

# Interim Results

## November 22, 2007





Ben Gordon

Chief Executive

# Strong H1 results

- UK LFL sales up 2.5%
- UK gross margin up 0.7 bps
- Costs controlled
- Strong International growth; franchisee LFL sales up 12%
- Integration progressing well
- Dividend increased 12.1%



- Destination for parents of babies and young children
- Highly complementary products and target customers
- Significant synergies and benefits

# Integration philosophy



- Two brands; one engine
- 2 yr timetable, targets and milestones



# 5 Synergy projects



- Optimising the enlarged UK store portfolio
- International expansion
- Buying and sourcing
- Direct and marketing
- Cost efficiencies



# Integration plan on track



## 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 at least £8m



# The enlarged Mothercare group

- c. £850m global retail sales\*
- 909 stores in 47 countries (UK and International)
- 7,500 employees
- c. £270m International retail sales\*
- c. £80m Direct retail sales\*

\*annualised retail sales







Neil Harrington

Finance Director

# Introduction

- UK LFL sales +2.5%
- 70 bps improvement in UK gross margin
- International revenue +23.7%;  
franchisee LFL sales +12.0%
- Mothercare's underlying profit (before interest) up 16.7% to £13.3m
- Strong operating cash flow
- Interim dividend +12.1% to 3.7 pence



# First time contribution from ELC

- Statutory results include ELC from 19 June 2007
- ELC is a seasonal business with losses in H1 (H1 07/08 underlying loss before tax £7.0m; £4.1m pre acquisition, £2.9m post)
- Key financial information also prepared on a proforma basis (assuming ELC owned for all of H1 07/08 and H1 06/07 and excluding Daisy & Tom)
- Presentation commences with 'statutory' results but focuses on 'proforma' results



# Income statement – statutory basis

£ million

	H1 07/08	H1 06/07	
Revenue	328.5	264.3	+24.3%
<b>Profit from retail operations<sup>(1)</sup></b>	<b>10.4</b>	<b>11.4</b>	<b>-8.8%</b>
Financing	0.1	0.7	
<b>Underlying profit before taxation</b>	<b>10.5</b>	<b>12.1</b>	<b>-13.2%</b>
Profit on disposal of property interests *	0.7	1.6	
Integration costs *	(3.9)	-	
IAS 39 adjustment	(0.6)	(0.9)	
Amortisation of intangible assets	(0.6)	-	
<b>Profit before taxation</b>	<b>6.1</b>	<b>12.8</b>	<b>-52.3%</b>
Taxation	(1.8)	(3.8)	
<b>Profit after taxation</b>	<b>4.3</b>	<b>9.0</b>	<b>-52.2%</b>

\* Exceptional items

<sup>(1)</sup> Mothercare £13.3m, ELC £(2.9)m



# Financial highlights – proforma basis

- Group sales +4.8% to £355.3m
- UK sales +1.6% to £293.1m (including Direct in Home sales + 20.0% to £21.6m)
- UK LFL sales +2.5%; International franchisee LFL sales +12.0%
- International revenue +23.7% to £62.2m
- UK gross margin +70 basis points
- Underlying profit before tax +81.5% to £4.9m



# Income statement – proforma basis

£ million

	H1 07/08	H1 06/07	
Revenue	355.3	338.9	+4.8%
<b>Profit from retail operations</b>	<b>6.3</b>	<b>4.1</b>	<b>+53.7%</b>
Financing	(1.4)	(1.4)	
<b>Underlying profit before taxation</b>	<b>4.9</b>	<b>2.7</b>	<b>+81.5%</b>
Profit on disposal of property interests *	0.1	1.6	
Integration costs *	(3.9)	-	
Other reorganisation costs *	(0.3)	(0.5)	
IAS 39 adjustment	(0.8)	(1.2)	
Amortisation of intangible assets	(1.0)	(1.1)	
<b>Profit before taxation</b>	<b>(1.0)</b>	<b>1.5</b>	
Underlying EPS – basic	4.4p	2.7p	+63.0%

\* Exceptional items



# Underlying profit by segment – proforma basis

£m	Revenue		
	H1 07/08	H1 06/07	%
UK	293.1	288.6	+1.6%
International	62.2	50.3	+23.7%
	355.3	338.9	+4.8%

£m	Underlying Profit		
	H1 07/08	H1 06/07	%
UK	6.6	5.1	+29.4%
International	4.4	3.6	+22.2%
Corporate	(4.7)	(4.6)	+2.2%
Financing	(1.4)	(1.4)	-
	4.9	2.7	+81.5%

- Corporate expenses represent head office costs, Board & senior management costs, audit, insurance & professional fees



# Performance by brand – proforma basis

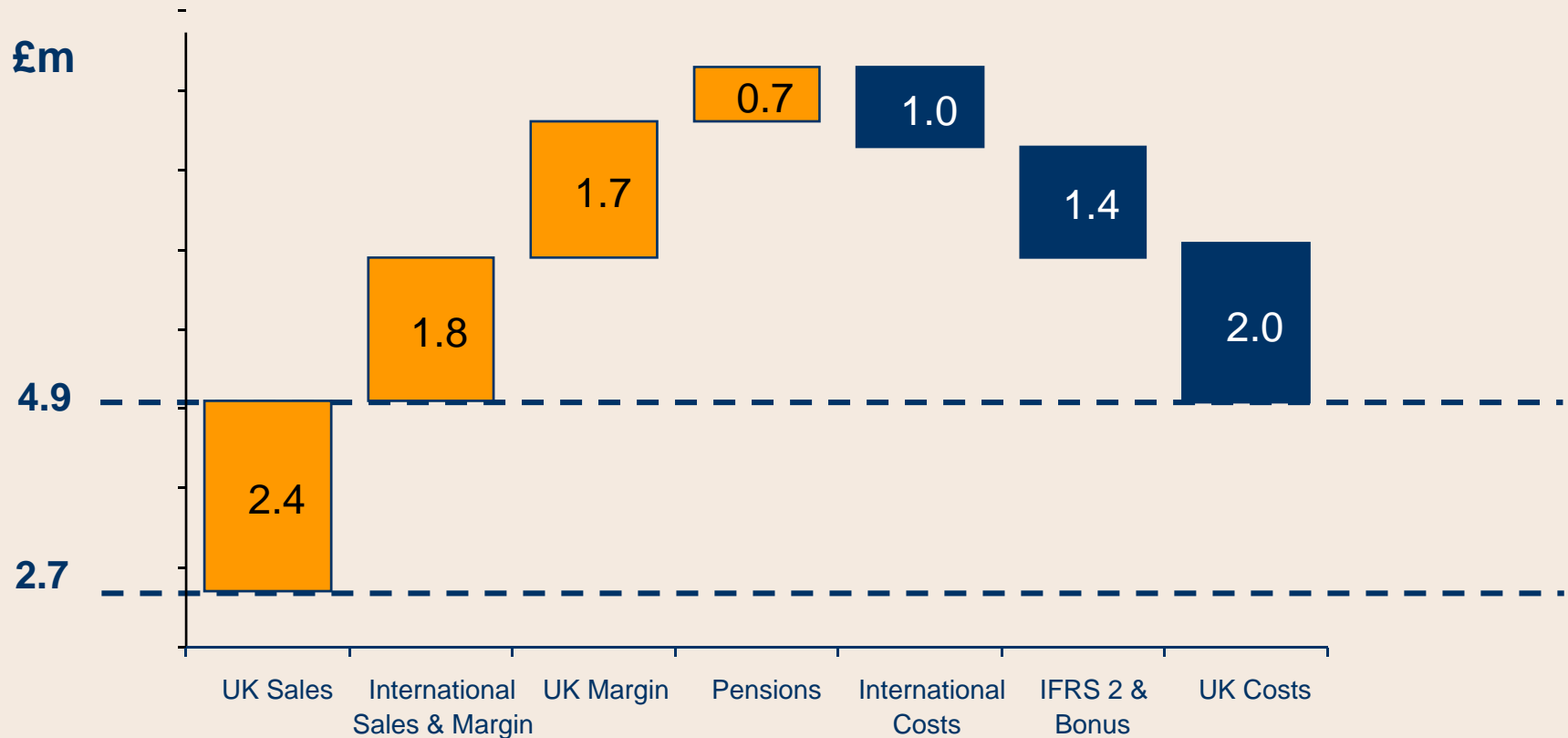
<b>H1 07/08 £m</b>	<b>Mothercare</b>	<b>ELC</b>	<b>Interest</b>	<b>Group</b>
Sales	275.7	79.6		355.3
<b>Underlying PBT</b>	<b>13.3</b>	<b>(7.0)</b>	<b>(1.4)</b>	<b>4.9</b>
<b>H1 06/07 £m</b>				
Sales	264.3	74.6		338.9
<b>Underlying PBT</b>	<b>11.4</b>	<b>(7.3)</b>	<b>(1.4)</b>	<b>2.7</b>

- Mothercare EBIT +16.7%
- ELC EBIT +4.1%





# £2.2m growth in underlying profit – proforma basis

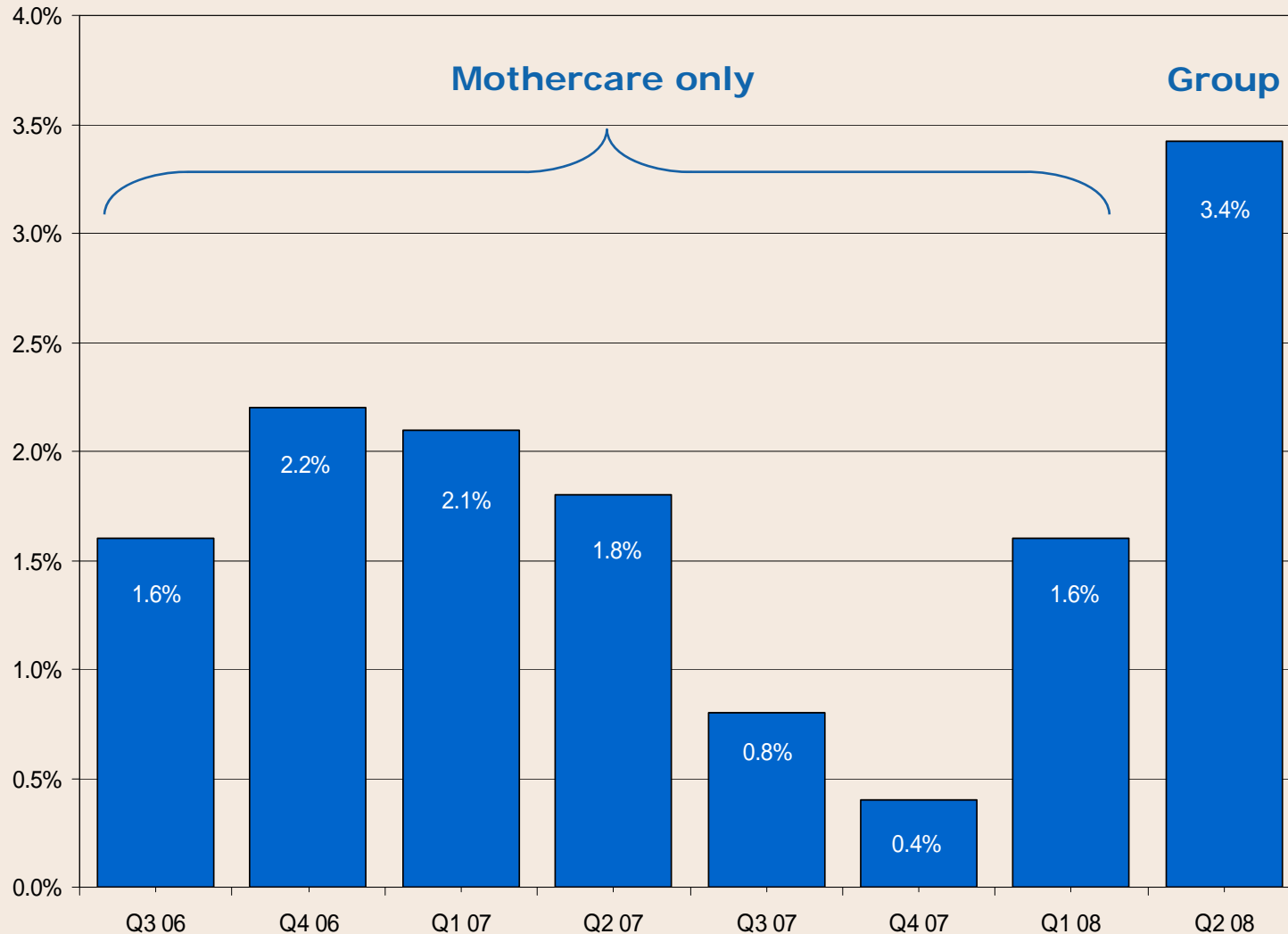


# Integration costs

- £3.9m non-underlying charge represents;
  - Closure of ELC London office
  - Restructuring of ELC Swindon Head Office
  - Programme/project management and consultancy costs
- Total integration costs estimated at £9m (excluding cost of optimising UK store portfolio) as previous guidance
- Total integration capex estimated at £5m (excluding cost of optimising UK store portfolio) as previous guidance



# UK LFL sales (including Direct)



- Adjusted for the timing of Easter



# UK store portfolio activity - Mothercare

	FY 06/07	H1 07/08	H2 07/08 (plan)
Downsize	2	-	3
Re-site	3	2	2
Total rightsize	5	2	5
Store closures	7	-	7
New stores	1	1	-
<b>Total catchments</b>	<b>13</b>	<b>3</b>	<b>12</b>
<b>Store activity</b>	<b>16</b>	<b>5</b>	<b>14</b>

- Downsize = reduction in size of same store. Resite = move to new site in same town



# Group balance sheet

£ million

		<b>H1 07/08</b>	<b>H1 06/07</b>
Non current assets	- Fixed assets	96.8	84.7
	- Intangibles	105.8	4.9
	- Pensions	2.0	-
	- Deferred tax	-	4.4
Net current assets	- Working capital	26.7	36.9
	- Cash	2.3	30.6
Non current liabilities	- Pension	-	(14.3)
	- Other	(26.5)	(10.4)
Net assets		£207.1m	£136.8m
Net assets per share		238p	187p

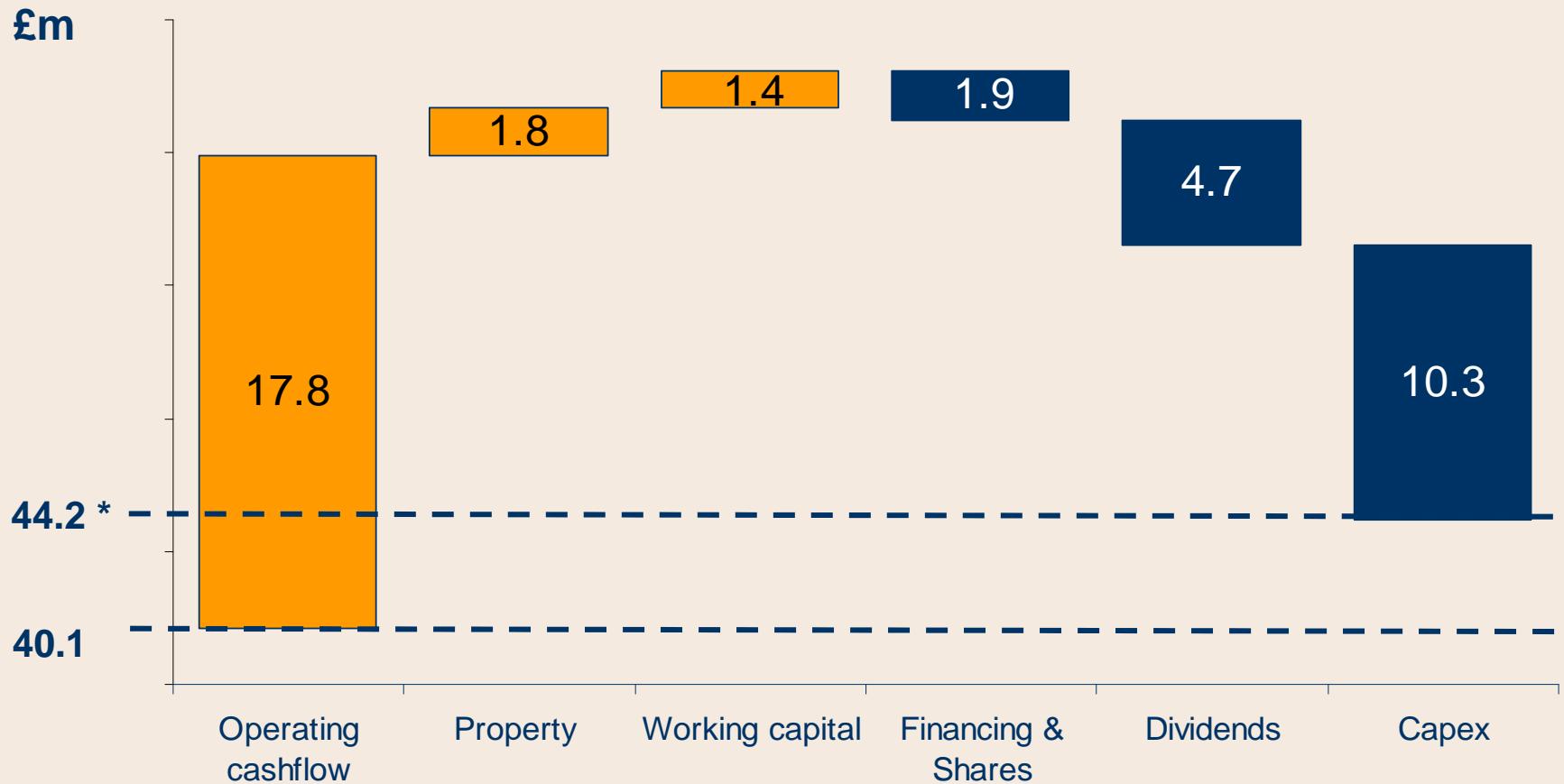


# Pension schemes in surplus

	H1 07/08 £m	H1 06/07 £m
<u>Income Statement</u>		
Service cost	(1.9)	(2.7)
Return on assets/interest on liabilities	1.9	2.0
<b>Net credit / (charge)</b>	<b>0.0</b>	<b>(0.7)</b>
<u>Cash Funding</u>		
Regular contributions	(1.1)	(1.6)
<b>Total cash funding</b>	<b>(1.1)</b>	<b>(1.6)</b>
<u>Balance Sheet</u>		
<b>Net asset/(liability)</b>	<b>2.0</b>	<b>(14.3)</b>



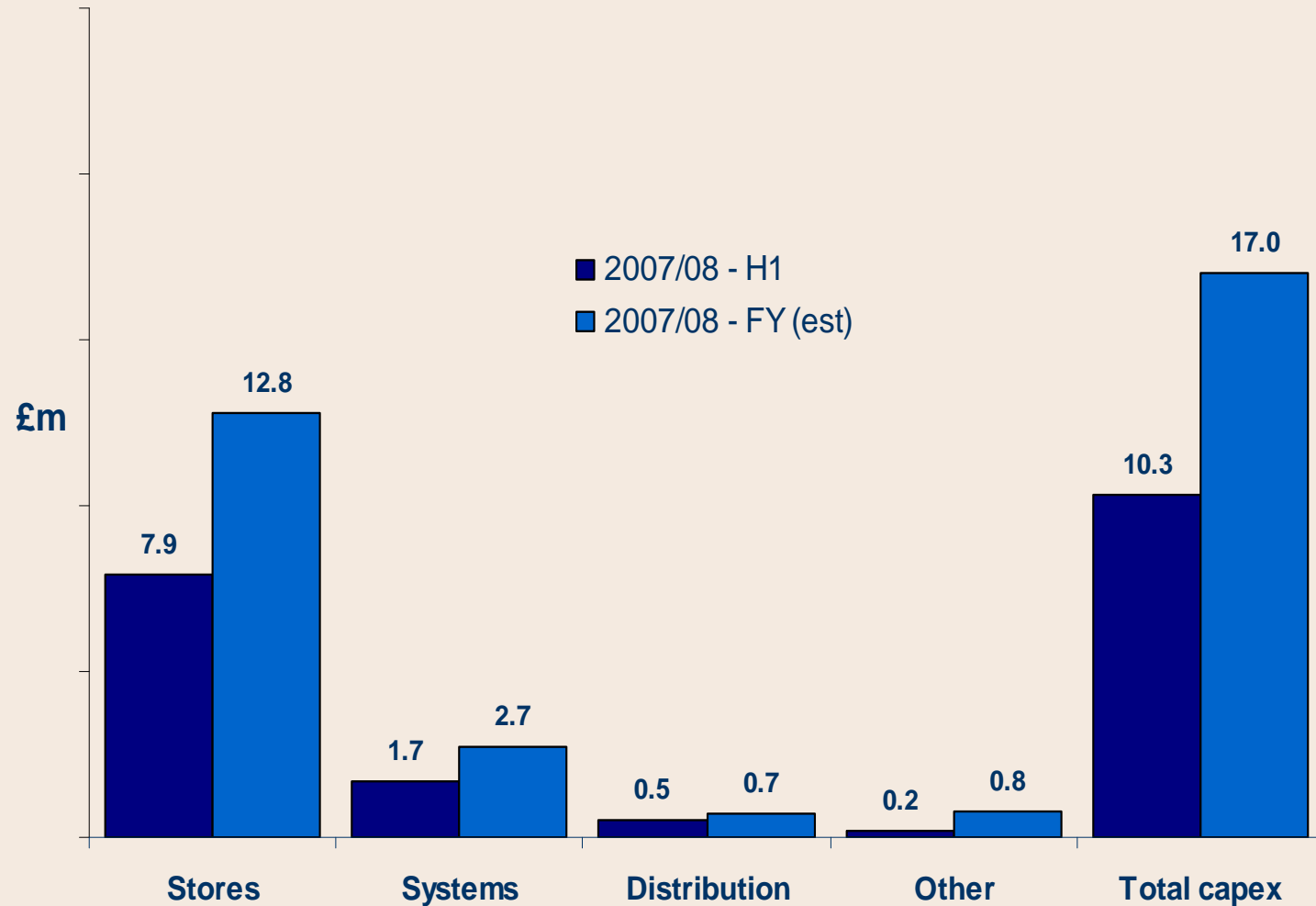
# Group cash flow



\* £44.2m less £41.9m acquisition outflow = £2.3m closing cash



# Group capex (excluding integration)





# Outlook

- Gross margin improvement +70 bps to continue in H2
- Controllable costs contained
- H2 pension charge same as H1
- International and Direct continue to grow strongly
- At least a net 60 overseas franchise stores opened annually
- Difficult UK market but well placed for H2





Ben Gordon

Chief Executive

# Mothercare Group strategy

*Building Mothercare and Early Learning Centre  
as world-class specialty brands*

## Specialism

- Products
- Service
- Store proposition

*“Exceeding parents  
needs and aspirations”*

## Reach

- International
- Direct
- UK stores

*“Every parent  
everywhere”*

## Efficiency

- Supply chain
- Sourcing
- Infrastructure

*“World class  
retail operations”*



# Specialism

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# Own label – pushchairs





# Own label – 'm' car seats



# Smart nappy – announced today



Introducing our revolutionary  
new nappy system



new and exclusive to  
**mothercare**



- Revolution in nappy design
- Exclusive to Mothercare
- Environmentally friendlier



# Early Learning Centre icons



instils  
confidence



creativity



discover  
the world



imagination



fine motor  
skills



hand to eye  
coordination



learning  
to write



learning to read



stimulates  
senses



social skills



problem  
solving



physical  
development



# Developmental toys



# Best in class customer service



- Number 1 for customer service
- Focus on:
  - Average sales per transaction
  - Promoting own brand
  - Expert advice



- Strong customer care ethos
- Need for expert advice:
  - Emphasis on a child's current development needs





# Parenting centres



# Reach

*Building Mothercare and Early Learning Centre  
as world-class specialty brands*

## Specialism

- Products
- Service
- Store proposition

*“Exceeding parents needs  
and aspirations”*

## Reach

- International
- Direct
- UK stores

***“Every parent  
everywhere”***

## Efficiency

- Supply chain
- Sourcing
- Infrastructure

*“World class  
retail operations”*





# International – overview

- 472 stores today
- 46 countries
- 26 Mothercare franchisees
- 11 ELC franchisees



# Mothercare international growth



- New stores in existing countries
- New stores in new countries
- Larger store formats



# Mothercare international growth (cont.)



- New stores in existing countries
- New stores in new countries
- Larger store formats



*Dundalk, Ireland*



# Goodbaby JV in China

- Mothercare 30% / Goodbaby 70%
- 3 stores in Spring 2008
  - 2 Shanghai
  - 1 Beijing
- National presence in 5 years





# ELC international growth

- New stores, existing franchisees
- New stores, Mothercare franchisee territories



Souk Al Dukkan, UAE

# Direct – a transformed business

mothercare

 shopping basket my account my wish list gift list help

shop

resource centre

Welcome [log in](#) | [register](#)

maternity pushchairs nursery car seats **clothing** bathing feeding safety toys & gifts | checklists offers

search  [go](#)

parenting is fun  
when you know how

**gurgle**  
.com

[mothercare](#) » [clothing](#) » baby boy up to 3 years

## clothing

### shop by category

newborn up to 12 months

baby's first wardrobe

baby girl up to 3 years

[baby boy up to 3 years](#)

- tops
- trousers
- sets
- bodysuits & vests
- sleepsuits & pyjamas
- socks & underwear
- coats & snowsuits
- character

girls up to 8 years

boys up to 8 years

footwear

nightwear

christening & special

occasions

dress-ups

schoolwear

character

rainshop



## baby boy

cute clothes for your  
little chap



## featured categories

tops



trousers



sets



# Social networking on gurgle.com



- Online community for parents
- 12,000 registered users
- Authoritative information
- Innovative marketing opportunity





# Optimising the UK portfolio



# Optimising the UK portfolio (cont.)



# Efficiency

*Building Mothercare and Early Learning Centre  
as world-class specialty brands*

## Specialism

- Products
- Service
- Store proposition

*“Exceeding parents needs  
and aspirations”*

## Reach

- International
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*“Every parent  
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## Efficiency

- Supply chain
- Sourcing
- Infrastructure

*“World class  
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# Supply chain

- NDC performing well
- On track to realise benefits
- China, Singapore and Dubai warehouses performing well
- Plans being developed for joint Mothercare/ELC distribution channel





# International sourcing network





# Summary and outlook

- Strong half
- Integration on track
- 45 new international stores opened
- China to open next year
- Well placed for H2



# Questions

