

mothercare

Preliminary Results
20 May 2010





Ben Gordon

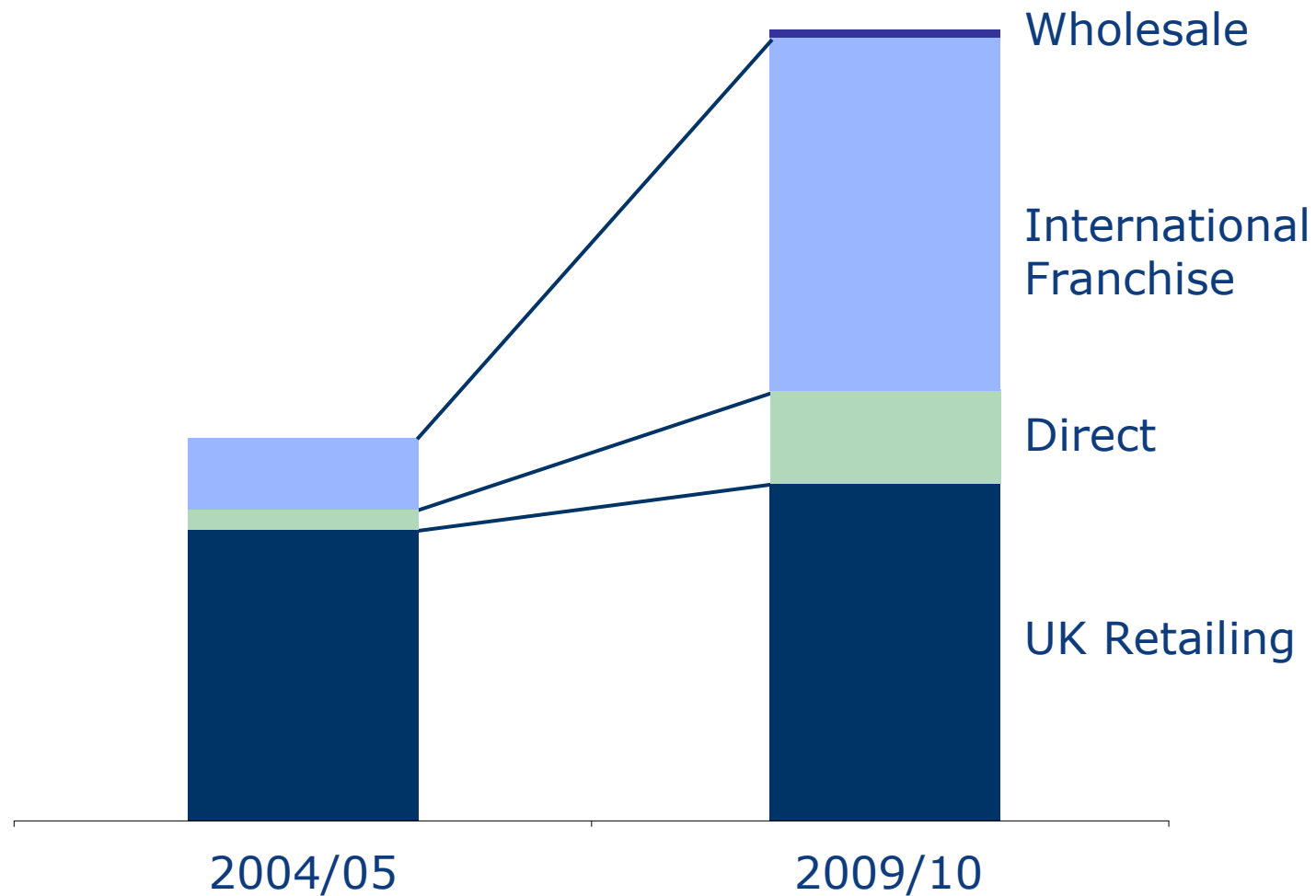
Chief Executive

Performance highlights

- Group network sales up 10.0% to £1.1 billion
- Underlying profit from operations up 16.6% to £52.0m
- Total International sales up 21.4%
- UK sales up 2.0%; UK retail LFLs up 3.0%
- Total Direct sales up 18.2% to £126.8m
- Dividend up 15.9% to 16.8 pence



Multi-channel global business



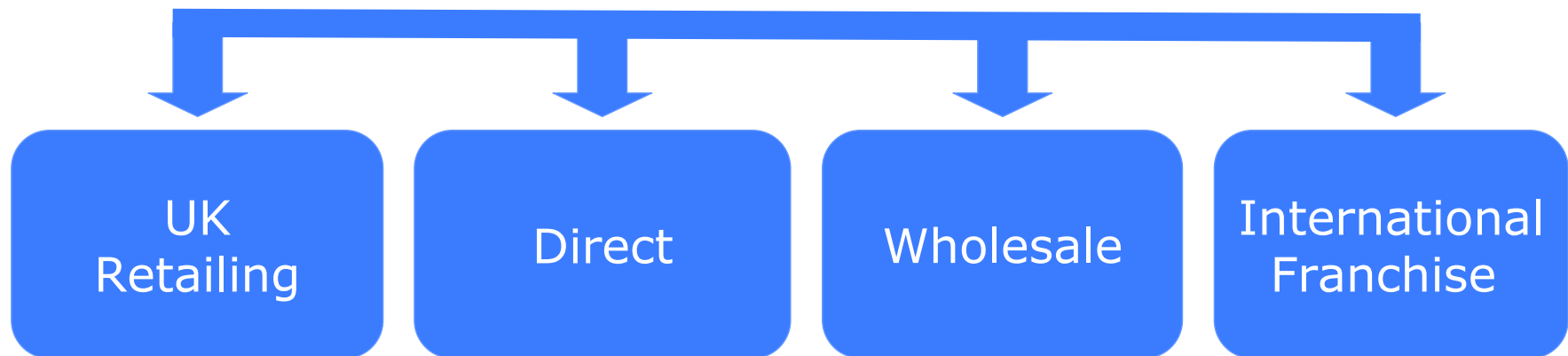
Total 'network sales' increased from £520m (04/05) to £1.1 billion (09/10)

Mothercare group strategy

Two global brands



Four growth channels





Neil Harrington

Finance Director

Income statement

	09/10 £m	08/09 £m	%
Revenue	766.4	723.6	+5.9%
Underlying profit from operations	52.0	44.6	+16.6%
Share based payments	(14.4)	(7.6)	
Financing	(0.4)	0.1	
Underlying profit before tax	37.2	36.9	+0.8%
Exceptional items	(1.0)	(3.6)	
Other non-underlying items	(3.7)	8.7	
Profit before tax	32.5	42.0	-22.6%

Sales growth in UK and International

<u>Revenue</u>	09/10 £m	08/09 £m	%
UK retail	585.5	576.1	+1.6%
UK wholesale	4.8	2.7	+77.7%
Total UK sales	590.3	578.8	+2.0%
Total International sales	490.9	404.2	+21.4%
Group 'network' sales	1,081.2	983.0	+10.0%

Profit growth in UK and International

	09/10 £m	08/09 £m	%
UK	36.1	34.7	+4.0%
International	23.2	16.5	+40.6%
Corporate	(7.3)	(6.6)	+10.6%
Underlying profit from operations	52.0	44.6	+16.6%
Share based payments	(14.4)	(7.6)	
Financing	(0.4)	(0.1)	
Total underlying profit	37.2	36.9	+0.8%

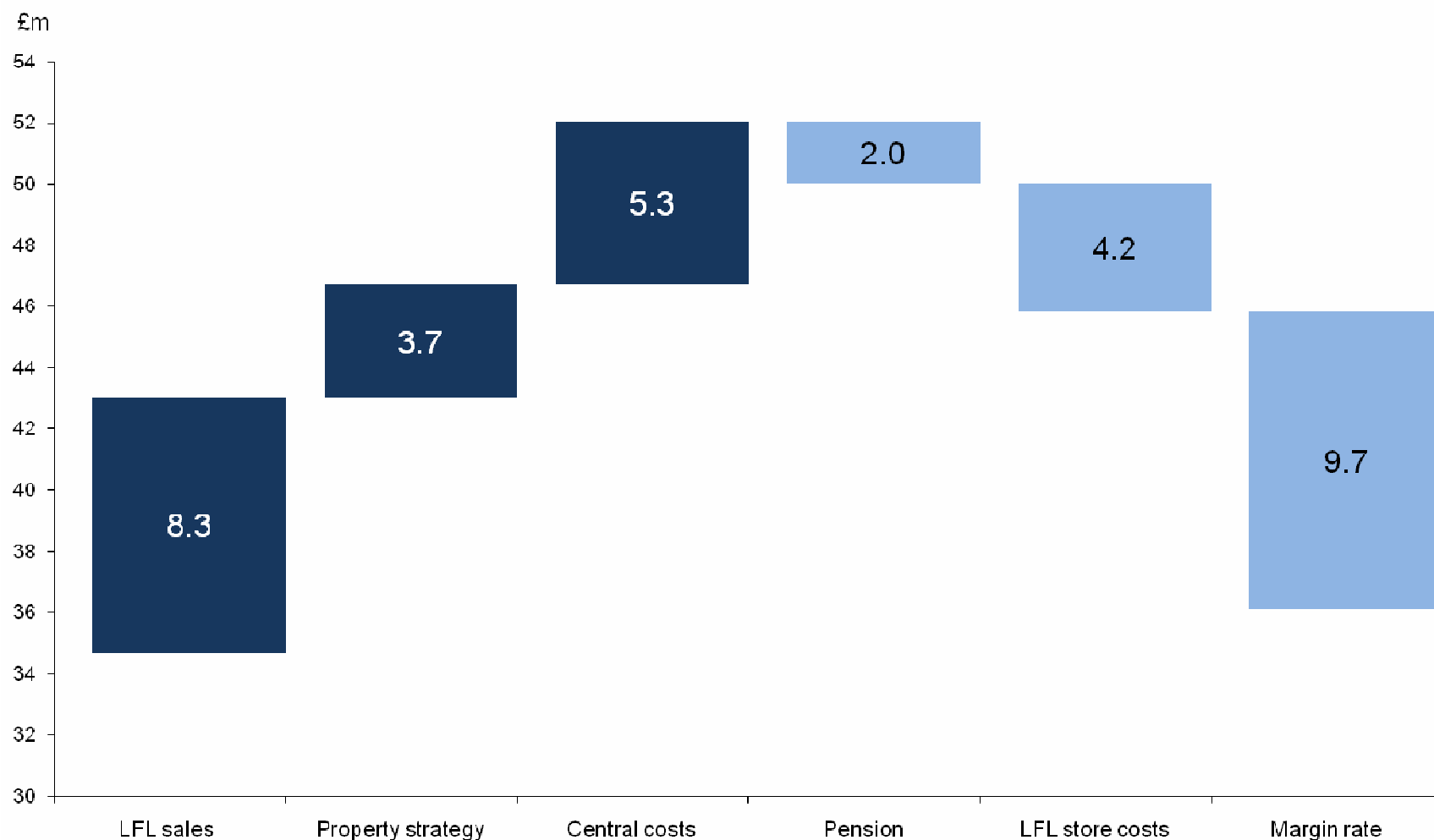
International model

- Predominantly franchise:
 - No capital investment from Mothercare
 - Profit from royalty on retail sales
- Joint ventures in India and China:
 - Mothercare owns 30% of franchise company
 - Royalty on retail sales plus profit share
 - Total of £5m of capex over next three years
- Partial currency hedge

International growth trends

	Base Year 07/08	08/09	09/10	2-year growth
Store numbers	494	609	728	+47.4%
Retail selling space (‘000 sq. ft.)	1,040	1,294	1,538	+47.9%
Total International sales	£286.8m	£404.2m	£490.9m	+71.2%
Underlying profit from operations	£10.6m	£16.5m	£23.2m	+118.9%
Underlying operating profit margin	+3.7%	+4.1%	+4.7%	+100 bps

UK profit from operations up £1.4m to £36.1m



Share based incentive plans

- Executive Incentive Plan:
 - Total shareholder return (TSR) over three years vs. FTSE General Retailers
- Performance Share Plan:
 - Cumulative underlying PBT growth over three years
- Save As You Earn:
 - Individuals subscribe to discounted options over three years

Strong performance on all fronts

- Over three years to 27 March 2010:
 - Mothercare market cap. up 107% from £274.1m to £566.4m*
 - TSR outperformed FTSE General Retailers by 120% (MTC +88.0%; General Retailers -32.0%)*
 - Underlying PBT up 64.6% to £37.2m;
- Leading to an increase in the IFRS 2 charge in 2009/10
- Estimated to reduce by £5.4m to approximately £9m in 2010/11

* Based on three-month average 1 January to 27 March (in line with scheme rules)

Property strategy “phase 2” targets

1. Additional out-of-town parenting centres

→ **Target: 10 new parenting centres per annum – total 110**

2. Rationalise high street chain (leverage lease expiries)

→ **Target: Close or renegotiate 30 high street stores per annum – total 90**

3. In-town “landmark” opportunities

→ **Target: 8 new landmark stores (total 12)**

Out-of-town parenting centres - progress



Old Kent Road

- 10 opened in 2009/10 (on target)
- On plan performance – ROI > 75%
- 5-10 year leases – monthly rentals
- £10.2m of cash contributions from landlords
- c. 1.0% cannibalisation of LFL stores expected 2010/11
- 10 new stores 2010/11 on track

Rationalise high street chain - progress



- 29 stores closed 2009/10
- 14 leases renegotiated 2009/10
- 30 closures and 6 renegotiations 2010/11

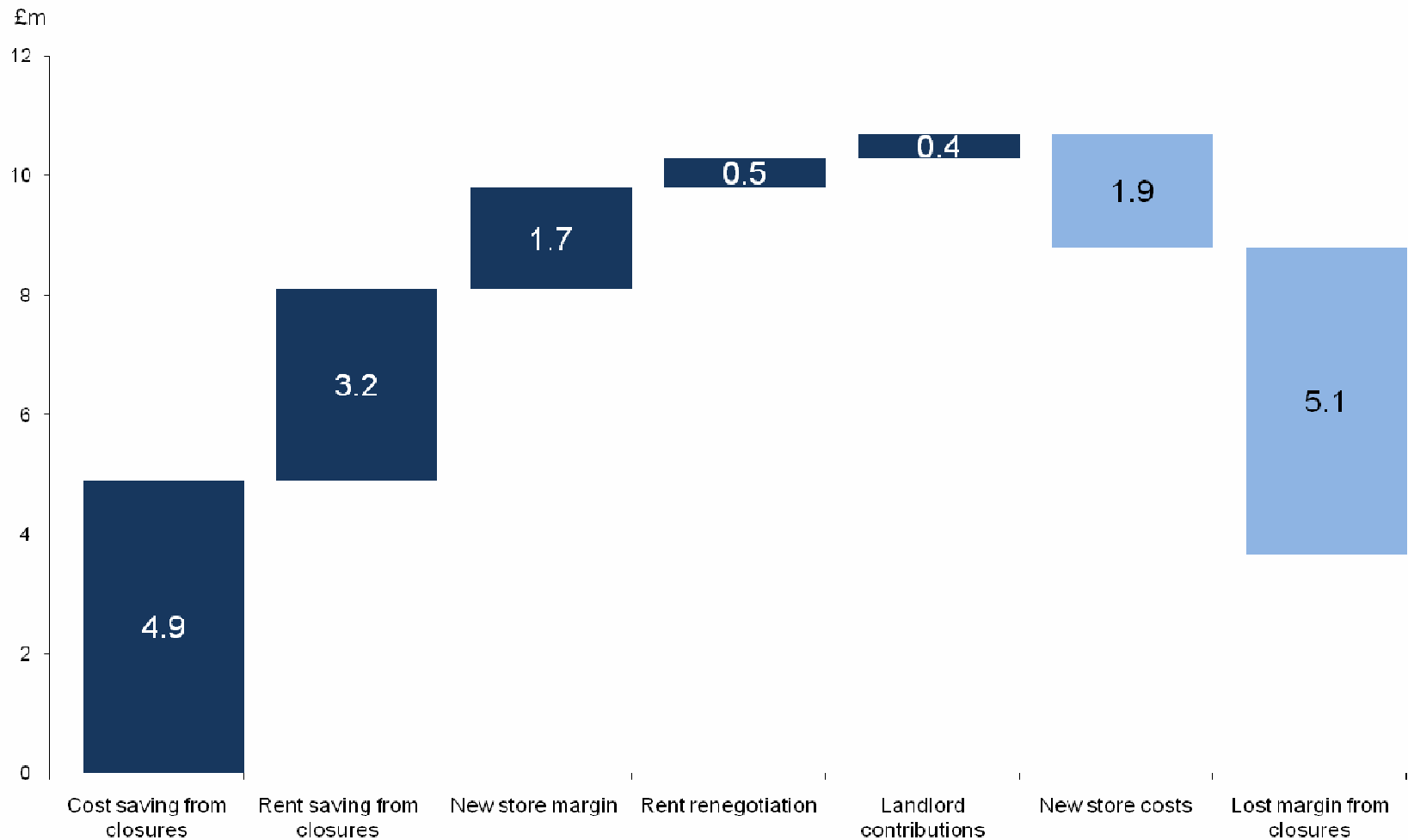
Property strategy benefits

£ million	Incremental benefit per annum	
2008/09	2.4	
2009/10	3.7 ⁽¹⁾	“Phase 1” £5.0m announced May 2008
2010/11	5.0	
2011/12	5.0	“Phase 2” £10.0m announced Nov 2009
Annual benefit by 2011/12	£16.1m⁽²⁾	

(1) Previous estimate £2.6m

(2) Previous estimate £15.0m

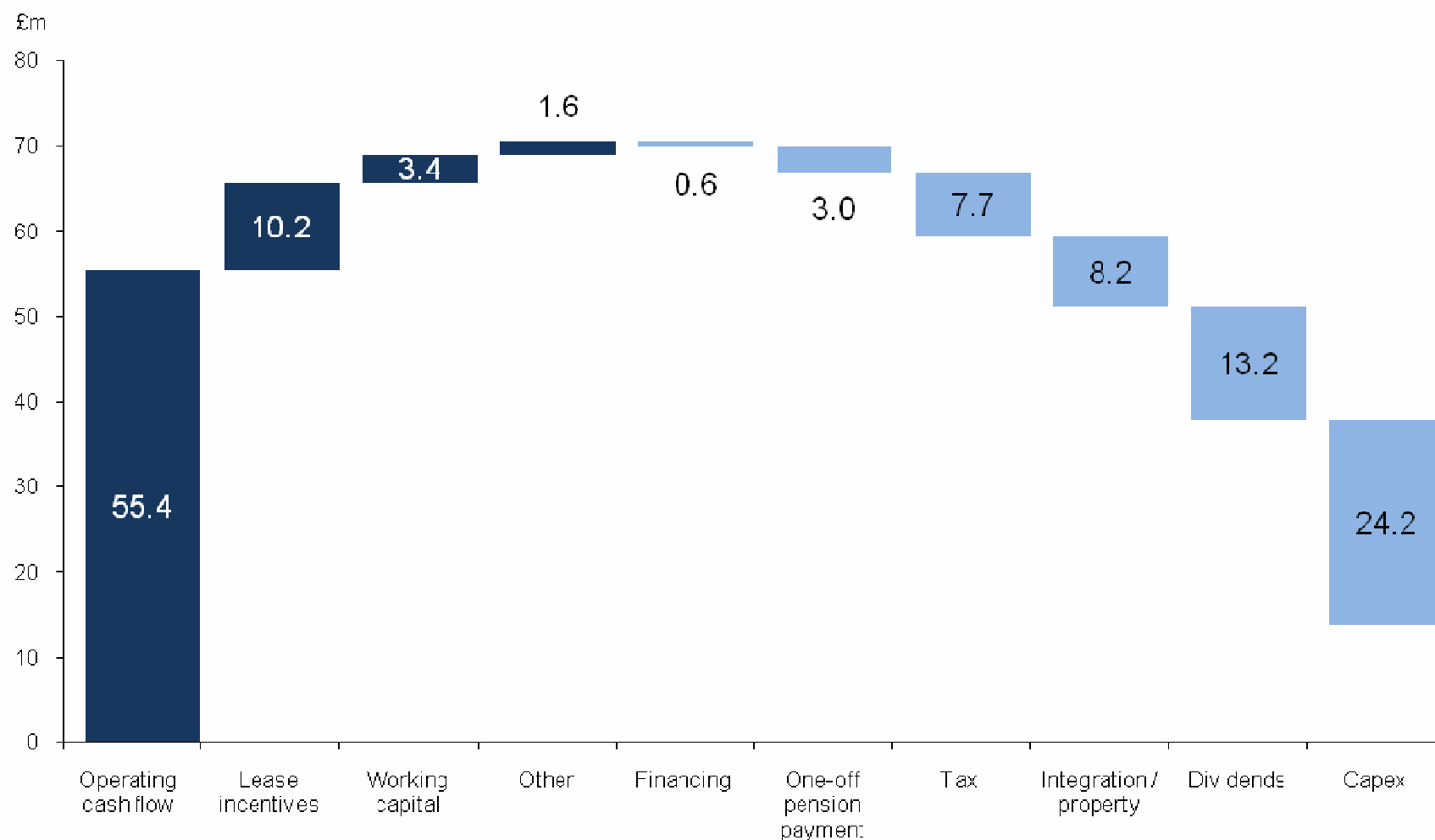
Property strategy benefits - £3.7m



Group balance sheet

	09/10 £m	08/09 £m
Non current assets		
Fixed assets	95.6	93.1
Intangibles	104.9	104.5
Net current assets		
Working capital	35.6	37.3
Cash	38.5	24.8
Other	(2.1)	(2.1)
Non current liabilities		
Pensions	(55.1)	(25.4)
Tax	6.5	(1.3)
Other	(35.5)	(33.4)
Net assets	188.4	197.5

£13.7m increase in cash to £38.5m



Full year 2010/11

- International, Direct and wholesale continue rapid growth
- Planning negative LFLs in UK; c. 1% cannibalisation by new stores
- Gross margin flat YOY (FX benefits offset increased freight)
- Continued tight cost control
- Property strategy benefits £5.0m
- Total pension charge £4.2m (+£0.5m YOY)
- Share based payment charge estimate £9m (-£5.4m YOY)
- Capex c. £20m; tax charge 28%



Ben Gordon

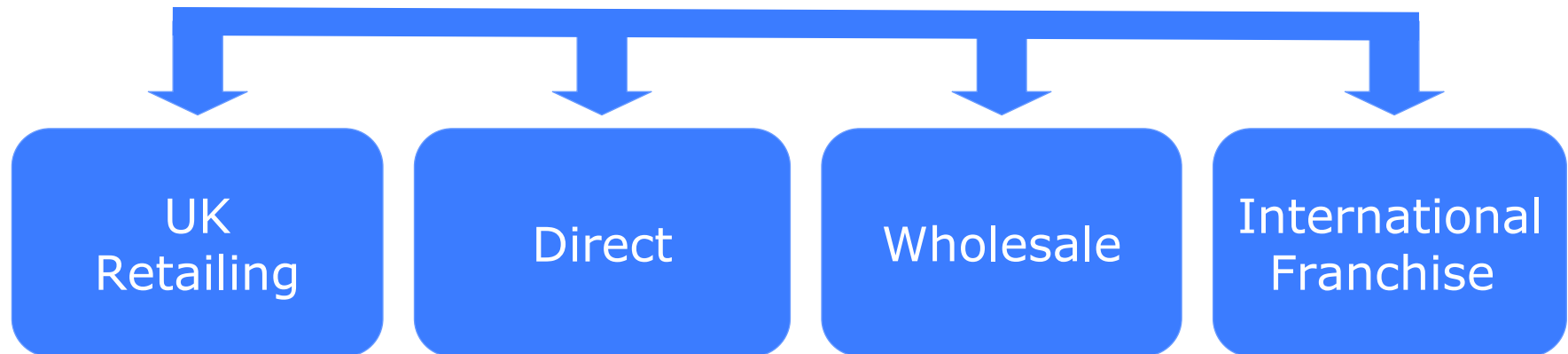
Chief Executive

Mothercare group strategy

Two global brands



Four growth channels



Two world class brands



Home and Travel



Clothing



Toys

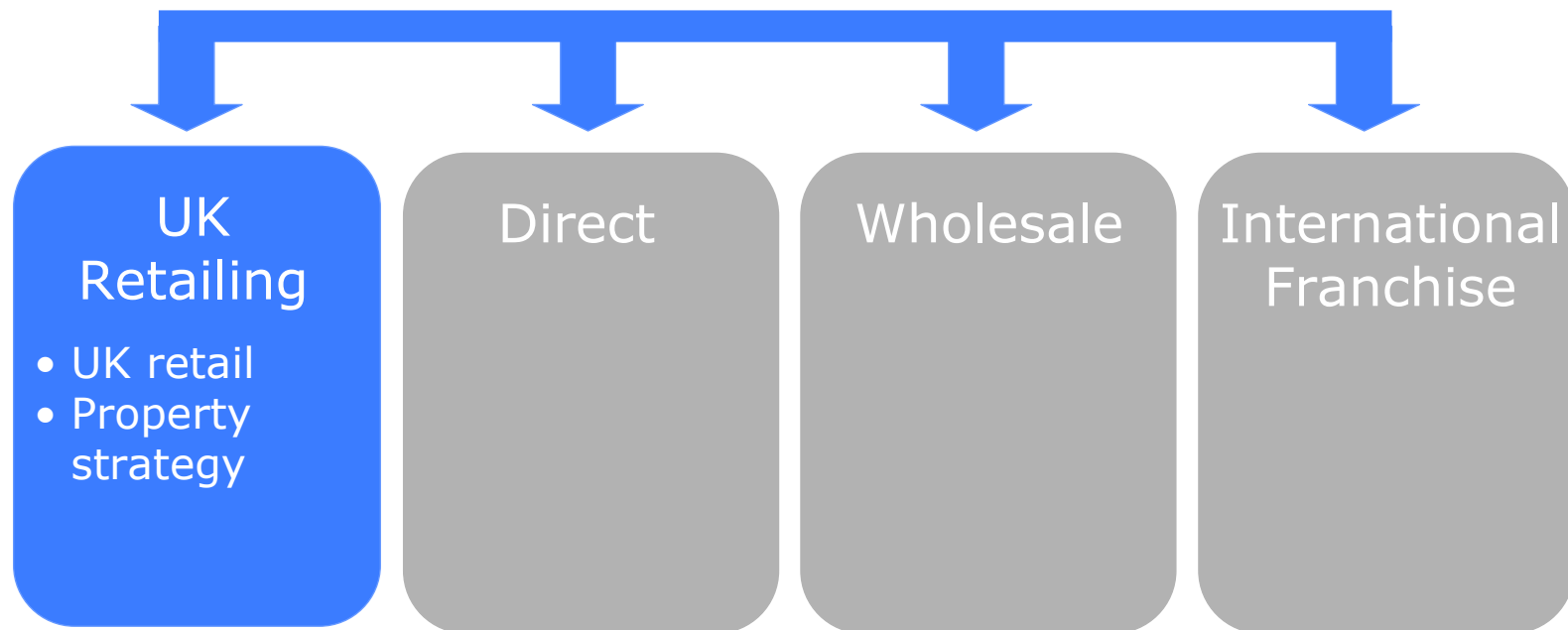


UK retailing

Two global brands



Four growth channels



Parenting centres – 89 stores

UK Retailing

- UK retail
- **Property strategy**



Huddersfield

High street – 293 stores

UK Retailing

- UK retail
- **Property strategy**



Halifax

Landmark – 6 stores

UK Retailing

- UK retail
- **Property strategy**



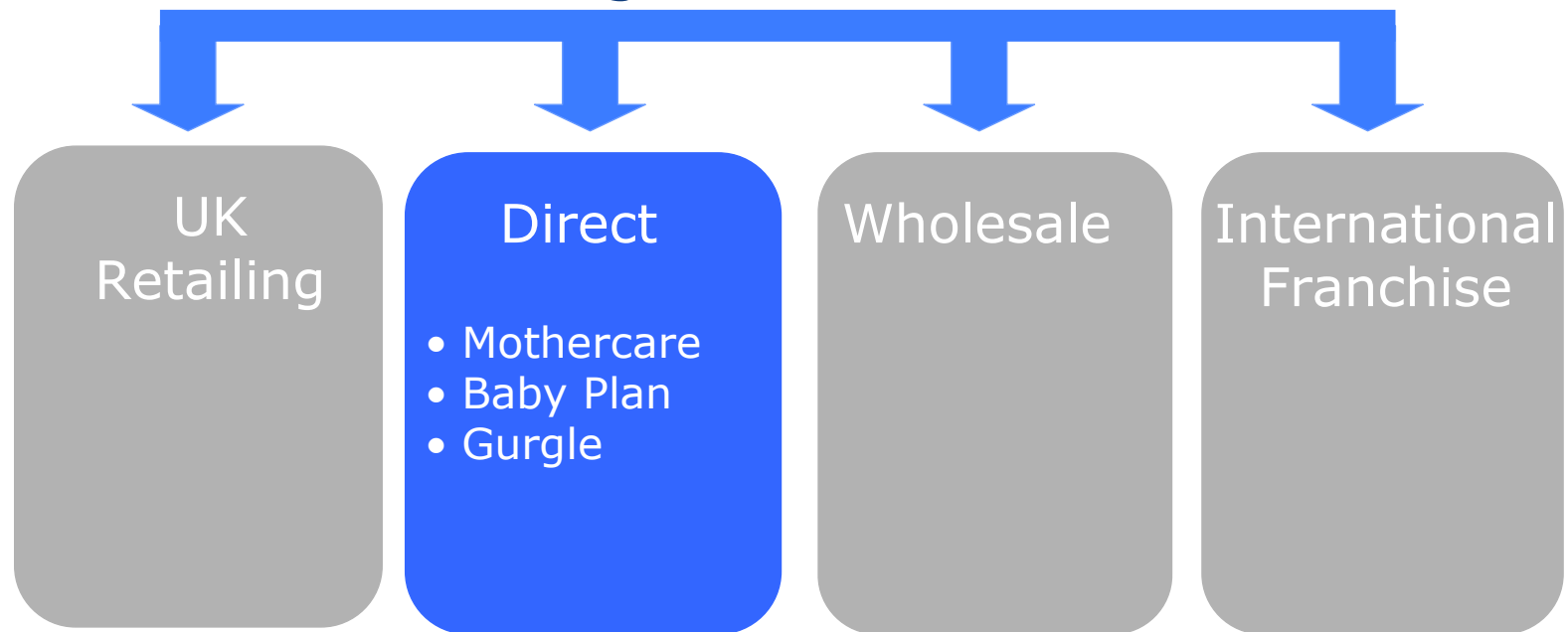
Liverpool

Direct

Two global brands



Four growth channels



Mothercare

Direct

- **Mothercare**
- Baby Plan
- Gurgle

mothercare

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clothing

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BABYK INFORMATION

- Baby K story so far...
- Baby clothing sizing guide



SPRING 2010

Baby Plan

- Direct
- Mothercare
 - **Baby Plan**
 - Gurgle

mothercare
babyplan

pushchairs

car & travel

nursery

feeding & safety

mothercare babyplan

helping you get ready for your new arrival

what is babyplan?

babyplan is the easy and convenient way to plan for your **new** arrival.

Using our years of expertise mothercare has brought together a great selection of the key baby products that **you'll** need, in one place. We've included pushchairs, car seats and cots and a wide range of other baby essentials - it's all there.

Baby Plan is a really flexible way to select the items you need and **you** can pay off as much as you want when **you** want

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Setting up a **babyplan** an is easy. Simply browse and select the items **you** want and either;



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Baby stuff made simple



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Breastfeeding groups? Older mums groups? Why not join groups or create groups to meet other gurgle members going through exactly what you are going through

Create Group

Register now to get the most out of your gurgle experience, including:

- Ask or answer parenting queries in our chat forums - or have a good old moan!
- Receive a personalised week-by-week email about your pregnancy or baby stage
- Enter great mummy and baby competitions every week

You really should register to reap the gurgle benefits, but don't just take our word for it, Here's what gurgle members say

Sign up ►

Log in ►

Stuck for baby name ideas? Try our **babynamer** click here

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From bump to baby and beyond! - join for free:

- Win prizes and see offers
- Chat with other mums
- Exclusive advice from Experts
- Weekly personalised emails

Save Our Sleep

Join Sleep Expert **Tizzie Hall** for a webchat on **May 18th at 2pm** and learn how you and your baby can get some **ZZzzzz**



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Meet new mums in your local area for pregnancy advice and support

Find it on www.gurgle.com/local



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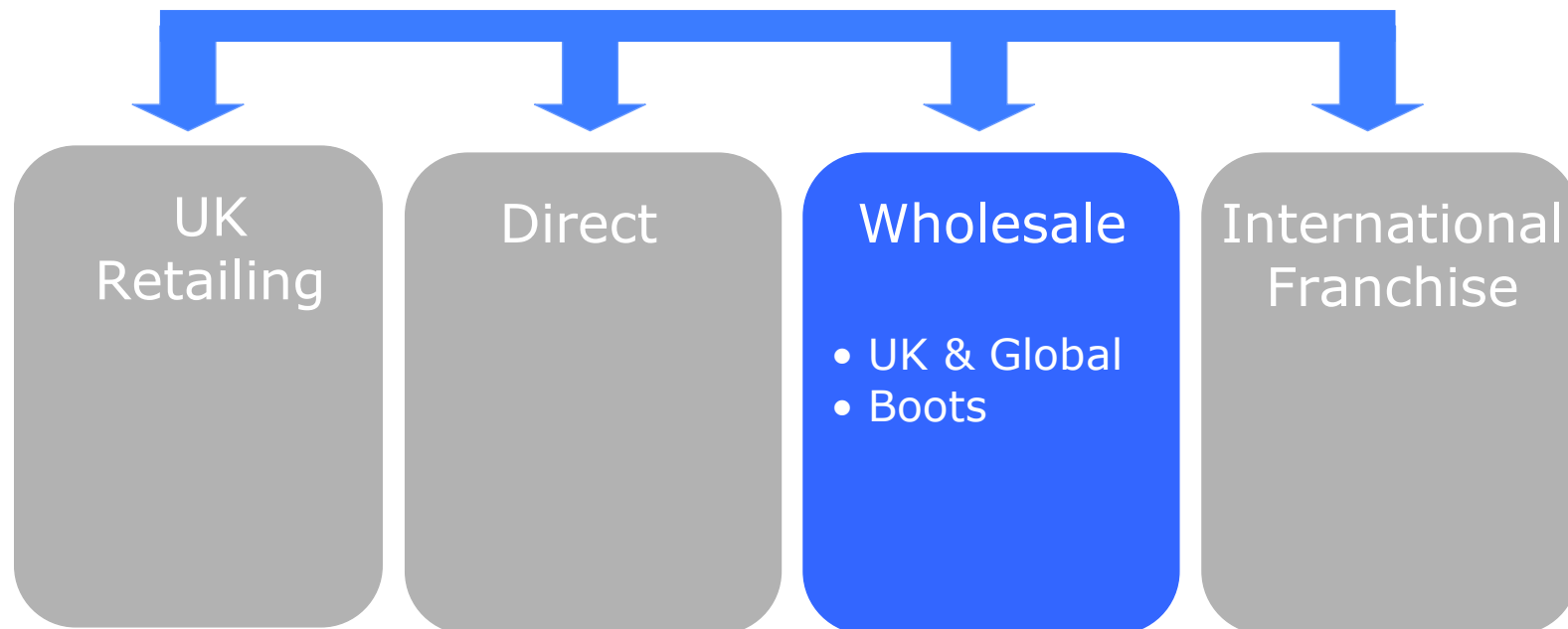
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Baby stuff made simple

Wholesale

Two global brands



Four growth channels



Boots partnership

Wholesale

- UK & Global
- **Boots**

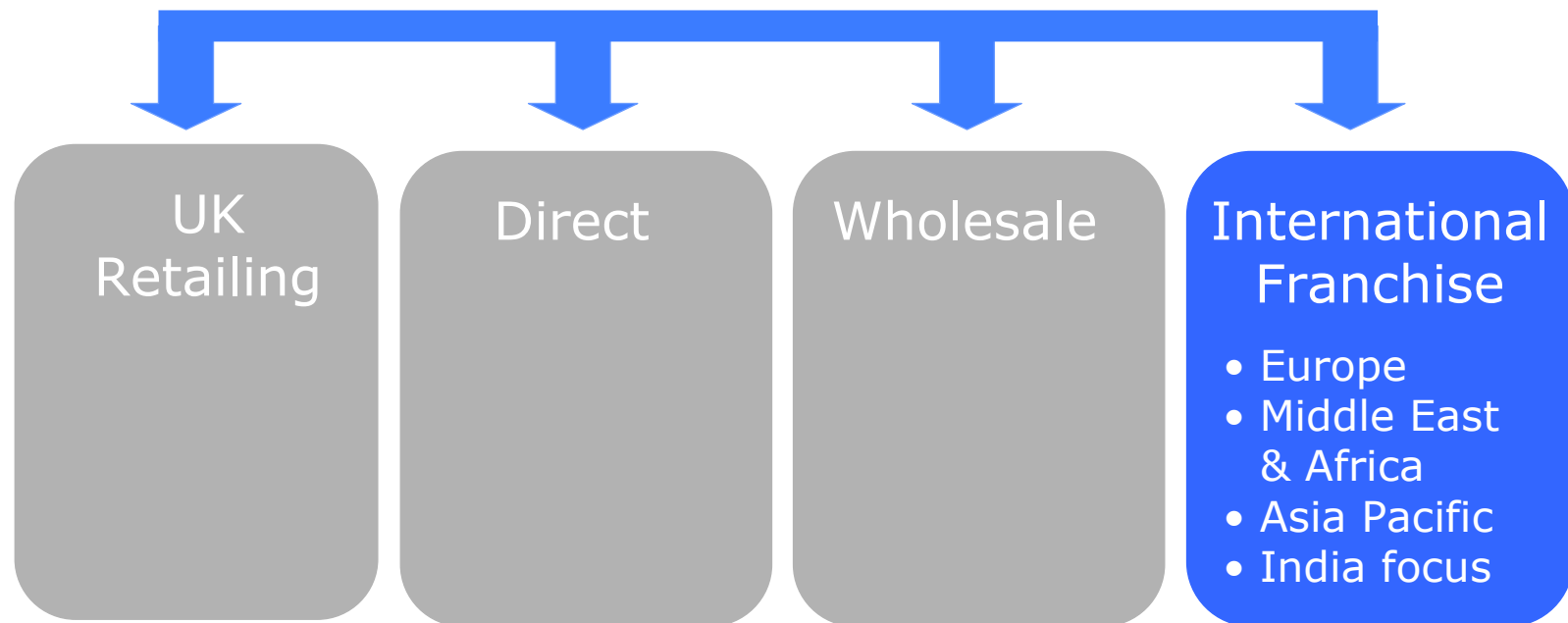


International franchise

Two global brands

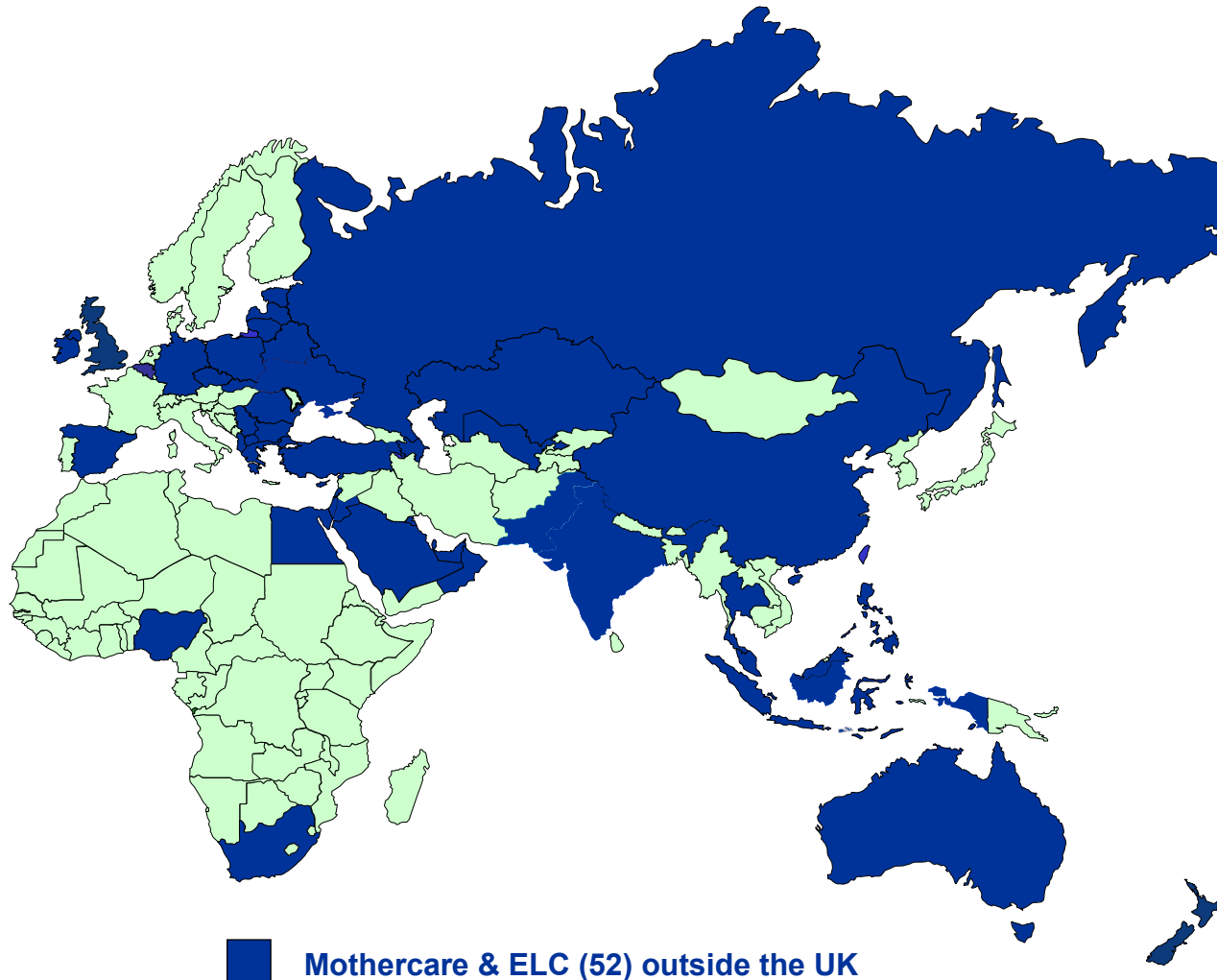


Four growth channels



International update

Albania (1)
Armenia (2)
Australia (31)
Azerbaijan (3)
Bahrain (5)
Belarus (5)
Belgium (2)
Brunei (3)
Bulgaria (5)
China (8)
Cyprus (13)
Czech Republic (8)
Egypt (9)
Estonia (3)
Germany (3)
Gibraltar (2)
Greece (65)
Hong Kong (11)
India (39)
Indonesia (22)
Ireland (30)
Jordan (4)
Kazakhstan (9)
Kuwait (31)



Latvia (1)
Lebanon (11)
Lithuania (1)
Macedonia (1)
Malaysia (15)
Malta (5)
New Zealand (1)
Nigeria (2)
Oman (5)
Pakistan (9)
Philippines (3)
Poland (26)
Qatar (8)
Romania (8)
Russia (53)
Saudi Arabia (86)
Serbia (1)
Singapore (14)
Slovakia (4)
Slovenia (2)
South Africa (6)
Spain (20)
Taiwan (27)
Thailand (6)
Turkey (40)
UAE (66)
Ukraine (20)
Uzbekistan (1)

Growth strategy

- New stores in existing countries
- New countries
- Larger space
- Sophisticated ordering and supply chain management
- Direct



Europe – 339 stores

International Franchise

- **Europe**
- Middle East & Africa
- Asia Pacific
- India focus



Metropolis, Moscow

Middle East & Africa – 227 stores

- International Franchise
- Europe
 - **Middle East & Africa**
 - Asia Pacific
 - India focus



Mirdif Mall, Dubai

Asia Pacific – 184 stores

International Franchise

- Europe
- Middle East & Africa
- **Asia Pacific**
- India focus



Chadstone, Melbourne

India focus

International Franchise

- Europe
- Middle East & Africa
- Asia Pacific
- **India focus**



Inorbit Mall, Mumbai

Shopper's Stop

International Franchise

- Europe
- Middle East & Africa
- Asia Pacific
- **India focus**



Delhi Land & Finance

International Franchise

- Europe
- Middle East & Africa
- Asia Pacific
- **India focus**



Mantri Mall, Bangalore

Locations

International Franchise

- Europe
- Middle East & Africa
- Asia Pacific
- **India focus**

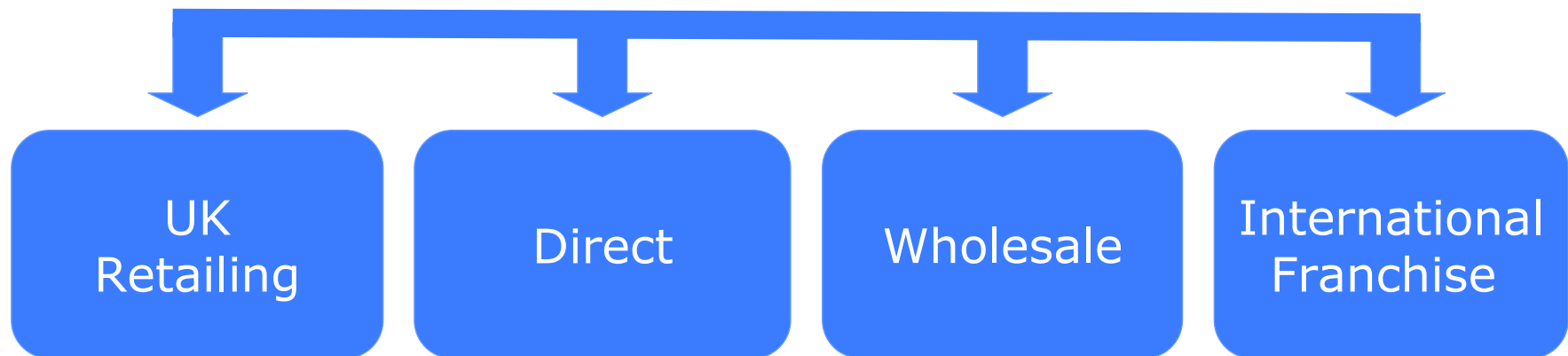


Summary and outlook

Two global brands



Four growth channels



Q&A



Appendices

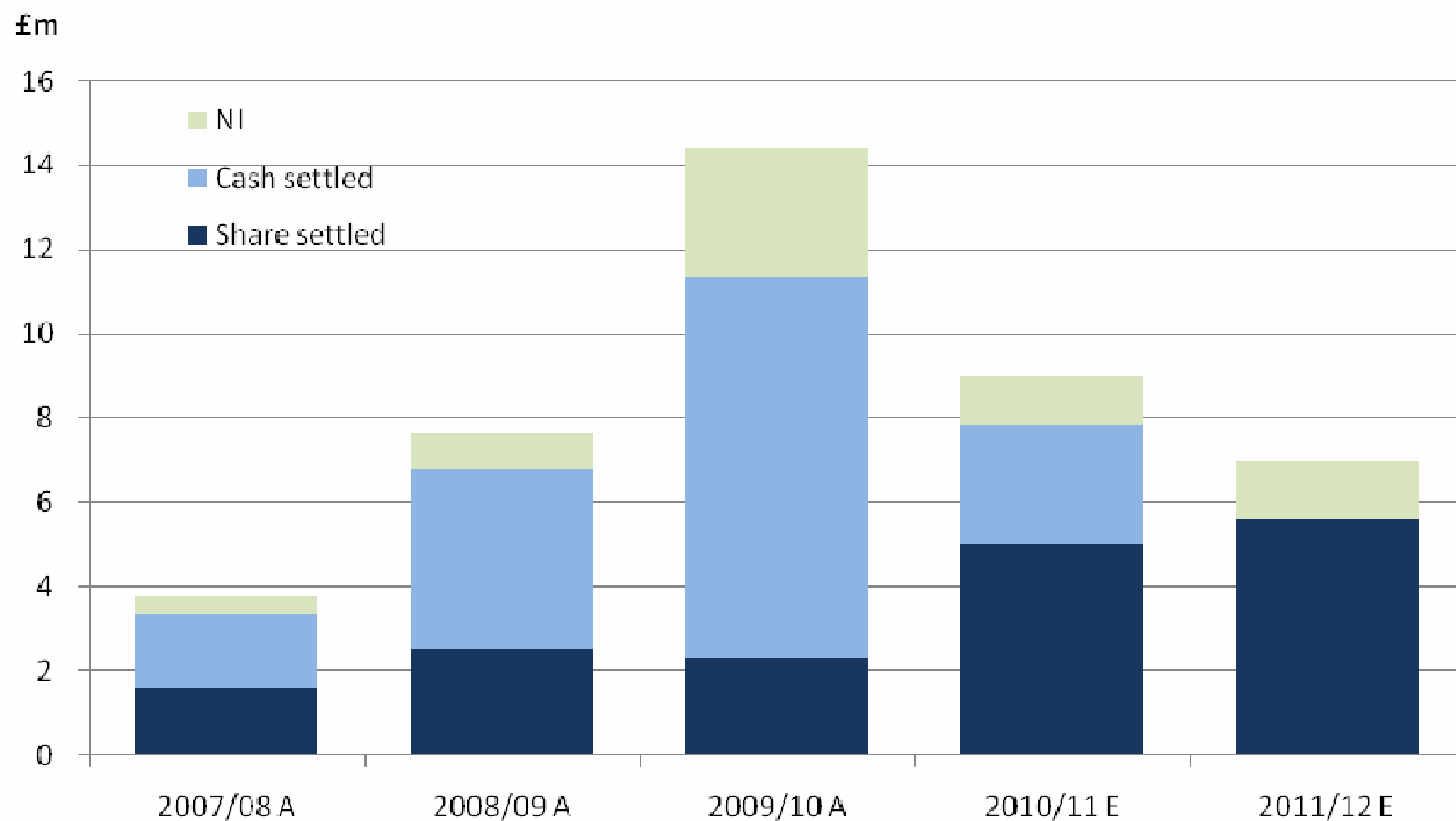
- 1) Three-year growth record
- 2) Share based payments charge
- 3) Defined benefit pension schemes
- 4) Key store data at March 2010
- 5) Group capex
- 6) Store portfolio by 2012 (recap. from interims)

1) Three-year growth record

	2007[*] £m	2008[*] £m	2009 £m	2010 £m	3-yr CAGR
Underlying PBT from operations (pre-IFRS 2)	26.4	34.4	44.6	52.0	25.1%
Underlying PBT (post-IFRS 2)	23.1	33.0	36.9	37.2	17.0%
Underlying EPS (fully diluted)	20.3	27.8	31.0	30.7	14.6%
Dividend per share	10.0p	12.0p	14.5p	16.8p	18.7%
Fixed charge cover	1.7x	1.8x	1.9x	2.0x	-

* 2007 and 2008 on pro-forma basis

2) Share based payments charge



3) Defined benefit pension schemes

	10/11 Estimate £m	09/10 Actual £m	08/09 Actual £m
<u>Income Statement</u>			
Service cost	(3.1)	(2.1)	(2.5)
Return on assets/interest on liabilities	(0.6)	(1.2)	1.6
Net charge	(3.7)	(3.3)	(0.9)
<u>Cash Funding</u>			
Regular contributions	(2.7)	(2.7)	(2.1)
Deficit contributions	(2.3)	(2.3)	(2.6)
Total cash funding	(5.0)	(5.0)*	(4.7)
<u>Balance Sheet</u>			
Net liability	N/A	(55.1)	(25.4)

* Excludes one-off payment of £3.0m

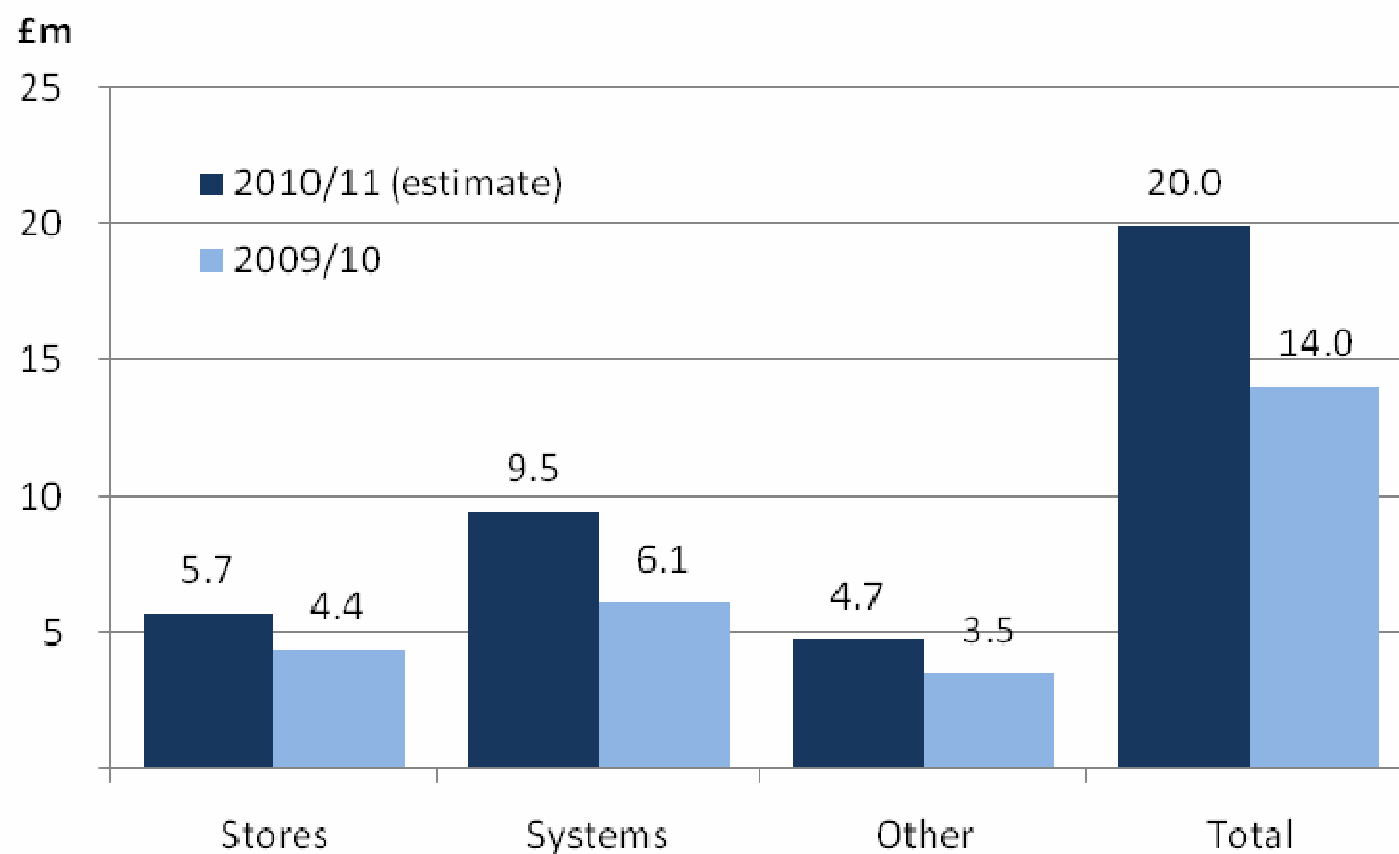
In addition the group operates defined contribution schemes. The charge for 2009/10 was £0.4m (2008/09: £0.3m). Estimate for 2010/11 £0.5m

4) Key store data at March 2010

	March 2008	October 2008	March 2009	October 2009	March 2010
<u>Total UK Stores</u>					
Total stores	425	411	405	389	387
High street	348	335	326	308	300
Out of town	77	76	79	81	87
Selling area (000s sq. ft.)	2,070	2,023	2,007	1,967	2,008
Sales* per sq. ft.	284	288	288	297	292
<u>International Stores</u>					
Europe	199	238	262	301	327
Middle East and Africa	165	188	198	213	225
Asia Pacific	130	146	149	157	176
Total stores	494	572	609	671	728
Selling area (000s sq. ft.)	1,040	1,207	1,294	1,420	1,538

* Rolling 12 months UK sales inc. Direct ex. VAT

5) Group capex



Stores capex is net of landlord contributions of £10.2m for 2009/10 and £12.3m estimated for 2010/11

6) Store portfolio by 2012 (recap. from interims)

