

**12 May 2020**

At the Annual General Meeting (“AGM”) held in Glasgow today, Stuart Paterson, Chairman of Macfarlane Group PLC (“Macfarlane” or the “Company”) made the following statement.

### **Trading**

As previously reported in our COVID-19 update on 30 March 2020, the first quarter of 2020 delivered a strong trading performance with Group sales growth of 2% and profitability well ahead of the same period in 2019. The acquisitions made in 2019 both performed to expectations in this period.

As a result of Government actions to address the COVID-19 crisis, we expect demand levels in the second quarter to reduce to between 75% and 80% of those seen in the second quarter of 2019. We are managing our cost base in line with the reduced levels of activity and we would expect the second quarter to be a profitable period of trading albeit well below that achieved in the first quarter.

### **Customers**

Following the introduction of “lockdown” by the Government, our customers in the hygiene, household essentials, medical and food sectors continue to demonstrate strong demand. These customers play a vital role in helping to meet the challenges of COVID-19 and we continue to support them. All our sites remain operational, we are fully engaged with customers and offering an increasingly flexible service in response to their fast-changing needs. Some sectors we serve, such as automotive, aerospace and certain retail segments, have been materially impacted by the lockdown and their business has reduced significantly as a result.

### **People**

The Board is committed to following the Government's guidance for COVID-19. Our intention during this challenging period is to ensure that we protect the health and wellbeing of our people. We have implemented home working programmes, workplace distancing and enhanced hygiene protocols. In line with the UK Government's aim to preserve employment we have furloughed approximately 30% of staff through the Coronavirus Job Retention Scheme.

The Board wishes to express its gratitude to all Macfarlane staff for their commitment, support and flexibility in these challenging times.

### **Liquidity**

The Company has a strong balance sheet and liquidity headroom. Net bank debt, which at 31 December 2019 was £12.7 million, has now reduced below £6.0 million, albeit with the benefit of taxation deferrals, board salary reductions and bonus deferrals which in total amount to £4.0m. Following the actions taken, there remains significant headroom on the Group's principal bank facility of up to £30.0 million with Lloyds Banking Group, which is available until June 2022. The Company is in compliance with the covenants for the facility.

As a key measure to conserve cash, the Board took the decision not to propose the 2019 final dividend at today's AGM, which will reduce cash outflows by £2.8 million in the second quarter of 2020. The Company has been a regular dividend payer for a number of years and the Board remains committed to providing dividend income to shareholders. Once trading has recovered in line with more normal levels and we have more clarity about the longer-term outlook, the Board's intention is to recommence dividend payments either by augmenting regular dividends or by declaring a special dividend.



## Summary

Given the current uncertainty and concerns around the pace of the potential recovery, it is not possible for the Company to provide meaningful guidance on trading for the financial year ending 31 December 2020. However, based on actions taken to date and current levels of trading, we expect the business to remain profitable in 2020 and to operate within the current borrowing facility. Further announcements will be made on the anticipated 2020 performance when the Board has more clarity.

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**Legal Entity Identifier (LEI): 213800LVRYDERSJAAZ73**

## Notes to Editors:

- Macfarlane Group PLC is listed on the London Stock Exchange (LSE: MACF) in the Industrials Sector
- The company is headquartered in Glasgow, Scotland and has more than 70 years' experience in the UK packaging industry. Macfarlane Group's businesses are:
  - **Macfarlane Packaging** is the leading UK distributor of a comprehensive range of protective packaging products
  - **Labels** designs and prints high quality self-adhesive and resealable labels, principally for FMCG companies
  - **Packaging Design and Manufacture** designs and produces protective packaging for high value, fragile products
- Macfarlane Group employs over 925 people at 31 sites, principally in the UK, but also in Ireland and Sweden.
- The company has 15,000+ customers in the UK, Europe and the USA providing 600,000+ lines to a wide range of industry sectors including: consumer goods; food manufacturing; logistics; internet retail; mail order; electronics; defence and aerospace.