



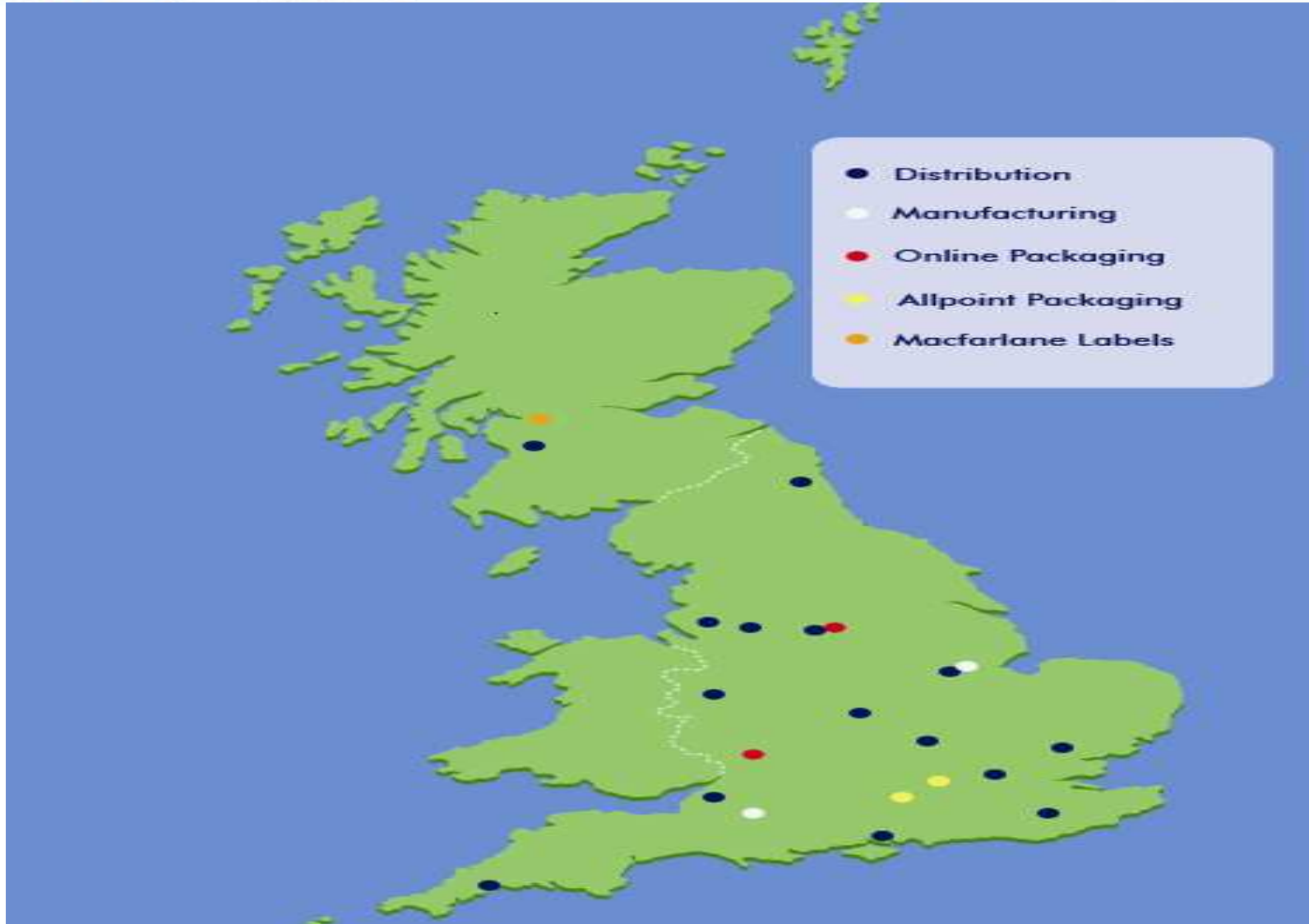
# **MACFARLANE GROUP PLC**

## **110<sup>th</sup> Annual General Meeting**

**5<sup>th</sup> May 2009**



## UK Locations





# MACFARLANE GROUP PLC

## CEO Presentation



- **Recent History**
- **Strategic Priorities**
- **Market Conditions**
- **Key Initiatives**
- **Future Outlook**
- **Conclusions**



## Recent History

- In 2003, on sales of £131m, pre tax losses were £(18.5m) and debt was £(35m)
- The Group has exited – non core and loss making activities: Packaging Manufacturing in Govan, Hungary, USA and Mexico, Brands Electronics and Plastics in Ireland
- Operating performance, customer service standards and organic growth capability have been re-built in the UK Packaging Distribution and Manufacturing businesses
- The Labels business has been strengthened and continues to make progress
- Packaging Distribution has supplemented organic growth with recent acquisitions that have increased geographic penetration and improved utilisation of existing infrastructure
- 2008 sales were £131m, pre tax profits £3.7m and debt £(7.2m)





## Key Strategic Priorities

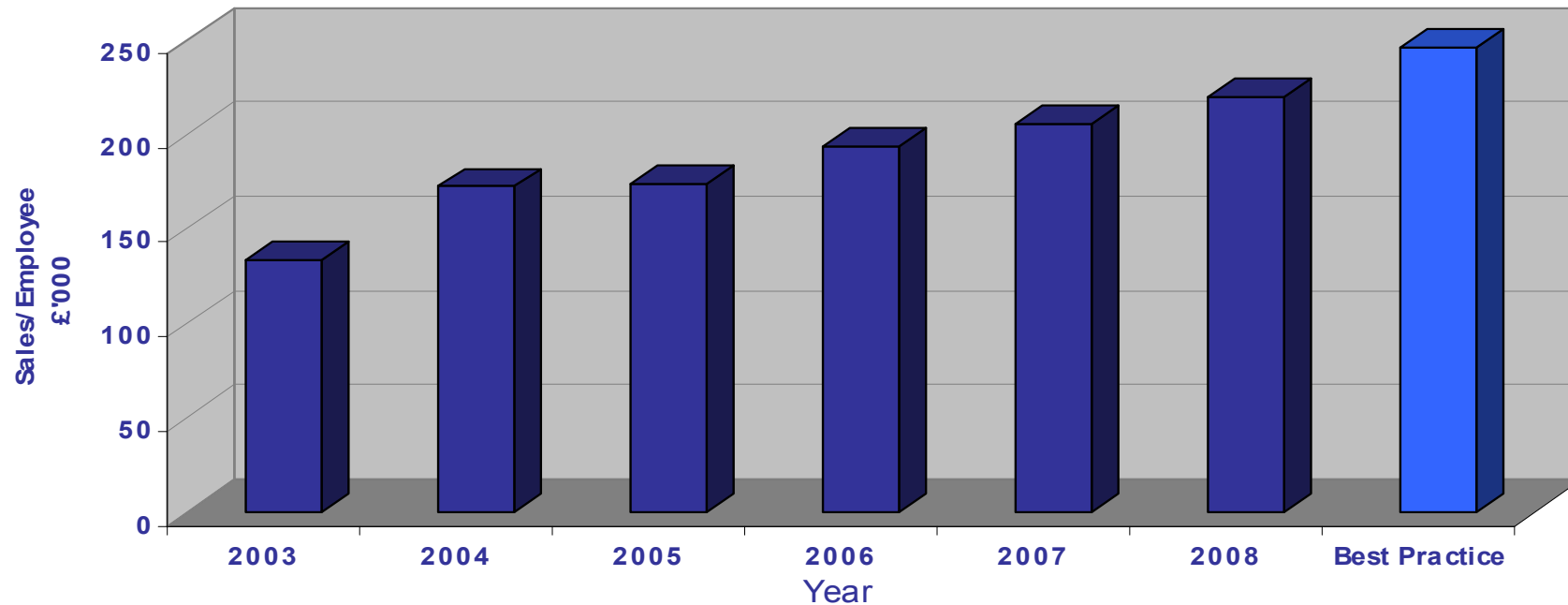
In **Packaging** we plan to:

- Ensure consistency of performance at all sites
- Fully utilise our national capability with major accounts
- Accelerate our response to environmental pressures
- Better leverage our purchasing scale
- Execute our strategic acquisition programme
- Strengthen the relationship between our manufacturing and distribution activities
- Continue to develop the quality and capability of our people



# Strategic Priorities

Sales Per Employee\*



**Best Practice Sales Opportunity\*\* £12m**

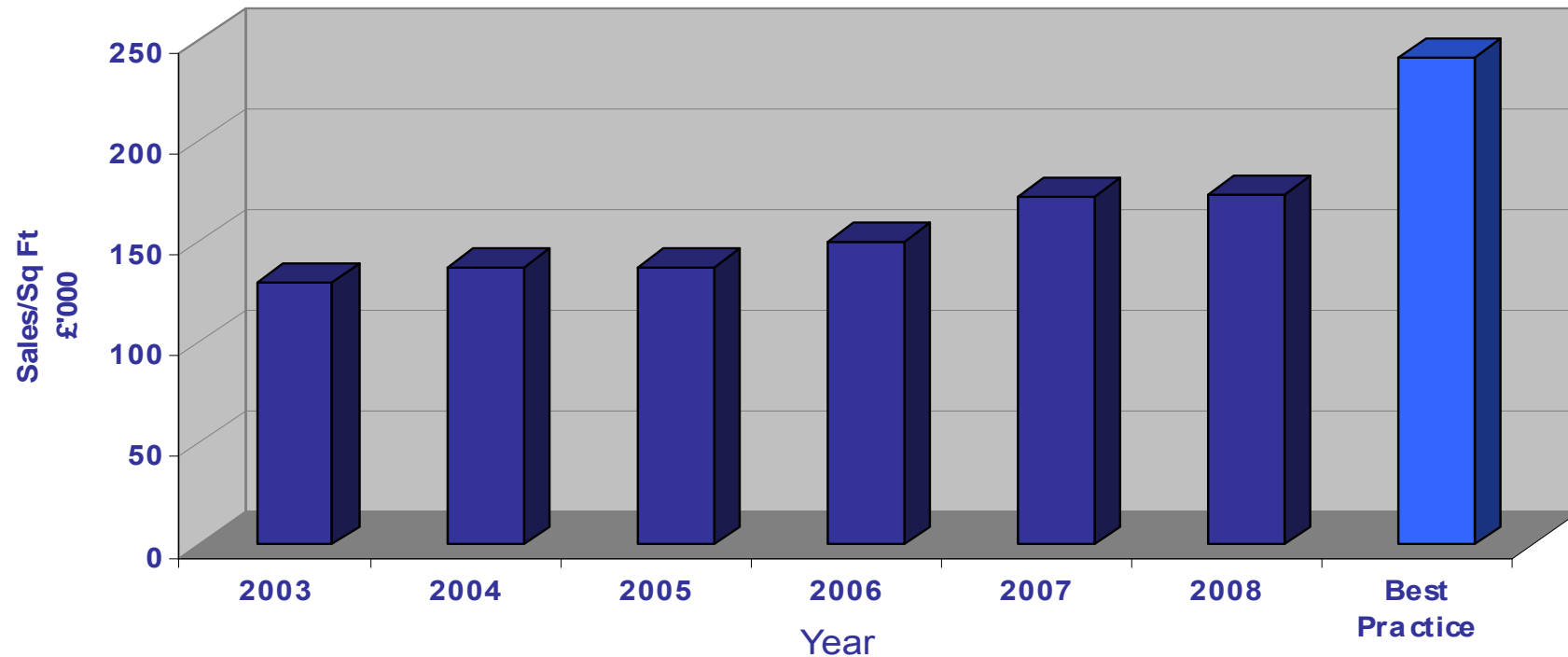
\* These figures are for Packaging Distribution business only.

\*\* The best practice sales opportunity is based on all 15 RDCs achieving the sales levels currently being achieved based on the average of the top 3 performing RDCs.



# Strategic Priorities

Sales Per Sq Ft\*



**Best Practice Sales Opportunity\*\* £40m**

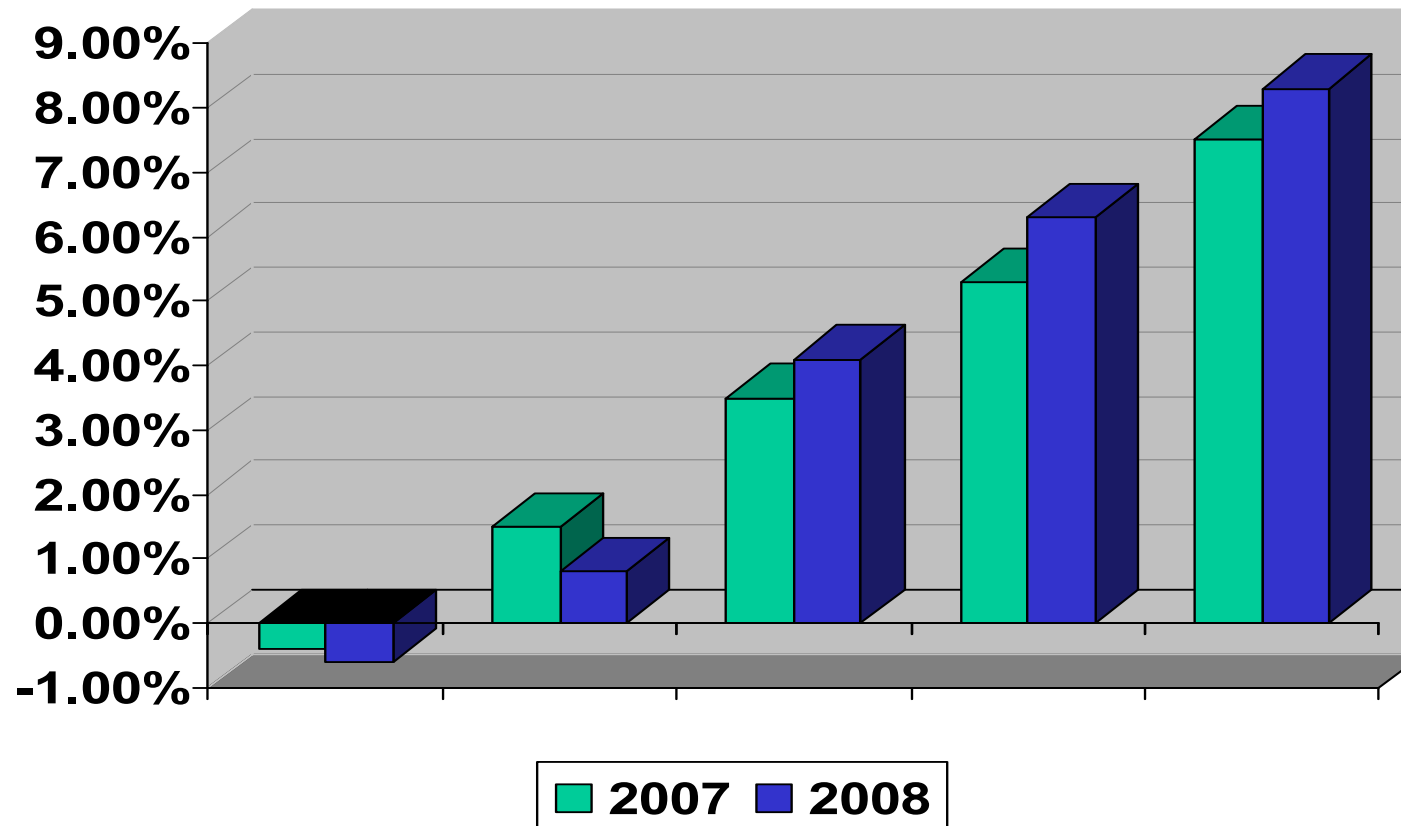
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\*\* The best practice sales opportunity is based on all 15 RDCs achieving the sales levels currently being achieved based on the average of the top 3 performing RDCs.





## Return on Sales by RDC \*



Best Practice  
Profit (ROS)  
Opportunity \*\*

**£4m**

\* These figures are for the 15 RDCs in our Packaging Distribution business. Return on sales = RDC Profit/(loss) / RDC Sales x 100 and is expressed as a % return.

\*\* The Best practice profit opportunity is based on all 15 RDCs achieving the return on sales currently being achieved based on the average of the top 3 performing RDC's.



## Strategic Priorities



**AGA RANGEmaster**  
Group



**MEGGITT**

- Gain of two major national accounts in Packaging Distribution – Play.com and Aga
- Acquisition of Allpoint Packaging
- Access to new proven Far East supplier base
- Gain of major new national account in Packaging Manufacture – Meggitt Aerospace



## Key Strategic Priorities

In **Labels** we plan to:

- Continue to build our relationships with key customers
- Fully utilise the competitive differentiation of the Re-Seal It range of labels
- Maintain the efficiency of our manufacturing operations through selective investments in new technology
- Build our sales capability to further strengthen our market position



## Strategic Priorities

- Increased penetration in existing key accounts  
– McBrides, Kerry Foods



- Re-Seal It new business wins in USA  
– Maple Leaf Foods, Plumrose and Costco and in Europe - Kraft



- UK sales team strengthened with recruitment of new sales manager



## Market Conditions

- Since 2H 2008 UK demand has weakened with some sectors showing sharp declines eg automotive, electronics, house removal
- Market pricing has become increasingly competitive as demand has weakened
- Manufacturers have been attempting to enter those market sectors traditionally serviced by Distributors
- Customers are increasingly searching for better value packaging solutions
- In Labels own brand products are strengthening as consumers focus on lower pricing and raw material prices are increasing
- Pressure on cash flow has increased as customers look to extend payment and suppliers reduce credit terms





## Key Initiatives

- Streamlining programme applied across Macfarlane business to re-align cost base with demand conditions
- New business activity accelerated in response to customer demand for better value
- Purchasing activity has intensified as we look to reduce input pricing – early successes with benefit of Allpoint Far-East supplier base and corrugate tender
- We will re-launch our web-based packaging offer in 2H 2009
- Tighter controls implemented on working capital management
- Bank facilities have been renewed





## Future Outlook

- Our dependency on the UK economy means a period of extreme challenge for the next 12 - 24 months
- **Macfarlane Packaging** will emerge from this period a stronger business:
  1. The benefits of national capability will be reflected in new business gains
  2. Customers will see the benefits of a single-source packaging supplier who can help them reduce stock levels and improve packing efficiency
  3. Key suppliers will focus on those partners they see as reliable and sustainable
  4. Weaker competitors may fail to survive



## Future Outlook

- **Macfarlane Labels** is well positioned during this period:
  1. It has a strong mix of customers a number of which are “blue chip” FMCG companies
  2. It operates across a wide range of consumer sectors both branded and own-brand
  3. It is well capitalised with leading edge printing equipment
  4. It has industry best practice levels of productivity



## Conclusions

- Since 2003 Macfarlane Group has come through a period of recovery, re-structuring and re-building - The Group is now focussed, profitable and cash generative
- The businesses are well positioned in fragmented markets that continue to offer opportunity and there is significant further performance improvement potential
- The current economic weakness is creating challenges and opportunities to which the business is responding effectively
- As the economy recovers Macfarlane Group will emerge as a stronger business, capable of sustainable growth and with the potential to achieve the management ambition of c£200m annual sales delivering returns of at least 5%



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