Positioned for growth

PZ Cussons Plc
Year End Results
31 May 2017

PZ Cussons

Group overview

Profit before tax slightly ahead of prior year despite a challenging macro environment particularly in the Group’s largest market of Nigeria.

Brand shares maintained or growing in all the Group’s major markets and categories.

Successful on time completion of three year project to implement SAP in all markets.

Strong balance sheet with net debt at 1.1x EBITDA.

Dividend increased 2.1% marking 44th consecutive year of year-on-year increases.

Group Results

	Year ended 31 May 2017	Year ended 31 May 2016	Reported % change	Constant currency % change
Revenue	£809.2m	£821.2m	(1.5%)	0.9%
Operating profit	£106.3m	£108.5m	(2.0%)	(0.9%)
Profit before tax	£103.5m	£103.0m	0.5%	1.7%
Adjusted EPS	16.85p	17.22p	(2.1%)	(2.2%)
Dividend per share	8.28p	8.11p	2.1%	
Net debt	(£143.8m)	(£147.1m)		

Solid set of results given challenging macro environment.

Africa

Nigeria macro overview

Naira: US$[1]

Date	Interbank Rate[2]	Secondary Market[2]
2015	160	160
31 May 2016	200	
June 2016	280[3]	Weakened as low as 520 during the year.
July 2016	305	
31 May 2017	305	370

Very significant in year weakening and volatility of the Naira.

Notes

1. Rates are approximate.
2. In H1 most liquidity only available on secondary market. In H2 more liquidity available at interbank rate.
3. A new flexible exchange rate regime introduced in June 2016.

Africa results

	2017	2016	Reported %	Constant ccy %
Revenue	£305.6m	£357.2m	(14.5%)	4.7%
Operating profit	£28.3m	£30.4m	(6.9%)	15.8%

- Continual changes to relative pricing during year to mitigate significantly higher costs from weaker Naira
- Consumer under significant inflationary pressure as cost of most items double and wage inflation low
- Group's diverse and trusted brand portfolio working well with product offerings at all price points
- Whilst market volumes lower, PZC brand shares held or grown

Achievement of a sterling profit result for Africa only slightly lower than the previous year represents a good performance considering the significant level of price, cost, and volume volatility.

Notes

1. Nigeria represents 90% approximately of Africa revenue and operating profit.
2. PZ Wilmar revenue (not consolidated) £156.9m (2016: £175.8m).
3. Nigeria results translated using official interbank rate.

Asia

Asia results

	2017	2016	Reported %	Constant ccy %
Revenue	£222.7m	£188.2m	18.3%	0.1%
Operating profit	£15.9m	£16.4m	(3.1%)	(17.9%)

- Reported revenue growth driven by the translation benefit of a stronger Australian Dollar and Indonesian Rupiah
- Low profitability in H1 due to particularly tough trading conditions in Australia and additional brand costs in Indonesia for new launches
- Stronger performance in second half of year
  - Continued improvement in profitability in Australia (driven by brand refreshes, new product launches and overhead reduction)
  - Strong revenue and profit growth in Indonesia (driven by significant new product launches across Cussons Baby, Cussons Kids and Imperial Leather)

Strong H2 sets platform for continued future growth in Asia

Europe

Europe results

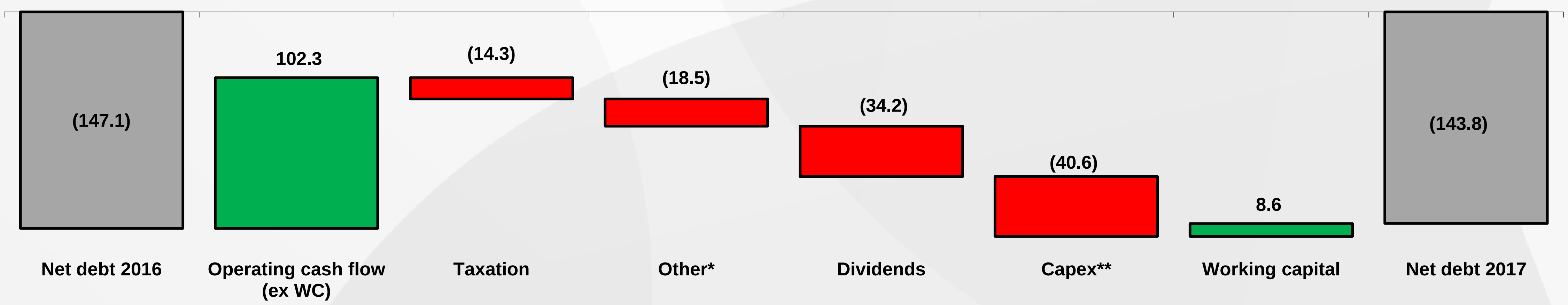
	2017	2016	Reported %	Constant ccy %
Revenue	£280.9m	£275.8m	1.9%	(2.4%)
Operating profit	£62.1m	£61.7m	0.6%	(2.2%)

- Robust performance in UK washing and bathing division underpinned by product renovation and despite competitive market conditions
- Imperial Leather completely relaunched and new product launches under Carex and Original Source
- Beauty division tough H1 due to poor 2016 summer. H2 performance strong across St Tropez, Sanctuary, Charles Worthington and Fudge
- New sub-brand, Being by Sanctuary, launched May 2017 targeting millennial consumers
- US growth strong and represents approximately 20% of Beauty division's revenue

Solid result in Europe despite competitive market conditions, underpinned by brand renovation and innovation.

Balance Sheet & Cash Flow

Cash Flow and Net Debt



- Strong balance sheet with net debt of 1.1 X EBITDA
- FY17 last year of significant Capex with completion of SAP project
- Tight working capital management across the Group
- Dividend increased 2.1% marking 44th consecutive year of year-on-year increases

Notes:
* Other – Includes effect of foreign exchange rates (£13.6m), net interest cost (£2.8m), MI dividends (£1.4m) and ESOT purchases (£1.2m)
**Capex – includes asset additions in relation to SAP implementation (£16.8m)

Looking Forward

Business Model

CAN DO values

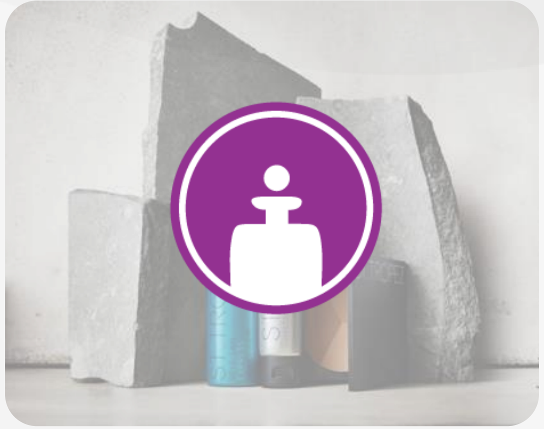
3 Regions:
- Europe
- Asia
- Africa

Flexible and low cost supply chain

4 Product Categories:
- Personal Care
- Home Care
- Food & Nutrition
- Electricals

G4B Ethics and Governance

Overview of our categories



Personal Care

Home Care

Food & Nutrition

Electricals

LEADERS

Nº1 or Nº2 brand positions in most categories in our geographies

BRANDS

International and regional brands driven by consumer insight

INNOVATION

All brands and categories have a track record of innovation and increasingly product extension

MARKET

Better tailored to our markets vs competition

NEW PRODUCTS

Higher rate of new products vs competition

PRICE POINTS

Multiple price points and sizes to cater for emerging market traditional trade

EVOLUTION

We will enter and exit categories and sub-categories as markets evolve

Personal Care overview

We operate in Personal Care in all geographies

International brands include:

Regional brands include:

Beauty division formed in 2011 through brand acquisitions:

Sub-categories include:

- Bar soap
- Shower gel
- Hand wash
- Bodycare
- Haircare

Home Care overview

Focus is on emerging markets which have good population and usage growth

Sub-categories include:

- Laundry
- Dishcare
- Surface care

Developed markets have:

- high competition
- low margin
- private label challenges

Main international brand:

Regional brands include:

Food & Nutrition overview

Emphasis is on superior health and taste relevant to the market

Sub-categories include:

- Oils and fats
- Dairy
- Seasoning and sauces
- Infant nutrition

Basic nutrition through quality and safety important in emerging markets

Added value nutrition important in developed markets

Currently main F&N businesses are in:


Nigeria


Australia


Greece

Brands include:

Electricals overview

We have an Electricals division because of our history

Products include:

- Fridges
- Freezers
- Air-conditioners

Business is a JV with Haier of China

Brand is Haier Thermocool

West Africa only – will not enter Electricals in other regions

West Africa

Profitable and cash generative

Long-term growth prospects good

Our supply chain

We manufacture about 70% of what we sell

UK

World-class personal wash innovation and manufacturing centre in UK

INDONESIA & THAILAND

Liquids and bar soap manufacturing in Indonesia & Thailand

NIGERIA

Significant factory operations & depot network in Nigeria

Inbound logistics & distribution in Nigeria is a key strength

Very hard to replicate our Nigerian supply chain – a major strategic advantage

PZ Cussons

Our people

We live and breathe our CANDO values

CAN DO!

We recruit, retain and reward based on these values

Entrepreneurial and action-orientated culture

We attract talent from larger FMCGs

Group-wide talent management and succession programme

Corporate social responsibility

It has always been in our DNA to do business the right way

Our internal brand for our CSR approach is Good 4 Business (G4B)

It is driven from the top and embedded within the organisation

Our G4B approach is a key strategic differentiator

G4B

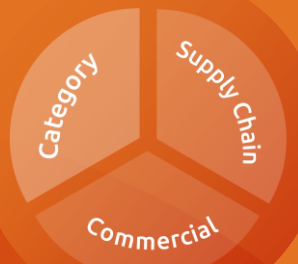
We treat people and all stakeholders with respect

We only undertake new business if it passes our high standards

Operating Model & SAP

Implementation of new operating model now largely complete

After 130 years we moved to a new operating model



Moved to a typical blue chip FMCG structure of Category, Commercial and Supply Chain

Replaced model where geography heads ran elements of category and supply chain

Benefits already being seen through stronger and more consistent product pipeline

Customer and channel diversification and better transparency of costs

Group systems upgraded to SAP

Asia & Africa went live in 2016. Europe went live in June 2017

£40m

Three year project has completed on time

Started with all group processes redefined in line with new operating model

We have implemented vanilla SAP with very few modifications

Biggest project ever undertaken by the Group

Key benefits will be better business information and improved control environment

Future potential overview

130+

year heritage

STRONG

Balance sheet

Experienced leadership team

Board mindset to deliver long-term earnings and dividend growth

Strong branded positions in focused number of geographies

Unrivalled and extremely difficult to replicate Nigerian business

Growth objectives 2017 onwards

Deliver sustainable earnings and dividend growth

Do business in the **right way**

All brands have potential range and channel **expansion**

Focus on current and **adjacent geographies**

We will continue to grow **Europe** through volume growth and mix

We will seek to **grow Asia** and particularly **Indonesia** faster through new product launches

We will **reduce Australian** volatility through focus on value add rather than commodity products

We are well positioned to grow in **Nigeria** as soon as economy stabilises

Growth objectives 2017 onwards (continued)

Growth can be delivered **organically** through new product pipeline

We will consider **acquisitions and joint ventures** but we will not overpay

Cash Flow overview

Net debt approximately **1.1 x EBITDA**

Ongoing 'maintenance' capital expenditure **at depreciation levels**

No further major capital expenditure required

Most working capital **relates to Nigeria**

Positive cash flow expected going forward

Board appetite for net debt **up to 2 x EBITDA** to fund acquisitions

Summary

Following a number of years of improving the Group's:

- Brand portfolio
- Supply chain
- Talent profile
- Operating model and systems

PZ Cussons and its Board are energised to

- Deliver long term sustainable growth in earnings and dividend

Underpinned by

- Strong balance sheet
- Appetite for new acquisitions and joint ventures

To complement the organic growth potential from its existing portfolio.

Thank you

Contact

Brandon Leigh
Chief Financial Officer
brandon.leigh@pzcussons.com
Tel: +44 161 435 1236