Overview

During the past year we have started to see Private Label retail sales out-perform those of our branded competition in a number of our core Western European markets. Consumers are becoming ever more value conscious in a fragile economic environment, and retailers are increasingly recognising that Private Label can meet their needs of driving value to consumers and differentiating their offering. These developments have been particularly marked in some of our core categories.

The outlook for Central and Eastern Europe is more positive with strong Private Label growth continuing in our core market of Poland. We have also achieved strong growth in South East Asia and remain well placed to support international retailers' growth plans in that region.

We are nearing completion of the supply chain restructuring announced in 2011, with all aspects of the programme delivering to plan. Our focus on category management has started to yield new customer initiatives and our Lean manufacturing programme has achieved its Year 1 targets.

On 1 July 2012, we implemented a reorganisation of the Group with the principal aim of removing the divisional structures. This is a logical progression from the organisational changes we have implemented under Project Refresh over the last eighteen months to exploit our scale and capabilities. The resulting leaner organisation is focused around Group Commercial, Operations and R&D functions. These are tasked collectively with better leveraging the Group's scale by targeting the most profitable investment and growth opportunities, whilst striving for lower costs. I am confident that our new organisation is now well positioned to exploit the opportunity for Private Label growth.

We have also completed this year the actions to recover our operating margin following the material price increases of 2010 to 2011.

McBride achieved solid revenue growth through the year, although this was impacted in the fourth quarter by the relinquishing of low margin contracts. Group revenues were £813.9 million as a result, an increase of 1% at constant currency.

Trading since year-end has been in line with our expectations. Although the economic environment in Western Europe remains depressed, the strong performance of Private Label in some of our core categories and geographies has confirmed to us that we are taking the right actions to deliver future growth.

Strategy

We have continued this year with the implementation of the Refresh strategy launched in early 2011. The main achievements have been:

- delivery of the supply chain re-structuring savings with the closure of the Burnley site and consolidation of liquids production in the UK, and the creation of a Centre of Excellence for machine dishwash manufacturing and research;
- the Group Lean Manufacturing programme implemented across all sites, with first year target pre-inflation savings of £1 million achieved;
- the Group-led R&D function starting to drive New Product Development projects more effectively through Centres of Excellence and with greater customer engagement;
- the further development of the organisation of the Group, with the removal of the divisional structures and the creation of Group Commercial and Operations functions focused respectively on driving growth and cost reduction.

Our strategy is to drive Private Label growth in Household and Personal Care sectors throughout Europe and into developing and emerging markets through product innovation, improving customer service and quality, and by better leveraging our scale in procurement and operational efficiency. We will continue to focus on a number of core product categories which we believe offer the best growth prospects, and to examine opportunities to expand our geographic reach.

Objectives for the current year

Our principal objective for the current year is to exploit the opportunities available to us to drive Private Label growth in our core categories, whilst taking action to become more competitive. The five main activities will be:

- Driving revenue growth, supported by extending the use of our category management approach;
- Targeting profitable new product development through the re-organised R&D team;
- Delivering Year 2 targets from Lean manufacturing;
- Achieving targeted overhead cost reductions, complexity reduction and process improvements;
- Continuing to strengthen our geographic weighting in higher growth environments.

For further information:

Q & A interview with Chris Bull (PDF download)

Chris Bull
Chief Executive
September 2012