McBride plc

Results Presentation: 28 February 2023

Everyday cleaning products,
expertly made

Agenda

1. Headlines
2. Overview
3. Financial Review
4. Outlook & Wrap-Up
5. Q&A

Our speakers today

Chris Smith
Chief Executive Officer

Mark Strickland
Chief Financial Officer

1. Headlines

Headlines

Strong momentum supporting improved business performance

Growth

- Private label growth
- Inflationary squeeze favouring our core proposition
- Sustained pricing growth
- Innovation and growth opportunities
- Service improvements

Financial performance recovery

- Group returned to EBITA positive
- Delivery of margin improvement actions
- Compass £20m savings
- Liquidity stable, with significant headroom
- On track to deliver full-year expectations

Strategy development

- Step up in customer experience
- Maturity of Compass structure
- Transformation agenda underway
- Carbon reduction target setting

McBride

2. Overview

McBride at a glance

Leading European manufacturer of everyday value household cleaning products

Business overview

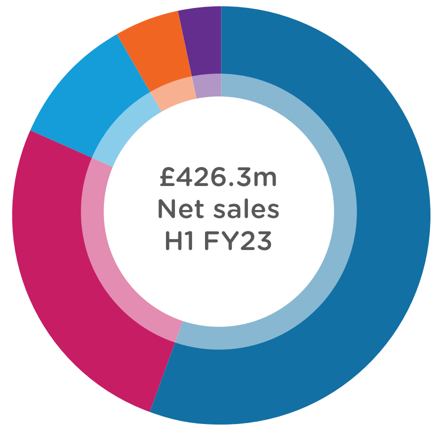
- McBride is the leading European manufacturer and supplier of private label and contract manufactured products for the domestic household and professional cleaning/hygiene markets
- The Group employs over 3,000 people across 18 locations in 12 countries and sells over 900m products each year
- Divisional structure with focused and accountable management teams driving execution of their strategies
- Central core functions to drive economies of scale

Key customers

77%
Revenue from top five European economies

> 900m
Units sold annually

Our divisions



Key:
- Liquids 55.8%
- Unit Dosing 26.1%
- Powders 10.0%
- Aerosols 5.0%
- Asia Pacific 3.1%

Sales overview – by channel and geography

- Private label **84.5%**
- Contract manufacturing 10.0%
- McBride brand **3.5%**
- Professional 2.0%

- Germany **22.3%**
- UK 21.9%
- France **20.7%**
- Italy 8.5%
- Spain 3.7%
- Asia Pacific 3.1%
- Rest of world 19.8%

Investment case

We manufacture everyday value cleaning products so every home can be clean and hygienic

Our Compass operating model

Separate divisional strategies →	Ensures focus
Decentralised model →	Rekindles specialisms, agility and speed
Accountable divisional teams →	Improves execution
Central core →	Maintains scale advantage

What sets us apart

- Size to scale advantage: #1 volume player
- Innovation – specialisation and focus, sustainable product expertise
- Broad and diverse customer base, wide market coverage/knowledge
- Manufacturing excellence, pan European supply chain capabilities
- Blue-chip integrity
- Experienced management and dedicated employees

Ambition →

- Deliver sustained top line growth
- Double digit EBITDA margins
- Consolidate position as industry #1
- Partner of choice

Strategy

Compass actions progressing, Excellence and Transformation initiative launched

Our guiding principles

Growth

- Win/loss ratio positive
- Favourable environment for private label
- Contract manufacturing gains to deliver from FY24
- Innovation launches, especially packaging
- Private label share recovered, McBride market share growing

Transformation

- Leadership appointed
- Team 'under construction', mix of internal, external
- Programme shaping
- Targeting £50m over five years

Transformation change

Shape of programme forming

Our transformation plan consists of seven programmes and is intentionally balanced between sales and margin growth, cost reduction and cash generation

Programme management office discipline

Environmental transformation Setting out the plan to deliver our decarbonisation ambition

Sales and margin growth

Commercial excellence
Skills/tools/process investment

Operations transformation
Targeted investments to support growth and innovation

Service excellence
Overhauling our supply chain to keep our customers first

Cost reduction and cash generation

Operating model excellence
A new Enterprise Resource Platform

HR digital transformation
Digital replatforming of our core HR processes

Cost excellence
Designing out waste, duplication and non-value adding activity

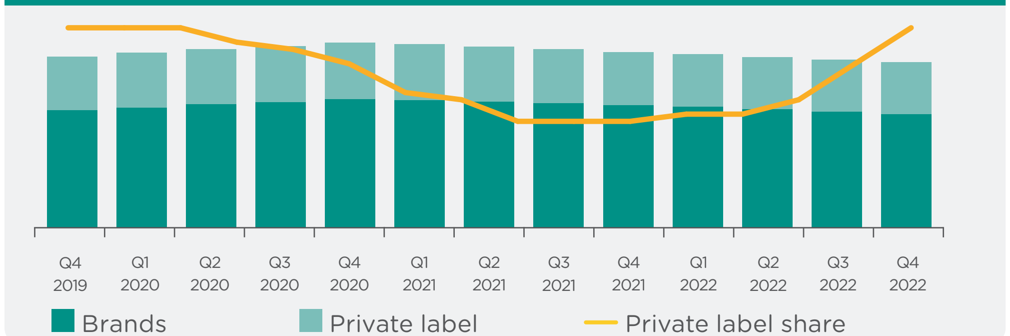
Market overview

Private label share gain but overall volumes lower as consumer behaviour adapts to cost of living challenges

Total market:	vs 2021:	vs pre Covid-19:
Total market volumes	(6)%	(3)%
Branded volumes	(7)%	(3)%
Private label volumes	(2)%	(3)%
Private label share	+1.2%	Stable

Total category volumes:	vs 2021:	vs pre Covid-19:
Laundry – total	(4)%	(7)%
Cleaners – total	(8)%	(2)%
Dishwash – total	(6)%	+1%

Volume progression



- Consumption levels lower as consumers dose more frugally
- Brands' value protection
- Household expected to be more resilient than other categories at macro level
- Consumer trade down, seeking value through channel choice, format changes, shift to private label
- Clear moves by certain retailers to prioritise private label

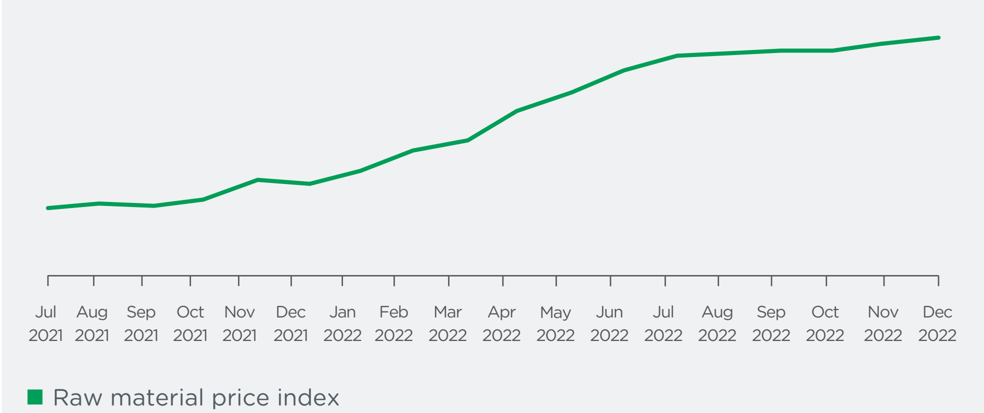
Source: Europanel (Kantar & GFK) panel data.

Business response to inflationary pressures

Multiple waves of margin recovery actions

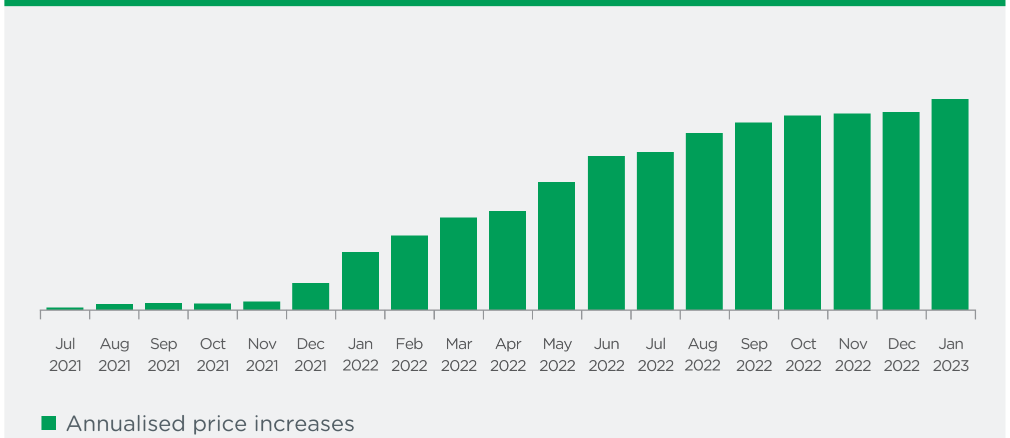
- No deflation in overall cost levels
- Latest rise due to specific key component inflation
- Energy, transport, labour and general inflation becoming increasingly important pricing factors
- Shift to short-term pricing arrangements with customers
- Customer requests increasing for cost mitigation through 'design to value' options
- Disciplined cost and capex management to mitigate

RMPI still rising, but some signs of stabilisation



Unprecedented increase in long term RMPI

Pricing agreements continue into H1 FY23



Liquids

Divisions – Liquids

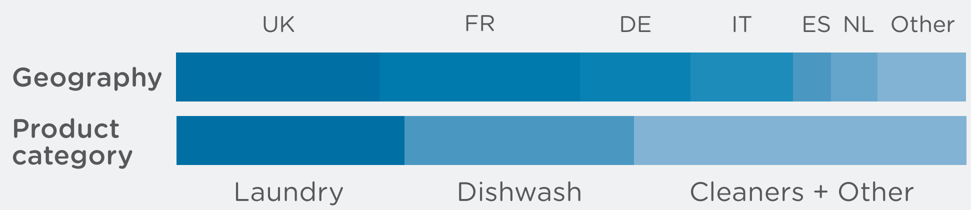
56% of Group sales

Strategic priority

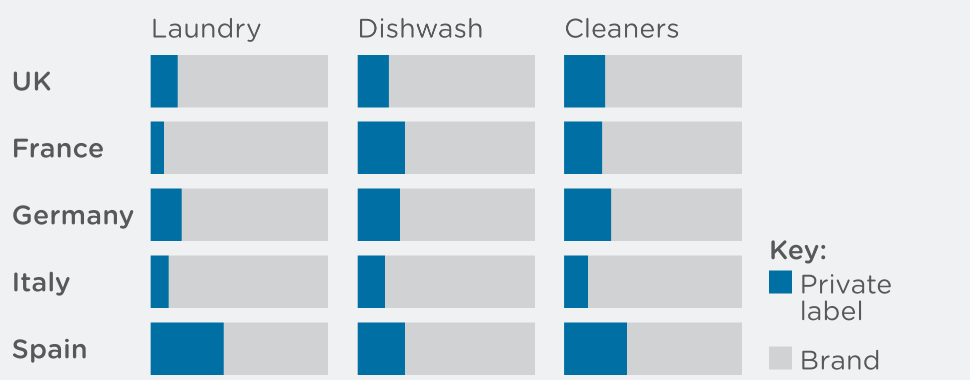
Cost leadership

Liquids generates c.£475m revenue p.a. in a total European market, including branded, of £9bn[(1)]

H1 FY23 revenue split – % of total



Private label market share[(2)] – Overall PL vs brand (RSV) 2022, % of total



Market fragmentation – No. suppliers (80% of PL market)

UK: 4 FR: 6 DE: 5 IT: 4 ES: 7

Return to profit through inflation recovery, tight cost control and private label growth

- Private label volumes grew, contract manufacturing volumes declined
- Consumer ‘down-trading’ evident, simpler, better value products
- Pricing agreed with customers to recover exceptional inflation
- Customer service levels recovering
- Cost leadership focus – ‘lean’ conversion programme
- Portfolio innovation, focus on product sustainability

(1) RSV = retail sales value.
(2) Source: Europanel (Kantar & GFK) panel data: 12 months to December 2022.

Divisions – Unit Dosing

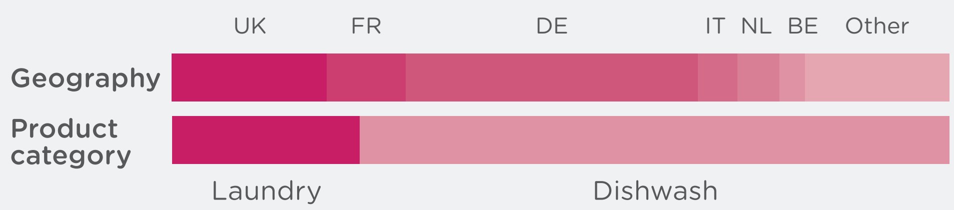
26% of Group sales

Strategic priority

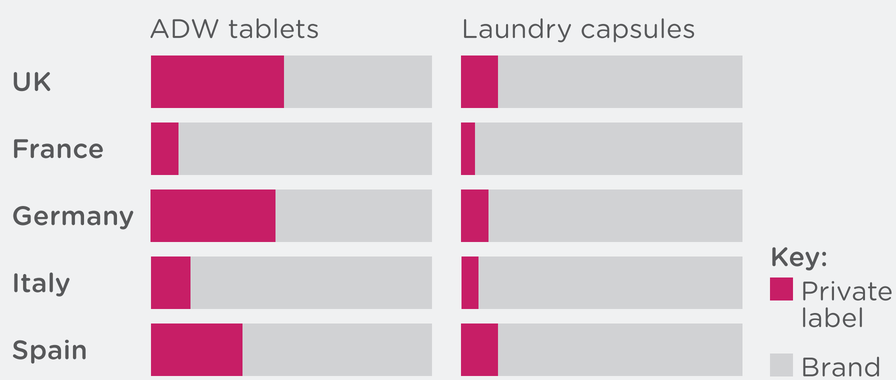
Product leadership

Unit Dosing generates c.£220m revenue p.a. in a total European market, including branded, of £2bn[1]

H1 FY23 revenue split – % of total



Private label market share[2] – Overall PL vs brand (RSV) 2022, % of total



Market fragmentation – No. suppliers (80% of PL market)

ADW tablets: 2	Laundry capsules: 4

Strength in private label through improved product offer and new project gains

- Revenue up 36.5%
- Volumes up 1.5%, driven by private label +9%
- New sustainable cardboard packaging for capsules now in multiple retailers
- Margin recovery from pricing and lower cost products
- Striking optimal balance between asset flexibility and cost efficiency
- New growth investments prepared

(1) RSV = retail sales value.
(2) Source: Europanel (Kantar & GFK) panel data: 12 months to December 2022.

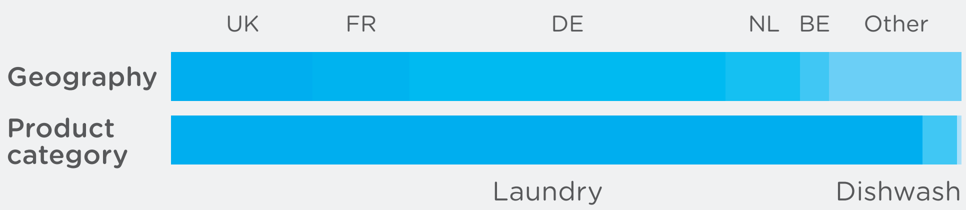
Divisions – Powders

10% of Group sales

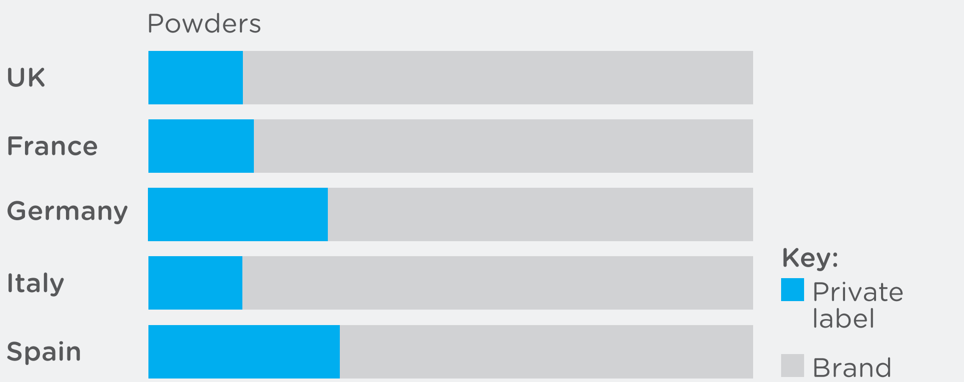
Powders generates c.£90m revenue p.a. in a total European market, including branded, of £1bn[1]

Strategic priority
Cost leadership

H1 FY23 revenue split – % of total



Private label market share[2] – Overall PL vs brand (RSV) 2022, % of total



Market fragmentation – No. suppliers (80% of PL market)

UK	FR	DE	IT	ES
3	3	2	7	2

Cost leadership and technical step-up securing wins

- Powders market decline has slowed
- Private label share up
- Professional recovering post Covid-19
- Innovation reset delivering strong pipeline of additional opportunities
- Strong progress with cost leadership strategy
- Market consolidation expected to provide further contract manufacturing opportunities
- Strong service and quality performance

(1) RSV = retail sales value.
(2) Source: Europanel (Kantar & GFK) panel data: 12 months to December 2022.

Divisions – Aerosols

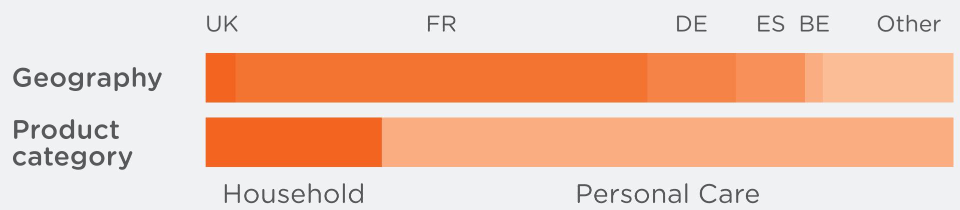
5% of Group sales

Aerosols generates c.£40m revenue p.a. with its current focus on the French market and new use ideas

Strategic priority

Product leadership

H1 FY23 revenue split – % of total



Market characteristics	Operational characteristics	McBride characteristics
Innovation	Manufacturing safety	Market focus
Sustainability	High cost of packaging	Technical knowledge
Aircare growth	Distribution	Established divisional agility
Dispersion benefits	Regulatory	Location

Expanding reputation as a specialist supplier

- Strong customer partnerships
- First half private label growth and pipeline of new business wins
- ‘Made in France’ tag supporting new contract manufacturing volumes
- Business development outside France progressing

Divisions – Asia Pacific

3% of Group sales

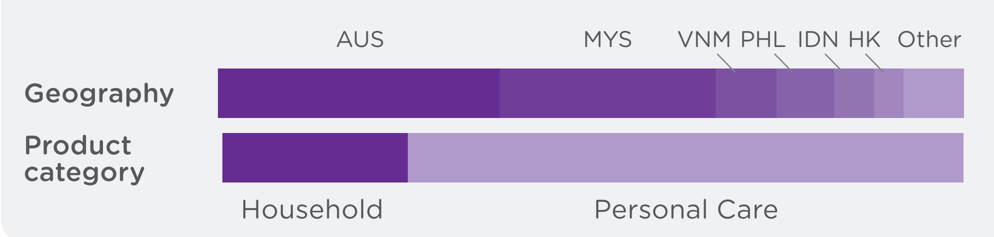
McBride Asia Pacific

Strategic priority

Cost and value leadership

Asia Pacific generates c.£25m revenue p.a. and is a high growth region for personal care and household

H1 FY23 revenue split – % of total



Market characteristics	Operational characteristics	McBride characteristics
Fragmented competition	Low cost manufacturing	Blue chip integrity
Traditional formats	Raw material availability	Technical support from Europe
Private Label; PC vs HH	Legislative variations	Quality, reliability and agility
International vs local brand	Complexity	Limited HH exposure in SE Asia

Performance recovering, with increased contract manufacturing growth ambitions

- New leadership team in place
- Malaysia manufacturing site fully operational, with strong focus on developing household
- Contract manufacturing opportunities with both local and global players
- Australia and other export growth opportunities improving with freight costs normalising

ESG

Environmental

- Corporate carbon footprint measured for FY21 and FY22
- Emission hotspots are chemicals, packaging, logistics and energy
- Near-term emission targets being defined for our journey to Net Zero
- Renewable electricity progress (H1 FY23: 32% from renewables, with further increases planned)

Selected KPIs	2025 target	FY22	H1 FY23
FSC® sourced	**100%**	91.4%	90.6%
100% recyclable	**100%**	98.5%	98.7%
50% PCR in our plastic packaging – PET – PE	**50%**	17.6% 52.2% 5.1%	19.9% 60.9% 9.0%
Flexible multi-plastic moved to mono-material plastic	**100%**	39%	36%

Social

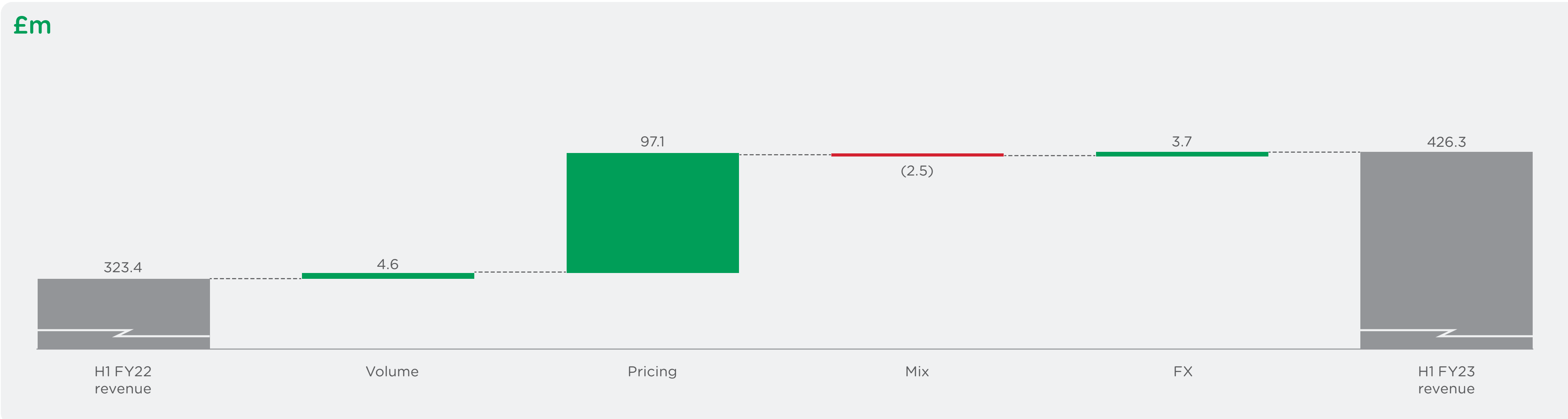
- Local engagement teams created
- Development programmes and Workday learning
- Focus on diversity, equity and inclusion
- Employer supported volunteering scheme in design

Governance

- New whistleblowing reporting channels launched
- Actions agreed to improve Board effectiveness
- European Works Council – Board representative attendance
- Online multilingual compliance training

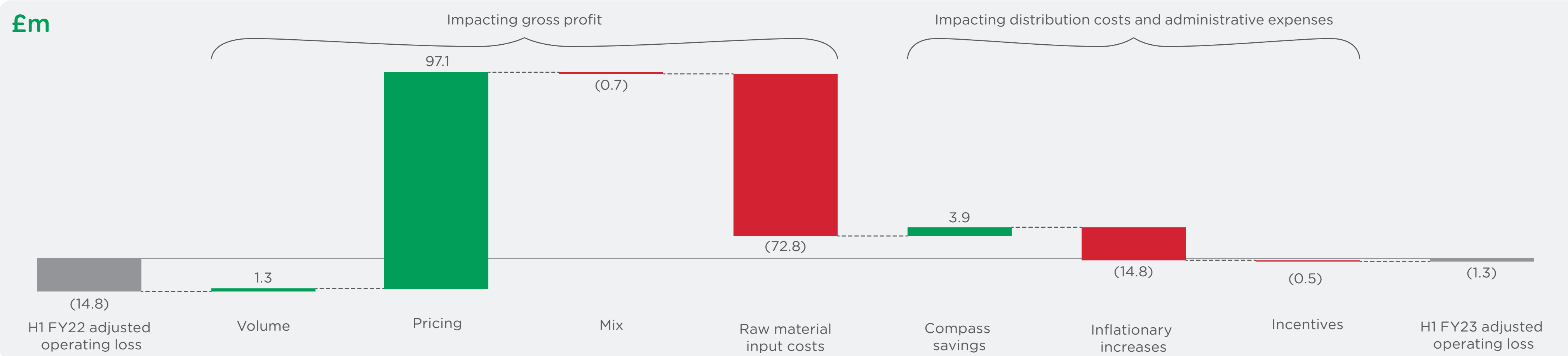
3. Financial Review

Group revenue bridge



- Revenue increased by 31.8% vs H1 FY22 mainly due to price actions
- Volume growth contributed £4.6m
  - private label volumes up 2.6%
  - contract manufacturing volumes lower
- Pricing actions:
  - £97.1m in-year benefit
  - c.94% of the revenue growth
- Collaboration with customers continues

Group adjusted operating loss bridge



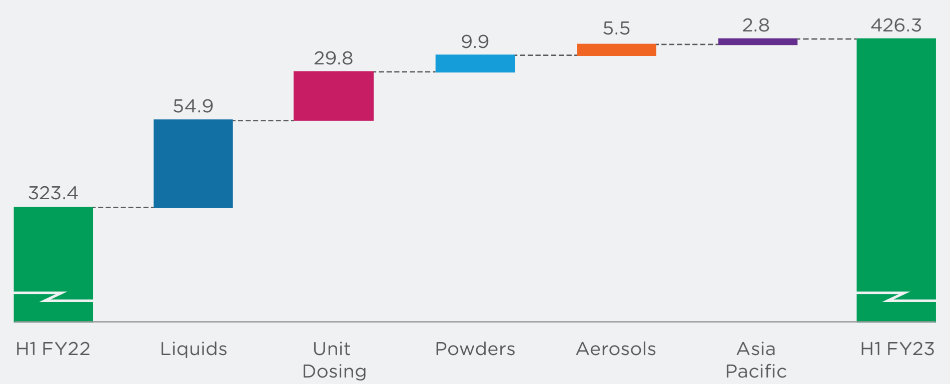
- Key drivers of the £13.5m improvement in adjusted operating loss:
  - pricing: multiple pricing waves have been agreed to offset significant cost inflation
  - raw material input costs: chemicals, packaging, energy, labour and general inflationary factors
  - volume/mix: £0.6m net positive, driven by higher private label sales
  - significant inflationary impact on distribution, operations and overheads costs
  - Compass cost savings helped offset inflationary pressures

Compasss cost reduction progress

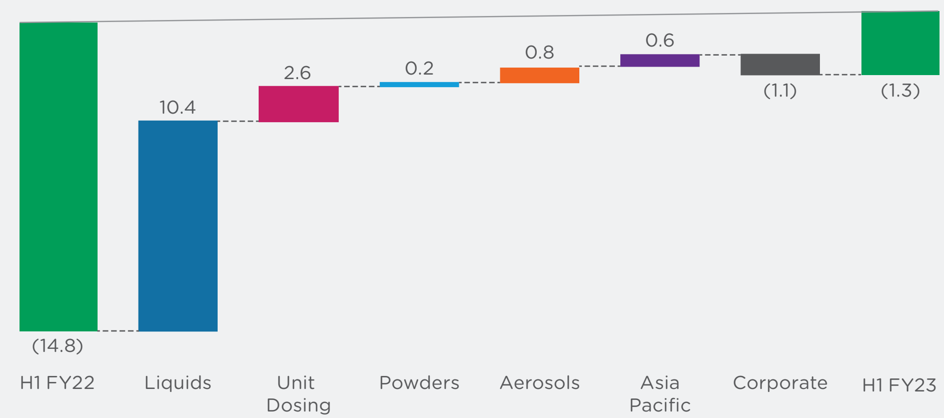
- On track to save £20m annualised savings by the end of FY23
- H1 FY23 realised cost savings £8.9m (H1 FY22: £5.0m):
  - operations £6.0m
  - divisional overheads £2.5m
  - distribution £0.4m
- FY23 cost savings expected to be c.£18m (FY22: £11.6m)

Divisional performance bridges

Revenue £m



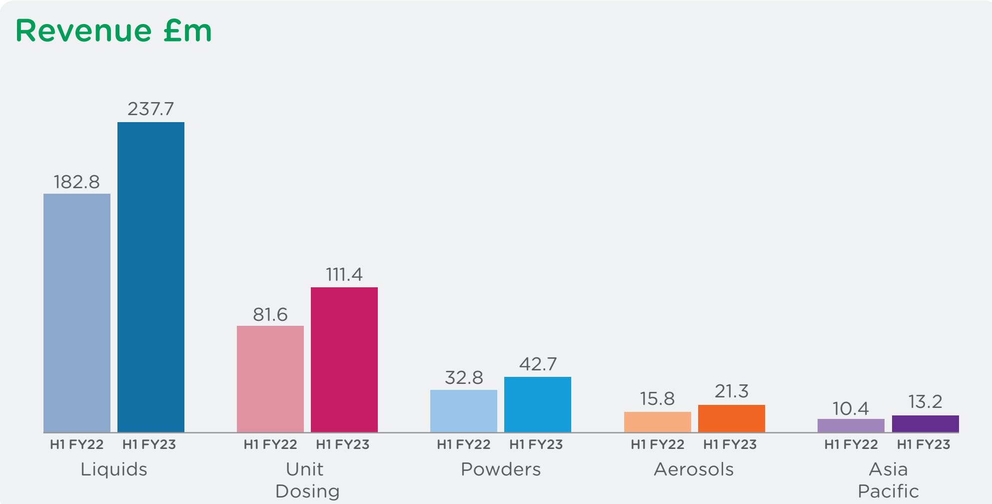
Adjusted operating loss £m

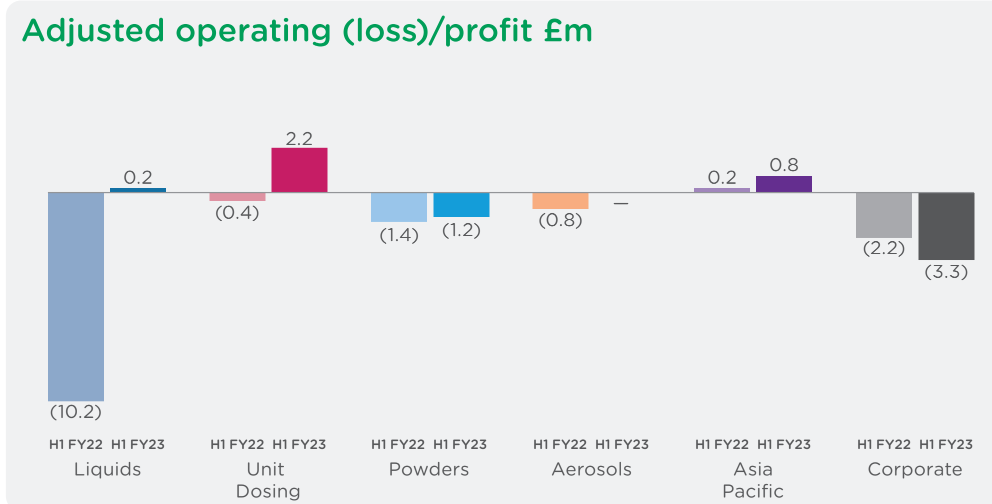


- Group revenue up 31.8% as reported:
  - Liquids +30.0%: pricing and private label volume growth
  - Unit Dosing +36.5%: pricing and innovation
  - Powders +30.2%: pricing and higher demand for lower cost products
  - Aerosols +34.8%: pricing and private label volume growth
  - Asia Pacific +26.9%: volume recovery vs Covid-19 impacted prior year

- Group adjusted operating loss improved by £13.5m:
  - high cost inflation continues to impact all divisions
  - price increases and strict cost controls helped mitigate the impact of input cost inflation

Divisional performance

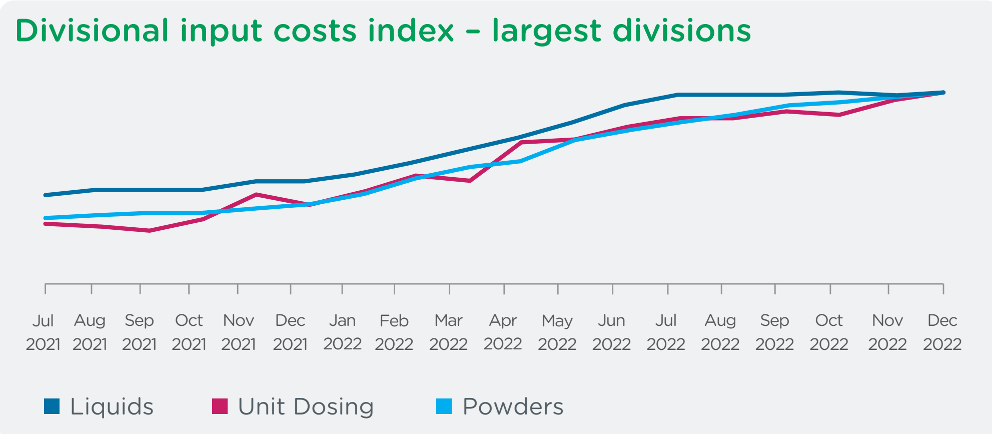


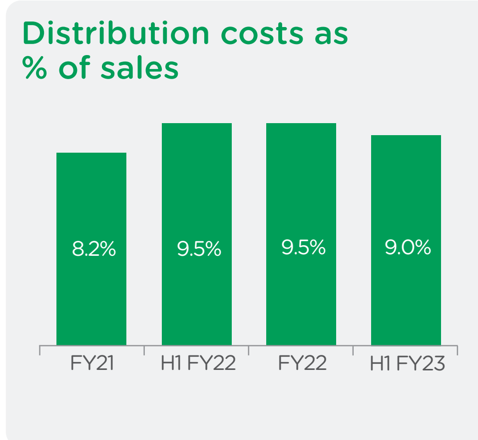


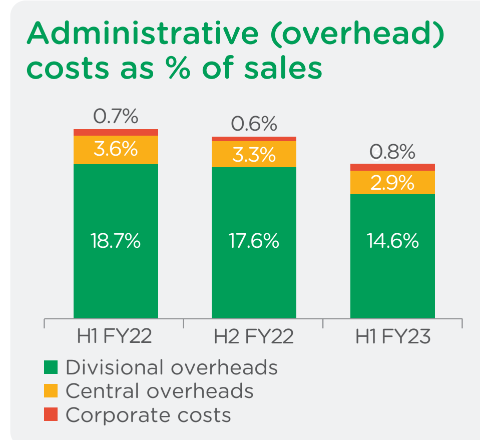
- All divisions significantly grew revenue
- Revenue growth mainly driven by pricing actions, but also with some volume growth

- Liquids and Unit Dosing returned to adjusted operating profit
- Powders loss heavily impacted by significant input costs increase in last two months of period
- Aerosols achieved break-even
- Asia Pacific increased profit
- Corporate costs higher due to inflationary impacts and higher bonus provision

Costs







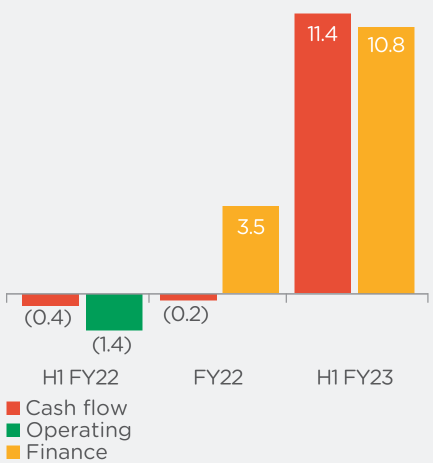
- Overall rate of increase has slowed in first half
- Variability by division, e.g. Powders experienced significant and sharp inflation in first half due to global tightness in supply of salts
- High energy and general inflation becoming increasingly significant drivers of input cost inflation

- Cost as % of sales reduced despite £7.7m increase in distribution costs driven by high inflationary pressures (supply constraints, fuel costs)
- Warehouse network strategy continues to evolve

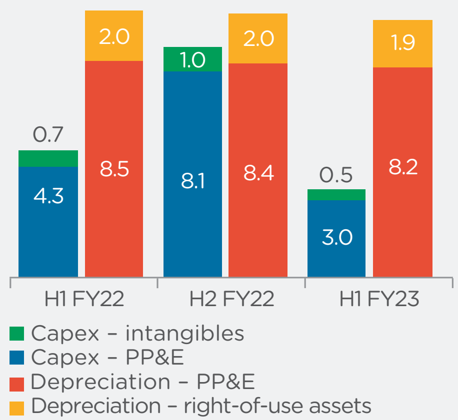
- Total administrative costs increased by £3.6m representing 18.6% of net sales (H1 FY22: 23.0%)
- Inflationary pressures have been partially offset by cost savings and efficiencies

Other financials

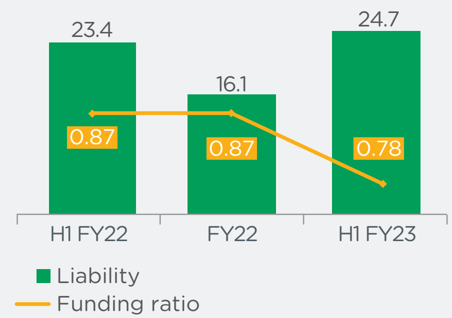
Exceptional costs £m



Capex and depreciation £m



Pensions[1] £m



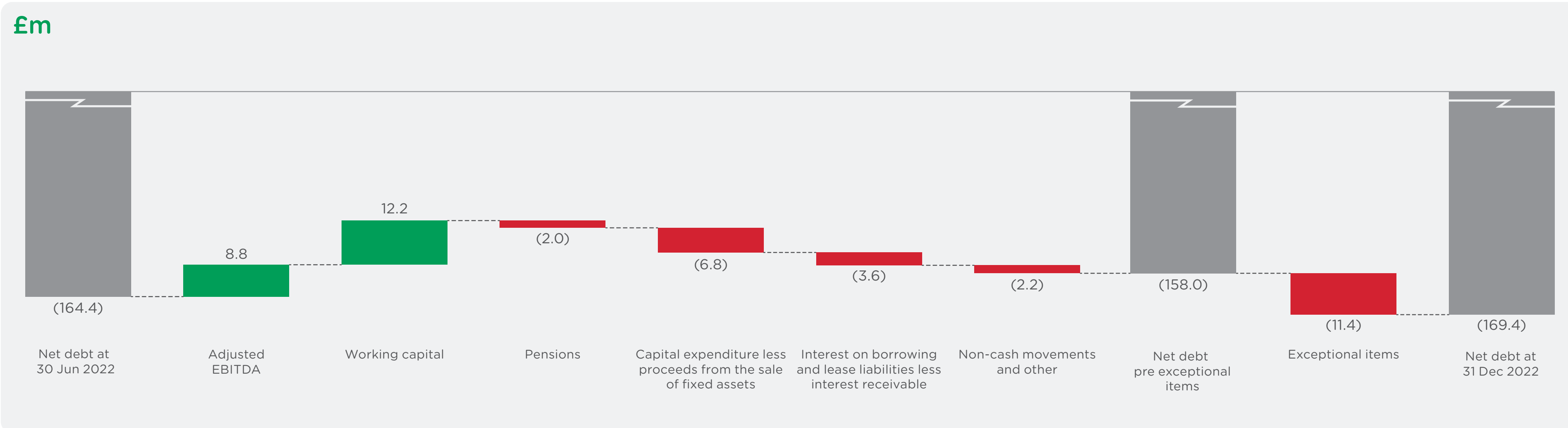
(1) On IAS19 Basis

- Exceptional costs fully relate to costs of Group financing

- Capex continues to be strictly controlled
- Prioritisation ensures that divisions' growth objectives are enabled

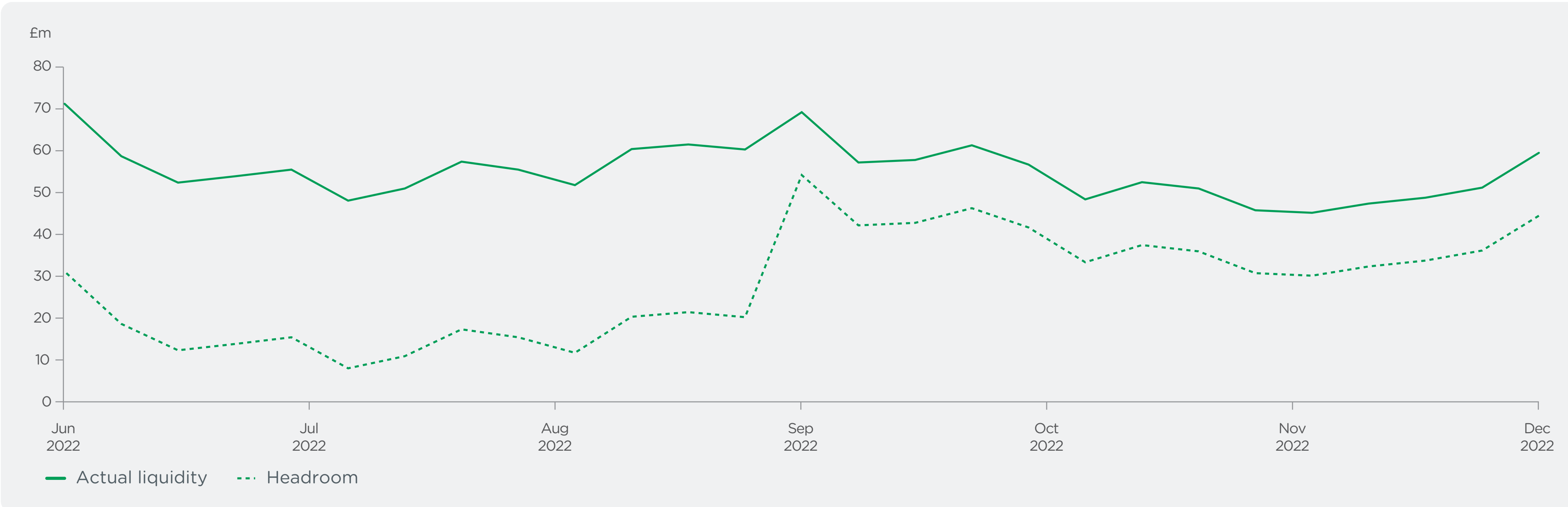
- Scheme asset values decreased by more than fund liabilities
- £2m deficit reduction contributions paid

Cash flow and net debt bridge



- Net debt increased to £169.4m (FY22: £164.4m)
- Adjusted EBITDA returned to positive from May 2022
- Working capital favourable cash flow driven by improved customer payment terms
- Capital expenditure continues to be strictly prioritised
- Interest costs expected to increase to c.£13m p.a.
- Non-cash movements include £2.7m of lease obligation additions and interest
- Exceptional items reflects costs associated with group refinancing

Liquidity



- Group refinancing reset minimum liquidity covenant from £40m to £15m at 29 September 2022
- 31 December 2022 available liquidity £58.9m => £43.9m headroom vs minimum liquidity covenant
- Underlying cash flow stabilised

4. Outlook & Wrap-Up

Outlook

Full-year expectations on track

Overall demand levels encouraging	Margin recovery ongoing
Customer proposition continues to strengthen	Inflationary pressures steadying
Transformation journey launched	Significant liquidity headroom

Wrap-Up

Strong momentum, improving business performance, ambition back in view

Growth

- Private label growth
- Inflationary squeeze favouring our core proposition
- Sustained pricing growth
- Innovation and growth opportunities
- Service improvements

Financial performance recovery

- Group returned to EBITA positive
- Delivery of margin improvement actions
- Compass £20m savings
- Liquidity stable, with significant headroom
- On track to deliver full-year expectations

Strategy development

- Step up in customer experience
- Maturity of Compass structure
- Transformation agenda underway
- Carbon reduction target setting

Compass →

- Deliver sustained top line growth
- Double digit EBITDA margins
- Consolidate position as industry #1
- Partner of choice

5. Q&A

Appendices

1. Income statement
2. Segmental reporting
3. Exceptional items
4. Balance sheet
5. Cash flow
6. Funding headroom

Appendix 1: Income statement

Continuing operations[1]	H1 FY23 £m	H1 FY22 £m	Change	Constant currency H1 FY22 £m	Constant currency Change
Revenue	**426.3**	323.4	31.8%	327.1	30.3%
Gross profit	**115.1**	90.2	27.6%	91.3	26.1%
Gross margin	**27.0%**	27.9%	(0.9) ppt	27.9%	(0.9) ppt
Distribution costs	**(38.5)**	(30.8)	25.0%	(31.1)	23.8%
Administrative expenses	**(77.9)**	(74.2)	5.0%	(75.0)	3.9%
Adjusted operating loss	**(1.3)**	(14.8)	(91.2)%	(14.8)	(91.2)%
Net finance costs					
– borrowings	**(6.3)**	(1.8)	250.0%	(1.8)	250.0%
– pension	**(0.3)**	(0.3)	0.0%	(0.3)	0.0%
Adjusted loss before taxation	**(7.9)**	(16.9)	(53.3)%	(16.9)	(53.3)%
Taxation	**0.7**	2.8	(75.0)%	2.8	(75.0)%
Adjusted loss for the year	**(7.2)**	(14.1)	(51.1)%	(14.1)	(51.1)%
Adjusted diluted loss per share (pence)	**(4.2)**	(8.1)	(48.1)%		
Amortisation	**1.3**	1.3	—		
Exceptional items	**10.8**	(1.4)	12.2		
Taxation – effective rate	**9%**	17%	(8) ppt		

(1) For H1 FY23 and H1 FY22 there was no impact from discontinued operations.

Appendix 2: Segmental reporting

Revenue	H1 FY23 £m	H1 FY22 £m	Change	Constant currency H1 FY22 £m	Constant currency Change
Liquids	**237.7**	182.8	30.0%	184.3	29.0%
Unit Dosing	**111.4**	81.6	36.5%	82.5	35.0%
Powders	**42.7**	32.8	30.2%	33.2	28.6%
Aerosols	**21.3**	15.8	34.8%	16.0	33.1%
Asia Pacific	**13.2**	10.4	26.9%	11.1	18.9%
Group total	**426.3**	323.4	31.8%	327.1	30.3%

Adjusted operating (loss)/profit	H1 FY23 £m	H1 FY22 £m	Change £m	Constant currency H1 FY22 £m	Constant currency Change £m
Liquids	**0.2**	(10.2)	10.4	(10.2)	10.4
Unit Dosing	**2.2**	(0.4)	2.6	(0.4)	2.6
Powders	**(1.2)**	(1.4)	0.2	(1.3)	0.1
Aerosols	**—**	(0.8)	0.8	(0.8)	0.8
Asia Pacific	**0.8**	0.2	0.6	0.2	0.6
Corporate	**(3.3)**	(2.2)	(1.1)	(2.3)	(1.0)
Group total	**(1.3)**	(14.8)	13.5	(14.8)	13.5

Appendix 3: Exceptional items

	H1 FY23 £m	H1 FY22 £m
Factory footprint review	—	(1.5)
Review of strategy, organisation and operations	—	(0.1)
Logistics transformation programme	—	0.1
UK Aerosols closure	—	0.1
Total charged to continuing operating (loss)/profit	—	(1.4)
Finance costs – Group refinancing	10.8	—
Total continuing operations	10.8	(1.4)

Appendix 4: Balance sheet

	31 Dec 2022 £m	30 Jun 2022 £m	Change	31 Dec 2021 £m	Change
Goodwill and other intangible assets	**26.3**	27.0	(2.6)%	27.3	(3.7)%
Property, plant and equipment	**121.1**	122.9	(1.5)%	122.1	(0.8)%
Right-of-use assets	**9.9**	11.3	(12.4)%	11.8	(16.1)%
Other non-current assets	**36.7**	31.6	16.1%	23.9	53.6%
Working capital	**47.4**	57.4	(17.4)%	33.6	41.1%
Net other debtors/(creditors)	**2.6**	(0.8)	425.0%	2.1	23.8%
Provisions	**(6.7)**	(7.2)	(6.9)%	(4.5)	48.9%
Pensions	**(24.7)**	(16.1)	53.4%	(23.4)	5.6%
Non-current liabilities	**(5.9)**	(4.7)	25.5%	(6.5)	(9.2)%
Net debt	**(169.4)**	(164.4)	3.0%	(124.9)	35.6%
Net assets	**37.3**	57.0	(34.6)%	61.5	(39.3)%
Average capital employed	**199.8**	214.0	(6.6)%	209.9	(4.8)%
Adjusted ROCE	**(5.5)%**	(11.4)%	5.9 ppt	(4.6)%	(0.9) ppt
Trade working capital % of sales	**10.6%**	9.3%	1.3 ppt	12.8%	(2.2) ppt

Appendix 5: Cash flow

	H1 FY23 £m	H1 FY22 £m	Change
Adjusted operating (loss)/profit	**(1.3)**	(14.8)	91.2%
Depreciation property, plant and equipment	**8.2**	8.5	(3.5)%
Depreciation right-of-use assets	**1.9**	2.0	(5.0)%
Share-based payments	**0.5**	0.5	0.0%
Additional cash funding on pension scheme	**(2.0)**	(2.0)	0.0%
Reversal of impairment of property, plant and equipment	**—**	(0.1)	100.0%
Loss on disposal of property, plant and equipment	**—**	0.3	(100.0)%
Operating cash flow before movement in working capital before exceptional items	**7.3**	(5.6)	230.4%
Movement in working capital	**12.2**	8.4	45.2%
Free cash flow	**19.5**	2.8	596.4%
Exceptionals cash flow	**(11.4)**	0.4	(2950.0)%
Interest paid	**(3.6)**	(1.6)	(125.0)%
Taxation paid	**0.1**	0.5	(80.0)%
Cash generated from operating activities	**4.6**	2.1	119.0%
Capital expenditure	**(6.8)**	(8.8)	(22.7)%
Redemption of B shares	**—**	(0.1)	(100.0)%
Purchase of own shares	**—**	(0.1)	(100.0)%
Other items	**(0.1)**	—	—
Net cash flow	**(2.3)**	(4.5)	48.9%
Net debt at beginning of year	**(164.4)**	(118.4)	38.9%
Non-cash movements	**(2.7)**	(4.0)	32.5%
Currency translation differences	**—**	2.0	(100.0)%
Net debt at end of year	**(169.4)**	(124.9)	(35.6)%

Appendix 6: Funding headroom and liquidity

At 31 December 2022	Facility £m	Drawn £m	Committed headroom £m
Committed facilities:			
– revolving facilities (Sep 2026)	155.2	(120.0)	35.2
– invoice discounting facility	44.7	(44.7)	—
– overdraft facilities (Sep 2024)	18.3	(2.8)	15.5
– leases	10.6	(10.6)	—
Total committed facilities	**228.8**	**(178.1)**	**50.7**
Uncommitted facilities	0.2	—	0.2
Total facilities	**229.0**	**(178.1)**	**50.9**
Cash and cash equivalents			8.0
Liquidity			**58.9**