

# mothercare



**Mothercare Interim Results  
November 18 2004**



Ian Peacock

Chairman

# Highlights

Sales	<b><i>UP</i></b> 2.5%
Operating profit	<b><i>UP</i></b> 15% to £10m
Cash balance	£41.4m
Interim dividend	2.7p





Steven Glew

Finance Director

# Profit and loss summary

Financials

£m	2004	2003	
Sales	<b>243.2</b>	237.3	+2.5%
Operating profit	<b>10.0</b>	8.7	+15%
Operating exceptionals	-	0.8	
Interest	<b>0.9</b>	0.1	
Profit before non-operating exceptionals / tax	<b>10.9</b>	9.6	+14%
Non operating exceptionals	-	3.8	
Profit before tax	<b>10.9</b>	13.4	-19%
Taxation	<b>(3.5)</b>	-	
Profit after tax	<b>7.4</b>	13.4	-45%



# EPS and dividend

Financials

Earnings per share	2004	2003	%
Basic earnings	10.8p	20.0p	-46%
Earnings per share before exceptionals (fully taxed)	10.8p	9.2p	+17%
Interim dividend per share	2.7p	-	



# Sales & profit by channel

Financials

Channel	Sales		Operating Profit		Net margin	
	£m	Inc %	£m	Inc %	%	%
	<b>2004</b>	Over LY	<b>2004</b>	Over LY*	<b>2004</b>	2003
UK stores	<b>204.6</b>	+0.9	<b>5.2</b>	+7.8	<b>2.5</b>	2.3
Direct	<b>9.1</b>	-1.8	<b>0.8</b>	+43.7	<b>8.8</b>	6.0
Total UK	<b>213.7</b>	+0.8	<b>6.0</b>	+11.5	<b>2.8</b>	2.5
International	<b>29.5</b>	+16.7	<b>4.0</b>	+19.7	<b>13.6</b>	13.2
Total	<b>243.2</b>	+2.5	<b>10.0</b>	+14.7	<b>4.1</b>	3.6

\* LY pre exceptionals



# Net margin movement

Financials

Gross margin	+ 2.0 pp
Distribution costs	+ 0.2 pp
Clearance stock	- 0.4 pp
Costs	- 1.3 pp
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<b>Total</b>	<b>+ 0.5 pp</b>
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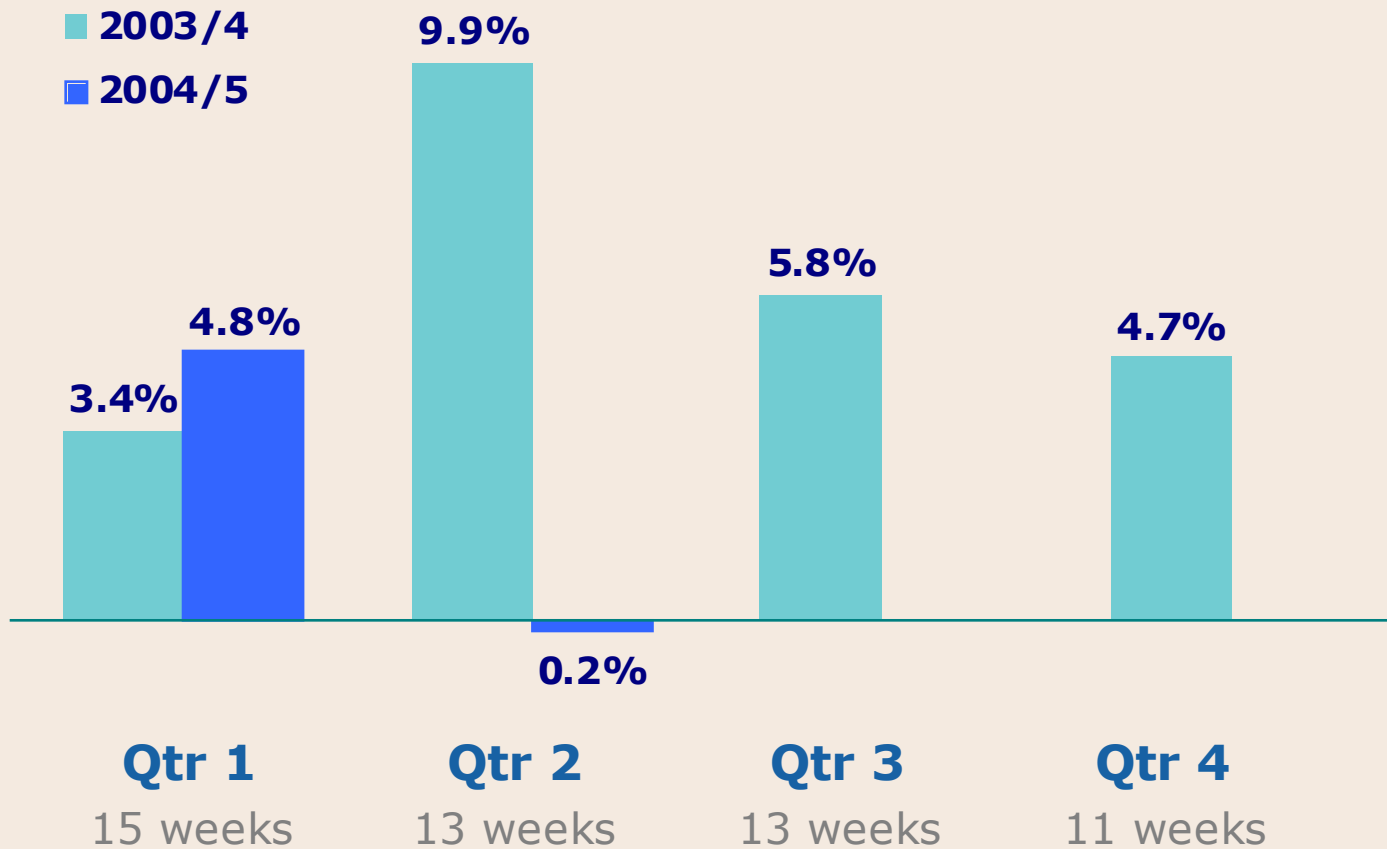
£m	2004	2003	Increase
Sales (ex VAT)	204.6	202.8	+0.9%
Operating profit	5.2	4.8	+7.8%
% to sales	2.5%	2.3%	0.2pp

### Sales analysis

Like for like	+2.4%
Net space change	-1.5%
<b>Total Sales</b>	<b>+0.9%</b>



# Like for like sales



£m	<b>2004</b>	2003	Increase / Decrease
Sales (ex VAT)	<b>9.1</b>	9.3	-1.8%
Operating profit	<b>0.8</b>	0.6	+43.7%
% to sales	<b>8.8%</b>	6.0%	2.8pp

### Sales analysis

Total home delivery sales +10%



£m	2004	2003	Increase
Sales (ex VAT)	29.5	25.2	+16.7%
Operating profit	4.0	3.3	+19.7%
% to sales	13.6	13.2	0.4pp

### Sales analysis

Franchisee sales +15%

200 stores – 12 new stores



# Balance sheet

Financials

	<b>Oct</b>	Mar	Oct
£m	<b>2004</b>	2004	2003
Fixed assets	<b>84.7</b>	81.3	80.3
Stock	<b>45.9</b>	45.0	44.2
Debtors	<b>33.2</b>	34.0	27.4
Creditors	<b>(62.2)</b>	(64.9)	(60.7)
Cash	<b>41.4</b>	40.3	28.4
Net assets	<b>143.0</b>	135.7	119.6



# Cashflow

Financials

£m	<b>2004 H1</b>	2003 H1
Operating profit	<b>10.0</b>	8.7
Depreciation	<b>6.4</b>	6.1
Operating Cashflow	<b>16.4</b>	14.8
Working capital	<b>(4.9)</b>	8.1
Exceptional items	<b>(1.0)</b>	(0.4)
Capital expenditure	<b>(10.3)</b>	(2.3)
Interest	<b>0.9</b>	0.1
Dividend	<b>(2.7)</b>	-
Other	<b>2.7</b>	0.4
Cashflow	<b>1.1</b>	20.7



# Capital expenditure

Financials

£m	2004
Store refits	5.7
New stores	0.8
Systems / other	3.8
Total capex	10.3

£m	2004/5	2005/6
Full year capital expenditure	£23m	£35m



For the 5 weeks to Friday 12 November

- Like for like UK store sales up 0.5%

Trading updates in future

- Quarter 1      July (AGM)
- Quarter 2      October (Pre close)
- Quarter 3      January (Christmas Trade)
- Quarter 4      April (Pre close)





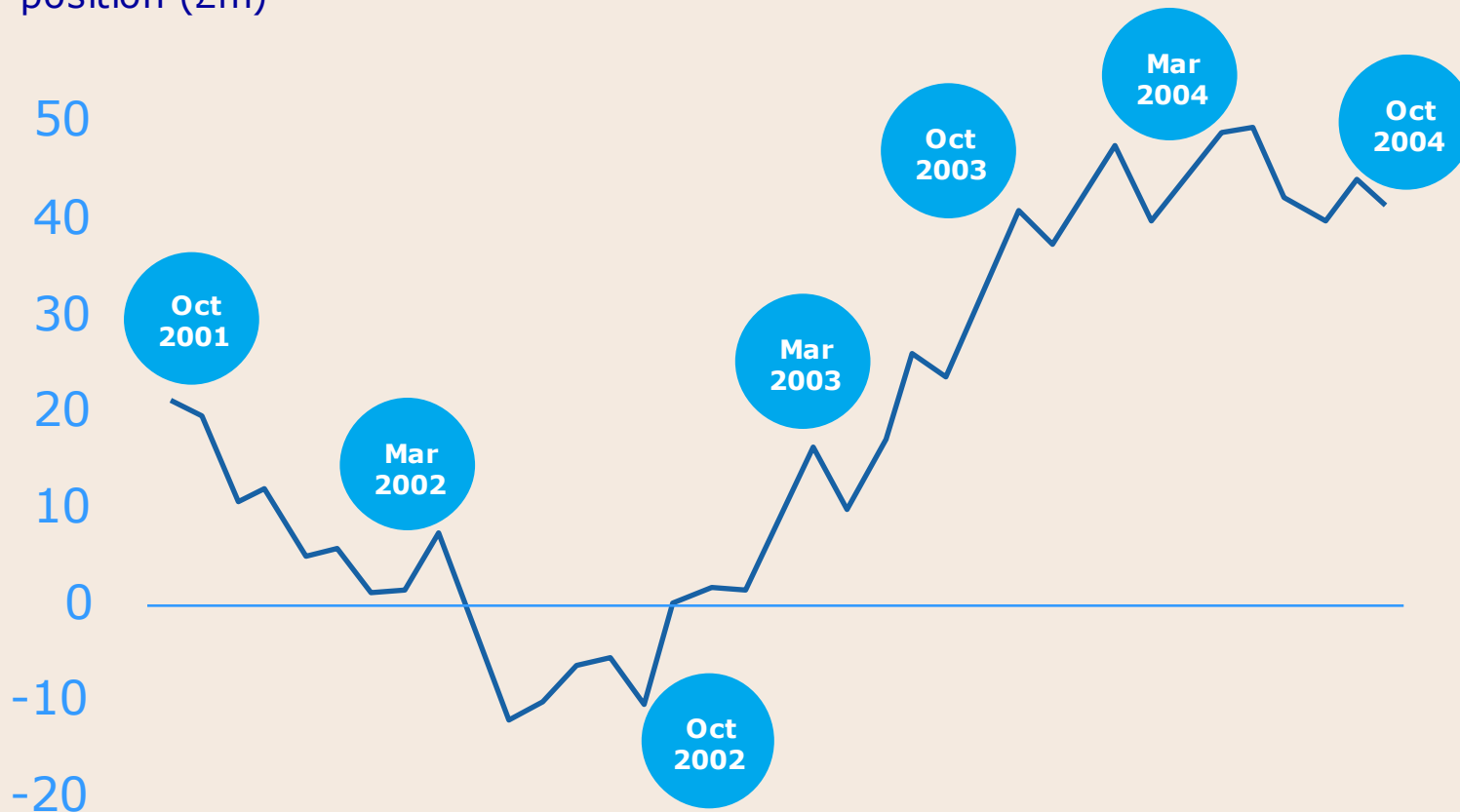


Ben Gordon

Chief Executive

# Cash position

Net cash  
position (£m)

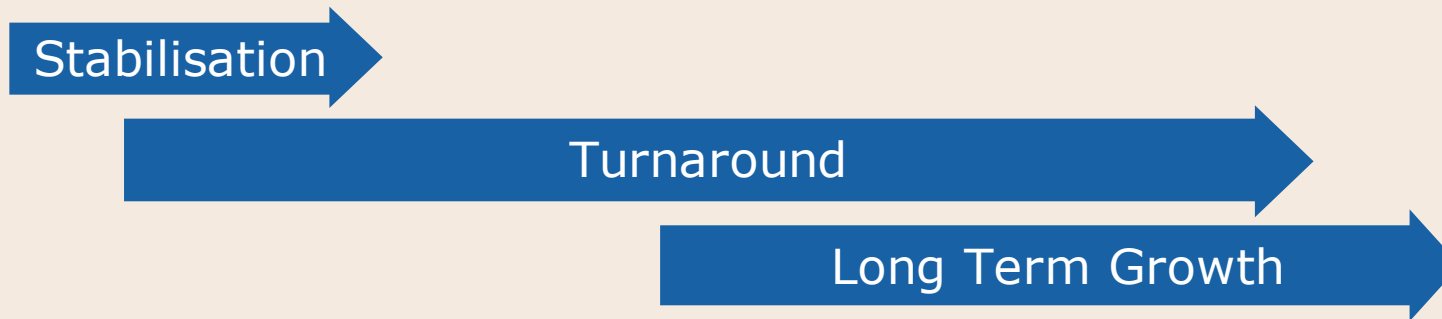


# Achievements

- Revamped product range
- Improved sourcing
- Superlite performing well
- Availability up from 65% to over 80%
- Distribution costs down to 6.3%
- New store openings
- 200 International stores



# Recovery programme



**Dec  
2002**

**Mar  
2003**

**Mar  
2004**

**Mar  
2005**

**Mar  
2006**

- Distribution
- Cash
- Trading

- Store proposition
- Product & sourcing
- Supply chain
- Infrastructure
- Customer service

- New store development
- International
- Direct



- Superlite
  - Enhanced clothing range
  - Better store environment
- 81 out of 163 High Street stores converted
- Remaining stores under review

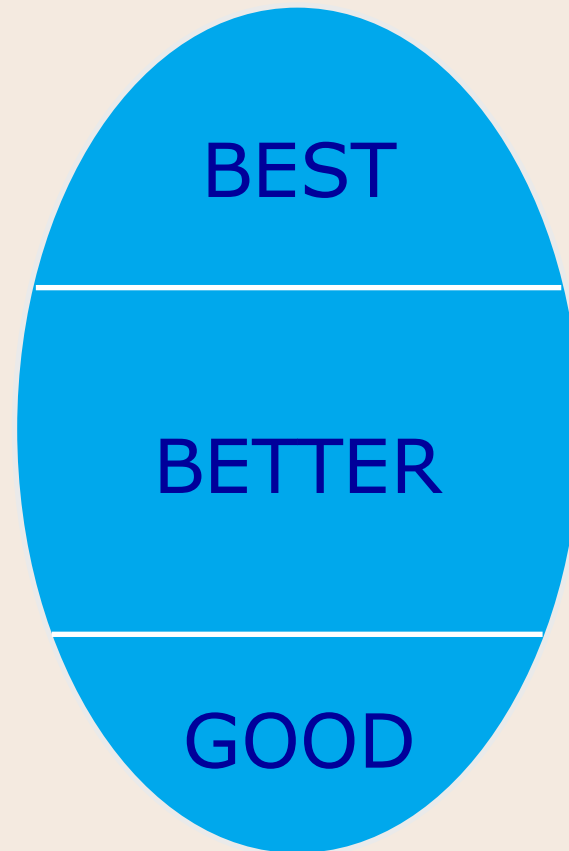


# Out-of-Town

- 69 out-of-town stores
- Trial in 4 stores
- Low-cost refit



- Revamped Clothing and Home & Travel
- Wider range of products
- Shift in ASP – improving margins



# Own-brand pushchair: 'Better'

Product &  
Sourcing





# Kyoto bedroom suite: 'Best'

Product &  
Sourcing



# Sleepsuits: 'Good'

Product &  
Sourcing



# Premature baby range

Product &  
Sourcing

- Developed with midwives
- Differentiation from competition



# Improvement in quality

Product &  
Sourcing

- Better quality
- Returns down
- Cost savings £1.5m



# New product categories

Product &  
Sourcing

Gift





# New product categories

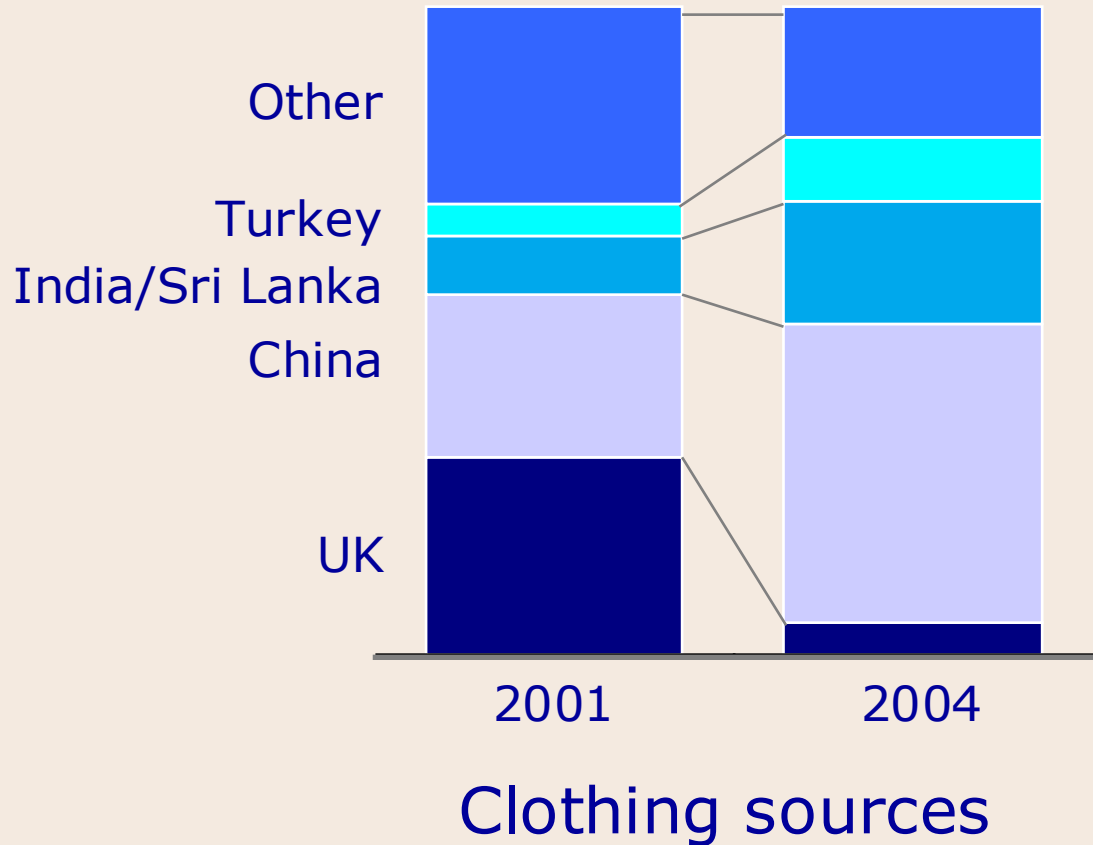
Product &  
Sourcing

## First bedroom



# Supplier base evolving

Product &  
Sourcing



China + India =  
c.68% of mix



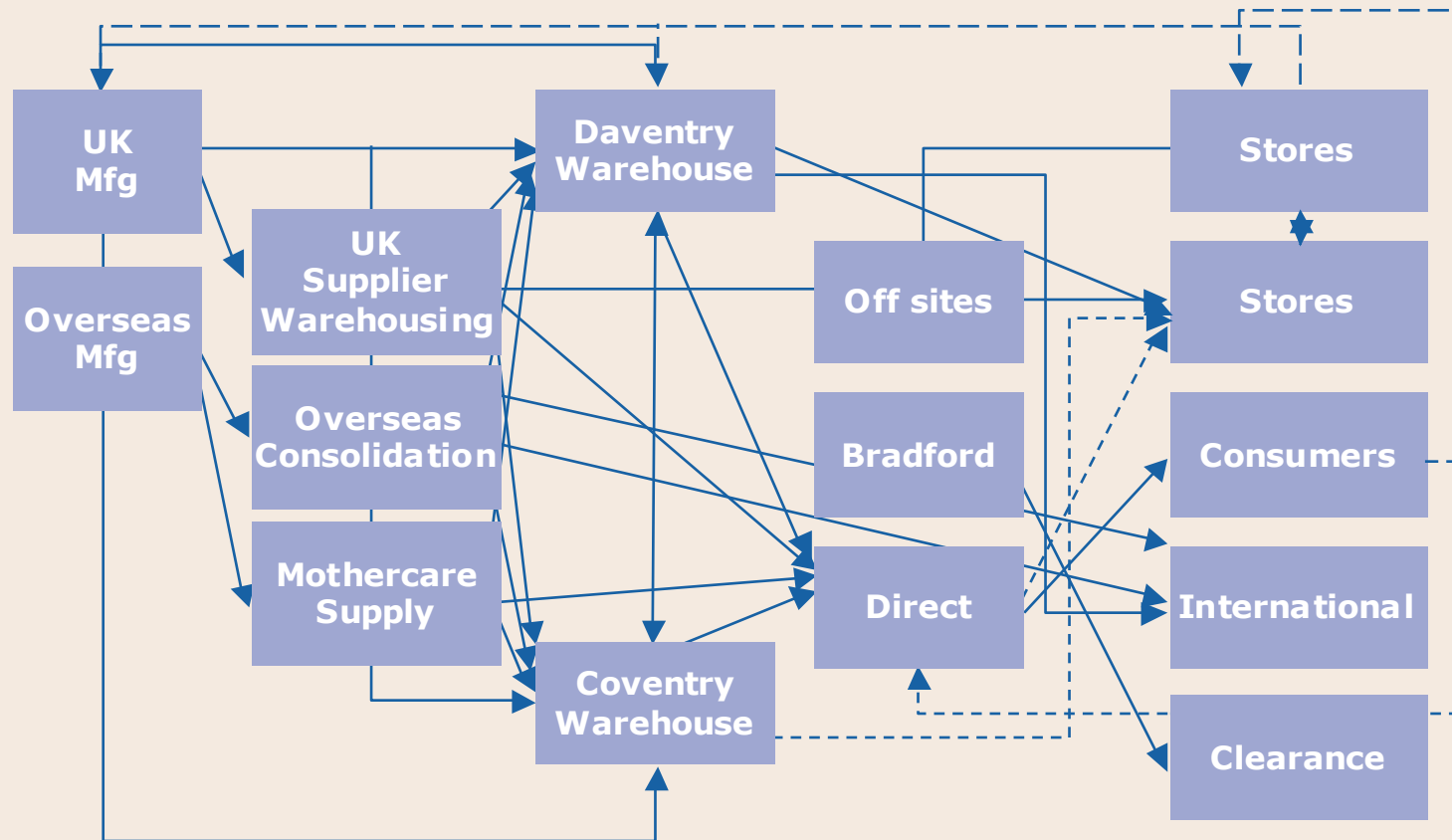
- Inherited sub-optimal supply chain
- In-depth strategic review completed
- New logistics supply chain planned





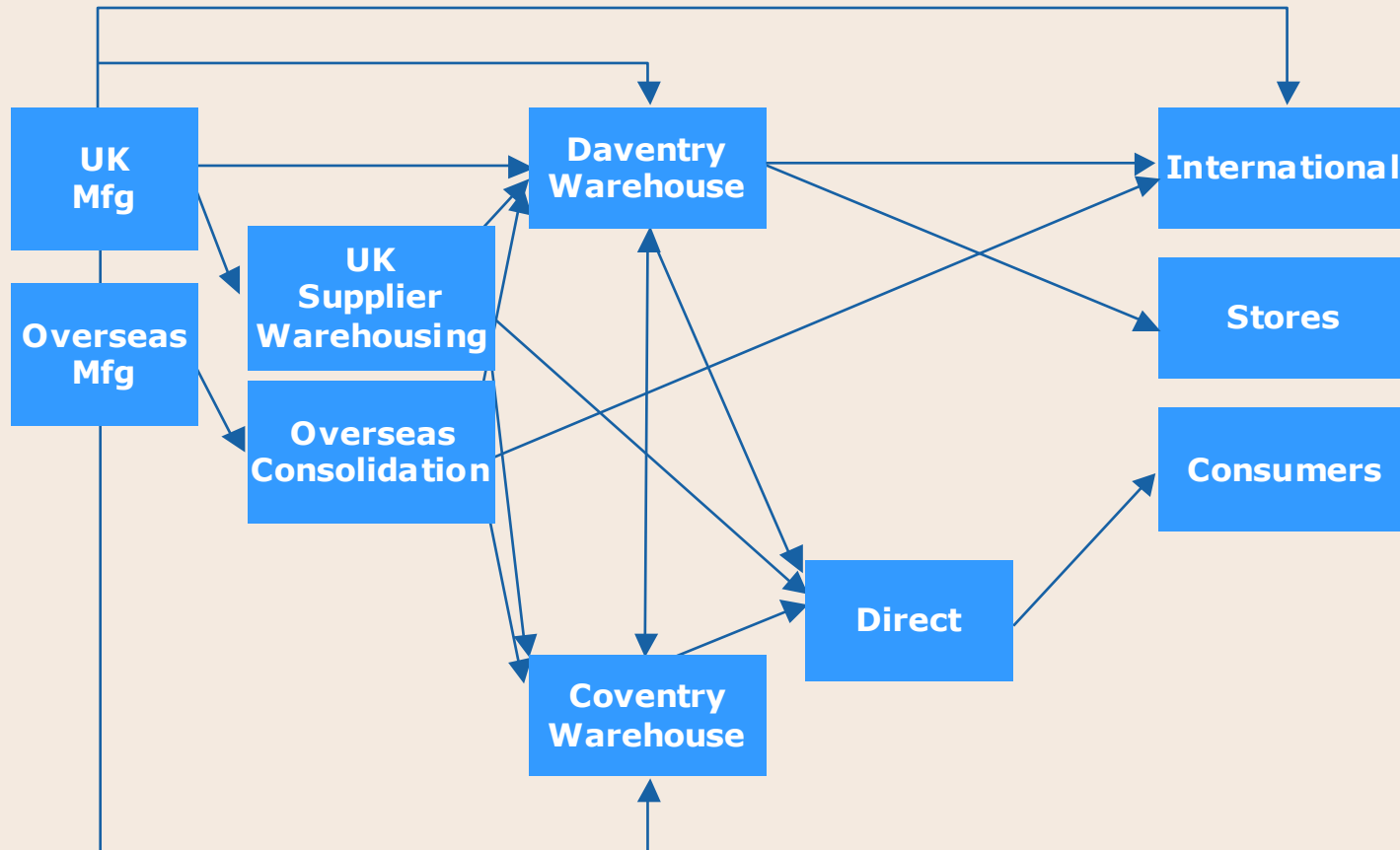
# 18 months ago

Supply Chain



# Today

## Supply Chain



# New warehouse solution

Supply Chain



J18/M1



- Low-risk approach
- Transportation
- Boxed and hanging combination
- Flexibility for future growth



# Low-risk approach

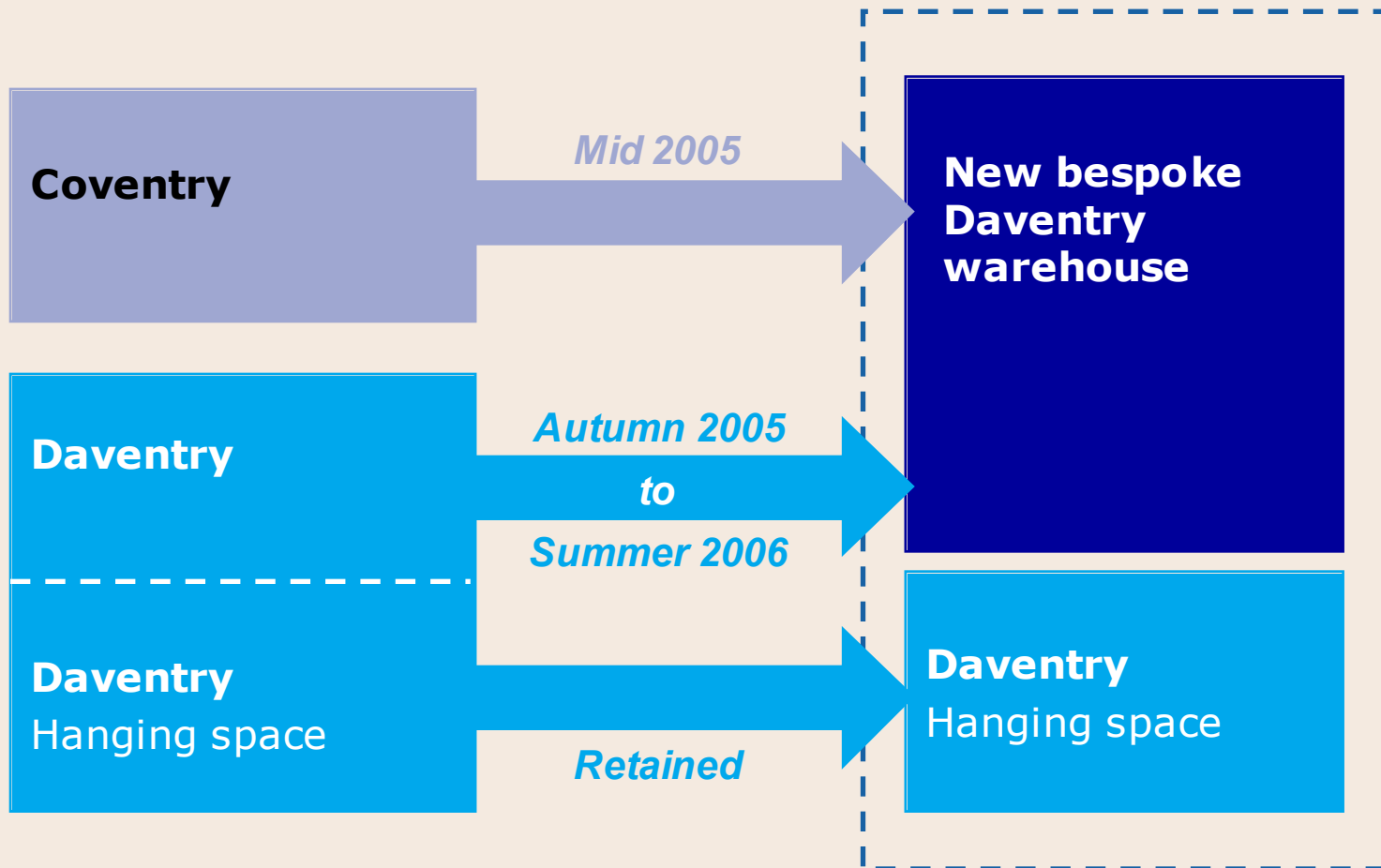
Supply Chain

- Location
- Distribution methodology
- Systems
- Workforce maintained
- Third party contractor



# New warehouse solution

Supply Chain



- Capex £7m
- Operating exceptionals £6m
- Distribution costs 6.5% over next 18 months



- Distribution costs down to 5% in medium term
- Improve availability to over 90%
- Increase direct sourcing
- Growth in number of stores





- Merchandise planning system
  - Benefits Spring / Summer 2005
- New EPOS System
  - 35 stores
  - All stores converted by Spring 2006
  - Transaction times down by  $\frac{1}{3}$



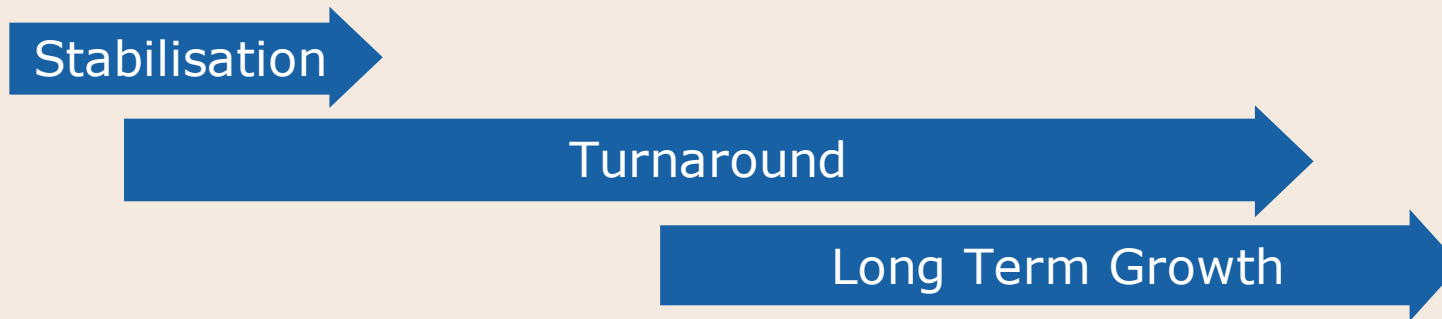
# Customer service

Customer  
Service

- Improving retail disciplines
- Formalised training
- Incentivising staff



# Recovery programme



**Dec  
2002**

**Mar  
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**Mar  
2004**

**Mar  
2005**

**Mar  
2006**

- Distribution
- Cash
- Trading

- Store proposition
- Product & sourcing
- Supply chain
- Infrastructure
- Customer service

- New store development
- International
- Direct



# New stores

Long Term  
Growth

- Target 20 out-of-town and 40 high street
- Two new stores
  - Thurrock Lakeside
  - Wandsworth
- Sheffield next
- 10 new stores next year



# International stores

Long Term  
Growth



- 200 stores, 31 countries
- LFL franchisee sales up 10%





# Qatar

Long Term  
Growth



- Growth in Web-in-Store sales
  - Now in 100 stores
- Rolling out with EPOS



- Good progress with turnaround
- Supply chain solution
- Significant long term opportunities

