

ASX Release

27 January 2021

FY20 TRADING UPDATE, FY21-22 OUTLOOK, AND RESPONSE TO ESSITY PROPOSAL

Highlights

- FY20 results¹ demonstrate growth momentum in a challenging market:
 - Revenues of \$419.2m, up 2.3% after 3.0% growth in FY19.
 - Strong performance in all Retail segments and B2B Incontinence Healthcare, collectively up 6.7%.
 - B2B Professional Hygiene solid, down only 4% despite impact of COVID-19 restrictions on “away from home” activity.
 - Underlying EBITDA \$87.2m, ahead of previous guidance of upper end of \$84-87m.
 - Underlying EBITDA \$89.2m from continuing businesses (excluding Baby NZ loss), up 6.3%.
 - Further reduction in net debt to \$94.9m from \$139.3m FY19 and \$260.1m FY18, reflecting strong cashflow generation and disciplined application of sales proceeds from Australian Consumer Tissue transaction.
 - Strong balance sheet with sufficient capacity to fund ongoing dividends and flexibility to accommodate accretive bolt-on acquisitions.
- FY21 and FY22 Outlook² targeting continued revenue growth from FY21 and margin expansion from FY22.
 - FY21 targeting 5-7% revenue growth and EBITDA of \$90m - \$93m.
 - FY22 targeting mid-single digit revenue growth and EBITDA growth of 10%+.
- The Independent Board Committee has responded to the Essity Proposal to acquire all the shares in the Company.
 - After careful review, the Committee considers that the Proposal fundamentally undervalues Asaleo Care and is materially inadequate.

¹ FY20 trading update based on unaudited results (audited results will be released on 17 February 2021).

² Outlook approved by Independent Board Committee.

FY20 Trading Update³

A\$m	FY20	FY19	Change
Continuing Operations:			
Underlying Revenue	419.2	409.7	2.3%
Underlying EBITDA	89.2	83.9	6.3%

Asaleo Care delivered revenue of \$419.2m (up 2.3%) and underlying EBITDA from continuing businesses of \$89.2m (up 6.3%). Underlying EBITDA, including Baby NZ loss, was \$87.2m, ahead of previous guidance at upper end of \$84m - \$87m.

The result demonstrates significant growth momentum in a challenging market:

- Asaleo Care's retail segment grew strongly, with Feminine Care up 12% and Incontinence 10%. Consumer Tissue in NZ grew 3%, with the branded business up 7%.
- In the B2B segment, Healthcare Incontinence enjoyed growth of 9% whilst revenues from Professional Hygiene were down only 4%, despite the impact of COVID-19 restrictions on "away from home" activity.
- Brand investment was up 11%, which resulted in market share gains in core categories.

Strong cashflow was generated and net debt further reduced to \$94.9m, leaving Asaleo Care with a robust balance sheet. The leverage ratio was reduced to 1.21x from 1.95x in FY19 and 3.25x in FY18. Lower debt and strong anticipated cash flows position Asaleo Care with sufficient capacity to fund ongoing dividends and the flexibility to accommodate accretive strategic bolt-on acquisitions.

After selling its Australian Consumer Tissue business and withdrawing from the Baby category in New Zealand, Asaleo Care's portfolio is now exposed to categories with higher growth potential and stronger economics. The TOM Organic⁴ acquisition, announced in December 2020, is expected to be immediately accretive with first full year EBIT expected to be \$1.7m, increasing to \$3.5-\$4.0m in the second full year, after realising scale and supply benefits.

FY21-22 Outlook⁵

For FY21, the Company is targeting 5-7% revenue growth. This includes a part-year contribution from TOM Organic and a recovery in Professional Hygiene, as COVID-19 impacts begin to ease during the second half of the year. EBITDA is targeted at \$90m-\$93m with growth moderated by the impact of the final year of absorption of stranded costs from the sale of the Australian Consumer Tissue business and withdrawal from the Baby category in New Zealand, along with rising pulp prices.

For FY22, the Company is targeting mid-single digit revenue growth and EBITDA growth of 10%+ benefiting from the abatement of stranded costs and a full year of TOM Organic contribution including synergies.

Sid Takla, CEO and Managing Director commented, "Our strong performance in an exceptionally

³ Trading update based on FY20 unaudited results (audited results will be released on 17 February 2021).

⁴ Sale Agreement executed but transaction yet to complete.

⁵ Outlook approved by Independent Board Committee.

challenging FY20 is testament to the resilience of our business and the commitment of our talented team. Ongoing investment and innovation in our core brands, coupled with strong execution of our plan, enabled us to deliver continued revenue growth and market share gains across our core categories. This has set Asaleo Care on a clear path towards sustainable future growth in FY21 and beyond.”

Response to the Essity Proposal

The Independent Board Committee⁶ has responded to the unsolicited, indicative, conditional and non-binding Proposal from Essity Aktiebolag (publ) (“Essity”), to acquire all the shares in the Company, as announced to the market on 10 December 2020 (the “Proposal”).

The Independent Board Committee, after careful review, considers that the Proposal fundamentally undervalues Asaleo Care and is materially inadequate for the following reasons:

1. The Proposal undervalues the Company on a standalone basis.
2. Asaleo Care has reset the business for long term value creation including the exit of low margin, capital intensive businesses, and has materially increased investment in its core brands to drive revenue and market share growth.
3. The Company is on a clear path towards sustainable future growth and continues to target initiatives which create sustainable and profitable growth.
4. The Proposal should reflect the strategic and financial benefits an acquisition would deliver to Essity, and
5. Key shareholders are unsupportive of the Proposal and Asaleo Care shares continue to trade above the offer price.

Chairman, Harry Boon said, “The Independent Board Committee, after careful review, considers that the Proposal fundamentally undervalues Asaleo Care, is materially inadequate and does not reflect the strategic value of the company to Essity. However, the Committee remains open to further engagement.”

Further details are included in the accompanying Investor Presentation.

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About Asaleo Care (ASX: AHY)

Asaleo Care is a leading personal care and hygiene company which markets, manufactures, distributes, and sells personal care and hygiene products throughout Australia, New Zealand, and the Pacific Islands. Its portfolio of market-leading brands includes Libra, TENA, Tork, Viti and Orchid. The Purex, Sorbent and Handee brands are owned in New Zealand and the Pacific Islands only. The Company has 14 manufacturing and distribution facilities and employs around 650 people who work together to offer products and services which provide care, comfort, and confidence every day. For more information visit www.asaleocare.com

⁶ Excludes Essity nominated directors.

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This ASX announcement was approved and authorised for release by James Orr, Company Secretary.