



Health
Wellness
Beauty

28 November 2023

2023 AGM – CEO’s Address

Introduction

Good morning, everyone. I’m delighted to be joining you all this morning for my first AGM as McPherson’s new CEO.

My name is Brett Charlton and I have spent my career working in, advising, and leading fast moving consumer goods companies.

I am excited about what lies ahead for McPhersons and since I joined in August, that excitement has only grown. You don’t need me to tell you the McPherson’s story – what an extraordinary story it is – but I do want to take some time today to explain why this opportunity is so compelling, why I’m so pleased to have joined McPherson’s and what I think I can contribute. I’m then going to tell you about some of the changes we are making as part of our strategic reset.

I was a consumer of McPherson’s products long before I became the CEO. Like most of you, McPhersons products have been a staple in our household for years. As a consumer, the brands have been essential. As a leader, I have come to see and understand that McPherson’s is anchored in a collegial culture, exceptional products, and customer love.

There is a huge opportunity ahead for our business. Here’s why I came to McPherson’s and why I think I can help McPherson’s reset and reinvent itself for this next stage.

Firstly, our category: essential health, beauty and wellness are higher growth categories ripe for expansion, innovation, and sustainable solutions. They are also resilient categories: essential products that people need for their everyday lives. We have a strong position in certain categories, and a foothold in other attractive categories. I have a deep understanding of these categories and the key players from my experience at Sanofi, as well as other FMCG companies.

Secondly, our brands: Our products touch 3 out of 4 Australian households according to independent research. We continue to innovate but there is so much more we can do. I’ve worked with and for some great brands over my career and I am passionate about building and enhancing great brands.

Thirdly, McPherson’s is a business that has form in identifying new markets, pivoting the entire business to meet those markets, and redefining those markets. I can see that I can use my experience to help McPherson’s embark upon this new chapter.

I believe we can create something truly memorable: McPherson’s is at a pivot point, and I believe we have everything to gain.

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Strategic update

Earlier this month, on 15 November, we announced the first step in our transformation. In the four months since joining, the Board and leadership team have been evaluating and re-setting the group's strategy.

Our new strategy is to focus specifically on our strongest brands in higher growth segments of the essential health, wellness, and beauty markets.

We have identified, and started to implement, clear actions to execute on our strategy and improve performance.

We're going to focus on five core brands: Manicare, Lady Jayne, Dr LeWinn's, Swisspers and Fusion. These are the brands we have identified as McPherson's most successful, recognisable brands. They are also in higher margin categories, where we can invest to achieve sustainable growth and increase our market share.

In addition to our core brands, we are going to maintain our supporting portfolio brands: A'kin haircare, Maseur footcare, Wagner vitamins and supplements, Bondi Fragrance, Foster Grant eyecare, Oriental Botanicals supplements, INC sports nutrition, and Happy Flora gut health support. These are great brands in attractive segments of the market and by continuing to support these brands we will be able to offer an attractive range of in-demand consumer health, wellness, and beauty products primarily to the pharmacy and e-commerce channels. This will provide McPherson's with profit and scale.

In time, profit from these supporting portfolio brands can, within an appropriately disciplined framework to assess returns, be reinvested into our core brand portfolio to pursue higher margin, higher growth opportunities. At this stage, however, we are focused on resetting our strategy, and getting the systems, process, and culture in place to execute on this strategy.

Some of the other steps we are taking to streamline our brand portfolio include exiting non-strategic agency brand relationships.

We are also ceasing lower margin private label contracts so that we can focus on our core brands and supporting portfolio brands.

We are reshaping our operating model. Key to this is having a functionally based model in line with most FMCG companies.

At the same time, we will continue to focus on execution in the Australian / New Zealand and international markets separately, recognising the different needs of these markets, and reflecting our focus on executing in our core business.

There is more work to be done: we are evaluating our organisational capabilities to create a greater focus on increasing productivity in sales, marketing, supply chain, HR, and data analytics and to ensure we have what it's going to take to be successful. This will include rebalancing the skills McPherson's has to realise the full potential of our people, brands, and customer relationships.

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All these changes have resulted in us removing approximately 40 positions across the business before the end of this calendar year, representing approximately 12% of McPherson's total workforce. This was not an easy decision in any way but was a necessary step to ensure we have the right structure and right cost base to capitalise on the strength of our core brands, while releasing funds for investments in productivity, and profitable revenue driving activities.

The impacted employees leave with our gratitude and admiration. We are immensely grateful for their contribution to McPherson's and we will support them as they leave the company and seek opportunities elsewhere.

Year to date

For the first four months of FY24, McPherson's core brands have reported revenues down 3.5% overall, with overall revenues down 7% compared to the same period in FY23. We have seen October revenues normalising now that we have resolved supply chain issues and stock levels, particularly of our core products.

What is pleasing to see is that on an moving annual total – or MAT – basis, our core brands are trading ahead of the category growth rates driven by good marketing and customer plans with our largest trading partners, including Chemist Warehouse, except for Dr Lewinn's which was impacted by the now repaired supply chain disruption.

McPherson's remains focused on driving improvements in contribution margins, including through a disciplined approach to cost, and year to date earnings are ahead vs. the same period last year.

McPherson's net bank debt and gearing continues to be modest, with a reduction in working capital relative to last year, leading to improved operating cashflow for the first four months of FY24.

Our people

One of the things I've been impressed by since I started is the culture at McPhersons. Our people – who reflect the culturally diverse composition of Australia – are collegial, and share a real passion for our brands and customers. It's quite the family, as you would expect from a company that has 163 years of history. We have people who have worked with us for 52 years, their entire working career; parents working alongside their children and team members who have met at McPhersons, married, and now work together.

Our people will continue to be at the heart of our business and I want to ensure they have every opportunity to grow and develop with McPherson's. This includes learning new skills as we shift our organisational capabilities to match our strategy.

Since I joined, we have also made two new appointments to our executive leadership team: Hanli Pretorius joined us in October as Chief People Officer, and Stuart MacAulay joined us as our Supply Chain Director earlier this month. Both Hanli and Stuart bring a wealth of experience to

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McPherson's and I am delighted they have joined us and look forward to their contribution.

Closing remarks

McPherson's purpose is to provide care solutions to nurture confident, healthy, and sustainable lifestyles.

We have great foundations from which to achieve this purpose: leading brands in attractive categories. And we have a new strategy focused on driving sustainable growth and higher margins in these brands.

We are focusing on what makes sense: making the most of our strongest brands. We are being deliberate and intentional about how we redesign the organisation for this next chapter and we are being thoughtful and disciplined in how we evolve the support structures across the group, such as research and development, technology and IT, supply chain, and marketing supported by a Transformation Office designed to coordinate actions to meet the demands of our new strategy.

Today we are at a new pivot point, one we are incredibly excited by as we narrow our focus and begin a new business model and a new chapter for McPherson's.

I thank you all for our support and look forward to updating you on our progress.

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, Swisspers, 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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