



*Passionate  
about  
Private Label*

2010-11  
Interim Results

8 February 2011



# Introduction

Iain Napier - Chairman



# Introduction

- Good financial performance in a challenging economic environment
- Conclusion of the “Refresh” strategy review being communicated today
- Strategic Actions:
  - Organisational change
  - Category review
  - Improved competitiveness and efficiency
  - Exploit new opportunities
    - Category extensions
    - Geographies
- Interim dividend maintained at 2.0p (2009: 2.0p)



# Summary

## Chris Bull



Passionate about Private Label

# Summary

- Revenue growth of 2% on a constant currency basis
- Adjusted operating profit<sup>1</sup> down 24% driven by increases in raw material input costs
- Restructuring programmes announced in 2010 delivering on plan
- Recovery of 2010 material cost increases continues to be implemented; further price rises to contend with
- Net debt of 1.1x annualised EBITDA
- Proposed further supply chain restructuring that is likely to lead to an exceptional charge this year of around £20m with annualised savings of around £11m

(1) Operating profit before amortisation of intangible assets and exceptional items

Financial review

Richard Armitage - Finance Director



# Financial headlines



	2010-11	2009-10	Y/Y	Constant Currency	
	H1	H1		2009-10	Y/Y
				H1	
Revenue (£m)	407.9	412.4	-1%	401.2	+2%
EBITA (£m)	20.2	26.5	-24%	25.6	-21%
EBITA margin	5.0%	6.4%	-1.4pts	6.4%	-1.4pts
Profit before tax (£m)	16.9	23.5	-28%		
Diluted earnings per share (pence)	6.9	9.7	-29%		
Dividend per share (pence)	2.0	2.0	+0%		
Cash generated from operations (£m)	27.2	48.8	-44%		
Net debt (£m)	72.2	69.4	+4%		

## Financial KPIs

ROCE	20.7%	26.6%
EBITA margin	5.0%	6.4%
Asset turnover	4.1	4.2

(1) All figures before amortisation of intangible assets and exceptional items



# Income statement

	2010-11 H1 £m	2009-10 H1 £m	Y/Y
Revenue	407.9	412.4	-1%
Gross profit	139.4	152.0	-8%
Gross margin	34.2%	36.9%	-2.7pts
Distribution costs	(27.4)	(27.8)	-1%
Administrative costs	(91.8)	(97.7)	-6%
EBIT	20.2	26.5	-24%
Net financing costs	(3.3)	(3.0)	+10%
Profit before taxation	16.9	23.5	-28%

(1) All figures are before amortisation of intangible assets and exceptional items





# Regional performance - Revenue

	2010-11 £m	2009-10 £m	Y/Y	Constant Currency	
				2009-10 £m	Y/Y
UK	155.8	160.6	-3%	160.6	-3%
Western Continental Europe	183.3	199.9	-8%	190.5	-4%
Central and Eastern Europe	64.7	51.9	+25%	50.1	+29%
Asia	4.1	0.0	n/a	0.0	n/a
<b>Total</b>	<b>407.9</b>	<b>412.4</b>	<b>-1%</b>	<b>401.2</b>	<b>+2%</b>

(1) Revenue is by geographic origin

(2) Revenue is on an external sales basis (i.e. excluding intra-group sales)

(3) 2009-10 figures restated for internal re-organisation of management structure

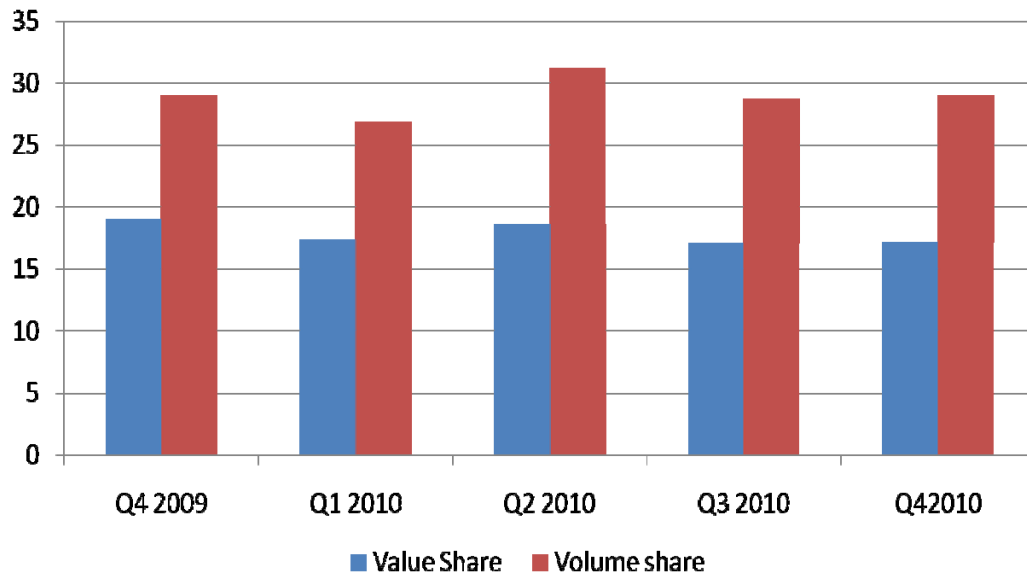


# Private Label share performance in UK

## Q4 2009 to Q4 2010

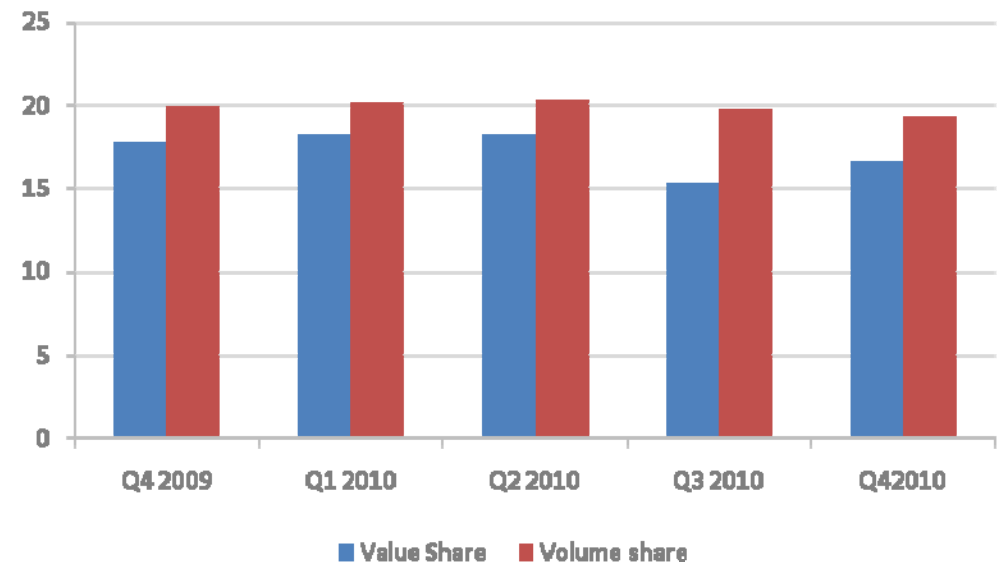


### Household Cleaners



- Private Label volume share up 2% points compared to Q1 2010
- Private Label cleaners account for almost 1 in every 3 purchases

### Personal Care



- Private Label Personal Care volume share lower than Household Cleaners
- Volume share impacted by increased promotional activity in H2 2010

Source: Kantar Worldpanel

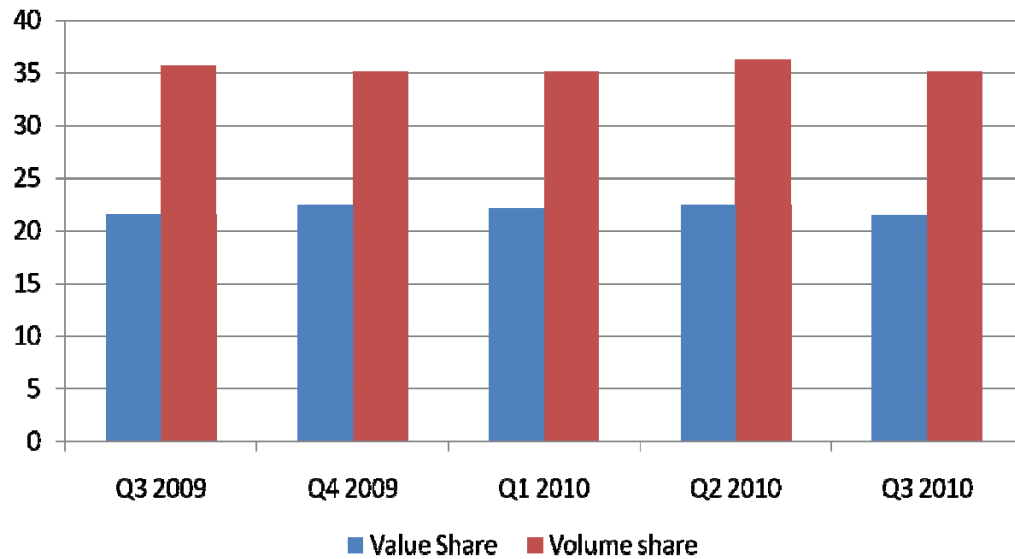


# Private Label share performance in France

## Q3 2009 to Q3 2010

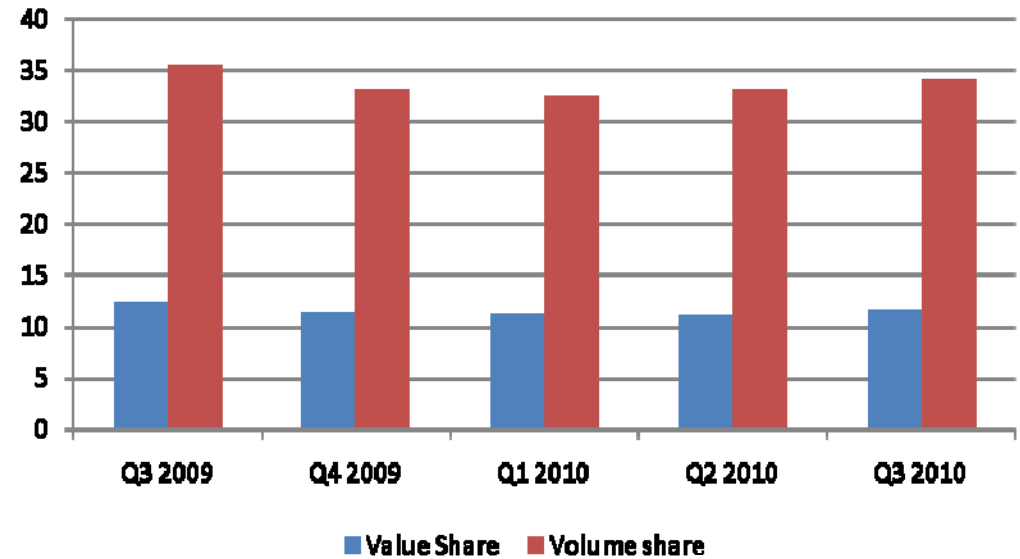


### Household Cleaners



- Private Label Household Cleaners volumes in France remain robust at c 35%
- Private Label cleaners account for over 1 in 3 purchases

### Personal Care



- Private Label Personal Care volumes in France remain buoyant
- Value share performance impacted by discount and entry price ranges

Source: Kantar Worldpanel



# Regional performance – Operating profit



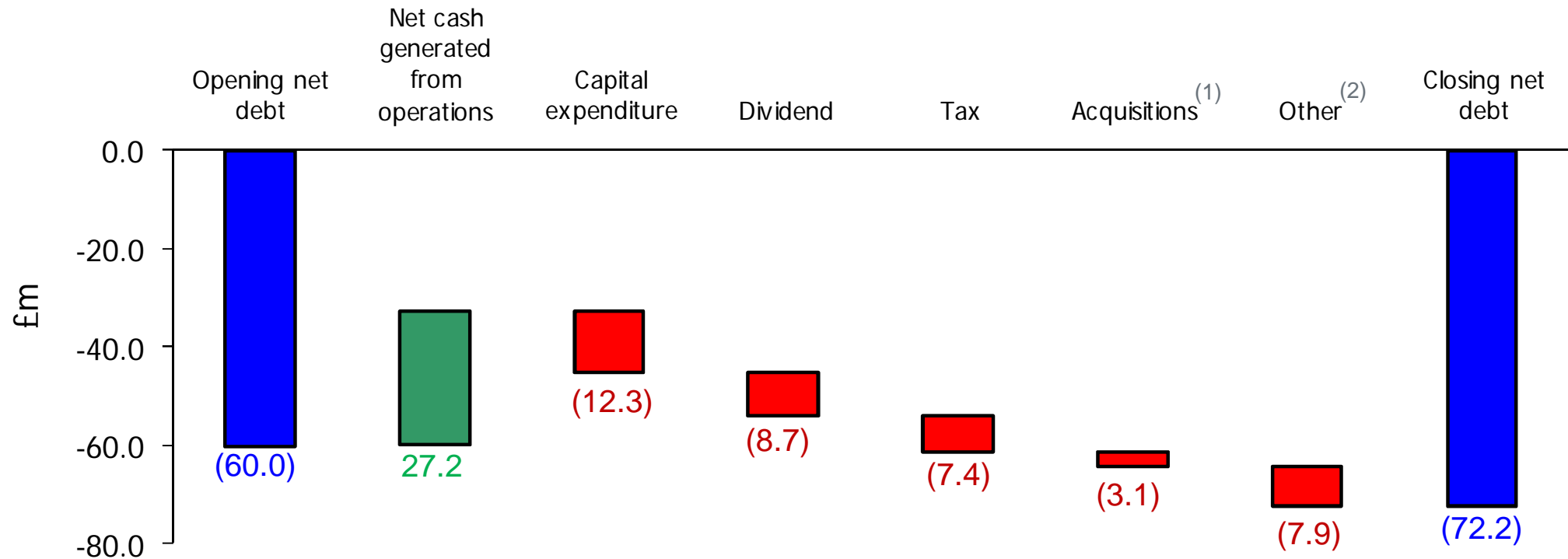
	Constant Currency				
	2010-11 £m	2009-10 £m	Y/Y	2009-10 £m	Y/Y
UK	8.3	11.1	-25%	11.1	-25%
Western Continental Europe	12.8	15.7	-18%	14.9	-14%
Central and Eastern Europe	3.4	3.5	-3%	3.4	+0%
Asia	0.1	(0.2)	n/a	(0.2)	n/a
Corporate costs	(4.4)	(3.6)	-22%	(3.6)	-22%
<b>Total</b>	<b>20.2</b>	<b>26.5</b>	<b>-24%</b>	<b>25.6</b>	<b>-21%</b>

(1) All figures are before amortisation of intangible assets and exceptional items

(2) 2009-10 figures restated for internal re-organisation of management structure



# Movement in net debt June 2010 to December 2010

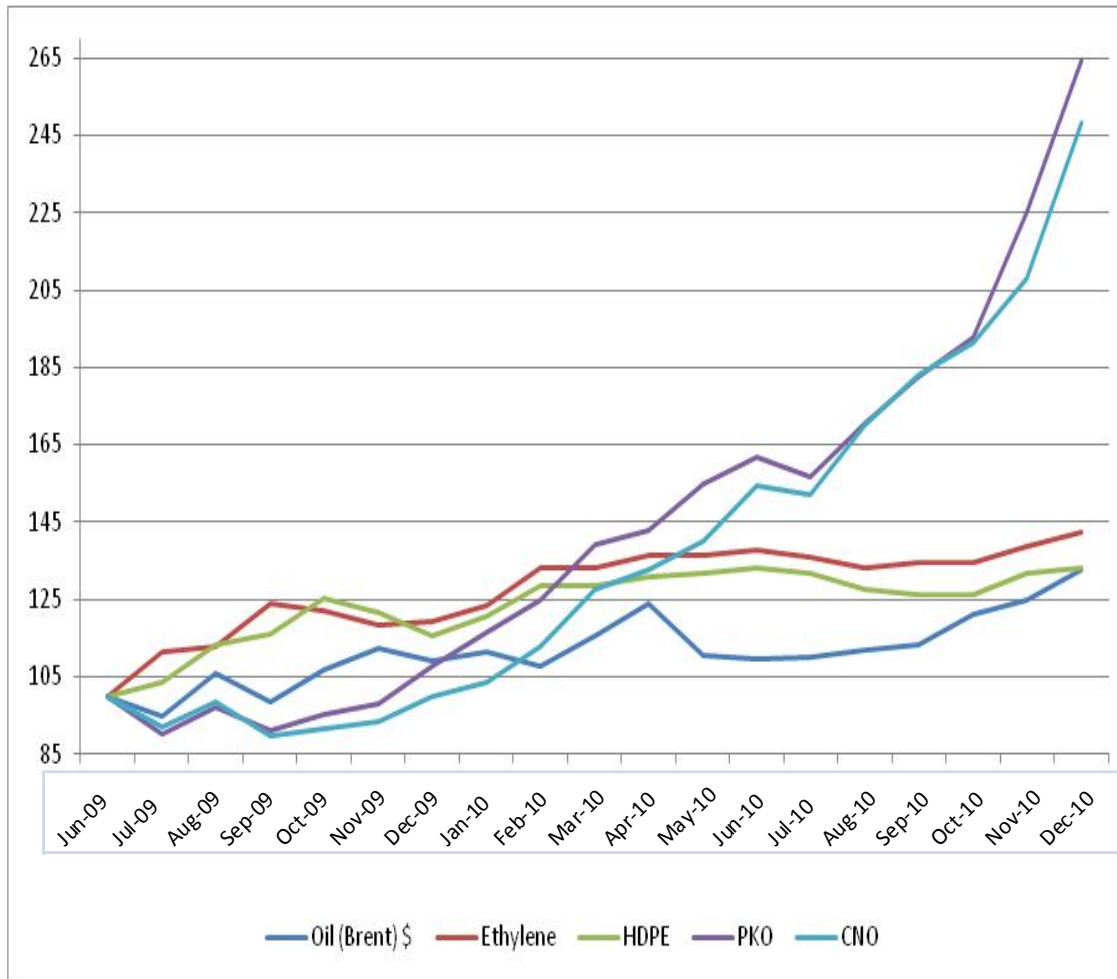


(1) Acquisitions includes £2.2m net cash consideration and £0.9m debt acquired

(2) Other includes finance costs, payments re exceptional items and foreign exchange



# Managing material costs is a core skill

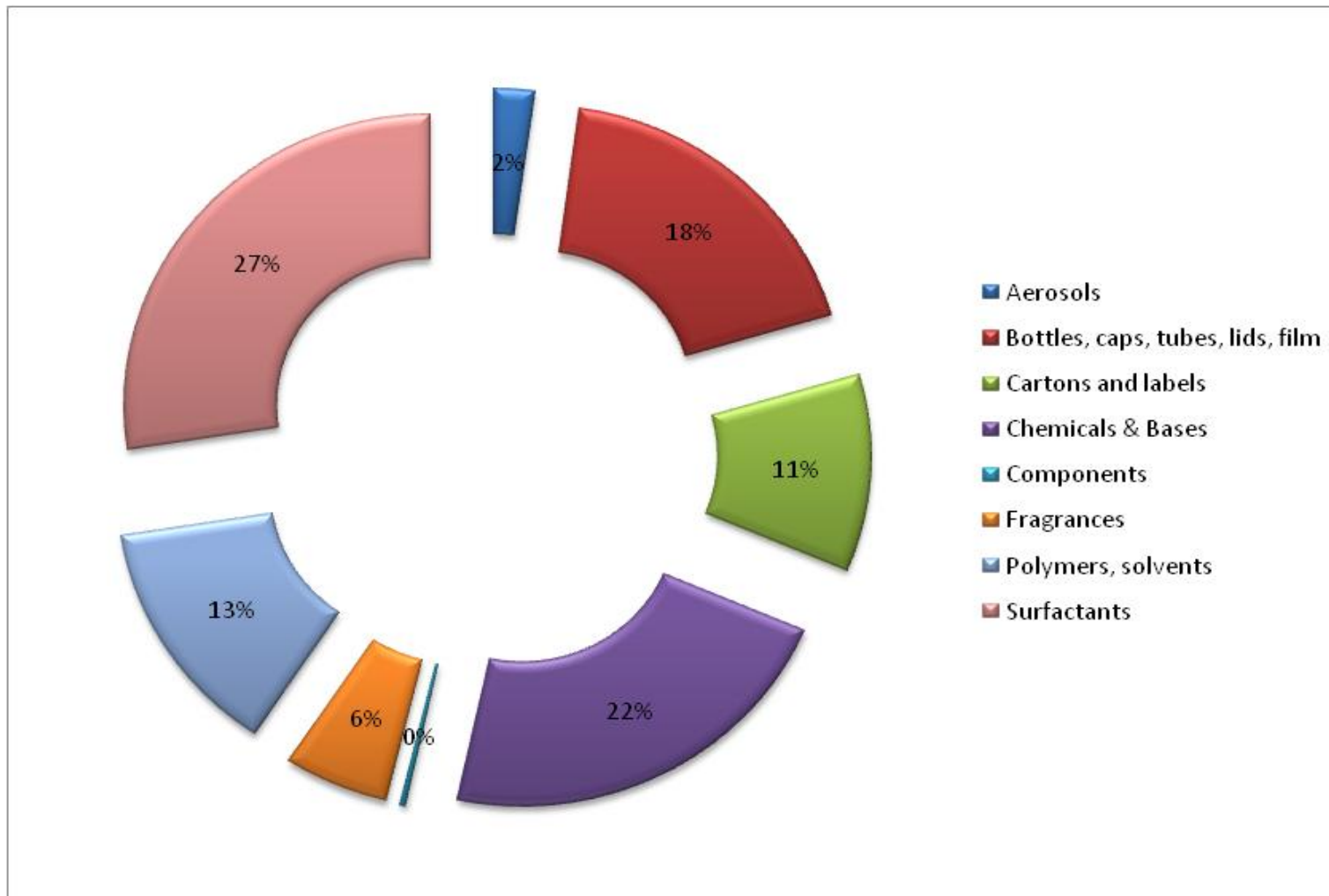


Source: StS Feedstock Evolution

- An increased Procurement team, organised on a Group basis, with c.50% new high-quality staff
- Development of procurement strategies for key categories that leverage McBride's scale
- Hard negotiation
- Improved forecasting
- Product re-engineering and alternative sourcing
- Hedging through taking longer contracts where appropriate
- Supplier risk management



# Material purchases



# “Refresh” - Costs and benefits

## Implementation Costs:

- Estimated exceptional cost for next phase of initiatives of c£20m
- Cash cost of c£13m with a payback of 2 - 2½ years
- Further value-enhancing opportunities identified

## Rationale:

- Recurring annualised benefit by year 2 of £11m
- Underpin EPS growth within 3 years
- Enhanced ROCE of in excess of long-run average
- A progressive dividend policy





# Going forward – Project ‘Refresh’

## Chris Bull



# Project “Refresh”: From Good to Great

## A Fundamental Business Review...



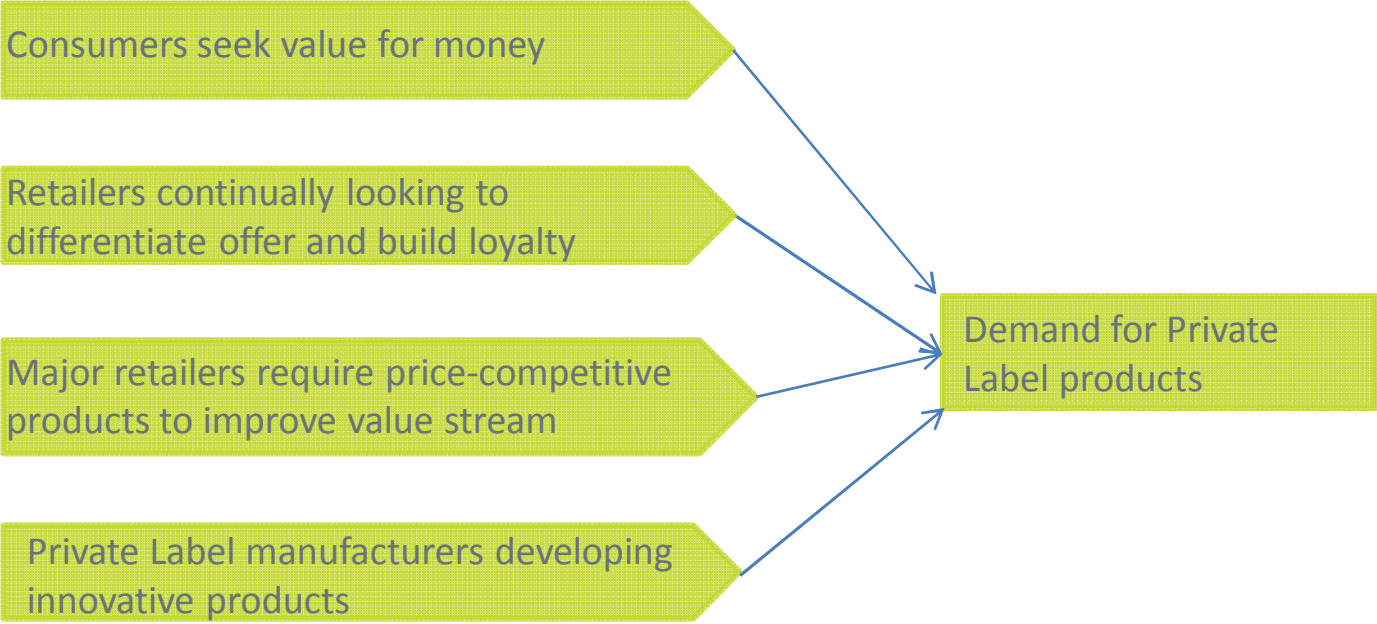
## Key Strategic Actions

- Organisational Change
- Category review
- Improve competitiveness and efficiency
- Exploit new opportunities



# The Private Label opportunity

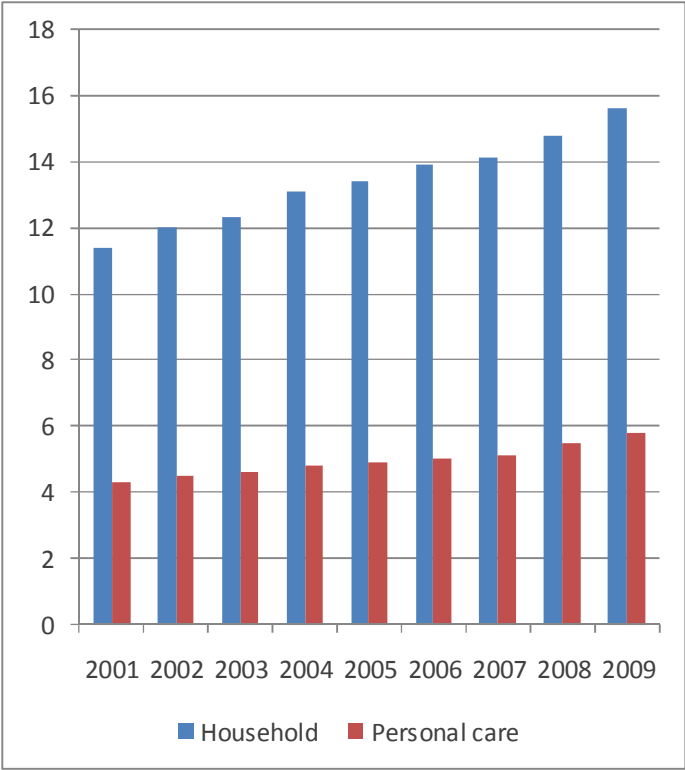
## Private Label Growth Drivers



## Private Label share

### Western European markets

% Value Share



Source: Euromonitor International



# Our current business



Growth markets with scope for market share gain

Robust business model with strong product offerings and expertise

Strong balance sheet enabling acquisitions and geographic expansion

## But:

- Volatile
  - Insufficient responsiveness and flexibility
  - Untapped production and supply chain efficiencies
- Current trading headwinds
  - Raw material cost inflation
  - Weaker macro-economic/consumer climate



# Our planned business

Growth markets with scope for market share gain

Robust business model with strong product offerings and expertise

Strong balance sheet enabling acquisitions and geographic expansion

## Plus:

- A rationalised and enhanced operating platform
- Increased customer responsiveness and flexibility
- Solid architecture for product and geographic expansion

## Leading to:

- Enhanced margins
- Sustained EPS growth
- ROCE in excess of long-run average
- Progressive dividend



# Strategic action: Organisational change

## Customers

- Building stronger strategic relationships at senior level
- International Customer teams established
- Building leading category management capabilities

Responsiveness

## Product Development

- Group leader of R & D appointed
- Categories identified for Group wide R & D and category development
- 3 centres of excellence
- Group wide quality standards

Speed to market

## Supply Chain

- Group leader of Supply Chain Effectiveness and Footprint appointed
- Group-wide Lean Manufacturing programme initiated
- Further strengthening of Group procurement function

Competitiveness

To leverage size, scale and capabilities



# Strategic action: Category review

## Focus on Growth Categories

- 3 Core Growth Categories (characterised by market position, growth, technology and margin potential)
  - Laundry liquids
  - Machine dishwashing
  - Specialist cleaners
- Future Growth Categories (offering broadening product range, increasing Private Label penetration)
  - Skin care
  - Air care (non aerosol)
  - Male grooming
  - Mouthwash
- Ongoing management of established categories



# Category review – Core growth categories



- Laundry liquids

- c €3bn pa market - category growing at the expense of powders and tablets
- McBride has established position in gels and sachets
- Opportunity to leverage scale and grow Private Label share



- Machine dishwashing

- Growing market worth c €1.8bn pa driven by increasing dish washer ownership
- Established Private Label propositions based on “Tab in Tab” and “soluble sachets”
- Opportunity to drive Private Label share through new product development (NPD)



- Specialist cleaners

- €1bn pa market driven by consumer hygiene awareness & buy-in to the trigger format
- Build on scale economies in triggers and drive NPD on cleaning performance





# Category review – Future growth categories

- Skin care

- c€15bn pa market driven by growth of facial skincare
- Exploit Brno skincare capability into core UK and European customers



- Air care (non aerosol)

- Total air care market worth €1.9bn pa but very fragmented
- Overall category most impacted by economic downturn
- Exploit McBride position in higher growth innovative electric and timed release product formats



- Male grooming

- Male grooming sector estimated at c €3bn pa and growing rapidly
- Exploit McBride position in shave gel and growing demand for male skin care



- Mouthwash

- Mouthwash usage is growing rapidly on back of oral hygiene awareness
- West European market worth €800m pa
- Exploit McBride competence in WCE, CEE, and Asia



# Strategic action: Improve competitiveness

- Embark on further selective rationalisation of the manufacturing footprint
- Implement a group-wide lean manufacturing programme
- Improve relationships and offering through International customer teams
- Utilise Group scale to improve responsiveness



# Strategic action: New opportunities

## Selective category extension



- Current portfolio
- Category opportunities
- Outside scope



# Strategic action: New opportunities

## Geographic expansion

- 
- Developing and Emerging markets provide an excellent opportunity for Private Label fuelled by the expansion of International retailers.
  - Detailed review confirms Central and Eastern Europe and identifies Asia and Australia as opportunities with Americas in the longer term.
  - Continue to strengthen presence in Central and Eastern Europe.
  - Investment in SE Asian “footholds” to continue
    - Extend Malaysia, Vietnam and China footprint
  - Strong competitive advantage from leading – edge Private Label skills.



# Implementation roadmap

## Within 12 months:

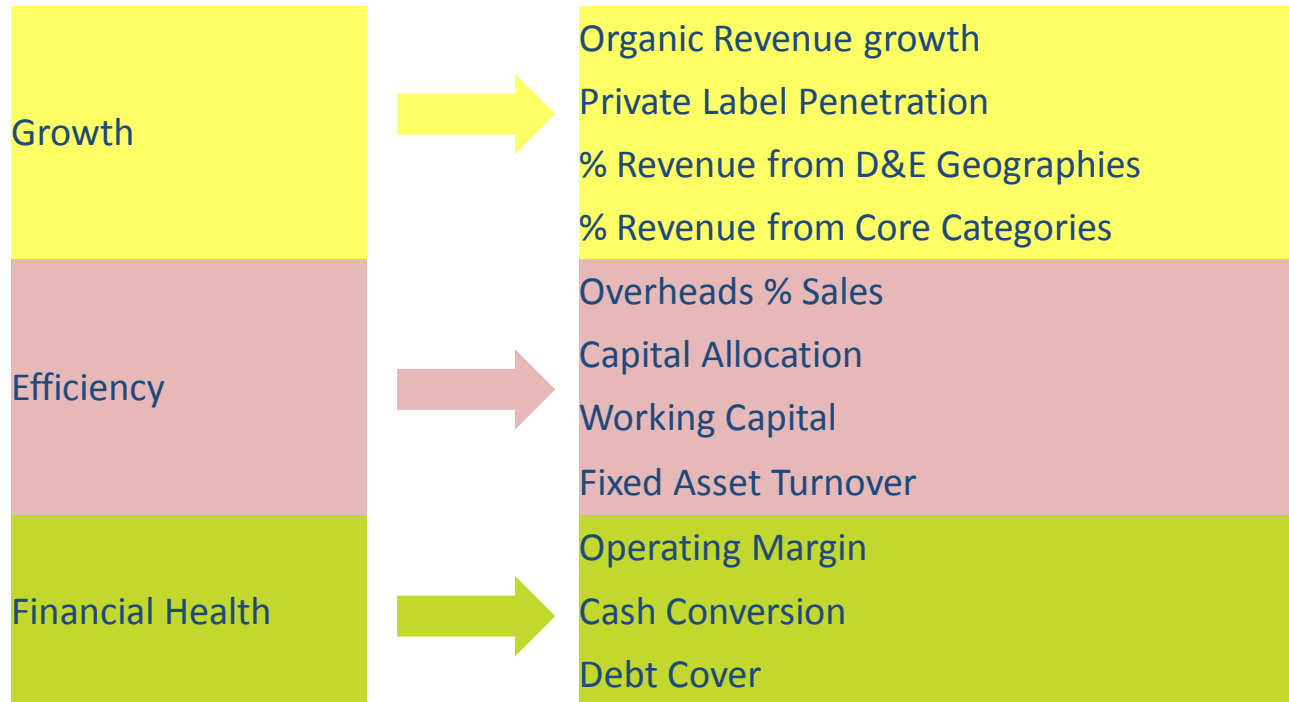
- Complete organisational changes
- Implement first Group-wide category investments
- Complete next phase of manufacturing rationalisation
- Perform Lean Manufacturing assessment at key sites
- Continue expansion in Developing and Emerging markets

## Within 24 months:

- Achieve full run-rate of Supply Chain savings
- Further cost saving opportunities
- Continue geographic expansion



# KPIs



# Investment case

- Private Label has excellent long term potential

Strong market position with good opportunities to improve execution

Sustainable organic revenue growth ahead of market

Supply Chain cost reduction opportunities of £11m p.a. in year 3

Sustainable earnings growth

Strong cash conversion

Focused capital investment with >75% profit generating

Strong balance sheet enabling acquisitions and geographic expansion

Long term dividend growth



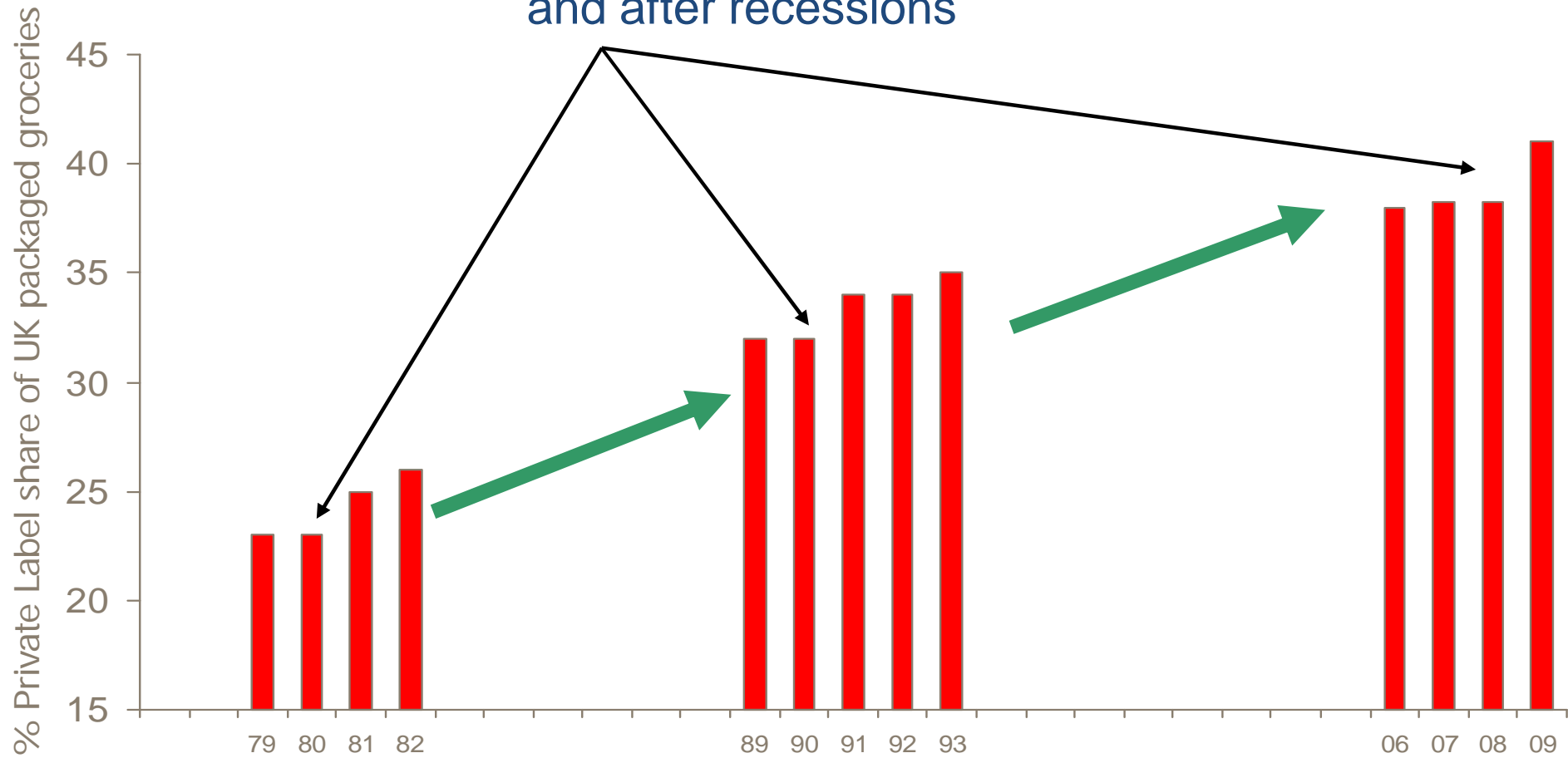
# Appendices





# Private Labels benefit in times of recession

Private Labels gain and continue to grow share during and after recessions



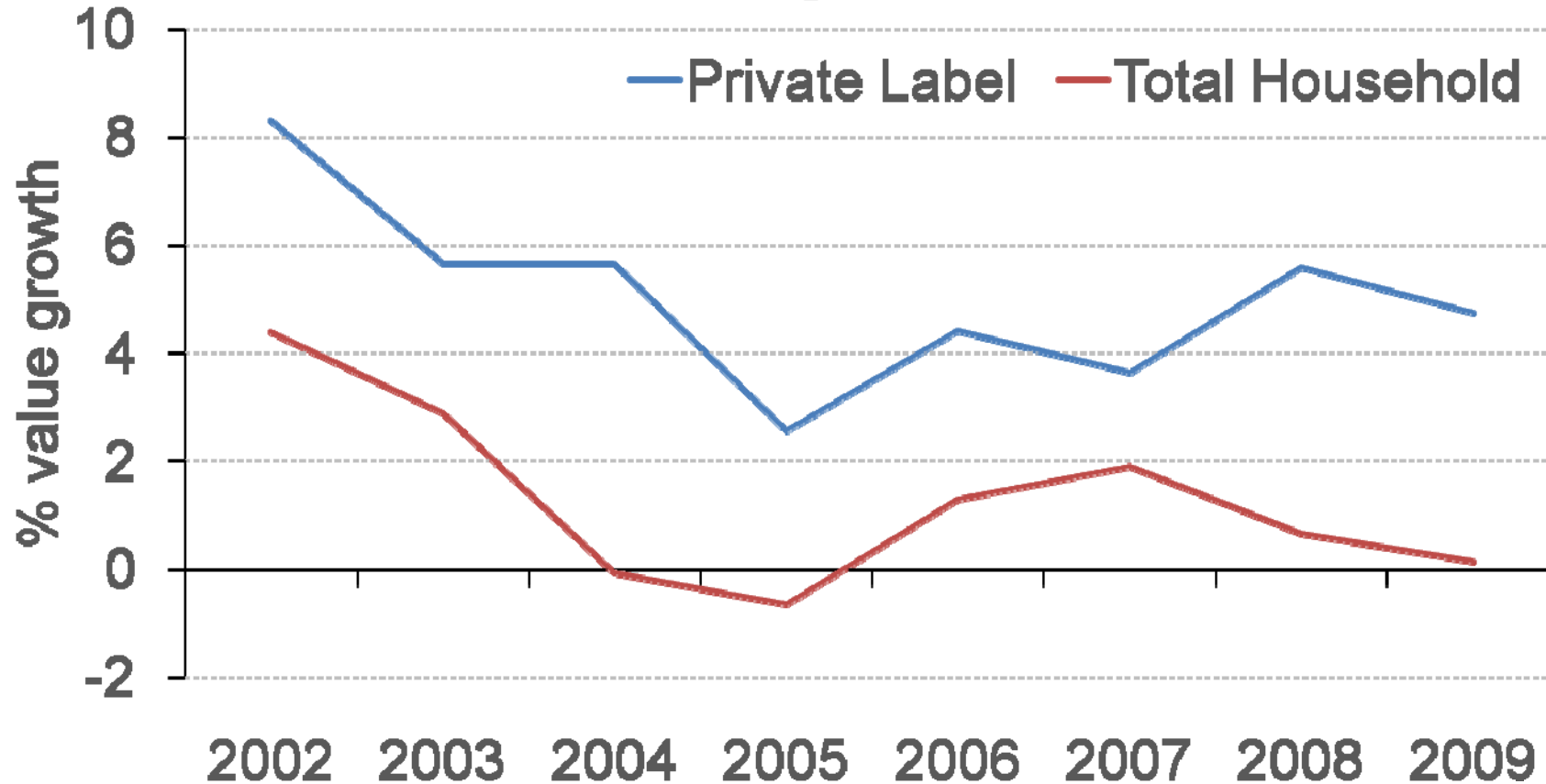
Source Kantar, Datamonitor



# Private Label growth outperforming the market



## Household Private Label vs TOTAL Household Market Growth 2002-2009



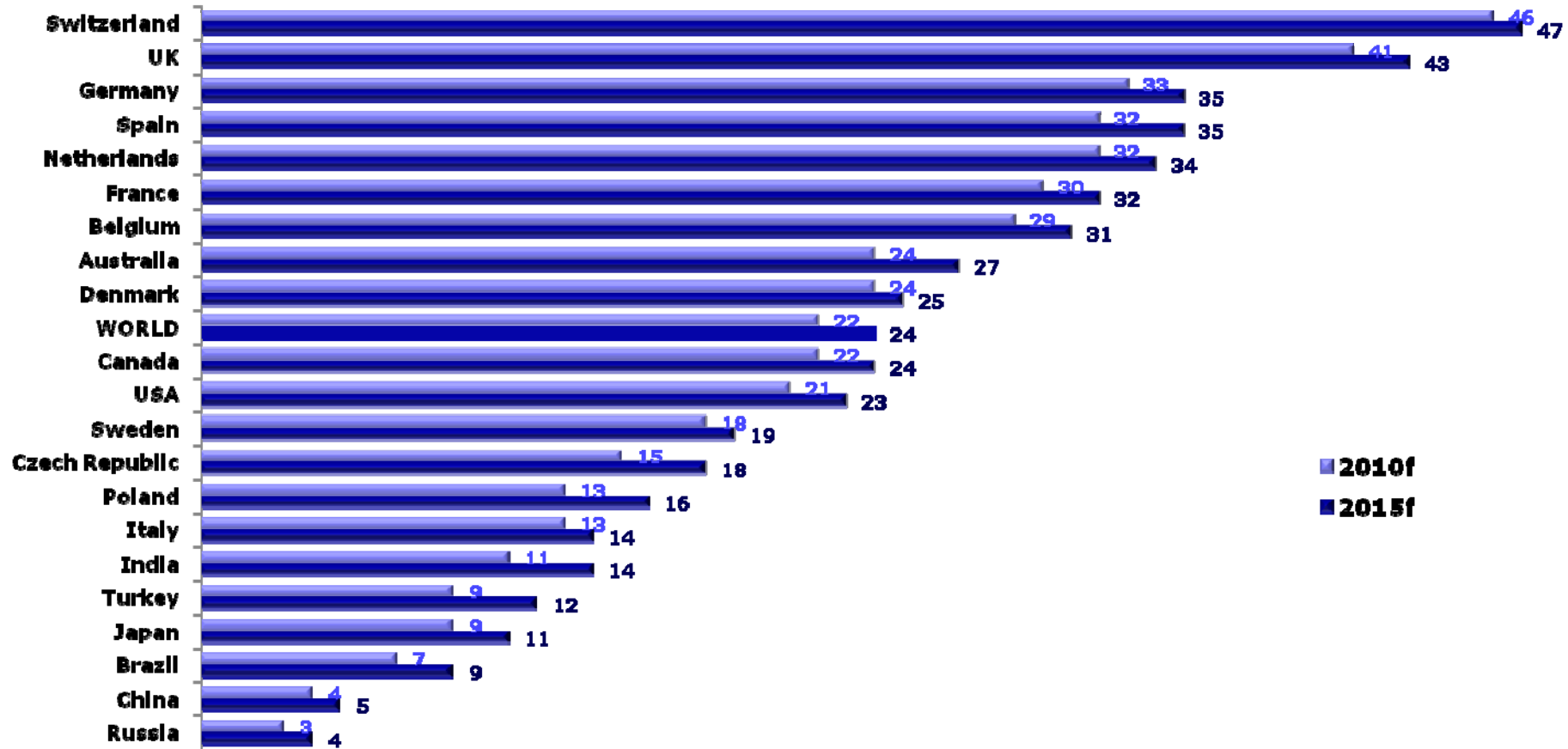
Source: Euromonitor International



# Private Label is forecast to grow in all markets



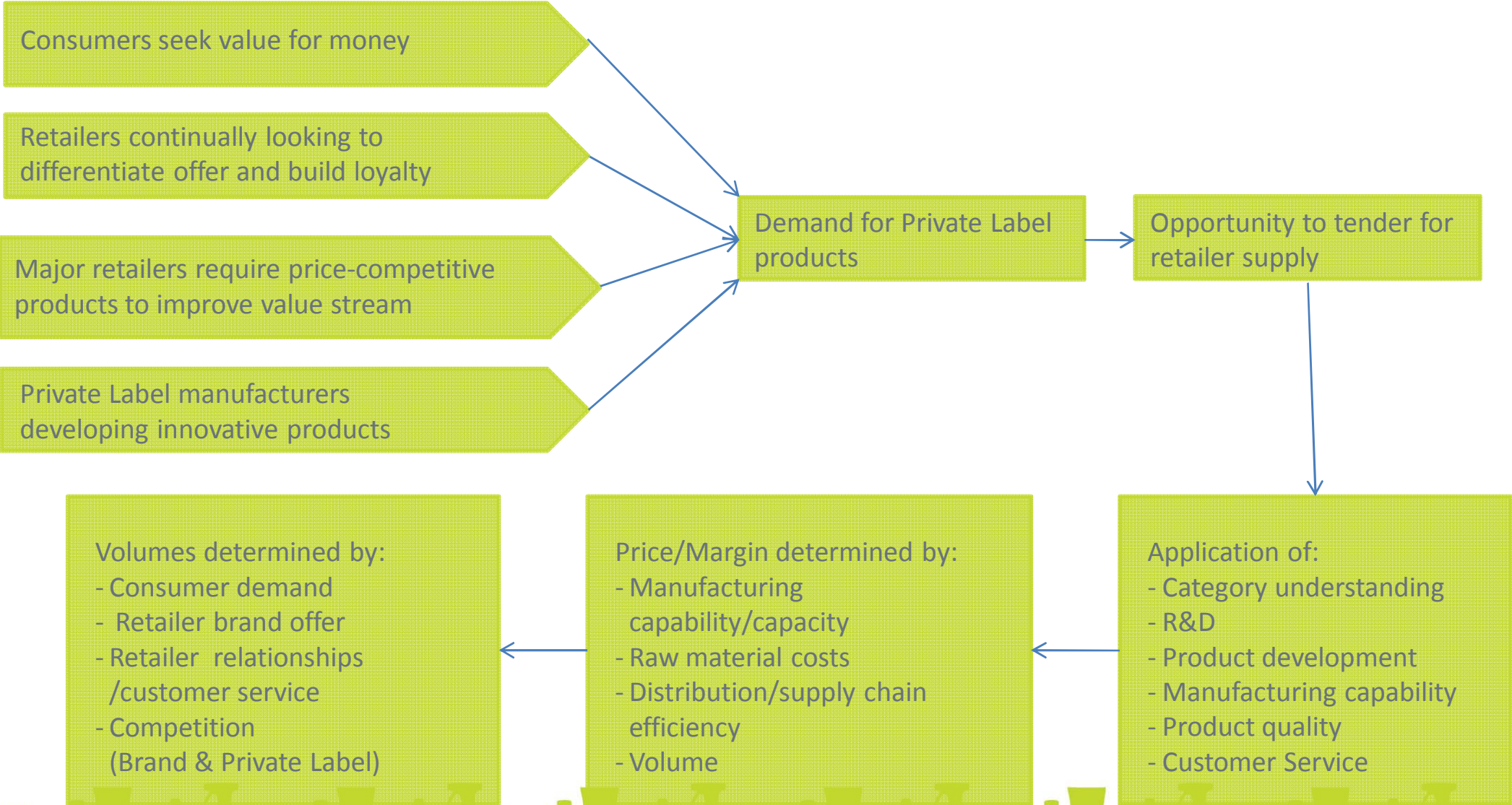
**Global: Private Label Penetration by Value, 2010-2015 (%)**



Note: Based on selected mature and emerging markets; f - forecast. Estimated shares of MGD sales; may exclude fresh produce.  
 Source: Planet Retail Ltd - [www.planetretail.net](http://www.planetretail.net); partly based on Nielsen and GfK



# The Private Label Business Model



# Core Growth Actions - Laundry Liquids

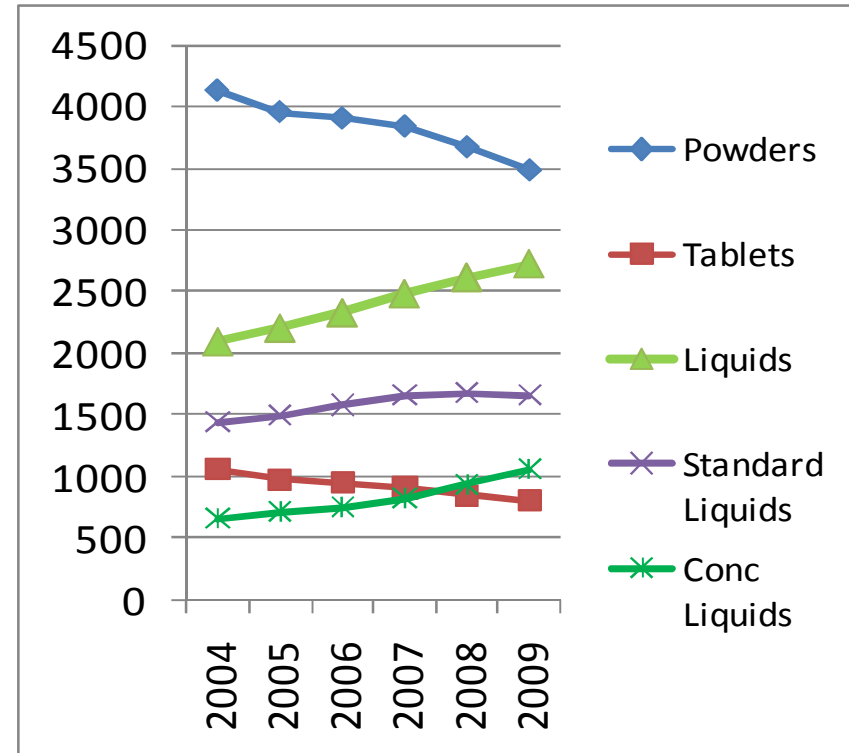
## ➤ Category Attractiveness

- Large category c €3bn, growing at expense of powders and tablets
- High level of innovation
- Private label has established share
- McBride has strong position in concentrated gels and sachets capability
- Growing opportunity in CEE markets

## ➤ Actions

- Continue to drive NPD in Laundry Liquids – Fabric care
- Provide best value in Laundry liquids
- Leverage sachet scale and capability
- Drive Private Label share growth – category management
- Grow market share in all Core markets and growing CEE region

Western European market  
€m



Source : Euromonitor International



# Core Growth Actions - Machine Dishwashing



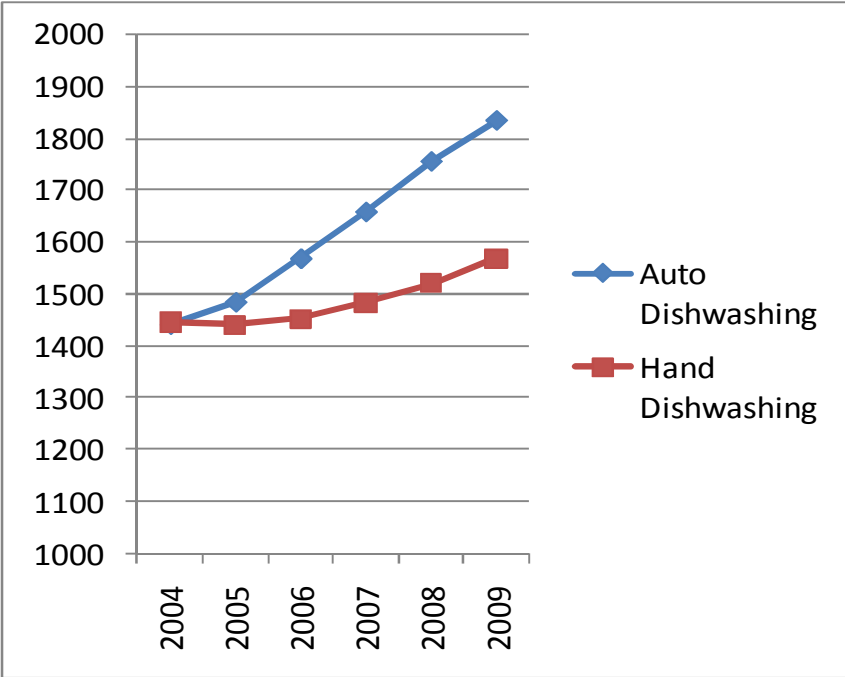
## ➤ Category Attractiveness

- Large market €1.8bn, growth driven by increasing dish washer ownership & convenience
- High level of innovation eg “ Tab in Tab” and “Soluble sachet”
- Established Private Label propositions
- McBride has established position in UK, Italy, Germany and France

## ➤ Actions

- Continue to drive NPD - next generation
- Drive Private Label share growth – category manager
- Grow market share in France, Germany
- Grow share in developing markets in CEE and Asia

Western European market  
€m



Source : Euromonitor International



# Core Growth Actions - Speciality Cleaners



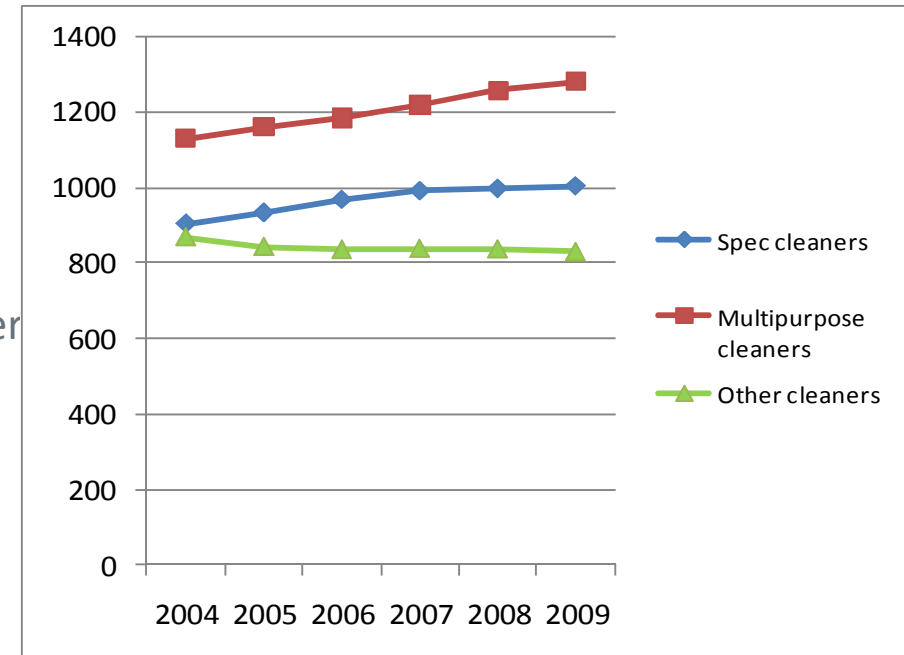
## ➤ Category Attractiveness

- Combined surface cleaner market is worth €3bn
- Mix of room - surface specific cleaners and multipurpose products
- Growth driven by consumers increased hygiene awareness in the home and the buy-in to targeted cleaning power of trigger products.
- McBride has significant scale in trigger volumes
- Recognised Private Label value proposition

## ➤ Actions

- Continue to build on scale economies in triggers and liquids
- Drive NPD in improved cleaning performance and products claims eg Flu kill
- Build on leadership positions in UK, France and Italy
- Continue to grow share in Germany and CEE

Western European market  
€m



Other cleaners include oven, glass, floor cleaners and scouring agents

Source : Euromonitor International



# Future Growth Actions - Skin care

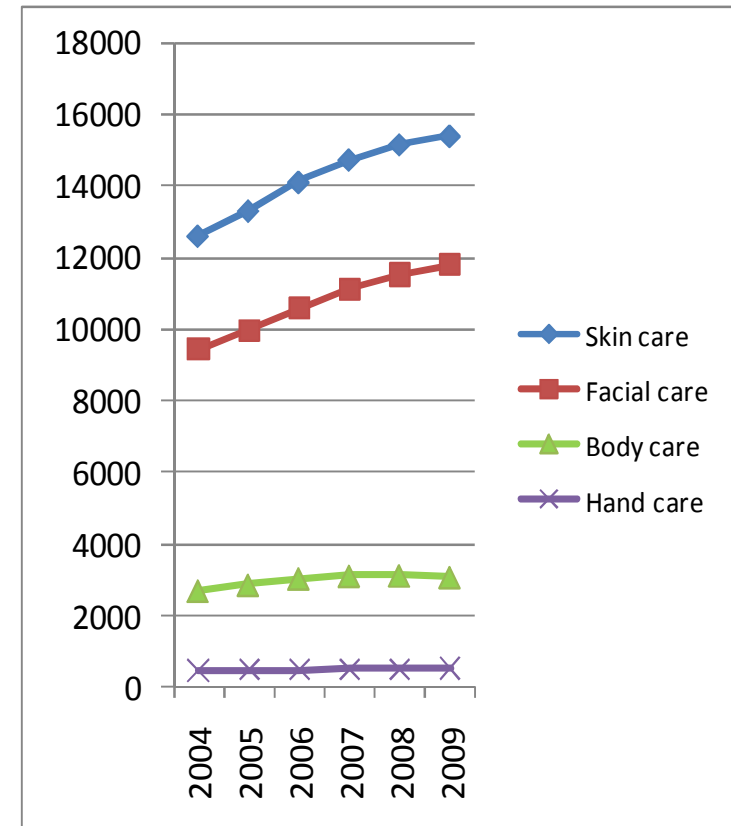
## ➤ Category Attractiveness

- Large market €15bn, driven by growth of facial skincare
- Demand for anti-aging products a key growth driver
- Brno has strong face and skin care heritage
- Growing Private Label presence in high value sector
- Growing male skin care segment

## ➤ Actions

- Skin care designated Future Growth with Group category approach
- Exploit Brno skincare capability into core UK customers
- Extend range into other key European markets
- Exploit CEE market opportunities using McBride 's CEE distribution network
- Extend range offer to Private Label male skin care

Western European market  
€m



Source : Euromonitor International





# Future Growth Actions - Air care (non aerosol)

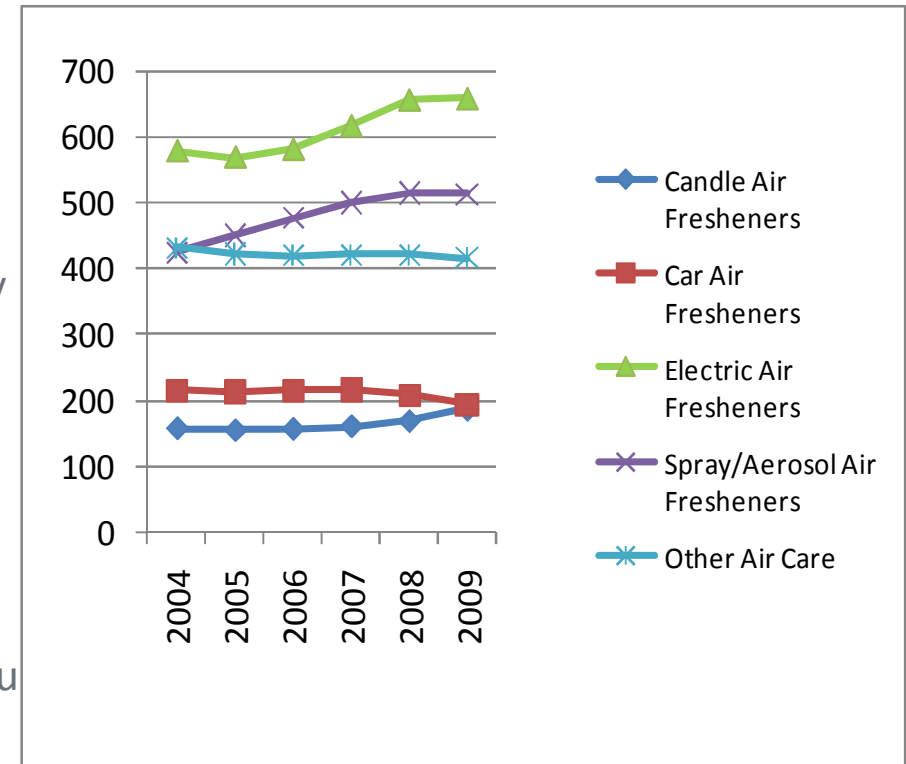
## ➤ Category Attractiveness

- Total air care market worth €1.9bn but fragmented
- Category most impacted by the economic downturn with products perceived as neither essential or luxury
- Discount sector is developing premium air care
- McBride has established position in both Electric and spray / aerosol segments
- Recognised Private Label value proposition

## ➤ Actions

- Category has moved out of core growth definition
- Electric air fresheners designated as future promise and group category approach
- Exploit our capabilities in timed release and sprays
- Drive competitiveness and range offer
- Continue to develop share in Germany and Electric formats

Western European market  
€m



Source : Euromonitor International



# Future Growth Actions – Selected Personal Care



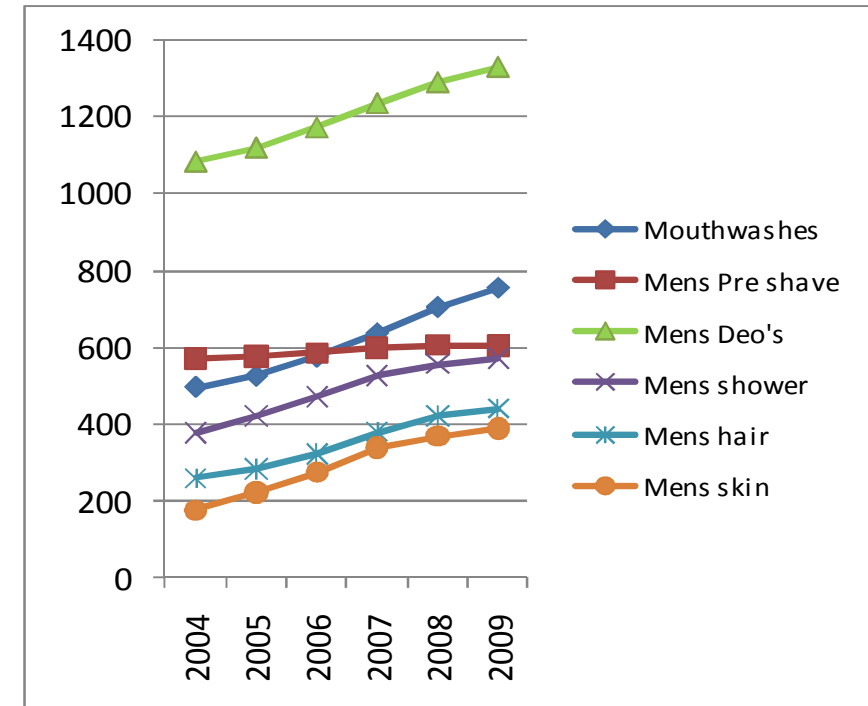
## ➤ Category Attractiveness

- The European Personal Care market is large but fragmented.
- Historically growth has outperformed the Household products sector
- Private Label has a growing share in many categories with scope for further share gains
- McBride has established position in UK, France and Poland in mainline toiletries sectors e.g. Bath & Shower products, liquid hand soap, shampoos and styling.
- Opportunities to expand into higher growth sectors

## ➤ Actions

- Continue to drive NPD in higher growth sectors including men's grooming products
- Exploit existing mouthwash competence in WCE, CEE and Asia
- Leverage of Brno capability in skin care to men's ranges
- Drive Private Label share growth across all toiletry sectors – category management

Western European market  
€m



Source : Euromonitor International



# Cash Generation 2010

	2010-11 H1 £m	2009-10 H1 £m
Cash generated from operations (1)	27.2	48.8
Other net outflows	(21.9)	(17.7)
<b>Free cash flow</b>	<b>5.3</b>	<b>31.1</b>
Acquisitions	(3.1)	(4.7)
Dividends	(8.7)	(7.8)
Exceptional items	(3.5)	(1.5)
Exchange	(2.2)	(4.1)
<b>Debt (increase)/reduction</b>	<b>(12.2)</b>	<b>13.0</b>
Opening net debt	(60.0)	(82.4)
<b>Closing net debt</b>	<b>(72.2)</b>	<b>(69.4)</b>

(1) Cash generated from operations excludes cash flow in respect of exceptional items and acquisitions

