



# Investor Briefing FY 2010

## September 2010

**This presentation contains strategic targets which, for the avoidance of doubt are not intended to be forecasts.**



# Highlights

- Turnover up 6.8%
- Total dividend declared for the year up 7%
- EPS 8.2p v's 9.6p (9.7p basic) last year
- Strong balance sheet

# We have also strengthened the Board during the year

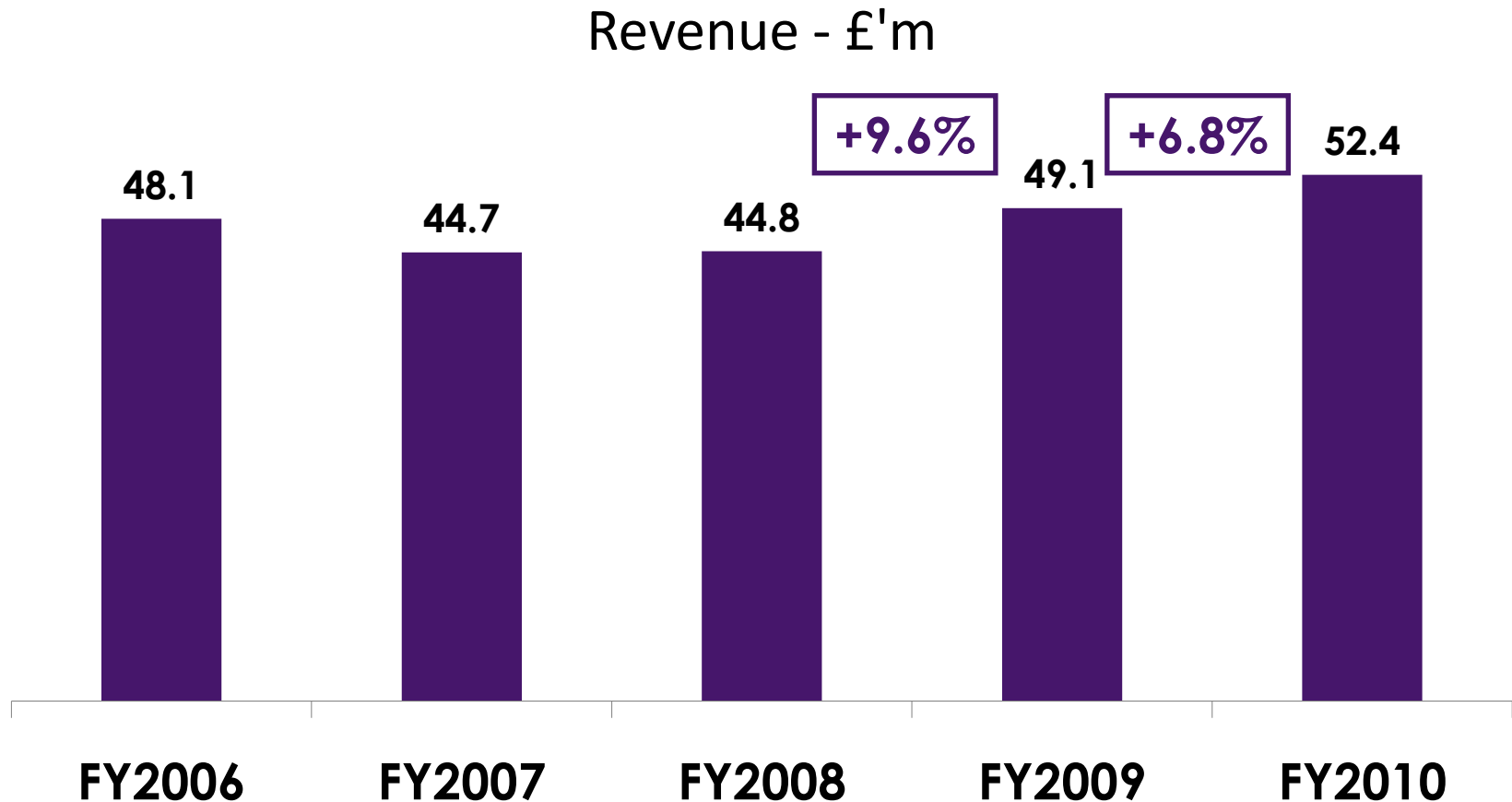


**Mark Warren**  
**Group FD**  
**From 1 Jan 2010**



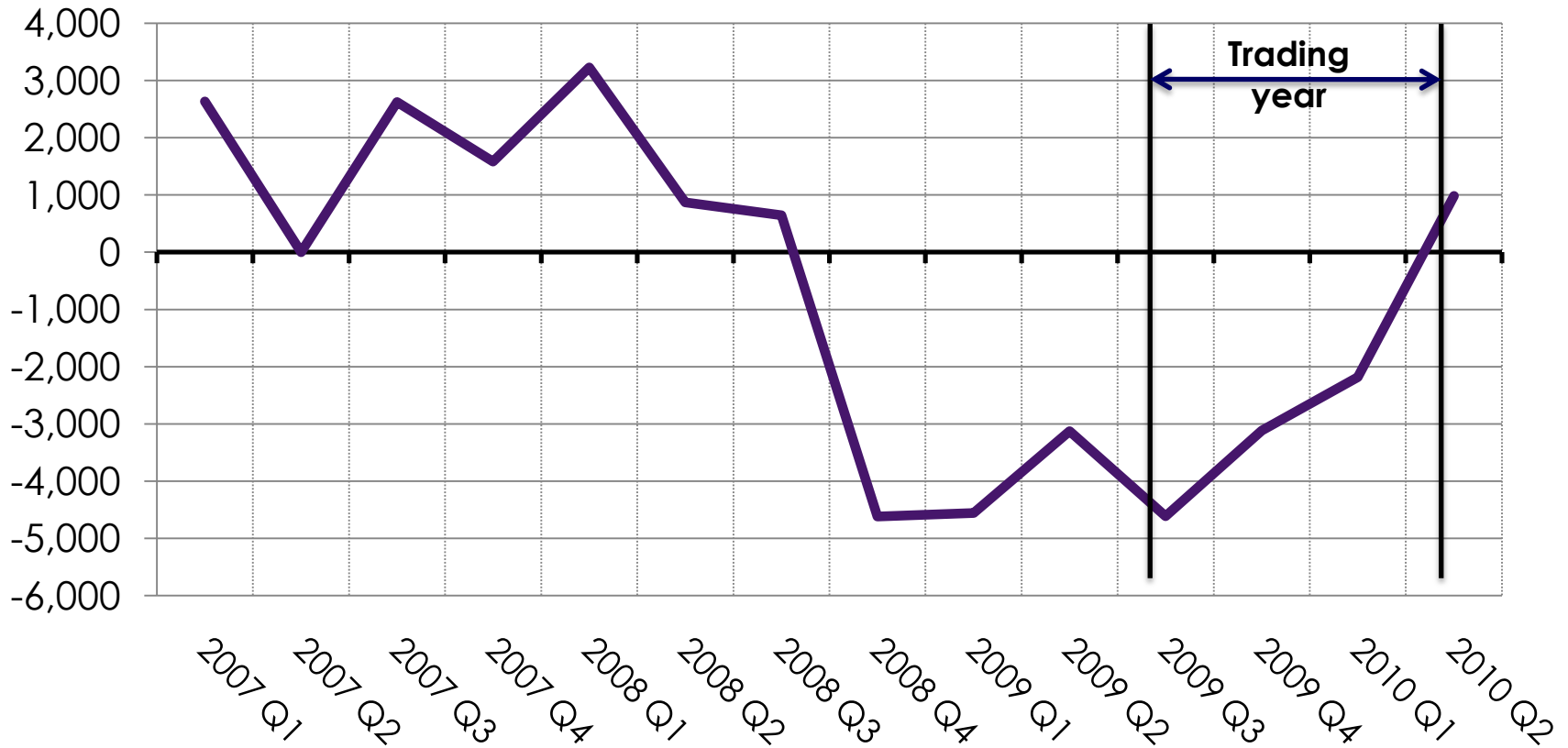
**Franklin Berrebi**  
**Non-Executive**  
**From 29 Jul 2010**

# Revenue growth counteracts the challenging background ...



# ... despite continued destocking ...

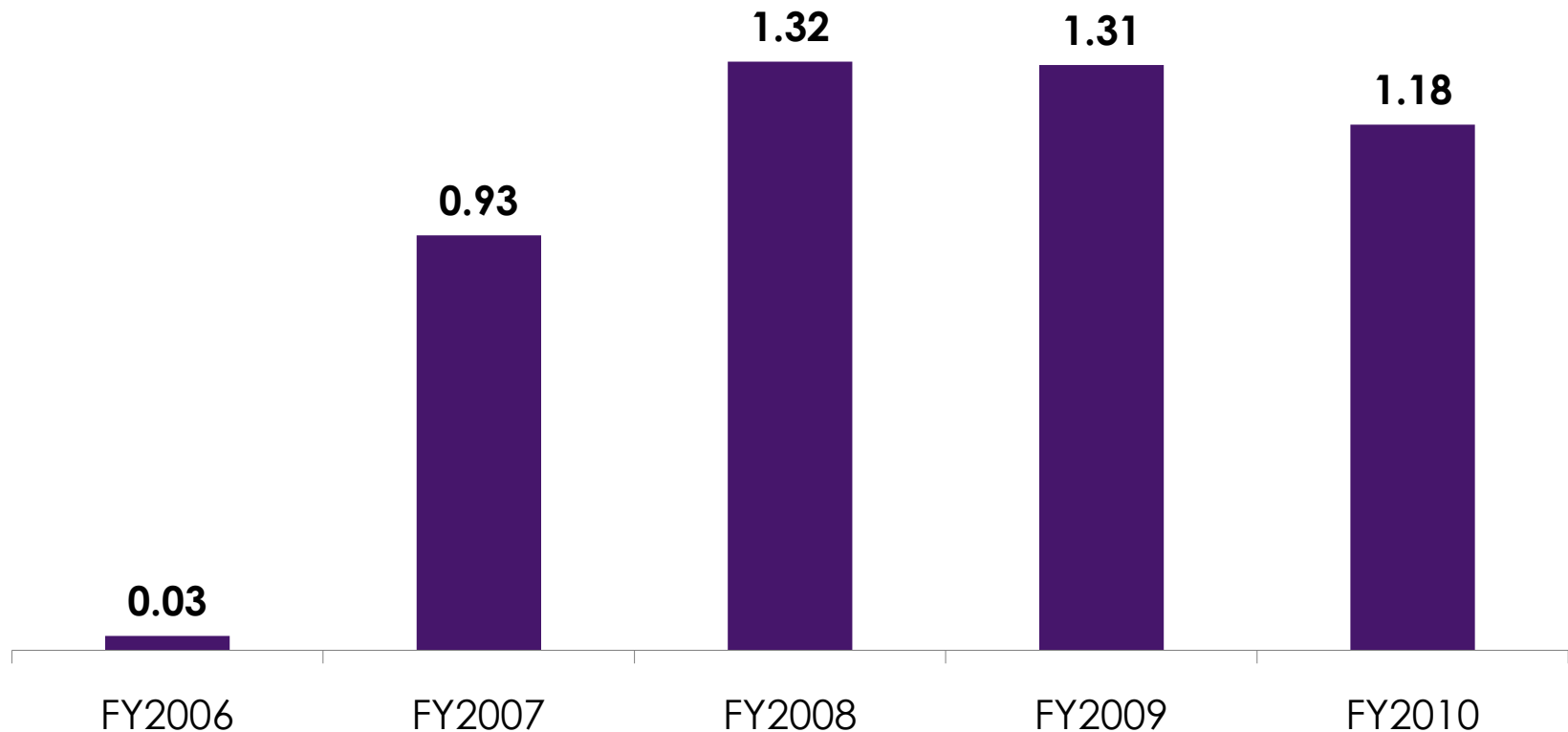
## Change in UK inventories - £'m



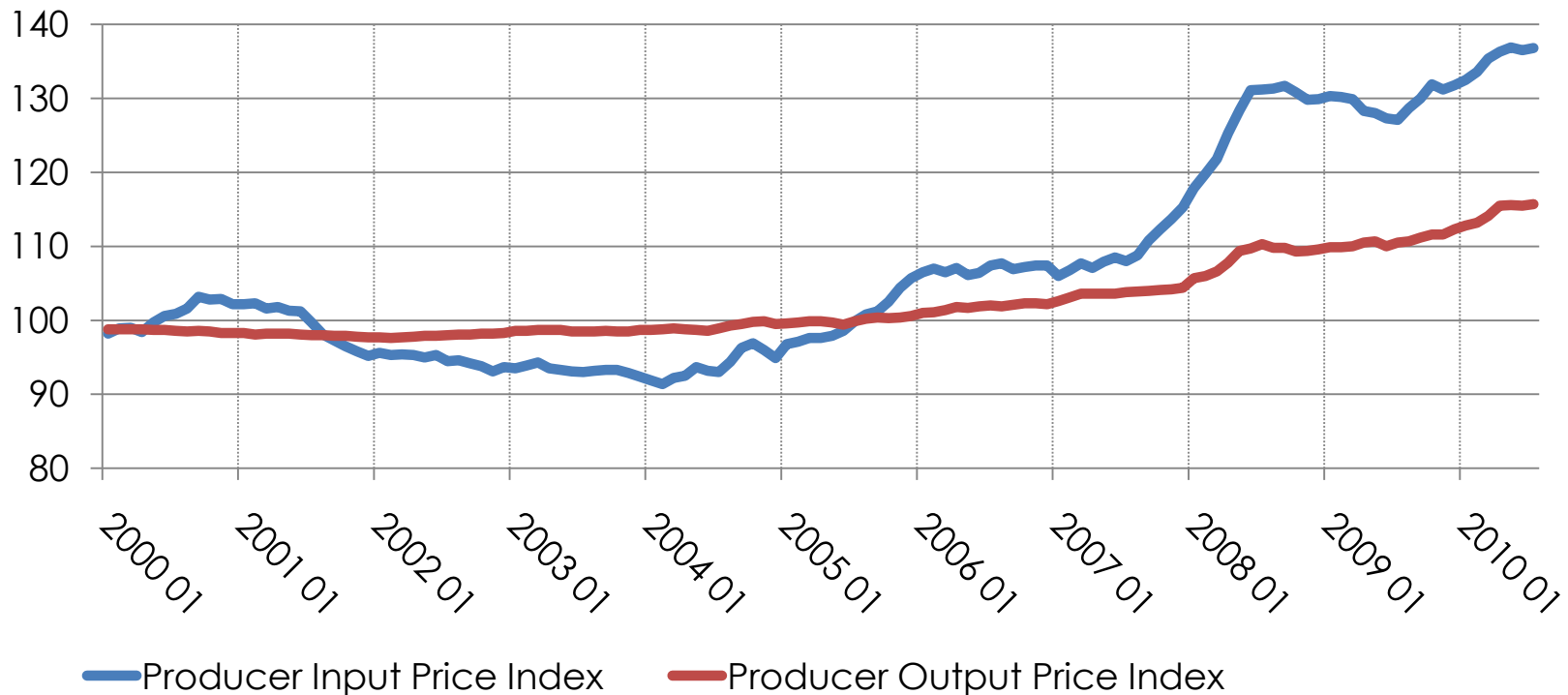
Source: ONS series NATPG

# ... whilst delays, economy and investment impact on profits

Profit Before Tax (excluding exceptionals) - £'m



# Cost increases have been difficult to pass on ...



Source: ONS series RNNQ, PLLV

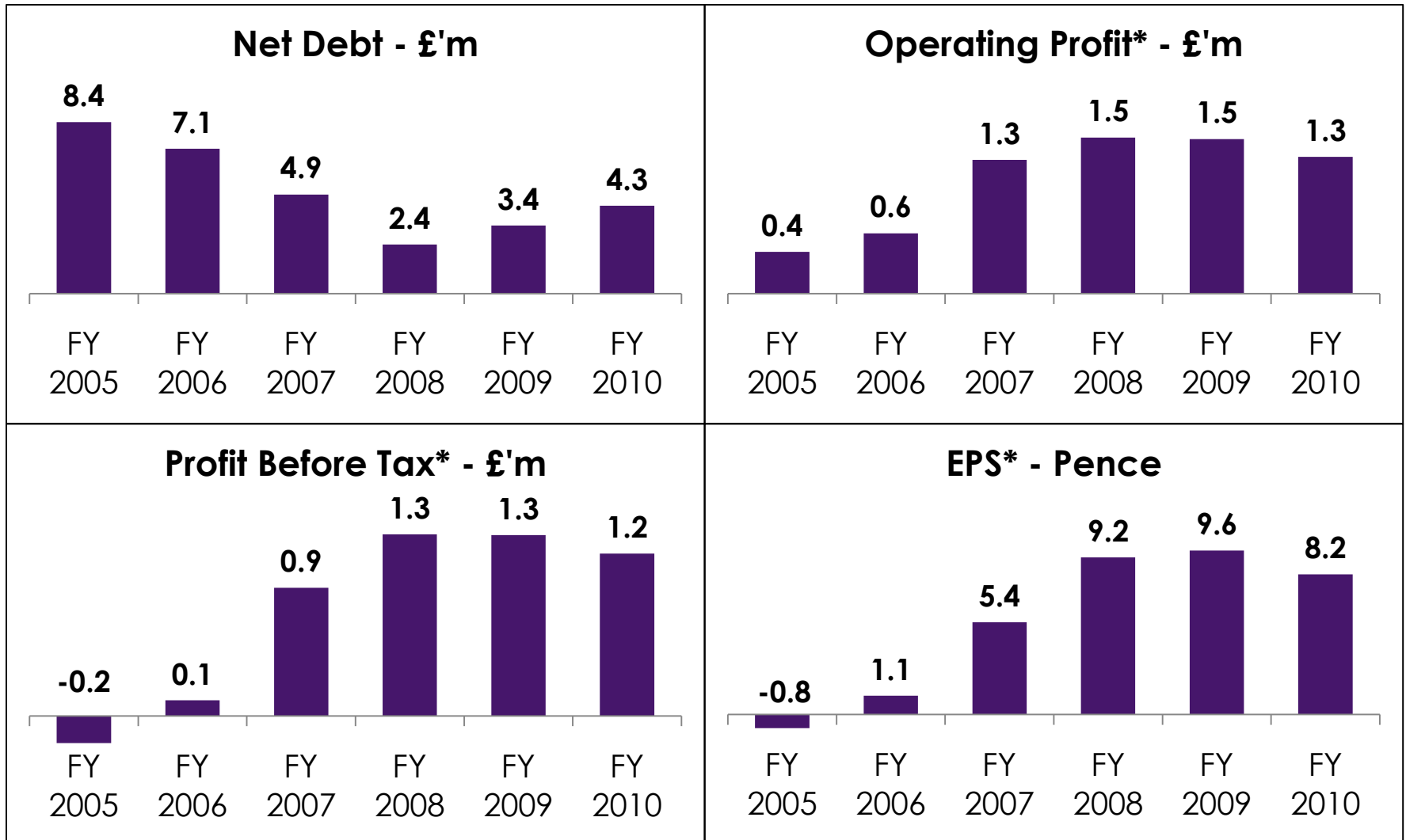
- Impact: margins excluding controllable overheads down 1%

## **... but we have continued to invest carefully for growth**

- Sales support offices in Paris & New York and others to support sales drive
- Technical & New Product Development
- Additional bulk manufacturing personnel
- Rental of warehouse extension
- Loss of pension credit amortisation costs £76k

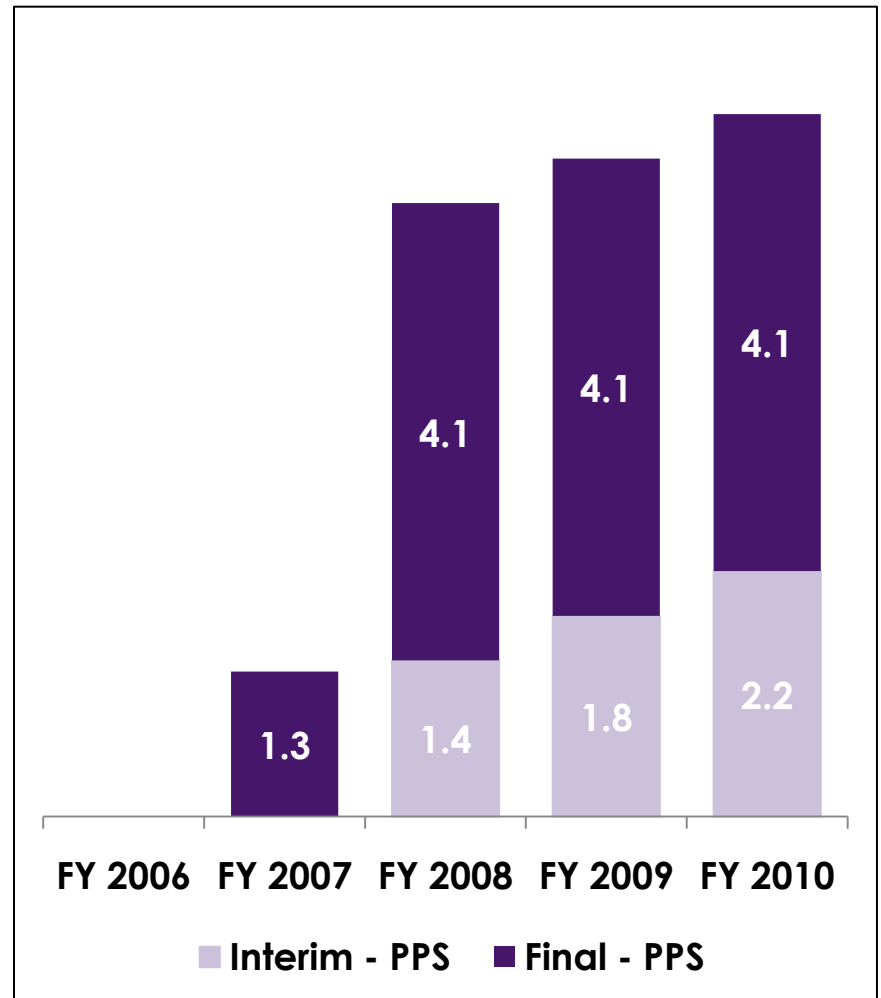
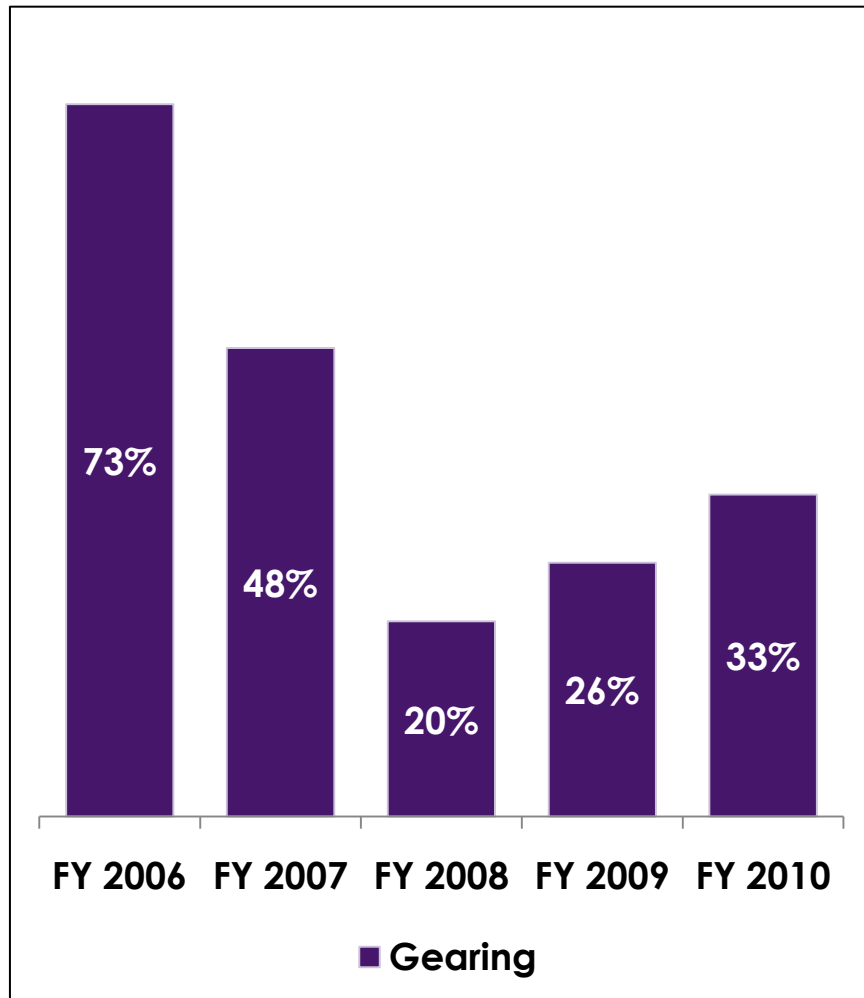


# Financial summary

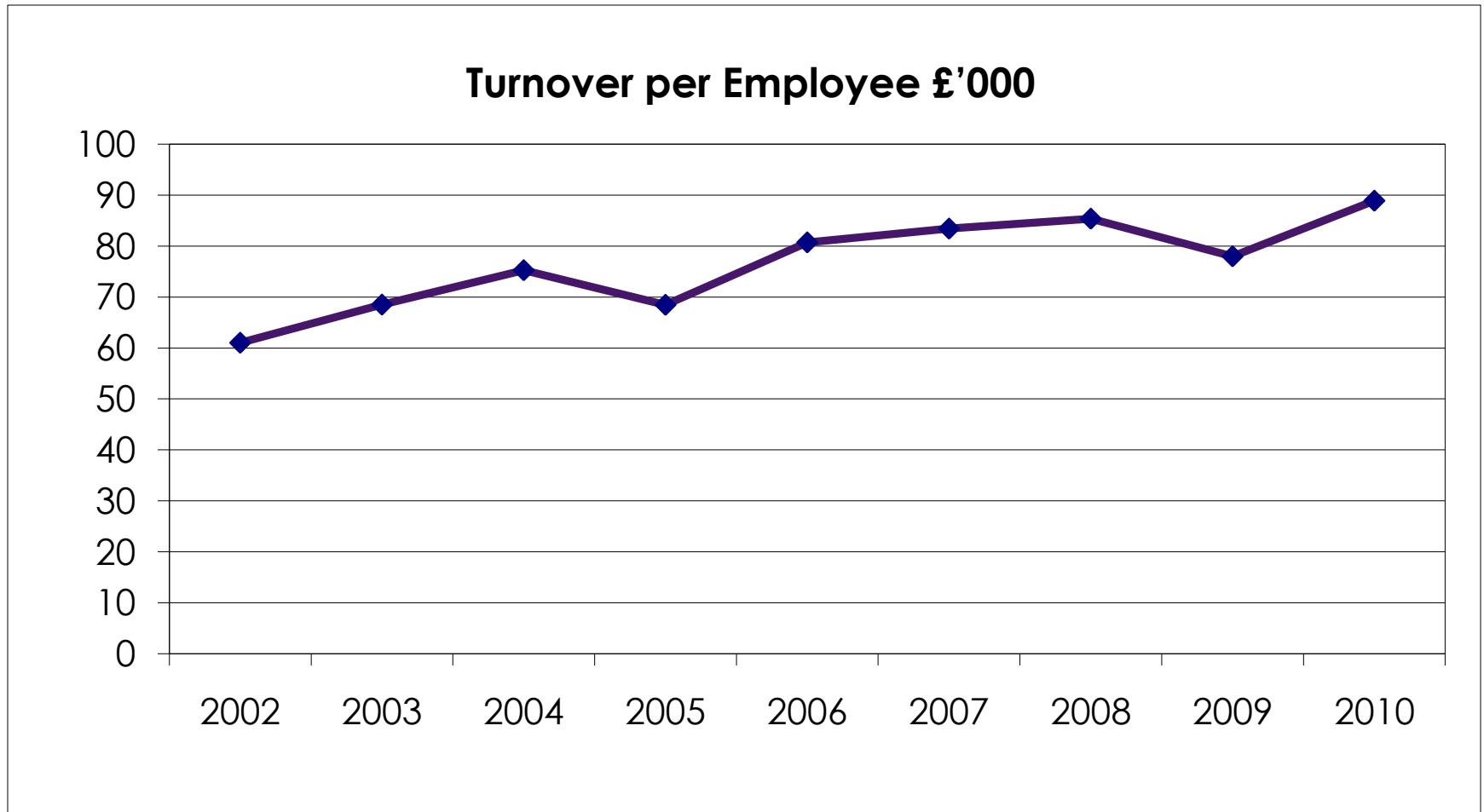


\* Before exceptional items

# Financial strength and dividend policy



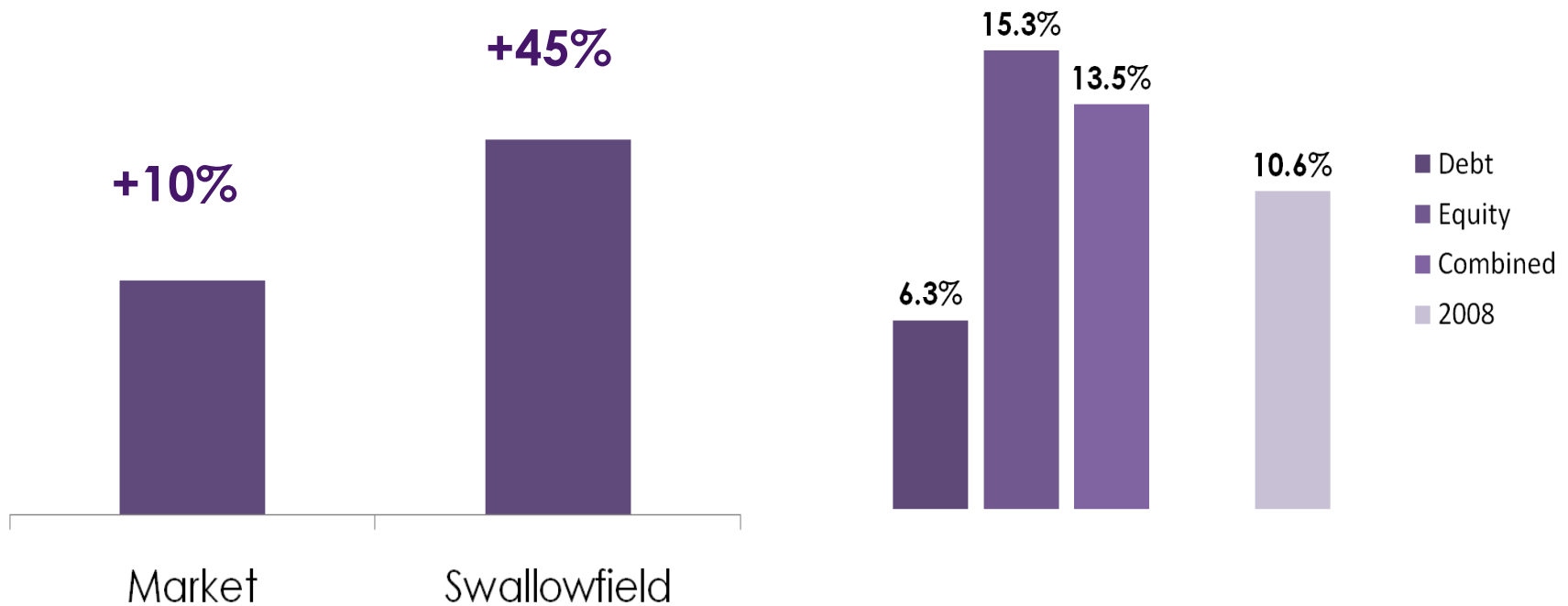
# Productivity increasing



# Strategic plan summary (1)

**Aim to grow organically  
in excess of the market:**

**Improved profitability:  
Target pre-tax ROCE = 13.5%**



# Strategic plan summary (2)

4 Key activities to support the strategic plan:

- Widening our geographic footprint
- Broadening our product technologies
- Driving competitive improvements in our cost structure
- Driving Growth

# Progress v's strategic objectives: Growth

## Progress

First direct sales to India & orders from South Africa

New presentation material including pencils

Order book +14% on last year

## Future

Work with Global brands to drive growth overseas

Direct sales to India, Middle East, South Africa & develop China route

Selected retail accounts in UK, Europe and North America

# Progress v's strategic objectives: Overheads

## Progress

Single customer facing sales team

Creation of single supply chain group

Total manageable overheads 25.6% v's 26.1% of revenue

## Future

Continued careful investment to support growth

Utilise Bideford to manufacture creams & lotion products

Generate revenue growth in excess of overhead growth



# Progress v's strategic objectives: Product technology

## Progress

New lotion manufacturing rooms under construction at Wellington and Bideford

First sun care aerosols manufactured

Innovation days twice per year

## Future

Develop new skin care formulations

Continue to expand sun care technology

Continue to develop other specialist formulations





# Progress v's strategic objectives: Geographies

## Progress

New York sales support office opened

French sales support office progressing

Development of other overseas markets

## Future

Develop footprint in North America & Europe

Develop direct sales into China

Utilise Czech Republic for expansion into Central Europe

# Outlook

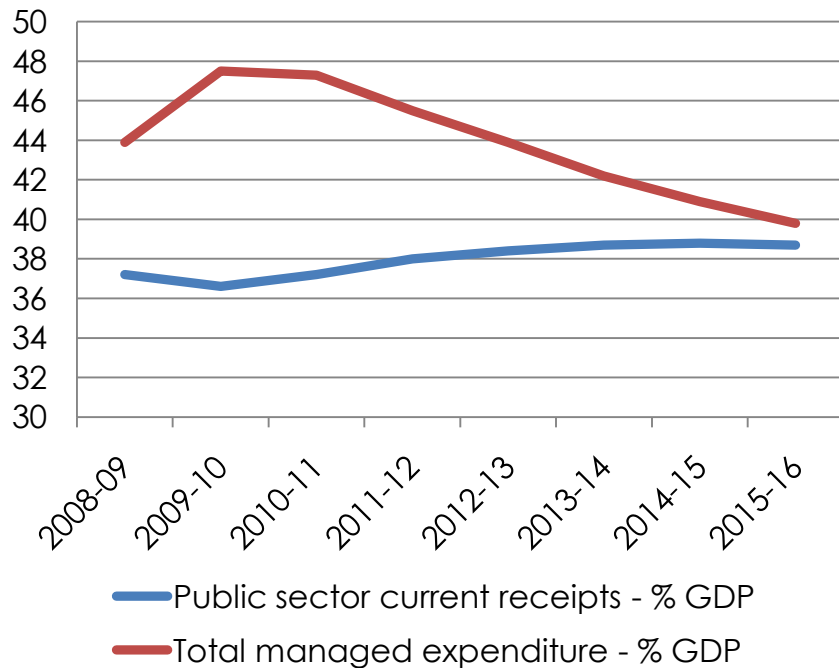
# Ongoing work to develop the business continues at pace

- Order book + 14%
- Sales + 6.1% in first 8 weeks
- Good level of enquiries
- Investment in new skincare facilities underway

# Margin improvement projects underway to offset continued cost pressures

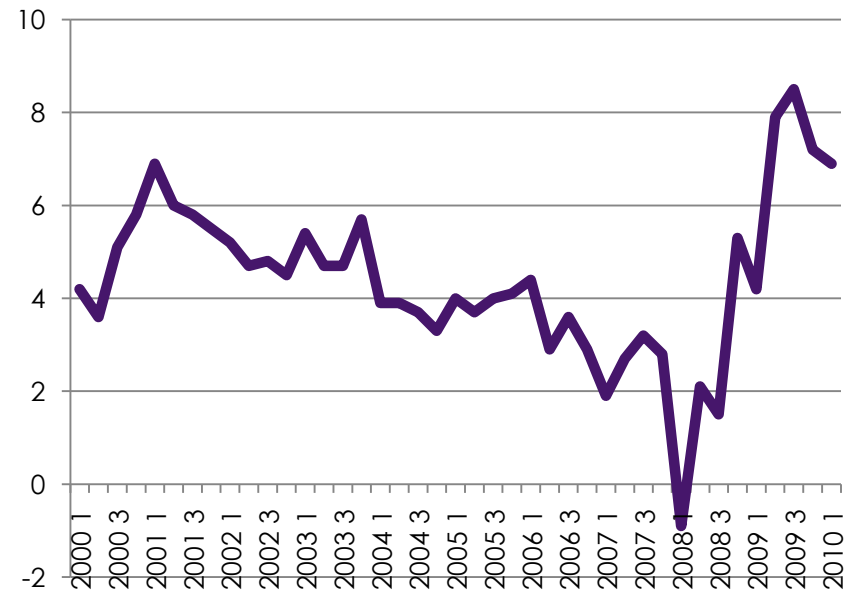
- Value engineering products
- Implementing cost avoidance strategies
- Passing on cost increases
- Additional purchasing resource to allow greater focus on supplier strategies

# We think UK consumption will remain weak ...



Source: Office of Budget Responsibility

## Savings Ratio



Source: ONS series natpj3

swallowfield



# ... but are more positive about the global consumer:

- Many of our products are indirectly exported
- Specifically targeting:
  - Heritage markets of Western Europe and North America
    - Global Brands to take our products into the global supply chain plus selected retail opportunities
  - Additional specific countries:
    - South Africa, India, Middle East, China

**Overall we remain positive.**

# Appendices



# Investor contacts

- Swallowfield plc
  - Ian Mackinnon Tel: 01823 652219
  - Mark Warren Tel: 01823 652225
- Smith & Williamson
  - Barrie Newton Tel: 0117 376 2117
  - Nick Reeve Tel: 0117 376 2100
- Performance Communications
  - Alan Bulmer Tel: 01404 881798
- JBP Public Relations
  - Liam Herbert Tel: 0117 9073418

# Financial calendar

AGM	4 November 2010
Proposed final dividend payment	26 November 2010
Announcement of 2011 interim results	February 2011
Interim Dividend	May 2011
FY 2011 year-end	30 June 2011

# Financial results

52 weeks	FY2010 £'000	FY2009 £'000	
Revenue	52,449	49,129	7%
EBITDA*	2,591	2,852	(9%)
Operating Profit*	1,348	1,522	(11%)
Exceptional Items		26	
Net Interest	(168)	(209)	20%
Pre-tax Profit*	1,180	1,313	(10%)
EPS*	8.2p	9.6p	(15%)
Net Debt	4,332	3,355	29%

\* Pre Exceptional items