

27 June 2023

Trading statement

Third consecutive year of like for like revenue growth. New foreign exchange regime in Nigeria.

The Group today issues a trading statement for the year ended 31 May 2023 and an update on the recently announced foreign exchange policy changes in Nigeria.

Summary

- Group Q4 like for like ('LFL') revenue growth of 6.7%, resulting in 6.1% LFL growth for FY23
- FY23 Group revenue expected to be approximately £655 million with LFL revenue growth in each geographic region in Q4
- Adjusted profit before tax for the year of at least £70 million¹ reflecting a particularly strong Q4 performance in Africa
- As anticipated, Europe & Americas operating margin returned to high teens in H2
- Progress against strategy including
 - Majority of Must Win Brands in revenue growth in FY23
 - Childs Farm 12% revenue growth in our first full year of ownership
 - Further geographic expansion with the launch of Original Source into Spain this month

Changes to foreign exchange policy in Nigeria

The Group welcomes the recent policy announcement by the Central Bank of Nigeria to liberalise the foreign exchange regime which, as part of a broader suite of economic reforms under the new government, is highly likely to improve the longer-term prospects for Nigeria and remove some of the cash challenges faced by multi-national companies. This has, however, resulted in a devaluation of the Naira since the announcement on 14 June.

The following information is provided to allow for an assessment of the impacts of this devaluation on near-term future financial performance in FY24, recognising that the exchange rates in Nigeria are currently highly volatile. There is not expected to be any impact on our audited FY23 results.

- The NGN/GBP average rate used to translate the FY23 results of our Nigeria businesses in the Group's income statement was 536 (implied NGN/USD rate of 446) and the NGN/GBP closing rate used for the Group's balance sheet as at 31 May 2023 was 577 (implied NGN/USD rate of 465)²
- As a sensitivity:
 - every 10% devaluation in the Naira from the rate used to translate the FY23 income statement is estimated to result in a £23 million reduction in revenue, £3 million reduction in adjusted operating profit, and 0.5 pence reduction in adjusted earnings per share

All figures throughout this release are presented on an unaudited basis

¹ FY23 consensus adjusted PBT £68.4 million based on Bloomberg as at 22 June 2023

² As per Central Bank of Nigeria website the NGN/USD rate has ranged between 633 to 754 since 14 June 2023, equivalent to a devaluation of between 30% and 41%

- every 10% devaluation in the Naira from the closing rate used to translate the balance sheet as at 31 May 2023 is estimated to reduce the Group cash balance, as reported in GBP, by approximately £20 million
- The devaluation of the Naira will also impact the translation of USD-denominated liabilities of our Nigeria business. This adverse impact will be recorded within statutory profit or reserves in the Group's financial statements in FY24
- While the devaluation of the Naira will result in higher raw material costs for our Nigeria business, reflecting the higher cost of USD imports, we expect to largely offset this through mitigating actions such as pricing, as successfully demonstrated over the last two years

Management believes that the Group will be well placed to withstand any macro-economic volatility in Nigeria given our market position and the significant improvement in the profitability of our business there in recent years. It has moved from an operating loss in FY20 to an operating margin of more than 10% in FY23, and we have strengthened local capabilities substantially. The Group is committed to improving the performance of our Nigerian business further given the significant market opportunity and the strength of our brands.

Jonathan Myers, Chief Executive Officer, said:

“While the Naira devaluation will have a one-off impact to the Group’s near-term reported financial performance, we believe the medium to long term prospects for our Nigerian business will be much improved by the economic reforms, currently being introduced by the new government, the likes of which have not been seen for decades.”

More widely, PZ Cussons has delivered another year of progress against a challenging economic backdrop. We have continued to transform the business and build brands for the long term, while responding to the day-to-day challenges of cost inflation and meeting the needs of the cost-conscious shopper. This has resulted in a third consecutive year of like for like revenue growth in FY23. We remain committed to delivering the benefits of executing our strategy in the year ahead.”

Conference call

PZ Cussons management will host a call for analysts and institutional investors today at 08:30 UK time.

Dial in details are as follows:

United Kingdom (Local): +44 20 4587 0498
United Kingdom (Toll-Free): +44 800 358 1035
Access Code: 650014

Capital Markets Event

PZ Cussons will host a Capital Markets Event for analysts and institutional investors on 4 July 2023, focused on Childs Farm, its leading baby and child personal care business. The event will be led by Sarah Pollard, Chief Financial Officer, and will include presentations from Paul Yocum, Managing Director of Business Development, and Andrew Geoghegan, Chief Marketing Transformation Officer.



Reporting calendar

PZ Cussons will report FY23 results, along with its Q1 trading update, on 26 September 2023.

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Notes to Editors

Unless otherwise stated, all references to revenue growth are on a like for like ('LFL') basis. See definitions provided in the interim results announcement for further details.

About PZ Cussons

PZ Cussons is a FTSE250 listed consumer goods business, headquartered in Manchester, UK. We employ nearly 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, Childs Farm, Cussons Baby, Imperial Leather, Morning Fresh, Original Source, Premier, Sanctuary Spa and St. Tropez. 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.

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.