

**ASX/Media Release**

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**(ASX: MCP)**

## **McPherson's 1H 2019 Preliminary Results**

**Half year underlying and statutory EBIT of \$8.2m and PBT of \$7.8m**

- **11% growth in sales revenue from owned brands on prior comparative period (pcp)**
- **14% growth in sales revenue from core six brands on pcp**
- **80% growth in Dr. LeWinn's, 11% growth in A'kin and 14% growth in Multix sales revenue on pcp**
- **108% growth in sales revenue from the China market on pcp, despite disrupted supply**
- **Steps have been taken to improve Multix brand margins in the second half**
- **Completed strategic alignment for supply continuity with Aware Group**
- **Strategic investments made in 1H19 to deliver earnings growth in 2H19 on pcp**

McPherson's Limited (ASX:MCP) ("McPherson's") today announced that it has completed its preliminary, unaudited results for the half year to 31 December 2018, generating an underlying and statutory profit before tax of \$7.8 million. Underlying profit before tax for 1H18 was \$9.5 million<sup>1</sup> from continuing operations i.e. excluding Home Appliances, which was divested on 28 February 2018. The statutory profit before tax for 1H18, inclusive of Home Appliances, was \$3.8 million.

Total sales revenue from continuing operations of \$106.5 million was broadly in-line with last year (1H18 \$106.1 million) and increased by 11.8% excluding Coty Fine Fragrances distribution revenue from the prior period. The Coty Fine Fragrances distribution arrangement (which ceased with effect from 1 February 2018) generated \$10.8 million in sales revenue and \$1.8 million in profit before tax in 1H18.

This growth in underlying sales revenue was largely due to significant growth from McPherson's key owned brand Dr. LeWinn's in both the domestic and export markets, strong domestic pharmacy growth for A'kin, as well as revenue gains in the Multix brand in the grocery channel which reflected the successful introduction of the new "Greener" range of Multix products.

McPherson's Managing Director, Mr. Laurence McAllister said: "We have achieved excellent results from the strategy to generate growth in our core owned brands with 80% revenue growth on pcp in our Dr. LeWinn's skincare brand, driven by both the export and domestic markets, A'kin skincare growing at over 35% in market, far outpacing category growth of 13% within the pharmacy channel and a solid 14% revenue growth on pcp from our Multix brand."

"It was particularly pleasing that the significant growth in Dr. LeWinn's sales was achieved despite disruption in the supply of a key product in this range for the export market. We have addressed this issue by establishing a new strategic alignment with the Aware Group, a reliable supplier to meet the anticipated rapid growth in our skincare requirements."

Underlying profit before tax from continuing operations and excluding Coty Fine Fragrances distribution from the previous corresponding period, increased 1.0% to \$7.8 million from \$7.7 million. While the company has achieved positive momentum in sales revenue, Multix brand margins have been impacted by approximately \$1 million due to elevated USD commodity costs and a weaker Australian dollar during the period. Sales revenue from the Essential Beauty brands of Manicare, Swisspers and Lady Jayne were also impacted by a reduction in stock levels by some of our key customers.

<b><u>Underlying results from Continuing Operations</u></b>	<b>1H 2019 (\$ million)</b>	<b>1H 2018<sup>1</sup> (\$ million)</b>	<b>Change (%)</b>
Sales revenue	106.5	106.1	0.4
Underlying EBIT	8.2	11.2	(26.8)
Underlying profit before tax	7.8	9.5	(18.3)
Underlying profit after tax	5.5	6.2	(11.2)
Underlying EPS (cps)	5.3	5.9	(10.5)

<b><u>Underlying results from Continuing Operations, excluding Coty Fine Fragrances distribution</u></b>	<b>1H 2019 (\$ million)</b>	<b>1H 2018<sup>1</sup> (\$ million)</b>	<b>Change (%)</b>
Sales revenue	106.5	95.3	11.8
Underlying EBIT	8.2	9.4	(12.5)
Underlying profit before tax	7.8	7.7	1.0

<b><u>Statutory results</u></b>	<b>1H 2019 (\$ million)</b>	<b>1H 2018 (\$ million)</b>	<b>Change (%)</b>
Statutory profit before tax	7.8	3.8	106.9
Statutory profit after tax	5.5	0.1	NM
Net Debt	19.5	30.4	(36.0)

<sup>1</sup> 1H FY2018 Underlying results from continuing operations exclude the following significant non-recurring items before tax: \$6.4m impairment of goodwill related to Home Appliances, \$0.8m restructuring costs and \$1.5m Home Appliances trading profit

Over the first half McPherson's leveraged its strong financial position to make strategic investments including installation of 780 in-store merchandising display units in partnership with key customers and a series of Multix "choose wisely" television advertisements, with related social media content.

As announced in November, McPherson's has established a joint venture with New Zealand Deer Cosmetics Ltd (NZDC) a privately owned New Zealand company, to create a unique market offering as the world's first cosmetic range formulated with pure New Zealand deer milk under the new brand "Kotia".

Mr McAllister said: "This venture is expected to be earnings accretive from FY20 and will likely be the first of a number of "incubation" ventures as we execute our strategy to grow in the \$13 billion Health, Wellness and Beauty market in which we operate."

"Having made important, strategic investments in 1H19, we plan to build on our first half financial result by leveraging our strong management team and balance sheet; driving growth in our owned and agency brands, supported by a strong new product pipeline; working closely with our customers; and continuing to focus on growth in the export channel. We have also taken steps to improve Multix brand margins impacted in the first half by adverse commodity and currency movements"

The Company anticipates that the underlying 2H19 profit before tax, excluding the impact of fine fragrances, will increase in the range of 20% to 30% in comparison with 2H18 of \$8.6 million and that underlying FY19 profit before tax, excluding the impact of fine fragrances, will increase in the range of 10% to 15% in comparison with FY18 of \$16.3 million. The Company will provide further detail in relation to its first half result when it releases its first half results on 20 February 2019. Webcast details in relation to the results release will be submitted to the ASX shortly.

**For further information please contact:**

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**About McPherson's Limited**

McPherson's, established in 1860, is a leading supplier of health, beauty, household and personal care products in Australasia, with operations in Australia, New Zealand and Asia. McPherson's markets and distributes beauty care, hair care, skin care and fragrance product ranges, kitchen essentials such as baking paper, cling wrap and aluminium foil, and personal care items such as facial wipes, cotton pads and foot comfort products.

McPherson's manages some significant brands for agency partners such as Trilogy skincare; however, the majority of revenue is derived from the company's diversified portfolio of owned market-leading brands, including Manicare, Lady Jayne, Dr. LeWinn's, A'kin, Swisspers, Multix, Moosehead, and Maseur.

For further information on McPherson's business and its strategy and to view our most recent corporation video please refer to the company's website <http://www.mcphersons.com.au>