Progress with growth; reinvigorating ‘Prepare’

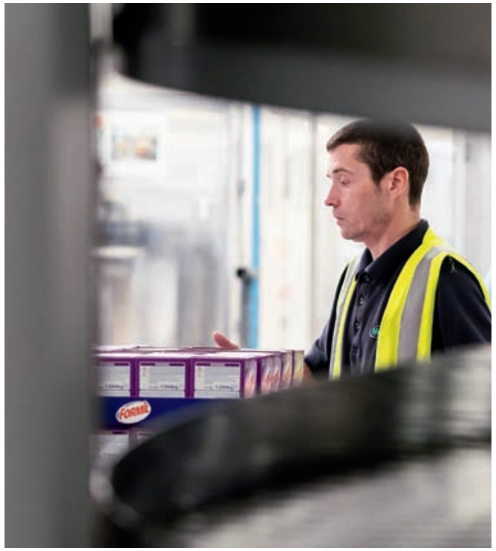
Results and Strategy Presentation:
September 2019

Manufacturing our future

McBride
Manufacturing our future

Agenda

1. Headlines
2. Commercial and market update
3. Financial results
4. Reinvigorating ‘Prepare’
5. Outlook



Headlines

Further progress with 'Prepare' and 'Grow' actions; a tough trading year

Strategic

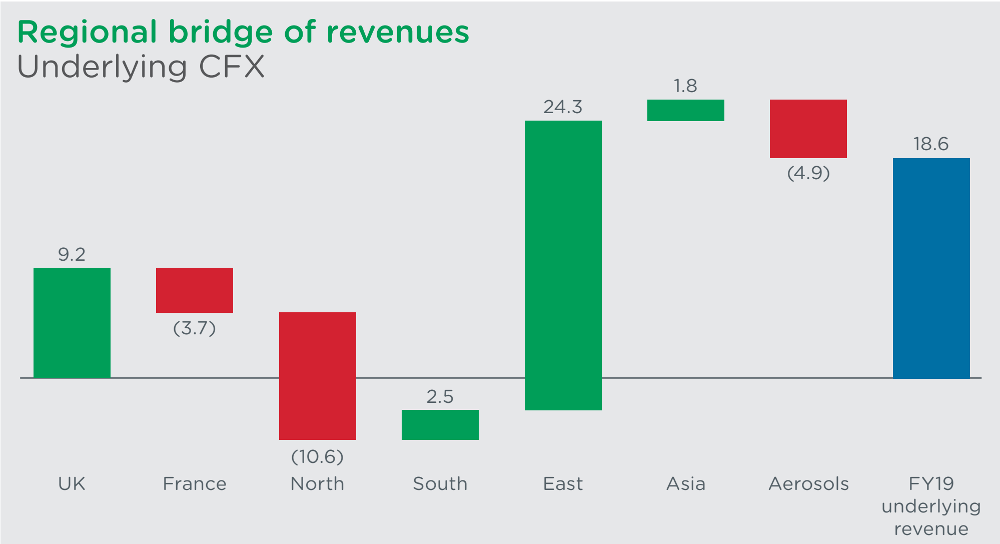
- Clear delivery against ‘Prepare’ objectives
  - Sale of PC Liquids completed
  - Consolidation of Aerosols operations to single site, closure of Hull site during fourth quarter
  - Danlind IT and organisation integration completed
- Reinvigorated programme of 'catch-up' and new 'Prepare' actions launched
- Investment plan ongoing for key categories; two new production lines added in year
- Encouraging net growth in underlying revenue;
  - Good growth in UK, Spain, Germany and Asia
  - Progress in auto dishwash, capsules and fabric conditioner categories
  - Ongoing weakness in French and North markets

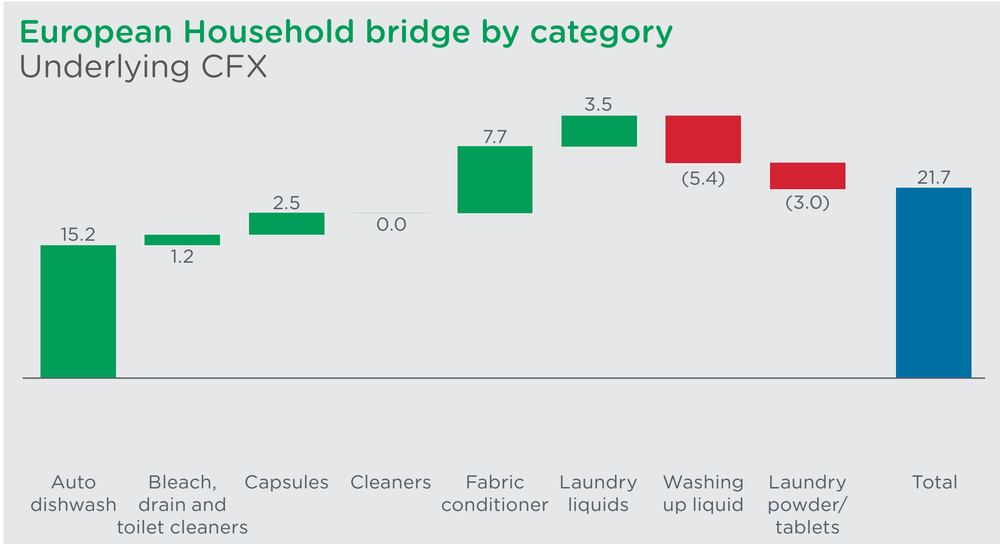
Financial

- Underlying revenues[1] at constant currency 2.7% higher, 3.7% excluding Aerosols
- Third year of significant direct cost and logistics inflation
- Customer price increase secured across a range of products and markets, protecting margin
- Adjusted operating profit[2] of £28.9m, lower by £8.8m
- Adjusted profits before tax of £24.5m (2018: £33.2m)
- Adjusted diluted EPS from continuing operations 23.6% lower at 9.7p (2018: 12.7p)
- Full year payment to shareholders proposed at 3.3p (2018: 4.3p)

(1) The use of the expression “underlying” refers to figures excluding the impact of acquisitions or disposals and stated at constant currency.
(2) Adjustments were made for the amortisation of intangible assets and exceptional items.

Revenue performance FY19





- Household European growth £21.7m (3.5%)
- Strong growth in Germany +29.0% following contract wins
- UK + 5.6%; range extensions
- North and France remain challenging
- Asia growth 9.2%
- Aerosols decline following Hull closure (£4.9m)

- Auto dishwash, capsules and fabric conditioner – key growth categories
- Laundry powders decline and washing-up liquid contract losses

Category focus has driven overall revenue performance

Capsules	
Market CAGR 2015–19[1]	+7.5%
McBride CAGR 2015-19	+10.4%
Growth FY19	+4.2%

- Competition increasing; McBride still #1 for Private Label share
- Further capacity FY20
- Capsule Private Label share, still below 10%
- Good growth in all key markets
- Trio capsule building steadily
- E-commerce progressing, especially UK

Auto dishwash tablets	
Market CAGR 2015–19[1]	+2.1%
McBride CAGR 2015-19	+7.2%
Growth FY19	+17.2%

- Market growth steady, Private Label share slight decline
- McBride Private Label share steady, increasing contract manufacturing share
- New capacity added in FY19, further coming in FY20
- McBride wide range of tablet options
- Danlind acquisition boosted capacity, leading in Ecolabel products
- E-commerce started in UK

Fabric conditioner	
Market CAGR 2015–19[1]	+0.1%
McBride CAGR 2015-19	+5.7%
Growth FY19	+25.4%

- Highly competitive category, smaller Profit Label suppliers driving lower prices, volumes in growth
- Further market growth expected
- Recent branded innovations improving value
- Growth for McBride in UK and with discounters across Europe
- McBride Private Label share growing in Northern Europe, weaker in South

(1) Euromonitor.

Retailer progress

UK

- Overall Homecare Private Label market up 1.1%[(1)]

Overall McBride growth +5.6%

- Market share[(2)] increase
- Growth – discounters +29%
- Growth – others +2%

Category progress

- + Laundry capsules
- + Fabric conditioner
- + Laundry powder
- - Auto dishwash

Germany

- Overall Homecare Private Label market lower by 1.0%[(1)]

Overall McBride growth +29%

- Market share[(2)] up 7%
- Growth – discounters +44%
- Growth – others +22%

Category progress

- + Auto dishwash
- + Laundry liquids
- + Cleaners
- + Laundry powder

France

- Overall Homecare Private Label market lower by 0.5%[(1)]

Overall McBride growth -3.0%

- Market share[(2)] flat
- Growth – discounters +40%
- Growth – others -5%

Category progress

- + Laundry capsules
- + Laundry liquids
- - Auto dishwash
- - Laundry powder

(1) Euromonitor.
(2) McBride estimates.

Retailer developments

UK

- Discounters power on – Aldi launching convenience format
- Bargain stores fastest growing in UK
- Good growth cash & carry and e-commerce
- Tesco: launch of Jack's
- Sainsbury and Asda merger, not progressing

Germany/Poland

- Discounters to take further share, hypermarkets and traditional stores set to lose
- Aldi North and South – joint procurement initiatives
- Drug-store format taking share

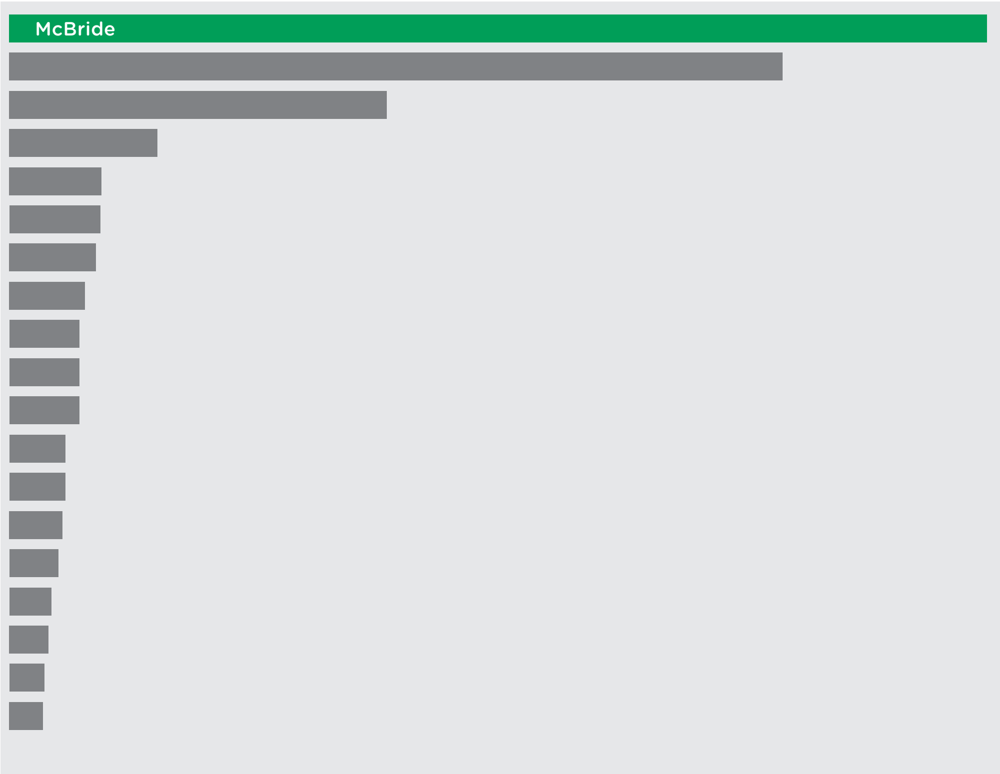
Italy/Spain

- Mercadona growing and leading in Spain, now opening in Portugal
- DIA relaunch plan following change of ownership
- In Italy, Auchan exiting, Conad now #1

France

- Lidl share growth – up to 5.9%, Aldi stable
- The independents also taking share, Leclerc up to 21.7%
- Casino, Carrefour and Auchan share decline
- Casino parent company

Competition in European Household



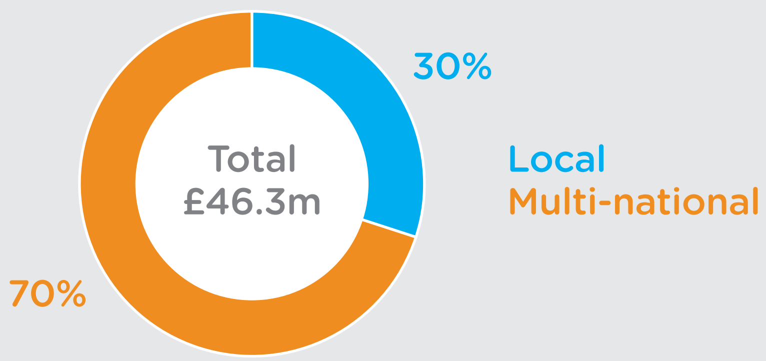
- Demonstration of McBride's leading position, now focused on Household
- Long tail of smaller suppliers
- Country specific and ownership dynamics
- Margin environment; a challenge for many competitors

The opportunity:

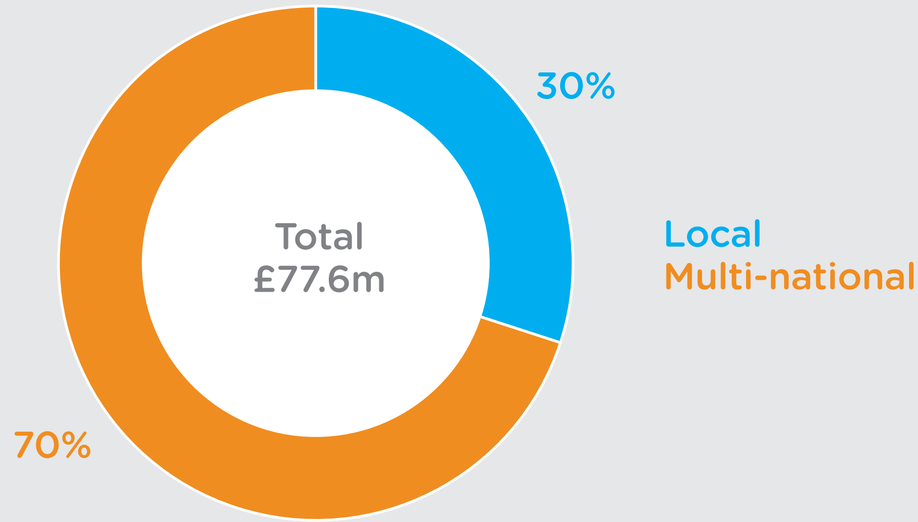
- Organic growth from poorly funded competition
- Scope for market consolidation over time

Contract Manufacturing developments

2015 revenues



2019 revenues



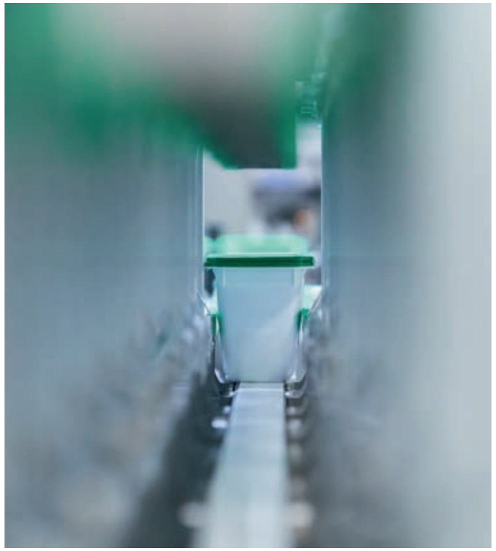
- 67% increase since 2015
- Multi-national customer numbers near doubled

- Progress with new relationships
- Proportion of Household up to 12% from 8%
- Slow burn with larger outsourcing opportunities

Financial results

David Rattigan

Interim Director of Finance



Financial headlines

- Revenues 4.6% higher at £721.3m, Danlind adding £16m; underlying revenues 2.7% higher for the full year, with second half -0.3%
- Household underlying revenues up by £23.6m across the year, but with lower growth rate in H2; continued growth in key laundry, auto dishwash and fabric conditioner categories
- Full year contract manufacturing revenues up 3.4%
- Adjusted operating profit from continuing operations £28.9m, lower by £8.8m, margin 4.0% compared to 5.5% in previous year
- Interest costs £4.6m, lower by £0.6m
- Adjusted profits before tax on continuing operations £24.5m, lower by £8.7m
- Adjusted, diluted EPS from continuing operations 23.6% lower at 9.7p (2018: 12.7p)
- Full year payment to shareholders proposed at 3.3p (2018: 4.3p)
- Net debt at £120.9m (2018: £114.3m), primarily reflecting lower profitability and working capital investment

Input cost pressures

Raw materials

- Oil and ethylene pricing driving increases in plastics and chemicals
- Some offset from lower 'naturals'
- Paper packaging higher in year
- USD/EUR exchange rate impact

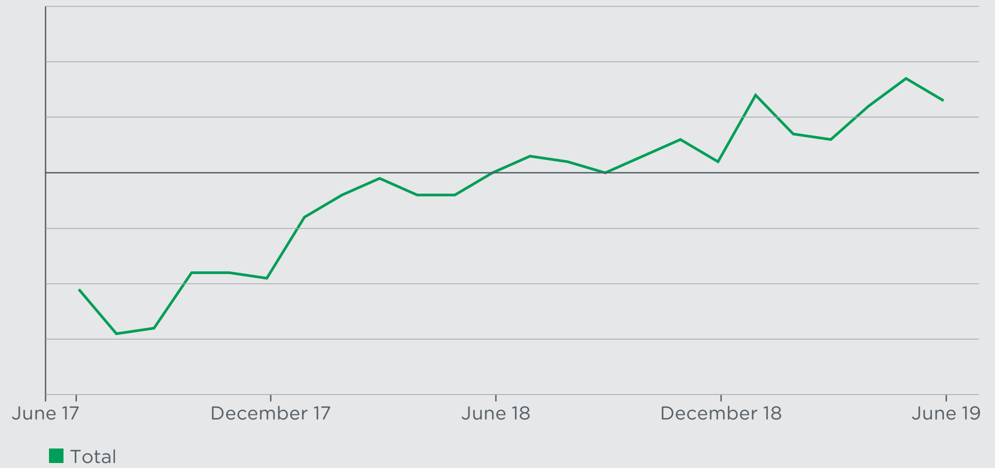
Transport

- Rates higher across most of Europe; new contracts

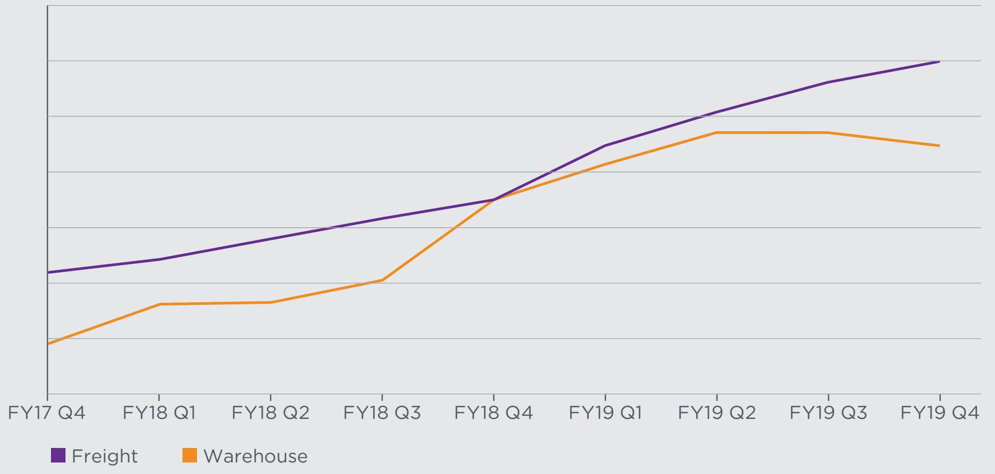
Labour

- General labour increases 2-2.5%
- Collective labour elements additional in France, Luxembourg and Belgium

Purchasing index FY18 – FY19



Transport index FY18 – FY19



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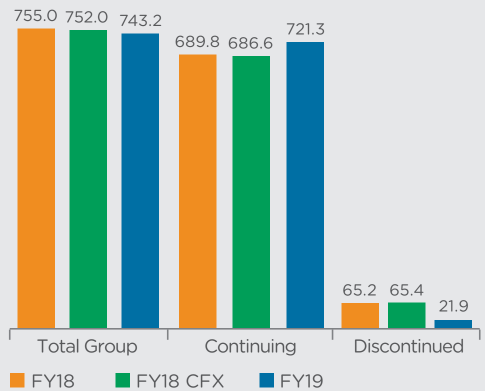
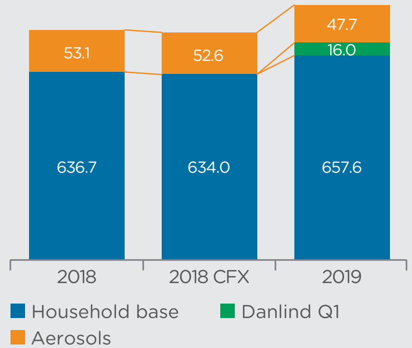
Revenue development

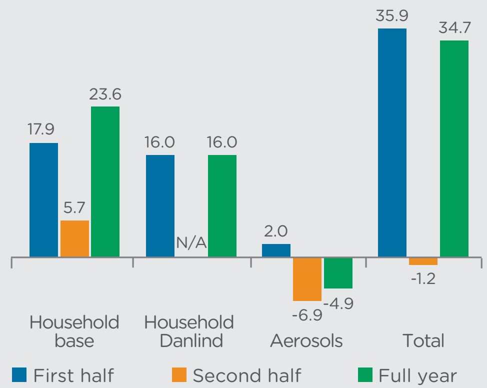
Group revenues
£m



Continuing revenues
£m



Change in continuing revenues by half year £m

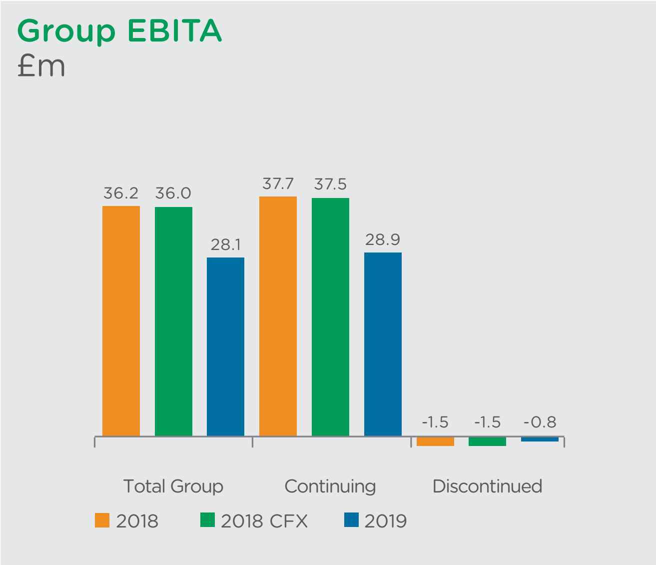


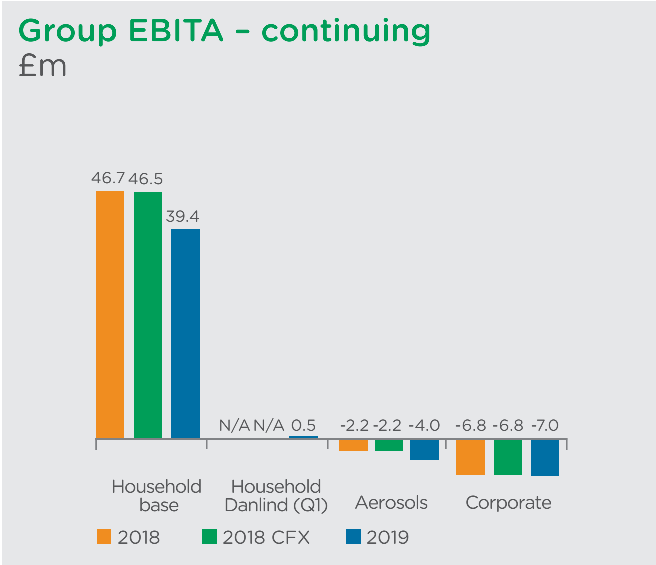
- Discontinued operations
- Danlind first quarter

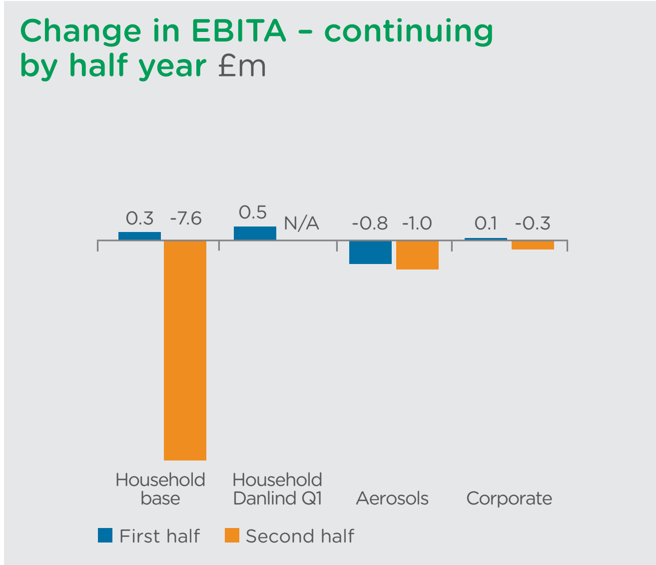
- Aerosols separately reported
- Asia in Household

- FY growth in Household
- H1 vs H2

EBITA development







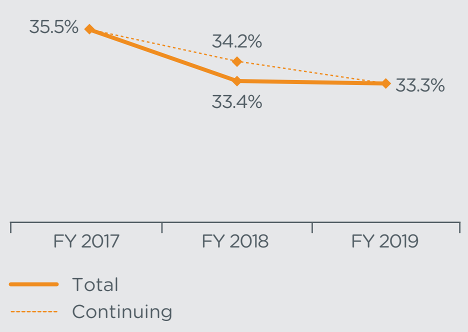
- Gross margins pressures
- Pricing mitigation

- Central overhead control
- One-off costs

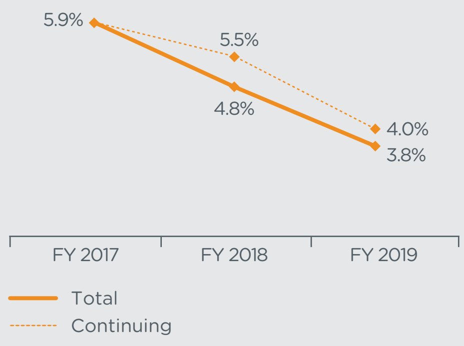
- H1 vs H2
- Aerosols Hull closure in H2

Income statement

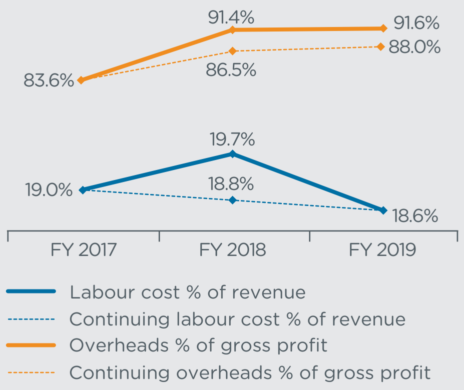
Gross margin
%



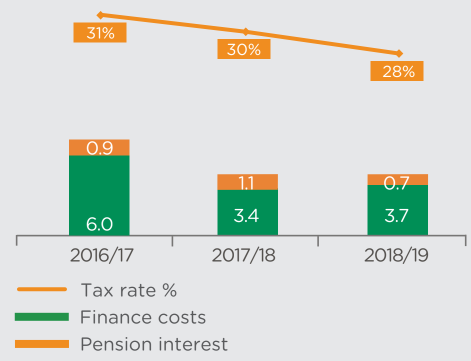
ROS
%



Labour costs % of sales and overhead % of gross profit



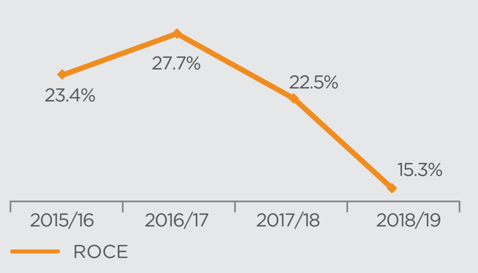
Continuing adjusted interest cost and tax rate
£m



- Raw material impact £6.6m
- Freight cost impact £6.5m
- Pricing recovery £7.8m
- Progress with labour costs ratio
- Interest savings
- Finance costs steady

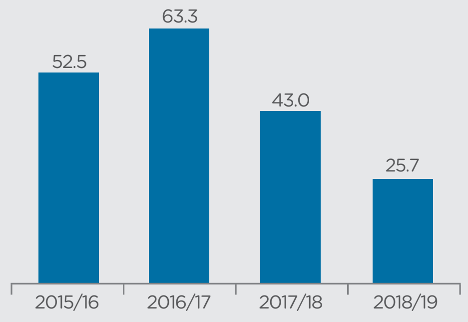
Balance sheet and cash flow

ROCE
%



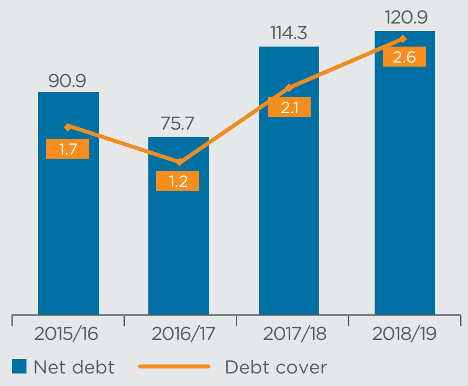
- Reduced trading profitability
- PCA losses

Cash flow from operations £m



- Capital expenditure lower
- Working capital growth

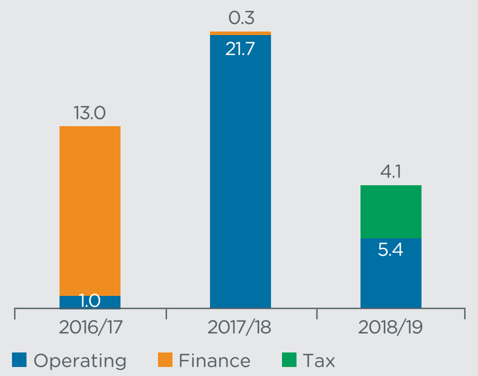
Net debt £m/cover x



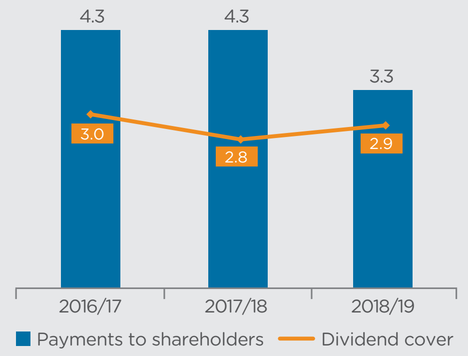
- Net debt cover (banking) is 2.0x vs banking covenants of 3.0x

Other financials

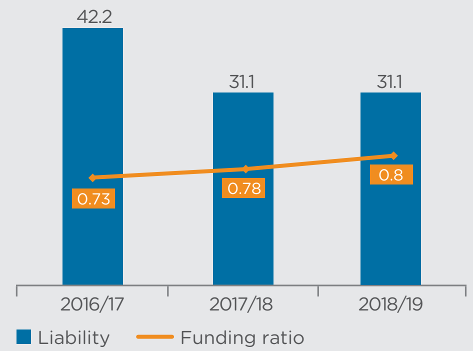
Exceptional items
£m



Payments to shareholders p/dividend cover x



Group pension liability
£m

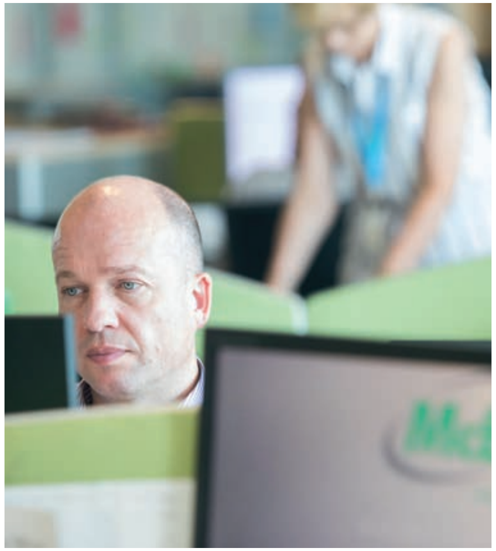


- Operating – mostly PC Liquids (64% non-cash)
- Tax – reduction in ACT asset (non-cash)

- Payments to shareholders in the 2-3x cover policy range

- UK scheme – slight deficit reduction
- New funding arrangements

Strategy update



Rapid growth in H1 impacted our 'Prepare' delivery

Significant contract wins successfully absorbed, despite early challenges

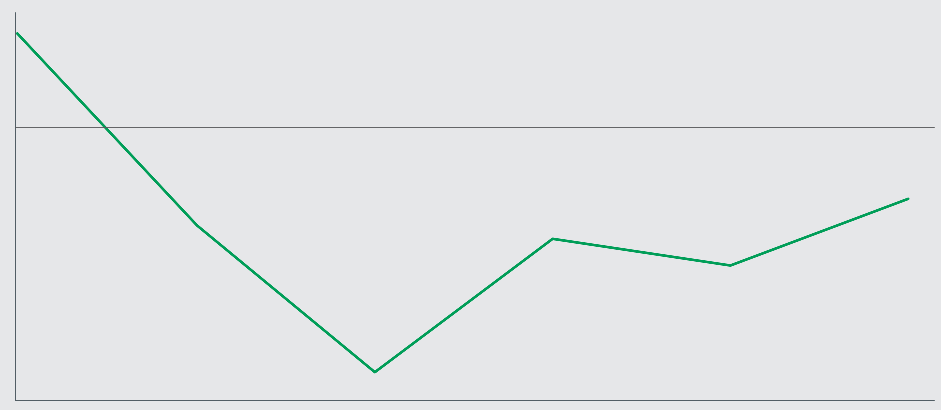
Internal factors

- Production planning and inventory
- Warehousing capacities, locations
- Customer allocation challenges
- Factory footprint and capacities

External pressures

- Raw material pricing and availability
- Distribution availability
- Margin challenges
- Legislative changes
- Competitor behaviour

Customer service performance



Completing 'Prepare': great progress, but more to do

We closed out many actions, identified when we started 'Repair, Prepare, Grow'

- PC Liquids
- Aerosols consolidation
- Integration of Danlind
- Category choices and investments
- Talent development

But… we have delayed others

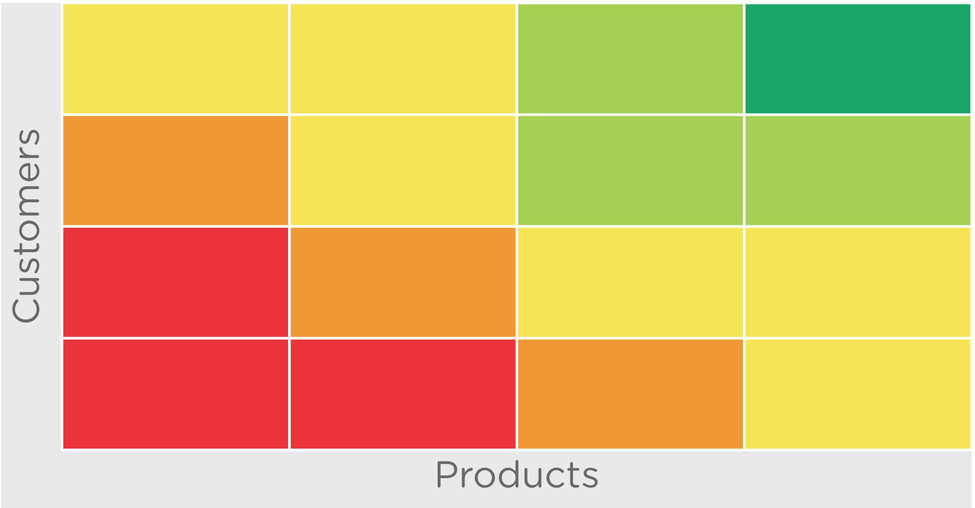
Our environment has moved on in the meantime

We have new initiatives and are reinvigorating the 'Prepare' activity

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

Reinvigorating the delivery of ‘Prepare’ to secure business opportunities

Segmentation



Digital update

Asset investment

Warehouse/logistics footprint

Growth prospects: current financial year and beyond

- Household Europe expected to be flat in current year
  - New contract wins secured showing promising progress against 2.0-2.5% target
  - Auto dishwash, fabric conditioner and capsules in Private Label leading the way
  - Losses from recent 'pricing actions' expected to offset
- Further capacity investments for key categories continuing
- Aerosols impact on total Group revenues
- Asia expansion plans






2019 outlook

- Sales performance
- Certain input costs stabilising, roll-through effect
- Category investments
- Overheads
- Competitor environment
- 'Prepare' actions

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

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Appendix 1: income statement

Continuing operations	2018/19 £m	2017/18 £m	Y/Y	Constant currency[1] 2017/18 £m	Constant currency[1] Y/Y
Revenue	**721.3**	689.8	4.6%	**686.8**	5.0%
Gross profit	**240.4**	235.6	2.0%	**234.6**	2.5%
Gross margin	**33.3%**	34.2%	(0.9ppt)	**34.2%**	(2.4%)
Distribution costs	**(56.6)**	(48.9)	15.7%	**(48.7)**	16.2%
Administration expenses	**(154.9)**	(149.0)	4.0%	**(148.4)**	4.4%)
EBITA[2]	**28.9**	37.7	(23.3%)	**37.5**	(22.9%)
Net financing costs:					
– borrowings	**(3.7)**	(3.4)	8.8%	**(3.3)**	12.1%
– pension	**(0.7)**	(1.1)	(36.4%)	**(1.1)**	(36.4%)
Adjusted profit before taxation[3]	**24.5**	33.2	(26.2%)	**33.1**	(26.0%)
Taxation	**(6.8)**	(10.0)	(32.0%)	**(10.0)**	(32.0%)
Adjusted profit after taxation[3]	**17.7**	23.2	(23.7%)	**23.1**	(23.4%)
Loss from the year from discontinued operations	**(0.6)**	(1.0)	(40.0%)	**(1.0)**	(40.0%)
Adjusted profit for the year	**17.1**	22.2	(23.0%)	**22.1**	(22.6%)
Adjusted diluted earnings per share (p)[3]	**9.4**	12.1	(22.3%)		
Amortisation	**1.9**	1.4	0.5		
Exceptional items	**9.5**	22	(12.5)		
Unwind of discount on contingent consideration	**—**	—	—		
Unwind of discount on provisions	**0.2**	0.5	(0.3)		
Taxation – effective rate	**28%**	30%	(2ppt)		

(1) Comparatives translated at 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, non-cash financing costs from unwind of discount on initial recognition of contingent consideration; unwind of discount on provisions and any related tax.

Appendix 2: segmental reporting

	2018/19 £m	2017/18 £m	Y/Y	Constant currency 2018/19 £m	Constant currency Y/Y
Continuing revenue					
UK	**173.1**	163.9	5.6%	**163.9**	5.6%
France	**122.0**	125.8	(3.0%)	**125.1**	(2.5%)
North	**111.3**	108.5	2.6%	**108.1**	3.0%
South	**79.4**	77.3	2.7%	**76.9**	3.3%
East	**166.4**	141.6	17.5%	**140.6**	18.3%
Asia	**21.4**	19.6	9.2%	**19.6**	9.2%
Household	**673.6**	636.7	5.8%	**634.2**	6.2%
Aerosols	**47.7**	53.1	(10.2%)	**52.6**	(9.3%)
Group	**721.3**	689.8	4.6%	**686.8**	5.0%
Discontinued revenue	**21.9**	65.2	(66.4%)	**65.2**	(66.4%)
Group total	**743.2**	755.0	(1.6%)	**752.0**	(1.2%)
Continuing trading profit					
Household	**39.9**	46.7	(14.6%)	**46.5**	(14.2%)
Aerosols	**(4.0)**	(2.2)	(81.8%)	**(2.2)**	(81.8%)
Corporate	**(7.0)**	(6.8)	(2.9%)	**(6.8)**	(2.9%)
	28.9	37.7	(23.3%)	**37.5**	(22.9%)
Discontinued trading profit	**(0.8)**	(1.5)	(46.7%)	**(1.5)**	(46.7%)
Group total	**28.1**	36.2	(22.4%)	**36.0**	(21.9%)

Appendix 3: exceptional items

	2019 £m	2018 £m
Continuing operations		
Reorganisation and restructuring costs:		
Acquisition of Danlind	0.7	1.6
UK Aerosols re-organisation	(1.2)	2.9
Efficiency-based restructuring	0.8	—
Other	0.1	—
Total charged to operating profit	0.4	4.5
Group refinancing:		
Danlind finance charges incurred at acquisition	—	0.3
Total charged to financing	—	0.3
Reduction of ACT tax asset	4.1	—
Total charged to taxation	4.1	—
Total continuing operations	4.5	4.8
Discontinued operations		
Impairment of long-lived assets, property, plant and equipment and inventory		
PC Liquids	—	6.2
Fair value impairment for assets held for sale	—	8.5
Impairment of goodwill PC Liquids	—	0.2
Disposal of Brno, Czech Republic	—	4.1
	—	19.0
Sale of PC Liquids business	5.0	1.2
Change in contingent consideration	—	(3.0)
Total discontinued operations	5.0	17.2
Total	9.5	22.0

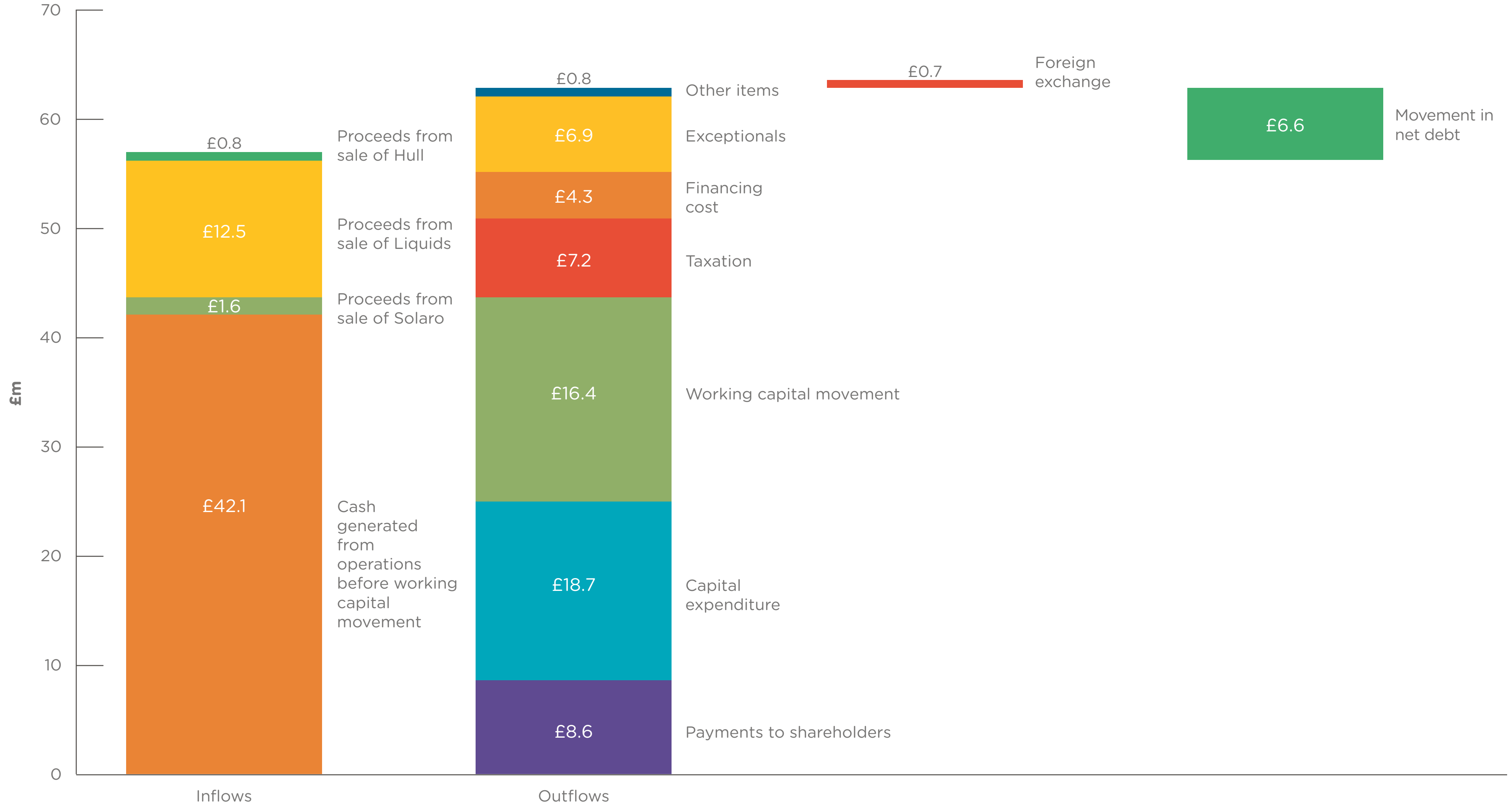
Appendix 4: balance sheet

	2018/19 £m	2017/18 £m	Y/Y
Goodwill and other intangible assets	**29.5**	29.9	(1.3%)
Property, plant and equipment	**136.0**	135.6	0.3%
Other non-current assets	**11.6**	13.6	(14.7%)
Working capital	**58.6**	41.9	39.9%
Net other debtors/(creditors)	**(5.0)**	(6.5)	(23.1%)
Provisions	**(7.9)**	(7.2)	9.7%
Pension	**(31.1)**	(30.9)	0.6%
Non-current liabilities	**(6.6)**	(6.6)	0.0%
Assets held for sale	**—**	12.1	(100.0%)
Net debt	**(120.9)**	(114.3)	5.8%
Net assets	**64.2**	67.6	(5.0%)
Average capital employed	**183.5**	160.9	14.0%
ROCE	**15.3%**	22.5%	(7.2 ppt)
Working capital % of sales	**7.9%**	5.5%	2.4 ppt

Appendix 5: cash flow

	2018/19 £m	2017/18 £m	Y/Y £m
Adjusted operating profit	**28.1**	36.2	(22.4%)
Depreciation	**18.4**	19.1	(3.7%)
Share-based payments	**(0.2)**	(0.4)	(50.0%)
Additional cash funding of pension scheme	**(4.2)**	(3.0)	40.0%
Operating cash flow before movements in working capital	**42.1**	51.9	(18.9%)
Movement in working capital	**(16.4)**	(8.9)	84.3%
Cash generated from operations	**25.7**	43.0	(40.2%)
Capital expenditure	**(18.7)**	(23.6)	(20.8%)
Operating cash flow	**7.0**	19.4	(63.9%)
Exceptional cash flow	**(6.9)**	(4.1)	68.3%
Interest paid	**(4.3)**	(3.7)	16.2%
Redemption of B shares	**(8.6)**	(7.7)	11.7%
Taxation paid	**(7.2)**	(6.8)	5.9%
Debt acquired with Danlind	**—**	(25.3)	(100.0%)
Acquisition of Danlind	**—**	(10.4)	(100.0%)
Purchase of Fortune Organics	**—**	(0.5)	(100.0%)
Proceeds from sale of Brno	**—**	1.0	(100.0%)
Proceeds from sale of Solaro	**1.6**	—	100.0%
Proceeds from sale of PC Liquids	**12.5**	—	100.0%
Proceeds from sale of Hull plant	**0.8**	—	100.0%
Other items	**(0.8)**	0.2	(500.0%)
Net cash flow	**(5.9)**	(37.9)	(84.4%)
Net debt at beginning of year	**(114.3)**	(75.7)	51.0%
Currency translation differences	**(0.7)**	(0.7)	0.0%
Net debt at end of year	**(120.9)**	(114.3)	5.8%

Appendix 6: use of cash



Appendix 7: Funding headroom

	Facility £m	Drawn £m	Committed headroom £m
Committed facilities:			
– Revolving facilities (June 2022)	156.9	(91.8)	65.1
– Invoice discounting facility	29.7	(29.7)	—
– Other loans	1.2	(1.2)	—
Total committed facilities	**187.8**	**(122.7)**	**65.1**
Uncommitted facilities	58.6	(13.4)	(13.4)
Total facilities	**246.4**	**(136.1)**	**51.7**
Cash and cash equivalents		14.4	14.4
Other		0.7	—
Net debt		**(120.9)**	**66.1**