

McBride

Another reboot

McBride has delivered a mixed FY20 performance, with a weaker H1 and a bounce back in H2 as a result of increased demand due to COVID-19. A strategy review has been undertaken, and the company will be reorganised into separately managed product divisions. Time will tell if this will successfully address McBride's long-term challenges, but the new CEO has a thorough knowledge of the business, and we await further details, which are due to be announced in February.

H2 performance bounced back

The business performed better in H2 given increased demand for cleaning products, with Q3 seeing high levels of stockpiling. Demand returned to more normal levels by the end of the period. Different geographies had varying consumer preferences, with branded household products gaining share in the UK and Germany, while private label gained share in France. There has been no significant operating business disruption from COVID-19. Group revenues were £706.2m, down 1.7% at constant currency, mostly caused by the exit from UK aerosols. Adjusted operating profit was £28.3m, down 2.1%. Adjusted EPS was 9.5p, also down 2.1%.

Strategic reorganisation

Chris Smith, previously CFO and interim CEO, was appointed CEO in June. He has launched a new strategy, Programme Compass, which aims to profitably grow annual revenues to €1bn over the next five years. From 1 January 2021 the business will be moved to a product technology-led divisional structure, which the management believes will deliver better revenue growth and margins through improved performance and responsiveness in each category.

Valuation: Re-rating contingent on a turnaround

McBride trades on 6.7x FY21e P/E and c 5.2x FY21e EV/EBITDA, which is a sharp discount to the household sector. A re-rating is conditional on the new strategy being successful, with a focus on improving revenue growth and margins, and ensuring any cost savings and operating leverage fall through to the bottom line. There have been a number of new strategies at McBride over the last few years, and while much has been done to simplify the business, revenue growth and margins have been below expectations. Adjusted operating margins stood at just 4.0% for FY20 and ROCE at 16.1%, up from 15.3% in FY19, but down from a peak of 27.7% in FY17. With net debt falling to £101.5m, net debt cover remained comfortable at 2.1x at end FY20. The proposed interim dividend of 0.8p was cancelled due to COVID-19, and a full year payment has been proposed at 1.1p.

Consensus estimates							
Year end	Revenue (£m)	PBT (£m)	EPS (p)	DPS (p)	P/E (x)	Yield (%)	
06/19	721.3	23.7	9.4	3.3	6.6	5.3	
06/20	706.2	24.2	9.5	1.1	6.5	1.8	
06/21e	712.6	23.9	9.3	2.6	6.7	4.2	
06/22e	725.4	24.8	9.7	2.7	6.4	4.4	

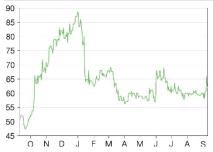
Source: Refinitiv, company data

Consumer

10 September 2020



Share price graph



Share details

Code	MCB
Listing	LSE
Shares in issue	182.8m

Business description

McBride is one of Europe's leading providers of private-label household and personal care products, supplying Europe's top 50 retailers. It has production capability in 11 countries and is growing a presence in Central and Eastern Europe and South-East Asia.

Bull

- New divisional structure should improve focus and accountability.
- Contract manufacturing continues to be a source of growth.
- The Asian business continues to grow, and the new Malaysian production facility is now expected to be operational in December 2020.

Bear

- Execution risks with the future strategy (Programme Compass).
- Input costs are mixed, increased use of recycled plastics has added cost, and transport costs are increasing.
- Demand levels remain mixed and the consumer environment uncertain due to the effects of the COVID-19 pandemic.

Analysts

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