

ASX Release

17 February 2021

ASALEO CARE DELIVERS STRONG FULL YEAR PERFORMANCE, EBITDA AHEAD OF GUIDANCE

Highlights

- FY20 results demonstrate growth momentum in a challenging market:
 - Revenues \$419.2m, up 2.3% after 3.0% growth in FY19.
 - Strong performance in all Retail segments and B2B Incontinence Healthcare, collectively up 6.7%. Market share growth in key retail categories.
 - B2B Professional Hygiene remained solid, down only 4% despite impact of COVID-19 restrictions on “away from home” activity.
 - Gross margin expansion 1.9 percentage points through favourable input costs, mix.
 - Underlying EBITDA \$87.2m, ahead of previous guidance of upper end of \$84-87m.
 - Underlying EBITDA \$89.2m from continuing businesses, up 6.3%.
 - Statutory NPAT \$32.3m, up 46.2%
 - Continuing earnings per share 7.0cps, up 34.6%
 - No COVID-19 related government assistance.
 - Further reduction in net debt to \$94.9m from \$139.3m in FY19 and \$260.1m in FY18, reflecting strong cashflow generation and disciplined capital management.
 - Strategic acquisition of TOM Organic expected to be immediately accretive and aligned with Asaleo Care’s portfolio optimisation strategy for higher growth, higher margin categories.
 - Fully franked dividend of 3cps declared with a record date of 16 March 2021 and payment date of 31 March 2021.
- FY21 and FY22 Outlook¹ targeting continued revenue growth from FY21 and margin expansion from FY22.
 - FY21 targeting 5-7% revenue growth and EBITDA of \$90m - \$93m.
 - FY22 targeting mid-single digit revenue growth and EBITDA growth of 10%+.

Commenting on the FY20 result, CEO and Managing Director, Sid Takla said, “The strong performance of Asaleo Care against an almost entirely impacted COVID-19 trading period is a true testament to the resilience of our business and the dedicated focus of our entire team.

Despite the persistent challenges of 2020, we delivered full year earnings ahead of guidance, revenue growth across both Retail and B2B segments, and delivered market share gains across key retail categories. Our focus remains on executing against our strategic plan, sustaining investment

¹ Outlook approved by Independent Board Committee.

in our brands, driving innovation, and creating efficiencies across our business.

We have entered FY21 with a strong balance sheet and the lowest level of debt since listing, which affords us the capacity to fund ongoing dividends and the flexibility to explore future acquisition opportunities. Asaleo Care is now firmly on a path towards sustainable earnings growth, with longer-term favourable tailwinds supporting our categories – community focus on quality of aged care, rising hygiene awareness and standards, and a growing preference for locally produced products, supporting our vision of being the number one Personal Care and Hygiene company in Australasia.”

Key Financials

A\$m	FY20	FY19	Change
Continuing Operations:			
Revenue*	419.2	409.7	2.3%
Underlying EBITDA*	89.2	83.9	6.3%
Underlying EBIT*	62.6	59.7	4.9%
Underlying NPAT*	38.2	30.5	25.2%
Continuing Earnings Per Share	7.0 cps	5.2 cps	34.6%
Statutory:			
NPAT	32.3	22.1	46.2%
Statutory Earnings Per Share	5.9 cps	4.1 cps	43.9%
Dividend	3.0 cps fully franked	2.0 cps unfranked	

**This report includes certain non-IFRS financial information (underlying revenue, underlying EBITDA, underlying EBIT and underlying NPAT). This information is considered by Management in assessing the operating performance of the business and has been included for the benefit of investors. EBITDA refers to earnings before, interest, tax, depreciation and amortisation and non-recurring items. Non-recurring expenses in FY20 relate to restructuring and acquisition costs.*

Operating Review

Asaleo Care delivered revenue of \$419.2m (up 2.3%) and underlying EBITDA from continuing businesses of \$89.2m (up 6.3%). Underlying EBITDA, including Baby NZ loss, was \$87.2m, ahead of previous guidance at upper end of \$84m - \$87m. Continuing NPAT was \$38.2m and continuing EPS was 7.0 cents per share, up 25.2% and 34.6% respectively, reflecting a significant reduction in interest costs because of lower debt levels.

Revenue growth was strong across all key categories in the Retail segment, and Incontinence Healthcare in the Business-to-Business segment. In Business-to-Business Professional Hygiene, revenues were only 4% lower, despite the significant impact of COVID-19 restrictions on “away-from-home” activity which affected commercial, hospitality and public service environments.

As a result of strong cash generation, net debt was reduced by \$44.4m to \$94.9m, the lowest level since listing. The leverage ratio was lowered to 1.21x from 1.95x in FY19 and 3.25x in FY18, leaving Asaleo Care with a robust and flexible balance sheet.

The decision to exit the loss-making NZ Baby Diaper category as well as the divestment of the Australian Consumer Tissue business has optimised Asaleo Care's portfolio and increased its exposure to higher growth, higher margin categories. The TOM Organic acquisition, announced in December 2020, is expected to be immediately accretive with first full year EBIT expected to be \$1.7m, increasing to \$3.5-\$4.0m in the second full year, after realising scale and supply benefits.

Business Segment Results

Retail Business

Retail segment revenue increased 6.2% to \$199.8m, following strong growth in key categories including Feminine Care (up 12%), Incontinence (up 10%) and Consumer Tissue NZ (up 3%, with branded business up 7%).

Retail EBITDA increased 11.3% to \$41.3m with EBITDA margins up 1.0 pp supported by lower trade spending during COVID-19 restrictions, production benefits and lower pulp prices.

Asaleo Care's Trans-Tasman manufacturing capability enabled a rapid response to the heightened COVID-19 demand for personal care products and, combined with increased brand investment (up 18%), new product development and packaging upgrades, resulted in market share growth for key retail categories.

B2B Business

B2B segment revenue declined 1.0% to \$219.4m, despite the impact of COVID-19 on Professional Hygiene and restrictions on "away from home" commercial, hospitality and public facilities. Helping to offset this decline was solid revenue growth in Incontinence Healthcare (up 8.8%), with an increased focus on quality patient care driving customer demand for TENA Healthcare products, supported by underlying sector demand for "in-home" care.

B2B EBITDA increased 2.1% to \$47.8m with margin expanding 0.7% due to cost savings, lower pulp and imported product price, partially offset by higher insurance, FX, sales, marketing and admin costs, and Australian Consumer Tissue stranded costs.

FY21-22 Outlook²

For FY21, the Company is targeting 5-7% revenue growth which includes a part-year contribution from TOM Organic and an expected recovery in Professional Hygiene as COVID-19 impacts ease. EBITDA is targeted at \$90m - \$93m (40% of which is expected to be delivered in 1H and 60% in 2H) with growth for the year moderated by the impact of the final year of absorption of stranded costs, along with rising pulp and sea freight prices.

For FY22, the Company is targeting mid-single digit revenue growth and EBITDA growth of 10%+ benefiting from the abatement of stranded costs and a full year of TOM Organic contribution including synergies.

Asaleo Care has now completed the reset of its business, having exited the low margin, capital intensive Australian Consumer Tissue and NZ Baby businesses. It has created growth momentum

² Outlook approved by Independent Board Committee.



by increasing investment in its brand portfolio, has focused on building its talent base and now has a strong and flexible balance sheet with the capacity to invest in growth opportunities.

Its focus now is to invest in sustainable and profitable growth initiatives, to continue to build a strong pipeline of product innovation in higher growth, higher margin categories, taking advantage of its scale.

Further details are included in the accompanying Investor Presentation.

– ENDS –

About Asaleo Care (ASX: AHY)

Asaleo Care is a leading personal care and hygiene company which markets, manufactures, distributes, and sells personal care and hygiene products throughout Australia, New Zealand, and the Pacific Islands. Its portfolio of market-leading brands includes Libra, TENA, Tork, Viti and Orchid. The Purex, Sorbent and Handee brands are owned in New Zealand and the Pacific Islands only. The Company has 14 manufacturing and distribution facilities and employs around 650 people who work together to offer products and services which provide care, comfort, and confidence every day. For more information visit www.asaleocare.com

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