

1 December 2020

McPherson's Trading Update

- **Settlement of Global Therapeutics acquisition, marking the establishment of the McPherson's Health and Wellness Division**
- **Australian core owned brands performing well, with 5 out of 6 brands delivering year to date sales and contribution margin growth in comparison with last year**
- **Weaker than expected 11/11 trading event leads to excess Dr. LeWinn's stock**
- **Reduced 1H21 forecast sales to ABM results in revision of underlying PBT in the range of \$6.5 million to \$7.5 million and withdrawal of FY21 underlying PBT guidance**
- **ABM is forecasting very strong growth of 40% to 50% in Dr. LeWinns sales to its reseller community in calendar year 2021**
- **Strong balance sheet with net bank debt of ~\$10 million post acquisition of Global Therapeutics**

Strategy Update

The Global Therapeutics acquisition settled on 30 November 2020, marking the establishment of the McPherson's Health and Wellness Division. Acquiring the 20-year-old established brands, Fusion Health and Oriental Botanicals will see McPherson's deliver strong go to market capabilities with a highly qualified team (41 FTE) and a strong product innovation pipeline for the Vitamins and Dietary Supplements category, which in Australia is part of the \$7 billion Health & Wellness retail sales market.

McPherson's Australian sales continue to grow strongly, with 5 of 6 core brands growing in both sales revenue and contribution margins for the year to November 2020 in comparison with the prior corresponding period. Consequently, the profit contribution from the Multix, Manicare, Swisspers, Lady Jayne and A'kin brands have improved strongly in the Australian market.

The most recent retail scan data indicates that McPherson's outperformed the market in 3 of its 6 core owned brands on a moving annual total basis, with Swisspers and Lady Jayne achieving all-time share highs for the last 2 years. In Pharmacy, McPherson's continued as the number 1 Australian beauty supplier growing at 15.2% (MAT to 2/08/20) demonstrating McPherson's ability to be agile and responsive to market demands.

McPherson's Chief Executive Officer and Managing Director, Mr. Laurence McAllister, said: "With our underlying domestic performance healthy and Global Therapeutics now under the McPherson's banner, our efforts are focused on integration and fostering further growth in new and existing channels so we can win in the \$17 billion Health, Wellness and Beauty market.

Revised 1H21 guidance and withdrawal of FY21 guidance

On Friday 27 November, McPherson's key China joint venture partner Access Brands Management (ABM), provided feedback that its significant 11/11 event, the largest online trading event in the world, was below expectation. Sales to the ABM reseller network were below expectations formed by the impressive run rate that the joint venture has been

For personal use only

experiencing to date, leaving ABM with higher than forecast inventory levels of Dr. LeWinn's product at the end of November.

After urgent and detailed consideration of the updated information, McPherson's has reduced the Group's 1H21 underlying profit before tax forecast of \$10.2 million to \$11.1 million¹ to a range of \$6.5 million to \$7.5 million (1H20: \$8.5 million) and has withdrawn full year FY21 guidance.

McPherson's and ABM are working through initiatives to materially improve the 2H21 outcome through further incremental promotional investments, innovation in new products, two significant sales events and growth in ABM's reseller network. Consequently 2H21 sales are expected to be stronger than 2H20.

Livia Wang, CEO, Australia and New Zealand of Access Corporate Group commented: "The Dr. LeWinn's brand has shown strong sales this year, forecast to grow over 60% in sales to the ABM reseller community in calendar year 2020 and next year we are looking to grow the brand further, targeting 40-50% growth in sales to the ABM reseller community in calendar 2021.

We are leveraging the true brand positioning in the cosmeceutical skincare space with a focus on clinically proven formulations and innovative product launches to fuel the brand and we will keep investing to deliver exciting growth for 2021.

I am personally excited about the coming year for Dr. LeWinn's", said Livia Wang, Chief Brand Officer, Access Corporate Group.

Building for the Future

McPherson's continues to apply a high degree of scrutiny to the diligence and strategic merit of acquisitions with a number of processes underway at various stages.

At the end of November 2020, McPherson's had a net bank debt of ~\$10 million.

Mr. McAllister added: "We will utilise our strong balance sheet, funding capacity and sales marketing and distribution competencies to fund bolt-on acquisitions that offer synergies, enhance and accelerate our capabilities, and complement our existing brand portfolio."

Authorisation

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

For further information please contact:

Connie Meintanis on cmeintanis@mcpher.com.au or +61 447 454 135

¹ Based on guidance provided at McPherson's AGM of growth in first half FY21 underlying profit before tax being in the range of 20% to 30% above FY20



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>

About Global Therapeutics Pty Ltd.

Since 1999, Global Therapeutics has been a leader in harnessing the benefits of coming traditional herbal medicines with western complementary medicines, specially formulated to deliver optimal therapeutic results, with 80% of the range based on traditional herbal medicines. For further information please visit <http://www.mcphersons.com.au>

For personal use only