

31 March 2021

RESPONSE TO GALLIN'S INADEQUATE TAKEOVER OFFER

Gallin's takeover offer is not in the best interests of McPherson's shareholders

- The offer profoundly undervalues McPherson's and is utterly opportunistic
- The offer undervalues the significant equity created in McPherson's market leading brands
- Premium of only 9.8% on the prior day closing price and 4.1% to the 3-month VWAP

The Board has been working through an operational review and shareholders should await the outcome of this review

- The Board and management team have been working through an operational review for some months now, with input from external advisers
- Shareholders should await the outcome of this review, which will be presented during May 2021 and set out the strategy to drive growth and deliver value to shareholders

Former interim CEO and now permanent CEO, Grant Peck, is playing a pivotal role in the review

- As a seasoned leader with comprehensive knowledge of the business and the confidence of the entire McPherson's team, the Board is delighted to confirm the appointment of interim CEO Mr Grant Peck on a permanent basis

The Board reaffirms its advice to shareholders to take no action

- Board is following due process and will provide a formal response and recommendation to the takeover offer in the Target's Statement on or before 8 April 2021.

Inadequate, opportunistic bid

The Board of McPherson's Limited ("MCP", "McPherson's" or "the Group") recommends shareholders **take no action** in relation to the unconditional on-market takeover offer of 25 March 2021 from Gallin Pty Ltd ("Gallin") to acquire all shares in McPherson's for \$1.34 per share. Gallin is owned by Bennamon Pty Ltd, which is wholly owned by Kin Group Pty Ltd (Kin), Raphael Geminder's family investment company.

McPherson's Chairman Graham Cubbin said: "The Gallin offer represents a premium of only 9.8% on the prior day closing price and profoundly undervalues the Group. It is materially inadequate and utterly opportunistic.

"In the Board's view, Kin Group is implementing a hostile strategy to achieve control or partial control of the company without paying shareholders a fair premium.

"The Board is undertaking a critical review of the Bidder's Statement and will make a full and formal response and recommendation to shareholders within the Group's Target's Statement to be dispatched to shareholders on or before 8 April 2021. The Target's Statement will also contain



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further detail about the performance, strategy and growth objectives of the Group,” Mr Cubbin said.

The Board and management team under the leadership of CEO, Mr Grant Peck, are working through a thorough operational review that has been underway for some months now. The outcome of this review will:

- identify and prioritise McPherson’s growth drivers;
- articulate the steps to be taken to enhance its leading health, wellness and beauty brand portfolio through research and innovation; and
- develop the Group’s strategy to continue to drive growth through expanding domestic and export distribution channels.

Moelis Australia has been engaged to assist the Board with evaluation of this operational review, as well as various capital management and other value-enhancing initiatives for shareholders.

Shareholders should **do nothing** until they have considered all of the information in the Target’s Statement.

Important initial observations regarding McPherson’s:

Ahead of the Target’s Statement being dispatched to shareholders, the Board and management make the following observations regarding McPherson’s in the context of Gallin’s takeover offer:

1. McPherson’s – a leading supplier of Health, Wellness and Beauty products in Australasia

McPherson’s is a leading supplier of Health, Wellness and Beauty products in Australasia and China, with a strong portfolio of owned brands that are underpinned by a continued and sustainable investment in product innovation and brand revitalisation.

The McPherson’s Board and management team are an active manager of brands and continually evaluate the performance of all brands in line with the Group’s strategy, which may lead to brand acquisitions and divestments. As such, Group sales revenue performance should be evaluated on an owned brands basis.

Statutory sales and contribution across McPherson’s owned brands have grown at a CAGR of 10% and 7% respectively from 1 January 2017 to 31 December 2020.

Importantly, McPherson’s performance has been underpinned by a strong domestic business which has contributed 88% of total sales revenue over this period.

The domestic business has continued to perform strongly since McPherson’s trading update on 1 December 2020 with domestic owned brand sales and contribution growing 5% and 8% respectively in the three-month period to 28 February 2021 relative to the prior corresponding period. While March has performed strongly, McPherson’s notes that the strong initial buying phase of COVID-19 related to sales of Multix and Swisspers in March 2020 have started to cycle through.

2. Gallin takeover offer price – materially inadequate and profoundly undervaluing the Group

The Board recognises that recent share price performance has been disappointing.

McPherson’s closing price prior to Gallin’s offer was \$1.22 per share, which is significantly lower than McPherson’s trading range for the majority of the twelve-month period up to

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24 March 2021, being the day prior to the receipt of the Gallin offer. We note that McPherson's closed:

- above \$1.22 per share for approximately 93% of trading days during this period; and
- above \$1.34 per share, being the Offer price, for approximately 85% of trading days during this period.

At \$1.34 cash per McPherson's share, **the Offer implies a discount of 10.4% and 26.5% respectively to the Volume Weighted Average Price (VWAP) over the 6 and 12-month periods up to 24 March 2021¹, being the Gallin Offer announcement date.** Furthermore, the premium to the 3-month VWAP¹ is only 4.1% which, in the Board's view, is significantly below that which should apply to obtain control of the company.

3. *Acquisition strategy and capital management*

The Board of McPherson's has historically pursued a robust acquisition strategy and recently acquired Global Therapeutics to establish its Health Division, which as previously announced is both synergistic and complementary to McPherson's existing brand portfolio. The Board will provide further information regarding the integration progress of Global Therapeutics and its performance since acquisition, as part of the completion of its operational review.

While the Board will continue to monitor acquisitions, it has also appointed Moelis Australia to evaluate capital management initiatives and other value enhancing initiatives for shareholders.

4. *Appointment of CEO and impending completion of operational review*

As detailed in an announcement to the market today, the Board is delighted to confirm the appointment of interim CEO Mr Grant Peck on a permanent basis. This follows completion of a comprehensive search and selection process. In addition to Mr Peck's past experience and achievements, his comprehensive knowledge of the business, engagement with all key stakeholders, and the confidence with which he is held by the entire McPherson's team have been clearly evident as he has lead the business over the past four months.

This leadership continuity will enable the efficient completion of the operational review the Board and management already have underway.

What should you do as a McPherson's shareholder?

Take no action.

McPherson's will continue to keep its shareholders fully informed and in accordance with Corporations Law and ASX listing Rules requirements and will issue its Target's Statement on or before 8 April 2021.

¹ The 3-month VWAP is calculated for the period from 25 December 2020 to 24 March 2021 (inclusive). The 6-month VWAP is calculated for the period from 25 September 2020 to 24 March 2021 (inclusive). The 12-month VWAP is calculated for the period from 25 March 2020 to 24 March 2021 (inclusive).

The company's Target's Statement will include a formal recommendation from the Board, and further information about the performance, strategy and growth objectives of the Group to ensure shareholders can make a fully informed decision.

Authorisation

This ASX announcement 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 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>