



McPHERSON'S

Est. 1860

McPherson's Limited

Acquisition of Global Therapeutics and Equity Raising

27 October 2020



Disclaimer

The following disclaimer applies to this presentation. Please consider its contents carefully. By accepting this presentation, you acknowledge that you are receiving it on the basis set out in the following paragraphs.

This presentation has been prepared by McPherson's Limited (ASX:MCP) in relation to a proposed acquisition and a placement of shares to sophisticated and institutional investors.

Currency of information

The information contained in this presentation is current as at the date of this presentation or such earlier date as specified in this presentation.

Summary information

The information in this presentation is of a general nature only. It does not purport to be complete.

Not an offer

This presentation is not a prospectus or other disclosure document and will not be lodged with any Australian or overseas regulatory body. This presentation is not an invitation or offer of securities in MCP for subscription, purchase or sale in any jurisdiction. The distribution of this presentation (including an electronic copy) within or outside Australia may be restricted by law. If you come into possession of this presentation, you should observe such restrictions and should seek your own advice on such restrictions. Any non-compliance with these restrictions may contravene applicable securities laws.

Not investment advice

The information contained in this presentation is not investment or financial product advice or any recommendation to acquire securities in MCP. This presentation does not and will not form any part of any contract for the acquisition of securities in MCP. This presentation has been prepared without taking into account your investment objectives, financial situation or particular needs. Before making an investment decision, you should consider whether it is a suitable investment for you in light of your own investment objectives, financial situation and particular needs and having regard to the merits or risks involved. This presentation and its contents are provided on the basis that recipients will not deal in the securities of MCP in breach of applicable insider trading laws.

Investment risk

An investment in securities in MCP is subject to known and unknown risks, some of which are beyond the control of MCP. MCP does not guarantee any particular rate of return, the performance of MCP, the repayment or maintenance of capital or any particular tax treatment.

Company information

MCP's historical information in this presentation is, or is based on, information that has been released to ASX. This presentation should be read in conjunction with MCP's other periodic and continuous disclosure information lodged with ASX, which are available at www2.asx.com.au.

Third party information

Certain information in this presentation has been sourced from the acquisition target referred to in this presentation, or their related bodies corporate, directors, employees, agents or advisers. While steps have been taken to review that information, no representation or warranty, express or implied, is made as to its fairness, accuracy, correctness, completeness or adequacy. Certain market and industry data used in connection with this presentation may have been obtained from research, surveys or studies conducted by third parties, including industry or general publications. Neither MCP nor any of its related bodies corporate, directors, employees, agents or advisers have independently verified any such market or industry data.

Historical information

Past performance information in this presentation is given for illustrative purposes only and should not be relied upon as, and is not, an indication of future performance.

Forward looking information

This presentation contains certain forward-looking statements that involve risks and uncertainties. MCP can give no assurance that these expectations will prove to be correct. You are cautioned not to place undue reliance on any forward-looking statements. Actual results may differ materially from those anticipated in these forward-looking statements due to many important factors, risks and uncertainties including, without limitation, risks associated with future capital needs, general economic uncertainty and other risks detailed from time to time in MCP's announcements to ASX. MCP does not undertake any obligation to release publicly any revisions to any "forward-looking statement" to reflect events or circumstances after the date of this presentation, except as may be required under applicable laws.

Financial information

This presentation contains certain financial information as at 30 June 2020, including pro forma summary profit and loss information for the year ended 30 June 2020. The pro forma financial information has been derived from MCP and Global Therapeutics financial statements and adjusted for pro forma adjustments to illustrate the potential impact of the Equity Raising and/or the Acquisition. Pro forma information has not been audited or reviewed and may be prepared in accordance with applicable measurement and recognition requirements, but not the disclosure requirements, of applicable accounting standards and accounting interpretations. The financial information, including the pro forma financial information, has been presented in an abbreviated form insofar as it does not include all the presentation and disclosures, statements or comparative information as required by the Australian Accounting Standards, the International Financial Reporting Standards (including the interpretations of the International Financial Reporting Interpretations Committee) and other mandatory professional reporting requirements applicable to financial reports prepared in accordance with the Corporations Act. The financial information provided in this presentation is for illustrative purposes and is not represented as being indicative of MCP's view of its, nor anyone else's, future financial condition and/or performance.

Disclaimer

No representation or warranty, whether express or implied, is made by any person as to the fairness, accuracy, completeness or correctness of the information, opinions and conclusions contained in this presentation. You should carry out your own investigations and analysis of MCP and verify the accuracy, reliability and completeness of the information contained in this presentation.

Neither MCP nor any of its related bodies corporate, directors, employees, agents and advisers accept any responsibility for any loss arising from anyone acting or refraining from acting in reliance on the contents of this presentation.

All dollar values are in Australian dollars (\$ or A\$) unless otherwise stated.



Contents

- 1 Transaction Overview
- 2 Global Therapeutics
- 3 Capital Raising Details
- 4 Key Risks
- 5 International Offer Restrictions

Transaction Overview



Highly complementary acquisition








McPherson's has entered into an agreement to acquire the assets and brands of Global Therapeutics, a leading provider of branded Oriental and Western herbal and complementary medicine formulations for \$27.0 million

- **Respected foundation** from which McPherson's can execute and grow 'health and wellness' as a core strategic priority
- **Portfolio of well recognised and supported premium brands** across health food stores ("HFS") and pharmacy channels
 - Fusion Health represents one of the leading brands by market value distributed through the Australian HFS channel
 - Oriental Botanicals is outperforming its category and has a strong growth position in the Australian pharmacy channel
- **Unique product profile.** Blend of traditional Oriental herbal medicine, with modern complementary ingredients, using an Australian-made formula providing a unique point of difference for consumers
 - Strong margin and value proposition relative to broader category²
- **Aligned with megatrends** of health and wellness and ethically oriented consumers
 - Breadth of range lends itself to consumer personalisation
 - Significant and sustained consumer awareness of general health and immunity driving demand
- **Strong business heritage** underpinned by a **highly qualified and aligned team** who will transition to McPherson's to help execute McPherson's health and wellness strategy
- Potential for **meaningful revenue and operational benefits** over the medium term delivered through brand investment, channel expansion, export focus and operational and collaboration efficiencies across the McPherson's Group



Executing McPherson's strategy

Global Therapeutics delivers on McPherson's strategy of building a strong Health and Wellness pillar focused on owned brands and products, with significant growth and market share potential relative to the broader category

		Health and Wellness	Household essentials & other	Essential beauty	Skin, hair and beauty
Brands	Products				
					

Notes: brands and products above categorised as per previous ASX disclosures

Transaction summary

Following the acquisition of Global Therapeutics and the Equity Raising, McPherson's is expected to have significant balance sheet flexibility to continue to pursue highly complementary acquisition opportunities

Transaction details	<ul style="list-style-type: none"> McPherson's has entered into a binding agreement to acquire 100% of the business, brands and assets of Global Therapeutics Pty Ltd (Global Therapeutics) for an Enterprise Value of \$27.0m (the Acquisition) from Blackmores Limited¹ Implied acquisition multiple of approximately 7.4x Enterprise Value / pro forma FY20 EBIT (\$3.7m)² Expected closing on 30 November 2020, subject to customary closing requirements
Funding and equity raising	<ul style="list-style-type: none"> The Acquisition will be funded by a \$36.5 million fully underwritten Institutional Placement (Placement) Shares issued under the Placement will be issued at a fixed price of \$2.27 per share (Placement Price). The Placement Price represents a 8.1% discount to the last closing price of \$2.47 per MCP share at Monday, 26 October 2020 McPherson's also intends to offer Eligible Shareholders the opportunity to participate in a non-underwritten Share Purchase Plan (SPP) to raise up to \$10 million at an offer price of the lower of (1) the Placement Price of \$2.27 per share and (2) a 2.5% discount (rounded down to the nearest cent) to the volume-weighted average price of MCP traded on ASX during the 5-trading days up to and including the SPP closing date (expected to be 19 November 2020) (together, the Equity Raising)
Financial benefits and synergies of the Acquisition	<ul style="list-style-type: none"> The Acquisition is expected to be mid-single digit EPS accretive on a pro forma FY21 basis before expected transaction costs and synergies³ McPherson's is targeting meaningful revenue and operational benefits over medium term delivered through: <ul style="list-style-type: none"> Returning to normalised levels of investment in brand and product Focus on channel expansion and export opportunities (the New Zealand market identified as a key short term priority) Supply chain efficiencies Leveraging operational efficiencies and collaboration across the broader McPherson's business
McPherson's Q1 unaudited trading update and guidance	<ul style="list-style-type: none"> McPherson's announced the following Q1 FY21 trading update on 20 October 2020: <ul style="list-style-type: none"> Q1 FY21 sales revenue of \$49.7 million, 4% above prior corresponding period (pcp) Sales revenue from owned brands of \$41.7 million, 8% above pcp Underlying profit before tax of \$2.9 million, 84% above pcp (prior to \$5.7 million non-recurring full provision for write down in hand sanitiser inventory) Growth in category market share in 4 out of 6 core 'owned' brands McPherson's is targeting 5-10% growth in underlying FY21 profit before tax, and before the benefits of the Acquisition

Notes:

- Subject to customary working capital and completion adjustments. 2. Adjusted to reflect pro forma impact of incremental operating cost structure under McPherson's ownership including warehousing and identified additional regulatory and support resources. 3. On a pro forma basis assuming the Acquisition was completed on 1 July 2020 and including the proportion of Equity Raising proceeds required to fund the Acquisition. Excludes transaction costs and all potential synergies.

Global Therapeutics



Company overview

Global Therapeutics develops, markets and sells Oriental and Western herbal and complementary medicine formulations in Australia and New Zealand

Background

- Leader in harnessing the benefits of combining traditional herbal medicines with western complementary medicines
- Formulation strategy comprises embedding traditional herbal medicine evidence and principles with modern dosage and science-based materials
- Strong brand heritage supported by highly qualified and aligned management team
- Deep HFS and pharmacy distribution channels with loyal consumer following

History

1999	<ul style="list-style-type: none">– Global Therapeutics established– Oriental Botanicals launched into the practitioner market
2001	<ul style="list-style-type: none">– Fusion Health launched into HFS channel
2012	<ul style="list-style-type: none">– Oriental Botanicals launched into pharmacies channel
2016	<ul style="list-style-type: none">– Global Therapeutics acquired by Blackmores
2020	<ul style="list-style-type: none">– McPherson’s acquires Global Therapeutics

Product portfolio

FUSION  health



Oriental Botanicals®

ancient wisdom **modern medicine**®



Immunity

Children’s health

Digestive

Hair, skin and
nails

Bone & joint

Women’s health

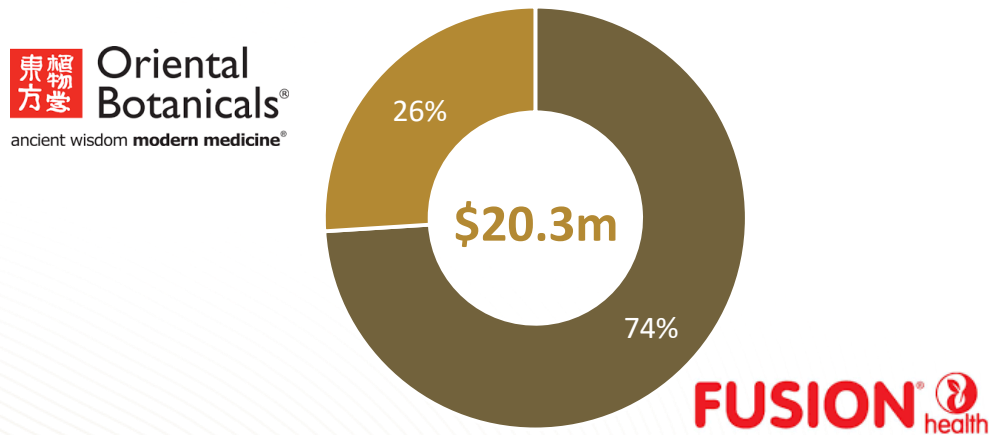
Mental wellbeing

Muscular support

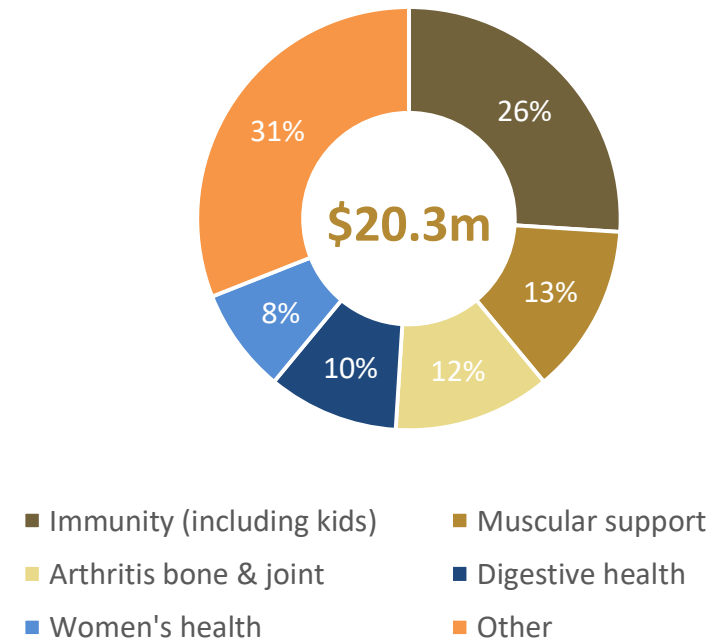
Revenue segmentation

Diversified, premium product portfolio focused on large sub-segments within the supplements market including immunity, muscular support, bone and joint health, digestive and women's health

FY20 invoiced sales by brand



FY20 invoiced sales by product



Notes:

1. Invoiced sales reflect reported gross sales less discounts before deducting rebates. FY means for year to 30 June.

Distribution network

Highly complementary distribution network including pharmacy and specialty health food stores.
Opportunity to leverage McPherson's expanding online and export sales channel

Health Food Stores

Brand

FUSION health



Australia's No.1 brand in the HFS channel

630

Health food stores where Fusion is ranged

Example HFS customers











Pharmacies

Brand

 **Oriental Botanicals**
ancient wisdom modern medicine




Significant opportunity in expansion into big box pharmacies

1,130

Pharmacies where Oriental Botanicals is ranged

Example pharmacy customers





Online and export

Brand

FUSION health
 **Oriental Botanicals**
ancient wisdom modern medicine



Assisting with scalability and long term resiliency

25

Online customer training events in 2020 driving customer growth and loyalty

Export growth opportunity

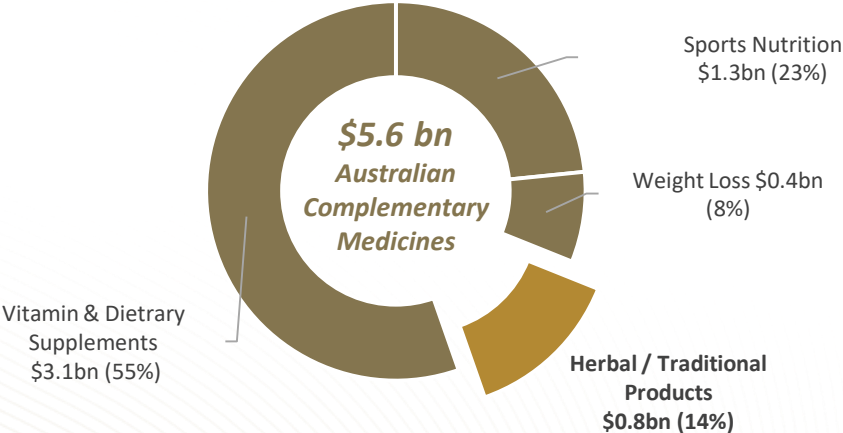
Opportunity to accelerate growth via accelerating brand entry into New Zealand market and establish Asian distribution partnerships



Global Therapeutics' market positioning

Herbal and traditional products are a niche high growth sub segment of the broader complementary medicines sector

The Australian Complementary Medicines industry generated \$5.6 billion of sales in 2019 - 55% of sales comprised the 'Vitamin & Dietary Supplements' segment. Herbal / Traditional Products is a niche, high growth sub segment of Complementary Medicines which is characterized by higher margin products



Australian Complementary Medicines

↑10%


2014/2019 CAGR

Herbal & Traditional Products


↑57%

2014/2019 CAGR


78%

 Of Australians have purchased at least one form of complementary medicine in the last year

83%

 Of Australian women have purchased at least one form of complementary medicine in the last year

1 of 3

 Australians using Complementary Medicines to manage symptoms of chronic pain

Export

 Australian complementary medicines are recognised around the world for quality, safety and efficacy

Source: Complimentary Medicines Australia: Industry Audit & Trends 2020.

Strategic rationale

Global Therapeutics represents a transformational and strategically compelling acquisition, with significant growth opportunities, that advances McPherson's position in Health and Wellbeing



Delivers on strategic imperative of entry into health and wellness category and provides a platform for growth

- Recognised and respected brand and product portfolio providing a unique point of difference to customers – blended fusion of Oriental herbal medicine with Australian-made formulas
- Strong margin and higher value products relative to broader category
- Consistent with McPherson's strategy of advancing channel diversity, product leadership and entry into new categories – widens McPherson's value proposition beyond existing core brands
- High quality and experienced management team and employee base to transition to McPherson's to execute and grow Health and Wellness strategy



Ability to leverage across platforms and generate operating efficiencies

- Potential to expand distribution of Global Therapeutics through McPherson's strong mainstream pharmacy channel
- Scope to leverage McPherson's ability to grow domestic and export footprint
- Potential supply chain efficiencies identified over medium term with benefits to be achieved from collaboration across broader McPherson's portfolio (e.g. new product development and innovation)
- Potential for Global Therapeutics distribution channels to benefit McPherson's existing health brands



Product and market expansion

- Scope for McPherson's to significantly increase resources allocated to new product development to accelerate innovation pipeline and grow addressable market
- Provides immediate exposure to the New Zealand market
- Future international expansion opportunities including in China and other Asian markets

Integration strategy

McPherson's has a well-defined plan for the integration of Global Therapeutics into its existing business which will leverage our capacity and capability in order to drive operational improvements

- **Long serving and high quality management team** with deep industry and category experience to remain with business to drive future growth of the brands
 - Complements McPherson's 80+ years of Senior Management experience across the vitamins and dietary supplements categories¹
 - All Global Therapeutics employees (approximately 38 FTEs) are expected to transfer with the business from Blackmores and we look forward to welcoming the team
 - McPherson's has confidence around systems and support Blackmores have provided to the business under its stewardship and welcomes Blackmores' commitment to provide seamless transitional services²
- **Leverage McPherson's available Kingsgrove warehouse capacity** (40% capacity available)
 - Transition into existing high quality Kingsgrove warehouse – leveraging highly efficient pick to light system
- **Diversified TGA-licensed contract manufacturing partnerships**
 - McPherson's to transition away from Blackmore's Catalent facility (~20% of estimated FY21 SKUs) over next 18 months. Catalent committed to support transition
 - Key manufacturing agreements recently renewed for 2 years on existing terms
- **Byron Bay provenance & heritage retained**
 - The brands, Management and employees are a strong cultural fit with McPherson's
- **Collaboration between high quality sales & marketing teams** – focused on identifying new growth opportunities across entire McPherson's portfolio and best practice knowledge sharing (digital, social, customer, marketing and business intelligence)
- McPherson's to expand Global Therapeutics brand penetration to **new channels and geographies** (New Zealand, South East Asia, China). McPherson's will seek to expand its existing portfolio into Global Therapeutics' HFS channel (e.g. Soulful, Happy Flora, A'kin)
- Realising **operational efficiencies through distribution arrangements** and leveraging new technical capabilities across the existing McPherson's portfolio (e.g. beauty supplements)

Note 1: Strong senior leadership experience via Laurence McAllister (former MD Sanofi), Lori Pirozzi (former National Sales Director – Sanofi Consumables), Jane Berkery (former head of field sales – Sanofi consumables), Brendon Korner (former GM New Zealand – Sanofi consumables) & Jade Peak (former Business Development (Export)- Pharmacare). 2. Includes regulatory / quality / IT / warehouse and distribution for up to a period of 6 months where the period is dependent on specific function requirements.

Pro forma financial impact

Global Therapeutics has strong margins providing scope for McPherson's to grow the business. The Acquisition further diversifies McPherson's sales mix and increases revenue derived from owned brands (~85% FY20 pro forma revenue)

Period ending 30 June 2020			
A\$m	Audited MCP (FY20)	Unaudited Global Therapeutics (FY20)	Unaudited Pro Forma Combined (FY20)
Revenue ¹	222.2	19.5	241.6
Underlying EBIT ²	25.1	3.7 ³	28.8
Key Statistics			
Revenue growth	5.6%	-7.3%	4.5%
Underlying EBIT growth ¹	17.3%	19.9%	17.6%
Underlying EBIT margin ¹	11.3%	18.8%	11.9%

Strong margins

Providing scope for McPherson's to invest to grow the business

Incremental sales and earnings growth

Whilst maintaining a prudent capital structure

EPS Accretive

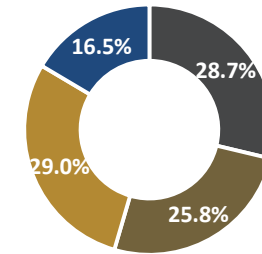
Acquisition is expected to be mid single digit EPS accretive on a pro forma FY21 basis before expected transaction costs and synergies⁴

Meaningful

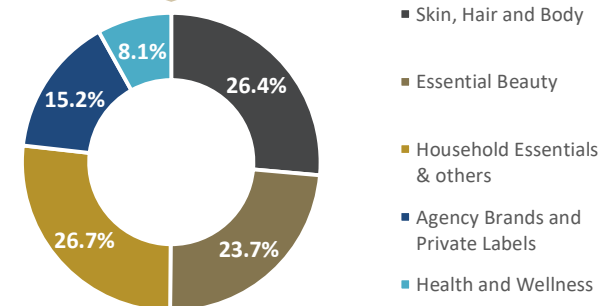
Revenue and operational synergies identified over medium term

Pro forma FY20 revenue mix

MCP revenue standalone:
\$222.2 million



Pro forma revenue including Global Therapeutics:
\$241.6 million



Notes:

1. Revenue is recognised as gross sales net of discounts and rebates. 2. Underlying EBIT includes the favourable impact of AASB 16 Leases. 3. Adjusted to reflect pro forma impact of incremental operating cost structure under McPherson's ownership including warehousing and identified additional regulatory and support resources. 4. On a pro forma basis assuming the Acquisition was completed on 1 July 2020 and including the proportion of Equity Raising proceeds required to fund the Acquisition. Excludes transaction costs and all potential synergies.

Key acquisition terms

On 26 October 2020, McPherson's entered into a binding Business Sale Agreement to acquire the Global Therapeutics business, brands and assets from Global Therapeutics, a subsidiary of Blackmores

Key conditions precedent	<ul style="list-style-type: none">• Global Therapeutics must obtain consents to assign material contracts• A minimum number of employees must accept McPherson's offer of employment• No material adverse change may occur (being a $\geq 15\%$ actual or reasonably likely reduction in invoiced sales for FY21 compared with FY20)
Consideration for acquisition	<ul style="list-style-type: none">• Enterprise value of \$27.0 million, subject to working capital adjustments
Key termination rights	<ul style="list-style-type: none">• Either party may terminate the agreement if:<ul style="list-style-type: none">— completion of the Acquisition does not occur due to the fault of the other party and that defaulting party fails to complete the Acquisition within 10 business days of receiving notice from the non-defaulting party— a condition precedent is not satisfied or waived by 28 February 2021, is or becomes incapable of satisfaction, or ceases to remain satisfied before completion— the other party suffers an insolvency event
Other	<ul style="list-style-type: none">• Completion is targeted for 30 November 2020• After completion, Blackmores will provide McPherson's with a range of customary agreed transitional services. No fees are expected to be payable initially in relation to the transitional services• A restraint is in place for a period of three years from completion over any products or brands expressly positioned, branded, marketed or promoted as a fusion or mix of Oriental traditional medicines and Western medicines, without the consent of McPherson's



Capital Raising Details

Acquisition funding

The Acquisition will be fully funded in cash using proceeds from the Placement

Estimated Sources	A\$m	%	Description
Equity	36.5	100.0%	Fully underwritten institutional placement to raise approximately \$36.5 million
Total	36.5	100.0%	

Uses	A\$m	%	Description
Global Therapeutics Acquisition Consideration	27.0	73.9%	\$27.0 million cash consideration to acquire Global Therapeutics business from Blackmores
Capacity for potential future acquisition and growth initiatives	7.9	21.7%	Provides flexibility to execute on McPherson's M&A strategy
Transaction costs and working capital	1.6	4.4%	Includes acquisition related and Equity Raising costs
Total	36.5	100.0%	

\$27.0 million

acquisition price for Global Therapeutics business, subject to standard working capital and completion adjustments

M&A strategy

McPherson's is in advanced discussions and varying stages of due diligence with a number of parties in relation to other inorganic growth opportunities to complement our Health and Wellness and sustainability strategy

Strong balance sheet maintained

Significant liquidity and covenant headroom available to support business and organic and inorganic growth opportunities

Equity Raising summary

Fully underwritten Placement to raise \$36.5 million

Offer structure and size	<ul style="list-style-type: none">Fully underwritten Institutional Placement to raise \$36.5 million via the issue of 16.1 million New Shares (Placement)McPherson's also intends to raise up to \$10 million via a non-underwritten security purchase plan (SPP) to existing eligible shareholders in Australia and New Zealand (together with the Placement, the Equity Raising)
Placement size and pricing	<ul style="list-style-type: none">New Shares issued under the placement will be issued at fixed price of \$2.27 per Share (Placement Price)The Placement Price represents<ul style="list-style-type: none">a 8.1% discount to McPherson's last closing price of \$2.47 per Share on Monday, 26 October 2020a 13.7% discount to MCP's 5 trading day VWAP of \$2.63 on Monday, 26 October 2020a 19.8% discount to MCP's 30 trading day VWAP of \$2.83 on Monday, 26 October 2020Approximately 16.1 million new ordinary Shares will be issued under the Placement, representing 14.9% of existing shares on issue at the date of this presentation
Underwriting	<ul style="list-style-type: none">The Placement is fully underwritten by Moelis Australia Advisory Pty LtdThe SPP is not underwritten
Ranking	<ul style="list-style-type: none">New Shares issued under the Placement will rank pari passu with existing Shares on issue from the date of issue

Share Purchase Plan

SPP Overview	<ul style="list-style-type: none">• McPherson's will offer Eligible Shareholders the opportunity to participate in a non-underwritten SPP to raise up to \$10 million• Eligible Shareholders on the register at 7pm (AEST) on Monday, 26 October 2020 in Australia and New Zealand will be invited to subscribe for up to \$30,000 of New Shares free of any brokerage or transaction costs• McPherson's retains the ability to scale back applications should it receive demand above the SPP cap or to issue a higher amount, in its absolute discretion¹• Further information regarding the SPP will be provided to Eligible Shareholders in the SPP Booklet which Eligible Shareholders will receive following the completion of the Placement
SPP Pricing	<ul style="list-style-type: none">• The issue price of SPP will be the lower of<ul style="list-style-type: none">— \$2.27 per SPP Share, being the issue price under the Placement; and— a 2.5% discount (rounded down to the nearest cent) to the volume-weighted average price of MCP shares traded on ASX during the 5 trading days up to and including the SPP closing date (expected to be Thursday, 19 November 2020)
Ranking	<ul style="list-style-type: none">• New Shares issued under the Placement will rank pari passu with existing Shares on issue from the date of issue

Note: 1. If McPherson's receives applications that exceed the amount it proposes to raise under the SPP, McPherson's may decide to scale back applications or raise a higher amount, in its absolute discretion. If a scale back is applied, an Eligible Shareholders may be allocated fewer McPherson's Shares than they applied for under the SPP. If McPherson's decides to conduct any scale back, it will apply the scale back having regard to the size of the application and the number of Shares held on the SPP record date

Equity Raising timetable

Event	Date
Trading halt	Tuesday, 27 October 2020
Placement bookbuild	Tuesday, 27 October 2020
Announcement of the Placement and SPP	Tuesday, 27 October 2020
Announcement of the outcome of the Placement	Wednesday, 28 October 2020
Trading halt lifted. Trading resumes on the ASX	Wednesday, 28 October 2020
Settlement of New Shares issued under the Placement	Friday, 30 October 2020
SPP offer opens and SPP offer booklet is dispatched	9:00am (AEST) Friday, 30 October 2020
Issue and normal trading of New Shares issued under the Placement	Monday, 2 October 2020
McPherson's AGM	Wednesday, 4 November 2020
SPP offer closes	5:00pm (AEST) Thursday, 19 November 2020
Announcement of results of SPP	Tuesday, 24 November 2020
SPP allotment date	Thursday, 26 November 2020
Normal trading of SPP Shares and dispatch of holding statements	Monday, 30 November 2020

Note: The above dates and times are indicative only and subject to change without notice. All dates and times are Australian Eastern Daylight Time (AEDT).

Key Risks



Key Risks

There are risks associated with an investment in MCP. The material risks that have potential to have an effect on the Group's financial prospects, and how the Group manages these risks are outlined on pages 14 and 15 of McPherson's Limited 2020 Annual Report. Set out below is a summary of risks which MCP believes represent some of the key specific and general risks that parties should be aware of when deciding whether to invest in MCP. The risk factors set out below are not intended to be an exhaustive list of all of the risk factors to which MCP is exposed.

Acquisition risk	<p>The funds being raised by MCP are intended to be used to fund acquisition costs, including purchase price payments, and integration and other acquisition-related costs.</p> <p>MCP has undertaken due diligence on the acquisition target. There is a risk that these due diligence enquiries may not identify issues which would be material to a decision on whether to acquire a business, or that the risks or adverse matters apparent from information provided may not be adequately appreciated or addressed, including in the terms of the acquisition (such as price). Further, there is a risk that the historical financial, operating and other business-related information provided by the vendor may not be complete, accurate or reliable. If any of these risks eventuate, they may have a material adverse impact on MCP's financial position, performance, operations or reputation.</p> <p>MCP has entered into acquisition agreements with the vendor. There is a risk that MCP may incur costs or suffer losses in relation to breaches of an acquisition agreement, or in relation to the circumstances surrounding any non-compliance with or waiver of provisions in an acquisition agreement. This may have a material adverse impact on its financial performance. There is also a risk that MCP may fail to complete an acquisition, or that completion of an acquisition may be delayed. This may adversely affect MCP's ability to deliver on its growth strategy, its financial performance or its ability to extract synergies.</p> <p>The acquisition agreement allows MCP to seek compensation or indemnification from the vendor for claims or liabilities which may arise after completion. MCP's ability to do so may be limited by various factors, including the specific time, monetary or other limitations contained in the acquisition agreement, the financial ability of the vendor to satisfy those claims or as a result of commercial or practical difficulties in pursuing and recovering losses from vendor.</p>
Acquisition integration risk	<p>Once the acquisition completes, MCP will be responsible for integrating the acquired business under its ownership. There are risks associated with such integration, including transitioning the business to standardised financial reporting, IT and other systems across the group, implementing group purchasing procedures for certain items and services, requiring the acquired businesses to use centralised or shared services, and implementing standardised workplace policies for the group. Unexpected difficulties in integrating the acquired business may result in higher than expected integration or operating costs, potential business disruptions, loss of customers or other key relationships, or lower than expected cost or revenue synergies from the integration of the acquired businesses. Integration issues may also adversely affect MCP's ability to retain key employees. There is no assurance that an acquired business will perform as anticipated once fully integrated, or successfully achieve the desired objectives and synergies</p>
Business and growth strategy execution risk	<p>MCP's future growth and financial performance is dependent on its ability to successfully execute its business strategy and gain market share. The success of the strategy will be impacted by the success of the acquired business and market sentiment towards the acquisition. There are risks that customers may not purchase the products sold by the acquired business as anticipated or that MCP may not be able to gain access to new channels through the acquisition to expand its market presence.</p> <p>McPherson's business and growth strategy includes actively reviewing its portfolio of brands on a periodic basis including assessing various corporate, asset and brand acquisitions as well as potential divestments of existing businesses, assets and brands. There is a risk MCP fails to execute on its intended business and growth strategy. In the event of a failure to execute its growth strategy either in part or as a whole, MCP's business and growth prospects and its ability to achieve its financial forecasts may be adversely impacted.</p>

Key Risks (cont.)

Competition risk	<p>The health, wellness and beauty market is highly fragmented and MCP is or may be subject to competition both in traditional physical stores and online. MCP's market share may decrease if competitors grow their market share by building awareness in their brands, consolidating with other competitors or offering more attractive pricing. Pricing competition may also put pressure on MCP's profit margins. This may have a material adverse impact on MCP's financial position and prospects. MCP's ability to win and maintain market share is also dependent on customer preferences. If MCP fails to accurately predict or respond to customer preferences, this may have a material adverse effect on its financial position or reputation.</p>
Intellectual property risk	<p>MCP is reliant on ongoing ability to commercialise its existing intellectual property rights and acquire ownership or rights to use and commercialise other intellectual property rights. As part of the proposed acquisition, MCP is seeking to acquire intellectual property portfolios from the target business and to commercialise those following completion of the acquisition. There is a risk that third parties may make unauthorised use of, or successfully challenge MCP's rights to use, those intellectual property rights. There is also a risk that MCP may inadvertently fail to protect the intellectual property sufficiently. There is also a risk that MCP may inadvertently infringe the intellectual property rights of third parties. If any of these risks eventuate, it could result in MCP being unable to use and commercialise the intellectual property. This may have a material adverse impact on its financial performance, operations, brand and reputation.</p>
Regulatory risk	<p>The supply of the products which MCP is proposing to acquire is regulated and subject to legislation and regulations actively enforced by the relevant regulators. If MCP breaches legislation or regulations, regulators may take regulatory action against it, which may include requiring MCP to pay financial penalties, instigating product recalls, or varying or cancelling product registrations. The costs of such penalties and other regulatory responses could be substantial and impact MCP's financial performance and reputation.</p>
Reliance on third parties	<p>MCP is reliant on its ability to retain existing customers and suppliers on commercially reasonable terms. There is no guarantee that any existing customer or supplier arrangement may be renewed on commercially reasonable terms, or at all.</p> <p>As part of the proposed acquisition, MCP requires key customer and supplier contracts to be assigned to it. There is a risk that a customer or supplier may not consent to such assignment if such consent is required, or may otherwise refuse to supply to, or purchase from, MCP following completion of the acquisition on the existing commercial terms or at all. The loss of any key supplier may have a material adverse impact on MCP's ability to supply goods to its customers. The loss of any key customer may have a material adverse impact on MCP's revenue, and in turn its financial position and prospects.</p>

Key Risks (cont.)

Funding risk	<p>Under the Global Therapeutics acquisition agreement, MCP is contractually required to pay Global Therapeutics the purchase consideration agreed for the acquisition. As noted in this presentation, MCP is undertaking the placement provided for in this presentation to fund the consideration payable to Global Therapeutics. There is a risk that MCP may be unable to raise sufficient capital to fund the consideration payable for the acquisition. Although the placement is fully underwritten, there is a risk that the underwriter may terminate the underwriting agreement. The underwriting agreement confers on the underwriter termination rights which are market standard for a transaction of this nature, including, without limitation, rights to terminate the underwriting agreement if MCP suffers an insolvency event, the S&P/ASX 300 Index falls by 10% or more of the level it closed at on 23 October 2020, there is a material adverse change to MCP, there is an outbreak of hostilities, or if ASIC commences investigations against MCP or any of its directors or employees. As the Global Therapeutics acquisition agreement is not subject to a financing condition, if the underwriting agreement is terminated, MCP will still be contractually required to pay Global Therapeutics the purchase consideration. MCP will need to source funding for the acquisition from other debt or equity sources. MCP may not be able to source funding on as favourable terms as the placement, which may have a material adverse impact on its financial position and performance. Further, MCP may not be able to source funding at all, resulting in it being in breach of the acquisition agreement. If so, MCP may be exposed to claims by Global Therapeutics for breach of contract, which may have a material adverse impact on its financial position and reputation.</p>
Manufacturing risk	<p>Currently, Blackmores (through a subsidiary) provides contract manufacturing services to Global Therapeutics in respect of ~20% of estimated FY21 SKUs. Blackmores has agreed to continue to provide these contract manufacturing services to MCP for a period of 18 months following completion of the acquisition, after which time MCP must arrange its own manufacturing for those products. There is a risk that MCP may be unable to arrange a suitable replacement manufacturer which is appropriately licensed and experienced before expiry of the 18 month period, which may adversely affect MCP's ability to continue to supply those products. This may have a material adverse impact on MCP's business operations and profitability. If MCP is required to pause or cease supply of certain products while a new manufacturer is sourced, this may cause MCP to lose customers, which may have a material adverse impact on its revenue and reputation.</p>
Share risk	<p>The price at which MCP's shares are quoted on ASX may increase or decrease due to a number of factors, including fluctuations in securities exchanges, general economic conditions, interest rates, exchange rates, changes to government, fiscal, monetary or regulatory policies, legislation or regulation or COVID-19. There is no assurance that the price of MCP's shares will increase or remain stable, even if its financial and operational performance improves. There is also no assurance that an active trading market for MCP's shares will exist at any time.</p>
Shareholder dilution	<p>In the future, MCP may elect to issue shares to fund or raise proceeds for growth, as consideration for acquisitions or for any other reason. If MCP issues shares, shareholders' interests may be diluted and shareholders may experience a loss in value of their equity as a result of such share issues.</p>

Key Risks (cont.)

Taxation changes	<p>Tax laws in Australia are complex and are subject to change periodically as is their interpretation by the relevant courts and the tax revenue authorities. Changes in tax law (including transfer pricing, GST, stamp duties and employment taxes), or changes in the way tax laws are interpreted, may impact the tax liabilities of MCP, shareholder returns, the level of dividend imputation or franking or the tax treatment of a shareholder's investment.</p>
Legislation changes	<p>Other than tax laws, other laws in Australia are complex and are subject to change periodically as is their interpretation by the relevant courts and government authorities. Changes in laws, or changes in the way laws are interpreted, may impose additional obligations and costs on MCP or, depending on the extent of such changes, may require MCP to change its business model, all of which may have a material adverse effect on its business and financial condition.</p>
COVID-19	<p>COVID-19 is a major community and economic concern which is having an impact on business operations and securities exchanges in Australia and globally. There is a risk that government or industry measures taken in response to COVID-19, such as lockdowns and other restrictions on movements, may result in market volatility or restrict the ability of MCP to supply goods to its customers. There is also a risk that MCP's supply chain may be disrupted by COVID-19, particularly if any suppliers are located overseas. There is also a risk that persons whom MCP is reliant on to conduct its business may be unable to work for a period of time if they contract COVID-19 or are quarantined. These business interruptions may have a material adverse impact on MCP's operations and financial performance.</p>

International Offer Restrictions



International Offer Restrictions

This document does not constitute an offer of new ordinary shares ("New Shares") of the Company in any jurisdiction in which it would be unlawful. In particular, this document may not be distributed to any person, and the New Shares may not be offered or sold, in any country outside Australia except to the extent permitted below.

Hong Kong

WARNING: This document has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the "SFO"). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the New Shares have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO and any rules made under that ordinance).

No advertisement, invitation or document relating to the New Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to New Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors. No person allotted New Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

New Zealand

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013 (the "FMC Act"). The New Shares are not being offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) other than to a person who:

- is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

Singapore

This document and any other materials relating to the New Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of New Shares, may not be issued, circulated or distributed, nor may the New Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This document has been given to you on the basis that you are (i) an "institutional investor" (as defined in the SFA) or (ii) an "accredited investor" (as defined in the SFA). If you are not an investor falling within one of these categories, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the New Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire New Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.