



Health
Wellness
Beauty

28 November 2023

2023 AGM – Chairman’s Address

Introduction

McPherson’s is entering a new era: focusing on our core markets of Essential Health, Wellness and Beauty.

Your company owns some of the best known and most recognised consumer brands in Australia and with the right vision and strategy, we are ready to focus on what we do best, redefine the markets in which we operate, and improve shareholder returns.

Our new CEO, Brett Charlton, started nearly four months ago and I’m delighted to introduce him to you today. As an experienced FMCG executive, Brett has, in a short period of time, immersed himself in the potential within McPherson’s. He has re-set the strategy and is embarking on an organisational transformation to support this. I’m shortly going to invite Brett to introduce himself, share his initial observations of the company, and provide further detail on the Strategic Update that we announced to the market on the 15th of November.

FY23 Results

Now, turning to McPherson’s FY23 financial results.

The results in FY23 were below expectations, and while there were a number of contributing external and macro factors, things needed to change. The board has taken deliberate action to improve performance with a new leadership team and a tightened strategic focus.

Financially, in the 12 months to June 2023, McPherson’s recorded sales of \$210 million, being 2% below prior year. This decline was largely due to an \$8 million reduction in sales of private label products as the Company reduced its presence in this lower margin segment, and an 11% reduction in the sales of Multix in the domestic grocery channel. Company owned brands however grew by 2%. This was despite supply chain disruptions impacting the availability and sales of certain core Dr. LeWinn’s offerings.

While the 2% decline in FY23 sales was not significant, the EBIT impact was exacerbated by depreciation of the Australian dollar relative to the US dollar, elevated commodity and sea freight costs, increases in advertising and promotional expenses and an increase in other operating expenses.

These cost impacts collectively resulted in a \$2.7 million decline in underlying earnings before interest and tax to \$9.1 million.

Reported earnings were impacted by \$12 million of material items in 2023. The primary contributing factors were an \$8.3 million non-cash impairment taken on the Multix brand and a \$3.4 million non-cash impairment on other brands, chiefly Maseur footcare.

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Cash conversion was 51% in 2023, with net bank debt at 30 June of \$6.5 million, representing a gearing ratio of 6%.

Given the Company's strong balance sheet and available franking credit balance, the Board maintained a dividend payout ratio of 100% of underlying profit after tax, declaring a full year dividend of 3 cents per share fully franked, of which the final instalment, of 1 cent per share, was paid to shareholders on 22nd September 2023.

Sustainability

McPherson's continues to implement its Sustainability Strategy, with the objective of achieving our 4 sustainability goals: Net Zero by 2035 across our scope 1, 2 and 3 emissions, achieving the APCO Sustainable Packaging Goals by 2025 across our core brands, implementing a Sustainable Supply Chain Policy and ensuring our brand representation guidelines reflect diversity and promote a more inclusive society.

We are committed to being socially responsible and dedicated to developing our community through collaboration and transformation. Over the last year we have made conscious decisions to partner with organisations that align with our purpose and values. We have donated products and/or funds to organisations including White Ribbon Australia, the Great Barrier Reef foundation, The Pinnacle Foundation and Central Coast Kids in Need through Good360.

McPherson's is committed to its sustainability journey and will continue to look for new ways to support our environment, people, and community.

Board and Governance

Turning now to the Board and governance, the McPherson's Board continually assesses the existing skill set of Directors, taking into account the current and future needs of the business.

On the agenda today is the re-election of Jane McKellar as an independent non-executive director. Jane has served on the McPherson's board since February 2015 and is a well credentialed non-executive director, with valuable and relevant customer-focused, brand, marketing, and digital experience across a number of high-profile, global businesses. Jane has provided particularly valuable input to the Company in her role as the chair of the People and Culture Committee. The board is delighted that Jane is seeking re-election today for what will be her final term on the McPherson's board.

As I mentioned earlier, in August 2023 our new CEO, Brett Charlton, joined us. Brett is an experienced FMCG executive. He was previously Chief Skincare Officer of Laser Clinics Australia, and prior to that, was Managing Director for Sanofi Consumer Healthcare and Tip Top Ice Cream. Brett combines 25 years of marketing and branding experience, with strong manufacturing and supply chain expertise with a customer, consumer, digital and data-first orientation, and we are pleased he has joined us to lead this next chapter for

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McPherson's. At the meeting today, you will also be asked to approve a resolution relating to the issue of performance rights to Brett under the McPherson's Limited Performance Rights Plan.

Before I hand over to Brett to tell you more about the strategy, I would like to take this opportunity to thank our management team and all our employees for their effort and commitment over the past year. Their passion for what we do is what drives our purpose to nurture confident, healthy, and sustainable lifestyles. I'd also like to thank my fellow directors for their diligence and wise counsel, and, of course, you, our shareholders, for your enduring support.

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

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About McPherson's Limited

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

McPherson's revenue is primarily derived from its diversified portfolio of owned, market-leading brands, including Manicare, Lady Jayne, Swisppers, Dr. LeWinn's, A'kin, Multix, Fusion Health, Oriental Botanicals, Moosehead and Maseur. McPherson's also manages several brands for agency partners. For further information on McPherson's business and its strategy, and to view the most recent corporation video, please refer to the Company's website: <https://www.mcphersons.com.au>

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