Ben Stevens, Finance Director

Earnings

Q: What's your take on the numbers, and can you run through the financials?

A: Yes, I think these are an excellent set of results. Clearly, the strategy is delivering the performance that we've made. We're growing market share, 40 basis points. Our Global Drive Brands growing in volume terms. And that's coming through in the financial results. So our operating profit was up 4% at constant currency, and our EPS was up 10%.

Of course, we faced an FX headwind, as well, so if you exclude transactional FX from that, our operating profit was up 10%, and our EPS was up 16%. So I think these are a really excellent set of results.

Q: But sterling weakened and the dollar strengthened towards the end of last year, so how did currencies impact the business over the course of that year?

A: Yes. We faced quite a substantial FX headwind during the course of this year. It got substantially worse in the second half, so FX moved against us by 24% in the second half of the year. So what was a transactional FX hit of 4% in the first half became 8% in the second half and 6% for the year as a whole.

For translation, what was 7% in the first half became 16% and 12% for the year as a whole, so we had a 24% FX headwind in the second half of the year. And that's why I think these results are even more creditable, given the amount of currency that we've had to fight against.

Margins

Q: Transactional FX had a big impact, hadn't it, on margins in 2015. Looking forward, are you still confident of delivering the 50 to 100 basis points' improvement per annum?

A: I think the growth in underlying operating margin has been very creditable this year. The delivery of the SAP program is starting to bite, so our underlying operating margin grew by 160 basis points for the year. Obviously, we had a very significant transactional FX hit to overcome, something like 190 basis points in terms of operating margin, and one or two accounting adjustments in the year.

So overall, our operating margin on a like-for-like basis was down 30 basis points, but underlying operating margin grew substantially.

Balance sheet and cash

Q: You've been acquisitive on a few fronts, so where's that left debt and gearing ratios?

A: Net debt to EBITDA is 2.8 times at the end of the year. I think it'll stay around that in 2016, because a lot of the benefits of the acquisitions we've made come through below the EBITDA line. And we're not uncomfortable with that, so 2.8 times in the current low-interest-rate environment is not a bad place to be. We're very comfortable with that.

Q: And could you take us through where you think dividend growth will end up?

A: Well, I'm pleased to say that we've announced a 4% dividend increase this year, and we like to reward our shareholders with a real increase in the sterling dividend, even when we're facing significant FX headwinds, as we faced this year and indeed last year.

So that remains the policy. The payout ratio has grown to the mid-70 percents. If we ever get an FX tailwind, which at some time we will, because sterling is not going strengthen forever, then we'll move back towards our long-term policy of a 65% payout ratio.

Q: So how do you see 2016 looking, especially in the light of currencies?

A: Well, the strategy continues to deliver. Now, it's very early days to start talking about foreign exchange for 2016, but if rates stayed where they are today, we would have a transactional FX hit of around 7%, so a little bit worse than last year, but a translational hit of only around 1%, so considerably better than last year. So we'll have to wait and see what happens in terms of FX, but I am convinced we will continue to deliver another year of good, constant-currency EPS growth.

[End]