



# **MACFARLANE GROUP PLC**

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

**10<sup>th</sup> May 2011**



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**CEO Presentation  
Annual General Meeting  
10<sup>th</sup> May 2011**



- **2010 Performance**
- **Strategic Development**
- **Outlook**
- **Conclusions**



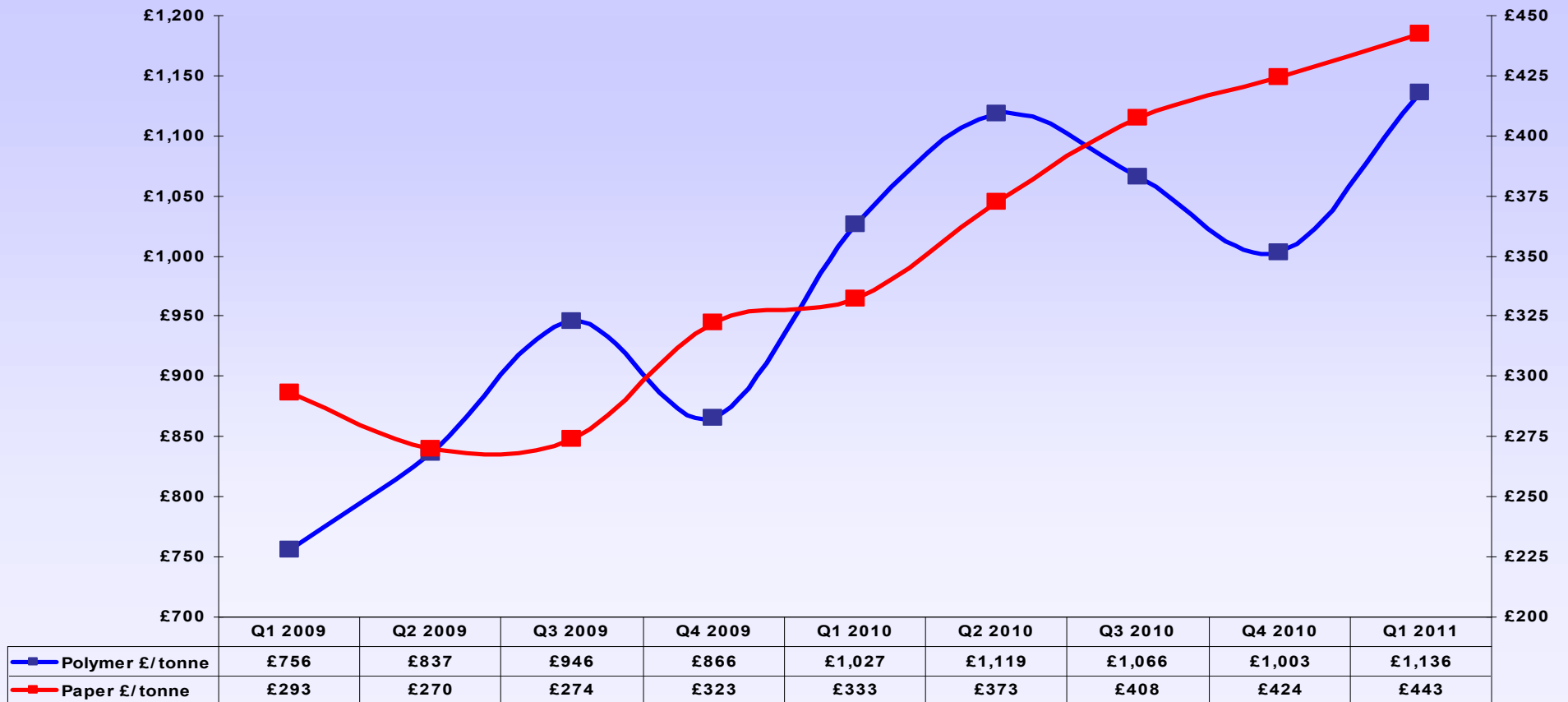
## 2010 Market Conditions

- UK demand remained weak following the difficulties of the UK economy in 2009
- Some demand recovery in certain sectors
  - Automotive
  - Aerospace
  - Retail-related (H2)
- Dramatic increases in raw materials prices
  - 5 increases in paper pricing (up 33%)\*
  - 2 increases in polymer based products (up 16%)\* at peak 21%
- Sharp focus on price increase recovery across the Group

\* Relates to calendar year 2010



### Raw Material Prices / Tonne





## 2010 Performance

### ■ Macfarlane Group

- Sales up 9.6% \*
- PBT (pre-exceptionals) up 6% \*
- Net bank borrowings down to £6.3m

### • Packaging Distribution

- Sales up 10% \*
- Gross margin erosion of 1.7% due to high cost price inflation \*

### ■ Manufacturing Operations

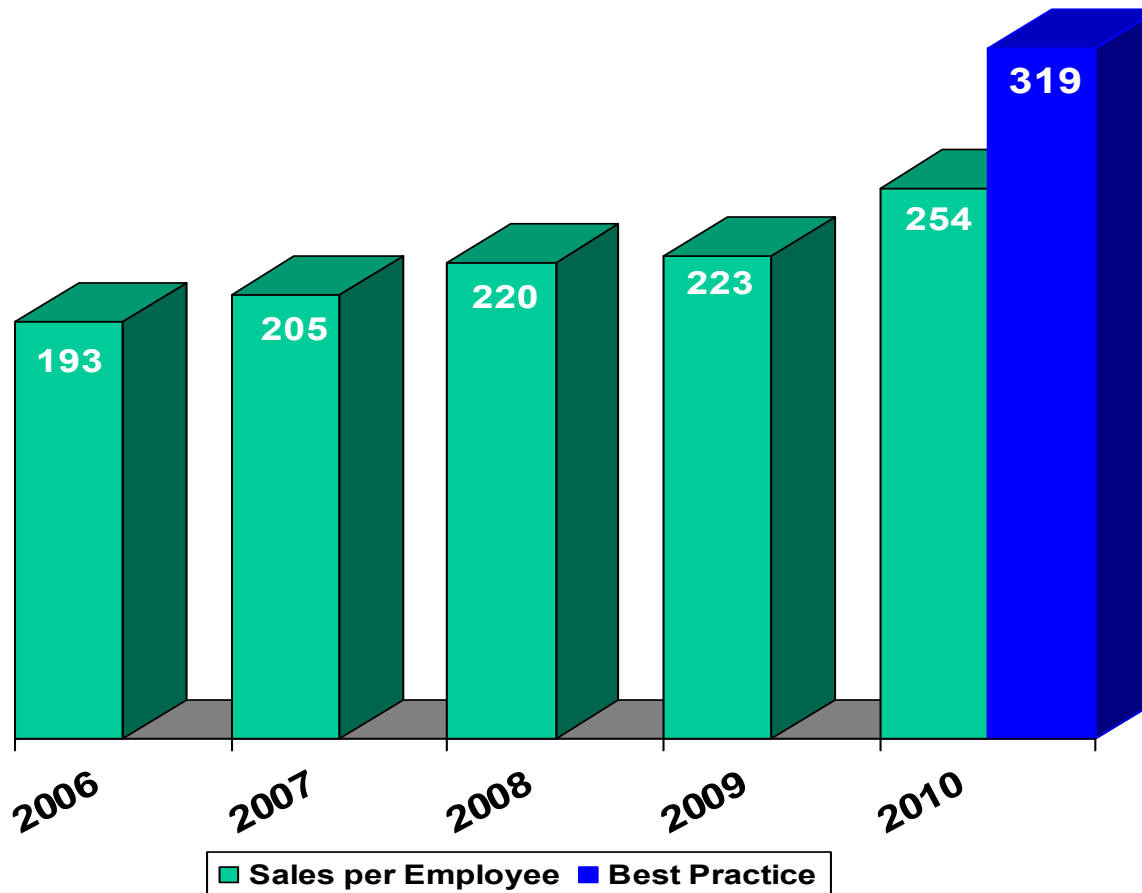
- Sales up 7% \*
- Strong recovery in Packaging Manufacturing but continued weakness in Labels

**Group profitability progressed in 2010 despite dramatic increases in raw material prices**

\* Relates to calendar year 2010



## Sales per Employee\* £000



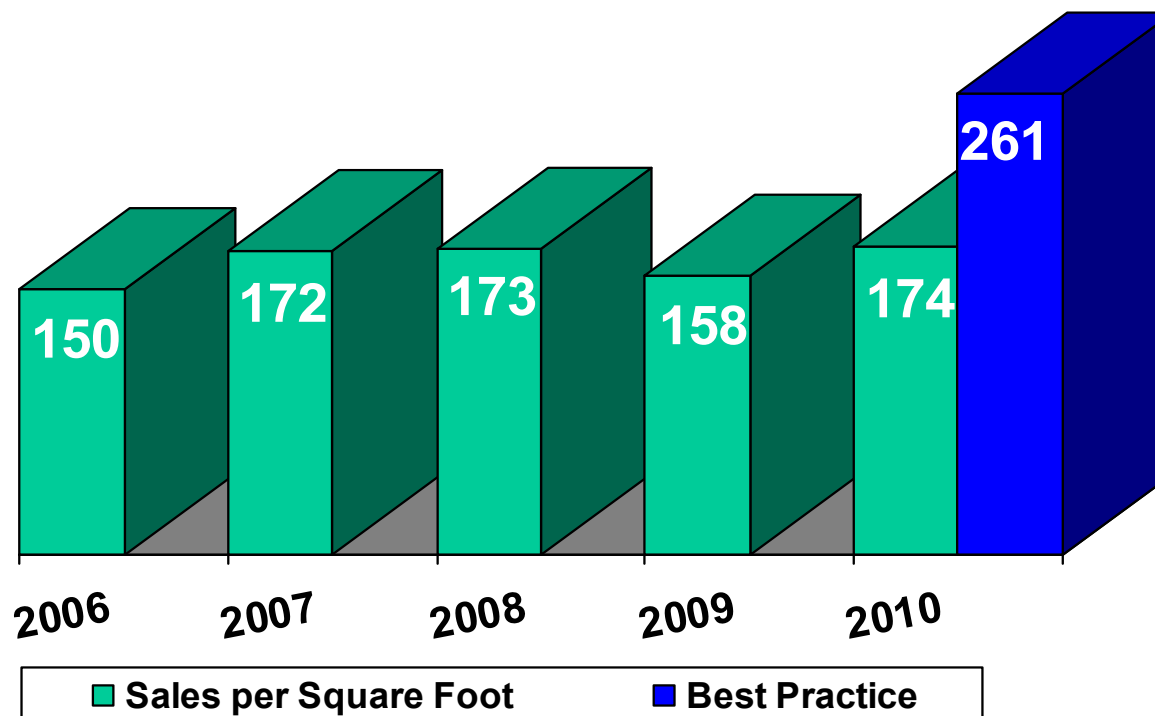
Best Practice Sales  
Opportunity \*\*  
**£27m**

\* These figures are for the Packaging Distribution business only.

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



## Sales per Square Foot \* £



Best Practice Sales  
Opportunity \*\*  
**£54m**

\* These figures are for all RDCs in the Packaging Distribution business only

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

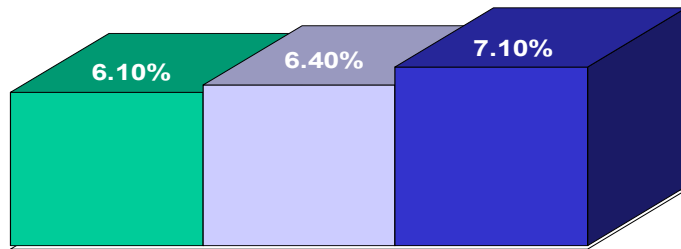




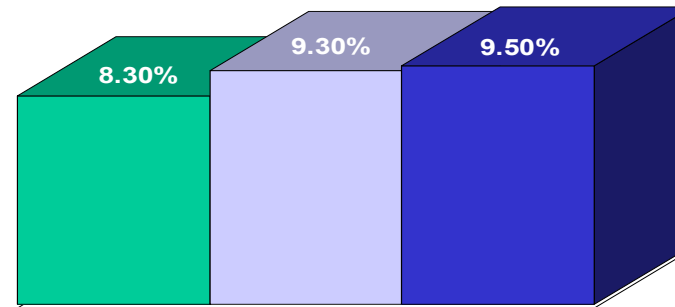
# Return on Sales by RDC \*

Best Practice Profit (ROS) Opportunity \*\*  
£6.2m

Third Quartile - RDC's



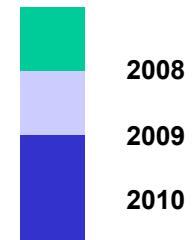
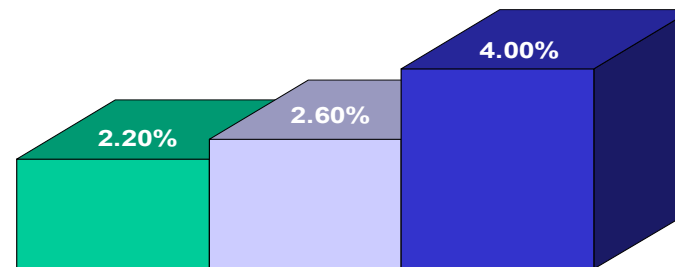
Top Quartile - RDC's



Bottom Quartile - RDC's



Second Quartile - RDC's



\* These figures are based on all RDCs in the 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 RDCs achieving the return on sales currently being achieved based on the average of the top 3 performing RDC's.



# Strategic Development

## Increase 3PL Market Penetration

- Sales growth of 40%
- Improved penetration of existing 3PL customers (DHL & Wincanton)
- Gain of new customers (Unipart)





# Strategic Development

## Increasing Web Presence

- Web related sales growth of 19%
- 12% of total Packaging Distribution sales now electronically transacted

The screenshot displays the Macfarlane Packaging website interface. At the top, there's a navigation bar with categories like Boxes, Tapes, Labels, Protection, Papers, Postal, Polythene, Stretch, Strapping, Tools, Gift & Retail, Hygiene, and Catering. A central banner advertises 'Cheapest online price guaranteed' with a pound symbol (£). Below this, a grid of product categories is shown, each with a 'See All Products' button. The categories include Boxes, Tapes & Sealing, Labels, Protection, Papers, Postal, Polythene, Stretch, Strapping, Tools, Gift & Retail, and Hygiene. On the left, there's a sidebar with 'Best Sellers' and 'Add to Cart' buttons. At the bottom, there are sections for 'Promotions', 'Request a quote', 'Trade Request', and 'Request a catalogue'. The footer contains contact information and a list of services.



## Strategic Development

### Launch of Presentational & Retail Packaging

- New customers gained (matches.com, Goodridge, Dartington Crystal)
- 130 live new PRP prospects





# Strategic Development

## Growth of Reseal-it

- Sales growth from continuing customers 17%
- New Reseal-it™ customers include: Walkers, Cooper Farms, Kraft, Bahlsen





## Outlook

- Levels of demand in the UK economy remain uncertain
- Ongoing volatility of raw materials prices
- Packaging Distribution core proposition remains strong
  - Enhanced by our expertise in 3PL
  - Increasing breadth of our product range through PRP
  - Growing importance of our web offer
- Packaging Manufacturing activities complement the Packaging Distribution business to provide customers with a complete packaging service.
- Reseal-it™ continues to demonstrate its growth potential for our Labels business
  - Major brand owners are increasingly recognising the benefits of ease of use and product differentiation



## Conclusions

- In 2010 Macfarlane Group responded effectively to an extremely challenging pricing environment and despite gross margin erosion improved profitability.
- 2011 has started well despite demand weakness and pricing issues which are likely to continue in the medium term.
- New operational improvement initiatives this year will enable us to reduce the cost base in 2012.
- Our new strategic initiatives in Presentational Packaging, Reseal-it™, the 3PL sector and macfarlanepackaging.com are showing progress and will become important future drivers of profit growth.
- Effective implementation of our actions in the medium term will enable Macfarlane Group to achieve the management ambition of c£200m annual sales delivering returns in excess of 5%. CS1

**Slide 15**

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**CS1**

**Do you want to be held to this?**

Callum Spreng, 03/05/2011





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