

mothercare

Interim Results

November 20, 2008





Ben Gordon

Chief Executive

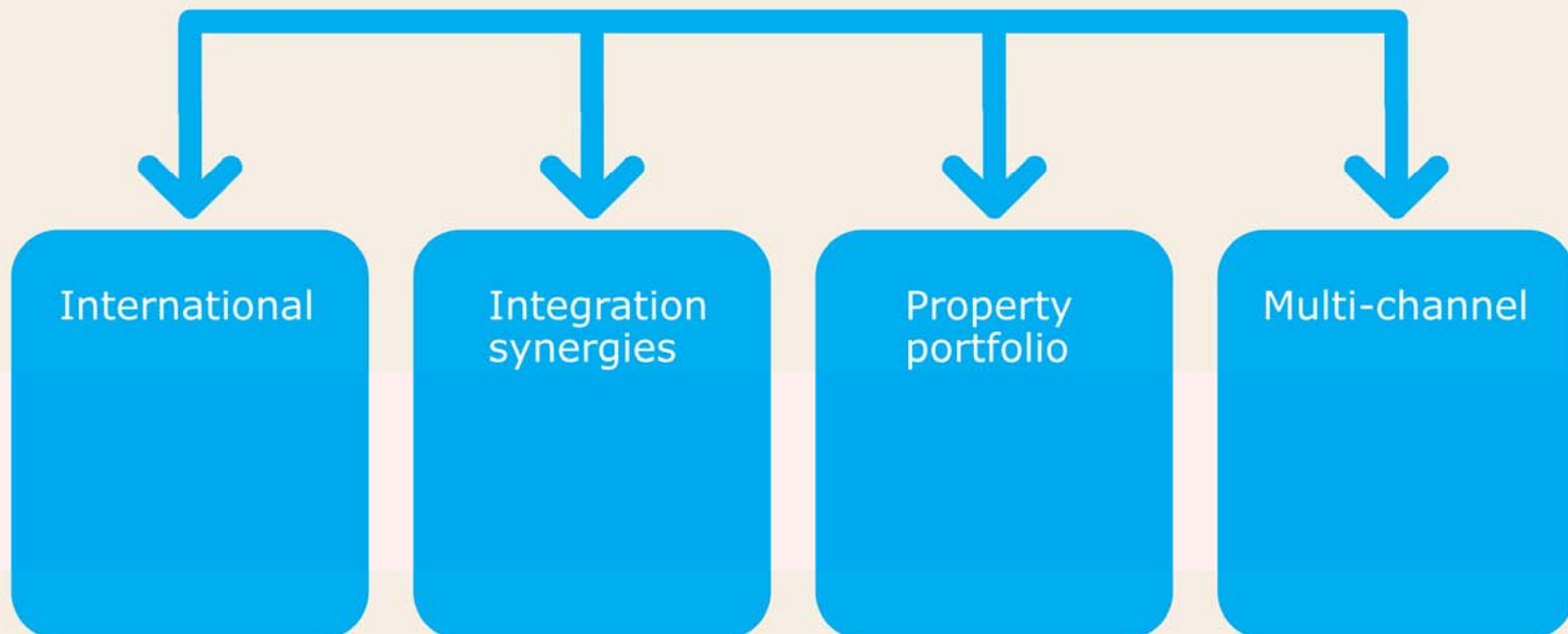
Mothercare Group growth strategy



**TWO
BRANDS**



FOUR LEVERS FOR GROWTH





Neil Harrington

Finance Director

Introduction

- Group sales +9.3% to £359.0m
- Group profit before tax +125% to £13.7m
- Positive cash balance at £8.4m (2007: £2.3m)
- Interim dividend +24.3% to 4.6 pence



Income statement – statutory basis

	08/09 £m	07/08 £m	
Revenue	359.0	328.5	+9.3%
Underlying profit from operations	9.6	10.4	-7.7%
Financing	(0.1)	0.1	
Underlying profit before tax	9.5	10.5	-9.5%
Exceptional items	(1.7)	(3.2)	
Other non-underlying items	5.9	(1.2)	
Profit before tax	13.7	6.1	+125%



Financial highlights – proforma basis

- Group sales +1.0% to £359.0m
- UK LFLs +0.8%; International LFLs +9.0%
- Total Direct sales +25.4% to £50.4m
- UK gross margin +10 basis points
- Group underlying profit before tax +93.9% to £9.5m



Income statement – proforma basis

	08/09 £m	07/08 £m	
Revenue	359.0	355.3	+1.0%
Underlying profit from operations	9.6	6.3	+52.4%
Financing	(0.1)	(1.4)	
Underlying profit before tax	9.5	4.9	+93.9%
Exceptional items	(1.7)	(4.1)	
Other non-underlying items	5.9	(1.8)	
Profit before tax	13.7	(1.0)	
Underlying EPS – basic	7.9p	4.4p	+79.5%



Underlying growth in both UK and International

Revenue £m

	08/09	07/08	
UK	288.5	293.1	-1.6%
International	70.5	62.2	+13.3%
	359.0	355.3	+1.0%

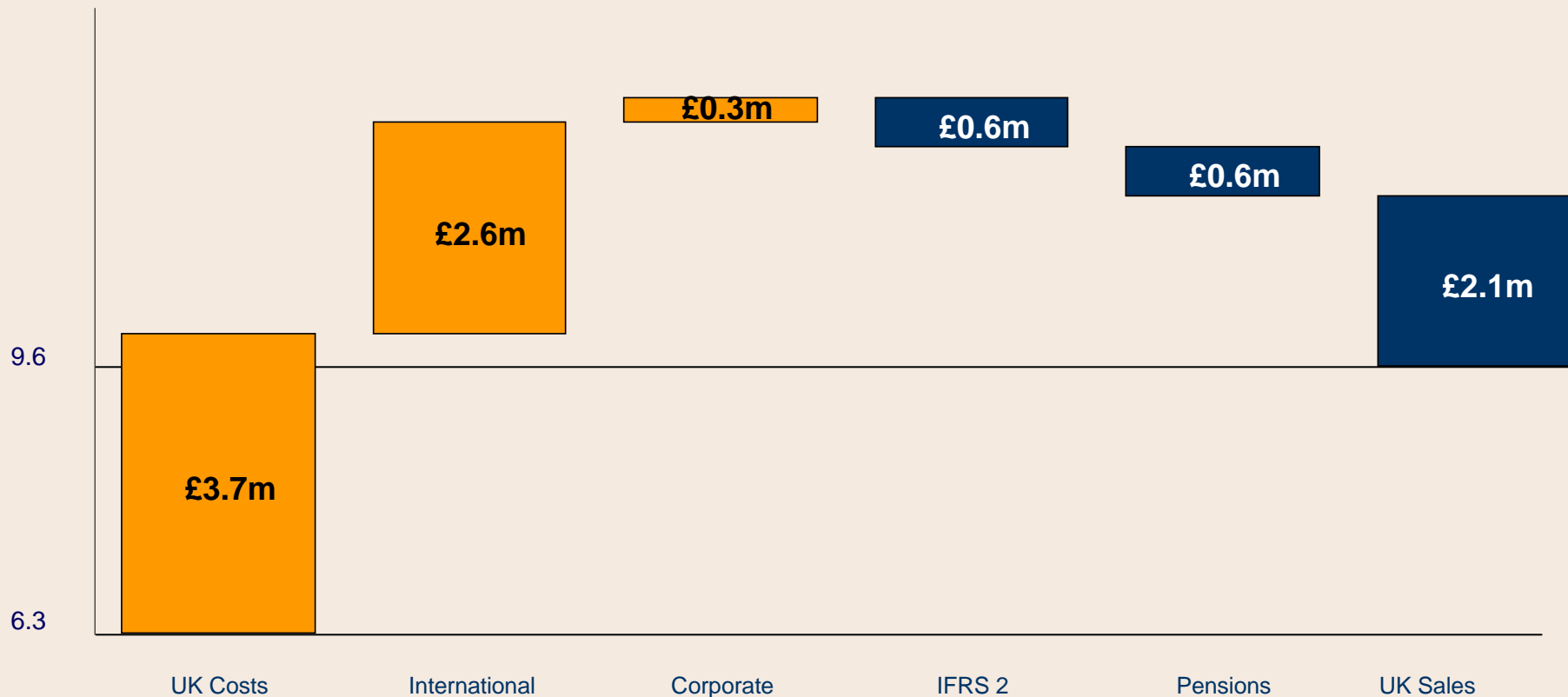
Underlying Profit £m

	08/09	07/08	
UK	7.0	6.6	+6.1%
International	7.0	4.4	+59.1%
Corporate	(4.4)	(4.7)	-6.4%
Financing	(0.1)	(1.4)	
	9.5	4.9	+93.9%

- Proforma basis



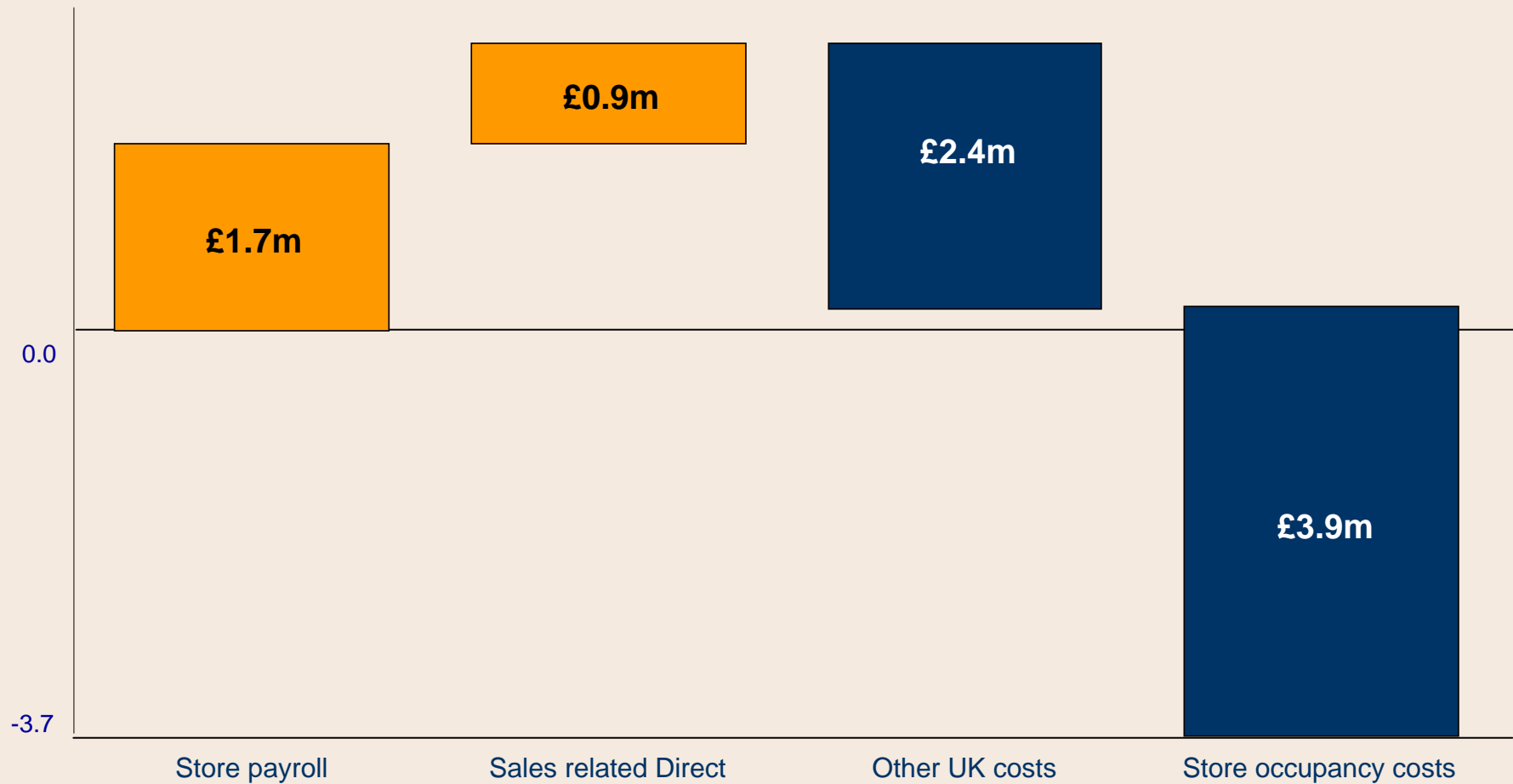
£3.3m growth in profit from operations



- Proforma basis



£3.7m reduction in UK costs



International

- International profit +59.1% to £7.0m
- 78 new franchise stores; total 572 stores in 49 overseas countries
- International franchisee retail sales +36.6% (+9.0% LFL)
- International profits continue to grow faster than sales
- Natural currency hedge: US\$ revenues pay Far East suppliers



Franchisee retail sales

Franchisee retail sales

08/09

£195.0m

07/08

£142.7m

Franchisee like-for-like sales

9.0%

12.0%

Underlying PBT

£7.0m

£4.4m



Integration of Early Learning Centre

- Integration benefits on track
- 81 ELC inserts opened
- Relocated ELC distribution centre
- Costs on track
- Estimated PBT benefits on track:
 - 08/09 £6.0m
 - 09/10 >£10.0m



Property restructure – key elements

- Acquisition of ELC – opportunity to accelerate and optimise combined portfolio through:
 - Accelerating the existing Mothercare rightsizing programme
 - Closing low contribution stores, by consolidating both brands into one store (2 into 1)
 - Rolling out new OOT format
 - Shifting the focus from In Town to Out of Town (63 In Town closures, 18 OOT openings)



Reshaping the portfolio – recap.

	OOT openings	In town closures	Downsizes	ELC inserts/refits	Total stores impacted
Rightsizes					
- Resites	15	15	-	-	30
- Downsizes	-	-	9	-	9
2 into 1s	-	17	-	-	17
Closures	-	31	-	-	31
New stores/inserts/refits	3	-	-	55	58
Announced in May	18	63	9	55	145



Making good progress

	OOT openings	In town closures	Downsizes	ELC inserts /refits	Total stores impacted	%
Done	4	33	2	55	94	65
Deals agreed	11	20	3	-	34	23
In negotiation	3	10	4	-	17	12
Total	18	63	9	55	145	100

- 65% completed; 23% agreed



Property restructure - effects

- LFL +0.8%, total UK sales down 1.6% to £288.5m driven by planned space reduction
- £3.9m reduction in UK store occupancy costs
- 21.5% increase in Direct in Store sales to £22.6m
- 4% increase in sales per sq ft
- Costs on track
- Additional £5m of PBT from 09/10

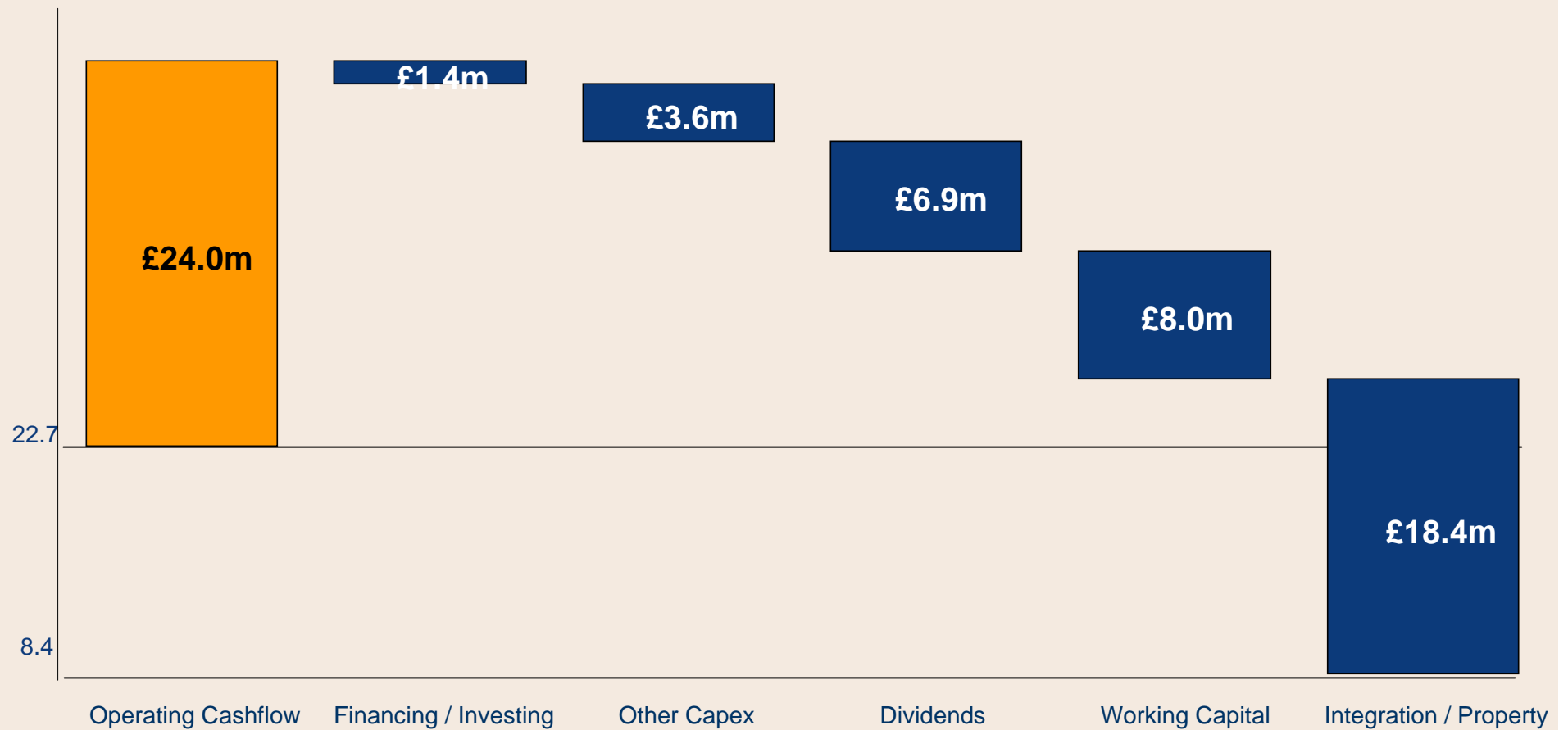


Group balance sheet

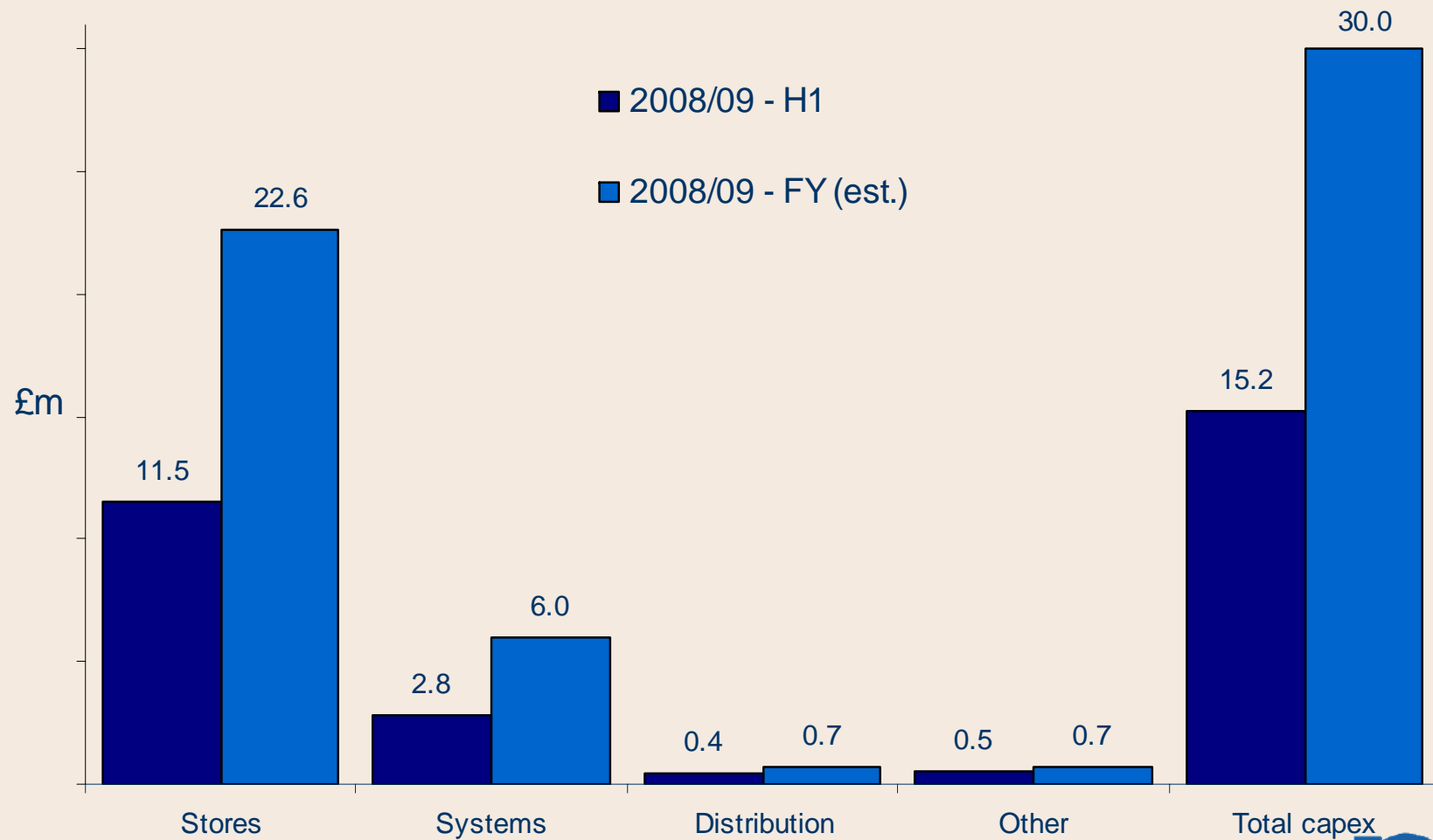
		08/09 £m	07/08 £m
Non current assets	- Fixed assets	97.8	96.8
	- Intangibles	104.4	105.8
Net current assets	- Working capital	41.3	33.0
	- Cash	8.4	2.3
	- Provisions	(18.4)	(6.3)
Pensions		(5.5)	2.0
Tax		(3.7)	(5.7)
Non current liabilities		(28.5)	(20.8)
Net assets		195.8	207.1
Net assets per share		224p	238p



Group cash flow



Group capex



Guidance for full year 2008/09

- Acquisition benefits £6.0m
- International and Direct grow strongly
- International profit growing faster than sales
- At least 100 overseas franchise stores opened
- Total UK costs at least 2% lower in full year
- Well placed for an uncertain environment in H2





Ben Gordon

Chief Executive

Two world class brands



MyChoice





Myleene Klass and Baby K



newborn



baby boy



baby girl

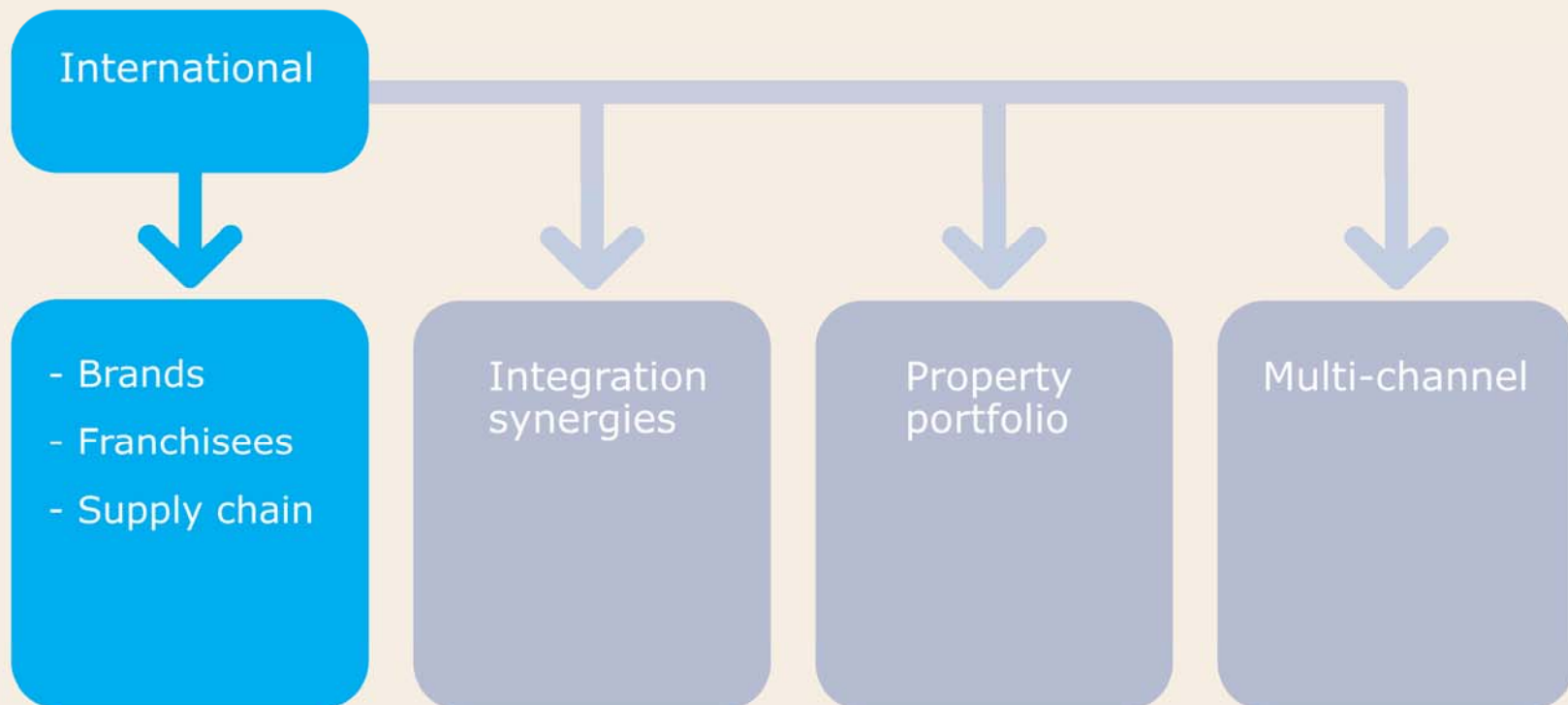


accessories

"Making Music"



Mothercare Group growth strategy

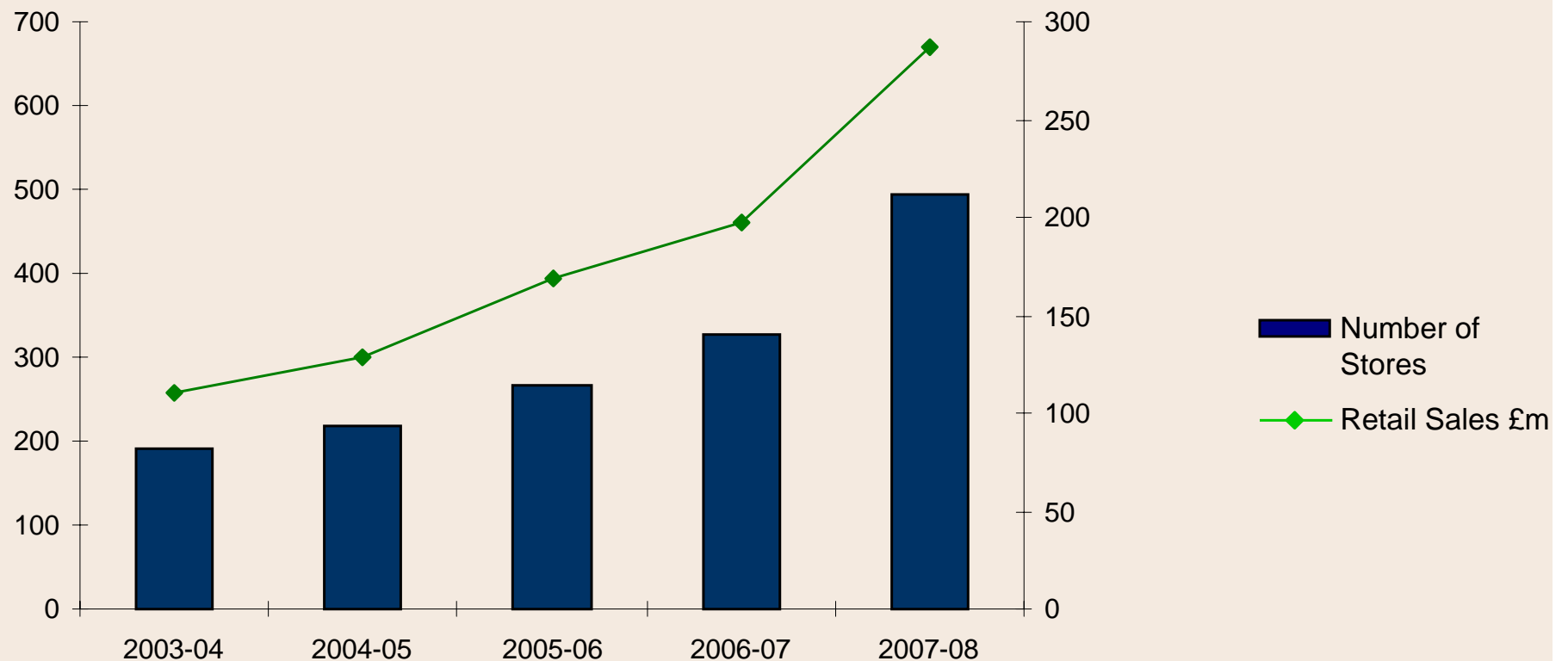


International opportunity

- Brands
- Franchisees
- Supply Chain

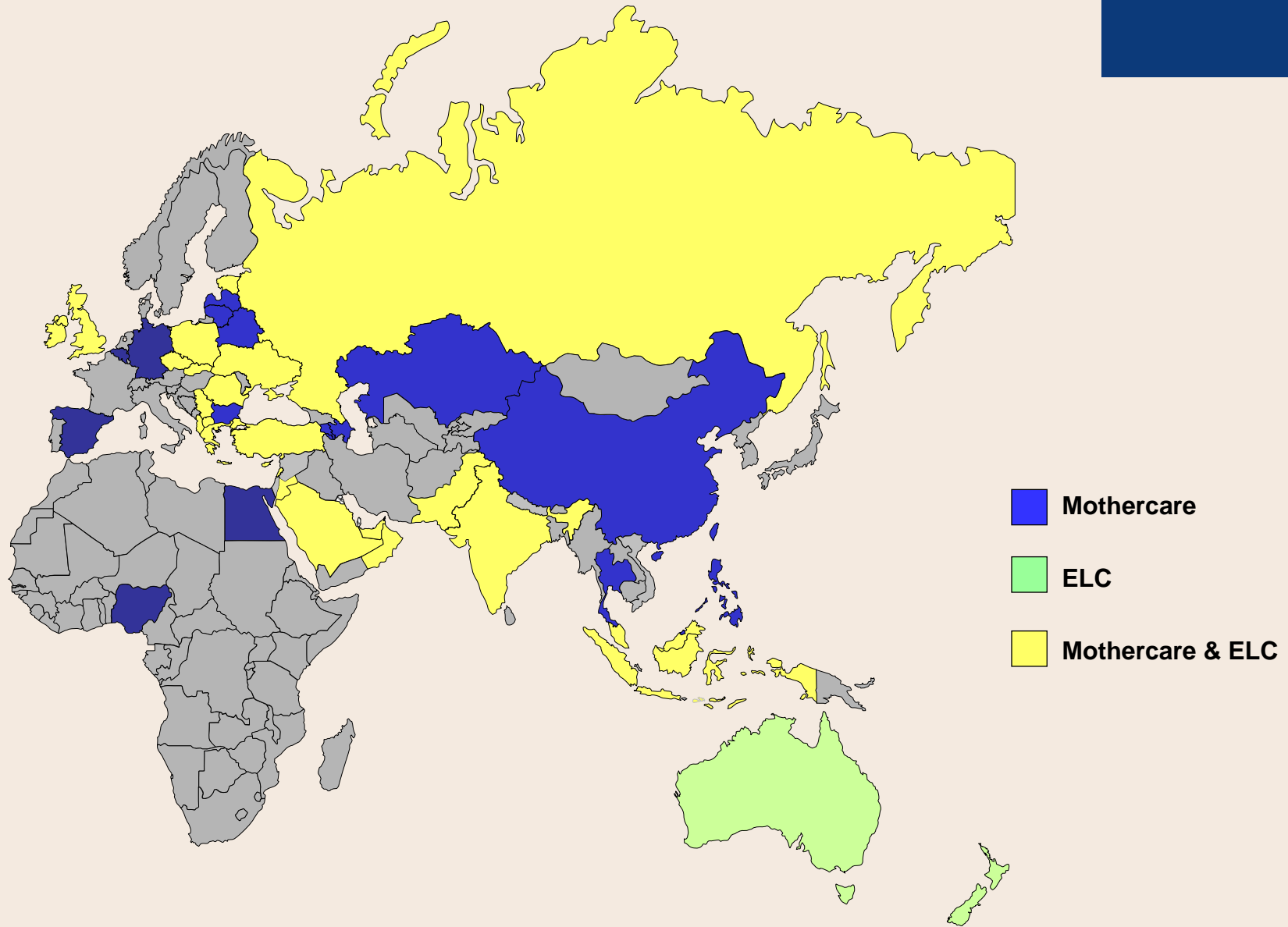
Stores

Sales



Where we are present

- Brands
- Franchisees
- Supply Chain



Strong franchise partners

- Brands
- **Franchisees**
- Supply Chain



Avenues Mall, Kuwait

- 22 franchisees – strong relationships
- Unique knowledge of markets
- Strong retail operations
- Brand quality world-wide

Supply chain

International

- Brands
- Franchisees
- Supply Chain

Daventry

Jebel Ali

Tirupur

Singapore

Shenzhen

Key

● Distribution Centre



Europe – Russia growth story



Moscow, Russia

Europe – Irish move to OOT



- High Street to OOT store model
- Ave increase from 2,000 sq ft to 8,000 sq ft
- Supports expanded H&T and clothing ranges

Middle East – high GDP growth



Cairo, Egypt

Asia Pacific – India opportunity



Mumbai, India

China – 10 more stores to open

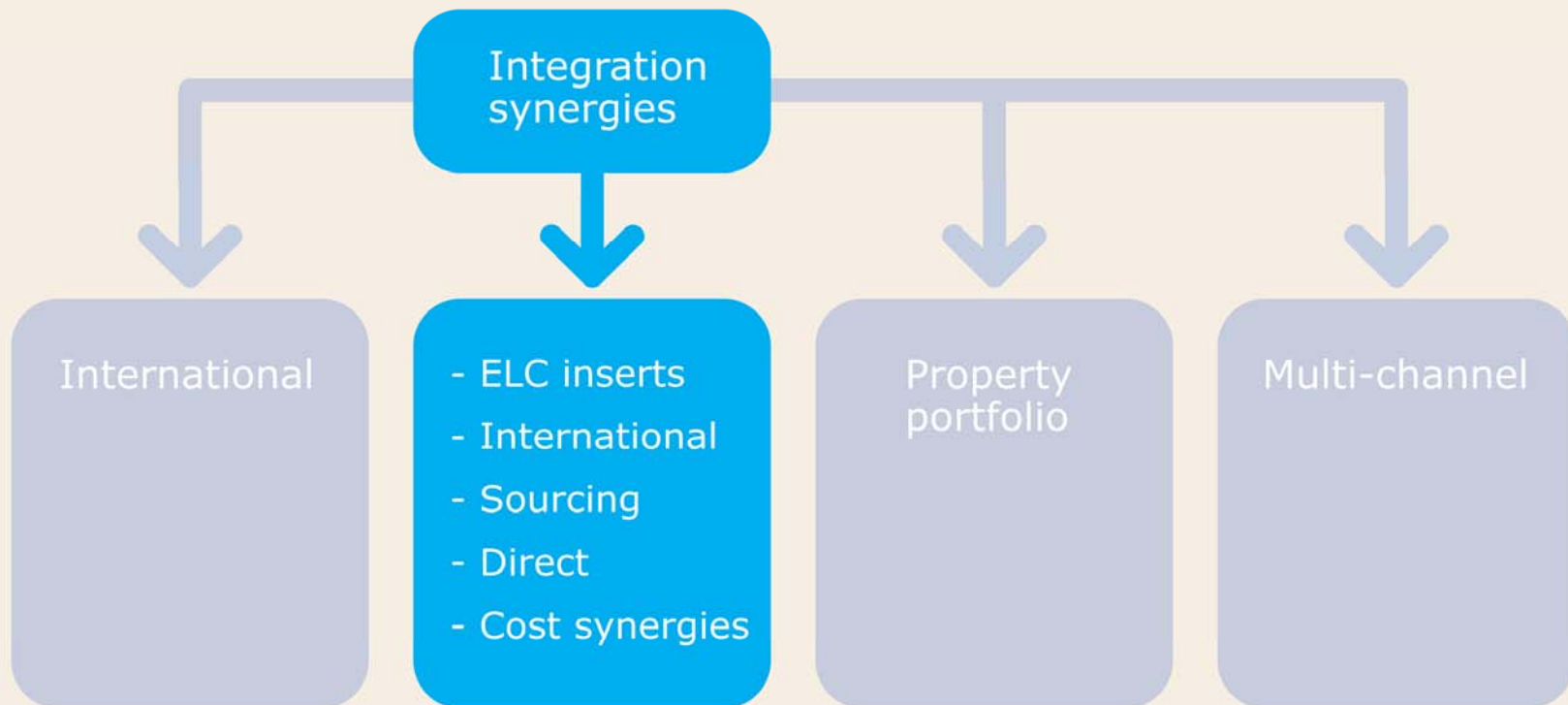


Shanghai, China

ELC International rollout

- 12 Mothercare franchisees now with ELC
- From 92 to 152 ELC stores
- Now in India, Bahrain, Indonesia, Jordan, Kuwait and Pakistan
- ELC now in 29 countries
- Plans for Germany, Slovenia, Bulgaria & Macedonia

Mothercare Group growth strategy



ELC in OOT stores

Integration synergies

- ELC inserts
- International
- Sourcing
- Direct
- Cost synergies



Milton Keynes, UK

ELC international rollout

Integration synergies

- ELC inserts
- **International**
- Sourcing
- Direct
- Cost synergies



Paphos, Cyprus

Multi-channel synergies

Integration synergies

- ELC inserts
- International
- Sourcing
- **Direct**
- Cost synergies



early learning centre

Welcome Log in | Register

Store finder

Your bag  0 items £0.00 [CHECKOUT](#)

Search for [SEA](#)

Early Learning Centre

baby & toddler

outdoor toys

dolls & dolls' houses

dressing up & roleplay

action figures & playsets

cars, trains & construction

learning & books

art & creativity

music, puzzle games

Shop assistant:

We can help you find the perfect ELC product for your child.

by Gender?

by Age?

by Price?

by Category?

by Learning Skills?

by Brand?

[SEARCH](#)

Christmas at ELC

Christmas is here again and we've got all the latest toys for your child's Christmas list.



Cost synergies

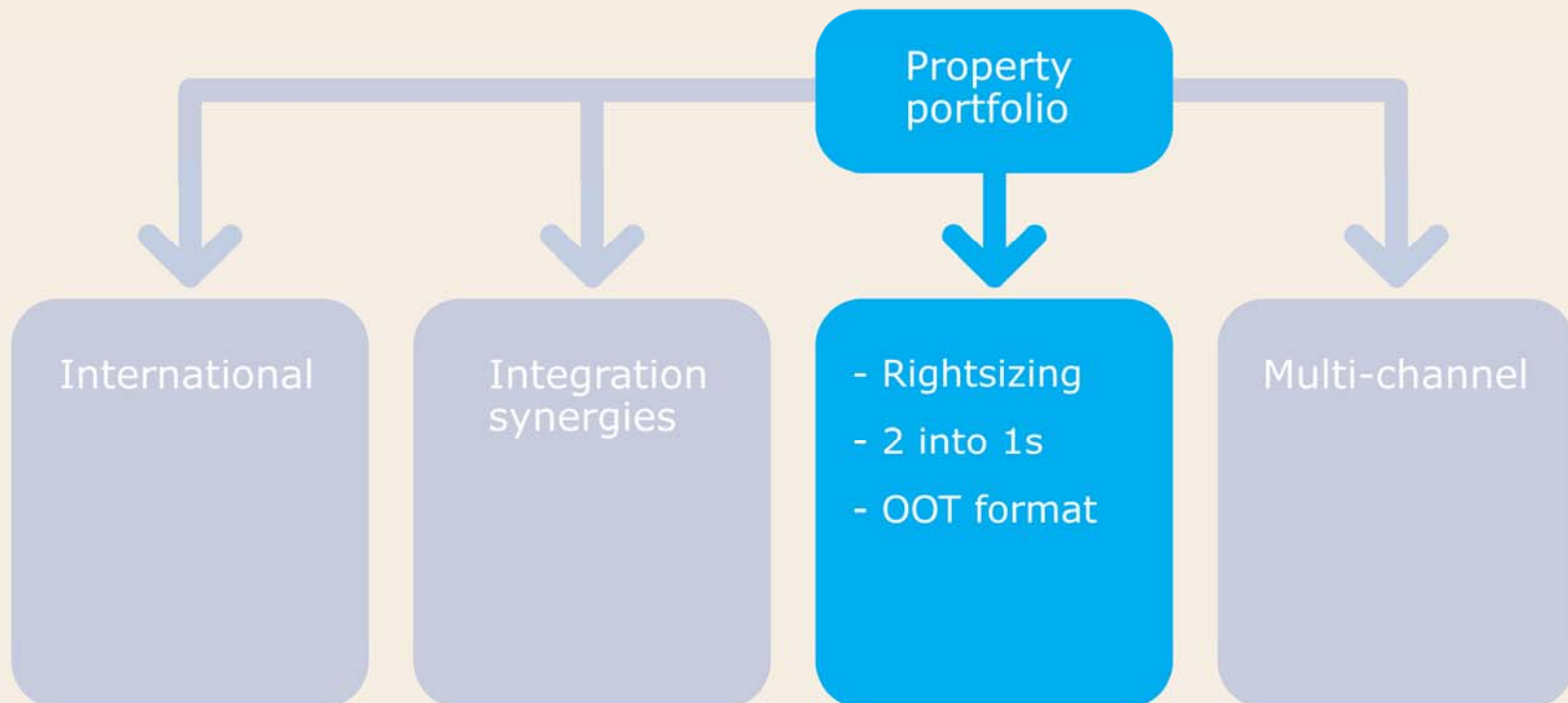
Integration synergies

- ELC inserts
- International
- Sourcing
- Direct
- **Cost synergies**



Daventry, UK

Mothercare Group growth strategy



Rightsizing for profitability

- Rightsizing
- 2 into 1's
- OOT format



Avonmeads, UK

2 into 1's

Property portfolio

- Rightsizing
- 2 into 1's
- OOT format

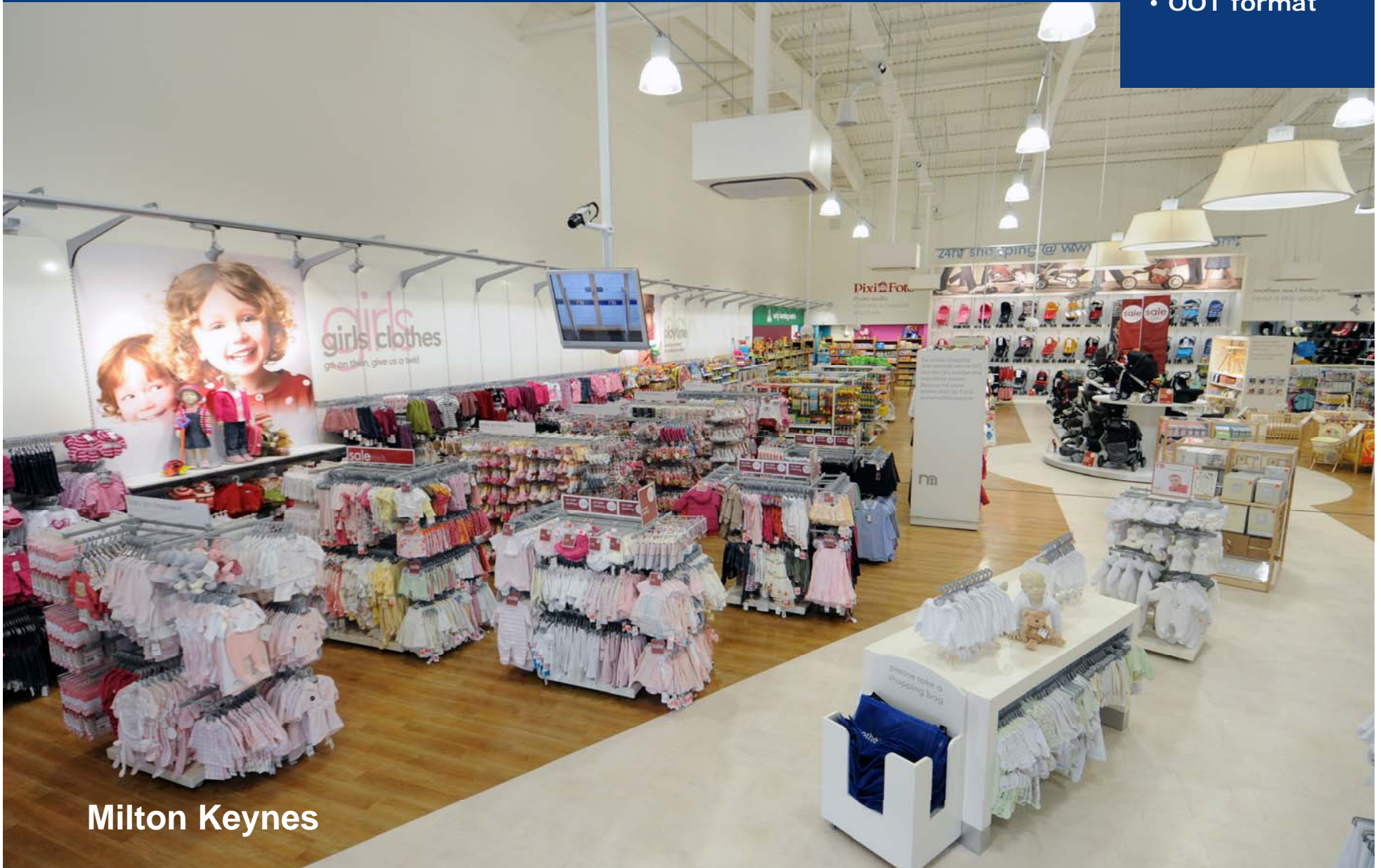


Luton, UK

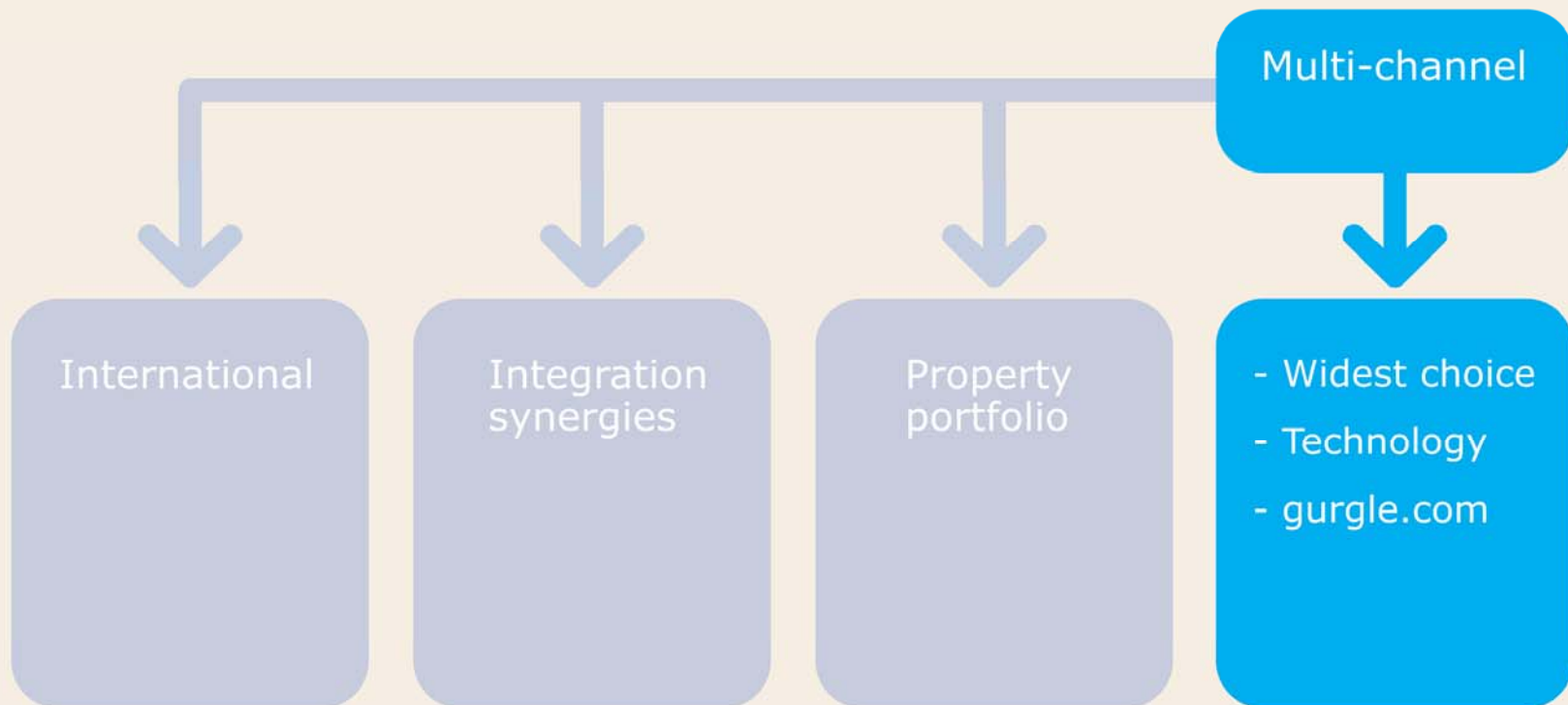
Parenting Centres

Property portfolio

- Rightsizing
- 2 into 1's
- **OOT format**



Mothercare Group growth strategy



Multi-channel

Widest Choice

- Widest choice
- Technology
- gurgle.com

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...have it all

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mothercare.com

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From left to right: Chicco D5017, Chicco D5019, BabyBjörn D6828, Graco D6187, Bebe Confort D3415, Concord D3523, Recaro D6748,

Chicco D5580, Graco D5299, Graco D5126, Cosatto D4990, Cosatto D4989

Social networking success

Multi-channel

- Widest choice
- Technology
- gurgle.com

gurgle.com
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Experts are divided over whether or not pre-schoolers should be allowed to watch television. We say, everything in moderation. Here's how.

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vouchers



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brainpower



Children and
television



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supply of Comfort
Pure!

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Yesterday on gurgle

take the tour →

Stages

- Toddler
- Baby
- Birth & Labour
- Pregnancy
- Trying for a baby
- ★ Baby Photos

- Another Baby
- Antenatal Care
- Baby Health
- Baby Names
- Behaviour
- Calendars
- Caring for your Baby
- Crying
- Early Pregnancy
- Education
- Expert Advice
- Feeding & Food
- Fertility
- Home & Safety
- Lifestyle
- Mum Health
- Relationships
- Sleep & Bedtime
- Tests & Checks
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- Work

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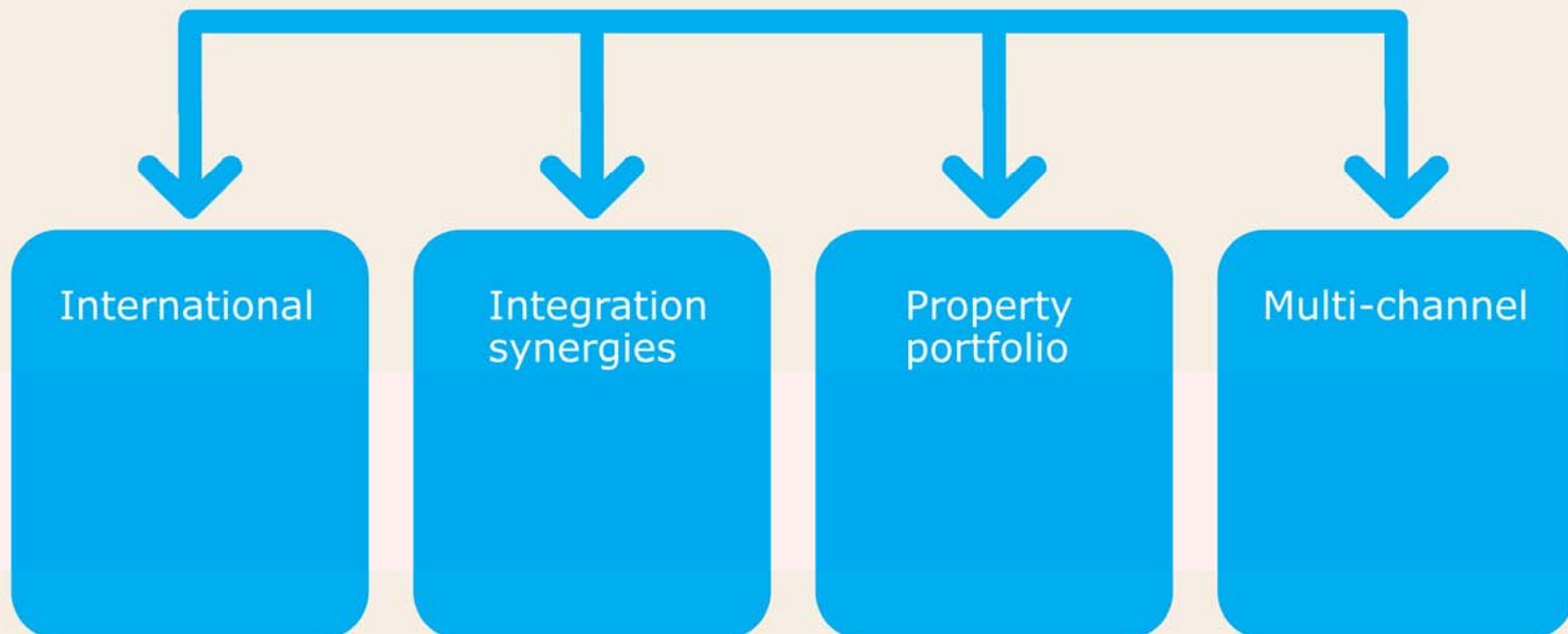
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FOUR LEVERS FOR GROWTH



Q&A





Appendix

Pension schemes

- Schemes closing to new members

	08/09 £m	07/08 £m
<u>Income Statement</u>		
Service cost	(1.4)	(1.9)
Financing credit ⁽¹⁾	0.8	1.9
Net charge	(0.6)	-
<u>Cash Funding</u>		
Total cash funding	(1.2)	(1.1)
<u>Balance Sheet</u>		
Net (liability)/asset	(5.5)	2.0

⁽¹⁾ Return on assets/interest on liabilities