McBride plc

Interim Results Presentation: February 2020

Manufacturing our future

Agenda

1. CEO first thoughts
2. Headlines
3. Commercial update
4. Financial results
5. Key activities and actions
6. Outlook

CEO introduction

Ludwig de Mot

- Appointed November 2019
- Brings strong commercial and operational expertise and a wealth of international experience in manufacturing and selling in many different geographies
- ArcelorMittal – President and CEO of the Canadian mining operation
- Lhoist Group – President and CEO of European, North American and Asian operations
- SCA Packaging – senior management roles across Europe
- Schaeffler & Saint-Gobain – roles in early career

Why McBride?

- Private Label ("PL") is a sizeable and stable market
- Long-term market dynamics are supporting PL concept
- McBride is the #1 manufacturer of PL household products in Europe
- McBride has a broad customer base
- The Group offers a wide product range from extensive manufacturing capabilities
- Group scale permits leadership in new product developments and sustainability initiatives
- Challenged and fragmented supply base supports further consolidation opportunities
- McBride has a growing and expandable platform in Asia
- Capability to gain further in Contract Manufacturing
- Robust platform for next stage of development

100 day observations

What's working

- Asset and innovation capabilities supported by good geographical footprint
- Passionate and committed people
- Strong desire to serve our customers
- Recognised as a valued partner to our customers
- High technical and ethical standards
- Sustainability and environmental initiatives

What needs to improve

- Top line performance
- Customer service levels improving but below target
- Further develop leadership position in key markets and products
- Matrix organisation promotes generalist not specialist approach and is over centralised
- Pace of innovation and change too slow with too many competing priorities
- Structural costs too high

Next steps

- A strategy review is underway
- Output to be communicated September 2020 alongside full year results presentation
- Early action on immediate priorities

Headlines

Chris Smith

First half headlines

Second quarter revenues weaker in difficult markets; strategy review underway

Business

- Revenue growth in South, East and Asia, offset by declines in UK, France and North
- Further delivery against key business improvement objectives:
  - logistics improvement study nearing conclusion
  - new Malaysian factory expected to be operational by end 2020
  - Barrow, UK site expected to close in summer 2020
  - Aerosols standalone business established, operating at targeted break even position
  - sale of land and buildings at former Aerosols site in Hull, UK completed during second quarter for £3.0 million
- Review of strategy, organisation and operations underway, output expected September 2020, alongside full year results presentation

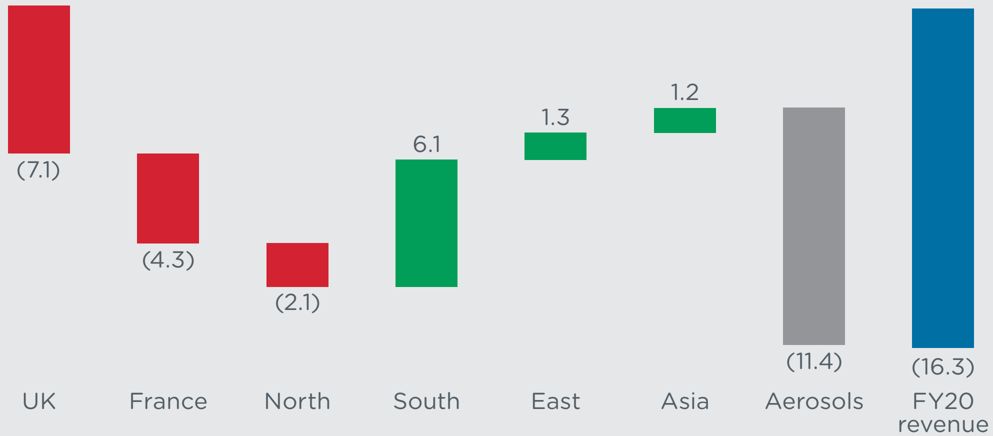
Financial

- Household revenues down 1.4% at constant currency
- Marked slowdown in last two months of the period
- Group revenues down 4.4% at constant currency
- Adjusted operating profit of £11.6m, lower by £5.2m
- Adjusted profits before tax of £9.7m (2018: £14.5m)
- Adjusted diluted EPS from continuing operations 33.9%, lower at 3.7p (2018: 5.6p)
- Net debt (pre-IFRS 16) £113.5m, down £7.4m since 30 June 2019 (£120.9m)
- Interim payment to shareholders 0.8p (2018: 1.5p)

Commercial update

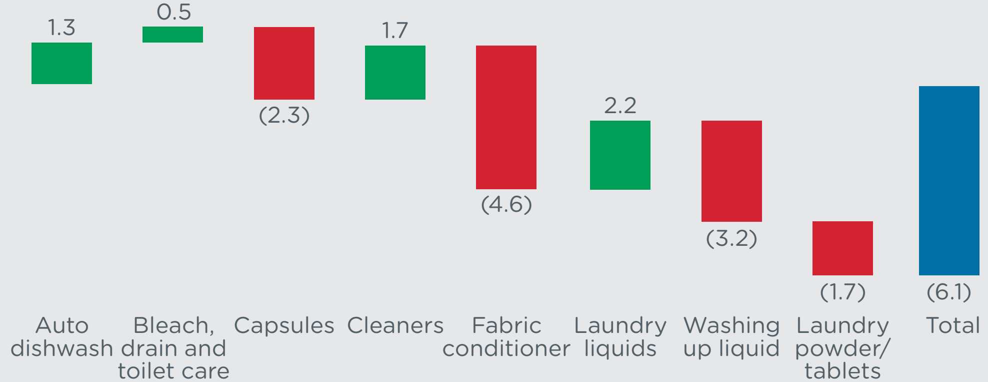
Revenue performance H1 FY20 vs H1 FY19

Group revenues – continuing operations £m
Constant currency variances



- Household decline 1.4%, weak last two months
  - UK decline 7.9%
  - France and North remain challenging
  - strong growth in South +15.6%, driven by both Italy and Iberia
  - East grew +1.6%; contract wins and run rate improvements
  - Asia continuing strong growth +11.0%
- Aerosols decline following Hull closure

European household revenues by category £m
Constant currency variances



- Weak performance in two key growth categories, due to net losses:
  - capsules: contract manufacturing loss, partially offset by gains in East and UK
  - fabric conditioner: sole supply position changed
- Auto dishwash: format improvements in progress
- Growth in laundry liquids and cleaners; contract manufacturing gains
- Continuing decline in laundry powder/tablets

Market update – UK

Overall PL market -4.3%(1), McBride -7.9%

- Household PL decline -4.3% (+3.3% growth in H1 FY19)
- Slowdown in sales in November/December
- Laundry capsules is the fastest growing category, taking sales from laundry liquids and powder
- Big 4 retailers decline; discounters and bargain stores gaining
- E-commerce continues to gain
- Discounter Household growing
  - brands faster than PL
  - different approaches in Aldi and Lidl

(1) Kantar World Panel Online 26 weeks to 29 December 2019. Household is defined as laundry, cleaners and dishwash only.

Market update – Germany

Overall PL market -1.3%(1), McBride +1.3%

- Continued success in STIWA consumer tests
- Significant number of new product launches/relaunches
- Q2 slowdown
- Branding growth at discounters

- Supermarkets and drugstores growing, discounters declining
- Retailer further bundling of purchasing volumes and harmonisation of Private Label
- Continuing instability of supplier base with supplier exits

- Brand innovations
- Sustainability awareness
- More blacklisting of raw materials

(1) Source: GfK Germany 2019.

Market update – France

Overall PL market -2.8%[1], McBride -6.8%

- Total market down, particularly in PL
- Market negatively impacted by "gilet jaunes" and recent general strikes
- Listed retailers seeing share slip vs discounters and independents
- McBride revenues impacted by listed retailer declines and aggressive brand activity
- Lost contracts at end of previous financial year; impact on H1
- Steady supply positions at Leclerc, Intermarché and SystemU, PL focus at Carrefour evident
- French law limiting grocery promotions
- Good trading relationships with Aldi and Lidl, positioned for growth

(1) Source: McBride estimate.



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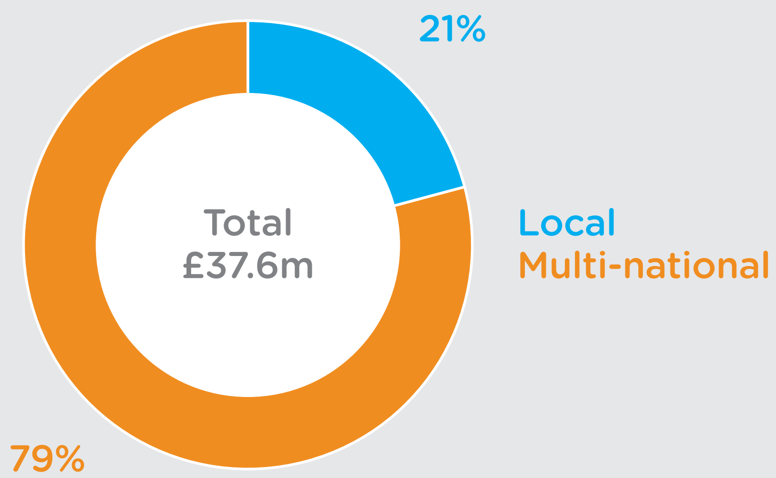
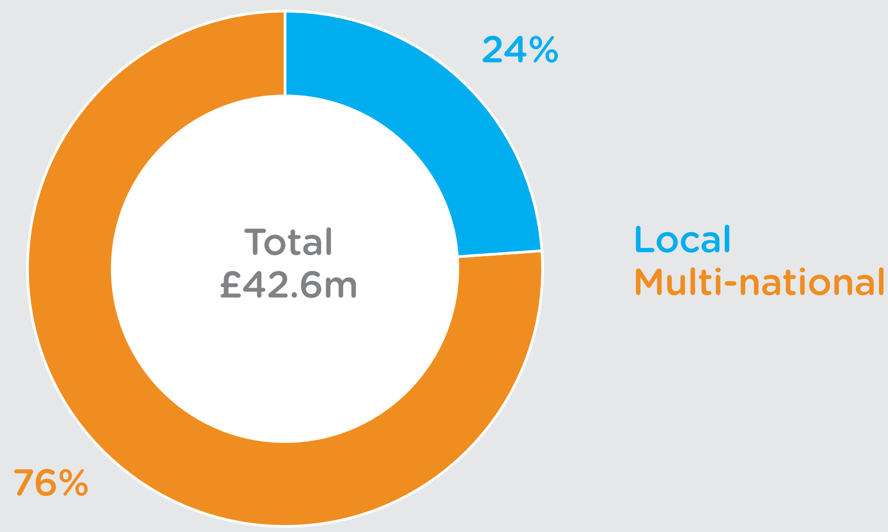
Continued wins in Contract Manufacturing

H1 2018/19
Constant currency



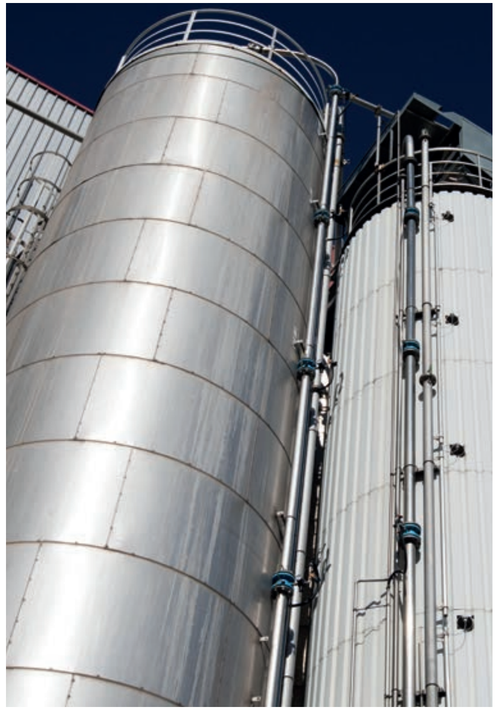
H1 2019/20



- H1 revenue growth of 13.3%:
  - auto dishwash, powders and cleaners
  - new local and professional cleaning customers as well as multi-national branded manufacturers

- Contract Manufacturing has grown to 13.2% of total Household sales from 11.4%

Financial results



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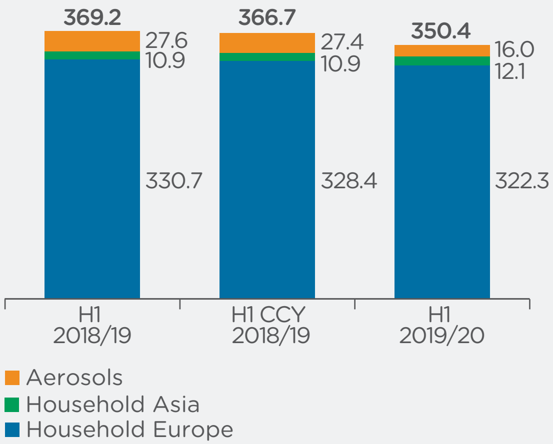
Financial headlines

- Revenues at constant currency 4.4% lower at £350.4m
- Household revenues at constant currency down 1.4%
- Growth in Asia 11%
- Adjusted operating profit of £11.6m down on prior year primarily due to volume decline and increased distribution costs (2018: £16.8m)
- Adjusted profits before tax from continuing operations of £9.7m down on prior year (2018: £14.5m)
- Adjusted, diluted EPS from continuing operations of 3.7p (2018: 5.6p)
- Interim payment to shareholders 0.8p (2018: 1.5p)
- Good operating cash flows £14.8m (2018: £23.2m)
- Proceeds from sale of Hull site £3.0m
- Net debt (excl. IFRS 16) at £113.5m (30 June 2019: £120.9m)
- Net debt at £121.7m (incl. IFRS 16) (30 June 2019 restated: £130.3m)

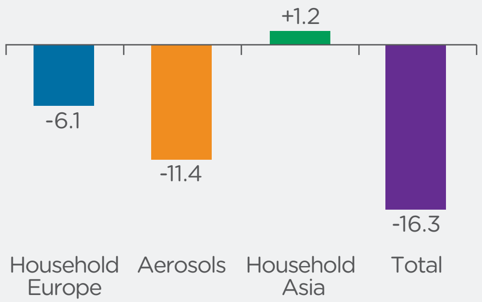
Revenue development

Continuing revenues £m



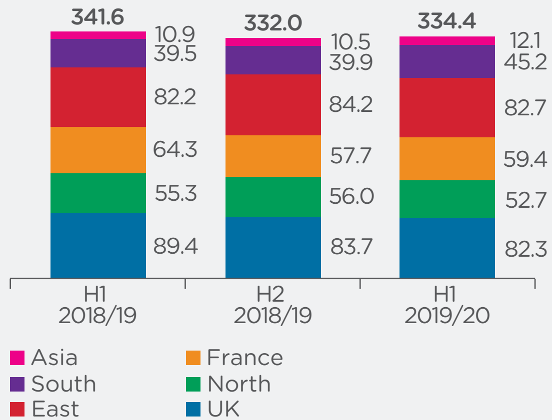
- Group sales at constant currency down 4.4%
- GBP impact on translation

Change in continuing revenues for H1 (at CCY) £m



- Aerosols – UK exit
- Household Europe – 1.4% decline: UK, France, North
- Household Asia – 11% growth

Household revenues by half year £m

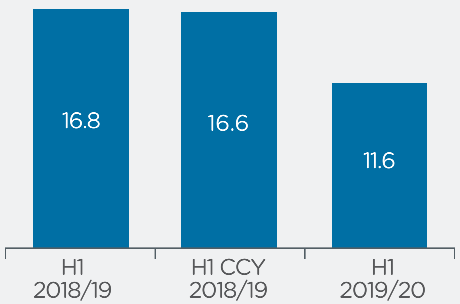


- H1 FY20 revenues up 0.7% vs H2 FY19 driven by higher sales in South and Asia
- Household Europe mix shift vs H1 FY18:
  - East 26% vs 22%
  - France 18% vs 21%

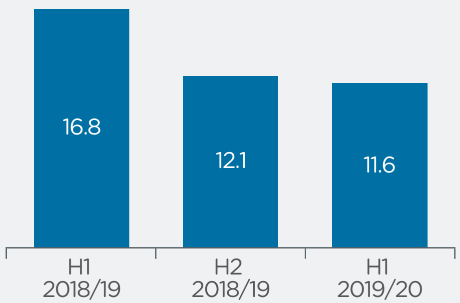
Operating profit development

HY19 vs HY20

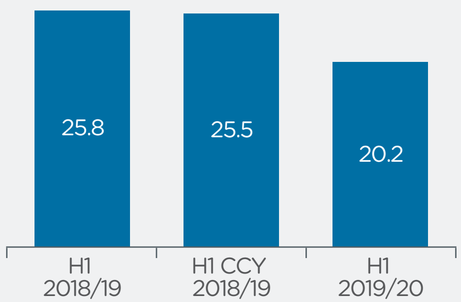
Continuing EBITA
£m



Continuing EBITA – sequential
£m



EBITDA (excluding IFRS 16)
£m

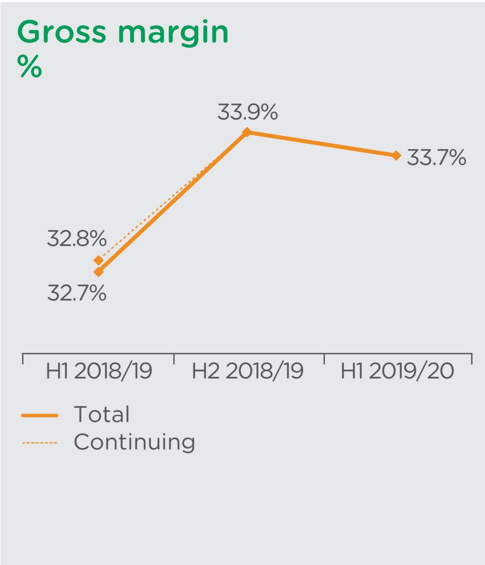


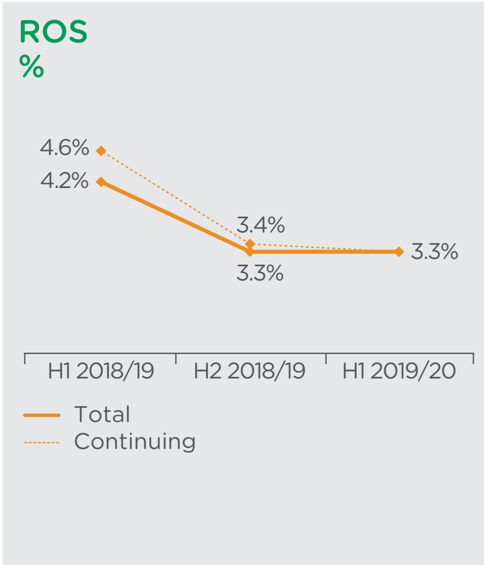
- Volume decline, pricing favourable
- Distribution cost higher:
  - to secure improved customer service level
  - more Germany sales in mix

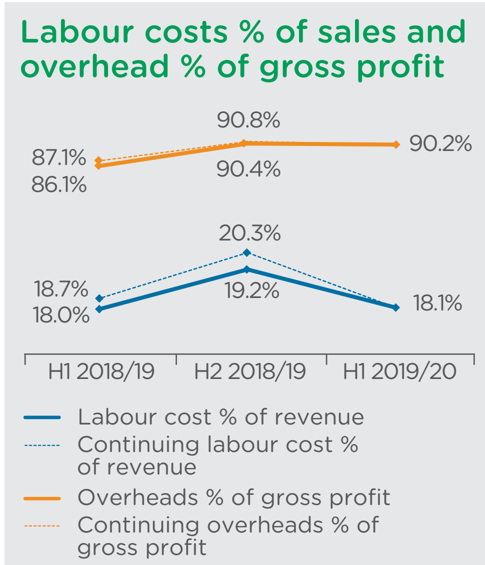
- H1 FY20 stable vs H2 FY19

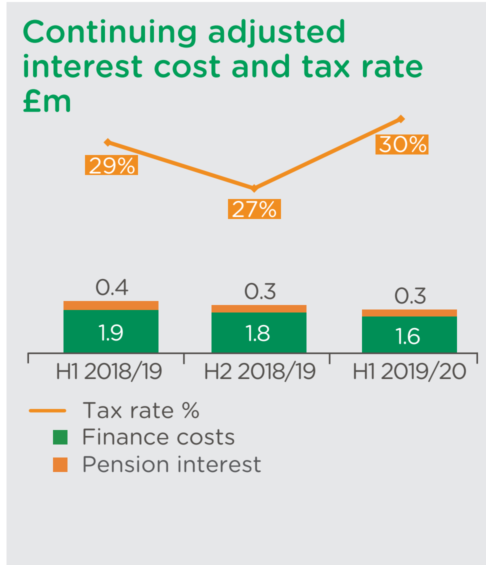
- Overheads – penalties, environmental costs

Income statement









- Small raw material cost benefit vs H1 FY19
- Freight cost dilution
- Absorption impact

- Margin benefit negated by overhead levels
- Stranded cost impact

- Interest costs steady
- Tax; mix of profits impact

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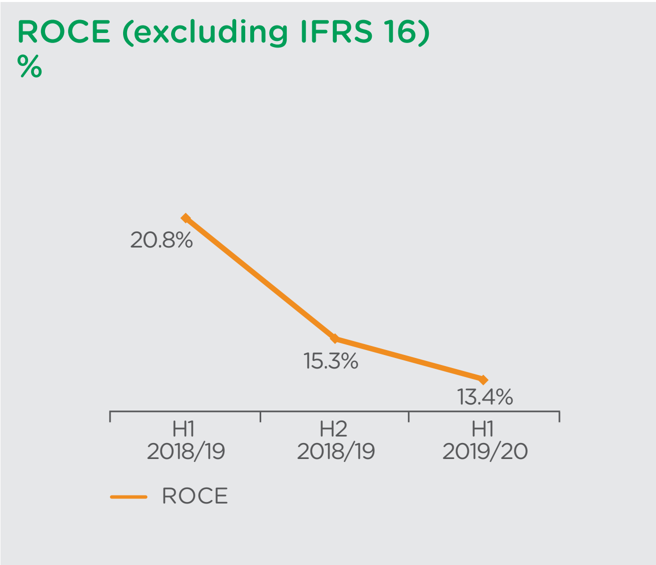
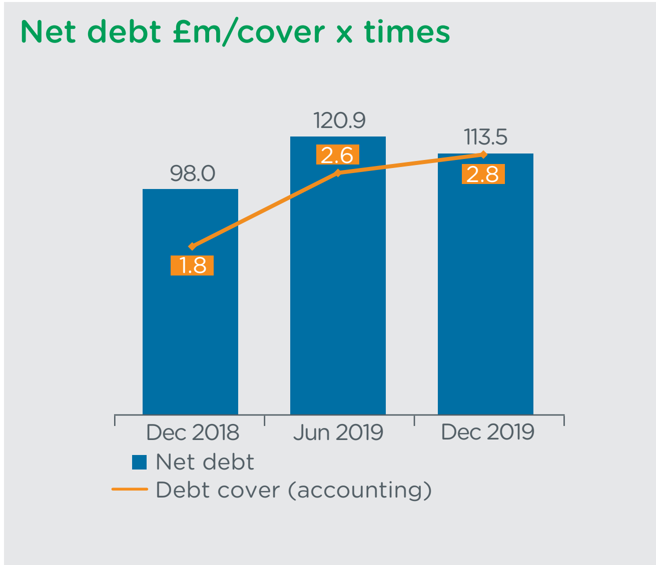
Balance sheet and cash flow



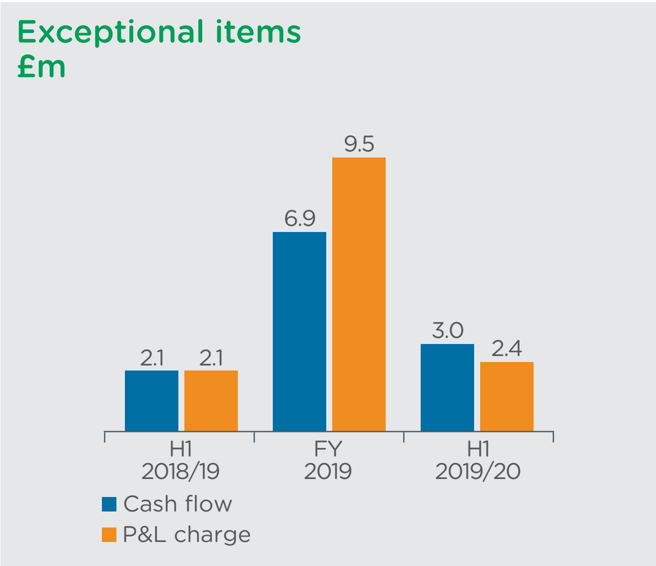
- Reduced trading profitability
- Capital base lower

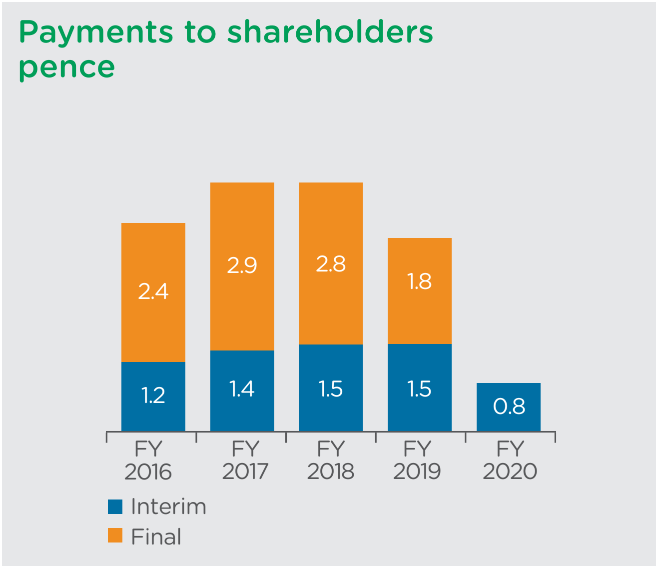
- Trading working capital benefit
- Increase in pension funding

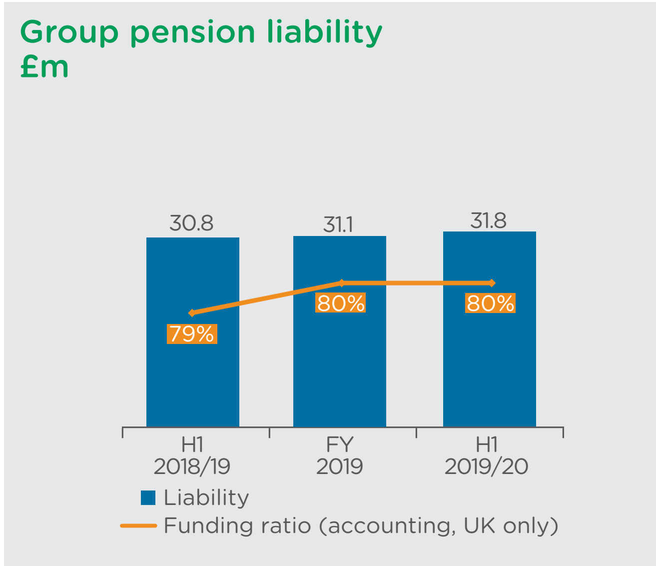


- Net debt cover (banking basis) is 2.2x vs banking covenants of 3.0x

Other financials







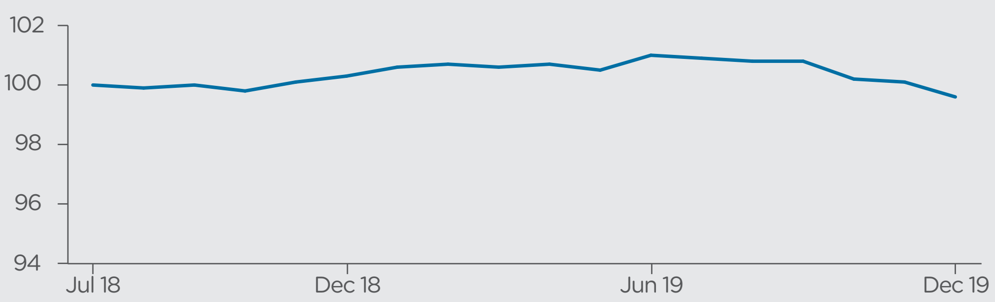
- Continuing operations: factory footprint review
- Discontinued operations: sale of PC Liquids

- Interim payment 0.8p, rebasing effect vs prior year
- Strategy review to consider future dividend policy

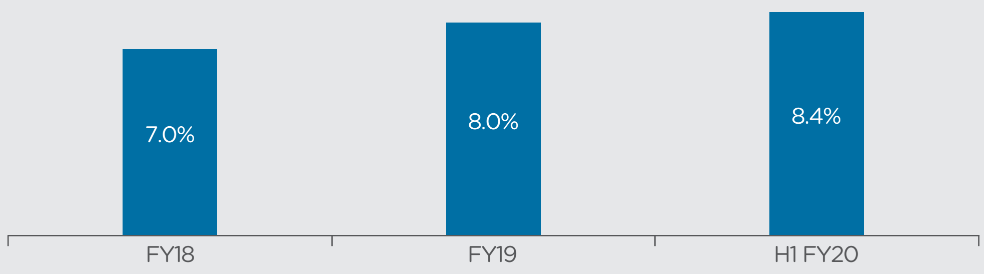
- Pension refinancing complete, with CDI strategy implemented
- Funding valuation (actuarial) improvement

Costs update

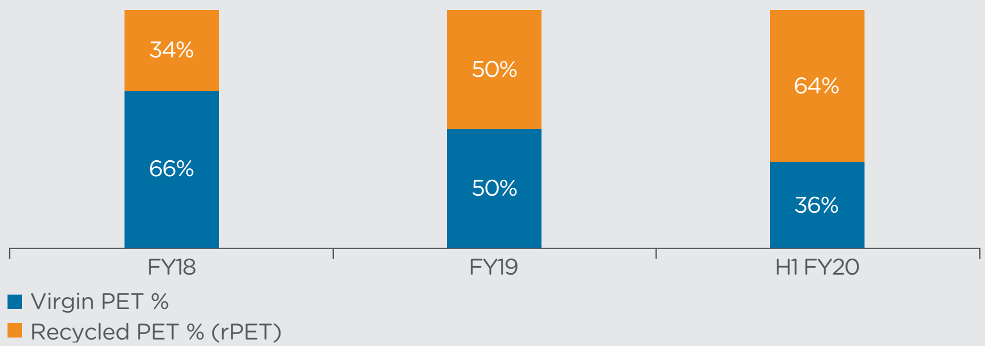
Overall raw materials price index



Transport costs as % of sales



Recycled plastics



Positive

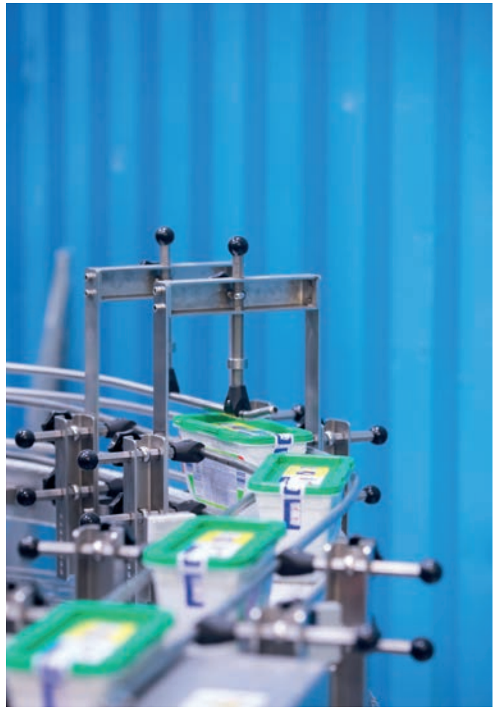
- Testliner
- Virgin plastics

Negative

- Natural surfactants
- Salts/carbonates
- Recycled plastics
- Packaging recycling levy

Key activities and actions

Ludwig de Mot



Key improvement activities and actions

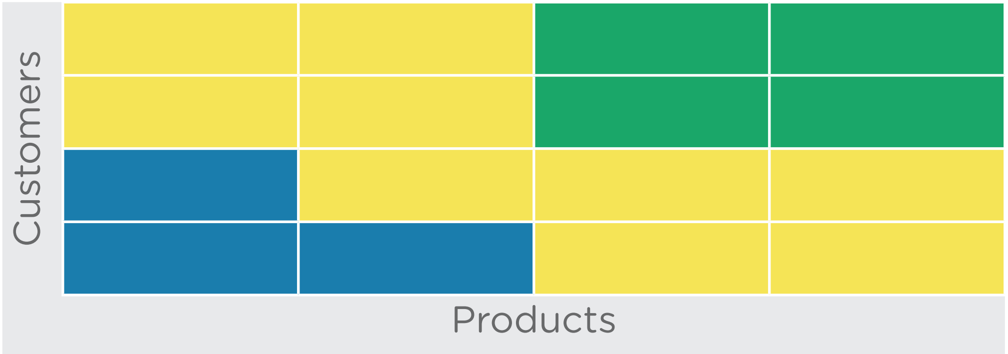
Despite senior leadership team changes, we have continued to make progress on key strategic initiatives

Markets	Assets	Processes	People
• **Segmentation** • **M&A**	• **Factory footprint** • **Logistics network** • **Category investments** • **Asia expansion**	• Digital update • **Integrated business planning** • Operational excellence	• **Upgrade HR processes** • Staff development programmes • R&D support

Key improvement activities and actions (continued)

Segmentation

- New product development focus
- Customer prioritisation
- Product portfolio choices
- Technical resource priority



M&A

- Acquisition of assets in key markets
- More consolidation likely in the markets over time

Category investments

- Continued investment in capsules and auto dishwash
- Format development and capacity

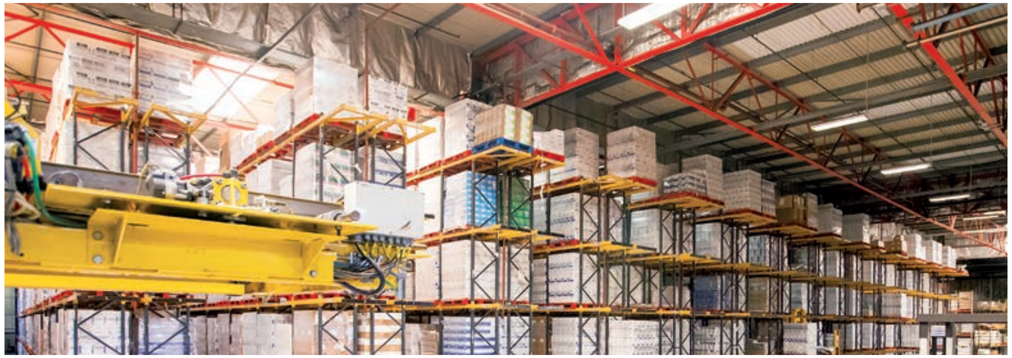
Key improvement activities and actions (continued)

Factory footprint – Barrow closure

- Laundry powder decline
- Consultation now complete
- Production transfers to France and Luxembourg
- Plant expected to close in summer 2020

Logistics network

- Network study mostly complete
- Logistic management project complete



Asia expansion

- New premises to be operational later this year
- Household expansion ambitions
- Options for supply to Europe under consideration

We continue to drive more sustainable solutions for our customers

Packaging situation today

- 99% by weight of packaging is recyclable, more customer awareness needed
- Plastic recycled content increase
- New equipment allowing lower usage
- Doypack moving to single plastic material
- FSC accredited cardboard for outer cases
- Packaging lab investment at Middleton
- Water soluble film benefit

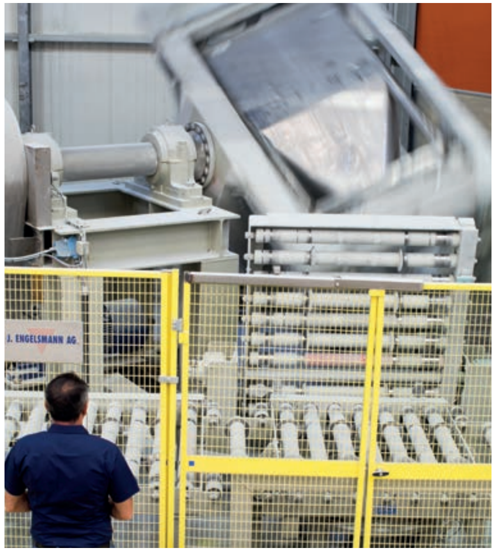
Formulation situation today

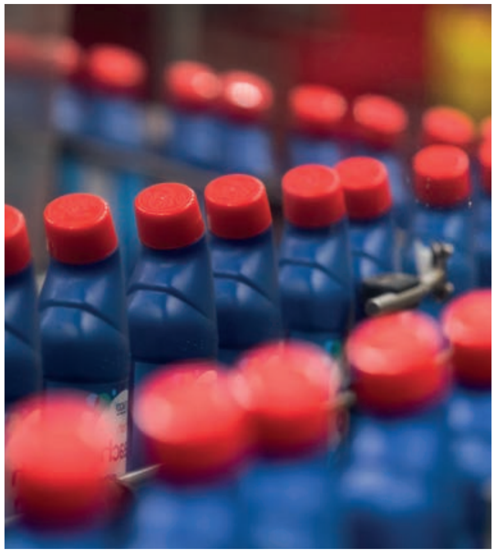
- Wide range of Eco-certified products
- RSPO certified palm products in all Eco ranges
- Mass Balance palm available across all ranges
- Formulation compaction benefits
- Cruelty-free accreditation on full ranges in the UK
- Microbeads removed from all formulations; actively working on removal of microplastics from remaining product ranges

The Group expects to communicate 2025 product sustainability targets in September as part of the strategy output

Outlook

Ludwig de Mot





Second half performance consistent with January full year guidance, strategy review underway

- Third quarter revenue run rates as expected
- H2 outlook in line, however markets remain challenging
- Overall material costs expected to be stable
- Further investments completing in H2 for capsules and auto dishwash
- Barrow closure in summer 2020, exceptional costs in second half
- Net debt levels in line with expectations
- Review of strategy, organisation and operations underway, outcome expected September 2020, alongside full year results presentation

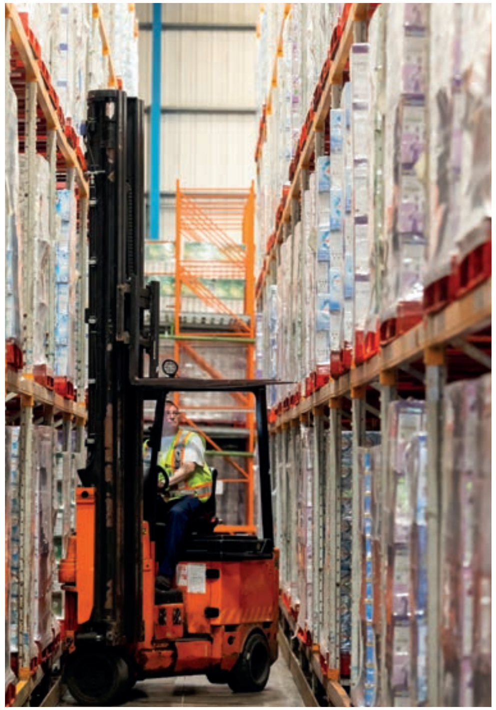


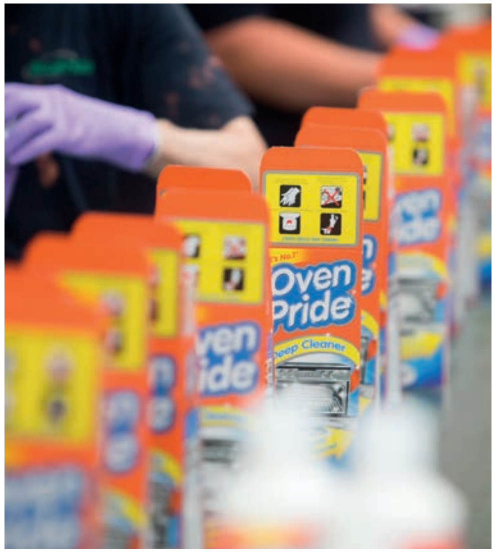


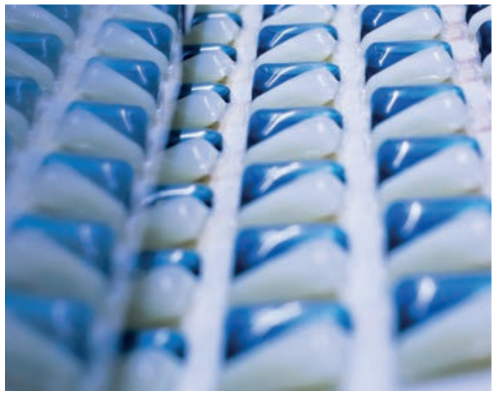

Q&A

Appendices

1. Income statement
2. Segmental reporting
3. Exceptional items
4. Balance sheet
5. Cash flow
6. Use of cash and reconciliation of net debt
7. Funding headroom
8. IFRS 16 transition







Appendix 1: income statement

Continuing operations	H1 2019/20 £m	H1 2018/19 £m	Y/Y	Constant currency[1] H1 2018/19 £m	Constant currency[1] Y/Y
Revenue	**350.4**	369.2	(5.1%)	366.7	(4.4%)
Gross profit	**118.0**	121.0	(2.5%)	120.2	(1.8%)
Gross margin	**33.7%**	32.8%	0.9 ppt	32.8%	0.9ppt
Distribution costs	**(28.7)**	(28.0)	2.5%	(27.8)	3.2%
Administrative expenses	**(77.7)**	(76.2)	2.0%	(75.8)	2.5%
EBITA[2]	**11.6**	16.8	(31.0%)	16.6	(30.1%)
Net finance costs:					
– borrowings	**(1.6)**	(1.9)	(15.8%)	(1.9)	(15.8%)
– pension	**(0.3)**	(0.4)	(25.0%)	(0.4)	(25.0%)
Adjusted profit before taxation[3]	**9.7**	14.5	(33.1%)	14.3	(32.2%)
Taxation	**(3.0)**	(4.2)	(28.6%)	(4.2)	(28.6%)
Adjusted profit after taxation[3]	**6.7**	10.3	(35.0%)	10.1	(33.7%)
Loss from the year from discontinued operations	**—**	(0.2)	n/a	(0.3)	n/a
Adjusted profit for the year	**6.7**	10.1	(33.7%)	9.8	(31.6%)
Adjusted diluted earnings per share (pence)[3]	**3.7**	5.5	(32.7%)		
Amortisation	**1.0**	0.9	0.1		
Exceptional items	**2.4**	2.1	0.3		
Taxation – effective rate	**30%**	29%	(1 ppt)		

(1) Comparatives translated at 31 December 2019 exchange rates.
(2) Adjustments were made for the amortisation of intangible assets and exceptional items.
(3) Adjustments were made for the amortisation of intangible assets, exceptional items, unwind of discount on provisions, exceptional tax changes and any related tax.

Appendix 2: segmental reporting

	H1 2019/20 £m	H1 2018/19 £m	Y/Y	Constant currency H1 2018/19 £m	Constant currency Y/Y
Continuing revenue					
UK	**82.3**	89.4	(7.9%)	89.4	(7.9%)
France	**59.4**	64.3	(7.6%)	63.7	(6.8%)
North	**52.7**	55.3	(4.7%)	54.8	(3.8%)
South	**45.2**	39.5	14.4%	39.1	15.6%
East	**82.7**	82.2	0.6%	81.4	1.6%
Household Europe	**322.3**	330.7	(2.5%)	328.4	(1.9%)
Asia	**12.1**	10.9	11.0%	10.9	11.0%
Household	**334.4**	341.6	(2.1%)	339.3	(1.4%)
Aerosols	**16.0**	27.6	(42.0%)	27.4	(41.6%)
Group continuing	**350.4**	369.2	(5.1%)	366.7	(4.4%)
Discontinued	**—**	21.9	n/a	21.9	n/a
Group total	**350.4**	391.1	(10.4%)	388.6	(9.8%)
Continuing adjusted trading profit					
Household	**14.9**	22.5	(33.8%)	22.3	(33.2%)
Aerosols	**0.4**	(1.9)	121.1%	(1.9)	121.1%
Corporate	**(3.7)**	(3.8)	(2.6%)	(3.8)	(2.6%)
Group continuing	**11.6**	16.8	(31.0%)	16.6	(30.1%)
Discontinued adjusted trading profit	**—**	(0.3)	n/a	(0.3)	n/a
Group total	**11.6**	16.5	(29.7%)	16.3	(28.8%)

Appendix 3: exceptional items

	H1 2019/20 £m	H1 2018/19 £m
Continuing operations		
Danlind acquisition costs	–	0.2
UK Aerosols reorganisation	**0.1**	–
Factory footprint review	**1.2**	–
Efficiency based restructuring	**0.8**	–
Other	–	0.1
Total charged to operating profit from continuing operations	**2.1**	0.3
Discounted operations		
Sale of PC Liquids business	**0.3**	1.8
Total discontinued operations	**0.3**	1.8
Group	**2.4**	2.1

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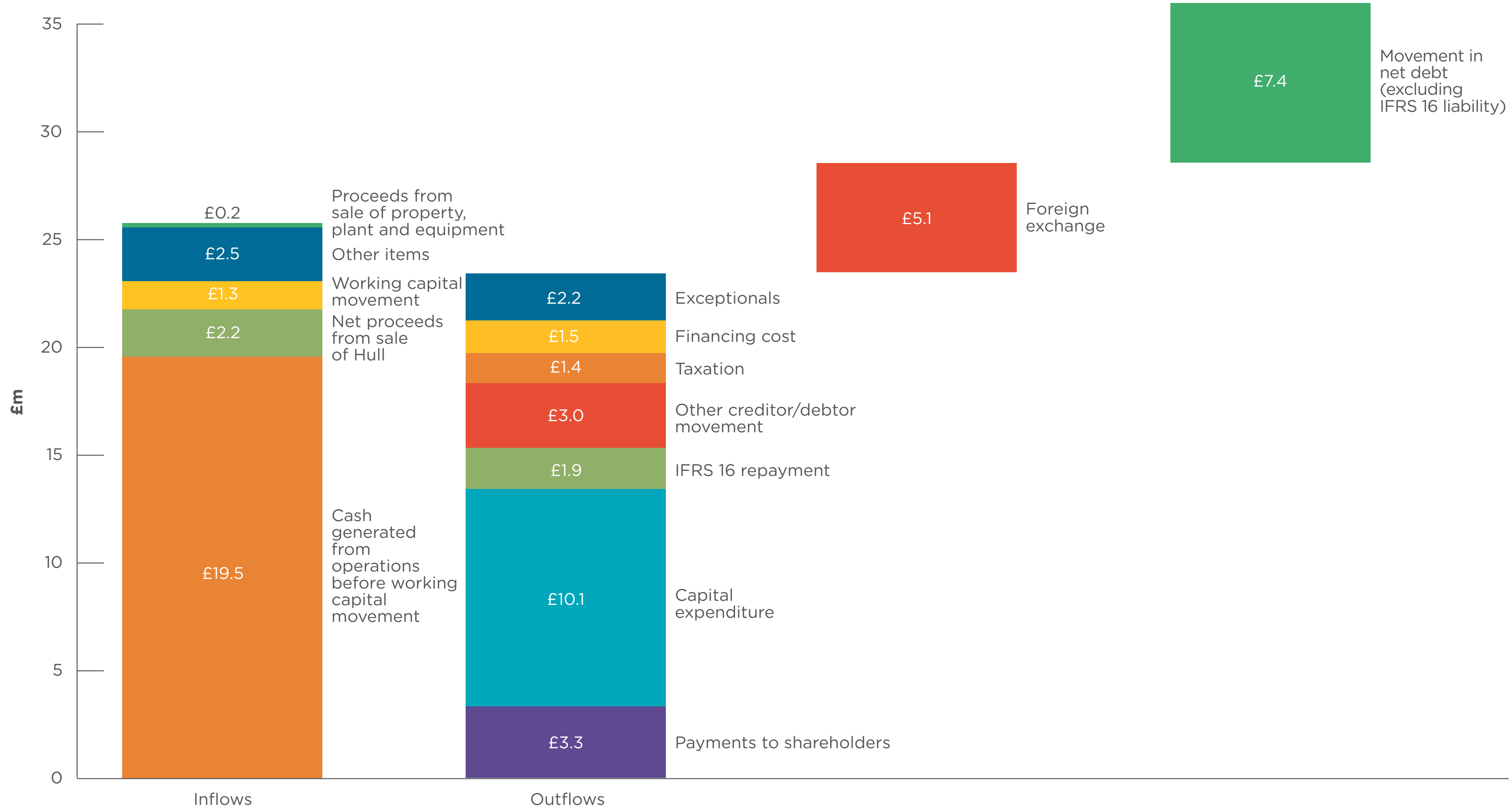
Appendix 4: balance sheet

	31 Dec 2019 £m	30 Jun 2019 £m	Change	31 Dec 2018 £m	Change
Goodwill and other intangible assets	**29.1**	29.5	(1.4%)	30.0	(3.0%)
Property, plant and equipment	**128.1**	136.0	(5.8%)	134.9	(5.0%)
Right-of-use assets	**6.7**	—	n/a	—	n/a
Other non-current assets	**12.5**	11.6	7.8%	12.9	(3.1%)
Working capital	**57.6**	58.6	(1.7%)	42.0	37.1%
Net other debtors/(creditors)	**(8.8)**	(5.0)	76.0%	(7.3)	20.5%
Provisions	**(4.8)**	(7.9)	(39.2%)	(7.7)	(37.7%)
Pensions	**(31.8)**	(31.1)	2.3%	(30.8)	3.2%
Non-current liabilities	**(6.0)**	(6.6)	(9.1%)	(5.4)	11.1%
Net debt	**(121.7)**	(120.9)	n/a	(98.0)	n/a
Net assets	**60.9**	64.2	(5.1%)	70.6	(13.7%)
IFRS 16	**8.2**	—	n/a	—	n/a
Net debt (excluding IFRS 16)	**(113.5)**	(120.9)	(6.1%)	(98.0)	15.8%
Average capital employed (excluding IFRS 16)	**172.0**	183.5	(6.3%)	177.8	(3.3%)
Average capital employed (including IFRS 16)	**175.6**	n/a	n/a	n/a	n/a
ROCE (excluding IFRS 16)	**13.4%**	15.3%	(1.9 ppt)	20.8%	(7.4 ppt)
ROCE (including IFRS 16)	**13.2%**	n/a	n/a	n/a	n/a
Working capital % of sales	**8.2%**	7.9%	0.3 ppt	5.4%	2.8 ppt

Appendix 5: cash flow

	H1 2019/20 £m	H1 2018/19 £m	Y/Y
Adjusted operating profit	**11.6**	16.5	(29.7%)
Depreciation	**8.6**	9.0	(4.4%)
Depreciation right-of-use assets	**1.7**	—	n/a
Share-based payments	**0.2**	0.3	(33.3%)
Additional cash funding on pension scheme	**(2.0)**	(1.5)	33.3%
Profit on disposal of property, plant and equipment	**(0.6)**	—	n/a
Operating cash flow before movement in working capital	**19.5**	24.3	(19.8%)
Movement in working capital	**(1.7)**	1.0	(270.0%)
Cash generated from operations before exceptional items	**17.8**	25.3	(29.6%)
Interest paid	**(1.5)**	(1.7)	(11.8%)
Taxation paid	**(1.4)**	(1.6)	(12.5%)
Capital expenditure	**(10.1)**	(8.8)	14.8%
Free cash flow	**4.8**	13.2	(63.6%)
Exceptionals cash flow	**(2.2)**	(2.1)	4.8%
Redemption of B shares	**(3.3)**	(5.7)	(42.1%)
Repayment of IFRS 16 lease obligations	**(1.9)**	—	n/a
Net proceeds from sale of Hull	**2.2**	—	n/a
Proceeds from sale of property, plant and equipment	**0.2**	—	n/a
Proceeds from sale of Solaro	**—**	1.6	n/a
Proceeds from sale of Liquids	**—**	11.5	n/a
Other items	**2.5**	(1.4)	278.6%
Net cash flow	**2.3**	17.1	(86.5%)
Net debt at beginning of the year	**(120.9)**	(114.3)	5.8%
Currency translation differences	**5.1**	(0.8)	7,375.0%
Net debt at end of period	**(113.5)**	(98.0)	15.8%

Appendix 6: use of cash and reconciliation of net debt



Appendix 7: funding headroom

	Facility £m	Drawn £m	Committed headroom £m
Committed facilities:			
– revolving facilities (June 2022)	148.9	(96.1)	52.8
– invoice discounting facility	27.5	(27.5)	—
– other loans	—	—	—
– finance leases	8.2	(8.2)	—
Total committed facilities	**184.6**	**(131.8)**	**52.8**
Uncommitted facilities		(4.0)	(4.0)
Total facilities		**(135.8)**	**48.8**
Cash and cash equivalents		13.5	13.5
Other		0.6	—
Net debt		**(121.7)**	**62.3**

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Appendix 8: IFRS 16 transition

	As at 30 June 2019 £m	IFRS 16 adjustment £m	**As at 1 July 2019 £m**
Non-current assets			
Right-of-use assets	—	7.9	**7.9**
Liabilities			
Lease liability	—	9.4	**9.4**
Provisions	7.9	(2.1)	**5.8**
Net assets	64.2	0.6	**64.8**
Equity			
Accumulated loss	(97.9)	0.6	**(97.3)**
Total equity	64.2	0.6	**64.8**

For the six months ended 31 December 2019 the application of IFRS 16 resulted in a £0.1 million increase in profit before tax. The table below shows a reconciliation of impact on profit under IAS 17 and IFRS 16:

	£m
Operating lease costs under IAS 17	**1.9**
Less: depreciation of right-of-use assets	**(1.7)**
Less: finance costs associated with IFRS 16 lease liabilities	**(0.1)**
Profit before tax	**0.1**