McBride plc

Results Presentation: 22 February 2022

Agenda

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

Welcome

Our speakers today

Chris Smith
Chief Executive Officer

Mark Strickland
Chief Financial Officer

Key messages

H1 FY22 key messages

Exceptional input cost inflation impacted H1; Covid-19 supply chain shocks and rapid, continuing exceptional inflation of raw materials, packaging and transport

'Programme Compass' cost savings on track; £10m in current financial year. Further cost opportunities in development

Multiple waves of price recovery actions in play; H1 losses primarily due to time lag between input cost rises and price recovery actions

Significant liquidity headroom, business working back towards covenant compliance through pricing actions

Manufacturing operations are stable, Asia impacted most by Covid-19

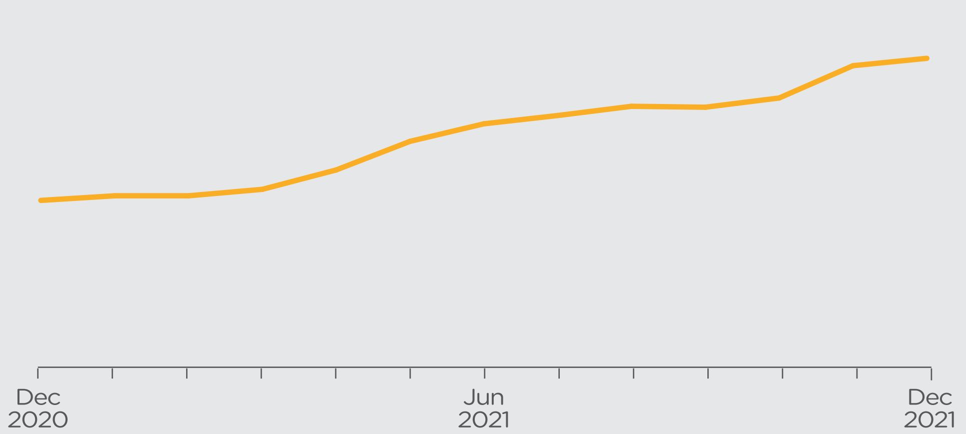
Compass strategies confirmed, albeit progress slightly slowed due to focus on margin recovery

H1 revenues lower by 6.6% vs Covid-19 affected prior year; demand mostly back to pre-pandemic levels, except laundry

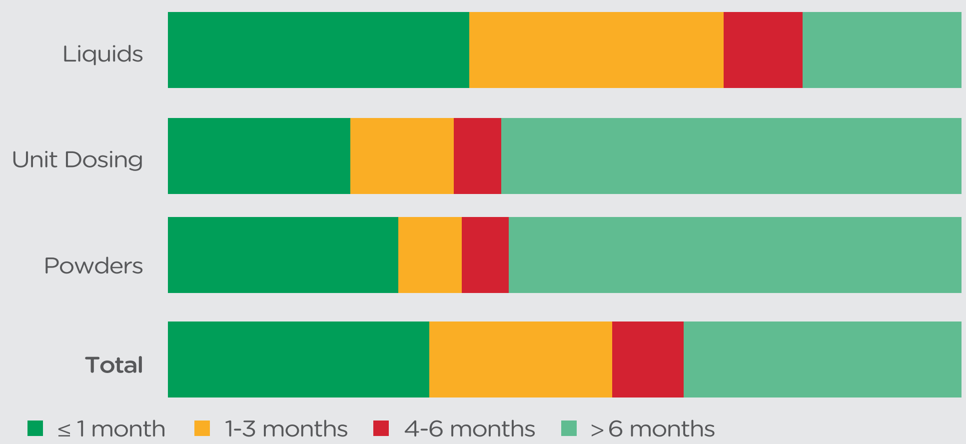
Good progress on understanding our total carbon footprint will help define our net zero strategy

Costs update

Group input costs index



Percentage of raw materials spend by price visibility

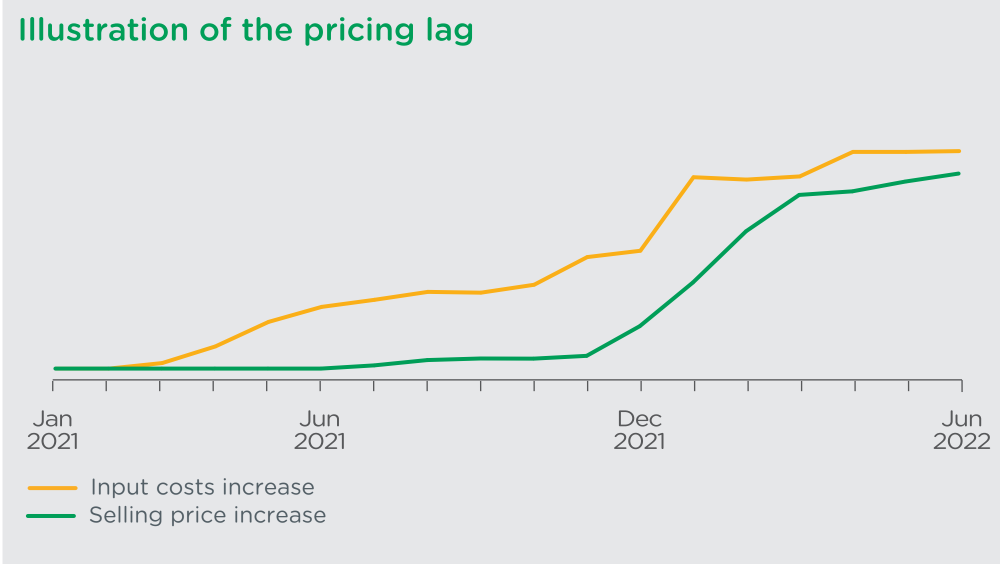


- Rapid and unprecedented feedstock inflation; many key feedstocks at all-time/multi-year highs
- £29m in-year input cost increases in H1 FY22
- Significant supply challenges, across both raw materials and packaging
- In excess of 100 supplier force majeures in H1 FY22
- McBride scale is key in mitigating supply disruption
- Significant logistics cost inflation driven by surging fuel costs and reduced driver availability (Brexit, Covid-19, EU legislation)

- Purchase visibility varies by division, based upon mix of raw material purchases:
  - Liquids shorter
  - Unit Dosing and Powders longer

Price actions

- Price increases actioned in ‘waves’
- Minimum three month lag from inception to implementation
  - tough retailer negotiations
  - timing and quantum of price rises recovering forward input costs
  - brand shelf price
  - competitors
- Cost engineering options



General market overview

Total market spend

2021	-3% vs 2020	+4% vs 2019
PL share 2021	-0.5% vs 2020	-2.0% vs 2019

Total category spend

	2021 vs 2020	2021 vs 2019
Laundry	↓	↓
Cleaners	↓	↑
Dishwash	↓	↑

- PL overall under pressure through Covid-19
- PL performance mixed across the main markets

- Laundry remains lower throughout
- Cleaners and dishwash ahead still vs 2019

Kantar panel data: 12 months to December 2019-2021

ESG

Environmental

- Progress on existing targets
- Carbon footprint assessment complete
- New format packaging launches

Selected KPIs	2025 target	H1 FY22	FY21
Energy efficiency	**+15%**	+6.4%	+2.0%
Fully recyclable, compostable or reusable	**100%**	98.4%	98.5%
Recycled content in plastic	**50%**	14.9%	15.7%
FSC compliant	**100%**	90.8%	90.6%
Flex plastic % monolayer	**100%**	29%	21%

Social

- Encouraging lower accidents
- Scorecard developed
- Reset of charitable ambitions
- Data gathering
- Targets to be set

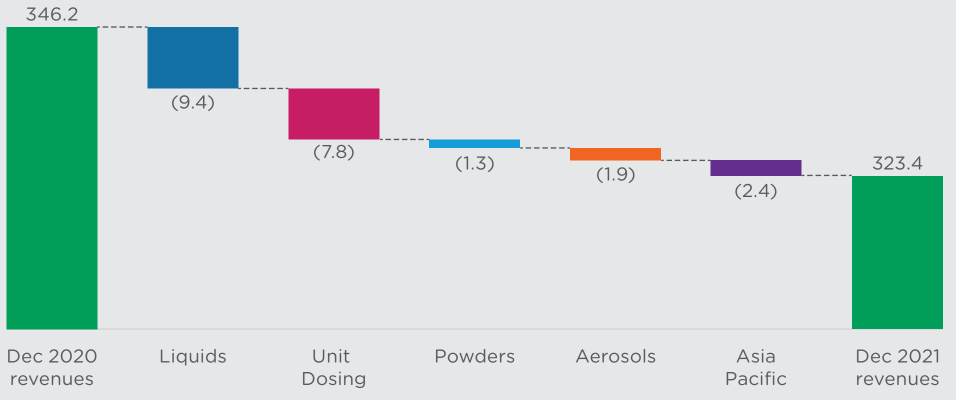
Governance

- Scorecard developed
- Data gathering
- Targets to be set

Divisional reviews

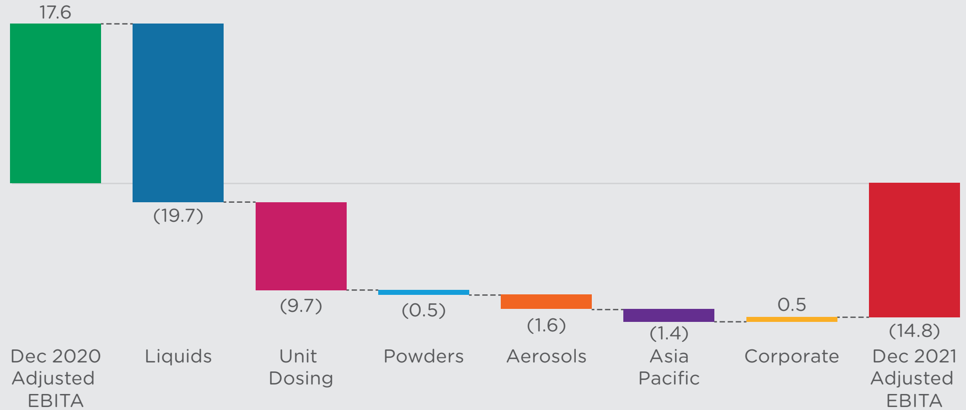
Divisional performance – overview

Revenues £m
Constant currency variances



- Group revenues down 6.6% at constant currency
- Liquids down 4.9%; lower volumes in cleaners
- Unit Dosing lower by 8.7%; laundry capsules contract losses, some slowing of auto dishwash
- Powders down 3.8%; decline in laundry tablets, H1 recovery
- Aerosols down 10.7%; sanitiser decline as lapping significant Covid-19 demand in Q1 FY21
- Asia Pacific down 18.8%; Covid-19 lockdowns impacting output and demand levels

Adjusted EBITA £m
Constant currency variances



- Group EBITA down £32.4m at constant currency
- Significant impact from input cost inflation mostly affects Liquids and Unit Dosing
- Powders: cost savings from Barrow closure outweighed by input cost inflation
- Aerosols: lower sales of sanitiser products impacting mix
- Asia Pacific: significant Covid-19 demand and supply disruptions

McBride

Liquids

Cost leadership

Cash generation

	Half year to 31 December 2021	Half year to 31 December 2020	Reported change B/(W)	Constant currency change B/(W)
Revenue	£182.8m	£201.1m	(9.1%)	(4.9%)
Adjusted operating (loss)/profit	(£10.2m)	£10.1m	(201.0%)	(207.4%)
Adjusted operating profit margin	(5.6%)	5.0%		

- Cost inflation continued and worsened
- Price increases first waves secured
- Material shortages and transport difficulties affecting sales and service
- 90% of sales decline from cleaners
- Cost savings being delivered
- Sustainability innovation
- Some small recovery in laundry

Unit Dosing

Product leadership

Growth engine

	Half year to 31 December 2021	Half year to 31 December 2020	Reported change B/(W)	Constant currency change B/(W)
Revenue	£81.6m	£93.9m	(13.1%)	(8.7%)
Adjusted operating (loss)/profit	(£0.4m)	£10.0m	(104.0%)	(104.3%)
Adjusted operating profit margin	(0.5%)	10.6%		

- Auto dishwash flat, constrained by materials availability and plant issues
- Laundry capsules lower; contract losses lapping
- Sales improvement expected in second half due to contract wins
- Overheads and capex well managed
- New sustainable carton box for laundry capsules in stores
- New triple capsule shape launched, diversifying portfolio
- New powder and liquid dishwashing product in stores in Q3
- Auto dishwasher volumes higher by over 10% vs pre-pandemic levels

Powders

Cost leadership

Cash generation

	Half year to 31 December 2021	Half year to 31 December 2020	Reported change B/(W)	Constant currency change B/(W)
Revenue	£32.8m	£35.7m	(8.1%)	(3.8%)
Adjusted operating loss	(£1.4m)	(£1.0m)	40.0%	55.6%
Adjusted operating profit margin	(4.3%)	(2.8%)		

- Decline mainly in laundry tablet format
- Partial recovery of professional cleaning volumes
- Profitability impacted by raw material and logistics inflation

- New product launches:
  - formulations
  - packaging

Aerosols

Product leadership

Value optimisation

	Half year to 31 December 2021	Half year to 31 December 2020	Reported change B/(W)	Constant currency change B/(W)
Revenue	£15.8m	£18.8m	(16.0%)	(10.7%)
Adjusted operating (loss)/profit	(£0.8m)	£0.9m	(188.9%)	(200.0%)
Adjusted operating profit margin	(5.1%)	4.8%		

- Sanitiser volumes almost disappeared
- Core range of products growing
- Continuing development of niche ranges
- Input cost rises for metals and gases
- Customer price increases
- Targeted geographical expansion
- Eco-friendly formulations and packaging

Asia Pacific

Cost
and value
leadership

Strategic
upside

	Half year to 31 December 2021	Half year to 31 December 2020	Reported change B/(W)	Constant currency change B/(W)
Revenue	£10.4m	£13.4m	(22.4%)	(18.8%)
Adjusted operating profit	£0.2m	£1.7m	(88.2%)	(87.5%)
Adjusted operating profit margin	1.9%	12.7%		

- Significant Covid-19 disruption, impacting both revenues and operations
- Input cost pressures remain
- Logistics/freight challenges for Australia market

- New Malaysia factory now fully operational
- Household opportunities in development

Financial review

H1 FY22 – financial headlines

Revenue
£323.4m
2020: £362.9m
2019: £350.4m

Adjusted operating (loss)/profit
£(14.8)m
2020: £19.0m
2019: £11.6m

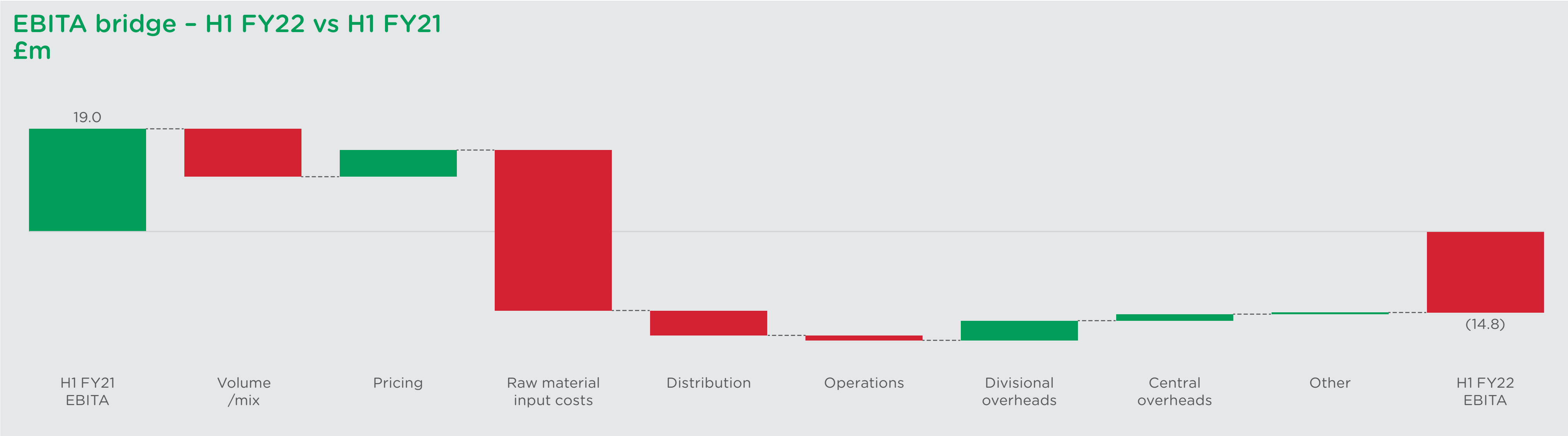
Adjusted (loss)/profit before tax
£(16.9)m
2020: £16.9m
2019: £9.7m

Adjusted ROCE
(4.6)%
2020: 16.0%
2019: 11.1%

Net debt/adjusted EBITDA (banking basis)
4.3x
2020: 1.1x
2019: 2.2x

Free cash flow
£2.8m
2020: £14.2m
2019: £17.8m

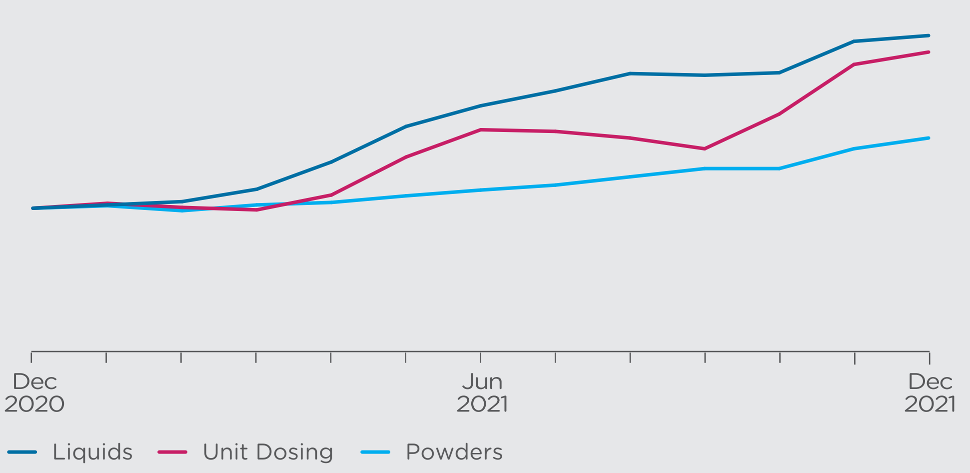
Divisional performance – overview



- Key drivers of the £(33.8)m reduction in EBITA vs H1 FY21:
  - raw material input costs – Covid-19 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
  - volume/mix – Covid-19 continues to impact demand with sales of cleaners, laundry and sanitisers lower vs H1 FY21
  - pricing – price recovery actions started in H1 FY22, multiple waves are required
  - overheads – savings realised vs prior year in both divisional and central overheads

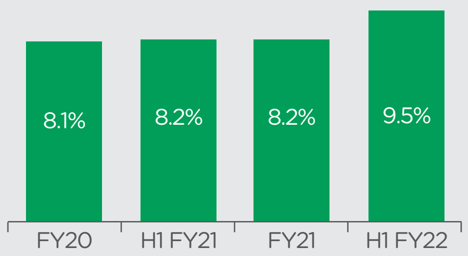
Costs update

Divisional input costs index – largest divisions



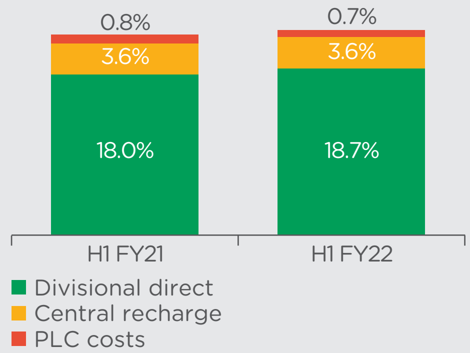
- Significant and sudden increases
- Actions being taken to reduce exposure to input cost volatility, whilst building indexation into customer contracts

Distribution costs as % of sales



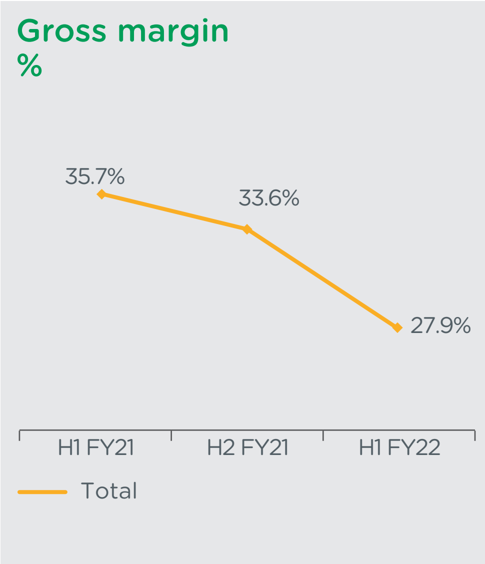
- Brexit, Covid-19 and EU Mobility Package have all reduced driver availability and increased costs
- Significant inflation in fuel, labour and pallet costs
- Physical changes to warehouse network have been completed in line with distribution strategy

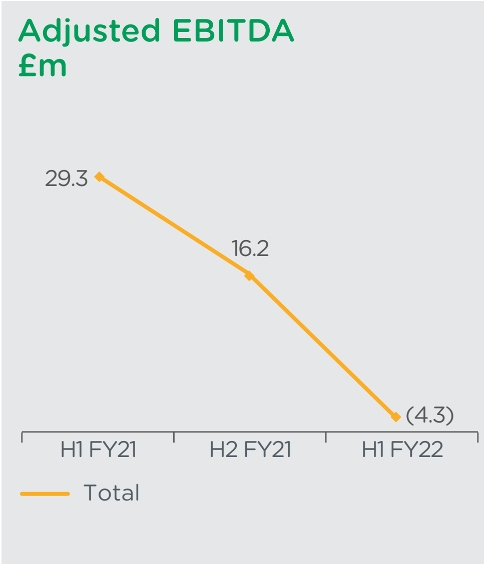
Administrative (overhead) costs as % of sales

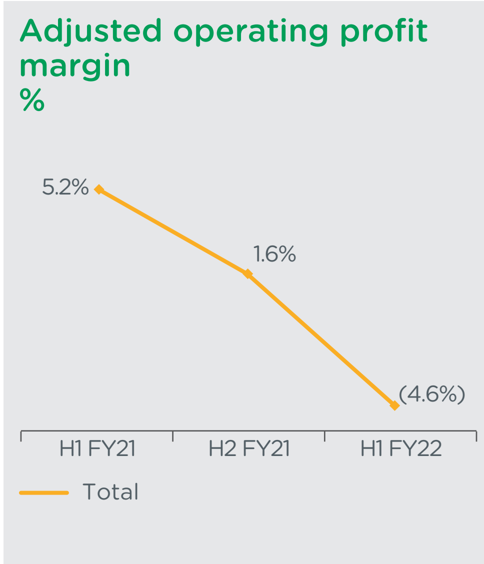


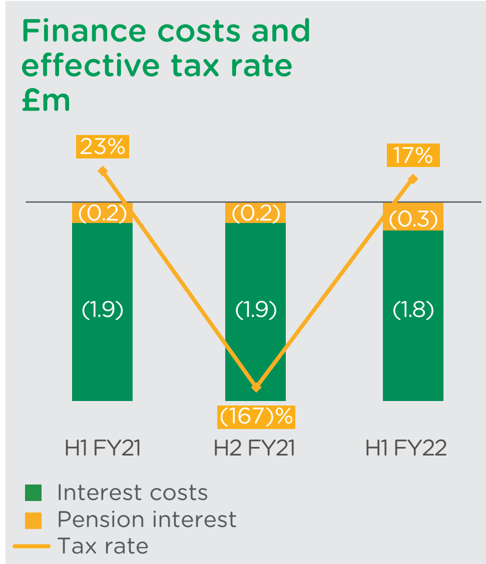
- Admin costs cover:
  - factory overhead
  - divisional overhead
  - central services (recharged)
  - plc costs
- Cost reduction of £3.2m at constant currency offset by proportionally greater sales decline

Income statement









- Acceleration of higher input costs signposted in FY21 Q4, more than offset Barrow cost savings

- Liquids division drove largest decline, due to higher input costs and volumes decline only partially offset by price recovery and savings in admin costs

- Admin costs reduction of 4.1% at constant currency was lower than revenue decline and impact of higher input costs

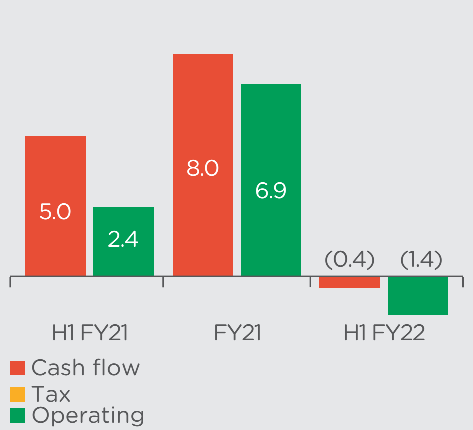
- Total interest costs consistent with prior year
- Taxation: 17%
  - losses in UK offset by profits taxed at higher rates in foreign jurisdictions
  - H2 FY21 ETR impacted by provision release and DTA recognition

Cost reduction

- Committed to save £20m annualised by the end of FY23
- First half on track:
  - Barrow closure
  - product complexity/SKU reduction
  - warehouse and distribution
  - overhead savings:
    - factory
    - divisional
    - central and plc

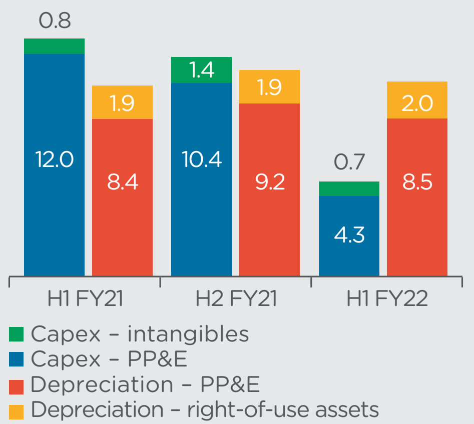
Other financials

Exceptional costs £m



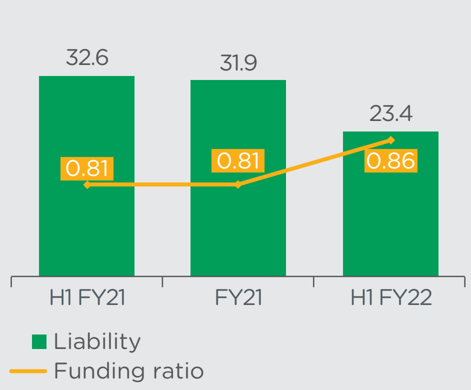
- Exceptional credit of £1.4m (predominantly sale of Barrow site)
- Cash flow: £2.6m Barrow sale proceeds, less costs in relation to Programme Compass

Capex and depreciation £m



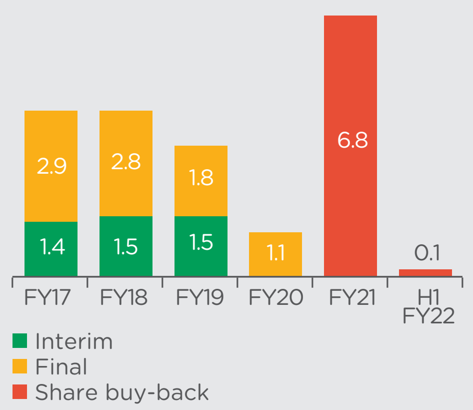
- Capex – intangibles £0.7m increase driven by computer software
- Capex spend curtailed in light of tough trading conditions

Pensions £m



- CDI strategy continues to perform well
- Triennial valuation confirmed that deficit recovery plan is on track
- Decrease in liability reflects increase in asset values due to very positive investment returns

Returns to shareholders £m

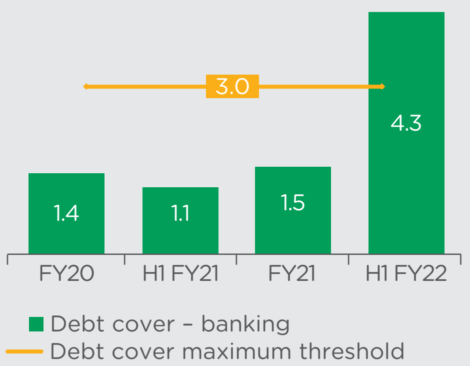


- 0.2m shares bought back at a cost of £0.1m
- Share buy-back programme ceased 7 September 2021
- Annual dividends will be paid when appropriate, affordable and in line with policy

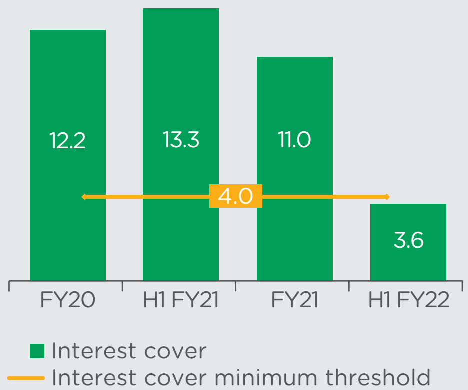
Cash flow, net debt and banking facilities

Cash flow and net debt £m

Covenant debt cover (banking basis)



Covenant interest cover (banking basis)



- Net debt controlled
- Net debt to adjusted EBITDA (accounting basis) 10.5x (2020: 2.1x)
- Reduced EBITDA drives covenant non-compliance
- Our banking group waived the December 2021 covenant tests with conditions:
  - maintain liquidity (cash plus facility headroom) of at least £40m (available liquidity £112.3m)
  - not to pay dividends until complying with existing covenants

Outlook


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

Performance recovery as a result of pricing actions

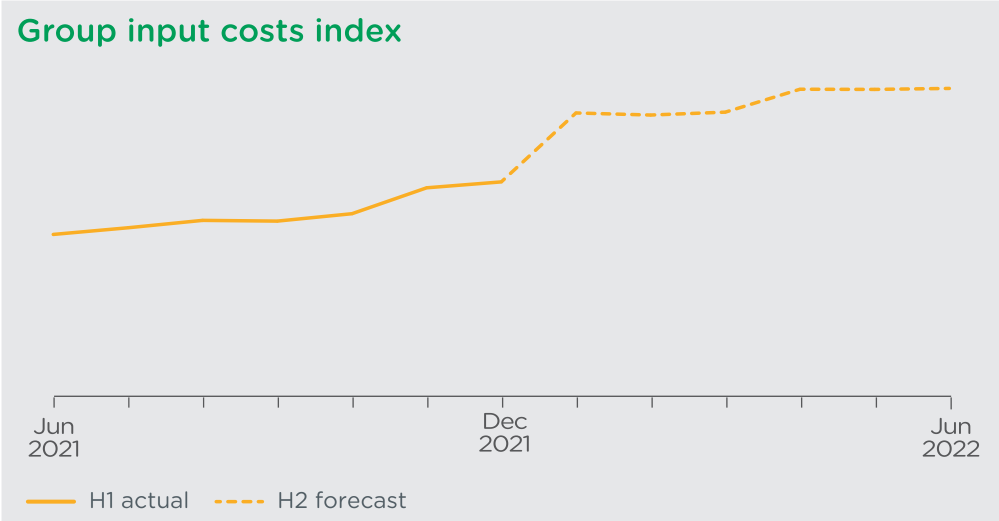
H2, especially Q4, improvement

Pricing actions, volume risk

Input costs expected to steady early summer

Ongoing supply and transport challenges

Labour, energy, transport inflation building



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

Appendix 1: income statement

Continuing operations	H1 FY22 £m	H1 FY21 £m	y/y	Constant currency[1] H1 FY21 £m	Constant currency[1] y/y
Revenue	**323.4**	362.9	(10.9%)	346.2	(6.6%)
Gross profit	**90.2**	129.7	(30.5%)	123.4	(26.9%)
Gross margin	**27.9%**	35.7%	(7.8 ppt)	35.6%	(7.7 ppt)
Distribution costs	**(30.8)**	(29.7)	3.7%	(28.2)	9.2%
Administrative expenses	**(74.2)**	(81.0)	(8.4%)	(77.6)	(4.4%)
Adjusted EBITA[2]	**(14.8)**	19.0	(177.9%)	17.6	(184.1%)
Net finance costs:					
– borrowings	**(1.8)**	(1.9)	(5.3%)	(1.9)	(5.3%)
– pension	**(0.3)**	(0.2)	50.0%	(0.2)	50.0%
Adjusted (loss)/profit before taxation[3]	**(16.9)**	16.9	(200.0%)	15.5	(209.0%)
Taxation	**2.8**	(3.9)	(171.8%)	(3.9)	(171.8%)
Adjusted (loss)/profit for the year	**(14.1)**	13.0	(208.5%)	11.6	(221.6%)
Adjusted diluted earnings per share (pence)[3]	**(8.1)**	7.1	(214.1%)		
Amortisation	**1.3**	1.2	0.1	1.1	
Exceptional items	**(1.4)**	2.2	(3.6)	2.2	
Taxation – effective rate	**17%**	23%	(7 ppt)		

(1) Comparatives translated at 31 December 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 and any related tax.

Appendix 2: segmental reporting

Revenue	H1 FY22 £m	H1 FY21 £m	y/y	Constant currency H1 FY21 £m	Constant currency y/y
Liquids	182.8	201.1	(9.1%)	192.2	(4.9%)
Unit Dosing	81.6	93.9	(13.1%)	89.4	(8.7%)
Powders	32.8	35.7	(8.1%)	34.1	(3.8%)
Aerosols	15.8	18.8	(16.0%)	17.7	(10.7%)
Asia Pacific	10.4	13.4	(22.4%)	12.8	(18.8%)
Group total	**323.4**	362.9	(10.9%)	346.2	(6.6%)
Adjusted operating (loss)/profit					
Liquids	(10.2)	10.1	(201.0%)	9.5	(207.4%)
Unit Dosing	(0.4)	10.0	(104.0%)	9.3	(104.3%)
Powders	(1.4)	(1.0)	40.0%	(0.9)	55.6%
Aerosols	(0.8)	0.9	(188.9%)	0.8	(200.0%)
Asia Pacific	0.2	1.7	(88.2%)	1.6	(87.5%)
Corporate	(2.2)	(2.7)	(18.5%)	(2.7)	(18.5%)
Group total	**(14.8)**	19.0	(177.9%)	17.6	(184.1%)

Appendix 3: exceptional items

	H1 FY22 £m	H1 FY21 £m
Factory footprint review	**(1.5)**	0.1
Review of strategy, organisation and operations	**(0.1)**	1.7
Logistics transformation programme	**0.1**	—
UK Aerosols closure	**0.1**	0.4
Total continuing operations	**(1.4)**	2.2
Sale of PC Liquids business	**—**	0.2
Total discontinued operations	**—**	0.2
Group	**(1.4)**	2.4

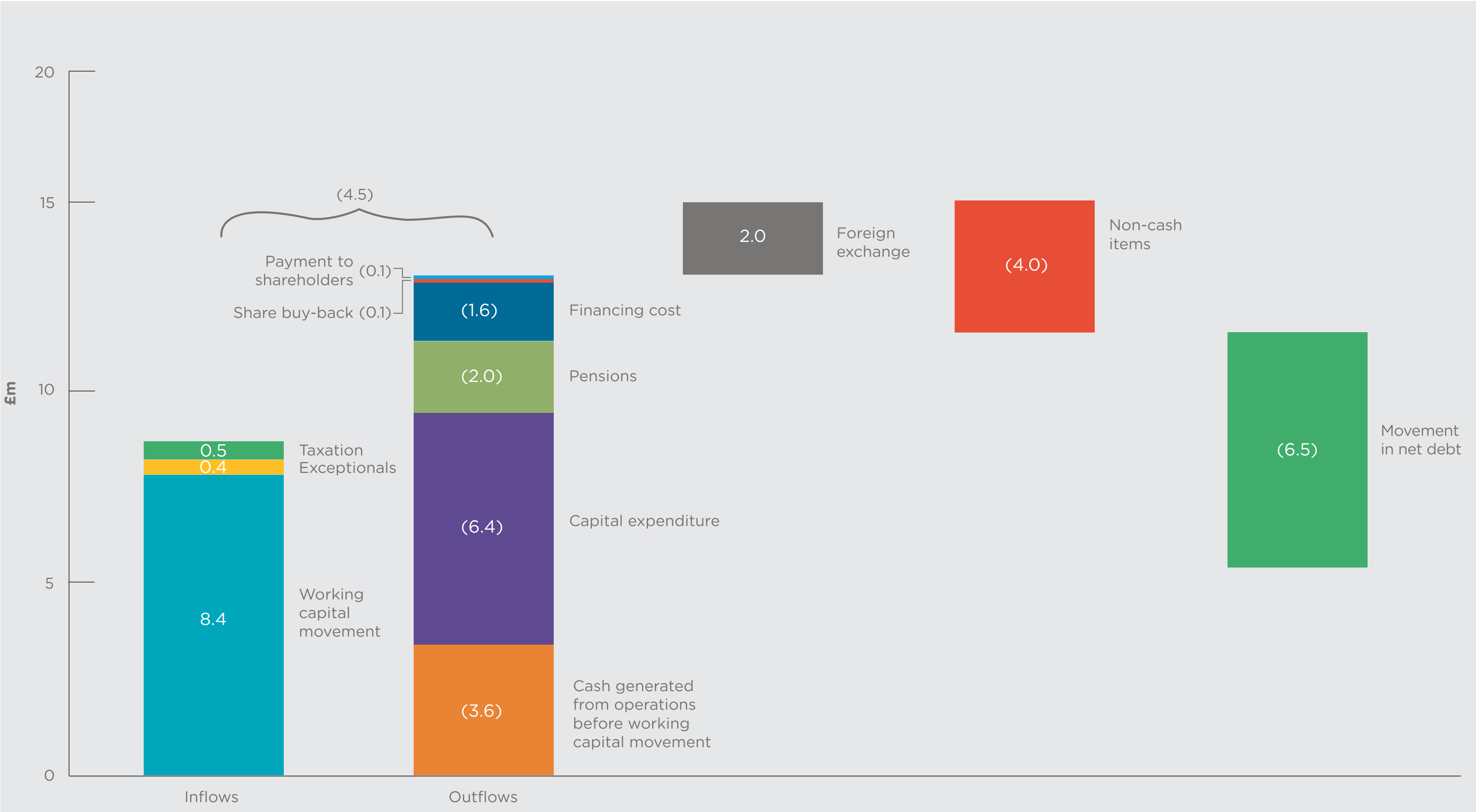
Appendix 4: balance sheet

	31 Dec 2021 £m	30 Jun 2021 £m	y/y	31 Dec 2020 £m	y/y
Goodwill and other intangible assets	**27.3**	27.9	(2.2%)	27.9	(2.2%)
Property, plant and equipment	**122.1**	129.8	(5.9%)	135.9	(10.2%)
Right-of-use assets	**11.8**	10.0	18.0%	10.7	10.3%
Other non-current assets	**23.9**	22.9	4.4%	14.5	64.8%
Working capital	**33.6**	41.6	(19.2%)	50.5	(33.5%)
Net other debtors/(creditors)	**2.1**	1.0	110.0%	(6.0)	(135.0%)
Provisions	**(4.5)**	(6.4)	(29.7%)	(6.7)	(32.8%)
Pensions	**(23.4)**	(31.9)	(26.6%)	(32.6)	(28.2%)
Non-current liabilities	**(6.5)**	(6.7)	(3.0%)	(6.6)	(1.5%)
Net debt	**(124.9)**	(118.4)	5.5%	(117.6)	6.2%
Net assets	**61.5**	69.8	(11.9%)	70.0	(12.1%)
Average capital employed	**209.9**	208.7	0.6%	223.3	(6.0%)
Adjusted ROCE	**(4.6%)**	11.5%	(16.2 ppt)	16.0%	(20.6 ppt)
Trade working capital % of sales	**9.3%**	10.0%	(0.7 ppt)	11.9%	(2.6 ppt)

Appendix 5: cash flow

	H1 FY22 £m	H1 FY21 £m	y/y
Adjusted operating (loss)/profit	**(14.8)**	19.0	(177.9%)
Depreciation property, plant and equipment	**8.5**	8.4	1.2%
Depreciation right-of-use assets	**2.0**	1.9	5.3%
Share-based payments	**0.5**	0.3	66.7%
Additional cash funding on pension scheme	**(2.0)**	(2.0)	—
Impairment of property, plant and equipment	**(0.1)**	0.1	(200.0%)
Loss/(profit) on disposal of property, plant and equipment	**0.3**	(0.1)	(400.0%)
Operating cash flow before movement in working capital before exceptional items	**(5.6)**	27.6	(120.3%)
Movement in working capital	**8.4**	(13.4)	(162.7%)
Free cash flow	**2.8**	14.2	(80.3%)
Exceptionals cash flow	**0.4**	(5.0)	(108.0%)
Interest paid	**(1.6)**	(1.6)	—
Taxation paid	**0.5**	(3.7)	(113.5%)
Cash generated from operating activities	**2.1**	3.9	(46.2%)
Capital expenditure	**(6.4)**	(13.4)	(52.2%)
Proceeds from sale of property, plant and equipment	**—**	0.2	(100.0%)
Redemption of B shares	**(0.1)**	(1.7)	(94.1%)
Purchase of own shares	**(0.1)**	(1.5)	(93.3%)
Other items	**—**	0.8	n/a
Net cash flow	**(4.5)**	(11.7)	(61.5%)
Net debt at beginning of the year	**(118.4)**	(101.5)	16.7%
Non-cash movements	**(4.0)**	(5.6)	(28.6%)
Currency translation differences	**2.0**	1.2	66.7%
Net debt at end of year	**(124.9)**	(117.6)	6.2%

Appendix 6: use of cash and reconciliation of net debt



Appendix 7: funding headroom

At 31 December 2021	Facility £m	Drawn £m	Committed headroom £m
Committed facilities:			
– revolving facilities (May 2026)	147.0	(88.7)	58.3
– invoice discounting facility	56.7	(56.7)	—
– other loans	2.1	(2.1)	—
– leases	12.8	(12.8)	—
Total committed facilities	**218.6**	**(160.3)**	**58.3**
Uncommitted facilities	22.4	(1.4)	(1.4)
Total facilities	**241.0**	**(161.7)**	**56.9**
Cash and cash equivalents		34.9	34.9
Other		1.9	
Net debt		**(124.9)**	**91.8**