



McPherson's Limited 2020 Annual General Meeting

CEO and Managing Director's Address – Mr. Laurie McAllister, with input from the McPherson's Senior Leadership Team

4 November 2020

Slide 11 – Photo of Laurie

Thank you, Graham, for the introduction and good morning to all of our shareholders joining us today as we conduct this year's AGM in the virtual realm. I look forward to seeing you in person in 2021.

I would like to reiterate Graham's comments about our Board. I am fortunate to lead a company with a Board who are not only highly experienced, but also have a clear understanding of our objectives and are committed to achieving them in a dynamic and competitive world.

Slide 12 – Photo of Management Team

I am also very fortunate to be supported by a fantastic management team. (Introduce each person)

Slide 13 – H,W & B - \$17B market

So why Health, Wellness and Beauty? Well it is big – a \$17 billion market in fact. It has strong growth rates and strong margins. Vanity and health aren't going away.

Slide 14 – Ten Strategic Imperatives for FY20

Three years ago, we set ourselves the objective of achieving ten business imperatives. With the recently announced acquisition of Global Therapeutics, I'm pleased that we can now say that we have achieved 9 out of 10 of these objectives, with point 8, being "to stabilize and grow NZ & Singapore and expand in Asia & International" current work in progress, with very positive momentum.

Slide 15 – Ten Strategic Imperatives for FY21

Today, I'd like to discuss our ten strategic imperatives for fiscal 21.

Firstly, we will continue to protect and grow McPherson's core five Health, Wellness and Beauty brands in-line with key macro trends;

Secondly, we intend to turbo charge our Dr. LeWinn's global growth plan by accelerating our new product development pipeline & geographical expansion strategy;

Thirdly, we will accelerate our ABM Joint Venture strategy in greater China through extending our innovation cycle, supply chain, new brands & category expansion;

Fourth, we will partner with customers to drive brand, category & channel expansion through superior in-store and online consumer experience;

Fifth, we will continue our investment in people development, capabilities and culture in an ever-changing environment;

Sixth, we will expedite our Health, Wellness and Beauty portfolio expansion through increased Research and Development partnerships and New Product Development investment;

Seventh, our sustainability agenda will be accelerated, engaging people and communities, the planet, our portfolio and partners;

Eighth, we will utilise our strong balance sheet and excess capacity to land meaningful merger and acquisition opportunities and geographic expansion, with a focus on the USA, Europe and Asia;

Nineth, our New Zealand and Singapore regions will be rejuvenated to deliver budgeted positive EBIT targets; and finally

Targeted cost saving initiatives will be implemented.

Slide 16 – People First

During COVID-19, the wellbeing and support of our employees, as they work in challenging circumstances, has been and continues to be our highest priority.

We have been consistent in paying full corporate taxes, employing additional staff and continuing to grow our business without assistance from the Australian taxpayer in the form of job keeper or job seeker subsidies.

The photos you can see on this slide feature some of our wonderful staff enjoying both their working environments and various recreational activities. I am deeply thankful to our team for their commitment and resilience through this challenging period.

Our Chief Financial Officer, Paul Witheridge, will now take us through our Q1 FY21 Financial Highlights and a summary of the recently announced capital raising program.

Slide 17 – Financial Highlights & Capital Raising Summary

Thankyou Laurie.

Slide 18 – Commentary on YT September 21 Financial Outcomes

Firstly, a summary of our first Quarter fiscal 21 trading update that was released to the ASX on 20 October 2020. The key points were as follows:

- 4% growth in sales revenue to \$49.7 million;
- 8% growth in sales revenue from owned brands to \$41.7 million;
- 84% growth in underlying PBT to \$2.9 million;
- Growth in category market share in 4 out of 6 core brands;
- Continued strong China sales trajectory fuelled by ABM partnership model;
- \$5.7 million non-recurring full provision for write-down in hand sanitiser inventory;
- Forecast growth in first half FY21 underlying profit before tax in the range of 20% to 30% above FY20 and forecast growth in full year FY21 underlying profit before tax in the range of 5% to 10% above FY20; and
- Dividend policy remains unchanged and will be applied to underlying profit after tax.

Slide 19 – Capital Raising Summary

Finally, a summary of our recently announced institutional placement and share purchase plan:

- \$36.5m institutional placement completed on 28 October 2020 at \$2.27 per share representing 15% of pre-raise issued capital;
- A Share Purchase Plan (SPP) is being offered to eligible shareholders in Australia and New Zealand to raise up to \$10 million;
- SPP to be priced at the lower of (i) \$2.27 per share or (ii) a 2.5% discount to the volume-weighted average price over the five trading days up to and including the SPP closing date (expected to be 20 November 2020);
- Results of SPP expected to be published on 25 November 2020;

- SPP shares expected to be issued on 27 November 2020; and
- Proceeds from the institutional placement & SPP to be applied to:
 - (i) fund the acquisition of Global Therapeutics and transaction costs; and
 - (ii) provide McPherson's with additional balance sheet capacity for potential future acquisition and growth initiatives.

Our Head of Research & Development, Mary Pearce, is now going to talk about some of our Sustainable Growth.

Slide 20 – FY20 Core Brands

Thankyou Paul.

Slide 21 – Sustainable Growth

- Investment in innovation is a focus at McPherson's.
- Year on year we have increased our talent pool in this area, which has resulted in an increase in NPD launches from less than one hundred, to more than 200 in the past financial year.
- In the last year we have produced some of the leading NPD launches in the pharmacy channel and have further grown the portfolio that is so popular with our partners in China.
- In R&D our key priorities to the business are
 - (i) to broaden our technical capability as a business;
 - (ii) drive new product development; and
 - (iii) support existing product.
- In order to achieve these three priorities, we seek out and solidify partnerships with experts in many areas to remain lean, while ensuring the company is suitably supported.
- As a result of the acquisition of Global Therapeutics we will see the R&D group expand to ensure that all technical aspects are in place for future growth of the complementary medicine brands we are so excited to bring into the company.

I will now hand you over to our Marketing Director, Donna Chan, who will talk about some of our products and marketing strategies.

Slide 22 – FY20: COVID-19 Resilient Owned Brand Portfolio

- The McPherson's owned brand portfolio achieved strong results in FY20.

- It was a stellar year for Dr. LeWinn's (DRL), where we saw high revenue and in market growth for both the domestic and export markets.
- During COVID-19, our diversified portfolio delivered solid gains across the Manicare, Lady Jayne, Swisspers and Multix brands, where we were able to successfully capitalise on the growing consumer trend towards baking, cooking and beauty at home.

Slide 23 – Brand Portfolio Well Positioned Against Macro Trends

Our portfolio of leading brands is well positioned to leverage the latest macro trends:

- Global expansion continues to represent a major opportunity;
- We are increasingly investing in science and clinical claims to deliver efficacious products that satisfy the proactive beauty trend;
- Sustainable solutions are high on our agenda as we champion first to market sustainable innovations to drive category growth; and
- In this new COVID norm, our everyday essential brands are playing a larger role in peoples working from home lives.

Slide 24 – FY21: Leverage Macro Trends to Drive Future Growth

Looking forward to FY21 we have several exciting initiatives to drive continued growth momentum:

- Market expansion remains a priority, not only for DRL in China but also A'kin expansion in Asia and Europe;
- We're expanding DRL into the beauty supplements category with clinically proven peptide drinks and powders; and
- A'kin is also launching a scientifically proven volumizing shampoo & conditioner this month.

Slide 25 – FY21: Leverage Macro Trends to Drive Future Growth

- Swisspers continues to champion plastic free solutions with new sizes across its cotton tip, paper stem range;
- Multix has launched the first to market compostable, biodegradable and resealable snack and sandwich bag;
- The popularity of our Greener range has called for larger pack sizes catering to larger households; and
- We are just about to launch the Glam Cam Lash app, a new virtual solution to connect with our consumers at home.

We're really excited about our innovation and market expansion plans to fuel our future growth.

I'd now like to hand over to Lori Pirozzi who will take you through our customer and channel plans.

Slide 26 – Channel & Customer

Thankyou Donna

Slide 27 – MCP Performance FY20 in Traditional Channels

Like our Brands our key channels, Pharmacy and Grocery during FY20 and throughout the COVID pandemic delivered solid results.

From a scan performance perspective McPherson's outperformed the market in 4 of 6 core brands.

In Pharmacy, of the top 5 Australian skincare suppliers, McPherson's were the fastest growing at 19.5%. As a result, not only did we hold but we continued to grow share of shelf in store with key brands like Dr. LeWinn's.

In Grocery, Swisspers grew over 1.5 times the cotton category and concentration on portfolio management drove profitability, which was a key element of our strategic imperatives.

Slide 28 – FY20 Demonstrated Agility and Resilience

Undoubtedly given the global environment our FY20 performance results demonstrated both resilience and agility in the marketplace.

Not only did we continue our focus on execution, underpinned by building strategic relationships, optimising investment and connecting with shoppers in store and through innovation launches.

We quickly pivoted and accelerated our focus to online retail. We partnered with new online customers, onboarded 112 products in existing online customers and increased our investment in online assets by 30%.

Further to this, we grew our channel presence with existing partners and brand presence in store with core range distribution up 10% vs prior year.

As buyer behaviour changed, we were agile in launching into new channels, gaining acceptance for a select range of A'kin in Foodstuffs NZ and Woolworths. This resulted in an additional 5,000 distribution points which are now executed in market, as Donna highlighted previously.

Slide 29 – Macro Retail Trends Shaping MCP Sales Strategy

As we continue this momentum into FY21 there are 4 key retail macro trends that shaped our Sales Strategy in order to deliver on our key Business Imperatives that Laurie mentioned earlier.

The acceleration of channel shift to online continues with increased spend of 31.9% and 84% of shoppers now engaging in the channel. We continue to see the discount pharmacy format and grocery gain share.

Donna mentioned the globalisation of brands and the same is true for retailers expanding offshore. Nearly 65% of the top 250 retailers have foreign presence in both online and Bricks and Mortar. Australian retailers are following this trend.

In light of competition, retailers continue to look at differentiating themselves via exclusive and pseudo brands, with over 120 brands now available in the categories in which we operate.

Shopper behaviours are also changing with 58% now considering private label and 53% likely to change their mind based on what they see in store.

Slide 30 – Macro Retail Trends Shaping MCP Sales Strategy

So how do these macro trends translate into McPherson's Sales Strategy? From a channel perspective expansion and online are our key focus areas.

Our strategic partnerships and integrated global Sales Plans position us to successfully participate in our retailer's geographic expansion plans. Our retailer differentiation strategy includes clear offers of exclusive products and promotions, along with first to market opportunities.

We talk about real-estate being king and it remains our strength in navigating category solutions and disruption of path to purchase, so we continue to invest heavily in this space to engage shoppers.

Slide 31 – ANZ Operational Sales Imperatives Overview

All of these initiatives form the basis of our three ANZ Sales Imperatives, which continue our momentum for sustainable growth.

We have a holistic view on range and investment optimisation.

An ongoing emphasis on execution, driving growth from our core brands and innovation.

And our single largest opportunity remains... Expansion, including continued core brand penetration, new channel penetration, geographic expansion and entry into new categories such as health which David and Brett will now take you through

Slide 32 – Mergers & Acquisitions – Global Therapeutics

Thanks Lori

Brett and I will now touch on the acquisition of the Global Therapeutics Business from Blackmores that was executed last week

Slide 33 – Company Overview

For those that are not aware of the Global Therapeutics business.

It was founded in 1999 in Byron Bay, New South Wales.

There are there are two key brands. Fusion Health & Oriental Botanicals.

Both brands are built on the philosophy of combining the best from traditional/oriental wisdom and modern science.

As you can see there are a number of sub-segments that the portfolio of products targets including the high growth immunity segment which has maintained high growth rates due to COVID 19

Slide 34 – Executing McPherson's Strategy

The acquisition of Global Therapeutics is the start of a new health Division for McPhersons. As we saw from an earlier slide that Laurie presented there is close to \$7 billion in retail sales in Health & Wellness in Australia alone

We believe that because of the strong focus of Global therapeutics on health orientated channels that we can leverage those strengths to further enhance the growth opportunities for Soulful nutritional milk and Happy Flora digestive health propositions

Slide 35 – Revenue Segmentation

Da The way to look at the two brands is that Fusion Health accounts for almost 3 out of every 4 sales. It is currently distributed through the Health Food channel

Oriental Botanicals has been focussing on the Pharmacy channel.

Across the 200 plus SKU's they share a lot of common formulations in the traditional herbal space.

As I mentioned earlier their portfolio is built around the main consumer needs of immunity, joint health, digestive health and women's health

Slide 36 – Distribution Network

Fusin Health is currently sold in to 630 Health Food stores out of a universe of 8 to 9 hundred

It has established itself as a lead brand in this channel

As we said in the previous slide, Oriental Botanicals has achieved a penetration of over 1,100 pharmacy doors out of a universe of 5,700. In their top 10 customers Terry White with 450 doors and Discount Drug Stores with 135 are some of their top customers. We believe there is strong opportunity for pharmacy expansion with McPherson's calling on over 5,000 pharmacy doors across Australia

Slide 37 – Global Therapeutics Market Positioning

When we look at complimentary medicine the focus for Global Therapeutics brands has been on the fast growing Herbal & traditional products segment at over \$800 million in retail sales, growing at over 57% year on year for the last 5 years, whilst the overall complimentary medicine space has been growing at plus 10%

Fusion Health crosses in to the \$3.1 billion Vitamin & Dietary supplements segment with some of the products in its range

As you can see on the right hand side 78% of Australian have purchased the category in the last 12 month, driven by 83% of Australian women purchasing in the last year

We think that the herbal/traditional growth also taps in to the fast growing clean, kind, vegan trend driven by millennials and consumer searching for more plant based natural health solutions

Slide 38 – A Winning Integration Strategy

Thanks David

As previously noted, the acquisition of Global Therapeutics is right in line with McPherson's stated strategy of pursuing growth in Health, Wellness & Beauty

The acquisition is EPS accretive with good growth potential, and also delivers McPherson's with a meaningful Health & Wellness business that it can now build upon

The brands are respected and have a unique point of difference

And the team is of high quality with deep industry knowledge, and we are very pleased that they will transition across with the business and form the basis of the new Health division

Slide 39 – A Winning Integration (cont.)

The acquisition also provides the opportunity to leverage some common capabilities across the group:

- With the products fitting straight into our high quality Kingsgrove warehouse
- Being able to leverage the new technical capabilities for other McPherson's brands (eg. digestible beauty supplements)
- And the Global Therapeutics team being able to cross sell existing McPherson's products into the Health Food Channel

From a product and market expansion perspective:

- We see good opportunities in New Zealand
- We will be working towards expansion into China and South East Asia
- And we really like the Byron Bay provenance and heritage of the brands, which we feel can be further enhanced

Slide 40 – Pro Forma Financial Impact

From a financial perspective:

- Global Therapeutics has revenue of c. \$20m with an FY20 pro-forma EBIT in McPherson's hands of \$3.7m. This EBIT is after allowing for additional resources that McPherson's will be investing within the business;
- The acquisition is expected to be mid single digit EPS accretive

- The business has strong margins that McPherson's can invest behind to grow the business
- And the acquisition further diversifies McPherson's revenue sources, with Global Therapeutics representing 8% of Group revenue on an FY20 pro-forma basis

I will now hand over to David Fielding to introduce our Export Results

Slide 41 – FY20 Export Results Highlights

David to introduce Livia Wang from Access China

Slide 42 – Access Corporate Group

Livia Wang – No Commentary

Slide 43 – ACG 2018 – 2020 GMV Growth

Livia Wang – No Commentary

Slide 44 – Global Connections

Livia Wang – No Commentary

Slide 45 – Our Facts

Livia Wang – No Commentary

Slide 46 – Access & Dr. LeWinn's

Livia Wang – No Commentary

Slide 47 – Double 6 Performance

Livia Wang – No Commentary

Slide 48 – Awards & Recognitions

Livia Wang – No Commentary

Slide 49 – China International Import Expo

Livia Wang – No Commentary

Slide 50 – Double 11 Forecast

Livia Wang – No Commentary

Slide 51 – Thank you

Livia Wang – No Commentary

Slide 52 – Dr. LeWinn's - Year on Year

The growth trajectory of Dr. LeWinn's in China is a testament to the strength of the McPhersons & ABM relationship and the joint approach to innovation, strengthening the portfolio and building engagement in the Dr. LeWinn's brand.

Starting with only 1 hero back in FY17, the business has strengthened in revenue and scope achieving more than \$37m in sales in FY20 and expanding to 5 hero products.

For the current year we are targeting \$48.2 million in sales, up 30% on FY20 expanding to six hero products or SKU's.

Slide 53 – Dr. LeWinn's - Top Performer in China

Major ABM event promotions provide a litmus test for brand health and DRL has maintained its top 3 position within the ABM portfolio of brands.

The WeChat search history demonstrates the growing awareness for the Dr. LeWinn's brand with relevant spikes at key periods aligned with the key ABM promotions.

The brand is becoming less and less reliant on a single product or SKU as new product innovations resonate with ABM'ers.

Slide 54 – Dr. LeWinn's - China Innovation

Dr. LeWinn's continues to be committed to innovation as a core pillar of the brand.

The new introductions are consumer led targeting highly engaged skincare users.

DRL is focused on delivering clinically proven formulations with the newest technology in ingredients

with 2 new products coming in 2021 specifically developed for the China market in strong and fast-growing segments

Whilst addressing gaps in the range, the introductions will engage existing loyalists and invite new consumers to the brand.

Shortening lead times for bringing innovation to market are key objectives for growth in China.

Slide 55 – Dr. LeWinn’s - The Aware Group

And finally, McPherson’s relationship with the Aware Group underpins the success of Dr. LeWinn’s with ABM in China.

Aware recently produced their 1 millionth unit in Australia, and now accounts for over 25% of all DRL units produced. With further tech transfer underway this relationship will only grow stronger.

The strategic alignment with Aware was strengthened by the progressive increase in equity share MCP holds having grown to 10% in FY20.

Slide 56 – Summary and Outlook – Back to Laurie

Thank you to the team for those presentations.

Slide 57– Current Trading & Outlook for FY21

To conclude, I will reiterate the quality of our current financial performance and restate our outlook for the first half and fiscal 2021 year:

- Following 20% growth in FY20 underlying PBT, the Group has achieved 84% growth in Q1 FY21 underlying PBT;
- Sales of core brands have grown 8% in Q1 FY21;
- Export sales of Dr. LeWinn’s have grown 19% in Q1 FY21;
- The Group has a strong underlying trading and financial position despite the \$5.7 million non-recurring, full provision for excess hand sanitiser;
- Growth through merger and acquisition is a strategic priority. Global Therapeutics is the first initiative to establish a new health division at McPherson’s;
- A healthy balance sheet and low gearing;
- Intent to maintain the current dividend policy of a minimum of 60% of underlying profit after tax, subject to cash requirements; and

- Guidance of 5% to 10% growth in underlying FY21 PBT over FY20.

Slide 58 – People First

Finally, it's important to emphasise that, as always and particularly during COVID-19, the wellbeing and support of our employees continues to be our highest priority.

That concludes the presentations for today. I would now like to welcome Graham Cubbin back to the lectern to commence the formal proceedings of the meeting.