McBride plc

Results Presentation: 7 September 2021

Agenda

1. Welcome
2. Compass – reminder
3. Key messages
4. Divisional reviews
5. Financial review
6. Outlook
7. Q&A

Welcome

Our speakers today

Chris Smith
Chief Executive Officer

Mark Strickland
Chief Financial Officer

Compass – reminder

Our Compass vision

Grow revenue to
€1 bn

EBITA margin increase
+2-4 ppts

ROCE improvement
+5-10 ppts

McBride Liquids

McBride Unit Dosing

McBride Powders

McBride Aerosols

McBride Asia Pacific

Our proposition

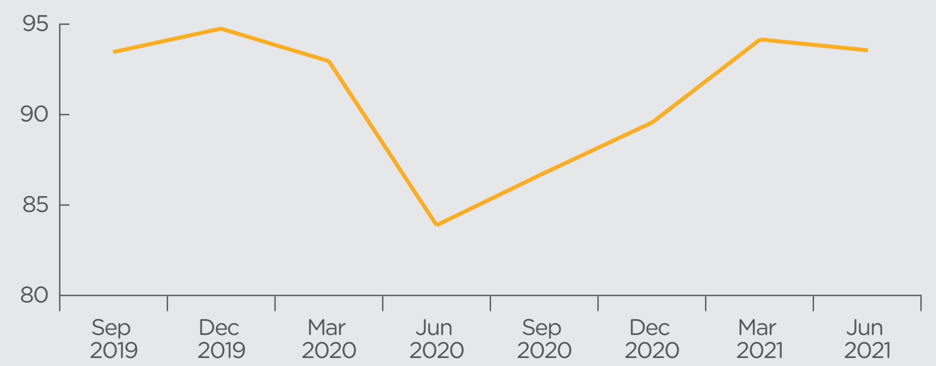
McBride will capitalise on firm foundations

- #1 player (EU, UK)
- Cost optimisation
- Revenue growth
- Revenue diversification
- Sustainability commitments
- Product innovation
- Solid financial position
- No significant additional capital/exceptionals

We have started the Compass journey

- Operating model transformed
- Senior team completed
- Divisional and central teams in place
- Strategic actions underway
- Cost savings programmes implemented
- ESG framework created
- Innovation pace, specialist approach
- Trading challenges since Q4, response from divisions tailored to their strategies

Customer service level (%) – requested



Mark Strickland
Chief Financial Officer

Peter Ingelse
Managing Director Liquids

Lennard Markestein
Managing Director Unit Dosing

Tim Perman
Managing Director Powders (Interim)

Key messages

FY21 key messages

Full year revenues down 4% following a 'year of two halves': H1 growth of 1.7% was followed by H2 decline of 9.5%

Covid-19 continues to impact demand – H2 normalisation of cleaners, laundry not recovered

Exceptional input cost inflation impacted Q4 – Covid-19 supply chain shocks and rapid and exceptional inflation of key feedstocks

Cost savings on track, £10m in current financial year

Good progress on 2025 product sustainability targets and defining our wider ESG approach

Strong closing balance sheet, new sustainability linked revolving credit facility agreed for 5+1 years

Short-term priority to navigate the recent and significant change in trading environment

Programme Compass remains relevant and fully underway

Covid-19

Safe operating environments

Demand patterns

Adaptive and flexible workforce

Operating restrictions

Materials availability
and rapid cost rises

Transport availability
and cost increase

Compass reset delivered despite challenges

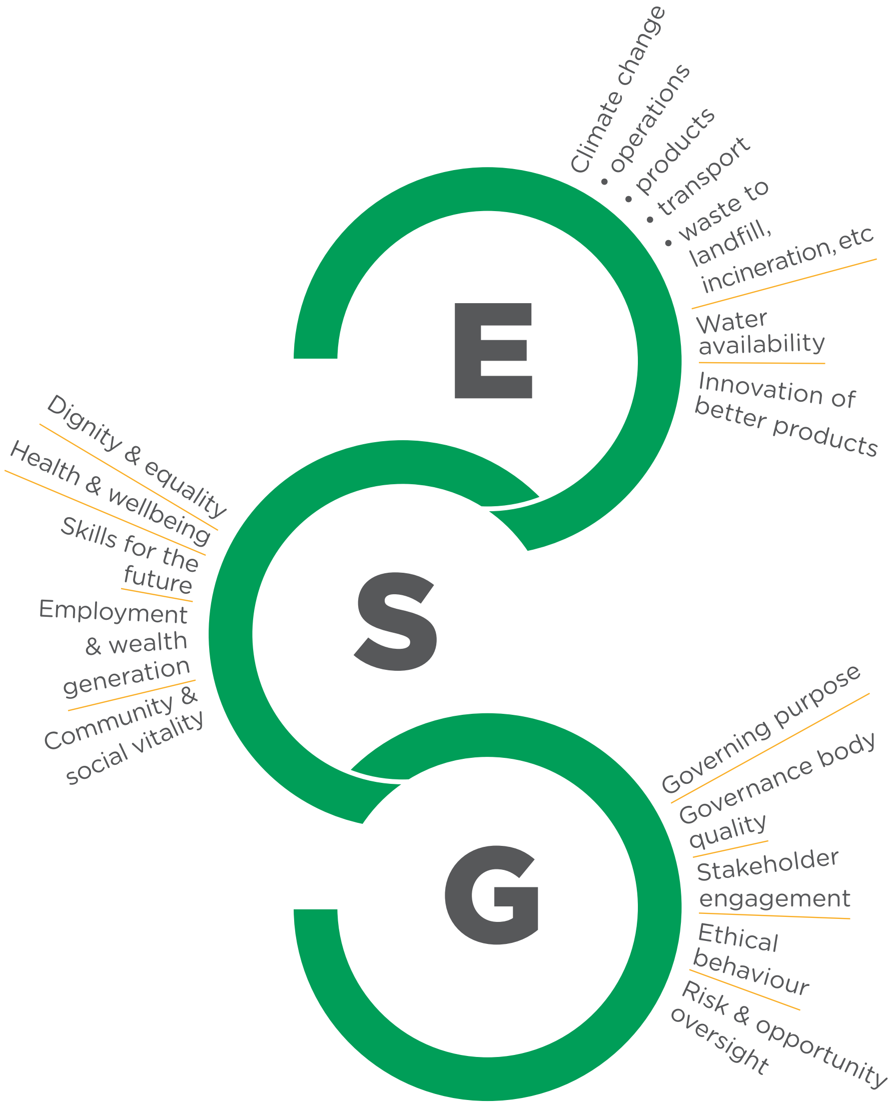
Resilience of business

ESG

- New governance structure
- Framework established
- Next twelve months – expanding coverage and setting ambitions
- Carbon footprint – external detailed assessment underway

2025 product sustainability ambitions – progress:

Area of focus	2021 achieved	2025 target
Fully recyclable, compostable or reusable	**98.5%**	100%
Recycled content in our plastic bottles	**15.7%** overall (PET 47%, PE 5%)	50%
Sustainably sourced carton and paper	**90.6%**	100%
Multi-layered (laminate) flexible plastic packaging	**21%**	0%



Divisional reviews

Liquids

Divisional performance

	Year to 30 June 2021	Year to 30 June 2020	Reported change B/(W) %	Constant currency change B/(W) %
Revenue	**£376.1m**	£383.2m	(1.9)	(2.5)
Adjusted operating profit	**£11.7m**	£15.5m	(24.5)	(26.4)
Adjusted operating profit margin	**3.1%**	4.0%	—	—

- After good H1, weak run rates in H2
- Laundry subdued all year
- Cleaners volumes normalised in H2 after bumper Covid-19 year
- H2 impact mostly in German and French markets
- Raw material inflation rapid and very significant
- Pricing actions underway
- Transport shortages emerging – cost and service impact
- 2021 exit rate profitability

McBride Liquids

Liquids

Strategic progress – cost leadership

- Inflationary environment distraction
- Market and product segmentation
- Simplification programme
- Cost initiatives
- Service improvements
- Competition
- Sustainability

Unit Dosing

Divisional performance

	Year to 30 June 2021	Year to 30 June 2020	Reported change B/(W) %	Constant currency change B/(W) %
Revenue	**£181.5m**	£183.5m	(1.1)	(1.8)
Adjusted operating profit	**£16.7m**	£17.2m	(2.9)	(4.0)
Adjusted operating profit margin	**9.2%**	9.4%	—	—

- H2 weaker, mostly laundry
- Strong auto dishwashing performance, negated by weak laundry
- Contract volumes for auto dishwashing
- Good growth in Germany
- Some raw material inflation impacting Q4, mostly laundry
- Selective pricing actions
- Service challenges in final months

Unit Dosing

Strategic progress – product leadership

- Innovation pace – winning business
- Product development pipeline
- Driving flexibility
- Laundry capsules portfolio
- Cost competitiveness
- Competition
- Sustainability

Powders

Divisional performance and strategic progress

	Year to 30 June 2021	Year to 30 June 2020	Reported change B/(W) %	Constant currency change B/(W) %
Revenue	**£66.3m**	£78.2m	(15.2)	(15.9)
Adjusted operating profit	**(£2.3m)**	(£4.1m)	43.9	45.2
Adjusted operating profit margin	**(3.5%)**	(5.2%)	—	—

- Weak consumer demand in laundry – as with other divisions
- Professional cleaning especially weak
- Reduced losses, Barrow closure and savings

- Technical team in place
- New products
- Cost focus for break even
- Competition

McBride Aerosols

Aerosols

Divisional performance and strategic progress

	Year to 30 June 2021	Year to 30 June 2020	Reported change B/(W) %	Constant currency change B/(W) %
Revenue	**£34.0m**	£35.2m	(3.4)	(4.2)
Adjusted operating profit	**£0.8m**	£2.3m	(65.2)	(63.6)
Adjusted operating profit margin	**2.4%**	6.5%	—	—

- Sanitiser volumes lower
- Slow personal care, launches delayed
- Household volumes up
- Input cost rises
- Cost control

- Regional expansion
- New product introductions
- Raw material sourcing

McBride Asia Pacific

Asia Pacific

Divisional performance and strategic progress

	Year to 30 June 2021	Year to 30 June 2020	Reported change B/(W) %	Constant currency change B/(W) %
Revenue	**£24.4m**	£26.1m	(6.5)	(5.4)
Adjusted operating profit	**£1.9m**	£3.0m	(36.7)	(34.5)
Adjusted operating profit margin	**7.8%**	11.5%	—	—

- H1 vs H2 – significant Covid-19 impact
- Malaysia and Vietnam 'movement control orders'
- New factory opened in March 2021
- Input cost rises

- New Malaysia factory capabilities
- Developing household opportunities
- Regional opportunities for Unit Dosing growth

Financial review

Financial headlines

Revenue
£682.3m
(2020: £706.2m)

Adjusted operating profit
£24.1m
(2020: £28.3m)

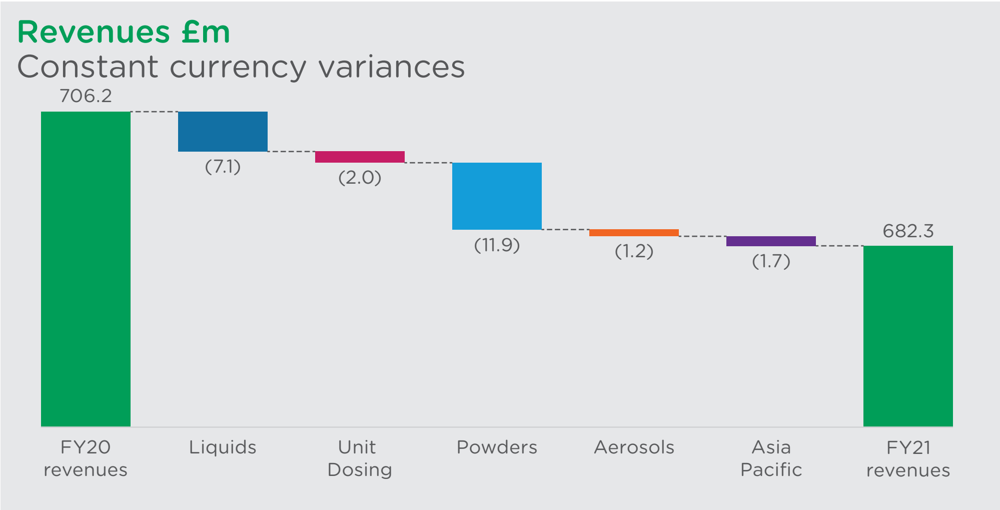
Adjusted profit before tax
£19.9m
(2020: £24.2m)

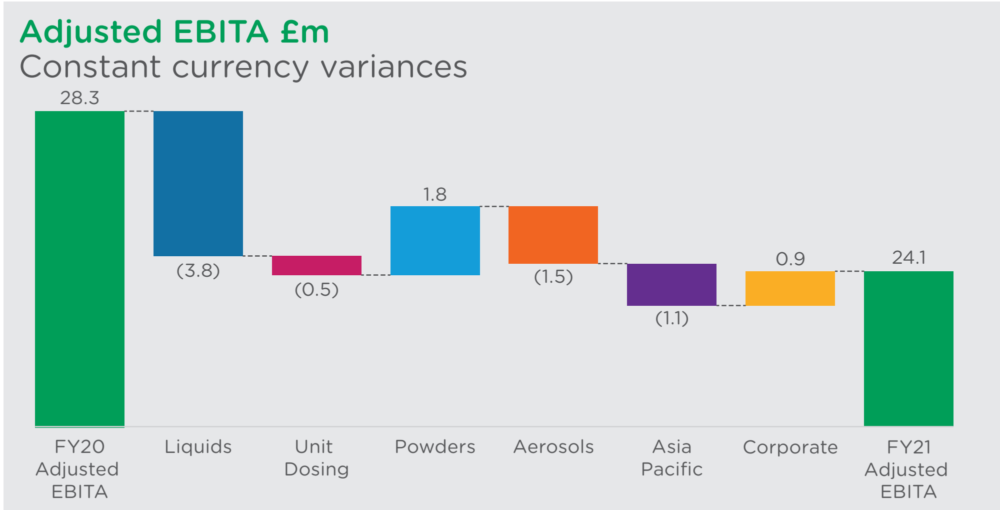
Adjusted ROCE
11.5%
(2020: 12.8%)

Debt/adjusted EBITDA
2.6x
(2020: 2.1x)

Free cash flow
£33.1m
(2020: £64.9m)

Divisional performance – overview

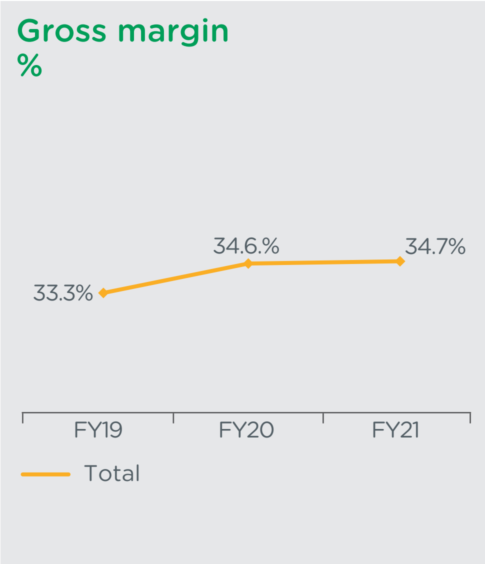


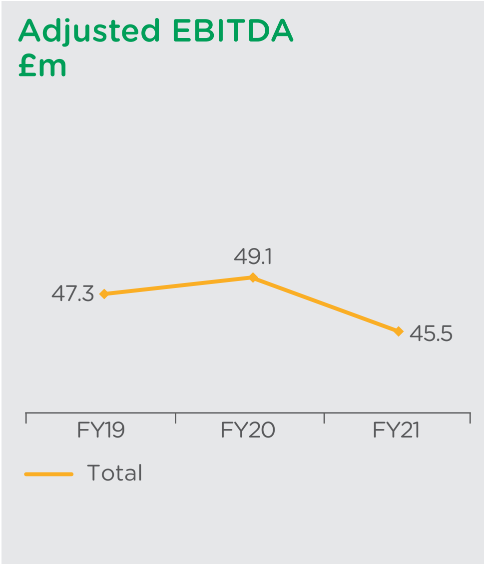


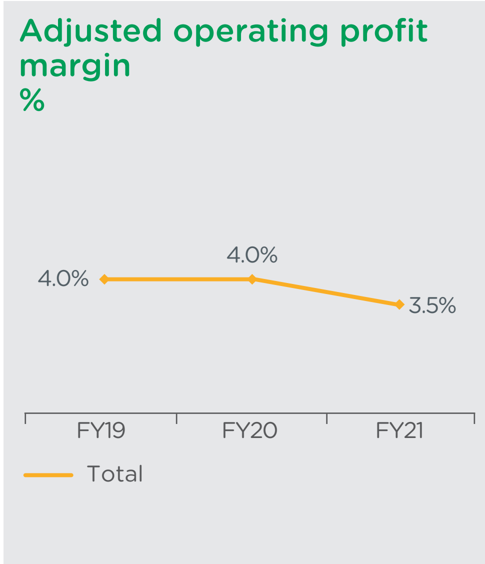
- Group revenues down £28.3m/4.0% at constant currency
- Liquids down 2.5%; H2 sales down 8.2% lapping significant FY20 growth
- Unit Dosing lower by 1.8%; H2 sales down 4.6% as dishwashing sales slowed and strong H2 FY20
- Powders down 15.8%; suppressed laundry sales
- Aerosols down 4.1%; H2 sales down 19.9% lapping strong sanitiser sales in prior year
- Asia Pacific 5.6% lower; H2 sales down 20.7% impacted by Covid-19 operating restrictions

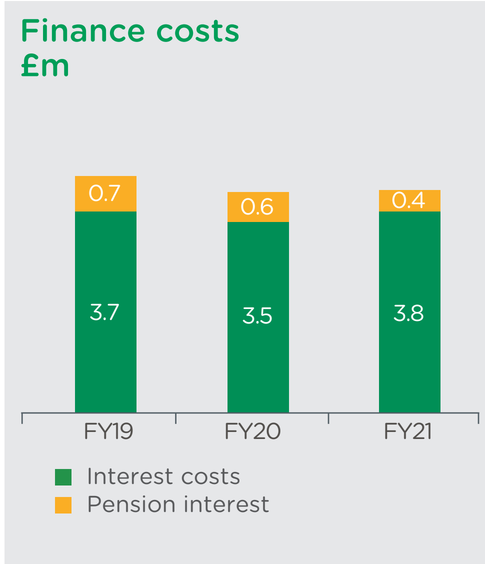
- Group EBITA down £4.2m/14.8% at constant currency
- Liquids £3.8m decline; volumes and unprecedented input cost inflation in Q4
- Powders £1.8m improvement following closure of Barrow and strong cost focus
- Aerosols down £1.5m; lower sales of sanitiser products impacting mix
- Asia Pacific £1.1m decline driven by significant Covid-19 disruptions

Income statement









- Slight improvement driven by Barrow cost savings
- Input costs benign in H1, but increasing rapidly in H2 (primarily Q4)

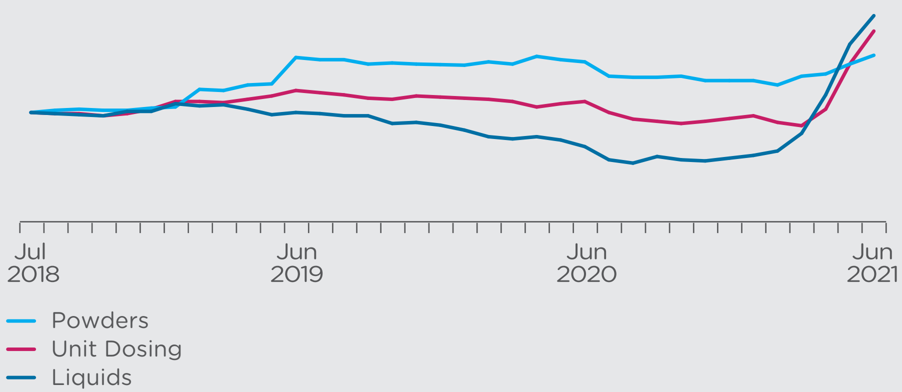
- Liquids division drove largest decline, due to revenue decline and higher input costs (primarily Q4)
- Aerosols sales mix

- 50bps decline as admin costs reduction of 1.4% was lower than revenue decline
- Our new Compass structure will drive further efficiencies in admin costs

- Total interest costs slightly up on prior year
- Taxation: (6%)
  - Provision release
  - Recognition of deferred tax asset

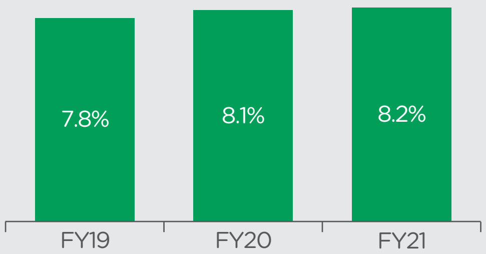
Costs update

Divisional price index



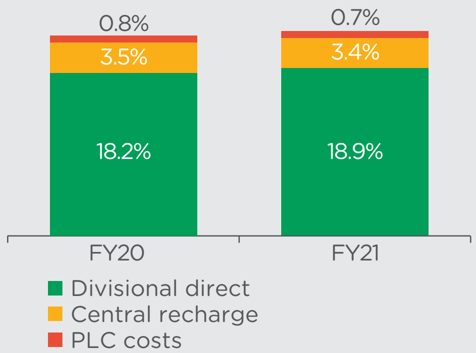
- Significant Covid-19 supply difficulties
- Rapid and exceptional inflation of key feedstocks
- Actions being taken to increase forward contract coverage and build indexation into commercial (customer) contracts
- Liquids division impacted most by input price increases
- £29m in year cost increase expected for 2022

Distribution costs as % of sales



- Cost reduction of £1.3m
- Brexit and Covid-19 have reduced the number of HGV drivers and increased costs
- Logistics network project is progressing, including network rationalisation and transport management system

Administrative (overhead) costs as % of sales



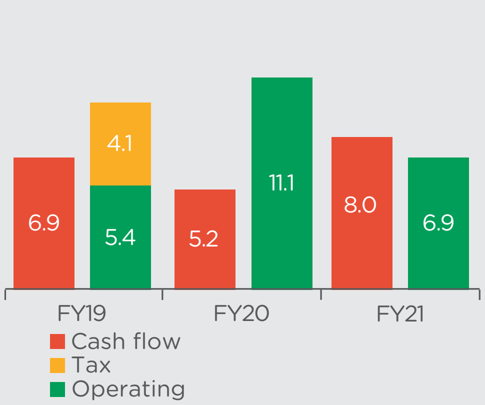
- Admin costs cover:
  - factory overhead
  - divisional overhead
  - central services (recharged)
  - plc costs
- Cost reduction of £2.0m offset by proportionally greater sales decline

Cost optimisation

- £0.5m cost savings in H2 2021, largely as a result of Compass organisation redesign
- Committed to save £20m annualised by end of 2023
- 2022 target of £10m in year savings vs 2021:
  - Barrow closure
  - product complexity/SKU reduction
  - warehouse and distribution
  - overhead savings:
    - factory
    - divisional
    - central and plc

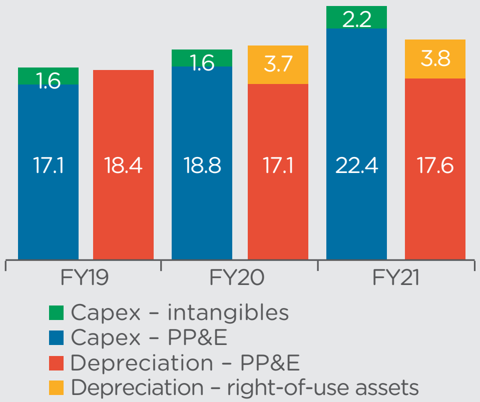
Other financials

Exceptional costs £m



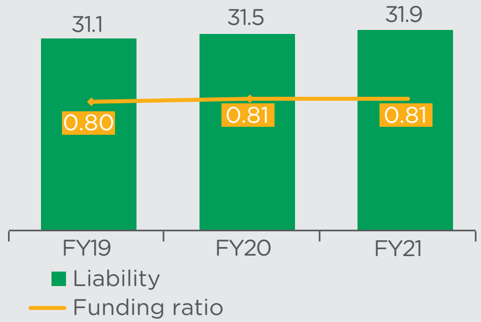
- Strategy, organisation and operations review
- Logistics transformation programme
- Cash flow: Compass & Barrow closure costs, legal and professional fees

Capex and depreciation £m



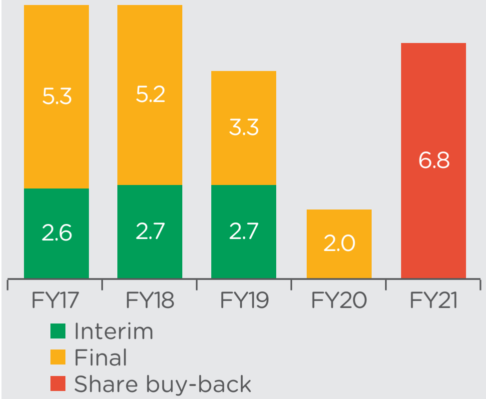
- Capex – intangibles £0.6m increase driven by computer software
- Main spends on:
  - asset acquisition
  - Malaysia new factory
  - Unit Dosing capacity
  - Liquids capacity

Pensions £m



- CDI strategy continues to perform well
- Triennial valuation confirmed that deficit recovery plan is on track

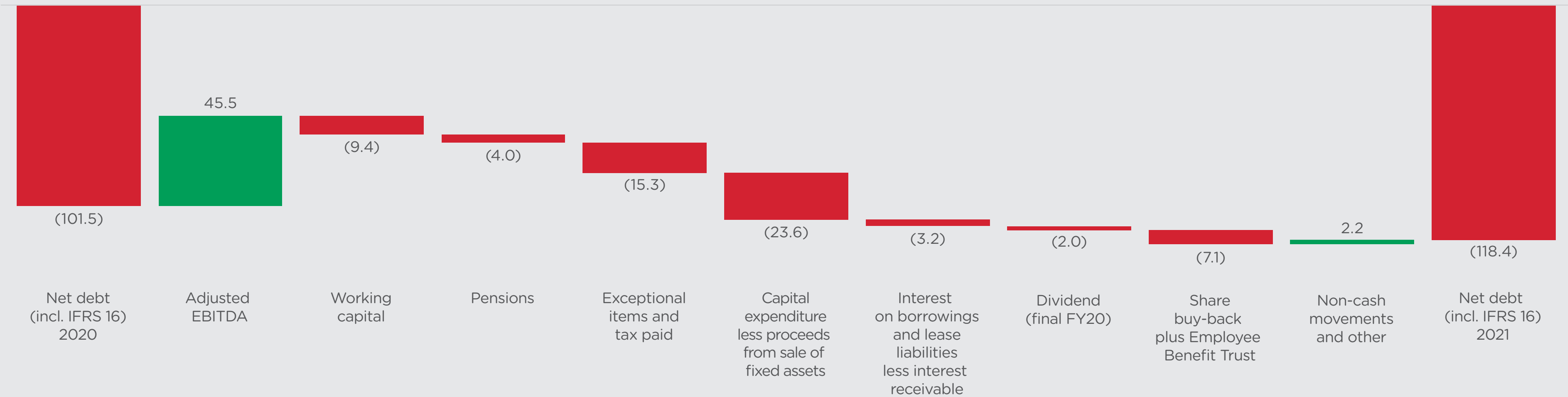
Returns to shareholders £m



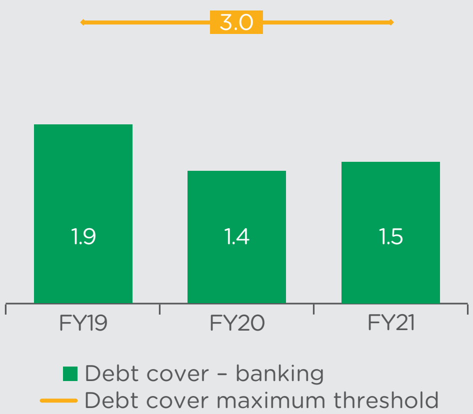
- £6.8m returned to shareholders in FY21 through share buy-backs
- New ‘dividend’ policy introduced
- Annual ‘dividends’ will be paid when appropriate and affordable

Cash, net debt and banking facilities

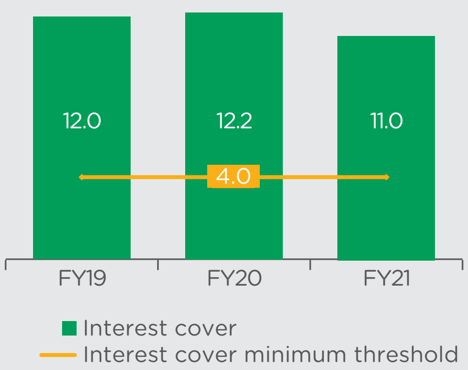
Cash flow and net debt £m



Covenant debt cover (banking basis)



Covenant interest cover (banking basis)



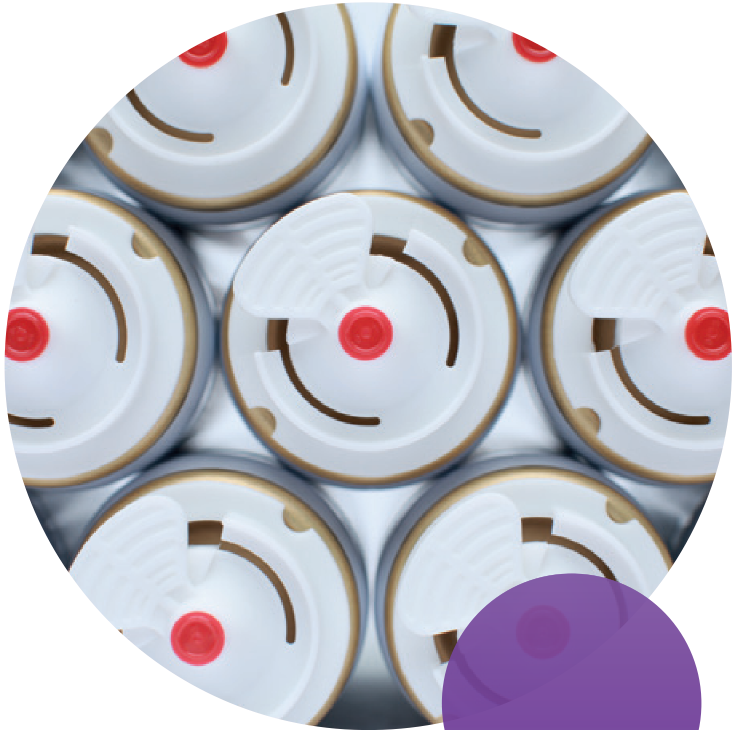
- Normalisation of working capital following significant stock depletion and rebuild in Q4 2020
- Well financed, with new banking arrangement in place:
  - €175m multi-currency ‘sustainability linked revolving credit facility’
  - five-year tenor with the option to be extended to 30 September 2027
  - €75m uncommitted accordion feature

Outlook

Full year outlook unchanged

- Volumes consistent with Q4 2021 levels
- Laundry volumes subdued, some recovery anticipated
- Asia business still in partial lockdown
- Input cost inflation – to remain high in H1
- Price increase progressively improving margins
- Cost actions
- We expect a weak H1, with profits heavily weighted to H2

Q&A



Appendices

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

Appendix 1: income statement

Continuing operations	2021 £m	2020 £m	y/y	Constant currency[1] 2020 £m	Constant currency[1] y/y
Revenue	**682.3**	706.2	(3.4%)	710.6	(4.0%)
Gross profit	**237.0**	244.2	(2.9%)	248.5	(4.6%)
Gross margin	**34.7%**	34.6%	0.1 ppt	35.0%	(0.3 ppt)
Distribution costs	**(56.0)**	(57.3)	(2.3%)	(57.5)	(2.6%)
Administrative expenses	**(156.9)**	(158.6)	(1.1%)	(162.3)	(3.3%)
Adjusted EBITA[2]	**24.1**	28.3	(14.8%)	28.7	(16.0%)
Net finance costs:					
– borrowings	**(3.8)**	(3.5)	8.6%	(3.6)	5.6%
– pension	**(0.4)**	(0.6)	(33.3%)	(0.6)	(33.3%)
Adjusted profit before taxation[3]	**19.9**	24.2	(17.8%)	24.5	(18.8%)
Taxation	**1.1**	(6.8)	(116.2%)	(6.8)	(116.2%)
Adjusted profit for the year	**21.0**	17.4	20.7%	(17.7)	18.6%
Adjusted diluted earnings per share (pence)[3]	**11.7**	9.5	23.2%		
Amortisation	**2.4**	2.1	0.3		
Exceptional items	**6.9**	11.1	(4.2)		
Taxation – effective rate	**(6%)**	28%	(34 ppt)		

(1) Comparatives translated at 30 June 2021 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 and any related tax.

Appendix 2: segmental reporting

Revenue	2021 £m	2020 £m	y/y	Constant currency 2020 £m	Constant currency y/y
Liquids	376.1	383.2	(1.9%)	385.6	(2.5%)
Unit Dosing	181.5	183.5	(1.1%)	184.9	(1.8%)
Powders	66.3	78.2	(15.2%)	78.8	(15.9%)
Aerosols	34.0	35.2	(3.4%)	35.5	(4.2%)
Asia Pacific	24.4	26.1	(6.5%)	25.8	(5.4%)
Group total	682.3	706.2	(3.4%)	710.6	(4.0%)
Adjusted operating profit					
Liquids	11.7	15.5	(24.9%)	15.9	(26.4%)
Unit Dosing	16.7	17.2	(2.9%)	17.4	(4.0%)
Powders	(2.3)	(4.1)	(43.9%)	(4.2)	(45.2%)
Aerosols	0.8	2.3	(65.2%)	2.2	(63.6%)
Asia Pacific	1.9	3.0	(36.7%)	2.9	(34.5%)
Corporate	(4.7)	(5.6)	(16.1%)	(5.6)	(16.1%)
Group total	24.1	28.3	(14.8%)	28.6	(15.7%)

Appendix 3: exceptional items

	2021 £m	2020 £m
UK Aerosols closure	0.4	0.1
Factory footprint review	0.3	9.4
Review of strategy, organisation and operations	4.4	1.3
Logistics transformation programme	1.1	—
Total continuing operations	**6.2**	10.8
Sale of PC Liquids business	0.7	0.3
Total discontinued operations	**0.7**	0.3
Group	**6.9**	11.1

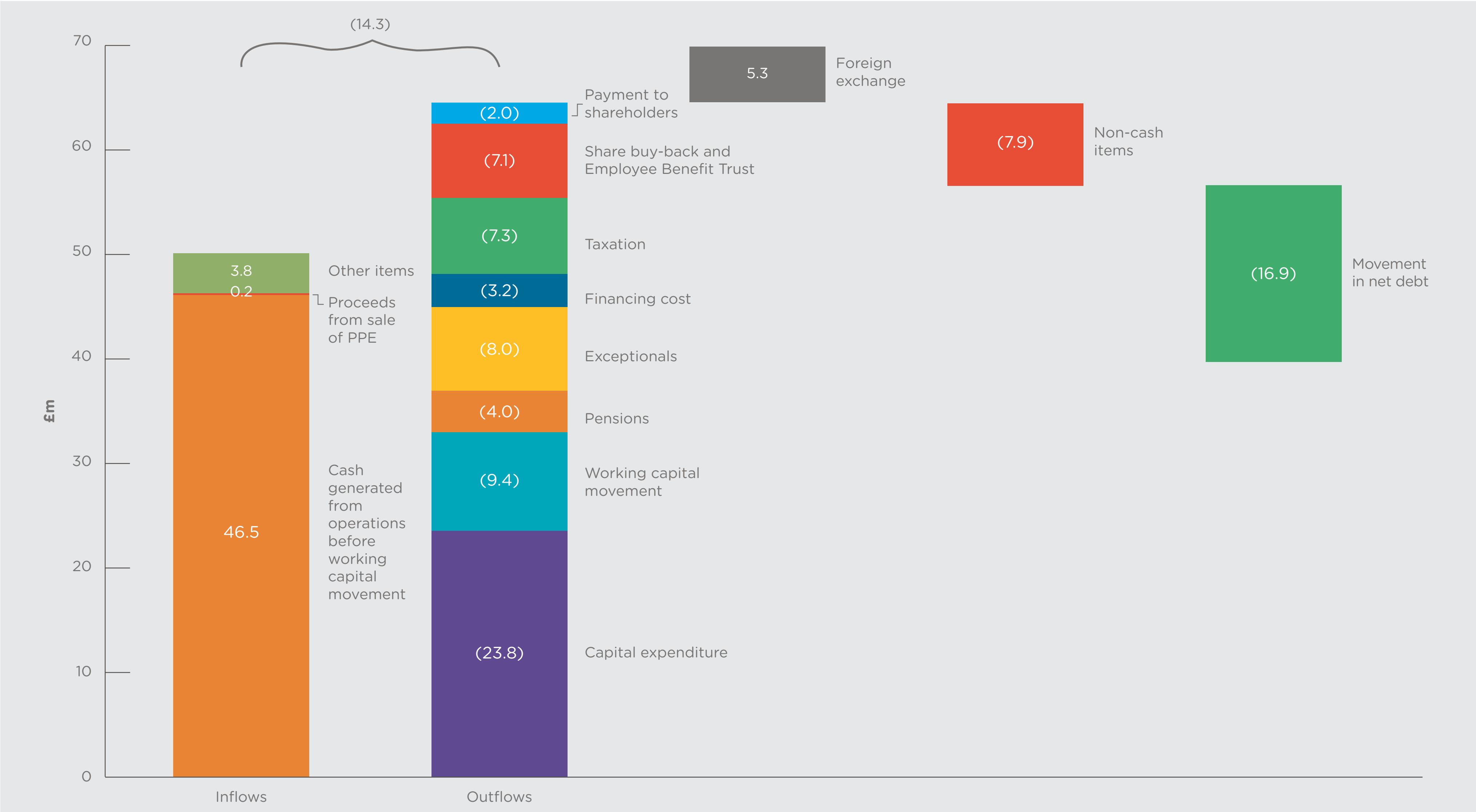
Appendix 4: balance sheet

	2021 £m	2020 £m	y/y
Goodwill and other intangible assets	**27.9**	28.4	(1.8%)
Property, plant and equipment	**129.8**	134.7	(3.6%)
Right-of-use assets	**10.0**	7.3	37.0%
Other non-current assets	**22.9**	13.8	65.9%
Working capital	**41.6**	37.7	10.3%
Net other debtors/(creditors)	**1.0**	(5.2)	(119.2%)
Provisions	**(6.4)**	(9.9)	(35.4%)
Pensions	**(31.9)**	(31.5)	1.3%
Non-current liabilities	**(6.7)**	(6.9)	(2.9%)
Net debt	**(118.4)**	(101.5)	16.7%
Net assets	**69.8**	66.9	4.3%
Average capital employed	**208.7**	221.1	(5.6%)
Adjusted ROCE	**11.5%**	12.8%	(1.3 ppt)
Trade working capital % of sales	**10.0%**	10.6%	(0.6 ppt)

Appendix 5: cash flow

	2021 £m	2020 £m	y/y
Adjusted operating profit	**24.1**	28.3	(14.8%)
Depreciation property, plant and equipment	**17.6**	17.1	2.9%
Depreciation right-of-use assets	**3.8**	3.7	2.7%
Share-based payments	**0.3**	0.4	(25.0%)
Additional cash funding on pension scheme	**(4.0)**	(4.0)	0.0%
Impairment of property, plant and equipment	**0.3**	—	n/a
Loss/(profit) on disposal of property, plant and equipment	**0.4**	(0.7)	(157.1%)
Operating cash flow before movement in working capital before exceptional items	**42.5**	44.8	(5.1%)
Movement in working capital	**(9.4)**	20.1	(146.8%)
Free cash flow	**33.1**	64.9	(49.0%)
Exceptionals cash flow	**(8.0)**	(5.2)	53.8%
Interest paid	**(3.2)**	(3.3)	(3.0%)
Taxation paid	**(7.3)**	(4.7)	55.3%
Cash generated from operating activities	**14.6**	51.7	(71.8%)
Capital expenditure	**(23.8)**	(19.2)	24.0%
Proceeds from sale of property, plant and equipment	**0.2**	3.3	(93.9%)
Redemption of B shares	**(2.0)**	(3.4)	(41.2%)
Purchase of own shares	**(7.1)**	(0.1)	7,000%
Other items	**3.8**	0.6	533.3%
Net cash flow	**(14.3)**	32.9	(143.5%)
Net debt at beginning of the year	**(101.5)**	(120.9)	(16.0%)
Non-cash movements	**(7.9)**	(12.9)	(38.8%)
Currency translation differences	**5.3**	(0.6)	(983.3%)
Net debt at end of year	**(118.4)**	(101.5)	16.7%

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 (May 2026)	150.2	(77.0)	73.2
– invoice discounting facility	47.8	(47.8)	—
– other loans	2.1	(2.1)	—
– leases	11.3	(11.3)	—
Total committed facilities	**211.4**	**(138.2)**	**73.2**
Uncommitted facilities	44.3	(5.9)	(5.9)
Total facilities	**255.7**	**(144.1)**	**67.3**
Cash and cash equivalents		24.9	24.9
Other		0.8	—
Net debt		**(118.4)**	**92.2**