



# mothercare

Preliminary Results

18 May 2011





BEN GORDON  
Chief Executive

# Full year highlights

- Worldwide network sales up 7.1% to £1.2bn
- Underlying profit from operations down 23.4% to £28.5m
- International total sales up 16.3% to £571m
- UK reported sales down 0.5% at £587m
- Total Direct sales up 9.9% to £129m
- UK Wholesale sales increased 350% to £21.6m
- Underlying EPS were down 21.6% to 24.7 pence
- Dividend up 8.9% to 18.3 pence



# Mothercare growth strategy

Build our  
powerful brands



Extend our  
customer reach

**Global multichannel position**

Growth  
priorities

**UK**

**International**

# Changing landscape of UK retail

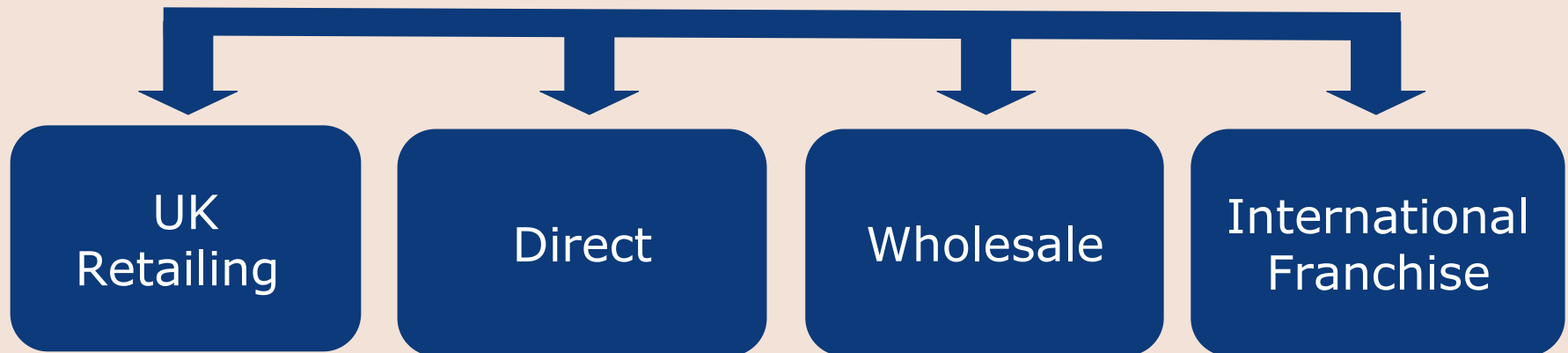
- Increased online and out of town shopping
- High street rents high
- Inflexible lease structures
- Increased competition
- Competitive Christmas for toys

# Strategy to date

Two global brands



Four growth channels



# Mothercare growth strategy

Build our  
powerful brands



Extend our  
customer reach

**Global multichannel position**

Growth  
priorities

## **Rightsizing UK**

- Rightsize portfolio
- Revitalise stores
- Drive Direct
- Grow Wholesale
- Reduce Costs

## **Driving International growth**

- Grow Franchise
- Grow JVs
- Rollout e-commerce

# Property strategy to date

- Previous plan - close 30 high street stores p.a. over 3 yrs
- Reduced high street portfolio by 1/4
- Total annualised benefit £10.6m
- Store numbers at end March 2011:

	Mar 2011
<b>Total</b>	373
<b>MTC high st</b>	114
<b>ELC high st</b>	161
<b>OOT</b>	98





# Rightsizing the store portfolio

- 120 lease expiries in next 2 yrs
  - 80 to close
  - 40 to renegotiate
- Additional 30 to close outside of lease expiry
- More leaner and profitable portfolio:

	<b>Mar 2011</b>	<b>2012/13</b>
<b>Total</b>	373	266
<b>MTC high st</b>	114	94
<b>ELC high st</b>	161	70
<b>OOT</b>	98	102



# Store revitalisation – Mothercare



**Peterborough, UK**

# Store revitalisation - ELC



Kingston, UK





# Customer care and service



# Driving Direct

- Sales up 9.9%; 22% of UK sales
- Mothercare largest specialist online retailer in our space
- Leveraging our specialist expertise
- Collect in store now 20% of at home orders
- Grew clothing 20% online
- Introduced mobile channel
- Building direct marketing via 'Baby and Me Club'



# Growth in Direct

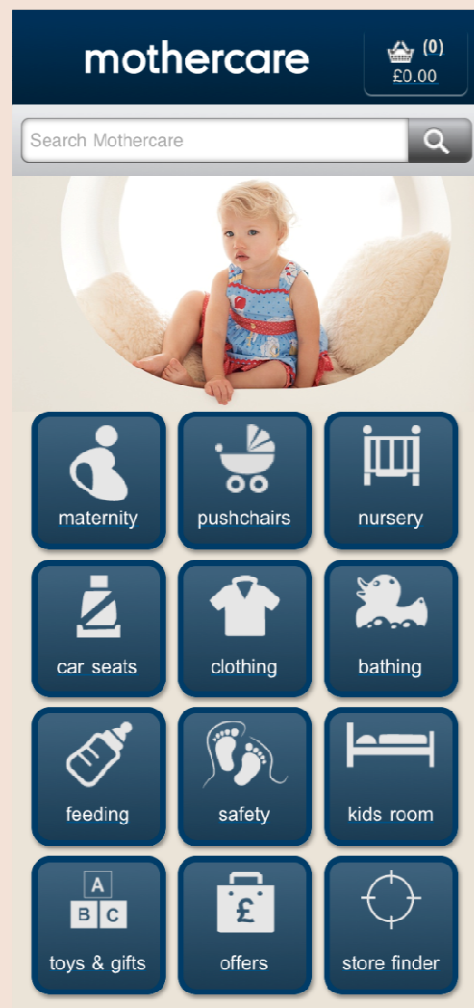
## Website traffic (m)



- ELC
  - 30% y-o-y visitor growth
  - 9m unique visitors
- Mothercare
  - 20% y-o-y visitor growth
  - 18m unique visitors



# Mobile strategy



# CRM - Mothercare

mothercare  
**baby&me**  
club

Growth in Baby & Me Club





# CRM - ELC

**early learning centre**

hello guest | [sign in/register](#) | [store finder](#) | [my account](#) | [wish list](#) | [gift lists](#) | [help](#)

0 items **£0.00**  
[view basket ▶](#)  
[checkout ▶](#)

[go ▶](#)

[baby & toddler](#) | [outdoor toys](#) | [dolls & dolls' houses](#) | [dressing up & roleplay](#) | [action figures & playsets](#) | [cars, trains & construction](#) | [learning & books](#) | [art & creativity](#) | [music, puzzles & games](#) | [offers](#)

[home](#) ▶ [my account](#)

**my account**

- personal details & contact preferences
- order history
- address book
- payment card details
- your wish list
- your gift lists
- Big Birthday Club



**Already a member?** [Login to enter the Big Birthday Club](#)

The Big Birthday Club is a special club for children aged 0-6 years and it is **completely FREE** to join.

**20% off your birthday buys**

Join the Big Birthday Club and we'll send you a 20% discount voucher to use on birthday present shopping.

**A birthday treat for your child**

When you request to receive the Big Birthday Club pack we'll



# Wholesale



- Strong growth potential
- In UK, ELC sold in Boots, Debenhams
- Internationally in Eveil & Jeux, Top Toys, Kidoh



mini club –around 380 Boots stores

*miniclub*  
mini club







NEIL HARRINGTON  
Finance Director

# Income statement

	10/11 £m	09/10 £m	
Revenue	793.6	766.4	+3.6%
<b>Underlying profit from operations</b>	<b>31.1</b>	<b>52.0</b>	<b>-40.2%</b>
Share based payments	(2.2)	(14.4)	
Financing	(0.4)	(0.4)	
<b>Underlying profit before tax</b>	<b>28.5</b>	<b>37.2</b>	<b>-23.4%</b>
Exceptional items	(3.4)	(1.0)	
Other non-underlying items	(16.3)	(3.7)	
<b>Profit before tax</b>	<b>8.8</b>	<b>32.5</b>	

# Group network sales by channel

		10/11 £m	09/10 £m	%
<b><u>International</u></b>	International retail sales	561.5	485.9	+15.6
	International Wholesale sales	9.4	5.0	+88.0
	<b>International network sales</b>	<b>570.9</b>	<b>490.9</b>	<b>+16.3</b>
<b><u>UK</u></b>	UK retail sales	565.6	585.5	-3.4
	UK Wholesale sales	21.6	4.8	+350.0
	<b>UK sales</b>	<b>587.2</b>	<b>590.3</b>	<b>-0.5</b>
	<b>Group network sales</b>	<b>1,158.1</b>	<b>1,081.2</b>	<b>+7.1</b>

# Underlying profit by segment

	10/11 £m	09/10 £m	%
<b>UK</b>	<b>11.1</b>	<b>36.1</b>	<b>-69.3</b>
International franchise	29.3	23.7	+23.6
International JV profit share <sup>(1)</sup>	(1.8)	(0.5)	
<b>Total international</b>	<b>27.5</b>	<b>23.2</b>	<b>+18.5</b>
Corporate	(7.5)	(7.3)	-2.7
<b>Underlying profit from operations</b>	<b>31.1</b>	<b>52.0</b>	<b>-40.2</b>
Share based payments	(2.2)	(14.4)	
Financing	(0.4)	(0.4)	
<b>Total underlying profit</b>	<b>28.5</b>	<b>37.2</b>	<b>-23.4</b>

<sup>(1)</sup> Excludes JV royalties received

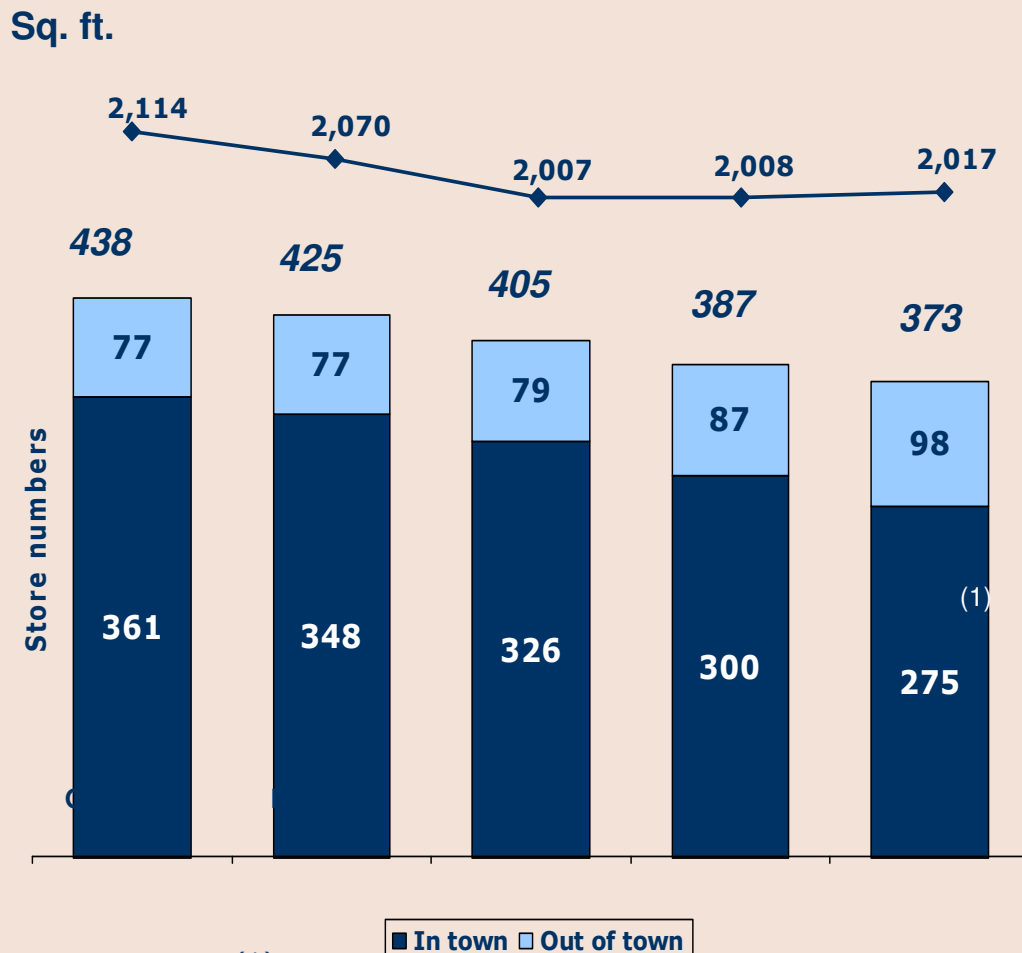
# International growth

	<b>Base year 07/08</b>	<b>08/09</b>	<b>09/10</b>	<b>10/11</b>	<b>3-year growth</b>
Store numbers	494	609	728	894	+81.0%
Retail selling space ('000 sq. ft.)	1,040	1,294	1,538	1,845	+77.4%
Total International sales	£286.8m	£404.2m	£490.9m	£570.9m	+99.1%
Underlying profit from operations	£10.6m	£16.5m	£23.2m	£27.5m	+159.4%
Underlying operating profit margin	+3.7%	+4.1%	+4.7%	+4.8% <sup>(1)</sup>	+110 bps

<sup>(1)</sup> 5.1% before share of JV loss



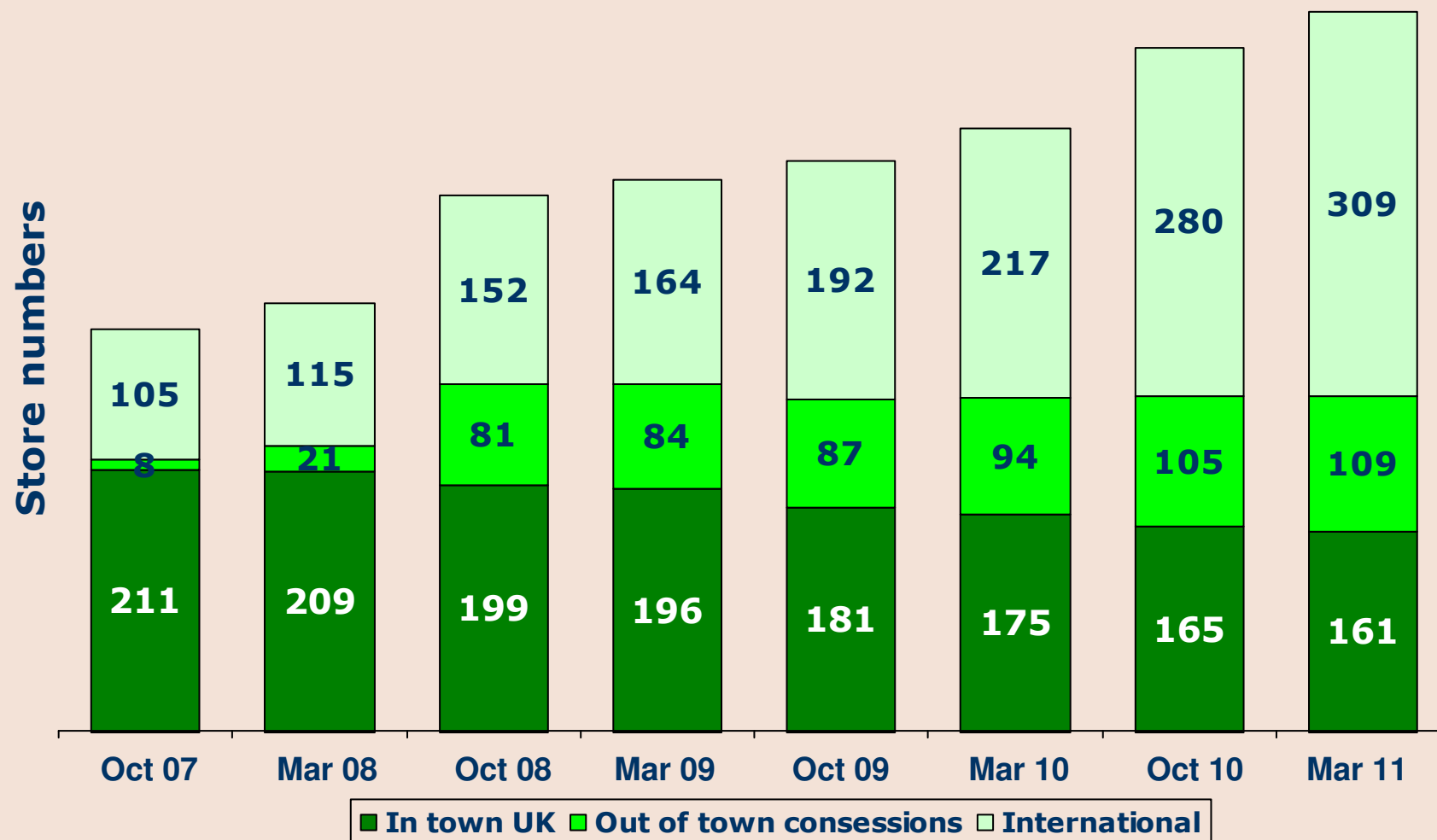
# UK property strategy to date



(1) 114 Mothercare; 161 ELC

- In-town 361 → 275 stores
- Out-of-town 77 → 98 stores
- Avg. lease length: 7.5 → 4.5 yrs
- Store operating costs down 12.1%
- Annualised benefits £10.6m

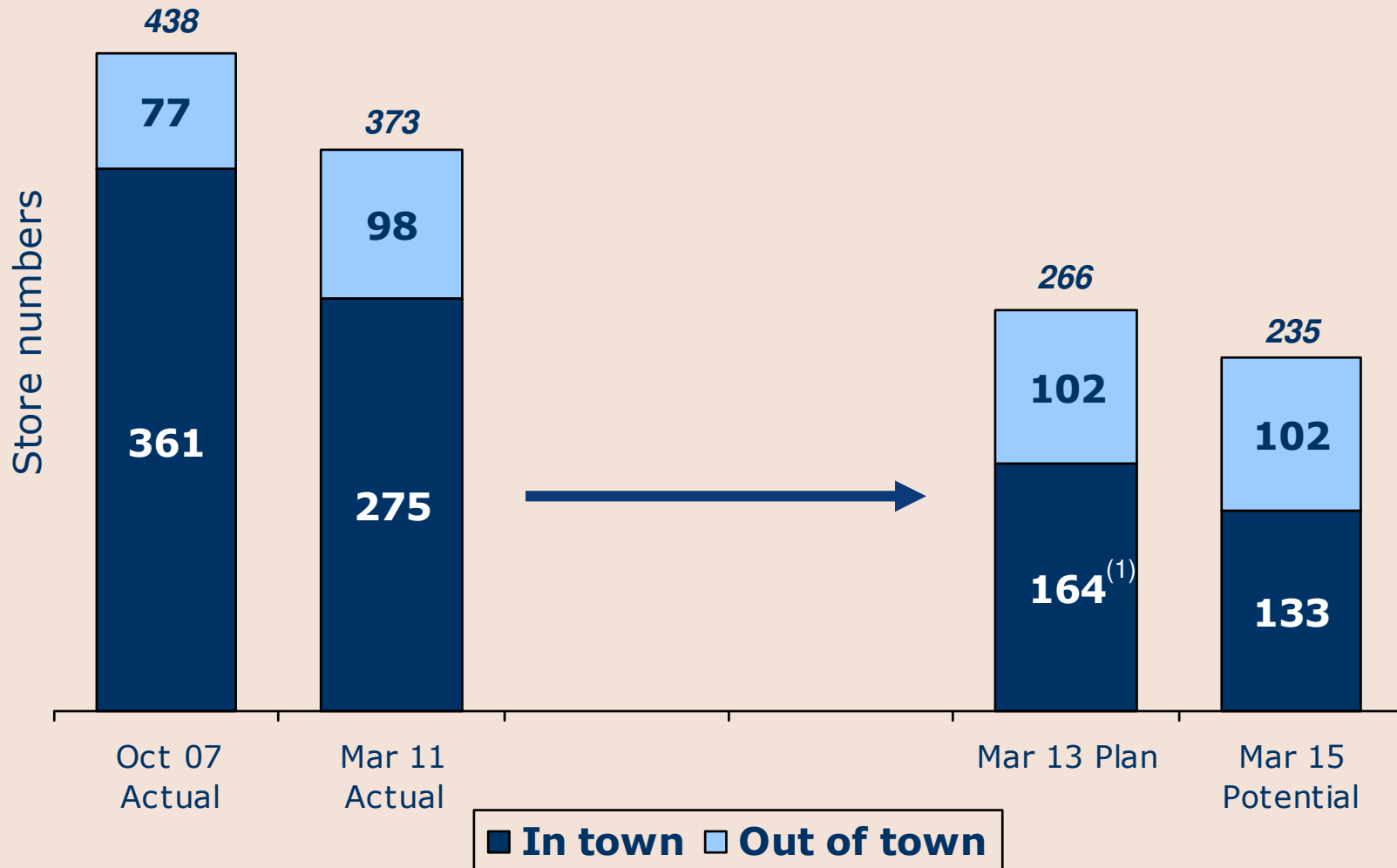
# Transformed Early Learning Centre



# Opportunity to accelerate property strategy

<u>Store numbers</u>	<u>11/12</u>	<u>12/13</u>	<u>TOTAL</u>
Lease expiry – re-negotiate rent	30	10	40
Lease expiry – close	60	20	80
Total lease expiry	90	30	120
Non lease expiry – close	20	10	30
<b>Total close or renegotiate</b>	<b>110</b>	<b>40</b>	<b>150</b>
Total close	80	30	110
Total renegotiate	30	10	40
	<b>110</b>	<b>40</b>	<b>150</b>

# Substantially downsized UK estate



<sup>(1)</sup> 94 MTC; 70 ELC

# Substantially reduced costs and improved gearing

- Annualised store occupancy costs down £18.0m (18.0%), including rental down £12.0m (19.0%)
- Total annualised UK sales reduced by £60m from March 2013; volumes offset by Wholesale and International
- Annualised benefits of circa £4m-£5m from March 13
- Cash exit costs to be determined – circa £5m

# Costs; Taxation

- 2011/12 input costs – impact 100 bps (previously announced)
- Savings in Head Office costs and UK operations (all UK segment) – annualised savings £5m
- Effective group tax rate: 2009/10 = 28.5%;  
2010/11 = 25.6%; 2011/12 = 23.0%

# Group balance sheet

	10/11 £m	09/10 £m
<b>Non current assets</b>		
Fixed assets	101.5	95.6
Intangibles	107.1	104.9
<b>Net current assets</b>		
Working capital	50.6	35.6
Net cash	15.3	38.5
Other	(10.6)	(2.1)
<b>Non current liabilities</b>		
Pensions	(37.6)	(55.1)
Tax	6.0	6.5
Other	(39.5)	(35.5)
<b>Net assets</b>	<b>192.8</b>	<b>188.4</b>

# Strong operating cash inflows





# Outlook 2011/12

## International

- International retail sales +15-20%
- 150 new overseas stores, increasing space by c. 20%
- Reduction in share of JV start-up losses

## UK

- Planning negative LFL; mid single digit positive growth in Direct
- Gross margin specific impact from input costs -100 bps
- Share based payment charge estimate £5m

# Outlook 2011/12

## Property strategy

- Tight cost control and property strategy benefits
- In UK £5m UK cost reduction by year end
- 80 UK in-town store closures; 4 out-of-town openings
- Property strategy benefits 2011/12: £1m; 2012/13: £2m-£3m; 2013/14: £4m-£5m

## Cashflow

- Working capital outflow £10m
- Capex = depreciation = £20m p.a.
- Group tax rate lower at circa 23%



BEN GORDON  
Chief Executive

# Strategy - International

Build our  
powerful brands



Extend our  
customer reach

**Global multichannel position**

Growth  
priorities

## **Rightsizing UK**

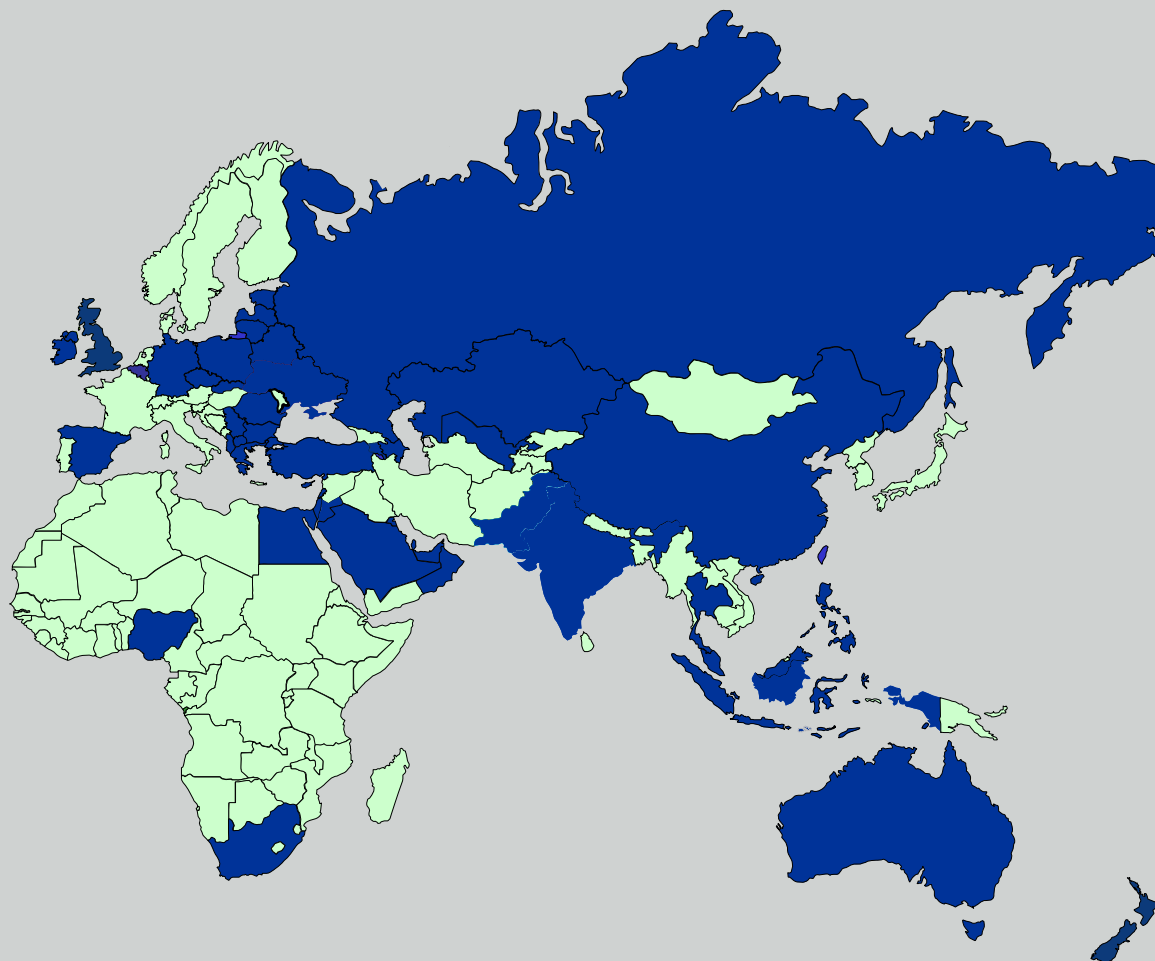
- Rightsize portfolio
- Revitalise stores
- Drive Direct
- Grow Wholesale
- Reduce Costs

## **Driving International growth**

- Grow Franchise
- Grow JVs
- Rollout e-commerce

# International update

Albania (1)  
Armenia (2)  
Australia (53)  
Azerbaijan (4)  
Bahrain (5)  
Belarus (5)  
Belgium (2)  
Brunei (3)  
Bulgaria (4)  
China (12)  
Cyprus (14)  
Czech Republic (8)  
Egypt (9)  
Estonia (3)  
Germany (3)  
Georgia (2)  
Gibraltar (2)  
Greece (74)  
Guernsey (1)  
Hong Kong (12)  
India (66)  
Indonesia (27)  
Ireland (38)  
Jersey (1)  
Jordan (4)  
Kazakhstan (12)  
Kuwait (35)



Latvia (2)  
Lebanon (13)  
Lithuania (1)  
Macedonia (1)  
Malaysia (15)  
Malta (5)  
New Zealand (2)  
Nigeria (2)  
Oman (6)  
Pakistan (9)  
Philippines (3)  
Poland (30)  
Qatar (11)  
Romania (9)  
Russia (68)  
Saudi Arabia (90)  
Serbia (1)  
Singapore (17)  
Slovakia (4)  
Slovenia (2)  
South Africa (22)  
Spain (18)  
Syria (1)  
Taiwan (26)  
Thailand (8)  
Turkey (57)  
UAE (70)  
Ukraine (27)  
Uzbekistan (1)



**Mothercare & ELC (54) outside the UK**



# Europe – 389 stores

- Russia 16 new stores in the year
- Turkey and Poland performing well
- Greece, Ireland and Spain more stable



**Kutuzovskiy, Russia**

# Middle East & Africa – 263 stores

- 21 new ELCs in Woolworths South Africa
- Middle East strong growth
- Store openings in Saudi Arabia, UAE, Egypt



Othaim Mall, Saudi

# Asia Pacific – 242 stores



- Growth in Indonesia, Singapore, Hong Kong
- Australia
  - Target at least 60 stores in 3 yrs
  - Only national mother and baby chain



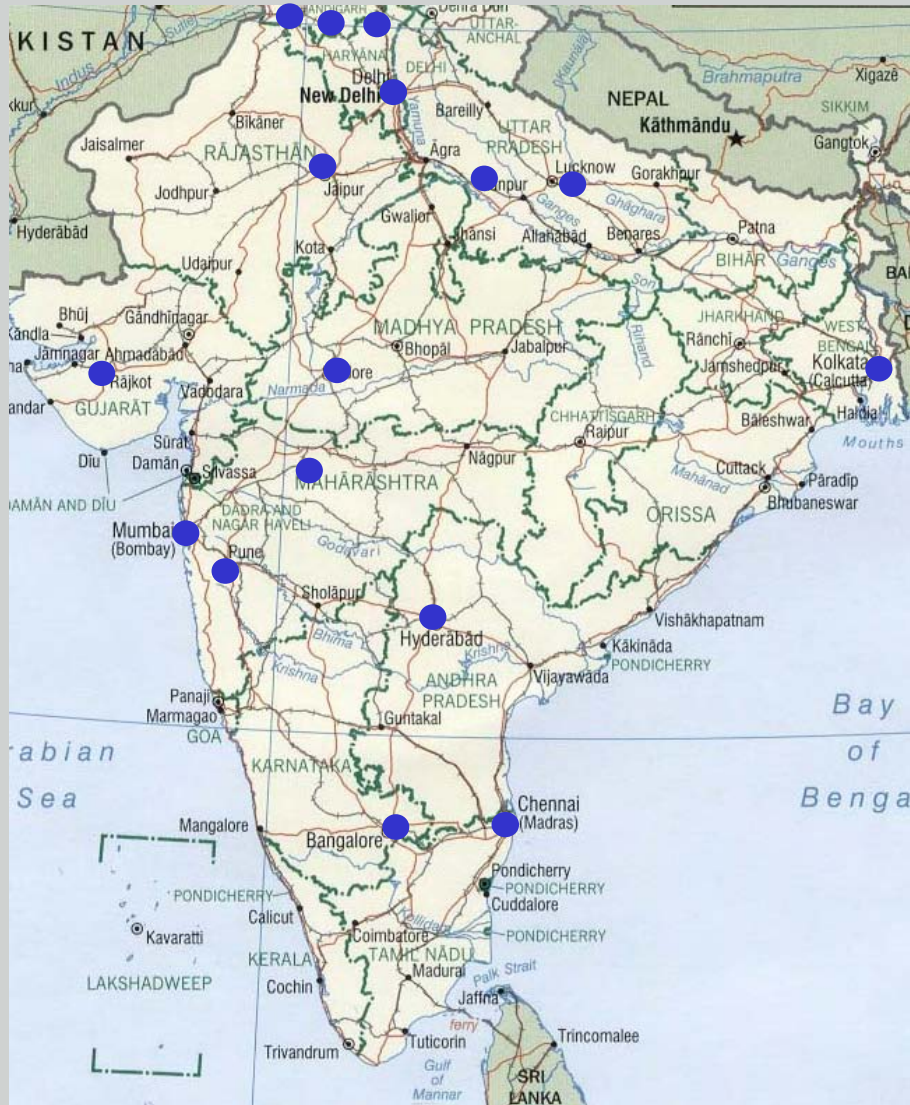
# Asia Pacific cont'd



**Sky Mall, Shanghai**

- China
  - 11 stores
  - Stores to double next year

# Asia Pacific cont'd



- India

- 30 new stores in the year
- Total 62
- Plan to open 200 stores by 2015



# E-commerce rollout



Центр раннего развития

Добро пожаловать  
Вход | Регистрация

Ваша корзина



сумма 0 р.

Оформить

Информация для покупателей

Поиск по

Найти

знакомство с миром

давайте представим

мир приключений

творчество

загадки и игры

спорт и активность

музыка и обучение

## Помощь в выборе:

Мы можем помочь Вам найти прекрасный подарок от ELC для своего ребенка.

по полу

все

по цене

все

по возрасту

все

по навыку

все

по бренду

все

по категории

все

НАЙТИ

АКЦИИ

скоро  
на дачу



Интернет-магазин развивающих игрушек для детей - ELC RUSSIA



Адреса  
розничных  
магазинов



ЗАКАЖИ  
СЕЙЧАС!  
(495) 961 9491

Приходи  
играть  
с нами!





# Product innovation







# Product innovation







# m Clothing

my first





# Summer clothing



# Summary

- Record International year
- Accelerating property strategy & other initiatives in UK

# Q&A



# Appendices

- Reported/network sales by channel
- Pension schemes
- Non-underlying items
- Capex
- Key store data at March 2011

# Reported/network sales by channel

£ million

	Reported sales			Network sales		
	2010/11	2009/10	%	2010/11	2009/10	%
UK retail	565.6	585.5	-3.4	565.6	585.5	-3.4
UK Wholesale	21.6	4.8	+350.0	21.6	4.8	+350.0
<b>Total UK</b>	<b>587.2</b>	<b>590.3</b>	<b>-0.5</b>	<b>587.2</b>	<b>590.3</b>	<b>-0.5</b>
International retail	197.0	171.1	+15.1	561.5	485.9	+15.6
International Wholesale	9.4	5.0	+88.0	9.4	5.0	+88.0
<b>Total International</b>	<b>206.4</b>	<b>176.1</b>	<b>+17.2</b>	<b>570.9</b>	<b>490.9</b>	<b>+16.3</b>
<b>Group sales</b>	<b>793.6</b>	<b>766.4</b>	<b>+3.6</b>	<b>1,158.1</b>	<b>1,081.2</b>	<b>+7.1</b>



# Pension schemes

£ million	<u>2011/12 *</u>	<u>2010/11</u>	<u>2009/10</u>
<b>Income statement</b>			
Service cost	(2.5)	(2.9)	(2.1)
Return on assets / interest on liabilities	0.2	(0.6)	(1.2)
Net charge	<u>(2.3)</u>	<u>(3.5)</u>	<u>(3.3)</u>
<b>Cash funding</b>			
Recurring payments	(2.1)	(2.2)	(2.7)
Deficit contribution	(2.2)	(2.8)	(2.3)
Total cash funding	<u>(4.3)</u>	<u>(5.0)</u>	<u>(5.0)</u>
<b>Balance sheet</b>			
Fair value of schemes' assets		208.4	197.0
Present value of defined benefit obligations		(246.0)	(252.1)
Net liability	<u>N/A</u>	<u>(37.6)</u>	<u>(55.1)</u>

\* Estimate

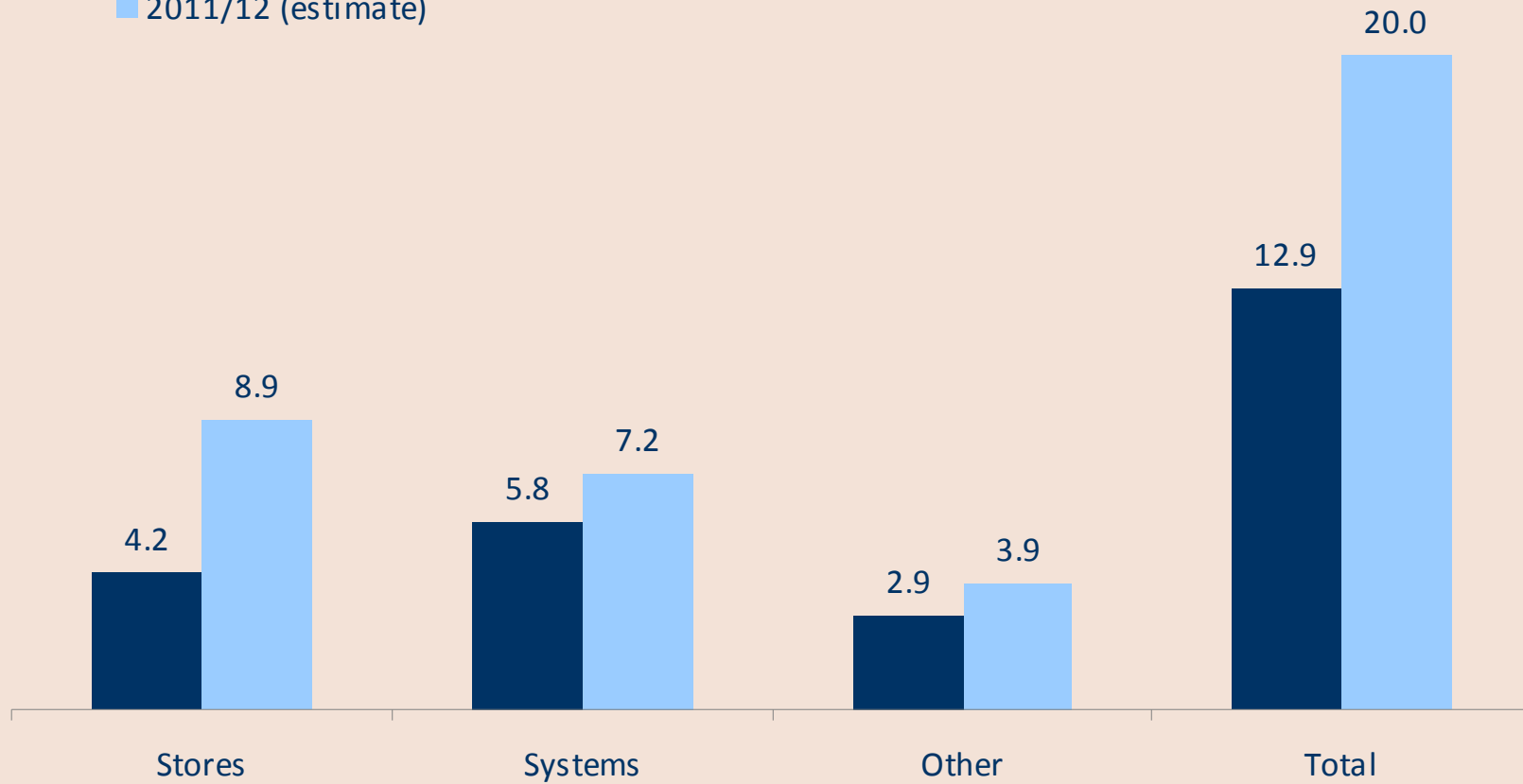
# Non-underlying items

	<b>10/11</b>	<b>09/10</b>
	<b>£m</b>	<b>£m</b>
<b>Exceptional items</b>		
Profit on disposal/termination of property interests	0.2	1.0
Restructuring costs included in administrative expenses	(3.6)	-
Integration of ELC - administrative expenses & share based payments	-	(2.0)
<b>Other non-underlying items</b>		
Non-cash foreign currency adjustments under IAS 39 and IAS 21	(13.8)	(1.3)
Amortisation of intangibles	(2.3)	(2.1)
Unwinding of discount on exceptional property provisions included in finance costs	(0.2)	(0.3)
<b>Total exceptional and other non-underlying items</b>	<b>(19.7)</b>	<b>(4.7)</b>

# Capex

■ 2010/11

■ 2011/12 (estimate)



Stores capex is net of landlord contributions of £9.6m for 2010/11 and £3.8m estimated for 2011/12

# Key store data at March 2011

	March 2009	October 2009	March 2010	October 2010	March 2011
<u>Total UK Stores</u>					
Total stores	405	389	387	377	<b>373</b>
High street	326	308	300	284	<b>275</b>
Out of town	79	81	87	93	<b>98</b>
Selling area (000s sq. ft.)	2,007	1,967	2,008	2,015	<b>2,017</b>
Sales* per sq. ft.	288	297	292	287	<b>280</b>
<u>International Stores</u>					
Europe	262	301	327	368	<b>389</b>
Middle East and Africa	198	213	225	248	<b>263</b>
Asia Pacific	149	157	176	224	<b>242</b>
Total stores	609	671	728	840	<b>894</b>
Selling area (000s sq. ft.)	1,294	1,420	1,538	1,729	<b>1,845</b>

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