

ASX Announcement

1H24 Results Presentation

23 February 2024

McPherson's Limited (**ASX:MCP**) announces that the results for the half year ended 31 December 2023 will be presented at a webcast hosted by the Chief Executive Officer and Managing Director – Brett Charlton and Chief Financial Officer - Paul Witheridge.

Attached is McPherson's 1H24 Results Presentation.

Investors can access the webcast via the URL below.

Date: Friday, 23 February 2024
Time: 11:00 AEDT
Webcast URL: <https://web.lumiconnect.com/394331757>

Participants will need to register to access the webcast, which will be activated 15 minutes prior to the start of the presentation.

An archive of the event will also be placed on the Investor Centre | Announcements page of our website (www.mcphersons.com.au) after the webcast.

Authorisation

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

For further information please contact:

Investors: Paul Witheridge at pwitheridge@mcpher.com.au or + 61 414 760 489

About McPherson's Limited

McPhersons Limited is an ASX listed supplier of essential health, beauty, and wellness products. McPhersons products touch 3 out of 4 Australian households according to independent research and include some of Australia's best loved brands: Manicare, Lady Jayne, Dr LeWinns, Swisspers and Fusion. In addition, McPhersons has a supporting portfolio of popular brands in attractive segments of the market including haircare, vitamins and supplements, fragrance, and nutrition. McPhersons' strategy is to capitalise on its strongest brands through expansion and innovation, driving sustainable growth and higher margins from increasing efficiencies. For further information, please visit www.mcphersons.com.au

1H24 Results Presentation

23 February 2024

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Agenda

1 Introduction & Welcome

2 1H24 Financial Results

3 Outlook & Summary



Our Speakers

BRETT CHARLTON
CEO & MANAGING DIRECTOR



PAUL WITHERIDGE
CFO



Introduction & Welcome

1H24 Overview



Steady result in a time of transformation

\$103.4m

Total
SALES REVENUE

▼ 8%

On 1H23: \$112.0m

▼ 3%

CORE BRAND
REVENUES

\$9.2m

EBITDA before
material items

▲ 3%

On 1H23: \$8.9m

\$9.1m

OPERATING
CASH FLOW before
material items

Cash conversion: 110%

4%

GEARING

1HFY23: 10%

2.0CPS

fully franked

INTERIM DIVIDEND

1HFY23: 2.0 CPS

Results showing benefits of strategic reset:

- Strong margin improvement in gross (+350bps) and EBITDA (+80bps) margins before material items
- Improved cash flow generation - early results from transformation initiatives
- Balance sheet remains strong
- Dr. LeWinn's +7% vs. 1H23
- Fusion sell through +4% vs. 1H23
- Core Brands -3%
- Supporting Portfolio Brands -6%

Our Strategy

Strategic re-set announced 15 November 2023, focused on a new strategy to drive sustainable growth



1

Our Categories

Essential health, beauty and wellness

- Higher growth categories
- Ripe for expansion, innovation and sustainable solutions
- Resilient categories – essential products for every day

2

Our Core Brands

Manicare, Lady Jayne, Dr. LeWinn's, Swisspers and Fusion Health

- Our most successful and recognisable brands
- In high margin categories with opportunities to invest

3

Our Supporting Portfolio Brands

A'kin, Maseur, Wagner, Bondi Fragrance, Foster Grant, INC, Oriental Botanicals and Revitanail

- Attractive market segments
- Part of providing an appealing range of in demand products to the pharmacy and e-commerce channels

Recent Achievements

During 1H24, several steps were taken to implement the new strategy

Streamlined Brand Portfolio

Exit from non-strategic agency relationships and cessation of lower margin private label contracts

Operating Model and Organisational Restructure

Functionally based model, fit-for-purpose structure and headcount reductions

Inventory Review

Review of inventory position to identify improvements. Potential to decrease inventory held and reduce active SKUs from over 900 to under 500

Multix

Strategic review of the Multix brand commenced to explore options to maximise value



Recent Appointments

Four new Executive Leadership team members



Hanli Pretorius
Chief People Officer



Stuart MacAulay
Supply Chain Director



Nathan Alexander
Chief Information Officer



Craig Durham
General Counsel &
Company Secretary

Near Term Priorities

Our immediate priorities include getting the systems, process and culture in place to execute our strategy



Taking Logical Steps

New strategy to drive productivity and growth in higher margin and higher growth categories, allowing for disciplined re-investment into core brands and portfolio expansion opportunities



Technology Solutions

CRM implementation of Salesforce's Trade Promotions Management and Retail Execution modules, anticipated to go live in Q4 FY24



Systems & Process Rejuvenation

Evolving systems and processes to focus on growing revenues, increasing productivity and clarifying and aligning team deliverables



Inventory Management

Reducing the level and complexity of inventory holdings in line with the findings of our review

1H24 Financial Results



Financial Results Summary

Steady result in a time of transformation



All figures \$m	1H24	1H23	\$ Var	% Var
Sales Revenue	103.4	112.0	(8.6)	-8%
Expenses				
Material Costs & Consumables	(50.6)	(58.9)	8.3	14%
Employee Costs	(19.4)	(19.9)	0.5	3%
Advertising and Promotion	(12.4)	(12.5)	0.1	1%
Cartage & Freight	(3.6)	(3.6)	0.0	0%
Third Party Warehousing	(1.1)	(1.2)	0.1	8%
Other Expenses	(7.1)	(7.0)	(0.1)	-1%
EBITDA before material items	9.2	8.9	0.3	3%
Depreciation & Amortisation	(3.0)	(3.1)	0.1	3%
EBIT before material items	6.2	5.8	0.4	6%
Net Interest cost	(1.0)	(0.8)	(0.2)	-25%
PBT before material items	5.2	5.0	0.2	3%
Income tax Expense	(1.6)	(1.8)	0.2	11%
PAT before material items	3.6	3.2	0.4	10%
Key ratios % of Sales	1H24	1H23		% Var
Materials & Consumables	48.9%	52.6%		-3.7%
Employee Costs	18.8%	17.8%		1.0%
Advertising and Promotion	12.0%	11.2%		0.8%
EBITDA before material items	8.9%	7.9%		1.0%

Summary Financials

- Core brand sales reduced by 3%, with Dr. LeWinn's up 7%
- Decision to exit low margin agency and private label categories reduced sales by \$1.7 million
- Materials costs reduced and margins improved due to reduced input costs, particularly sea freight and commodity costs, partly offset by depreciation in \$A/\$US
- Reduction in employee costs and other OPEX, with full impact of headcount reductions announced on 15 November 23 to come in 2H24

Cash Flow Management

Strong 1H24 Operating cashflow, as transformation initiatives drive reduced working capital for reinvestment

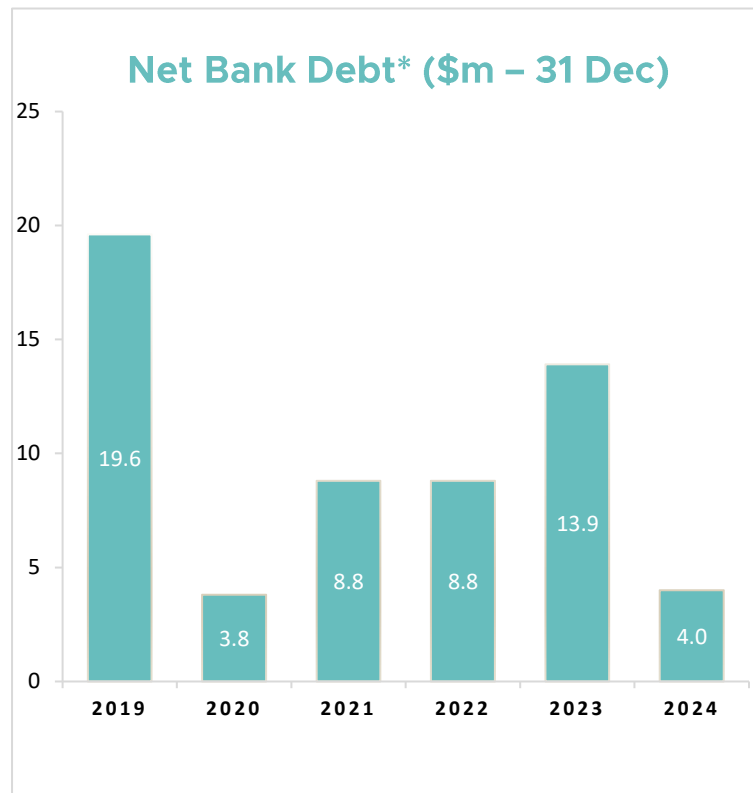
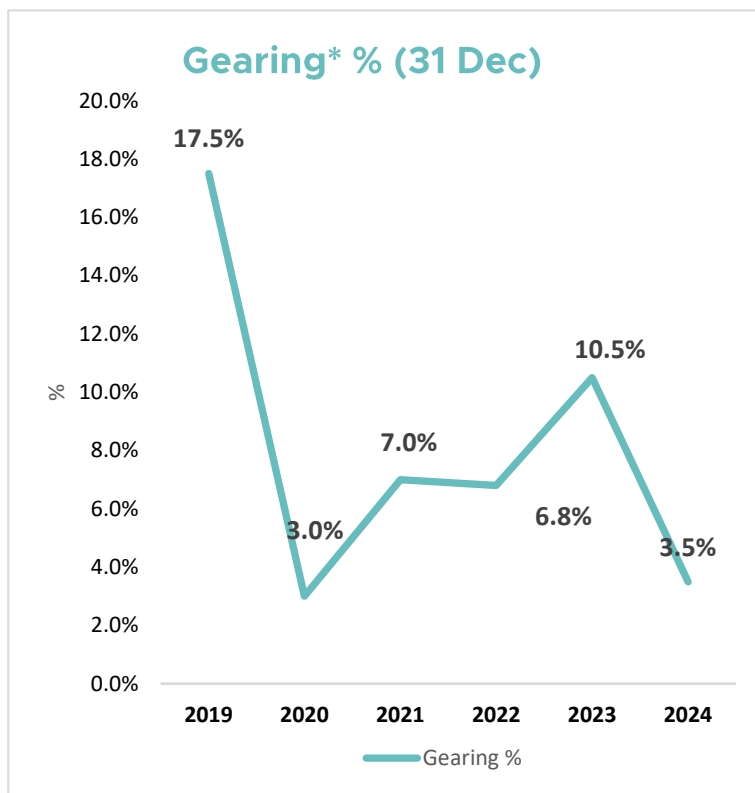
(\$m)	1H24	1H23	\$ Var	% Var
Receipts from customers	109.9	118.2	(8.3)	-8%
Payments to suppliers and employees	(100.8)	(124.1)	23.3	23%
Operating cashflow before interest & tax	9.1	(5.9)	15.0	
Interest and borrowing costs paid	(1.0)	(0.7)	(0.3)	-30%
Income tax (paid) / refund received	(1.7)	0.5	(2.2)	-129%
Operating cash inflow / (outflow)	6.4	(6.1)	12.5	
Capital Expenditure	(0.6)	(1.3)	0.7	117%
Free cashflow	5.8	(7.4)	13.2	228%

Positive Cash Flow Result

- 1H cashflows are typically lower than 2H
- Strong 1H24 cashflow, a result of transformation initiatives
- 1H24 cash conversion was 110% before material items, with net working capital reducing by 21% to 38.8m (31 December 22: \$49.0m)
- Future capex targeted at IT improvement roadmap, to drive earnings, process improvements and further reductions in working capital

Low Gearing and Net Bank Debt

Strong and flexible balance sheet



Low Debt

- Net bank debt remains low at \$4.0 million
- Gearing remains low at 4% at 31 December 2023

**Excludes lease liabilities*



1H24 Dividends

- Interim ordinary dividend of 2.0 cents per share (cps) (1H23 : 2.0cps) fully franked
- Payable 22 March 2024
- Payout ratio of 81% (1H23 : 89%) of profit after tax before material items
- Consistent with policy to pay a minimum of 60% of profit after tax before material items subject to other requirements

Outlook & Summary

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McPHERSON'S
Est. 1860





Outlook

- McPherson's products are in resilient categories - Essential products that people need for their everyday lives
- While consumer spending and confidence is a driver of McPherson's business, at this stage there is no evidence of any material softening in demand from our customers for our core brand portfolio. Customer ordering levels and inventory are broadly in line with recent periods
- The Company remains focused on implementing its transformation plan



Summary

- New strategy to unlock the potential of our core brands, drive productivity and growth in higher margin and higher growth categories where McPherson's has a competitive advantage, and allow for disciplined re-investment in growth
- Early results of transformation initiatives coming through and positive momentum in the business for 2H24
- Steps taken to drive revenue growth in 2H24, especially for core brands
- Strong cash generation and balance sheet

Q&A



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Thank You



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Health | Wellness | Beauty

Appendix

Reconciliation of PBT before material items to statutory PBT



	1H24 (\$m)	1H23 (\$m)
Profit before tax before material items	5.2	5.0
Material items before tax included in statutory profit before tax		
Dr. LeWinn's inventory provision release	0.0	1.0
Multix brand impairment	0.0	(3.9)
Maseur brand impairment	0.0	(1.0)
Restructuring expenses	(1.8)	(0.2)
Change in amortisation period of EDA	(0.6)	0.0
Regulatory review expenses	(0.2)	0.0
Total material items before tax	(2.6)	(4.0)
Statutory profit before tax	2.6	1.0
Statutory income tax expense	(1.0)	(0.9)
Statutory profit after tax	1.6	0.1