson's

Figure 4 below shows McPherson's share price movements and McPherson's EV / historical last full financial year underlying EBIT multiple for the two years from 25 March 2019 to 24 March 2021, namely the two year period immediately prior to the receipt of the Offer from Gallin.

**Figure 4: Historical multiples for MCP for the two years prior to the announcement of the Offer<sup>10</sup>**

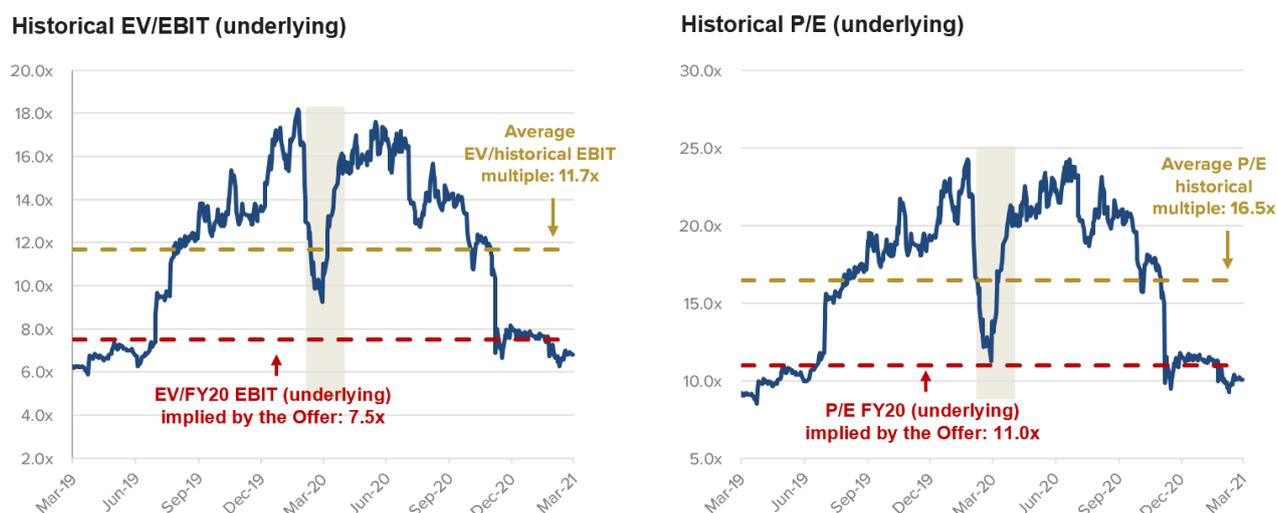


Figure 4 shows that in the two years prior to the Offer, McPherson's has traded at:

- an EV/historical EBIT multiple as high as 18.2x;
- an average EV/historical EBIT multiple of 11.7x;
- a P/E historical multiple as high as 24.3x; and
- an average P/E historical multiple of 16.5x.

The EV/EBIT (underlying) FY20 multiple (7.5x) and the P/E (underlying) FY20 multiple (11.0x) implied by the Offer Price are materially below these historical reference points.

<sup>10</sup> Source: FactSet as at the Last Practicable Date being 1 April 2021, company announcements, annual reports, presentations. The highlighted area of the charts indicates the price dislocation largely coinciding with the impact of COVID-19 on markets generally.

### c) The Offer undervalues McPherson's relative to broker valuation reference points

There are currently five brokers which publish equities research coverage on McPherson's. Since the announcement of the Offer, three out of the five research analysts have published updated research with ratings and price targets.<sup>11</sup>

A summary of the broker research ratings and price targets is provided in Figure 5 below:

**Figure 5: Summary of ratings and price targets from latest Broker research following the Offer**

	Date of last report	Rating	Price target
Moelis Australia	18-Feb-21 <sup>12</sup>	Hold	\$1.279
Select Equities	19-Feb-21	Hold	\$1.78 <sup>13</sup>
CLSA	25-Mar-2021	Sell	\$1.34
Shaw & Partners	25-Mar-2021	Buy	\$1.54
Ord Minnett	26-Mar-2021	Hold	\$1.45
<b>Average</b>			<b>\$1.48 (rounded)</b>

The Board believes that current broker price targets are not representative of our share price potential over the short to medium term, as, for example, COVID-19 impacts affecting MCP's export revenues are likely to moderate over time.

The Offer Price represents a discount of approximately 9.5% to the average broker share price target of \$1.48 per share. It is important to note that broker price targets typically do not factor in a premium for control of the Company.

### d) The Offer does not deliver MCP Shareholders with any value for the potential strategic and financial value of MCP to the broader Kin Group portfolio (or to another third party)

As detailed in Gallin's Bidder's Statement, Gallin, which is ultimately owned by Kin Group and the Geminder family, has controlling and strategic interests in a number of companies across various consumer goods focused industries including packaging, discount retail stores and fast moving consumer goods (**FMCG**) brands and products sold through a variety of grocery and speciality retail channels.

Kin Group is:

- a 44.26% shareholder of Pact Group Holdings Limited<sup>14</sup> (**Pact Group**), which is the largest manufacturer of rigid plastic packaging and other products in Australasia serving customers in various sectors including personal care, household consumer, industrial chemical, food and

<sup>11</sup> Brokers that currently publish research on McPherson's include Ord Minnett, CLSA, Moelis Australia, Shaw and Partners and Select Equities. Moelis Australia Research has been restricted since Moelis Australia Corporate Advisory has been appointed as defence adviser to McPherson's in relation to Gallin's takeover Offer. As a result, on 25 March 2021 Moelis Australia Research published a report which removed its earnings estimates, price target and rating. Select Equities has not published a research report since the Offer announcement.

<sup>12</sup> As Moelis Australia Advisory Pty Ltd has been appointed as financial adviser to McPherson's in relation to Gallin's takeover offer, in accordance with Moelis Australia's internal compliance policies and procedures, on 25 March 2021 Moelis Australia Research published a research report outlining the factual details of Gallin's offer but withdrew its earnings estimates, price target and rating. The latest report published prior to the date of the announcement of the Offer has been included for completeness.

<sup>13</sup> Select Equities does not disclose a 'Price Target' but rather a 'Combined risk weighted valuation'.

<sup>14</sup> Gallin's replacement bidder's statement, page 28 and Pact Group 2020 Annual Report (page 112).

beverage and materials handling and infrastructure.<sup>15</sup> Mr. Raphael Geminder is the founder and non-executive Chairman of Pact Group;

- a 19.34% shareholder of The Reject Shop Limited (**The Reject Shop**),<sup>16</sup> which operates 355 discount stores across Australia. Mr. Nicholas Perkins, the CEO of Gallin and Kin Group is a non-executive director of The Reject Shop;<sup>17</sup>
- a 51.60% shareholder of Pro-Pac Packaging Limited (**Pro-Pac**),<sup>18</sup> a manufacturer and distributor of flexible packaging, industrial packaging and protective supplies and rigid packaging products. In the year ended 30 June 2020, Pro-Pac sold \$6.5 million of flexible film packaging and other food packing products to Kin Group and its controlled entities. Further, Pro-Pac is the exclusive supplier of certain raw materials such as flexible film packaging, plastic bags and tapes to the Pact Group under an agreement through to 31 December 2021. Pro-Pac also purchases goods from the Pact Group. In the year ended 30 June 2020, Pact Group acquired \$5.4 million of products from Pro-Pac and supplied \$8.5 million of products.<sup>19</sup> Mr. Jonathan Ling is both the non-executive Chairman of Pro-Pac and an independent non-executive Director of Pact Group;<sup>20</sup> and
- an owner, investor in or partner with several other consumer focused brands including Cobs, Green's General Food, Susan Day and Remedy.<sup>21</sup>

It is noted that Gallin has not provided in its Bidder's Statement any commentary of its strategic intentions for McPherson's and has noted that it would need to undertake a "deep" operational review of the McPherson's business over two to three months before any strategy or intention statement can be clearly articulated to MCP Shareholders. Nonetheless, even prior to the results of their intended review, Gallin intend to increase their overall influence on the day-to-day operations of McPherson's to the extent possible.

Should Gallin acquire control of McPherson's, there are potentially significant operational and revenue synergies available to Kin Group and the Geminder family's broader interests. Such benefits may, but not necessarily, include the following:

- operational synergies including warehousing, packaging and key customer account servicing;
- potential channel, innovation and marketing efficiencies;
- an ability to leverage Pact Group's household consumables and contract manufacturing capabilities for McPherson's skin, hair and beauty products and McPherson's health products;
- an ability to leverage Pro-Pac's cartons and flexible films products across the Multix business; and
- increased distribution of certain McPherson's products through the discounted grocery channel, noting that McPherson's already supplies certain products to The Reject Shop.

The Offer Price of \$1.34 does not deliver MCP Shareholders with any value in recognition of these potential financial and strategic benefits and potential cost savings to Kin Group.

<sup>15</sup> Pact Group Website ([www.pactgroup.com](http://www.pactgroup.com)) (last accessed on the Last Practical Date).

<sup>16</sup> The Reject Shop Annual Report for the Year Ended 20 June 2020 dated 19 August 2020 (page 82). Note Allensford Pty Ltd is a wholly-owned subsidiary of Kin Group.

<sup>17</sup> The Reject Shop Annual Report for the Year Ended 30 June 2020 dated 19 August 2020 (page 17). Mr. Perkins remained a Non-Executive Director as at the Last Practical Date.

<sup>18</sup> Note of Change of Interests of A Substantial Holder – Bennamon Pty Ltd, Kin Group Pty Ltd and Salvage Pty Ltd lodged with ASX on 4 December 2020.

<sup>19</sup> Pro-Pac Packaging Limited 2020 Annual Report (page 85).

<sup>20</sup> Pro-Pac Packaging Limited Interim Financial Report lodged with ASX on 25 February 2021 (page 3) and Pact Group 2021 Half Year Report and Accounts (page 19).

<sup>21</sup> Kin Group website ([www.kingroup.com.au](http://www.kingroup.com.au)) (last accessed on the Last Practical Date).

## 2.3 The Offer does not reflect McPherson's strong brands and underlying business

### a) McPherson's has a strong portfolio of market leading owned brands

McPherson's is a leading supplier of Health, Wellness and Beauty products in Australasia with export operations predominantly into China, but also into other geographies. McPherson's has a strong portfolio of owned market leading brands outlined in Figure 6 below.

These key brands are underpinned by a continued and sustainable investment in product innovation and brand development.

**Figure 6: McPherson's key brand portfolio<sup>22</sup>**



While the export channel has become a key growth pillar for McPherson's in recent years, the Company's financial and operational performance has been underpinned by a strong domestic business that has contributed approximately 88% of McPherson's total sales revenue over the four year period from 1 January 2017 to 31 December 2020.

Within McPherson's existing brand portfolio there are six core owned market leading brands which have contributed 92% of domestic revenue and approximately 81% of total revenue respectively over the same period.<sup>23</sup> These core owned brands are Dr. LeWinn's, A'kin, Lady Jayne, Manicare, Swisspers and Multix.

All of the six core owned brands have leading or significant market share category positions domestically:

- Manicare (#1 Beauty Accessories Brand)<sup>24</sup>
- Glam (#1 Pharmacy False Eyelash Brand)<sup>25</sup>
- Lady Jayne (#1 Pharmacy Hair Accessories Brand)<sup>26</sup>
- Dr. LeWinn's (#1 Australian Cosmeceuticals Brand)<sup>27</sup>
- Swisspers (#1 Cotton Brand)<sup>28</sup>
- A'kin (#2 Pharmacy Natural Haircare Brand)<sup>29</sup>.

<sup>22</sup> Note that Soulful, Happy Flora, Kotia and Sugar Baby are strategic partnerships where McPherson's owns less than 100% of those brands. Key brands presented above have been categorised in a manner consistent with McPherson's standard presentation of its financial results in its Annual and Half Year presentations.

<sup>23</sup> Excludes the Fusion Health and Oriental Botanical brands acquisition which completed on 30 November 2020.

<sup>24</sup> Data sourced from IRI MarketEdge based on data definitions provided by McPherson's Consumer Products. Australian Pharmacy Grocery Market, Beauty Accessories Category MAT 14/02/2021.

<sup>25</sup> Data sourced from IRI MarketEdge based on data definitions provided by McPherson's Consumer Products. Australian Pharmacy Market, Beauty Accessories Category False Eyelash Segment MAT 14/02/2021.

<sup>26</sup> Data sourced from IRI MarketEdge based on data definitions provided by McPherson's Consumer Products. Australian Pharmacy Market, Hair Accessories Category MAT 14/02/2021.

<sup>27</sup> Data sourced from IRI MarketEdge based on data definitions provided by McPherson's Consumer Products. Australian Pharmacy Market, Facial Skincare Category Cosmeceutical Segment MAT 31/01/2021.

<sup>28</sup> Data sourced from IRI MarketEdge based on data definitions provided by McPherson's Consumer Products. Australian Pharmacy Grocery Market, Cotton Category MAT 31/01/2021.

In the period from 1 January 2017 to 31 December 2020:

- all of McPherson's core owned brands have experienced domestic sales growth;<sup>30</sup>
- four of McPherson's core owned brands experienced growth in domestic contribution margin;<sup>31</sup>
- sales for McPherson's owned brands grew at a compound average growth rate (CAGR) of 10%;<sup>32</sup> and
- contribution for McPherson's owned brands grew at a CAGR of approximately 7%.<sup>33</sup>

In the 12 months to February 2021, four of McPherson's core domestic brands were growing ahead of their respective categories despite a challenging retail environment:

- Manicare sales growth exceeded the broader category sales growth by approximately 2.5 times;<sup>34</sup>
- Swisspers sales growth exceeded the broader category sales growth by approximately 1.7 times;<sup>35</sup>
- Lady Jayne sales growth exceeded the broader category sales growth by approximately 1.4 times;<sup>36</sup> and
- A'kin haircare sales growth exceeded 9%, significantly stronger than the broader category sales decline of 2%. While the broader naturals skincare category declined by approximately 21% over the period, A'kin skincare sales declined by a much lower rate.<sup>37</sup>

In addition, Multix is the first mover and market leader in sustainability holding 47% market share of the sustainable Bags, Wraps and Foil category.<sup>38</sup>

Increasing domestic sales and contribution of A'kin and Dr. LeWinn's is a core focus of the MCP's ongoing operational review as announced on 31 March 2021. Strategies are being pursued to drive channel and customer expansion and increase penetration of these brands as detailed below.

## **b) McPherson's has generated significant shareholder value through product innovation, research & development, channel optimisation and marketing investment**

Gallin's Bidder's Statement specifically ignores McPherson's strong track record of investing in new product innovation and channel expansion. Over the four-year period to 30 June 2020, on average 8.3% of total sales was derived from new product development. The relative contribution from new products has increased over this four year period to June 2020, with COVID-19 impacting year to date (new products have contributed 6.7% to total sales). McPherson's has increased its investment in innovation and research and development expertise to support category expansion, export opportunities and its new product development funnel.

McPherson's extensive product innovation capability is demonstrated through select recent innovations across McPherson's core brands:

- Dr. LeWinn's with Ultra R4 Collagen Surge (#1 innovation in the category);<sup>39</sup>

<sup>29</sup> Data sourced from IRI MarketEdge based on data definitions provided by McPherson's Consumer Products. Australian Pharmacy Market, Haircare Category Natural Haircare Segment MAT 31/01/2021.

<sup>30</sup> *ibid.*

<sup>31</sup> *ibid.*

<sup>32</sup> Includes both domestic and export sales for McPherson's owned brands.

<sup>33</sup> *ibid.*

<sup>34</sup> Data sourced from IRI MarketEdge based on data definitions provided by McPherson's Consumer Products. Australian Pharmacy Grocery Market, Beauty Accessories Category MAT 14/02/2021.

<sup>35</sup> Data sourced from IRI MarketEdge based on data definitions provided by McPherson's Consumer Products. Australian Pharmacy Grocery Market, Cotton Category MAT 31/01/2021.

<sup>36</sup> Data sourced from IRI MarketEdge based on data definitions provided by McPherson's Consumer Products. Australian Pharmacy Market, Hair Accessories Category MAT 14/02/2021.

<sup>37</sup> Data sourced from IRI MarketEdge based on data definitions provided by McPherson's Consumer Products. Australian Pharmacy Market, Haircare Category Natural Haircare Segment MAT 31/01/2021.

<sup>38</sup> Data sourced from IRI MarketEdge based on data definitions provided by McPherson's Consumer Products. Australian Grocery Market, Bags Wraps and Foils Category Sustainability Segment MAT 14/02/2021.

<sup>39</sup> Data sourced from IRI MarketEdge based on data definitions provided by McPherson's Consumer Products. Australian Pharmacy Market, Facial Skincare Category, for the 12 month period following launch in April 2019.

- Multix Greener being the first sustainability focused product portfolio in the Bags, Wraps and Foils category;
- Swisspers sustainable cotton tips, being the first sustainable cotton tips in the category leading to significant market share gains (+2.6%<sup>40</sup>);
- A'kin Miracle Shine Conditioning Hair Mask (#1 innovation in the category<sup>41</sup>); and
- Glam magnetising eyeliner, providing an innovative first-to-Australia market technology to underpin category gains.

McPherson's currently has more than 140 additional products in various stages of development in its product development funnel.

A key strategic priority of McPherson's is to actively increase core range penetration with existing customers and achieve channel expansion. McPherson's is actively responding to key channel trends including:

- increased penetration of natural haircare, skincare and personal care across the grocery channel (A'kin);
- increasing e-commerce spend (McPherson's retail partners have delivered a 50% increase in digital sales in the last 12 months); and
- the daigou trade slowing due to lower overseas student and tourist numbers. In response, McPherson's is actively evaluating expansion opportunities outside of the channels that have traditionally been beneficiaries of strong daigou trade, such as domestic pharmacy.

For example, following the acquisition of the Fusion Health and Oriental Botanicals brands, McPherson's has commenced the expansion of its existing portfolio into the health food store channel. Happy Flora commenced selling into this channel from 1 April 2021 and certain additional A'kin products will also be sold into this channel from 1 May 2021. McPherson's is also evaluating the speciality beauty retail and e-commerce channels and department stores for increased distribution of certain products.

### c) McPherson's has created significant value through mergers and acquisitions (M&A)

Gallin's Bidder's Statement alleges that McPherson's has a poor M&A track record citing some historical impairments of acquisitions and equity investments as evidence. Gallin's claim does not acknowledge these critical considerations:

- As an active manager of brands, McPherson's takes a portfolio approach to M&A. In certain instances, McPherson's has acquired key strategic brands together with other brands not considered strategic, or as financially compelling, as part of a broader brand portfolio. For example, the Dr. LeWinn's brand was part of a portfolio acquisition made in October 2013 inclusive of Revitanail;
- Joint ventures and other equity investments have been highly strategic. For example, McPherson's strategic investment in domestic product manufacturer Aware Group (**Aware**) has strengthened McPherson's supply chain with over 50 products now transferred from other suppliers to Aware. Aware is also a key supplier of Dr. LeWinn's product with approximately 50% of all Dr. LeWinn's product expected to be sourced from Aware in FY21. The continuity of supply from Aware has been critical to McPherson's success over the last three years as sales of Dr. LeWinn's products have grown from approximately \$20 million in FY17 to \$58 million in FY20. The adverse impact of the current COVID-19 related downturn in demand from Chinese consumers on Aware's customer base, including McPherson's, has resulted in a deterioration in Aware's financial outlook in the medium term. Consequently, following a recapitalisation by Aware to ensure it remained well capitalised and mitigate any potential liquidity concerns, McPherson's has impaired its investment in Aware by \$4.0

<sup>40</sup> Data sourced from IRI MarketEdge based on data definitions provided by McPherson's Consumer Products. Australian Pharmacy Grocery Market, Cotton Category MAT 31/01/2021.

<sup>41</sup> Data sourced from IRI MarketEdge based on data definitions provided by McPherson's Consumer Products. Australian Pharmacy Market, Haircare Category Natural Haircare Segment NPD launched since June 2020 to MAT 28/02/2021.

million to a carrying value of \$2.0 million on 31 December 2020. MCP did not participate in the recapitalisation of Aware;

- McPherson's has had a long operating history and the Company has participated in many disparate categories prior to the MCP Board's considered change in strategic focus to Health, Wellness and Beauty in 2015. The prioritisation and focus on Health, Wellness and Beauty has meant McPherson's has divested and exited certain non-strategic, contract and unprofitable brands and businesses that do not fit the current strategy (e.g. the divestment of McPherson's Housewares in 2015 and the divestment of Home Appliances in early 2018 that Gallin has inappropriately continued to include as relevant in historical earnings information in their Bidder's Statement). McPherson's continually evaluates the performance of all its owned brands and confirms that McPherson's core brands have significant brand value with additional sustainable growth potential; and
- In line with Australian Accounting Standard AASB 136 - Impairment of Assets, McPherson's tests its brands for possible impairment at each reporting period. AASB 136 does not permit the revaluation of brands (other than the reversal of any previous impairments) when brand value is assessed by the Board to have increased, nor does the MCP Board report on increases in brand value, above the value of any previous impairments. However, this brand valuation exercise (which the Board is required to do in accordance with the applicable accounting standards) does indicate that a significant excess in valuation exists over the carrying value of the brands as reported in the Company's balance sheet as at 31 December 2020.




## CASE STUDY

### Dr. LeWinn's Acquisition and Manicare Rejuvenation

#### Dr. LeWinn's

- McPherson's acquired Dr. LeWinn's in October 2013. In the year to 31 December 2012, prior to McPherson's ownership Dr. LeWinn's recorded sales of approximately \$16 million.
- Following the integration of the brand within McPherson's, MCP executed on several key strategic growth pillars to position the brand in an optimal way across existing and new customers and channels.
- McPherson's has implemented the following strategies for the Dr. LeWinn's brand following acquisition:
  - Renovation of packaging and some formulations to make the brands more cohesive, iconic and premium;
  - Reappraisal of the brand with 'above the line' marketing support driven by consumer insights;
  - Investment in compelling consumer-centric innovation and research & development supported with clinical claims to drive domestic and export demand;
  - Launch of facial skincare mask range to attract younger consumers; and
  - Expansion of the brand into Beauty Nutrition with the launch of Collagen drinks and powders.

#### Manicare

- This brand was acquired in 2003 as part of a broader portfolio of brands. MCP has implemented a number of strategies in recent years to rejuvenate and grow the brand through innovation, in-store 'real estate' positioning and ambassadors.
- Specific initiatives implemented by management for the Manicare brand included:
  - Expanding into Grocery channel to increase brand accessibility and incremental ranging in Grocery to expand share of shelf;
  - Merchandising investment in Pharmacy and Grocery to raise category and brand awareness;
  - Achieving market leadership in artificial lashes with first to market new technology innovation in Pharmacy;
  - Appointing a brand ambassador to build social community and engagement;
  - Innovating with affordable power beauty skincare devices to attract new users;
  - Driving category value with new product development aligned with skin enhancing devices, premium tools and accessories and fashion collaborations; and
  - Accelerating growth by leveraging Beauty at Home consumer behaviour during the COVID-19 period.

#### Outcome

- In the 12 months to 31 December 2020, the two brands recorded combined sales of approximately \$83 million.

Even after accounting for the recent reduction in export sales for Dr. LeWinn's across the category in H1 FY21, the AASB 136 brand valuation assessment referred to above indicates that the incremental value generated for these two brands by McPherson's is far in excess of the aggregate impairment charge relating to smaller, non-strategic and non-core brands, and brands / business units that have been subsequently discontinued or divested as noted on page 16 and 17 of Gallin's replacement bidder's statement dated 6 April 2021.

#### **d) McPherson's has a stable and highly credentialed senior management team**

On 31 March 2021, following a comprehensive search and selection process, the MCP Board announced the appointment of Mr. Grant Peck as Managing Director and Chief Executive Officer on a permanent basis.

Mr. Peck has more than 30 years of branded consumer goods experience both domestically and internationally, including leading the finance and supply chain functions in both large and mid-sized FMCG organisations. Previously, Mr. Peck has been the CEO of Sunny Ridge Farms, the Chief Financial Officer of Carlton & United Breweries and the Group Managing Director of Supply for CUB with the Foster's Group. He has also held senior general management roles in the food industry with McCormick & Co, where he was responsible for the industrial products business in Australia, and also Chief Financial Officer for the Asia Pacific region with responsibility for operations in China, Singapore and joint ventures throughout Asia.

Mr. Peck was appointed an Independent Non-Executive director of McPherson's Limited on 14 December 2017. With effect from 20 February 2018, Mr. Peck was appointed a member and Chairman of the Board's Audit, Risk Management and Compliance Committee, and a member of the Board's People and Culture Committee until his appointment as interim Managing Director and Chief Executive Officer on 10 December 2020.

These significant achievements are validated by Mr. Peck's strong performance and leadership in guiding the MCP Group over the last four months as interim CEO.

The broader McPherson's senior management team also has deep expertise and valuable experience including:

- strong experience across finance, supply chain and procurement, marketing and sales;
- experience in senior roles driving operational and brand growth within Australia and for exports;
- strong relationships with major retail partners within retail, FMCG, grocery and pharmacy channels;
- strong relationships with suppliers; and
- significant R&D and new product development expertise.

The McPherson's senior management team have also demonstrated significant longevity, with six members having worked at McPherson's for over five years.

A complete list of the McPherson's senior management team including qualifications and background is provided in Annexure A.

## 2.4 The Offer does not recognise McPherson's significant opportunities for growth

The MCP Board has been undertaking an operational review for some months and is evaluating a diverse array of growth initiatives, expected to be communicated to Shareholders in May 2021. McPherson's has significant balance sheet strength and operational capacity to invest in our owned brands and enter adjacent categories.

The MCP Board believes that the review will provide a positive catalyst for the continued growth of the McPherson's business following the recent challenging trading period.

The outcome of this review will:

- identify and prioritise McPherson's key growth drivers;
- articulate the steps to be taken to enhance the MCP Group's leading Health, Wellness and Beauty brand portfolio through consumer-centric research and innovation; and
- develop the MCP Group's strategy to continue to drive growth through expanding domestic and export distribution channels.

In addition, the Board will continue to prudently assess and execute accretive acquisitions which strategically complement and enhance our focus on Health, Wellness and Beauty should such opportunities arise. The operational review is also intended to identify areas of further operational efficiency.

While not an exhaustive list, the table below details certain initiatives and consumer trends that are being evaluated as part of this review.

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### China business

- McPherson's has successfully grown Dr. LeWinn's in China via the CBEC channel through the Group's partnership with ABM. Dr LeWinn's is now a multi-million dollar brand in this market. We are currently working proactively with ABM in this channel and both MCP and ABM have confidence that targeted investments will reignite sales performance and reduce the excess inventory positions established to service this important market.
  - Whilst all international channels will likely continue to be difficult to predict over the short to medium term, the MCP Board has an expectation that the potential geopolitical and COVID-19 impacts affecting export revenues are likely to moderate over time and believes Dr. LeWinn's can return to growth in this channel through the combination of:
    - the existing market presence of the brand;
    - MCP's continued investment in new innovation into the channel with upcoming releases; and
    - positive regulatory changes facilitating 'ease of access' into the China "Bricks and Mortar" channel and the exemption of animal testing on general imported cosmetics products under specific conditions from 1 May 2021.
-

<b>Health category</b>	<ul style="list-style-type: none"> <li>• The strategic entry into the health category through the acquisition of Fusion Health delivers McPherson's a platform to access the significant Complementary Medicines market in Australia and leverage McPherson's core capabilities in the Pharmacy channel.</li> <li>• Following initial and well understood inventory availability issues at the time of acquisition, Fusion Health has recently returned to close to full availability levels across the product range.</li> <li>• McPherson's has also commenced the expansion of its existing portfolio into the health food store channel (Happy Flora and A'kin) and is reviewing opportunities for Fusion Health within the export channel, which is largely untapped.</li> </ul>
<b>Core owned brands</b>	<ul style="list-style-type: none"> <li>• McPherson's portfolio of leading owned brands has a 21% share of the categories in which it competes.<sup>42</sup> <ul style="list-style-type: none"> <li>– McPherson's annual growth rate in Australia Pharmacy Scan is 9.4%, significantly outpacing the -3.2% annual growth rate of the aggregate of Top 50 suppliers.<sup>43</sup></li> </ul> </li> <li>• Product innovation will continue to feature as a strong growth driver for the business with over 140 projects currently in the innovation funnel pipeline.</li> <li>• As part of the operational review, MCP is assessing the prioritisation of new product development given the significant opportunity to drive owned brands revenue and contribution growth: <ul style="list-style-type: none"> <li>– MCP is currently evaluating approximately 60 projects for the Dr. LeWinn's brand to drive brand growth within skincare and increase market share within the fast growing beauty nutrition category.</li> <li>– A'kin's channel expansion into grocery is delivering expanded category participation in haircare and personal care in Australia, and haircare and skincare in New Zealand. Management is considering additional investment into this brand.</li> <li>– Manicare, Lady Jayne and Glam are thriving as the beauty at home trend gains traction with new products targeting skin fitness, fashion forward accessories and premium tools. Management is considering additional in-store investment to continue to drive category growth across these Essential Beauty brands.</li> <li>– Swisspers has made significant progress in reducing single use plastic. Further sustainable offerings are currently under development to satisfy increasing consumer demand in this area.</li> <li>– Multix continues to drive its sustainable agenda within the Bags, Wraps and Foil category with a multi-tier offering across recycled, plant based and compostable ranges. Management is considering investment to expand the range to cater for increased consumer adoption of sustainable products.</li> </ul> </li> </ul>
<b>Other international opportunities</b>	<ul style="list-style-type: none"> <li>• Historically there has been an emphasis on the ability to grow the Dr. LeWinn's brand in China and McPherson's continues to develop new products for that market. However, the Dr. LeWinn's trademark is registered in 12 countries outside Australia, New Zealand and China, and management is actively reviewing growth options in these other markets.</li> <li>• Management is also evaluating export channel options for other brands which have significant international relevance including Sugar Baby and A'kin.</li> </ul>

<sup>42</sup> Data sourced from IRI MarketEdge based on data definitions provided by McPherson's Consumer Products. Australian Pharmacy & Grocery Market: Beauty Accessories, Hair Accessories Category MAT 14/02/2021. Australian Pharmacy & Grocery Facial Skincare, Bag Wraps and Foils, Haircare, Cotton Category MAT 31/01/2021.

<sup>43</sup> Data sourced from IRI MarketEdge Market Moves 2020 Health and Beauty Presentation Data to MAT 02/08/2020.

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<b>Digital and e-commerce strategy</b>	<ul style="list-style-type: none"><li>• The Board is reviewing a number of strategies and opportunities to optimise channel performance. Some, but not all, of these include enhancing McPherson's digital and e-commerce strategy to increase consumer engagement, product education and drive both online and in-store sales.</li></ul>
<b>Balance sheet strength for additional investment in product development and accretive acquisitions</b>	<ul style="list-style-type: none"><li>• McPherson's has significant balance sheet strength and operational capacity to invest in our owned brands through new product development and innovation opportunities and enter adjacent categories within Health, Wellness and Beauty. The MCP Board will continue to prudently assess and execute accretive acquisitions that strategically complement and enhance our focus on Health, Wellness and Beauty should such opportunities arise.</li></ul>
<b>Capital management initiatives</b>	<ul style="list-style-type: none"><li>• Given the strength of the Company's balance sheet and significant franking credits balance, various capital management initiatives are being explored, with the assistance of external advisers, to optimise shareholder value.</li></ul>
<b>Operational efficiencies</b>	<ul style="list-style-type: none"><li>• The MCP Board and management are currently reviewing a number of operational efficiency improvement measures, in particular following the recent Fusion Health acquisition. One improvement already implemented following the acquisition is improved utilisation of the Kingsgrove warehouse facility.</li></ul>

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## **2.5 By selling your MCP Shares to Gallin on market, you will lose the opportunity to participate in any potential upside in McPherson's**

### **a) Accepting the Offer will mean that you exit your investment in McPherson's and lose the opportunity to participate in future growth and any share price improvement above recent lows**

Over the last five years, McPherson's has recorded earnings resilience after previous periods of earnings instability. This has enabled McPherson's to maintain a high dividend payout ratio of between 68.5% and 92.5% of underlying profit after tax from continuing operations, excluding significant items, over this five-year period.

The strong prospect of future growth for McPherson's is supported by:

1. Continued domestic strength across McPherson's owned brands;
2. A track record of generating brand value and delivering sales and profit growth through product innovation, research and development and channel optimisation;
3. The MCP Board and management team under the leadership of CEO, Mr. Grant Peck have been undertaking a comprehensive operational and brand review that has been underway for some months now. The MCP Board believes that the review will provide a positive catalyst for the continued growth of the McPherson's business following the recent challenging trading period; and
4. The MCP Board believes Dr. LeWinn's is likely to return to growth in this channel as Management and ABM work collaboratively to execute plans to increase reseller engagement and work through excess inventory in a controlled manner, noting that the outcome and timing is uncertain.

### **b) Accepting the Offer will deny you the benefit of any subsequent superior offer from Gallin or another third party should one emerge**

By accepting the Offer or selling your MCP Shares, you will lose the opportunity to participate in any subsequent higher offer from a third party (if this occurs) or any increase by Gallin in its own Offer (if this occurs). Gallin commented in its first supplementary bidder's statement dated 30 March 2021 that, while it has no current intention to change the terms its takeover Offer, it reserves the right to do so.<sup>44</sup>

Whilst prior to the announcement of the Offer, MCP Shares have traded below the Offer Price of \$1.34 per share, on and from the date of announcement of the Offer on 25 March 2021, MCP Shares have consistently traded above the Offer Price.<sup>45</sup>

### **c) McPherson's has a large franking credit balance which is a potential source of value for shareholders**

McPherson's has a large franking credit balance of \$25.0 million (\$0.195 per MCP Share) as at 31 March 2021. This represents a large pool of additional potential value for shareholders if the MCP Board determines future capital management initiatives are appropriate.

<sup>44</sup> In Gallin's first supplementary bidder's statement dated 30 March 2021, Gallin noted and responded to the reporting in a media article of a statement attributed to Gallin director and Kin Group CEO, Mr. Nicholas Perkins, to the effect that Gallin's Offer Price was 'full and fair'.

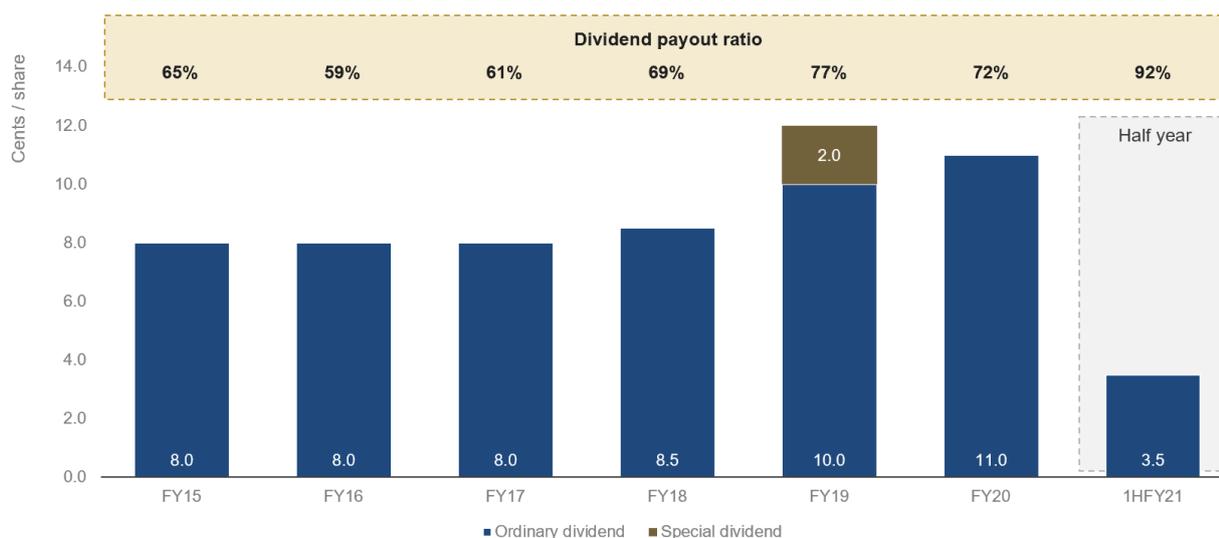
<sup>45</sup> Source: IRESS, market data up to the Last Practicable Date of 1 April 2021.

#### d) McPherson's has a mature dividend yield proposition, with conservative gearing

Gallin's Bidder's Statement focuses on McPherson's share price performance relative to the S&P ASX All Ordinaries Index over an extended period as a demonstration of shareholder return. This is inappropriate for two reasons. The first is that it ignores the changing nature of McPherson's business over this period as the Board has refocused its strategy on Health Wellness and Beauty (during this time the Board has divested its printing and Home Appliances operations as these were no longer considered part of McPherson's core strategy). The second is that it ignores dividends received by shareholders during this time.

McPherson's has consistently grown dividends since FY15 as highlighted in Figure 7 below.

**Figure 7: McPherson's has a track record of paying dividends to shareholders**



The Board's dividend policy is to distribute a minimum of 60% of the Company's underlying profit after tax to shareholders, subject to other cash requirements. McPherson's maintains a strong balance sheet with low gearing of only 3% excluding lease liabilities as at 31 December 2020 which underpins the Board's ability for to maintain its existing dividend policy.

While Gallin cites concern in its Bidder's Statement about "further deterioration in McPherson's financial performance" potentially impacting dividend payments, they also contradictorily note that they intend to maintain McPherson's current dividend policy, subject to the completion of their review.

### 3. Frequently asked questions

The information in this Section 3 is a summary only. It should be read in conjunction with the information in the entirety of this Target's Statement.

<b>Why have I received this document?</b>	You have received this Target's Statement because you are an MCP Shareholder. This Target's Statement is MCP's formal response to the Bidder's Statement issued by Gallin. This document contains important information and should be read in its entirety.
<b>Who is Gallin?</b>	Gallin is an entity that is ultimately controlled by the Geminder family. Please refer to the Bidder's Statement for further information in this regard.
<b>What is Gallin's Offer?</b>	Gallin is offering to acquire all of your MCP Shares for A\$1.34 each in cash, subject to the terms of the Offer.  Gallin has appointed a broker (Evans and Partners Pty Ltd) to buy MCP Shares on-market at the Offer Price.  Gallin's Offer is unconditional.
<b>What is the MCP Board's recommendation?</b>	The MCP Directors unanimously recommend that you REJECT Gallin's Offer for the following reasons:  1. The timing of the Offer is utterly opportunistic;  2. The Offer is inadequate and profoundly undervalues McPherson's;  3. The Offer does not reflect McPherson's strong brands and underlying business;  4. The Offer does not recognise McPherson's significant opportunities for growth; and  5. By selling your MCP Shares to Gallin on market, you will lose the opportunity to participate in any potential upside in McPherson's.  Refer to Section 2 for a further fuller explanation as to why the MCP Board recommends that you reject the Offer.
<b>What choices are available to me as an MCP Shareholder?</b>	As an MCP Shareholder, you have the following choices in respect of your MCP Shares:  <ul style="list-style-type: none"> <li>• REJECT the Offer by doing nothing – this is the McPherson's Board's unanimous recommendation (see Section 2 for further information as to the reasons for this recommendation); or</li> <li>• sell some or all of your MCP Shares on the ASX at the prevailing market price on the ASX for your MCP Shares; or</li> <li>• accept the Offer for some or all of your MCP Shares – instructions for accepting the Offer are set out in the Bidder's Statement.</li> </ul>
<b>What do the MCP Directors intend to do with their MCP Shares?</b>	Each MCP Director intends to REJECT Gallin's Offer in relation to those MCP Shares they own or control.
<b>How do I REJECT the Offer?</b>	To REJECT the Offer, you do not need to do anything and you can ignore all communications received from Gallin.
<b>How do I accept the Offer?</b>	If you wish to accept the Offer in respect of all or some of your MCP Shares, please refer to the instructions in the Bidder's Statement.

<b>When does the Offer close?</b>	The Offer will be open from 9 April 2021 until 4:00pm (Sydney time) on 10 May 2021, being the date the Offer is scheduled to close (unless extended or withdrawn in accordance with the Corporations Act).
<b>Will I incur a brokerage fee if I accept the Offer?</b>	As the Offer is an on-market takeover bid, you may only accept the Offer through your broker or controlling participant, and you will be responsible for payment of any brokerage, fees or other costs that your broker or controlling participant may charge.
<b>Are there any tax implications if I accept the Offer?</b>	It is recommended that you seek independent professional advice in this regard.
<b>What will happen if I accept the Offer?</b>	<p>If you accept the Offer in respect of an MCP Share:</p> <ul style="list-style-type: none"> <li>• you will have sold that MCP Share to Gallin;</li> <li>• you will not be able to withdraw your acceptance;</li> <li>• you will receive payment of the Offer Price for that MCP Share on a T+2 basis;</li> <li>• you will not receive any further payment for that MCP Share if there is a subsequent increase in Gallin's Offer Price; and</li> <li>• if a superior offer emerges, you will not be able to accept the superior offer in respect of that MCP Share. As at the date of this Target's Statement, the MCP Board is not aware of any superior offer.</li> </ul>
<b>What will happen if I REJECT the Offer?</b>	<p>If you REJECT the Offer in respect of an MCP Share, you will continue to be an MCP Shareholder, but please be aware that:</p> <ul style="list-style-type: none"> <li>• if Gallin has a relevant interest in MCP of more than 50% but less than 90%, you will be a minority shareholder in MCP; and</li> <li>• Gallin has stated in the Bidder's Statement that if it has a relevant interest in MCP of 90% or more, then it intends to compulsorily acquire your MCP Shares if permitted to do so under the Corporations Act.</li> </ul> <p>Please refer to Section 5 for further information in this regard.</p>
<b>Who should I contact for further information?</b>	<p>If you have any questions in relation to this document or your MCP Shares, please contact the McPherson's Shareholder Information Line on 1300 219 452 (within Australia) or +61 3 9415 4328 (outside Australia) between 8.30am and 5.00pm (Sydney time) Monday to Friday.</p> <p>If you are in any doubt as to what to do in relation to the Offer, you should seek professional advice from a licensed financial adviser, accountant, stockbroker, lawyer or other professional adviser.</p>

**The information in this Section 3 is a summary only. It should be read in conjunction with the information in the entirety of this Target's Statement.**

## 4. Information about McPherson's Limited

### 4.1 Overview

McPherson's Limited (**MCP, McPherson's** or the **Company**), established in 1860, is a leading supplier of Health, Wellness and Beauty products with operations in Australia, New Zealand and Asia. The Company markets and distributes skin, hair, beauty, health and wellness, household and personal care items across a range of channels, including supermarkets, pharmacies, department stores, and health food and other independent stores. The MCP Group's current product range covers ~1,250 SKUs, targeted at a predominantly female demographic, with access to in excess of 10,000 retail doors/outlets.

MCP derives the majority of its revenue from a portfolio of owned market-leading brands, with the remainder generated from joint venture arrangements, agency partners and private label arrangements. Key owned brands include: Dr. LeWinn's, A'kin, Manicare, Lady Jayne, Swisspers Fusion Health and Multix. Manufacturing across MCP's product portfolio is outsourced to various suppliers, predominantly in Asia and Australia.

MCP has a long trading history, growing its brand portfolio both organically and through strategic acquisitions. Most recently, the Company acquired the Fusion Health and Oriental Botanicals brands on 30 November 2020 to build out its Health and Wellness division. Alongside executing upon a targeted growth strategy, MCP has also placed focus on rationalisation through divesting non-core and underperforming business segments. This has reduced operational complexity and enabled a greater focus to be placed on core brands and operations.

A summary of MCP's divisions, key brands and products are provided below:

Business division	Key brands <sup>46</sup>	Examples of products
<b>Skin, Hair and Beauty</b>	<ul style="list-style-type: none"> <li>• Dr. LeWinn's</li> <li>• A'kin</li> <li>• Kotia</li> <li>• Sugar Baby</li> </ul>	<ul style="list-style-type: none"> <li>• Facial Moisturisers</li> <li>• Facial Serums</li> <li>• Facial Cleansers</li> <li>• Facial Skincare Masks</li> <li>• Hand &amp; Body Products</li> <li>• Tanning Products</li> </ul>
<b>Health and Wellness</b>	<ul style="list-style-type: none"> <li>• Fusion Health</li> <li>• Oriental Botanicals</li> <li>• Soulful</li> <li>• Happy Flora</li> </ul>	<ul style="list-style-type: none"> <li>• Vitamins and supplements</li> <li>• Milk formula</li> <li>• Prebiotic and laxative capsules</li> </ul>
<b>Essential Beauty</b>	<ul style="list-style-type: none"> <li>• Swisspers</li> <li>• Manicare</li> <li>• Lady Jayne</li> <li>•</li> </ul>	<ul style="list-style-type: none"> <li>• Cotton Tips &amp; Balls</li> <li>• Facial Wipes</li> <li>• Beauty Tools &amp; Accessories</li> <li>• Artificial Lashes</li> <li>• Hair Brushes &amp; Accessories</li> </ul>
<b>Household Essentials &amp; Other</b>	<ul style="list-style-type: none"> <li>• Multix</li> <li>• Maseur</li> <li>• Moose Head</li> <li>• Revitanail</li> </ul>	<ul style="list-style-type: none"> <li>• Aluminium Foil</li> <li>• Baking Paper</li> <li>• Kitchen Tidy Bags</li> <li>• Cling Wrap</li> <li>• Foot comfort products</li> <li>• Hair Sculpting products</li> <li>• Nail Treatments</li> </ul>

<sup>46</sup> Note that Soulful, Happy Flora, Kotia and Sugar Baby are strategic partnerships where McPherson's owns less than 100% of those brands.

## 4.2 MCP Board

As at the date of this Target's Statement, the MCP Directors are:

- (a) Graham Cubbin (Chairman, Non-Executive Director, since July 2015; and Non-Executive Director since September 2010)
- (b) Grant Peck (interim Chief Executive Officer and Managing Director since December 2020 and appointed permanently in March 2021; and Non-Executive Director since December 2017)
- (c) Alison Cook (formerly Mew) (Non-Executive Director, since July 2018)
- (d) Jane McKellar (Non-Executive Director, since February 2015)
- (e) Ari Mervis (Non-Executive Director, since February 2021)
- (f) Geoffrey Pearce (Non-Executive Director, since February 2018)

## 4.3 MCP management team

A complete list of the McPherson's Senior Management team as at the date of this Target's Statement, including qualifications and background, is provided in Annexure A.

On 31 March 2021, following a comprehensive search and selection process, the MCP Board announced the appointment of Mr. Grant Peck as Chief Executive Officer and Managing Director on a permanent basis. Mr. Peck has over 30 years of experience within the branded consumer products industry and his senior management experience includes ASX-listed, NYSE-listed and LSE-listed companies. These significant achievements are validated by Mr. Peck's strong performance and leadership in guiding MCP over the last four months as interim CEO and as an independent non-executive director of MCP since December 2017 (including his tenure as Chair of the Audit Risk Committee, before stepping down in December 2020 to assume the interim CEO and Managing Director role).

## 4.4 First half FY2021 performance

### (a) Underlying Profit before Tax (PBT) of \$7.1 million<sup>47</sup> consistent with guidance

On 17 February 2021, MCP announced underlying PBT of \$7.1 million<sup>48</sup> consistent with guidance and strong domestic brand and sales performance despite some unpredictability in export earnings. Other key highlights included:

- (i) 6% growth in Australian domestic sales, excluding acquired brands, achieved in a challenging environment;
- (ii) MCP the third largest ASX listed supplier into the Pharmacy category in Australia and the second largest Australian supplier of beauty products to the Australian Pharmacy channel;<sup>49</sup>
- (iii) Growth in market share achieved in 4 of 6 core owned brands, excluding recently acquired brands;
- (iv) Contribution margins increased in 5 of 6 core owned brands driven by new product innovation and appreciation of the AUD/USD exchange rate;

<sup>47</sup> Excludes the following significant items before tax: (i) Provision for OzGuard hand sanitisers (\$6.1 million); (ii) Payments in relation to termination of employment of former Managing Director (\$0.7 million); (iii) Global Therapeutics acquisition costs (\$0.2 million); and (iv) Release of contingent consideration in relation to the My Kart joint venture \$1.5 million.

<sup>48</sup> Excludes the following significant items before tax: (i) Provision for OzGuard hand sanitisers (\$6.1 million); (ii) Payments in relation to termination of employment of former Managing Director (\$0.7 million); (iii) Global Therapeutics acquisition costs (\$0.2 million); and (iv) Release of contingent consideration in relation to the My Kart joint venture \$1.5 million.

<sup>49</sup> Data sourced from IRI MarketEdge Big Picture Pharmacy Report MAT 02/08/2020 Top Manufacturers ranking.

- (v) Cash conversion of 68% (H1 FY20 of 47%) and low debt, providing significant balance sheet and operational capacity; and
  - (vi) Strong pipeline of innovative new products.
- (b) **Trading update**

As part of the first half update, MCP provided the following outlook commentary:

*There remains an elevated level of uncertainty pertaining to McPherson's short-term trading outlook, largely due to the difficulty of forecasting demand in China. Consumer behaviour will be difficult to gauge in the short term following an unexpected slowdown in the market in the last quarter of last year. It is therefore not possible to provide guidance at this stage, but it remains likely that underlying profit before tax and earnings per share for H2 FY21 and FY21 will be materially below H2 FY20 and FY20.*

*Given projected strong cash conversion and low levels of bank debt, the dividend payout ratio is likely to remain high in the medium term.*

The MCP Board anticipates that it should be in a position to update the market on this outlook commentary in May 2021.

## 4.5 Publicly available information

As a company listed on the ASX, MCP is subject to regular reporting and disclosure obligations under the Corporations Act and the ASX Listing Rules. Further information about MCP is available on MCP's website at [www.mcphersons.com.au](http://www.mcphersons.com.au) and on the ASX's website at [www.asx.com.au](http://www.asx.com.au)

## 5. Gallin's Offer

### 5.1 Overview

<b>Offer</b>	<p>Gallin is offering to acquire all of your MCP Shares at the Offer Price.</p> <p>Gallin has appointed a broker (Evans and Partners Pty Ltd) to buy MCP Shares on-market at the Offer Price.</p> <p>Gallin's Offer is unconditional.</p> <p>The information in this Section 5.1 is a summary only. Please refer to the Bidder's Statement for instructions as to how to accept the Offer.</p>
<b>Offer Price</b>	A\$1.34 cash for each MCP Share that Gallin does not already own, subject to the terms of the Offer.
<b>Offer Period</b>	The Offer will be open from 9 April 2021 until 4:00pm (Sydney time) on 10 May 2021, being the date the Offer is scheduled to close (unless extended or withdrawn in accordance with the Corporations Act).
<b>Expected date of payment to MCP Shareholders who accept the Offer</b>	If you accept the Offer in respect of an MCP Share, you will receive payment of the Offer Price for that MCP Share on a T+2 basis.

### 5.2 No withdrawal of acceptances

If you accept the Offer in respect of an MCP Share, you will not be able to withdraw your acceptance and you will not receive any further payment for that MCP Share if there is a subsequent increase in Gallin's Offer Price or if a superior offer emerges. As at the Last Practicable Date, the MCP Board is not aware of any superior offer.

### 5.3 Consequences of Gallin having a relevant interest in MCP of 90% or more

Gallin has stated in the Bidder's Statement that if it has a relevant interest in MCP of 90% or more (**Compulsory Acquisition Threshold**), then it intends to compulsorily acquire all remaining MCP Shares it does not already own, if permitted to do so under the Corporations Act.

Under the Corporations Act:

- (a) If Gallin reaches the Compulsory Acquisition Threshold pursuant to the Offer, then Gallin's compulsory acquisition must proceed on the same terms as the Offer and must be initiated by Gallin issuing compulsory acquisition notices within 1 month after the end of the Offer Period.
- (b) If Gallin does not reach the Compulsory Acquisition Threshold pursuant to the Offer, but does reach the Compulsory Acquisition Threshold after the Offer Period, then Gallin's compulsory acquisition must be initiated by Gallin issuing compulsory acquisition notices within 6 months after it first reaches the Compulsory Acquisition Threshold.

MCP Shareholders may challenge any compulsory acquisition, but a successful challenge would generally require the relevant MCP Shareholders to establish to the satisfaction of a Court that the terms of the Offer do not represent fair value for their MCP Shares. If MCP Shares are compulsorily acquired, the relevant MCP Shareholders are not likely to receive payment until at least one month after the compulsory acquisition notices are sent.

#### **5.4 Consequences of Gallin having a relevant interest in MCP of more than 50% but less than 90%**

If Gallin has a relevant interest in MCP of more than 50% but less than 90%, those MCP Shareholders other than Gallin will be minority shareholders in MCP.

This has a number of possible implications, including that:

- (a) Gallin will be in a position to cast the majority of votes at a general meeting of MCP;
- (b) Gallin will be able to use its voting power to control the appointment of MCP Directors, provided however that any MCP Director nominated by Gallin would continue to be subject to duties to act in good faith in the best interests of MCP Shareholders and for proper purposes and to have regard to the interests of all MCP Shareholders; and
- (c) If Gallin has a relevant interest in MCP of 75% or more, it will be able to pass special resolutions at a general meetings of MCP, which may enable Gallin to (amongst other things) change MCP's Constitution.

#### **5.5 Consequences of Gallin having a relevant interest in MCP of 50% or less**

Even if Gallin has a relevant interest in MCP of 50% or less, it is possible that Gallin will seek to use its voting power to influence decision making within MCP. The scale of such influence may depend on what relevant interest Gallin ultimately has in MCP. Gallin has indicated in the Bidder's Statement that in such a situation, it would still seek to:

- (a) have its nominee appointed as an MCP Director in proportion to its MCP Shareholding; and
- (b) conduct a general review of the MCP Group, with the intention of increasing Gallin's influence on the MCP Group's day-to-day operations to the extent possible and appropriate.

#### **5.6 Other considerations**

If the Offer Period ends and Gallin does not have a relevant interest in MCP of 90% or more, the trading price of MCP Shares may be higher or lower than the Offer Price.

## 6. Risk factors

MCP Shareholders who reject the Offer and continue to invest in MCP Shares will be exposed to certain risks associated with that investment. Set out below is a summary of key risks which may have a material impact on the operations and financial performance of the MCP Group and the market price of MCP Shares, and how the MCP Group manages these risks. The following is not intended to be an exhaustive list of the risk factors to which the MCP Group is exposed. The types of risks the MCP Group is exposed to can change over time and vary with changes in economic, technological, environmental and regulatory conditions.

### 6.1 Reduction in consumer demand

Given the MCP Group's reliance on consumer spending and trends, adverse changes to the general economic landscape in Australasia or consumer sentiment for the MCP Group's products could impact its financial results. This risk is addressed through keeping abreast of economic and consumer data research, innovative product development and brand building.

### 6.2 The impact of COVID-19 and future pandemics

The potential for significant disruption to the MCP Group caused by a global pandemic has been illustrated by the current COVID-19 outbreak. While the potential impact on workplace health and safety, customer demand, continuity of supply and availability of capital has been anticipated and well managed by the MCP Group, the potential for future disruption from COVID-19 or a future new pandemic is self-evident.

### 6.3 Workplace health and safety

Given the physical nature of the MCP Group's operations, workplace health and safety are of paramount importance. Significant effort and attention have been placed on internal policies and processes to ensure that employees are aware of their legal obligations and the productivity benefits that come from working safely. A tone of safety first is set at the top of the organisation and is reinforced through commitment of resources, including a dedicated workplace health and safety officer.

### 6.4 Foreign currency and interest rate fluctuation

The MCP Group sources the majority of its inventory in currencies other than Australian dollars, with the US dollar the predominant sourcing currency. Consequently, significant fluctuations in the AUD / USD exchange rate can materially impact the MCP Group's results. The MCP Board has established, and regularly reviews the MCP Group's foreign currency hedging policy with the objective of mitigating short to medium term foreign currency risk.

Consistent with the policy, the MCP Group continues to operate a comprehensive foreign exchange hedging program, which mitigates the impact of Australian dollar and US dollar movements. The MCP Group's foreign exchange hedging and the instruments used for foreign exchange hedging remain unchanged, being a combination of options and foreign exchange contracts on a rolling basis.

In addition to this, the MCP Group entered into an interest rate swap contract maturing in June 2023 to partially restrict the MCP Group's interest rate exposure under its new three-year facility of \$47.5 million expiring in June 2023.

### 6.5 Raw material price fluctuation

A significant proportion of the MCP Group's inventory costs are influenced by movements in the price of commodities such as resin and aluminium. Such commodity prices are usually denominated in US dollars and historically are correlated with movements in the AUD / USD exchange rate. This correlation provides a degree of natural hedge against the profit impact of

AUD / USD currency movements. Consequently, separate risk mitigation measures are not utilised to manage this risk.

## **6.6 Loss of a major customer or deranging of a major product range**

A significant proportion of the MCP Group's sales is related to a significant export customer and two domestic customers in the grocery channel. The deletion of a material product range by these customers could materially reduce MCP's profitability. In order to mitigate this risk, the MCP Group strives to provide superior customer service, product innovation and competitive pricing. It is also pursuing a strategy of channel, geography and customer diversification, as demonstrated by the recent joint venture activity in Health, Wellness and Beauty.

## **6.7 Exposure to the China market**

An increasing portion of the MCP Group's sales is generated directly and indirectly by demand from consumers based in China. Consequently, the MCP Group has an exposure to any change in the Chinese market that may impact this demand, such as a change in government regulations that may impact sales of the MCP Group's products to China based consumers. The MCP Group seeks to mitigate this risk by attempting to understand and anticipate changes in the China market that may impact its sales. Additionally, the MCP Group engages with business partners and advisers that are compliant with Chinese regulations and have a strong understanding of the Chinese market.

The event driven demand cycle associated with the CBEC channel, combined with the sheer size and rapid growth profile of this market requires the MCP Group to order significant volumes of inventory from its supplier base, well in advance of the forecast demand from Chinese consumers. As demand is inherently difficult to predict, this can lead to both material inventory deficiency, where demand exceeds expectation and conversely material excess inventory where demand does not meet expectation. MCP attempts to mitigate this risk by working collaboratively with ABM to both forecast future demand and respond cooperatively to inventory issues as they arise.

## **6.8 Key supplier redundancy**

The MCP Group has significant reliance on key suppliers of products. Many such suppliers are based in China, with key skincare suppliers predominantly based in Australia. Alternate suppliers have been isolated for all key suppliers. The potential for political instability to impact the Hong Kong sourcing team is being closely monitored. The capture of important supplier information on the MCP Group's Enterprise Resource Planning (ERP) system has improved the ability of the MCP Group to adapt to any future disruption to the Hong Kong sourcing team. The continued transition of significant Dr. LeWinn's formulations and production to Aware Group will materially reduce the risk of disrupted skincare production and access to formulations.

## **6.9 Investment of capital**

Given the strength of the MCP Group's balance sheet and the stated objective of deploying capital to merger and acquisition activity, the risk element is the deployment of capital to investments that do not present acceptable risk and reward outcomes for the MCP Shareholders. The following measures are being taken to manage this risk:

- (a) restriction of the number of opportunities under review to ensure appropriate focus and resourcing;
- (b) careful assessment of risk and return metrics associated with opportunities;
- (c) in the case of recent joint ventures, de-risking of return on investment outcomes by determining most consideration with reference to actual EBIT outcomes; and
- (d) engagement of external assistance, such as due diligence expertise where deemed necessary for smaller investments and mandatory for investments in excess of \$10 million.

## **6.10 Deficiency in product quality**

As a supplier of branded consumer products to retailers, the MCP Group has an exposure to product faults which could lead to liability claims and product recalls. To control this risk, the MCP Group adopts stringent quality control and supplier verification procedures. In addition, it holds adequate product and public liability insurance and product recall insurance.

## **6.11 Compliance with debt facility undertakings**

A portion of the MCP Group's capital requirement is in the form of debt facilities supplied by financial institutions that require the MCP Group to comply with various undertakings, including specific financial ratios or covenants, in order for the MCP Group to continue to access facilities. The MCP Group seeks to adopt a debt structure that in both quantum and terms has sufficient capacity to withstand a short-term decline in earnings or assets that may impact its ability to meet its various debt facility undertakings.

## **6.12 Cyber security**

The MCP Group places significant reliance on its Information Technology (IT) systems to transact with customers and connect with consumers. The inability to utilise or access our IT systems through a successful denial of service, ransomware or other form of attack could materially impact the MCP Group's ability to transact and hence affect its earnings. The MCP Group uses firewall monitoring software and anti-virus software to block potential cyber threats. Additionally, it has a network monitoring and alert tool that is designed to detect and signal unusual network behaviour. Ongoing external review and input are implemented to ensure the effectiveness of 'cyber' controls to meet ever-evolving threats of this nature, including business continuity plans and disaster recovery testing.

## **6.13 Talent management**

The loss of key management talent and potential underutilisation of key management talent represent a key risk to the MCP Group's business that is mitigated by Human Resources establishing talent development plans, well-targeted incentive programs and succession plans.

## **6.14 Regulatory compliance**

The general risk of compliance with changes in applicable consumer and other laws and product standards, with related implications for supplier and inventory management, as well as penalties for non-conformance, is managed by the employment of appropriately knowledgeable employees accessing regular updates on changes in standards.

## 7. Other material information

### 7.1 MCP securities on issue

As at the date of this Target's Statement, MCP has the following securities on issue:

Class	Number on issue
MCP Shares	128,403,460
MCP Performance Rights	3,838,000

### 7.2 Substantial shareholders

As at the Last Practicable Date, according to notifications received by MCP, the following MCP Shareholders had voting power in MCP Shares of 5% or more at the date of the notification:

MCP Shareholder	Number of MCP Shares	Approximate % of all issued MCP Shares
Challenger Limited Group / Lennox Capital Partners Pty Ltd	8,837,275	6.88%
Microequities Asset Management Pty Ltd	7,465,334	5.81%
Investors Mutual Limited	5,758,226	4.48%

Note: Percentages are calculated based on the current number of MCP Shares on issue. As at the date of its notification to MCP on 23 October 2020, Investors Mutual Limited reported voting power of 5.33%.

### 7.3 Directors' interests and dealings in MCP securities

As at the date of this Target's Statement, MCP Directors had the following relevant interest in MCP securities:

MCP Director	Number of MCP Shares	Number of MCP Performance Rights
Mr. Graham Cubbin	283,953	0
Mr. Grant Peck	55,400	0
Ms. Alison Cook (formerly Mew)	15,500	0
Ms. Jane McKellar	7,069	0
Mr. Ari Mervis	150,000	0
Mr. Geoffrey Pearce	655,939	0

No MCP Director has acquired or disposed of a relevant interest in any MCP Shares or MCP Performance Rights in the 4 month period ending on the date immediately before the date of this Target's Statement, other than:

- (a) on 18 February 2021, a superannuation fund associated with Mr. Grant Peck acquired 41,000 MCP Shares on market; and
- (b) on 18 February 2021, an entity associated with Mr. Ari Mervis acquired 150,000 MCP Shares on market.

### 7.4 No interests or dealings in Gallin securities

Neither MCP, the MCP Directors nor their respective associates have any relevant interest in the securities of Gallin or any Related Body Corporate of Gallin, or have acquired or disposed of any securities in Gallin or any Related Body Corporate of Gallin in the 4 month period ending on the date immediately before the date of this Target's Statement.

## 7.5 No payments or benefits

As a result of the Offer, no person has or will be given any benefit (other than a benefit which can be given without member approval under the Corporations Act) in connection with the retirement of that person, or someone else, from a board or managerial office of MCP Group.

There are no agreements made between the MCP Directors and any other person in connection with, or conditional on, the outcome of the Offer other than in their capacity as a holder of MCP Shares.

None of the MCP Directors has agreed to receive, or is entitled to receive, any benefit from Gallin which is conditional on, or is related to, the Offer other than in their capacity as a holder of MCP Shares.

None of the MCP Directors has any interest in any contract entered into by Gallin.

## 7.6 Effect of the Offer on MCP Performance Rights

The McPherson's Limited Performance Rights Plan (**MCP Performance Rights Plan**) was established with the purpose of providing long-term performance-based incentives to eligible senior employees of the MCP Group in the form of performance rights (**MCP Performance Rights**).

By way of brief overview, MCP Performance Rights will vest if and when applicable timing and performance conditions are satisfied. Once vested, MCP Performance Rights may be exercised by the holder of the MCP Performance Rights. Upon such exercise, the holder of those MCP Performance Rights will receive one MCP Share for each Performance Right held subject to the terms of issue of the MCP Performance Rights and the MCP Performance Rights Plan rules.

As at the date of this Target's Statement, MCP has:

- (a) 803,000 vested MCP Performance Rights on issue; and
- (b) 3,035,000 unvested MCP Performance Rights on issue.

As set out in the Bidder's Statement, Gallin's Offer does not extend to the acquisition of any MCP Performance Rights, but Gallin's Offer does extend to all MCP Shares that are issued and quoted on the ASX at any time during the Offer Period as a result of the exercise of any vested Performance Rights.

Under the rules governing the MCP Performance Rights Plan, the MCP Board may determine that unvested MCP Performance Rights become vested, if any of the following events has occurred or is likely to occur:

- (a) a takeover bid is made in respect of MCP and the MCP Board recommends acceptance to MCP Shareholders;
- (b) an event similar to a takeover involving a change in ownership or control of MCP or all or substantial part of the assets of MCP; or
- (c) any other event as determined by the MCP Board in its absolute discretion.

As at the date of this Target's Statement, the MCP Board has not recommended acceptance of Gallin's Offer to MCP Shareholders, nor has the MCP Board otherwise determined that any unvested MCP Performance Rights will vest in the context of the Offer. The MCP Board retains its discretion to determine the treatment of unvested MCP Performance Rights in accordance with the terms of their issue.

## 7.7 Effect of the Offer on material contracts

The MCP Group is party to a variety of contracts which are material in the context of its business (taken as a whole). These include distribution, joint venture, customer, supplier and licence agreements. Certain of those material contracts contain change in control provisions that are triggered if Gallin acquires 50% or more of all MCP Shares on issue – that is, the material contract

may be terminated and, as a result of such termination, the MCP Group's business may be materially adversely affected.

As at the Last Practicable Date, none of the counterparties to the material contracts referred to (in category terms) above and below has indicated to MCP that it may wish to terminate its contract with the MCP Group if a change in control provision is triggered.

(a) **Banking facilities**

Under the terms of the MCP Group's banking facilities, if a person (together with their associates) acquires 50% or more of all MCP Shares on issue, then the MCP Group and its lenders will conduct a review to determine if and how the banking facilities will be maintained or restructured. If the MCP Group and its lenders cannot agree a way forward during that review, then the lenders may exercise their right to require repayment and cancellation of the facilities.

(b) **Customer arrangements**

The MCP Group generally contracts with certain large customers in the pharmacy and grocery channels on the basis of those customers' respective standard terms and conditions. Some of those terms and conditions specify that a change in control of MCP will result in the customer having the right to terminate the contract and/or unfilled purchaser orders.

(c) **Leases**

The MCP Group leases several premises in Australia, New Zealand, Hong Kong and Singapore. Some of these leases require that where a change of control of MCP occurs, then the landlord's consent to such change must be obtained and/or the landlord must be satisfied that the Bidder is financially sound, amongst other customary lease termination and deemed lease assignment provisions.

## 7.8 Material litigation

As at the Last Practicable Date, the MCP Board does not believe that the MCP Group is involved in any litigation or dispute which is material in the context of MCP and the MCP Group taken as a whole.

## 7.9 Consents

(a) Each MCP Director has given and has not (before the lodgement of this Target's Statement with ASIC) withdrawn their consent to:

- (i) be named in this Target's Statement in the form and context in which they are named; and
- (ii) statements attributable to them being included in this Target's Statement in the form and context in which they appear.

(b) Each of the following persons has given, and has not (before the lodgement of this Target's Statement with ASIC) withdrawn, their consent to be named in this Target's Statement in the form and context in which they are named:

- (i) Moelis Australia, to be named in this Target's Statement as MCP's financial and corporate adviser;
- (ii) Thomson Geer, to be named in this Target's Statement as MCP's Australian legal advisers; and
- (iii) Computershare Investor Services Pty Limited, to be named in this Target's Statement as MCP's share registry.

Each of the persons named above:

- (i) has not caused or authorised the issue of this Target's Statement;
  - (ii) (other than any reference to its name) does not make, or purport to make, any statement in this Target's Statement or any statement on which a statement in this Target's Statement is based; and
  - (iii) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Target's Statement (other than any reference to its name).
- (c) As permitted by ASIC Class Order 13/521, this Target's Statement contains statements which are made, or based on statements made, in documents lodged with ASIC or given to the ASX. In accordance with this class order, the consent of persons to whom such statements are attributed is not required for the inclusion of such statements in this Target's Statement. Any MCP Shareholder who would like to receive a copy of any of those documents (or parts of those documents) may obtain a copy (free of charge, within 2 business days of their request) during the Offer Period by contacting the McPherson's Shareholder Information Line on 1300 219 452 (within Australia) or +61 3 9415 4328 (outside Australia) between 8.30am and 5.00pm (Sydney time) Monday to Friday.
- (d) As permitted by ASIC Corporations (Consent to Statements) Instrument 2016/72 (**ASIC Instrument 2016/72**), this Target's Statement may include or be accompanied by certain statements, each of which:
- (i) fairly represents what purports to be a statement by an official person; or
  - (ii) is a correct and fair copy of, or extract from, what purports to be a public official document; or
  - (iii) is a correct and fair copy of, or extract from, a statement which has already been published in a book, journal or comparable publication.
- Pursuant to ASIC Instrument 2016/72, the consent of persons to whom such statements are attributed is not required for the inclusion of those statements in this Target's Statement.
- (e) In addition, as permitted by ASIC Instrument 2016/72, this Target's Statement contains trading data sourced from IRESS Limited without their consent.

## 7.10 Other material information

Under the Corporations Act, this Target's Statement is required to include all the information that MCP Shareholders and their professional advisers would reasonably require to make an informed assessment whether to accept the Offer, but:

- (a) only to the extent to which it is reasonable for MCP Shareholders and their professional advisers to expect to find this information in this Target's Statement; and
- (b) only if the information is known to any MCP Director.

The MCP Directors are of the opinion that the information that MCP Shareholders and their professional advisers would reasonably require to make an informed assessment whether to accept the Offer is the information contained in:

- (a) the Bidder's Statement (to the extent that the information is not inconsistent or superseded by information in this Target's Statement);
- (b) MCP's ASX announcements before the date of this Target's Statement;
- (c) documents lodged by MCP with ASIC before the date of this Target's Statement; and
- (d) this Target's Statement.

In preparing this Target's Statement, it is assumed that the information in the Bidder's Statement is accurate (unless it is expressly indicated otherwise in this Target's Statement). However, the MCP Directors do not take any responsibility for the contents of the Bidder's Statement and are not to be taken as endorsing, in any way, any or all statements contained in it.

In deciding what information should be included in this Target's Statement, the MCP Directors have had regard to:

- (a) the nature of the MCP Shares;
- (b) the matters that MCP Shareholders may reasonably be expected to know;
- (c) the fact that certain matters may reasonably be expected to be known to MCP Shareholders' professional advisers; and
- (d) the time available to MCP to prepare this Target's Statement.

## 8. Definitions and interpretation

### 8.1 Definitions

In this Target's Statement:

<b>ABM</b>	Access Brand Management Pty Ltd (ACN 618 170 639) or its associated company ABM AU Limited, as the context requires.
<b>ANZ</b>	Australia and New Zealand.
<b>ANZ Broker Selected Peer Set</b>	Has the meaning given to that term in Section 2.2(a).
<b>ASIC</b>	Australian Securities and Investments Commission.
<b>ASX</b>	ASX Limited (ABN 98 008 624 691) or the securities exchange which it operates, as the context requires.
<b>ASX Listing Rules</b>	The official listing rules of the ASX and any other rules of the ASX which are applicable while the Company is admitted to the official list of the ASX, as amended or replaced from time to time, except to the extent of any express written waiver by the ASX.
<b>Bidder or Gallin</b>	Gallin Pty Ltd (ACN 648 845 738).
<b>Bidder's Statement</b>	The bidder's statement issued by the Bidder dated 25 March 2021 as supplemented by: <ul style="list-style-type: none"> <li>the first supplementary bidder's statement issued by the Bidder dated 30 March 2021; and</li> <li>the second supplementary bidder's statement issued by the Bidder dated 6 April 2021 (attaching a replacement bidder's statement).</li> </ul>
<b>Board or MCP Board</b>	The board of Directors.
<b>CAGR</b>	Compound annual growth rate.
<b>CBEC</b>	Cross-border e-commerce.
<b>Compulsory Acquisition Threshold</b>	Has the meaning given to that term in Section 5.3.
<b>Corporations Act</b>	<i>Corporations Act 2001</i> (Cth).
<b>CY##</b>	Calendar year - for example, CY21 means the 2021 calendar year (i.e. from 1 January 2021 to 31 December 2021).
<b>daigou</b>	Individual or a syndicated group of exporters outside China that purchase goods for customers in China
<b>Director or MCP Director</b>	A director of MCP.
<b>EBIT</b>	Earnings before interest and taxation.
<b>EV</b>	Enterprise value.
<b>FMCG</b>	Fast moving consumer goods.
<b>Fusion Health</b>	The business comprising the Fusion Health and Oriental Botanicals brands (formerly referred to as Global Therapeutics).
<b>FY##</b>	Financial year - for example, FY21 means the 2021 financial year (i.e. from 1 July 2020 to 30 June 2021).

<b>Geminder family</b>	Has the same meaning as that phrase is used in the Bidder's Statement.
<b>H# FY##</b>	Half of a financial year - for example, H1 FY21 means the first half of the 2021 financial year (i.e. 1 July 2020 to 31 December 2020).
<b>Kin Group</b>	Kin Group Pty Ltd (ACN 095 313 714).
<b>Last Practicable Date</b>	1 April 2021.
<b>Management</b>	The management team of MCP
<b>MCP Group</b>	MCP and each of its Subsidiaries.
<b>MCP, McPherson's or the Company</b>	McPherson's Limited (ACN 004 068 419).
<b>MCP Performance Rights</b>	Unlisted performance rights issued by MCP pursuant to the MCP Performance Rights Plan.
<b>MCP Performance Rights Plan</b>	Has the meaning given to that term in Section 7.6.
<b>MCP Shareholding</b>	A holding of MCP Share(s).
<b>NPAT</b>	Net profit after tax.
<b>NZX</b>	NZX Limited (a New Zealand company) or the securities exchange which it operates, as the context requires.
<b>Offer</b>	The offer by the Bidder to acquire the MCP Shares on issue, the terms and conditions of which are set out in the Bidder's Statement.
<b>Offer Period</b>	The period during which the Offer will remain open for acceptance in accordance with the Bidder's Statement.
<b>Offer Price</b>	A\$1.34 cash for each MCP Share that Gallin does not already own, subject to the terms of the Offer.
<b>Pact Group</b>	Pact Group Holdings Ltd (ACN 145 989 644).
<b>PBT</b>	Profit before tax.
<b>Pro-Pac</b>	Pro-Pac Packaging Limited (ACN 112 971 874).
<b>P/E</b>	Price to earnings ratio.
<b>Register</b>	The register of members of MCP.
<b>Related Body Corporate</b>	Has the meaning given to that term in the Corporations Act.
<b>relevant interest</b>	Has the meaning given to that term in the Corporations Act.
<b>Section</b>	A numbered section of this Target's Statement.
<b>Share or MCP Share</b>	A fully paid ordinary share in the capital of MCP.
<b>Shareholder or MCP Shareholder</b>	A person who is registered in the Register as a holder of Shares from time to time.
<b>SKUs</b>	Stock-keeping units.
<b>Subsidiary</b>	Has the meaning given to that term in the Corporations Act.
<b>Target's Statement</b>	This document including all schedules, annexures and attachments.
<b>The Reject Shop</b>	The Reject Shop Limited (ACN 006 122 676).
<b>T+2</b>	That settlement occurs on the second "Trading Day" (as defined in the ASX Listing Rules) after the date of the transaction in accordance with ASX practice.
<b>voting power</b>	Has the meaning given to that term in the Corporations Act.
<b>VWAP</b>	Volume weighted average price.

## 8.2 Interpretation

- (a) Reference to:
  - (i) words and phrases given a particular meaning in Chapter 6 of the Corporations Act have the same meaning in this Target's Statement, unless the context otherwise requires;
  - (ii) one gender includes the others;
  - (iii) the singular includes the plural and the plural includes the singular;
  - (iv) a person includes a body corporate;
  - (v) a party includes the party's executors, administrators, successors and permitted assigns;
  - (vi) a statute, regulation or provision of a statute or regulation (**Statutory Provision**) includes:
    - (A) that Statutory Provision as amended or re-enacted;
    - (B) a statute, regulation or provision enacted in replacement of that Statutory Provision; and
    - (C) another regulation or other statutory instrument made or issued under that Statutory Provision; and
  - (vii) money is to Australian dollars, unless otherwise stated.
- (b) **"Including"** and similar expressions are not words of limitation.
- (c) Where a word or expression is given a particular meaning, other parts of speech and grammatical forms of that word or expression have a corresponding meaning.
- (d) Headings and any table of contents or index are for convenience only and do not affect the interpretation of this Target's Statement.

## 9. Approval of this Target's Statement

This Target's Statement has been unanimously approved by a resolution passed by the MCP Directors.

Dated: 8 April 2021

Signed for and on behalf of  
**McPherson's Limited (ACN 004 068 419):**

A handwritten signature in blue ink, appearing to read 'G. Cubbin', is positioned above the printed name and title.

**GRAHAM CUBBIN**  
Chairman

## Annexure A: Summary of McPherson's senior management team

Name	Role	Qualifications	Tenure (years)	Brief Background prior to joining MCP
<b>Grant Peck</b>	Chief Executive Officer and Managing Director	Bachelor of Business Chartered Accountant	3 <sup>50</sup>	More than 30 years of branded consumer goods experience both domestically and internationally. Previously the CEO of Sunny Ridge Farms, the Chief Financial Officer of Carlton & United Breweries and the Group Managing Director of Supply for CUB with the Fosters Group. For further details see MCP's ASX announcement on 31 March 2021 regarding Mr. Peck's permanent appointment as Chief Executive Officer and Managing Director
<b>Paul Witheridge</b>	Chief Financial Officer & Joint Company Secretary.	Bachelor of Commerce Fellow of the Australian and New Zealand Institute of Chartered Accountants	11	Senior financial and company secretarial positions with several listed companies in the retail sector including Angus and Cootes Limited and OPSM Limited. Prior to that, Mr. Witheridge spent six years within KPMG's Audit and Assurance Practice.
<b>Sarah Stockwell</b>	Chief People Officer	Certificate IV HR Management Certificate IV Assessment & Workplace Training ARHI Certified Currently Masters HR & IR	5	Over 20 years of commercial experience across Retail, FMCG, Company Ownership, Non for Profit, Professional & Services Industries managing Human Resources, Industrial Relations, Learning & Development & Workplace Health & Safety.
<b>Brett Owers</b>	Commercial Finance & Mergers and Acquisitions Director	Master of Business Administration (Executive) Chartered Accountant Graduate Australian Institute of Company Directors Bachelor of Commerce	10	Finance and Commercial Executive with over 20 years' experience working with ASX listed, large foreign-owned and privately-owned companies. Experience includes 11 years with Big 4 accounting firm KPMG, with a primary focus on financial audits of companies from within Consumer and Industrial Markets.
<b>David Fielding</b>	Strategy, Planning & Innovation Director	Bachelor of Commerce (Marketing) Associate Degree (Direct Marketing)	3	CMO and Global Marketing professional with over 15 years' experience in business strategy, marketing innovation, consumer insights and talent development. Expertise in defining strategies and translating them into high impact actions, new business, and market opportunities, delivering positive financial results for Fortune 100 Companies in global, regional and country roles.
<b>Lori Pirozzi</b>	Commercial Sales Business Unit Director ANZ	Bachelor of Commerce	3	Over 20 years' commercial experience across FMCG and Pharmaceutical sectors in various Sales, Leadership and Executive roles. Strong history of Leading Sales and Strategy development in Health and Beauty categories both internationally and domestically with a larger focus on ANZ.
<b>Donna Chan</b>	Marketing Director	Bachelor of Commerce	10	Over 20 years' experience in Marketing across FMCG, Pharmaceutical and Beauty Brands. Leading teams in delivering strategic plans across Brand Management, Digital, E-Commerce and Category Marketing.

<sup>50</sup> Inclusive of tenor as Non-Executive Director from 14 December 2017 until appointment as Managing Director and Chief Executive Officer on 10 December 2020.

Name	Role	Qualifications	Tenure (years)	Brief Background prior to joining MCP
<b>Mary Pearce</b>	Research and Development Director	Bachelor of Science (Biochemistry and Pharmacology) PHD Biochemistry	4	Dr Mary Pearce holds a doctorate from Monash University in Biochemistry and is the McPherson's R&D Director. As part of her doctorate, Dr Pearce was awarded a fellowship by the Alpha-1 Foundation to utilize fragment-based drug design to treat antitrypsin deficiency with a special focus on protein structure, function and dysfunction and has published over 20 peer-reviewed articles. Dr Pearce has extensive experience across the cosmetic manufacturing industry with a particular focus on quality assurance, ISO and other business system certification systems.
<b>Mark Brady</b>	Supply Chain Director	Bachelor of Mechanic Engineering Masters Engineering Science MBA	8	Over 20 years' expertise across manufacturing, logistics & supply chain. A background in Engineering with CHEP (Brambles), Pfizer & TetraPak in service excellence, working in pharmaceutical and service industry.
<b>Jade Peak</b>	General Manager Export	Bachelor of Education (Primary)	2	Over 15 years' experience in Account & Brand Management across Domestic & International Regions in multiple categories with a leading focus on FMCG over the last 10 years.
<b>Brendon Korner</b>	General Manager New Zealand	No Formal Qualifications	3	Over 25 years in FMCG in a variety of National Sales and Management roles including 4 years with one of the largest Pharmaceutical companies globally – Sanofi.
<b>Shavit Clein</b>	General Manager Singapore	SGT First Class (Military Qualifications)	0.5	Senior commercial and strategy leader, with over 12 years' experience managing business across Asia. Prior to joining MCP, Mr. Clein spent 10 years with global retail technology company Trax, joining the business at its founding and growing it to over a \$1B valuation. Mr. Clein served in senior roles in the business including the Vice President of Strategy, and the Head of Global Consumer Goods Practice, as well as operations and commercial leadership roles both in APAC and globally.
<b>Sammy Chan</b>	General Manager Hong Kong	Bachelor of Science (Industrial Engineering) MBA	30	Over 38 years expertise in manufacturing, engineering, quality control and sourcing management in Hong Kong, China, and Southeast Asia. Managing McPherson's sourcing operation in Hong Kong & China for over 20 years.

## Corporate Directory

McPherson's Limited  
ACN 004 068 419  
ASX:MCP

### Directors

Mr. Graham Cubbin	Chairman, Non-Executive Director
Mr. Grant Peck	Managing Director
Ms. Alison Cook (formerly Mew)	Non-Executive Director
Ms. Jane McKellar	Non-Executive Director
Mr. Ari Mervis	Non-Executive Director
Mr. Geoffrey Pearce	Non-Executive Director

### Company Secretaries

Mr. Philip Bennett  
Mr. Paul Witheridge

### Registered office

105 Vanessa Street  
Kingsgrove NSW 2208  
Australia  
Telephone: +61 2 9370 8000  
Facsimile: +61 2 9370 8091  
Email: [enquiries@mcpher.com.au](mailto:enquiries@mcpher.com.au)  
Website: [www.mcphersons.com.au](http://www.mcphersons.com.au)

### Share registry

Computershare Investor Services Pty Limited  
Yarra Falls, 452 Johnston Street  
Abbotsford VIC 3067  
Australia  
Telephone within Australia: 1300 85 05 05  
Telephone outside of Australia: +61 3 9415 5000  
Facsimile: +61 3 9473 2500  
[www.computershare.com](http://www.computershare.com)  
[www.investorcentre.com/contactus](http://www.investorcentre.com/contactus)

### Shareholder information line

1300 219 452 (within Australia)  
+61 3 9415 4328 (outside Australia)  
between 8.30am and 5.00pm (Sydney time) Monday to Friday

### Financial adviser

Moelis Australia Advisory Pty Ltd  
Level 27  
Governor Phillip Tower  
One Farrer Place  
Sydney NSW 2000  
Australia

### Legal adviser

Thomson Geer  
Level 14, 60 Martin Place  
Sydney NSW 2000  
Australia