



**ASX Release**

1 November 2019

**(ASX: MCP)**

**McPherson's Limited presentation to the Select Equities "Doing Business in China" Conference**

McPherson's Limited (ASX: MCP) Managing Director Laurie McAllister today presented at the Select Equities "Doing Business in China" Conference at The Fullerton Hotel in Sydney.

The presentation is attached.

Yours Sincerely,

Paul Witheridge  
Chief Financial Officer & Company Secretary.

**About McPherson's Limited**

McPherson's, established in 1860, is a leading supplier of Health, Wellness and Beauty in Australasia and increasingly China, with operations in Australia, New Zealand and Asia. McPherson's markets and distributes beauty care, hair care, skin care 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 manages some significant brands for agency partners and via joint venture arrangements such as Kotia, Soulful and Sugar Baby however, the majority of revenue is derived from the company's diversified portfolio of owned market-leading brands, including Dr. LeWinn's, A'kin, Manicare, Lady Jayne, 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>

1 NOVEMBER 2019



MCPHERSON'S

Est. 1860

MCPHERSON'S LIMITED

# SUMMARY PRESENTATION

Presented by:

Laurie McAllister Managing Director





McPHERSON'S

# OUR STRATEGIC BUSINESS IMPERATIVES

- 1 Refocus our business purely on Health, Wellness and Beauty
- 2 Revitalise our own McPherson's brands
- 3 Ensure a healthy balance sheet
- 4 Move from transactional to strategic partnerships with our top six customers
- 5 Integrate and grow acquired skincare brands; Dr. LeWinn's and A'kin
- 6 Create a China facing business
- 7 Ensure we have our team fit for the future with appropriate expertise, capabilities and values
- 8 Stop the bleeding in NZ and Singapore and expand into Asia
- 9 Gain efficiencies and savings across Supply Chain infrastructure
- 10 Create a New Business team focused on M&A and New Ventures

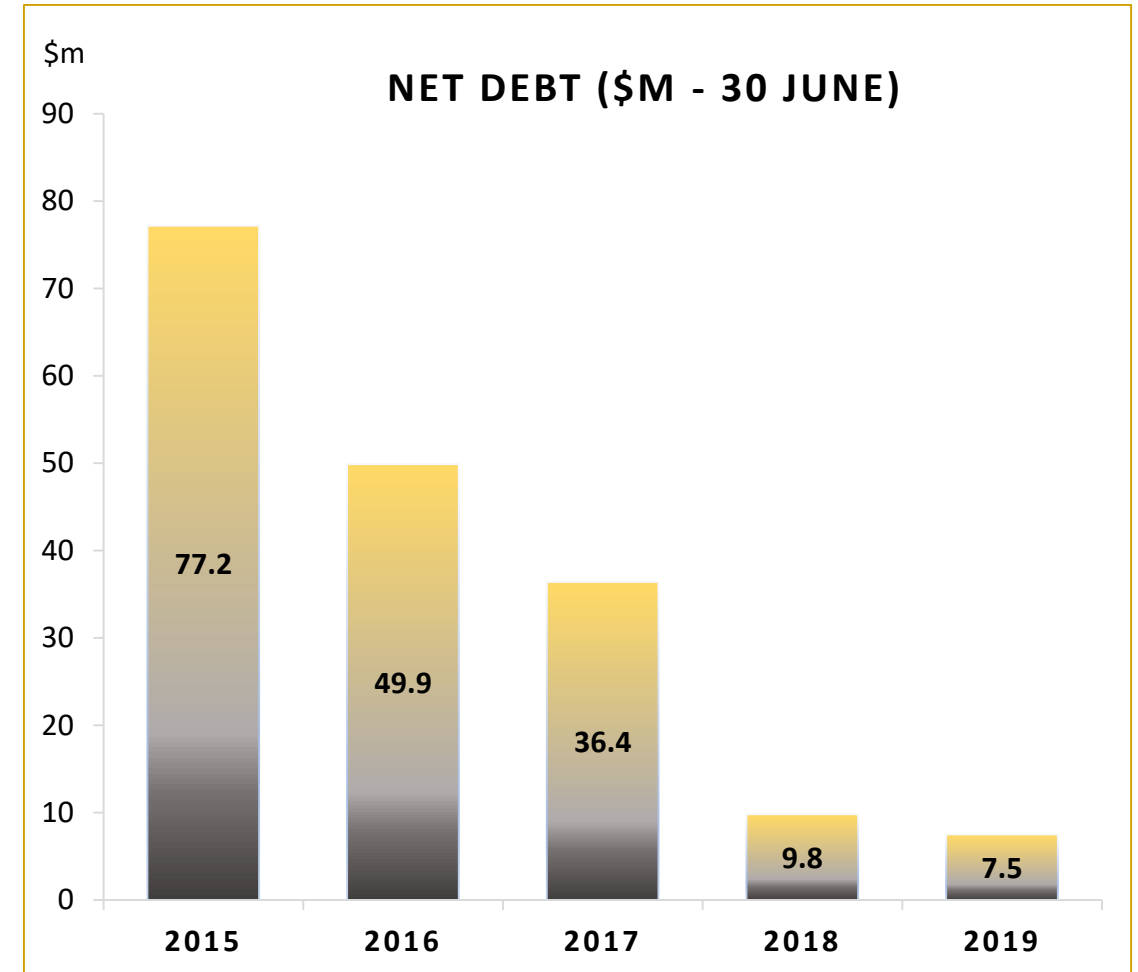
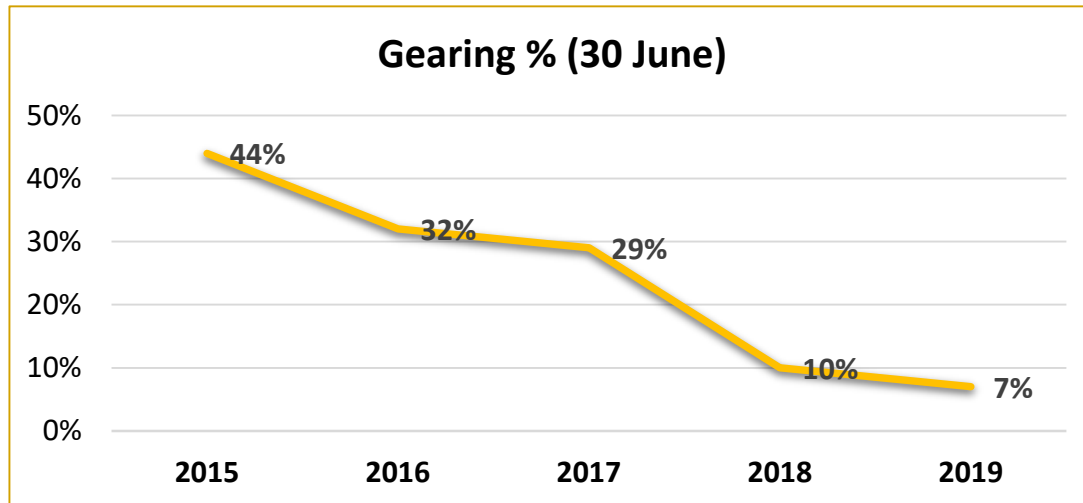


# FINANCIALS



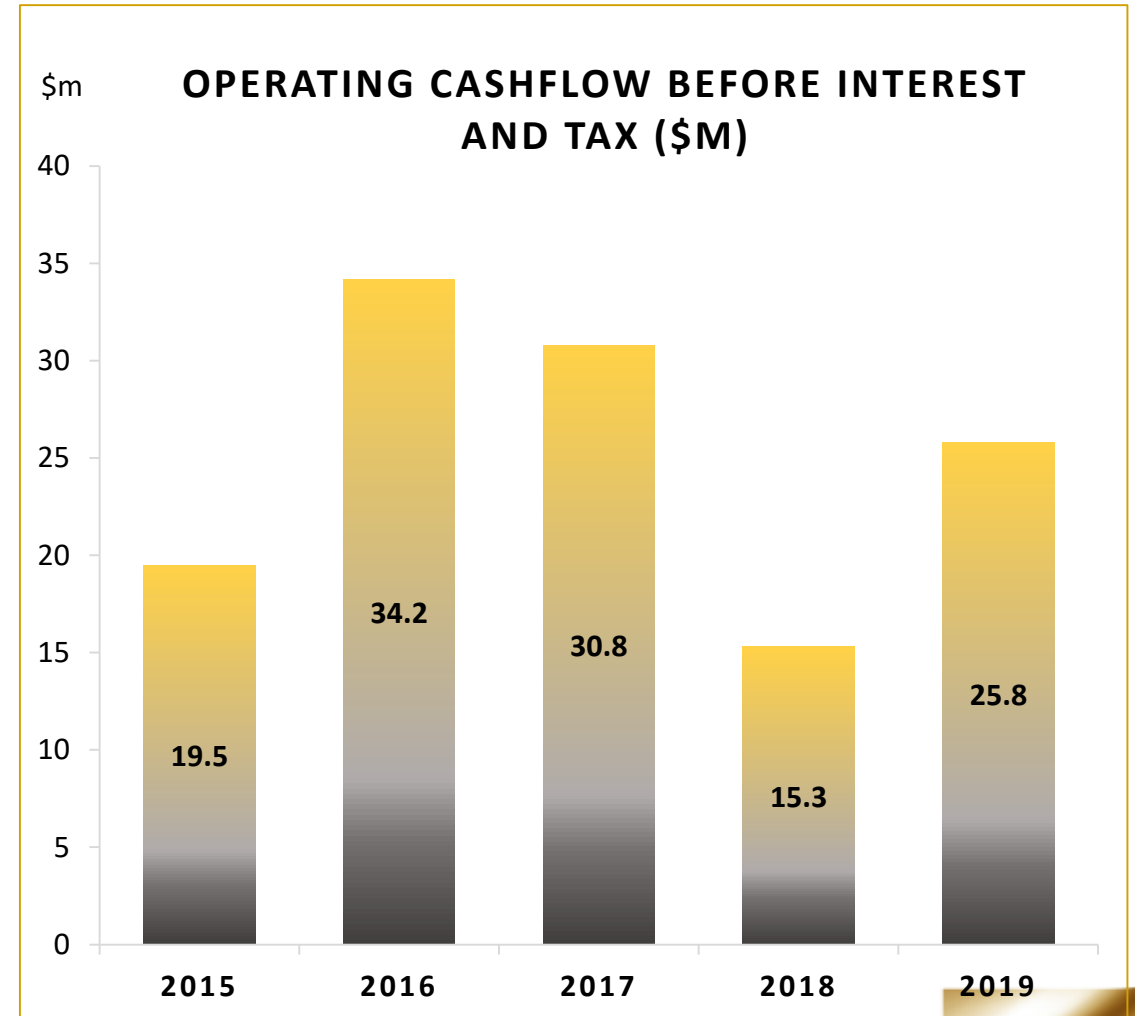
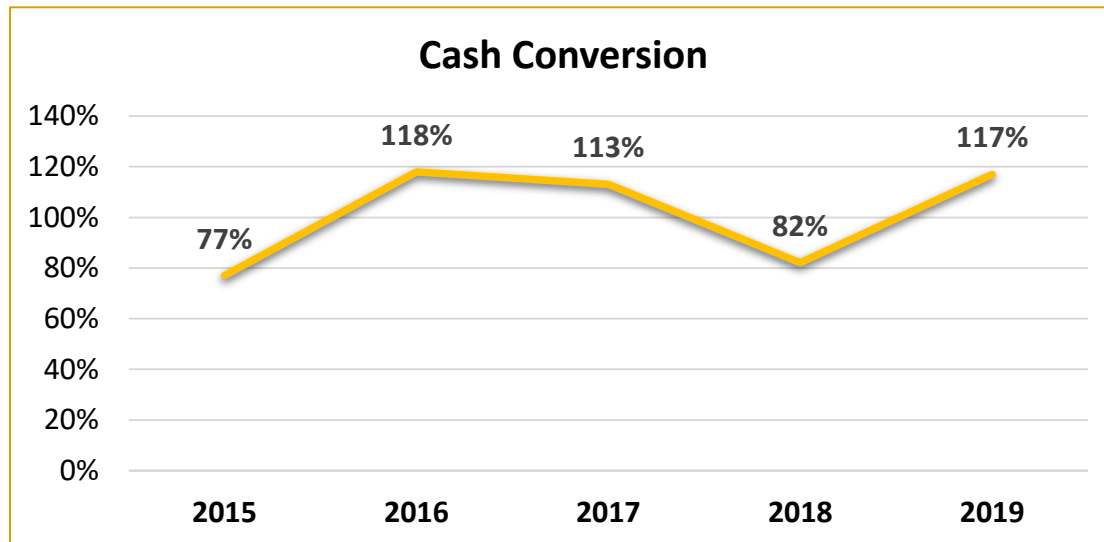
# BALANCE SHEET

- Net debt has reduced from \$9.8m to \$7.5m over the last 12 months
- Key investments in display fixtures (\$3m), Kotia venture (\$2.9m) and Aware convertible note (\$3.0m) made over last 12 months
- Gearing modest at 7%



# CASHFLOW

- Strong 117% cash conversion due to favourable sales mix and inventory reduction
- Continued focus on working capital management





# SUMMARY OF FINANCIAL OUTCOMES

High quality of FY19 earnings indicated by:

- ❑ Increase in proportion of “owned brand” sales from 69% in FY18 to 76% in FY19
- ❑ Reduction in proportion of sales in Grocery, increase in Pharmacy
- ❑ Absence of “significant items” in FY19
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- ❑ Low gearing (7%)

# MARKETING & SALES





# LEVERAGING MACRO TRENDS



## CHINA EXPORT

China middle-class population projected to exceed 600M by 2022



## DEMAND FOR NATURAL

Global Organic Personal Care Market projected to reach \$25B by 2025  
Here to stay



## SUSTAINABLE SOLUTIONS

Renew | Reuse | Recycle  
Remove  
Consumers voting with their wallet



## PROACTIVE CARE

Global Face Mask Market expected to reach \$8.8B in 2021  
China represents 48% of market  
Australia Face Mask Market +50% CAGR (2016-2018)





# PILLARS OF GROWTH FOR OWNED BRANDS



## INNOVATION

- +80% increased **R&D investment** to fuel differentiation
- 11 x **first to market** sustainable NPDP to grocery
- **Clinical & Consumer** User efficacy **claims**
- FY19 **\$13.5M** RSV delivered
- Innovation **Partnerships**

## EXECUTION

- +45% increase in **merchandising investment**
- +10% increase in **A&P**
- +65% increase in **customer participation**
- +48k incremental **distribution points**

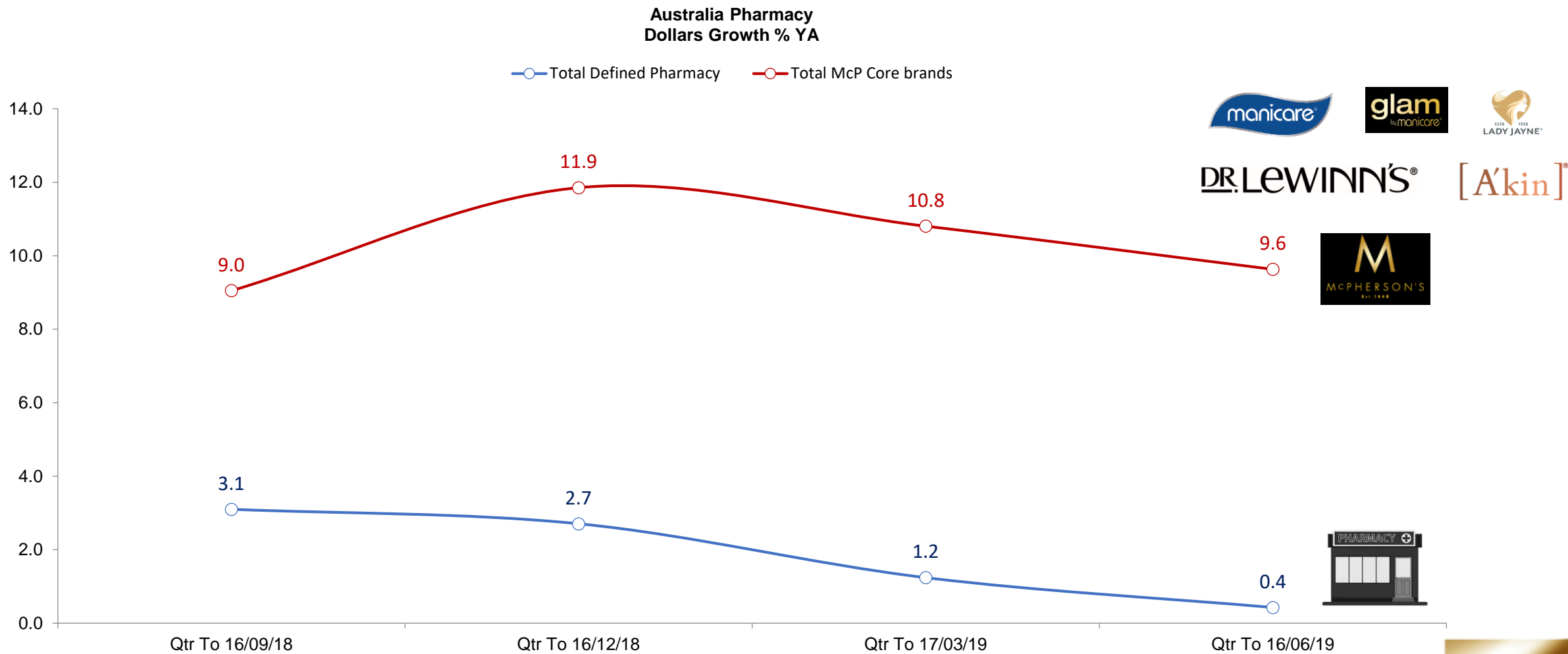
## PARTNERSHIPS

- **Strategic** alignment
- **Trading Terms** optimisation
- Building category solutions in **partnership**
- Integrated **Sales and marketing** plans
  - 360 degree launches
  - Investment in customer vehicles

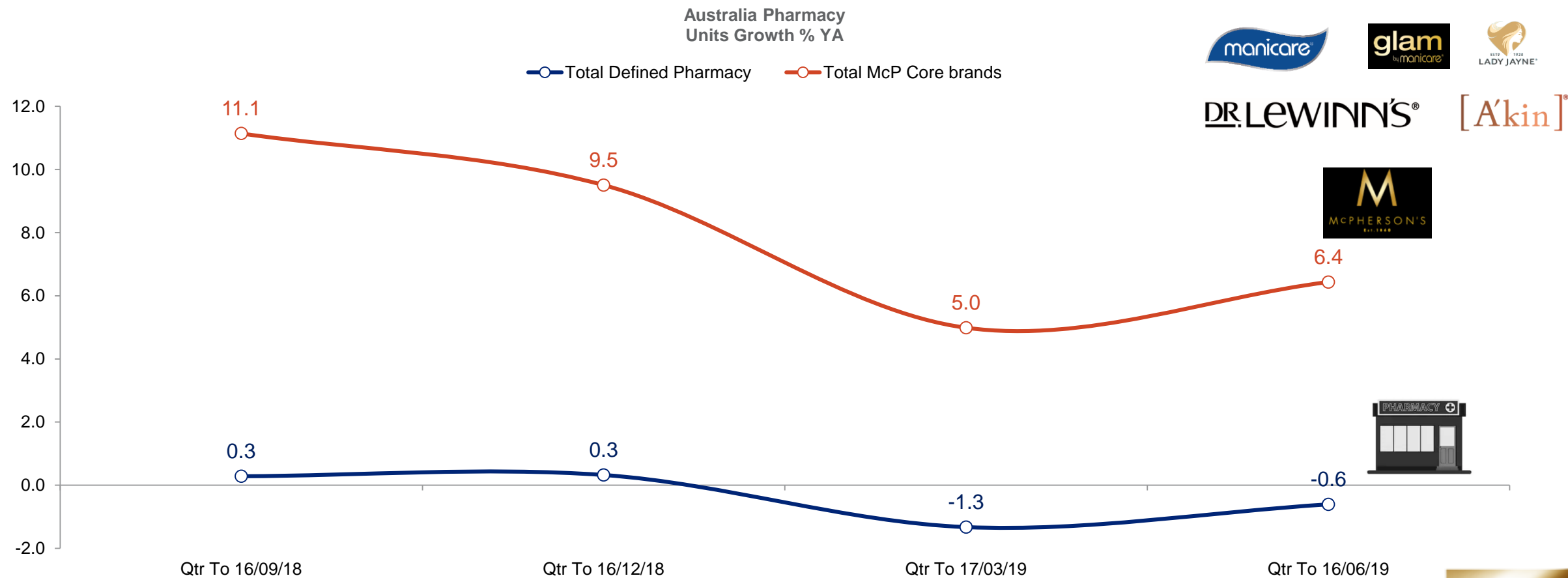
## EXPANSION

- **12 New Countries** in FY19
- Segment Expansion:  
**Dr. LeWinn's Mask Destination**
- Category Expansion:  
**A'kin Natural Deodorant**

# OUTPERFORMING THE PHARMACY CHANNEL IN SALES VALUE

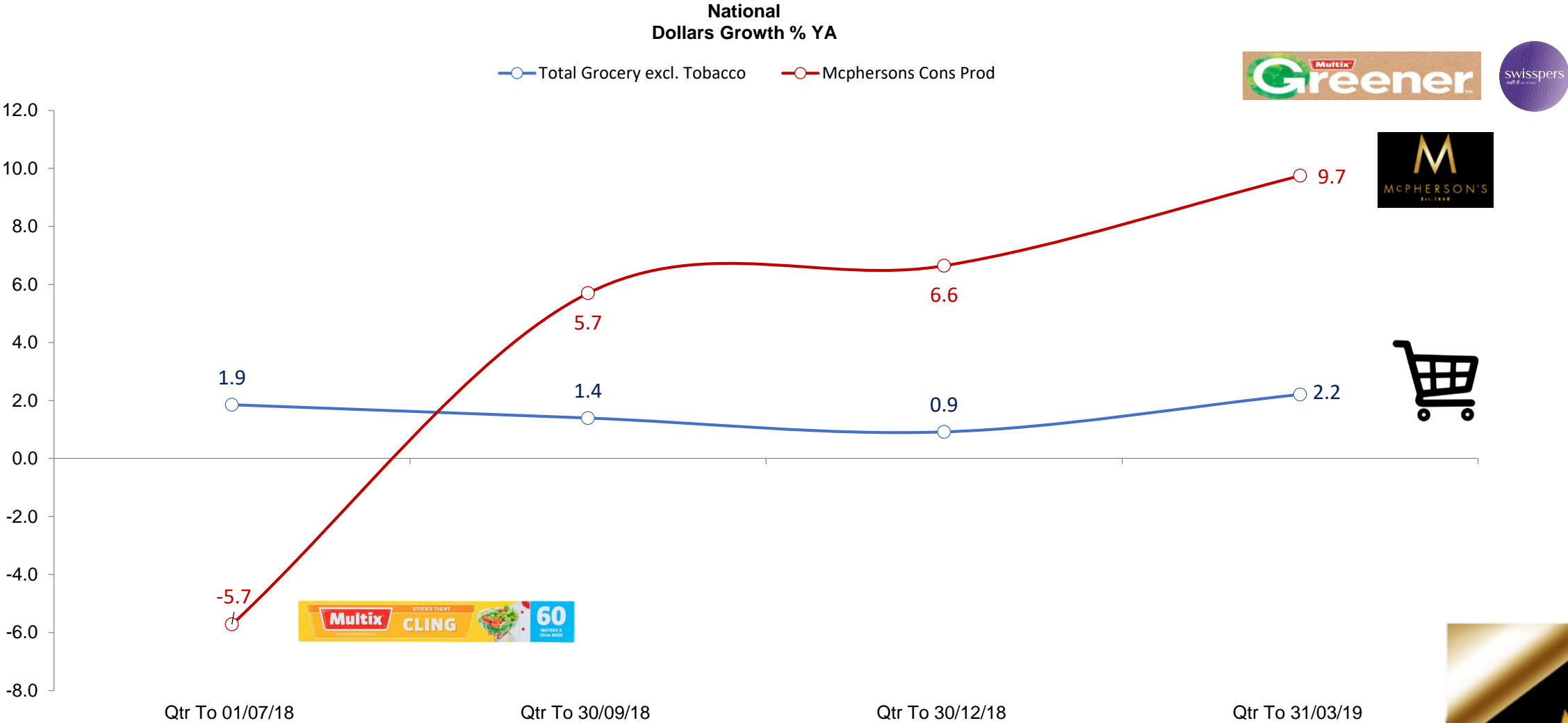


# OUTPERFORMING THE PHARMACY CHANNEL IN UNIT SALES

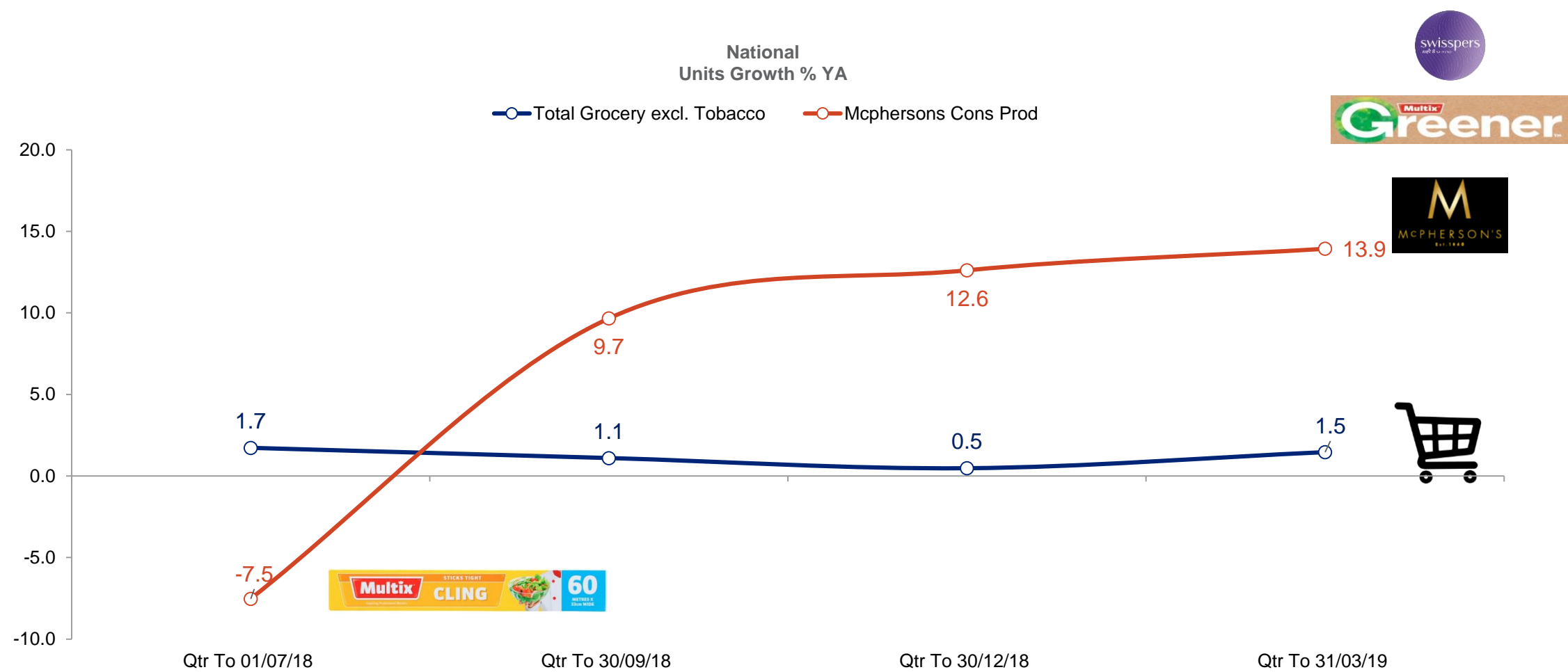




# OUTPERFORMING THE GROCERY CHANNEL IN SALES VALUE



# OUTPERFORMING THE GROCERY CHANNEL IN UNIT SALES



# DR. LEWININ'S®

## Celebrating Success



McPHERSON'S

Est. 1860





# #1 Australian Cosmeceutical Brand

Facial Skincare Pharmacy Channel

## DR. LEWINN'S®

ADVANCED COSMECEUTICAL SKINCARE



## 125% Revenue Growth FY19

# GROWTH THROUGH SUPERIOR INNOVATION

## Accelerating Growth +26% (outpacing the category 4x)



**Core Rejuvenation**  
Reversaderm range  
Sales 7x versus prior relaunch



**The #1 NPD Facial Skincare Launch**  
+60% R4 Growth



**The most successful Anti-aging mask launch**  
6 Masks sold every minute since launch  
Contributing 30% to Dr. LeWinn's growth

# Virtuous Cycle 良性循环



**Trusted Partnerships**  
与合作伙伴的高度互信



**Agreed Business Model**  
相互认可的生意模式



**Appropriate Pricing Corridors**  
合理的价格体系



**Continuity Of Supply**  
保障供应

Australia  
澳大利亚



China  
中国

**Speed To Market**  
快速响应市场



**Flexibility To React To Change**  
灵活应对变化



**Rigorous Processes**  
严格的过程控制



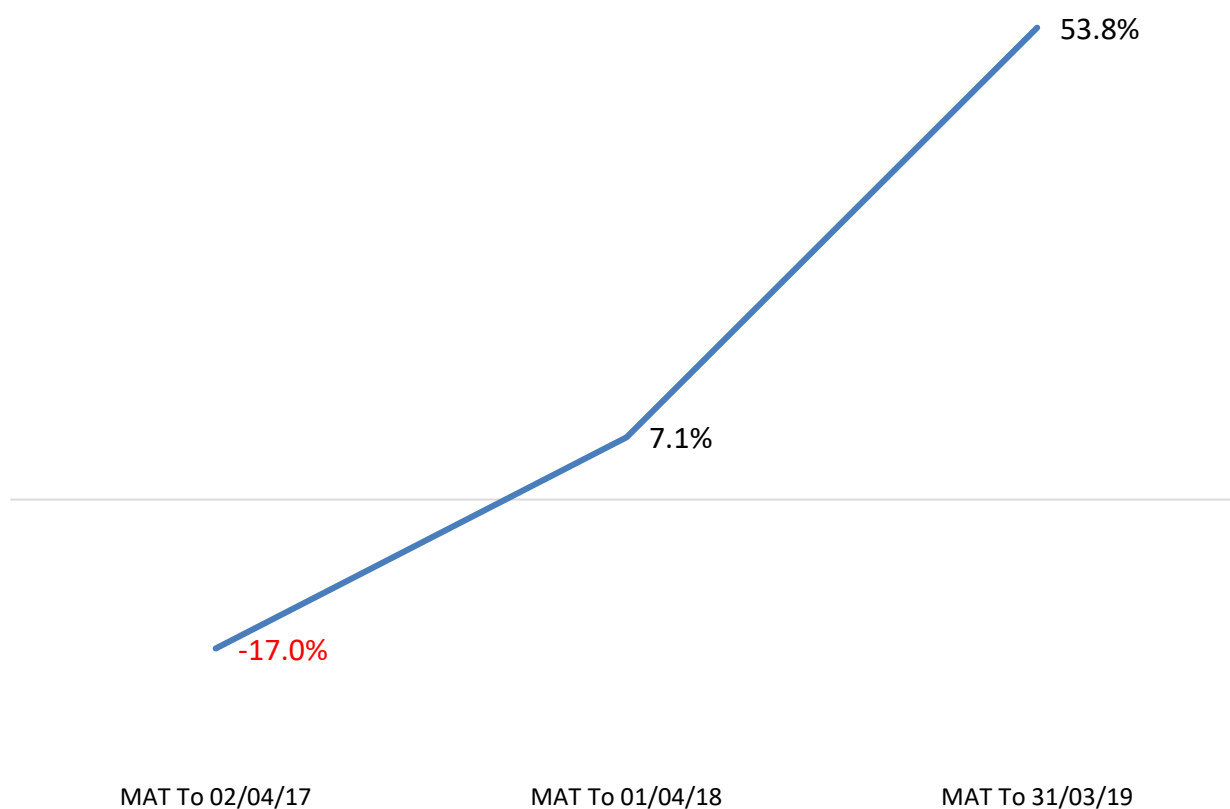
**Adaptable To Market Dynamics**  
适应市场动态变化



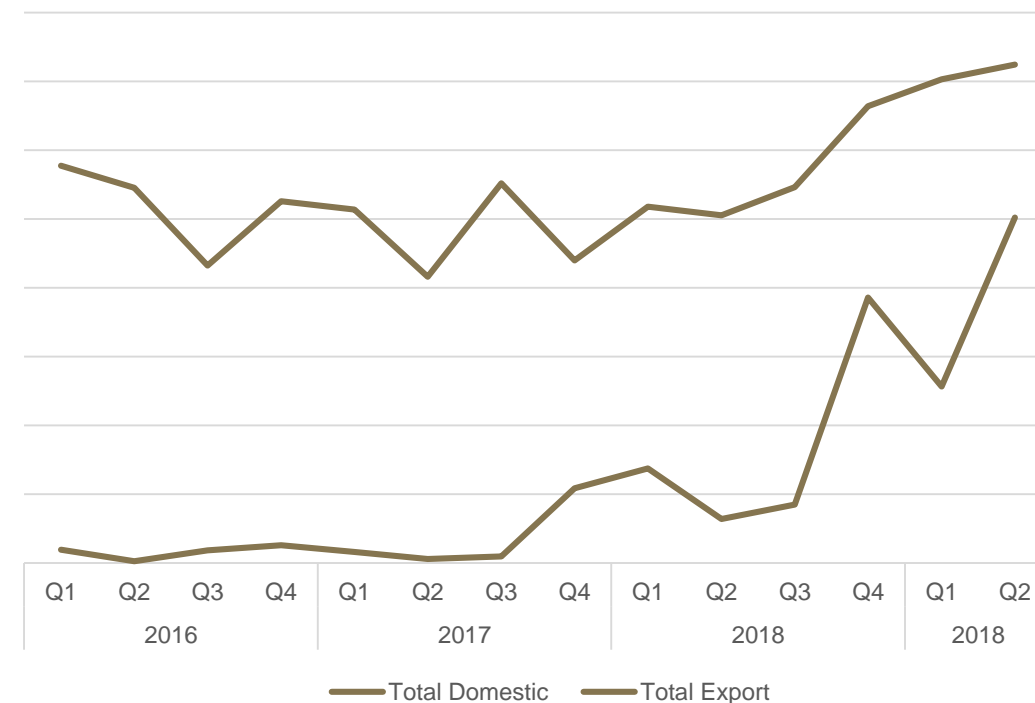
# DR. LEWINN'S – DRIVING A VIRTUOUS CYCLE

## DR. LEWINN'S®

Australia Pharmacy  
Dr. LeWinn's Line Smoothing Complex Value Growth % vs YA



DR. LEWINN'S GROWTH EX FACTORY





# NEW WAYS TO ENGAGE WITH CUSTOMERS THROUGH DIGITAL PLATFORMS

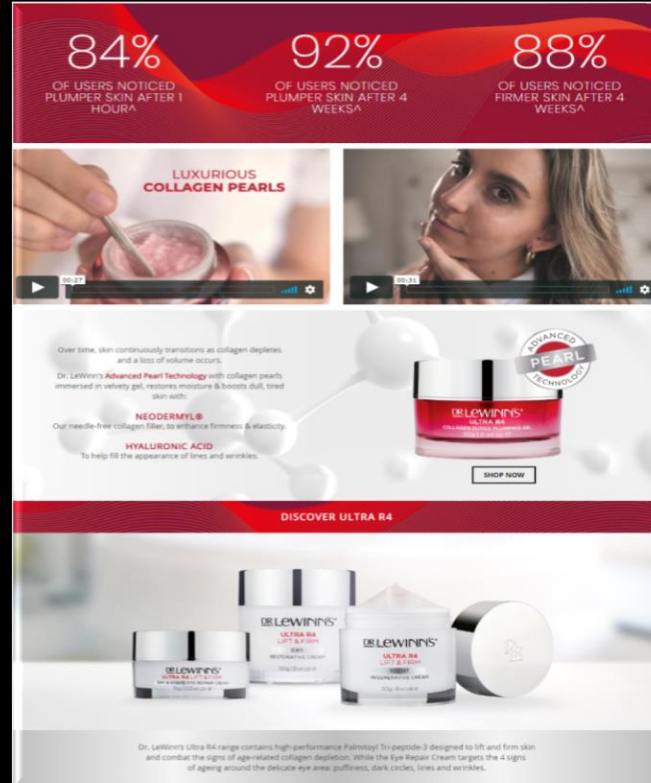
## ENGAGE



18M consumers reached on owned social media

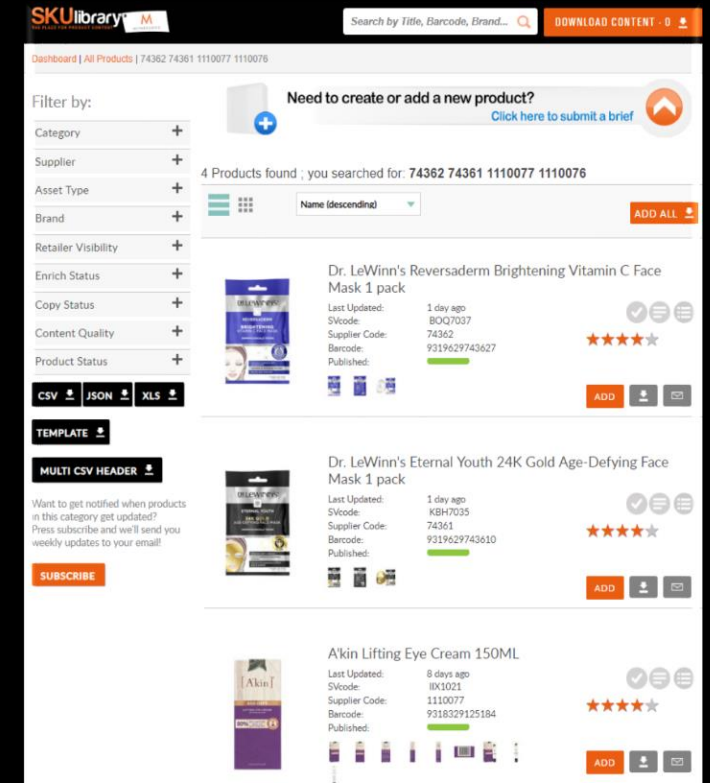
3M consumers reached via influencer activity

## AMPLIFY



45M Ad Impressions

## OPTIMISE



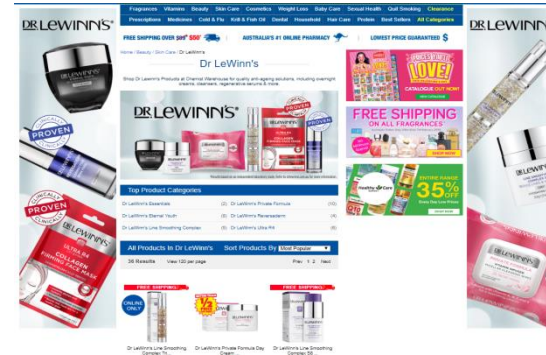
901 Products live on SKULibrary

# MOVE FROM TRANSACTIONAL TO STRATEGIC PARTNERSHIPS WITH OUR TOP SIX CUSTOMERS

## STRATEGIC CUSTOMER PARTNERSHIP

+65% increased participation   +48000 incremental distribution points in FY   +Category Captaincy

- Top to top meetings
- Joint Business Planning
- Exclusive Offers
- Trading Terms
- Customer partnerships
- Event Participation

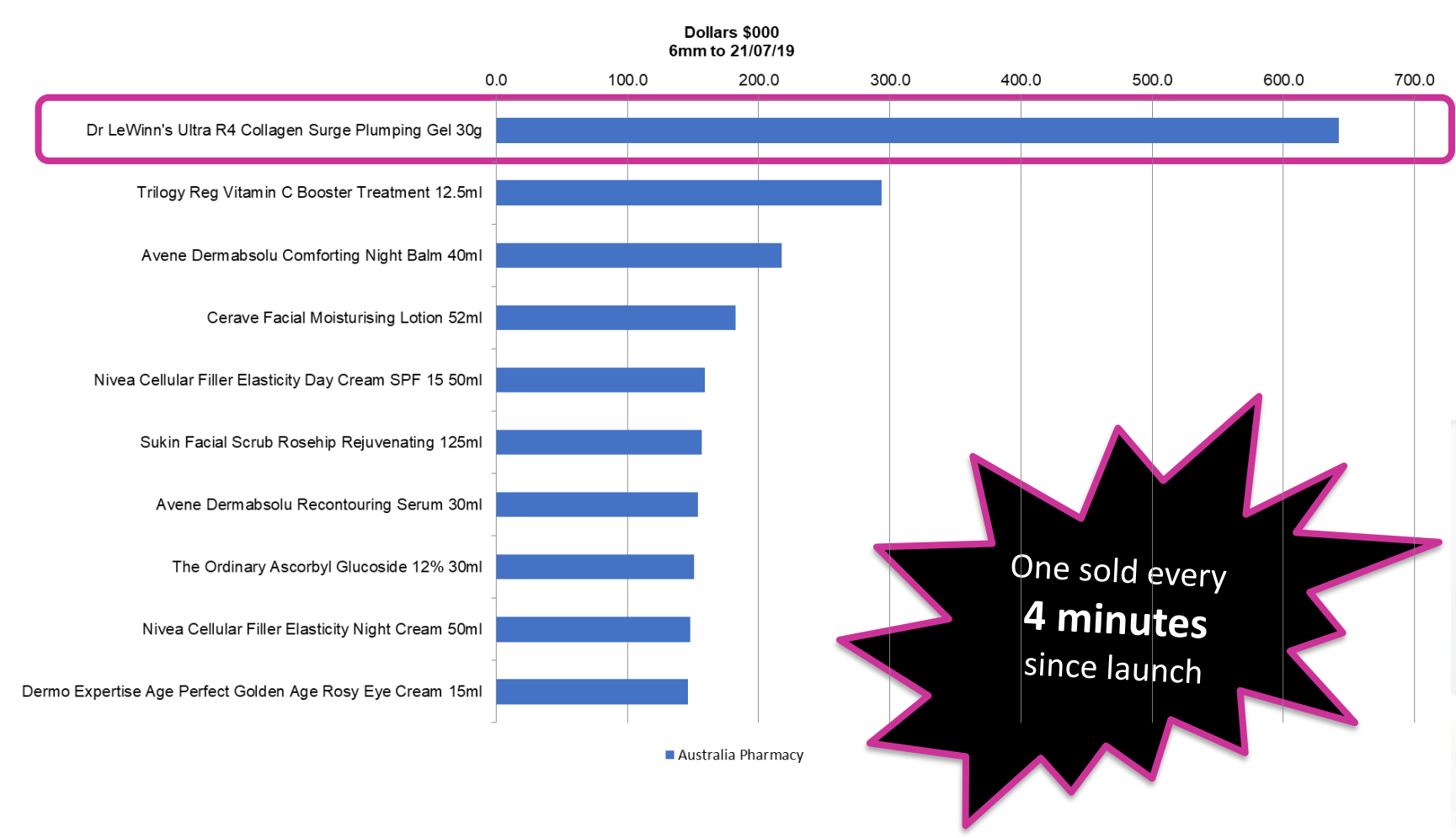


## INNOVATION PARTNERSHIPS





# COLLAGEN SURGE #1 FACIAL SKINCARE NPD LAUNCHED IN LAST 6 MONTHS



Source: IRI MarketEdge Facial Skincare 6mm to 21/07/19

## LINE SMOOTHING COMPLEX



**#1** range for

Dr. LeWinn's driven by  
China demand

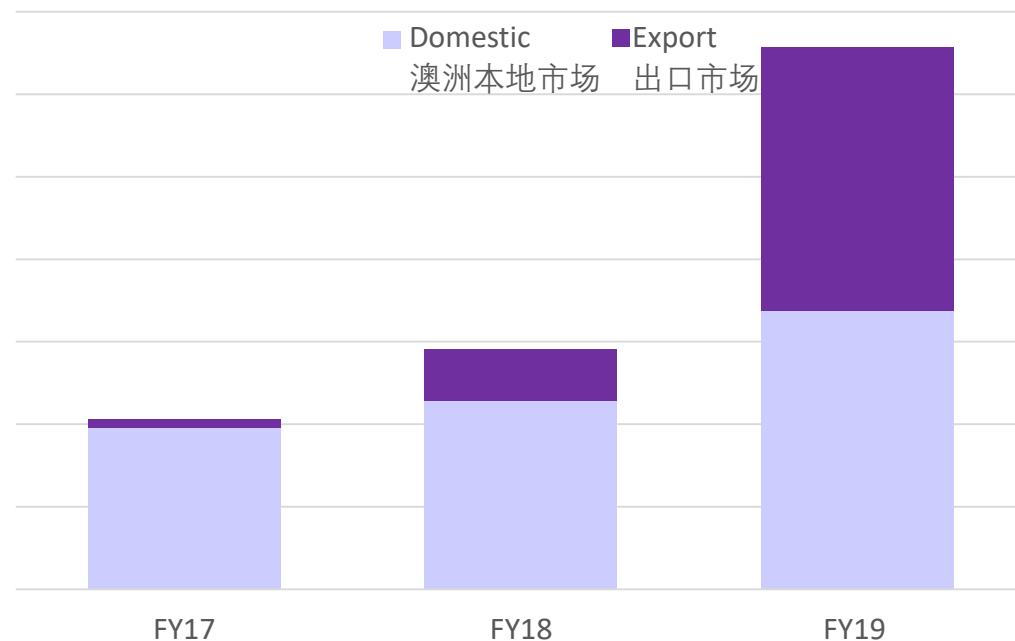
八胜肽抗皱系列为莱  
文医生排名第1的系列

**DR. LEWINN'S®**

## AUSTRALIA 澳大利亚

Dr. LeWinn's Domestic vs Export

莱文医生澳洲本地市场 vs 出口市场销售额对比



CHINA  
中国

Source: MCP Ex. Factory Sales Revenue

# Dr. LeWinn's R&D Capabilities 莱文医生研发能力

Innovation  
创新



Agility & Integration  
灵活响应 & 强整合力



Quality  
高质量





# R&D INVESTMENT FUELLING GROWTH IN SALES AND MARKETING

## CAPABILITY



## EFFICIENCY



Design-based  
Thinking

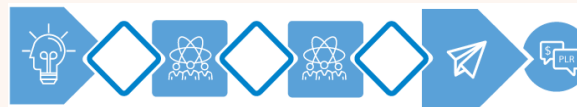


Role Clarity



Portfolio  
balance

Stage-Gate NPD Process



## RIGOUR



HOW DO WE DO IT?

# R&D INVESTMENT FUELLING GROWTH IN SALES AND MARKETING

FY18



~ 60 PRODUCTS

FY19

10% GROWTH ON PRIOR YEAR  
\$8.5M RSV

SUSTAINABLE PRODUCTS



CLINICALLY PROVEN RESULTS



~ 100 PRODUCTS

NEW CATEGORIES



PRODUCT RENOVATION



FY20  
EST 2X RSV ON PRIOR YEAR



~ 200 PRODUCTS



# NEW Line Smoothing Complex

## 莱文医生八胜肽系列新品发布

3 November 2019 Launch on ABM  
2019年11月3号登陆ABM

Melting Cleansing Jelly  
八胜肽多效抗皱爽肤水喷雾  
CLEANSE | REJUVENATE | HYDRATE



Multi-Action Toning Mist  
八胜肽抗皱洁面啫喱  
CLARIFY | TONE | HYDRATE



Hyaluronic Acid Boosting Essence  
透明质酸密集抗衰安瓶精华  
HYDRATE | BOOST | PROTECT



DR. LEWINN'S®

# ABM's Accelerating Growth Journey



**Rapid Growth**  
800+ Employees



**Executed 500+ Events in 2019**



**2.7 Million ABM'ers**



Australia  
澳大利亚

China  
中国

**Reach: 20+ Countries**



**2020 Revenue: On track for AUD \$1 Bill**





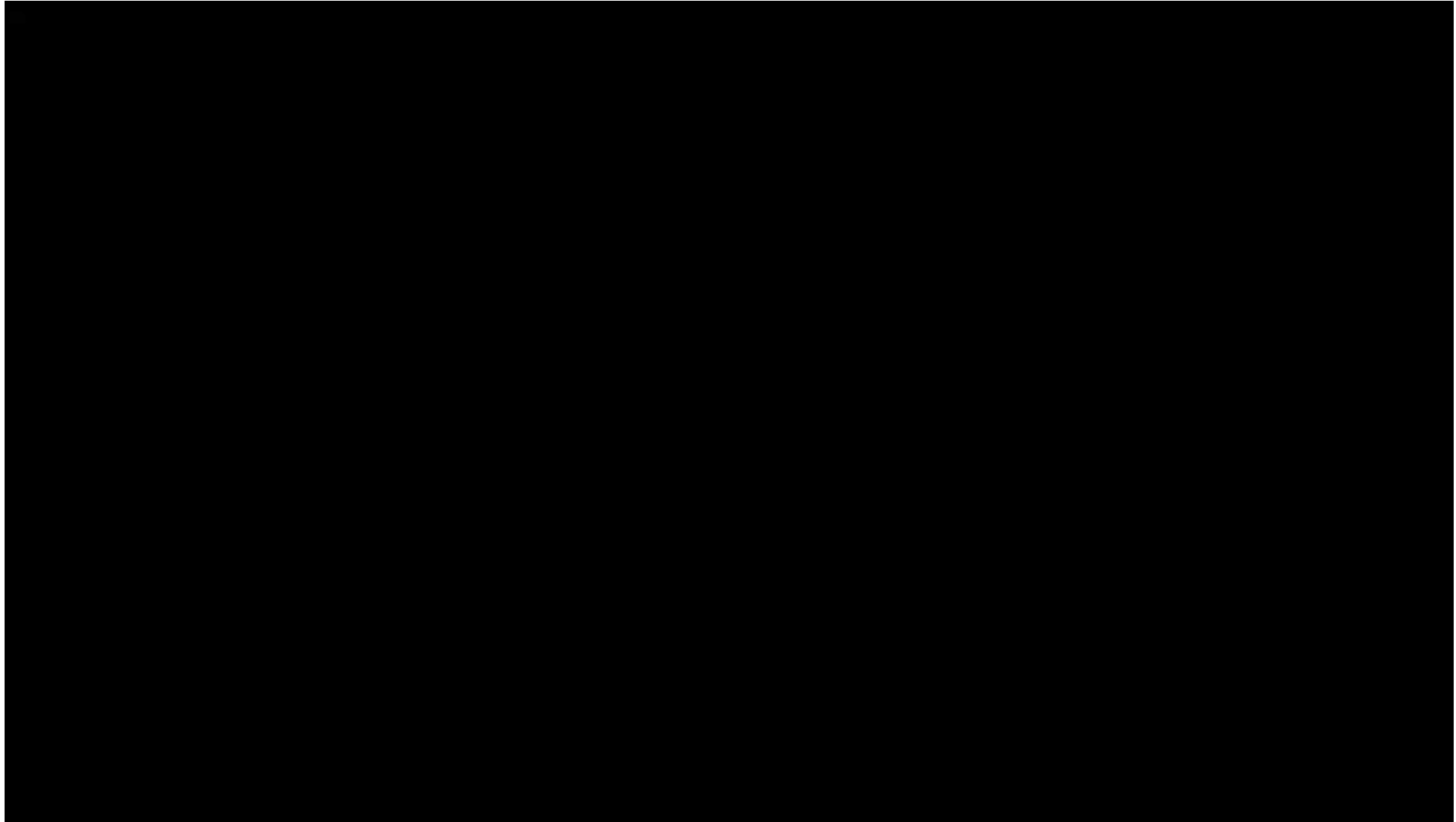




# BUILDING CHINA PARTNERSHIPS



# BUILDING CHINA PARTNERSHIPS



# SUPPLY CHAIN





新工厂成立





# MCP SUPPLY CHAIN – TAKING ACTION TO MEET CHINA SUPPLY

## Hamond Road Facility - Dandenong

- One of the largest (22,000 sqm) manufacturing plants in Australia. With significant excess manufacturing capacity
- Largest and quickest laundry powder line in Australia
- Includes the only dishwashing tablet plant in the Southern Hemisphere
- 2,000 sqm TGA pharmaceutical clean room
- Highly efficient, eco-responsible and fully certified
- Planning underway for solar energy, biodiesel and fully recycled water system
- TGA, GMP (pending), ACO and COSMOS certified



- Dedicated output
- Prioritised work
- Confidence in supply/DIFOT
- Shorter lead times
- Positive impact on quality
- Improved turnaround on NPD samples
- Dedicated technical & operational staff
- Integrated supply chain eyeing China customers
- Unrestricted supply capacity



# AWARE FACTORY VIDEO



# MCP SUPPLY CHAIN - FIT FOR THE FUTURE

## ADAPTABLE & FLEXIBLE

### AVAILABLE CAPACITY

**+40%**

SIGNIFICANT HEADROOM

### DAILY DELIVERIES

**5,000+**

1,600 Australian Postcodes

### STAFF RETENTION

**80+**

Tenure > 18 Years

## EFFICIENCY

### SUPPLY CHAIN COSTS



### HARD SAVINGS

**\$7.5 Mill**

### WORKING CAPITAL

**-40%**

Last 2 Years

## FUTURE PROOFING

### TRUSTED PARTNERS



### ADAPTING

**8**  
**18**



Transitioning Businesses

### ANNUAL INVESTMENT

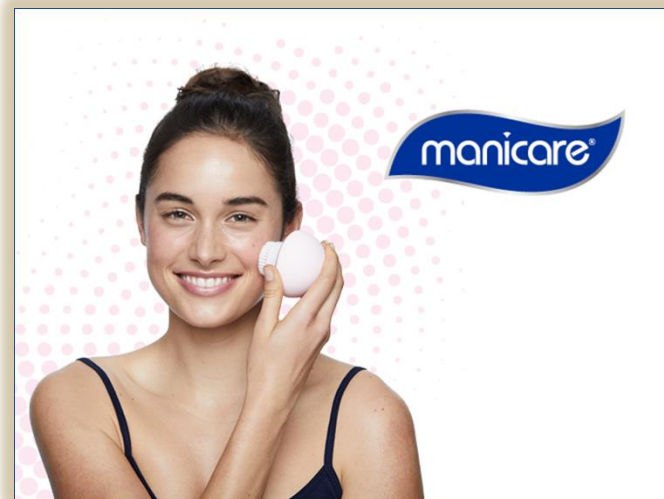
**20%**

CAPEX - SUPPLY CHAIN ERP



# REVITALISE OUR OWN MCPHERSON'S BRANDS

+11% VS PRIOR YEAR





# NEW BUSINESS DEVELOPMENT



# HEALTH, WELLNESS & BEAUTY – A \$17 BILLION MARKET



## HEALTH

(\$4.9 Billion, **+3.9%** vs YA)

The intent of enhancing and restoring health via symptomatic treatment.



## WELLNESS

(\$5.7 Billion, **+3.8%** vs YA)

Maintain the state of good health by pro-actively seeking to prevent the onset or worsening of conditions

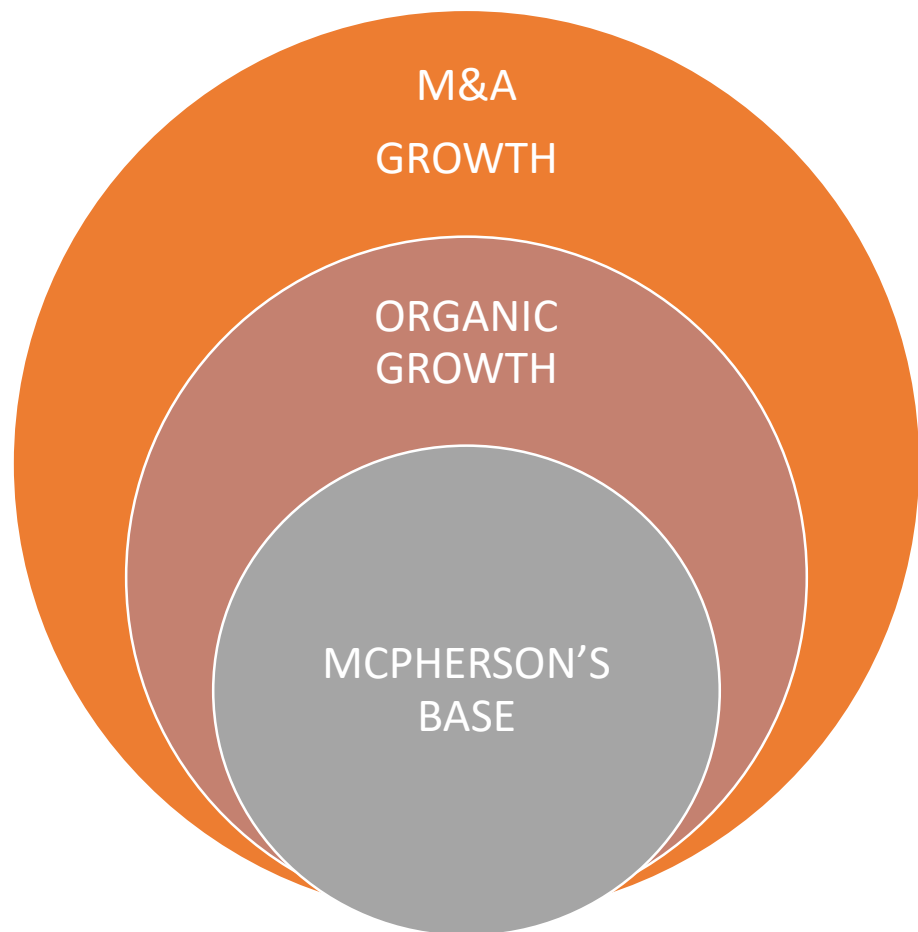


## BEAUTY

(\$6.5 Billion, **+2.8%** vs YA)

The subjective enhancement of physical perception for ones own satisfaction

# MERGERS & ACQUISITIONS



M&A growth remains a strategic priority



Health, Wellness & Beauty focussed



Strong balance sheet to fund acquisitions



Rigorous process and criteria



Have been actively approaching targets



Kōtia, Soulful and Sugarbaby ventures signed



# BUILDING LONG TERM GROWTH VIA JOINT VENTURES



- Anti-Aging Skincare
- NZ Deer Milk Hero Ingredient
- China & European potential



- Tanning and Skincare
- Targeting fast growing, high-spending Millennial consumers
- Recruiting young consumers to MCP portfolio
- E-Commerce



- Health and Wellness focused
- Target fast growing gut health market (Aus \$0.4bn and China \$3.5bn)
- China potential





# SUMMARY & OUTLOOK





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- ❑ Very strong operating cash conversion – 117%
- ❑ Key strategic investments in Kotia, Aware and display fixtures
- ❑ High dividend payout (77%)
- ❑ Low gearing (7%)
- ❑ Full year 2020 guidance at +10% Year on Year PBT

# [A'kin]<sup>®</sup>



NO  
NASTIES



AUSTRALIAN  
MADE & OWNED



100%  
VEGAN



NOT TESTED  
ON ANIMALS



RECYCLABLE  
PACKAGING



**HAIR CARE**



**SKIN CARE**



**PERSONAL CARE**

15% Domestic Revenue Growth FY19



# GROWTH THROUGH INNOVATION & PROVEN CLINICAL TRIALS

A'kin is clinically proven to Defy Age with a 143% improvement in skin hydration<sup>^</sup>.



**76%** of users saw a reduction in fine lines and wrinkles after using the Line Smoothing Day Cream\*

**91%** of users saw improvements in skin firmness and elasticity after using the Firming Night Cream\*

**80%** of users saw firmer, tighter and more lifted skin after using the Lifting Eye Cream\*

Not all natural brands are created equal [A'kin]

\* Results based on a clinical study by an independent laboratory using the A'kin Age-Daily Line Smoothing Day Cream, A'kin Age-Daily Firming Night Cream and A'kin Lifting Eye Cream ranges.  
^ Results based on an independent laboratory self-assessment study.

**NEW**

GERANIUM & CEDARWOOD  
NATURAL ROLL-ON DEODORANT

**24HR | CLINICAL PROTECTION<sup>†</sup>**



NO PROPYLENE GLYCOL  
NO BICARB  
NO ZINC  
NO TRICLOSAN

[A'kin]  
NATURAL AUSTRALIAN SKINCARE  
GERANIUM & CEDARWOOD  
NATURAL DEODORANT  
24HR CLINICAL PROTECTION<sup>†</sup>  
NO ALUMINIUM\*  
65ml 2.2 fl.oz. e

[A'kin]  
NATURAL AUSTRALIAN SKINCARE

† Results based on a clinical study by an independent laboratory.



[A'kin]  
NATURAL AUSTRALIAN SKINCARE  
AUSTRALIAN TEA TREE OIL  
DETOXIFYING  
SINGLE USE FACE SHEET MASK

MADE FROM 100% EUCALYPTUS FIBRES

[ DETOXIFYING ]  
[ CLARIFYING ]  
[ REFRESHING ]

OIL INFUSED  
SHEET MASK



[A'kin]  
NATURAL AUSTRALIAN SKINCARE  
DAILY SHINE  
MIRACLE SHINE  
CONDITIONING  
HAIR MASK

WITH AVOCADO OIL & AUSTRALIAN EUCALYPTUS OIL

NOURISH  
CONDITION



**Core Rejuvenation**  
Clinically proven Age Defy range  
+182% vs YA



**Category Expansion**  
Clinically proven Natural Deodorant  
+241% vs YA



**High Growth Mask Category**  
100% Natural Eucalyptus Fibres  
Australian Ingredients





# STRONGER ENGAGEMENT THROUGH THE XPANDA GO PLATFORM FROM HEALTH MORE



NATURAL AUSTRALIAN SKIN & HAIR CARE

[A'kin]<sup>®</sup>



THANK  
YOU



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