McBride plc

Results Presentation: 29 September 2022

Everyday cleaning products,
expertly made

Agenda

1. Overview
2. Financial review
3. Outlook
4. Q&A

Our speakers today

Chris Smith
Chief Executive Officer

Mark Strickland
Chief Financial Officer

Overview

Business review summary

Group's performance and prospects improving after difficult year

Significant operating losses in year

- Management actions required to tackle over £200m of annualised inflationary cost effect
- Strong engagement with customers to support pricing recovery actions
- Pace of cost inflation and price increase negotiation time lags, pushed Group into adjusted EBITA losses of £24.5m
- Additional mitigations – tight cost and cash management, 'design to value' options for customers

Reset lending agreements

- Encouraging support from lender group for newly negotiated banking agreements
- Funding certainty to support Group's recovery and strategic objectives

Supporting recovery and strategic direction

- Significant progress with price and margin recovery, further actions in play
- Strengthened our position in private label against difficult market backdrop, contract manufacturing lower in year
- Compass strategies reconfirmed, initial savings target of £20m on track
- Excellence and Transformation agenda targeting further £50m over 5 years
- Favourable environment developing for private label, service performance recovering after tough year
- Corporate carbon footprint assessment complete, good progress on green energy

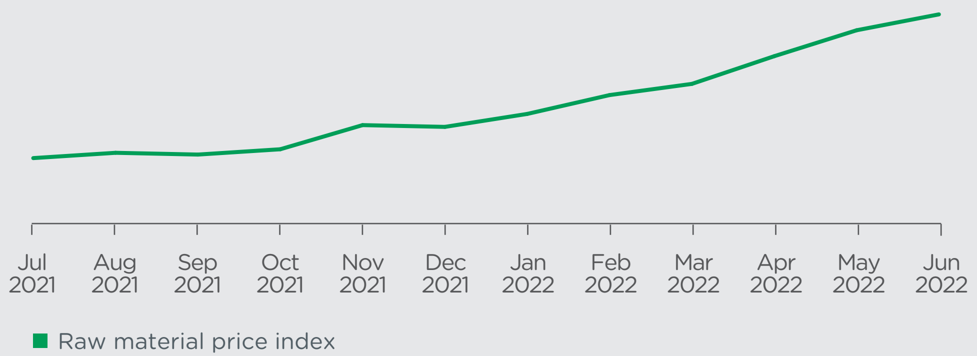
Business response to inflationary pressures

Multiple waves of margin recovery actions

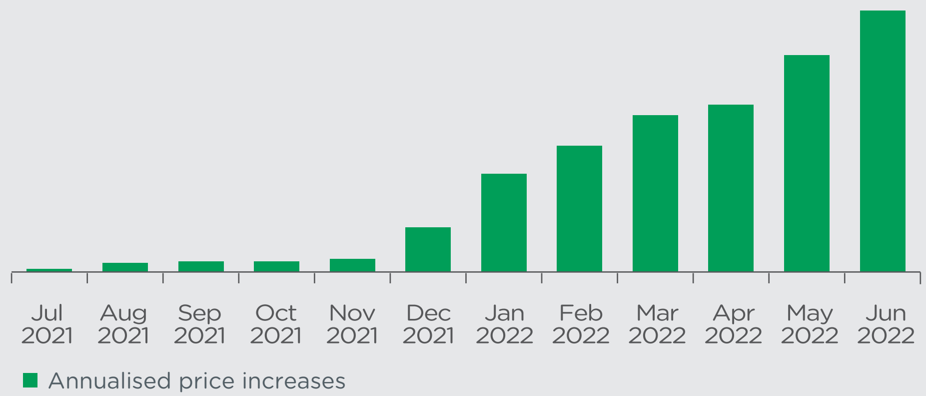
- Strict cost and capex management
- Materials cost forecasting improvements for pace and agility
- Multiple waves of price rises, negotiation time lag
  – shelf prices, brander positions
- Energy, transport, labour, general supplies all still rising in Q1 FY23
- Customer collaboration with 'design to value' options

Unprecedented increase in long term RMPI

RPMI increases accelerated in second half



Pricing agreements accelerated in second half



General market overview

Volumes lower across the board

Total market:

Total market volumes	(6)% vs 2021	+1% vs 2019
Branded volumes	(6)% vs 2021	+3% vs 2019
Private label volumes	(6)% vs 2021	(2)% vs 2019
Private label share	Stable	Down

- Private label share improving from second half
- Consumption levels possibly lower due to cost of living pressures

Total category volumes:

Laundry – total	(3)% vs 2021	(4)% vs 2019
Cleaners – total	(9)% vs 2021	+4% vs 2019
Dishwash – total	(5)% vs 2021	+7% vs 2019

- Eco products suffering in cost-conscious times
- E-commerce stable

Kantar panel data: 12 months to June 2022.

Divisional strategic update

McBride Liquids

56.6%
of Group sales

Driving the cost and volume agenda

- Strengthening market position despite PL market volumes lower by 6%
- Contract manufacturing returned to FY19 levels
- Encouraging growth prospects for FY23
- Pricing effect in second half +19%
- Key focus on partnering customers with 'design to value' and sustainable product options
- Cost leadership focus; division-wide 'Lean' approach, target cost savings on track

McBride Unit Dosing

25.3%
of Group sales

Innovation progress sets the tone for future growth

- Innovation and customer engagement developing well:
  - new product launches
  - sustainable packaging
  - value options
- Volumes 8% lower for PL – market lower by 10%
  - outperformed in dishwash but behind in laundry
- Contract manufacturing decline, reversing Covid-19 upsides
- Pricing effect in second half +18%
- New contract with global brander to launch FY23

Divisional strategic update

McBride Powders

10.1% of Group sales

Cost leadership and technical step up securing wins

- Overall trend for market decline slowing; cost proposition attractive in inflationary times
- Professional cleaning supplies recovering, contract manufacturing variable
- Share gain in laundry powder
- Strong pipeline of opportunities
- Cost leadership key to strategy, good progress continues
- Enhanced R&D capability on track; innovation to support customers well received

McBride Aerosols

4.7% of Group sales

Expanding reputation for specialist supplier

- Niche player reputation; strong partnerships with customers
- Overall volumes stabilised in H2 after a weak H1, private label grew in H2, pipeline of new wins encouraging
- Development outside France progressing well
- ‘Made in France’ tag supporting contract manufacturing volumes

McBride Asia Pacific

3.3% of Group sales

Recovery amidst growing contract manufacturing ambition

- Covid-19 after-effects hampering business
- New leadership positions filled
- Developing contract manufacturing offer and relationships with both local and global players
- Household growth ambition supported by Group R&D

Programme Compass strategy update

Despite difficult last year, early Compass actions progressing, new initiative launch in FY23

- Compass structure implemented and operational
- Divisional strategies updated and refreshed, fundamental direction unchanged
- Compass launch cost initiative of £20m by end FY23 on track

Our guiding principles

Despite difficult last year, early Compass actions progressing, new initiative launch in FY23

- FY23 launch of Excellence and Transformation agenda
- Post turmoil of last 18 months, management capacity freeing up
- ‘Effective Execution’ agenda, especially covering:
  - cost efficiency (digitalisation, core process standardisation)
  - hygiene factors (service, quality and safety)
- Transformation team
- Targeting additional £50m over five years

ESG

Environmental | Social | Governance

Environmental

- Corporate carbon footprint completed
- Chemicals vs packaging impact
- Net Zero ambition to be defined in FY23
- Good progress made on green electricity; further progress planned in FY23

Selected KPIs	2025 target	FY22	FY21
FSC® sourced	**100%**	91.4%	90.6%
100% recyclable	**100%**	98.5%	98.5%
50% PCR in our plastic packaging – PET – PE	**50%**	17.6% 52.2% 5.1%	15.6% 47.0% 4.7%
Flexible multi-plastic moved to mono-material plastic	**100%**	39%	21%

Social

- Record low accident levels
- Well-being programme maintained
- Training progress
- Diversity improvements at Board and Executive Committee level

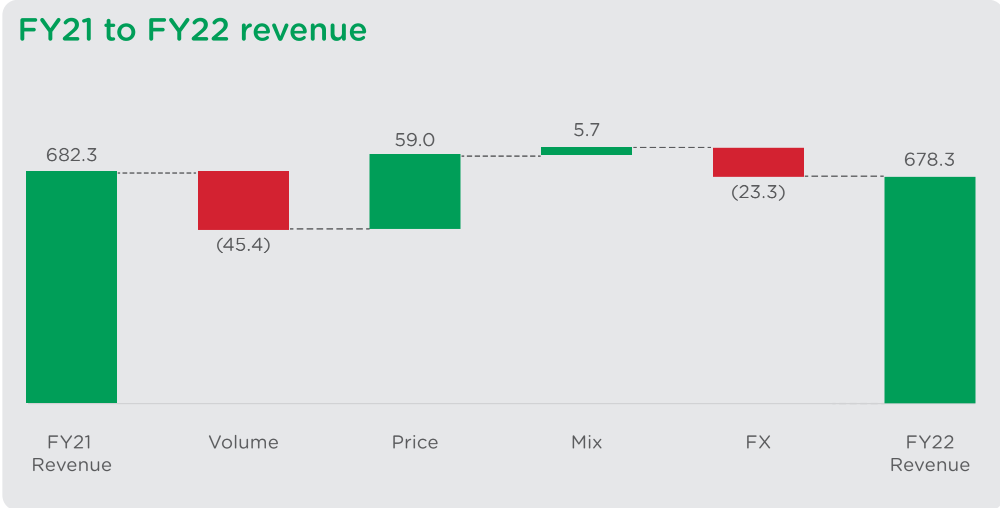
Governance

- Risk management process upgraded
- Board changes
- Online compliance training

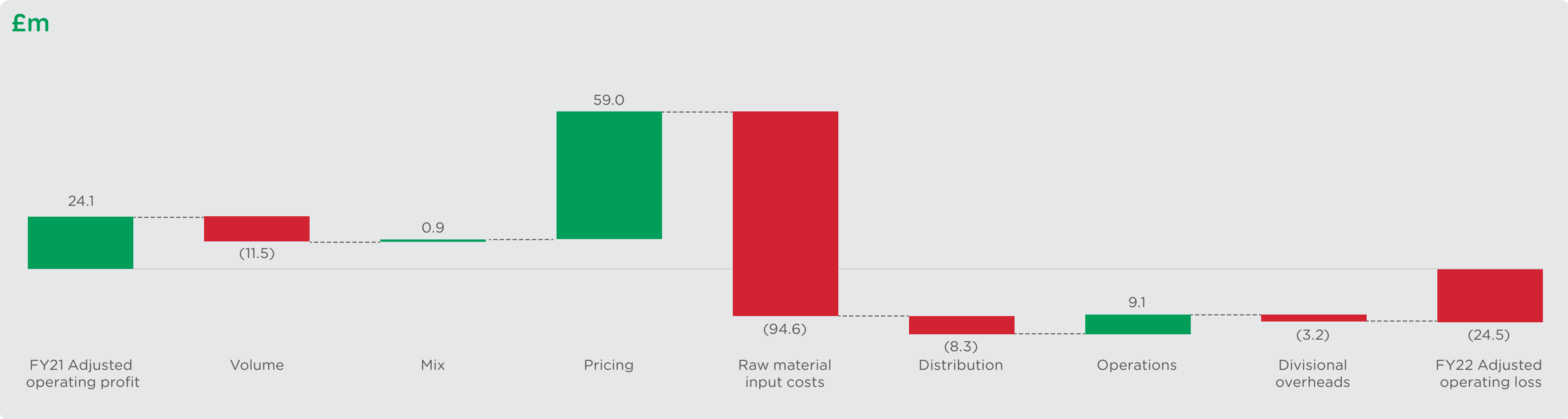
Financial review

Group revenue

- Revenue fell by 0.6% vs FY21, but was 2.9% higher when excluding £23.3m adverse impact from currency translation
- Volume reductions, mainly in Liquids and Unit Dosing divisions, drove £45.4m decline (65% first half, 35% second half)
- Washing-up liquids and laundry liquids performed better than the market in terms of both revenue and sales volumes
- Laundry capsules performed worse than market in the first half of the year, although the business stabilised in the second half
- Price actions with £59.0m in-year benefit, were agreed with customers following exceptional input cost increases



Group adjusted operating profit/(loss) bridge



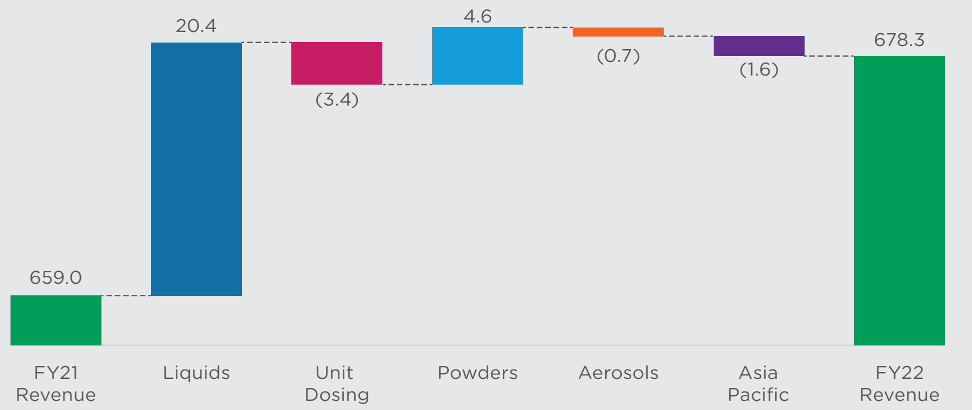
- Key drivers of the £48.6m reduction in adjusted operating profit:
  - volume/mix – Covid-19 continues to impact demand with lower sales of higher margin products such as capsules, cleaners and sanitisers
  - pricing – price recovery actions started in FY22. Multiple pricing waves have been completed to offset significant cost inflation
  - raw material input costs – global supply chain shocks and rapid and continuing exceptional inflation of raw materials and packaging
  - distribution costs – higher fuel costs plus negative impacts on availability of drivers from Brexit, EU mobility package transport legislation and the Covid-19 pandemic; Ukraine impact on driver shortages
  - operations cost reductions driven by Compass savings
  - divisional overheads increase driven by higher customer penalties
  - included within the bridge are £11.6m of in-year Compass savings

Compass cost reduction progress

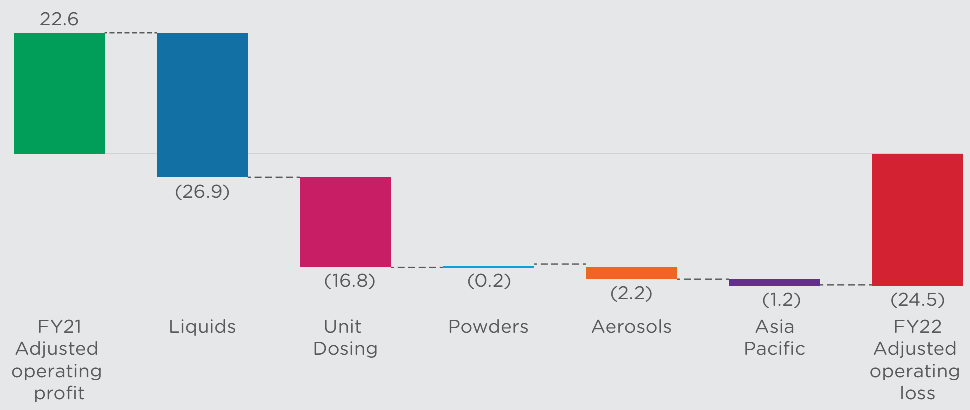
- On track to save committed £20m annualised by the end of FY23
- £11.6m cost savings achieved in FY22
- Cost savings from:
  - operations £10.2m
  - distribution £0.9m
  - divisional overheads £0.4m

Divisional performance

Revenue £m
Constant currency variances



Adjusted operating profit £m
Constant currency variances

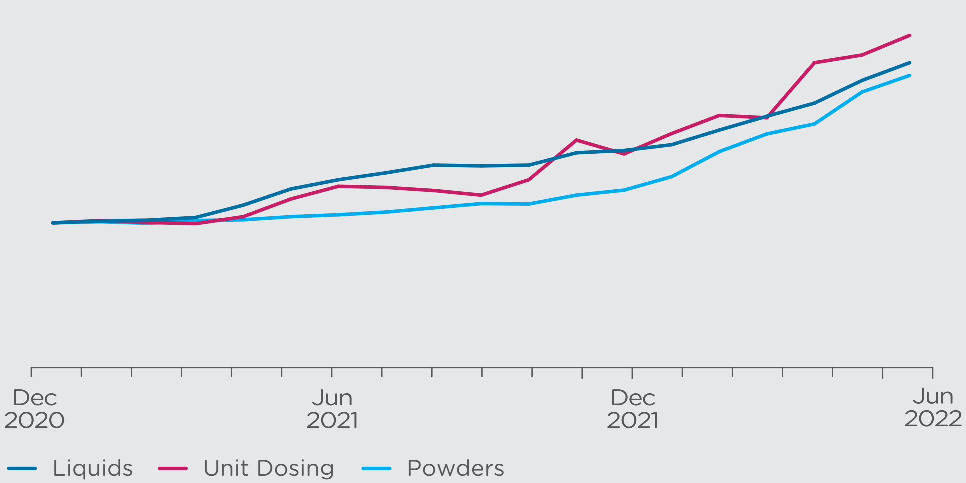


- Group revenue up 2.9% at constant currency:
  - Liquids up by 5.6%; driven by price increases and favourable growth of laundry products
  - Unit Dosing lower by 1.9%; laundry capsules contract losses and lower demand in Q4 FY22
  - Powders up by 7.2%; demand for laundry products recovered as Covid-19 restrictions eased
  - Aerosols down by 2.1%; sanitiser decline partially offset by second half sales increases
  - Asia Pacific down by 6.7%; extended and severe Covid-19 lockdowns reduced demand

- Group adjusted operating profit decreased £47.1m to £(24.5)m at constant currency:
  - Exceptional cost inflation impacted all divisions, with largest impacts in Liquids and Unit Dosing
  - Powders: cost savings from Barrow closure outweighed by input cost inflation
  - Aerosols: lower sales of Covid-19 sanitiser products significantly impacted profitability
  - Asia Pacific: significant Covid-19 related demand and supply disruptions

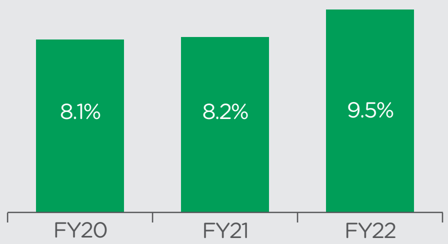
Costs

Divisional input costs index – largest divisions



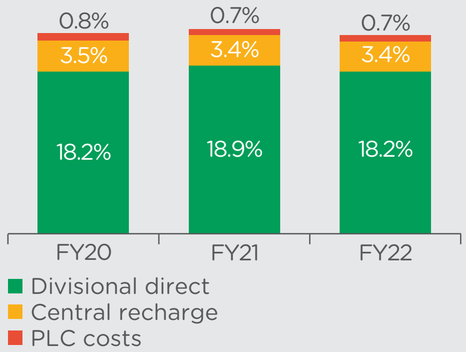
- Significant and sudden increases
- Actions being taken to reduce exposure to input cost volatility

Distribution costs as % of sales



- Brexit, Covid-19 and EU Mobility Package have all reduced driver availability and increased costs
- Significant inflation in fuel, labour and pallet costs
- Physical changes to warehouse network have generated cost savings in line with distribution strategy

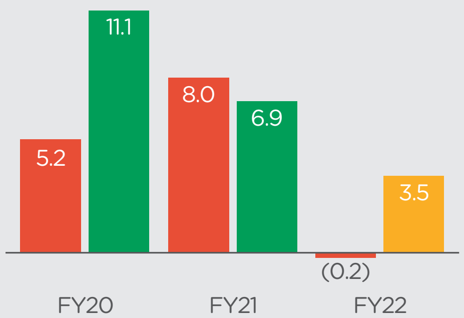
Administrative (overhead) costs as % of sales



- Strong divisional cost control and Compass cost savings reduced administrative overhead costs to 22.3% of sales (FY21: 23.0%)

Other financials

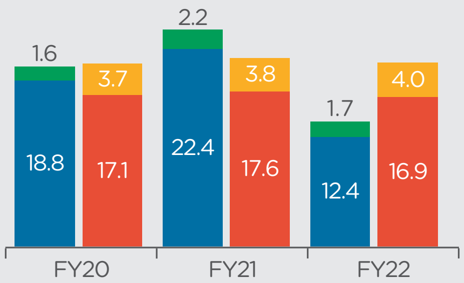
Exceptional costs £m



Cash flow
Operating
Finance

- Finance costs of £3.5m in relation to independent business review (IBR)
- Estimated £15m exceptional finance costs in FY23
- Cash flow: Property sale proceeds (Barrow, Malaysia, Guesnain) less costs in relation to IBR

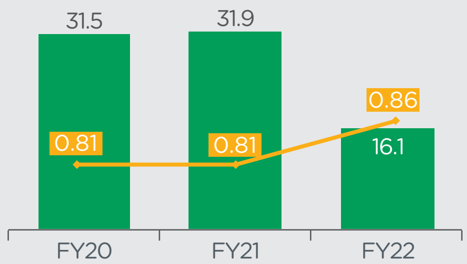
Capex and depreciation £m



Capex – intangibles
Capex – PP&E
Depreciation – PP&E
Depreciation – right-of-use assets

- Capex spend strictly prioritised in light of tough trading conditions
- Capex prioritisation to continue into FY23

Pensions[1] £m

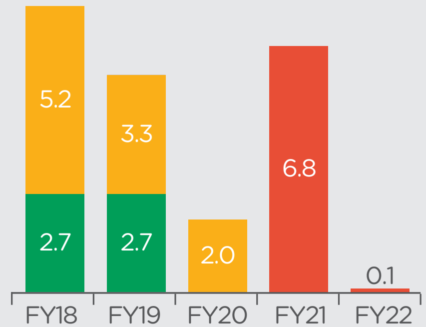


Liability
Funding ratio

(1) On IAS19 Basis.

- Cash flow driven investment strategy continues to perform well
- Decrease in liability reflects increase in corporate bond yields
- £4m deficit reduction contributions paid
- Triennial valuation agreed

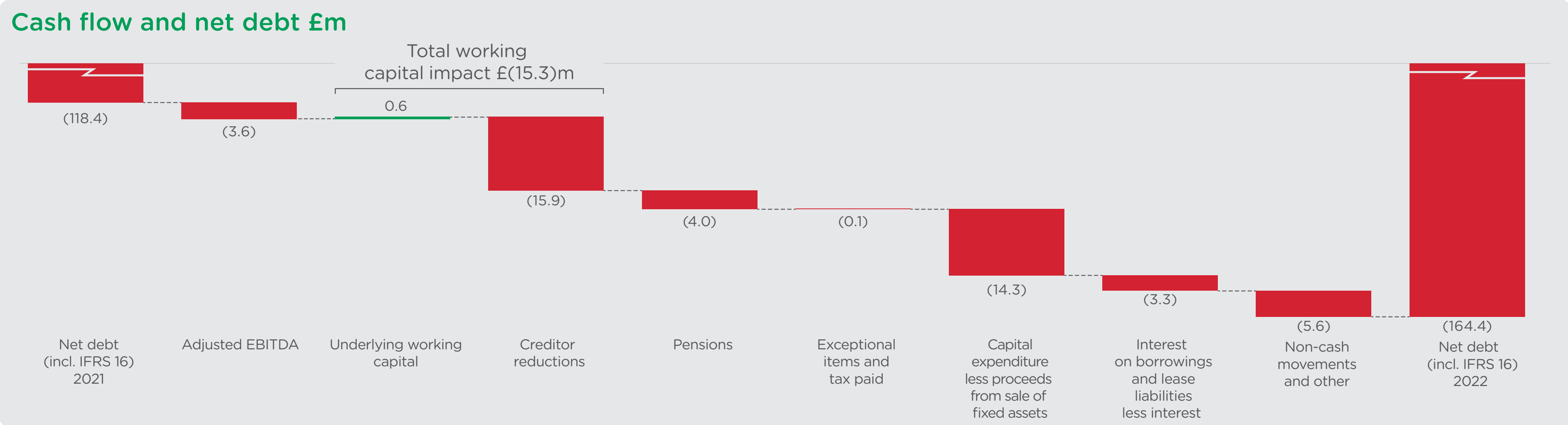
Returns to shareholders £m



Interim
Final
Share buy-back

- 0.2m shares bought back at a cost of £0.1m before share buy back programme ceased on 7 September 2021

Cash flow and net debt



- Net debt increase driven by significant deterioration in EBITDA and adverse working capital:
  - adjusted EBITDA £(3.6)m (FY21: £45.5m) due to exceptional input cost inflation, not immediately recovered from pricing actions
  - working capital adverse cash flow impact, driven by the effects of inflation rolled up in net working capital, combined with reductions in creditor payment terms driven by the loss of credit insurance
  - capital expenditure restricted to conserve cash
  - non-cash movements include £5.5m of lease obligation additions and interest

Funding arrangement agreed with the lender group

FY22 covenants

- Our lender group waived the December 2021 and deferred the 30 June 2022 covenant tests with the following conditions that have been met:
  - maintain liquidity of at least £40m
  - no dividend payments

Refinancing agreed

- New funding arrangements announced on 29 September 2022 provides sufficient liquidity headroom:
  - €175m revolving credit facility confirmed to May 2026
  - overdrafts (£18.5m) and invoice discounting facilities (£83m) committed to 30 September 2024
  - £15m minimum liquidity covenant agreed, tested on a look-forward basis
  - net debt cover and interest cover covenants to be tested from 30 September 2024
  - 'upside sharing' fee of 11% included, payable upon the occurrence of an exit event
  - no dividends will be paid for the duration of the RCF agreement

McBride

Going concern

- The Group's base case forecasts throughout the going concern and viability review period would result in full compliance with the Group's newly agreed banking covenants
- The independent auditor's report includes an 'Emphasis of Matter' as the occurrence of multiple severe but plausible downside risks, represent a material uncertainty that could cast significant doubt upon the Group's ability to continue as a going concern
- Severe but plausible downside risks:
  - zero revenue growth from volumes, with revenue growing in 2023 just for pricing already agreed with customers
  - higher input costs being recovered through pricing actions, but only after a lag
  - worsening trade working capital
  - interest rates increasing by a further 100 basis points
  - sterling appreciating significantly against the Euro to £1: €1.22
- To mitigate against these risks, the Group is currently negotiating to further increase liquidity by £25m through extension of invoice discounting facilities to unencumbered receivables ledgers
- Had the £25m mitigation actions been in place, there would not have been a requirement for an 'Emphasis of Matter'

Outlook


Priva
ESSIG
REINIGER
Priva
BLACK
FEINWASCHMITTEL
Priva
MULTI-FLECKEN
VORWASCHSPRAY
Priva
ALLZWECK
REINIGER

Outlook

Inflationary pressures steadying; volumes showing some recovery

Early trading in FY23 on plan	Following refinancing agreement, management capacity to support business growth
Varying outlooks for material costs, other costs still rising	Margin recovery still in progress
Logistics challenges easing, service recovering, favourable for volumes	Maintaining our view that full year earnings will be in line with our expectations

Q&A

Appendices

1. Income statement
2. Segmental reporting
3. Exceptional items
4. Balance sheet
5. Cash flow
6. Funding headroom
7. Group five-year summary
8. Ten-year adjusted operating profit/loss

Appendix 1: Income statement

Continuing operations	2022 £m	2021 £m	y/y	Constant currency[1] 2021 £m	Constant currency[1] y/y
Revenue	**678.3**	682.3	(0.6)%	659.0	2.9%
Gross profit	**190.8**	237.0	(19.5)%	228.2	
Gross margin	**28.1%**	34.7%	(6.6) ppt	34.6%	(6.5) ppt
Distribution costs	**(64.3)**	(56.0)	14.8%	(53.7)	19.7%
Administrative expenses	**(151.0)**	(156.9)	(3.8)%	(151.7)	(0.5)%
Adjusted operating profit/(loss)[2]	**(24.5)**	24.1	(201.7)%	22.8	
Net finance costs					
– borrowings	**(4.6)**	(3.8)	21.1%	(3.7)	24.3%
– pension	**(0.5)**	(0.4)	25.0%	(0.4)	25.0%
Adjusted (loss)/profit before taxation[3]	**(29.6)**	19.9	(248.7)%	18.7	
Taxation	**9.3**	1.1	745.5%	1.3	615.4%
Adjusted (loss)/profit for the year	**(20.3)**	21.0	(196.7)%	20.0	
Adjusted diluted (loss)/earnings per share (pence)[3]	**(11.7)**	11.7	(200.0)%		
Amortisation	**2.6**	2.4	0.2		
Exceptional items	**3.5**	6.9	(3.6)		
Taxation – effective rate	**31.4%**	(5.5)%	36.9 ppt		
Adjusted EBITDA	**(3.6)**	45.5	(49.1)		

(1) Comparatives translated at FY22 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

				Constant currency	
	2022	2021		2021	
Revenue	**£m**	£m	y/y	£m	y/y
Liquids	**383.9**	376.1	2.1%	363.5	5.6%
Unit Dosing	**171.5**	181.5	(5.5)%	174.9	(1.9)%
Powders	**68.6**	66.3	3.5%	64.0	7.2%
Aerosols	**31.9**	34.0	(6.2)%	32.6	(2.1)%
Asia Pacific	**22.4**	24.4	(8.2)%	24.0	(6.7)%
Group total	**678.3**	682.3	(0.6)%	659.0	2.9%
Adjusted operating (loss)/profit					
Liquids	**(15.9)**	11.7	(235.9)%	11.0	
Unit Dosing	**(0.8)**	16.7	(105.1)%	16.0	
Powders	**(2.5)**	(2.3)	(8.7)%	(2.3)	
Aerosols	**(1.5)**	0.8	(283.7)%	0.7	
Asia Pacific	**0.7**	1.9	(61.1)%	1.9	
Corporate	**(4.5)**	(4.7)	(4.3)%	(4.7)	
Group total	**(24.5)**	24.1	(201.6)%	22.6	

Appendix 3: Exceptional items

	2022 £m	2021 £m
Reorganisation and restructuring costs/(gains)		
– UK Aerosols closure	0.1	0.4
– Factory footprint review	(1.4)	0.3
– Review of strategy, organisation and operations	(0.4)	4.4
– Logistics transformation programme	0.7	1.1
Environmental remediation	0.6	—
Total charged to continuing operating (loss)/profit	(0.4)	6.2
Finance costs – independent business review	3.5	
Total continuing operations	**3.1**	6.2
Sale of PC liquids business	0.5	0.7
Other	(0.1)	—
Total discontinued operations	**0.4**	0.7
Group	**3.5**	6.9

Appendix 4: Balance sheet

	2022 £m	2021 £m
Goodwill and other intangible assets	**27.0**	27.9
Property, plant and equipment	**122.9**	129.8
Right-of-use assets	**11.3**	10.0
Other non-current assets	**31.6**	22.9
Working capital	**57.5**	41.6
Net other (creditors)/debtors	**(0.9)**	1.0
Provisions	**(7.2)**	(6.4)
Pensions	**(16.1)**	(31.9)
Non-current liabilities	**(4.7)**	(6.7)
Net debt	**(164.4)**	(118.4)
Net assets	**57.0**	69.8
Average capital employed	**214.0**	208.7
Adjusted ROCE	**(11.4)%**	11.5%
Trade working capital % of sales	**12.8%**	10.0%

Appendix 5: Cash flow

	2022 £m	2021 £m
Adjusted operating (loss)/profit	**(24.5)**	24.1
Depreciation property, plant and equipment	**16.9**	17.6
Depreciation right-of-use assets	**4.0**	3.8
Share-based payments	**—**	0.3
Additional cash funding on pension scheme	**(4.0)**	(4.0)
Impairment of property, plant and equipment	**(0.1)**	0.3
Loss on disposal of property, plant and equipment	**0.3**	0.4
Operating cash flow before movement in working capital before exceptional items	**(7.4)**	42.5
Movement in working capital	**(15.3)**	(9.4)
Free cash flow	**(22.7)**	33.1
Exceptionals cash flow	**0.2**	(8.0)
Interest paid	**(3.3)**	(3.2)
Taxation paid	**(0.1)**	(7.3)
Cash generated from operating activities	**(25.9)**	14.6
Capital expenditure	**(14.3)**	(23.8)
Proceeds from sale of property, plant and equipment	**—**	0.2
Redemption of B shares	**(0.1)**	(2.0)
Purchase of own shares	**(0.1)**	(7.1)
Other items	**0.4**	3.8
Net cash flow	**(40.0)**	(14.3)
Net debt at beginning of year	**(118.4)**	(101.5)
Non-cash movements	**(5.5)**	(7.9)
Currency translation differences	**(0.5)**	5.3
Net debt at end of year	**(164.4)**	(118.4)

Appendix 6: Funding headroom

At 30 June 2022	Facility £m	Drawn £m	Committed headroom £m
Committed facilities:			
– revolving facilities (May 2026)	151.4	(96.4)	55.1
– invoice discounting facility	53.7	(53.7)	—
– leases	12.0	(12.0)	—
Total committed facilities	**217.1**	**(162.1)**	**55.1**
Uncommitted facilities	86.8	(6.8)	(6.8)
Total facilities	**303.9**	**(168.9)**	**48.3**
Cash and cash equivalents		4.5	4.5
Net debt		**(164.4)**	**52.8**

Appendix 7: Group five-year summary

	Year ended 30 June				
	2022 £m	2021 £m	2020 £m	2019 £m	2018 £m
Total revenue	678.3	682.3	706.2	743.2	755.0
Continuing revenue	678.3	682.3	706.2	721.3	689.8
Adjusted operating (loss)/profit (from continuing operations)	(24.5)	24.1	28.3	28.1	36.2
Amortisation of intangible assets	(2.6)	(2.4)	(2.1)	(1.9)	(1.4)
Exceptional items	—	(6.9)	(11.1)	(5.4)	(21.7)
Operating (loss)/profit	(27.1)	14.8	15.1	20.8	13.1
Net finance costs	(8.6)	(4.2)	(4.2)	(4.6)	(5.3)
(Loss)/profit before tax	(35.7)	10.6	10.9	16.2	7.8
Taxation	11.2	2.8	(4.4)	(8.1)	(4.4)
(Loss)/profit after tax	(24.5)	13.4	6.5	8.1	3.4
(Loss)/earnings per share					
Diluted	(14.1)p	7.5p	3.6p	4.4p	1.9p
Adjusted diluted	(11.7)p	11.7p	9.5p	9.4p	12.1p
Payments to shareholders (per ordinary share)	—	—	1.1p	3.3p	4.3p

Appendix 8: Ten-year adjusted operating profit/(loss)