

ASX Announcement

Transformation Update

24 February 2025

Highlights

- Comprehensive route to market review complete; now commencing transition to new operating model.
- Shift from direct-to-store operating model to third-party warehousing and pharmacy wholesaler route to market.
- Simplifies and streamlines McPherson's operating model, creating greater capacity to focus on driving brand growth, servicing customers and aligning investment with core capabilities.
- Expected to unlock incremental annual underlying EBIT¹ in the order of \$4.0 to \$5.0 million from FY26 onwards, substantially addressing the residual shared fixed cost base following the divestment of Multix².
- Significant milestone in line with transformation roadmap for FY25.

In June 2024, McPherson's Limited (**ASX:MCP**) announced a comprehensive review of the optimal route to market for its brands following the divestment of the Multix brand and assets (**Multix**). The objective was to identify the best operating model for McPherson's as a pure play health, wellness and beauty company: one that would allow for increased investment in McPherson's brands, facilitate more efficient distribution to customers and address McPherson's cost base and capital requirements following the divestment of Multix.

The review concluded that McPherson's would be better able to grow its brands, service its customers and align investment with its core capabilities through a third-party warehousing and logistics model and the use of pharmacy wholesalers, rather than the current model as a direct-to-store distributor.

New Operating Model

McPherson's will exit warehousing and the fulfillment of direct-to-store orders and transition to the use of an experienced third-party warehousing provider (**3PL**) and pharmacy wholesalers to fulfil orders to transform its operating model.

Firstly, Excel Logistics Pty Ltd (**Excel**) will, subject to customary conditions of landlord and financier consent, sublease the Kingsgrove warehouse from McPherson's from 1 March 2025 until the end of the current head lease in June 2027. This will result in an exit from its own warehousing and provide McPherson's with a partial recovery of fixed costs associated with its Kingsgrove warehouse and office lease.

¹ Earnings before interest and tax (EBIT) is a non-GAAP measure and does not have a standardised meaning prescribed by GAAP. However, the Company believes that, in combination with GAAP measures, it assists in providing investors with a comprehensive understanding of the operational performance of the business. Underlying EBIT excludes material items.

² On 28 June 2024, McPherson's announced the divestment of the Multix brand and assets to International Consolidated Business Group Pty Ltd as trustee for ICBG Unit Trust (ABN 73 804 885 700) (**ICBG**). Multix is a trademark owned by ICBG.

Secondly, McPherson's will outsource the warehousing of its brands for all channels excluding New Zealand to Excel as a 3PL. This will simplify and streamline McPherson's operating model, creating a more appropriate cost structure and greater capacity for McPherson's to focus on driving growth across its brands.

In addition to the above, McPherson's is in advanced discussions with experienced pharmacy wholesalers for the distribution of McPherson's products to the pharmacy channel within Australia. Clifford Hallam Healthcare Pty Ltd (**CH2**) has been engaged by McPherson's as a wholesaler for its Fusion Health brand in the health food channel. Use of pharmacy wholesalers and a 3PL will offer retailers and consumers greater access to McPherson's brands to ensure improved in-store availability. It will expand McPherson's points of distribution and reach for its brands in the attractive pharmacy channel.

Impact of New Operating Model

The change in operating model will remove the requirement for McPherson's to maintain warehouse and inhouse distribution capabilities. It is expected that the proposed changes will impact approximately 65 roles within McPherson's warehouse team over the coming months as the transition takes effect. A consultation process with affected employees and representatives is underway.

Implementation of the new route to market, including the transition to Excel as McPherson's 3PL and agreements with pharmacy wholesalers and CH2, is expected to unlock incremental annual underlying EBIT³ in the order of \$4.0 to \$5.0 million from FY26 onwards, substantially addressing the residual shared fixed cost base that remained in the business following the divestment of Multix. This reshaped variable cost base will result in working capital efficiencies and be scalable as McPherson's business grows.

The Company expects to incur material items in the order of \$9.0 million to \$11.0 million in FY25, comprising a mix of cash and non-cash items. These include redundancy and implementation costs, and non-cash write downs of right-of-use assets associated with the head lease and warehousing equipment.

McPherson's CEO, Brett Charlton, said:

"At the start of our transformation, we identified a clear set of strategic priorities, focused on five core health, wellness and beauty brands. A key priority has been to identify a new operating model that would better support these brands, and today's announcement marks the first step towards the implementation of our new model."

McPherson's will announce its financial results for the six months ending 31 December 2024 on Wednesday 26 February 2025.

Authorisation

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

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About McPherson's Limited

McPherson's Limited is a supplier of some of Australia's well-known essential health, beauty, and wellness products. McPherson's has five core household brands: 'Manicare', 'Lady Jayne', 'Dr LeWinns', 'Swisspers' and 'Fusion Health.' McPherson's strategy is to invest in and grow these brands through the pharmacy, grocery and e-commerce channels. In addition, the Company supplies a supporting portfolio of other popular brands in attractive segments of the market including haircare, vitamins and supplements, fragrance, and nutrition.

McPherson's is headquartered in Sydney, has offices in Melbourne, Auckland, Hong Kong and Shanghai, and is listed on the Australian Securities Exchange.

For further information, please visit www.mcphersons.com.au

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