MACFARLANE GROUP

2021 Results

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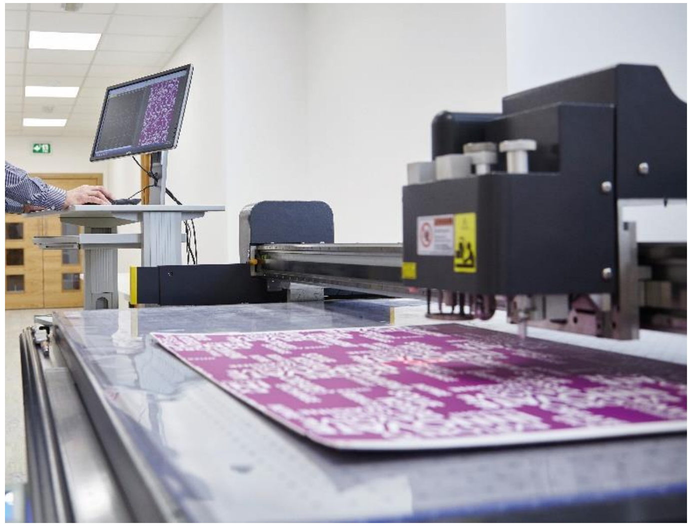

Executive Summary

£m	2021	2020 Restated*
Operating profit before amortisation (PBITA) from continuing operations	**23.3**	16.1
Profit before tax from continuing operations	**18.6**	12.4
(Loss)/Profit before tax from discontinued operations	**(0.9)**	0.6

- Group sales £264m, 26% growth on 2020
- PBITA £23.3m, 44% growth on 2020 ; PBT £18.6m, 50% growth on 2020
- Distribution sales growth of 19% and PBITA growth of £3.2m
- Manufacturing Operations sales growth of 194% and PBITA growth of £4.0m
- The Labels division was sold in December 2021 and classified as a discontinued operation. The loss before tax for 2021of £0.9m is after charging goodwill impairment of £1.0m and costs of disposal of £0.3m
- Pension in £8.3m surplus, an improvement of £9.8m from 2020
- Net bank funds of £2.5m increased by £3.0m in 2021
- Final dividend proposed of 2.33p per share payable 1 June 2022, with a register date 13 May 22

* 2020 restated to reflect the Labels division as a discontinued operation following its sale on 31 December 2021 in accordance with IFRS5.

Financial Summary – 2021

Revenue and profit*	Revenue ▲ 26%	Profit before tax ▲ 50%	PBITA ▲ 44%
Returns and balance sheet	Pre-tax ROCE ▲ 20%	Bank funds ▲ £2.5m	Pension surplus ▲ £8.3m
EPS and dividend	Diluted EPS ▲ 23%	Dividend cover ► 2.5x	Dividend per share ▲ 3.20p

* from continuing operations

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Results £m

	2021	2020 Restated*
Sales from continuing operations	**264.5**	210.2
Gross Profit	**89.5 33.8%**	69.8 33.2%
Overheads	**(66.2)**	(53.7)
Operating profit before amortisation	**23.3**	16.1
Amortisation	**(3.3)**	(2.5)
Operating profit	**20.0**	13.6
Interest	**(1.4)**	(1.2)
Profit before tax from continuing operations	**18.6**	12.4
(Loss)/Profit before tax from discontinued operations	**(0.9)**	0.6
Profit before tax from total operations	**17.7**	13.0
Diluted EPS	**7.90p**	6.42p
Dividend	**3.20p**	2.55p
Dividend cover	**2.5**	2.5

* 2020 restated to reflect the Labels division as a discontinued operation following its sale on 31 December 2021 in accordance with IFRS5.

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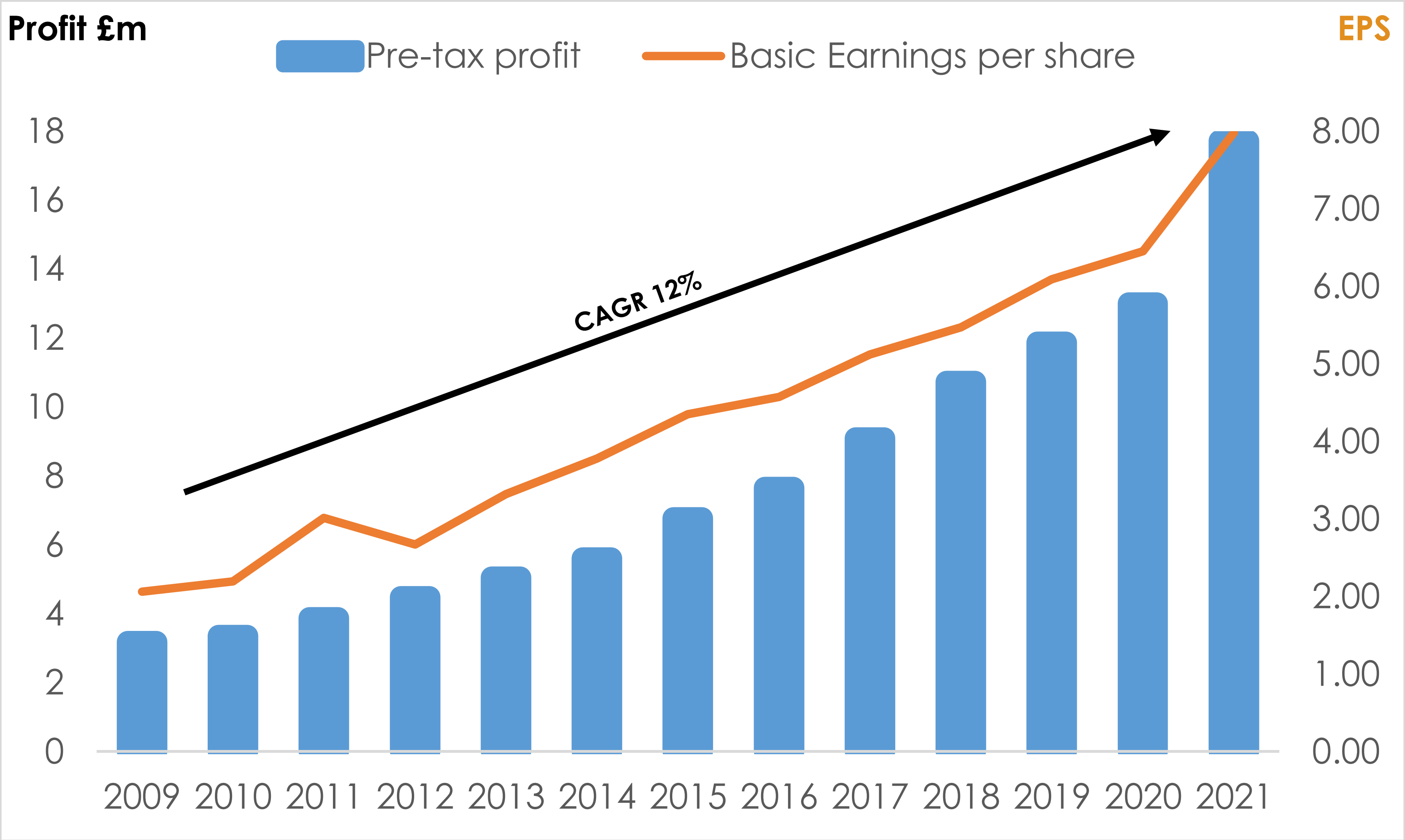
Cash Flow £m

	2021	2020
EBIT	**19.1**	14.3
DA	**13.8**	11.0
EBITDA	**32.9**	25.3
Working Capital	**(2.0)**	3.9
Lease Obligations	**(7.5)**	(6.7)
Interest	**(1.4)**	(1.2)
Acquisitions	**(12.2)**	(2.7)
Disposals	**5.2**	-
Tax	**(5.0)**	(1.7)
Net capital expenditure	**(1.9)**	(0.7)
Pension	**(1.5)**	(3.0)
LTIP adj.	**0.7**	0.1
Dividend	**(4.3)**	(1.1)
Movement in bank funds/debt	**3.0**	12.2

Profit Progression



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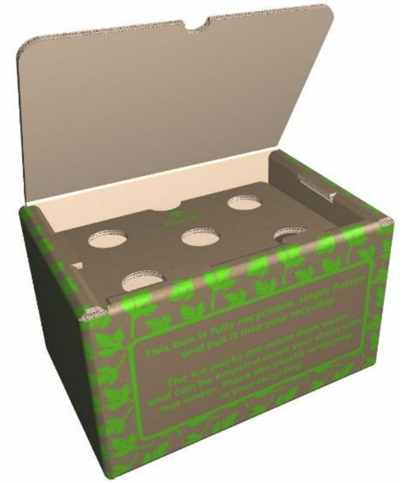
Packaging Distribution

- Results include Carters acquisition which is performing well
- Organic sales increase of 16% versus 2020, driven by e-commerce retail and recovery of some industrial sectors
- New business growth of £12.3m, 9% above 2020
- Gross margin stability reflects effective management of inflation in input pricing on paper and polymer-based products
- Overhead increase due to the acquisition, property dilapidation costs related to the 2022 NW consolidation, higher costs to support increased volumes and increased costs for performance related incentives

£m	**2021**	2020
Revenue	**239.5**	201.7
Gross margin	**32.4%**	32.5%
Overheads	**57.9**	49.1
PBITA	**19.7**	16.5
PBITA Margin	**8.2%**	8.2%
Net Promoter Score	**48**	53



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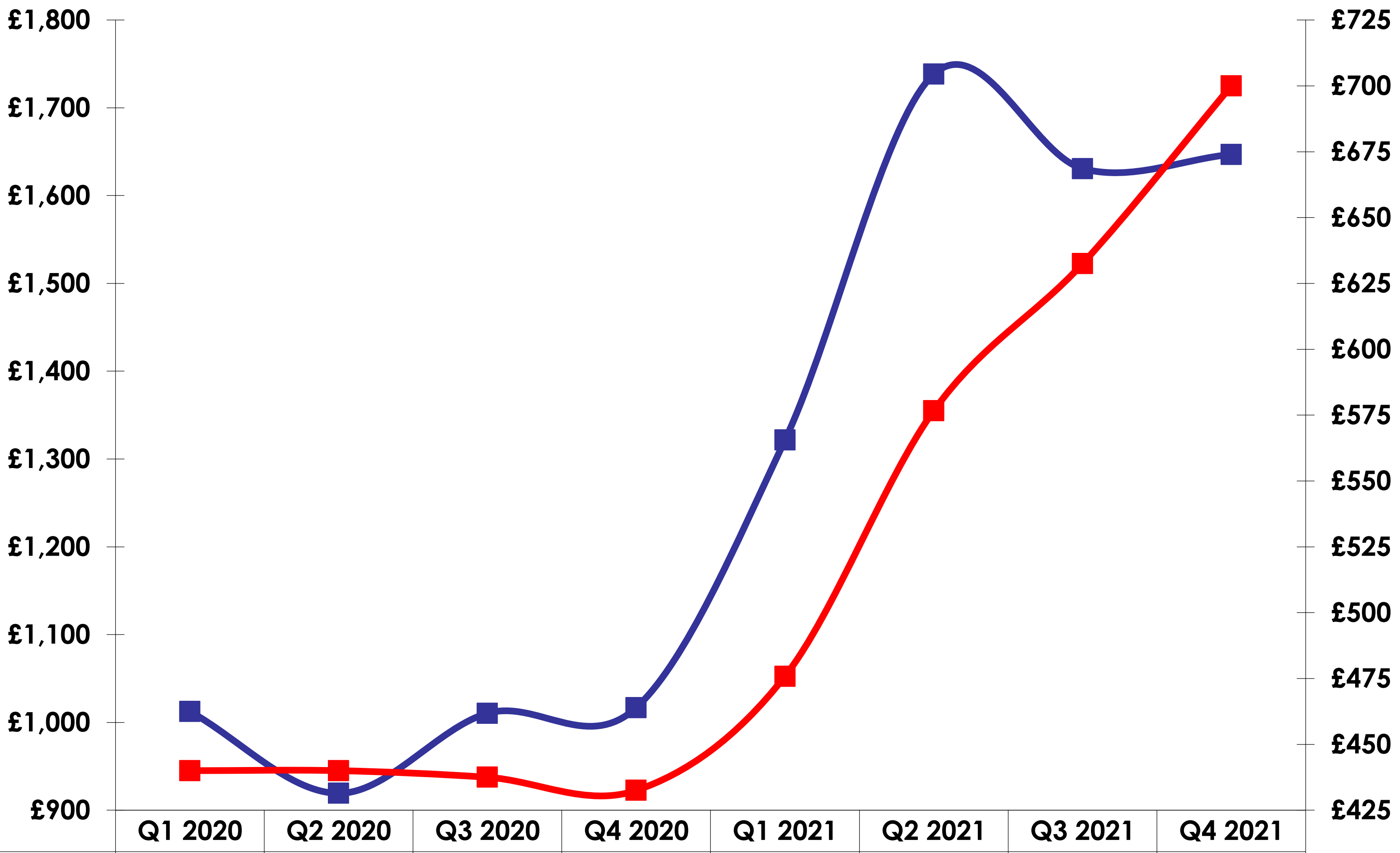
Packaging Distribution – Raw Material Movements



	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021
Polymer £/tonne	£1,013	£919	£1,010	£1,017	£1,322	£1,738	£1,631	£1,647
Paper £/tonne	£440	£440	£438	£433	£476	£577	£633	£700

Packaging Distribution

- Strong demand from e-commerce retail and medical
- Recovery in automotive, home & garden and electronics
- Continued weak demand from high street retail and hospitality
- Retail c.30% (2020 c.28%) of Distribution revenue with structural shift to on line purchasing
- Key new customer wins – Bella & Duke, Parsley Box, Vans, Skechers
- Significant inflation in input prices and shortage of supply of some materials
- European "Follow the Customer" programme progressing with J&J, Farnell, Scholle, Flowtech
- Reduction in NPS reflect challenging supply and pricing conditions

Packaging Distribution Challenges for 2022-2024

Base Business Performance	Salary Inflation	Plastic Tax	Environmental Challenge	Recruitment and Working Flexibility	Delivering The Benefits of New Software Introductions
Sustain the Base Business performance particularly gross margin, as supply conditions return to normal, and we potentially move into a deflationary cycle	Improve productivity to offset salary inflation in an increasingly competitive labour market	Manage the introduction of the new Plastic Tax and the impact this will have on suppliers, pricing, customer and competitor behaviour	Demonstrate we are fully engaged in addressing the Environmental Challenge	Improve our retention, recruitment and working flexibility with staff at all levels in the business.	Manage the successful implementation and deliver the benefits of new software introductions (Dynamics, WHM and Slimstock) at the same time as ensuring E7 integration programmes are completed

Online Capability	Execute UK Acquisitions	Pace of Progress In Europe	Penetration of New Packaging Products	Packing Automation	Property Footprint
Improve our online capability to become a more effective competitor in this market	Continue to successfully identify and execute quality UK acquisitions	Increase the pace of progress in Europe both through acquisitions and the Follow the Customer Programme	Improve our penetration of new packaging products particularly Shelf Ready, Presentational and Temperature Controlled.	Increase our capability to provide customers with expertise in the area of Packing Automation	Manage the property footprint to ensure our space is fully optimised and we achieve the benefits of property consolidation with no degradation of service to customers

Macfarlane Design and Manufacture

- 2021 results include GWP acquisition which is performing ahead of expectations
- Organic growth of 16% with strong recovery from defence and automotive sectors offset by continued weakness in aerospace
- Effective management of inflation in input prices and realignment of cost base in H2 2020 has contributed to a recovery back to profit in the base business
- New business development focused on growth sectors- medical, electronics and defence
- Strengthened partnership with Distribution

* Including intra-segment sales to Distribution

£m	2021	2020
Revenue*	**28.5**	11.2
Gross margin	**41.6%**	38.0%
Overheads	**8.2**	4.6
PBITA	**3.7**	(0.3)
PBITA Margin	**13.0%**	(2.6%)
Sales to Distribution % of base business excluding GWP acquisition	**27%**	26%

GWPGroup

MACFARLANE PACKAGING
DESIGN AND MANUFACTURE

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Packaging Manufacturing Challenges for 2022-2024

Business Performance	Salary Inflation	Plastic Tax	Environmental Challenge	Recruitment And Working Flexibility	GWP in-house Growth Opportunities
Sustain the business performance particularly gross margin, as supply conditions return to normal, and we potentially move into a deflationary cycle	Improve productivity to offset salary inflation in an increasingly competitive labour market	Manage the introduction of the new Plastic Tax and the impact this will have on suppliers, pricing, customer and competitor behaviour	Demonstrate we are fully engaged in addressing the Environmental Challenge	Improve our retention, recruitment and working flexibility with staff at all levels in the business.	Identify the potential for GWP as an in-house supplier to Macfarlane Distribution
GWP Integration	**Execute UK Acquisitions**	**Europe Opportunity**	**Improve Partnership with Packaging Distribution**	**Investment**	**New Software Tools**
Commence process of integrating Macfarlane PDM and GWP	Develop and execute further UK acquisitions in the specialist protective packaging spoace	Work with Distribution to support European Follow the Customer Programme	Increase penetration of PDM as a supplier to Packaging Distribution Industrial Customers	Make selective capital investments to reduce costs and improve customer service	Implement benefits from Dynamics and Paragon introductions

Protective Packaging Acquisitions 2014 to 2021

Acquisition	Location	Sales	EBITDA multiple	Placing price	Integrated
Lane	Reading	£3m	5-6x	N/A	✓
Network	Wolverhampton	£9m	5-6x	Sep-14 **37.5p**	✓
One	Bingham	£5m	5x	N/A	✓
Colton	Teesside	£3m	5x	N/A	✓
Edward McNeil	Glasgow	£3m	5x	N/A	✓
Nelsons	Leicester	£9m	5-6x	Jul-16 **58.0p**	SRP 2023 earliest
Greenwoods	Nottingham	£15m	5x	Sep-17 **66.0p**	H1 2022
Tyler	Leicester	£2.5m	5x	N/A	✓
Harrisons	Leyland	£3.5m	5x	N/A	✓
Ecopac	Aylesbury	£6.5m	6x	N/A	H1 2022
Leyland	Leyland	£4.0m	5x	N/A	✓
Armagrip	Durham	£1.5m	5x	N/A	✓
GWP	Swindon/Salisbury	£13.1m	5.5x	N/A	Ongoing
Carters	Redruth	£5.3m	6x	N/A	Ongoing

ESG Objectives

- Introduction of a driver performance scheme from 2021 to encourage optimal driving behaviour that reduces fuel consumption and emissions.
- All acquisition businesses will have Paragon software and vehicle tracking installed by the end of 2023
- 50% of Macfarlane Group company cars will be electric by 2026

- 100% Macfarlane Group sites will be FSC® certified (FSC® - C149407) by the end of 2025.
- By 2025 at least 90% of products will contain recycled content.
- By 2025 at least 90% of products will be recyclable.
- Committing to applying clear and consistent recycling instructions

- Macfarlane Group will support our colleagues in raising funds for charitable causes alongside our own pro-active fundraising.
- Macfarlane Group colleagues have the opportunity to spend over 7,000 hours volunteering each year through our community engagement scheme.

- Increase the awareness of Diversity, Equity, and Inclusion (DEI) through mandatory training for colleagues in leadership roles in 2022.
- 100% Macfarlane Group managers will have full Diversity, Equity, and Inclusion training by the end of 2024
- Substantially invested in a new Health and Safety Management System

Key targets to be published in our 2021 annual report

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Macfarlane Labels

- The Labels Division was sold to The Reflex Group in December 2021
- The gross proceeds from the sale is estimated to be £6.3m, with £6.1m received on completion and £0.2m deferred
- £0.6m of cash was retained by Labels at completion
- Proceeds to be reinvested in growth of the protective packaging businesses
- The loss before tax of £0.9m in 2021 includes:
  - £0.4m profit from trading (2020: £0.6m); offset by
  - £1.0m of goodwill impairment; and
  - £0.3m costs of disposal

£m	**2021**	2020
Revenue	**21.2**	19.8
(Loss)/profit before tax	**(0.9)**	0.6

Pension Scheme Surplus £m

	2021	2020
Opening deficit	**(1.5)**	(6.5)
Ongoing accrual/Interest cost	**(0.1)**	(0.2)
Past service costs (2021: re Sale of Labels; 2020: GMP)	**(0.3)**	(0.1)
Contributions	**2.0**	3.2
Bond yield ↑ 0.55% to 1.90% (2020↓ 0.65%)	**8.1**	(10.5)
Investment returns	**1.3**	10.7
Net effect of other assumptions	**(1.2)**	1.9
Closing surplus/(deficit)	**8.3**	(1.5)

- Increase in bond yields costs partially offset by LDIs
- LDI provided > 85% hedge vs. interest liabilities
- Deficit recovery contributions for 2021 £2m
- Triennial actuarial valuation 1-May-20 complete with pension deficit contributions reducing from £3.0m per annum to £1.3m per annum from H2 2021 until 2024.

Pension Scheme Details £m

Investments		2021	2020
Growth assets			
Diversified Growth Funds		**29.1**	31.6
Equities		**26.4**	22.9
European Loan Fund		**6.8**	6.5
Long-term Property Fund		**7.0**	6.3
Matching assets			
Liability-driven Investments		**30.5**	31.4
Cash		**0.6**	0.7
Total investments		**100.4**	99.4
Liabilities	Members		
Active members	3 (14)		
Deferred members	185 (183)		
Pensioners	366 (373)		
Total liabilities	**554** (570)	**92.1**	100.9

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Profitable Growth in Packaging Distribution

Growth	Proposition	Capability
Retail	Reduce total cost of packaging and improve sustainability	Expertise, 3PL partnerships and customer referrals
Industrial	Rationalise packaging supplier base to reduce costs and improve sustainability	UK national network IT capability
Geographic expansion	Rationalise packaging supplier base to reduce costs	"Follow the Customer" programme
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

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Profitable Growth in Manufacturing

Growth

- Aerospace, Medical, Electronics
- Acquisition

Proposition

- Unique protection for high value, fragile Items
- Build our manufacturing capability

Capability

- Leading-edge MOD approved Design, expertise
- Experience

Performance Improvement

- Commercial Approach
- Operations

Proposition

- Margin protection against volatile ordering patterns
- Improved operational efficiency

Capability

- Activity-based pricing
- Selective investment and best practice focus

Conclusions

- **Strong performance in 2021** driven by strength of e-commerce retail, recovery of certain industrial sectors and the benefit of acquisitions
- Business model **demonstrated resilience**
- 2022 will continue to be challenging but **management has a proven track record of performance**
- Clear **action plans in place for further growth** including strong acquisition pipeline
- **Bank facilities** in place until December 2025 to support growth programme
- **ESG Agenda** developed with actions well underway
- **Board changes** planned in 2022

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