2014 Results

Contents

asos
discover fashion online
asos
discover fashion online

SELFRIDGES

Executive Summary

Profit before exceptional items	2014	2013
	£5.60m	£5.05m

- Group sales 7% ahead – Distribution 9% Manufacturing (2.5%)
- Distribution sales growth 9% of which 4% organic, 5% acquisition
- Acquisitions both performing to plan
- Organic growth through improved penetration of internet retail sector
- Manufacturing impacted by difficult trading conditions for Labels
- Profit increase of 11%
- Pension deficit down by £2.0m to £13.9m
- Net debt increased from £5.9m to £10.7m reflecting acquisitions
- Dividend increased to 1.15p per share payable June 2015 – register date 8 May 2015

Financial Summary

Revenue and Operating Profit	Revenue ▲ 6.9%	Profit before exceptional items ▲ 11.0%	Operating Margin 4.3%
Balance sheet Management and Cash Flow	Pre-tax ROCE 21.2%	Bank debt ▲ £4.1m	Pension Deficit ▼ £2.0m
EPS and Dividend	Basic EPS ▲ 13.8%	Dividend per Share 1.65p	

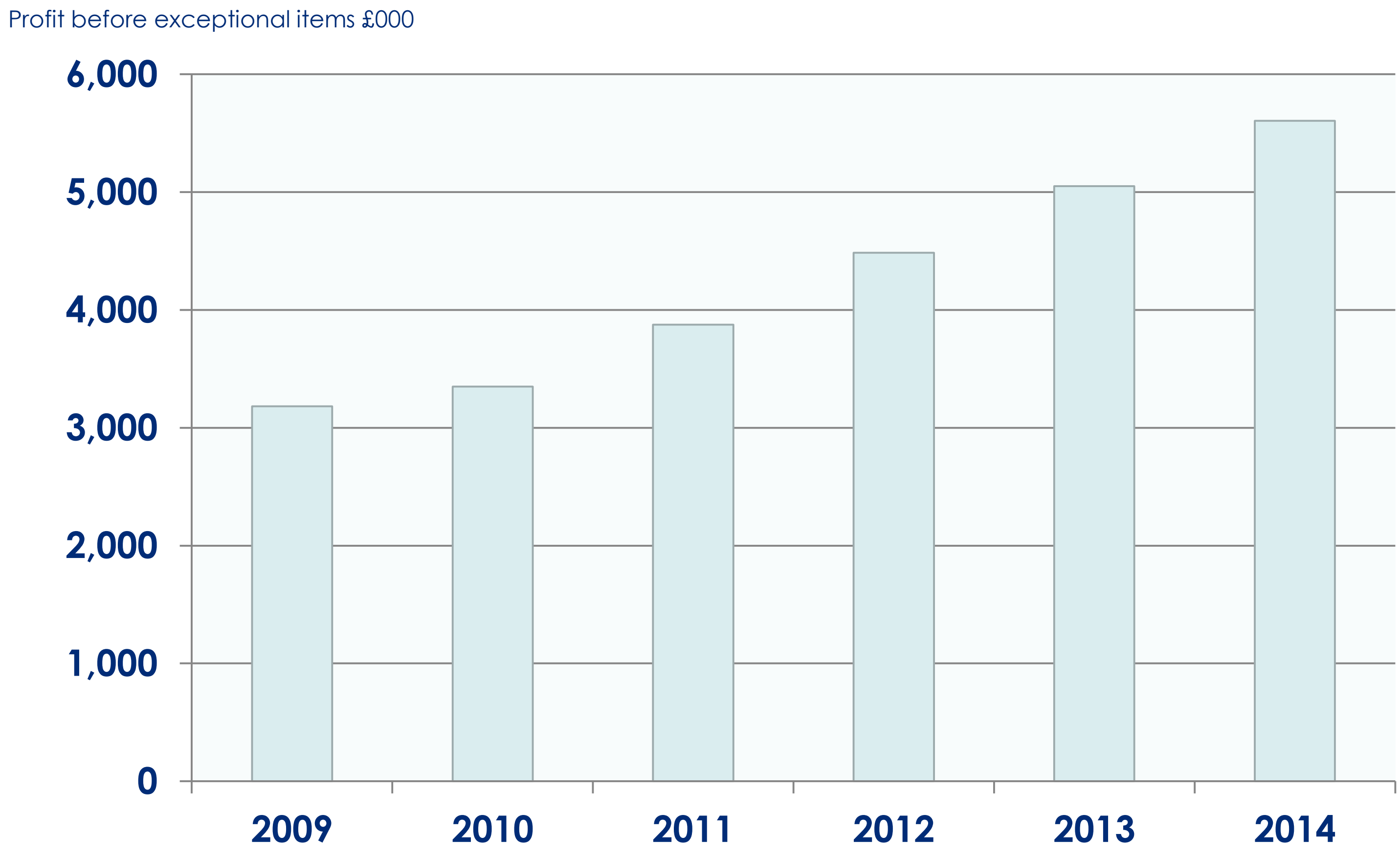
2014 Results £m

		2014		2013		2012
Sales		**153.8**		143.9		*141.8*
Gross Profit	**30.9%**	**47.5**	31.2%	44.9	*31.9%*	*45.3*
Overheads		**40.9**		38.6		*39.5*
EBIT	**4.3%**	**6.6**	4.3%	6.3	*4.1%*	*5.8*
Interest		**1.0**		1.2		*1.3*
Profit before exceptional items		**5.6**		5.1		*4.5*
Exceptional items		**0.0**		0.4		*(1.0)*
Profit before tax		**5.6**		4.7		*5.5*
Tax		**1.2**		1.2		*1.6*
Profit for the year		**4.4**		3.5		*3.9*
EPS before exceptional items		**3.78p**		3.32p		*2.87p*

2014 Cash Flow £m

	2014	2013	***2012***
EBIT	**6.7**	6.3	***5.8***
DA	**1.4**	1.3	***1.4***
EBITDA	**8.1**	7.6	***7.2***
Working Capital	**(1.4)**	(0.2)	***0.1***
Interest	**(0.5)**	(0.4)	***(0.4)***
Acquisitions	**(5.1)**	0.0	***0.0***
Share placing	**2.8**	0.0	***0.0***
Tax	**(0.8)**	(0.7)	***(0.9)***
Capital expenditure	**(0.6)**	(0.8)	***(0.8)***
Pensions (one off £2.5m 2014)	**(5.4)**	(2.8)	***(2.6)***
Dividend	**(1.9)**	(1.8)	***(1.8)***
Movement in Debt	**(4.8)**	0.9	***0.8***

Profit Progression



Packaging Distribution

£m	2014	Organic	Acquisition	2013
Revenue	**126.9**	4.4	6.3	116.2
Gross profit	**36.5**	0.7	1.9	33.9
Overheads	**30.7**	0.4	1.4	28.9
Operating Profit*	**5.8**	0.3	0.5	5.0
Margin*	**4.5%**	6.5%	8.2%	4.3%

- Sales increase 9%, 3% volume, 1% price & 5% acquisition
- Q4 base business sales increase 5.5%, continuing in 2015
- Gross margins 28.8%, impacted by price-based competition
- Good overhead cost control

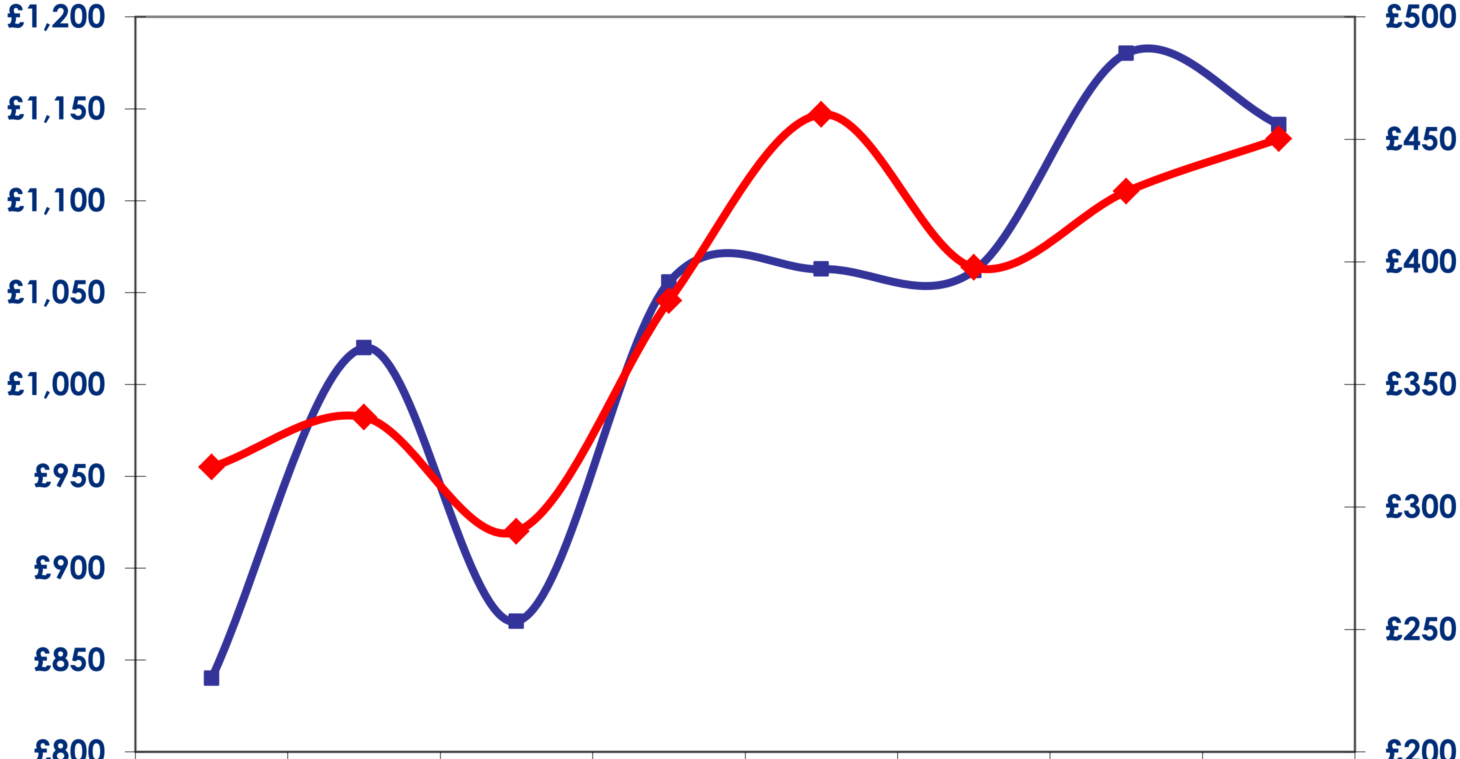
* Before exceptional items

Packaging Distribution

MACFARLANE GROUP

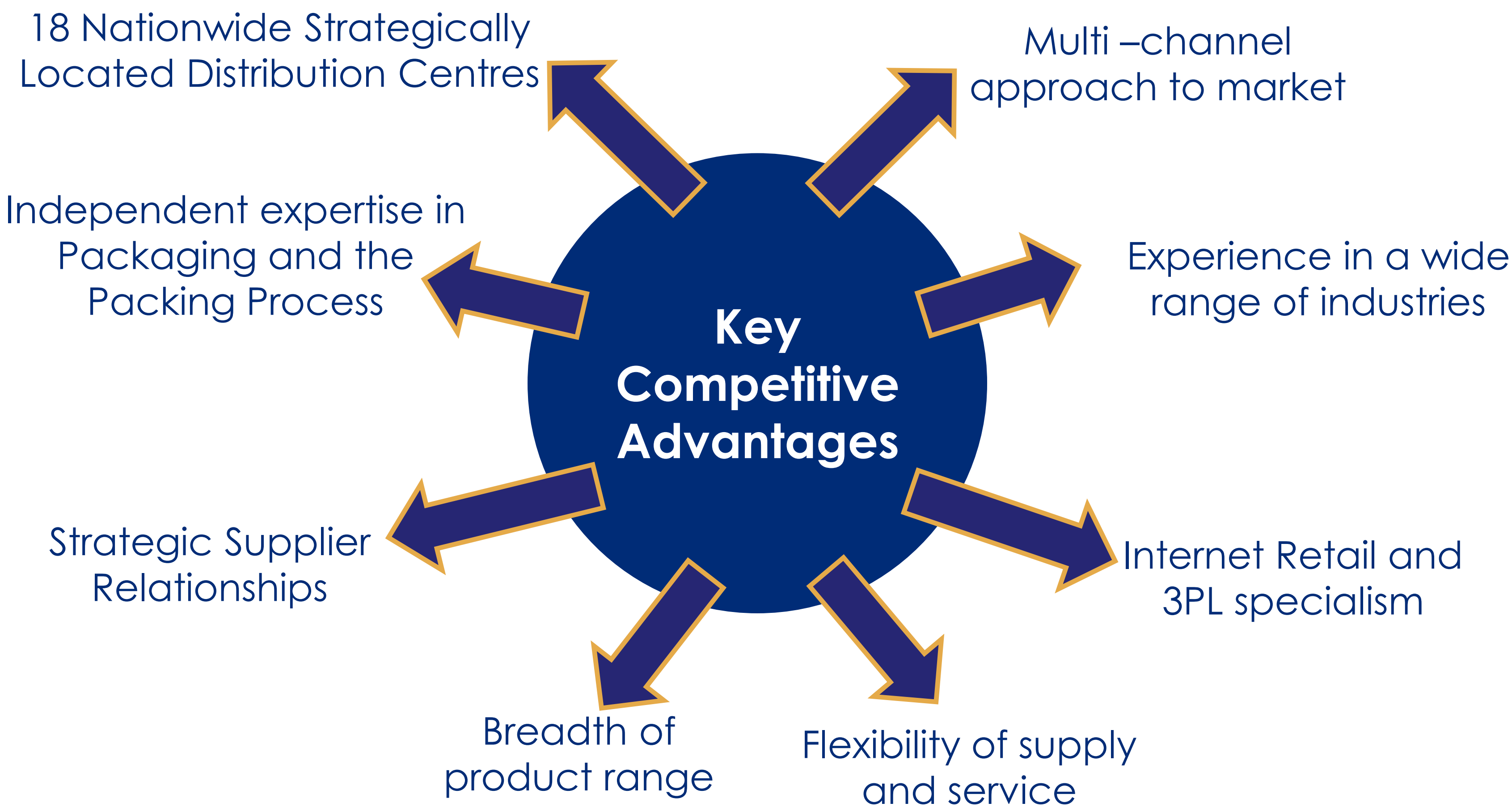
- 9% sales growth, 4% organic, 5% acquisitions
- Acquisitions performing well
- National Accounts growth 14%
- Strong growth in The Hut and ASOS
- Recent Internet retail wins include Selfridges and Home Retail Group
- Internet retail ca. 20%+ of Distribution business sales
- 2014 Q4 organic sales at 5%+, continuing in Q1 2015

Raw Material Movements



	2007	2008	2009	2010	2011	2012	2013	2014
Polymer £/tonne	£840	£1,020	£871	£1,056	£1,063	£1,062	£1,180	£1,141
Paper £/tonne	£316	£337	£290	£384	£460	£398	£429	£450

Key Competitive Advantages



Macfarlane Manufacturing Operations

MACFARLANE PACKAGING
DESIGN AND MANUFACTURE

£m	**2014**	2013
Revenue	**30.3**	31.1
Gross Margin	**40.7%**	40.0%
Operating profit	**0.9**	1.3

MACFARLANE LABELS

Reseal-it®

- Sales impacted by key customer off-shoring in 2013
- Strong new business pipeline moving into 2015
- Focus on value-added products improving margin
- Reseal-it growth of 2%
- Self-adhesive sales down by 4% - UK retail very challenging
- Key self-adhesive customers lost market share

Pension Scheme Deficit £m

	2014	2013
Deficit at 1 January	**(15.9)**	(18.9)
Ongoing accrual/Interest cost	**(0.7)**	(0.9)
Contributions	**5.4**	2.7
Bond yield ↓1.0% to 3.5% (2013 ↑ 0.1% to 4.5%)	**(11.0)**	1.2
Investment returns	**9.2**	0.0
Net effect of other assumptions	**(0.9)**	0.0
Deficit at 31 December	**(13.9)**	(15.9)

Features

- Cost of continued reduction in bond yields
- Move into liability-driven investments in February 2014
- LDI/corporate bonds provided 70% hedge vs. liabilities
- One off contribution of £2.5m in 2014
- 1 May 2014 actuarial valuation concluded
- Deficit recovery plan 10 years (previously 13)
- Deficit recovery contributions reduced to £2.7m (£2.8m)

Pension Scheme details

Investments		2014	2013
Growth assets			
Diversified Growth Funds		**£18.5m**	£16.4m
Equities		**£15.9m**	£ 15.1m
Matching assets			
UK Corporate Bonds/Gilts		**£11.3m**	£22.5m
Liability-driven investments		**£22.2m**	
Cash		**£ 0.1m**	£ 0.2m
Total		**£68.0m**	£54.2m
Liabilities			
Active members	**22** (23)	**£ 6.0m**	£ 5.6m
Deferred members	**300** (319)	**£33.9m**	£29.6m
Pensioners	**330** (314)	**£41.9m**	£34.9m
Total	**652** (657)	**£81.8m**	£70.1m

Profitable Growth in Packaging Distribution

MACFARLANE GROUP

Growth	Proposition	Capability
Internet Retail 3PL	Reduce total cost of packaging	Expertise, knowledge and customer referrals
National Accounts	Rationalise packaging supplier base to reduce costs	UK national network IT capability
Geographic expansion	Rationalise packaging supplier base to reduce costs	NovuPak Organisation
Acquisition	Regional infill leveraging existing network	Experience and case studies

Performance Improvement	Proposition	Capability
Sourcing	Reduce input prices	Leverage scale Strategic supplier base
Operations	Reduce property costs Reduce cost to serve	Streamline property footprint Logistics best practice

Profitable Growth in Manufacturing

Growth	Proposition	Capability
Aerospace, Medical, Electronics	Unique protection for high value, fragile Items	Leading-edge MOD approved Packaging Design, expertise
Re-sealable Labels	Ease of opening, food waste reduction and brand integrity	Proven Patented technology

Performance Improvement	Proposition	Capability
Commercial Approach	Margin protection against volatile ordering patterns	Activity-based pricing
Operations	Improved operational efficiency	Selective investment and best practice focus

Acquisitions in Packaging Distribution

Recent history
- 2006-2008 Three acquisitions in Packaging Distribution
- Sales of £20m Acquisition prices totalled £11m
- Average EBITDA multiple of 6.0
- Gloucester, Hayes, Wakefield
- Efficient integration process

2014 acquisitions
- May-14 - Lane based in Reading, sales £3m
- Sep-14 - Network based in Wolverhampton sales £10m
- Prices of £1.4m and £7.5m respectively
- Earn-out mechanisms £0.2m and £2.5m
- EBITDA multiple of 5.5 – 6.0

Profile
- Acquiring between £3m and £10m turnover
- Fill geographic gaps
- Infill to increase utilisation levels at other sites
- EBITDA multiples relatively constant

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
- Further acquisitions being targeted
- Balance sheet agenda:
  - Implement additional pension deficit reduction actions
  - Focus on cash generation
- Bank facilities of £20m provide additional resources to accelerate growth of the business

Macfarlane Business Case

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