



mothercare

NEW DELHI
9 December 2010



PRESENTATION INFORMATION AT 9 DECEMBER 2010

This presentation will include forward-looking statements that reflect management's expectations based on currently available data. However, actual results are subject to future events and uncertainties.

The information in the presentation related to projections or other forward-looking statements may change and cause actual results to differ materially from these expectations.



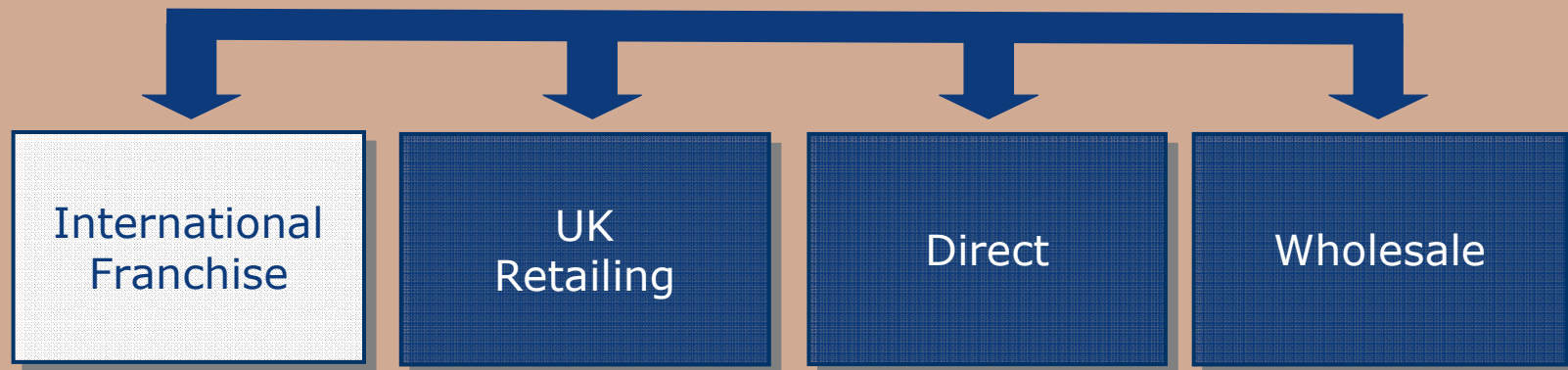
Ben Gordon
CEO, Mothercare

Our strategy

Two global brands




Four growth channels

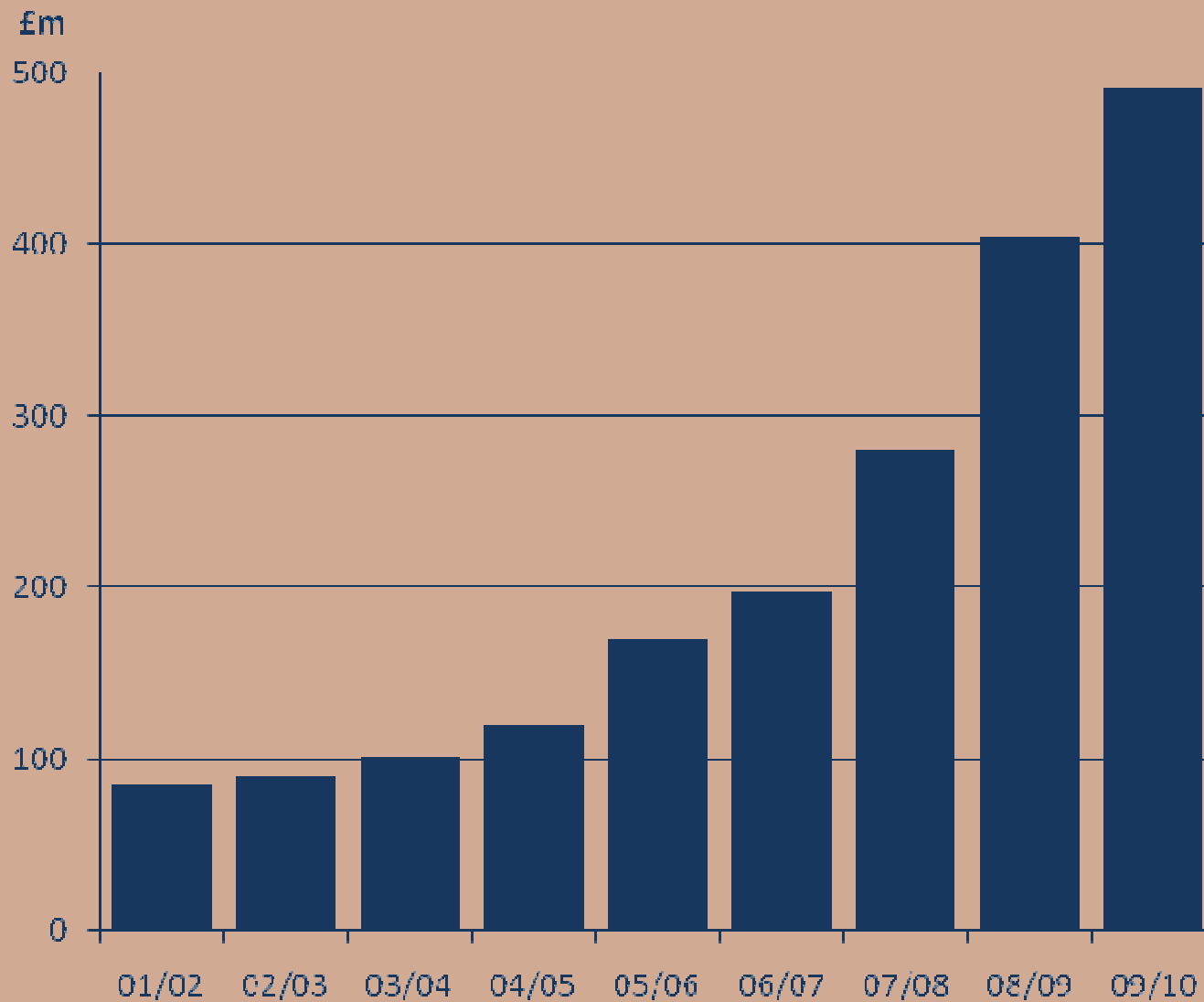


“To meet the needs and aspirations of parents and children worldwide.”

Key milestones

- 
- 2010** Australia JV with Headline Group – Opened Chadstone in March 2010
 - 2009** 500th Mothercare store
 - 2009** India JV with Delhi Land & Finance (DLF)
 - 2009** 1 million sq. ft. of Mothercare. 156,000 to 210,000 sq. ft. of ELC
 - 2007** China JV with Goodbaby
 - 2007** Mothercare acquired Early Learning Centre
 - 2006** Opened first Mothercare store in India with Shopper's Stop
 - 1983** First international Mothercare store – Kuwait, opened with Alshaya
 - 1972** Mothercare listed as a public company (Storehouse)
 - 1968** First Mothercare store opened internationally in Denmark (wholly owned)
 - 1961** Mothercare launched - first store opened in Kingston

International Network sales



Since 2001/2002...

- 169 to 860 stores
- 36 to 53 countries
- More stores internationally than in the UK
- 60% clothing sold internationally
- Growth accelerated in last 4 years



International growth

1. Brands travel well
2. Retail globalisation
3. Unique franchise network
4. World class supply capabilities



1. Our brands travel well



- Universal concept
- Mothers and babies have the same needs and demands
- Concept is welcomed and recognised immediately

2. Retail has gone global



- Growing appetite for European and US brands
- Retail property market mobilised
- Right time for international expansion

3. Unique franchise network

- Proven success in franchising with 27 years experience
- Global footprint with 39 franchise partners in 53 countries outside the UK
- Network of highly experienced and reliable partners
- Franchise model evolved into JVs in India, China and Australia



4. World class supply chain

ELC/Mothercare UK
Stores/International
UK



Alshaya MC
ME Regional DC
Dubai, UAE



Delhi, Tirupur and Shanghai



Group International
Shenzhen, CN



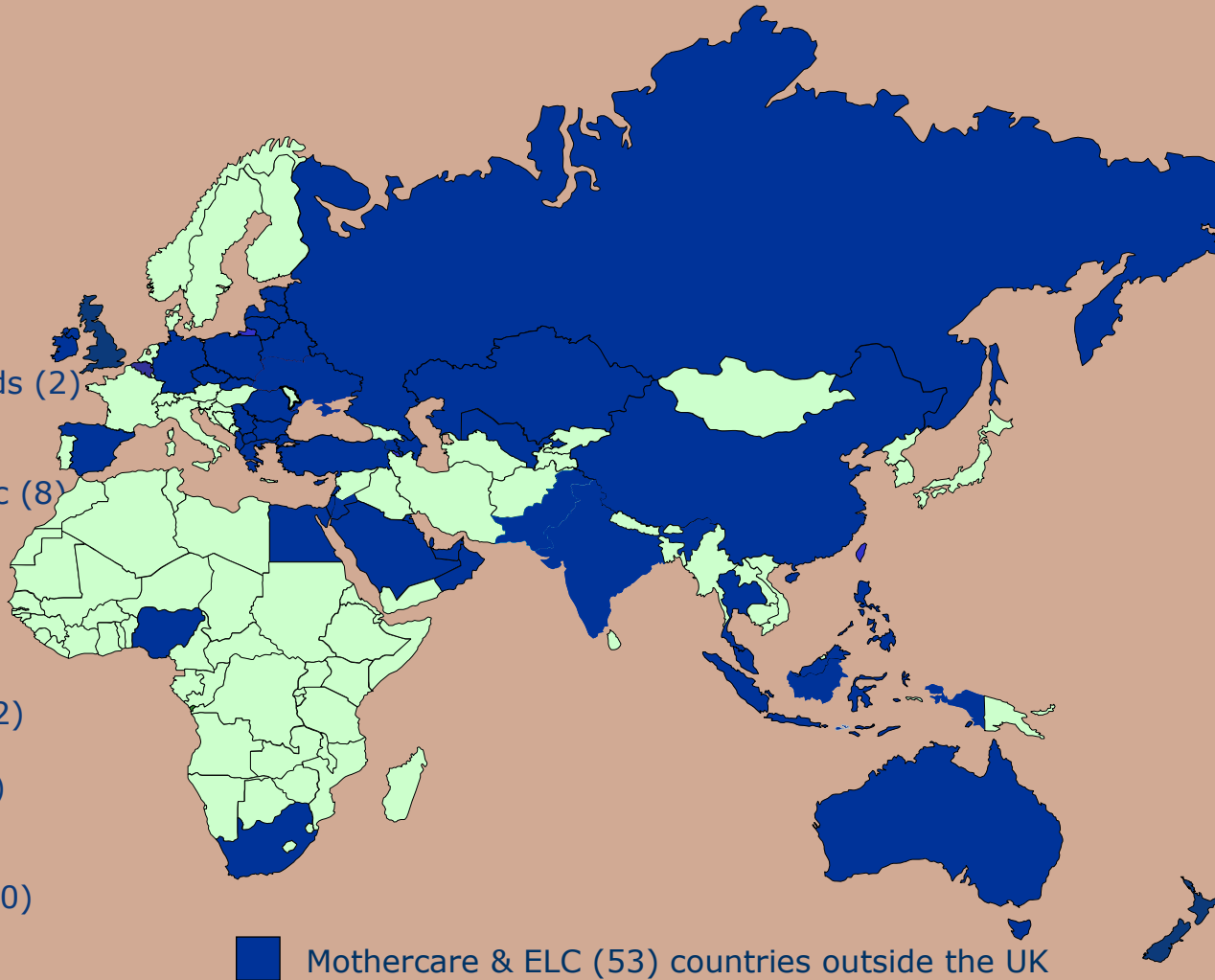
Group International
Singapore



Global Freight Management

Global footprint - 2010

Albania (1)
Armenia (2)
Australia (43)
Azerbaijan (4)
Bahrain (5)
Belarus (5)
Belgium (2)
Brunei (3)
Bulgaria (4)
Channel Islands (2)
China (10)
Cyprus (12)
Czech Republic (8)
Egypt (8)
Estonia (3)
Germany (3)
Gibraltar (2)
Greece (75)
Hong Kong (12)
India (52)
Indonesia (26)
Ireland (35)
Jordan (4)
Kazakhstan (10)
Kuwait (32)



Latvia (1)
Lebanon (12)
Lithuania (1)
Macedonia (1)
Malaysia (15)
Malta (5)
New Zealand (2)
Nigeria (2)
Oman (5)
Pakistan (9)
Philippines (3)
Poland (26)
Qatar (9)
Romania (9)
Russia (59)
Saudi Arabia (88)
Serbia (1)
Singapore (15)
Slovakia (4)
Slovenia (2)
South Africa (15)
Spain (19)
Taiwan (27)
Thailand (7)
Turkey (46)
UAE (68)
Ukraine (25)
Uzbekistan (1)

Europe



Russia - Metropolis

Middle East and Africa



UAE - Mirdiff Centre

Far East and India



Far East and India



Pune

Significant growth opportunity



- New stores
- New countries
- Store size
- Multi-channel



Jerry Cull

Director of
International

Mothercare

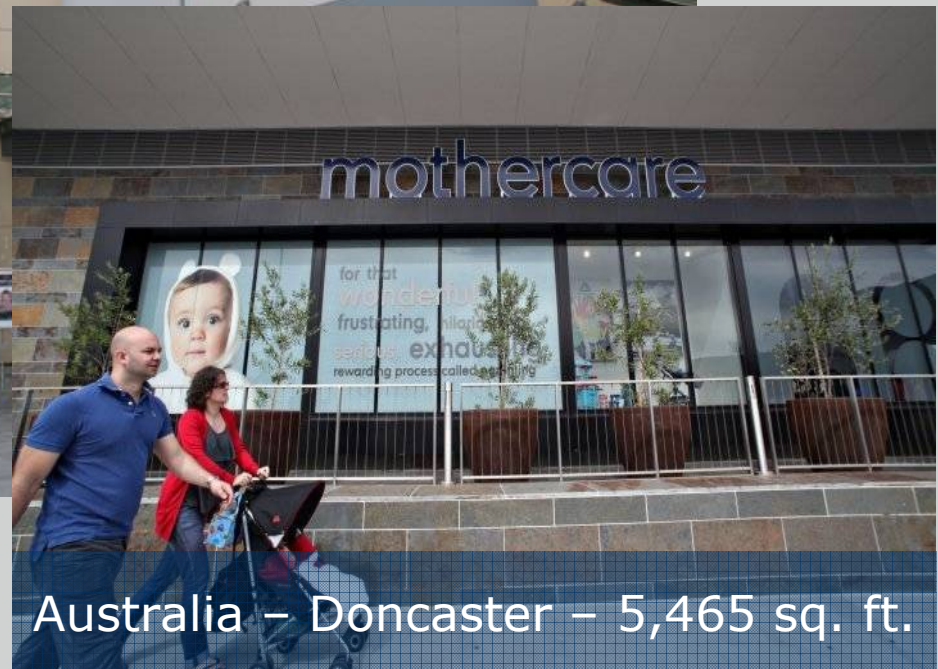
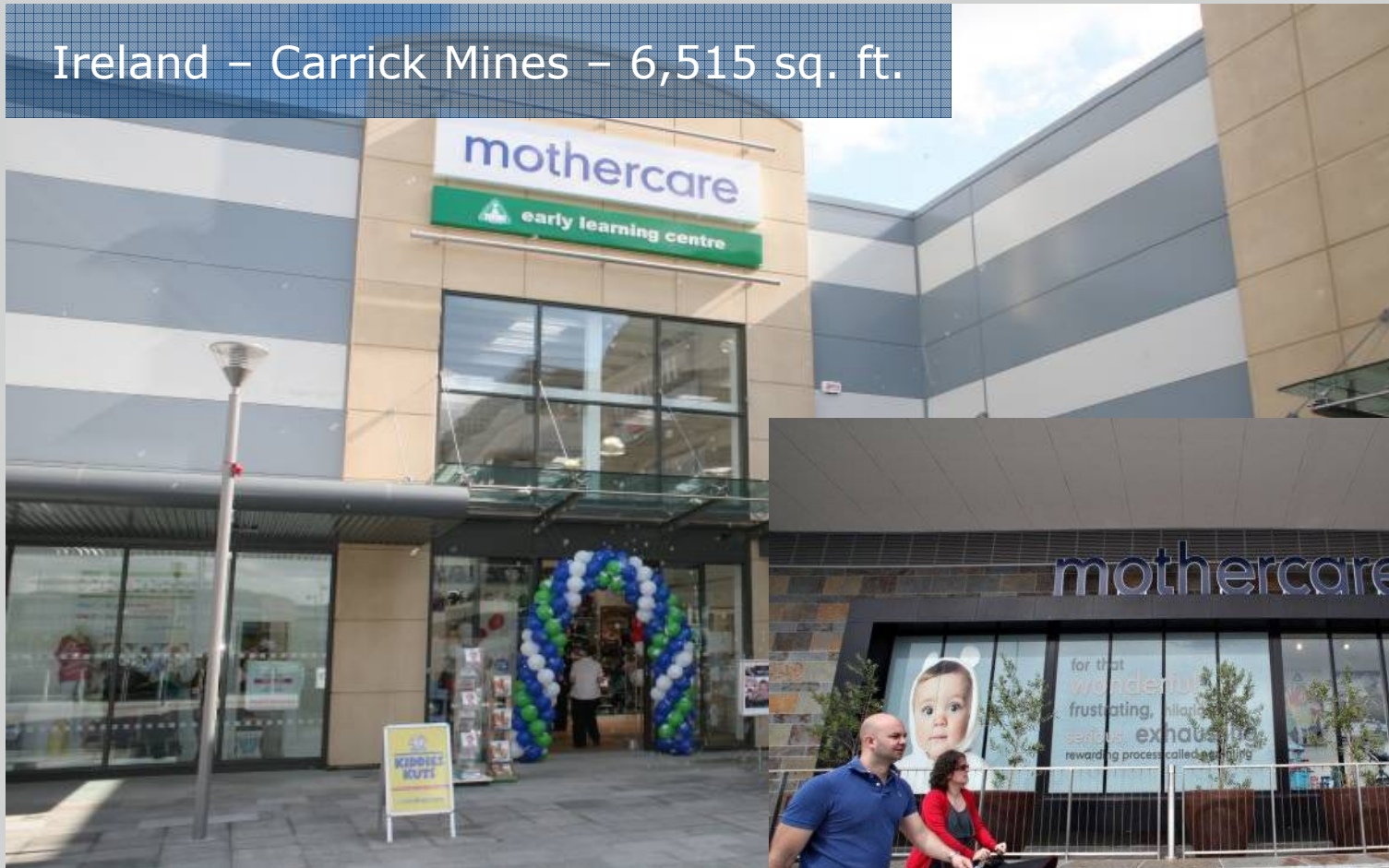
Store format – Malls

UAE - Mirdiff Centre – 8,525 sq. ft.



Store format – Out of town

Ireland – Carrick Mines – 6,515 sq. ft.



Australia – Doncaster – 5,465 sq. ft.

Store format – Shop in shop



China – Wanfujing – 1,700 sq. ft.

Store format – Street location

Azerbaijan – Azerbaijan High Street – 3,100 sq. ft.



Store format – Malls



Dubai – Diera City Centre – 1,776 sq. ft.

Store format – Standalone

Cyprus – Pathos – 2,475 sq. ft.



Store format – Shop in shop



Indonesia – Kelapa Gading – 3,914 sq. ft.

South Africa – Canal Walk Cape Town – 900 sq. ft.

South Africa – Canal Walk Cape Town – 900 sq. ft.

Buying - Benefits



Group sourcing



Delivery

ELC/Mothercare UK
Stores/International
UK



Alshaya MC
ME Regional DC
Dubai, UAE



Delhi, Tirupur and Shanghai



Group International
Shenzhen, CN



Group International
Singapore



Global Freight Management

Delivery

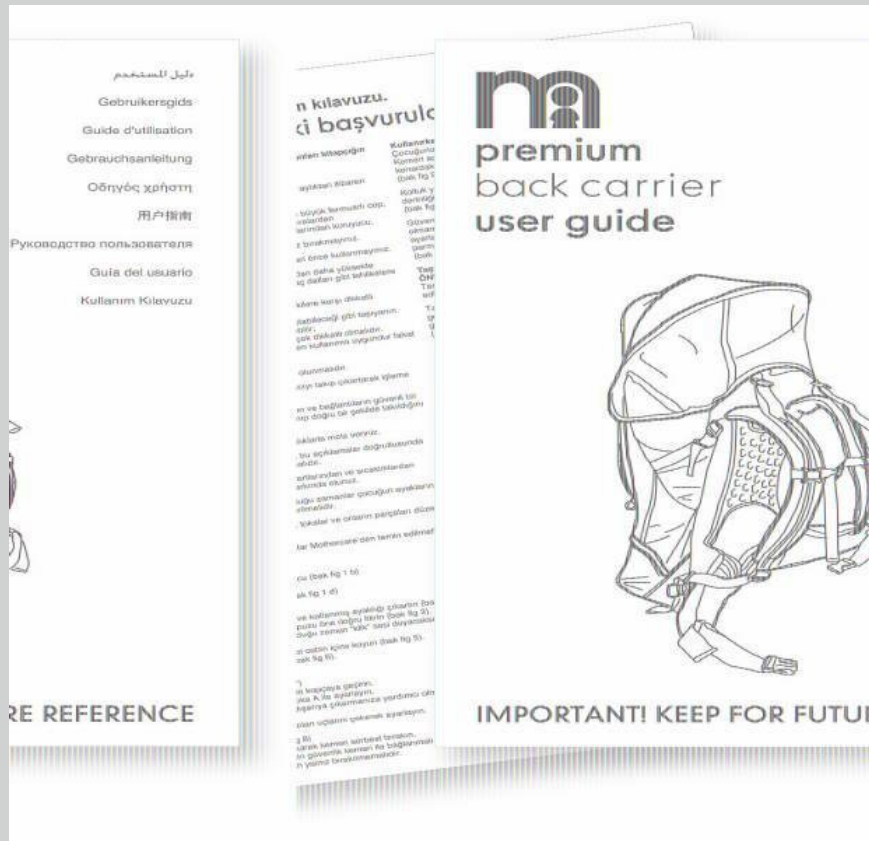
- New franchisee/JV supply operation in Shenzhen, South China
- Fully operational for Mothercare and ELC brands from September 2010
- Scaleable to support franchisee/JV growth
- Capacity to absorb all Asia source volumes
- Capable of supporting common stock and value added processes



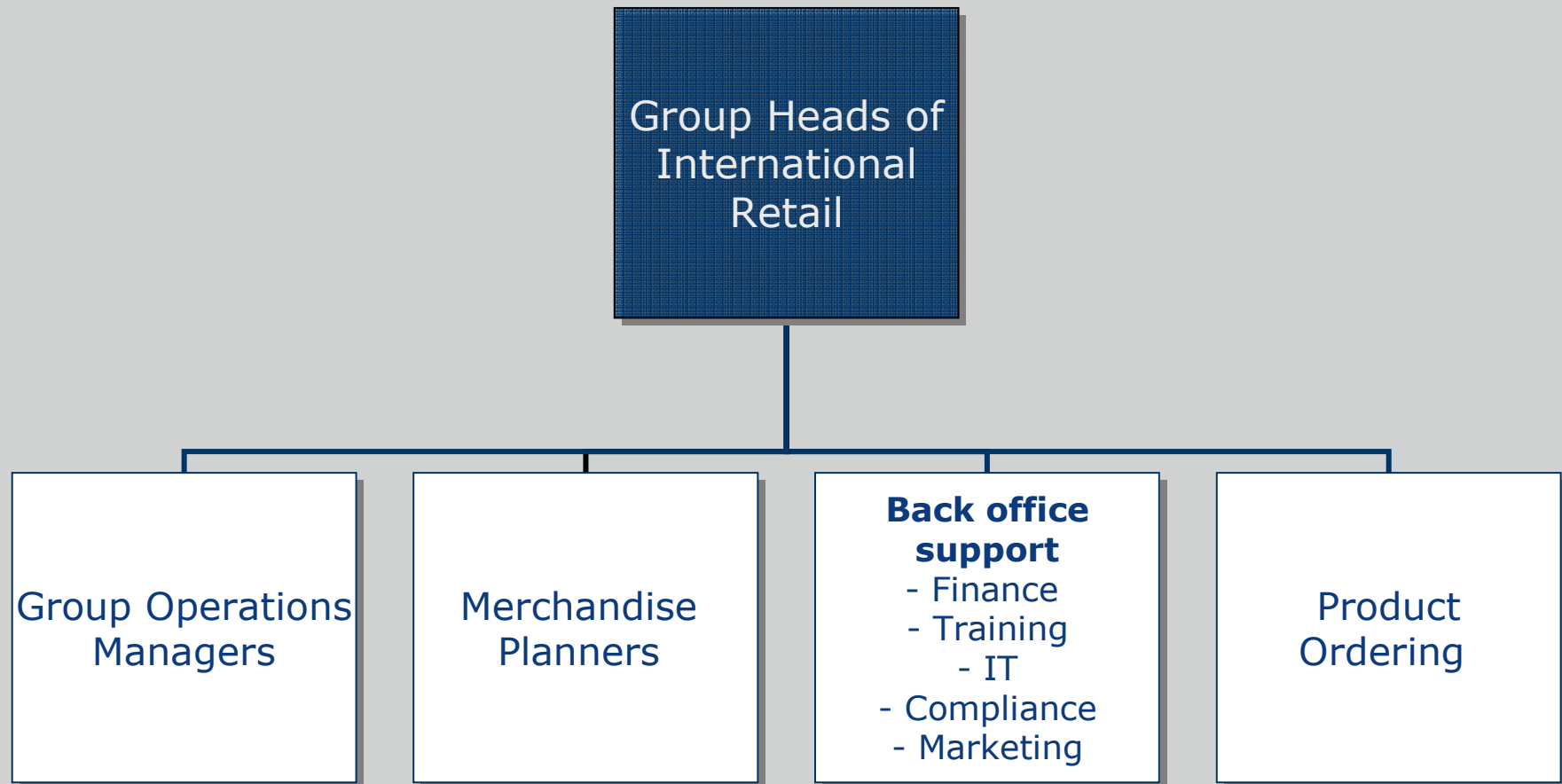
Brand Management – Local marketing



Brand Management – Multi-language



Franchise support structure





Neil Harrington
Finance Director
Mothercare

“Franchise” model

- Franchisee sales to customer = Network sales
- Network sales x royalty % = Royalty fee
- Royalty fee – central costs = Mothercare operating profit
- Sales of stock to franchisees + royalty fee = “Reported” sales
- Operating cash flows = operating profit
- Low risk @ 5% return on Network sales

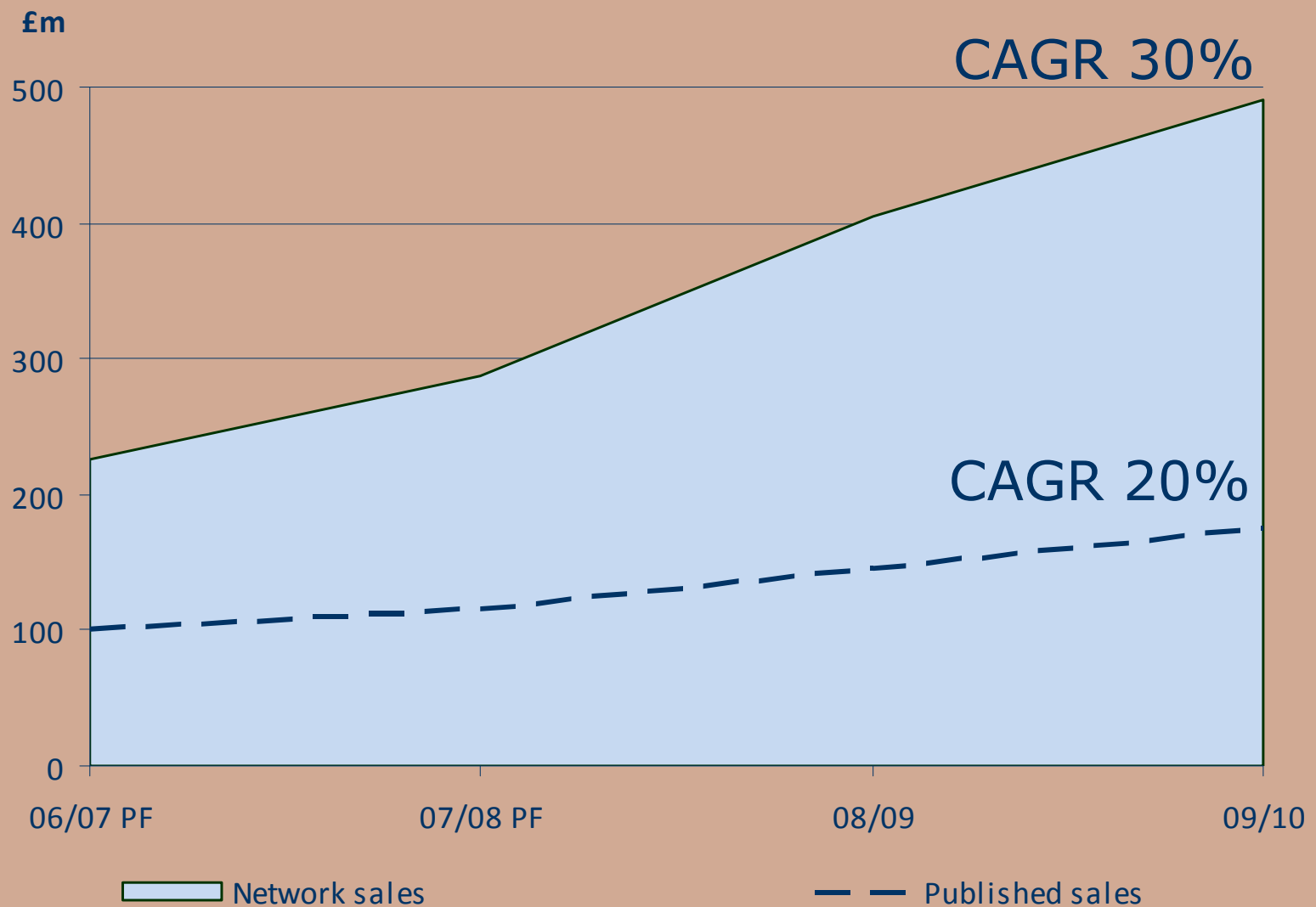
“Joint Venture” model

- Same as franchise model; royalty % on Network sales
- Mothercare own share of franchisee equity
- Shareholder agreement; franchise agreement; Board nominee(s)
- Contribute share of capital
- Earn share of post tax profits
- Increased risk, higher potential return on Network sales
- Operating cash flows as franchise + share of dividends – share of investment
- Adopted in key growth markets
 - Currently China 30%, India 30%, Australia 25%

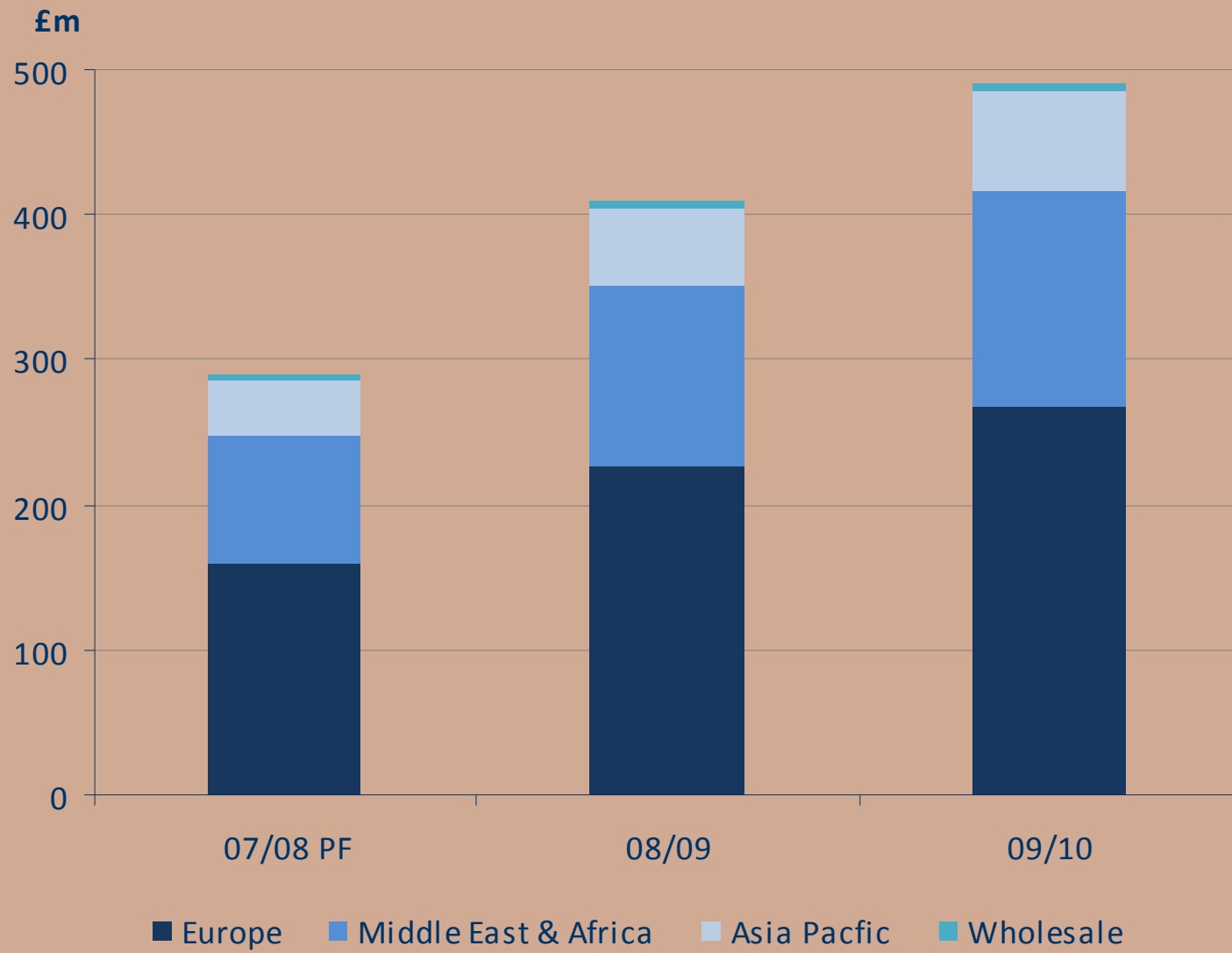
2 year growth trends

	H1 08/09 Base Year	H1 09/10	H1 10/11	2 Year Growth
Store numbers	572	671	840	21% CAGR
Retail selling space ('000 sq. ft.)	1,207	1,420	1,729	20% CAGR
Total international network sales	£195.0m	£252.8m	£297.3m	23% CAGR
Underlying profit from operations	£7.7m	£11.8m	£15.8m	43% CAGR
Underlying profit margin	3.9%	4.7%	5.3%	140 bps

Network sales, reported sales

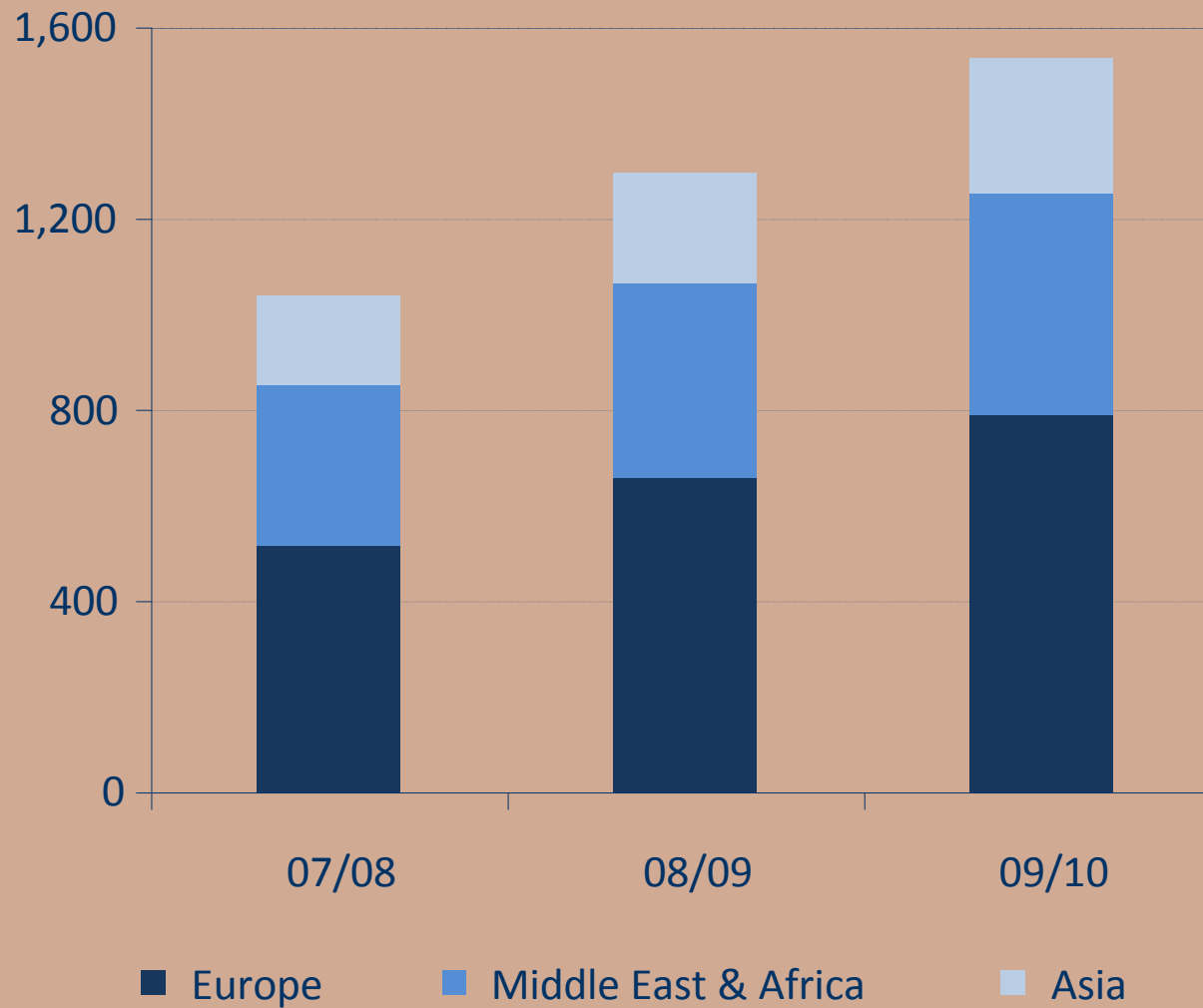


Network sales growth by region



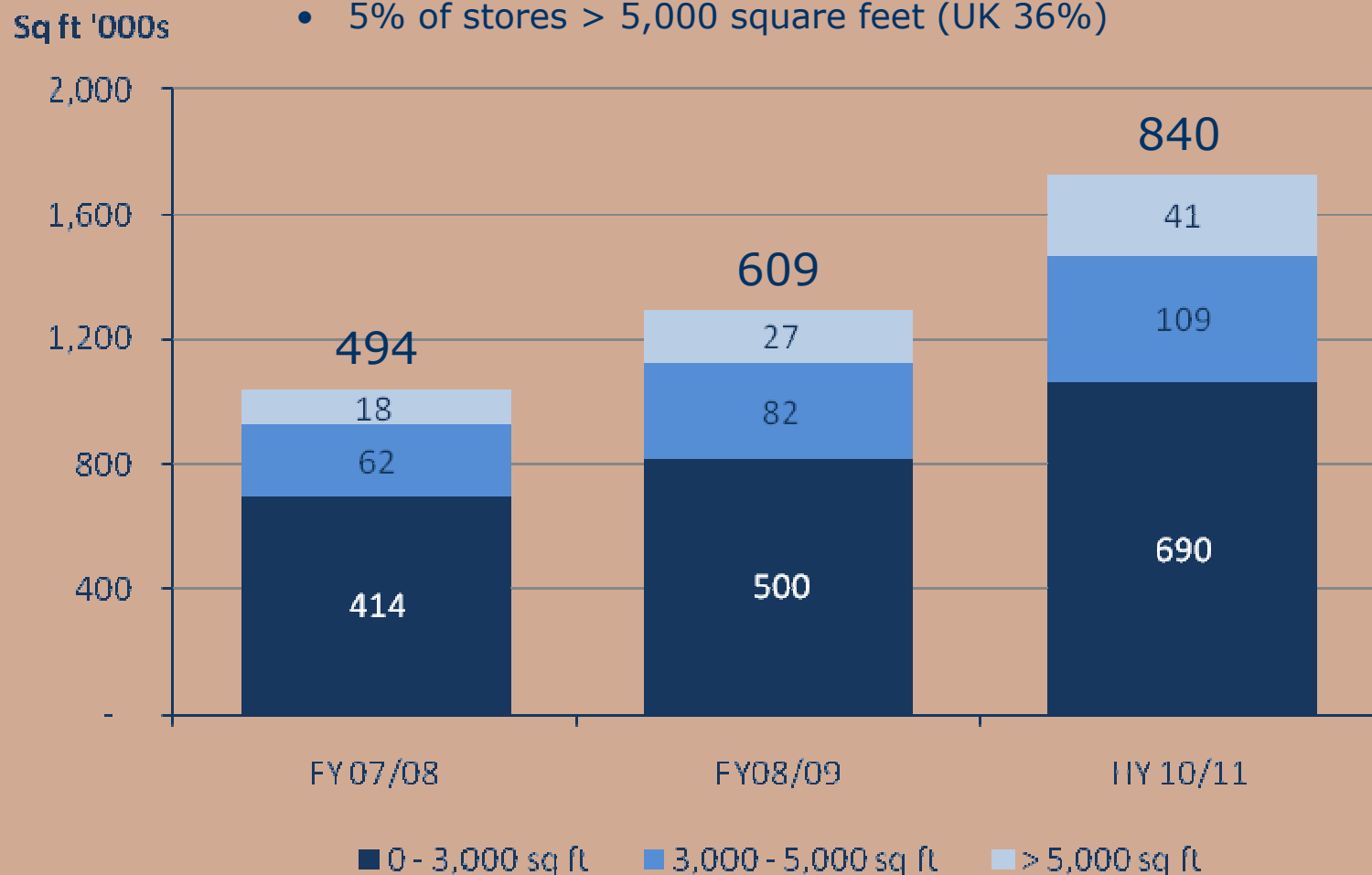
Space growth by region

Sq ft '000s



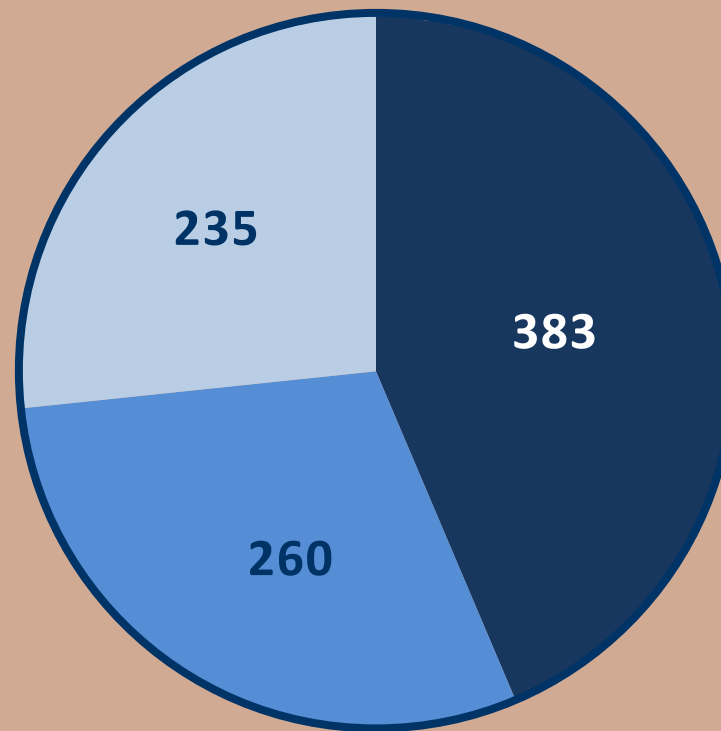
Store space and numbers

- Home and Travel 24% of product mix (UK 35%)
- 5% of stores > 5,000 square feet (UK 36%)



878 International stores today; 150 opened YTD

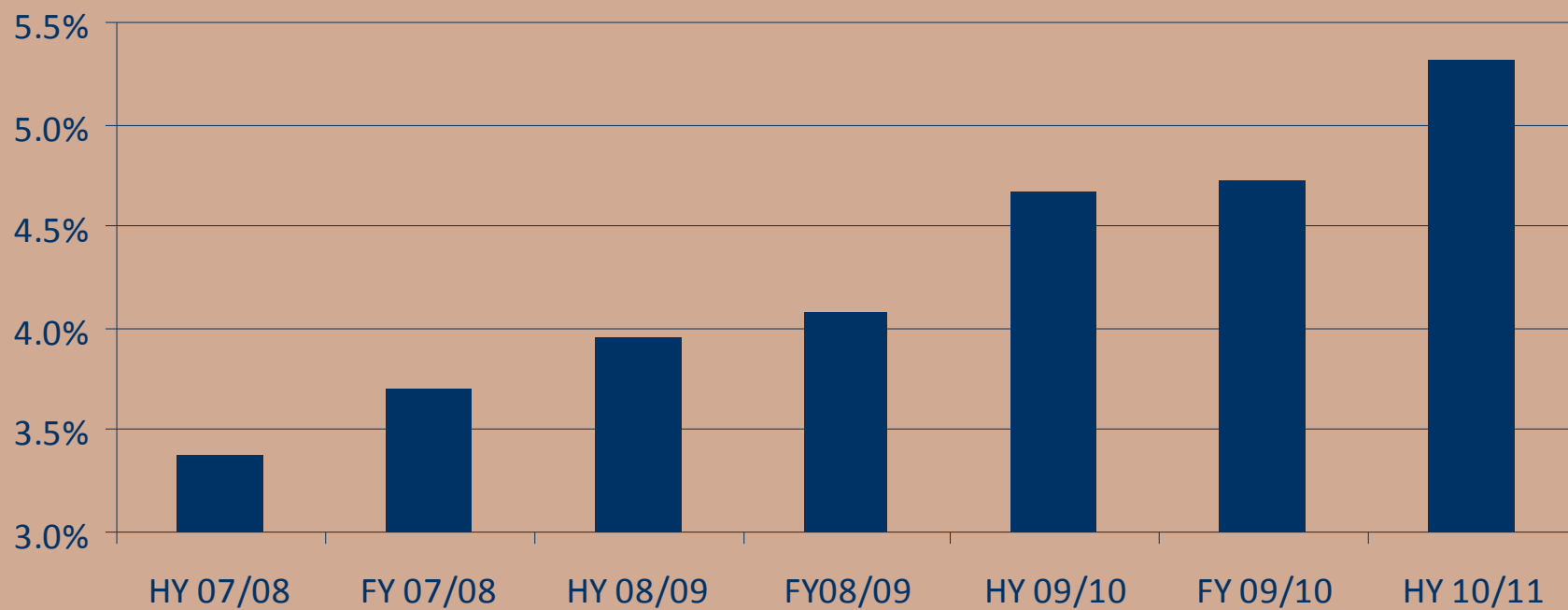
Stores at 27/11/2010



■ Europe ■ Middle East & Africa ■ Asia

Margin growth

Profit as a % network sales



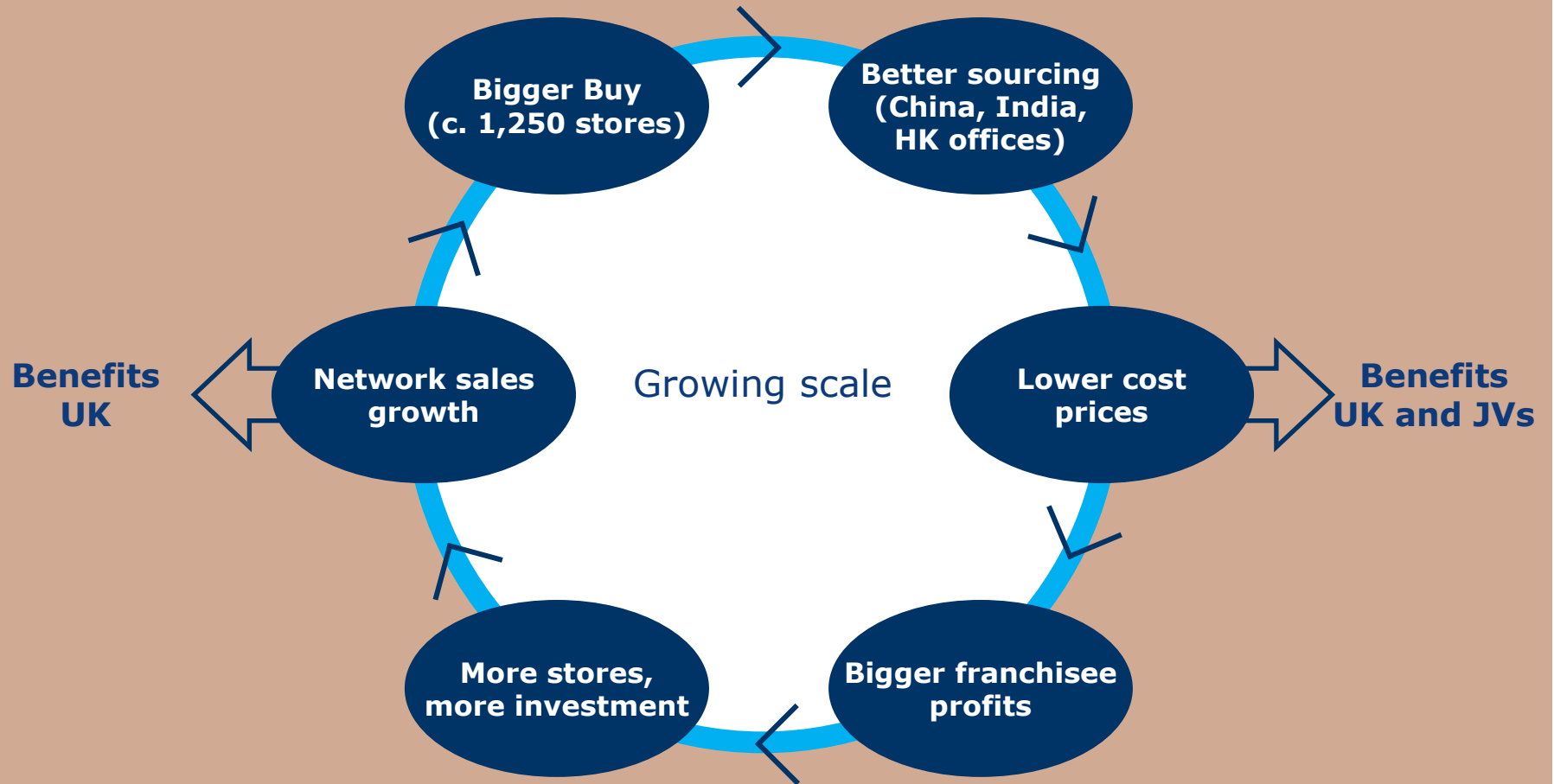
Drivers of Mothercare margin growth

- Gearing – rapid sales growth, small fixed cost based c. 10-20 bps p.a.
- Mix – royalty rates vary by country/economy
- FX – multi-currency revenue stream, overall royalties benefit from weaker Sterling

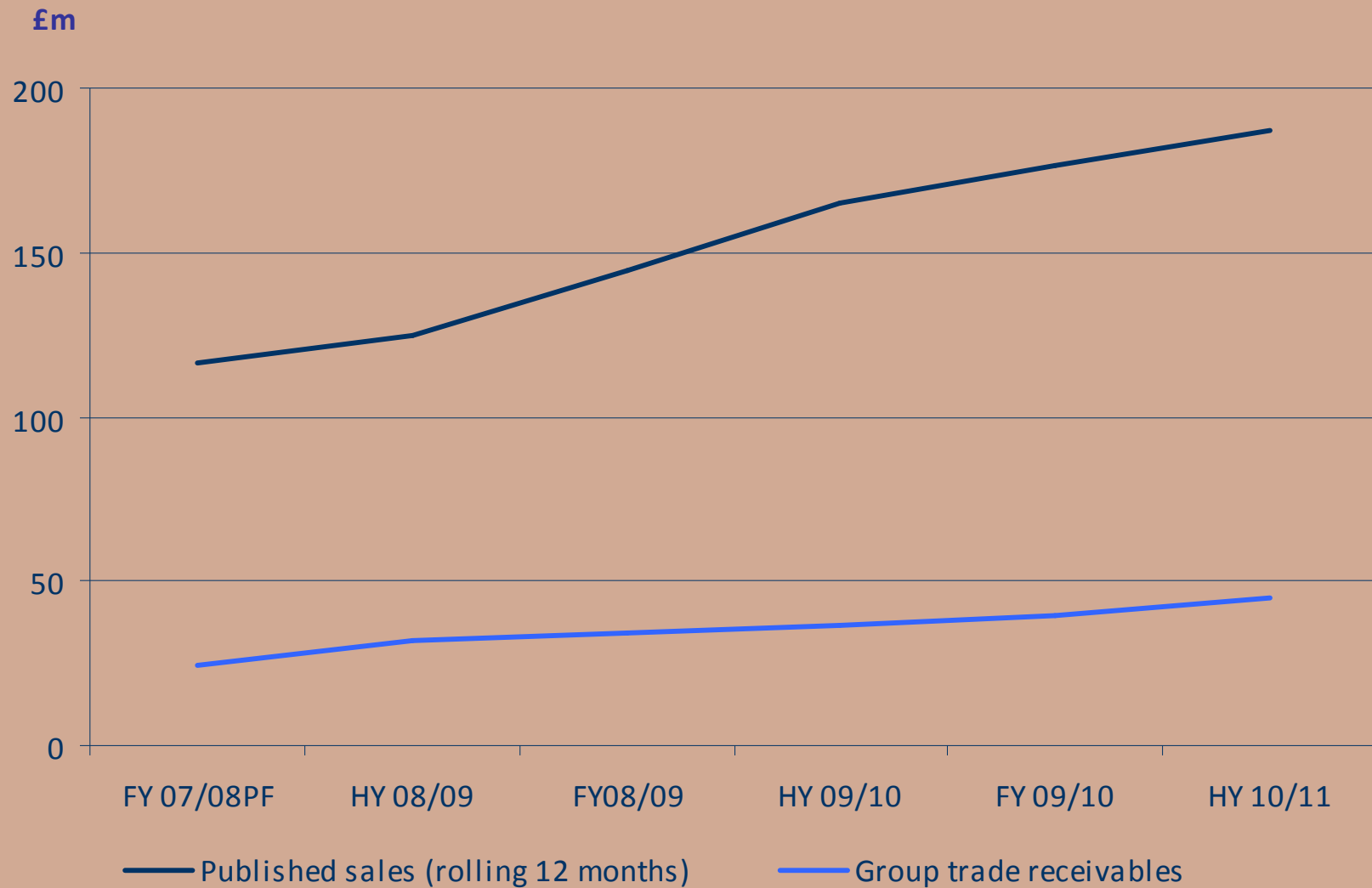
International in context of Mothercare group

- Structural FX hedge (pay suppliers in currency)
- Strongly positive and growing cash flow underpins investment in International and dividend growth
- Helps reduce group operational gearing (fixed charge cover 07/08, 1.8x; 09/10 2.0x)
- Scale benefits (cost prices, fixture prices, product improvements, learnings)

Benefits of scale



Working capital investment: receivables



Free cash flow

	FY 07/08	FY 08/09	FY 09/10
Operating profit	£10.6m	£16.5m	£23.2m
Tax rate	28%	28%	28%
Profit after tax	£7.6m	£11.9m	£16.7m
JV capex (share)	(£1.0m)	(£0.3m)	(£1.6m)
Change in W/C	(£2.3m)	(£4.0m)	(£4.2m)
Free cash flow	£4.3m	£7.6m	£10.9m

ROI (07/08 to 09/10) - **77%**

International KPIs

1. Birth rate
2. GDP growth
3. Competition

Top ten growth countries - KPIs

Top 10 countries	B/R (per 1000 population)	GDP growth (%)
India	21.0	8.4
China	13.7	9.4
Russia	11.3	3.3
Turkey	17.1	3.4
Ukraine	10.8	4.1
Australasia	13.0	4.0
South Africa	20.9	3.6
Poland	9.8	2.7
Indonesia	16.8	6.0
Egypt	23.2	5.0
UK for comparison	12.3	1.8

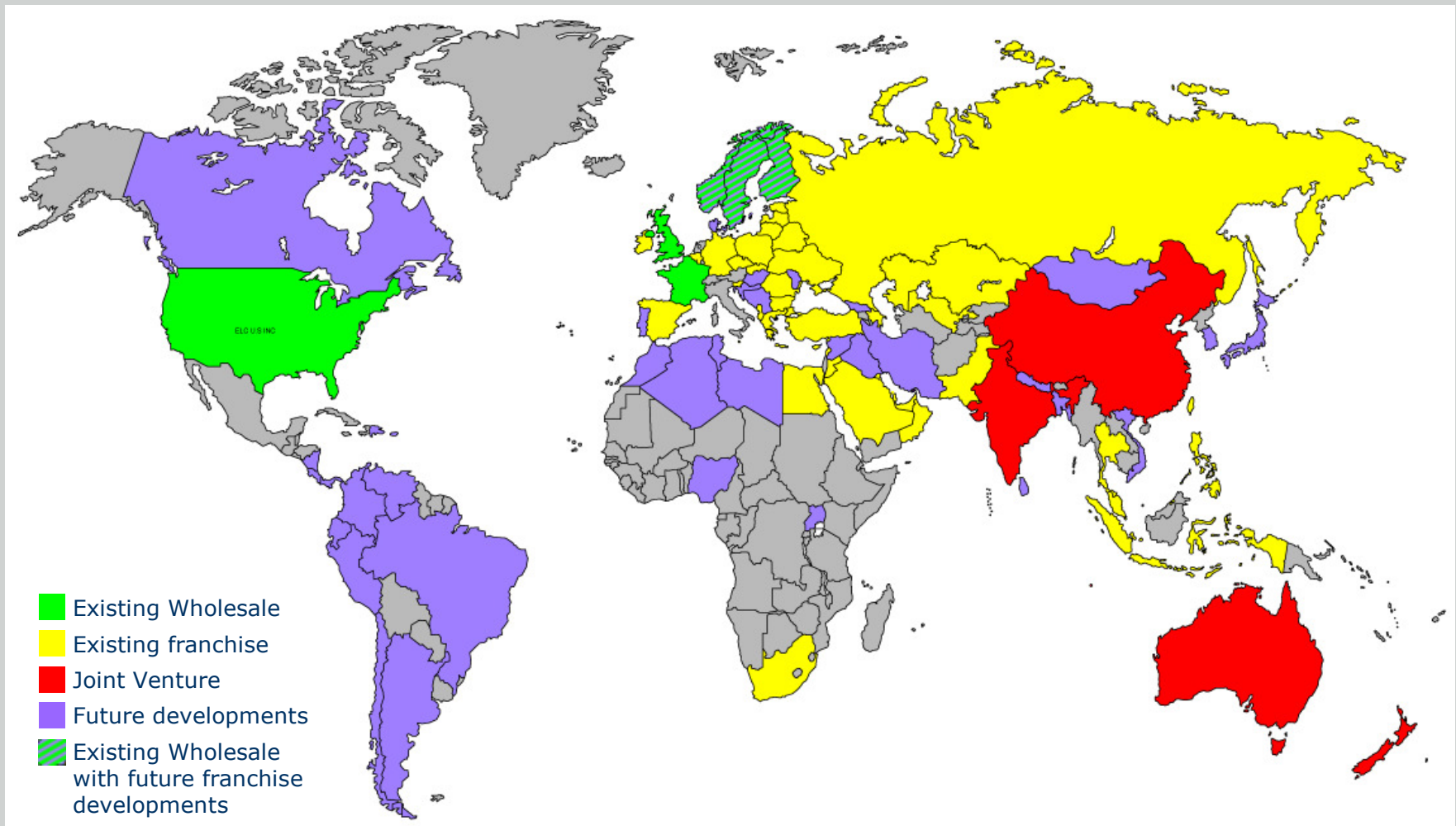


Jerry Cull

Director of
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Mothercare

Existing markets



Existing markets - China

Population (m)

1,321.3

Number of births (m)

16.1

GDP growth rate (%)

9.9

Annual expenditure per capita

(US\$)

767



Source JPM

China



China



Existing markets - Russia

Population (m)

142.4

Number of Births (m)

1.7

GDP growth rate (%)

3.3

Annual expenditure per capita
(US\$)

3,379



Source JPM

Russia

Leninsky Prospekt



Russia



Metropolis

Russia

Metropolis



Existing markets – Turkey

Population (m)
74.3

Number of Births (m)
1.4

GDP growth rate (%)
3.4

Annual expenditure per
capita (US\$)
5,438



Turkey



Turkey



Kanyon

Turkey



Carousel – 4,138 sq. ft.

Channel opportunity – e-commerce

mothercare Australia - Maternity Clothing, Baby Cloth...

Search entire store here... GO

My Account | Login | Join

maternity baby & children's clothing travel & accessories nursery feeding baby care toys & gifts parenting advice order

mothercard
making motherhood even more rewarding



[LOGIN](#) [JOIN NOW](#)

mothercare's
newest arrival "MT Gravatt"
our first landmark store in Queensland

Come join the party on 7-8 August 2010
First 500 customers receive
a mothercare goody bag

[store detail](#)

\$1 spent in store = 1 reward point

mothercare making motherhood even more rewarding

[apply online](#)

recently viewed

 [My Choice 4-Wheeler Pushchair Chassis](#)

compare products

You have no items to compare.

price promise

at mothercare we watch our prices as keenly as you do

this months highlights



Q&A





Ben Gordon
CEO, Mothercare

- Presentation from Shopper's Stop
 - BS Nagesh
- Presentation from DLF
 - Dipak Agarwal
- Presentation from Alshaya
 - Thomas Haig and Stuart Dickerson

Q&A





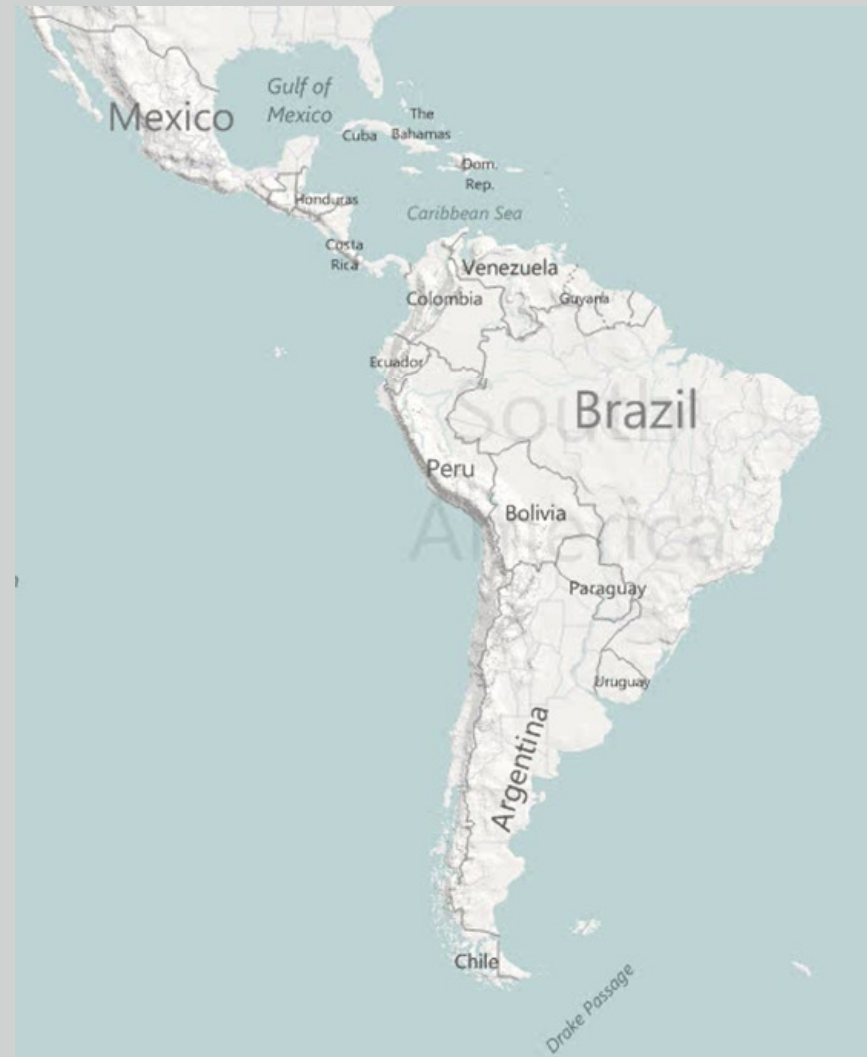
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Director of
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Mothercare

Latin America

- South America has been identified as a high priority development opportunity for our two brands
- Market feasibility studies and partner selection progress commenced earlier this year
- Market complexities exist in some countries including reverse seasonality, high import duties
- Lack of credible National competitors across Latin America provides us with a huge opportunity to roll out our highly efficient Franchise model
- Dedicated team to provide support and develop a launch strategy for each market



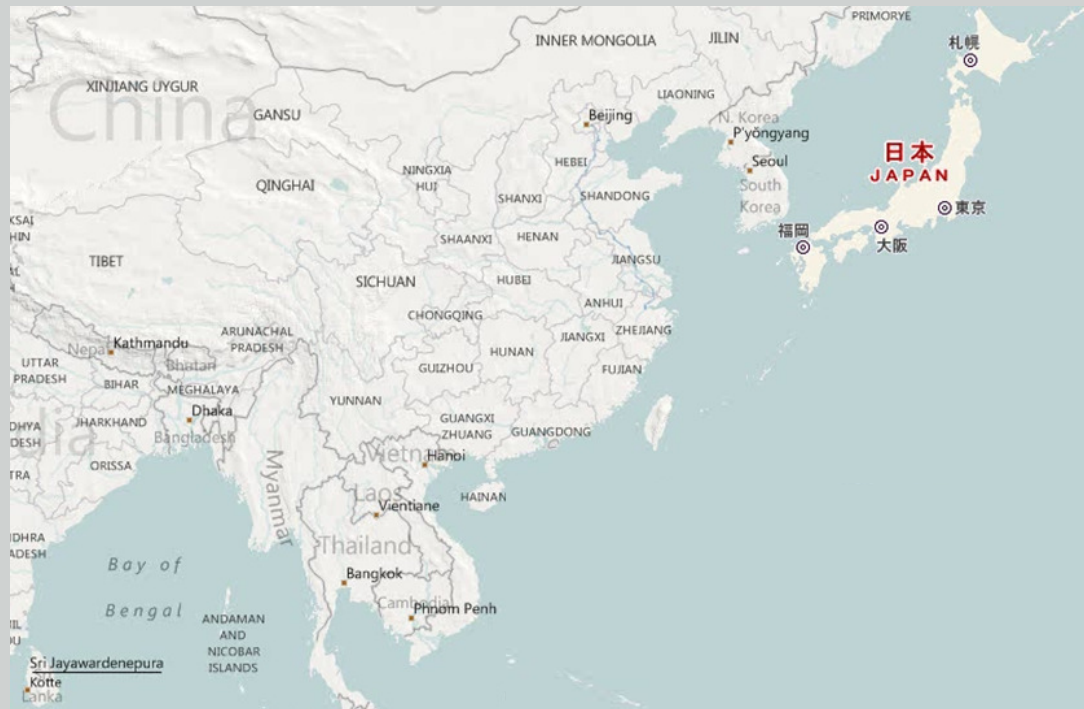
Scandinavia

- Have identified potential partners for Scandinavia with a view to launching stores in the region in 2012
- Great success of our existing business in Russia, the Baltic States and Poland provides us with strong knowledge of trading in a similar climate
- Location strategy likely to be out of town with large space stores that provide a superior store environment and significantly better customer service than exists in the market today



Asia

- 60% of world population in Asia
- 3 areas of focus:
 - Japan
 - South Korea
 - Vietnam



North Africa

- First store opening in Morocco A/W 2011
- Libya and Algeria planned with Alshaya 2013/2014

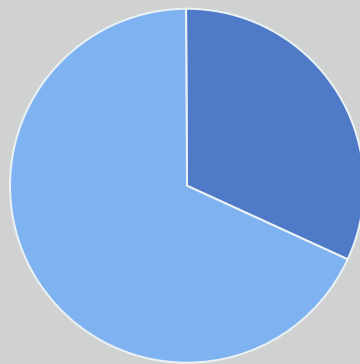




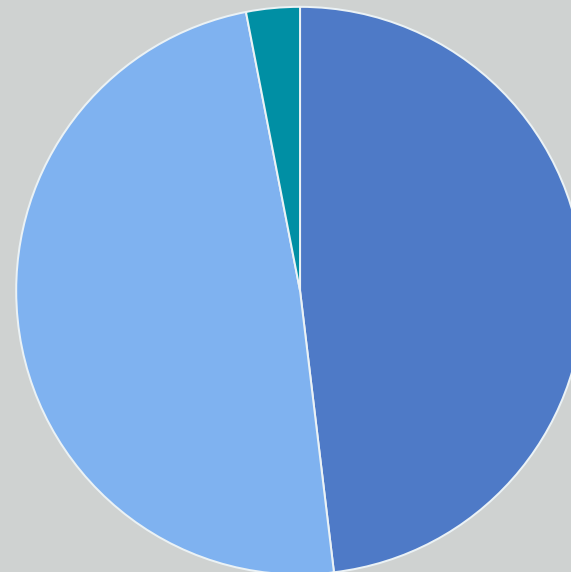
Neil Harrington
Finance Director
Mothercare

Potential future retail sales growth

■ Top ten markets ■ Other markets ■ New markets



2009/10
Franchise retail
sales of £486m



2013/14E
Franchise retail
sales £850m – £1,000m

Estimates - 1

- Network sales double by March 2014
- 175 new stores 2010/11, increasing space by 20-25%
- 150 new stores per annum thereafter
- 15-20% increase in sales/space per annum
- India - 200 stores by March 2015 (current average store size c. 2,000 sq. ft.)
- China - 50 stores by March 2015 (current average store size c. 3,500 sq. ft.)

Estimates - 2

- Margin expansion to continue
- Total 20-30 bps per annum to 2014
- JVs move to profit – India 11/12; China 12/13
- £5m capital investment in JVs over 3 years
- £5-£10m working capital increase per annum (inc. JVs)



Ben Gordon
CEO, Mothercare

Q&A

