

# YEAR END RESULTS

PZ Cussons Plc  
31 May 2019



# OVERVIEW

- > Moderate decline in revenue of 2.6% at constant currency – driven by weak economic conditions in Africa, partially offset by a solid performance in Asia Pacific and Europe & the Americas.
- > Adjusted operating profit at £76.5m, 9.7% lower in constant currency – strong performance in Asia Pacific and a solid result in Europe & the Americas, offset by losses in Africa.
- > Adjusted profit before tax at £69.8m, in line with the expectations announced at the half year.
- > Improvement in net debt, following a stronger focus on cash management throughout the business – reduction to £152.2m.
- > New strategy to deliver increased focus and scale, accelerating the Group's return to profitable growth.
- > Reflecting good cash generation and confidence in the new strategy, proposed full year dividend maintained in line with prior year at 8.28p per share.



# OPERATING RESULTS

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# GROUP RESULTS

|  | Year ended<br>31 May 2019 | Year ended<br>31 May 2018<br>(Restated)* | Reported<br>% change | Constant<br>currency<br>% change |
|--|---------------------------|--|----------------------|----------------------------------|
| <b>Revenue</b>                           | <b>£689.4m</b>            | £739.8m                                  | (6.8%)               | (2.6%)                           |
| <b>Adjusted operating profit</b>         | <b>£76.5m</b>             | £85.7m                                   | (10.7%)              | (9.7%)                           |
| <b>Adjusted profit before tax</b>        | <b>£69.8m</b>             | £80.1m                                   | (12.9%)              | (11.8%)                          |
| <b>Adjusted EPS</b>                      | <b>13.01p</b>             | 13.39p                                   | (2.8%)               |                                  |
| <b>Dividend per share</b>                | <b>8.28p</b>              | 8.28p                                    | -                    |                                  |
| <b>Net debt</b>                          | <b>(£152.2m)</b>          | (£165.4m)                                |                      |                                  |
| <b>Reported (IFRS) operating profit</b>  | <b>£43.7m</b>             | £64.8m                                   | (32.6%)              |                                  |
| <b>Reported (IFRS) profit before tax</b> | <b>£37.0m</b>             | £59.2m                                   | (37.5%)              |                                  |
| <b>Basic earnings per share</b>          | <b>6.24p</b>              | 9.63p                                    | (35.2%)              |                                  |

- > Overall decline in revenue of -2.6% largely impacted by Africa with solid performance in Asia Pacific and Europe & the Americas.
- > Adjusted operating profit -9.7% impacted by increased costs such as Lagos port charges and planned increased marketing investment.
- > Reported operating profit -32.6% due to non-cash impairment of intangible assets in ANZ and Nigeria.
- > Net debt reduced to £152.2m through focus on cash management throughout the business.
- > Board recommendation to maintain dividend at same level as last year.

\* The revenue results for the year ended 31 May 2018 have been restated to reflect the application of IFRS 15. The IFRS results for the year ended 31 May 2018 have been restated to reflect the impact of prior year adjustments.



# EUROPE & THE AMERICAS RESULTS

|                                  | 2019           | 2018<br>(Restated)* | Reported<br>% change | Constant currency<br>% change |
|----------------------------------|----------------|---------------------|----------------------|-------------------------------|
| <b>Revenue</b>                   | <b>£264.0m</b> | £264.4m             | (0.2%)               | (0.1%)                        |
| <b>Adjusted operating profit</b> | <b>£57.1m</b>  | £60.8m              | (6.1%)               | (6.2%)                        |
| <b>Operating margin %</b>        | <b>21.6%</b>   | 23.0%               |                      |                               |
| <b>Average NWC %</b>             | <b>11%</b>     | 12%                 |                      |                               |

- Revenue flat with strong performance by Beauty and growth in UK offset by Food in Greece
- Adjusted operating profit -6.2% with growth in Beauty offset by planned increased marketing investment in UK
- Strong margin result despite pricing and discounting pressure
- Improvement in working capital management despite Brexit volatility

\* The revenue results for the year ended 31 May 2018 have been restated to reflect the application of IFRS 15.

# ASIA PACIFIC RESULTS

|                                  | 2019           | 2018<br>(Restated)* | Reported<br>% change | Constant currency<br>% change |
|----------------------------------|----------------|---------------------|----------------------|-------------------------------|
| <b>Revenue</b>                   | <b>£193.0m</b> | £201.3m             | (4.1%)               | (1.2%)                        |
| <b>Adjusted operating profit</b> | <b>£20.4m</b>  | £18.6m              | 9.7%                 | 13.7%                         |
| <b>Operating margin %</b>        | <b>10.6%</b>   | 9.2%                |                      |                               |
| <b>Average NWC %</b>             | <b>15%</b>     | 15%                 |                      |                               |

- Revenue small decline with good growth in Indonesia
- Strong operating profit result through improved mix and cost savings in ANZ and Indonesia
- Margin benefitted from growth in key brands
- Non-cash impairment of five:am due to revision of future assumptions

\* The revenue results for the year ended 31 May 2018 have been restated to reflect the application of IFRS 15.

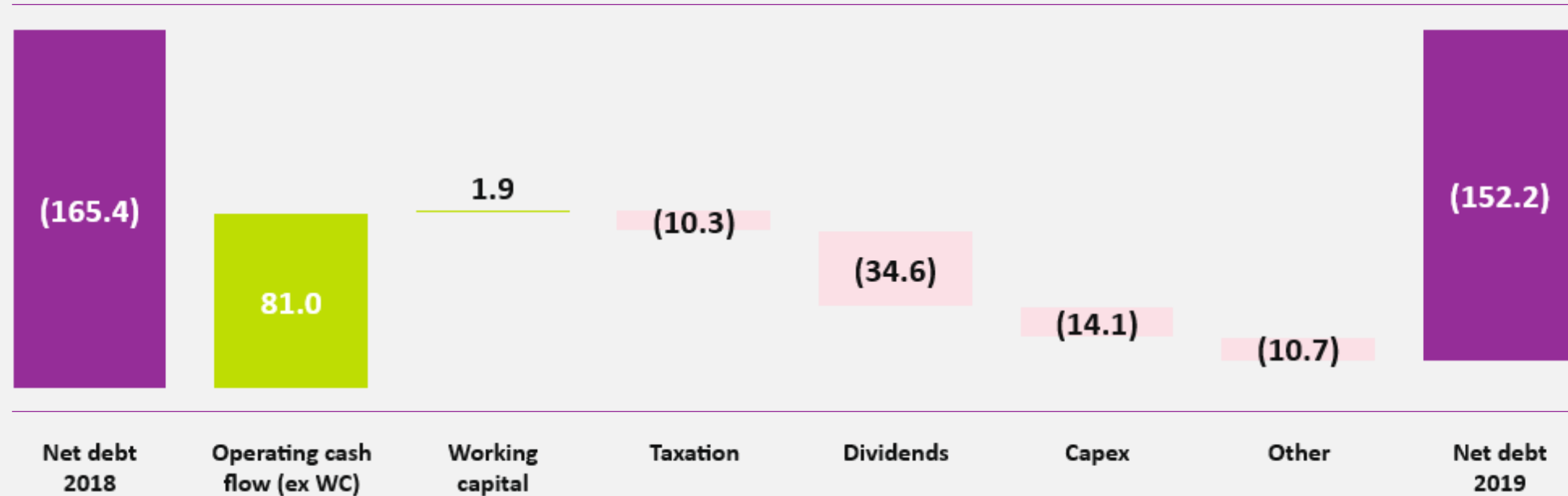
# AFRICA RESULTS

|                                  | 2019           | 2018<br>(Restated)* | Reported<br>% change | Constant currency<br>% change |
|----------------------------------|----------------|---------------------|----------------------|-------------------------------|
| <b>Revenue</b>                   | <b>£232.4m</b> | £274.1m             | (15.2%)              | (6.4%)                        |
| <b>Adjusted operating profit</b> | <b>(£1.0m)</b> | £6.3m               | (115.9%)             | (117.7%)                      |
| <b>Operating margin %</b>        | <b>(1.4%)</b>  | 1.8%                |                      |                               |
| <b>Average NWC %</b>             | <b>45%</b>     | 34%                 |                      |                               |

- Africa remains a challenge with revenue down by -6.4% mainly in mass market
- More encouraging performance in premium Personal Care brands and Electricals
- Operating loss driven by increase in costs including charges associated with Lagos port which also impacts working capital
- Non-cash Impairment of Nutricima due to review of economic environment

\* The revenue results for the year ended 31 May 2018 have been restated to reflect the application of IFRS 15.

# CASH FLOW AND NET DEBT



- Strong balance sheet with new banking facility in place until 2023
- Maintained discipline over credit, working capital and capex management
- Overall net debt declines to £152.2m and remains a focus for the business



# STRATEGY



# STRATEGY FOR GROWTH

**FOCUS  
SCALE  
ACCELERATE**

- > Future investment focused on key brands and categories in key geographies:
  - Europe & the Americas
  - Asia Pacific
  - Africa
- > Within five years, aim to deliver four-fifths of revenue from Beauty and Personal Care
- > Simplification of our Nigerian activities, continued investment in our joint partnerships
- > Disposal of non-core brands

**Evolve PZ Cussons into a more streamlined and dynamic business; fit for the future**

# STRATEGY FOR GROWTH

## FOCUS

- High-margin, Beauty and Personal Care categories
- Homecare maintained to provide in-market scale
- Continued investment in JV brands that offer disproportionate growth
- Divestment of non-core brands

## SCALE

- Scale brands in high-potential established and new markets
- Scale distribution through selected channels with the right consumers
- Scale our digital commerce

## ACCELERATE

- Beauty and Personal Care to drive largest share of revenue and profit growth
- The Americas and Asia to create biggest opportunity for revenue growth
- Increase UK and Australia profitability through premium innovation
- Build on Nigeria's heritage



# SUMMARY

- Solid performance in Europe & the Americas and Asia Pacific
- Africa remains a challenge
- Balance sheet remains strong
- Current economic conditions remain challenging whilst we transition to a return to revenue growth with increased reinvestment behind focused brands
- Transformative 5-year strategy established to deliver sustained growth



**Thank you**