Full year results
19 May 2016

Alan Parker

Chairman

Overview for FY2016

- Further progress against all six pillars, with much still to do
- Underlying profit before tax up 51% at £19.6 million
- UK losses reduced by 64% as strategy delivers results
- International profits down by (12%) as markets remain challenging
- International approach reviewed – franchise model still most appropriate
- Modernising the UK and replicating learnings in our International markets

Richard Smothers

Chief Financial Officer

Full year results
52 weeks to 26 March 2016

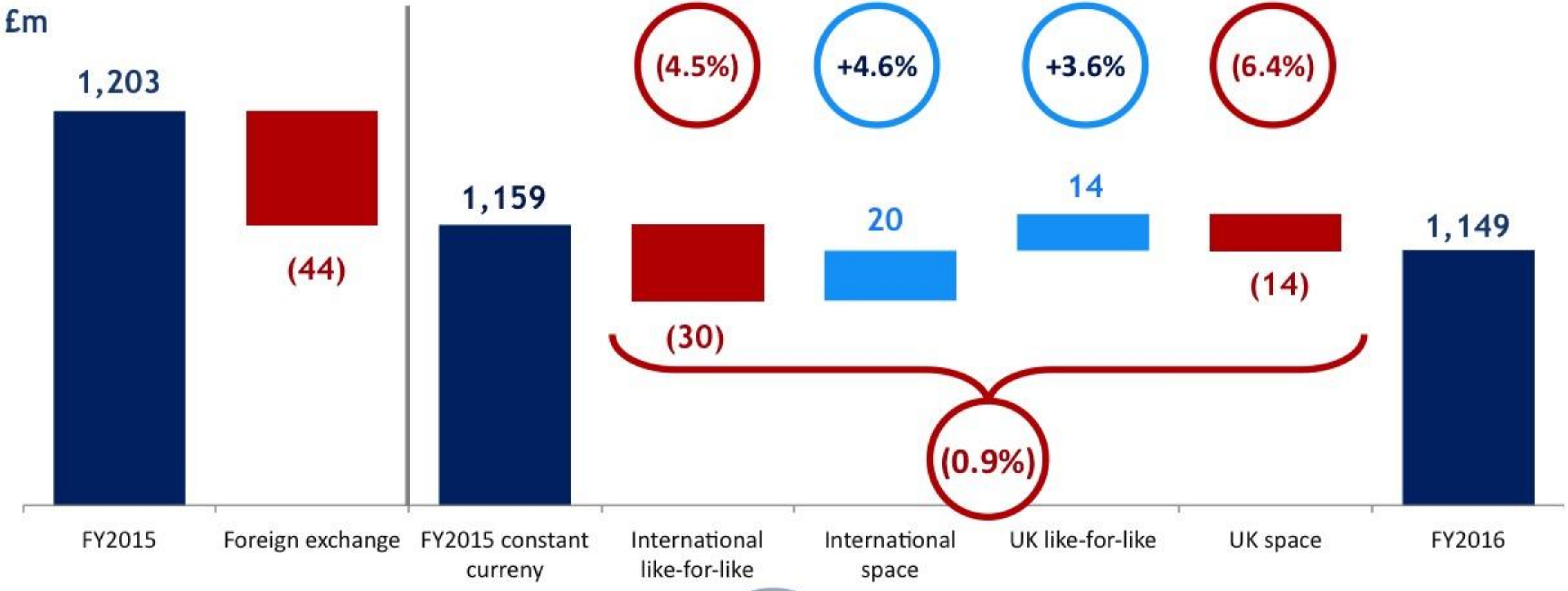
	FY2015/16 £m	FY2014/5 £m	% variance
Worldwide sales	1,149	1,204	(4.5)
Total International sales	690	745	(7.5)
Total UK sales	460	458	+0.3
Group revenue	682	713	(4.4)
Net cash	13.5	31.5	-

Income statement

52 weeks to 26 March 2016

	FY2015/16 £m	FY2014/15 £m	% variance
Underlying profit from operations	**25.8**	**19.3**	**+34**
Share based payments	(3.0)	(1.3)	+131
Net finance cost	(3.2)	(5.0)	+36
Underlying profit before tax	**19.6**	**13.0**	**+51**
Underlying earnings per share	**9.6p**	**8.6p**	**+12**
Exceptional items	(10.2)	(32.0)	-
Other non-underlying items	0.3	5.9	-
Reported profit/(loss) before tax	**9.7**	**(13.1)**	**-**

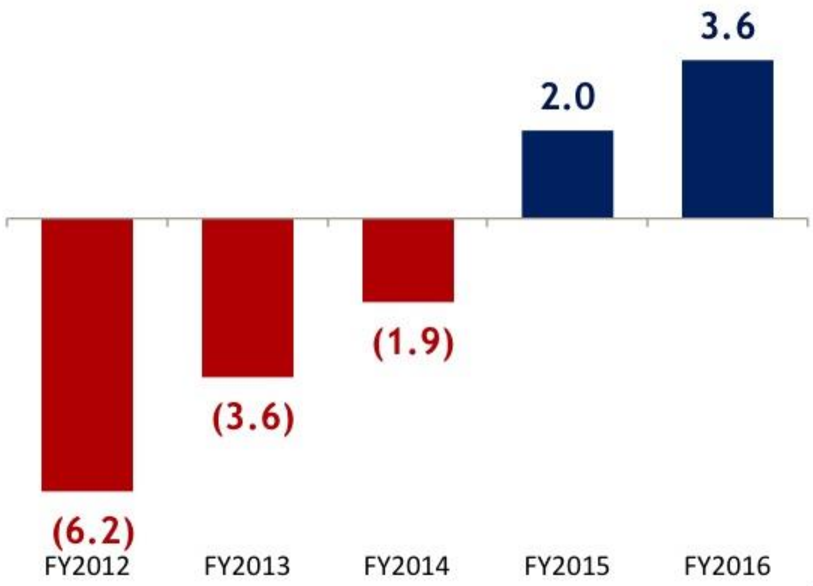
Group sales development
52 weeks to 26 March 2016



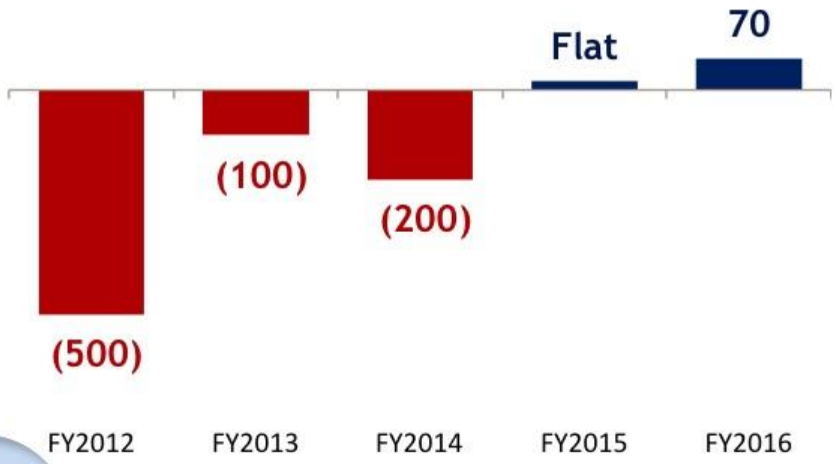
Group profit performance
52 weeks to 26 March 2016

UK sales like-for-like and gross margin improved

UK like-for-like sales (%)

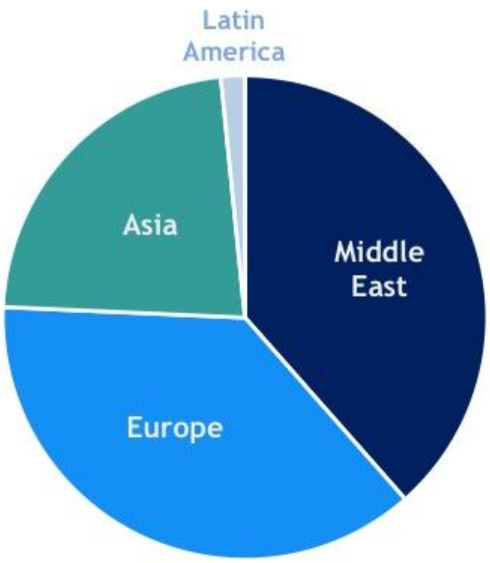


Change in UK gross margin (bps)

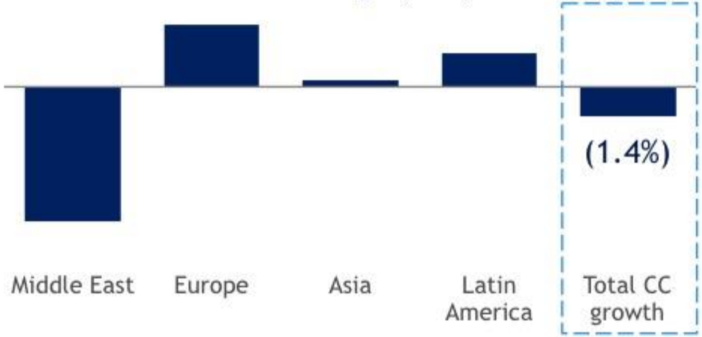


Headwinds impacting International

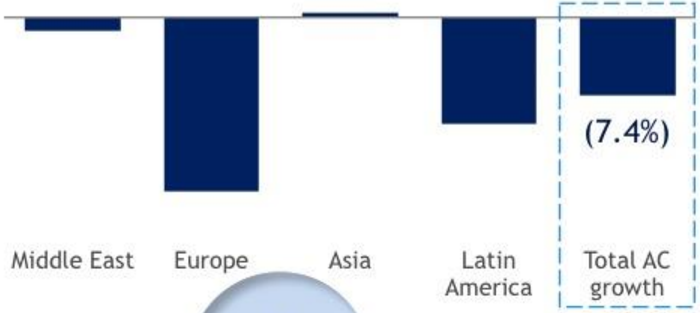
International retail sales



Constant Currency (CC) sales growth



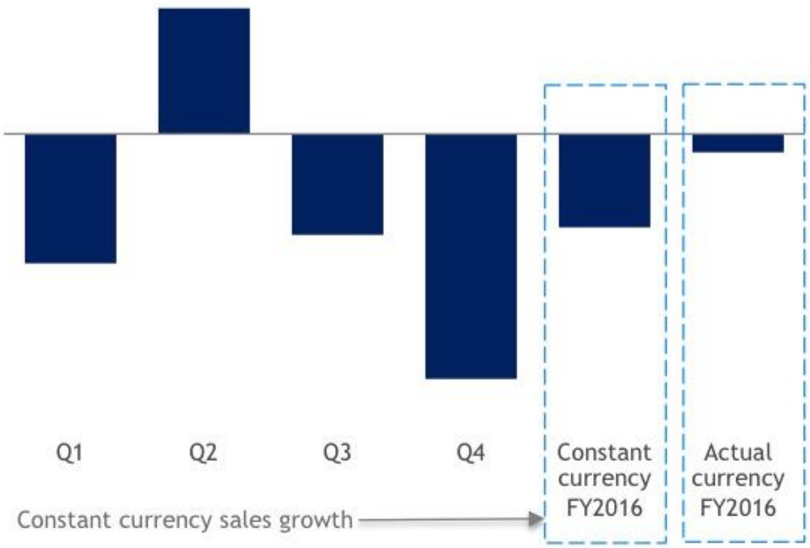
Actual Currency (AC) sales growth



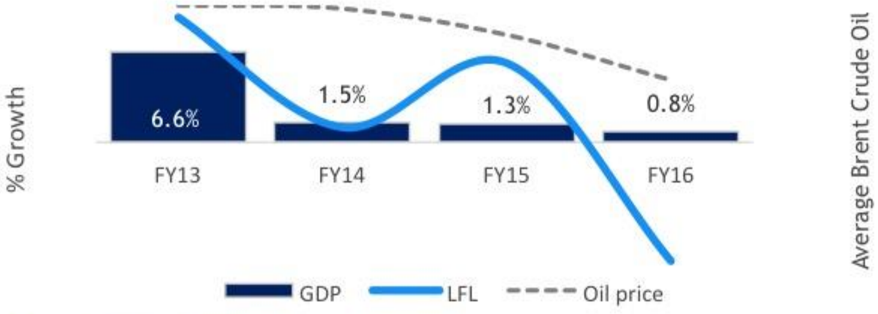
- Middle East impacted by the weaker oil price, but helped by currency
- Europe and Latin America affected by adverse currency
- Weakness in China mitigated by gains in other markets in the region

Middle East affected by weaker oil prices

Oil prices impacting, but currency tailwinds



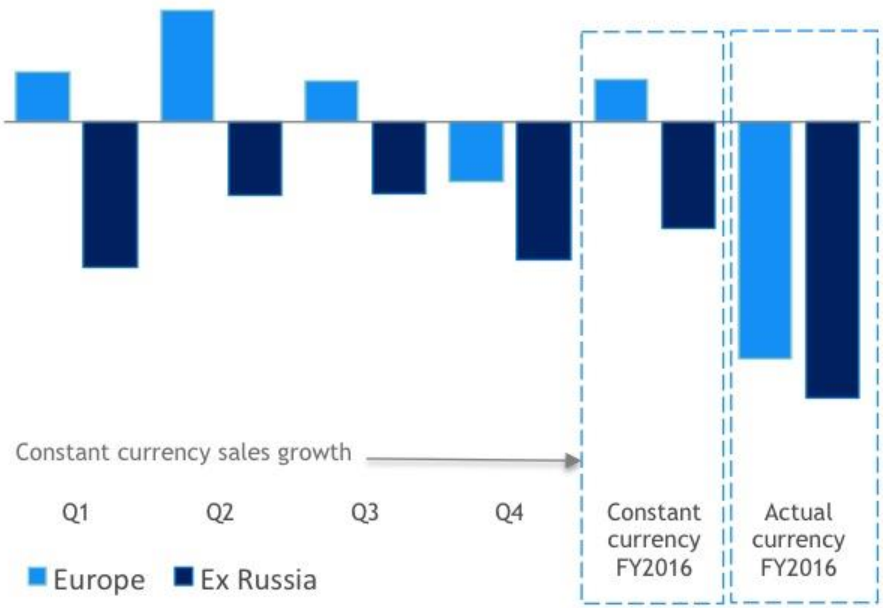
Kuwait



Saudi Arabia

Europe supported by Russia but adverse currency impacting sales

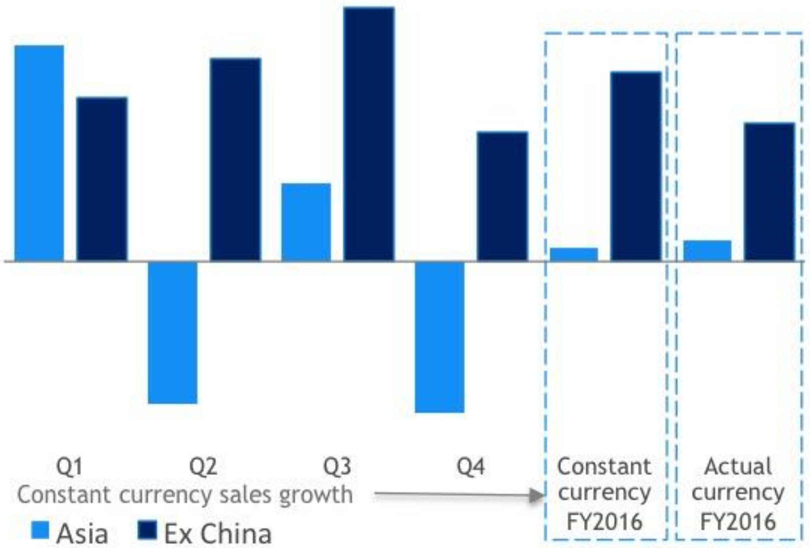
Europe supported by Russia, but currency headwinds



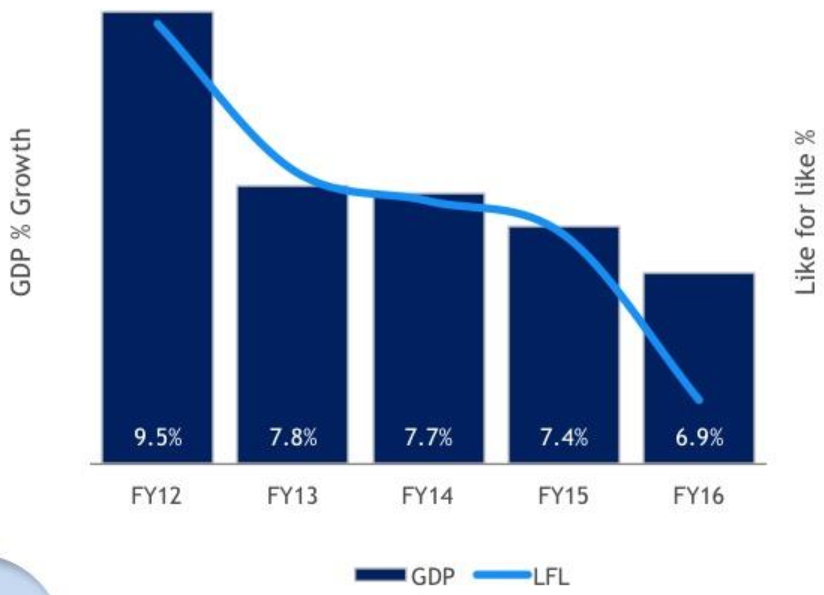
GDP: Russian Rouble historic FX trends

Asia demand remains robust

Asia, ex China, remains robust



China GDP growth vs Like for like



Cash flow

52 weeks to 26 March 2016

	FY2015/16 £m	FY2014/15 £m
Underlying profit from operations	25.8	19.3
Depreciation and amortisation	17.5	16.7
Retirement benefit schemes	(8.4)	(5.0)
Working capital	-	(9.8)
Other movements	0.9	(3.2)
Cash generated from operations	35.8	18.0
Capital expenditure	(39.2)	(12.7)
Interest & tax	(2.2)	(6.2)
Underlying free cashflow	(5.6)	(0.9)
Exceptional items	(12.9)	(16.7)
Free cashflow	(18.5)	(17.6)
Issue of ordinary share capital	0.4	95.3
Other	0.1	0.3
Change in cash during FY2014/15	(18.0)	78.0
Opening net debt	31.5	(46.5)
Closing net cash	**13.5**	**31.5**

Capital expenditure

- £39.2m invested in the business
  - £19.2m invested in store portfolio
    - £8.8m – two new stores and four resites
    - £10.4m – 47 refurbishmnets
  - £11.5m invested in IT and digital
  - £5.2m invested in infrastructure and warehousing systems
  - £3.0m invested in base maintenance

Outlook for FY 2016/17 – P&L

UK

- Focus on optimising cash margin
- Gross margin gains of 50-100 bps
- Stores refurbished: c.50
- Share based payments c.£4.0m
- Finance costs: c.£4m

International

- Space growth:
  low to mid-single-digit growth
- Retail sales in constant currency:
  flat to down mid-single-digits
- Currency continuing to impact sales and profit, mainly Russian rouble

Outlook for FY 2016/17 – Cash

- Trade working capital expected to be neutral
- Capital expenditure c.£35-40m (FY 2015/16 £39.2m)
- Other cash flow items:
  - Cash element of exceptional restructuring charges of £8m – 12m (FY 2015/16 £12.9m)
  - Pension scheme deficit recovery payment of £9.8m (FY 2015/16 £9.8m)
- Net debt of £0-10m, following investment into business

Mark Newton-Jones

Chief Executive Officer

Our Global strategy

Vision: The leading global retailer for parents and young children

"Uniting Mums and Dads to Take on Parenting Together"

1. Become a digitally led business
2. Supported by a modern retail estate
3. Offering style, quality and innovation in product
4. Stabilise and recapture gross margin
5. Running a lean organisation whilst investing for the future
6. Expanding further internationally

Infrastructure | Modern Systems | Governance | Talented People

Why being global makes sense

- 135m births globally each year
  - 20% or 27m births to households with an income of at least $25,000
  - China and India together account for 44m births, of which 1m births in our target and growing
- The mother and baby sector has favourable characteristics
  - Territory agnostic
  - Rewards specialism, trust and brand equity
  - E-commerce still at an early stage
  - No truly global specialist

We are already a significant global brand

Approach to being a global business

Historical approach	Future approach
• UK centric business with a International division • Focus on driving space not managing the brand • Run independent of the UK, protected from UK weakness • Loose operating framework	• UK moving into a position of strength to export best in class practices • Global strategy with the UK a division of the whole • Strengthened management team • Closer control of our brands around the world • More collaboration in partnership • Develop a closer, special relationship with key partners

Franchise partner model: low risk, capital light and scaleable

1

Becoming a digitally led business

- 2.4m customers on UK database: personalisation
- Online now c.35% of UK sales and growing
- Mobile now 81% of traffic and 58% of online sales
- Augmented Reality launched with Zapp codes for SS16
- Live chats and wish lists
- More content through reviews, videos, and images
- iPads in our advisors' hands

1

Becoming digitally led globally

- Building databases
- International websites
- iPads in stores
- Click and collect

Supported by a modern retail estate

- UK: 19 stores closed, 47 refurbished, 4 re-sited and 2 new stores
- 75% of UK retail space is now out-of-town
- c.40% of UK space in new, modern format
- Clear product departments

Modern retail estate globally

- International: 129 stores opened and 92 closed
- New store format rolled out
- Larger stores
- Visual merchandising support

3 Offering great style, quality and innovation in product

- Additional brands added
- Exclusivity increased
- ‘Best’ now c.20% of clothing sales
- Launched “Smile” by Julian Mcdonald

3 Offering great style, quality and innovation in product globally

- Option control with less complexity
- Locally sourced product
- Global deals

4

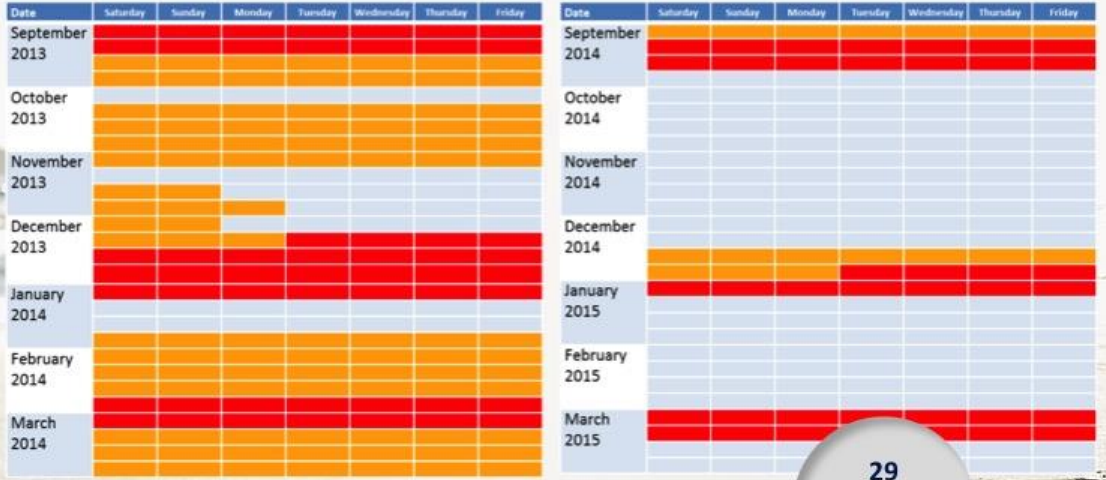
Stabilise and recapture gross margin

- Margin growth: +70 bps
- More full price sales: 66% of all product
- Promotional activity largely supplier funded

4 Stabilise and recapture gross margin globally

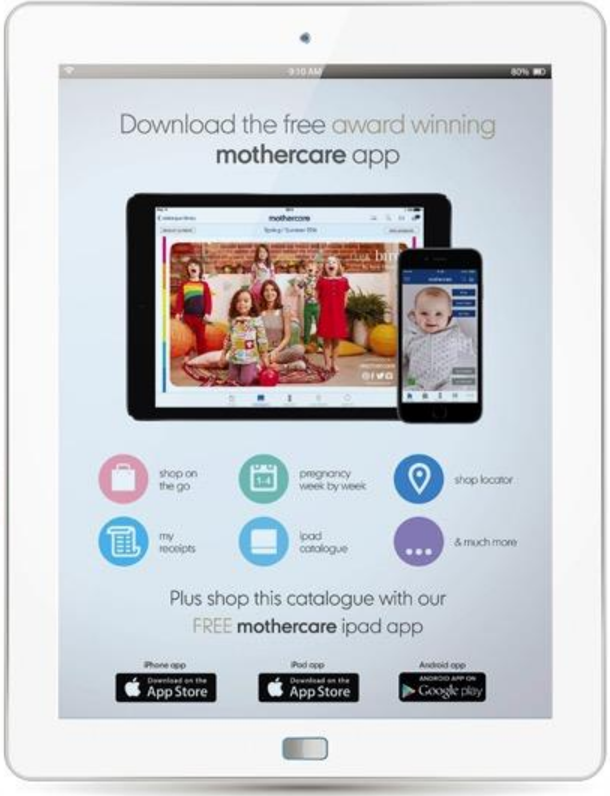
- Support with trading calendar
- Full price retailer
- Duplication of effort in local buy
- Fewer options, more volume and better cost prices

Replicating improvements in trading calendar



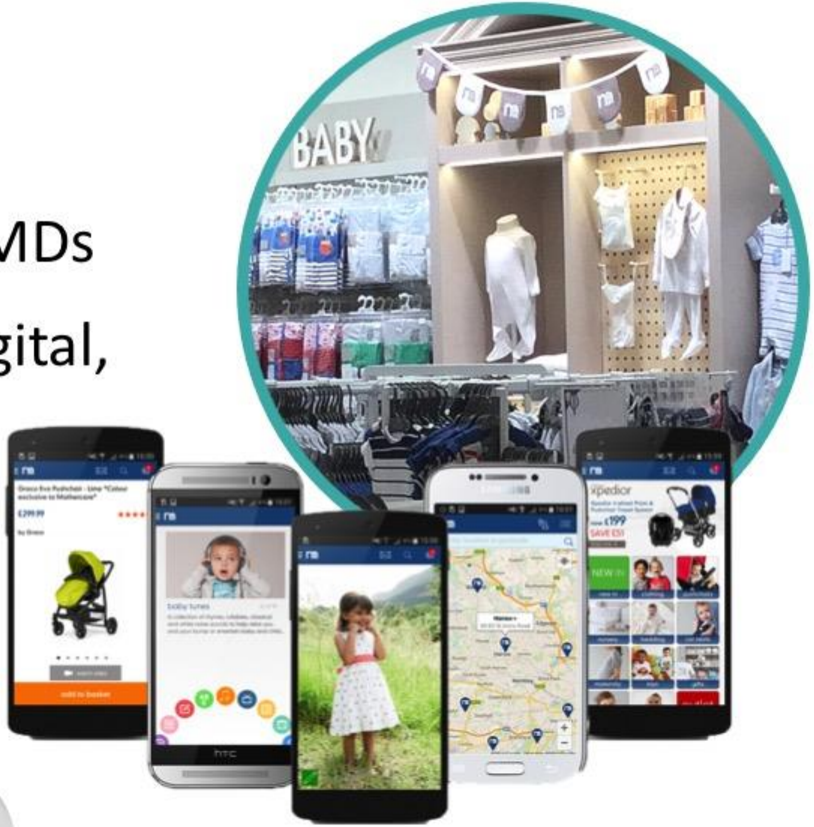
5 Running a lean organisation while investing for the future

- Tight control of capital expenditure
- Investment in technology to improve efficiency



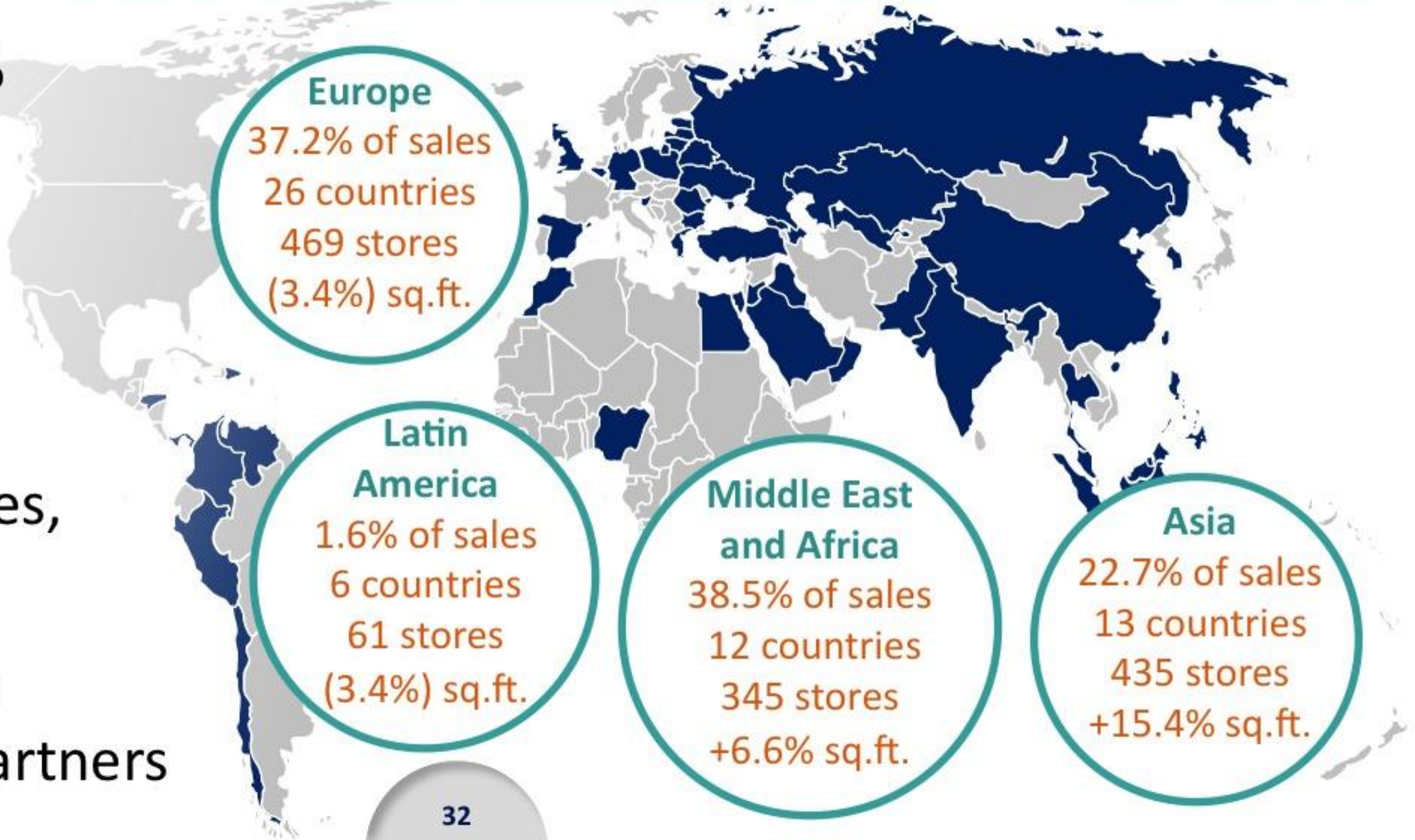
5 Running a lean organisation while investing for the future globally

- Invest in e-commerce platform and database
- Invest in people – three territory MDs
- Invest in support for marketing, digital, trading and visual display
- Reduced costs by eliminating duplication
- Tighter stock control

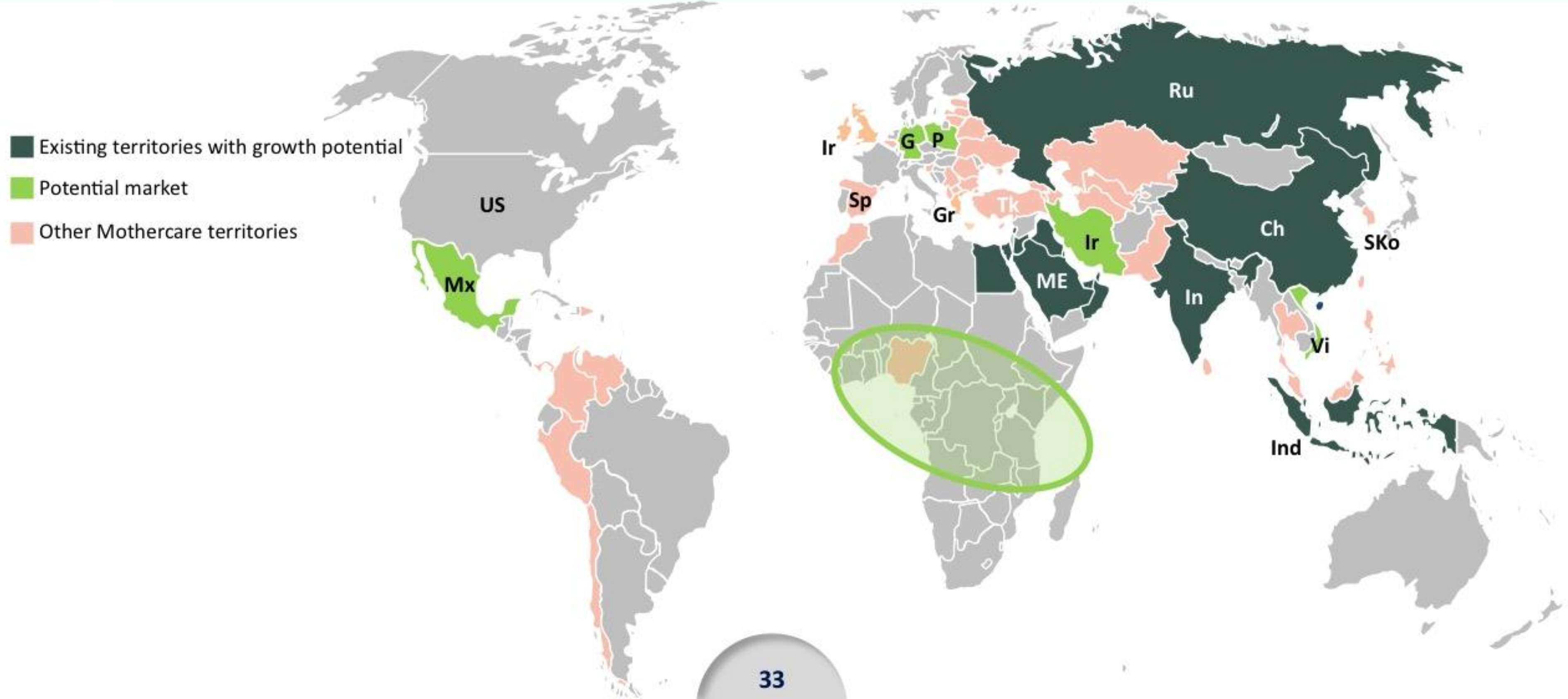


Expanding further Internationally

- Space up 4.6%
- Better stock control
- Digital development, with 2% of sales, up 22%
- Working more closely with partners



Significant opportunity still available



Our Global strategy

Vision: The leading global retailer for parents and young children

"Uniting Mums and Dads to Take on Parenting Together"

1	2	3	4	5	6
Become a digitally led business	Supported by a modern retail estate	Offering style, quality and innovation in product	Stabilise and recapture gross margin	Running a lean organisation whilst investing for the future	Expanding further internationally
Export online and CRM skills and capabilities globally	Export UK store design and commercial standards globally	Global product strategy, critical path and supply chain	Global sourcing, better global pricing and markdown strategy	Lean operations whilst investing for growth with our partners	Business model and territory strategy

Infrastructure | Modern Systems | Governance | Talented People

Q&As

Mother & Baby AWARDS 2016 GOLD
BEST ELECTRIC BREAST PUMP

Mother & Baby AWARDS 2016
BEST PRODUCT FOR BOTTLE FEEDING

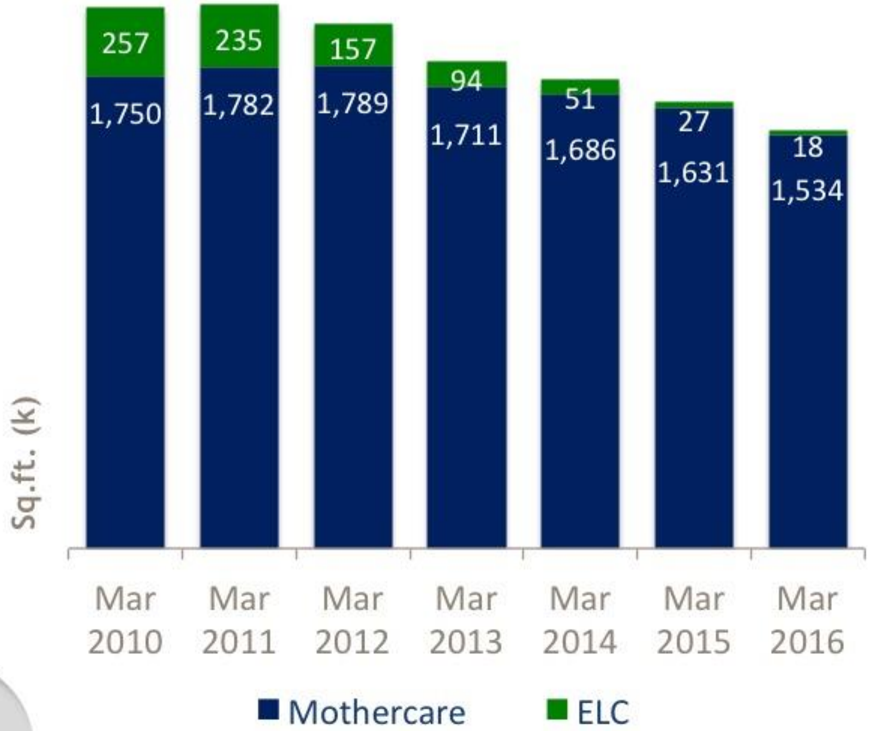
Mother & Baby AWARDS 2016 BRONZE
BEST COT, CRIB OR MOSES BASKET

prima Baby & pregnancy AWARDS 2016 GOLD

Best Baby and Toddler Gear 2015 by mumii SHORTLISTED

Appendices

UK store and space numbers



International store and space numbers

Currency impact

52 weeks to 26 March 2016

	Sales £m	Underlying operating profit £m
Russian rouble	(35.8)	(2.1)
Euro – Ireland	(2.2)	(0.1)
Euro - Greece	(2.0)	(0.1)
Indonesian rupiah	(1.2)	(0.1)
Saudi riyal	6.2	0.6
Emirate dirham	4.8	0.4
Other currencies	(14.1)	0.4
Total currency impact	**(44.3)**	**(1.0)**

Currency rates
52 weeks to 26 March 2016

	FY2015/16	FY2014/15	
Average:			% change
Russian rouble	95.40	70.57	(35.2%)
Indonesian rupiah	20,418	19,484	(4.8%)
Saudi riyal	5.68	6.03	5.8%
Emirati dirham	5.54	5.91	6.3%
Closing:			% change
Russian rouble	98.09	88.67	(10.6)%
Indonesian rupiah	18,959	19,499	2.8%
Saudi riyal	5.43	5.61	3.2%
Emirati dirham	5.32	5.49	3.1%

6

International models considered

Low risk, low control

Business model	Considerations
Wholesale	• Low start up costs, easy to start and achieve scale. Works well for larger markets.
Licence	• Low central costs but risk to brand as compliance can be poor
Franchise	• **Partner brings local knowledge with local insight and can navigate local barriers**
Concession / Shop-in-shop	• Leverage high levels of passing footfall where brand awareness is weak
Online / E-Commerce	• Ability to capture significant customer information and learnings
Joint Venture	• Requires capital investment but gives opportunity to accelerate a market through an insightful and powerful local partner
Wholly owned	• Significant investment with weaker insight into markets but have ability to control brand and customer experience end-to-end

High risk, high control

Exceptional items

52 weeks to 26 March 2016

	FY2015/16 £m	FY2014/15 £m
UK property costs	(5.6)	(25.9)
Write back of store impairment charges	0.8	4.8
UK Head Office and other reorganisation	-	(9.1)
Restructuring costs – International	(1.9)	-
Impairment of investment in JV	(3.3)	-
Refinancing costs	-	(1.5)
Other	(0.2)	(0.3)
Total exceptional items	**(10.2)**	**(32.0)**
Non-cash foreign currency adjustments	1.2	6.9
Amortisation of intangibles	(0.9)	(1.0)
Total exceptional and non-underlying items	**(9.9)**	**(26.1)**

- Cash exceptional in FY2015/16: £12.9m

Pension scheme

		FY2016/17 £m	FY2015/16 £m	FY2014/15 £m
Income statement	Running costs	(2.7)	(2.7)	(1.4)
	Return on assets/(interest on liabilities)	(2.5)	(2.7)	(2.1)
	Net DB charge	**(5.2)**	**(5.4)**	**(3.5)**
	DC charge	**(2.0)**	**(2.0)**	**(2.2)**
	Total pension charge	**(7.2)**	**(7.4)**	**(5.7)**
Cash funding	Recurring payments	(2.2)	(2.2)	(0.6)
	Deficit contribution	(7.7)	(8.9)	(5.8)
	DB cash funding	**(9.9)**	**(11.1)**	**(6.4)**
	DC cash funding	**(2.0)**	**(2.0)**	**(2.2)**
	Total cash funding	**(11.2)**	**(13.1)**	**(8.6)**
Balance sheet	Fair value of assets	n/a	287.5	283.4
	Present value of defined benefit obligations	n/a	(361.9)	(364.6)
	Net DB liability	**n/a**	**(74.4)**	**(81.2)**

Sensitivities for modelling assumptions

Using FY2015/16 as a base and assuming no change to external factors:

- UK sales of £460m
  - 1% change in like-for-like sales
    - Impact of c.£4m on sales
    - Impact of c.£1.4-1.7m on gross profit assuming no change in margin rate
  - 10 basis point change in margin
    - Impact of c.£0.4m assuming flat sales
- International sales of £690m
  - 1% reduction in constant currency sales
    - Impact of £0.3 to £0.5m
  - 1% change in currency impact
    - Impact of £0.3 to £0.5m

Full year results
19 May 2016