



Acquisition of Childs Farm - the UK's leading baby and child personal care brand

21 March 2022

PZ Cussons plc ("PZ Cussons" or the "Group") is pleased to announce that it has acquired the entire issued share capital of Childs Farm. Joanna Jensen, founder of Childs Farm, has subsequently made an investment into the PZ Cussons subsidiary that completed the acquisition such that PZ Cussons now holds a c.92% interest in Childs Farm for a total consideration of £36.8 million¹, with an agreed path to full ownership by the end of May 2025. The consideration will be fully funded by cash from existing facilities, reflecting the Group's strong financial position.

Childs Farm is the market-leading brand in UK baby and child personal care². Product lines include bath and shower, skincare and haircare, and are all anchored in a natural proposition and suitable for sensitive skin.

The brand is highly complementary to our strategic focus behind the core categories of Baby and Hygiene. As we welcome Childs Farm to the PZ Cussons family as a Must Win Brand, we will leverage our Brand Building capabilities to improve its UK leadership position, while also seeking to capture its significant international potential.

Childs Farm has grown rapidly since it started trading in 2011, at highly attractive gross margins, and has established very strong sustainability credentials, through its cruelty-free and vegan products, and is well-progressed towards B Corp certification. Childs Farm's founder, Joanna Jensen, will continue as an investor and as a champion of the brand, in both the UK and abroad.

Jonathan Myers, Chief Executive Officer of PZ Cussons, said:

"The foundations of our new strategy 'Building Brands for life, Today and for future generations' are firmly in place and are delivering results. As we transition from turnaround to transformation, we are delighted to take this important step to accelerate growth in our core categories and priority markets. Over the past decade, Joanna and her talented team have built a category-leading brand, loved by millions of parents seeking the very highest quality products for their children. Childs Farm is a clear leader in sustainability, demonstrating that we share a strong ethos, as PZ Cussons journeys towards our own B Corp ambition. We look forward to welcoming Childs Farm to the PZ Cussons family as a Must Win Brand, and to driving the next stage of its growth both in the UK, and beyond."

Joanna Jensen, Founder of Childs Farm, said:

“I am incredibly proud of the brand that Childs Farm has become, and what the team at The Barn have achieved to bring natural, sustainable sensitive skincare to the little ones of Britain and beyond. It is clear to me that in PZ Cussons, with our shared vision for the brand and cultural fit, we have found a fantastic partner, and the team and I look forward to working with them to take the business to the next level.”

Further details of the transaction

PZ Cussons Acquisition Co Limited (“PZCA”), an indirect subsidiary of PZ Cussons, has today acquired the entire issued share capital of Tadley Holdings Limited for consideration of £36.8 million, which includes the repayment of £3.1 million of shareholder loans, based on an enterprise value of £40.0 million.

Childs Farm’s founder, Joanna Jensen, has invested £3.3 million of the proceeds of the sale of her interest in Childs Farm in PZCA and now holds 8.1% of the issued share capital of PZCA.

A mechanism is in place which requires the Group to purchase Mrs. Jensen’s shareholding in two equal tranches following the end of the 31 May 2024 and 31 May 2025 financial years at a price based on a 6.6x multiple of the lower of actual gross profit of Childs Farm and its forecast gross profit, subject to a cap of £32.5 million.

For the year ended 31 December 2020 (the Childs Farm financial year end), the loss before tax and gross assets attributable to Childs Farm were £(0.9) million and £7.5 million, respectively. Reported gross revenue was £17.4 million.

The transaction is not expected to have a material impact on the Group's profits for the financial year ending 31 May 2022 and will be earnings accretive for the financial year ended 31 May 2024.

The proposed acquisition of Childs Farm and subsequent equity arrangements with Joanna Jensen are a Class 2 transaction pursuant to the UK Listing Rules.

¹ All figures in this announcement have been rounded to one decimal point.

² 15% share of the UK baby and child personal care market, excluding suncare. Based on Kantar data for the 52 weeks ended June 2021.

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Notes to Editors

PZ Cussons will report its Q3 trading update for the period ended 28 February 2022, on 13 April.

About PZ Cussons

PZ Cussons is a FTSE250 listed consumer goods business, headquartered in Manchester, UK. We employ over 3,000 people across our operations in Europe, North America, Asia-Pacific and Africa. Since our founding in 1884, we have been creating products to delight, care for and nourish consumers. Across our core categories of Hygiene, Baby and Beauty, our trusted and well-loved brands include Carex, Imperial Leather, Original Source, Cussons Baby, Sanctuary Spa, St.Tropez, Morning Fresh and Premier. Sustainability and the wellbeing of our employees and communities everywhere are at the heart of our business model and strategy, and captured by our purpose: For everyone, for life, for good.

About Childs Farm

Childs Farm is the UK's favourite baby & child toiletries brand based in Basingstoke, Hampshire, where it employs 35 staff. Founded by mum of two, Joanna Jensen, as a solution to her own daughters' sensitive and eczema prone skin, the brand launched in the UK nationwide in 2014, bringing natural, sustainable, sensitive skin and haircare to babies & children. Using efficacious ingredients, fruity fragrance, and fun and eccentric labels based on the founders eponymous Farm, Childs Farm, and featuring Joanna's children, friends and their animals, the range has brought fun into bathtime for millions. Childs Farm is 5 times winner of the Mother & Baby best range for baby & child award, as well as numerous other consumer and industry awards for delivering natural, sustainable skincare products to allow everyone – regardless of skin type - to be happy in their skin.

Childs Farm was advised by Alantra Corporate Finance, Trowers & Hamlins (legal), Strategy& (commercial due diligence) and BDO (financial due diligence and tax).

PZ Cussons was advised by Latham & Watkins (legal) and KPMG (financial due diligence and tax).

Cautionary note regarding forward-looking statements

This announcement contains certain forward-looking statements relating to expected or anticipated results, performance or events. Such statements are subject to normal risks associated with the uncertainties in our business, supply chain and consumer demand along with risks associated with macro-economic, political and social factors in the markets in which we operate. Whilst we believe that the expectations reflected herein are reasonable based on the information we have as at the date of this announcement, actual outcomes may vary significantly owing to factors outside the control of the Group, such as cost of materials or demand for our products, or within our control such as our investment decisions, allocation of resources or changes to our plans or strategy. The Group expressly disclaims any obligation to revise forward-looking statements made in this or other announcements to reflect changes in our expectations or circumstances. No reliance may be placed on the forward-looking statements contained within this announcement.