

McPherson's Limited (ABN 98 004 068 419)

2025 AGM – Chair Address

Introduction

At last years' AGM, we outlined the transformation that was underway at McPherson's. During FY25, we have continued to make solid progress on this: re-setting our operating model and building a robust platform for sustainable growth. Today I look forward to providing you with an update on the work underway at McPherson's, and the way ahead.

Our transformation

In August 2023, the Board appointed Brett Charlton as CEO and Managing Director with a clear mandate to transform the company given its underperformance.

We then announced a strategic reset in November 2023 to focus McPherson's on its core health, wellness and beauty brands. We also announced a strategic review of the Multix. This review concluded that Multix was a strong brand but was overly exposed to factors outside McPherson's control. When these factors moved against us, investment would be diverted away from our core brands.

As a result, the Company determined to divest Multix and to ensure investment in our core health, wellness and beauty categories, which are higher growth and higher margin. The divestment was completed, and cash proceeds received, in June 2024. This allowed us to turn our attention to addressing several key issues that remained post divestment, including the residual cost base of the continuing business, the relatively high fixed cost base overall and the fact that the Kingsgrove warehouse management system was no longer fit for purpose.

Tackling these things has been a complex and major effort. A highly experienced new management team joined the business over the course of FY24 and FY25 and set out a series of logical and careful steps to ensure we could deliver on the plan. In addition, we ensured we could fund the transformation, primarily through proceeds from the divestment of Multix.

The Board and Management of McPherson's have endeavoured to provide a clear pathway and explanation of what has been achieved at every half and full year result during the past two years. This past year, FY25, was one in which we undertook the majority of the work to entirely re-shape and reset our operating model and our CEO, Brett, will talk more about these shortly.

Ensuring that we bring investors with us on this journey has been – and remains – critical for the Board and Management, and we recognise there is more we can do to further explain our strategy and share some of the opportunities for McPherson's.

FY25 results

The backdrop to our results is of course, the transformation underway at McPherson's. I want to say upfront that while our results continue to reflect the transformation underway, they are not yet where we want them to be and we acknowledge that.

There are three key themes reflected in our FY25 results.

Firstly, this was the Company's first year as a pure play health, wellness and beauty company. However, the business still carried the residual cost base attached to the Multix business that was divested in June 2024. Addressing this cost base was a priority during the year.

Secondly, our results reflected our transition to a new operating model – which, in turn, is part of our effort to address the cost base and position the business for growth.

Thirdly, and finally, our results included the foundational investment we have made in our core brands to position them for growth during the year. The operating environment during FY25 remained challenging, with cost-of-living pressures weighing on consumer sentiment. In this context, our core brands delivered moderate growth overall, assisted modestly by transitional pipe-fill revenues from the change to our new operating model. Our core brands are resilient and are in attractive categories. However, they are not yet performing to our expectations as we work to rebuild them after a period of sustained under-investment. We have now laid the foundations for improved performance in FY26 and beyond and look forward to keeping you updated on our progress.

Transformation activities to date have been fully internally funded, both through proceeds from the divestment of Multix, and operating cash flow. Our balance sheet strength is well positioned to support the next phase of business transformation.

Capital management

The Board determined not to pay a final dividend for FY25. In arriving at that decision, the Board considered the accumulated loss position of the Group, as well as the capital needs required to support the embedding of the Company's new operating model.

Additionally, we elected to undertake a review of the Group's capital allocation framework early last financial year (FY25). This remains ongoing, with further updates on the development of this framework expected through the course of FY26 as we fully embed the new operating model and gain a more fulsome understanding of the cash flow profile of the business. This review will include a framework for future potential shareholder returns. While this work is ongoing, other capital management activity is underway including realising working capital efficiencies and a refinancing of our debt facilities.

Governance & remuneration

During the year, I assumed the role of Board Chair after Ari Mervis stepped aside from that role due to his increased workload outside McPherson's. While Ari's external commitments have now reduced, the Board determined to retain this Board structure through FY25 year end and this AGM to ensure stability and continuity during this time of company transformation. Ari remains on the Board as a non-executive director and member of the Audit and People & Culture Committees.

However, Board renewal remains a priority to ensure that the skills, experience and capabilities we have on the Board evolve with the Company's new strategy.

Currently, we are engaged in a selection process to supplement the Board with at least one new director who can bring the desired skills and experience in areas such as digital technology and consumer goods.

Following the appointment of a new director, Jane McKellar will retire from the Board after 11 years of service as a non-executive director and Chair of our People & Culture Committee. Jane has been a committed and hard-working director and has contributed her skills and experience to support the Board and Management. This will therefore be Jane's last AGM and we would like to take this opportunity to thank her and wish her well.

At that time, the Board will then comprise non-executive directors with tenures of 4, 5 and 7 years and a new director. The Board will then determine the most appropriate committee structure, composition and leadership positions of the Board to align with the Company's new strategy.

I also wanted to note two final points on governance and remuneration.

Firstly, Helen Thornton, a valued director who joined the Board in December 2021 and the current chair of our Audit Committee, is standing for re-election today and she has the full support of her fellow Board members for her re-election as a director. Helen brings a wealth of relevant listed company experience – particularly in the areas of audit, finance, risk management and governance matters – which are invaluable for the Board and your Company.

Secondly, shareholders have the opportunity to vote on the remuneration report at this meeting. The Group did not meet the financial targets required for any payment of short-term incentives during the year, and vesting conditions were not met for any performance rights under the long-term incentive plan. The Board therefore determined that the FY25 short-term incentive would not be paid.

Nevertheless, the Board recognised the significant effort to ensure that the Company delivered on our change in operating model and therefore determined to recognise this with a modest one-off discretionary payment to certain executives. This payment will form part of executive remuneration in FY26 and will be disclosed for shareholder consideration in the FY26 Remuneration Report.

Looking ahead

The Board recognises that it will take sustained and disciplined investment, together with differentiated sales and marketing, to unlock the full potential of the Company's core brands in the coming years. The new operating model was specifically designed for this purpose, and the Board is confident that our strategy provides a strong platform for sustainable growth and long-term shareholder value.

The Company's priorities for FY26 include embedding the new operating model, continuing to reinvest in our brands, and leveraging the incremental operating benefits unlocked through transformation.

Closing remarks

On behalf of the Board, I would like to thank Brett Charlton, our CEO, the Executive Leadership Team and all employees for their continued dedication and commitment through a year of significant change. It has been no small feat to implement the change in operating model, and the Board recognises that the McPherson's team has worked exceptionally hard to effect a smooth, but complex, transition.

To our shareholders, I also sincerely thank you for your continued support while we have been making the significant and necessary changes to position the Company for sustainable, long-term growth.

I will now hand over to Brett to share his reflections on your company and will then return to go through the formal business of the meeting.