



## **2013 Results**

# Contents

- Executive Summary
- 2013 Results
- Business Review
  - *Packaging Distribution*
  - *Manufacturing Operations*
- Pension Scheme Deficit
- 2014 Key Actions
- Conclusions



# Executive Summary



	2013	2012
<b>Profit before exceptional items</b>	<b>£5.1m</b>	£4.5m

- No signs of demand upturn and high competitive intensity
- Group sales 1.4% ahead but stronger growth in Q4
- Good sales growth in our target areas
- Profit increase of 13% driven by cost reductions
- Pension deficit down by £3.0m to £15.9m
- Net debt reduced by £0.9m to £5.9m
- Dividend increased to 1.10p per share payable June 2014 - register date 9 May 2014
- New 3 year Bank facilities established of up to £20.0m
- Acquisition programme underway to supplement organic growth

# Financial Summary



## Revenue and Operating Profit

Revenue

▲ 1.4%

Profit before exceptional items

▲ 12.6%

Operating Margin

4.3%

## Balance sheet Management and Cash Flow

Pre-tax ROCE

20.0%

Bank debt

▼ £0.9m

Pension Deficit

▼ £3.0m

## EPS and Dividend

Basic EPS

▲ 15.7%

Dividend per Share

1.60p

# 2013 Results £m



	2013		2012		2011	
<b>Sales</b>		<u>143.9</u>		<u>141.8</u>		<u>144.6</u>
Gross Profit	<b>31.2%</b>	<b>44.9</b>	31.9%	45.3	<b>30.2%</b>	<b>43.7</b>
Overheads		<u>38.6</u>		<u>39.5</u>		<u>39.0</u>
<b>EBIT</b>	<b>4.3%</b>	<b>6.3</b>	4.1%	5.8	<b>3.3%</b>	<b>4.7</b>
Interest		<u>1.2</u>		<u>1.3</u>		<u>0.8</u>
<b>Profit before exceptionals</b>		<b>5.1</b>		4.5		<b>3.9</b>
Exceptional items		<u>(0.4)</u>		<u>1.0</u>		<u>0.0</u>
<b>PBT</b>		<b>4.7</b>		5.5		<b>3.9</b>
Tax		<u>1.2</u>		<u>1.6</u>		<u>0.5</u>
Profit for the year		<u>3.5</u>		<u>3.9</u>		<u>3.4</u>
<b>EPS from underlying trade</b>		<b>3.32p</b>		2.87p		<b>3.01p</b>

Exceptional items

Property

Pension/property

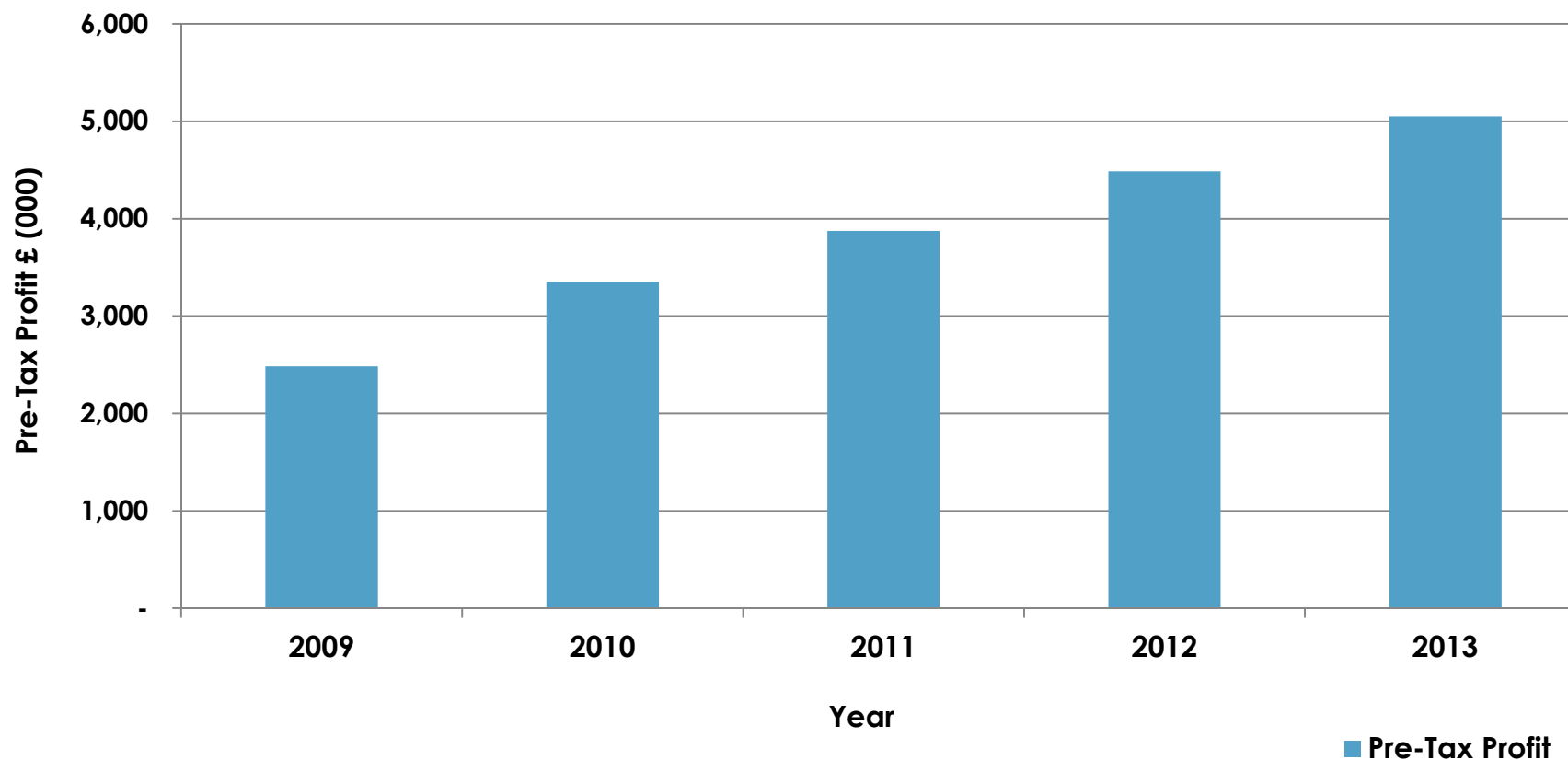
# 2013 Cash Flow £m

	2013	2012	2011
EBIT	<b>6.3</b>	5.8	<b>4.7</b>
DA	<u><b>1.3</b></u>	<u>1.4</u>	<u><b>1.4</b></u>
<b>EBITDA</b>	<b>7.6</b>	7.2	<b>6.1</b>
Working Capital	<b>(0.2)</b>	0.1	<b>(1.2)</b>
Interest	<b>(0.4)</b>	(0.4)	<b>(0.4)</b>
Tax	<b>(0.7)</b>	(0.9)	
Capex	<b>(0.8)</b>	(0.8)	<b>(1.1)</b>
Pensions (inc shares (£0.3m))	<b>(2.8)</b>	(2.6)	<b>(2.2)</b>
Dividend	<u><b>(1.8)</b></u>	<u>(1.8)</u>	<u><b>(1.8)</b></u>
<b>Movement in Debt</b>	<u><b>0.9</b></u>	<u>0.8</u>	<u><b>(0.6)</b></u>

Strict working capital control

Tax payments resumed in 2012

# Profit Progression



# Packaging Distribution



£m	2013	2012	Growth %	
			Volume	Price
<b>Revenue</b>	<b>116.2</b>	114.8	2.5	-1.1
<b>Gross margin</b>	<b>29.1%</b>	30.3%		
<b>Operating Profit*</b>	<b>5.0</b>	4.9		
<b>Margin*</b>	<b>4.3%</b>	4.2%		

- Sales increase in 2013 of 1.3%
- In Q4 sales increase was 3.4%, continuing into 2014
- Gross margins impacted by price competition and slow supplier price recovery
- Good overhead cost control

\* Before exceptional items



# Packaging Distribution



- Subdued demand – competitive pricing
- 3PL growth of 9% (2013-13%)
- National Accounts growth 5% (2013-13%)
- Internet retail ca. 22% of Distribution business
- Recent Internet retail wins include The Hut, ASOS, Feel Unique
- Strong sales close to 2013, continues into 2014
- Focus on margin – price increase recovery
- Good new business increase



**KUEHNE+NAGEL**



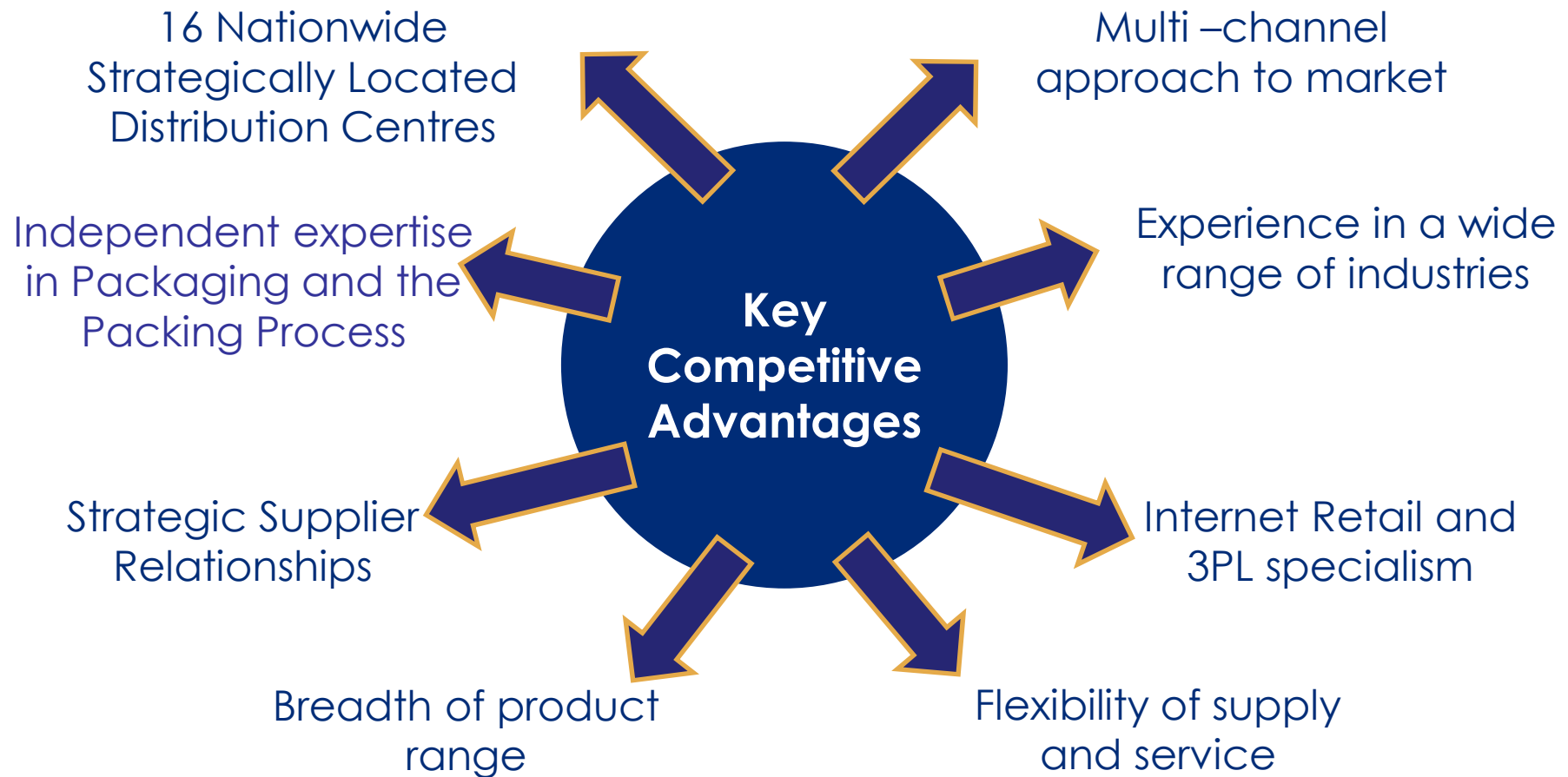
**AGA RANGEmaster**  
Group

**thehut**  
FREE UK Delivery .com

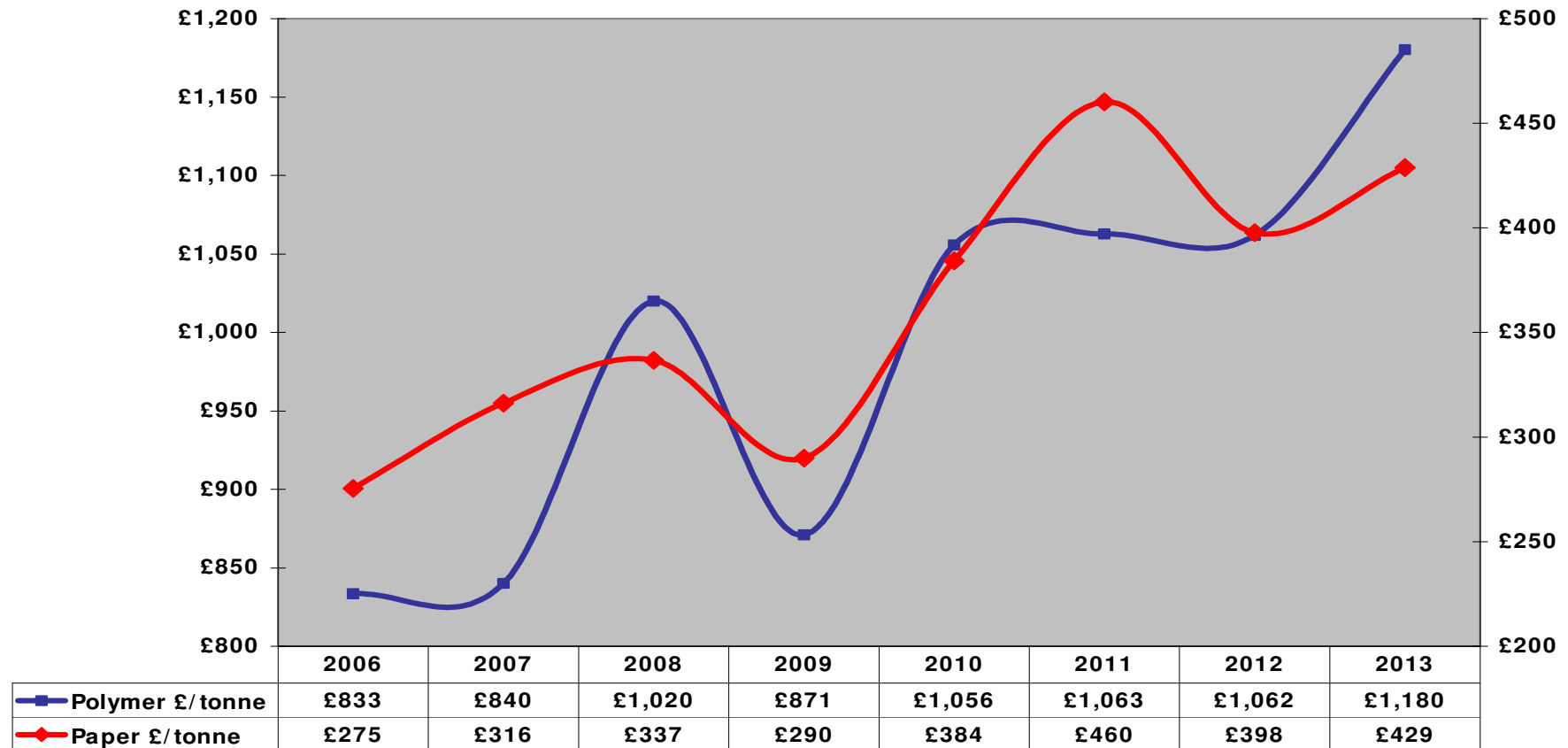
 **LAKELAND**

**feelunique.com**  
The Destination for Beauty...

# Key Competitive Advantages



# Raw Material Movements



# Macfarlane Labels



			Self-adhesive	Resealable
£m	2013	2012		
Revenue	18.0	17.4	64%	36%
Operating Profit*	0.5	0.6		
Net Margin 2013			1.3%	5.3%
Net Margin 2012			3.0%	6.1%

- Good Reseal-it growth of 16%
- Self-adhesive sales down by 3%
- Strong resealable systems sales in Europe
- Higher cost site in Ireland – investment for future

\* Before exceptional items

# Macfarlane Design and Manufacture



£m	2013	2012	Sales to Distribution	
			2013	2012
Revenue	13.1	13.2	24%	23%
Gross Margin	39.2%	36.4%		
Operating profit	0.8	0.4		

- Sales impacted by a key customer moving offshore
- Focus on value-added products improving margin
- Production efficiencies improving margin
- Partnership with Distribution strengthening

# Pension Scheme Deficit £m



	<u>2013</u>	<u>2012</u>
<b>Deficit at 1 January</b>	<b>(18.9)</b>	(20.5)
Ongoing accrual/Interest cost	( 0.9)	( 1.1)
<b>Contributions</b>	<b>2.7</b>	2.6
Pension Increase Exchange	<b>0.0</b>	1.9
<b>Bond yield</b> ↑0.1% to 4.5% (2012 ↓ 0.4% to 4.4%)	<b>1.2</b>	( 4.1)
Net effect of other assumptions	<b>0.0</b>	0.7
Spouse's Pension Assumption	<b>0.0</b>	1.6
<b>Deficit at 31 December</b>	<b><u>(15.9)</u></b>	<u>(18.9)</u>

## Features 2012

- Benefit of PEx exercise
- Cost of continued reduction in bond yields

## Actions 2013

- Benefit of increase in bond yields
- Longevity assumptions review

# Pension Scheme details

<b>Investments</b>		<b>2013</b>	<b>2012</b>
Diversified Growth Funds		<b>£16.4m</b>	£13.0m
UK Corporate Bonds/Gilts		<b>£22.5m</b>	£23.5m
UK Equities		<b>£ 7.7m</b>	£ 7.5m
Overseas Equities		<b>£ 7.4m</b>	£ 7.0m
Cash		<b>£ 0.2m</b>	£ 0.3m
<b>Total</b>		<b><u>£54.2m</u></b>	<u>£51.3m</u>
<b>Liabilities</b>			
Active members	24	<b>£ 5.6m</b>	£ 6.2m
Deferred members	319	<b>£29.6m</b>	£30.7m
Pensioners	<u>314</u>	<b><u>£34.9m</u></b>	<u>£33.3m</u>
<b>Total</b>	<u>657</u>	<b><u>£70.1m</u></b>	<u>£70.3m</u>

# Manufacturing 2014 Key Actions

## LABELS

Focus on higher added value products and services

Continue to improve operational efficiencies

Increase Reseal-it penetration in key markets through improved retailer focus

Strengthen position in Ireland through new facility

## PACKAGING DESIGN AND MANUFACTURE

Focus on design led activity

Increase penetration of aerospace and medical markets

Improve operating margins at both sites

Further strengthen partnership with Distribution



## Distribution 2014 Key Actions

Improve customer retention, product penetration & new business, through tailored approaches to key customer segments

Focus on growth opportunities in Internet Retail, 3PL, and National Accounts

Improve on line visibility and capability through [www.macfarlanepackaging.com](http://www.macfarlanepackaging.com)

Implement new cost reduction initiatives

Increase awareness of NovuPak to extend reach beyond UK

Further improve cash management, esp. inventories

Enhance organic growth with suitable acquisitions

# Acquisitions



## Recent history

- 2006-2008 Three acquisitions in Packaging Distribution
- Sales of £20m Acquisition prices totalled £11m
- Average EBITDA multiple of 6
- Gloucester, Hayes, Wakefield
- Efficient integration process

## Profile

- Acquiring between £2m and £10m turnover
- Fill geographic gaps
- Infill to increase utilisation levels at other sites
- EBITDA multiples not significantly different
- Flexibility to use debt or shares

# Conclusions

- We are not assuming demand will significantly improve in the short term
- Trading agenda:
  - Distribution focus on identified growth opportunities – Internet retail, 3PL and National Accounts
  - Manufacturing focus on higher added value products and services
  - Ongoing focus on cost reduction
- Balance sheet agenda:
  - Implement additional pension deficit reduction actions
  - Focus on cash generation
- New bank facilities of £20.0m will provide additional resources to accelerate growth of the business

# Summary: Macfarlane



A simple and flexible business model

Strong operating companies with differentiated propositions

Good market positions with growth potential

Clear plans and a track record of performance