Mothercare plc

Proposed Acquisition of Early Learning Centre

Ben Gordon

Chief Executive

Strategic acquisition - rationale

- Creates a key destination for parents of babies and young children
- Highly complementary businesses and products and target customers
- Significant synergies and benefits:
    1. Optimising the enlarged UK store portfolio
    2. International expansion
    3. Buying and sourcing
    4. Direct and marketing
    5. Cost efficiencies
- Consideration of £85m in shares and cash
- Earnings enhancing in first full financial year
- Right time – ready for growth

* Earnings before exceptional items, amortisation of intangible assets and the impact of IAS39

Early Learning Centre

- Toys and children's products 0-6 years
- Founded 1974
- 215 UK & Ireland stores
- 89 international franchise stores
- Internet & catalogue
- Wholesale business
- Hong Kong sourcing office
- 80% own brand

Two complementary brands

- Over 80% pregnant mums shop at Mothercare
- 80% parents of 0-4 year olds shop at ELC
- Complementary customer bases
- ELC higher Christmas footfall – drives sales at Mothercare
- Mothercare non-seasonal – drives ELC year round sales

Optimising the enlarged UK portfolio

- ELC from high street to OOT
  - Trials pre Christmas 2007
  - Longer term in up to 73 OOT stores
- Extending each brand into catchments where no current presence
  - Smaller inserts, web in store + catalogues
- Optimising space in duplicate catchments as part of right-sizing programme
- Driving sales per square foot in both brands

International expansion

- Mothercare has a strong international franchise network
  - 331 stores
  - 38 countries
- ELC growing international business
  - 89 franchise stores
  - 14 countries
- Both brands travel well
- Expansion opportunities around the world

Buying and sourcing

- ELC Hong Kong sourcing office
- Strong design capabilities – built over 20 years
- Enlarged group will leverage this capability
  - Improve Mothercare's toys and H&T margins
  - Add volume to ELC margins
- More competitive in the UK and around world

Direct and marketing

- Links two growing internet & established catalogue businesses – currently £60m turnover
- Combined databases
- Improved Customer Relationship Management
- Maximise cross-selling and logistics

Cost efficiencies

- Supply chain
  - Transportation and infrastructure
- Shared central functions
  - Teams and operations
- Procurement and non-trade buying
  - Energy, other services etc

Neil Harrington

Finance Director

Transaction

- Consideration of £85m* when deal was struck (MTC share price 361p)
  - Assume CSHL's net debt of approximately £36m*
  - Issue approximately 13.6 million Mothercare shares*
- Acquisition conditional upon:
  - Approval of shareholders
  - Regulatory clearances including OFT
- Loss making "Daisy & Tom" brand to be retained by one CSHL shareholder

* Approximate: to be finalised on completion

Financing

- CSHL’s debt to be repaid following completion
- Mothercare’s existing revolving debt facility increased to £65m
    - LIBOR +1%
    - To fund seasonality and investment in the enlarged group

ELC key financials

	5 May 2007 Forecast 52 weeks	6 May 2006 Actual 52 weeks
Sales	£185m	£186m
EBITDA	£7m	£6m
Adjustments		
Exceptional Items	£1m	£1m
IAS39	-	£1m
Daisy & Tom losses and other non-continuing costs	£2m	£2m
Adjusted EBITDA	£10m	£10m
Adjusted EBITA	£5m	£5m

Note: Prepared in accordance with IFRS and Mothercare's accounting polices

ELC key data

- 215 UK and Ireland leasehold stores
  - Total 326,000 square feet
  - Average SPF £432
- 89 overseas franchise stores
- 2006 sales

- UK and Ireland Stores	£141m
- UK Wholesale	£7m
- UK Direct	£15m
- International	£10m
- Daisy & Tom*	£13m
	£186m

* Not continuing

Financial effects

- 13.6* million new Mothercare shares to be issued – CSHL vendors will together own approximately 16%* of enlarged share capital
- Orderly marketing agreement
- At least £8m of EBITDA synergies in second full year (FY 2009/2010)
- Earnings enhancing in first full year**
- All CSHL's profits currently made in October to December

* Approximate: To be finalised on completion

** Earnings before exceptional items, amortisation of intangible assets and the impact of IAS39

Costs

- Exceptional costs (excluding store closures) estimated at £9m
- Extent of UK store closures dependent on trials
- Additional capex of £5m required over the period to March 2009
- Underlying ELC capex estimated of £5m per annum

Integration plan

2007

- Minimise disruption to Christmas trading
- Quick wins
- UK store & range trials
- Planning with international franchisees

2008

- UK store optimisation
- Leverage sourcing & cost benefits
- Commence franchise operations in new countries
- Direct & marketing integration

2009

- Ongoing stores optimisation
- Supply chain solutions
- Final systems integration
- FY 2009/10 EBITDA benefits and synergies £8m

Timetable

- Mothercare preliminary results 24 May
- Prospectus and circular posted to shareholders late May or early June
- EGM mid June
- AGM 19 July

Ben Gordon

Chief Executive

Summary

- Strong strategic fit – two complementary, specialist brands
- UK, international and direct opportunities
- Cost and margin benefits
- £85m shares and cash
- Earnings enhancing in first full year*

* Earnings before exceptional items, amortisation of intangible assets and the impact of IAS39

Questions