

McPherson's Limited Results for Year Ended 30 June 2012

20 August 2012

Paul Maguire – Managing Director

Paul Witheridge – Chief Financial Officer



McPHERSON'S
CONSUMER PRODUCTS

"Making life easier"

Agenda

Full Year Overview



Strategy Update



Financial Performance



Outlook



Questions

Headlines - Financial Year 2012

- ❑ McPherson's Printing Group demerged, effective end January 2012
- ❑ Sales from continuing operations declined by 4.7% and pre-tax profit declined by 29.1%, in line with guidance, due to:
 - a subdued retail sales environment, increased promotional spend, retailer ranging strategies, increased product costs and the loss of the Simple agency
 - solid growth in personal care products and savings from reduced operating expenditure were off-set by the aforementioned
- ❑ Fully franked final dividend of seven cents per share
- ❑ Gearing [net debt/ (net debt + shareholders' funds)] of 30.8%
- ❑ Acquisition of Cosmex International in Jan 2012 strengthened the personal care business, and strategic acquisitions remain a high priority
- ❑ Operational initiatives and growth initiatives are underway to spearhead sales and profit growth

Category Summary

		% of 2012 Revenue	% Growth 2012 vs 2011	Reasons	Outlook
Housewares	  Stanley Rogers	32%	(11%)	Range deletions	Growth through new ranges
Personal Care	   	28%	4%	New product development	Growth through new ranges and acquisitions
Household Consumables		33%	(3%)	Competition and inventory tightening	Steady state
Impulse Merchandising		7%	(12%)	Range deletion in a major customer	Steady state

Strategy Update Paul Maguire



Corporate Brand Identity

Mission

To be a world-class consumer products company

through

1st choice products for consumers

1st choice partner for customers and suppliers

1st choice employer for employees

1st choice investment for shareholders

Vision

Making life easier

for

Consumers: through easy to use functional branded products, available everywhere

Customers: by providing retail solutions through McPherson's products and services

Suppliers: through McPherson's growth

Employees: careers, rewards and recognition

Shareholders: through earnings growth

Vision

Making life easier

Proposition

Category management experts consistently delivering innovative quality products through trusted brands into the hands of consumers.

Proof Points

Tangible: revenue and EBIT growth; market share; market leading brands; diversity of product, category, channel; fill rates; warehouse picks per day; industry surveys.

Intangible: trusted heritage brands; reputation; strong relationships; longevity, passion and commitment.

Benefits

Consumers: quality branded products, value for money and available everywhere.

Customers: profit, consistent supply, category management, innovation and strong brands.

Suppliers: distribution opportunities through a multiplicity of brands, categories and channels.

Employees: career opportunities at a quality workplace with people who respect and support each other.

Shareholders: return on investment, EPS growth, consistent dividends.

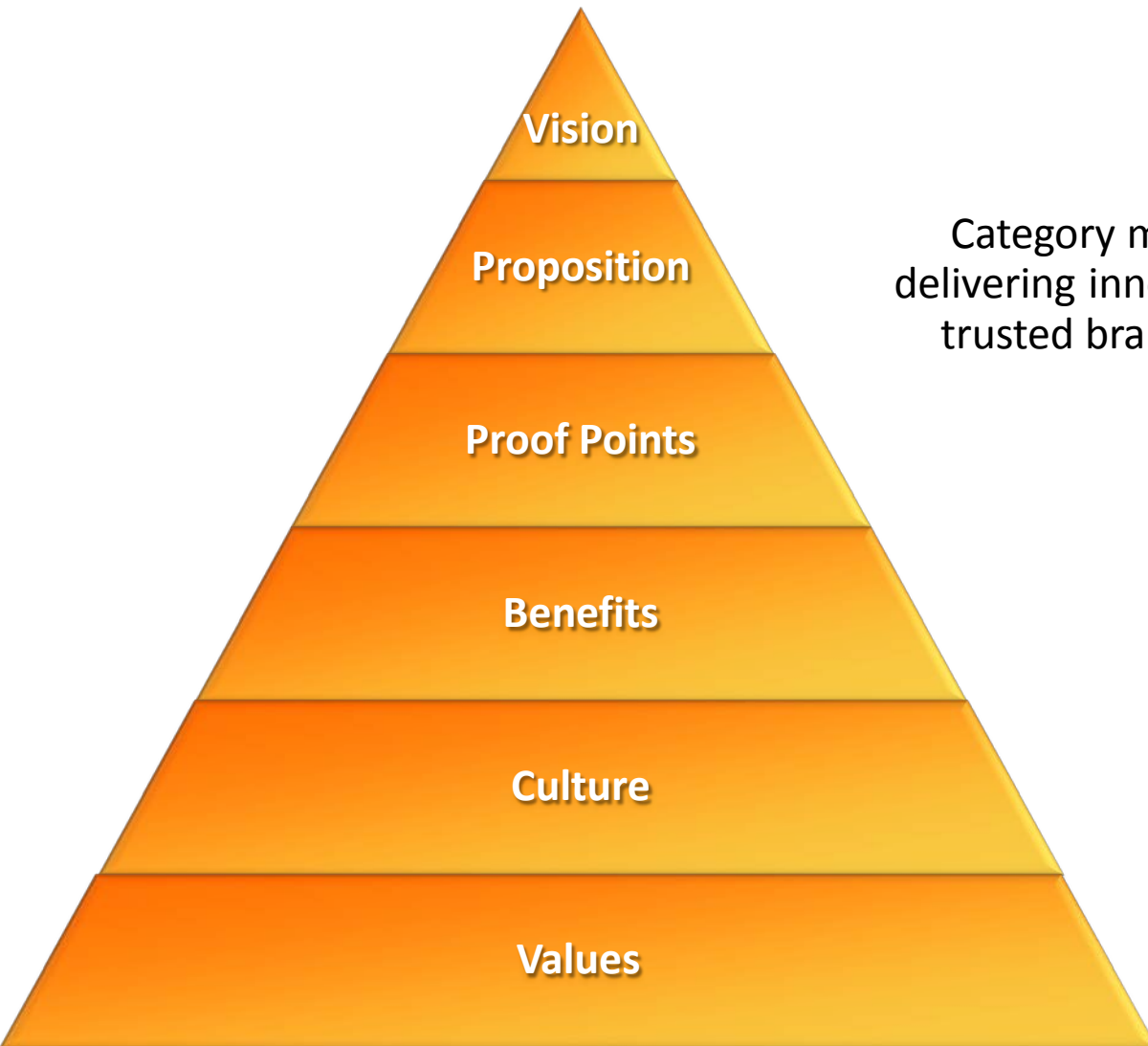
Culture

Accountable. Aspirational. Proactive. Innovative. Communicative. Happy. Helpful. Passionate.

Values

Respect. Integrity. Quality. Openness. Customer and Consumer Centric. Success.

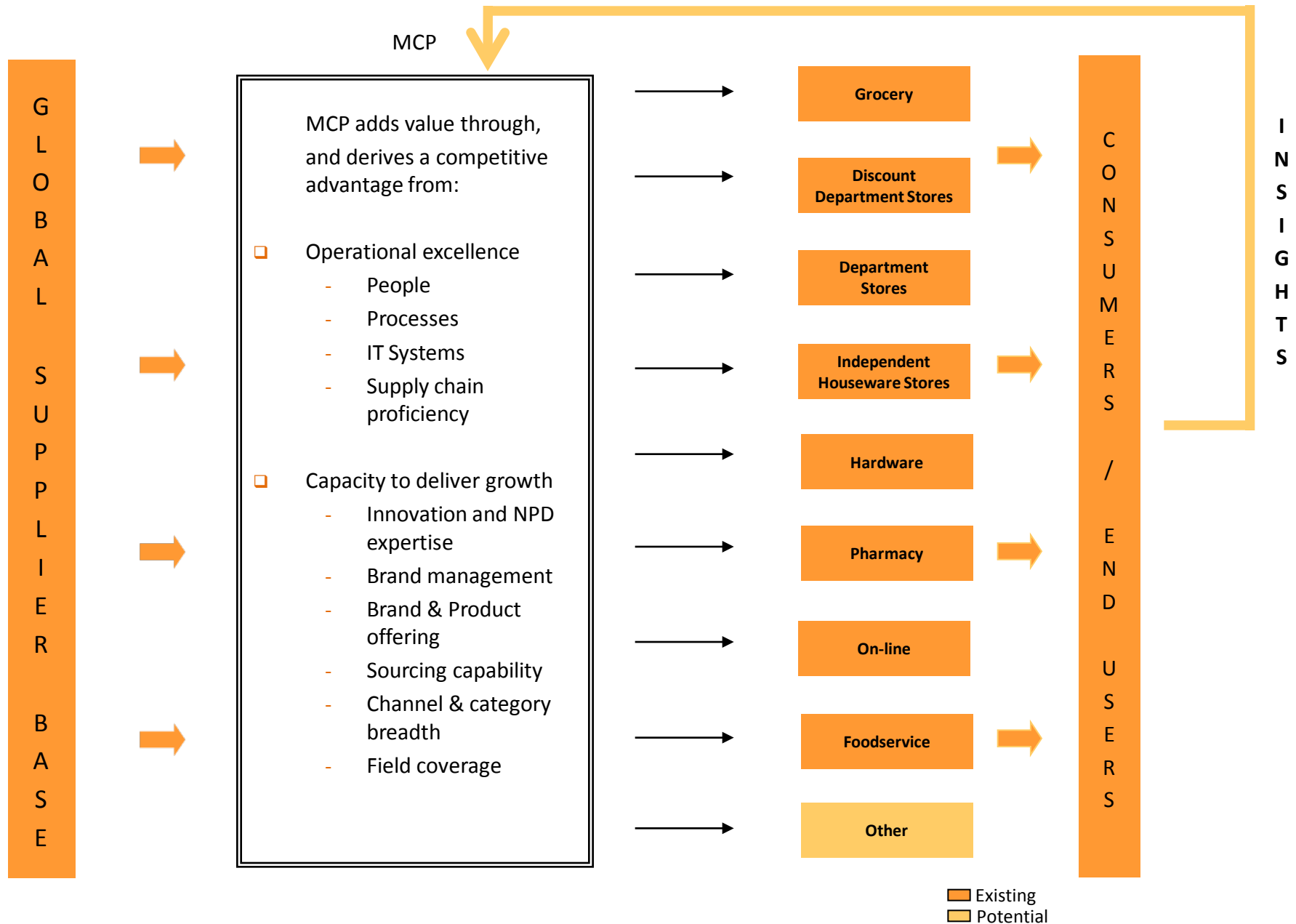
Corporate Brand Identity



Proposition

Category management experts consistently delivering innovative quality products through trusted brands into the hands of consumers

McPherson's Consumer Products Business Model



Existing Product Categories

Housewares / Pet Care



Personal Care / Household Consumables / IMD



Strength through a multiplicity of products, brands, categories and channels

Operational Excellence Strategies

Productivity & Efficiency

- Substantial process improvement; and
- Significant enhancement of IT Systems to enable the automation of processes

Culture

- Establish a culture of continuous improvement
- Attract and retain high achievers through training and development
- Ensure high levels of employee engagement

Why?

- To improve productivity, efficiency, customer service and profitability; and
- Provide for the more efficient and effective integration of acquired businesses

Operational Excellence

Current & Planned Initiatives

Radio Frequency technology installed in the Kingsgrove warehouse

- significantly boosting productivity and thus warehouse capacity

ERP system upgrade to IBS Version 7 underway

- rolled out to New Zealand, Hong Kong & Singapore within 12 months

New Forecast Sales & Operations Planning (FS&OP) System

- to enhance efficiency and reduce working capital through better planning & the aggregation of demand

A mobile Customer Relationship Management (CRM) System

- to boost fieldforce efficiency & effectiveness

Customers enabled to order directly from MCP via the internet

- consumer direct ordering capability to follow

MCP Australia warehousing changes (inventory redeployment)

- saving \$500,000/yr, eliminating outside storage, and increasing available capacity at Kingsgrove (2000+ new SKUs)

Operational Excellence

Current & Planned Initiatives

A superior, and automated, NPD process

- inclusive of a post-launch review phase

Sourcing review

- continuing the establishment of low cost, high quality, supply options

Inventory review

- a program of product rationalisation

Company restructure

- recently implemented to better align structure with strategy

Human Resource initiatives

- to strengthen employee engagement

Kingsgrove office re-fit

- recently completed, landlord funded; facilitating improved communication and enhanced cooperation

MCP Growth Strategies – Tier 1



INNOVATION

- Focused on innovating our major brands in both existing and new categories
- Product Marketing teams and an Innovation & Business Development team



AGENCIES/ LICENCES

- New agency partners chosen to strengthen ranging



INTERNATIONAL EXPANSION

- A platform for growing profit and brand equity



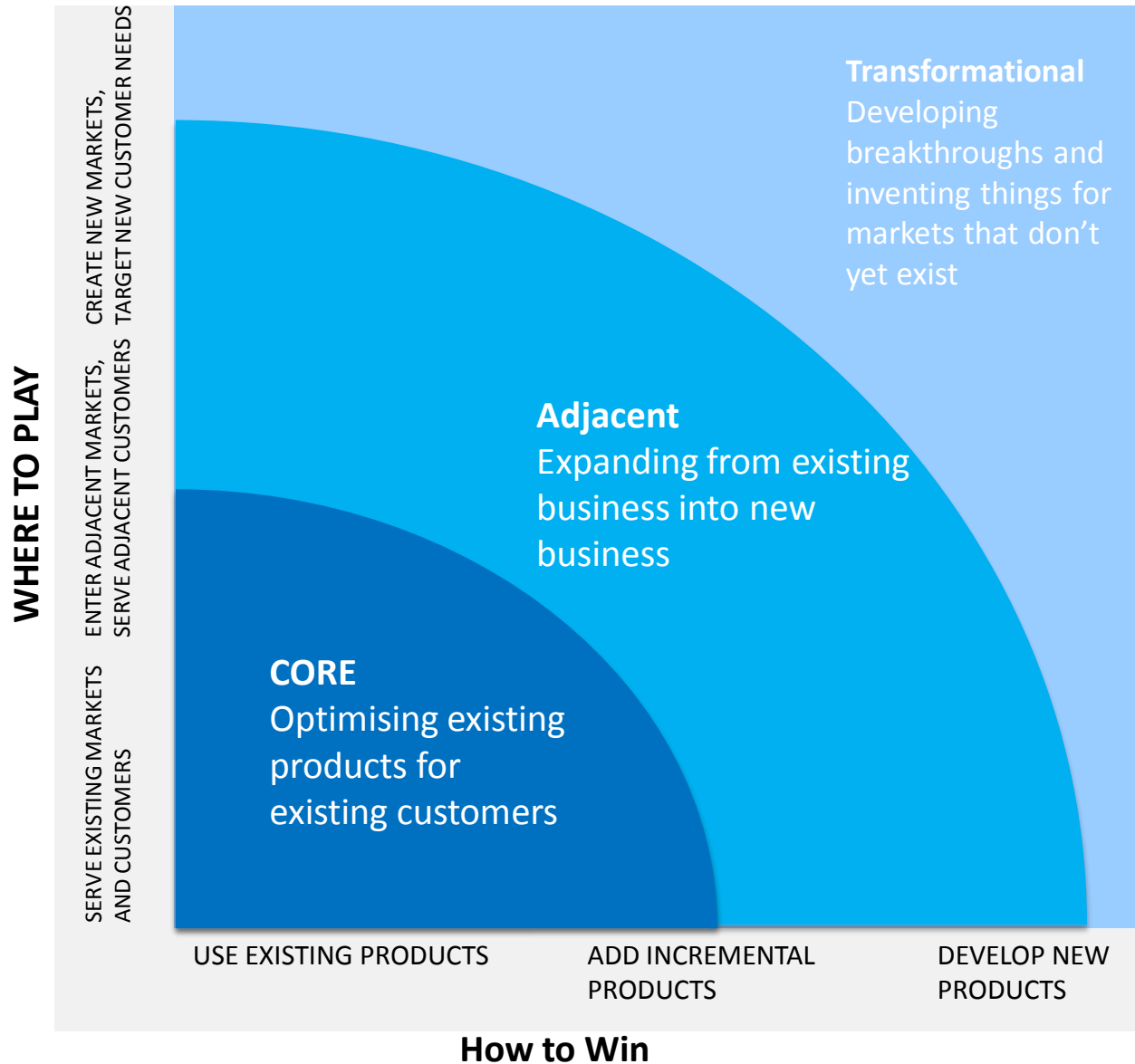
ACQUISITIONS

- Proactively identifying and approaching businesses that have:
 - well regarded 'high involvement' brands
 - scope to grow; and
 - the potential to leverage Company infrastructure (supply chain, administration, finance, IT and the existing sales & field force)

A conceptual illustration featuring a blue, metallic-looking 3D human head in the lower half. The top of the head is open, revealing a dense cluster of colorful gears (red, orange, yellow, green, and blue) inside. More gears of various sizes and colors are floating above the head against a dark blue background. The word "Innovation" is written in white, bold, sans-serif font across the middle of the image, partially overlapping the gears and the head.

Innovation

The Innovation Ambition Matrix



A gencies/ L icences



TASTEFUL INGENUITY



ONEIDA



RUFUS & COCO™

Agencies/Licences

- ❑ New agencies and licences are partnered with if:
 - their product offering and brands complement MCP's existing portfolio
 - they extend MCP's presence and make us more significant to our customers
 - the relationship drives positive financial outcomes for both companies
- ❑ Agencies and licensing arrangements are important but will never be the majority of what we do (approximately 10% of existing revenue)



International Business



International Business

- ❑ MCP has international operations in New Zealand and Singapore
- ❑ A third party distribution model is used in other countries, e.g. Canada and South Africa
- ❑ Total revenue and EBIT generated outside of Australia in FY2012 was approx' \$40 million (14% of revenue) and \$5.5 million (17% of EBIT)
- ❑ An important part of growing our profit and the equity in our brands





Acquisitions - Objectives

- ❑ MCP is interested in acquiring companies or brands in order to:
 - Increase scale
 - Leverage existing resources
 - (eg 'pick to light' facility)
 - Extract synergy benefits
 - Diversify, and thus reduce risk
 - (e.g. via access to new channels)
 - Enhance shareholder value

Acquisitions Criteria

- ❑ EPS accretive and acceptable ROFE
- ❑ Good strategic fit
- ❑ Synergy potential and scale benefits
- ❑ Market power – strong brands
- ❑ Leverage potential
- ❑ Growth potential - in existing & new categories, channels and markets
- ❑ Resistance to competition and changes in customer/consumer preference
- ❑ Cultural fit

MCP Growth Strategies – Tier 2



- The creation of a Field Services arm
 - to provide field services to other companies as a result of introducing a mobile Customer Relationship Management (CRM) system to our existing network of field personnel



- The establishment of a Sourcing Services arm
 - to provide sourcing services to other companies through the utilisation of our existing sourcing capability (i.e. product development & QA) and the expansion of the sourcing team

McPherson's Limited
Financial Performance
Year Ended 30 June 2012

Paul Witheridge
Chief Financial Officer



Group Financial Summary for 2012

Continuing Operations

	12 Months to June 2011 (\$A million)	12 Months to June 2012 (\$A million)	
Sales	289.9	276.2	4.7% Sales decline
EBITDA	45.8	34.4	
Depreciation & amortisation	(2.3)	(2.4)	
EBIT	43.5	32.0	26.4% EBIT decline
Interest	(6.7)	(6.0)	Interest cover 5.3 times
NPBT	36.8	26.0	29.1% NPBT decline
Tax	(11.0)	(7.6)	
NPAT	25.8	18.4	28.6% NPAT decline
Pre-tax operating cash flow (before interest and tax)	51.3	31.9	
EPS from continuing operations (cents)	35.9	25.4	
EPS (cents) *	27.0	23.5	
Final dividend (cents)	14.0	7.0	
Total dividend (cents)	26.0	17.0	

June 2012 figures reflect the Continuing Operations i.e. exclude McPherson's Printing Group results and demerger / acquisition costs.

June 2011 comparatives adjusted to exclude McPherson's Printing Group.

* Inclusive of McPherson's Printing Group

Overview of Group Balance Sheet

Continuing Operations

	12 Months to June 2011 (\$A million)	12 Months to June 2012 (\$A million)
Inventories	54.3	52.9
Receivables & prepayments	52.1	55.6
Trade & other payables	(30.4)	(30.1)
Net working capital	76.0	78.4
Property, plant & equipment	7.0	7.1
Intangibles	179.2	184.0
Provisions & other liabilities	(12.1)	(11.0)
Total funds employed	250.1	258.5
Net financial debt	(57.0)	(76.7)
Net tax balances	(14.6)	(9.0)
Shareholders' funds	178.5	172.6
Gearing [Net debt / (Net debt + Shareholders' funds)]	24.2%	30.8%
Group EBIT / Total funds employed	17.4%	12.4%
ROSF (NPAT / Shareholders' funds)	14.5%	10.7%

2.6% Inventory decline

6.7% Receivables increase

June 2012 figures reflect the continuing operations i.e. exclude McPherson's Printing results and demerger / acquisition costs.

June 2011 comparatives adjusted to exclude McPherson's Printing.

Group Operating Cashflow Continuing Operations

	12 Months to June 2011 (\$A million)	12 Months to June 2012 (\$A million)
Cash flows from operations		
Receipts from customers (inclusive of GST)	320.0	301.9
Payments to suppliers and employees (inclusive of GST)	(268.7)	(270.0)
Net cash inflows from operations before interest and tax	51.3	31.9
Net interest and borrowing costs paid	(7.3)	(5.9)
Income tax paid	(8.2)	(11.4)
Net cash inflows from operations	35.8	14.6

93% Cash conversion

June 2012 figures reflect the continuing operations i.e. exclude McPherson's Printing results and demerger / acquisition costs.
June 2011 comparatives adjusted to exclude McPherson's Printing.

Group Operating Cashflow Continuing Operations

	12 Months to June 2011 (\$A million)	12 Months to June 2012 (\$A million)
Cash flows from investing activities		
Payments for purchase of property, plant and equipment	(2.2)	(2.4)
Payments for acquisition of businesses	-	(6.3)
Cash injection and costs of printing demerger	-	(7.2)
Payments for purchase of intangibles	(0.2)	(0.5)
Net cash outflows from investing activities	(2.4)	(16.4)
Cash flows from financing activities		
Proceeds from exercise of options	1.2	-
Net proceeds from \ (repayment of) borrowings	(20.0)	19.5
Dividends paid	(15.9)	(17.4)
Net cash outflows from financing activities	(34.7)	2.1
Net increase / (decrease) in cash held	(1.2)	0.3

Capex in line with depreciation

Cosmex (\$5.8), Gainsborough (\$0.5)

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June 2011 comparatives adjusted to exclude McPherson's Printing.

Capital Management

- ❑ The Group's current syndicated debt facility comprises:
 - \$76m in core term debt
 - \$20m in working capital finance
 - \$1m in overseas facilities
- ❑ The current core debt facility expires 31 August 2013
- ❑ The Group is well advanced in discussions with financiers regarding a new core debt facility
- ❑ Significant headroom existed in bank covenants at 30 June 2012

FX Hedging (Australia)

- ❑ Comprehensive FX hedging program in place using Options, Forward Exchange Contracts (FECs) and Collars:
 - Options Protect downside with premium cost but allow upside benefit
 - FECs Fixed rate with lost forward points
 - Collar Improved downside protection in exchange for limiting upside
- ❑ Current Policy
 - Hedge 8 months forward on a rolling basis for 100% of USD requirements.
 - Options to comprise at least 50% of 8 month requirement. Options, FEC's and tunnel collars to be used for remaining 50%.
 - FEC's placed covering:
 - Next 30 days where strike is 5 cents above the protected rate and;
 - Next 31 to 90 days where strike is 10 cents above the protected rate

Outlook

Paul Maguire



Outlook

- ❑ Trading conditions expected to remain challenging but improved financial performance is expected over the coming year
- ❑ Significant new product launches scheduled to support McPherson's Consumer Products strong brand portfolio
- ❑ Efficiency and productivity gains expected from high priority operational initiatives
- ❑ Recent 'Footcare International' acquisition will be fully integrated during the first quarter and other acquisitions actively being pursued
- ❑ Dividend reinvestment plan (DRP) reactivated
- ❑ Expect to provide guidance at the AGM

Non-IFRS measures

The non-IFRS measures used by the Company are relevant because they are consistent with measures used internally by management to assess the operating performance of the business. The non-IFRS measures have not been subject to audit or review.

Disclaimer

Statements contained in this presentation, particularly those regarding possible or assumed future performance, estimated company earnings, potential growth of the company, industry growth or other trend projections are or may be forward looking statements. Such statements relate to future events and expectations and therefore involve unknown risks and uncertainties. Actual results may differ materially from those expressed or implied by these forward looking statements.

Mission

To be a world class consumer products company

through

1st choice products for consumers

and by being a

1st choice partner for customers and suppliers

1st choice employer for employees

1st choice investment for shareholders



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