

ASX / Media Release

(ASX: MCP)

20 October 2020

McPherson's Q1 FY21 Trading Update

Key points:

- **4% growth in sales revenue to \$49.7 million**
- **8% growth in sales revenue from owned brands \$41.7 million**
- **84% growth in underlying PBT to \$2.9 million**
- **Growth in category market share in 4 out of 6 core brands**
- **Continued strong China sales trajectory fuelled by ABM partnership model**
- **\$5.7 million non-recurring full provision for write down in hand sanitiser inventory**
- **Forecast growth in first half FY21 underlying profit before tax in the range of 20% to 30% above FY20 and forecast growth in full year FY21 profit before tax in the range of 5% to 10% above FY20.**
- **Dividend policy remains unchanged and will be applied to underlying profit after tax**

First Quarter Trading Update

McPherson's Limited ("McPherson's" or "the Group") today announced its unaudited results for the three months to 30 September 2020 (Q1 FY21), generating an underlying profit before tax of \$2.9 million, 84% above the previous corresponding period (Q1 FY20: \$1.6 million), excluding a non-recurring provision for hand sanitiser inventory of \$5.7 million pre-tax. Including the provision for hand sanitiser inventory, the Q1 FY21 unaudited statutory loss before tax was \$2.8 million (Q1 FY20 \$1.6 million profit). The first quarter of the Group's fiscal year is typically its lowest in sales and profit generation.

Unaudited sales revenue for Q1 FY21 was \$49.7 million, 4% above the previous corresponding period (Q1 FY20: \$48.0 million), with sales from owned brands 8% above the previous corresponding period.

McPherson's Chief Executive Officer and Managing Director, Mr. Laurence McAllister said: "The strong growth in sales from our owned brands in the midst of the disrupted COVID-19 trading environment confirms the market strength and resilience of our brand portfolio. This top line growth in combination with improved contribution margins across the majority of our brands has generated a very strong lift in first quarter FY21 profitability from our core business, noting that the first quarter of our financial year is our seasonally lowest in terms of profitability

The majority of our brands continue to grow their category market share, with four of our six core brands increasing market share over the year ended September 2020."

The Group's Manicare, Lady Jayne and Multix brands have all recorded double-digit growth in sales revenue in comparison with the prior corresponding period (pcp), while sales from Dr. LeWinn's continued its growth in the Export channel, albeit at a seasonally slower pace, through McPherson's successful exclusive strategic partnership with ABM, increasing 19% on pcp.

One-off write down of hand sanitiser inventory

In response to a very strong initial COVID-19 driven demand for hand sanitiser, McPherson's placed firm supplier purchase orders to fulfil customer purchase orders, McPherson's new supplier delivered

the product later than required, and consequently our customer cancelled the majority of its orders, leaving the Group with a significant quantity of this product. Demand has subsequently dissipated and the supply base for such products has become much more competitive, resulting in the Group currently holding excess quantities of hand sanitiser inventory. In addition, recent negotiations to return excess quantities to the supplier have been unsuccessful. As a result of these recent events, the Group has updated its review of the net realisable value assessment. Given current market conditions and the costs associated with holding and disposing of excess stock, McPherson's has determined to fully provide for this inventory with a provision of \$5.7 million before tax. This provision will be disclosed as a significant, non-recurring item in the FY21 half-year and full-year financial statements. No other Group inventories are affected.

Despite this write down, McPherson's will ensure all channels, geographies, customers and relationships are pursued to maximise the realisable value of this inventory.

Outlook

Commenting on the outlook, Mr McAllister said: "While we are very disappointed with the non-recurring provision to fully write down legacy hand sanitiser inventory, our core business has made a strong start to FY21. Following the reported 20% increase in underlying profit before tax in FY20, our positive underlying momentum is forecast to continue through FY21, despite the challenges presented by the current macro environment. Consequently, we forecast growth in first half underlying FY21 profit before tax in the range of 20% to 30% and growth in full year underlying FY21 profit before tax in the range of 5% to 10%, noting that we are cycling strong COVID-19 demand from 2H20 in our 2H21 forecast.

"Given the strength of our balance sheet and the forecast growth in underlying earnings in FY21, the Group's policy of paying a minimum dividend of 60% of underlying profit after tax, subject to cash requirements, remains unchanged. Given that the forecast growth in underlying earnings, we expect a dividend for FY21 that will be equal to or above the dividend declared in FY20."

Authorisation

This ASX announcement and media release has been authorised by the McPherson's Limited 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 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; 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>