Health
Wellness
Beauty

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McPherson's FY23 Results

Summary – Financial Results

- **Sales revenue** decreased 2% to $210.3 million (FY22: $214.0 million)
- **Sales revenue from owned brands** increased 2% to $191.9 million (FY22: $188.7 million)
- **Underlying EBITDA** down 14% to $15.0 million (FY22 $17.5 million)
- **Underlying Profit Before Tax (PBT)** decreased 32% to $7.3 million (FY22: $10.7 million)
- **Statutory Loss Before Tax (LBT)** of ($4.7 million)[1] (FY22: PBT $0.4 million)[1]
- **Non-cash impairments** of $8.3 million to the Multix brand and $3.4 million impairment to other brands and asset write down
- **Strong balance sheet** with net bank debt of $6.5 million and gearing of 6%
- **Final dividend** of 1.0 cents per share (cps) fully franked, payable on 22 September 2023
- **Total FY23 dividend** of 3.0 cps fully franked (FY22: 5.0 cps)

McPherson's Limited ("McPherson's" or "the Company") announces FY23 performance of $210.3 million of sales revenue, down 2% in comparison with the prior year. Double digit growth in the Essential Beauty category (Lady Jayne, Manicare and Swisspers) and strong performance in the domestic pharmacy channel, were offset by an 11% decline in sales of Multix in the domestic grocery channel.

FY23 Commercial Business Unit (CBU) Performance

Australian and New Zealand (ANZ)

The ANZ CBU comprises all sales from customers in the Australian and New Zealand markets. The FY22 comparative figures have been restated to combine the previously separate ANZ and Health CBUs.

Underlying results	FY23 ($m)	FY22 ($m)	Change ($m)	Change (%)
Sales revenue	200.9	206.1	(5.2)	(3%)
Underlying EBITDA*	20.5	24.5	(4.0)	(16%)

** EBITDA: Earnings before interest, tax, depreciation, amortisation and impairment.*

The $5.2m (3%) decrease in ANZ revenue was driven by an $8.5 million decrease in low margin private label sales as the Company has de-emphasised participation in this segment and a $5.7 million decline in Multix sales in the grocery channel.

The Company's Essential Beauty brands all experienced revenue growth, driven by strong brand value propositions, successful new product launches and robust retail partnerships. Domestic Skincare sales declined by 10%, primarily due to a 36% decline in A'kin sales impacted by range rationalisation and rundown of inventory prior to the brand's re-launch in FY24. Supply chain disruptions impacted sales of Dr. LeWinn's and A'kin products in 2H23.

Revenue from Fusion products increased by 10% for the full year, with a strong performance in the pharmacy channel up 137%, benefiting from wide spread distribution through the strategic alliance with Chemist Warehouse. Sales in the declining specialist health food channel decreased by 16%.

[1] The specific material items included in FY23 and FY22 statutory (LBT) / PBT are outlined in the Appendix.

Revenue from agency brands increased by 10%, although sales of private label products declined by 57%.

The overall contribution margin recorded in FY23 was 41.5% (FY22: 40.7%) driven by mix improvements in Essential Beauty and Fusion products. This improvement was achieved despite a net $1.1 million unfavourable variance in $A/$US currency, and adverse commodity and sea freight cost impacts in FY23.

Operating expenses increased by $3.9 million (6%) from $64.5 million in FY22 to $68.4 million in FY23, the primary areas of increase being advertising and promotional expense ($1.5 million), third party warehousing ($0.4 million), travel ($0.3 million) and freight to customers ($0.3 million).

International CBU

The International CBU comprises the Company's brands sold into geographies other than Australia and New Zealand.

Underlying results	FY23 ($m)	FY22 ($m)	Change ($m)	Change (%)
Sales revenue	9.3	7.9	1.4	18%
Underlying LBITDA*	(1.3)	(2.3)	1.0	43%

** LBITDA: Losses before interest, tax, depreciation, amortisation and impairment.*

The $1.4 million (18%) increase in international sales was due to a $0.8 million increase in sales in the Singapore market, and a $0.7 million increase in sales of Dr. LeWinn's products into the China market. The future profitability of the South East Asia region will be enhanced by the recent closure of the Company's permanent establishment in Singapore and the appointment of a local distributor to represent the Company's brands in the region.

The overall contribution margin increased from 38.1% in FY22 to 43.4% in FY23, as the Company cleared excess Dr. LeWinn's inventory at low margins in FY22. Operating expenses were unchanged at $5.5 million in FY23.

Specific material items impacting statutory results

The Company has recognised the following specific material items in its FY23 statutory result.

1. The $8.3 million non-cash impairment in the Multix brand reflects a reassessment of future revenue flows as consumer cost of living pressures have resulted in loss of market share to lower cost alternatives and volumes have been impacted by a reduction in ranging from a key customer in the grocery channel. The Multix carrying value has been decreased by 41% from $20.2 million to $11.9 million.
2. The $3.4 million non-cash impairment in other brands and asset write down. The Maseur brand enjoyed strong growth in the early stages of the pandemic but following price increases at the start of FY23, revenue was below expectations and has given rise to a reduced growth expectation, resulting in a reduction in its carrying value by 57% from $5.1 million to $2.2 million.
3. The $1.0 million favourable write-back of the FY22 provision for Dr. LeWinn's inventory is due to the achievement of above forecast sales of Dr. LeWinn's products over the last 12 months, particularly in the international market.
4. Leadership transition costs of $0.5m have been incurred in relation to the change in Managing Director / Chief Executive Officer role.
5. Restructuring costs of $0.4 million have been incurred, largely due to the integration of the Health CBU into the ANZ CBU.
6. Professional fees of $0.4 million have been incurred for services in relation to various matters raised by ASIC.

Net Debt and Cashflow

Net debt, excluding lease liabilities, remains low at $6.5 million (FY22: $1.7 million), and the Company's gearing ratio (net bank debt excluding lease liabilities / total funds employed) was 6% at 30 June 2023 (30 June 2022: 1%).

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McPherson's recorded an underlying cash conversion of 51% in FY23 (FY22: 129%). Reflecting typical seasonality, cash conversion in 2H23 was above 100% as the Company reduced its working capital over the six months to 30 June 2023.

Full Year and Final Dividend

The Board has declared a final dividend of 1.0cps fully franked (2H22: 2.0cps), with a record date of 5 September 2023 and payable to shareholders on 22 September 2023. The total dividend for FY23 of 3.0cps fully franked (FY22: 5.0cps) represents an underlying payout ratio of 100%. The high dividend payout ratio reflects the Company's strong balance sheet and significant franking credit balance.

The Company's dividend policy remains to pay a minimum dividend of 60% of underlying profit after tax, subject to other cash requirements.

ASIC Matter

As announced to the ASX on 9 December 2022, ASIC has commenced civil proceedings in the Federal Court of Australia against McPherson's Limited and a former Managing Director in relation to events during the period 30 October 2020 to 1 December 2020. The company is defending these proceedings.

Summary comment from new Chief Executive Officer and Managing Director

Chief Executive Officer and Managing Director Brett Charlton, who joined the Company in August, said: "While only in the role for a short time, I've found a supportive group of professionals who are committed to seeing the business succeed. I recognise we have not met the expectations of our shareholders this last year and we have no time to lose on stepping up to a new level of performance. I'm encouraged and excited by the opportunities I've seen so far and believe the Company has the right mix of brands, customers and people to achieve this. I am energised by the excitement of the challenge ahead."

Authorisation

This ASX release has been authorised by the McPherson's Limited Board of Directors.

For further information please contact:

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About McPherson's Limited

McPherson's, established in 1860, is a leading supplier of Health, Wellness and Beauty products with operations in Australia, New Zealand and Asia. McPherson's markets and distributes beauty care, hair care, skincare, vitamins, supplements, 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 revenue is primarily derived from its diversified portfolio of owned, market-leading brands, including Manicare, Lady Jayne, Swisspers, Dr. LeWinn's, A'kin, Multix, Fusion Health, Oriental Botanicals, Moosehead and Maseur. McPherson's also manages several brands for agency partners. For further information on McPherson's business and its strategy, and to view the most recent corporation video, please refer to the Company's website: https://www.mcphersons.com.au

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Appendix – FY23 & FY22 Results Summary

Underlying results	FY23 ($m)	FY22 ($m)	Change ($m)	Change (%)
Sales revenue	210.3	214.0	(3.7)	(2%)
ANZ underlying EBITDA	20.5	24.5	(4.0)	(16%)
International underlying LBITDA	(1.3)	(2.3)	1.0	43%
Unallocated underlying expenses	(4.2)	(4.7)	0.5	11%
Underlying EBITDA	15.0	17.5	(2.5)	(14%)
Underlying EBIT	9.1	11.8	(2.7)	(23%)
Underlying PBT	7.3	10.7	(3.4)	(32%)
Underlying PAT	4.3	7.0	(2.7)	(39%)
Underlying EPS (cents per share)	3.0	5.3	(2.3)	(43%)

Statutory results	FY23 ($m)	FY22 ($m)	Change ($m)	Change (%)
Sales revenue	210.3	214.0	(3.7)	(2%)
EBITDA *	14.5	7.3	7.2	99%
(LBT) / PBT **	(4.7)	0.4	(5.1)	N/M
(LAT) / PAT***	(5.1)	0.3	(5.4)	N/M
(LPS) / EPS (cents per share)	(3.5)	0.3	(3.8)	N/M

Net Bank Debt and Gearing	FY23 ($m)	FY22 ($m)	Change ($m)	Change (%)
Net Bank Debt	6.5	1.7	5.1	N/M
Gearing	5.6%	1.4%	3.7%	N/M

N/M –% change not considered meaningful.

* FY23 Statutory EBITDA includes the following pre-tax, specific material items: (i) Dr. LeWinn's inventory provision write-back $1.0 million; (ii) Leadership transition costs ($0.5m); (iii) Restructuring costs ($0.4) million; Professional fees in relation to ASIC matters ($0.4 million) and Asset write down ($0.2 million).

FY22 Statutory EBITDA includes the following pre-tax, specific material items: (i) Dr. LeWinn's inventory provision ($9.4) million; (ii) Restructuring costs ($0.6) million; (iii) Chemist Warehouse Strategic Alliance establishment expenses ($0.6) million; and (iv) Other items including reversal of estimated joint venture costs $0.3 million.

** FY23 Statutory LBT includes the following pre-tax, specific material items: (i) Multix brand impairment ($8.3) million; (ii) Impairment of other brands and asset write down ($3.4) million; (iii) Dr. LeWinn's inventory provision write-back $1.0 million; (iv) Leadership transition costs ($0.5 million); (v) Restructuring costs ($0.4) million and (vi) Professional fees in relation to ASIC matters ($0.4 million).

FY22 Statutory PBT includes the following pre-tax, specific material items: (i) Dr. LeWinn's inventory provision ($9.4) million; (ii) Restructuring costs ($0.6) million; (iii) Chemist Warehouse Strategic Alliance establishment expenses ($0.6) million; and (iv) Other items including reversal of estimated joint venture costs $0.3 million.

*** FY23 Statutory LAT includes the following after-tax, specific material items: (i) Multix brand impairment ($5.8) million; (ii) Impairment of other brands and asset write down ($3.4) million; (iii) Dr. LeWinn's inventory provision write-back $0.7 million; (iv) Leadership transition costs ($0.3 million); (v) Restructuring costs ($0.3) million and (vi) Professional fees in relation to ASIC matters ($0.3 million).

FY22 Statutory PAT includes the following after-tax, specific material items: (i) Dr. LeWinn's inventory provision ($6.6) million; (ii) Restructuring costs ($0.3) million; (iii) Chemist Warehouse Strategic Alliance establishment expenses ($0.4) million; and (iv) Other items including reversal of estimated joint venture costs $0.7 million.

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