

swallowfield



## Investor Briefing

### Interim Results February 2014

Non-Exec Chairman: Brendan Hynes  
Chief Executive: Chris How  
Group FD: Mark Warren

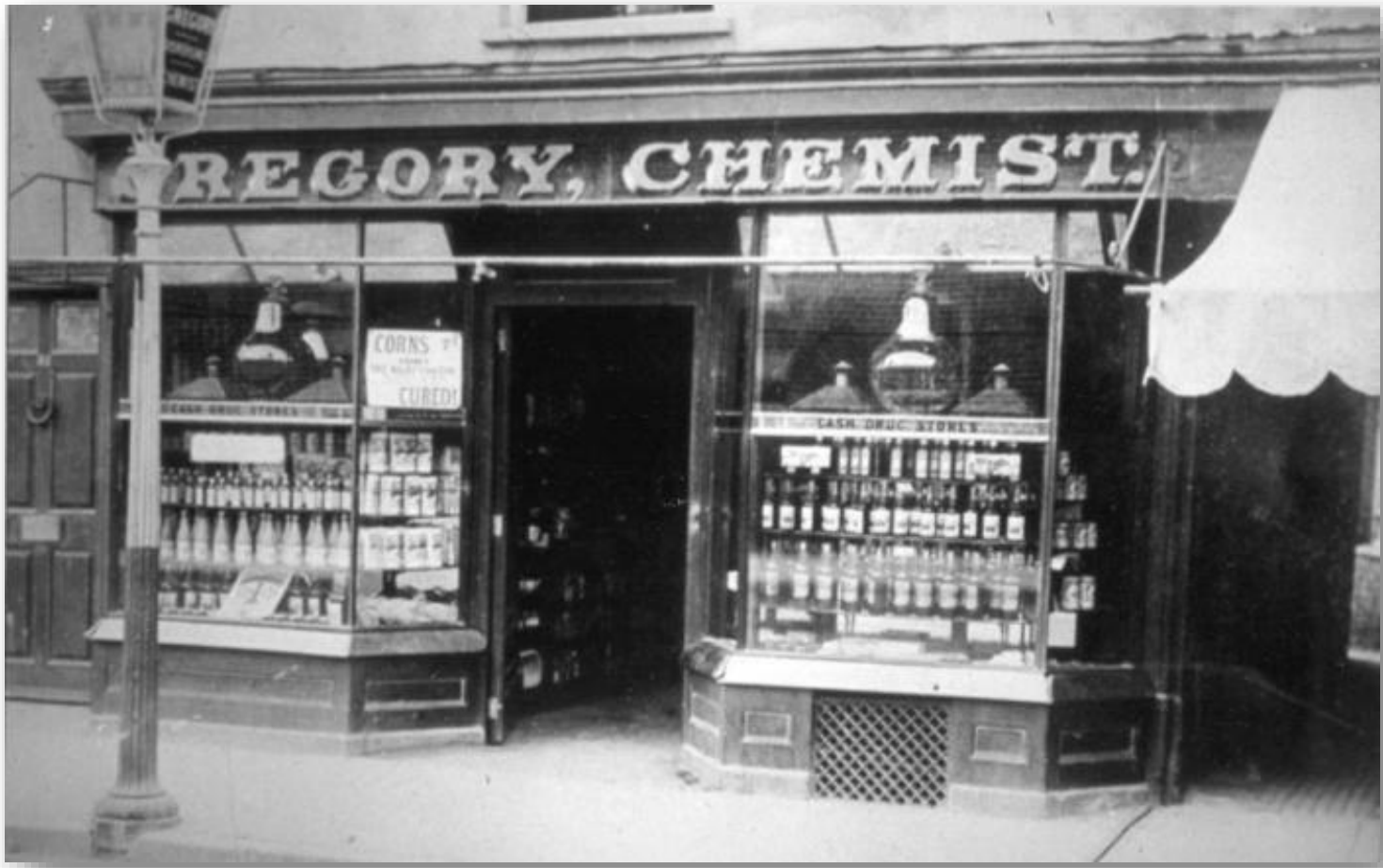
swallowfield 

CREATING FOR TOMORROW. DELIVERING FOR TODAY.

# Agenda

- Who we are / What we do
- Our market
- Performance and Interims
- Future Strategy
- Outlook

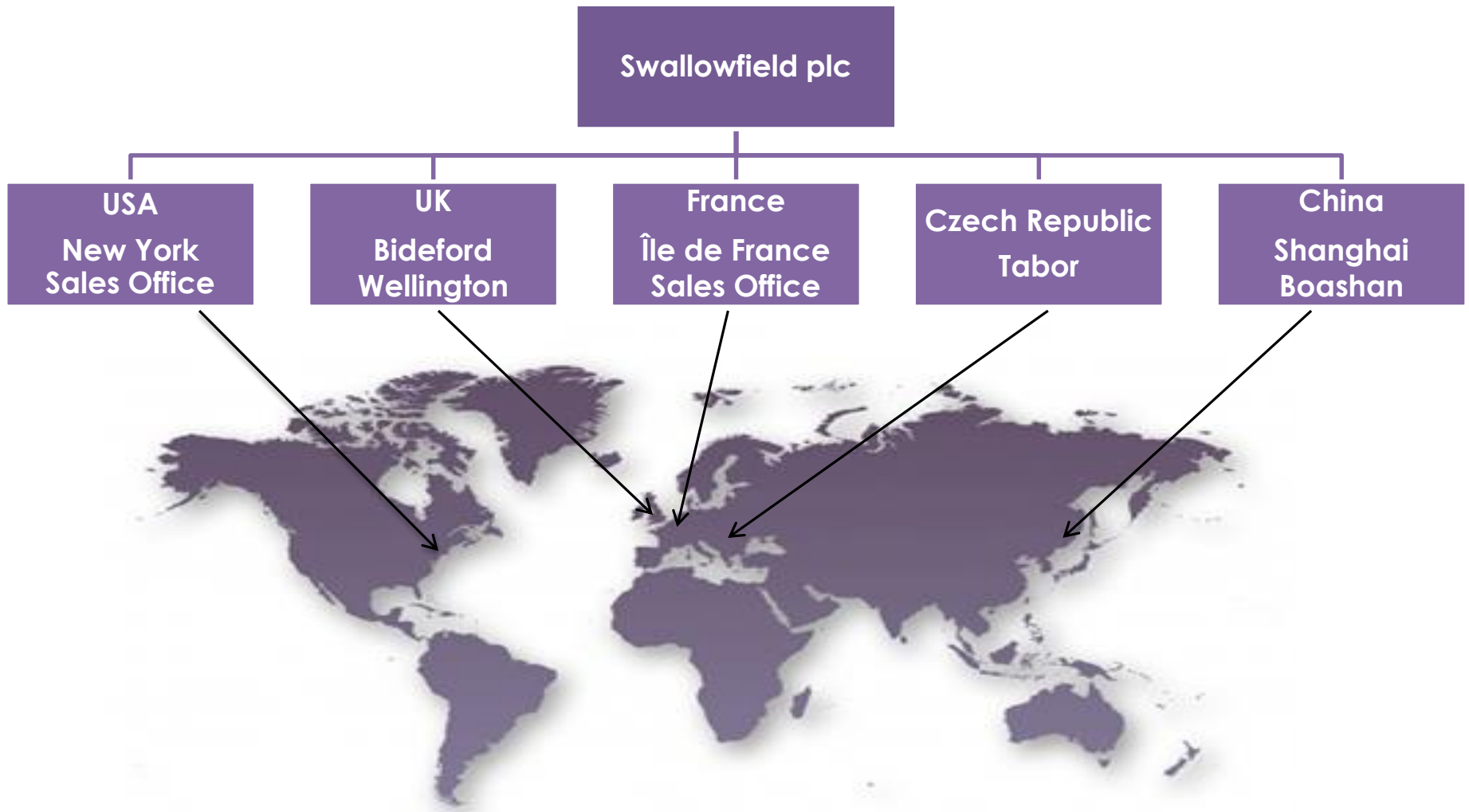
# 136 years of formulating and producing quality products



# What do we do ?

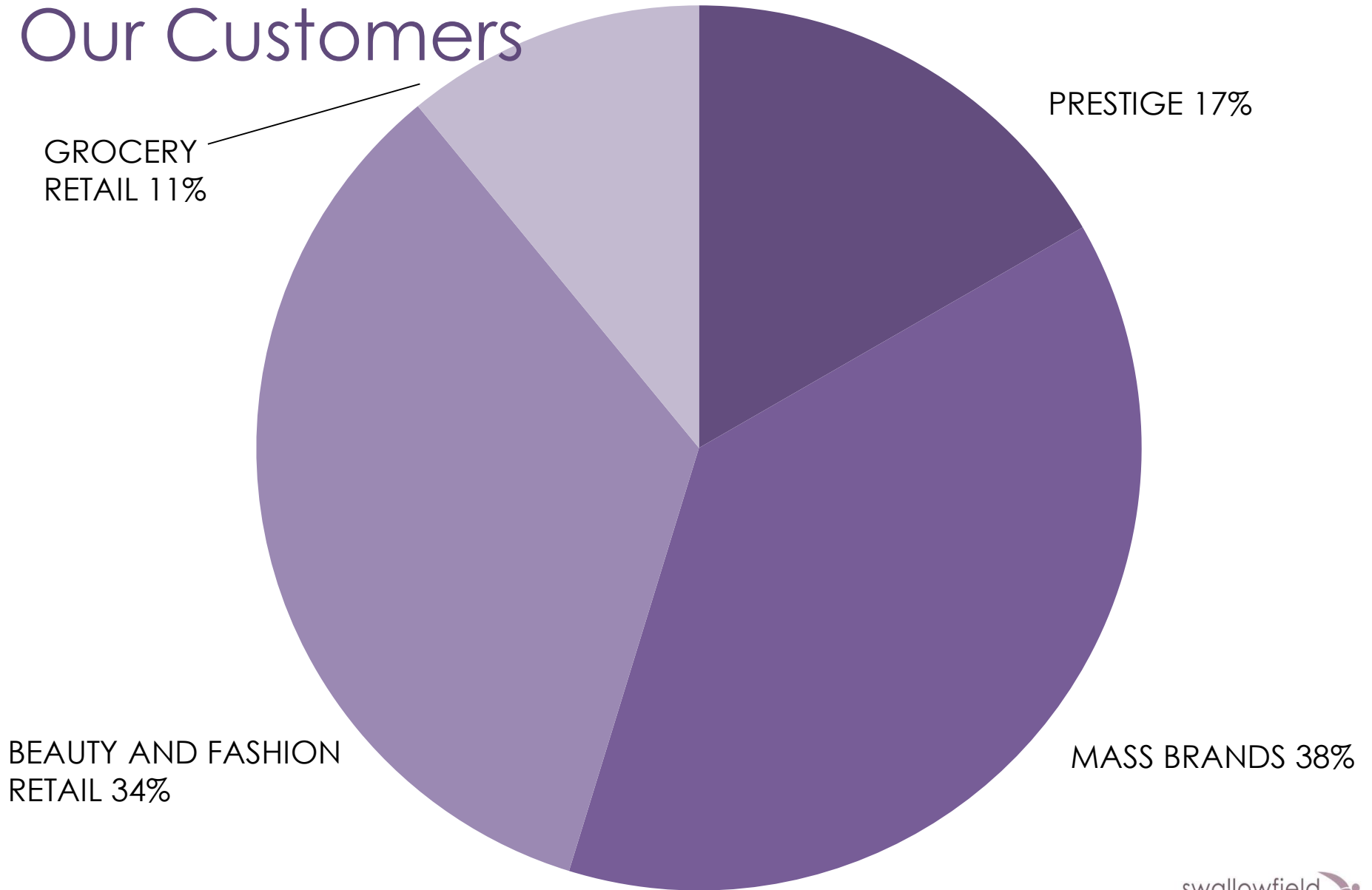
- We formulate and produce quality products for many of the world's leading personal care and beauty brands

# Where do we do it ?

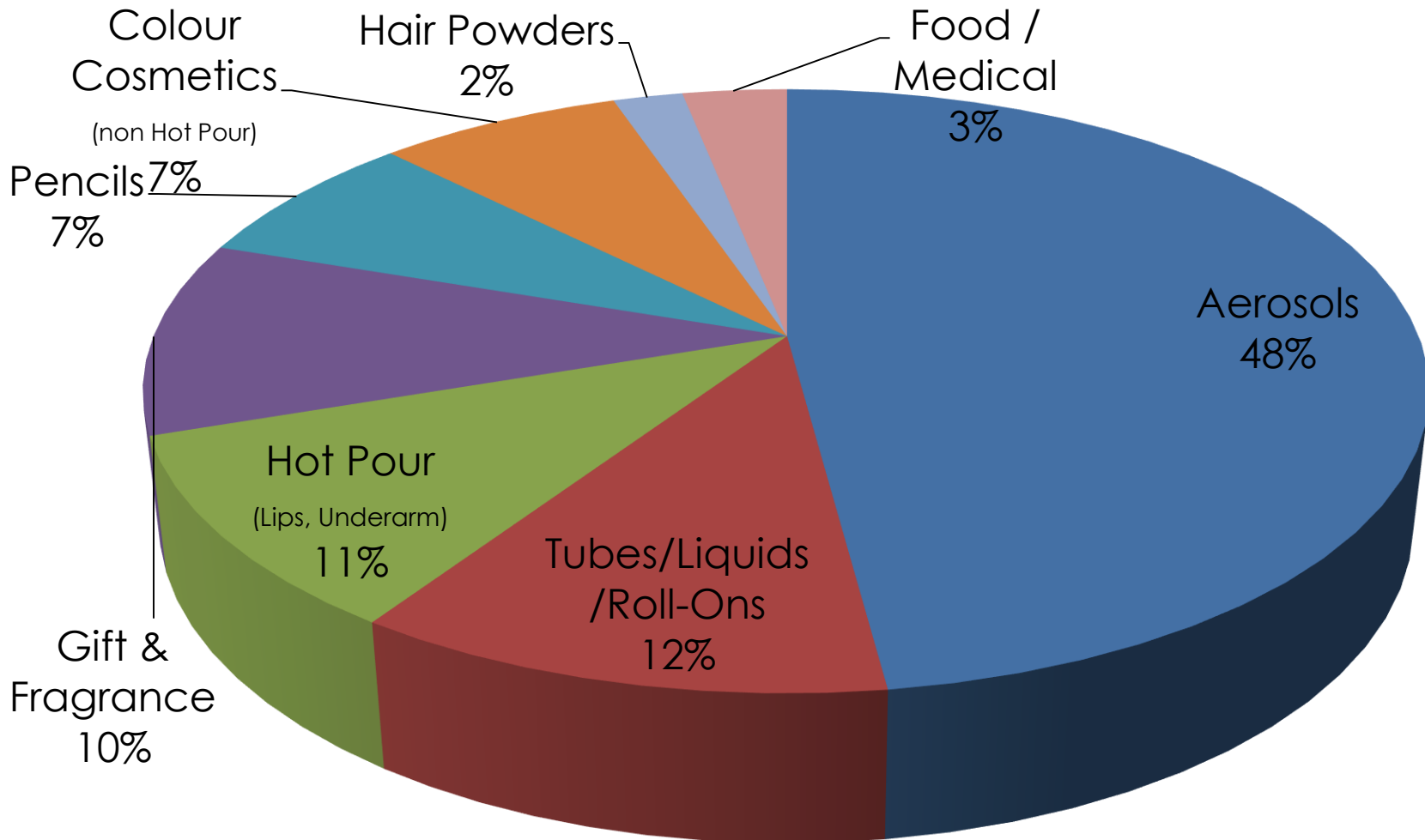


# Our Market

# Our Customers

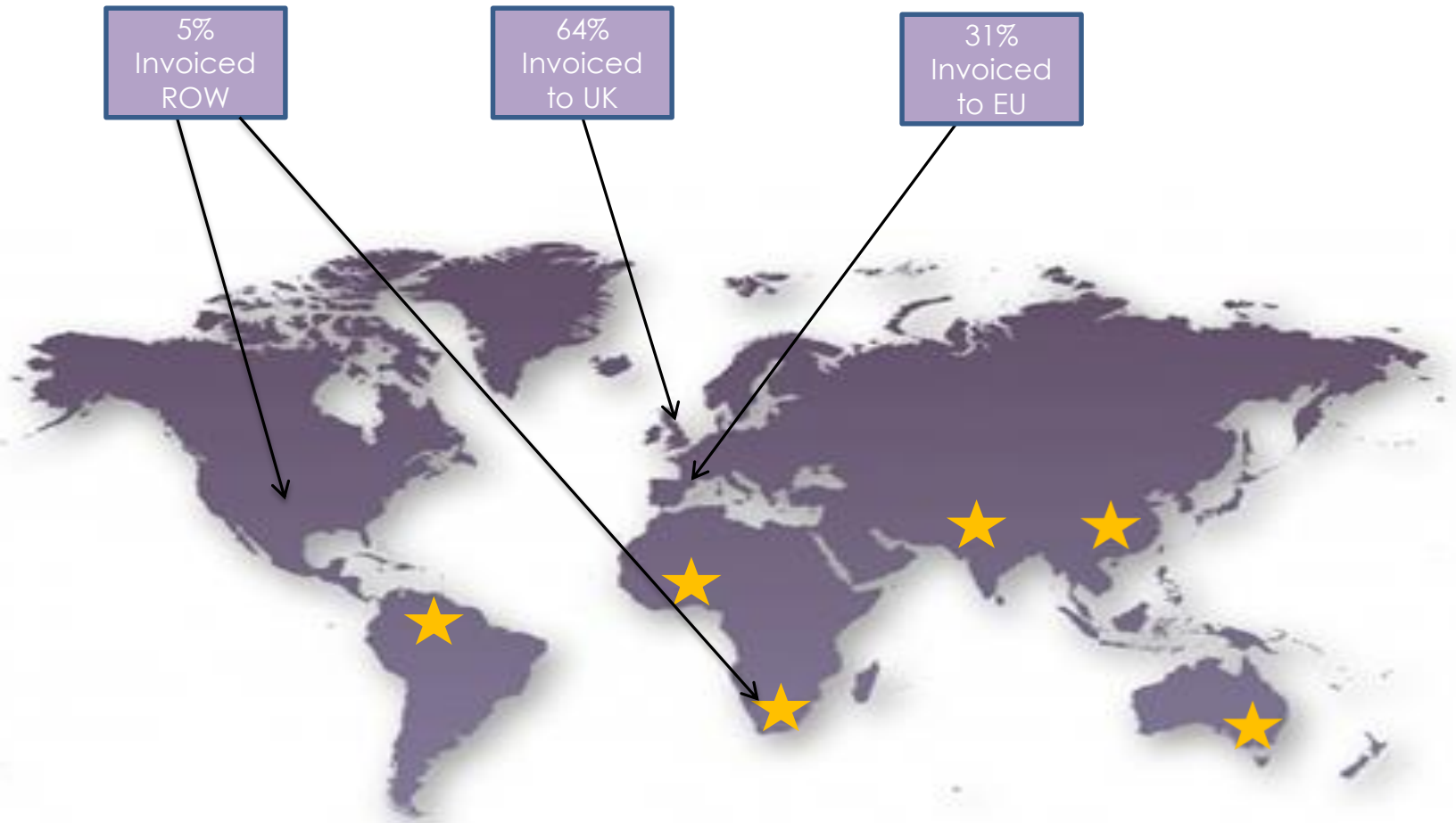


# Sales by Product Type





# Business by Geography



# Who do we compete against ?

## Large / Regional

- Colep
- McBride
- Fareva
- Intercos
- Mibelle
- LF Beauty

## Smaller / Local

- Wear Valley
- Sanmex
- Barony
- Hampshire
- Laleham
- Broad Oak

Big enough to give real expertise, small enough to give tailored service

# What makes us competitive ?



# Market 'Tailwinds'

- Recovery in consumer spending esp. prestige brands
- Input prices in calm waters
- Supply chain shift from price to quality (post horsemeat)
- Brand owners want to concentrate on brand building not manufacturing
- 'Re-shoring'

# Market 'Headwinds'

- Strengthening pound vs Euro (natural hedge)
- Intense promotion environment for some mass brands creates downward price pressure
- Need to manage net debt ahead of likely interest rate rises
- Exposure to brand owner M&A consolidation

# Performance and Interim Results

# What happened in FY13 ?

- Strategy changes in 3 largest customers had negative impact
- £15m lost sales from above
- Realignment of cost base took time
- New customers now coming through (£6m)

# Management Changes

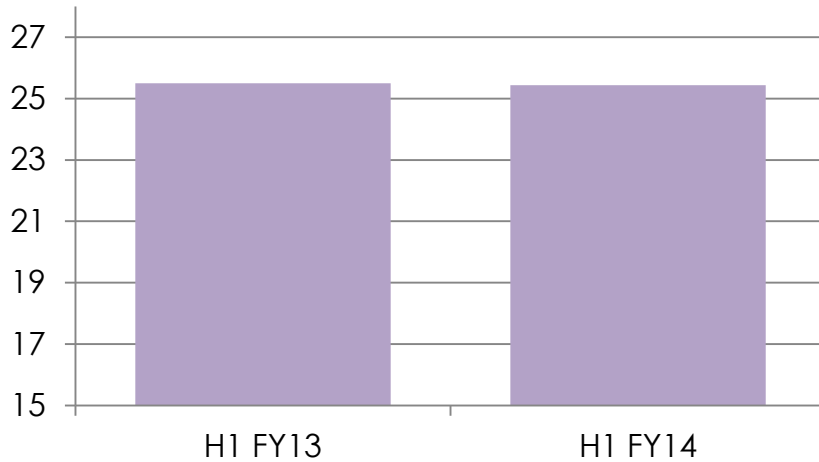
- New Chair, New CEO
- Strategy review and re-focus
- Fresh thinking across the business
- Major shareholders positive



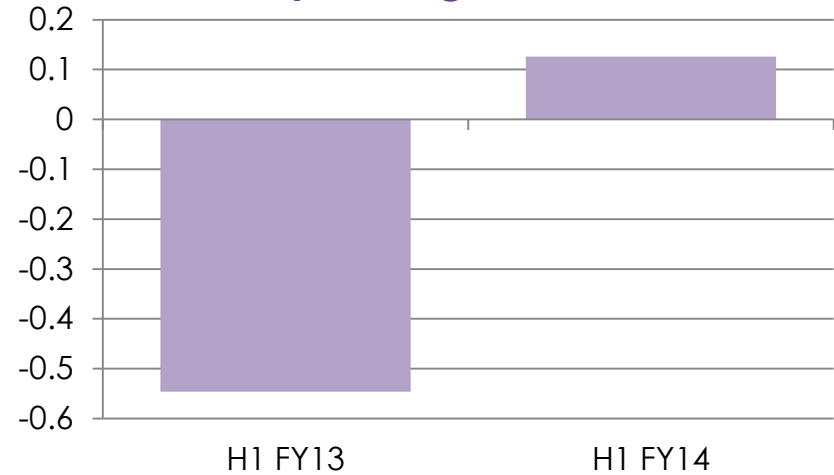
# Financial Headlines

\* Pre Exceptional items; 2013 restated for IAS19

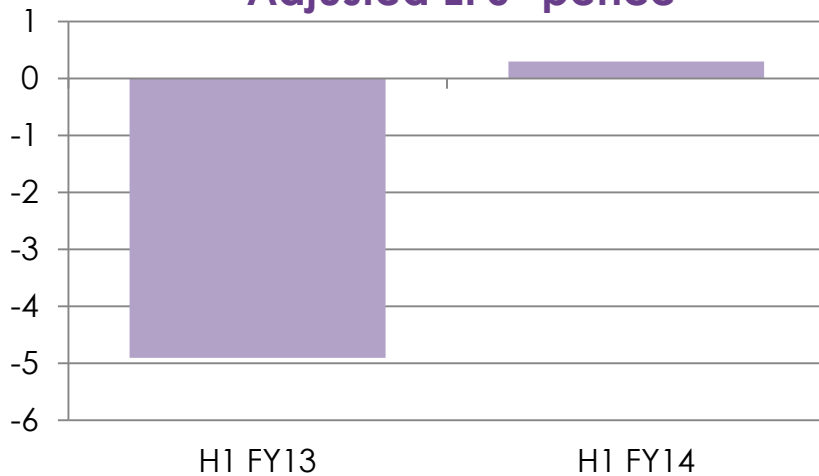
## Sales £'m



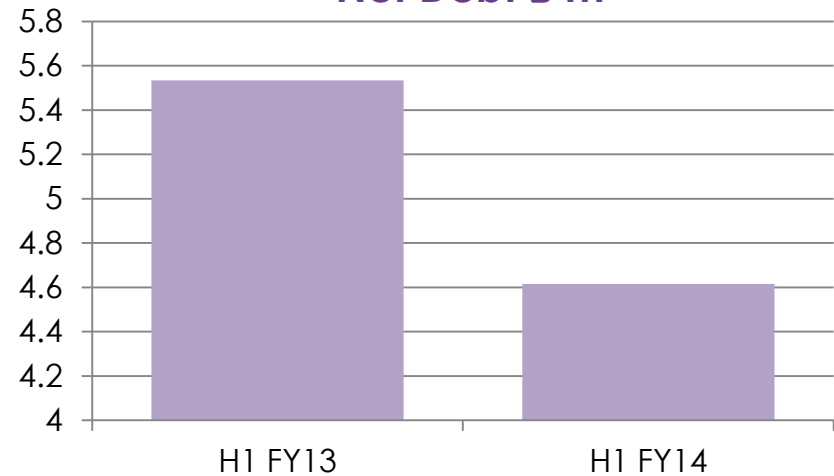
## Operating Profit\* £'m



## Adjusted EPS\* pence



## Net Debt £'m



# Interim Results (28wks to 4<sup>th</sup> Jan 2014)

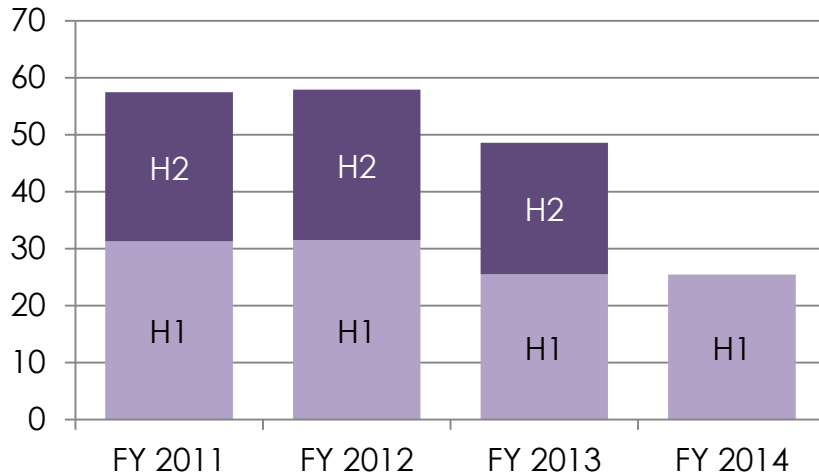
£m	H1 FY2014	H1 FY2013 restated	Change	Change %
<b>Revenue</b>	<b>25.43</b>	<b>25.50</b>	<b>(0.07)</b>	<b>-0.3%</b>
Contribution margin	6.97	6.72	0.25	3.7%
Contribution margin %	27.4%	26.3%	1.1%	
Total overheads	(6.84)	(7.26)	0.42	5.8%
<b>Operating Profit / (loss) *</b>	<b>0.13</b>	<b>(0.54)</b>	<b>0.67</b>	<b>124%</b>
Exceptional Items		(0.18)	0.18	100%
<b>Operating Profit / (loss)</b>	<b>0.13</b>	<b>(0.72)</b>	<b>0.85</b>	<b>118%</b>
Finance costs	(0.15)	(0.20)	0.05	25%
<b>(Loss) / profit before taxation</b>	<b>(0.02)</b>	<b>(0.92)</b>	<b>0.90</b>	<b>98%</b>
Taxation	0.06	0.23	(0.17)	-74%
<b>Profit / (loss) after taxation</b>	<b>0.04</b>	<b>(0.69)</b>	<b>0.73</b>	<b>106%</b>
<b>Earnings per share * pence</b>	<b>0.3</b>	<b>(4.9)</b>	<b>5.2</b>	<b>106%</b>
<b>EBITDA</b>	<b>0.71</b>	<b>0.16</b>	<b>0.55</b>	<b>344%</b>
<b>Net Debt</b>	<b>4.62</b>	<b>5.53</b>	<b>(0.91)</b>	<b>16%</b>

\* Pre exceptional

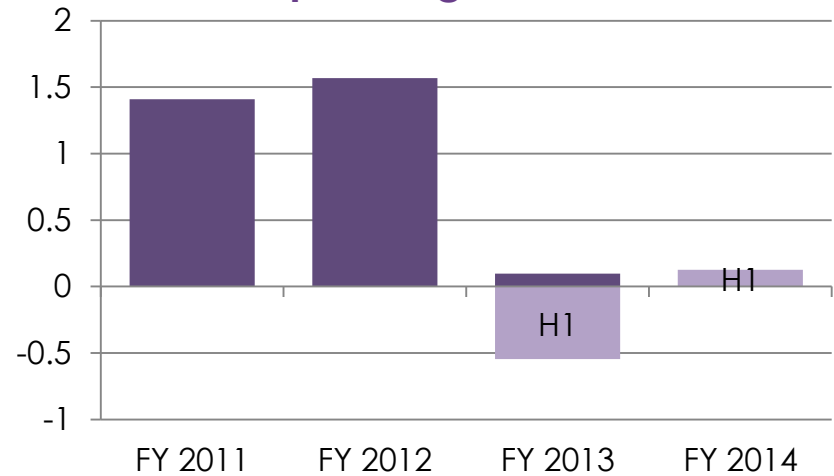
# Financial summary

\* Pre Exceptional items; FY2012 & 2013 restated for IAS19

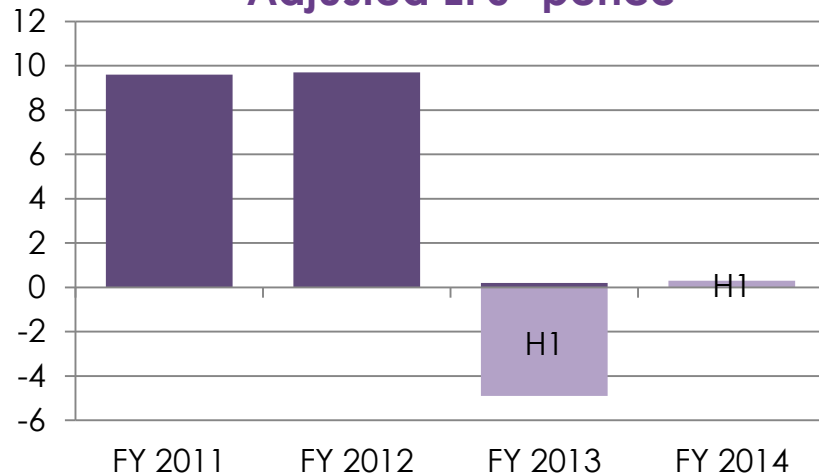
## Sales £'m



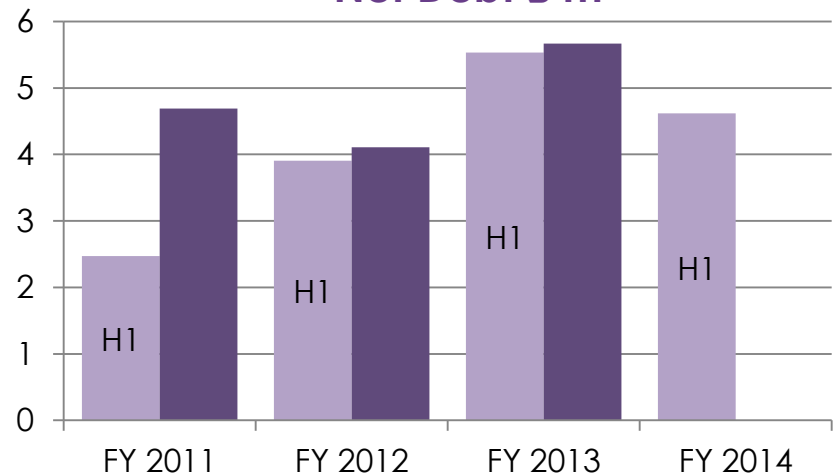
## Operating Profit\* £'m



## Adjusted EPS\* pence



## Net Debt £'m



# Debt / Cash

- Debt financed against high quality receivables book
- Capital discipline aims at keeping expenditure < depreciation
- Tight management (esp. inventory) creating positive improvements

# Future Strategy

# Strategic Review – *‘Building a Better Swallowfield’*

‘Creating for Tomorrow’

4 ‘strategic pillars’ to accelerate mid and longer term sales and profits

‘Delivering for Today’

10 operational focus areas to drive immediate business performance ( focus on pricing, cost, quality, service)

# Creating for Tomorrow - 4 Strategic Pillars

1. Product Category Prioritisation
2. New Product Development
3. Cost Optimisation
4. Emerging New Category

# 1. Product Category Prioritisation

Our Aim	Product Categories
<p><b>'Drive'</b></p> <ul style="list-style-type: none"> <li>• Prioritise development resource</li> <li>• Achieve 'best in class' reputation for consumer, technical and production expertise</li> <li>• Invest in production assets to drive cost and capacity</li> <li>• Grow sales double digit</li> </ul>	<p>Personal Care Aerosols (Bov, Bic, Std): esp. Shaves, Deos, Hair Styling, Dry Shampoo, Sun/Self Tan, Skin</p> <p>Hot Pour: Balms, Butters, APD, Lip / Extruded Pencils, Hair Styling,</p> <p>Roll- Ons</p> <div data-bbox="1557 518 1860 608" style="border: 1px solid black; padding: 5px; text-align: center;">53% of Sales</div>
<p><b>'Build'</b></p> <ul style="list-style-type: none"> <li>• Build existing business as resources allow</li> <li>• Aim to win all profitable tenders with existing customers and profitable new ones</li> <li>• Selective investment in production capability</li> </ul>	<p>Cosmetic Pencils Hair Powders Fragrance, Colour Special Formats Aerosol Special Formats Scrubs / Body Butters Premium Liquids &amp; Tube Filling Gifts</p> <div data-bbox="1557 922 1860 1012" style="border: 1px solid black; padding: 5px; text-align: center;">37% of Sales</div>
<p><b>'Service'</b></p> <ul style="list-style-type: none"> <li>• Reduce resource consumption</li> <li>• Maintain service levels to existing customers</li> </ul>	<p>Household Basic Liquids Foundation, Mascara, Nails Facial Skincare</p> <div data-bbox="1557 1190 1860 1280" style="border: 1px solid black; padding: 5px; text-align: center;">10% of Sales</div>



# 2. New Product Development

## (Swallowfield Brands)

- Leverage existing capabilities in formulations, packaging, production distribution
- Genuine 'first to market' opportunities in progress
- Target 'masstige' retail channels (2015)
- No 'head to head' with existing customer base

# 3. Cost Optimisation

- Optimise asset utilisation across production sites



- Based on cost, leadtimes, brand/ customer constraints
- Drive improved labour costs, space reduction, more efficient indirect labour and utilities
- Key project now in progress with positive p&l impact from start of FY15

## 4. New Category

- Identify higher margin, growth category that can become a new 'drive category
- Likely to be in or adjacent to current portfolio

# Outlook

- Return to revenue growth in H2
- Complete year of stabilisation and re-focus
- Strategic pillars now in place for medium / long term growth above and beyond 'business as usual'
- Clear ambition to outperform historical profit norms

# Appendices

# Investor contacts

- Swallowfield plc
  - Chris How Tel: 01823 652241
  - Mark Warren Tel: 01823 652241
- N+1 Singer
  - Shaun Dobson/Jonny Franklin-Adams Tel: 020 7496 3000
- Investor Focus International
  - Alan Bulmer Tel: 07831 654744
- JBP Public Relations
  - Chris Lawrance Tel: 0117 9073400

# Financial calendar

Announcement of FY2014 Results	18 September 2014
AGM	13 November 2014
Final Dividend	28 November 2014
Interims FY2015 Results	February 2015
Interim FY2015 Dividend	May 2015

# Biographies

## **Brendan M Hynes** MBA, FCMA

Non-Executive Chairman

Brendan joined the Company as Non Executive Chairman on 1st July 2013. He was CEO of Nichols plc from 2007 to 2013 having previously been Group Finance Director. He has plc main board experience across a range of other sectors including TMT, retail, consumer goods, buildings and automotive. Previous roles have included Executive Director at knowledge Management Software plc and Group Finance Director at William Baird plc a branded clothing business. He is also currently a non- executive director of Churchill China plc, of private, online education business "Webexaminer"; a member of the CBI North West regional council and a member of the Criticaleye Advisory Board. Previously he was a Director of the Consumer, Retail and Distribution (CRD) practice of PricewaterhouseCoopers advising Times 100 companies. Brendan chairs the Nomination Committee and is a member of the Audit and Remuneration Committee.



## **Chris How**

Chief Executive Officer

Chris joined the Company as Chief Executive on 15th July 2013. He has extensive international experience across the personal care and household sector, having held senior General Management and Sales & Marketing positions with PZ Cussons and Colgate Palmolive. Chris has previously been Managing Director PZ Cussons Australia; Regional Director PZ Cussons Europe, Asia, South Pacific; Managing Director PZ Cussons UK; General Manager, Colgate Palmolive Benelux; as well as holding European and UK Sales Director positions within Colgate Palmolive. Chris is a member of the Cosmetics, Toiletries and Perfumery Association (CTPA) executive.



## **Mark Warren BSc** (Hons) FCCA

Group Finance Director

Mark joined the Company in January 2010 as Group Finance Director. Mark has extensive financial, commercial and operational management experience from across a range of customer oriented businesses operating in global markets. Mark previously held senior roles in GEC plc, Whitbread plc, Interbrew SA, Alpharma Inc. and most recently Actavis, one of the world's leading generic pharmaceutical companies. Mark is a member of the South West Regional Council of the CBI.

