

# MEDIA RELEASE

Thursday 25 August 2016

## 2016 Half Year Results

Asaleo Care today announced an underlying Net Profit After Tax (NPAT) of \$27.1 million for the 6 months ended 30 June 2016. Statutory NPAT for the 6 months ended 30 June 2016 was \$24.9 million.

### Results

- Revenue of \$292.7m (decline of 4.3%) due to price downside across key retail categories, and volume declines in Feminine Care and Baby Care, particularly in June
- Underlying<sup>^</sup> EBITDA \$58.6m, declined by 10.1% due to adverse FX impacting costs and unfavourable pricing
  - Personal Care EBITDA \$30.9m (-11.2%), Tissue EBITDA \$27.7m (-9.1%)
- Underlying<sup>^</sup> NPAT \$27.1m (-16.4%), Statutory NPAT \$24.9m (-23.2%)

### Capital Management

- Strong Free Cash generation: Leverage Ratio at 2.0x EBITDA, despite \$74m share buy-back
- On-market share buy-back: Extended beyond 1 October 2016 to enable the acquisition of up to a further 17m shares or spending up to a further \$26m (whichever comes first)
- Dividend: 4cps dividend 50% franked for 1H16 (4cps unfranked in 1H15)

### Strategy and Brands

- Strategy maintained with market and operational initiatives being executed with a strong pipeline of innovation to come
- Every Day Pricing introduced with major retailers in the Australian Feminine Care and Incontinence Care markets to offer customers everyday value
- Professional Hygiene, Incontinence Care and Pacific Islands businesses performed better than 1H15

### FY16 Guidance (vs FY15)

- Underlying\* EBITDA decline of approx. 10% and underlying\* NPAT decline of approx. 15% mainly attributable to:
  - In Tissue: (i) weaker A\$ and NZ\$ increasing pulp costs, and (ii) retail market price deflation and recent falls in US\$ pulp making it difficult to take price
  - In Personal Care: Increasing price discounting impacting performance, specifically in the first half

Chief Executive Officer and Managing Director, Peter Diplaris, said “The first half profit reflected an intensely competitive retail trading environment and the impact of adverse exchange rates on pulp costs. The pulp cost headwinds will accelerate in the second half and so we have given guidance for a decline in FY16 profits. Whilst it is disappointing to announce a decline in first half results and give guidance for a fall in FY16 profits, we believe that the strategy and initiatives which we have implemented and planned will put the Company in a strong position going forward.”

“Our new ‘Every Day Price’ strategy on Feminine Care and Incontinence Care products has the strong endorsement of major retailers and we are firmly of the view that this is the right strategy. In addition, we will continue to drive initiatives in the Consumer Tissue category to mitigate cost imposts this year, and we expect pulp costs will likely decline going into 2017 due to the current and market forecast outlook for US\$ pulp prices.”

Pleasingly our Professional Hygiene, Incontinence Care and Pacific Islands businesses performed better than 1H15.

“We proudly continue to invest in manufacturing in Australia and New Zealand with multi-million dollar upgrades to machines in Feminine Care, Baby Care and Paper. As a result of these investments, we are confident that new product



development initiatives scheduled for introduction to the market in 2017 will enhance our value proposition to consumers” said Mr Diplaris.

Directors declared a dividend of 4 cents per share (50% franked) for the first half of 2016. The on-market share buy-back of up to 10% of issued capital (up to \$100m) that commenced on 1 October 2015 is 74% complete with 43 million shares purchased and cancelled to date at a cost of \$74 million. As SCA has not participated in the buy-back, its shareholding has increased to 35.1% from 32.5%. The on-market share buy-back has been extended beyond 1 October 2016 to enable the acquisition of up to a further 17 million shares or spending up to a further \$26m (whichever comes first). Following the completion of the share buy-back, Asaleo Care Limited will have a more efficient and flexible capital structure to pursue our strategy.

Return on Equity and Return on Invested Capital remain strong despite challenging market conditions. Underlying Return on Equity for the 12 months to 30 June 2016 was 22.7% and Underlying Return on Invested Capital for the 12 months to 30 June 2016 was 13.1%.

## Key Financials

	Underlying 1H16 <sup>^</sup> (A\$m)	1H15 Statutory (A\$m)	Change
Revenue	292.7	305.9	-4.3%
Gross Profit	115.6	126.4	-8.5%
EBITDA	58.6	65.2	-10.1%
EBIT	43.4	51.0	-14.8%
NPAT	27.1	32.5	-16.4%
Statutory 1H16 NPAT (vs Statutory 1H15)	24.9	32.5	-23.2%
Leverage (Net Debt/EBITDA)	2.0x	1.6x	-0.4x
Earnings Per Share (EPS)	4.8cps	5.4cps	-10.6%
Return on Equity (ROE)	22.7% LTM <sup>^^</sup>	22.8% (FY15)	-0.1pp <sup>**</sup>
Return on Invested Capital (ROIC)	13.1% LTM <sup>^^</sup>	14.0% (FY15)	-0.9pp <sup>**</sup>
Dividend	4cps (50% franked)	4cps (unfranked)	n/c

<sup>^</sup> **Underlying 1H16 Result:** Has been adjusted for ~\$3m (pre-tax) or \$2.1m (after-tax) non-recurring costs, including relocation of the NZ nappy machine and machine upgrades.

<sup>\*</sup> **Underlying FY16 Guidance:** Before impact of ~\$6m (pre-tax) or \$4.3m (after tax) non-recurring costs, including for the nappy machine relocation and machine upgrades.

<sup>^^</sup>**LTM:** means ‘Last Twelve Months’ and 1H16 LTM is 1 July 2015 to 30 June 2016. LTM is used as seasonality of earnings would impact annualising 1H performance. <sup>\*\*</sup>**pp:** means percentage points.

### About Asaleo Care Limited (ASX:AHY / US OTC:ARLRY)

Asaleo Care is a leading Personal Care and Hygiene Company that manufactures, markets, distributes and sells essential everyday consumer products. The Company’s portfolio of market leading brands includes Sorbent, Handee, Purex, Libra, Treasures, Deeko, Viti, Orchid, TENA and Tork. Some of these brands have been in the market for over 60 years and its products are used daily in households and businesses across Australia, New Zealand, Fiji and a number of countries in the Pacific. Asaleo Care has eleven manufacturing and distribution facilities and employs about 1,000 people across Australia, New Zealand and Fiji. For more information about Asaleo Care visit [www.asaleocare.com](http://www.asaleocare.com)

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