

PZ Cussons

Consumer
11 March 2026

Scrubbing up nicely

PZ Cussons is demonstrating the benefits of sharper operational focus and improved execution. Its newly stated ambition is to deliver like-for-like revenue growth in the mid-single digits and high single-digit growth in earnings per share annually, a double-digit total return for shareholders given the 3.6p dividend. With the balance sheet now back to strength and a clear strategy for growth, investor confidence has responded positively, with the share price reaching its highest level in 16 months. We believe sentiment has started to turn.

A brand-building strategy

There has been a lot of change at PZ Cussons in the last few years, but it now has greater focus and knows what it must do to succeed. The company is a collection of 'locally loved' brands, with typically impressive market shares that are the result of being tuned to local conditions (price, culture and climate), rather than more generic global brands. The outlier that remains (Electricals in Nigeria) is the market leader. The fundamental change at the company has been turning the group from an opportunistic owner of assets into a brand builder, backed with appropriate levels of investment and innovation. The UK division started delivering stronger results in FY25 and this continued into H1. Management has guided that PZ Cussons' 2027 R&D spend will be twice that of 2025, with the mix going from 90% renovation and 10% innovation to 50% each. This will transmit to sales growth over time.

Balance sheet restored to strength

After being stressed by the devaluation of the naira in 2023, the balance sheet has been restored to health through business disposals, the sale of unused assets and cash generation. Consensus net debt/EBITDA is down to 0.3x for FY26e and controls are in place to ensure that, should there be another devaluation at some point in the future, the impact will be materially mitigated.

Valuation: Recovery gathering momentum

The effective tax rate is expected to increase from 18% to 28% this year because of profit mix, thereby obscuring the company's good progress at the PBT level. With the tax rate stable, FY27 consensus estimates suggest 13% growth in EPS. There are no direct peers, but most in the broad sector are expected to grow at mid-single digits rates. Being much bigger companies, they offer greater earnings certainty and high liquidity, which typically results in high teens multiples. PZ Cussons does not offer the same level of certainty but, in our view, it is now on the right track and there is the prospect of premium rates of growth.

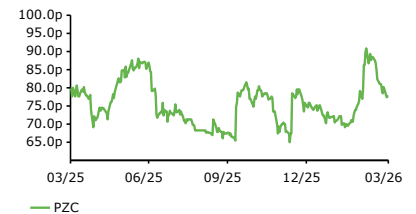
Consensus estimates

Year end	Revenue (£m)	PBT (£m)	EPS (p)	DPS (p)	P/E (x)	Yield (%)
5/24	527.9	44.7	8.00	3.60	9.7	4.6
5/25	513.8	41.1	7.30	3.60	10.7	4.6
5/26e	551.9	46.5	6.80	3.60	11.4	4.6
5/27e	569.7	52.0	7.70	3.70	10.1	4.8

Source: PZ Cussons, LSEG Data & Analytics. Note: PBT and EPS are normalised, excluding amortisation of acquired intangibles and exceptional items.

Price 77.80p
Market cap £343m

Share price performance



Share details

Code PZC
 Listing LSE
 Shares in issue 428.7m
 Net cash/(debt) at end FY25 £(112.0)m

Business description

PZ Cussons is an international fast-moving consumer goods company focused on Personal, Home, and Baby brands.

Bull points

- 60% of revenues in developed markets and 40% in faster-growing emerging markets.
- Brand management has come to the fore with an emphasis on backing winners.
- Childs Farm provides a template for a successful M&A strategy.

Bear points

- Africa carries currency risk (both ways) for profit and the balance sheet but there are new guardrails to limit the risk.
- UK consumer confidence remains weak as cost of living pressures have historically resulted in softer trading.
- M&A can create significant value, but discipline is required.

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PZ Cussons is a research client of Edison Investment Research Limited

Company description

PZ Cussons is an international consumer goods business, with brands in three core categories: Personal, Home and Baby. It has been trading for 140 years, with headquarters in Manchester, UK. Its four main markets are the UK, Nigeria, Indonesia and Australia. Combined, they make up around 85% of revenue. Its brands include Carex, Imperial Leather, Original Source, Premier (the leading Nigerian bar soap), Sanctuary Spa, Morning Fresh and St Tropez.

Strong position in emerging markets

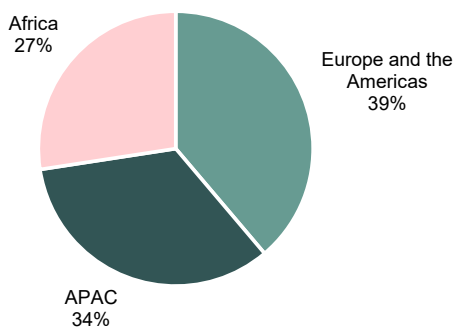
The group reports three geographic divisions: Europe and the Americas, Africa (mainly Nigeria, but it also has operations in Kenya and Ghana) and Asia-Pacific (APAC), which is predominantly Australia and Indonesia. Europe and the Americas is the biggest division by revenue and adjusted operating profit and is showing the slowest growth (Exhibit 3). St Tropez in the US suffered two years of weakness, but enjoyed a strong H1 this year with revenue growth of +12%, while growth in Nigeria has been vigorous.

A positive balance

The big picture of the group is well-balanced between developed markets (60% of revenue) and emerging markets (40%). Management expects that the latter will grow faster, such that it will contribute more than 50% of the group's revenue growth.

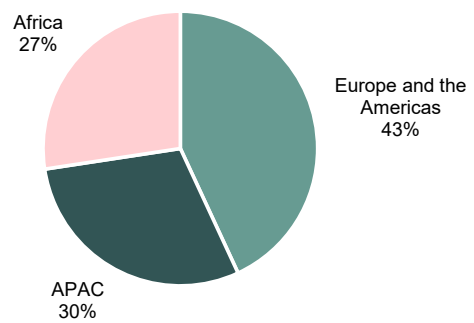
The balance between developed and emerging markets is important for several reasons. Developed markets bring in consistent cash generation for the company and demand higher skills levels that can be applied elsewhere. Emerging markets provide the potential for profit growth and, in the last three years, have contributed almost all the company's revenue growth. Africa has a large and fast-growing young population, rising urbanisation and increasingly digital consumers and is a major growth frontier. The average growth rate was 14.4% in emerging markets over the last three years on a constant fx basis.

Exhibit 1: FY25 revenue



Source: PZ Cussons, Edison Investment Research

Exhibit 2: FY25 adjusted operating profit



Source: PZ Cussons, Edison Investment Research

Exhibit 3: Historical revenue and growth rates for PZ Cussons' leading markets

	FY25	Growth rates			Average
	Revenue (£m)	FY23	FY24	FY25	
Developed	288	3.9%	(0.3%)	(1.3%)	0.7%
Australia and New Zealand	89	13.3%	3.2%	(3.4%)	4.4%
UK	175	(4.2%)	0.6%	2.1%	(0.5%)
Other developed	25	19.9%	(13.8%)	(15.2%)	(3.0%)
Emerging	217	8.3%	11.2%	23.5%	14.4%
Nigeria	106	14.3%	30.1%	34.3%	26.2%
Indonesia	59	(4.0%)	(13.3%)	8.0%	(3.1%)
Other emerging	52	3.2%	6.9%	23.6%	11.2%
Total branded	505	6.1%	4.4%	8.0%	6.2%

Source: PZ Cussons

Group development

Impressive local shares show PZ Cussons is 'locally loved'...

International development of individual brands has been restricted by PZ Cussons' multi-local heritage and organisational structure. A deep understanding and connection with consumers in local markets means products and range have evolved to maximise share and profit in that market or region. Maximising success in one market might well mean products are unsuitable for other markets. Meanwhile, global competitors average out their products to sell the same product in 20 or 40 markets. They have breadth but lack depth. PZ Cussons' approach is entirely valid but is unique, making it harder for investors to understand.

The extent of brand overlap is therefore modest, largely reflecting the needs of the local market (eg bar soap being cheaper than gels). Being local deepens the love. There is no better way of quantifying consumer appeal than market share and the group has some impressive statistics on show, including the following market leaderships:

- Morning Fresh has 50% of the Australian washing-up liquid market, three times that of its nearest competitor (P&G's Fairy), and 56% in Nigeria.
- Premier has 25% of the bar soap market in Nigeria.
- Stella has 81% of the pomade market in Nigeria.
- Cussons Baby has a 39% market share in baby bath soaps in Nigeria.
- Carex has c 37% of the UK's liquid hand wash market, twice that of its nearest competitor.

In its four lead markets, the group has the focus of a local player and some of the scale benefits of a global player.

...but historically suffered from complexity and a lack of focus

The problem with this local approach is that, over its long history, PZ Cussons' activities became increasingly complex, operating in seven countries and with 50 brands. Yet 90% of the revenue came from the four main markets and 90% of brands generated the majority of their revenue from only one or two markets. This is not the conventional shape of a global consumer products business. Moreover, even individual countries' portfolios were diverse. The approach was overly biased towards trading, not least because of the priorities of the local management. It was not just the brands that lacked strategic planning; some geographies did too, taking Nigeria, for example, into brewing, powdered milk products, electrical assembly and retailing, and residential property development. It takes time to change from such a culture and approach to one that is capable of supporting value creation through higher-quality growth from building brands.

Group profitability and growth suffered because of the lack of focus. Group revenue fell from £883m in 2013 to £603m in 2019 as brands suffered from under-investment (spend was down a third in the period), with profit showing a CAGR of -6%.

In 2019, PZ Cussons accepted that this absence of focus needed to be addressed. The arrival of Jonathan Myers (ex-P&G) as CEO in 2020 saw the change in direction get properly underway. It was a long overdue acceptance that a brand business needed to be run by a brand builder. The core tenet, understood and practised by other fast-moving consumer goods companies for many years, is to invest in winners and restrict investment in those brands with less compelling economics.

The past is a foreign country; PZ Cussons does things differently now

Myers' tenure has seen the sharpening of the group's focus, making the necessary decisions on which brands to back and which to maintain, along with improved execution and stronger go-to-market capabilities. Where possible, manufacturing is now in-house. By recycling assets, through disposal (at the start of his tenure an Australian yoghurt business and a Nigerian infant formula, and more recently the 50/50 joint venture in cooking oil in Nigeria) and acquisition (Childs Farm, which sells washing and bathing products for children with sensitive skin), the group has greater cohesion. St Tropez' operating model has been simplified by partnering with Emerson and given it scale at the same time.

This new approach obviously required a great deal of change in structure, responsibilities, assets, financial controls, teams and culture, which is ongoing.

Getting to grips with growth

Before the acceptance of the need for change, PZ Cussons operated largely on a decentralised basis. As globalisation grew, the group was left behind. Operating units sometimes lacked the skills, expertise and budget to compete effectively. Put simply, the group had not been marketing-led as much as it needed to be. In March 2021, PZ Cussons set out its new strategy: 'Building brands for life. Today and for future generations.' This stated both the categories and geographic markets in which the group would concentrate:

- **Categories:** hygiene, baby and beauty.
- **Priority markets:** the UK, Australia and New Zealand, Indonesia and Nigeria.
- **Focus:** 'Must Win' brands using the 'PZ Cussons Growth Wheel' as the repeatable model for execution.



Only half of the 50 brands made the grade in 2021, with 17 termed 'Portfolio' and eight 'Must Win' brands. The latter generated half the group's revenue and two-thirds of the gross profit and accounted for three-quarters of media and consumer investment.

To grow brands successfully, particularly in more than one geography, requires planning. Decisions need to be made for the long term, including the R&D and consumer insights that will allow the marketing strategy to be developed and implemented. The brands with the best economics get competitive investment levels and are the focus for the innovation pipeline.

To back up the determination to compete more effectively and deliver growth, outperformance was written into management's long-term incentive plans, accounting for 20% of its targets.

In order to execute the strategy successfully, the group needed to strengthen its approach to capabilities, talent and leadership, and culture. The common thread running through the plan and its implementation has been a drive to dramatically reduce complexity across the group's businesses and increase consistency and quality.

Exhibit 4: Evolution of marketing strategy

	HISTORICALLY	FY21-25	FY26
Model for repeatable growth	Limited		
Marketing function	Fragmented with a trading bias	Connected with local insights	Integrated with local insights
R&D function	Reports to supply chain	Reports to supply chain and marketing; focused on maintenance and product optimisation	Reports to marketing
Strategy and planning	Limited	Annual, budget focused	Three-year rolling plans

Source: PZ Cussons

This has evolved into the group's 'locally loved' flywheel, which underlines and emphasises the advantages of the group's structure:

- Locally born brands with in-market management and accountability.
- Local proximity to retailers yielding competitive advantage.
- New product development and claims tailored to local market needs and tastes.
- Local insights translated into relevant content.

Increased R&D

At PZ Cussons' capital markets event in February 2026, the group disclosed that it is doubling its investment in R&D. Previously, 90% of the pipeline was renovation, with very little being innovation. R&D, therefore, was largely product cost optimisation, dealing with regulatory changes, developing seasonal and exclusive lines, and pack changes. In future, the split will be 50/50. Locally relevant research will be at the forefront, with work on surfactants for stronger cleaning in home care for Morning Fresh, improved formulations for Cussons Baby's young skin ranges in Indonesia, and in Africa performance tailored to African hair types at Venus.

Innovation is the lifeblood, in research, consumer insight, new usage occasions and packaging. This means looking for new consumer benefits, new sub-categories, meeting consumer needs in new ways and finding overlooked and undeserved segments. 100% of innovations are now based on consumer need-states or customer requests and 50% of FY26 pipeline projects were rejected because of increased returns thresholds and a fail-fast approach. R&D spend in 2027 is guided by the company to be twice that of 2025, with the mix going from 90% renovation and 10% innovation to 50% each.

A dedicated insights team is undertaking a comprehensive path-to-purchase analysis. The company provided an example at its recent capital markets day with Original Source in post-workout showering, which culminated in Original Source sponsoring Hyrox, a fast-growing mass-participation exercise format, with 40,000 athletes in London alone.

PZ Cussons is working with at least four agile partners to deliver high-quality insights more quickly. Elasticity studies, the reaction of a consumer panel to new packaging, changing it in real time, to new concepts, are now frequently delivered within hours rather than days. This is new to PZ Cussons, but not to the industry. By using agile, leading-edge specialists, the company is now able to compete on equal terms with larger businesses.

Europe and the Americas

Europe and the Americas represented c39% of FY25 revenues. In 2021, management identified the Must Win brands in this division as Carex, Sanctuary Spa, Original Source and St Tropez. Portfolio brands were Charles Worthington, Fudge, Imperial Leather and Bayley's. The most important brand in the division's portfolio (and the group's) is Carex, a hand wash and hand sanitiser brand.

Strong relationships with UK retailers based on range and flexibility

PZ Cussons enjoys strong relationships with key distributors, which praise its UK base, UK heritage and UK manufacturing. This is lacking in many of its competitors. In wash and bathe, its range has been built to be as supportive as possible to retailers, going from essentials to premium to products that suit high-low pricing strategies.

Food discounters are structurally unhelpful, other channels prioritised

Limited assortment food discounters have been growing for many years. The likes of ALDI and Lidl emphasise own-label products so their growth in the UK market has been unhelpful to branded fast-moving consumer goods companies like PZ Cussons. The discounters' rate of growth in market share started to accelerate in H223, while key partners such as ASDA and Morrisons have fallen back. Despite its strong representation in other discounters such as B&M and Home Bargains, the net position has been unhelpful for PZ Cussons. It is well represented on platforms such as Amazon, but the company is best placed in large supermarkets and drug stores.

Americas is St Tropez

St Tropez has always generated most of its sales from the US and is the only brand the group has in North America.

St Tropez largely created the self-tan market, but being an operation with a single brand, it struggled to compete when competitors emerged and distribution became more complex. Management did not have the closeness of relationship with its main distribution partners that its premium-only strategy demanded. It needed new products, perhaps sub-brands, to sell through mass-market retailers.

Following a strategic review, PZ Cussons agreed a deal with Emerson, a leading US-based partner to brand owners, counting Haleon in its stable for 18 years. It will provide customer management, logistics services and brand activation in the US. Critical to the partnership's success will be the strength of Emerson's broad relationships with key retailers. It has started well enough, with H126 showing 12% revenue growth.

Africa

Africa represented c 27% of FY25 revenues.

PZ Cussons holds 73.3% of PZ Cussons Nigeria, with the rest being listed locally and owned by local shareholders. It operates in Nigeria, Ghana and Kenya (where it has its fourth manufacturing facility) and is present in 19 other countries, which account for 11% of revenues. Of its £141m of revenues in FY25, 42% is from Nigerian family care, 33% from electricals, 15% from Kenya and 10% from Ghana.

Naira devaluation pains balance sheet

The devaluation of the naira in 2023 was seismic for the group. It happened quickly, falling 23% in a day. Against the pound, the rate went from NGN575 to NGN2,000 in February 2024. It currently stands at NGN1,845. The value of the cash the group held in Nigeria, which management was unable to repatriate and was unhedged (hedges being prohibitively expensive or unavailable), fell accordingly, resulting in a change in the group's net cash position of £5.7m at May 2023 to a net debt position of £115.3m at May 2024.

Disposal of edible oils joint venture and surplus property

To address the balance sheet and to eliminate a recurrence, the group announced a strategic review of its Africa operations in April 2024. The sale of its 50% share in its edible oils joint venture, PZ Wilmar, for \$70m was announced in June 2025 and property assets that were surplus to operating requirements, mainly in Africa, were sold. At FY25, net debt stood at £112m and is forecast by consensus (LSEG Data & Analytics) to fall to £30.9m in FY26.

Retention announced

In December 2025, PZ Cussons announced that it would retain the rest of the division. Significant levels of interest in the operations did not deliver an offer, which sufficiently reflected its inherent value.

Guardrails put in place to mitigate recurrence

There has never been any doubt in the mind of the board that the Africa division offers long-term growth but, in order to mitigate the associated risk, it needed to put both operational and financial guardrails in place. This has now been done, with most attention on the generation and use of cash and fx management that will feature at every scheduled board meeting. The target is to have no more than £20m of cash in Nigeria (currently £24m). One of the ways fx risk is being mitigated is to encourage exports to other African countries to increase US dollar earnings.

Strong growth, high market shares

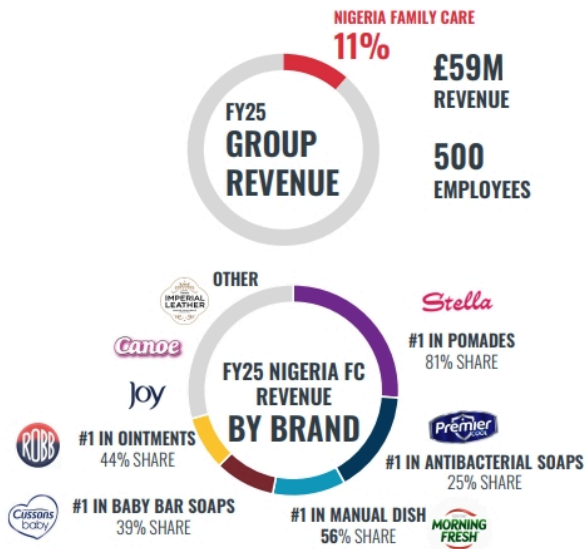
Nigeria has a large population of 240 million people, and growing, and the country is urbanising rapidly. As the group has demonstrated, Nigeria can provide a gateway to most of the rest of Africa. 70% of revenues come from brands with number one positions:

- Stella (a skin pomade for dry skin) accounts for about 25% of the family care division's revenues, with an 81% market share (the second-ranked company has 11%), and it has particular strength in the dry north of the country, which is Saharan in climate.
- Premier is the number one in antibacterial soap and accounts for nearly 20% of family care revenues. Strategically, it is the most important brand in the portfolio.

Morning Fresh, Cussons Baby and Robb (which has a 44% share in ointments) are all number one in their markets and

each generates c 10% of the division's revenues. Other brands include Joy (beauty and haircare), Canoe and Tempo (both laundry detergents), and Imperial Leather.

Exhibit 5: Nigeria revenue and revenue by brand



Source: PZ Cussons

Growth driven by increased distribution, effective marketing and range innovation

Distribution has become much stronger. In 2021, there were nearly 400,000 outlets and 90% was through wholesalers. In 2025 the number of outlets had increased to 750,000, of which 230,000 were covered directly. Further growth in total outlets and direct participation is expected. Within Direct, there are already 10,000 'Golden Outlets', which have an expanded product range, improved margins and economics, stronger relationships, better data, and faster growth and scalability. There is an uplift typically of 30% when a direct relationship becomes Golden, and 3x when it is moved from an indirect relationship. The group's experience in working closely with retailers in developed economies is proving helpful as the Nigerian sector consolidates and becomes more organised. This route to market is increasingly enabling advanced analytics.

Core growth is being achieved through a number of initiatives. For example, the Cussons Baby hospital programme reaches one million mothers a year. The official relaunch of Carex in June 2025 is expected to add £3m of sales in FY26 with a 'win the war against germs' campaign, which emphasises clear, distinct positioning.

Premier Cool is strengthening its positioning by supporting International Men's Day, highlighting the importance of mental health and well-being, a modern stance. Premier's gross margin has been boosted by 12% in the last four years, with the premium Cool variant (with menthol) moving from 25% of the brand's sales to 63%. The brand is going to be extended into the men's grooming market with shower gel (25-hour protection), lotion and deodorant, with targeted sales of £5m at accretive margins. The difference between this and historical PZ Cussons category expansion is that the approach has been thoroughly professionalised.

In the Nigerian skin and haircare market, Venus is another example of taking insights into innovation. A new range of products, including shampoo tailored to African hair types, has a medium-term target of £5m of sales across Africa, again at accretive margins. Management believes that consumers are willing to pay for innovation.

Exporting to more countries

PZ Cussons Africa already operates directly in Nigeria (three manufacturing and production facilities), Kenya (one factory) and Ghana. It also exports to Uganda, Tanzania, Libya and Chad, among others. It aims to double exports, already £15m at 11% of the division's revenues, in five years by extending the portfolio footprint and adding other countries, including Côte d'Ivoire, Senegal and Ethiopia.

Electricals stands out

Electricals is the activity that fits least well within the group's portfolio and strategic direction. But being the market leader with 70 dedicated showrooms (operated by third parties, and mainly selling fridges and freezers, along with domestic generators) and an assembly plant (to avoid import duties) in a category destined to grow, it has plenty of attractions. It is 75% owned by PZ Cussons Nigeria and 25% by Haier Thermocool, the Chinese electricals brand. It suffered badly in the naira devaluation because it is a working capital-intensive business due to seasonality and long lead times.

Asia-Pacific

APAC represented c 33% of FY25 revenues.

APAC consists primarily of Australia and Indonesia, although PZ Cussons also exports to other countries in the region, such as New Zealand and Thailand, where it is one of the biggest importers of soap noodles, which are the foundational raw material for manufacturing bar soap. Most of the Morning Fresh sold in Australia is manufactured in Indonesia.

Australia and New Zealand make up the major part and enjoy high shares

In Australia and New Zealand, which generated £89m of revenues in FY25, 17% of group revenue, Morning Fresh is the market leader in washing-up liquid (with a very large 50% share) and dishwasher tablets, while Radiant is a leader in fabric and colour care, with a 12% share, and fits well enough within the group's Hygiene category. Rafferty's Garden does not, but it is the market leader in wet baby food sold in pouches with a 35% share.

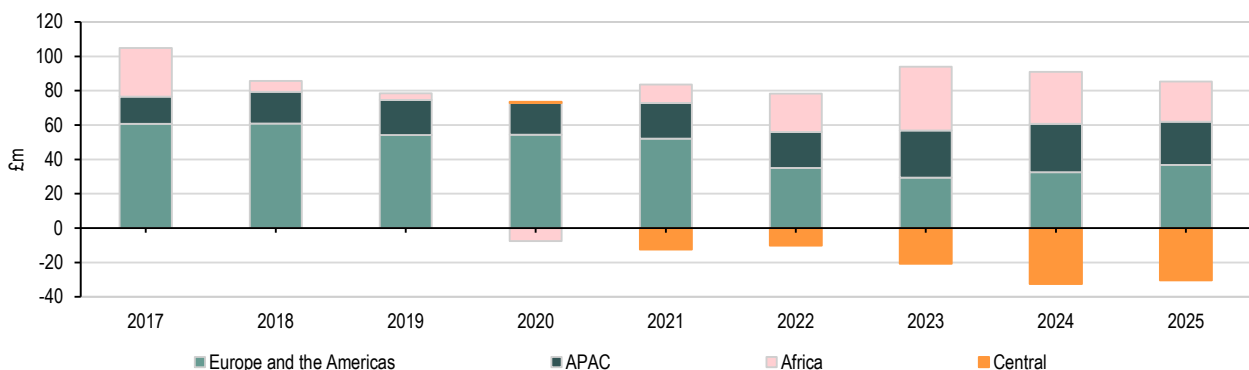
Indonesia is mainly Cussons Baby

Indonesia, where the group has operated since 1988, is a large, fast-growing market that shows how the group can prosper in developing markets. Imperial Leather, Carex, Original Source and Morning Fresh are all sold here. Revenue was £59m in 2025. The outstanding brand is Cussons Baby, with a range that includes shampoos, body washes, creams, oils, lotions and wipes. It generates over 90% of revenues in Indonesia. Products for newborns are a particular strength, with the Mild & Gentle and Sensicare ranges for babies with sensitive or eczema-prone skin. Culturally, bathing and massaging are key parts of a baby's sleep routine, and Cussons has a strong product range for this. A Childs Farm-style Sleep Mist might be an opportunity but, given the dominance of Cussons Baby, it would be under that brand.

Financials

In Exhibit 6 we show the annual progression in PZ Cussons' divisional adjusted operating profit. The volatility in Africa is clearly visible, as is the increase in central costs.

Exhibit 6: Divisional adjusted operating profit



Source: PZ Cussons, Edison Investment Research

Europe and the Americas

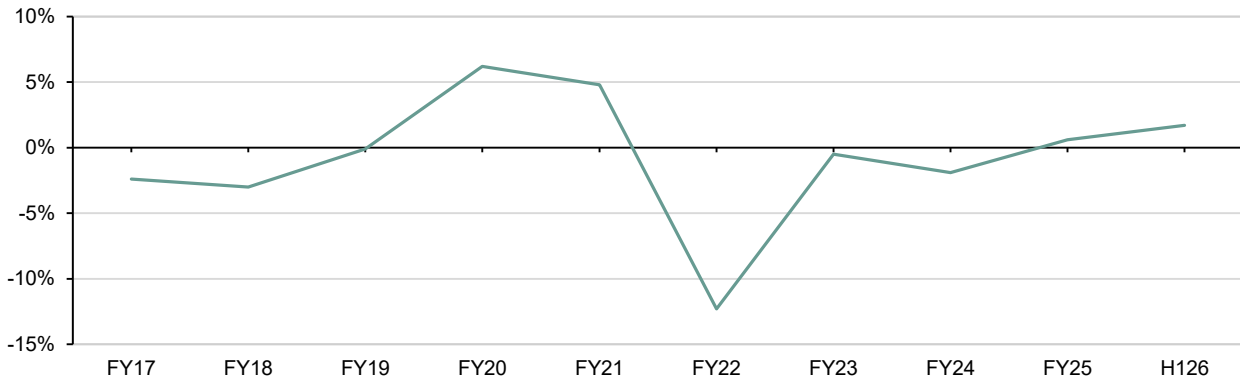
In 2017 and 2018, the division reported operating profits of £60m a year. In 2025, it reported £37m, despite the benefit of

some costs being reallocated to central, as a result of the reorganisation of brands along more global lines.

A reversal of the trend is underway. Operating profit in the year to May 2025 grew from £32.6m in FY24 to £36.8m, despite the introduction in the UK of the new Extended Producer Responsibility tax of c £3m, an annual cost to the business that will be mitigated over time through repackaging and price increases. Central costs fell slightly in 2025, so this was not a benefit to the division's profit, and St Tropez revenues fell by double digits. The underlying UK performance was therefore strong.

If St Tropez is excluded from the 2025 figure, UK revenue would have been +2.4%, the strongest result ex-pandemic for many years.

Exhibit 7: Europe and the Americas like-for-like revenue growth



Source: PZ Cussons, Edison Investment Research

The UK washing and bathing category grew 3% in value terms, with PZ Cussons' brands largely holding market share within their respective sub-categories. Sanctuary Spa (a Must Win brand) grew strongly, driven by further expansion of gifting ranges, with seasonal gifting during Christmas, Valentine's Day and Mother's Day periods growing in double digits. Imperial Leather saw the full-year benefit of its new packaging as well as the launch of a new range, Ultimate Moisture, in H225.

Carex revenue grew for the second consecutive year, driven by an extension of The Gruffalo products to include Zog, while taking share in the core hand gel segment. Childs Farm delivered continued revenue growth, as it also benefited from an intellectual property partnership with another popular children's TV character, Bluey.

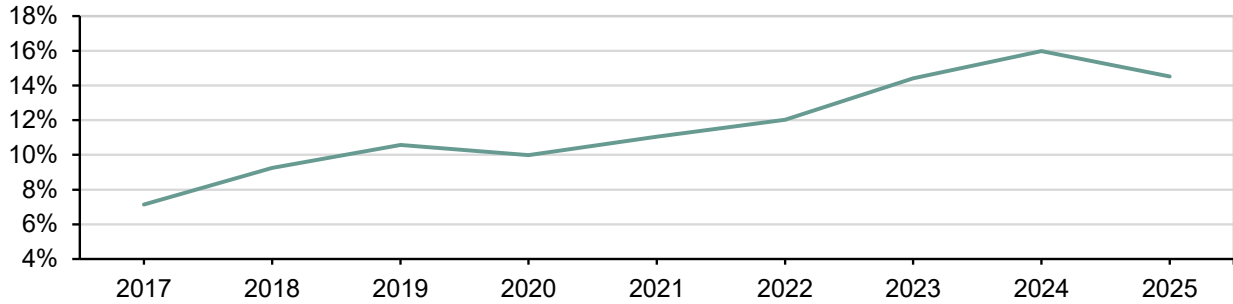
Importantly, and demonstrating clearly what the group is able to achieve when it makes the right acquisition and develops the business strategically, Original Source (acquired in 2003) achieved record brand penetration of 15% (ie 15% of households in the UK purchased the brand in recent months), showing much greater adoption and reach than on acquisition, when market share was just 2.3%. Building brands takes time.

The development of this division over the last few years demonstrates that the strategy of backing Must Win brands is proving successful. It also shows the importance of owning a cohesive portfolio of brands that support one another and, when working with retailers, delivering a superior proposition to consumers.

APAC

The division has shown good progress over the last eight years, up from £16m in 2017 to £25m in 2025. There will have been a benefit from the reallocation of costs to the centre, but this division has shown a good degree of consistency. It is also worth looking at the progress of the operating margin.

Exhibit 8: APAC operating margin



Source: PZ Cussons, Edison Investment Research

Africa

Operating profit in Africa has been unsteady in recent years, affected by the devaluation of the naira, which necessitated 30 rounds of price increases in order to recover higher input costs. Note that 18 months ago, PZ Cussons made an offer to buy out the minorities, which was recommended by the local board. However, the Securities and Exchange Commission of Nigeria required the price to be higher.

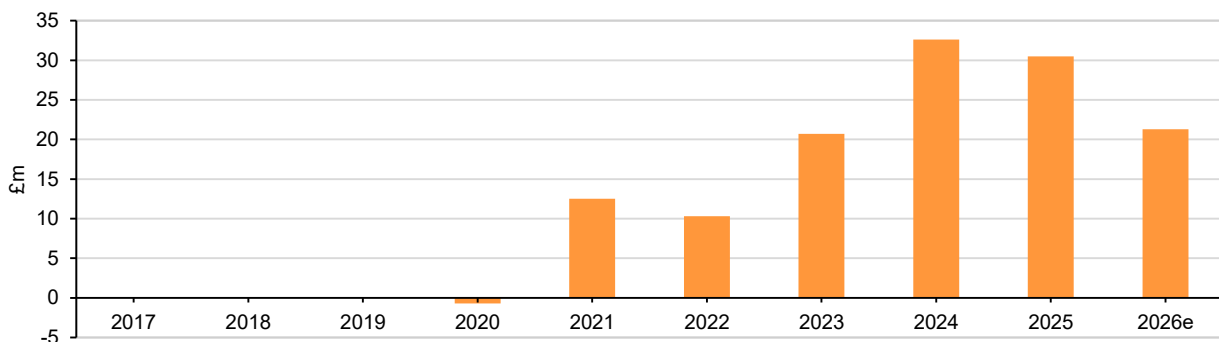
Central costs

One of the difficulties in following the divisional operating performance of the group is the growth in central costs in recent years. Before the new team arrived, there was no effective centre. Proper management of the group required a strengthened centre, in terms of financial controls, company secretarial and legal teams, IT, global supply chain and brand management. Small, central teams of brand builders have been created, which also share insights and data, including launch results. Part of these costs used to be borne by the geographic divisions, the reported profits of which have therefore seen the result of these costs being taken elsewhere. Consultancy and other advisory fees also rose. The good news is that central costs are guided to fall in the current year, along with costs elsewhere, as streamlining is now possible, along with property consolidation, action on T&E and headcount.

FY25 central costs declined by £2.1m to £30.5m. However, FY24 included an £8.9m one-off charge related to debt forgiveness in the Africa business, with a corresponding off-set in the operating profit of Africa.

Guidance for FY26 is for a reduction in central costs of £5–10m, and following the release of H1 results, the higher end of the range appears more likely. Some of this reduction will be reinvested in brand-building activities. There should be a further gain in FY27. We are hopeful of more clarity and transparency on central costs in due course.

Exhibit 9: Central costs

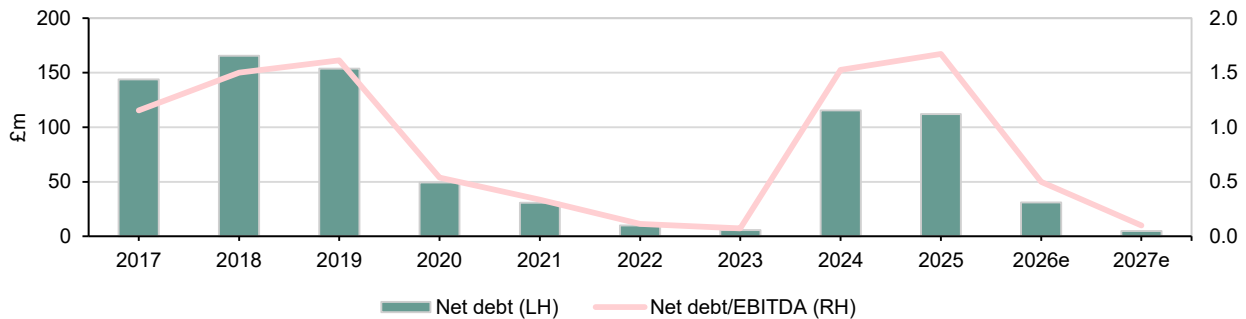


Source: PZ Cussons, Edison Investment Research. Note: 2026e is annualised based on H126 adjusted operating cost of £10.9m.

Balance sheet

Net debt in recent years shows clearly the impact of the devaluation of the naira, and management's response to it. The problem for the balance sheet was that the group had significant cash deposits in naira offset by \$40m debt in US dollars, which the local business needed to trade but could not access.

Exhibit 10: Net debt and net debt/EBITDA (x)



Source: PZ Cussons, Edison Investment Research, LSEG Data & Analytics. Note: This excludes cash held in Nigeria. Estimates are consensus.

Debt has since fallen significantly, with consensus for FY26 now £30m, including cash balances in Nigeria, as the result of:

- cash generation;
- business disposals (£48.5m had been received by February 2026 from the sale of the 50% stake in the PZ Wilmar joint venture, with a further £3.4m expected by end FY26); and
- the sale of surplus and non-operating assets. A total of £30m of net proceeds from c 30 properties ought to be received over time, with minimal impact on profit as these were largely unproductive. FY25 saw just £1m of proceeds, but there has been a step-up in FY26 with £15–20m expected, and a final £10–15m in FY27 (and perhaps a little beyond). Two-thirds will come from Africa. Some of this is an inheritance from historical forays into Nigerian property development, both residential and commercial, but there are also empty warehouses from a decade before, and a factory that can be partly sub-let.

Bringing the balance sheet back into kilter has been an important step forward in the investability of the shares. On its own, this would not necessarily mean much as the situation could be repeated, and with no easy asset sales. The board's guardrails, which are examined at every scheduled board meeting, are therefore essential to avoid a repeat. These controls are most important around foreign exchange management and the repatriation of cash.

Priorities for use of cash

- **Leverage:** the target is a range of 1.0–1.5x for net debt/EBITDA. Note this excludes cash held in Nigeria.
- **Dividend:** the intention is for a progressive dividend policy. FY25's 3.60p per share cost £15m in cash. The yield is currently 4.1%.
- **M&A:** opportunities for bolt-on acquisitions in the UK and Australia and New Zealand.
- **Cash returns:** considered relative to the merits of M&A opportunities.

M&A now has focus

Childs Farm is a template

Against the volatile trading background post the COVID-19 pandemic, PZ Cussons showed its determination to concentrate on the strategic rather than the tactical by acquiring 92% of Childs Farm for £37m in March 2022. Childs Farm is a market-leading baby and child personal care brand, with a focus on sensitive skin, with eczema, vegan and

cruelty-free credentials along with best-in-class sustainability practices (becoming the first children's personal care business in the UK to be certified as 'B Corp', in July 2022). Revenue at Childs Farm for the year ended December 2020 was £14m by PZ Cussons' definition, and the business lost £0.9m before tax. Unsurprisingly, Childs Farm entered the group as a Must Win brand.

With a market share of 13% and an industry-leading net promoter score of 43, Childs Farm appeals most strongly to higher-income 'Mindful Mums'. Awareness was relatively low in 2022/23, with only 1.6m households of the 3.7m buying baby and child-specific hair and skincare products aware of Childs Farm. The brand was launched in 2012 with a line of six products, going nationwide in 2014.

The reasons for the acquisition were threefold. First, Childs Farm offered growth to PZ Cussons, with an expectation of tripling sales by 2028 by leveraging PZ Cussons' brand-building capabilities. It was expected that this would make it a £50m brand. At that level of sales, profitability becomes high.

Second, Childs Farm offered what most acquisitions in the past had not: a highly complementary fit and a market-leading business, making the group's assets more cohesive. Childs Farm's products include body and face washes, hair care, bubble bath, moisturisers and sun protection, meaning a high overlap with the pre-existing portfolio. The scope for brand extensions was also clear. SlumberTime, a range of lavender-scented products for bathing, massaging and misting to calm babies before sleep, was launched in spring 2023. The group has significant insight and experience in this area in Indonesia under the Cussons Baby line.

Third, the group's capabilities offered Childs Farm international growth.

Within a little over a year, PZ Cussons increased distribution across Childs Farm's existing customers (Boots, Superdrug and the mainstream grocers) by 21%, and added new customers such as Savers, M&S, Moonpig and Justmylook.com. Finding new customers was also pursued by increasing investment in social media, with high-profile brand ambassadors recruited.

The greatest challenge is taking Childs Farm into new geographies successfully (though not where Cussons Baby already operates – Indonesia, Nigeria, Ghana and Kenya). Germany is an important target, with Childs Farm being significantly preferred in a blind test to the market leader. Distributors include amazon.de and Rossmann, a 4,000-strong European drug store chain based in Germany. Expansion in the US is underway through Emerson. Amazon and regional retailers started carrying some lines a year ago. It is hoped that Childs Farm will be listed by a national retailer at some point.

Childs Farm is running somewhat behind its original, demanding expectations. The naira devaluation intervened, and management, which at the time was integrating Beauty within Personal Care, deliberately took a cautious approach, mindful of Childs Farm's relative size and start-up culture. Nevertheless, the first full year of ownership (FY23) saw 12% revenue growth and 'double-digit growth' in FY24, helped by a 5% increase in distribution points. Market share was also increased by 'continued strong commercial execution and ongoing brand strengthening with awareness improving and a near doubling of social media followers over the past two years'.

FY25 saw 'continued growth', but this may have been an overly modest description, as revenue in FY26 is expected by management to be around £20m, a near 50% increase on FY22's result (and implying c 8% per year for the last two years). The business was making a small loss before acquisition, moving into a small profit when PZ Cussons acquired the founder's remaining 8% in FY25, held back by the investment in growth. Around 80% of Childs Farm revenues are now manufactured at the group's highly efficient Agecroft facility (lotions and creams will continue to be outsourced) and this has delivered c £2m of gains from capturing margin and spreading overheads. An operating profit of £3–4m this year, with a strong growth trajectory, would confirm that the acquisition has been successful and offers a template for the future development of the group.

Template for future non-organic growth

Management has indicated that any future acquisition will probably be UK-based, selling to the same teams in UK grocers, with opportunity to support existing brands, and which provide manufacturing synergies. Sales in Australia and/or the US would be a bonus.

Patience may be required, but it is worth bearing in mind that the consumer arena generally is characterised by innovation, much of it founder-led. When revenues reach £10–20m, different challenges are presented to founders whose skill sets are often limited. Faced with risk and uncertainty, and significant further effort required, many decide they have reached the stage in life that they are happy to cash out, at least in part. PZ Cussons is in a good place to buy such brands because the likes of Haleon and Unilever are less interested in this size of transaction. More importantly to

the founders, PZ Cussons is of a size that each acquisition is important; they do not get lost in a vast empire.

As discussed above, Childs Farm is a template for future M&A. These are most likely to be UK-based, selling to the same teams at the biggest customers, with the scope to support existing brands, and which provide manufacturing synergies (which increases certainty of return). There is a requirement for cohesion between the group's assets.

Sensitivities

Sensitivity to UK consumer spending patterns

The UK is the group's most important country. Although the brands might seem defensive in nature, particularly in hygiene, the reality is that there is elasticity to the economic environment. This was seen, for example, in 2023 with a 3% decline in the UK's washing and bathing category. Trading down is a feature that has an impact. The range of products within the UK portfolio allows this to be done in this category, but a buoyant economy would be preferred. Nevertheless, Sanctuary Spa saw strong growth in Christmas gift sets in FY26, showing that execution can trump the trading environment. Consumer confidence remains negative, but then it has been for 10 years. The key drivers of consumer spending are employment and real wages. The total number of hours worked is running flat, despite an increasing population, and real wage growth has eased over the last 12 months.

US partnership with Emerson

Emerson is a leading US-based partner to brand owners, with an impressive portfolio of clients, many of which have been on the books for over a decade. Under the agreement, Emerson provides customer management, logistics services and brand activation in the US. Success is dependent on the volume increase that both parties expect to achieve, and for which Emerson will be well rewarded. If traction is hard to find, Emerson's efforts may wane. Critical to the partnership's success will be the strength of Emerson's broad relationships with key retailers. It has started well enough, with H126 showing +12% revenue growth.

Leveraged UK grocers are losing share to the limited assortment discounters (ALDI and Lidl)

The food discounters' offers are led by own-brands and carry less range, making them less attractive distributors for PZ Cussons' ranges. The group distributes through homewares discounters such as Home Bargains and B&M, and online with Amazon, but the changing shape of UK retailing has been broadly unhelpful.

Emerging market exposure

Nigeria has obviously been the focus in recent years, but with 40% of revenues coming from emerging markets there is a broader risk than just Nigeria. Shareholders understand that this is the flip side of premium growth rates. Any future devaluation of the naira ought to have much less impact than was the case in the last two years because the company has put in place controls that are expected to limit the damage. In addition to currency risk, emerging nations also carry a measure of political risk.

M&A carries risk

While academic statistics tell us that the majority of acquisitions are unsuccessful, and it could be argued that PZ Cussons' experience supports that view, the ones that work can work very well. By learning from both its failures and successes, the company has produced a model that will limit the risks while still ensuring some deals get through.

Valuation

Before Myers arrived as CEO, there was a well-established pattern of downgrades, disparate assets, unclear strategy and weak communication. The stock was unloved. However, investors became more open-minded and are also quick to react when fundamental changes are seen to bear fruit and credibility increases.

H126 results were well received

H1's 8% increase in group revenue (helped by a firmer naira, no less) and 12% increase in EPS were a strong first step in building credibility and confidence. The performance of the shares on publication of the H1 results in February was not just because there was a beat, but because:

- the group announced impressive revenue and earnings growth targets;
- a successful capital markets event explained clearly the advantages of the 'locally loved' collection of assets; and
- there is a growing acknowledgement that the business, which is a collection of brands, is becoming more successful because it is being run by a brand builder.

New target of high single-digit growth annually

The newly stated ambition is to deliver mid-single-digit revenue growth and high single-digit growth in earnings per share annually, a double-digit return for shareholders given the 3.6p dividend. The dividend was not increased at H1, but it is widely expected that the final dividend will be increased. The historical yield is a little over 4%. The free cash flow yield on consensus for FY26 is 7.1%. This, and EPS growth, are being held back in 2026 by the tax rate rising from 18% to 28%, the result of growth in Nigeria and the sale of the group's 50% share in PZ Wilmar, the edible oils business, which was included post-tax in the income statement.

The growth in central costs has obscured the divisional margin performance in recent years, but central costs are expected to fall back in FY26 and FY27 as the costs of strategic reviews are not repeated and resource is tailored more appropriately. Another reason for the board's confidence in high single-digit EPS growth in the near term is that the interest charge is expected to fall along with net debt. Consensus estimates expect FY25's charge of £13.8m to fall to £9.5m in FY26 and £5m in FY27, thereby delivering the bulk of the expected increase in PBT.

Margin potential

The operating margin for the group has the scope to increase further, in our view, though this is not yet visible in consensus forecasts. H1 of the current financial year saw it grow from 10.8% to 13.2%, although this was partly due to the timing of marketing spend. On the other hand, it was depressed by 30bp by a charge relating to historical VAT in APAC. FY26 consensus is for 10.1%, after 10.7% last time. Mix plays a part. Africa reported the highest operating margin in H1 at 29.5% (2.6%) and is showing the fastest growth, with 28% like-for-like revenue growth, of which 15% was price/mix improvements and 13% volume growth. Of course, there is a 27% minority interest in Nigeria with the local listing.

Absence of direct comparables

Being something of an idiosyncratic business, PZ Cussons has no direct comparable companies. In Europe, the sector is made up of very large, branded consumer goods companies like Unilever, Henkel, Reckitt Benckiser and Haleon and smaller private-label players like McBride in the UK.

The very large, branded companies typically grow revenues at 3–4% a year, and see EPS grow a little faster, at 6–8%. The earnings certainty and liquidity they offer drives P/E multiples in the high teens. Haleon is an outlier, with nearly 10% EPS growth suggested by consensus in both FY26 and FY27, enough to demand a P/E multiple well over 20x.

The most comparable company in size is Edgewell Personal Care in the US, which sells Wilkinson Sword and other razor brands, male grooming products and sunscreen, including Hawaiian Tropic. Edgewell has historically seen a high-teens P/E ratio but has been struggling for top line growth and is undergoing a portfolio transformation at present. Its 12% operating margin currently sees a forward P/E of 11.5x. Though much bigger, Essity (hygiene, personal care

and health), based in Sweden, has similarities in its categories. Essity offers slightly slower EPS growth than most (consensus is for 5% this year) and has a lower operating margin than the biggest businesses at c 14% and trades on a P/E multiple of 15.5x.

McBride has operating margins typically in the 7–9% range and a P/E ratio of 7–9x. This valuation reflects the absence of brand equity, together with the economic reality of having profitability controlled by its powerful customers, which results in a modest rate of growth in EPS of 4–5%. Its multiples are the bare minimum for a branded operator.

Although this group of companies are different in many ways, there appears to be a correlation between P/E and operating margin (which feeds through into free cash flow yield), because profitability feeds into certainty of future growth through innovation.

On this basis, PZ Cussons is beginning to stand out in terms of earnings growth. Consensus for FY27 is for 13% growth in EPS. Were this to carry a higher level of certainty in the market's mind, the prospective P/E of 12x on consensus forecasts would be significantly higher. As we move through calendar 2026, the level of certainty ought to increase, and the share price with it.

Discount for illiquidity

The liquidity of the shares is perhaps a factor behind the valuation multiples, not just because of the market cap, but because c 42% is owned by family trusts. 58% is held by institutions and other investors.

Exhibit 11: Peer valuation table

	Share price (local)	Currency	Market value (local m)	Sales growth May '26 (%)	Sales growth May '27 (%)	EBIT margin May '26 (%)	EBIT margin May '27 (%)	EPS growth May '26	EPS growth May '27	P/E May '26 (x)	P/E May '27 (x)	Div. yield '26 (%)	Div. yield May '27 (%)
Unilever PLC	5,134	GBP	111,957	(1.2)	3.0	19.9	19.9	(3.7)	4.9	16.5	15.7	N/A	3.9
Henkel AG & Co KGaA	72	EUR	32,346	(1.8)	2.1	14.5	14.8	2.4	5.0	13.0	12.4	3.1	3.3
Reckitt Benckiser Group PLC	6,130	GBP	39,523	(1.6)	(1.2)	24.7	25.2	0.3	4.2	16.9	16.2	3.6	3.9
Haleon PLC	389	GBP	34,639	4.2	4.4	23.5	23.9	9.3	9.6	18.3	16.6	2.2	2.4
McBride PLC	154	GBP	272	0.5	1.7	7.0	6.9	2.0	6.9	7.0	6.6	2.0	2.2
Edgewell Personal Care Co	22	USD	1,039	(6.3)	(3.2)	9.0	9.0	(21.2)	(2.8)	10.5	10.8	2.8	2.8
Essity AB (publ)	277	SEK	187,153	(2.8)	1.3	13.5	13.8	0.8	3.3	14.2	13.7	3.2	3.4
Premier Foods PLC	191	GBP	1,663	3.3	4.2	16.6	16.6	5.4	4.6	12.6	12.0	4.8	5.1
Greencore Group PLC	256	GBP	2,053	44.1	31.6	7.1	7.6	9.9	18.9	15.1	12.7	N/A	1.5
A G Barr PLC	680	GBP	762	4.1	4.4	14.8	15.3	9.8	7.0	15.0	14.0	2.8	3.0
Average				4.2	4.8	15.1	15.3	1.5	6.2	13.9	13.1	3.1	3.1
Median				(0.4)	2.5	14.7	15.0	2.2	5.0	14.6	13.2	2.9	3.1
PZ Cussons PLC	79.5	GBP	341	6.3	3.8	10.3	10.3	(7.9)	14.9	11.8	10.3	4.5	4.7

Source: LSEG Data & Analytics. Note: Prices at 3 March 2026.

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