

McBride plc
Preliminary Results
Presentation

4 September 2012



Passionate about Private Label

Introduction

Iain Napier - Chairman

Introduction



- Revenue growth achieved in a challenging economic environment
- Previously announced re-structuring completed as planned
- Net debt within Board targets
- Dividend re-based to maximise cash available for investment in growth, recommended final dividend 3.0p (2011: 4.8p)

Summary

Chris Bull – Chief Executive Officer

Summary



- Revenue growth of 1% on a constant currency basis
- Growth in Private Label market shares gains momentum
- “Refresh” initiatives completed and further re-organisation announced
- Adjusted operating profit⁽¹⁾ up 2% for the year and 118% in second half
- Net debt of 1.5 x adjusted EBITDA⁽¹⁾

(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

Financial headlines



	2011-12	2010-11	Y/Y	Constant Currency	
				2010-11	Y/Y
Revenue (£m)	813.9	812.4	+0%	802.7	+1%
EBITA (£m)	29.5	29.0	+2%		
EBITA margin	3.6%	3.6%	+0 pts		
Profit before tax (£m)	23.7	22.5	+5%		
Diluted earnings per share (p)	9.7	9.3	+4%		
Payments to shareholders per share (p)	5.0	6.8	-26%		
Cash generated from operations (£m)	39.5	42.6	-7%		
Net debt (£m)	81.2	83.7	-3%		
Financial KPIs					
ROCE	14.7%	14.7%			
EBITA margin	3.6%	3.6%			
Asset turnover	4.1	4.1			

(1) All figures are before 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



	2011-12 £m	2010-11 £m	Y/Y
Revenue	813.9	812.4	+0%
Gross profit	255.6	264.8	-3%
Gross margin	31.4%	32.6%	-1.2pts
Distribution costs	(52.4)	(54.3)	-3%
Administrative costs	(173.7)	(181.5)	-4%
EBIT	29.5	29.0	+2%
Net financing costs	(5.8)	(6.5)	-11%
Profit before taxation	23.7	22.5	+5%

(1) All figures are before 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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Regional performance – Revenue ⁽¹⁾



	2011-12 £m	2010-11 £m	Y/Y	Constant Currency	
				2010-11 £m	Y/Y
UK	315.2	310.7	+1%	310.7	+1%
Western Continental Europe	405.9	405.7	+0%	399.8	+2%
Central and Eastern Europe	135.6	139.7	-3%	135.1	+0% ⁽²⁾
Asia	10.3	9.3	+11%	9.4	+10%
Sub-total	867.0	865.4	+0%	855.0	+1%
Eliminations	(53.1)	(53.0)	n/a	(52.3)	n/a
Total	813.9	812.4	+0%	802.7	+1%

(1) Revenue is by geographic origin

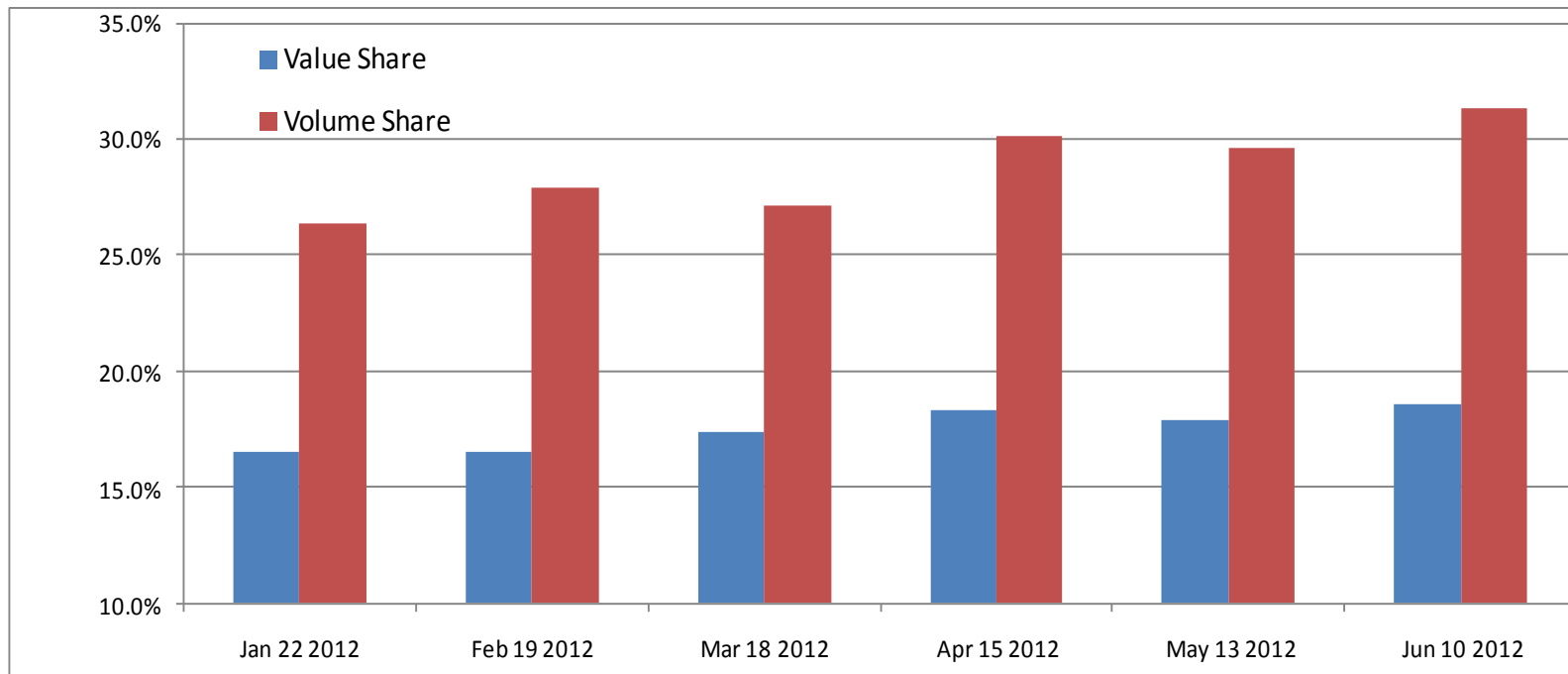
(2) Excluding contract manufacturing losses in Germany, constant currency sales were up 7% year on year

UK Household Private label Value and Volume share Jan – June 2012



Private label momentum accelerated during last quarter
1 in 3 purchases in the quarter were Private Label's

% Private Label



Source: Kantar Worldpanel

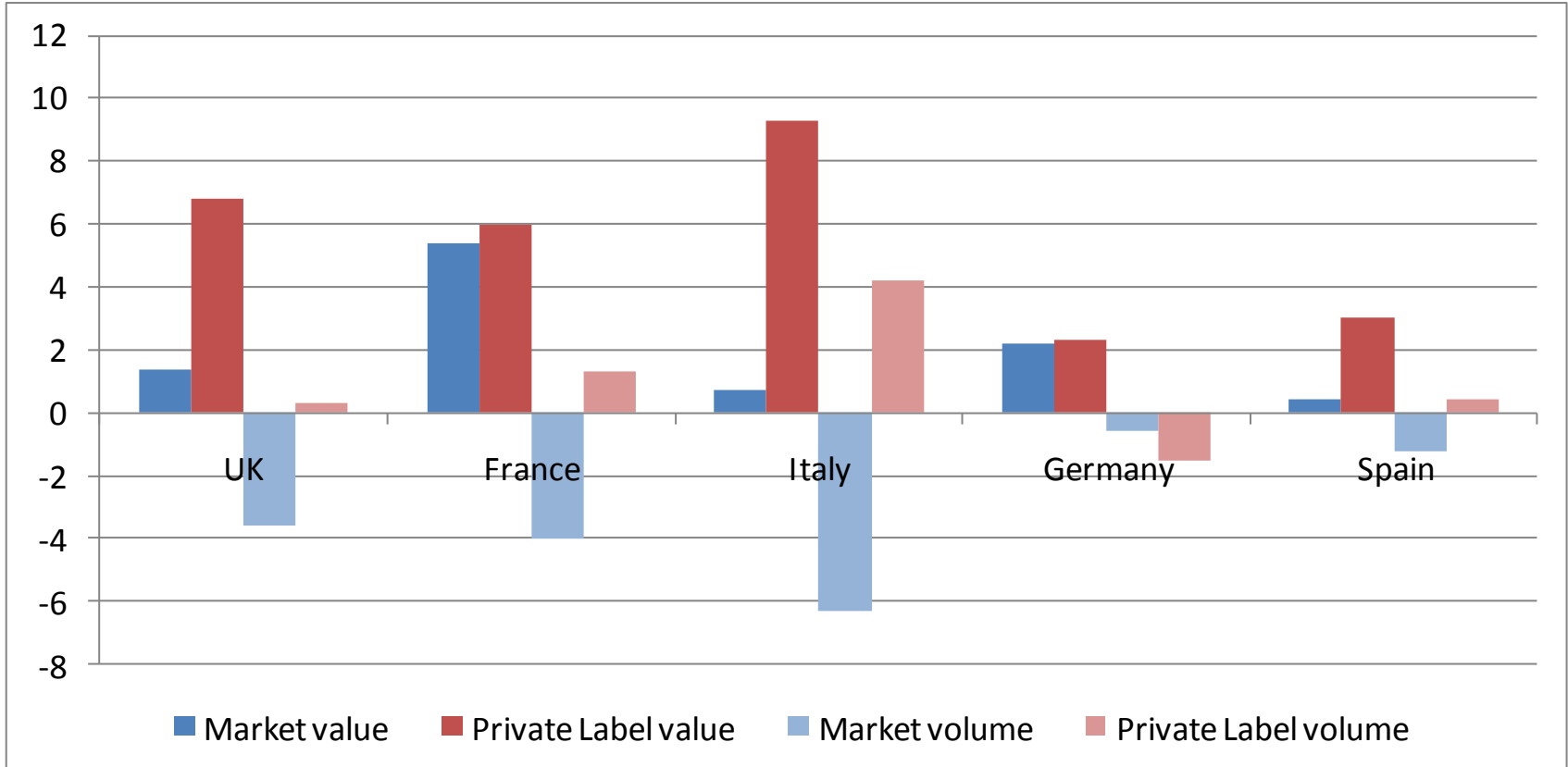
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Good Private Label momentum in Household products across Europe



% change vs prior year



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

Spain 52 weeks to Dec 2011

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

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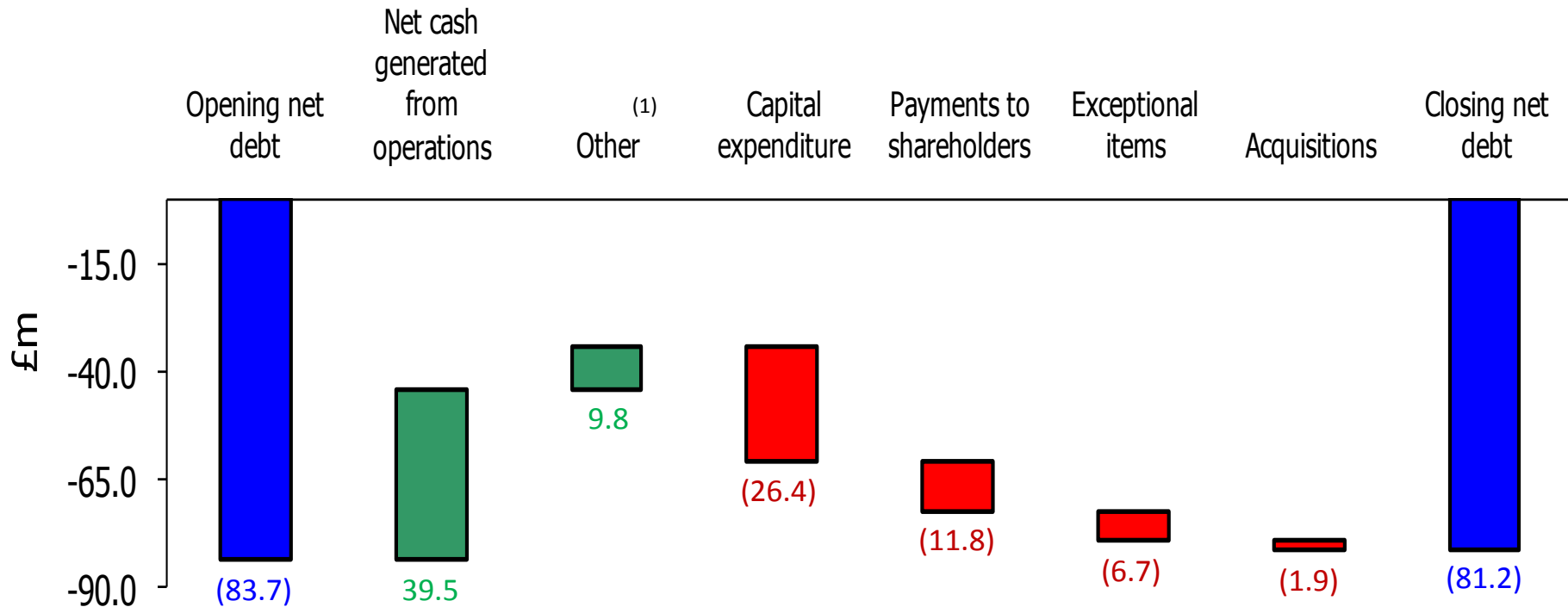
Regional performance – Operating profit



	2011-12	2010-11	Y/Y
	£m	£m	
UK	16.5	11.9	+39%
Western Continental Europe	15.6	15.4	+1%
Central and Eastern Europe	4.6	8.9	-48%
Asia	0.2	0.0	n/a
Corporate costs	(7.4)	(7.2)	-3%
Total	29.5	29.0	+2%

(1) All figures are before 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

Movement in net debt June 2011 to June 2012



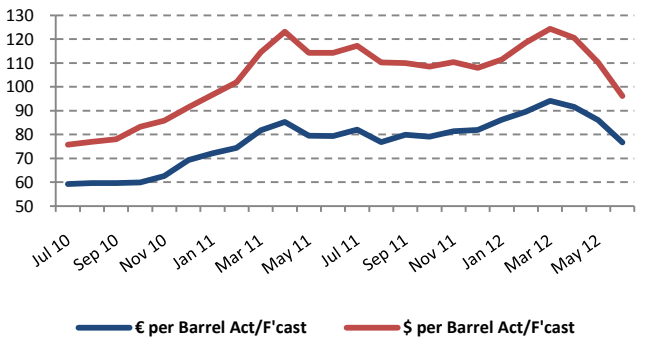
(1) Other includes finance costs, foreign exchange, proceeds from the sale of non-current assets and net receipts from issue of share capital

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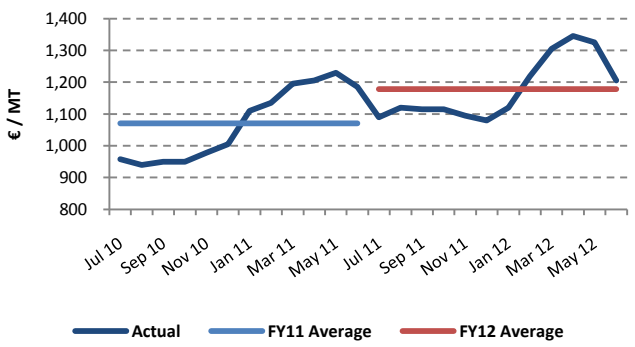
Oil and oil derivatives have been volatile ...

Oil



- Oil remained at around €80/barrel for much of 2011/12, but spiked in early 2012 driving inflation in Q4
- Oil fell subsequently, but is moving back above €90/barrel during August
- Ethylene followed oil with a spike in early 2012 and has subsequently followed oil

Ethylene

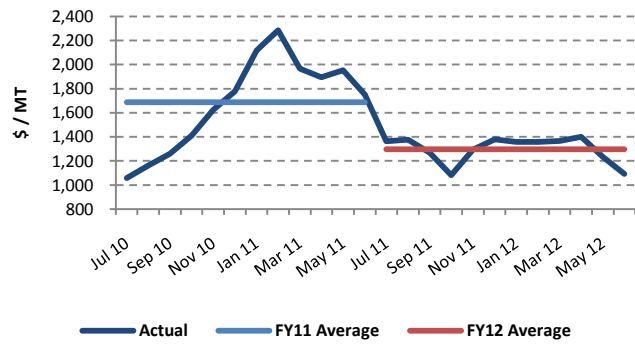


... but remain on average above FY11 levels

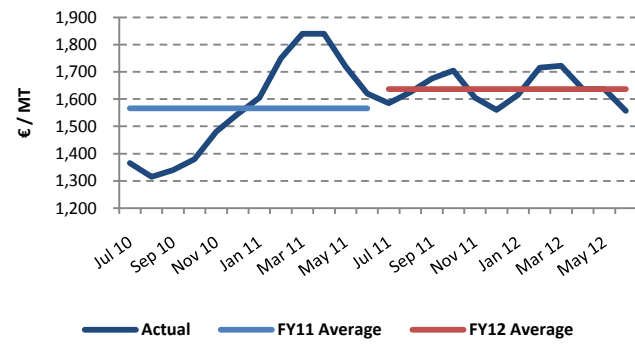
Key feed-stocks have also been volatile ...



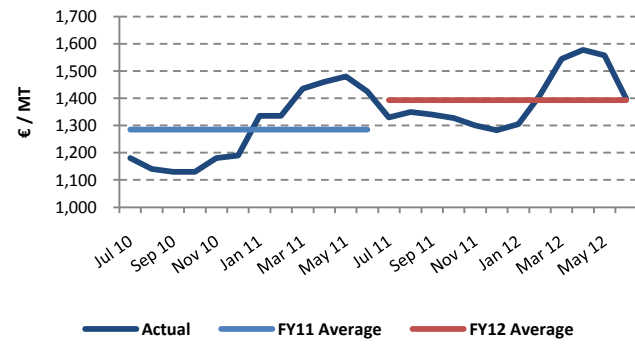
PKO



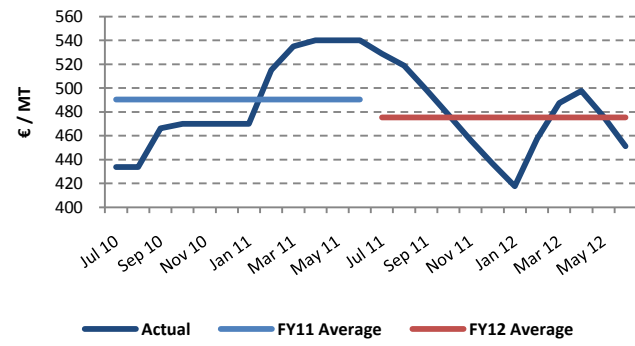
PET



HDPE



Testliner



... but material costs broadly stable overall

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STRONG EXECUTION

- 'Project Refresh' over-delivers, £8m savings by FY14
- Programme under-spends, £13.3m total exceptional cost and £8.6m total cash cost
- Operational Excellence delivering, £1m net delivered in FY12 and on target for £2m net in FY13
- Overheads improvements continue, down from 22% to 21% of revenue



MORE OPPORTUNITIES

- Favourable environment brings new opportunities to invest in Private Label growth
- New cost saving opportunities following re-structuring
- Continued growth in Central & Eastern Europe requiring investment



ROBUST COST AND CASH MANAGEMENT

- Robust overhead management
- Rigorous prioritisation of Capital investment
- Dividend re-based

Project 'Refresh' update

Chris Bull

Agenda



- Positioning McBride to maximise the opportunity
- Project 'Refresh' – update
- Summary
- Q&A

Private Label dynamics



Positioning McBride to maximise the opportunity

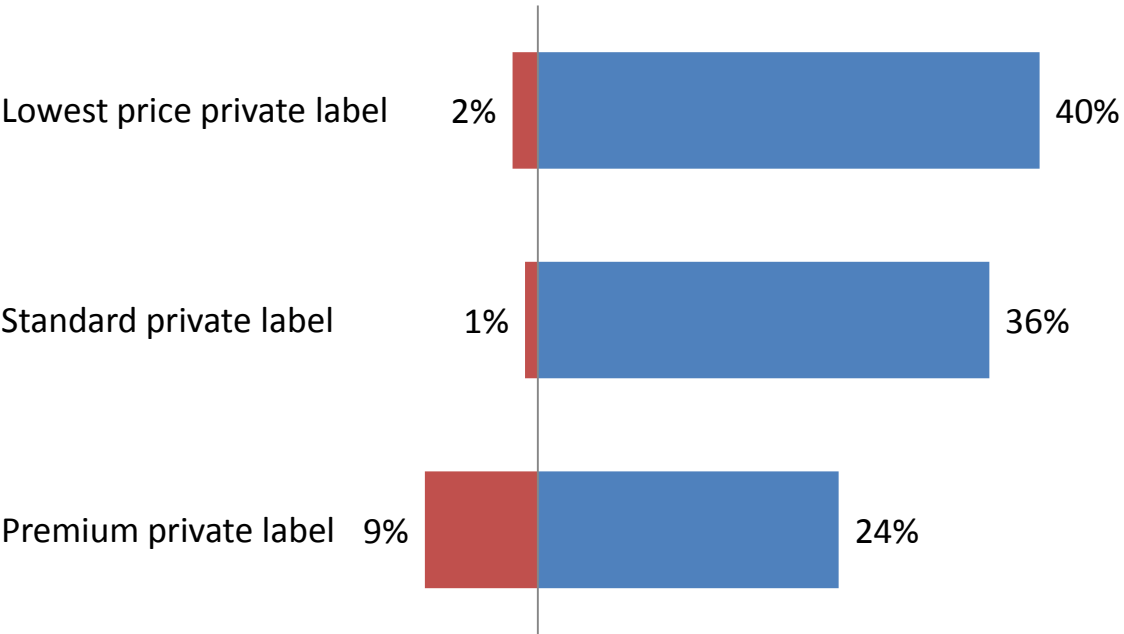
- Attraction of lower prices and value for money for consumers
- Attraction of higher margin products for our retail customers
- Retailer differentiation and loyalty building remains key
- Private Label and A Brands gain share at the expense of secondary and tertiary brands
- Further opportunities for segmentation at both economy and premium ends
- Continuing growth opportunity in both developing and emerging markets



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

and Private Label's have gained consumer trust

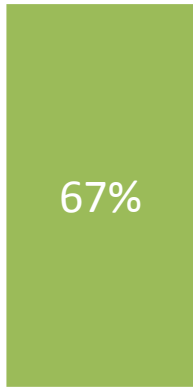
■ Less (among past month buyers) ■ More



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: all main shoppers, fieldwork May 2012

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Refresh Strategy Implementation

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What we have done:

Cost Competitiveness

UK Liquids

- Burnley site closed and exited on time
- 12 lines transferred
- Service maintained during transfer

Machine Dishwash Europe

- Centre of excellence created in Foetz
- 2 lines transferred
- Ramp-up nearing completion

	Previously Announced	Achieved
Pre-tax exceptional charges	£21m	£13.3m
Cash expenditure	£13m	£8.6 m
Annualised savings	£7m	£8m

Category & Geographic Growth

Category Management

- Category teams extended to cover total business
- 4 R&D Centres of Excellence expanded to 8
- Category growth projects being extended across Europe and categories

Geographic growth

- Double-digit growth continued in Poland
- Double digit growth in Malaysia/Vietnam
- First contracts won by Australia team

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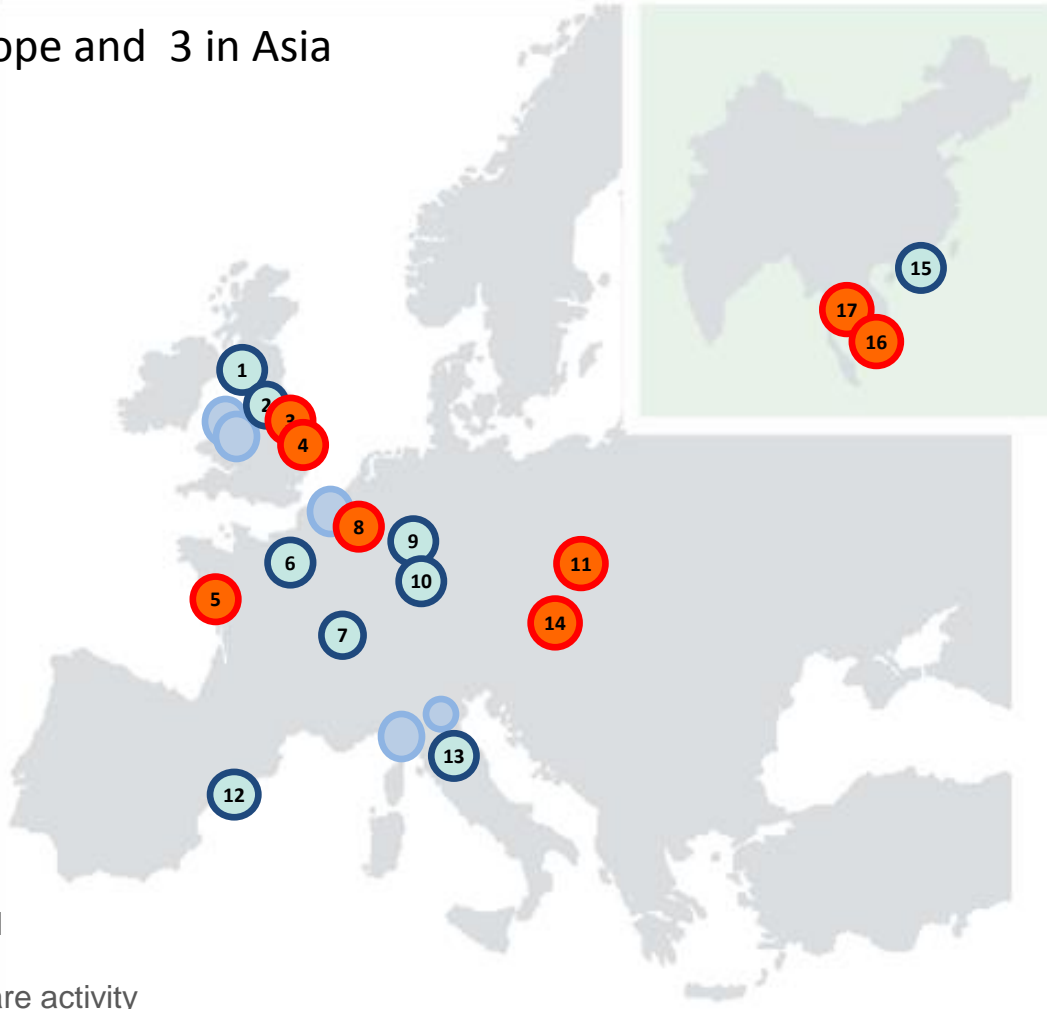
McBride's manufacturing footprint



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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Lean manufacturing delivering

Lean Manufacturing

- Year 1 target savings of £5m gross / £1m net achieved
- Lean examples:
 - Hull – Inventory reduction programme, Saving £900k
 - Middleton - Bottle handing, Saving £600k
 - Estaimpuis Production layout, Saving €550k
 - Foetz – efficiency improvements ,€400k
 - Strelzce Improved filling efficiency, €50k
- On-track for year 2 savings of £2m

Reviewed

- Direct labour improvements
- Material usage improvement
- Overhead savings

Estimated cumulative benefit of £6.0m

- Year 1 £1.0m
- Year 2 £2.0m
- Year 3 £3.0m
- £6.0m**

McBride: Centres of Excellence

Centres of Excellence based across Europe and China



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McBride: Centres of Excellence

Centres of Excellence now expanded to a further four categories

**Centre of Excellence –
Barrow, UK**
Focus on laundry powders and tablets

**Centre of Excellence –
Middleton, UK**
Focus on specialist cleaners

**Centre of Excellence –
Bradford / Ieper**
Focus on Personal Care

**Centre of Excellence –
Ieper, Belgium**
Focus on general liquids



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

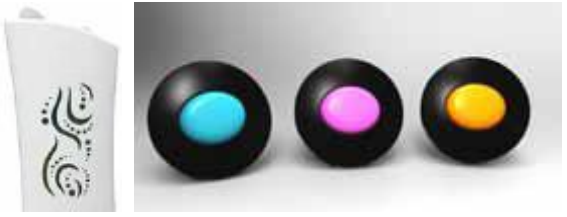


Core growth categories

Laundry liquids and sachets

Specialist cleaners

Machine Dishwashing



Air care



Future growth categories

Skin Care



Mouthwash



Male grooming

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Winning in Core Growth Categories:



J Sainsbury's : Trigger Cleaners Category Growth Plan



Merchandising, Promotion & Channel Plans

Sainsbury's Antibacterial Spray Cleaner 500ml
Save 30p was £1.30 now £1.00

Sainsbury's Antibacterial Total Cleaning Spray, Apple 500ml
Save 30p was £1.30 now £1.00

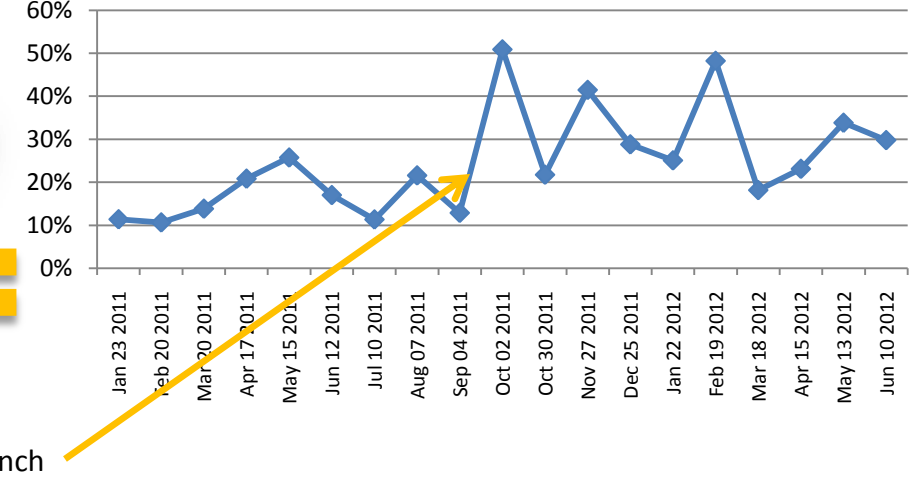
Antibacterial Total Cleaning Spray
Cut through grease and didn't leave a mark... love the fresh smell, it's so fresh and so clean!

Get inspired

- 1 Use a Sainsbury's Trigger Cleaner
- 2 Spray on surfaces
- 3 Wipe with a clean cloth
- 4 Rinse with water
- 5 Dry with a clean cloth

Thousands of everyday products made brilliant

Trigger cleaners



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Category management in action...



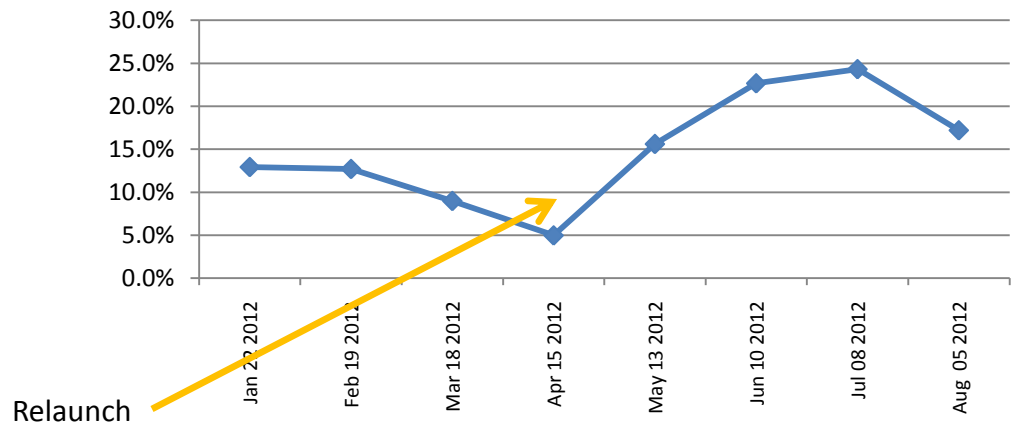
Before



After



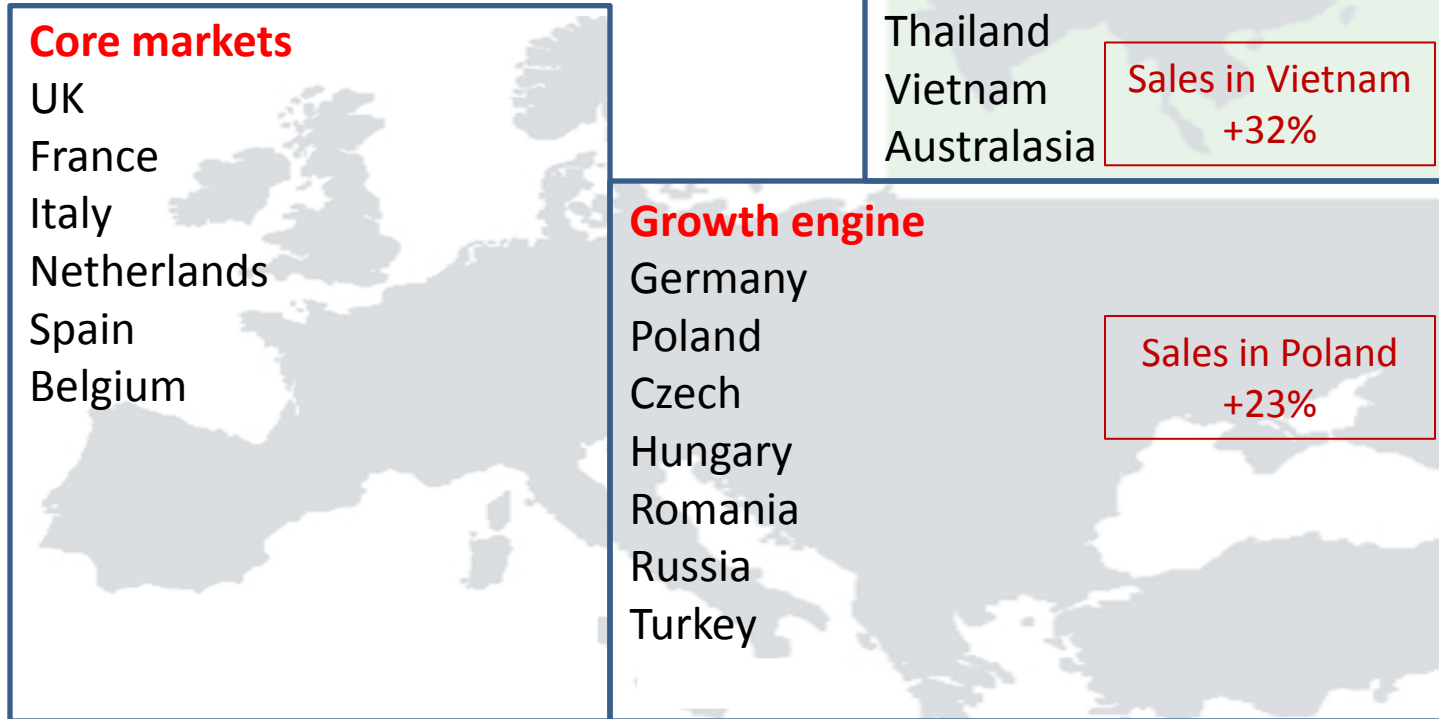
Own brand share **Total Laundry**



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Continuing expansion in developing and emerging markets



Group Re-organisation

- Commercial Business Units, focused on generating **revenue and profit growth**
- A Group Category Team prioritising key Group projects, measured on **profitable market share growth**

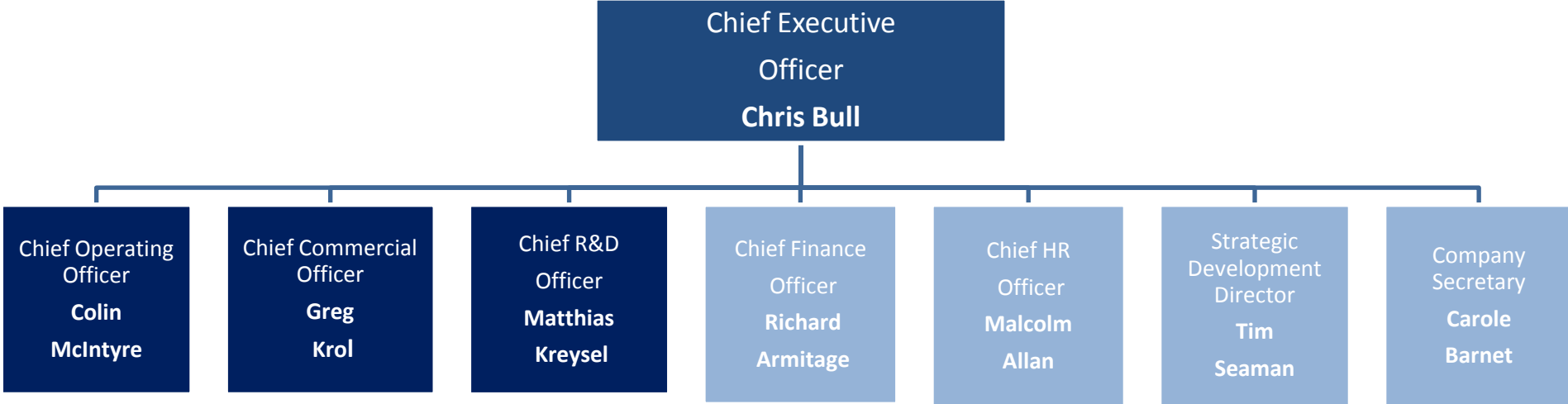
- A Group R&D team, **out-innovating** the competition

- Logistics and warehousing delivering **excellent customer service**
- Factories, focused on delivering **lowest product cost** at the right quality
- Procurement, delivering **optimum material cost**

- Centralised support functions operating to **world-class standards** and meeting the Group's needs for **strategic enabling projects**

Removing the divisional structures and managing through functional leadership will allow the Group to exploit its scale to maximise its growth potential

The Executive Management Team (EMT)



		2010-11	2011-12
Growth	Organic revenue growth	0%	1%
	Private Label Penetration ⁽¹⁾	31.3%	32.5%
	% Revenue from D&E Geographies ⁽²⁾	8.8%	9.1%
	% Revenue from Core & Future Growth Categories	45%	47%
Efficiency	Overheads % Sales	22.3%	21.3%
	Fixed Asset Turnover	4.4	4.4
Financial	Operating Margin ⁽³⁾	3.6%	3.6%
	Cash Conversion (Free cash flow)	£5.9m	£14.4m
	Cash Conversion %	20.3%	48.8%
	Debt Cover	1.6 X	1.5 X

(1) Average of UK, France, Italy and Germany Household Private Label volume share Source Kantar and IRI

(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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Summary

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Summary

- Revenue growth of 1% at constant currency
- Results in-line with expectations with strong recovery in second half
- Project Refresh is fully on-track and delivering
 - £8m savings in FY14 from restructuring
 - Operational Excellence gaining momentum
 - Category teams are delivering innovation and category growth projects
- New organisation announced that will further drive effectiveness
- Favourable environment for Private Label growth and opportunities for geographic expansion

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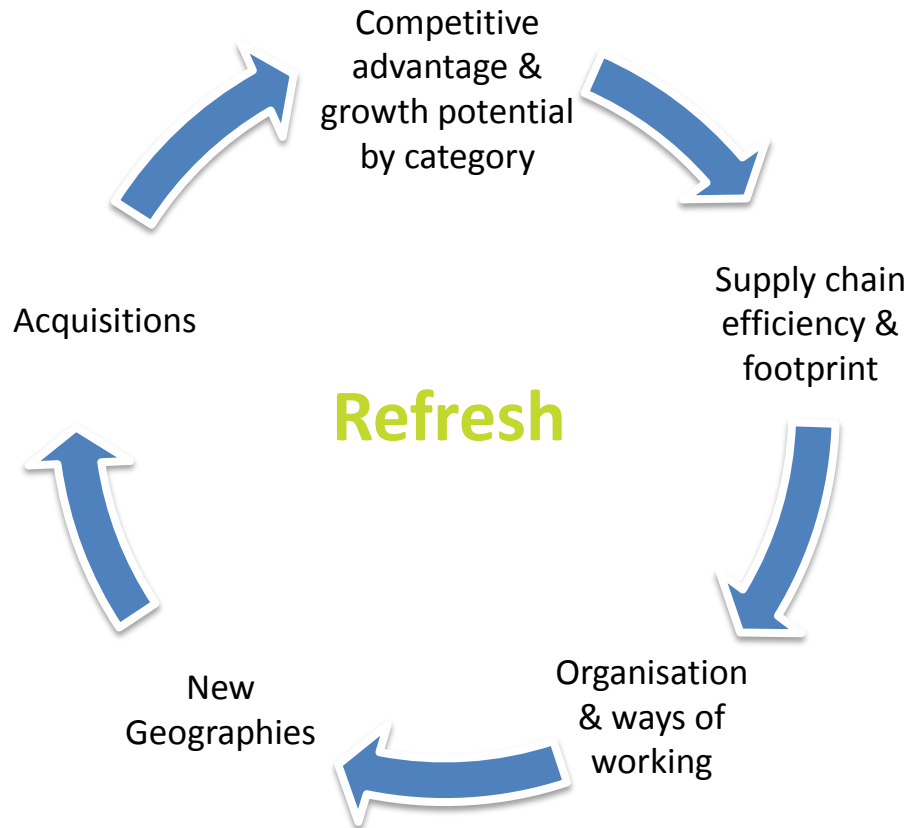
Q&A

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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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

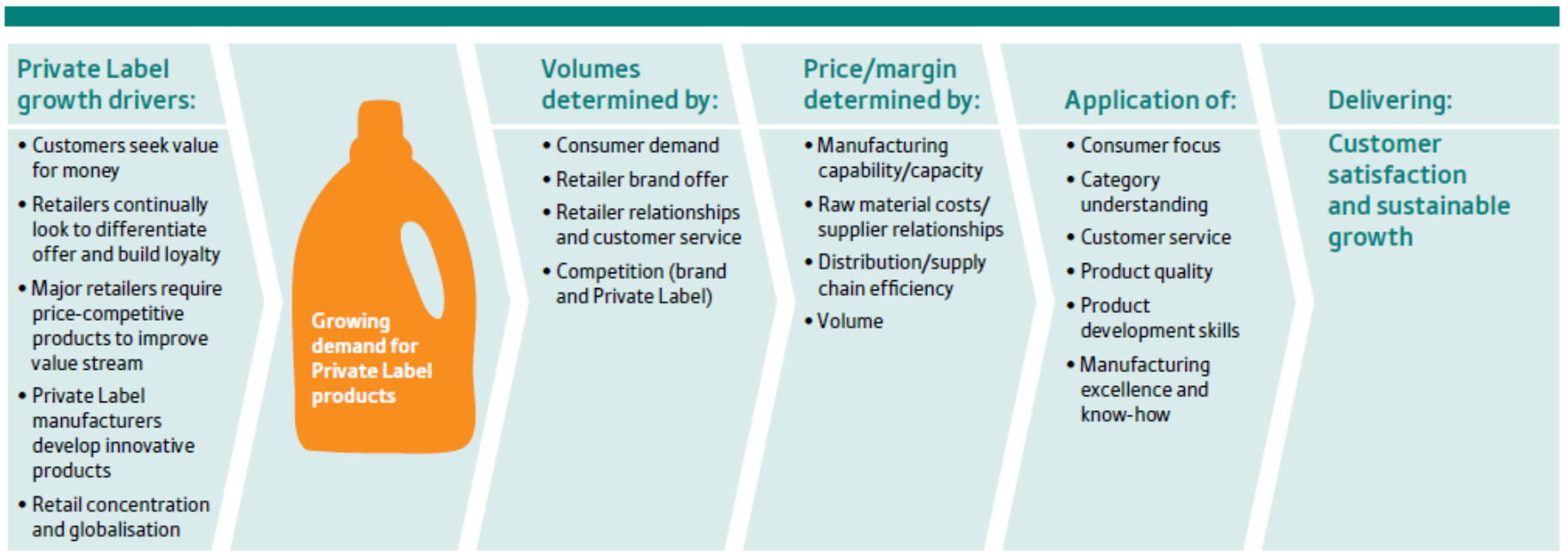
Plus:

A rationalised and enhanced operating platform

Increased customer responsiveness and flexibility

Solid architecture for product and geographic expansion

Business model



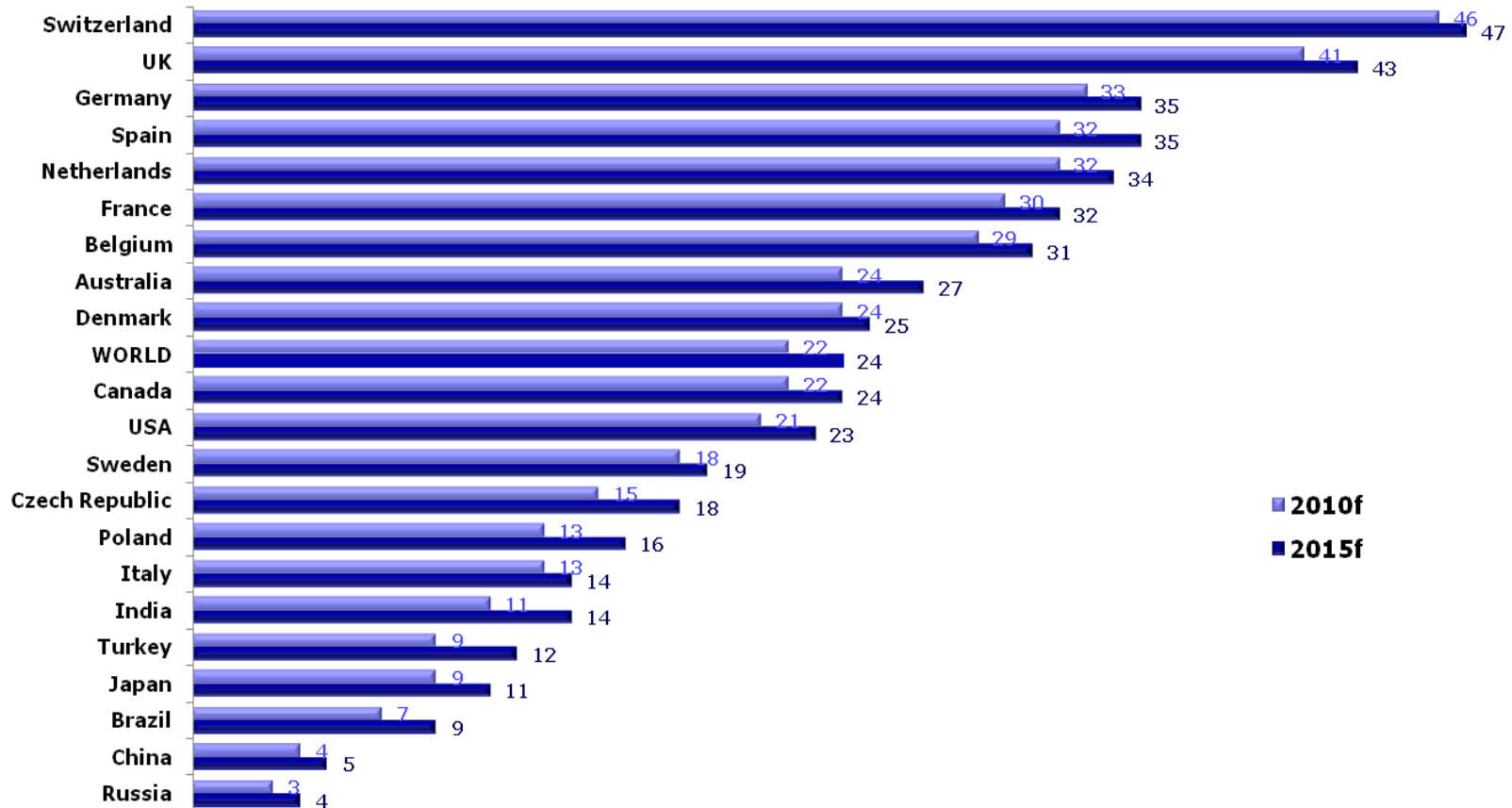
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Private Label forecast to grow in all markets



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.

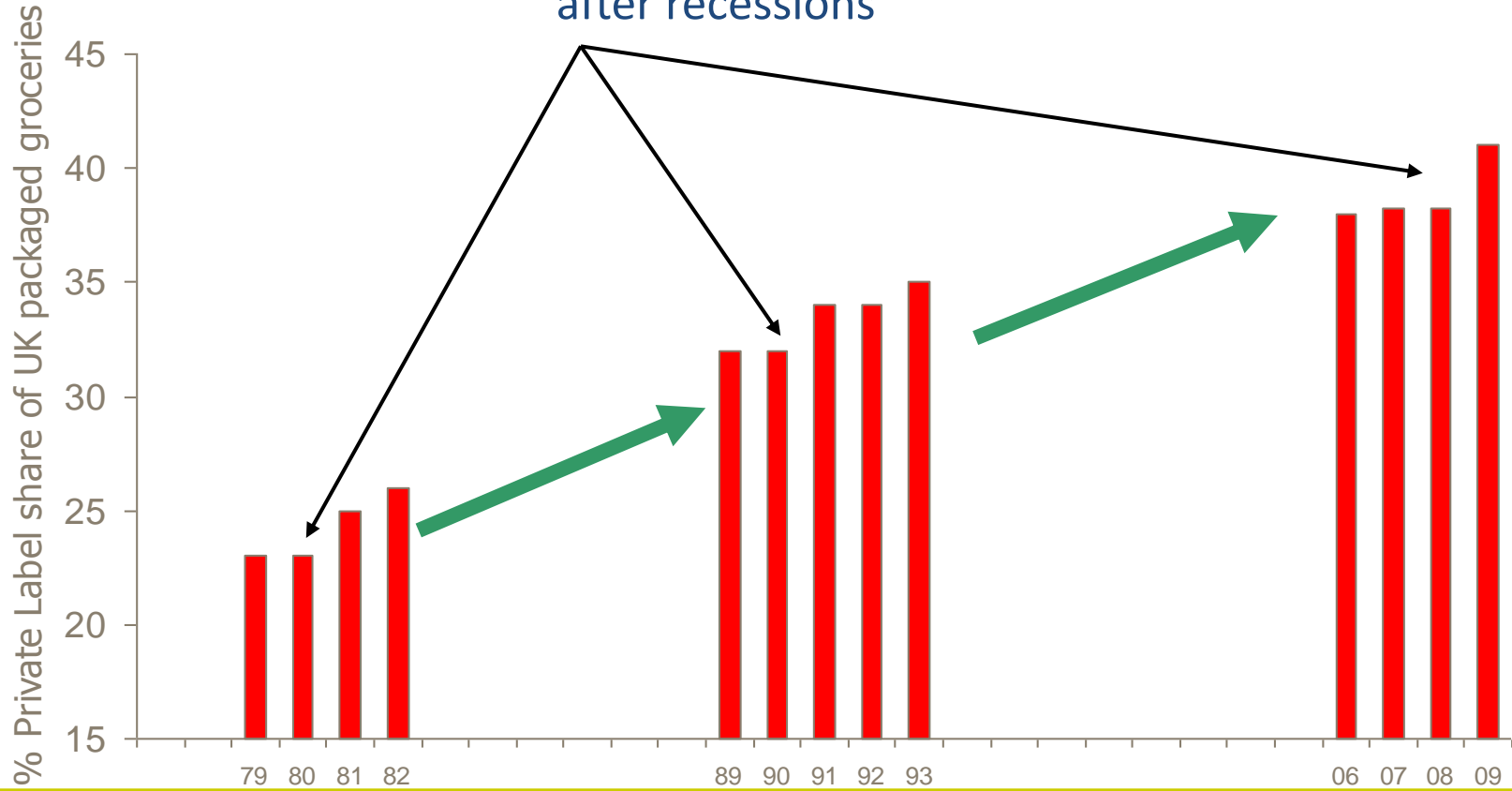
Source: Planet Retail Ltd. www.planetretil.net; partly based on Nielsen and GfK

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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

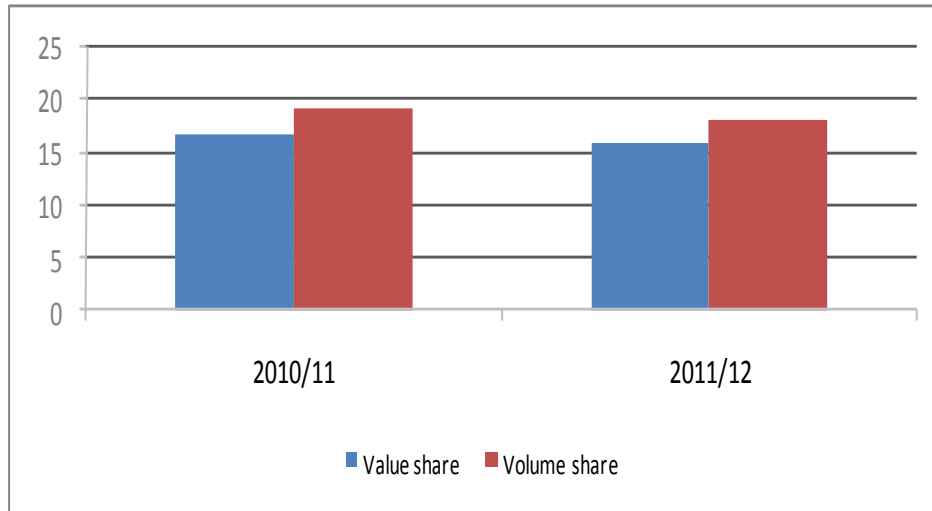
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Personal care Private Label share



UK

% Private Label share

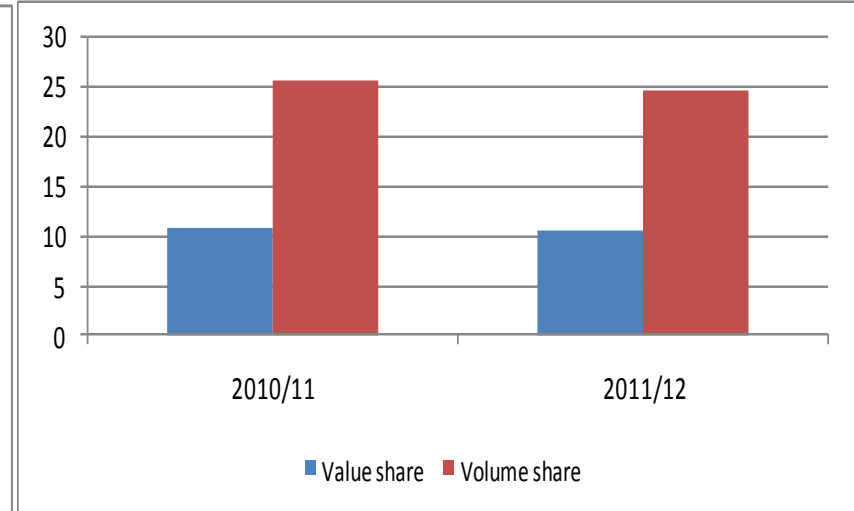


- Total UK Personal Care market grew 1.8% in volume terms with Private Labels down 3.5% due to high levels of promotions.
- Private Label skincare demand remained strong with a 33% volume share of the category.
- Mens shaving products gained share to reach 28%
- The Mouthwash market was flat overall with Private Label volume share of 20%

Source: UK Kantar Worldpanel, France IRI

France

% Private Label share



- Total France Private Label Personal Care market was flat in volume terms with Private Labels down 3.9%.
- Private Label skincare products performed well with body care at 13%, hand care products at 25% and Private Label facial care holding a 31% volume share
- Total demand for mens shaving products fell with Private label holding a 27% volume share.
- Private Label liquid soap in France remains strong with over 50% share in volume terms

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The Private Label opportunity

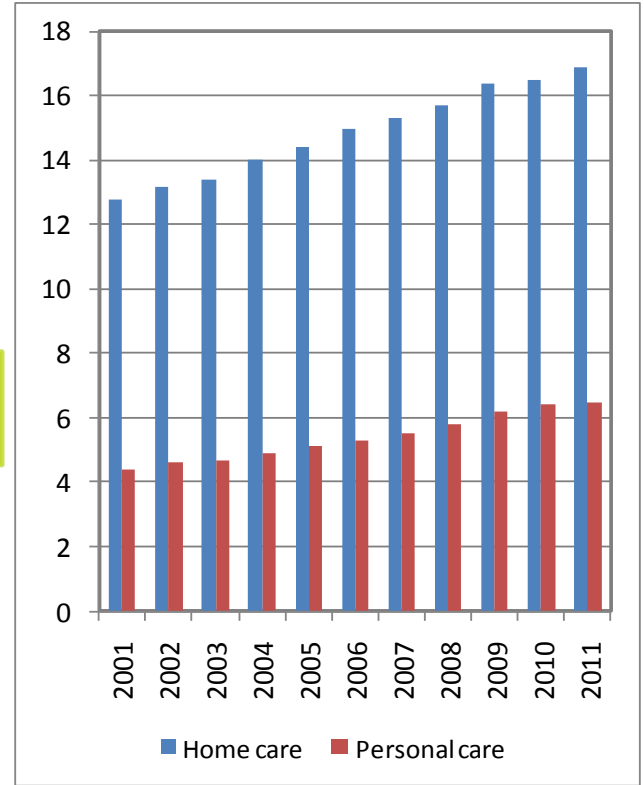
Private Label Growth Drivers



Private Label share

Western European markets

% Value Share



Source: Euromonitor International

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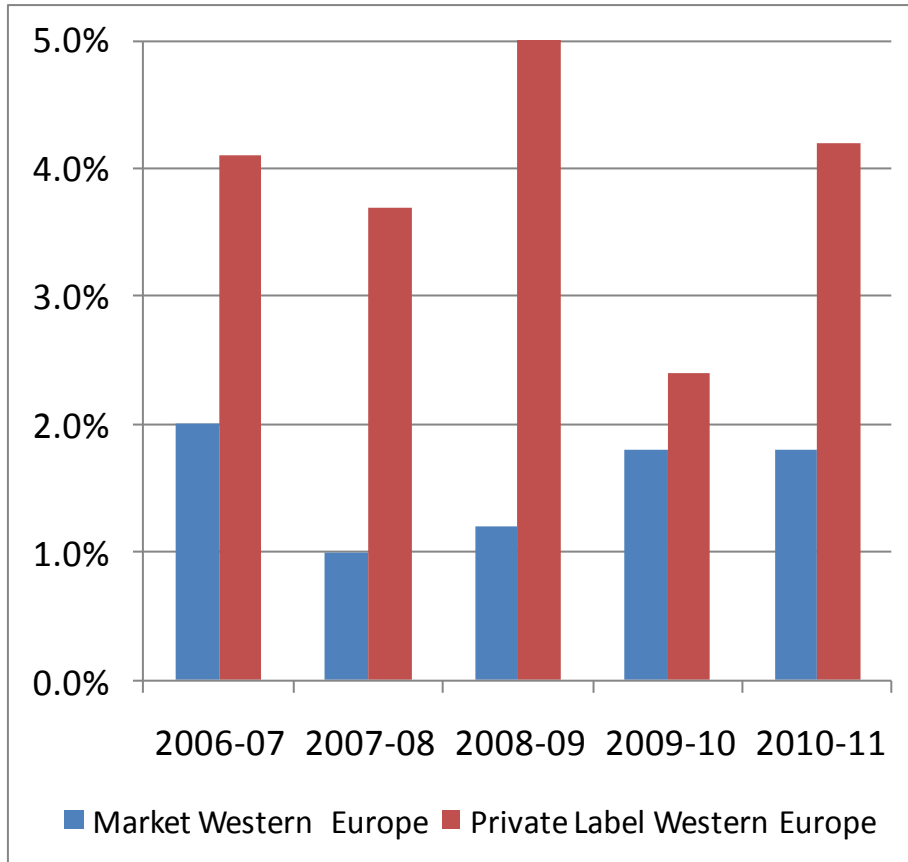
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Household Private Label growth continues to outperform across Europe

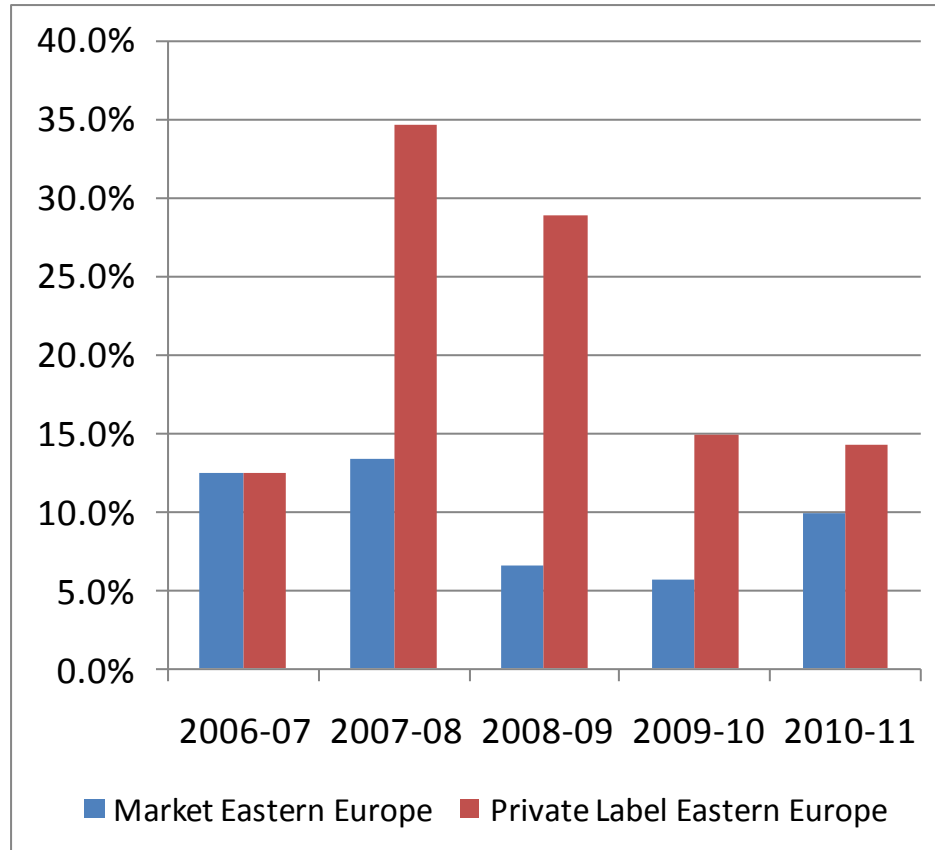


Western Europe

Value growth trends %



Eastern Europe



Source: Euromonitor International

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