

# McBride plc

Results Presentation: 28 February 2023



**Everyday cleaning products,  
expertly made**

# Agenda

1. Headlines
2. Overview
3. Financial Review
4. Outlook & Wrap-Up
5. Q&A

## Our speakers today



**Chris Smith**  
Chief Executive Officer



**Mark Strickland**  
Chief Financial Officer

# 1. Headlines



# Headlines

## Strong momentum supporting improved business performance

### Growth

- Private label growth
- Inflationary squeeze favouring our core proposition
- Sustained pricing growth
- Innovation and growth opportunities
- Service improvements

### Financial performance recovery

- Group returned to EBITA positive
- Delivery of margin improvement actions
- Compass £20m savings
- Liquidity stable, with significant headroom
- On track to deliver full-year expectations

### Strategy development

- Step up in customer experience
- Maturity of Compass structure
- Transformation agenda underway
- Carbon reduction target setting

## 2. Overview



# McBride at a glance

Leading European manufacturer of everyday value household cleaning products

## Business overview

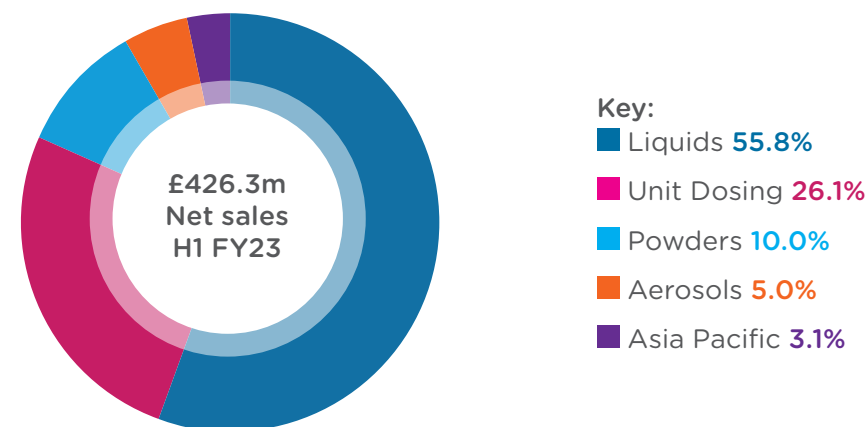
- McBride is the leading European manufacturer and supplier of private label and contract manufactured products for the domestic household and professional cleaning/hygiene markets
- The Group employs over 3,000 people across 18 locations in 12 countries and sells over 900m products each year
- Divisional structure with focused and accountable management teams driving execution of their strategies
- Central core functions to drive economies of scale

## Key customers

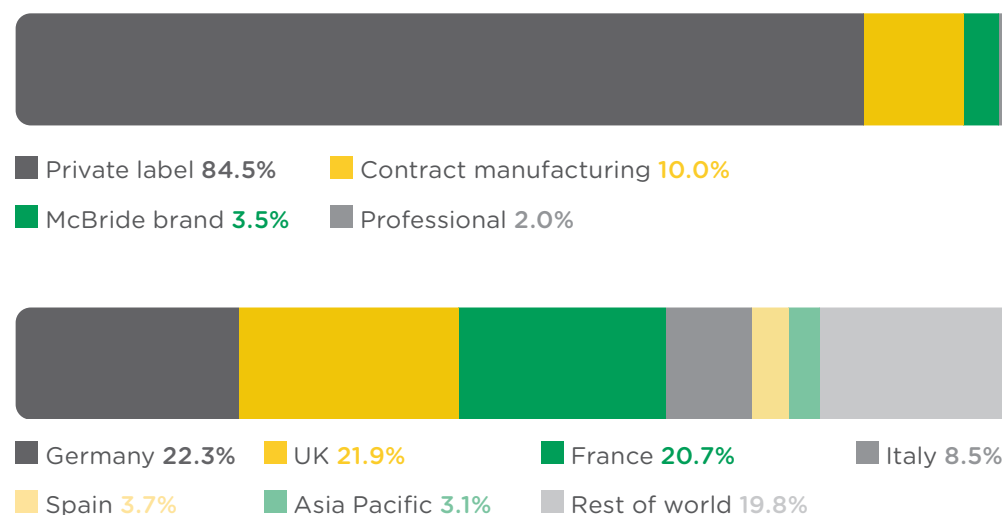
**77%** Revenue from top five European economies

**> 900m** Units sold annually

## Our divisions



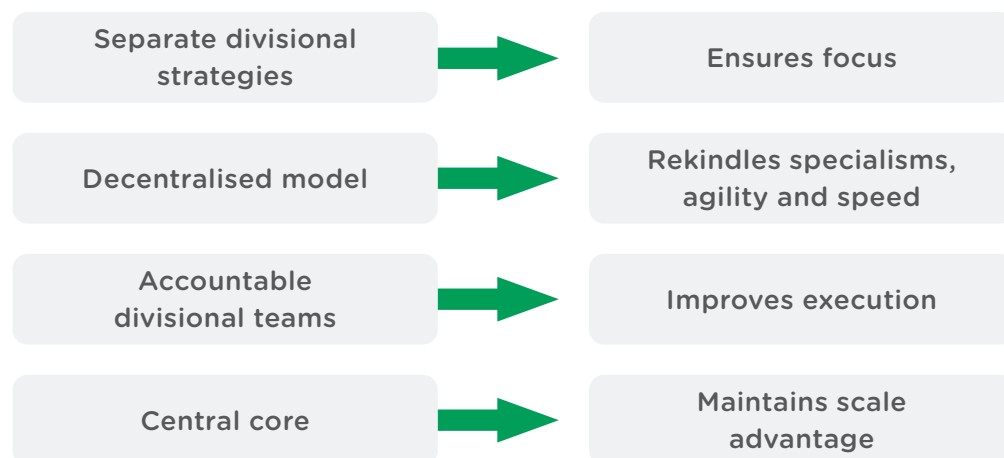
## Sales overview - by channel and geography



# Investment case

We manufacture everyday value cleaning products so every home can be clean and hygienic

## Our Compass operating model



## What sets us apart

- Size to scale advantage: #1 volume player
- Innovation - specialisation and focus, sustainable product expertise
- Broad and diverse customer base, wide market coverage/knowledge
- Manufacturing excellence, pan European supply chain capabilities
- Blue-chip integrity
- Experienced management and dedicated employees

## Ambition



Deliver sustained top line growth

Double digit EBITDA margins

Consolidate position as industry #1

Partner of choice



# Strategy

Compass actions progressing, Excellence and Transformation initiative launched

## Our guiding principles



**Focused growth**



**Proud of our identity**



**Effective execution**

## Growth

- Win/loss ratio positive
- Favourable environment for private label
- Contract manufacturing gains to deliver from FY24
- Innovation launches, especially packaging
- Private label share recovered, McBride market share growing

## Transformation

- Leadership appointed
- Team 'under construction', mix of internal, external
- Programme shaping
- Targeting £50m over five years



# Transformation change

## Shape of programme forming

Our transformation plan consists of seven programmes and is intentionally balanced between sales and margin growth, cost reduction and cash generation

### Programme management office discipline

**Environmental transformation** Setting out the plan to deliver our decarbonisation ambition

#### Sales and margin growth

##### Commercial excellence

Skills/tools/process investment

##### Operations transformation

Targeted investments to support growth and innovation

##### Service excellence

Overhauling our supply chain to keep our customers first

#### Cost reduction and cash generation

##### Operating model excellence

A new Enterprise Resource Platform

##### HR digital transformation

Digital replatforming of our core HR processes

##### Cost excellence

Designing out waste, duplication and non-value adding activity

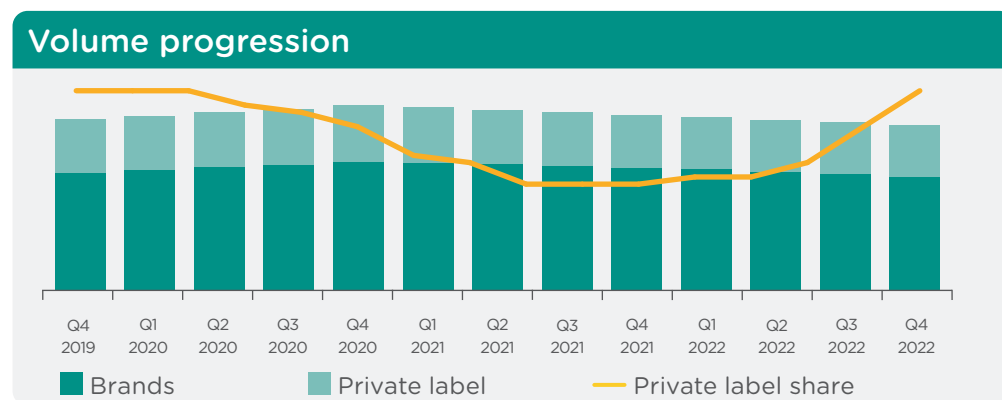


# Market overview

Private label share gain but overall volumes lower as consumer behaviour adapts to cost of living challenges

Total market:	vs 2021:	vs pre Covid-19:	Total category volumes:	vs 2021:	vs pre Covid-19:
Total market volumes	(6)%	(3)%	Laundry - total	(4)%	(7)%
Branded volumes	(7)%	(3)%	Cleaners - total	(8)%	(2)%
Private label volumes	(2)%	(3)%	Dishwash - total	(6)%	+1%
Private label share	+1.2%	Stable			

- Consumption levels lower as consumers dose more frugally
- Brands' value protection
- Household expected to be more resilient than other categories at macro level
- Consumer trade down, seeking value through channel choice, format changes, shift to private label
- Clear moves by certain retailers to prioritise private label



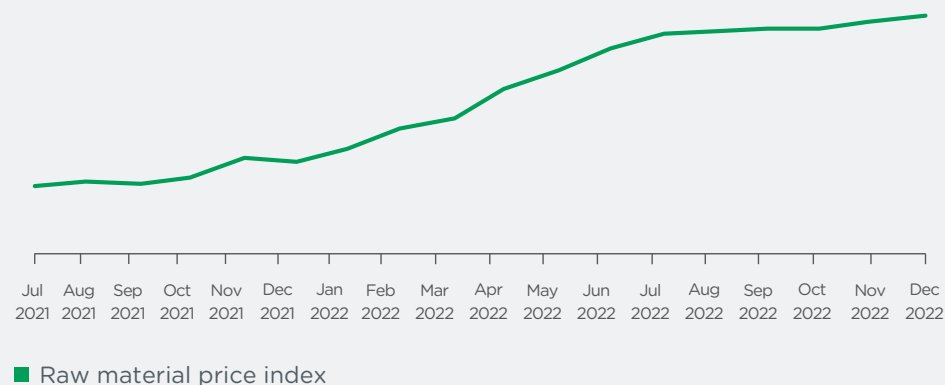
Source: Europanel (Kantar & GfK) panel data.

# Business response to inflationary pressures

## Multiple waves of margin recovery actions

- No deflation in overall cost levels
- Latest rise due to specific key component inflation
- Energy, transport, labour and general inflation becoming increasingly important pricing factors
- Shift to short-term pricing arrangements with customers
- Customer requests increasing for cost mitigation through 'design to value' options
- Disciplined cost and capex management to mitigate

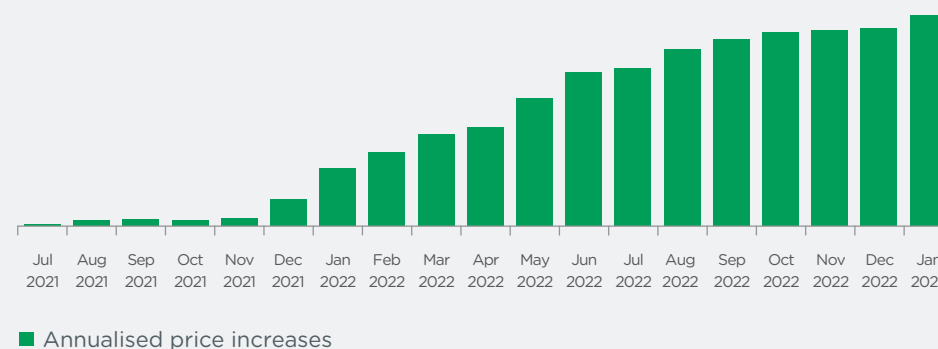
### RMPI still rising, but some signs of stabilisation



### Unprecedented increase in long term RMPI



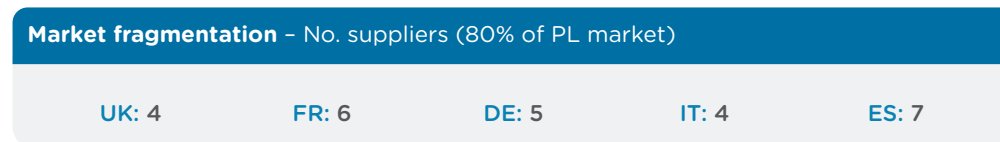
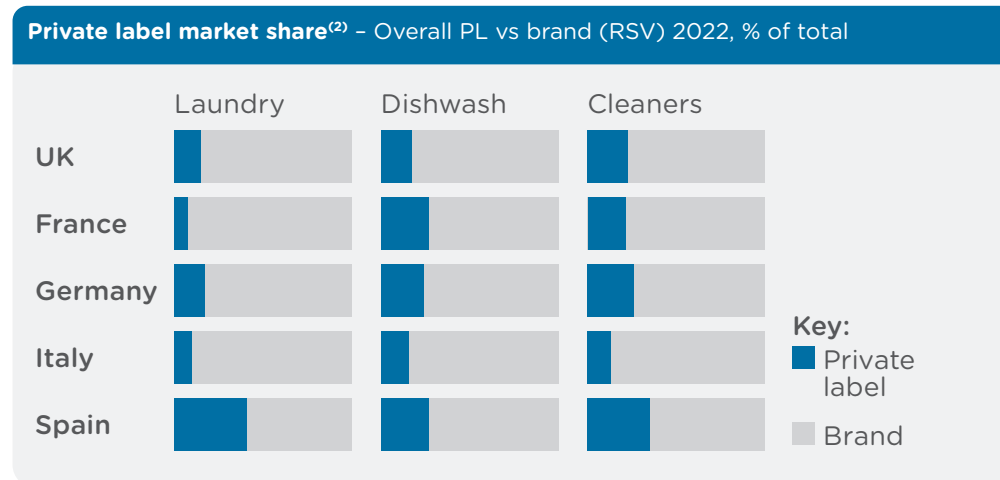
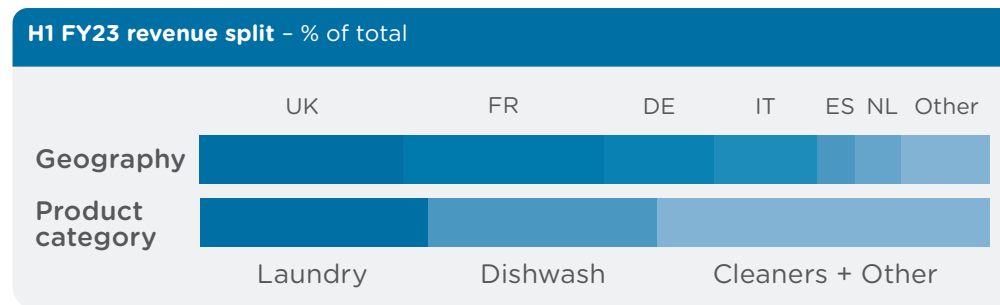
### Pricing agreements continue into H1 FY23



# Divisions - Liquids

56% of Group sales

Liquids generates c.£475m revenue p.a. in a total European market, including branded, of £9bn<sup>(1)</sup>



## Return to profit through inflation recovery, tight cost control and private label growth

- Private label volumes grew, contract manufacturing volumes declined
- Consumer 'down-trading' evident, simpler, better value products
- Pricing agreed with customers to recover exceptional inflation
- Customer service levels recovering
- Cost leadership focus - 'lean' conversion programme
- Portfolio innovation, focus on product sustainability



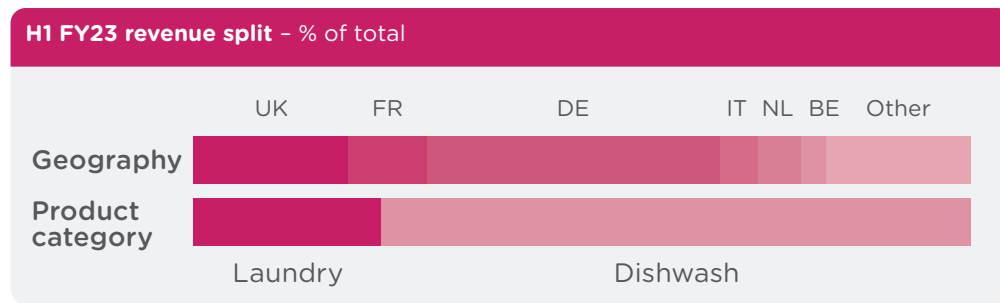
(1) RSV = retail sales value.

(2) Source: Europanel (Kantar & GfK) panel data: 12 months to December 2022.

# Divisions - Unit Dosing

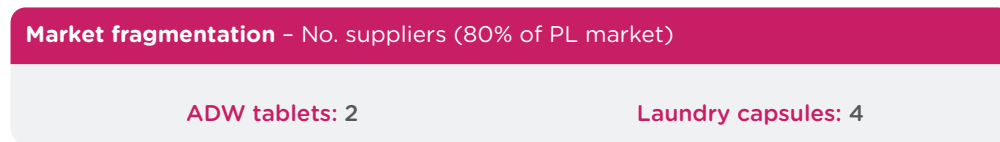
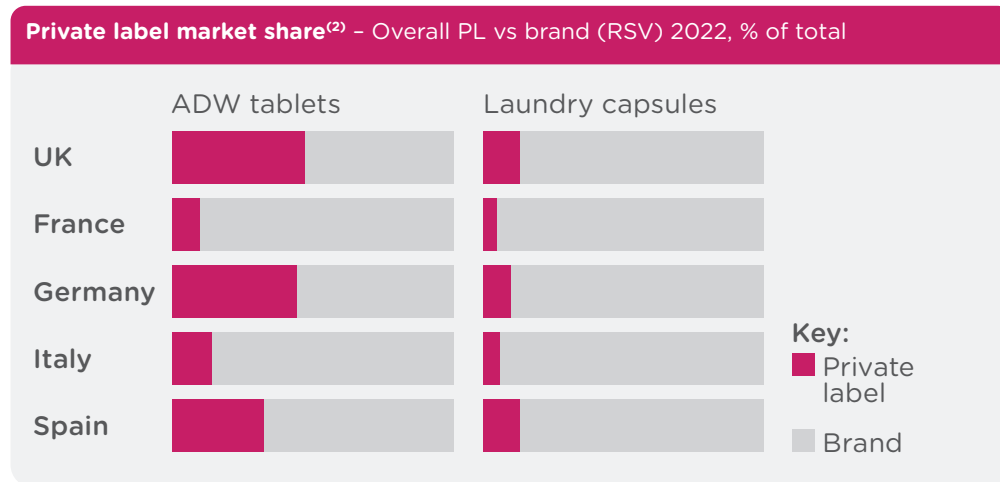
26% of Group sales

Unit Dosing generates c.£220m revenue p.a. in a total European market, including branded, of £2bn<sup>(1)</sup>



## Strength in private label through improved product offer and new project gains

- Revenue up 36.5%
- Volumes up 1.5%, driven by private label +9%
- New sustainable cardboard packaging for capsules now in multiple retailers
- Margin recovery from pricing and lower cost products
- Striking optimal balance between asset flexibility and cost efficiency
- New growth investments prepared

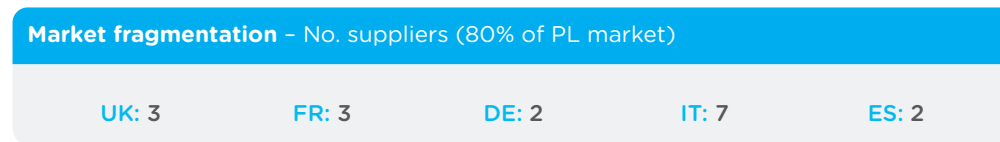
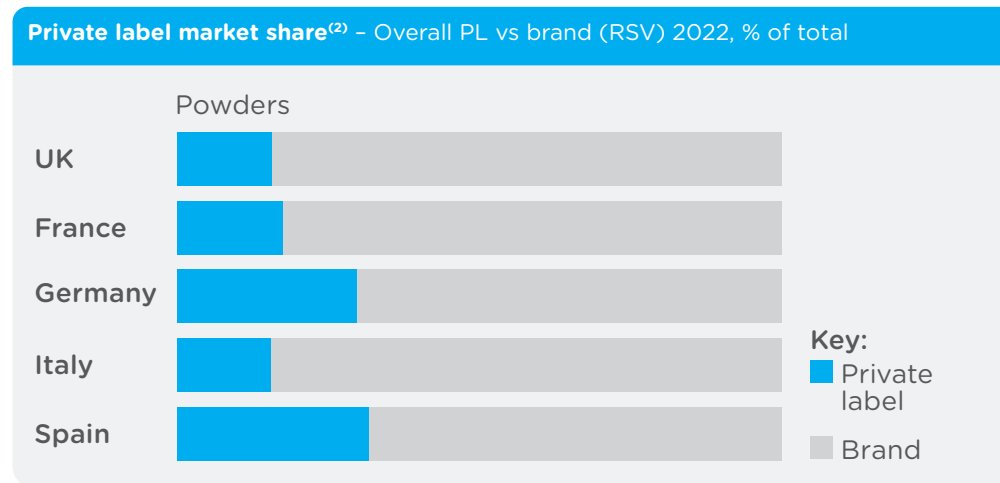
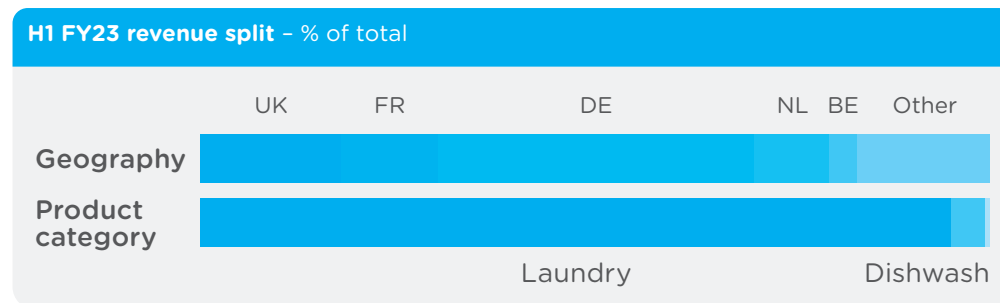


(1) RSV = retail sales value.   
 (2) Source: Europanel (Kantar & GfK) panel data: 12 months to December 2022.

# Divisions – Powders

10% of Group sales

Powders generates c.£90m revenue p.a. in a total European market, including branded, of £1bn<sup>(1)</sup>



## Cost leadership and technical step-up securing wins

- Powders market decline has slowed
- Private label share up
- Professional recovering post Covid-19
- Innovation reset delivering strong pipeline of additional opportunities
- Strong progress with cost leadership strategy
- Market consolidation expected to provide further contract manufacturing opportunities
- Strong service and quality performance



(1) RSV = retail sales value.

(2) Source: Europanel (Kantar & GfK) panel data: 12 months to December 2022.

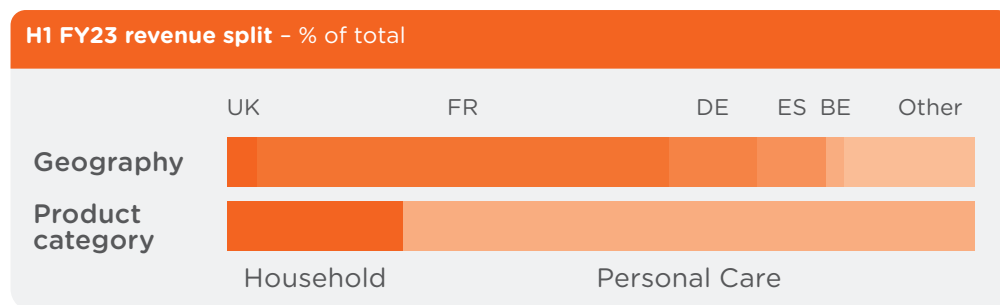
# Divisions - Aerosols

5% of Group sales

Aerosols generates c.£40m revenue p.a. with its current focus on the French market and new use ideas

Strategic priority

Product leadership



## Expanding reputation as a specialist supplier

- Strong customer partnerships
- First half private label growth and pipeline of new business wins
- ‘Made in France’ tag supporting new contract manufacturing volumes
- Business development outside France progressing

Market characteristics	Operational characteristics	McBride characteristics
Innovation	Manufacturing safety	Market focus
Sustainability	High cost of packaging	Technical knowledge
Aircare growth	Distribution	Established divisional agility
Dispersion benefits	Regulatory	Location





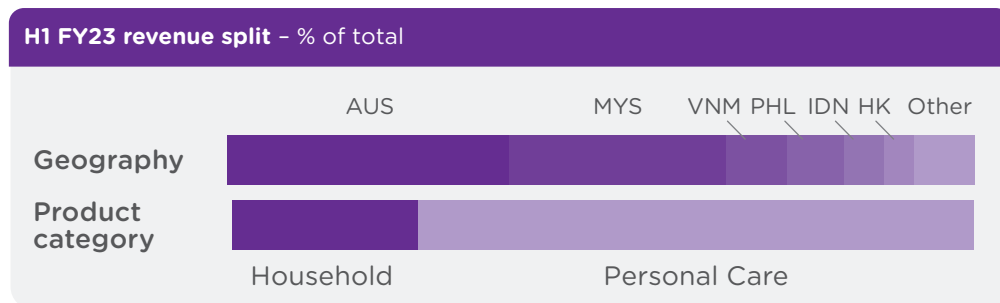
# Divisions - Asia Pacific

3% of Group sales

Asia Pacific generates c.£25m revenue p.a. and is a high growth region for personal care and household

Strategic priority

Cost and value leadership



## Performance recovering, with increased contract manufacturing growth ambitions

- New leadership team in place
- Malaysia manufacturing site fully operational, with strong focus on developing household
- Contract manufacturing opportunities with both local and global players
- Australia and other export growth opportunities improving with freight costs normalising

Market characteristics	Operational characteristics	McBride characteristics
Fragmented competition	Low cost manufacturing	Blue chip integrity
Traditional formats	Raw material availability	Technical support from Europe
Private Label; PC vs HH	Legislative variations	Quality, reliability and agility
International vs local brand	Complexity	Limited HH exposure in SE Asia





## Environmental

- Corporate carbon footprint measured for FY21 and FY22
- Emission hotspots are chemicals, packaging, logistics and energy
- Near-term emission targets being defined for our journey to Net Zero
- Renewable electricity progress (H1 FY23: 32% from renewables, with further increases planned)

Selected KPIs	2025 target	FY22	H1 FY23
FSC <sup>®</sup> sourced	100%	91.4%	90.6%
100% recyclable	100%	98.5%	98.7%
50% PCR in our plastic packaging - PET - PE	50%	17.6% 52.2% 5.1%	19.9% 60.9% 9.0%
Flexible multi-plastic moved to mono-material plastic	100%	39%	36%

## Social

- Local engagement teams created
- Development programmes and Workday learning
- Focus on diversity, equity and inclusion
- Employer supported volunteering scheme in design

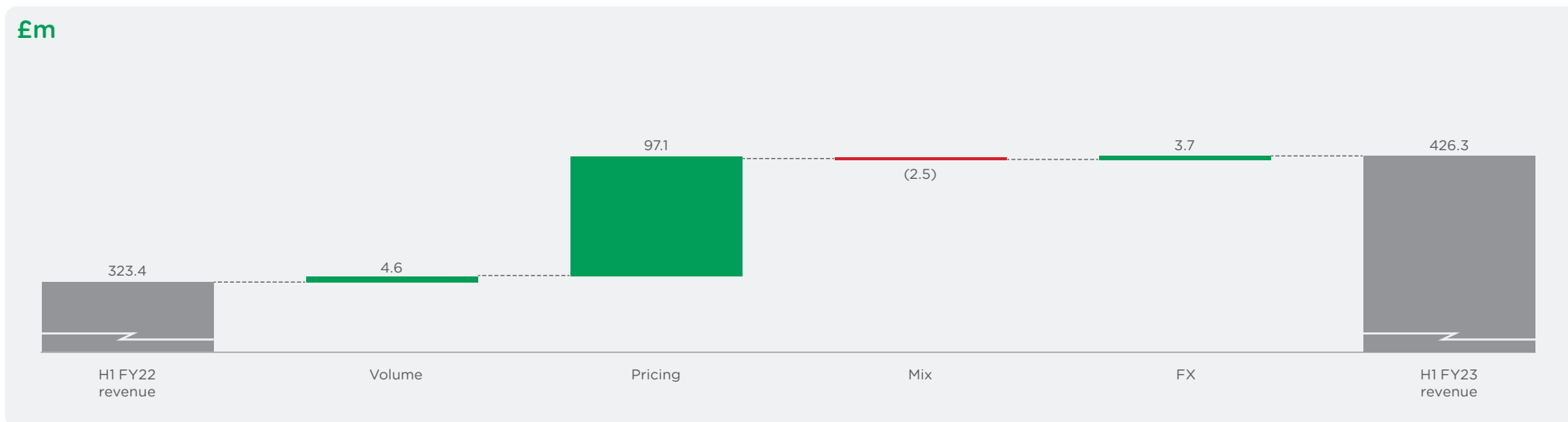
## Governance

- New whistleblowing reporting channels launched
- Actions agreed to improve Board effectiveness
- European Works Council - Board representative attendance
- Online multilingual compliance training

## 3. Financial Review

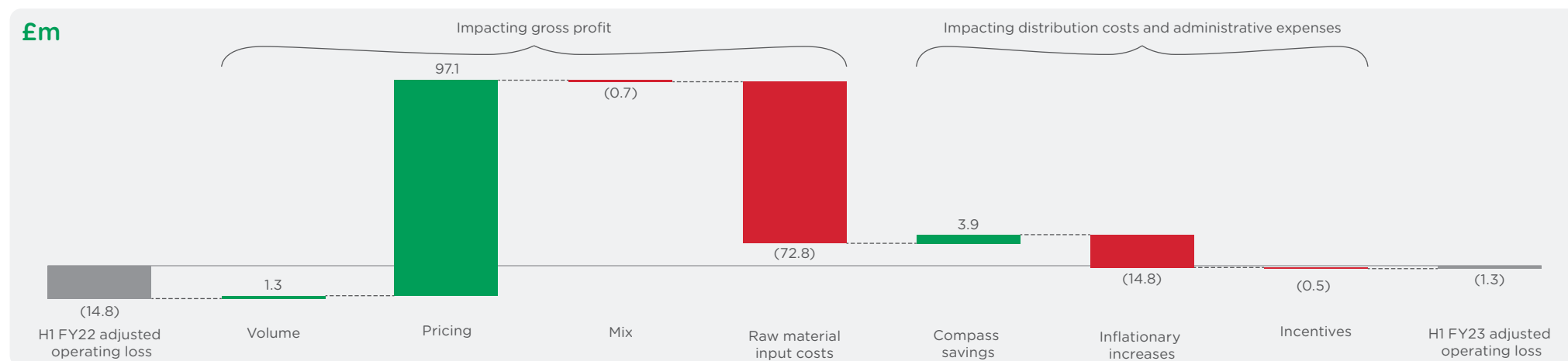


## Group revenue bridge



- Revenue increased by 31.8% vs H1 FY22 mainly due to price actions
- Volume growth contributed £4.6m
  - private label volumes up 2.6%
  - contract manufacturing volumes lower
- Pricing actions:
  - £97.1m in-year benefit
  - c.94% of the revenue growth
- Collaboration with customers continues

## Group adjusted operating loss bridge



- Key drivers of the £13.5m improvement in adjusted operating loss:
  - pricing: multiple pricing waves have been agreed to offset significant cost inflation
  - raw material input costs: chemicals, packaging, energy, labour and general inflationary factors
  - volume/mix: £0.6m net positive, driven by higher private label sales
  - significant inflationary impact on distribution, operations and overheads costs
  - Compass cost savings helped offset inflationary pressures

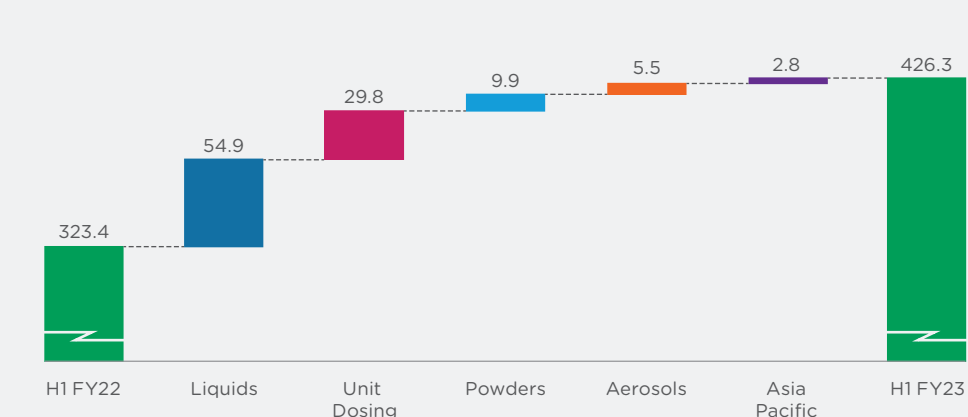
## Compass cost reduction progress

- On track to save £20m annualised savings by the end of FY23
- H1 FY23 realised cost savings £8.9m (H1 FY22: £5.0m):
  - operations £6.0m
  - divisional overheads £2.5m
  - distribution £0.4m
- FY23 cost savings expected to be c.£18m (FY22: £11.6m)

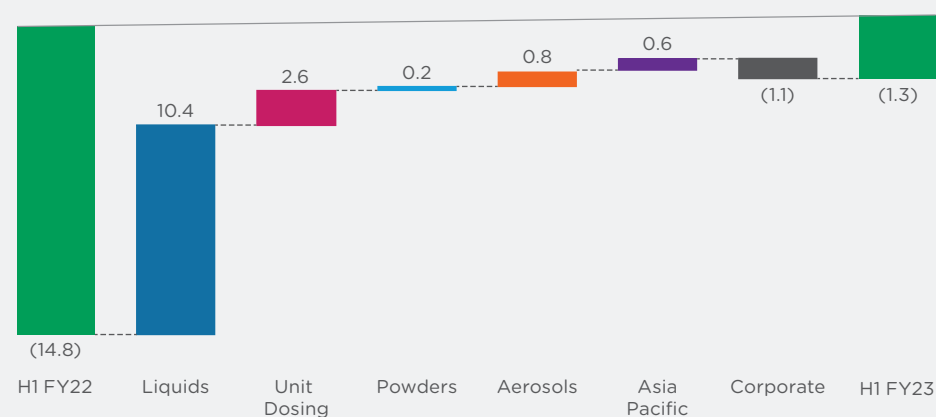


## Divisional performance bridges

### Revenue £m



### Adjusted operating loss £m



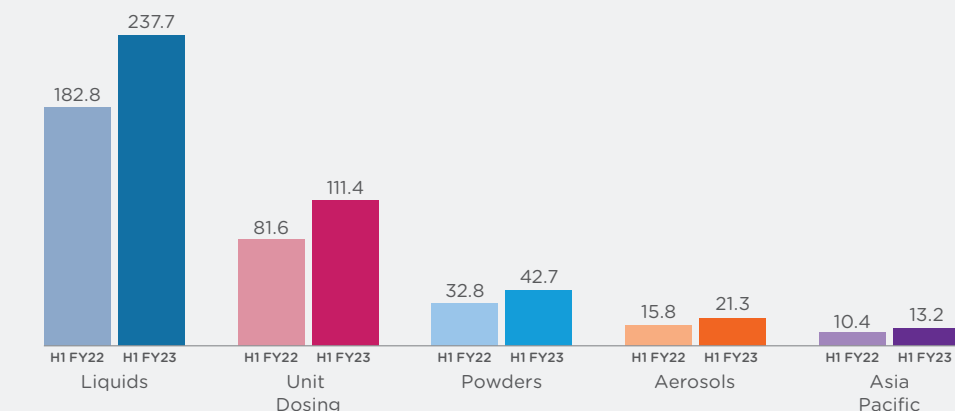
- Group revenue up 31.8% as reported:
  - Liquids +30.0%: pricing and private label volume growth
  - Unit Dosing +36.5%: pricing and innovation
  - Powders +30.2%: pricing and higher demand for lower cost products
  - Aerosols +34.8%: pricing and private label volume growth
  - Asia Pacific +26.9%: volume recovery vs Covid-19 impacted prior year

- Group adjusted operating loss improved by £13.5m:
  - high cost inflation continues to impact all divisions
  - price increases and strict cost controls helped mitigate the impact of input cost inflation

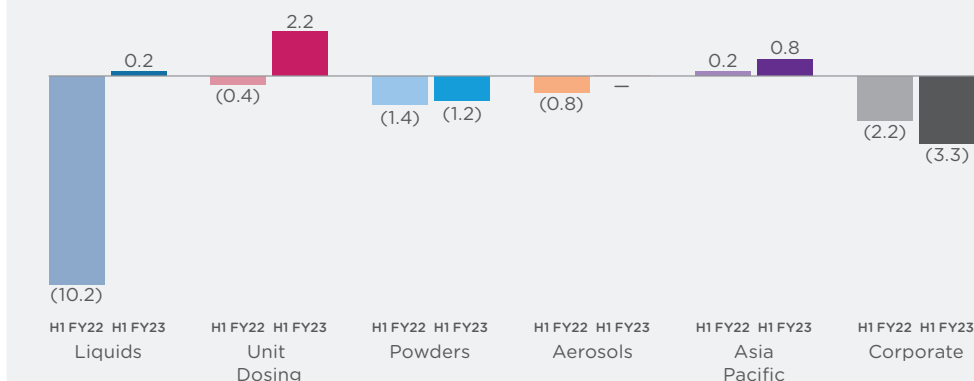


# Divisional performance

Revenue £m



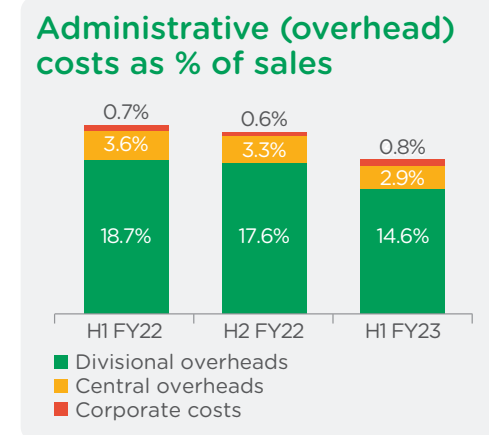
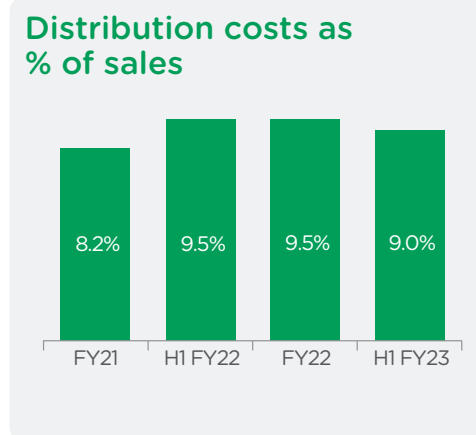
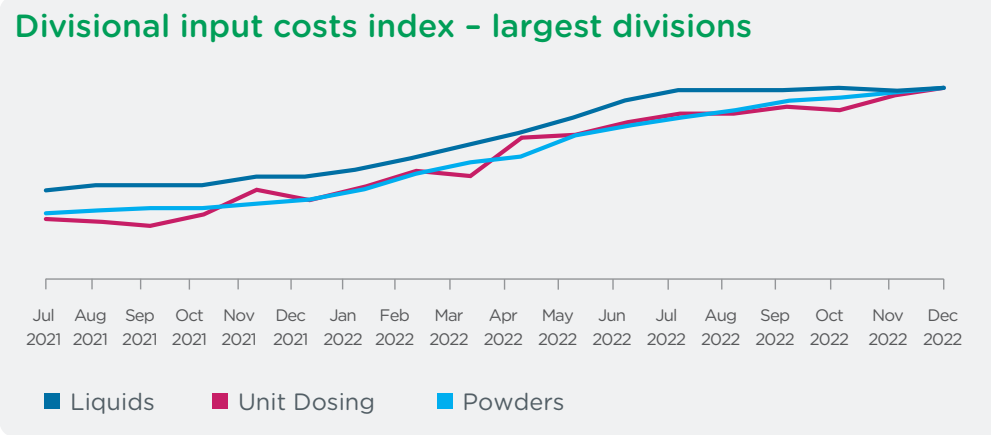
Adjusted operating (loss)/profit £m



- All divisions significantly grew revenue
- Revenue growth mainly driven by pricing actions, but also with some volume growth

- Liquids and Unit Dosing returned to adjusted operating profit
- Powders loss heavily impacted by significant input costs increase in last two months of period
- Aerosols achieved break-even
- Asia Pacific increased profit
- Corporate costs higher due to inflationary impacts and higher bonus provision

# Costs



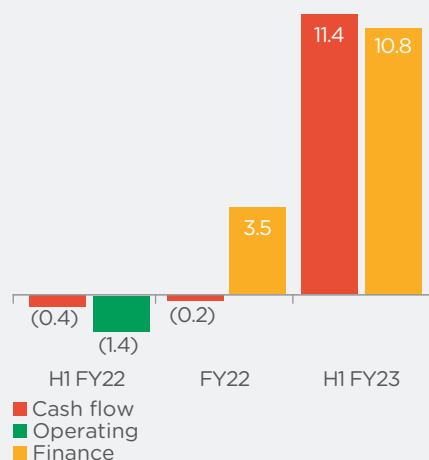
- Overall rate of increase has slowed in first half
- Variability by division, e.g. Powders experienced significant and sharp inflation in first half due to global tightness in supply of salts
- High energy and general inflation becoming increasingly significant drivers of input cost inflation

- Cost as % of sales reduced despite £7.7m increase in distribution costs driven by high inflationary pressures (supply constraints, fuel costs)
- Warehouse network strategy continues to evolve

- Total administrative costs increased by £3.6m representing 18.6% of net sales (H1 FY22: 23.0%)
- Inflationary pressures have been partially offset by cost savings and efficiencies

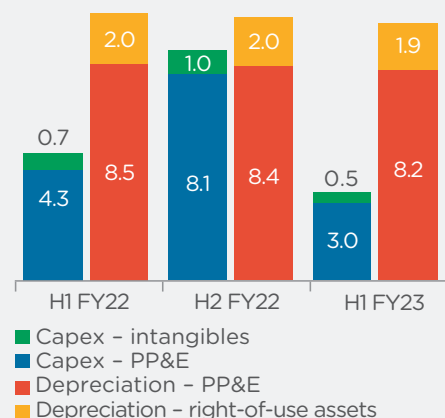
# Other financials

## Exceptional costs £m



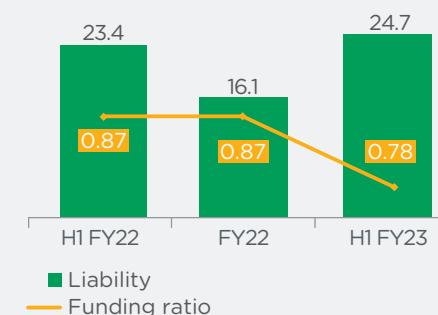
- Exceptional costs fully relate to costs of Group financing

## Capex and depreciation £m



- Capex continues to be strictly controlled
- Prioritisation ensures that divisions' growth objectives are enabled

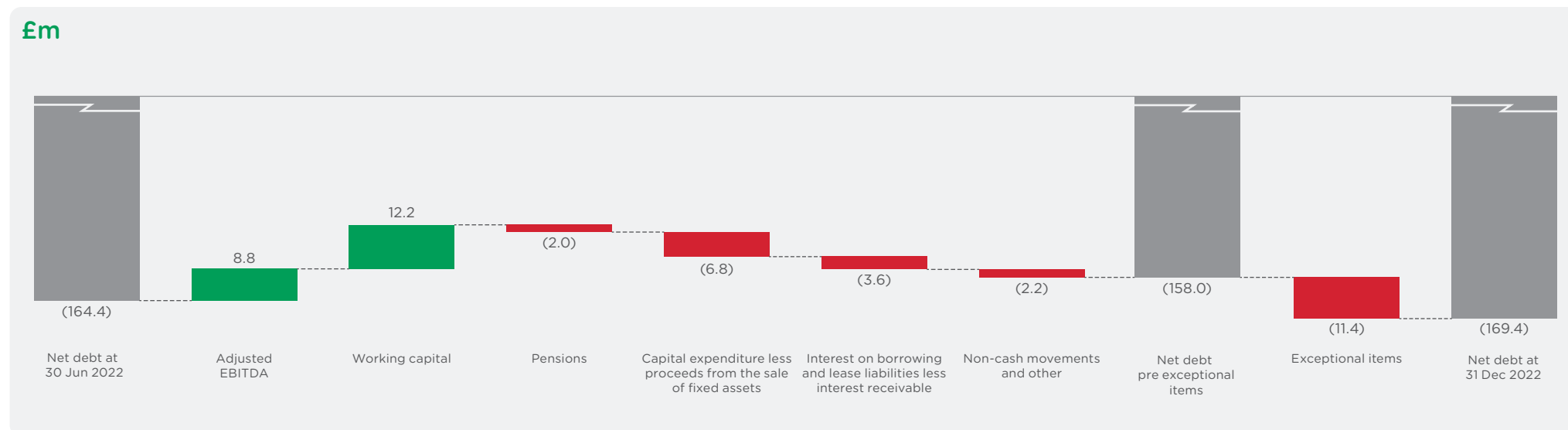
## Pensions<sup>(1)</sup> £m



(1) On IAS19 Basis

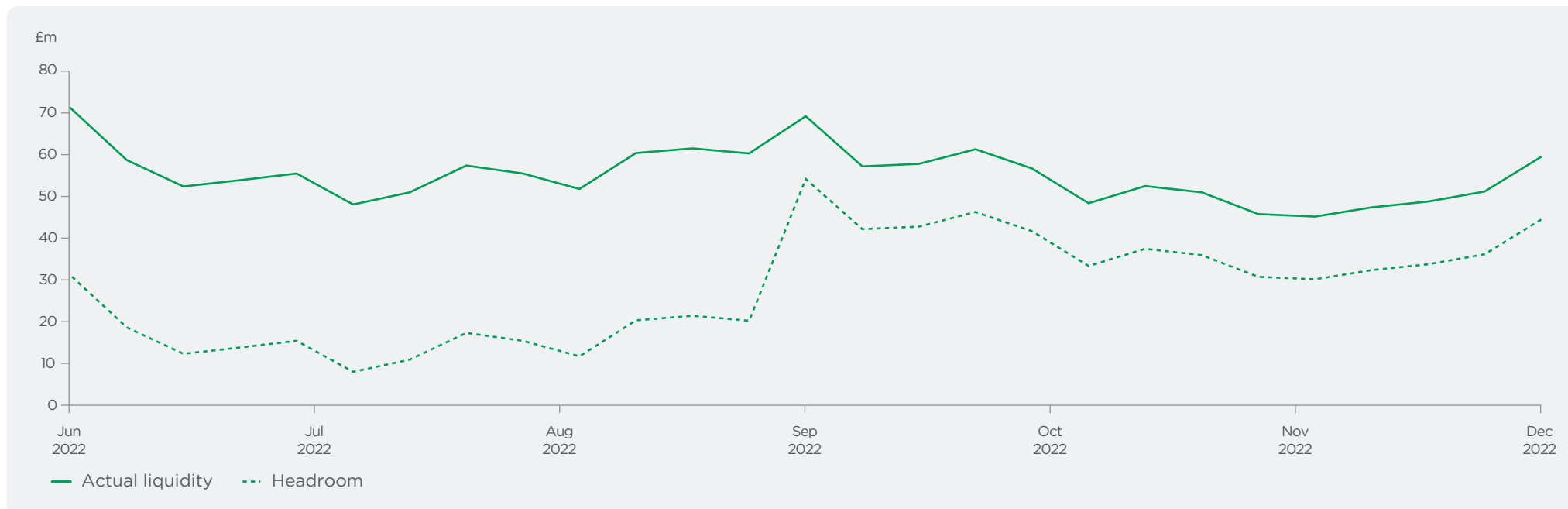
- Scheme asset values decreased by more than fund liabilities
- £2m deficit reduction contributions paid

## Cash flow and net debt bridge



- Net debt increased to £169.4m (FY22: £164.4m)
- Adjusted EBITDA returned to positive from May 2022
- Working capital favourable cash flow driven by improved customer payment terms
- Capital expenditure continues to be strictly prioritised
- Interest costs expected to increase to c.£13m p.a.
- Non-cash movements include £2.7m of lease obligation additions and interest
- Exceptional items reflects costs associated with group refinancing

# Liquidity



- Group refinancing reset minimum liquidity covenant from £40m to £15m at 29 September 2022

- 31 December 2022 available liquidity £58.9m => £43.9m headroom vs minimum liquidity covenant

- Underlying cash flow stabilised

## 4. Outlook & Wrap-Up



# Outlook

## Full-year expectations on track

Overall demand levels encouraging

Margin recovery ongoing

Customer proposition continues to strengthen

Inflationary pressures steady

Transformation journey launched

Significant liquidity headroom



# Wrap-Up

Strong momentum, improving business performance, ambition back in view

## Growth

- Private label growth
- Inflationary squeeze favouring our core proposition
- Sustained pricing growth
- Innovation and growth opportunities
- Service improvements

## Financial performance recovery

- Group returned to EBITA positive
- Delivery of margin improvement actions
- Compass £20m savings
- Liquidity stable, with significant headroom
- On track to deliver full-year expectations

## Strategy development

- Step up in customer experience
- Maturity of Compass structure
- Transformation agenda underway
- Carbon reduction target setting

**Compass** →

Deliver sustained top line growth

Double digit EBITDA margins

Consolidate position as industry #1

Partner of choice

## 5. Q&A



# Appendices

1. Income statement
2. Segmental reporting
3. Exceptional items
4. Balance sheet
5. Cash flow
6. Funding headroom

## Appendix 1: Income statement

	H1 FY23 £m	H1 FY22 £m	Change	Constant currency	
				H1 FY22 £m	Change
Continuing operations <sup>(1)</sup>					
<b>Revenue</b>	<b>426.3</b>	323.4	31.8%	327.1	30.3%
Gross profit	<b>115.1</b>	90.2	27.6%	91.3	26.1%
Gross margin	<b>27.0%</b>	27.9%	(0.9) ppt	27.9%	(0.9) ppt
Distribution costs	<b>(38.5)</b>	(30.8)	25.0%	(31.1)	23.8%
Administrative expenses	<b>(77.9)</b>	(74.2)	5.0%	(75.0)	3.9%
<b>Adjusted operating loss</b>	<b>(1.3)</b>	(14.8)	(91.2)%	(14.8)	(91.2)%
Net finance costs					
- borrowings	<b>(6.3)</b>	(1.8)	250.0%	(1.8)	250.0%
- pension	<b>(0.3)</b>	(0.3)	0.0%	(0.3)	0.0%
<b>Adjusted loss before taxation</b>	<b>(7.9)</b>	(16.9)	(53.3)%	(16.9)	(53.3)%
Taxation	<b>0.7</b>	2.8	(75.0)%	2.8	(75.0)%
<b>Adjusted loss for the year</b>	<b>(7.2)</b>	(14.1)	(51.1)%	(14.1)	(51.1)%
Adjusted diluted loss per share (pence)	<b>(4.2)</b>	(8.1)	(48.1)%		
Amortisation	<b>1.3</b>	1.3	—		
Exceptional items	<b>10.8</b>	(1.4)	12.2		
Taxation - effective rate	<b>9%</b>	17%	(8) ppt		

(1) For H1 FY23 and H1 FY22 there was no impact from discontinued operations.

## Appendix 2: Segmental reporting

	H1 FY23 £m	H1 FY22 £m	Change	Constant currency	
				H1 FY22 £m	Change
<b>Revenue</b>					
Liquids	237.7	182.8	30.0%	184.3	29.0%
Unit Dosing	111.4	81.6	36.5%	82.5	35.0%
Powders	42.7	32.8	30.2%	33.2	28.6%
Aerosols	21.3	15.8	34.8%	16.0	33.1%
Asia Pacific	13.2	10.4	26.9%	11.1	18.9%
<b>Group total</b>	<b>426.3</b>	<b>323.4</b>	<b>31.8%</b>	<b>327.1</b>	<b>30.3%</b>
	H1 FY23 £m	H1 FY22 £m	Change £m	Constant currency	
				H1 FY22 £m	Change £m
<b>Adjusted operating (loss)/profit</b>					
Liquids	0.2	(10.2)	10.4	(10.2)	10.4
Unit Dosing	2.2	(0.4)	2.6	(0.4)	2.6
Powders	(1.2)	(1.4)	0.2	(1.3)	0.1
Aerosols	—	(0.8)	0.8	(0.8)	0.8
Asia Pacific	0.8	0.2	0.6	0.2	0.6
Corporate	(3.3)	(2.2)	(1.1)	(2.3)	(1.0)
<b>Group total</b>	<b>(1.3)</b>	<b>(14.8)</b>	<b>13.5</b>	<b>(14.8)</b>	<b>13.5</b>

## Appendix 3: Exceptional items

	H1 FY23 £m	H1 FY22 £m
Factory footprint review	—	(1.5)
Review of strategy, organisation and operations	—	(0.1)
Logistics transformation programme	—	0.1
UK Aerosols closure	—	0.1
<b>Total charged to continuing operating (loss)/profit</b>	<b>—</b>	<b>(1.4)</b>
Finance costs - Group refinancing	<b>10.8</b>	—
<b>Total continuing operations</b>	<b>10.8</b>	<b>(1.4)</b>

## Appendix 4: Balance sheet

	31 Dec 2022 £m	30 Jun 2022 £m	Change	31 Dec 2021 £m	Change
Goodwill and other intangible assets	26.3	27.0	(2.6)%	27.3	(3.7)%
Property, plant and equipment	121.1	122.9	(1.5)%	122.1	(0.8)%
Right-of-use assets	9.9	11.3	(12.4)%	11.8	(16.1)%
Other non-current assets	36.7	31.6	16.1%	23.9	53.6%
Working capital	47.4	57.4	(17.4)%	33.6	41.1%
Net other debtors/(creditors)	2.6	(0.8)	425.0%	2.1	23.8%
Provisions	(6.7)	(7.2)	(6.9)%	(4.5)	48.9%
Pensions	(24.7)	(16.1)	53.4%	(23.4)	5.6%
Non-current liabilities	(5.9)	(4.7)	25.5%	(6.5)	(9.2)%
<b>Net debt</b>	<b>(169.4)</b>	<b>(164.4)</b>	<b>3.0%</b>	<b>(124.9)</b>	<b>35.6%</b>
<b>Net assets</b>	<b>37.3</b>	<b>57.0</b>	<b>(34.6)%</b>	<b>61.5</b>	<b>(39.3)%</b>
<b>Average capital employed</b>	<b>199.8</b>	<b>214.0</b>	<b>(6.6)%</b>	<b>209.9</b>	<b>(4.8)%</b>
<b>Adjusted ROCE</b>	<b>(5.5)%</b>	<b>(11.4)%</b>	<b>5.9 ppt</b>	<b>(4.6)%</b>	<b>(0.9) ppt</b>
<b>Trade working capital % of sales</b>	<b>10.6%</b>	<b>9.3%</b>	<b>1.3 ppt</b>	<b>12.8%</b>	<b>(2.2) ppt</b>



## Appendix 5: Cash flow

	H1 FY23 £m	H1 FY22 £m	Change
<b>Adjusted operating (loss)/profit</b>	<b>(1.3)</b>	(14.8)	91.2%
Depreciation property, plant and equipment	8.2	8.5	(3.5)%
Depreciation right-of-use assets	1.9	2.0	(5.0)%
Share-based payments	0.5	0.5	0.0%
Additional cash funding on pension scheme	(2.0)	(2.0)	0.0%
Reversal of impairment of property, plant and equipment	—	(0.1)	100.0%
Loss on disposal of property, plant and equipment	—	0.3	(100.0)%
<b>Operating cash flow before movement in working capital before exceptional items</b>	<b>7.3</b>	(5.6)	230.4%
Movement in working capital	12.2	8.4	45.2%
<b>Free cash flow</b>	<b>19.5</b>	2.8	596.4%
Exceptionals cash flow	(11.4)	0.4	(2950.0)%
Interest paid	(3.6)	(1.6)	(125.0)%
Taxation paid	0.1	0.5	(80.0)%
<b>Cash generated from operating activities</b>	<b>4.6</b>	2.1	119.0%
Capital expenditure	(6.8)	(8.8)	(22.7)%
Redemption of B shares	—	(0.1)	(100.0)%
Purchase of own shares	—	(0.1)	(100.0)%
Other items	(0.1)	—	—
<b>Net cash flow</b>	<b>(2.3)</b>	(4.5)	48.9%
<b>Net debt at beginning of year</b>	<b>(164.4)</b>	(118.4)	38.9%
Non-cash movements	(2.7)	(4.0)	32.5%
Currency translation differences	—	2.0	(100.0)%
<b>Net debt at end of year</b>	<b>(169.4)</b>	(124.9)	(35.6)%

## Appendix 6: Funding headroom and liquidity

At 31 December 2022	Facility £m	Drawn £m	Committed headroom £m
<b>Committed facilities:</b>			
- revolving facilities (Sep 2026)	155.2	(120.0)	35.2
- invoice discounting facility	44.7	(44.7)	—
- overdraft facilities (Sep 2024)	18.3	(2.8)	15.5
- leases	10.6	(10.6)	—
<b>Total committed facilities</b>	<b>228.8</b>	<b>(178.1)</b>	<b>50.7</b>
Uncommitted facilities	0.2	—	0.2
<b>Total facilities</b>	<b>229.0</b>	<b>(178.1)</b>	<b>50.9</b>
Cash and cash equivalents			8.0
<b>Liquidity</b>			<b>58.9</b>