

McBride plc
Interim Results
Presentation
7 February 2013



Passionate about Private Label

Introduction

Iain Napier - Chairman

Introduction



- Reorganisation completed and functional organisation in place
- Net debt further reduced
- New non executive board member appointed
- Interim dividend 1.7p in line with previously re-based final dividend (2012: 2.0p)

Summary

Chris Bull – Chief Executive Officer

Summary



- 6% revenue reduction at constant currency, mainly as a consequence of the previously announced reduction in contract manufacturing
- 2% revenue growth in our Core & Future Growth categories, with 2% overall decline in Private Label due to the previously announced exit of low-margin non-core business
- Adjusted operating profit¹ increased 13%, reflecting margin improvement from a strengthening business mix and cost reduction measures
- Net debt of 1.7x annualised adjusted EBITDA¹
- NPD feeding a pipeline of product launches, with 15 already executed

(1) Adjusting items include amortisation of intangible assets, exceptional items, changes in estimates of contingent consideration arising on business combinations, and any non-cash financing costs from unwind of initial recognition of contingent consideration and any related tax.

Financial review

Richard Armitage - Chief Finance Officer

2011-12 Revenue at constant currency £403.8m, -6% decline

Financial headlines

	2012-13 H1	2011-12 H1	Y/Y
Revenue (£m)	378.2	423.1	-11%
EBITA (£m)	11.6	10.3	+13%
EBITA margin	3.1%	2.4%	+0.7pts
Profit before tax (£m)	8.7	7.3	+19%
Diluted earnings per share (pence)	3.5	3.0	+17%
Payments to shareholders per share (pence)	1.7	2.0	-15%
Cash generated from operations (£m)	20.3	17.3	+17%
Net debt (£m)	77.8	85.2	-9%
Financial KPIs			
ROCE	12.2%	10.3%	
EBITA margin	3.1%	2.4%	
Asset turnover	3.9	4.3	

(1) Figures do not include adjusting items. Adjusting items include amortisation of intangible assets, exceptional items, changes in estimates of contingent consideration arising on business combinations, and any non-cash financing costs from unwind of initial recognition of contingent consideration and any related tax

Income statement



	2012-13	2011-12	Y/Y
	H1	H1	
	£m	£m	
Revenue	378.2	423.1	-11%
Gross profit	120.4	128.8	-7%
Gross margin	31.8%	30.4%	+1.4pts
Distribution costs	(25.7)	(28.2)	-9%
Administrative costs	(83.1)	(90.3)	-8%
EBIT	11.6	10.3	+13%
Net financing costs	(2.9)	(3.0)	-3%
Profit before taxation	8.7	7.3	+19%

2011-12
Revenue at
constant
currency
£403.8m, -
6% decline

(1) Figures do not include adjusting items. Adjusting items include amortisation of intangible assets, exceptional items, changes in estimates of contingent consideration arising on business combinations, and any non-cash financing costs from unwind of initial recognition of contingent consideration and any related tax

Regional performance - Revenue

Sales by Origin

	2012-13		Y/Y	Constant Currency	
	2012-13	2011-12		2011-12	Y/Y
	£m	£m		£m	
UK	150.0	160.3	-6%	160.3	-6%
Western Europe	196.9	236.2	-17%	217.8	-10%
Rest of the World	31.3	26.6	+18%	25.7	+22%
Total	378.2	423.1	-11%	403.8	-6%

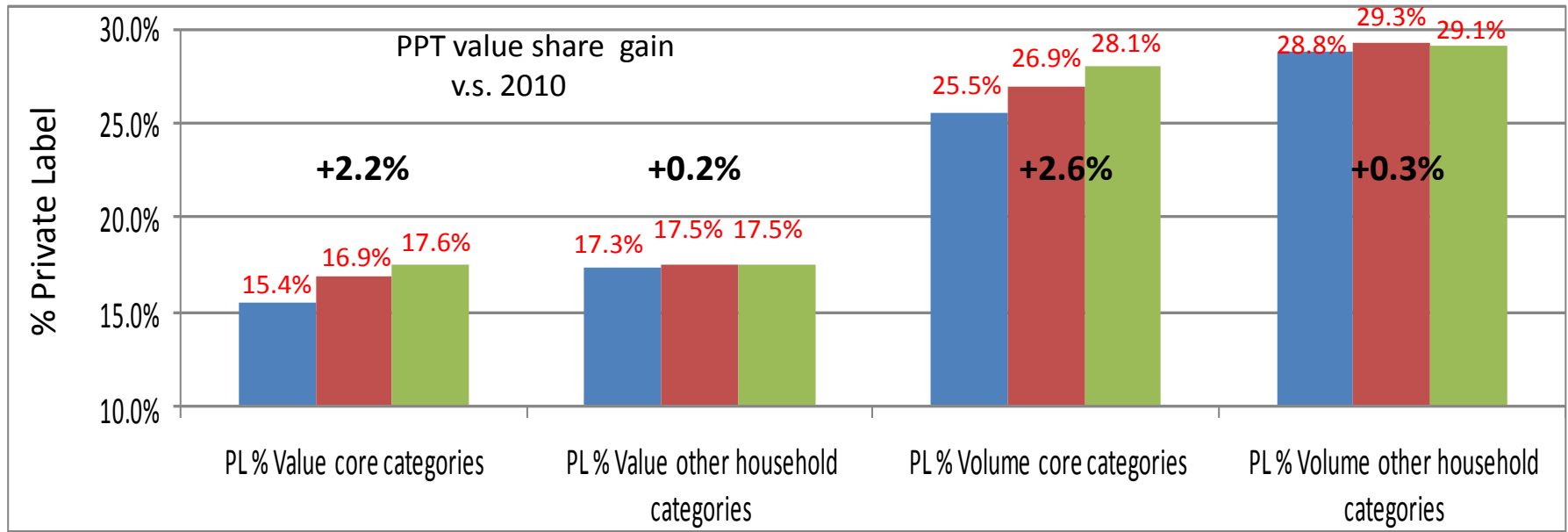
(1) Revenue is by geographic origin

Category management focus and NPD drives

Private label share growth in McBride's core categories




UK Household Private label
Value and Volume share June – Dec 2012
(26 weeks to end December)

PPT volume share gain
v.s. 2010



Core growth categories include Laundry Liquids, Machine Dishwash, and Cleaners

Source: Kantar Worldpanel

26 weeks end Dec 2010 
26 weeks end Dec 2011 
26 weeks end Dec 2012 

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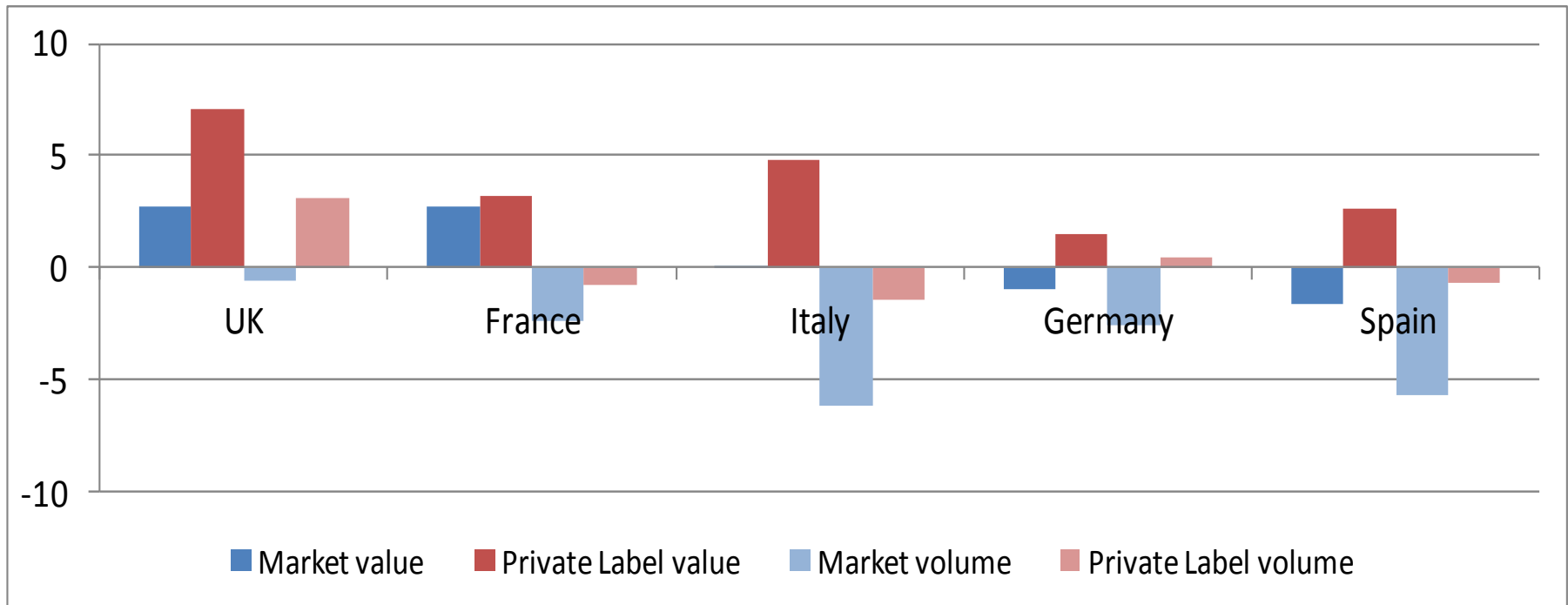
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Good Private Label momentum in Household products across Europe



% change vs prior year

(52 weeks to end December 2012)



UK, France, Italy, Germany, data 52 weeks to Dec 2012

Spain 52 weeks to Dec 2012 (MDW, WUL, Laundry Detergents and Household cleansers)

Sources: Kantar Worldpanel (UK) , Symphony IRI, GfK

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Regional performance – Operating profit⁽¹⁾



	2012-13 £m	2011-12 £m	Y/Y
UK	7.1	6.9	+3%
Western Europe	7.2	6.8	+6%
Rest of the World	0.6	0.3	+100%
Total segment profit	14.9	14.0	+6%
Corporate costs	(3.3)	(3.7)	+11%
Total	11.6	10.3	+13%

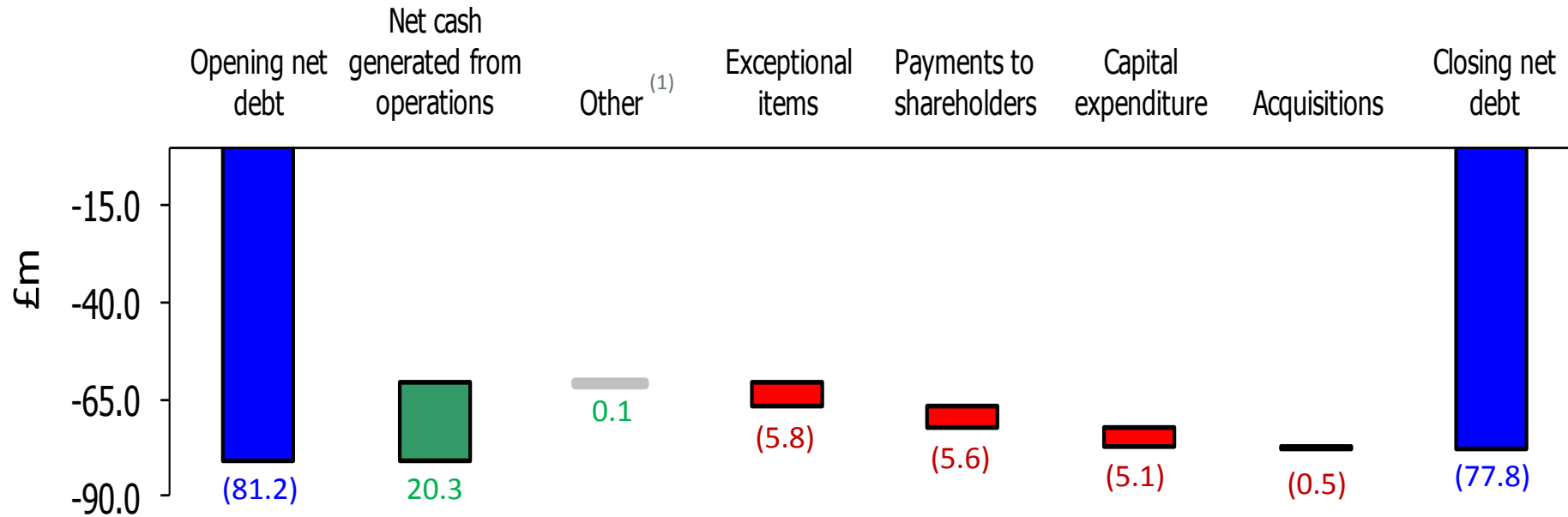
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Movement in net debt

June 2012 to December 2012



(1) Other includes tax, finance costs, proceeds from the sale of non-current assets, receipts from the issue of share capital and foreign exchange

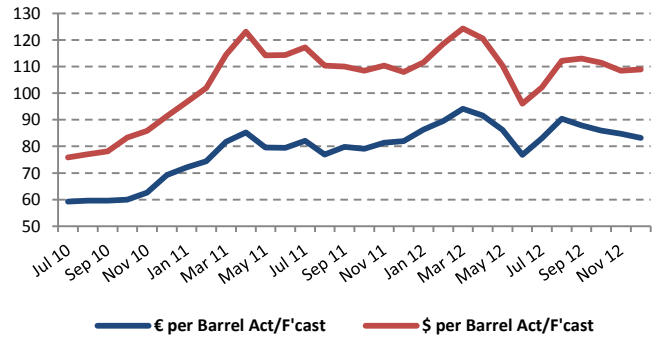
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Oil and oil derivatives

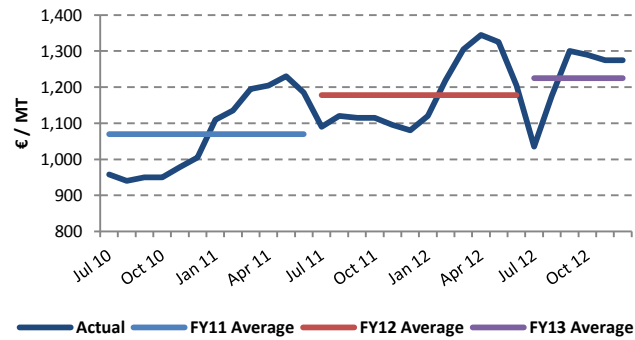


Oil



Oil in €/barrel has dipped slightly as a consequence of a stronger Euro ...

Ethylene

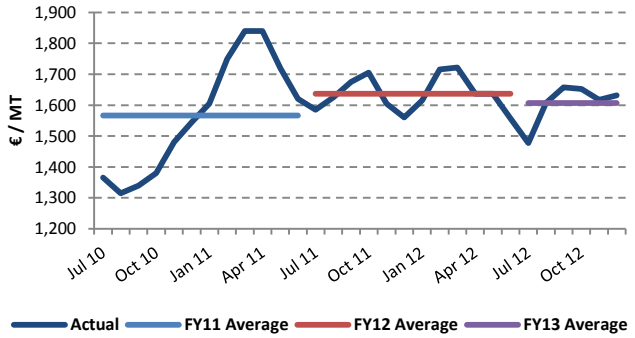


... but Ethylene remains close to all-time highs due to supply constraints

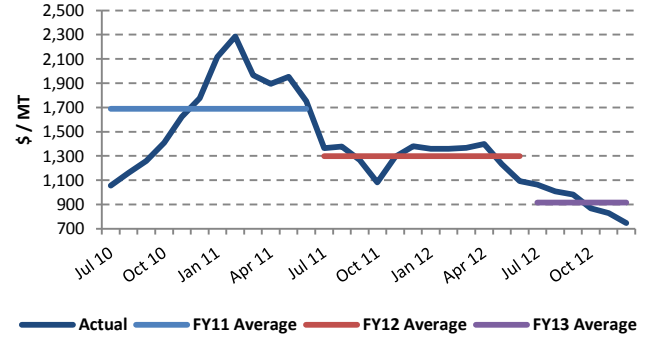
Key feed-stocks



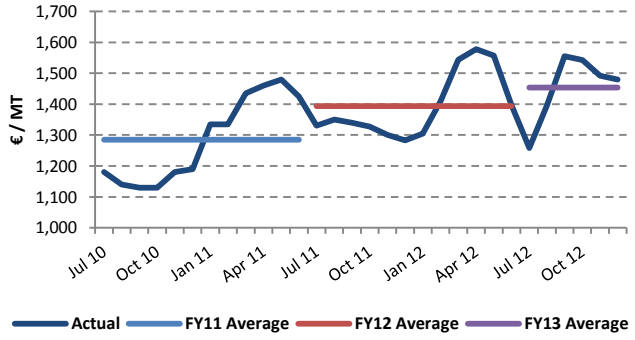
PET



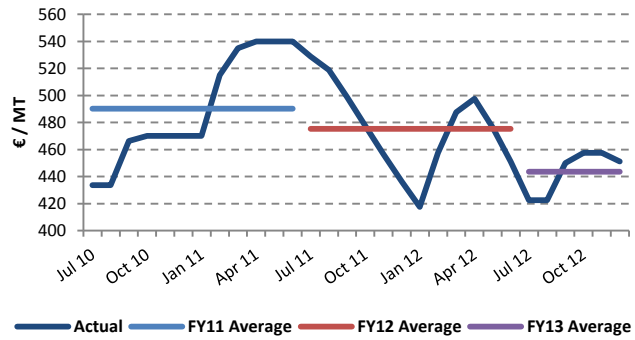
PKO



HDPE



Testliner



The impact of high Ethylene and plastics prices are offsetting modest reductions in natural oil and paper to leave material costs flat year-on-year

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STRONG EXECUTION

- 'Project Refresh' completed
- A shared services and SAP-based process improvement programme started
- Operational Excellence continues to deliver; on target for £2m net in FY13
- Overhead reductions continue, a further 3.5% at constant currency in H1



MORE OPPORTUNITIES

- Favourable environment is accelerating opportunities to invest in Private Label growth
- Continued growth in Eastern Europe requiring investment



ROBUST COST AND CASH MANAGEMENT

- Robust overhead management
- Rigorous prioritisation of Capital investment
- Interim dividend re-based in line with re-basing carried out in September 2012

Strategy update





Chris Bull

Agenda



- Progress overview
- Private Label growth
- Delivering Innovation
- Developing and Emerging markets
- Summary
- Q&A

Progress overview

- Organisation change 
 - Functional structure implemented
 - Overhead savings
 - Category management focus
- R & D Centres of Excellence established 
 - Group wide innovation
- Supply Chain restructuring 
 - Opex improvements
 - Complexity reduction programmes
- Developing and emerging markets 
 - Growth engine Central Eastern Europe
 - Accelerating growth in Asia and Australia

McBride: Centres of Excellence



Centres of Excellence now expanded to cover all categories

Barrow, UK
Laundry powders and tablets

Middleton, UK
Specialist cleaners

Bradford / Ieper
Personal Care

Estaimpuis, Belgium
Laundry liquids

Ieper, Belgium
General liquids

Foetz, Luxembourg
Machine dishwashing

Brno, Czech Republic
Skincare

**Rosporden, France &
Zhongshan, China**
Air care



“Reorganisation completed and delivering”

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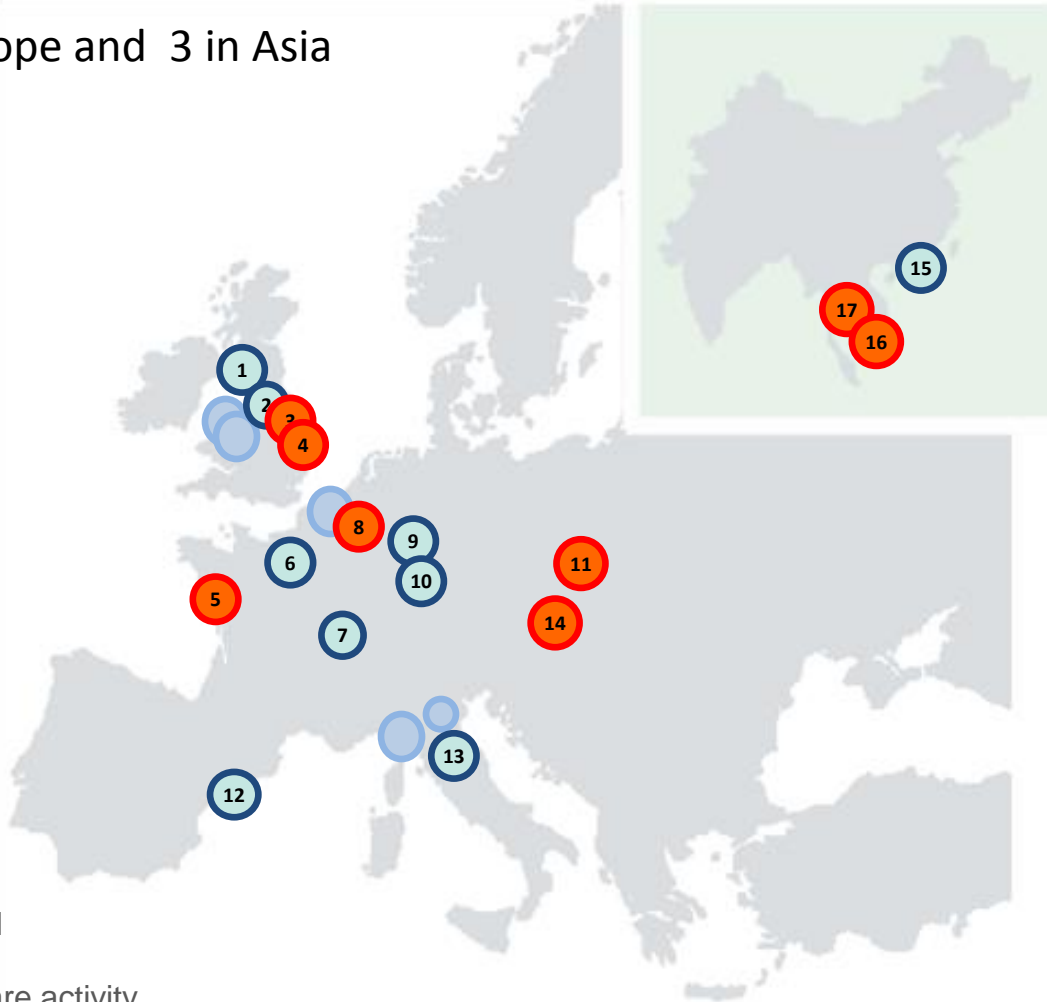
McBride's manufacturing footprint



14 Factories across Europe and 3 in Asia

- 1 Barrow
- 2 Middleton
- 3 Bradford
- 4 Hull
- 5 Rosporden
- 6 Moyaux
- 7 Etain
- 8 Ieper
- 9 Estaimpuis
- 10 Foetz
- 11 Strzelce
- 12 Sallent
- 13 Bergamo
- 14 Brno
- 15 McBride Zhongshan China
- 16 Fortune Laboratories Malaysia
- 17 New Lane Cosmetics Vietnam

-  Factories closed - merged
-  Factories with personal care activity



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Private Label growth

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Private Label is a strategic differentiator



"It has been a very strong quarter for our own-brand products, with sales growing at three times the rate of brands and 3,000 products available this Christmas either new or improved this year.

J Sainsbury

"Own label was once seen as the poor relation to branded. Not anymore. It now generates £52bn sales annually and is growing 3% a year. And while attention has traditionally focused on the value and premium ends of the spectrum, the middle ground is finally coming into its own.

Stephen Smith, Asda

"We grew in all channels primarily thanks to **Private Label's** and fresh food"

Francesco Pugliese
Conad General Director

"Among the big four, Tesco and Sainsbury have been at the vanguard of this own-label revolution. Both relaunched their household ranges in 2012 which helped boost their respective household sales by 3.3% and 2.7% (Kantar)

Source: The Grocer 2nd February 2013

"What is very interesting is how much customers bought into Tesco brands over the Christmas period. Own brands have grown strongly at the expense of manufacturer brands," Philip Clarke

"In Poland, Nielsen reveals that in cleaning products and cosmetics, sales increased 6.2%, compared to 23.5% in the private label segment.

Experts believe that private labels will be attracting more and more consumers and retailers, as margins achieved are 25% higher than those on other products".

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Delivering innovation

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A Group R&D team, out-innovating the competition and increasing momentum



Increasing product launch effectiveness ↑



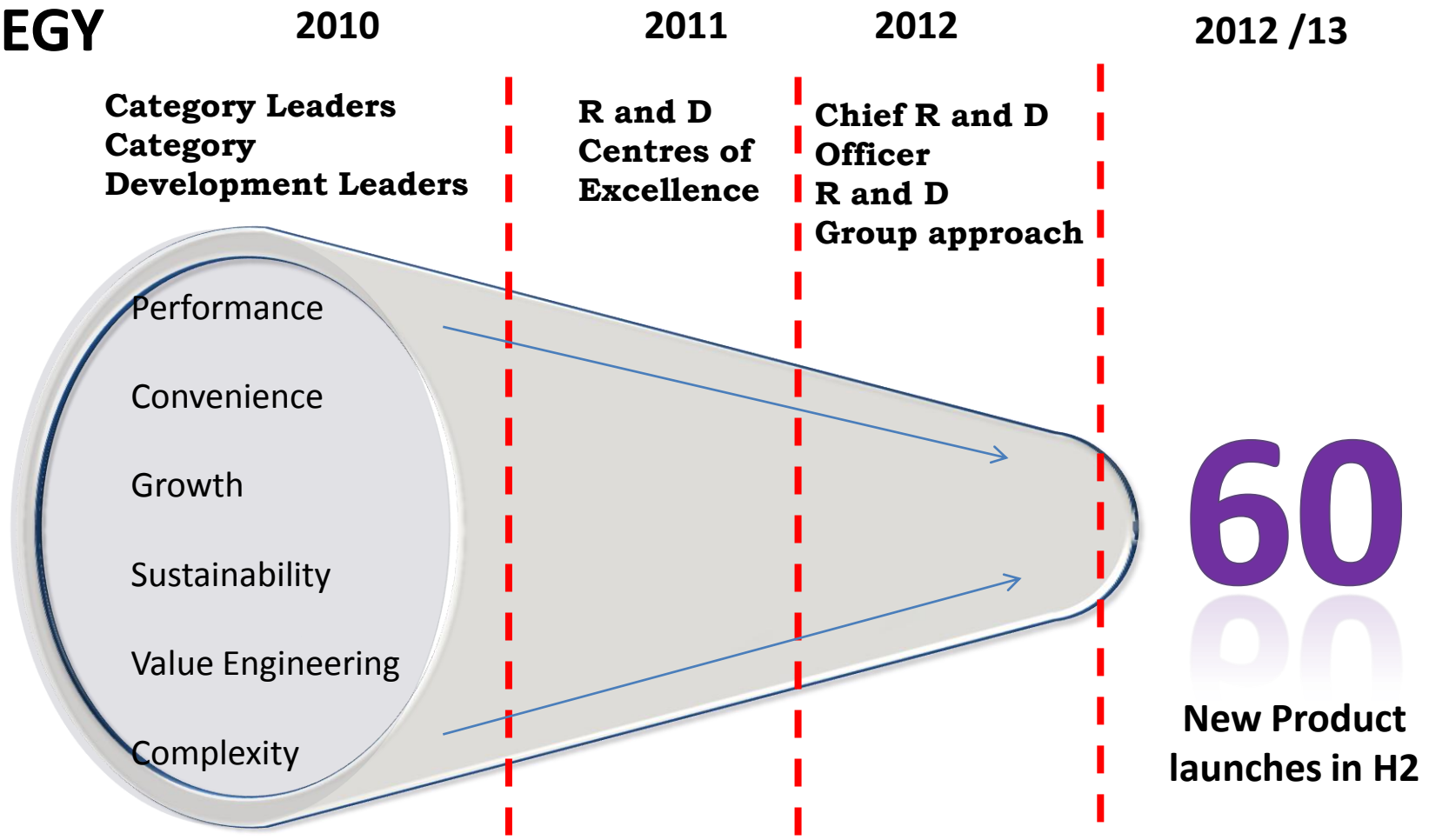
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Driving NPD focus and effectiveness



STRATEGY



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Continuing momentum in NPD

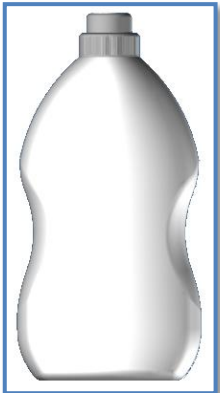
Product developments

- Laundry liquid and sachets
- Washing up liquid
- Machine Dishwash gel
- Specialist cleaners
- Foundation creams



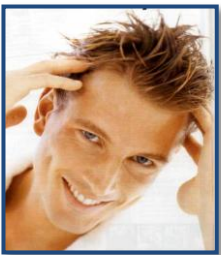
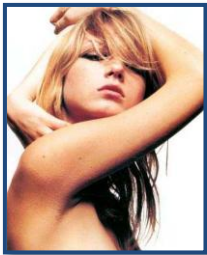
Packaging developments

- Lighter weight packaging
- Refill packs / doypacks / specific dose application
- Sustainability
- Increased on shelf impact



Enhanced performance

- APD's
- Hair care
- Skin care
- hand & body lotions
- sensitive skin formulations

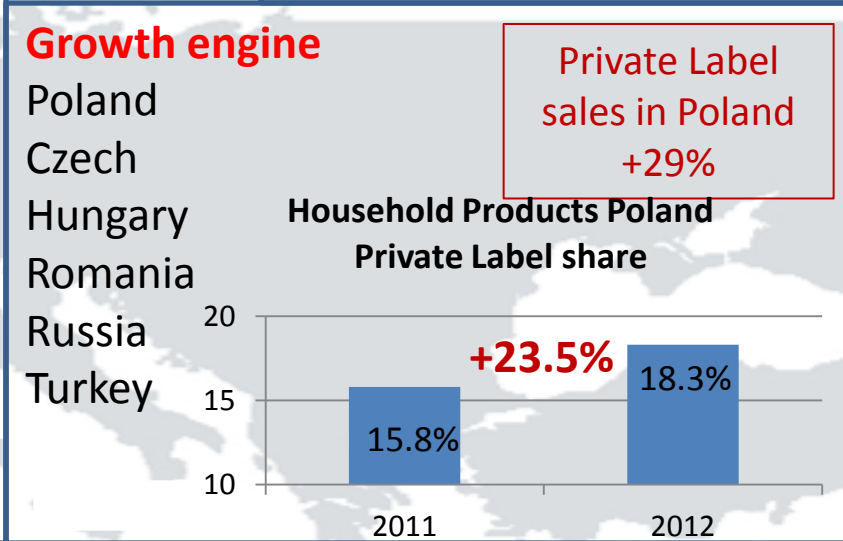
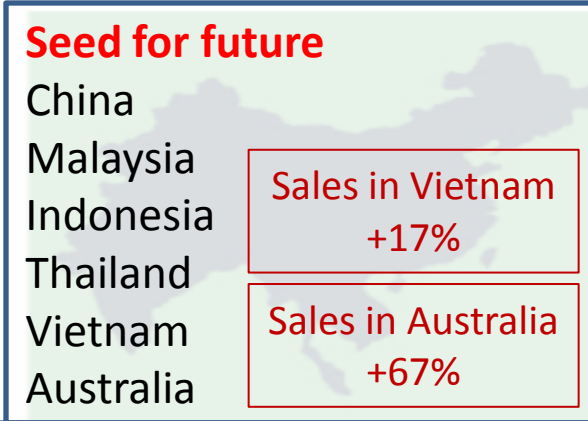


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Developing and emerging markets

Continuing expansion in developing and emerging markets



Rest of world sales up 22% on constant currency basis

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Accelerating new product launches across Asia and Australia



Mouthwash in Malaysia and Australia

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Accelerating new product launches across Asia and Australia



Including new special ingredient base



Products catering to national tastes and ingredients

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		2011-12	2012-13
Growth	Organic revenue growth	+2%	-6%
	Private Label Penetration ⁽¹⁾	30.8%	31.8%
	% Revenue from D&E Geographies ⁽²⁾	9%	11%
	% Revenue from Core & Future Growth Categories	47%	49%
Efficiency	Overheads % Sales	21.3%	22.0%
	Fixed Asset Turnover	4.6	4.4
Financial	Operating Margin ⁽³⁾	2.4%	3.1%
	Cash Conversion (Free cash flow)	£6.5m	£14.5m
	Cash Conversion %	63.1%	125.0%
	Debt Cover	1.9 X	1.7 X

(1) Average of UK, France, Italy and Germany Household Private Label volume share Source Kantar, IRI and GfK 52 weeks to Dec 2012

(2) Calculated at constant currency

(3) Operating profit excludes adjusting items. Adjusting items include amortisation of intangible assets, exceptional items, changes in estimates of contingent consideration arising on business combinations, and any non-cash financing costs from unwind of initial recognition of contingent consideration and any related tax

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The Future



- Favourable environment for continuing Private Label growth
- Encouraging Private Label dynamics going forward in D & E markets
 - Poland, Eastern Europe and Australia
- Our programme of product launches, will accelerate further our Private Label revenue growth in the second half

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Q&A

Appendix

Project “Refresh”: From Good to Great



A Fundamental Business Review...



Key Strategic Actions

- Organisational Change
- Category review
- Improve competitiveness and efficiency
- Exploit new opportunities

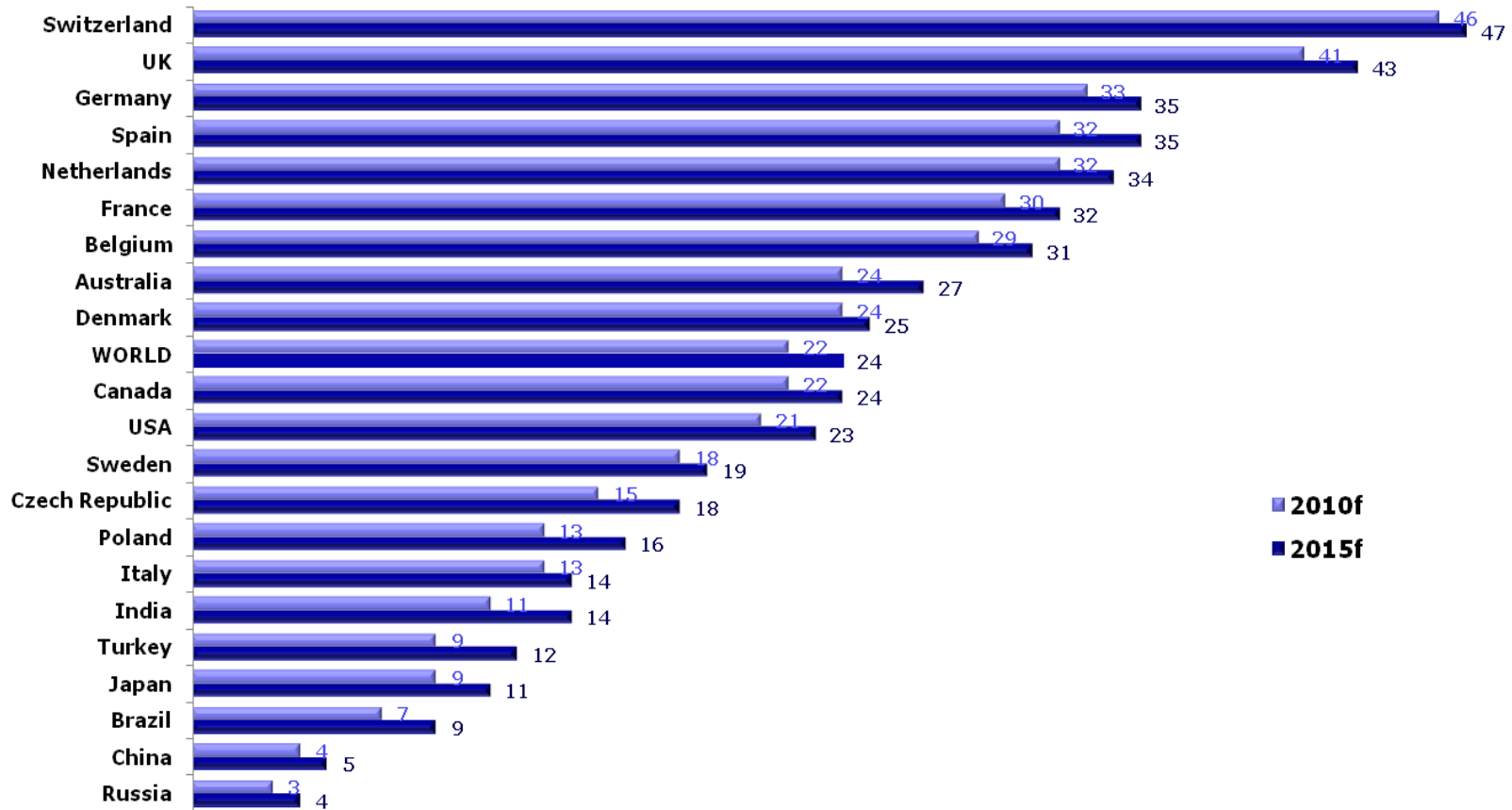
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Private Label forecast to grow in all markets



Global: Private Label Penetration by Value, 2010-2015 (%)



Note: Based on selected mature and emerging markets; f - forecast. Estimated shares of MGD sales; may exclude fresh produce.

Source: Planet Retail Ltd. www.planetretil.net; partly based on Nielsen and GfK

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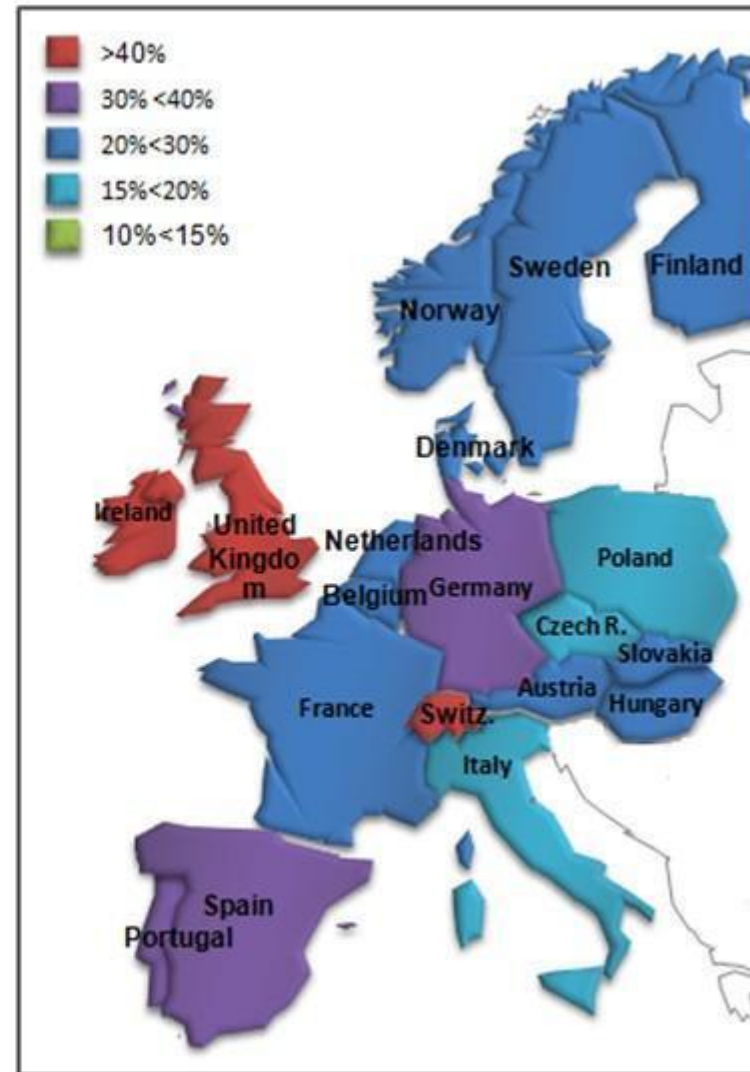
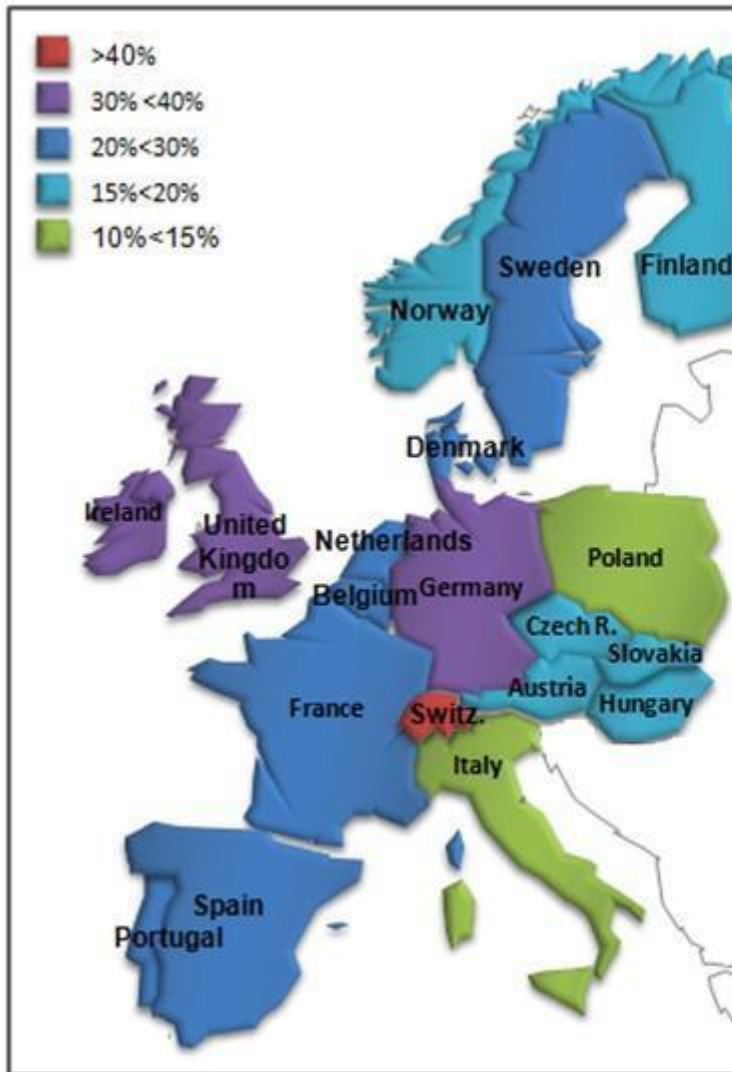
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Growing private label penetration in Europe



2007 (% value)

2011 (% value)



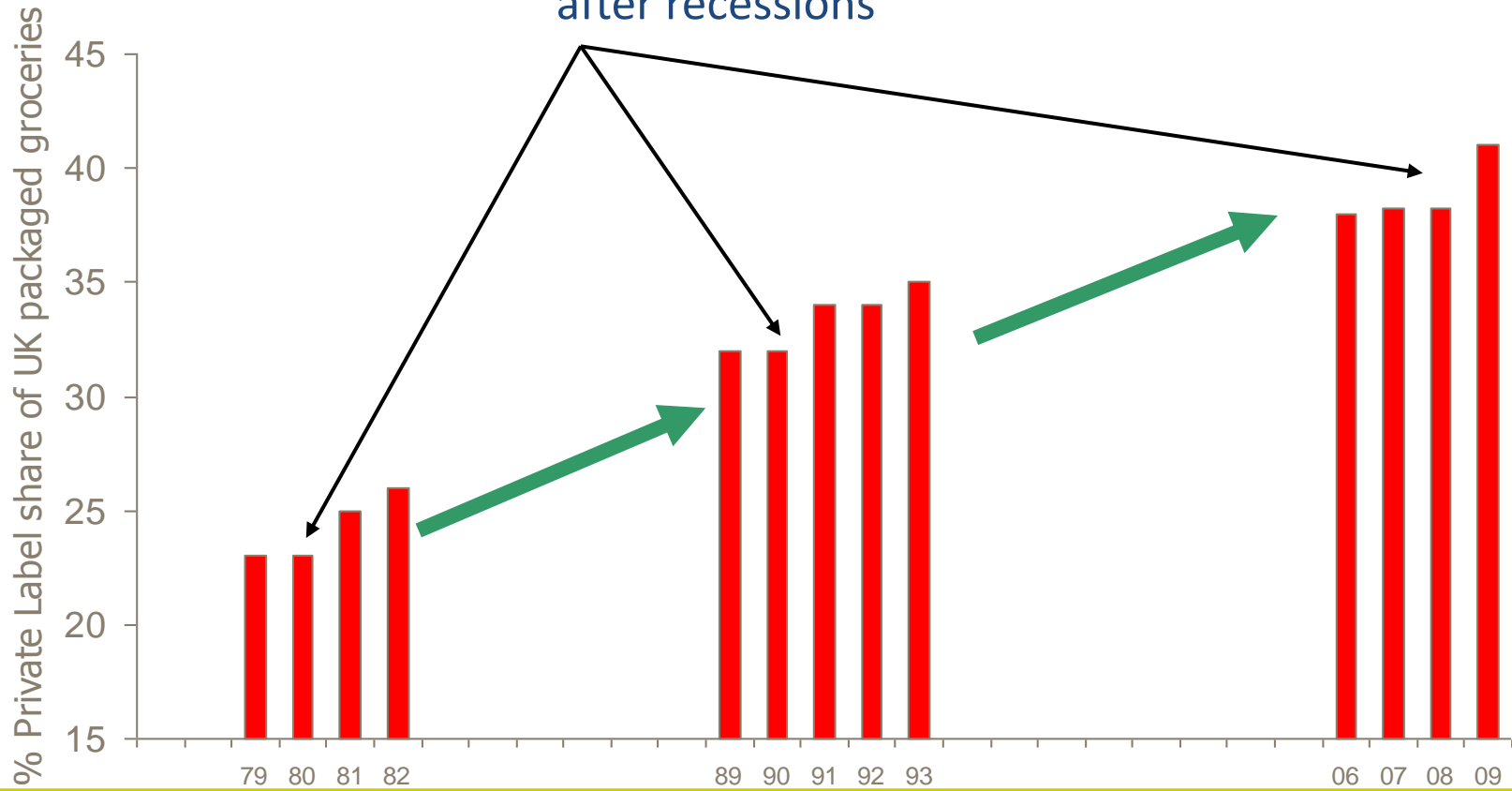
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Private Labels benefit in times of recession



Private Labels gain and continue to grow share during and after recessions



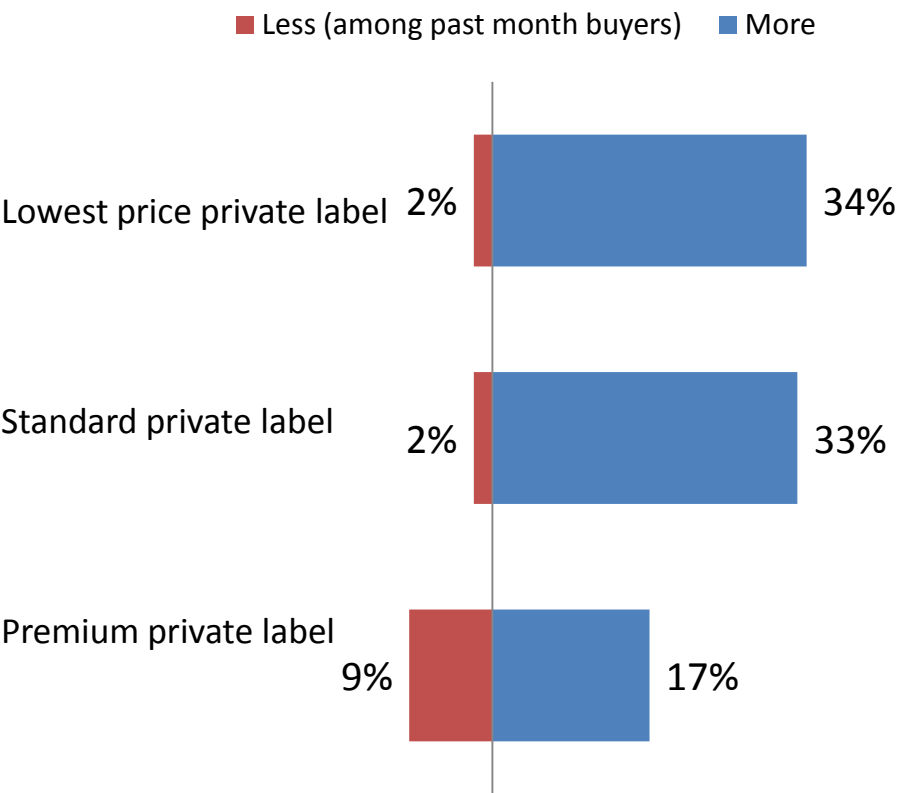
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Source Kantar, Datamonitor

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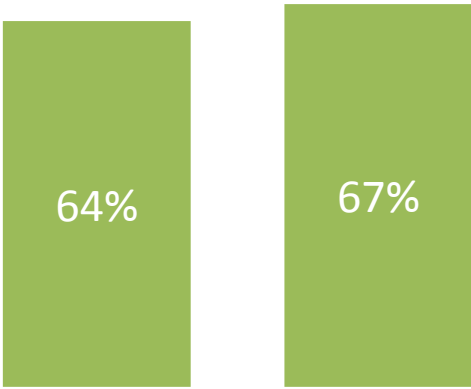
Consumers are expecting to purchase more Private Label's in the next 12 months

and Private Label's have gained consumer trust



I **trust** supermarket Private Label products **as much as** manufacturer brands

I would at least **consider** the supermarket **Private Label** options for **every grocery product** that I buy, including alcohol, breakfast cereal and **'laundry products'**

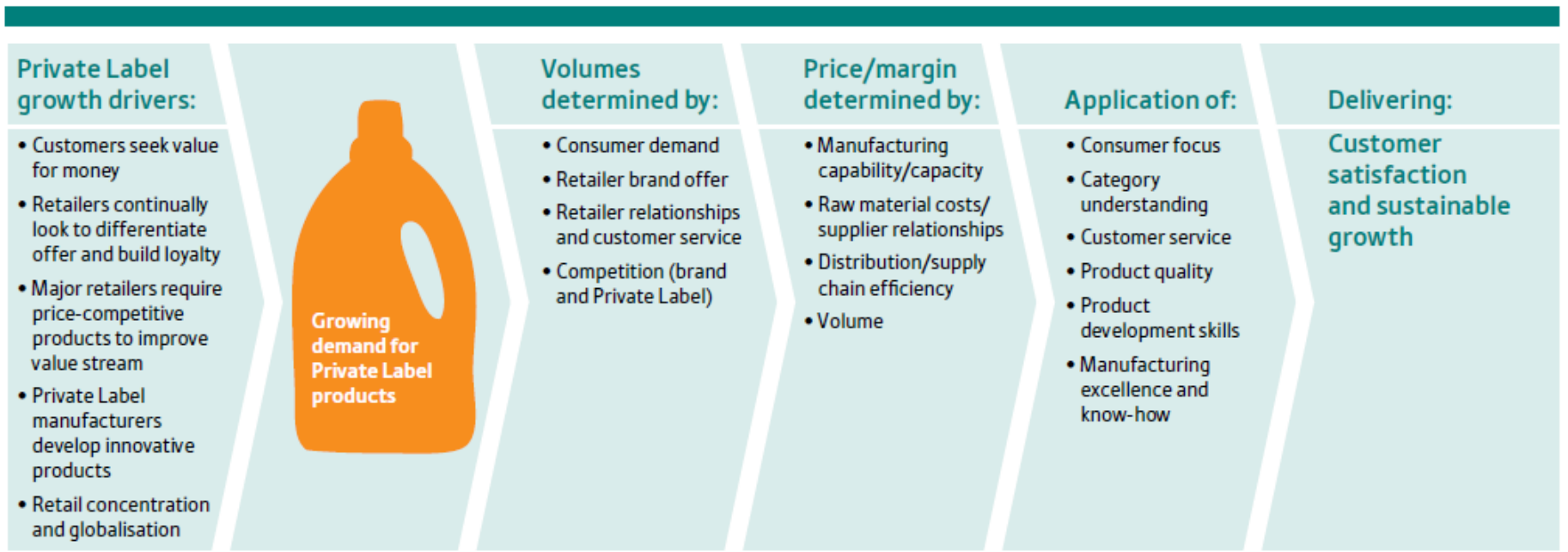


IGD ShopperVista, base: December 2012 attitudes survey IGD ShopperVista, base: all main shoppers, fieldwork May 2012

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Business model



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Our planned business

Growth markets with scope for market share gain

Robust business model with strong product offerings and expertise

Strong balance sheet enabling acquisitions and geographic expansion

Plus:

A rationalised and enhanced operating platform

Increased customer responsiveness and flexibility

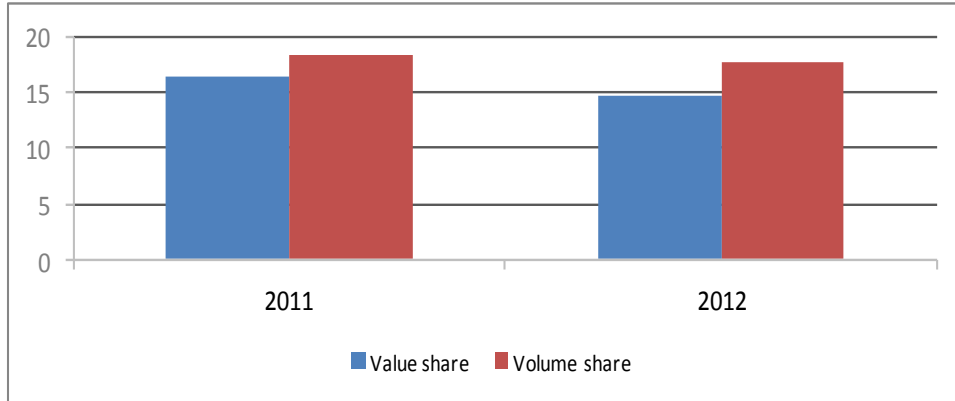
Solid architecture for product and geographic expansion

Personal care Private Label share

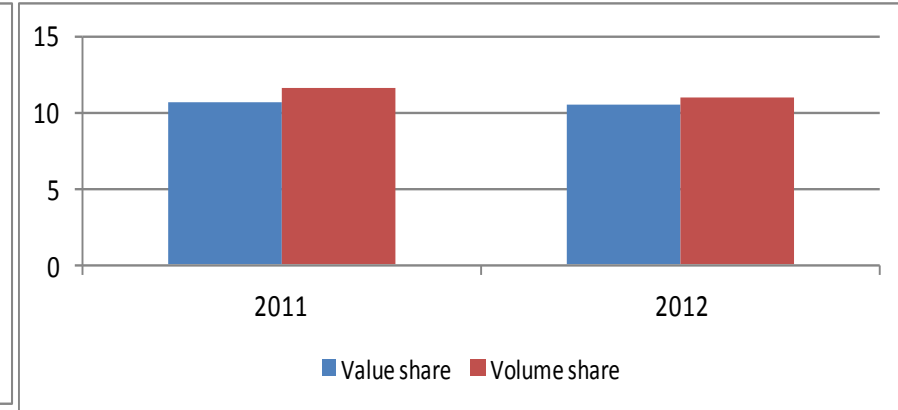
UK France



% Private Label share



% Private Label share



- Total UK Personal Care market grew 2% in volume terms with Private Labels down 8% in the year to December 2012 due to high levels of promotions.
- Private Label skincare demand remained strong with a 32% volume share of the category.
- Private Label shampoos grew 10% to reach a 12 % volume share of a broadly flat market
- Private Label mens shaving products grew 9% in volume to reach a 30% market share
- Private Label liquids soaps grew 10% to reach 29% share.

- Total France Personal Care market declined by 1% in the year to December 2012 was flat in volume terms with Private Labels down 7%.
- Private Label liquid soap and bath foams in France remain very popular with over 50% share in volume terms
- Private Label conditioners and lotions outperformed growing by 6% in volume terms to gain a 13 % share of the category
- Private Labels continue to hold c 25% volume share of the Styling, shampoo and mens shaving categories

Source: UK Kantar Worldpanel, France IRI

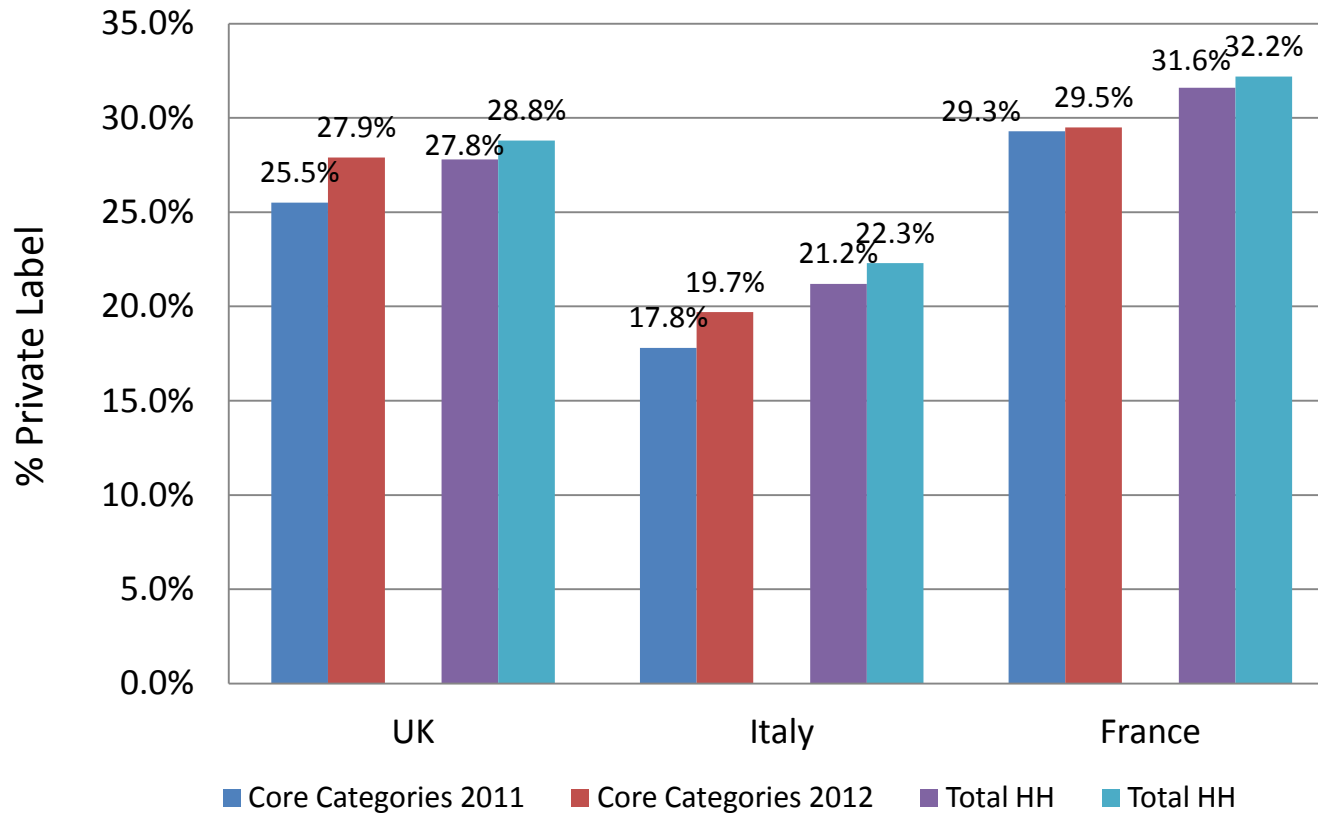
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Core categories focus providing growth in McBride's 3 major markets



Volume share Year ending Dec 2012



Core growth categories include Laundry Liquids, Machine Dishwash, and Cleaners

Source: Kantar Worldpanel / IRI

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The Private Label opportunity

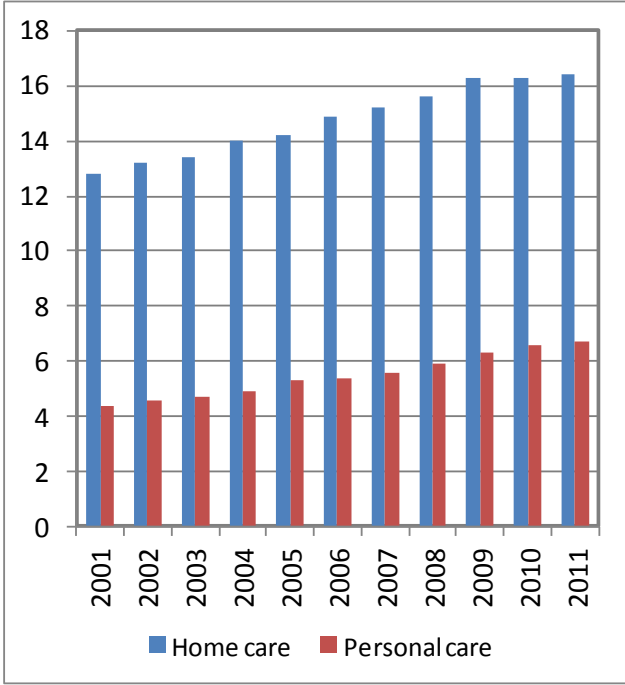
Private Label Growth Drivers



Private Label share

Western European markets

% Value Share

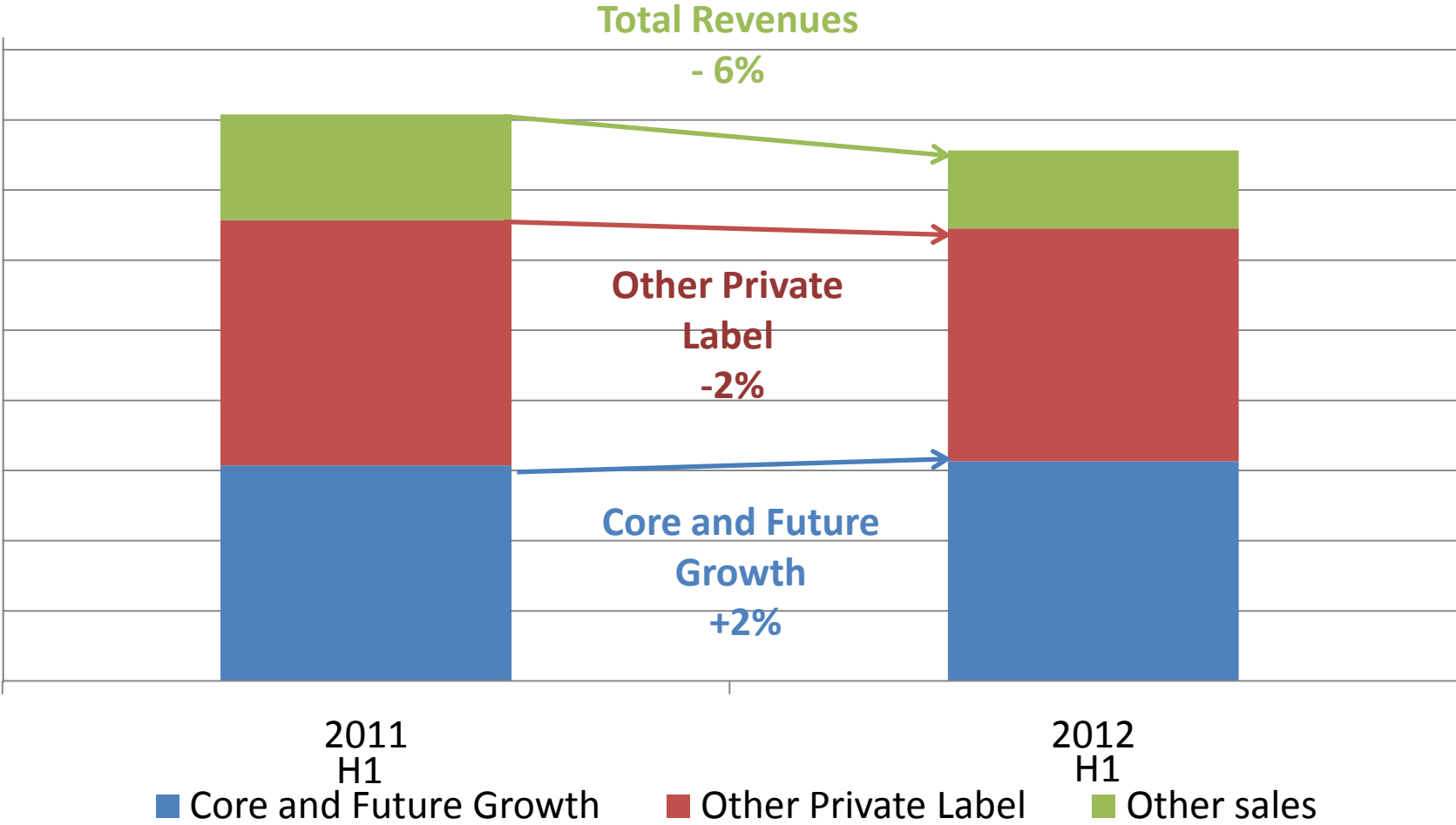


Source: Euromonitor International

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Revenue Bridge – Constant currency basis



■ Core and Future Growth ■ Other Private Label ■ Other sales

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