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24 April 2024

Trading in line with expectations, profit outlook unchanged and further reduction in gross debt
Actions underway to maximise shareholder value following a strategic review

PZ Cussons plc ("PZ Cussons" or the "Group") today issues a trading update for its third quarter, ended 2 March 2024, and announces its plan to maximise shareholder value from a portfolio transformation, following a strategic review of brands and geographies.

Jonathan Myers, Chief Executive Officer, said: *"We have made significant progress in strengthening PZ Cussons in recent years - building brands, restoring capabilities and re-energising and professionalising the organisation. Today we are re-iterating our FY24 outlook, having delivered improved LFL revenue growth in Q3 on an improved volume trend. Nevertheless, the macro-economic challenges and complexities associated with operating in Nigeria are significant and there is much more to do to unlock the full potential of the business.*

As such, we have undertaken a strategic review of our brands and geographies and have embarked on plans to transform our portfolio, refocusing on where the business can be most competitive. The actions we are taking will crystallise value for our investors from assets better suited to alternative ownership structures. This will enable us to invest our resources in the key geographies and categories in which we can win and generate superior returns. We are transforming PZ Cussons into a business with stronger brands in a more focused portfolio, delivering sustainable profitable growth."

PERFORMANCE UPDATE

Revenue	Q3 FY24		
	£m	LFL %	Reported %
Europe & the Americas	48.5	(0.4)%	(1.4)%
Asia Pacific	42.5	(5.7)%	(10.7)%
Africa	35.6	39.6%	(48.0)%
Group (total)[1]	**126.7**	**6.4%**	**(23.7)%**
Group (excluding Africa)	*91.1*	*(2.9)%*	*(6.6)%*

Group Q3 revenue on a like for like ('LFL') basis grew 6.4%. Revenue at reported FX rates declined by 23.7% primarily as a result of the devaluation of the Nigerian Naira, which was on average 60% lower in the quarter compared to the prior year period. Volume grew 0.2% and compared favourably to the first half decline of 4.9%, due to improved momentum in our UK brands. Excluding Africa, LFL revenue declined 2.9%, an improved trend compared to the H1 decline of 3.9%.

Europe & the Americas revenue was broadly flat, with improved trends compared to H1 and a return to volume growth. The UK washing and bathing portfolio showed strong revenue growth and continued gains in both value and volume market share. Original Source and Childs Farm were particularly strong, each growing revenue double-digits, whilst Carex and Sanctuary Spa grew single-digits. Against a very strong St. Tropez performance in the comparative period, Beauty trading was impacted by some US category softness.

[1] Group total includes 'Other' revenue of £0.1 million in Q3 (Q3 FY23: £0.7 million)

In **Asia Pacific**, Australia continued to grow revenue in spite of a strong comparative period, with particularly strong volume-driven growth in Radiant following the capsule innovation launch earlier in the year. Overall revenue in the region declined due to ongoing difficult market conditions for Cussons Baby in Indonesia, with continued pressure on consumer spending. However, we returned to growth in March and expect an improved revenue trend overall in Q4 compared to previous quarters, driven in part by our entry into the large Telon warming oil segment of baby skin care.

In **Africa** we continued to increase prices in the quarter, seeking to offset significant FX-driven cost inflation. Despite this, we saw an improving volume trend as a result of ongoing distribution gains and successful marketing activity. The operational focus remains on improving profitability and maximising cash generation whilst remaining competitive and navigating significant volatility in the Naira.

Outlook

The Group expects to deliver adjusted operating profit in the region of £55-60 million for FY24. This is unchanged from the guidance provided at the H1 results in February and assumes no material adverse movements in the Naira from current levels in the balance of the year[2].

Cash and balance sheet

The Group has made further progress in reducing its financial leverage as a result of ongoing repatriation of funds from Nigeria to the UK and its ongoing programme to divest non-trading assets.

In the first ten months of this financial year, the Group has repatriated approximately £35 million of cash from Nigeria and expects to repatriate a further £15-20 million before the end of May. This improvement has been underpinned by fiscal policy changes in Nigeria, providing improved access to US Dollars, and by other operational initiatives enabling our Nigerian business to be self-funding. Group gross debt has reduced further and is expected to end FY24 in the £160 to £180 million range, down from £251 million as at the end of FY23. This would result in headroom on our Group banking facilities being at least £145 million, compared to £73 million as at the end of FY23.

Additionally, as a result of the ongoing programme of operational simplification, we have identified more non-trading assets to be divested. These include manufacturing facilities and land no longer required in Thailand and Indonesia and a number of properties across Africa. Proceeds will be received throughout FY25 and, combined with continued operational free cash flow generation, are anticipated to further meaningfully reduce gross debt.

PLAN TO MAXIMISE SHAREHOLDER VALUE THROUGH PORTFOLIO TRANSFORMATION

In March 2021 the Group set out a new strategy to return PZ Cussons to sustainable, profitable growth. Good progress has been made in building back critical capabilities and strengthening business foundations. Despite this, shareholder returns have fallen short of our expectations, predominantly due to macro-economic challenges in Nigeria which, since June 2023, has experienced the single largest devaluation in the history of its currency.

The Board has carried out a strategic review of our brands and geographies over the past year. It has concluded that in addition to the challenges of its significant exposure to Nigeria, the Group is too complex for its size, with financial and human resources spread too thinly to generate consistent returns. This means its competitive advantages have been constrained in comparison to those of both larger multinational companies and some focused, smaller ones.

Accordingly, the Board has decided to refocus the PZ Cussons portfolio on where the business can be most competitive and where it can create most value for shareholders. As such, we are taking the following actions:

[2] Current NGN:GBP rate of approximately 1,450 as at 19 April 2024

- **St. Tropez -** St. Tropez has grown significantly since acquisition, establishing a leading position in its key premium self-tanning market of the US. Given the strength of the brand's equity, there remains significant long-term growth potential in the US and in both new geographies and category adjacencies. This growth will however be harder to realise under PZ Cussons' ownership, given the need to allocate resources across our diverse geographic and category footprint. We therefore plan to realise shareholder value by initiating a process to sell the brand to an owner better placed to capture the brand's significant long-term potential.

- **Africa** - The Group has made significant progress in strengthening and improving the performance of its sizeable operations in Africa, where it owns a highly attractive group of assets with leading consumer brands, strong operational infrastructure and continued growth potential. However, the Board recognises that this is a complex group of assets and is therefore evaluating the strategic options both to reduce risk and to maximise shareholder value.

The proceeds from any transactions will initially be used to invest behind the organic growth of the business and to reduce gross debt further. The Group will also have the potential and ambition to pursue targeted acquisitions which are highly complementary to its more focused category and geographic footprint.

Appendix

Given the materiality of the movement in the Nigerian Naira in recent periods, the rates used in each reporting period are summarised below.

NGN/GBP	FY22	FY23	Q3 FY23	Q3 FY24
Rate used for P&L	558	536	556	1,400

Movements in currencies compared to Q3 FY23 are summarised below.

	% of FY23 revenue	Average FX rates		% change
		Q3 FY24	Q3 FY23	
GBP	27%	1.00	1.00	-
NGN (Nigeria)	35%	1,400	556	(60.3)%
AUD (Australia)	14%	1.91	1.77	(7.2)%
IDR (Indonesia)	11%	19,736	18,616	(5.7)%
USD (USA)	7%	1.27	1.22	(4.1)%
Other	6%	-	-	-
Total	100%	-	-	-

Conference call

PZ Cussons management will host a call for analysts and institutional investors today at 08:00 UK time.

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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. Figures presented in this announcement are unaudited.

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.