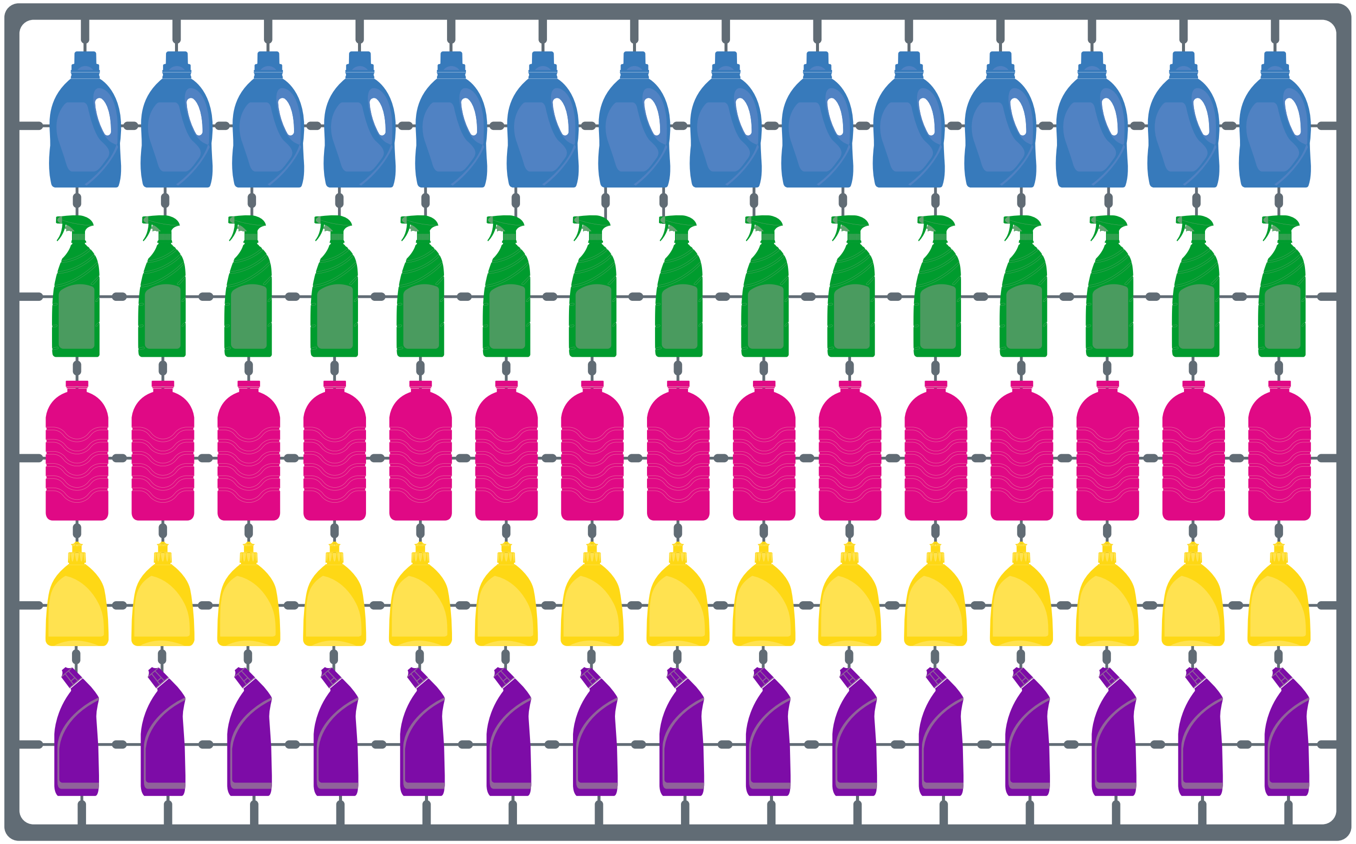
Manufacturing our future



# Investing for growth

Results and Strategy Presentation: September 2017

# Agenda

1. Headlines
2. RPG update – Prepare phase
3. Financial headlines including outlook
4. Preparing for growth
5. RPG timetable
6. Q&A

# Headlines – active in change whilst delivering an improved financial position

- Repair phase completed, business executing Prepare phase
- Group refinancing completed June 2017, last key Repair action
- Growth strategy and associated asset plans completed, capital investment accelerating as planned
- Acquisition of Danlind a/s, Danish producer of auto dishwash and laundry products
- Continued progress in PCA Asia; conditions for PCA Europe remain challenging
- Aerosols business; sale negotiations terminated
- Operating profit up 21.0%, underlying adjusted operating profit, at constant currency, up 8.5%
- Further progress on key financial metrics, in line with strategy:
  - adjusted operating margin 5.9% (2016: 5.3%)
  - ROCE 27.7% (2016: 23.4%)
- Reduction in net debt to £75.7 million (2016: £90.9m) with net debt cover ratio improving to 1.2x (2016: 1.7x)
- Payment to shareholders up 19.4% to 4.3 pence (2016: 3.6p)

# Reminder – Repair, Prepare, Grow

## Time horizon by calendar year

- Strategy, objectives and timing unchanged
- Repair phase closed
- Prepare Phase launched in year

| 2016 | | | | 2017 | | | | 2018 | | | | 2019 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |

### Repair

### Prepare

- Define and launch the five-year growth plan
- Define and launch the supporting asset development programme
- Upgrade organisational skills and capabilities, emphasis on commercial acumen
- Clarify and implement PCA improvements

### Grow

- Deliver the discount and retail channel growth
- Identify and develop the Contract Manufacturing business
- Monitor tactical and/or strategic M&A opportunities

# Prepare phase... four building blocks

## Prepare

McBride will invest into its manufacturing assets and optimise its warehousing and distribution network. We will align the new organisational set-up aiming to institutionalise our new way of working with our people.

We will provide a clear way forward for identified sub-optimal customer/ categories and products.

**1**
Sales strategy/ proposition

**2**
Asset configuration

**3**
Organisational development

**4**
Mergers and acquisitions

# Market trends and commercial results

### European groceries market showing slight growth in H2

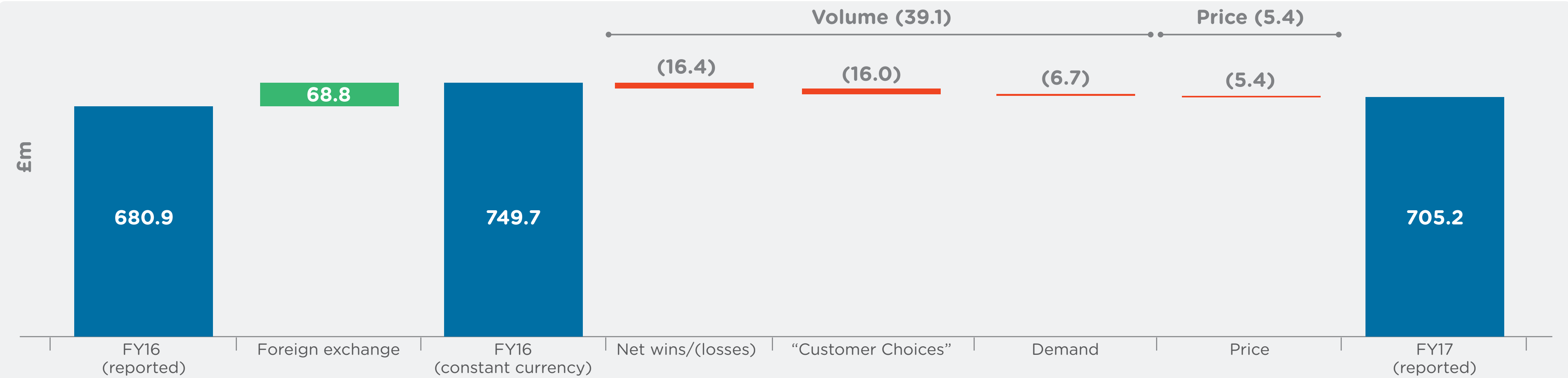
- Food main driver – volumes and inflationary
- Brands losing share versus PL; promotions, channel diversification
- Inflation forced in food; limiting other category increases

### Household segment

- Customer Choices effect completed
- Further discontinued low margin business
- Raw materials effects partially mitigated
- Increased competitive tension tactics

### PCA segment

- Aerosols disposal terminated
- Full focus now on PCA turnaround
- PL losing versus brands
- Raw material exposure
- Operating costs



# Prepare phase – sales strategy/proposition

**1**
**Sales strategy/ proposition**

## Good structural progress in a diverse environment

- Improved quality, supply efficiency and innovation power rolled out over entire customer base
- Key growth categories identified and supporting asset investment plans underway

### UK

- Overall 2% growth but HH categories a 1.2% decline, PL outperforming brands
- Migration from traditional retail to hard discount/bargain stores continues
- Channel dynamics, adverse to McBride
- Customer base responding well to our value proposition
- FY18 run rate of wins encouraging

### France

- Market overall 1.0% growth
- HH categories showing decline, PL additional loss from brander pressure
- Retailer profitability reducing from weak PL position, despite top line increase
- Inflation pressures mitigated through tendering exercises
- Recent shifts to favour PL in certain retailers, new co-operation with McBride

### Germany

- Market growth of 1.7%, driven by food
- Spent on HH items reduced by 2.5%
- LAD returning to growth; PL market share favourable, MARs fighting back
- Short-term tactical buying tactics; increased tendering and supplier switches
- Increased competitive pressure creates unpredictable environment

# Prepare phase – asset configuration

2
Asset configuration

## Capex spend moving to full momentum

- Asset planning and related investment completed supporting:
  - key growth categories capacity and technology requirements
  - driving cost and performance efficiencies through consolidation

### Estaimpuis case study

- Capsules is a key growth category
- Consolidation to single site production underway
- Investment in efficiency, capacity and technology through major factory upgrade
- Installing new line
- Additional line in planning

### Strzelce case study

- Reset to world-class liquids production facility
- Product ranges simplified, aligned to maximise line efficiency
- Production flows optimised
- Providing leading cost platform for our liquids ranges

# Prepare phase – organisational development

## 3
## Organisational development

## Investment in people, skills and organisation

- Key strategic positions and functions
- Human capital development and training
- Organisational depth

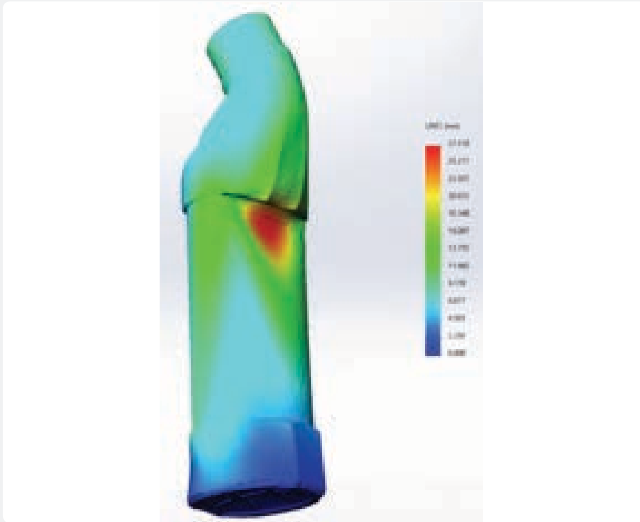
## Packaging laboratory investment case study

- Packaging increasingly important as key differentiator – an increasingly higher cost contributor
- Design drives consumer choice; a key investment related to new product design

### Packaging and artwork design through skills investment


### Technology through 3-D printing capabilities

### Modelling through heat imaging of bottle design



McBride
Manufacturing our future

# Prepare phase – mergers and acquisitions

4
Mergers and acquisitions



## First acquisition announced

### Company profile

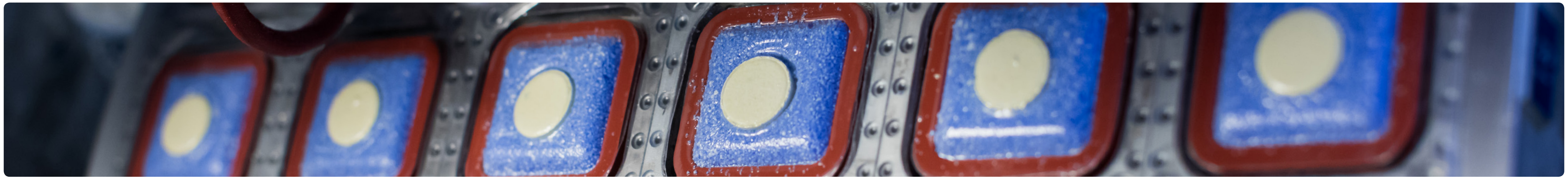
- Family owned company, three manufacturing plants in Denmark, 2016 turnover of £58.4 million
- **Tablets** – mostly dishwasher (standard, all-in-one), some descaling
- **Powders** – mainly laundry powders (traditional, concentrated, cold-wash and sensitive)
- **Liquid detergents** – small product range
- Recognised leader in high performing ecolabel household products, high ecological standards in Nordic markets, extending quickly across Europe
- Heavy investment in past two years in ADW and powder, capacity and technology

### Strategic positioning

- Active in a key growth category (ADW)
- Accelerated access to:
  - additional capacity
  - format flexibility
  - advanced technology and environmental leadership
- Immediate access for McBride to new markets: institutional and industrial cleaning
- Improved access in Nordic market, cross-selling of wider Group range
- "Repair" opportunity, scale effect

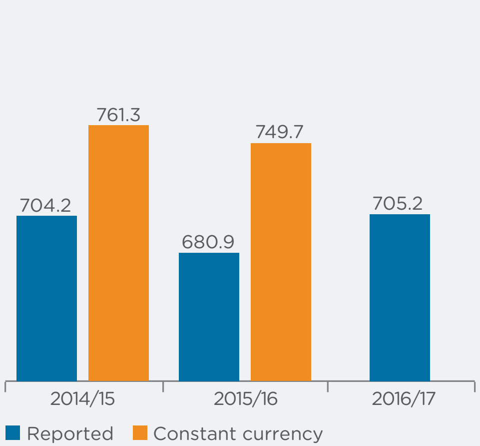
# Financial headlines

- Operating profit up 21.0%, underlying adjusted operating profit, at constant currency, up 8.5%
- Further progress on margins, adjusted operating margin now 5.9% (2016: 5.3%)
- Underlying Group revenues 3.8% lower on a constant currency basis, with impact of customer choices project accounting for a further 2.1% reduction in revenues
- Adjusted profit before taxation up 17.7% to £34.6 million (2016: £29.4m)
- Adjusted diluted EPS up 18.0% to 13.1 pence (2016: 11.1p)
- Strong cash generation continues with underlying net cash inflow of £21.2 million, resulting in an improved net debt cover ratio to 1.2x (2016: 1.7x)
- Positive progress on ROCE at 27.7%, within our strategic target range of 25% to 30%
- Refinancing plan completed in June
- Payment to shareholders up 19.4% to 4.3 pence (2016: 3.6p)

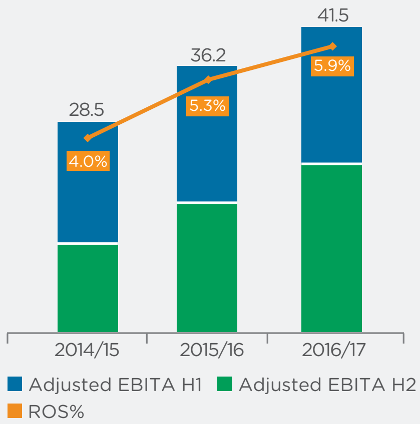


# Income statement

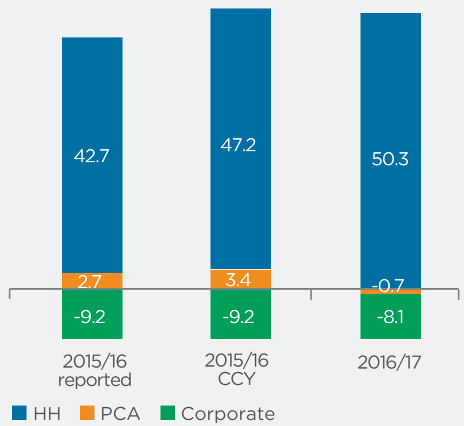
## Revenue £m



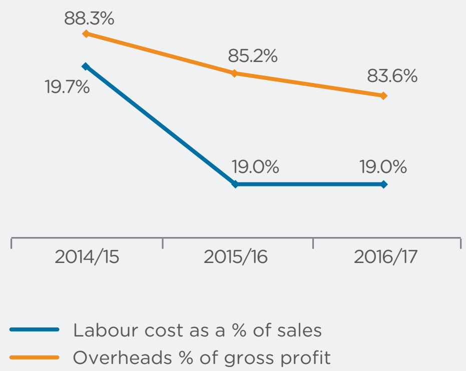

## Adjusted EBITA £m/ROS%




## Adjusted EBITA by segment £m

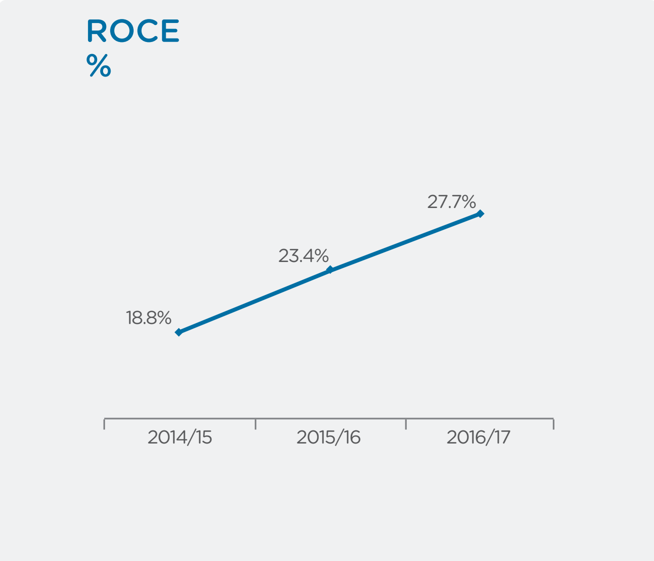



## Labour costs % of sales and overhead % of gross profit

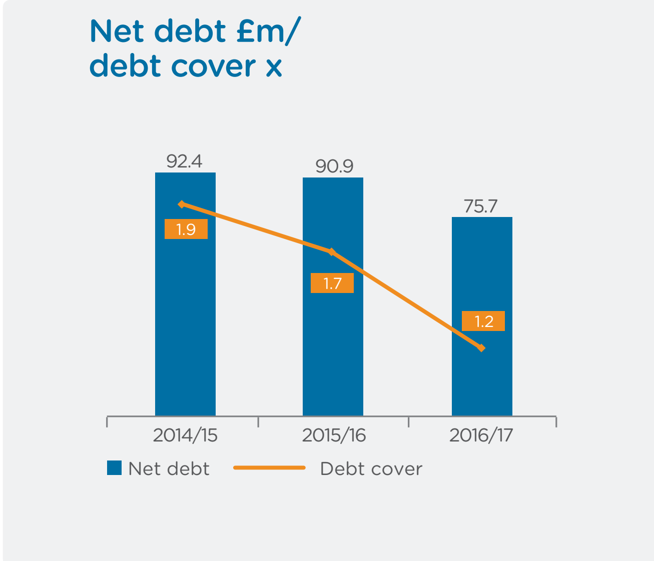



- Currency impact of translation
- Price/volume drivers
- Raw material inflation
- Margin management
- Cost reduction
- H1/H2 weighting

# Balance sheet and cash flow







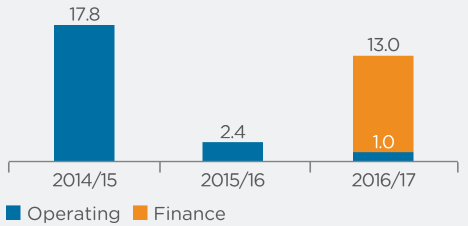

- Working capital

- Capital expenditure
- Refinancing exercise

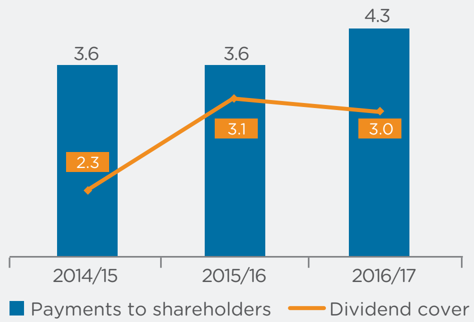
- Covenants
- FX impact on headline borrowings

# Other financials

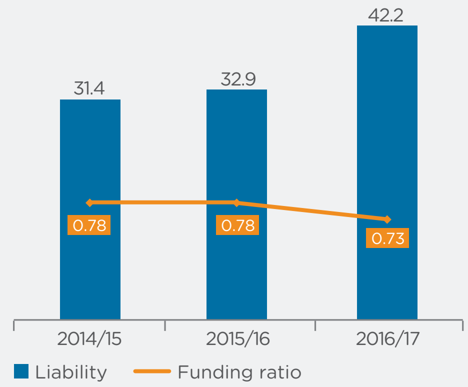
### Exceptional items
£m




### Payments to shareholders
p/dividend cover x




### Group pension liability
£m




- Exceptional items, Group refinancing

- Payments to shareholders increased by 19.4% to 4.3 pence

- MUMS study
- Tax rate

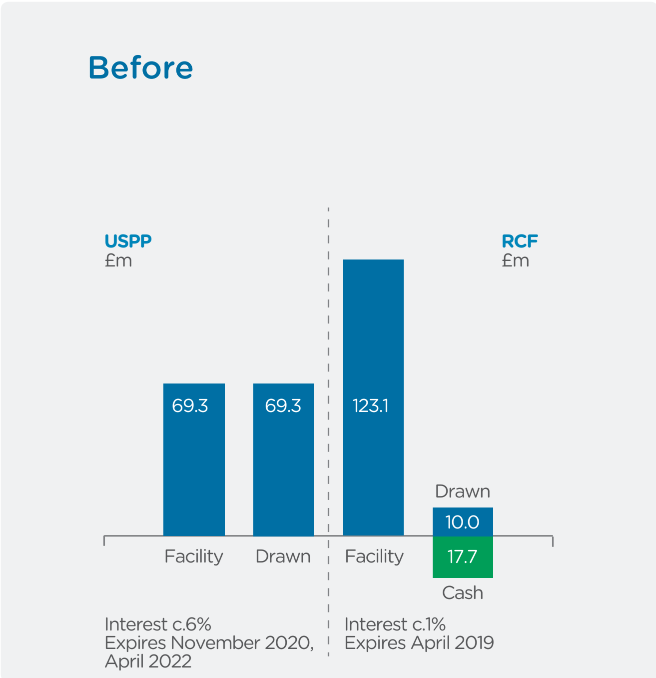
# Investing over £100 million in operational excellence

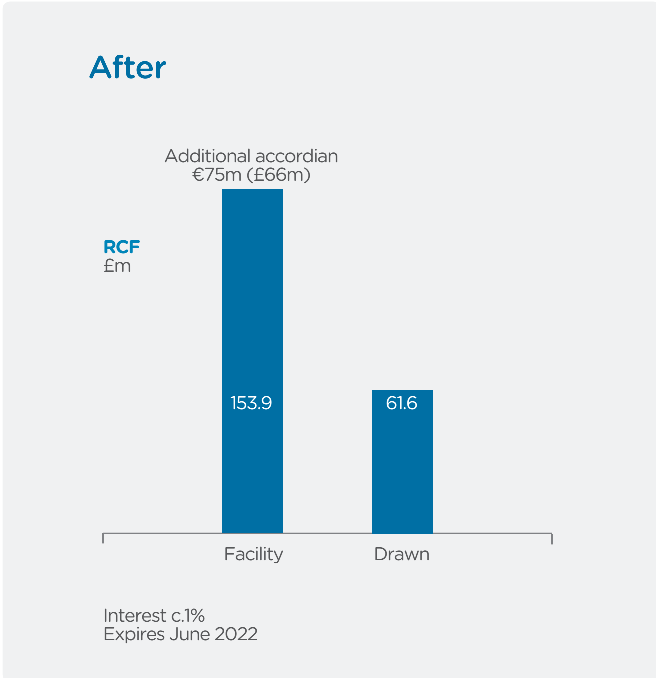
- Four-year programme gathering pace:
  - project approvals in year over £30 million
  - additions capitalised £20.6 million
  - capital cash flows £17.7 million

- Key projects:
  - Strzelce re-set and upgrade
  - Estaimpuis capsules
  - Bradford Personal Care upgrade
  - IT updates

- Forward view:
  - run rate for FY18
  - Danlind impact

# Group refinancing completed in June 2017

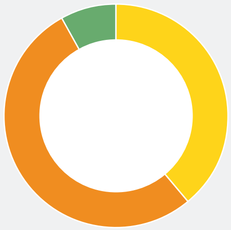



- Debt structure realigned to strategy
  - Certainty for future
  - Simple/flexible
  - Cash efficiency
  - Mergers and acquisitions
- Reduced interest costs £2 million+ per year
- Gross borrowings, USD effect
  - LT derivatives exit
  - Favourable market value
  - Funded exit cost of Private Placement

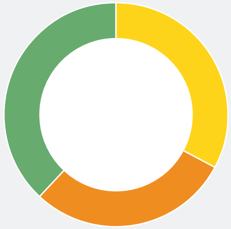
# Danlind a/s – outline financials

### Product category



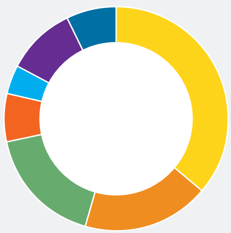
39% Powder
53% Tablets
8% Liquids

### Customer



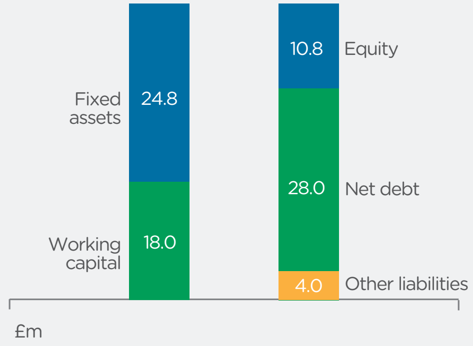
33% Contract manufacturing
29% I&I
38% Private label

### Geography



37% Nordics
18% Belgium
17% Germany
7% France
4% Netherlands
10% Other Europe
7% ROW

### Balance sheet




- Capex avoidance
- Working capital efficiency

### Synergy opportunity

- Growth:
  - ADW
  - Institutional and Industrial
  - Nordic liquids
- Cost actions:
  - material buying
  - overheads
  - efficiencies
- Repair actions:
  - simplification
  - working capital

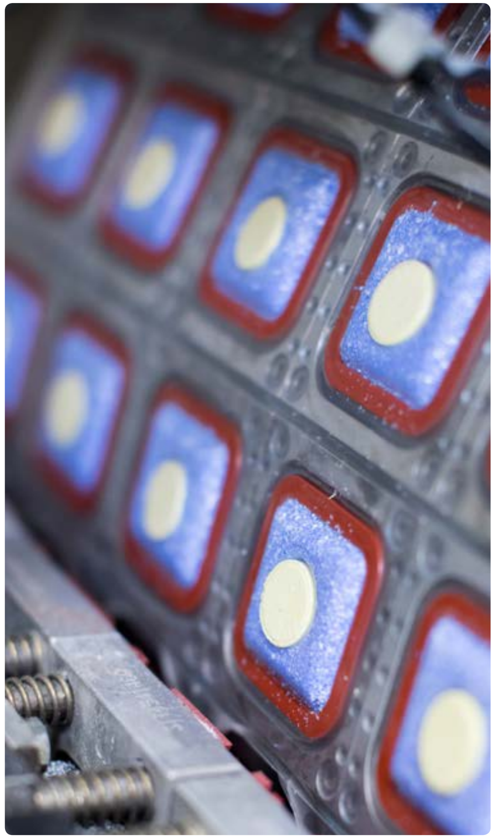
# Outlook/forward view – financials

- Early months of new financial year satisfactory
- Growth expectations from H2
- Raw material input costs stabilised
- Currency rates, hedging
- Gross margin improvement
- H1/H2 weighting reversal
- Financing costs lower
- Capital expenditure in line with plan
- Danlind impact in year

# Preparing for Growth

## Grow

McBride will drive a sustainable and profitable growth path based upon a greatly improved cost position and more efficient manufacturing and distribution. This will focus on fewer markets, categories and customers. McBride will develop customer specific value propositions depending on their individual requirements and the channel in which they are active.



### 1 Retail

- Gaining market share through appropriate customer experience
- Supply chain integration and differentiated innovation

### 2 Discount

- Drive appropriate value proposition
- Scale advantages allowing for simplification and quality

### 3 Contract manufacturing

- Create dedicated team presenting clear value proposition to branders
- Early success, prudent approach maintained

### 4 Mergers and acquisitions

- Capture tactical opportunities as capacity leaves the market
- Identify strategic opportunities to expand in new categories and geographies

# Preparing for Growth – mergers and acquisitions

## Introducing Danlind a/s

**4**
Mergers and acquisitions

### Danlind boosts McBride market position in ADW, a key growth category

- Growth ambition accelerated by two years from this acquisition
- Growth in Europe at c.4%
- Demand growth linked to convenience trend
- Growth in dishwasher ownership and related technology trends
- Continued drive for innovation through performance, delivery and format


- Driving technology leadership
- Driving capacity/growth
- Driving cost leadership
- Driving efficiency

# Preparing for Growth – retail and discount

**1**
Retail

**2**
Discount

## Converging models; integrated and complementary propositions

- Driving new ADW platform more effectively
- Further capitalising upon capsules leadership position
- Portfolio sell with cost effective liquids category offer (WUL, fabric conditioner)
- Supported by seamless service level on quality, supply and innovation


'Our best buy' said Which?
'Our best price' said Tesco.

# Preparing for Growth – Contract Manufacturing

**3**
**Contract Manufacturing**

## Early approach continued

- Smaller contract successes across Europe and Asia
- Existing contracts growth, demand in ADW and capsules
- Discussions ongoing with potential partners
- Danlind acquisition; Co-manufacturing category range extension

## Longer-term approach adapting

- Ongoing transfer of production from branders to Co-manufacturing
- Fewer disposals of B/C brands with assets
- More recent trend for brand disposal only with discontinuation of internal production, closures of plants
- Longer time horizons for realisation

# Reminder – Repair, Prepare, Grow

## Time horizon by calendar year

| 2016 | | | | 2017 | | | | 2018 | | | | 2019 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |

### Repair

- Key projects delivered or in final stage
  - customer and SKU simplification
  - overhead alignment programmes
  - underperforming businesses identified, progress already in Asia
- Embed culture shift towards Manufacturing and Operational Excellence

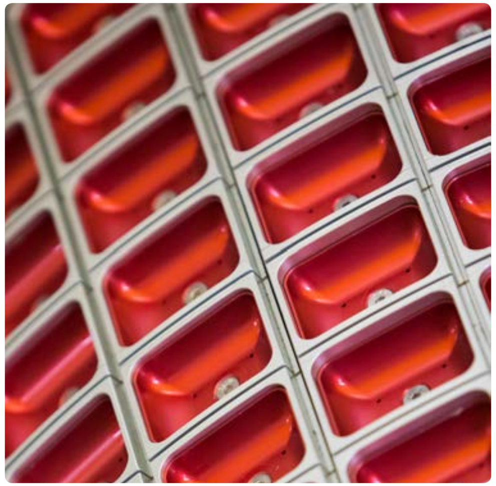
### Prepare

- Define and launch the five-year growth plan
- Define and launch the supporting asset development programme
- Upgrade organisational skills and capabilities, emphasis on commercial acumen
- Clarify and implement PCA improvements

### Grow

- Deliver the discount and retail channel growth
- Identify and develop the Contract Manufacturing business
- Monitor tactical and/or strategic M&A opportunities

# Questions



## Investor day

Dates for your diary:

- 3 October London
- 10 October Estaimpuis/Middleton

# 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

| | 2016/17 £m | 2015/16 £m | Y/Y | Constant currency[1] 2015/16 £m | Constant currency[1] Y/Y |
|---|---|---|---|---|---|
| **Revenue** | **705.2** | 680.9 | **3.6%** | 749.7 | **(5.9%)** |
| Gross profit | **252.8** | 243.8 | **3.7%** | 270.6 | **(6.6%)** |
| Gross margin | **35.8%** | 35.8% | **—** | 36.1% | **(0.3ppts)** |
| Distribution costs | **(46.2)** | (46.5) | **(0.6%)** | (50.2) | **(8.0%)** |
| Administration costs | **(165.1)** | (161.1) | **2.5%** | (179.0) | **(7.8%)** |
| **EBITA[2]** | **41.5** | 36.2 | **14.6%** | 41.4 | **0.2%** |
| Net financing costs: | | | | | |
| – borrowings | **(6.0)** | (5.7) | **5.3%** | (5.9) | **1.7%** |
| – pension | **(0.9)** | (1.1) | **(18.2%)** | (1.1) | **(18.2%)** |
| **Adjusted profit before taxation[3]** | **34.6** | 29.4 | **17.7%** | 34.4 | **0.6%** |
| Taxation | **(10.7)** | (9.2) | **16.3%** | (10.6) | **0.9%** |
| **Adjusted profit after taxation[3]** | **23.9** | 20.2 | **18.3%** | 23.8 | **0.4%** |
| **Adjusted diluted earnings per share (p)[3]** | **13.1** | 11.1 | **18.0%** | | |
| Amortisation | **0.7** | 0.9 | **(0.2)** | | |
| Exceptional items | **14.0** | 2.4 | **11.6** | | |
| Unwind of discount on contingent consideration | **0.3** | 0.1 | **0.2** | | |
| Unwind of discount on provisions | **0.4** | 0.2 | **0.2** | | |
| Taxation – effective rate | **31%** | 31% | **—ppts** | | |

(1) Comparatives translated at 2017 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

| | 2016/17 £m | 2015/16 £m | Y/Y | Constant currency 2015/16 £m | Constant currency Y/Y |
|---|---|---|---|---|---|
| **Revenue** | | | | | |
| UK | 155.4 | 164.9 | (5.8%) | 164.9 | (5.8%) |
| North | 192.8 | 179.0 | 7.7% | 205.7 | (6.3%) |
| South | 76.4 | 69.2 | 10.4% | 79.7 | (4.1%) |
| East | 131.1 | 121.9 | 7.5% | 139.9 | (6.3%) |
| **Household** | **555.7** | **535.0** | **3.9%** | **590.2** | **(5.8%)** |
| **PCA** | **149.5** | **145.9** | **2.5%** | **159.5** | **(6.3%)** |
| **Group** | **705.2** | **680.9** | **3.6%** | **749.7** | **(5.9%)** |

| | | | | | |
|---|---|---|---|---|---|
| **Trading profit** | | | | | |
| **Household** | **50.3** | **42.7** | **17.8%** | **47.2** | **6.6%** |
| **PCA** | **(0.7)** | **2.7** | **(125.9%)** | **3.4** | **(120.6%)** |
| **Corporate** | **(8.1)** | **(9.2)** | **(12.0%)** | **(9.2)** | **(12.0%)** |
| **Group** | **41.5** | **36.2** | **14.6%** | **41.4** | **0.2%** |

| | | | | | |
|---|---|---|---|---|---|
| **ROS** | | | | | |
| **Household** | **9.1%** | **8.0%** | **1.1ppt** | **8.0%** | **1.1ppt** |
| **PCA** | **(0.5%)** | **1.9%** | **(2.4ppt)** | **2.1%** | **2.6ppt** |
| **Corporate** | **n/a** | **n/a** | **n/a** | **n/a** | **n/a** |
| **Group** | **5.9%** | **5.3%** | **0.6ppt** | **5.5%** | **0.4ppt** |

# Appendix 3: exceptional items

| | 2017 £m | 2016 £m |
|---|---|---|
| **Reorganisation and restructuring costs:** | | |
| Supply chain restructuring | 0.9 | – |
| 2015/2016 reorganisation projects | (0.1) | (1.0) |
| Customer choices | – | 2.2 |
| Legal case | 0.2 | 1.2 |
| | 1.0 | 2.4 |
| **Write back of long-lived assets, property, plant and equipment and inventory:** | | |
| Brno, Czech Republic | – | (1.7) |
| | – | (1.7) |
| **Change in contingent consideration** | – | 1.7 |
| **Total charged to operating profit** | 1.0 | 2.4 |
| **Group refinancing:** | | |
| Group refinancing | 13.0 | – |
| **Total charged to consolidated income statement** | 14.0 | 2.4 |

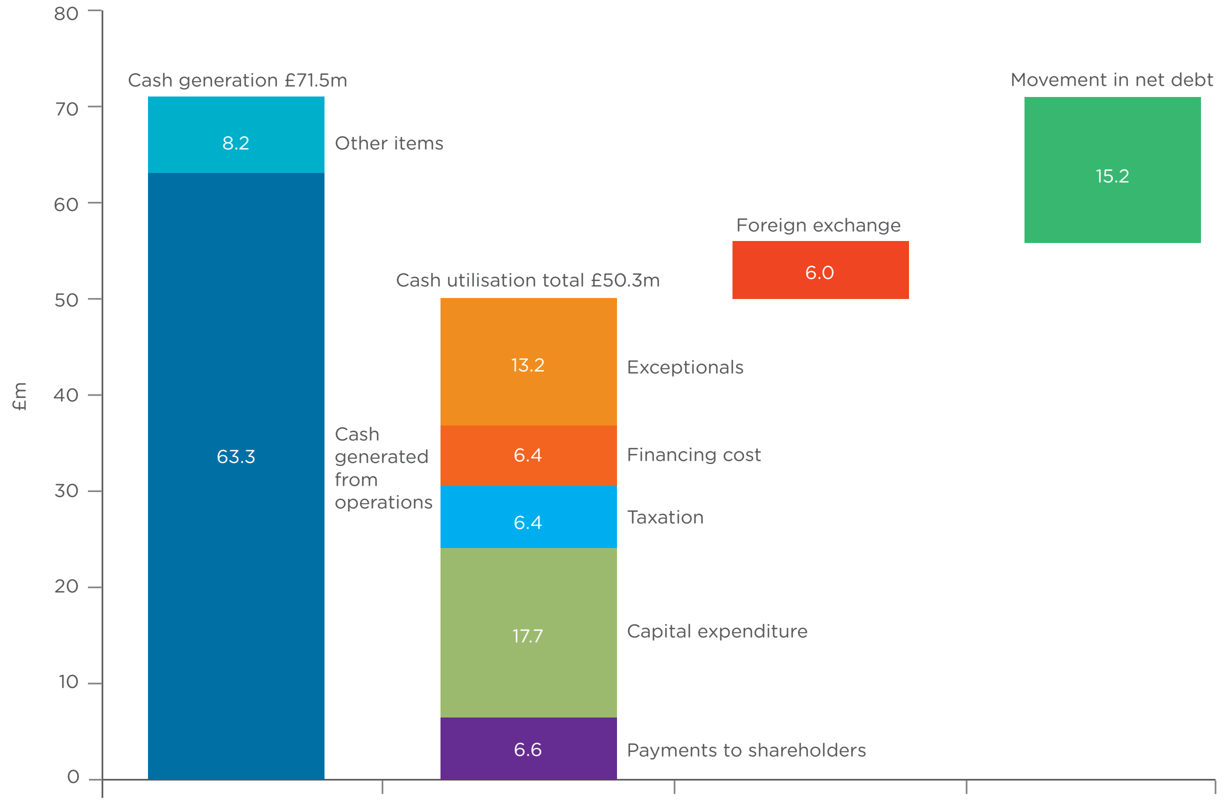
# Appendix 4: balance sheet

| | 2016/17 £m | 2015/16 £m | Y/Y |
|---|---|---|---|
| Goodwill and other intangible assets | **21.7** | 20.0 | **8.5%** |
| Property, plant and equipment | **140.9** | 136.2 | **3.5%** |
| Other non-current assets | **12.7** | 22.5 | **(43.6%)** |
| Working capital | **22.7** | 29.7 | **(23.6%)** |
| Net other debtors/(creditors) | **(4.4)** | (0.3) | **1,366.7%** |
| Provisions | **(4.7)** | (6.4) | **(26.6%)** |
| Pension | **(42.2)** | (32.9) | **28.3%** |
| Non-current liabilities | **(6.8)** | (8.8) | **(22.7%)** |
| Net debt | **(75.7)** | (90.9) | **(16.7%)** |
| Net assets | **64.2** | 69.1 | **(7.1%)** |
| | | | |
| **Average capital employed** | **150.0** | 155.0 | **(3.2%)** |
| **ROCE** | **27.7%** | 23.4% | **4.3ppts** |
| **Working capital % of sales** | **3.2%** | 4.4% | **(1.2ppts)** |

# Appendix 5: cash flow

| | 2016/17 £m | 2015/16 £m | Y/Y £m |
|---|---|---|---|
| Adjusted operating profit | **41.5** | 36.2 | **5.3** |
| Depreciation | **19.4** | 18.2 | **1.2** |
| Share-based payments | **2.3** | 1.8 | **0.5** |
| Additional cash funding of pension scheme | **(3.0)** | (3.1) | **0.1** |
| **Operating cash flow before movements in working capital** | **60.2** | 53.1 | **7.1** |
| Movement in working capital | **3.1** | (0.6) | **3.7** |
| **Cash generated from operations** | **63.3** | 52.5 | **10.8** |
| Capital expenditure | **(17.7)** | (12.8) | **(4.9)** |
| **Operating cash flow** | **45.6** | 39.7 | **5.9** |
| Exceptional cash flow | **(13.2)** | (4.2) | **(9.0)** |
| Interest paid | **(6.4)** | (5.2) | **(1.2)** |
| Redemption of B shares | **(6.6)** | (5.8) | **(0.8)** |
| Taxation paid | **(6.4)** | (8.2) | **1.8** |
| Other items | **8.2** | (2.4) | **10.6** |
| **Net cash flow** | **21.2** | 13.9 | **7.3** |
| Net debt at beginning of year | **(90.9)** | (92.4) | **1.5** |
| Currency translation differences | **(6.0)** | (12.4) | **6.4** |
| **Net debt at end of year** | **(75.7)** | (90.9) | **15.2** |

# Appendix 6: use of cash




# Appendix 7: funding headroom

| | Facility £m | 30 June 2017 £m | Committed headroom £m |
|---|---|---|---|
| **Committed facilities:** | | | |
| – revolving facilities (June 2022) | 153.9 | **(61.6)** | 92.3 |
| – invoice discounting facilities | 47.0 | **(33.6)** | 13.4 |
| – other loans | 2.0 | **(2.0)** | — |
| | 202.9 | **(97.2)** | 105.7 |
| **Uncommitted facilities** | 66.3 | **(5.4)** | |
| **Total facilities** | 269.2 | **(102.6)** | |
| **Cash and cash equivalents** | | **26.0** | |
| **Other** | | **0.9** | |
| **Net debt** | | **(75.7)** | |