

The leading mother and baby specialist



Group returns to profit



Interim results
21 November 2013



Simon Calver
Chief Executive

Financial results and outlook

Business update

UK

International

Q&A

A portrait of Matt Smith, a man with short brown hair and blue eyes, wearing a dark pinstripe suit, a light blue shirt, and a maroon tie. He is smiling slightly and looking directly at the camera. The background is a blurred office environment with desks, computers, and other people working.

Matt Smith
Chief Financial Officer

H1 results - 28 weeks to 12 October 2013

	H1 FY2013/14 £m	H1 FY2012/13 £m	% variance ex Australia & NZ	% variance inc Australia & NZ
Worldwide network sales	637.7	611.1	+4.4	+0.1
Total International sales	399.3	353.5	+13.0	+5.3
Total UK sales	238.4	257.6	(7.5)	-
Group revenue	376.3	384.1	(2.0)	(3.1)
Underlying profit before tax	2.0	(1.8)*	-	-
Underlying earnings per share	1.9p	(1.7)p	-	-
Net debt	(48.0)	(29.8)	+61.1	-

Income statement - 28 weeks to 12 October 2013

	H1 FY2013/14 £m	H1 FY2012/13 £m	% variance
Group revenue	376.3	384.1	(2.0)
Underlying profit from operations	6.1	1.1	-
Share based payments	(0.4)	0.1	-
Net finance cost	(3.7)	(3.0)	+23.3
Underlying profit / (loss) before tax	2.0	(1.8)*	-
Exceptional items	(5.1)	(24.5)	(79.2)
Other non-underlying items	(7.9)	(2.3)	-
Reported loss before tax	(11.0)	(28.6)	(61.5)

Exceptional items - 28 weeks to 12 October 2013

	H1 FY2013/14 £m	H1 FY2012/13 £m	FY2012/13 £m
UK property restructure	-	(11.8)	(15.6)
Australia associate	-	(10.6)	(11.1)
Onerous lease provision	-	-	(4.3)
Other restructuring costs	(5.1)	(2.1)	(4.7)
Total exceptional items	(5.1)	(24.5)	(35.7)
Non-cash foreign currency adjustments	(7.4)	(1.8)	6.9
Amortisation of intangibles	(0.5)	(0.5)	(1.0)
Total exceptional and non-underlying items	(13.0)	(26.8)	(29.8)

Group network sales - 28 weeks to 12 October 2013

	H1 FY2013/14 £m	H1 FY2012/13 £m	% variance
Worldwide network sales	637.7	611.1	+4.4
International			
International retail sales	395.5	349.1	+13.3
International wholesale sales	3.8	4.4	(13.6)
Total International sales	399.3	353.5	+13.0
UK			
UK retail sales	222.2	240.0	(7.4)
UK wholesale sales	16.2	17.6	(8.5)
Total UK sales	238.4	257.6	(7.5)

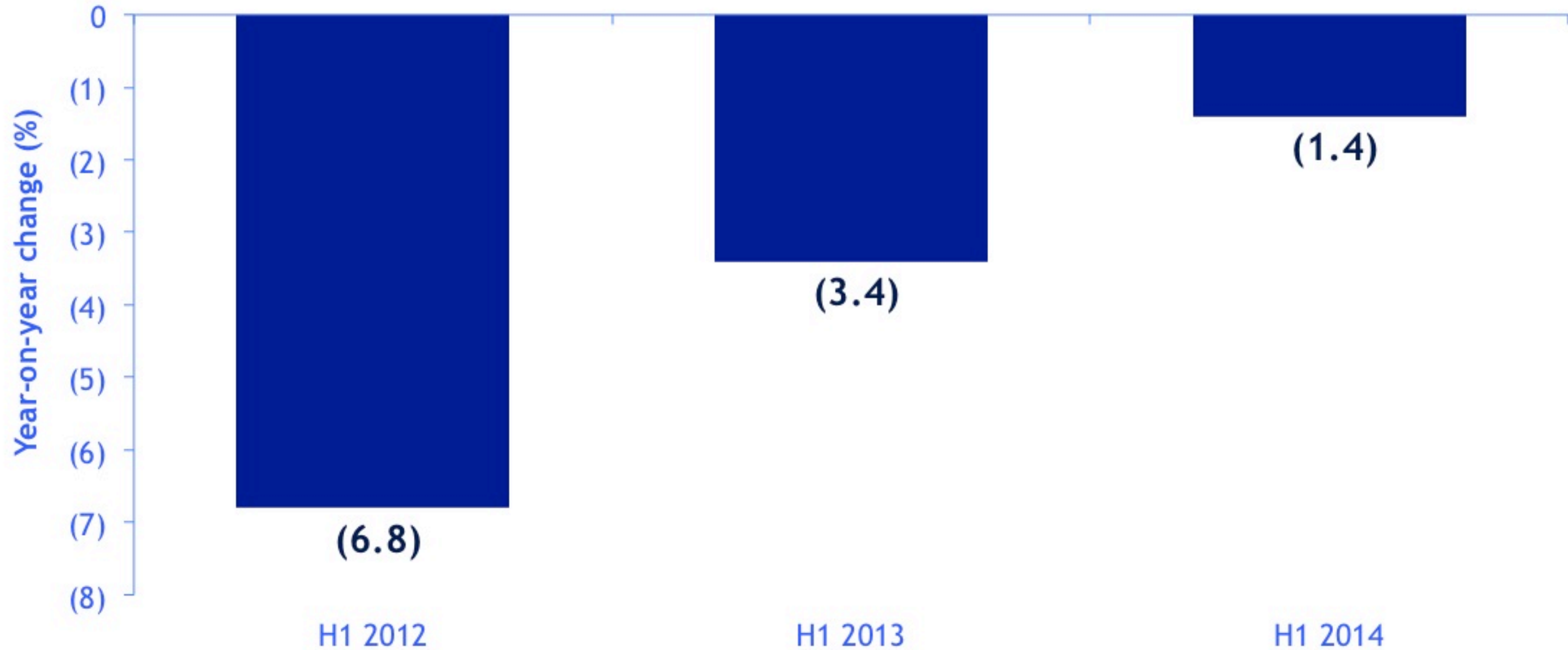
Underlying profit before tax - 28 weeks to 12 Oct 2013

	H1 FY2013/14 £m	H1 FY2012/13 £m	% variance
UK	(14.9)	(16.9)	+11.8
International franchise	25.4	23.0	+10.4
International JV profit share	(0.2)	(0.8)	+75.0
Total International	25.2	22.2	+13.5
Corporate	(4.2)	(4.2)	-
Underlying profit from operations	6.1	1.1	+454.5
Share based payments	(0.4)	0.1	-
Financing	(3.7)	(3.0)	(23.3)
Underlying profit before tax	2.0	(1.8)*	-

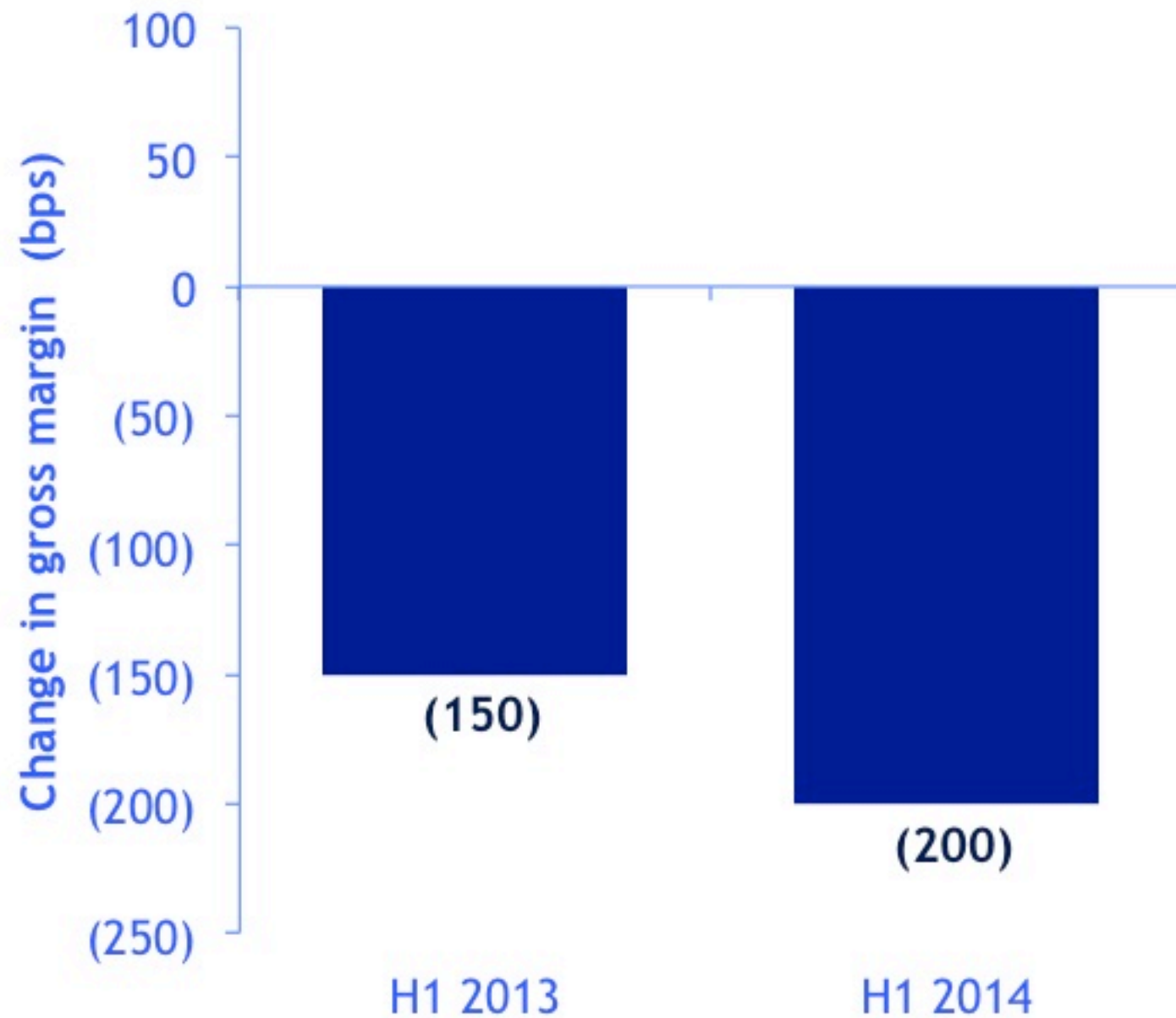
UK operating profit - 28 weeks to 12 October 2013

	H1 FY2013/14 £m
UK operating loss - H1 2012/13	(16.9)
Sales and gross margin	(5.2)
Benefit of closing loss making stores	3.2
Store cost savings	1.0
Non store cost savings	3.0
UK operating loss - H1 2013/14	(14.9)

UK like-for-like sales trend is improving



UK gross margins



- H1 UK gross margin down 200bps
 - c. (50bps) from clearance of Home & Travel
 - c.(75bps) from AW13 clothing launch
 - c.(75bps) investment to drive cash margin

Cash flow - 28 weeks to 12 October 2013

	H1 FY2013/14 £m
Operating cash flow	10.8
Working capital	(5.8)
Capital expenditure	(7.4)
Taxation	(0.7)
Net finance costs	(1.7)
Restructuring	(10.8)
Change in cash during H1 2013/14	(15.6)
Opening net debt	(32.4)
Closing net debt	(48.0)

Bank facilities renewed

	New facility	Previous facility
Longer maturity	Expires May 2017	Expires May 2015
More flexible	£40m fixed term £50m revolving facility £90m total facility	£50m fixed term £40m revolving facility £90m total facility
Lower cost	2.5% - 3.25% above LIBOR	3.5% - 4.0% above LIBOR



Outlook for FY 2013/14

International

- Space growth in line with last year of c.15%
- Retail sales growth of c.13%

UK

- Like-for-likes sales continuing to show an improving trajectory
- Focus on optimising cash margin
- Stores reduced by c.30, eliminating c.£5m (annualised) of losses at store contribution level
- Costs reduced by c.£7m (annualised)
- Closing net debt c.£40m
- Capex c.£15m



Simon Calver
Chief Executive

Progress made over H1 FY2013/14

1 Lean retail

- 237 stores at end of H1, closed a further 18 loss making stores
- Reworked all internal processes under a new structure
- New teams focusing on Merchandising and Global Range Planning

2 Restore UK profitability

- Store cost savings of £1.0m during H1
- Non-store cost savings of £3.0m during H1
- In store customer satisfaction scores consistently in high 70s

3 International growth

- Space growth of 11.9% during H1
- 1,156 stores in 59 countries
- Emerging market focus in China, Russia and India

4 Multi-channel

- Free next-day click-and-collect now available in all Mothercare and Early Learning Centre stores
- Android app launched to complement award winning iPhone app
- New CRM system



Vision



m2.0

Moving to omni-channel

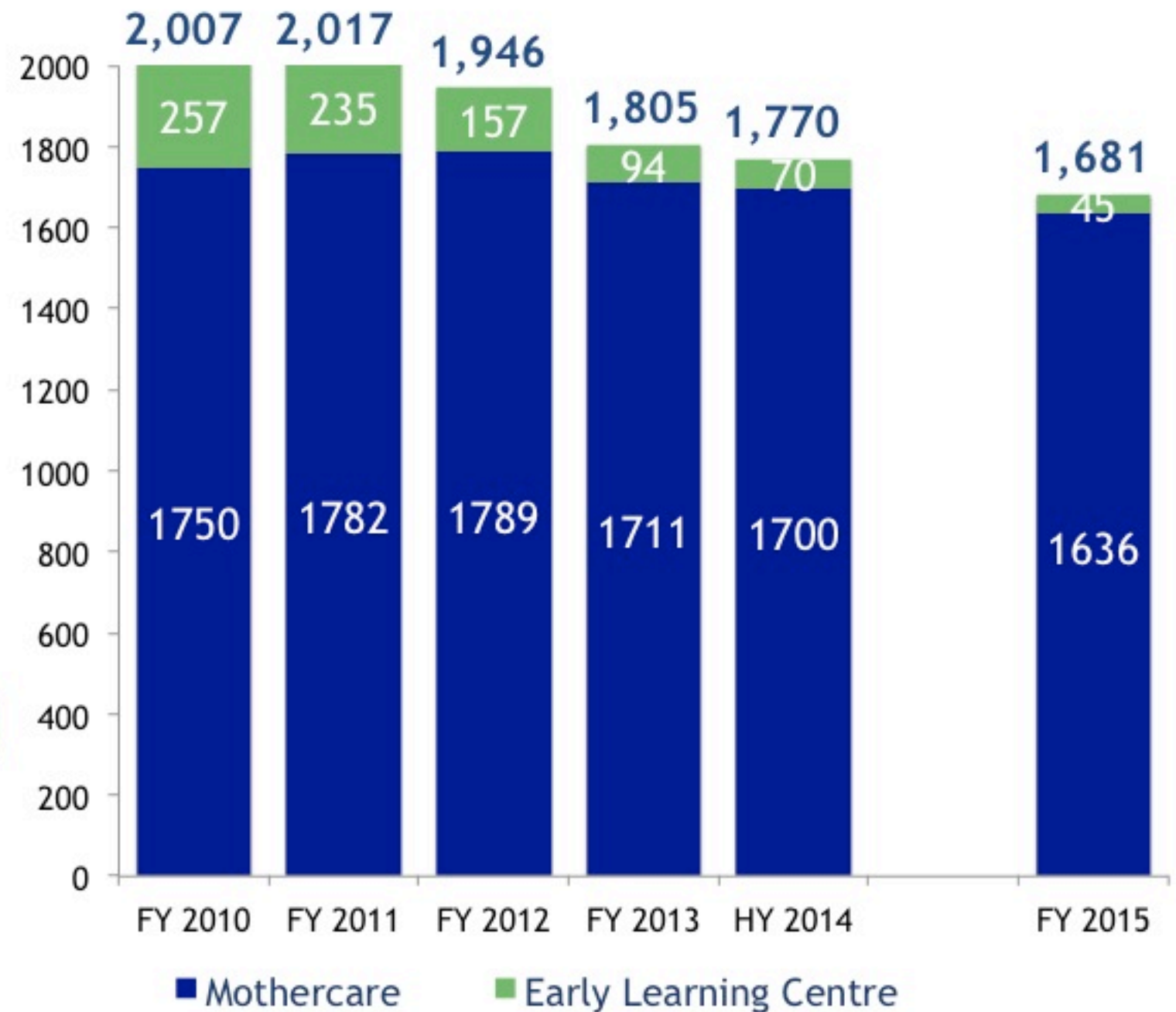


Portfolio restructuring progressing well

Mothercare: Change in space
2010-2015: -1.3% CAGR
2012-2015: -3.0% CAGR

ELC: Change in space
2010-2015: -29.5% CAGR
2012-2015: -34.1% CAGR

Sq.ft. (k)



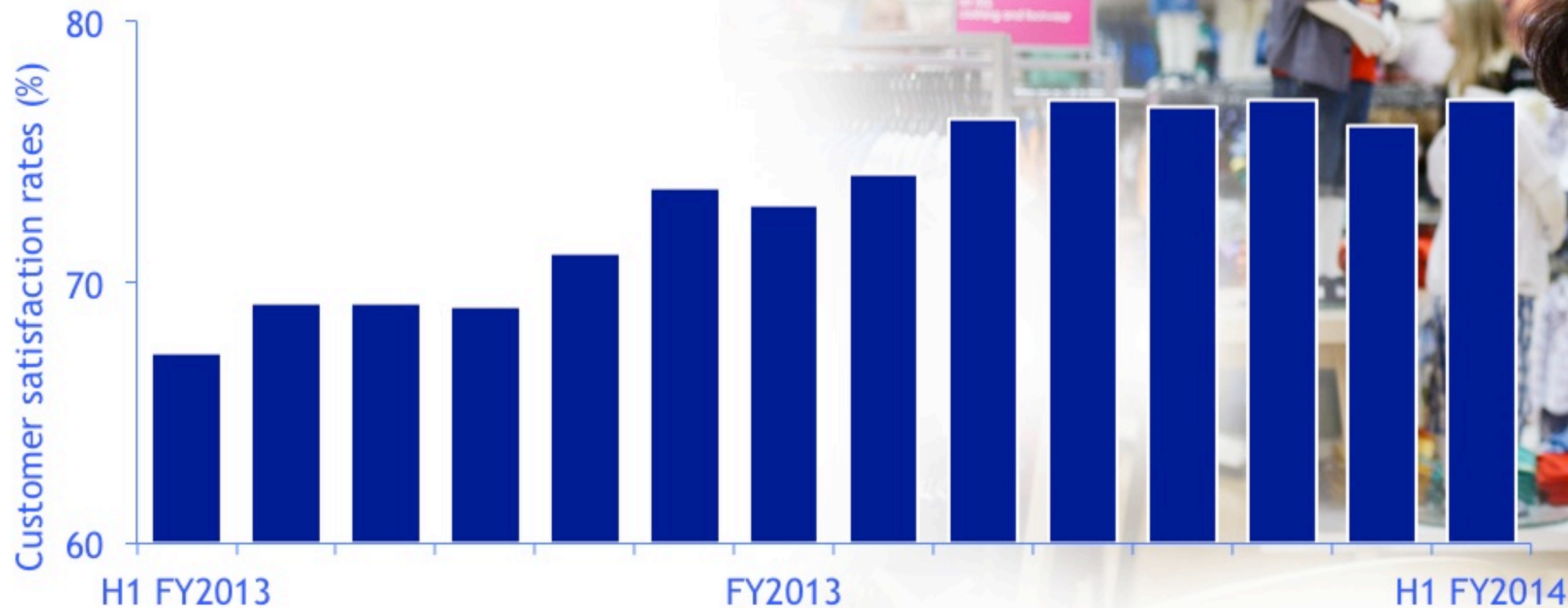
Improving store environment



Improving customer service

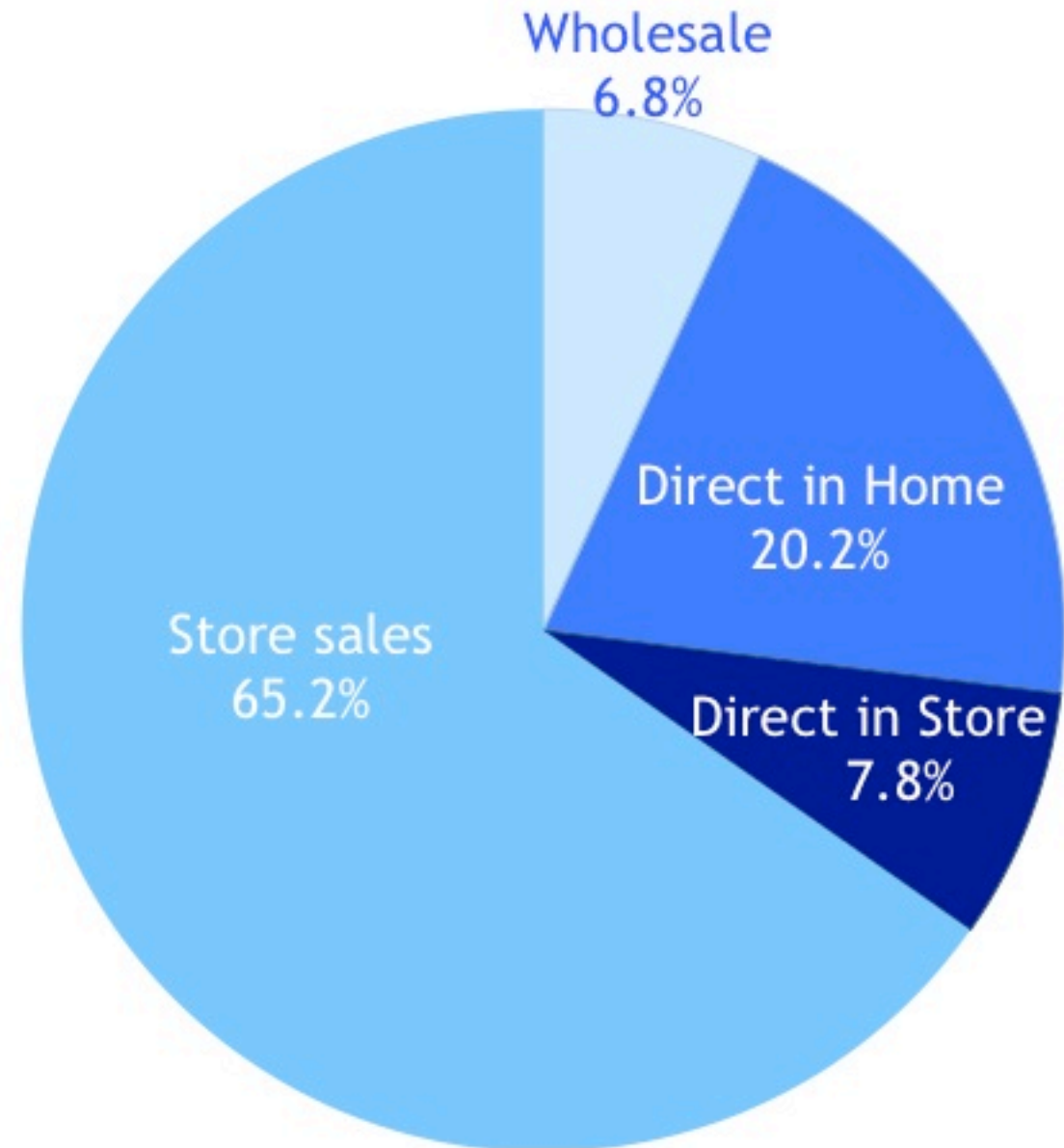
Highly satisfied customers:

1. Spend 20% more
2. Are twice as likely to return

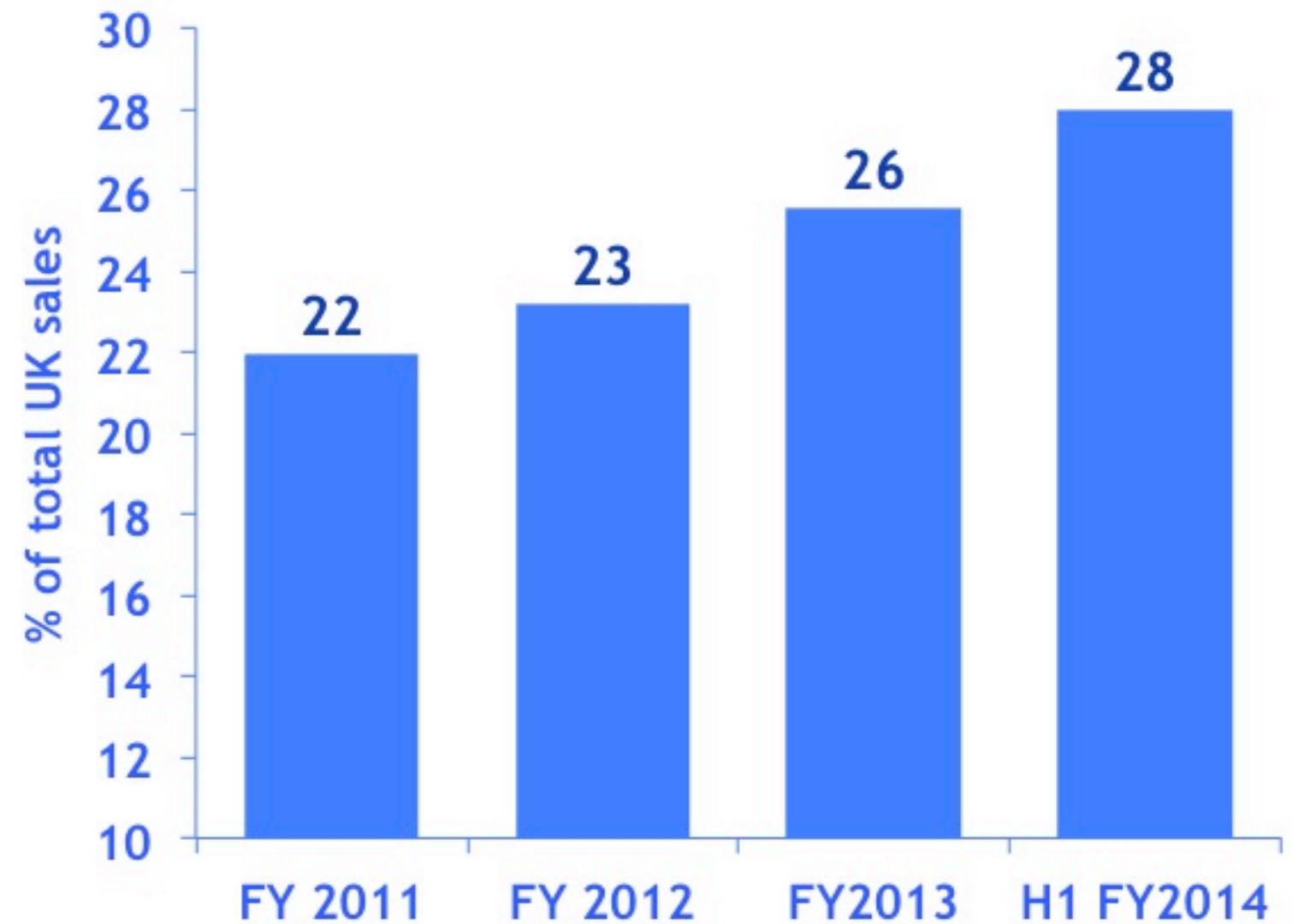


Multi-channel growing in importance

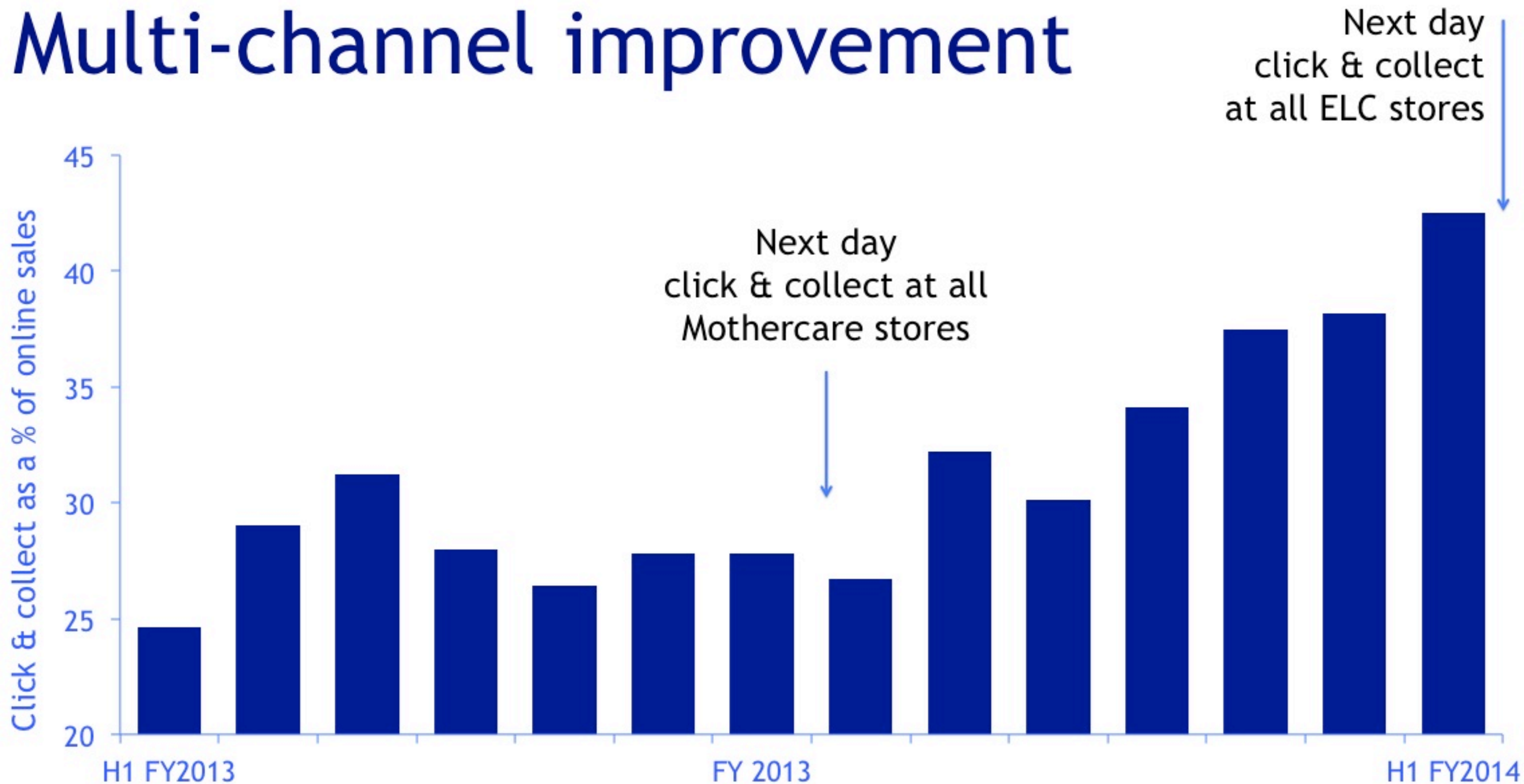
Direct now 28% of UK sales



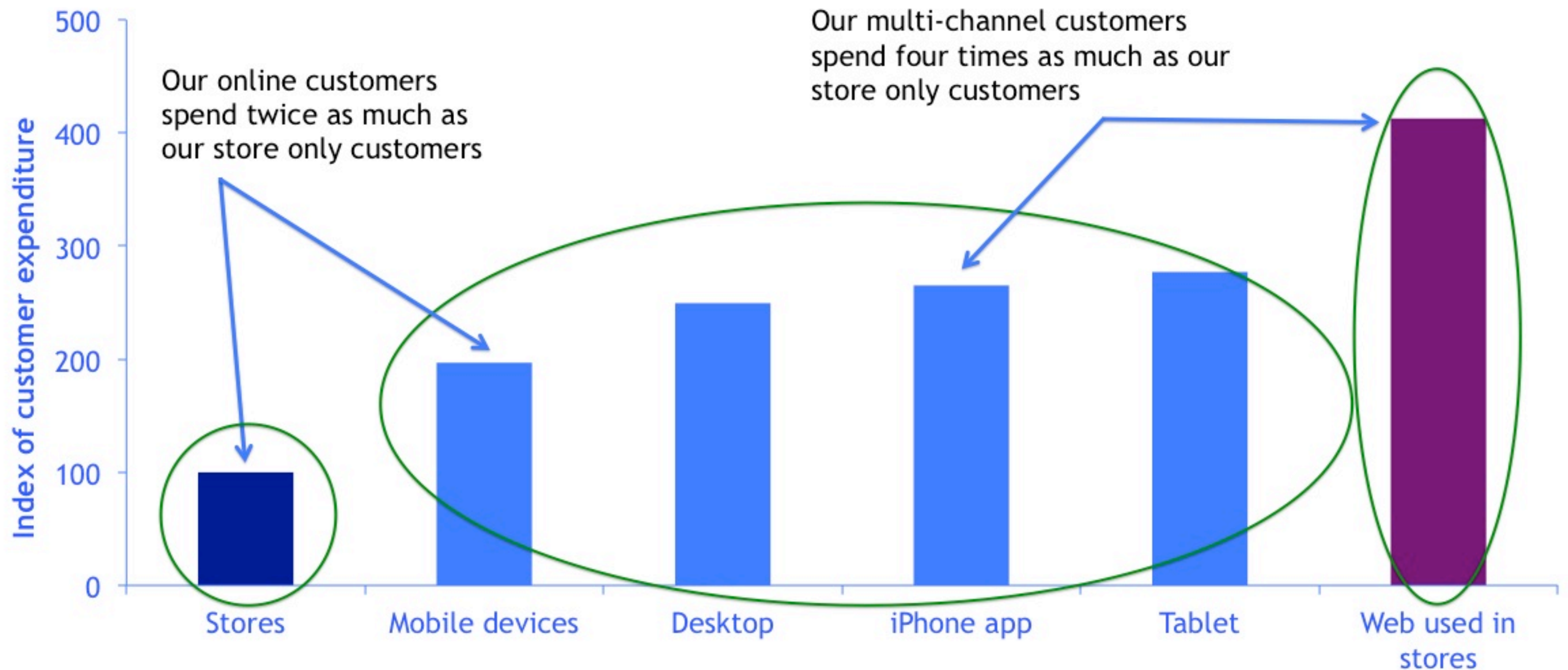
Direct growing in importance



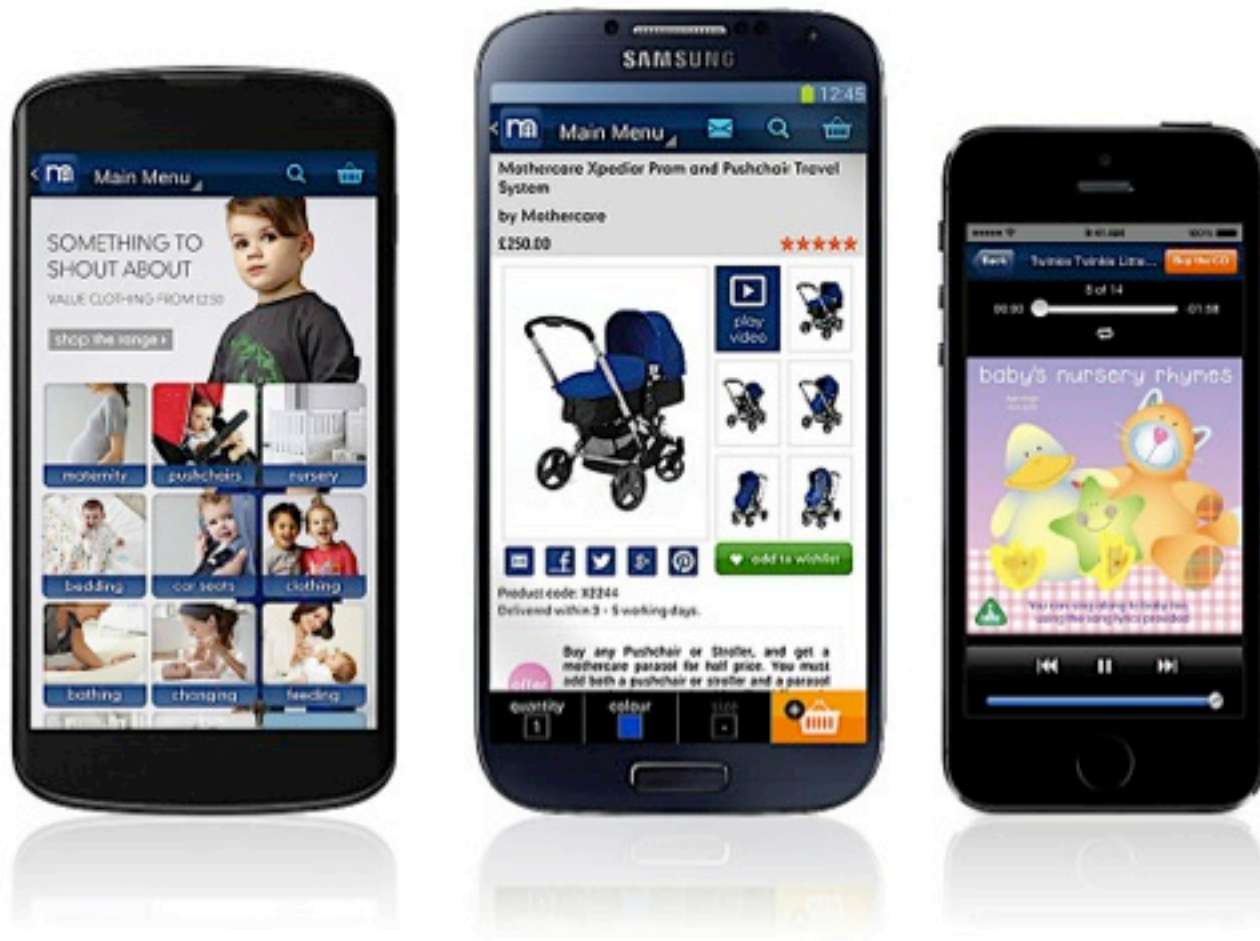
Multi-channel improvement



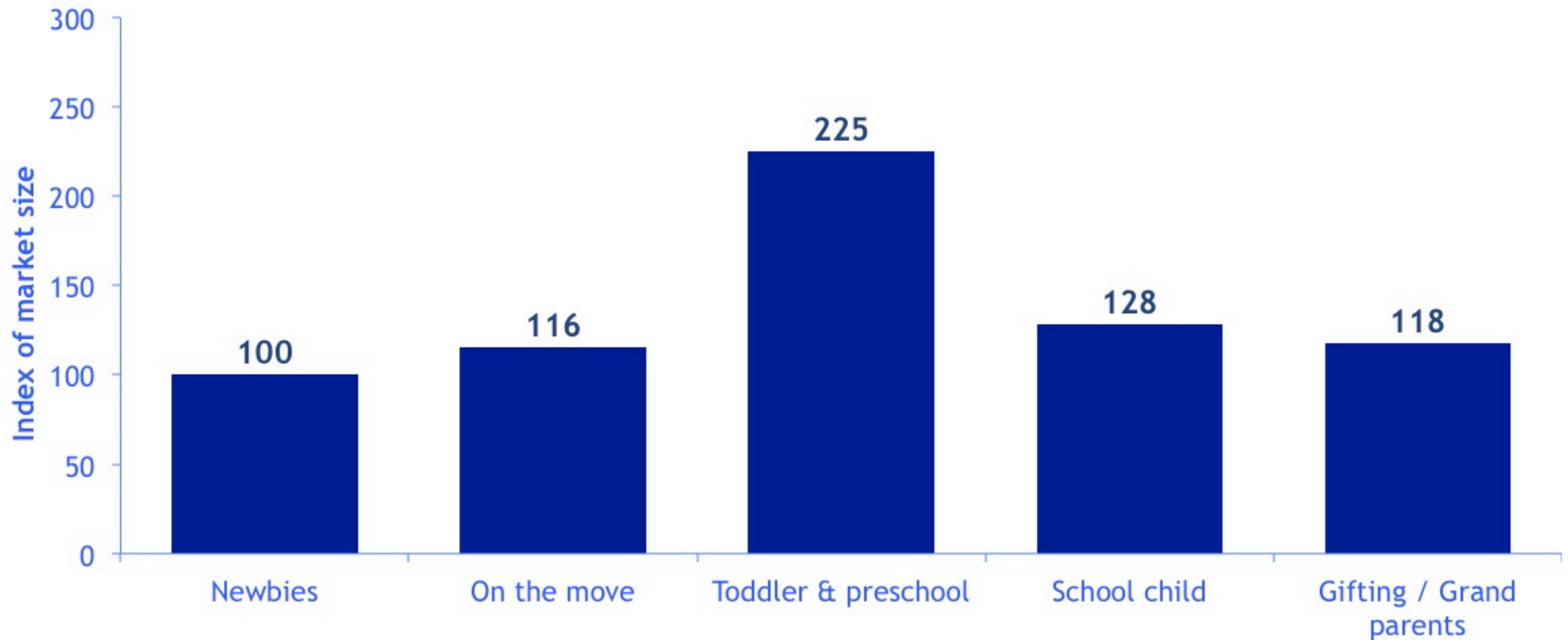
Multi-channel customers spend more



Mobile app meets customer needs



A better understanding of our customers



New CRM system to drive loyalty

Data capture



Data management



Marketing



Smarter customer information capture

New eReceipts till pop up



Customer ID: 46039031 Cancel Reset Submit

Would you like to receive special offers and information from Mothercare and ELC?
[Sign-Up](#) ☐ Opt in

Search

Due Date Date of Birth

Children

Reason Code Telephone



Product focus

Examples of:	Clothing	Home & Travel	Toys
Newbies	Maternity	Room sets	
On the move		Mothercare Xpedior	Toy Box
Toddler	Value essentials		



Product focus

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Product focus

Examples of:	Clothing	Home & Travel	Toys
Newbies	Maternity	Room sets	
On the move		Mothercare Xpedior	Toy Box
Toddler	Value essentials		

Xpedior 3 in 1
travel system
From tiny to toddler
For only £250

The advertisement features two Mothercare Xpedior 3 in 1 travel systems. On the left is a blue stroller with a green 'new' tag. On the right is a pink stroller with a pink 'Try it in store today' tag. A large pink banner for the blue stroller lists the price and included items. The Mothercare logo is at the bottom right.

new

mothercare
xpedior

3 in 1 travel system
lightweight compact and easy
to handle
great for everyday city living

only
£250
all included:

- infant car seat
- pram apron and liner
- chest pads
- cushion
- mothercare weather shield

mothercare
in store • online • mobile

mothercare

Product focus

Examples of:	Clothing	Home & Travel	Toys
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On the move		Mothercare Xpedior	Toy Box
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Product focus

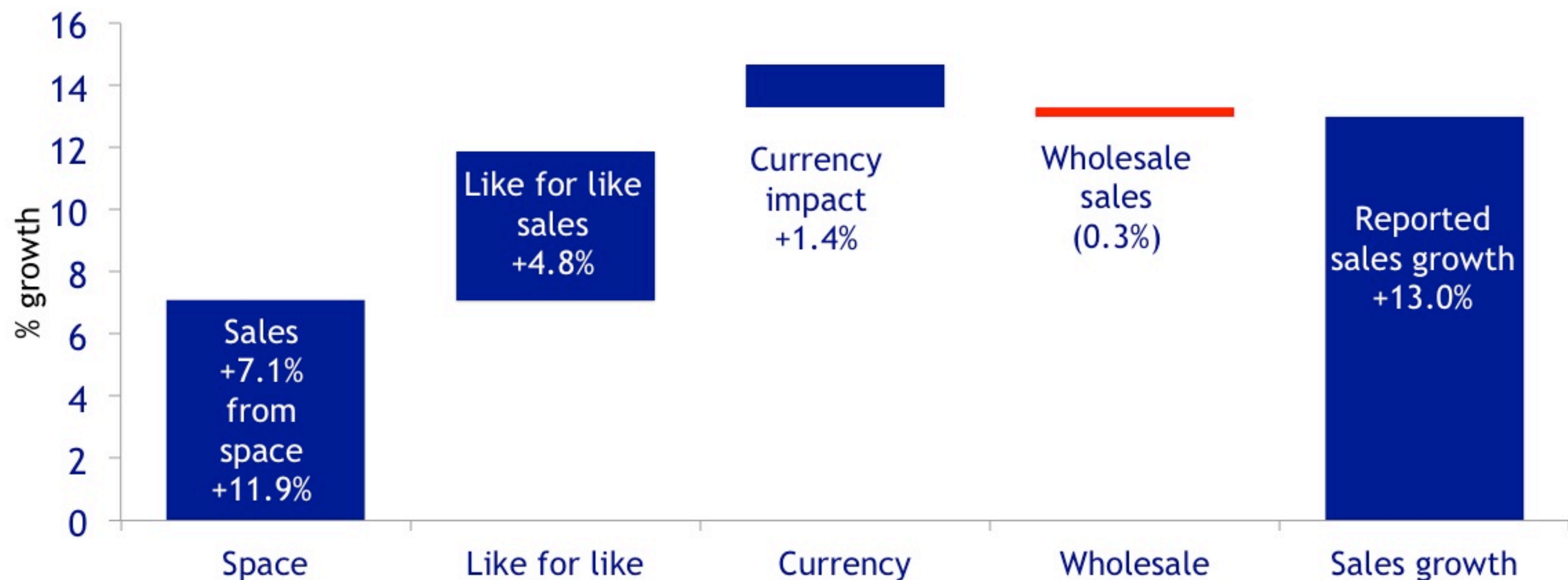
Examples of:	Clothing	Home & Travel	Toys
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International update

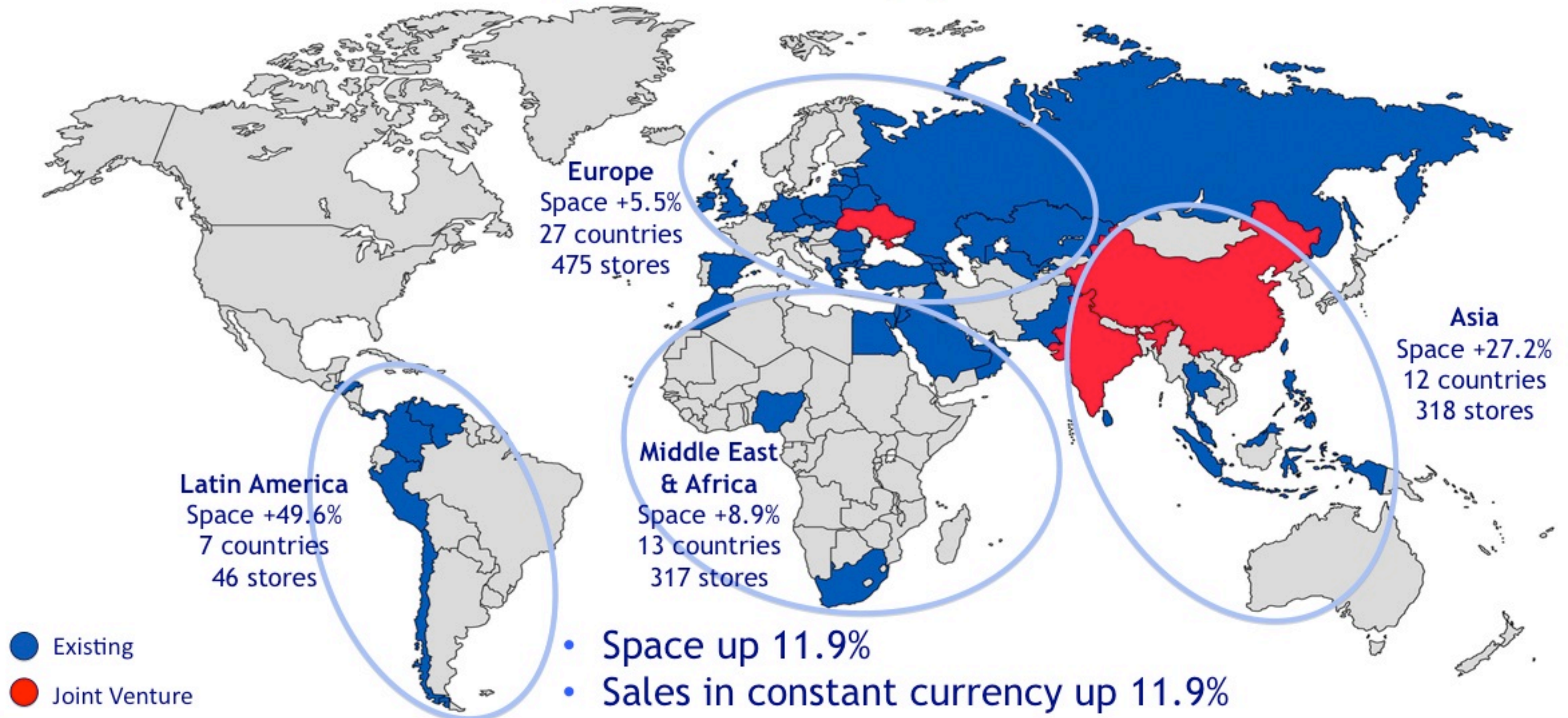


International growth for H1 FY2014



- Profit growth +13.5% to £25.2 million

International growth opportunities







International - Online websites

- Live, fully transactional websites in:
 - Russia
 - Ukraine
 - Kuwait
 - Indonesia
 - China (T-Mall)
 - Ireland
- 10 websites by year end
- Majority of International markets to have fully localised websites by 2015/16
- Multi-channel with click-and-collect to be launched from 2014/15



The last six months

	Progress made during H1 FY1014	Score
1 Lean retail	<ul style="list-style-type: none">Exited 18 UK loss making storesReduced store and non-store costs	
2 Restore UK profitability	<ul style="list-style-type: none">Improving My Customer scores for stores and DirectInvestment in innovation and new productUK margin	
3 International growth	<ul style="list-style-type: none">Increased space across all regionsDouble digit sales and profit growth<ul style="list-style-type: none">Non-EurozoneEurozone	
4 Multi-channel	<ul style="list-style-type: none">Click-and-collect launched for Mothercare and ELCCRM system with eReceipts introduced6 International markets with operational web-sites	

Summary

- Return to underlying profit at the Interim stage
- Another year of reduced UK losses and double-digit profit growth for International
- Like-for-like sales down 1.4% in UK and up 4.8% in International
- Continued opportunity identified across International markets
- Investment in key stores and improved customer satisfaction rates
- Further investment in product, innovation and delivery CRM systems

Vision

The logo for m2.0 is displayed in a large, blue, 3D-style font. The letter 'm' is stylized with a small human figure inside its central loop. The '2' and '0' are also in the same blue, 3D font. A small blue square serves as a decimal point between the '2' and the '0'. The entire logo is contained within a light blue rounded rectangle.

**To become the world's
most caring retailer**





Half year results - 28 weeks to 12 October 2013

	H1 FY2013/14 £m	H1 FY2012/13 £m	% change ex Australia & NZ	% change inc Australia & NZ
Worldwide network sales	637.7	611.1	+4.4	+0.1
Total International sales	399.3	353.5	+13.0	+5.3
Total UK sales	238.4	257.6	(7.5)	-
Group revenue	376.3	384.1	(2.0)	(3.1)
Underlying profit before tax	2.0	(1.8)*	-	-
Underlying earnings per share	1.9p	(1.7p)	-	-
Net debt	(48.0)	(29.8)	+61.1	-

Group network sales - 28 weeks to 12 October 2013

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Total International sales	399.3	353.5	+13.0	+5.3
UK				
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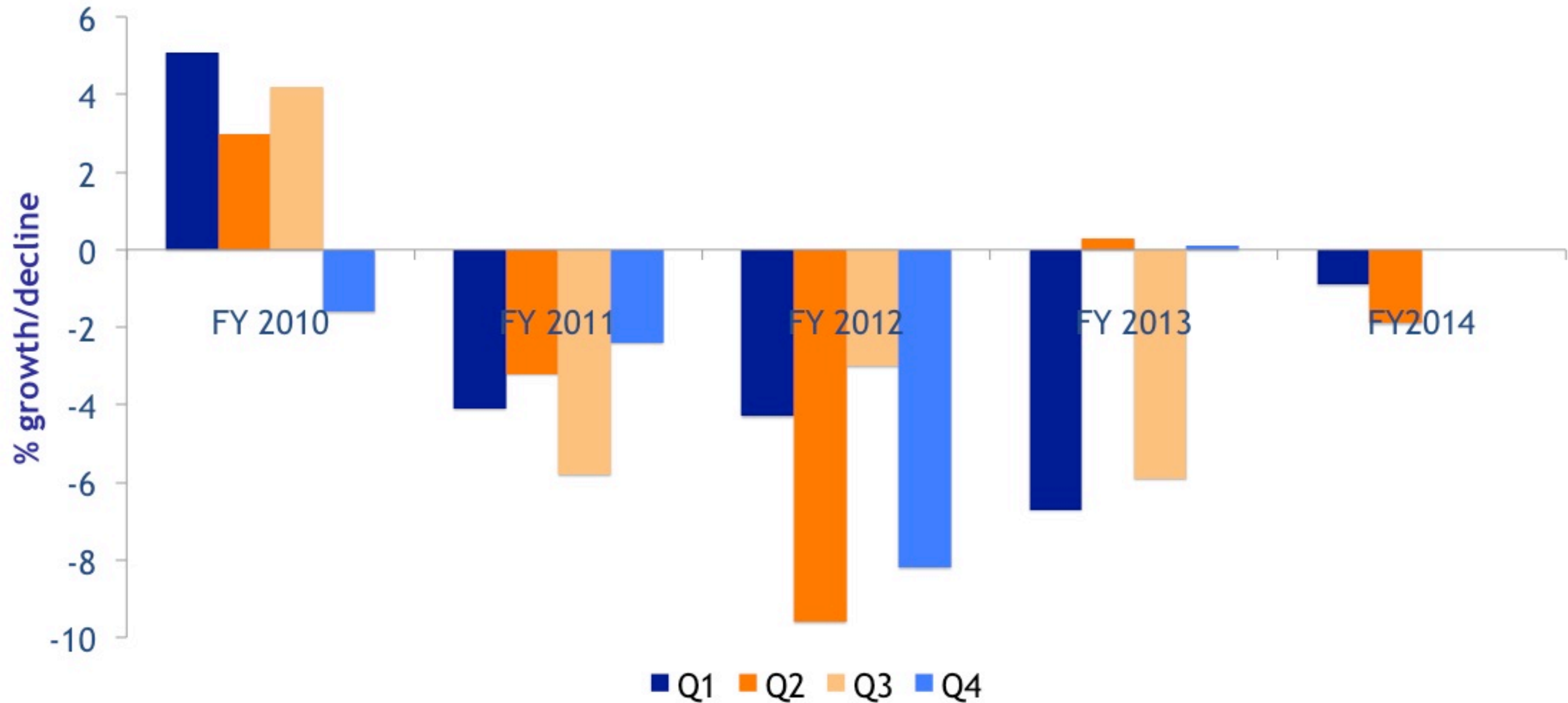
Group balance sheet - 28 weeks to 12 October 2013

	H1 FY2013/14 £m	H1 FY2012/13 £m	FY2012/13 £m
Non current assets			
Fixed assets	75.0	86.1	77.6
Intangibles	44.6	47.6	46.4
Deferred tax	21.5	20.7	22.3
Net current assets			
Working capital	56.8	43.2	50.4
Net debt	(48.0)	(29.8)	(32.4)
Other	(22.9)	(24.7)	(19.4)
Non current liabilities			
Pensions	(55.8)	(51.5)	(61.6)
Other provisions	(40.3)	(41.9)	(44.5)
Net assets	30.9	49.7	38.8

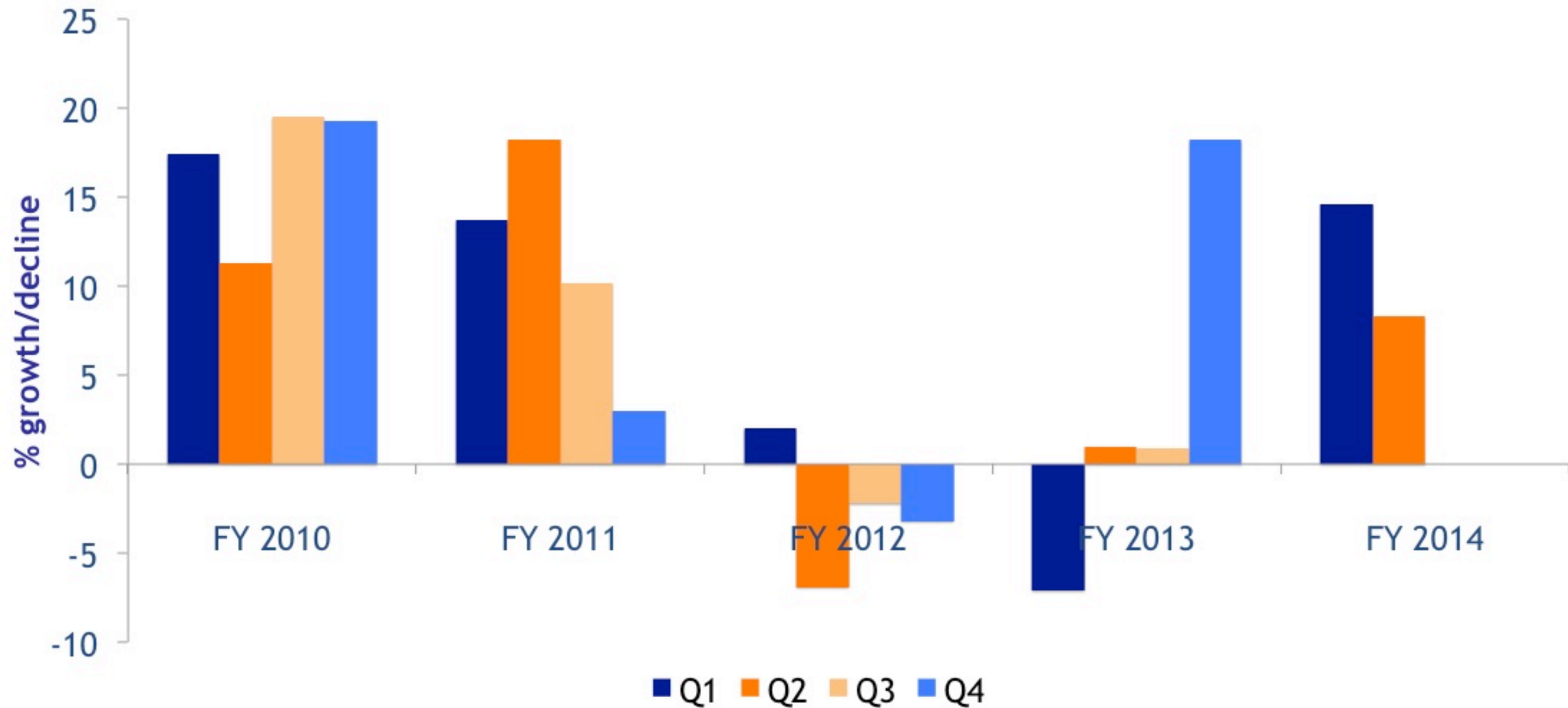
UK summary - 28 weeks to 12 October 2013

	H1 FY2013/14	H1 FY2012/13	% change
UK like-for-like sales growth	(1.4%)	(3.4%)	-
Retail sales	£222.2m	£240.0m	(7.4)
Wholesale sales	£16.2m	£17.6m	(8.5)
Total UK sales	£238.4m	£257.6m	(7.5)
Underlying loss from operations	(£14.9m)	(£16.9m)	Loss reduced by 11.8%

UK like-for-like progression

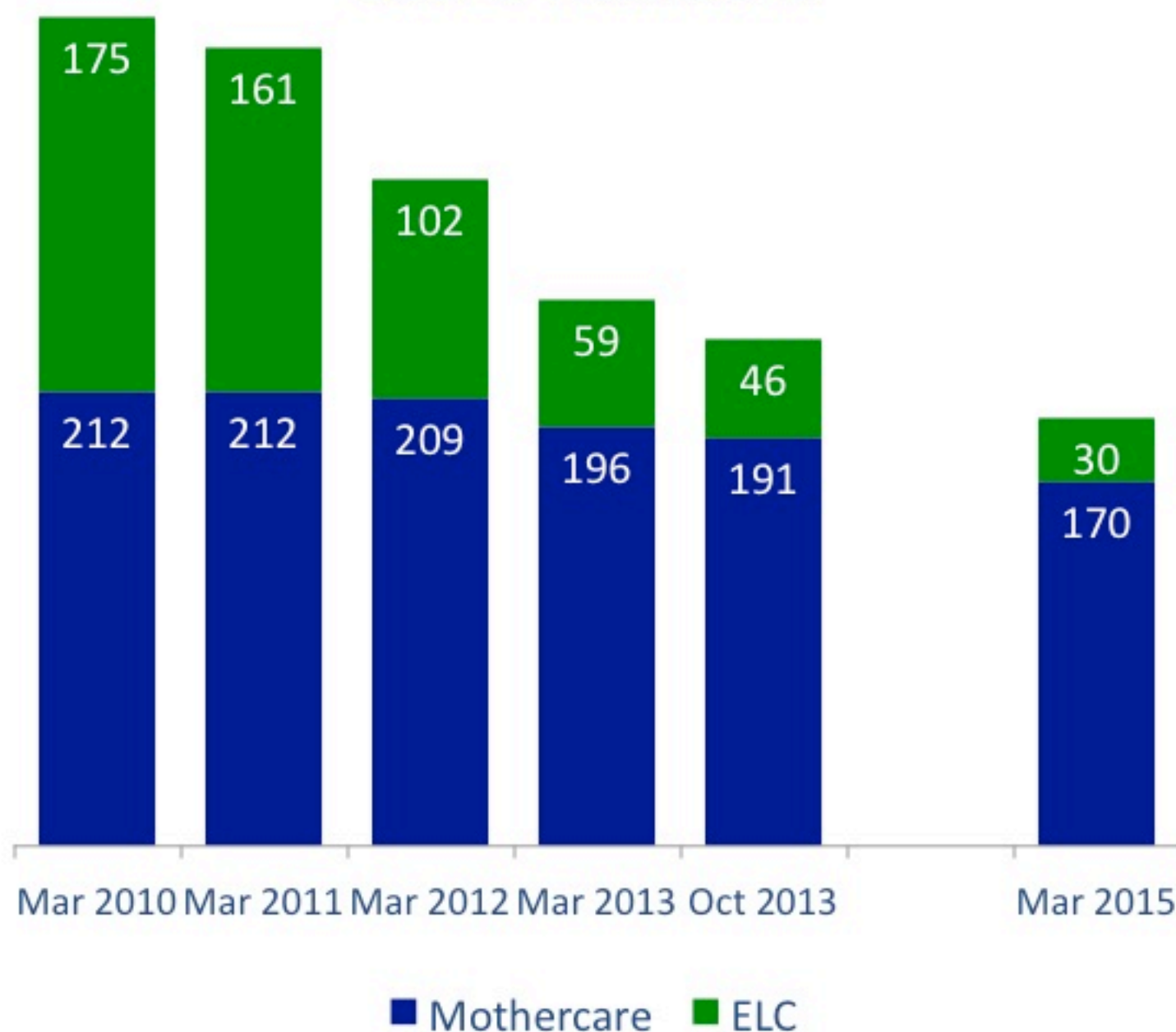


Direct in Home progression

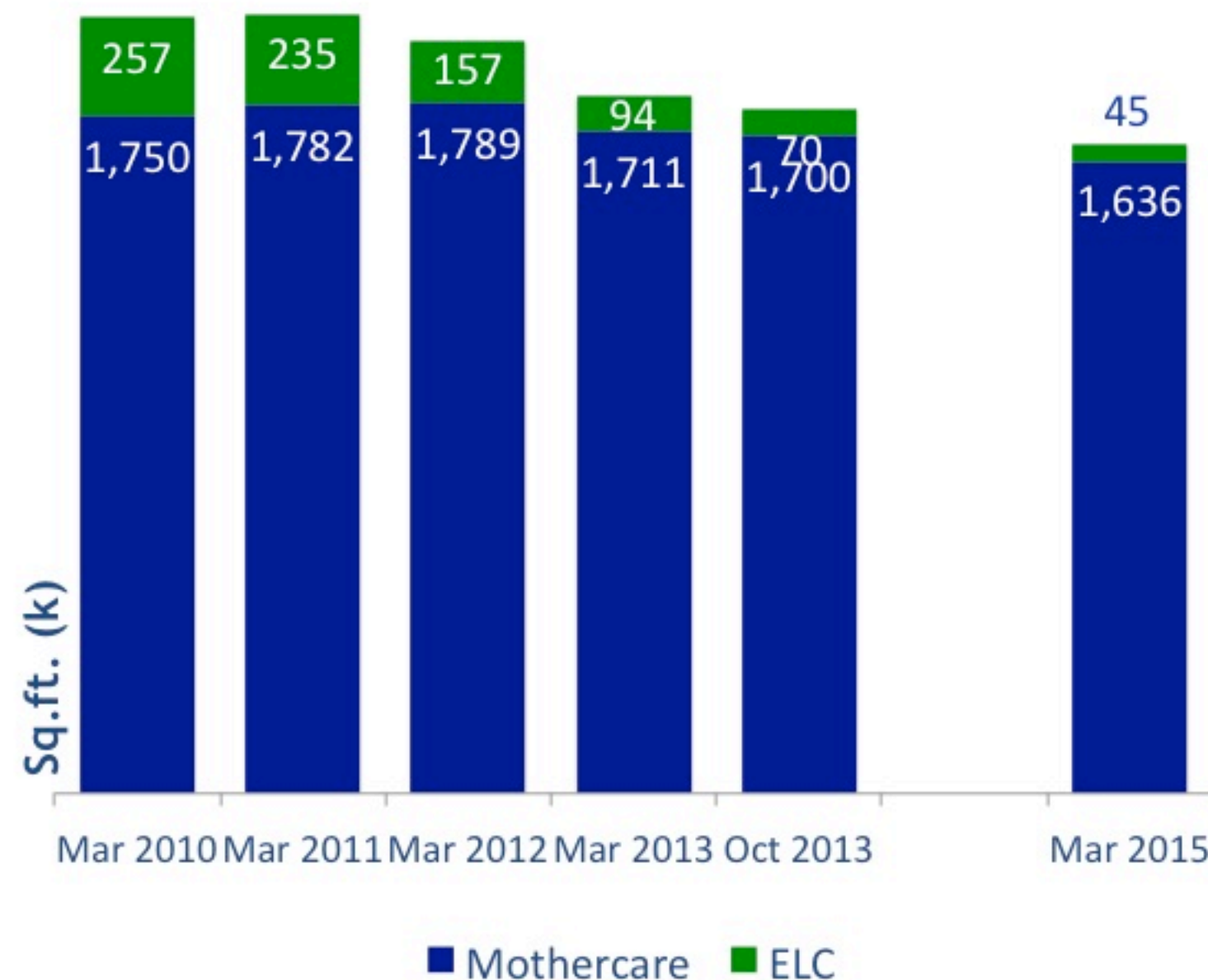


UK store and space numbers

Store numbers



Space numbers

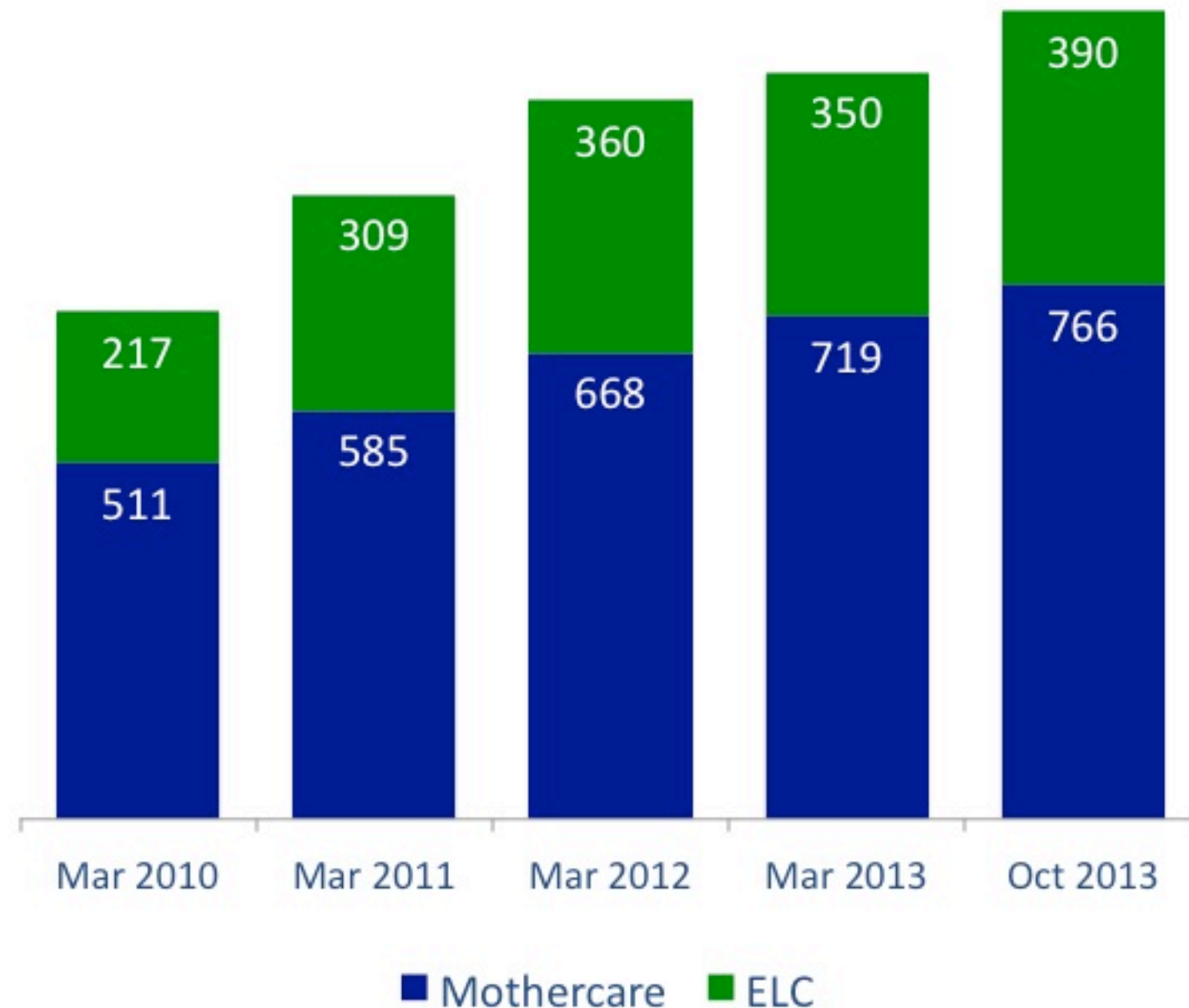


International summary - 28 weeks to 12 October 2013

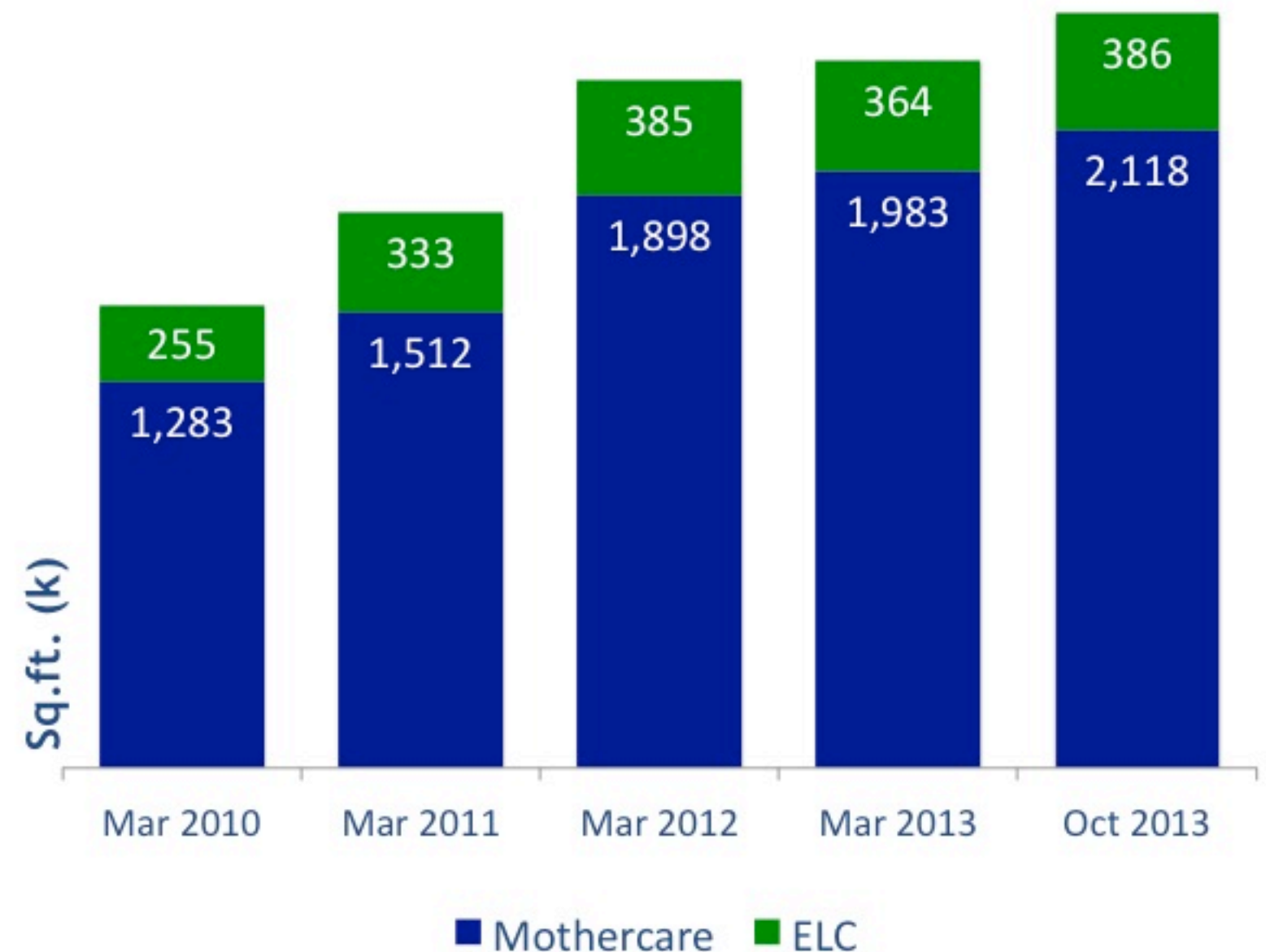
	H1 FY2013/14	H1 FY2012/13	% variance ex Australia & NZ
Constant currency growth	11.9%	15.2%	-
Total International sales	£399.3m	£353.5m	+13.0%
Underlying profit from operations	£25.4m	£23.0m	+10.4%
Underlying profit margin (excl. JVs)	6.4%	6.5%	(0.1%)
International JV profit share	(£0.2m)	(£0.8m)	-
Underlying profit from operations (incl. JVs)	£25.2m	£22.2m	+13.5%
Underlying profit margin (incl. JVs)	6.3%	6.3%	-

International store and space numbers

Store numbers



Space numbers



Pension scheme

		H1 FY2013/14 £m	H1 FY2012/13 £m	FY2012/13 £m
Income statement	Service cost	-	(1.3)	(2.4)
	Running costs	(0.6)	(0.4)	(0.8)
	Return on assets/ (interest on liabilities)	(1.5)	(1.4)	(2.6)
	(Exceptional) gains on curtailment	-	-	3.3
	Net DB charge	(2.1)	(3.1)	(2.5)
	DC charge	(1.2)	(0.4)	(0.7)
	Total pension charge	(3.3)	(3.5)	(3.2)
Cash funding	Recurring payments	(0.5)	(1.0)	(2.0)
	Deficit contribution	(2.6)	-	(5.2)
	DB cash funding	(3.1)	(1.0)	(7.2)
	DC cash funding	(1.2)	(0.4)	(0.7)
	Total cash funding	(4.3)	(1.4)	(7.9)
Balance sheet	Fair value of assets	242.4	219.5	234.8
	Present value of defined benefit obligations	(298.2)	(271.0)	(296.4)
	Net DB liability	(55.8)	(51.5)	(61.6)

Pension scheme

£m	H1 FY2013/14				
	Old IAS 19 and pre-reclassification	Amendments to IAS 19 ⁽¹⁾	Amendments to IAS 19 ⁽²⁾	Reclassification ⁽³⁾	New IAS 19 and reclassified
Service cost	-	-	-	-	-
Running costs	-	-	(0.6)	-	(0.6)
Return on assets/interest on liabilities	(0.7)	(1.4)	0.6	1.5	-
Included in Admin expenses	(0.7)	(1.4)*	-	1.5*	(0.6)
Return on assets/interest on liabilities	-	-	-	(1.5)	(1.5)
Included in finance cost	-	-	-	(1.5)	(1.5)
(Exceptional) gains on curtailments	-	-	-	-	-
Included in exceptional	-	-	-	-	-
Net DB charge	(0.7)	(1.4)	-	-	(2.1)

* Net impact is +£0.1m on UK segmental result

⁽¹⁾ Amendments to IAS 19: The expected return on assets is replaced by interest on the assets calculated using the discount rate

⁽²⁾ Amendments to IAS 19: Running costs are reported as a separate cost, previously accounted for as a deduction to the expected return on assets

⁽³⁾ Reclassification: Reclassification of return on assets/ (interest) on liabilities from administration expenses to finance costs.

Pension scheme

£m	H1 FY2012/13				
	Old IAS 19 and pre-reclassification	Amendments to IAS 19 ⁽¹⁾	Amendments to IAS 19 ⁽²⁾	Reclassification ⁽³⁾	New IAS 19 and reclassified
Service cost	(1.3)	-	-	-	(1.3)
Running costs	-	-	(0.4)	-	(0.4)
Return on assets/interest on liabilities	(0.6)	(1.2)	0.4	1.4	-
Included in Admin expenses	(1.9)	(1.2)*	-	1.4*	(1.7)
Return on assets/interest on liabilities	-	-	-	(1.4)	(1.4)
Included in finance cost	-	-	-	(1.4)	(1.4)
(Exceptional) gains on curtailments	-	-	-	-	-
Included in exceptional	-	-	-	-	-
Net DB charge	(1.9)	(1.2)	-	-	(3.1)

* Net impact is +£0.1m on UK segmental result and +£0.1m on International segmental result

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Pension scheme

£m	FY2012/13				
	Old IAS 19 and pre-reclassification	Amendments to IAS 19 ⁽¹⁾	Amendments to IAS 19 ⁽²⁾	Reclassification ⁽³⁾	New IAS 19 and reclassified
Service cost	(2.4)	-	-	-	(2.4)
Running costs	-	-	(0.8)	-	(0.8)
Return on assets/interest on liabilities	(1.0)	(2.4)	0.8	2.6	-
Included in Admin expenses	(3.4)	(2.4)*	-	2.6*	(3.2)
Return on assets/interest on liabilities	-	-	-	(2.6)	(2.6)
Included in finance cost	-	-	-	(2.6)	(2.6)
(Exceptional) gains on curtailments	3.3	-	-	-	3.3
Included in exceptional	3.3	-	-	-	3.3
Net DB charge	(0.1)	(2.4)	-	-	(2.5)

* Net impact is +£0.1m on UK segmental result

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Exceptional cash costs

		Cash utilisation (£ million)				
	Charged	FY2013	FY2014	FY2015	FY2016	Total
		Estimate	Estimate	Estimate	Estimate	
As at March 2012	35	20	10	5	0	35
		Actual	Estimate	Estimate	Estimate	
As at March 2013	35	15	11	7	2	35
Organisational review: to be charged in FY2014	5	-	5	-	-	5
Total	40	15	16	7	2	40