

# mothercare

Interim Results

17 November 2011



*celebrating 50 years 1961-2011*  
**mothercare**



Alan Parker  
Executive Chairman



# First 100 days

## Considerations:

- Group leadership and strategy
- Business model, at home and abroad
- Customer attraction in different markets
- New UK management team near term action plan



# UK structural and operational review

- Number, format and location of retail portfolio
- E-commerce opportunity
- Rightsize overheads
- Marketing effort required



# International

- Going from strength to strength
- Great potential
- High calibre business partners
- World class sourcing operation



# Management presentations

- Neil Harrington, CFO
- Mike Logue, UK Director
- Jerry Cull, International Director



# Restoring UK profitability

1. Rationalising store numbers
2. New UK management driving operational excellence
3. Right-sizing overhead costs





# Looking ahead

“Over time we anticipate further potential for sustained profit growth from a new business base. Despite the need for change, I continue to have the conviction that this is an attractive business with strong brands, a world class sourcing operation and significant global growth prospects.”

- Alan Parker, Executive Chairman







Neil Harrington  
Finance Director



# Interim results

- Worldwide network sales up 5.4% to £623.9m
- Group sales up 4.0% to £412.9m
- International retail sales up 15.7% to £338.3m
- UK sales down 4.3% to £281.1m
- LFL sales down 7.0%; Direct in Home sales down 4.2%
- Underlying loss before tax £4.4m (2010: profit of £12.2m)
- Net debt £24.6m (2010: £8.6m)
- Interim dividend 2.0p (2010: 6.4p)



# Income statement

	11/12 £m	10/11 £m
<u>Total group sales</u>	412.9	397.1
<b>Underlying (loss)/profit from operations</b>	<b>(4.1)</b>	<b>14.5</b>
Share based payments	(0.5)	(2.0)
Financing	0.2	(0.3)
<b>Underlying (loss)/profit before tax</b>	<b>(4.4)</b>	<b>12.2</b>
Exceptional items	(78.5)	(1.4)
Other non-underlying items	1.5	(10.5)
<b>(Loss)/Profit before tax</b>	<b>(81.4)</b>	<b>0.3</b>



# Group network sales by channel

		11/12 £m	10/11 £m	%
<u>International</u>	International retail sales	338.3	292.5	+15.7
	International Wholesale sales	4.5	5.9	-23.7
	<b>International network sales</b>	<b>342.8</b>	<b>298.4</b>	<b>+14.9</b>
<u>UK</u>	UK retail sales	262.7	285.3	-7.9
	UK Wholesale sales	18.4	8.3	+121.7
	<b>UK sales</b>	<b>281.1</b>	<b>293.6</b>	<b>-4.3</b>
	<b>Group network sales</b>	<b>623.9</b>	<b>592.0</b>	<b>+5.4</b>



# Underlying profit by segment

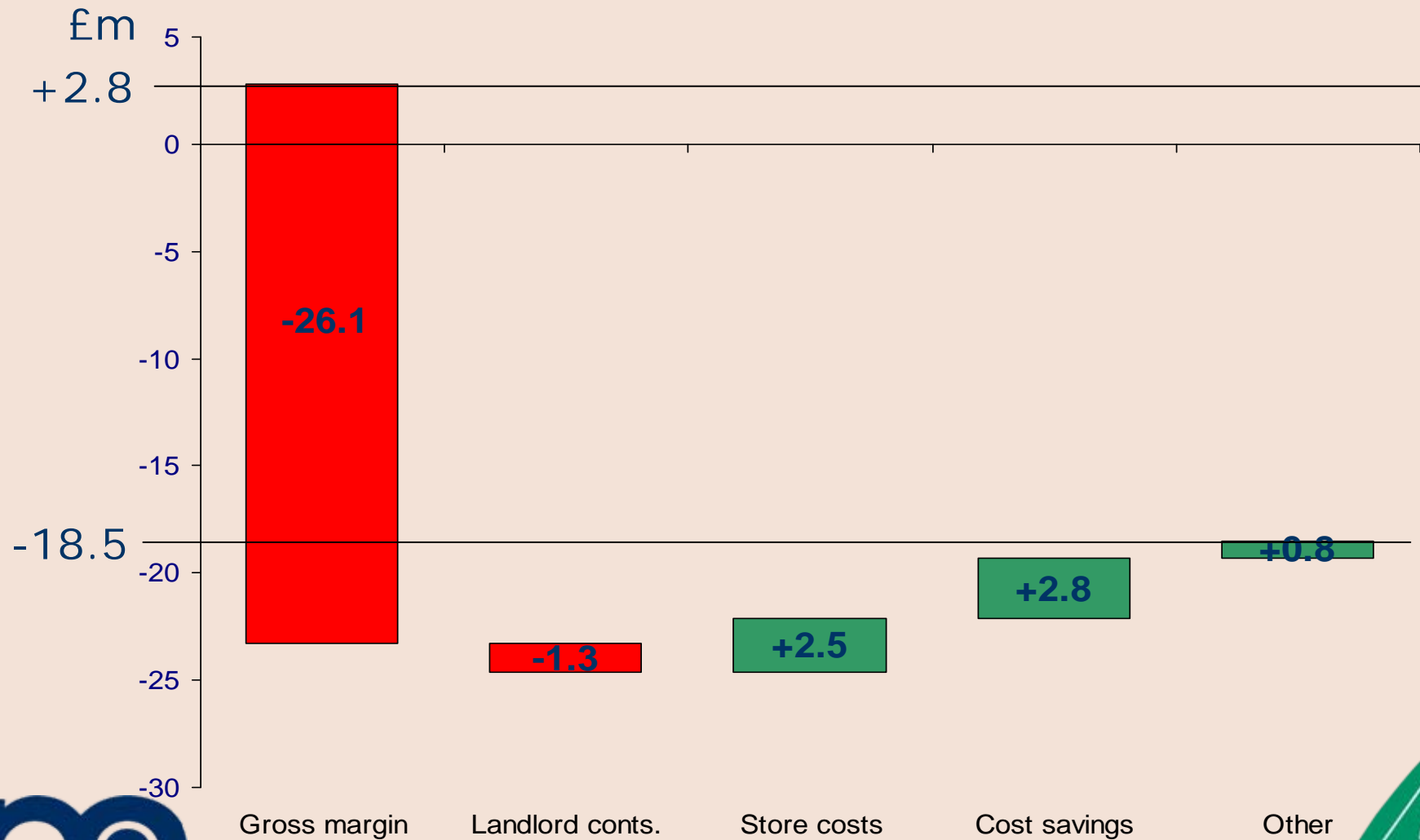
	11/12 £m	10/11 £m	%
<b>UK</b>	<b>(18.5)</b>	<b>2.8</b>	
International franchise	20.6	16.0	+28.8
International JV profit share <sup>(1)</sup>	(2.2)	(0.2)	
<b>Total International</b>	<b>18.4</b>	<b>15.8</b>	<b>+16.5</b>
<b>Underlying profit from operations</b>	<b>(4.1)</b>	<b>14.5</b>	
Share based payments	(0.5)	(2.0)	
Financing	0.2	(0.3)	
<b>Underlying (loss)/profit</b>	<b>(4.4)</b>	<b>12.2</b>	



<sup>(1)</sup> Excludes JV royalties received



# UK operating profit



# Exceptional items

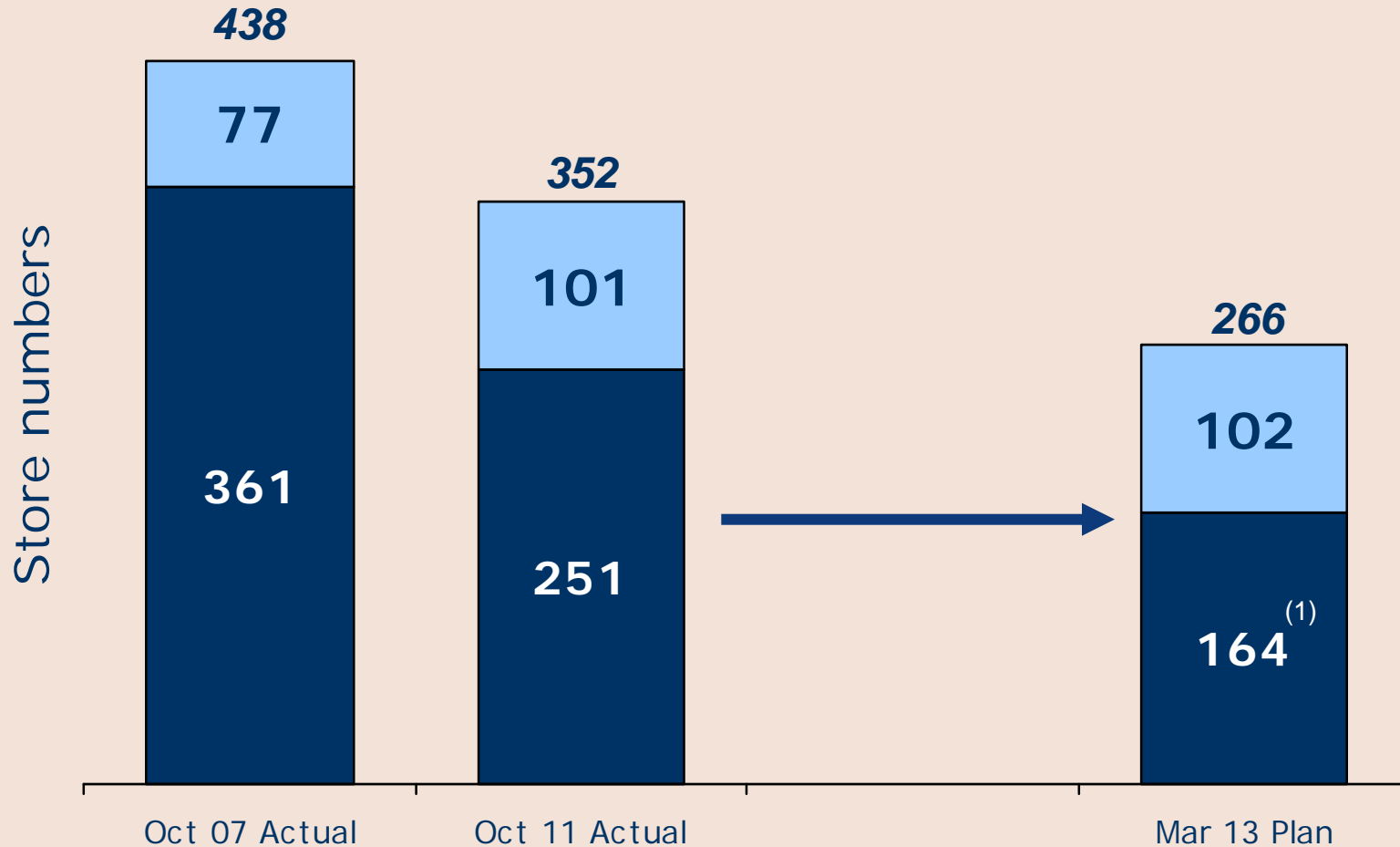
	11/12 £m	10/11 £m
UK goodwill and other intangibles	(55.0)	-
UK property restructure	(19.8)	0.2
UK store impairment charge	(1.9)	-
Restructuring costs	(1.8)	(1.5)
	<b>(78.5)</b>	<b>(1.3)</b>
Cash	(18.9)	(1.3)
Non cash	(59.6)	-
	<b>(78.5)</b>	<b>(1.3)</b>

- Total UK goodwill and intangibles £55.0m; written off in full
- Write-off does not affect cash or distributable reserves
- Total International goodwill and other intangibles £35.3m – significant upside





# Substantial downsize announced in May



■ In town    □ Out of town

<sup>(1)</sup> 94 MTC; 70 ELC



# Property strategy benefits increased

- Annualised benefits circa £6m-£7m from March 2013
- Annualised store occupancy costs down £18m (18%), including rental down £12m (18%)
- Total annualised UK sales reduced by £60m from March 2013; volumes offset by Wholesale and International



# Announced strategy significantly improves UK proforma profits over last 12 months

	<u>£m</u>
<u>Reported Results</u>	
- UK reported results H2 10/11	8.3
- UK reported results H1 11/12	(18.5)
<b>12-month reported loss</b>	<b>(10.2)</b>
 <u>Add back:</u>	
- Benefits from store closures and rent renegotiations	5.6
- Associated cost savings	5.0
<b>Proforma 12-month profit</b>	<b>0.4</b>

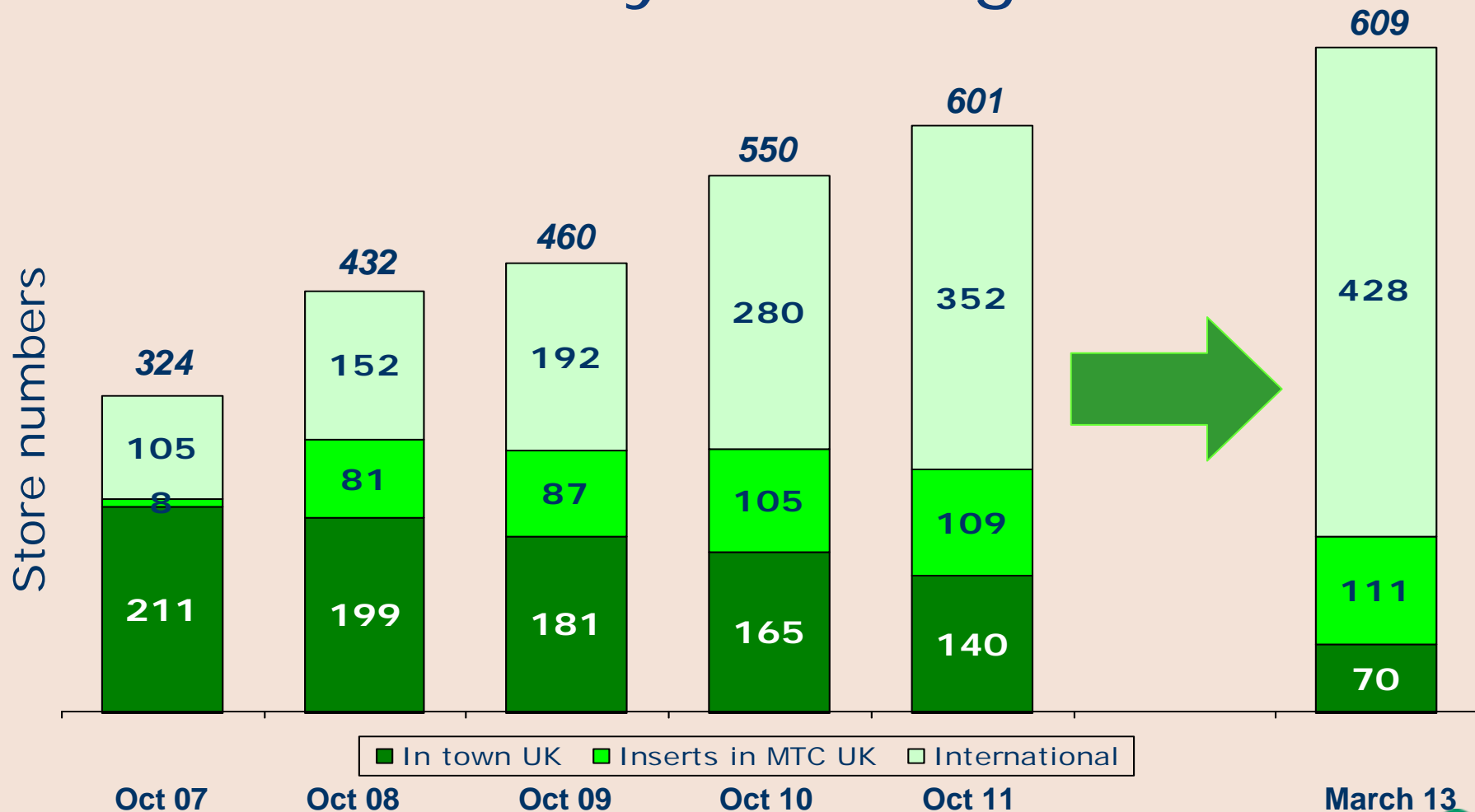


# Store contribution profile (last 12 months)

## – current store estate



# Transformed Early Learning Centre



# International growth

	H1 08/09 Base Year	H1 09/10	H1 10/11	H1 11/12	3 Year Growth
Store numbers	572	671	840	975	+19.5% CAGR
Retail selling space ('000 sq. ft.)	1,207	1,420	1,729	2,124	+20.7% CAGR
International sales - £m	195.0	252.8	298.4	342.8	+20.7% CAGR
<u>Underlying profit</u>					
Franchise - £m	7.7	12.1	16.0	20.6	+38.8% CAGR
JV share - £m	-	(0.3)	(0.2)	(2.2)	
<b>Total - £m</b>	<b>7.7</b>	<b>11.8</b>	<b>15.8</b>	<b>18.4</b>	
<u>Profit margin</u>					
Franchise - %	3.9	4.8	5.4	6.0	+210 bps
<b>Total - %</b>	<b>3.9</b>	<b>4.7</b>	<b>5.3</b>	<b>5.4</b>	<b>+150 bps</b>



# Group balance sheet

	H1 11/12 £m	H1 10/11 £m	FY 10/11 £m
<u>Non current assets</u>			
– Fixed assets	97.6	101.1	101.5
– Intangibles	51.0	108.3	107.1
<u>Net current assets</u>			
– Working capital	70.9	70.5	50.6
– (Debt)/cash	(24.6)	(8.6)	15.3
– Other	(18.4)	(7.2)	(10.6)
<u>Non current liabilities</u>			
- Pensions	(55.7)	(64.0)	(37.6)
- Tax	17.8	12.2	6.0
- Other	(45.7)	(40.0)	(39.5)
<b>Net assets</b>	<b>92.9</b>	<b>172.3</b>	<b>192.8</b>





# Group cash flow

	HY 11/12 £m	HY 10/11 £m
Opening cash balance	15.3	38.5
Operating inflow	(0.9)	15.4
Tax	(0.5)	(3.0)
Investments	(2.3)	(7.8)
Working Capital	(16.3)	(34.7)
Dividend	(10.1)	(9.9)
Net capex	(9.8)	(9.5)
Other	-	2.4
<b>Net cash outflow</b>	<b>(39.9)</b>	<b>(47.1)</b>
<b>Closing debt balance</b>	<b>(24.6)</b>	<b>(8.6)</b>



# Outlook FY 2011/12

- International growth continues - retail sales +15-20% p.a.; 150 new stores p.a.
- UK – planning for continuing tough environment into H2 (stores and Direct). Negative LFL; –400 bps gross margin
- 83 UK in-town store closures; 30 rent reductions at lease expiry
- Property strategy benefits by 2013/14 £6m-£7m
- Full year working capital flat YOY
- Capex <£20m
- SBP charge = c. £1.5m; financing charge £0.5m-£1m; tax rate 23%

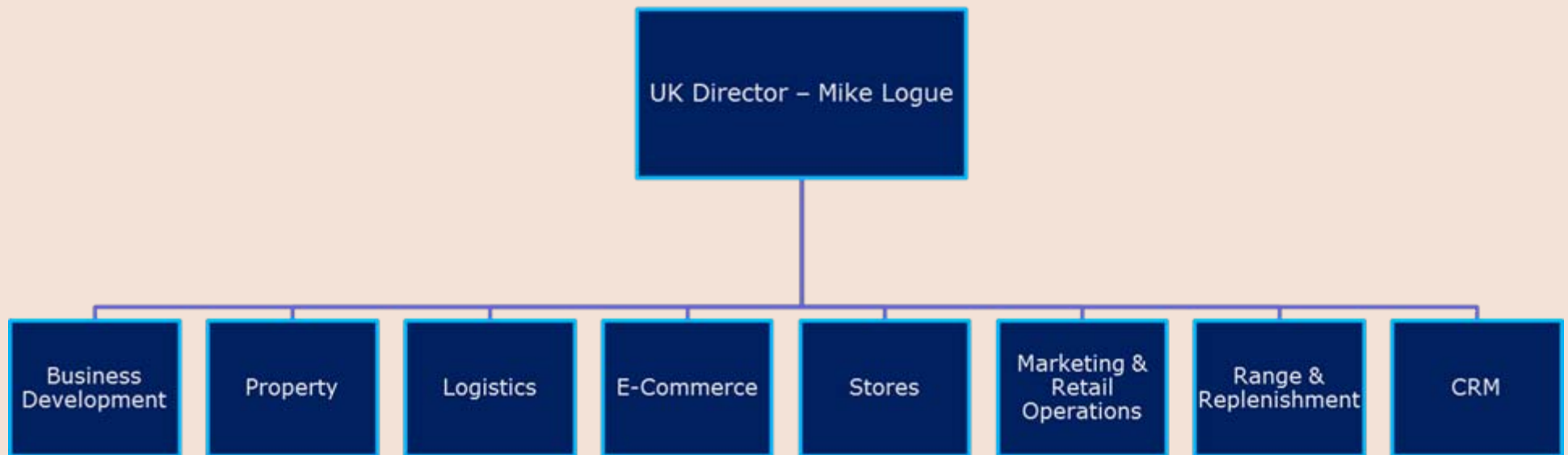




Mike Logue  
UK Director



# UK Leadership Team



# UK priorities

Improve Value

Consistent  
Service and  
Advice

Enhance Digital  
Services

Improve Store  
Experience

Reduce Operational Costs



# Value



find it cheaper online or  
in store & we'll match it  
we check our prices every day



# Service





# E-commerce

## mothercare

maternity prams & pushchairs nursery car seats clothing bathing

mothercare > christmas shop

### christmas shop

#### Shop by Product Type

top 10 must have toys  
personalised gifts  
christmas themed gifts  
dress up clothing  
baby & kids nightwear  
top 50 baby toys  
top 50 toddler toys  
top 50 boys' toys  
top 50 girls' toys  
stocking fillers  
character shop  
gift vouchers  
batteries  
baby & kids partywear  
travel essentials



## early learning centre

hello guest | sign

search

baby & toddler

outdoor toys

dolls & dolls' houses

dressing up & pretend play

action figures & playsets

ca

> free standard delivery on orders over £50

> request your Chr

**Christmas  
toy spectacular**

an extra

**20% off ALL  
toys TODAY ONLY**

discount applied at checkout terms & conditions apply

Rosebud House



**buy now**

was £100 now £80  
**today you pay £64**

**shop assistant**

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

**an extra 20% off**



# UK summary







Jerry Cull

International Director

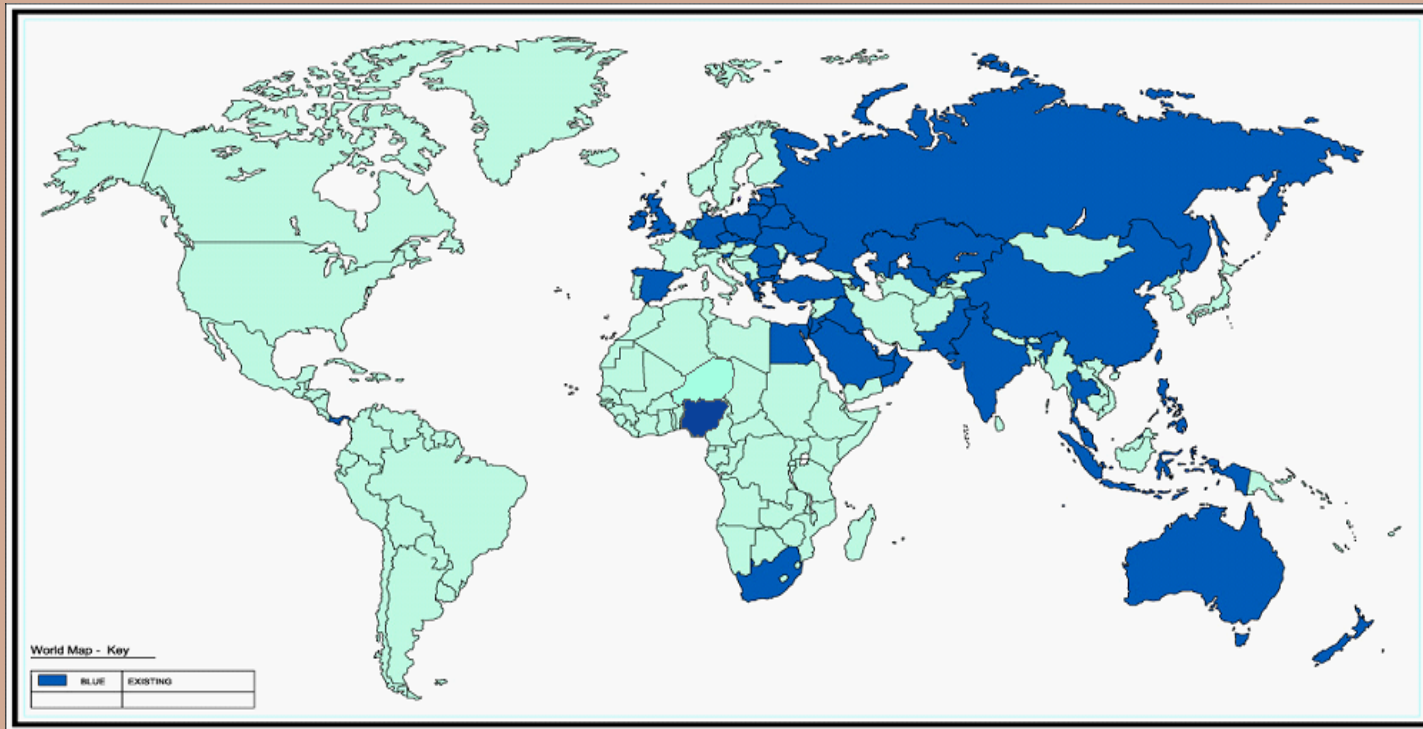
# Summary

	<u>H1 - 2010/11</u>	<u>H1 - 2011/12</u>
Retail sales	£293m	£338m
New stores	112	81
Stores cumulative	840	975
Sq. ft. added	191K	279K
Sq. ft. cumulative	1,730K	2,124K
Number of countries	54	55
Number of partners	38	39



# Global footprint

Albania  
Armenia  
Australia  
Azerbaijan  
Bahrain  
Belarus  
Belgium  
Brunei  
Bulgaria  
China  
Cyprus  
Czech Republic  
Egypt  
Estonia  
Germany  
Georgia  
Gibraltar  
Greece  
Guernsey  
Hong Kong  
India  
Indonesia  
Ireland  
Jersey  
Jordan  
Kazakhstan  
Kuwait  
Latvia



Lebanon  
Lithuania  
Macedonia  
Malaysia  
Malta  
New Zealand  
Nigeria  
Oman  
Pakistan  
Panama  
Philippines  
Poland  
Qatar  
Romania  
Russia  
Saudi Arabia  
Serbia  
Singapore  
Slovakia  
Slovenia  
South Africa  
Spain  
Syria  
Taiwan  
Thailand  
Turkey  
UAE  
Ukraine  
Uzbekistan



■ Mothercare and ELC (55) outside the UK





# Europe – Region focus



Kutuzovskiy, Moscow

- 401 stores
- 29 countries
- Strong growth in Eastern Europe
- Greece positive LFL



# Middle East and Africa – Region focus



Othaim Mall, Saudi

- 291 stores
- 12 countries
- Strong opening programme during H1





# Asia-Pacific – Region focus



Top Ryde, Sydney

- 281 stores
- 12 countries





# China - Joint Venture

- 6 cities, 14 stores at H1
- Like for Like growth +36%
- 6 new cities planned 12/13
- Minimum of 15 new stores



Key- China

	GREEN	NEW CITIES 2012/13
	PURPLE	EXISTING CITIES





# India - Joint Venture

- 17 cities, 74 stores
- Like for Like +7% last year
- 4 new cities planned for 12/13
- Minimum of 20-30 stores planned p.a



Key- India

	GREEN	NEW CITIES 2012/13
	PURPLE	EXISTING CITIES



# Australia - Joint Venture

- 200,000 sq. ft.
- 8 cities, 62 stores
- 14 new stores to be opened by March 2012



Key- Australia and New Zealand

	PURPLE	EXISTING CITIES
---------------------------------------------------------------------------------------	--------	-----------------





# Ukraine JV – fourth Joint Venture



Kings Cross Leopolis, Lvov

- 16 Mothercare and 13 ELC stores
- 7 years in the Ukraine
- Signed Joint Venture agreement in November 2011



# New markets




Key- Central and South America

	GREEN	FUTURE DEVELOPMENTS
	PURPLE	NEW MARKETS



# E-commerce

**mothercare** Kuwait



**Online shop coming soon**  
We are working to bring you the online shop for **mothercare** in Kuwait.

You will soon be able to enjoy the convenience of being able to buy online and have your products delivered directly to your home or pick up from selected mothercare stores.

You will find the widest choice of products online as well as the ability to have them personally gift wrapped, making the perfect present. We will also be able help you with home assembly and installation on selected products.

view our catalogue online  
mothercare

travel safety - choose the right car seat  
Find out more

find a store  
Find your nearest mothercare store.

our customer charter  
There's mothercare in everything we do.  
read more

health professionals  
Read our helpful advice cards online.  
find out more

the ultimate shopping planner  
Check that you have everything you need.

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Click here for mothercare UK site

**mothercare.ie** hello guest | sign in / register your basket 0 items €0.00 checkout

All departments search keyword/item go

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order from home and get FREE delivery right to your door

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€79.99

**Phil & Teds Classic Stroller - 3 Wheel**  
€384.99

**Big City Garage**  
save 30% was €66  
€46.20

**early learning centre australia** ELC

My Account Play & Learn Our Stores Wishlist

Login / Register? Search: Search entire store Advanced Search

You have 0 item(s)  
Sub total: \$0.00  
View Your Basket

**Early Learning Centre - The Toy Store for optimal learning and maximum fun**

**Dinosaur train available now**  
view the range

**Our Products**  
Current Special Deals  
New Toys  
Starting School  
Baby & Toddler  
Action & Adventure  
Let's Pretend  
Art & Creativity  
Books, Games & Puzzles  
Making Music  
Batteries & More  
Sport & Activity

kids card ELC KIDS CENTRAL Login \$1 spent in store

**Центр раннего развития** ELC

0 товаров 0.00 руб. в корзину оформление заказа

Знакомство с миром Давайте представим Музыка и обучение Мир приключений Творчество Загадки и игры Спорт и активность

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помощь в выборе Мы поможем подобрать идеальную игрушку для ELC для

Адреса розничных магазинов

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Игровое время



# Summary and outlook





# Q&A



# Appendix

- Reported/network sales by channel
- Defined benefit pension schemes
- Key store data
- Capex
- Property programme



# Reported/network sales by channel

£ million	Reported sales				Network sales			
	H1 11/12	H1 10/11	%	FY 10/11	H1 11/12	H1 10/11	%	FY 10/11
UK retail	262.7	285.3	(7.9)	565.6	262.7	285.3	(7.9)	565.6
UK Wholesale	18.4	8.3	121.7	21.6	18.4	8.3	121.7	21.6
<b>Total UK</b>	<b>281.1</b>	<b>293.6</b>	<b>(4.3)</b>	<b>587.2</b>	<b>281.1</b>	<b>293.6</b>	<b>(4.3)</b>	<b>587.2</b>
International retail	127.3	97.6	30.4	197.0	338.3	292.5	15.7	561.5
International Wholesale	4.5	5.9	(23.7)	9.4	4.5	5.9	(23.7)	9.4
<b>Total international</b>	<b>131.8</b>	<b>103.5</b>	<b>27.3</b>	<b>206.4</b>	<b>342.8</b>	<b>298.4</b>	<b>14.9</b>	<b>570.9</b>
<b>Group sales</b>	<b>412.9</b>	<b>397.1</b>	<b>4.0</b>	<b>793.6</b>	<b>623.9</b>	<b>592.0</b>	<b>5.4</b>	<b>1,158.1</b>



# Defined benefit pension schemes

£ million	H1 11/12	H1 10/11	FY 10/11
<b>Income statement</b>			
Service cost	(1.2)	(1.5)	(2.9)
Return on assets / interest on liabilities	0.1	(0.4)	(0.6)
Net charge	(1.1)	(1.9)	(3.5)
<b>Cash funding</b>			
Recurring payments	(1.0)	(1.3)	(2.2)
Deficit funding	(2.8)	(2.3)	(2.3)
Total cash funding	(3.8)	(3.6)	(4.5)
<b>Balance sheet</b>			
Fair value of schemes' assets	201.4	202.6	208.4
Present value of defined benefit obligations	(257.1)	(266.6)	(246.0)
Net liability	(55.7)	(64.0)	(37.6)



# Key store data at 8 October 2011

	March 2009	October 2009	March 2010	October 2010	March 2011	October 2011
<b><u>UK Stores</u></b>						
Total stores	405	389	387	377	373	352
High street	326	308	300	284	275	251
Out of town	79	81	87	93	98	101
Selling area (000s sq. ft.)	2,007	1,967	2,008	2,015	2,017	2,001
Sales* per sq. ft.	288	297	292	287	280	270
<b><u>International Stores</u></b>						
Europe	262	301	327	368	389	401
Middle East and Africa	198	213	225	248	263	291
Asia Pacific and LatAm	149	157	176	224	242	283
Total stores	609	671	728	840	894	975
Selling area (000s sq. ft.)	1,294	1,420	1,538	1,729	1,845	2,124



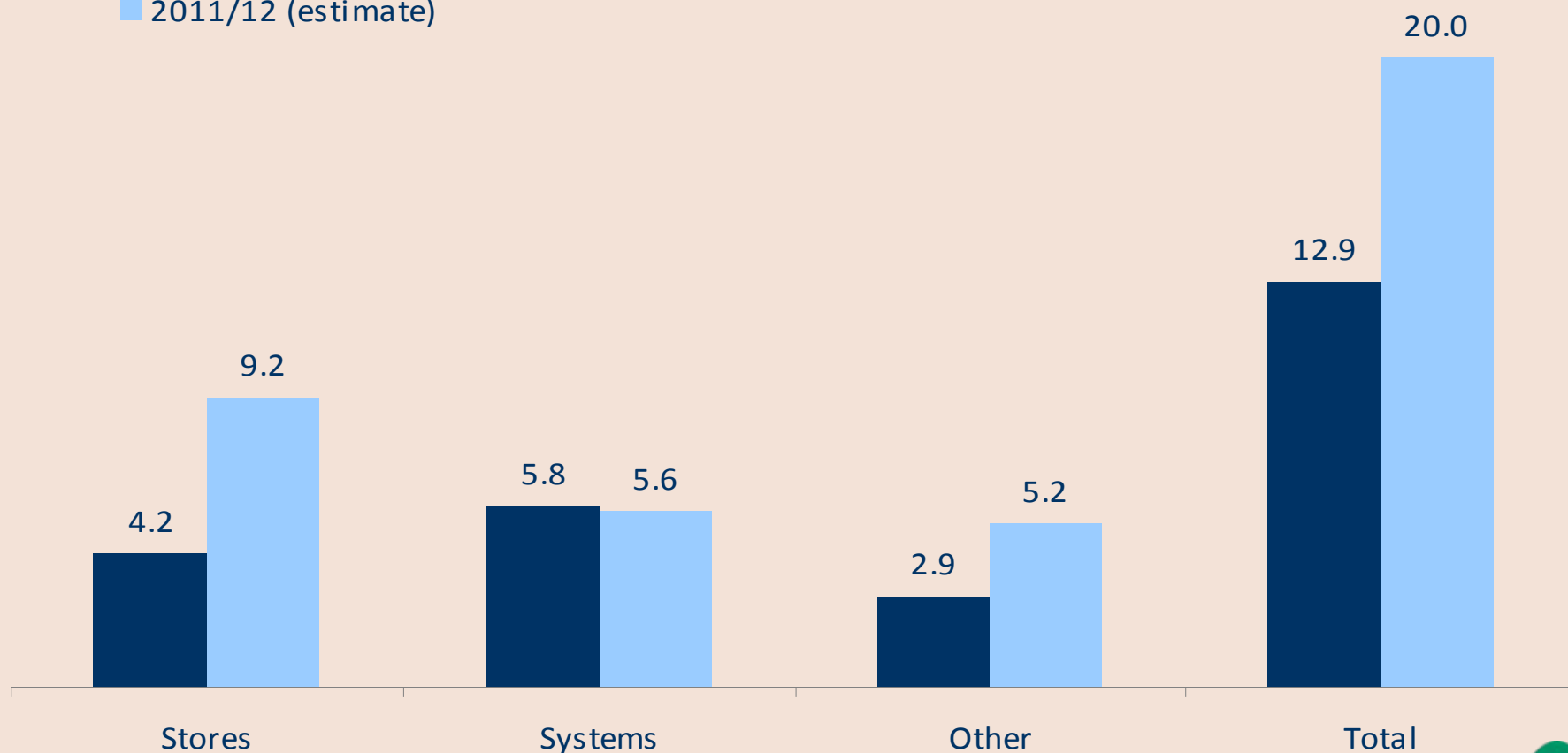
\* Rolling 12 months UK sales inc. Direct ex. VAT



# Capex

■ 2010/11

■ 2011/12 (estimate)



Stores capex is net of landlord contributions of £9.6m for 2010/11 and £5.6m estimated for 2011/12



# Property programme on track

## UK store numbers

	11/12		12/13		TOTAL	
	Announced May	Latest view	Announced May	Latest view	Announced May	Latest view
Close – lease expiry	60	57	20	19	80	76
Close – non-lease expiry	20	26	10	9	30	35
<b>Close - Total</b>	<b>80</b>	<b>83</b>	<b>30</b>	<b>28</b>	<b>110</b>	<b>111</b>
Renegotiate – lease expiry	30	30	10	8	40	38
<b>TOTAL</b>	<b>110</b>	<b>113</b>	<b>40</b>	<b>36</b>	<b>150</b>	<b>149</b>

\* Of the 83 closures in 11/12, 25 have been completed with 58 in H2; mostly Q4

