EDISON

QuickView

PZ Cussons

Consumer

18 February 2025

Less is more

PZ Cussons (PZC) is in transition. Both St Tropez (largely a US business) and Africa (mainly Nigeria) are potentially worth more to others than they are to PZC. Their disposal will reduce earnings volatility and balance sheet risk. Unsurprisingly, the market's focus is on when and how much but the emphasis should shift to PZC's potential post-disposals. PZC has been spread too thinly, making it overly complex for its size. Management believes that simplification will deliver a more effective operation capable of sustained revenue growth, driven by innovation and profitability, moving back towards historical peaks. Such higher margins could result in better valuation multiples. PZC trades on a prospective P/E of 12x.

More depth delivers greater heft

One route to growth and profitability is stronger relationships with retailers. Following the combination of the UK's personal care and beauty operations, there is now 'one face to the customer', resulting in more regular and deeper dialogue, better mid- and long-term planning, more efficient decision-making, sharing of best practice, greater scale and reduced costs (£3m pa). Strengthened leadership has also sharpened the focus on range management.

Childs Farm template

Childs Farm shows what PZC can achieve with the right acquisition. Operating in a category in which PZC was already strong, Childs Farm was acquired for £37m in 2022. It has grown significantly in the UK, where it enjoys a leadership position based on its proposition and product quality, and is developing well in Germany and the US. It is on track to triple revenue. Moving production to the group's Agecroft facility materially reduced Childs Farm's cost of goods, with existing production for washing and bathing also benefiting.

Valuation: Europe and Americas recovering

Europe and the Americas reported a 16.2% adjusted operating profit margin in FY24 versus 24% in 2021, 25.7% in 2020 and 21.6% in 2019. H125 saw 4% revenue growth, helping the adjusted operating profit margin leap by 770bp to 20.5%. Although H125 benefited from the phasing of marketing costs, the operating margin is recovering. PZC has no direct peers (McBride is a white-label producer rather than brand owner). However, PZC highlights Unilever (a different investment proposition), which reported a 15% operating margin in 2024 and historical 17.6x P/E, and Haleon (operates in an adjacent category), which reported an 18% operating margin in 2023 and historical P/E of 22x. PZC currently trades at 12x.

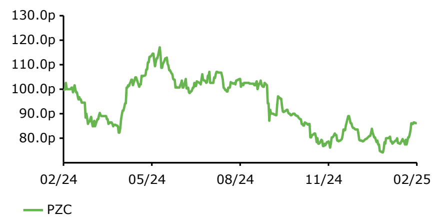
Consensus estimates

Year end	Revenue (£m)	PBT (£m)	EPS (p)	DPS (p)	P/E (x)	Yield (%)
5/23	656.3	74.1	11.20	6.40	7.7	7.4
5/24	527.9	44.7	8.00	3.60	10.8	4.2
5/25e	504.0	41.7	7.30	3.60	11.9	4.2
5/26e	523.0	45.4	7.60	3.80	11.4	4.4

Source: Company data, LSEG Data & Analytics.

Price	**86.70p**
Market cap	**£372m**

Share price performance



Share details

Code	PZC
Listing	LSE
Shares in issue	428.7m
Net cash/(debt) at 30 November 2024	£(106.0)m

Business description

PZ Cussons is an international fast-moving consumer goods company focused on hygiene, baby and beauty brands. It is currently undergoing a portfolio transformation.

Bull points

- Portfolio of strengthening brands in the UK, Indonesia, Australia and New Zealand.
- Strategy delivering more focused portfolio, simplifying operations and increasing effectiveness.
- Operating margin performance at 16% in Europe is on its way back to historical levels of over 20%.

Bear points

- Exit from Africa carries currency risk (both ways) for its value and group debt (all in GBP).
- UK consumer confidence is weak.
- Competitive markets.

Analysts

Nick Hawkins	+44 (0)20 3077 5700
Russell Pointon	+44 (0)20 3077 5700

consumer@edisongroup.com

Edison profile page

EDISON QUICKVIEWS ARE NORMALLY ONE-OFF PUBLICATIONS WITH NO COMMITMENT TO WRITING ANY FOLLOW UP. QUICKVIEW NOTES USE CONSENSUS EARNINGS ESTIMATES.

General disclaimer and copyright

This report has been prepared and issued by Edison. Edison Investment Research standard fees are £60,000 pa for the production and broad dissemination of a detailed note (Outlook) following by regular (typically quarterly) update notes. Fees are paid upfront in cash without recourse. Edison may seek additional fees for the provision of roadshows and related IR services for the client but does not get remunerated for any investment banking services. We never take payment in stock, options or warrants for any of our services.

Accuracy of content: All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable, however we do not guarantee the accuracy or completeness of this report and have not sought for this information to be independently verified. Opinions contained in this report represent those of the research department of Edison at the time of publication. Forward-looking information or statements in this report contain information that is based on assumptions, forecasts of future results, estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of their subject matter to be materially different from current expectations.

Exclusion of Liability: To the fullest extent allowed by law, Edison shall not be liable for any direct, indirect or consequential losses, loss of profits, damages, costs or expenses incurred or suffered by you arising out or in connection with the access to, use of or reliance on any information contained on this note.

No personalised advice: The information that we provide should not be construed in any manner whatsoever as, personalised advice. Also, the information provided by us should not be construed by any subscriber or prospective subscriber as Edison's solicitation to effect, or attempt to effect, any transaction in a security. The securities described in the report may not be eligible for sale in all jurisdictions or to certain categories of investors.

Investment in securities mentioned: Edison has a restrictive policy relating to personal dealing and conflicts of interest. Edison Group does not conduct any investment business and, accordingly, does not itself hold any positions in the securities mentioned in this report. However, the respective directors, officers, employees and contractors of Edison may have a position in any or related securities mentioned in this report, subject to Edison's policies on personal dealing and conflicts of interest.

Australia

Edison Investment Research Pty Ltd (Edison AU) is the Australian subsidiary of Edison. Edison AU is a Corporate Authorised Representative (1252501) of Crown Wealth Group Pty Ltd who holds an Australian Financial Services Licence (Number: 494274). This research is issued in Australia by Edison AU and any access to it, is intended only for "wholesale clients" within the meaning of the Corporations Act 2001 of Australia. Any advice given by Edison AU is general advice only and does not take into account your personal circumstances, needs or objectives. You should, before acting on this advice, consider the appropriateness of the advice, having regard to your objectives, financial situation and needs. If our advice relates to the acquisition, or possible acquisition, of a particular financial product you should read any relevant Product Disclosure Statement or like instrument.

New Zealand

The research in this document is intended for New Zealand resident professional financial advisers or brokers (for use in their roles as financial advisers or brokers) and habitual investors who are "wholesale clients" for the purpose of the Financial Advisers Act 2008 (FAA) (as described in sections 5(c) (1)(a), (b) and (c) of the FAA). This is not a solicitation or inducement to buy, sell, subscribe, or underwrite any securities mentioned or in the topic of this document. For the purpose of the FAA, the content of this report is of a general nature, is intended as a source of general information only and is not intended to constitute a recommendation or opinion in relation to acquiring or disposing (including refraining from acquiring or disposing) of securities. The distribution of this document is not a "personalised service" and, to the extent that it contains any financial advice, is intended only as a "class service" provided by Edison within the meaning of the FAA (i.e. without taking into account the particular financial situation or goals of any person). As such, it should not be relied upon in making an investment decision.

United Kingdom

This document is prepared and provided by Edison for information purposes only and should not be construed as an offer or sol icitation for investment in any securities mentioned or in the topic of this document. A marketing communication under FCA Rules, this document has not been prepared in accordance with the legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research.

This Communication is being distributed in the United Kingdom and is directed only at (i) persons having professional experience in matters relating to investments, i.e. investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "FPO") (ii) high net-worth companies, unincorporated associations or other bodies within the meaning of Article 49 of the FPO and (iii) persons to whom it is otherwise lawful to distribute it. The investment or investment activity to which this document relates is available only to such persons. It is not intended that this document be distributed or passed on, directly or indirectly, to any other class of persons and in any event and under no circumstances should persons of any other description rely on or act upon the contents of this document.

This Communication is being supplied to you solely for your information and may not be reproduced by, further distributed to or published in whole or in part by, any other person.

United States

Edison relies upon the "publishers' exclusion" from the definition of investment adviser under Section 202(a)(11) of the Investment Advisers Act of 1940 and corresponding state securities laws. This report is a bona fide publication of general and regular circulation offering impersonal investment-related advice, not tailored to a specific investment portfolio or the needs of current and/or prospective subscribers. As such, Edison does not offer or provide personal advice and the research provided is for informational purposes only. No mention of a particular security in this report constitutes a recommendation to buy, sell or hold that or any security, or that any particular security, portfolio of securities, transaction or investment strategy is suitable for any specific person.

London | New York | Frankfurt
20 Red Lion Street
London, WC1R 4PS
United Kingdom