

McBride plc Preliminary Results Presentation

10 September 2014



Adapting in a
changing environment

Passionate about Private Label

Summary

Chris Bull – Chief Executive Officer

Introduction



- A challenging year with UK profitability under pressure due to the combination of weak retail demand and intensified branded competition.
- Major restructuring of UK business announced in June 2014.
- Continuing growth in Germany and Poland.
- Refinancing of Group completed providing significant headroom of £96m.
- Adjusted operating profit ⁽¹⁾ down 7%.
- Net debt of 1.9x adjusted EBITDA.⁽¹⁾
- Payment to shareholders maintained reflecting the Board's confidence in recovery plans.
- Appointment of new CFO Chris Smith announced.

(1) These KPIs reflect adjustments to amounts determined in accordance with IFRSs. Adjustment is made for specific items that are considered to hinder comparison of the trading performance of the Group's businesses either year-on-year or with other businesses. During the periods under review, adjustment was made for the amortisation of intangible assets recognised in business combinations, non cash financing costs from unwind of discount on initial recognition of contingent consideration and exceptional items.

Financial review

David Main - Interim Chief Finance Officer

Financial headlines



| | 2013-14 | 2012-13 ⁽²⁾ | Y/Y | Constant Currency | |
|--|---------|------------------------|----------|-------------------|-----|
| | | | | 2012-13 | Y/Y |
| Revenue (£m) ⁽¹⁾ | 744.2 | 761.4 | -2% | 765.4 | -3% |
| EBITA (£m) ⁽¹⁾ | 22.0 | 23.6 | -7% | | |
| EBITA margin ⁽¹⁾ | 3.0% | 3.1% | -0.1 pts | | |
| Operating (loss)/profit | (13.9) | 15.0 | n/a | | |
| Diluted earnings per share (p) | (10.5) | 3.0 | -13.5p | | |
| Adjusted diluted earnings per share (p) ⁽¹⁾ | 5.3 | 7.3 | -2.0p | | |
| Payments to shareholders per share (p) | 5.0 | 5.0 | - | | |
| Cash generated from operations before exceptional items (£m) | 40.6 | 39.3 | +3% | | |
| Net debt (£m) | 84.7 | 86.8 | +2% | | |
| Return on capital employed | 12.7% | 12.2% | +0.5 pts | | |

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(2) Prior Year Comparative administrative expenses have been restated for changes to IAS 19 - reflecting an increase in cost of £0.4m.

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Regional performance – Revenue (1)



| | 2013-14 | 2012-13 | Y/Y | Constant Currency 2012-13 | Y/Y |
|--------------------------|--------------|---------|-------------|------------------------------|-------------|
| | £m | £m | | £m | |
| UK | 259.0 | 286.3 | -10% | 286.3 | -10% |
| Western Europe | 419.5 | 409.9 | +2% | 414.4 | +1% |
| Rest of the World | 65.7 | 65.2 | +1% | 64.7 | +2% |
| Total | 744.2 | 761.4 | -2% | 765.4 | -3% |

(1) Revenue is by geographic origin.

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Income statement

| | 2013-14 £m | 2012-13 ⁽²⁾ £m | Y/Y |
|--|----------------|------------------------------|----------------|
| Revenue | 744.2 | 761.4 | -2% |
| Gross profit | 249.5 | 248.7 | +0% |
| Gross margin | 33.5% | 32.7% | +0.8pts |
| Distribution costs | (49.0) | (51.4) | -5% |
| Administrative costs | (178.5) | (173.7) | +3% |
| EBITA⁽¹⁾ | 22.0 | 23.6 | -7% |
| Net financing costs⁽¹⁾ | (7.2) | (5.7) | +26% |
| Adjusted Profit before taxation⁽¹⁾ | 14.8 | 17.9 | -17% |

Increase in Net financing costs includes:

| | £m |
|--|------------|
| - Amortisation of previous RCF fees | 0.4 |
| - Post employment benefit - increase in imputed interest cost | 0.3 |
| | <u>0.7</u> |
| - Increase in Interest payable | 0.3 |
| - Increase in Non utilisation fees and premium on AVROs | 0.3 |
| - Increase in Finance lease Interest and reduction in Finance income | 0.2 |
| | <u>1.5</u> |

Increase in Administrative costs:

| | £m |
|---|------------|
| - Foreign exchange | 1.0 |
| - One off property items | 1.0 |
| - Costs incurred in supporting sales growth | 2.0 |
| - Advertising | 1.0 |
| - Other items | 0.8 |
| - Decrease in corporate costs | (1.0) |
| | <u>4.8</u> |

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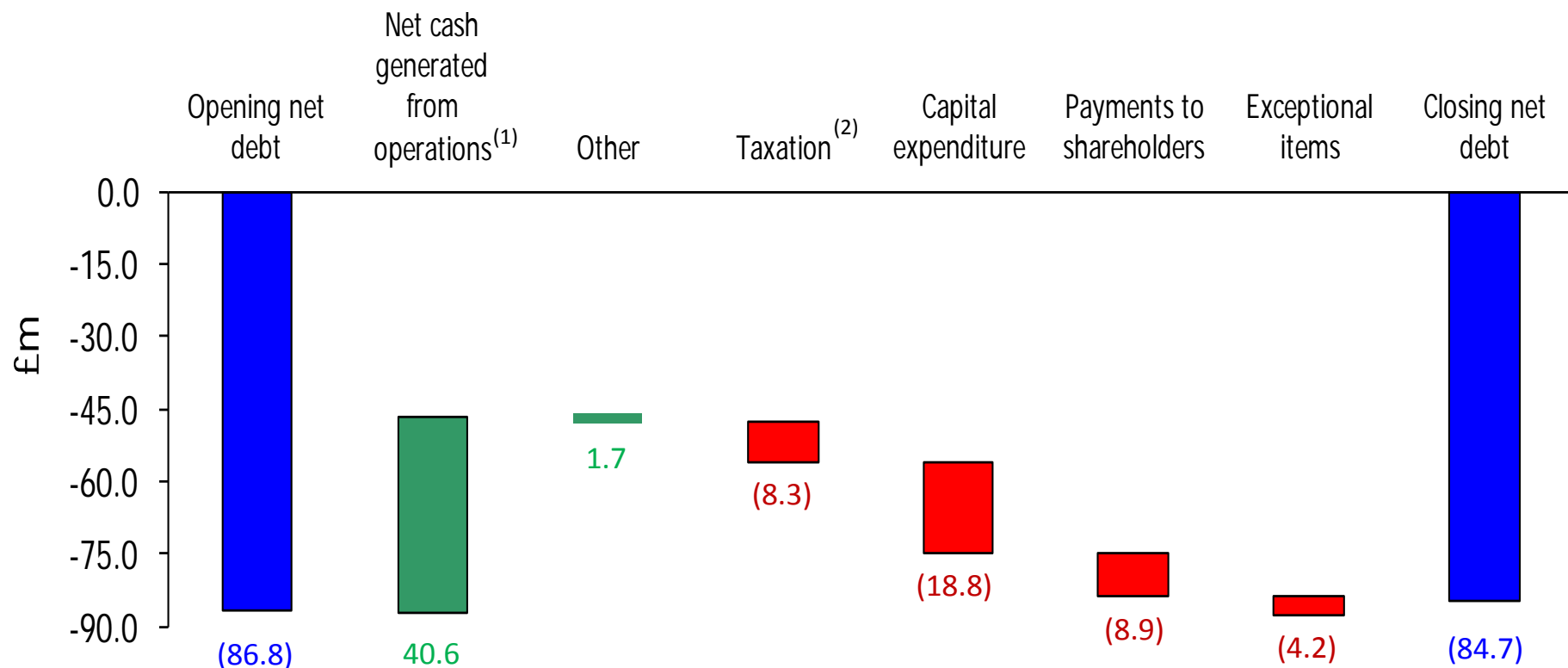
Regional performance – Adjusted Operating profit

| | 2013-14 | 2012-13 ⁽²⁾ | Y/Y |
|-----------------------|-------------|------------------------|------------|
| | £m | £m | |
| UK | 4.2 | 14.5 | -71% |
| Western Europe | 19.8 | 14.3 | +38% |
| Rest of the World | 4.2 | 2.0 | +110% |
| Total segments | 28.2 | 30.8 | -8% |
| Corporate | (6.2) | (7.2) | +14% |
| Total | 22.0 | 23.6 | -7% |

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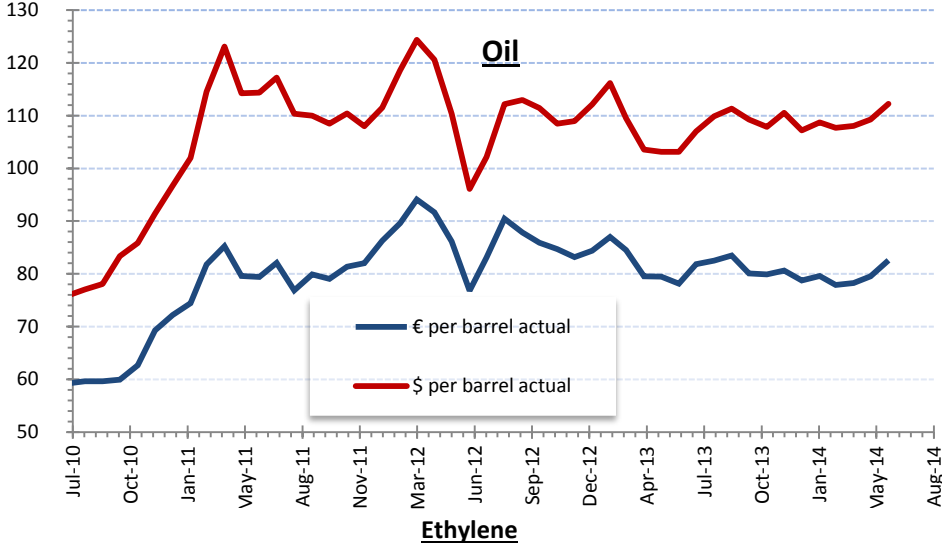
Movement in net debt June 2013 to June 2014



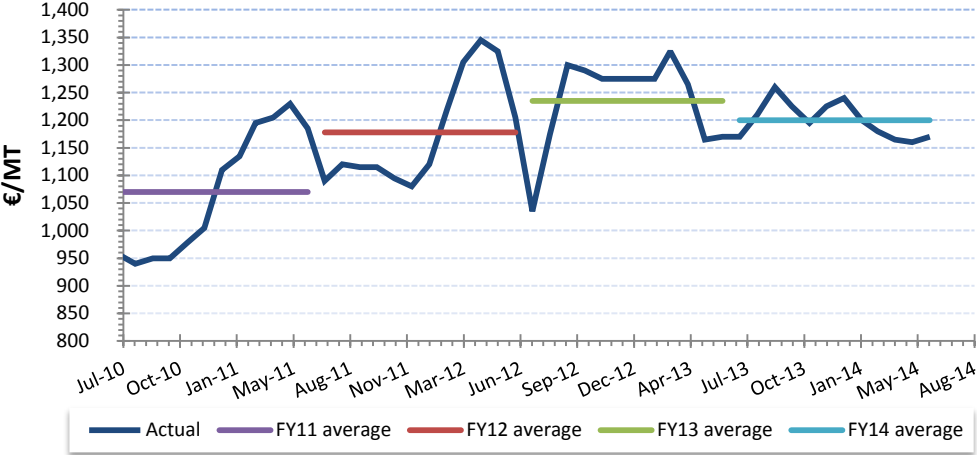
(1) Pre exceptional items.

(2) Increase due a change in jurisdictions in which profits arose and tax losses arising on which deferred tax has not been recognised.

Oil and oil derivatives



Oil prices show more stability in \$107 - 112 range with slight reduction in EUR price linked to exchange rate



... Strong correlation between oil in € and ethylene with slight price dip in H2

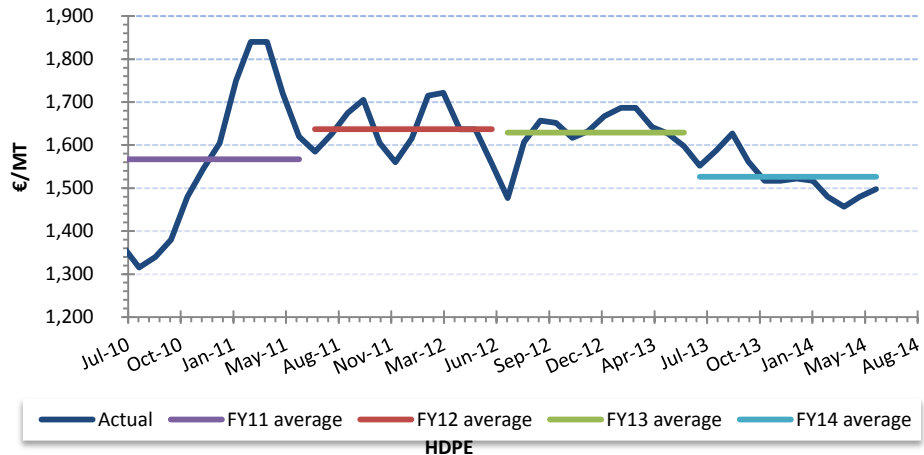
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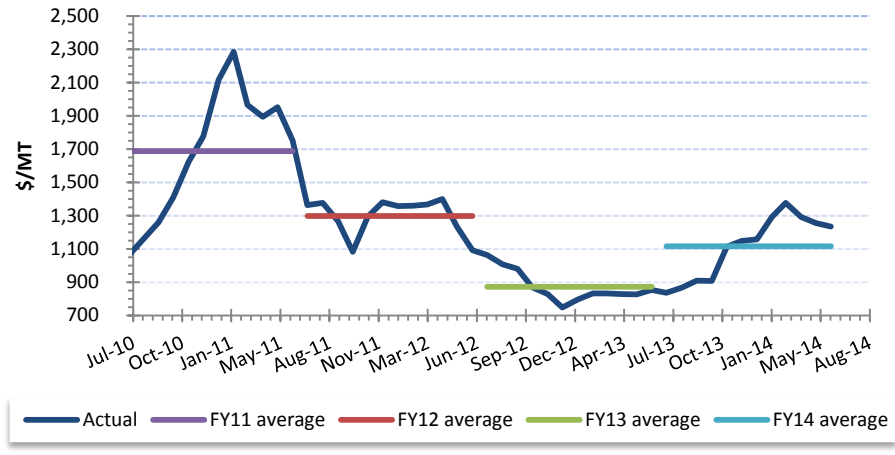


Key feed-stocks

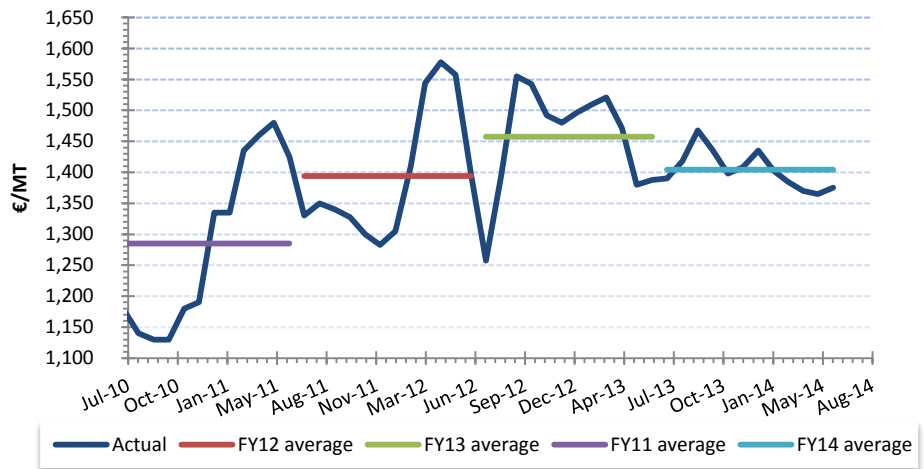
PET



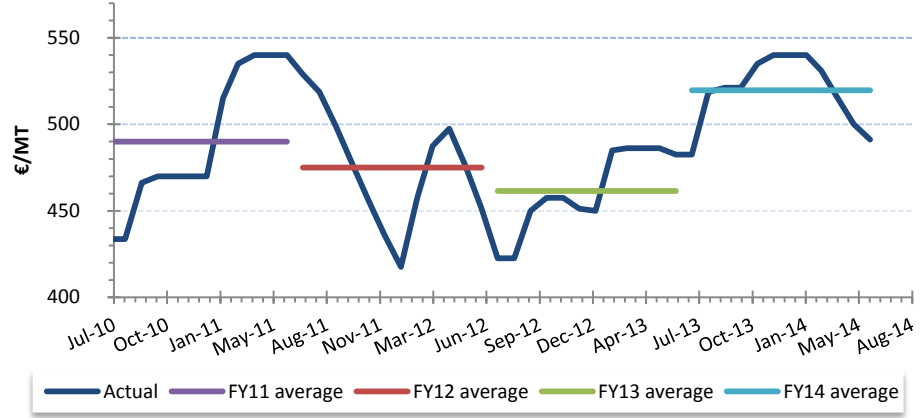
PKO



HDPE



Testliner



We have seen higher prices on PKO linked to higher palm oil pricing and speculation.

Also bullish trend in paper prices leading to manufacturers looking for price increases

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Exceptional items

| | Cash £m | Non cash £m | Total £m |
|---------------------------------------|-------------|----------------|-------------|
| Functional reorganisation | 2.6 | - | 2.6 |
| UK restructuring: | | | |
| - Reorganisation costs | 7.9 | - | 7.9 |
| - Impairment of goodwill and PP&E | - | 20.7 | 20.7 |
| | 7.9 | 20.7 | 28.6 |
| Brno, Czech Republic: | | | |
| - Impairment of PP&E | - | 4.9 | 4.9 |
| - Release of contingent consideration | - | (4.7) | (4.7) |
| | - | 0.2 | 0.2 |
| Head Office impairment | - | 0.4 | 0.4 |
| CLP | 0.2 | - | 0.2 |
| Environmental remediation in Belgium | 2.5 | - | 2.5 |
| Total | 13.2 | 21.3 | 34.5 |

Financial Summary

- UK restructuring under way.
- Operating cash flow increased.
- Net debt reduced to £84.7m (2013: £86.8m).
- Successful refinancing of our banking facilities until April 2019 and additional facilities of \$90 million derived from two US Private placements.
- Significant headroom of £96m.
- Payment to shareholders maintained reflecting the Board's confidence in recovery plans.

Summary

Chris Bull – Chief Executive Officer

What we have achieved so far



- Restored growth in Western Europe, particularly in France and Benelux.
- Continued strong growth in Germany and Poland.
- Continued progress in Asia Pacific.
- Group-led R&D function supporting delivery of our product development and launch programme including first Private Label launch of dual compartment Laundry sachet.
- Expansion of our manufacturing capability in Poland.
- Core and Future Growth revenues up 2% and now account for 50% of Private Label sales at period end (2013: 49%).
- Developing & Emerging markets 11% of Group revenues.

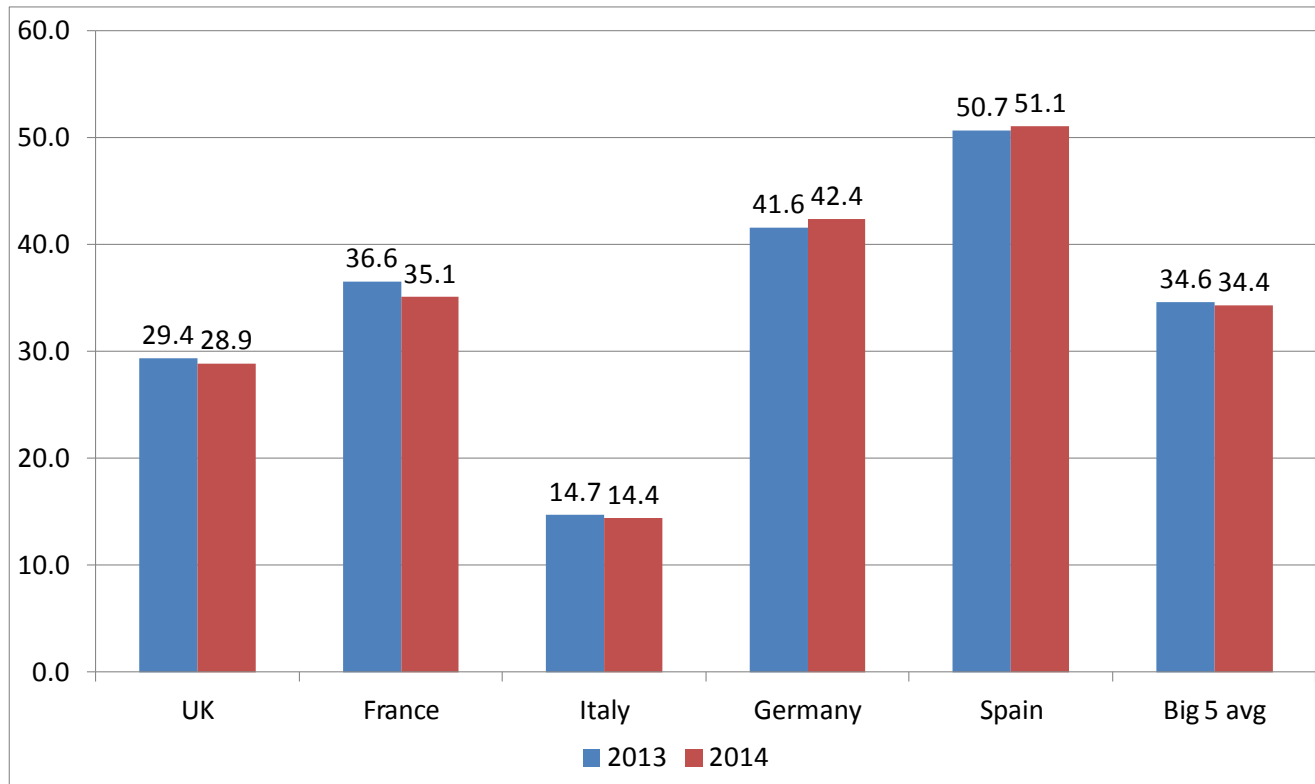
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Private Label Household volume shares 2014 vs 2013



% volume share



UK, France, Italy, Spain, data 52 weeks to June 2014

Germany, 52 weeks to Dec 2013

Sources: Kantar Worldpanel: UK, Nielsen: France, Italy, Spain. GfK: Germany

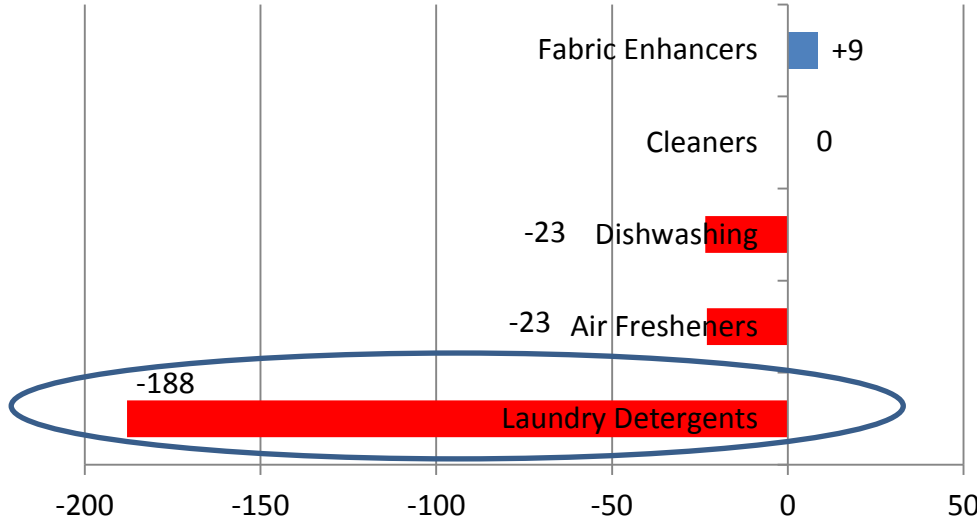
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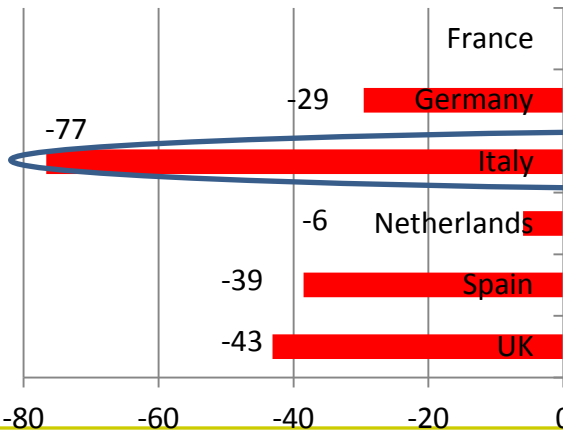
Challenging market dynamics across Europe within the Household products category



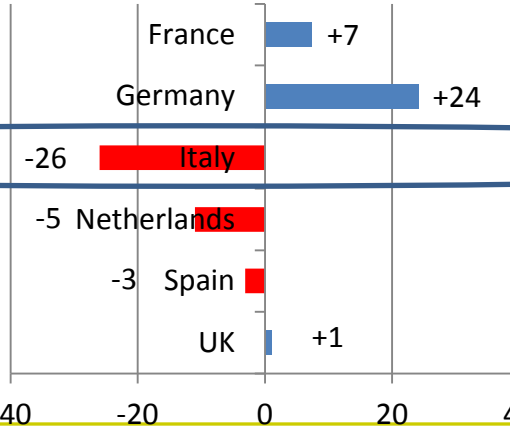
Total Household Category declined by €225m at RSP Y on Y



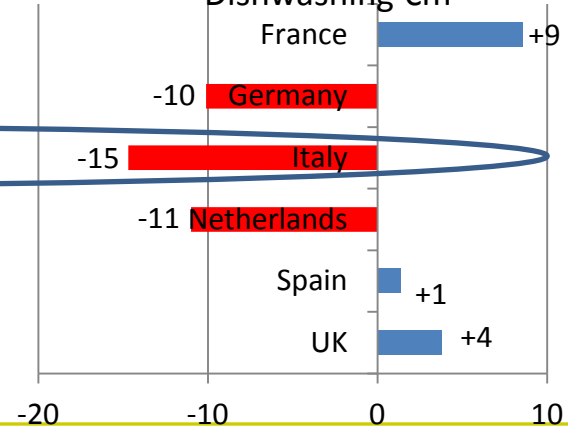
Laundry Detergents €m



Cleaners €m



Dishwashing €m



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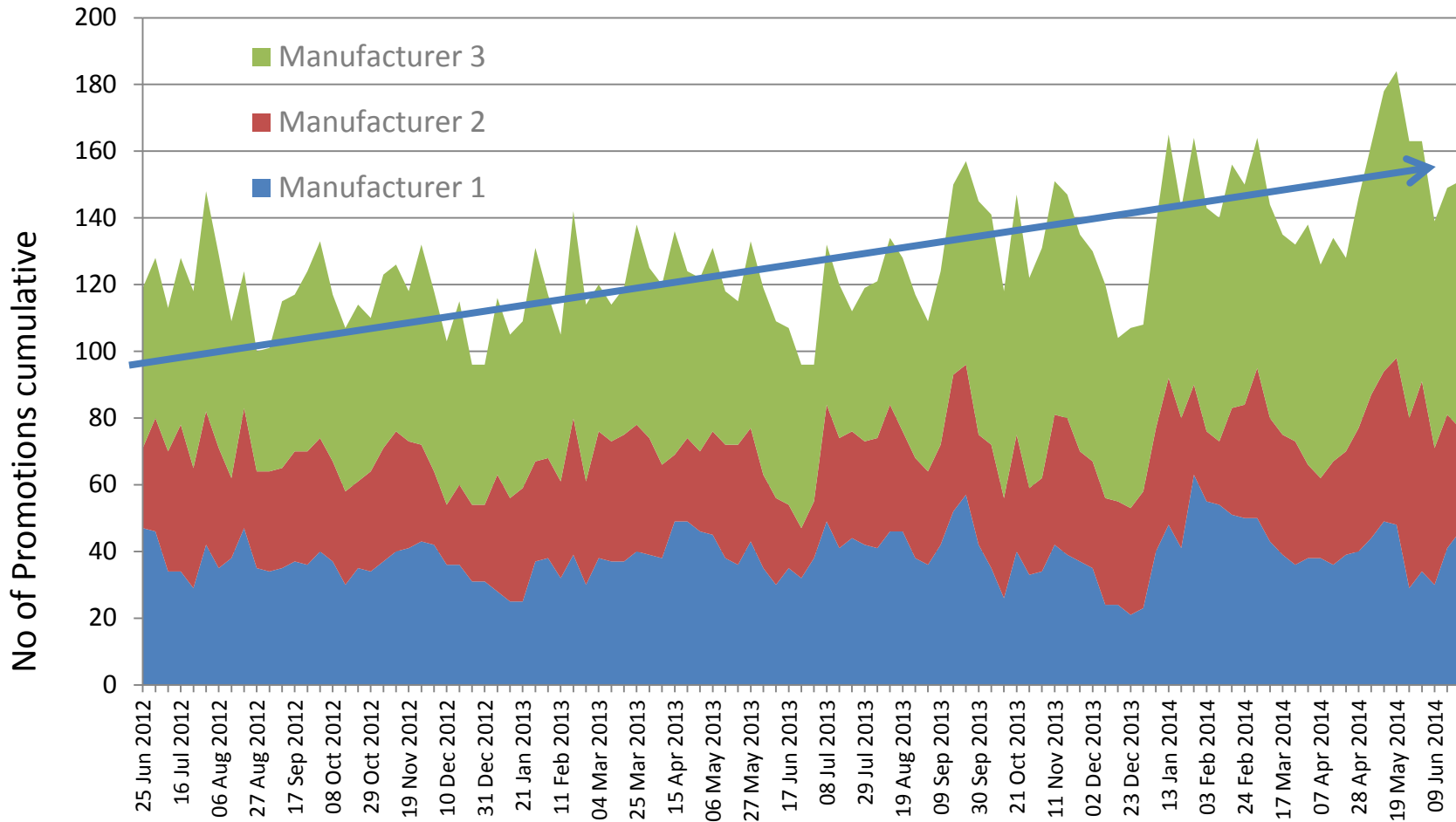
Source: IRI Pulse Report Household, Total market at RSP in €m
12 months to March 2014

Top 6 EU markets :UK, France, Germany, Italy , Spain, Netherlands

Increasing promotional activity in UK's Grocery multiples by major brand manufacturers



June 2012 to June 2014



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Basket of 400 Household products

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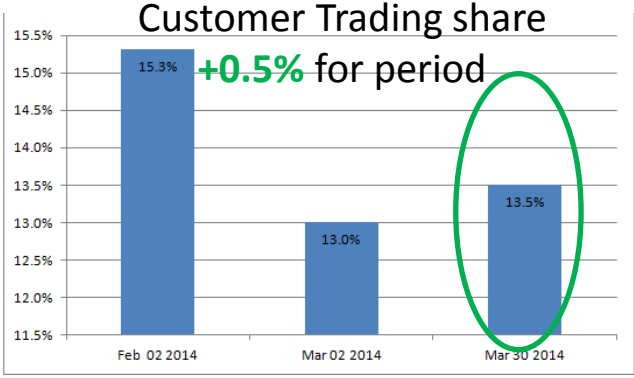
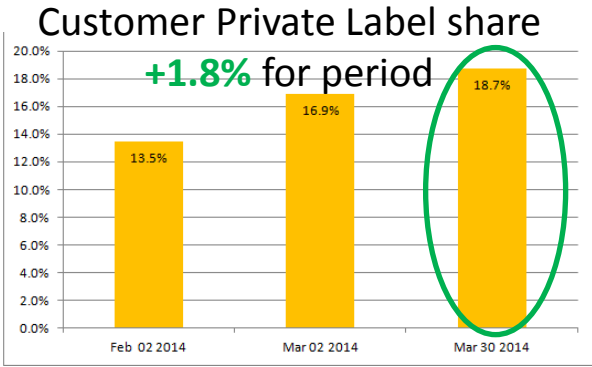
Source: Brandview

- In June 2014, the Group announced the restructuring of the Group's UK activities, to remove un-profitable business, reduce capacity in the UK and improve profitability.
- Restructuring focussed on changing shift patterns at UK sites.
- Alignment of overhead structures to the current retail environment.
- Impact: Around 400 positions are expected to be lost, generating savings of around £12 million by June 2016.
- Associated cash implementation costs, expected to be around £14 million.
- The restructuring of the UK cost base will enable the business to compete more effectively with low cost competition and improve profitability.

Competing hard in the market place



- Category Management
 - Right strategy for the right tier.
EDLP for core range, medium/low for premium tier
 - Look and feel of Private Label as a credible alternative to the brand leader
- Promotional Effectiveness
 - Predict when brands will be on deal from historic trends
-counter with own brand promotion
 - Cite own brand product next to branded rival
so there is a price point to anchor to.
- Competitive Pricing
 - Correct price gap between brand leader and own brand equivalent,
regardless of on or off deal
- On-shelf impact
 - Point of sale utilised to interrupt shopper mission and communicate
value for money messaging



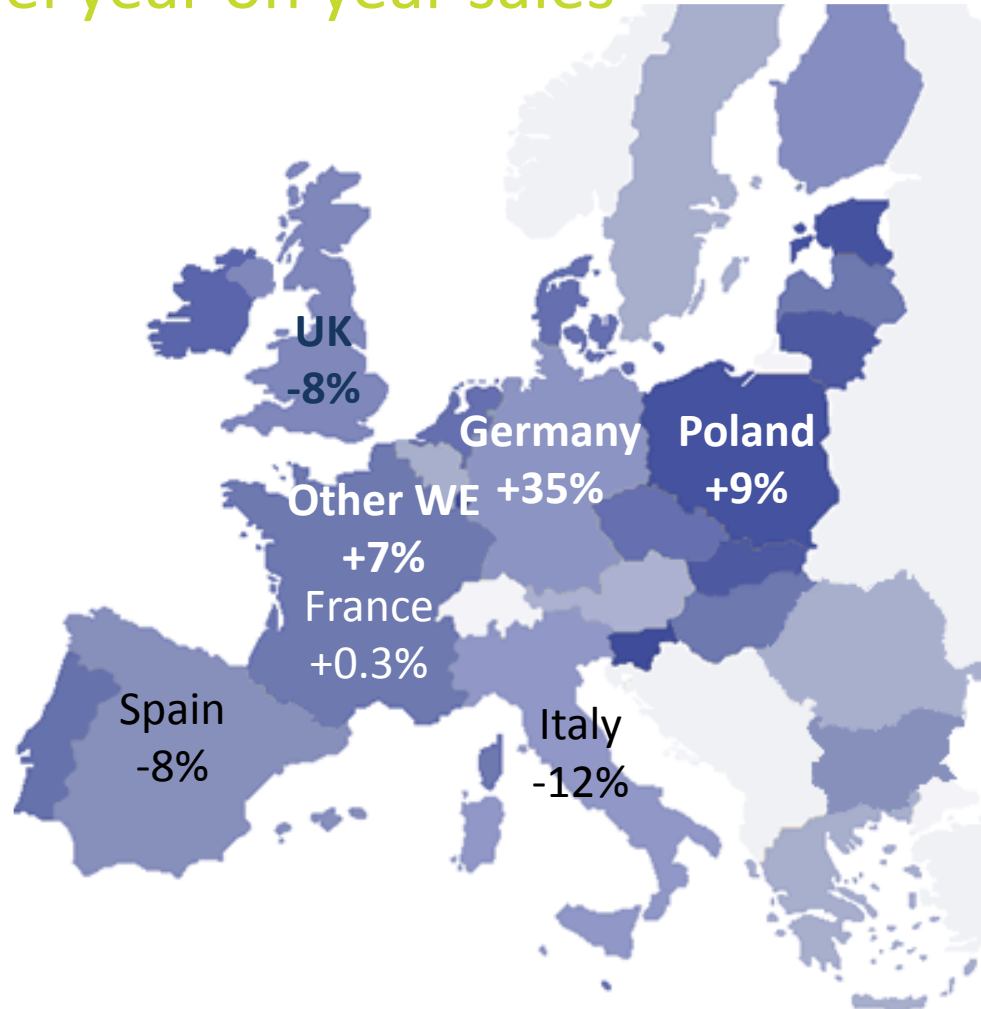
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Where we are achieving growth



Private Label year on year sales



| | |
|-------------------|------|
| Total D&E | +6% |
| of which: | |
| Poland | + 9% |
| Core Asia Pacific | +37% |
| - Australia | +42% |

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Investing to support growth in Germany and Poland



50% Capacity uplift in Strzelce to 150 million bottles pa.

- 15 new raw material storage vessels
- 3 new mixing vessels
- 3 new blow moulding machines
- 4 high speed filling lines
- New household liquid technology transferred
- 125 new employees recruited and trained
- 46 new products launched during the year
- £1.8 million investment

Further significant capacity uplift planned for 2016.

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Growth through NPD



First to market with Private Label dual compartment laundry sachet.

Rapid roll out of concept across Europe.

Initial launch in France, with successful roll out in Italy, Belgium, Netherlands and UK.

- Delivering:
- Improved washing performance
 - Improved whiteness
 - Perfume intensity and substantivity
 - Effective at cold temperatures



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Growth through NPL

- Product launch momentum maintained
- All categories
- All markets



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Increasing legislation and responsibility



- *The move to an increasingly regulated world has given rise to new challenges for both suppliers and retailers alike.*
 - Biocide Regulations
 - Detergent Regulations
 - CLP: Classification Labelling and Packaging
 - Exceptional charges in region of £4m for 2015 (2014: £0.2m)
 - Sustainability – including sustainable Palm Oil
 - Emissions reporting
 - Charter for Sustainable cleaning
 - Product Environmental Footprint (PEF)
 - Recent achievements:
 - Scope 1 and 2 Emissions reduction, Carrefour Gold standard, Ecovadis Silver rating, Member of Roundtable for Sustainable Palm Oil, Participation in PEF pilot studies
 - Further investment in Solar Energy in Belgium
 - We are working closely with our customers to help lead them through these changes
 - McBride scale and competence within R & D and legislative expertise can provide competitive advantage
- *McBride is playing a leadership role to help shape the future.*



FTSE4Good



Key Priorities for 2014-15



- Restoring profitability in the UK and maintaining progress in Western Europe through selective category growth and reshaping of the cost base.
- Leveraging our unique capabilities to grow substantially in the mass markets of Central and Eastern Europe; and build for the future in Asia Pacific.
- Driving Group revenue growth by building on our new product development pipeline.
- Capturing the substantial Supply chain synergies made possible through the Group reorganisation.
- Utilising our well developed competences in operational excellence, back office processes and logistics management to drive ongoing and challenging cost reduction programmes.

Summary and outlook



- A challenging year with UK profitability under pressure due to combination of weak retail demand and intensified branded competition.
- Major restructuring of UK business announced in June 2014.
- Continuing growth in Germany and Poland.
- Trading since the year end has been in line with expectations.
- Savings from our UK Strategic review will improve Group performance.

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Q&A

Appendix

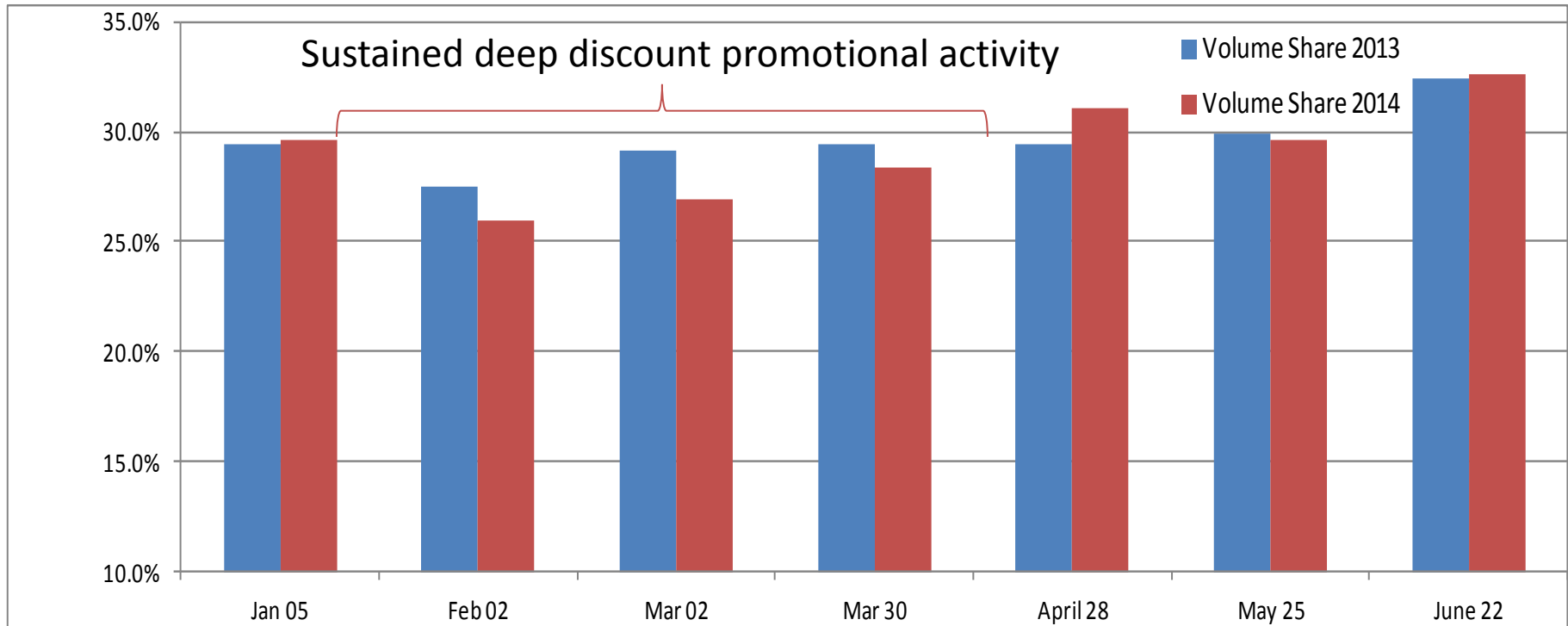
UK Household Private label



Volume share Jan – June 2014 vs prior year

Exceptionally low Private label volume shares in Q1 compared to prior year driven by branded promotional activity

% Private Label



Source: Kantar Worldpanel

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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 expansion

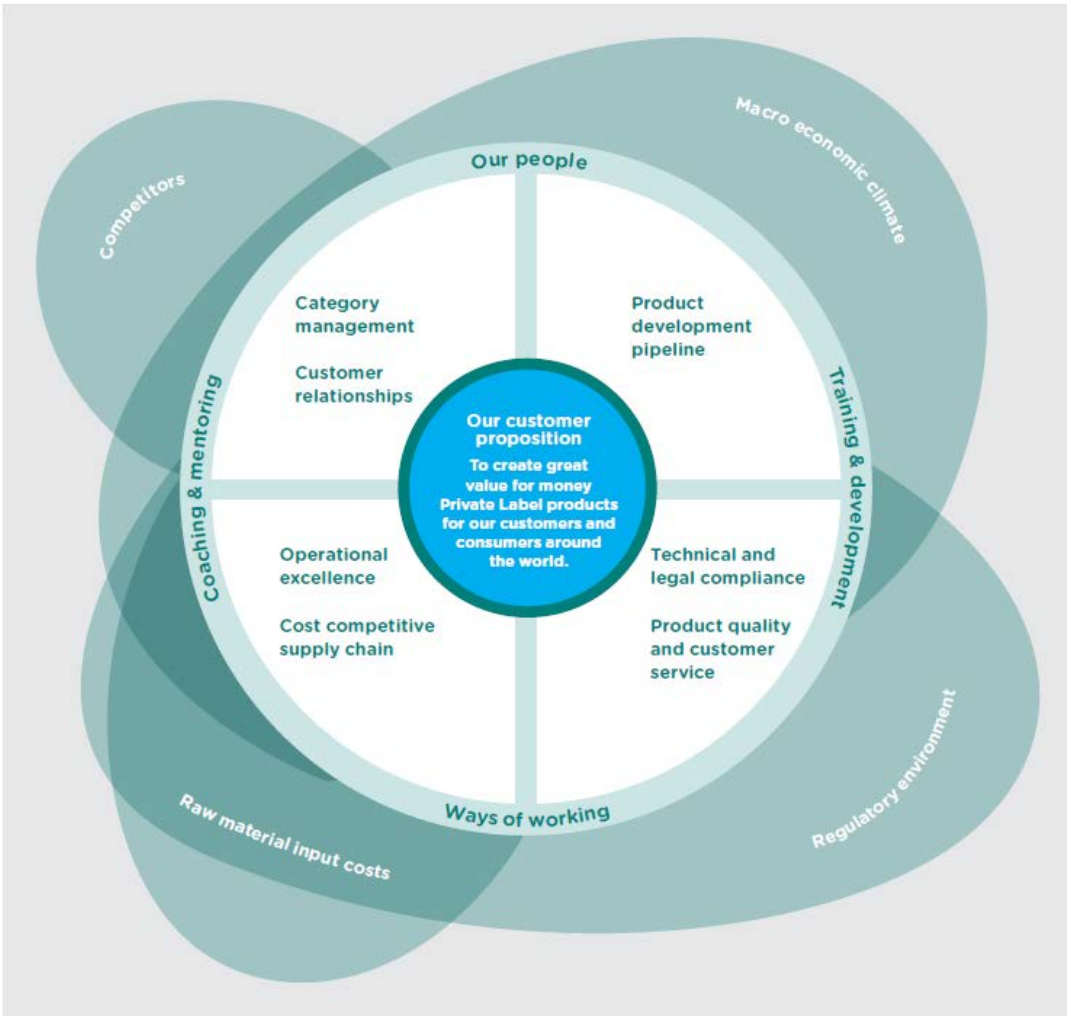
Plus:

A rationalised and enhanced operating platform

Increased customer responsiveness and flexibility

Solid architecture for product and geographic expansion

Business model



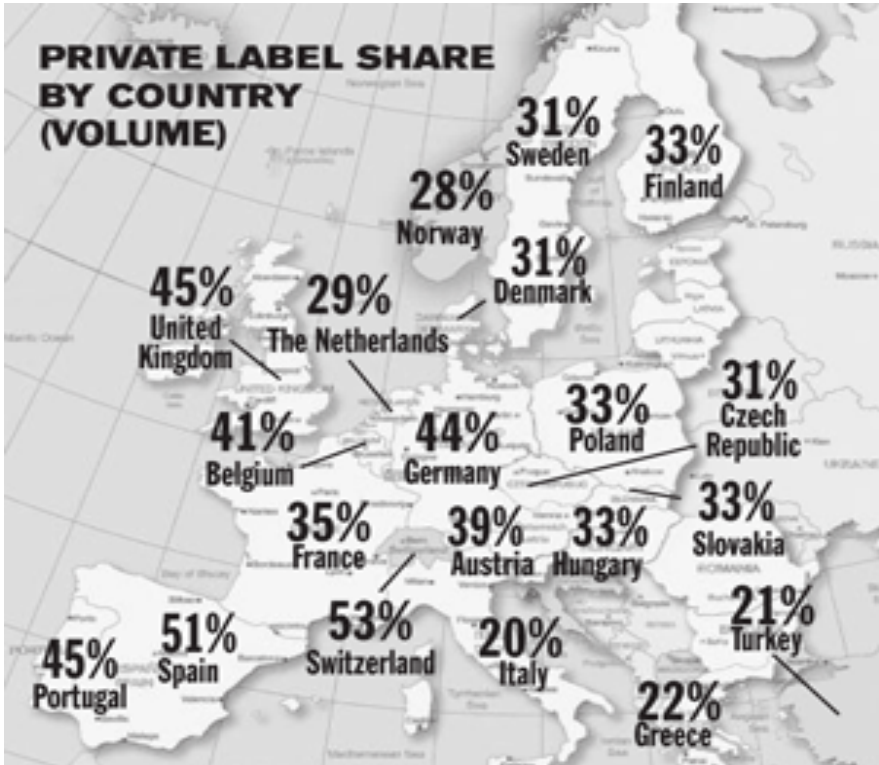
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Private Label share by Country



PLMA Year Book 2014 - All Categories



The latest market share data shows that the popularity of private label continues to spread across Europe. Retailer brands now account for at least 30% of all products sold in 15 countries, the greatest number ever, according to Nielsen data compiled for PLMA's 2014 International Private Label Yearbook.

Of the 20 countries tracked by Nielsen in 2013, 16 posted volume market share gains. The biggest percentage increases were made by Sweden (+5.1 points), Finland (4.0 points), Poland (+3.1 points) and Slovakia (+2.7 points).

Three countries—Sweden, Finland and Czech Republic—crossed the 30% market share line last year for the first time. The number of countries achieving 30% share has been rising steadily. Back in 2011, only 10 countries made it. In 2012, the number climbed to 12.

Private label continues to account for more than half of all products sold in Switzerland (53%) and Spain (51%). Both countries showed market share gains in volume and value.

In five countries—United Kingdom (45%), Portugal (45%), Germany (44%), Belgium (41%) and Austria (40%)—private label now accounts for at least four of every ten products sold. Market share for retailer brands also posted gains in Denmark, Norway, Hungary, Turkey and Italy.

Source: plmainternational.com

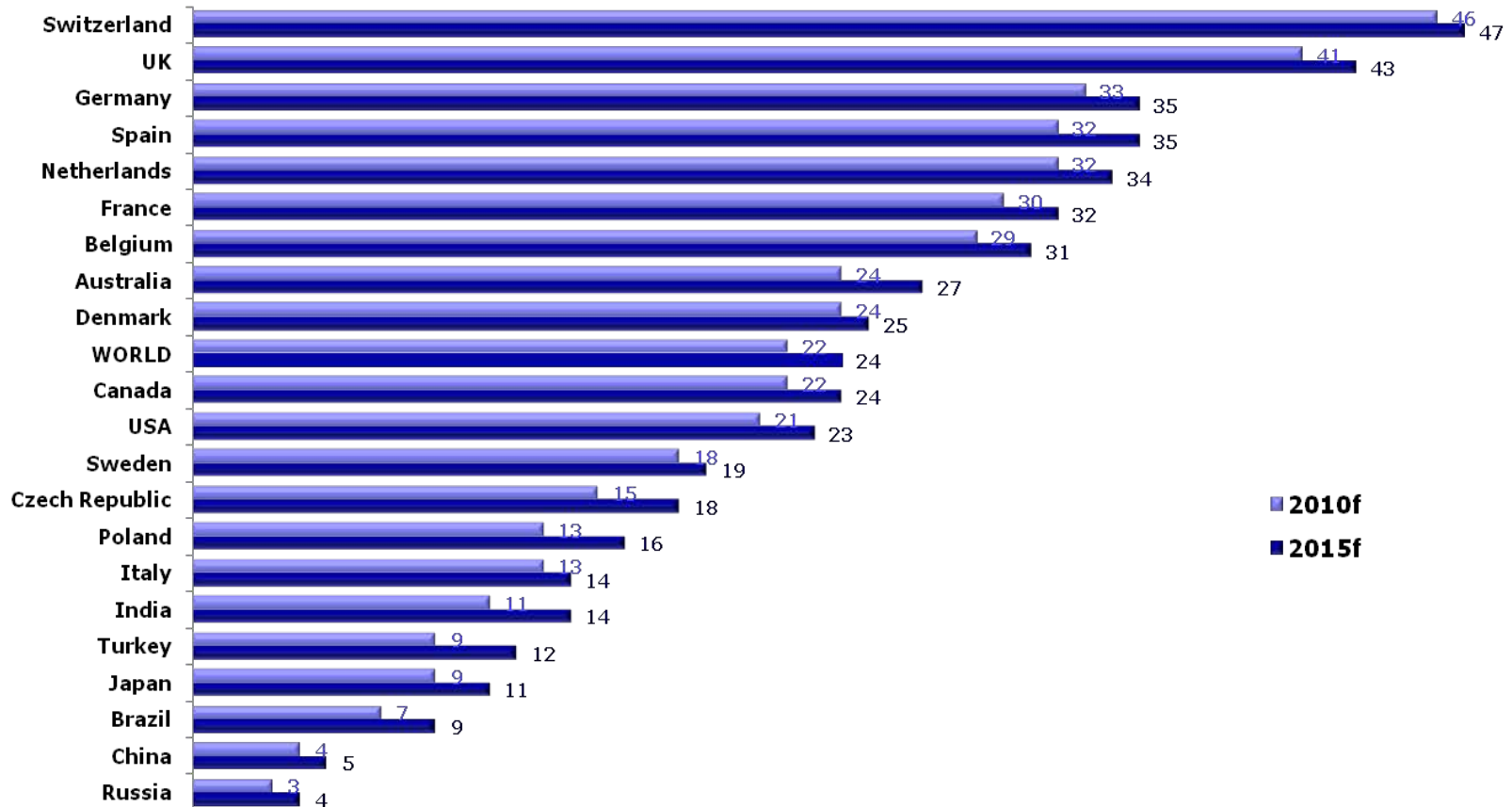
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Private Label forecast to grow in all markets



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.planetretail.net; partly based on Nielsen and GfK

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