



## 2022 Interim Results



- Executive Summary
- H1 2022 Results/Cash Flow
- Business Review
  - Packaging Distribution
  - Manufacturing Operations
- Pension Scheme
- Conclusions



# Executive Summary

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£m	H1 2022 £m	H1 2021 £m Restated*
<b>Operating profit before amortisation (PBITA) from continuing operations</b>	<b>11.4</b>	10.8
<b>Profit before tax from continuing operations</b>	<b>8.9</b>	8.6
<b>Loss before tax from discontinued operations</b>	<b>(0.1)</b>	(0.8)

- Group sales £139m, 14% growth on H1 2021
- PBITA £11.4m, 5% growth on H1 2021 ; PBT £8.9m, 3% growth on H1 2021
- Distribution sales growth of 11%; PBITA reduced by £0.2m due to cost increases
- Manufacturing Operations sales growth of 40% and PBITA growth of £0.8m
- Pension in £8.8m surplus, an improvement of £0.5m from 31 December 2021
- Net bank debt of £9.7m compared to net bank funds of £2.5m at 31 December 2021
- Interim dividend of 0.90p per share payable 13 October 2022, with a register date 16 September 22
- Stuart Paterson to retire as Chair on 30 September 2022 and will be replaced by current NED, Aleen Gulvanessian
- Expectations for the full year remain unchanged





Breadth of customers  
and markets served



Focus and depth of  
expertise in protective  
packaging



Value added  
proposition



Range of long  
established supplier  
relationships



Performance driven  
culture



Bespoke product and  
service range



# Financial Summary – H1 2022

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## Revenue and profit\*

Revenue



14%

Profit before tax



3%

PBITA



5%

## Returns and balance sheet

Pre-tax ROCE



18%

Bank debt



£9.7m

Pension surplus



£8.8m

## EPS and dividend

Diluted EPS



14%

Dividend cover



4.8x

Dividend per share



0.90p

\* from continuing operations



	H1 2022 £m	H1 2021 £m Restated*
<b>Sales from continuing operations</b>	<b><u>139.2</u></b>	<b><u>122.1</u></b>
Gross Profit	<b>47.1 [33.8%]</b>	41.8 [34.2%]
Overheads	<b><u>(35.7)</u></b>	<b><u>(30.9)</u></b>
<b>Operating profit before amortisation</b>	<b>11.4</b>	10.9
Amortisation	<b><u>(1.8)</u></b>	<b><u>(1.6)</u></b>
<b>Operating profit</b>	<b>9.6</b>	9.3
Interest	<b><u>(0.7)</u></b>	<b><u>(0.7)</u></b>
<b>Profit before tax from continuing operations</b>	<b>8.9</b>	8.6
Loss before tax from discontinued operations	<b><u>(0.1)</u></b>	<b><u>(0.8)</u></b>
<b>Profit before tax from total operations</b>	<b><u>8.8</u></b>	<b><u>7.8</u></b>
Diluted EPS	<b>4.31p</b>	3.79p
<b>Dividend</b>	<b>0.90p</b>	0.87p
Dividend cover	<b>4.8x</b>	4.4x

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

# Cash Flow

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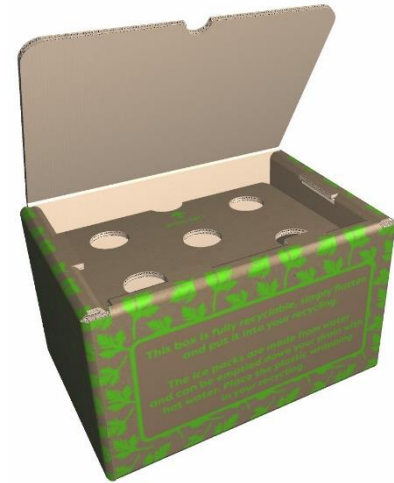
	H1 2022 £m	H1 2021 £m
EBIT	9.6	8.5
DA	<u>6.4</u>	<u>7.1</u>
<b>EBITDA</b>	<b>16.0</b>	15.6
Working Capital	(5.4)	(0.8)
Lease Obligations	(3.6)	(3.4)
Interest	(0.8)	(0.7)
Acquisitions	(9.3)	(12.2)
Disposal	0.2	-
Tax	(2.3)	(2.0)
Net capital expenditure	(2.2)	(0.9)
Pension	(1.3)	(1.2)
LTIP adj.	0.3	0.4
Dividend	<u>(3.7)</u>	<u>(2.9)</u>
<b>Movement in bank debt/funds</b>	<b><u>(12.1)</u></b>	<b><u>(8.1)</u></b>



# Packaging Distribution

- Results include the benefit of acquisitions of Carters in March 2021 and PackMann completed end of May 2022
- Organic sales increase of 9% versus 2021, driven by good progress in Europe, price inflation offset by slowdown in e-commerce sector
- New business revenue growth of £3.4m
- Gross margin stability reflects effective management of inflation in input pricing on paper and polymer-based products
- Overhead increase of 14% due to the acquisitions, start-up costs for the new North-West RDC, investment in information technology and inflation in labour and logistics costs

£m	H1 2022	H1 2021
Revenue	<b>123.5</b>	111.0
Gross margin	<b>32.3%</b>	32.7%
Overheads	<b>31.0</b>	27.2
PBITA	<b>8.9</b>	9.1
PBITA Margin	<b>7.2%</b>	8.2%
<b>Net Promoter Score</b>	<b>46</b>	50





# Packaging Distribution

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	H1 2022		H1 2021		
	£m	% of Sales	£m	% of Sales	Management Actions
Employee costs (excluding incentives)	<b>14.7</b>	<b>11.9%</b>	12.8	11.5%	Investment in IT (MS Dynamics, Warehouse Management, Slimstock); site consolidations; recruitment/retention
Employee incentives	<b>1.3</b>	<b>1.1%</b>	2.4	2.2%	2021 was an exceptional year
Transport (excluding employee costs)	<b>3.2</b>	<b>2.6%</b>	2.7	2.4%	Site consolidation; reduce dependency on diesel; fleet efficiencies tools (Paragon, Greener fleet)
Utility costs	<b>0.3</b>	<b>0.2%</b>	0.2	0.2%	Costs expected to double from October 2022
Bad Debts	<b>0.2</b>	<b>0.2%</b>	-	-	Continued strong management of debt book and risk assessment of new opportunities
Other	<b><u>8.3</u></b>	<b><u>6.7%</u></b>	<u>8.1</u>	<u>7.3%</u>	Comprising mainly property, warehouse, depreciation, legal & professional costs
<b>Overheads (pre-investments/start-up)</b>	<b><u>28.0</u></b>	<b><u>22.7%</u></b>	<b><u>26.2</u></b>	<b><u>23.6%</u></b>	
IT Investment	<b>1.5</b>	<b>1.2%</b>	0.7	0.6%	Hybrid working IT infrastructure; MS Dynamics; Warehouse Management; Slimstock - £0.3m of upfront costs in H1 2022
New NW RDC start-up	<b>0.5</b>	<b>0.4%</b>	-	-	Dual site and moving costs
Acquisitions (PackMann/Carters)	<b><u>1.0</u></b>	<b><u>0.8%</u></b>	<u>0.3</u>	<u>0.3%</u>	
<b>Overheads (investments/start-up)</b>	<b><u>3.0</u></b>	<b><u>2.4%</u></b>	<u>1.0</u>	<u>0.9%</u>	
<b>Total Overheads</b>	<b><u>31.0</u></b>	<b><u>25.1%</u></b>	<u>27.2</u>	<u>24.5%</u>	



# Packaging Distribution

## Diversity of customer sectors a strength

- Good growth in aerospace, engineering and hospitality sectors
- Weaker demand from e-commerce retail versus a strong trading period in H1 2021 which benefited from Covid-19 lockdowns
- Retail c.26% (2021 c.30%) of Distribution revenue
- Key new customer wins – Moonpig, Myenergi, Lloyds Pharmacy

## Progress in Europe

- Sales growth £2.7m – Organic £1.6m; Acquisition £1.1m
- Good progress in 'Follow the Customer' strategy
- Acquisition of PackMann provides platform to build in Northern Europe



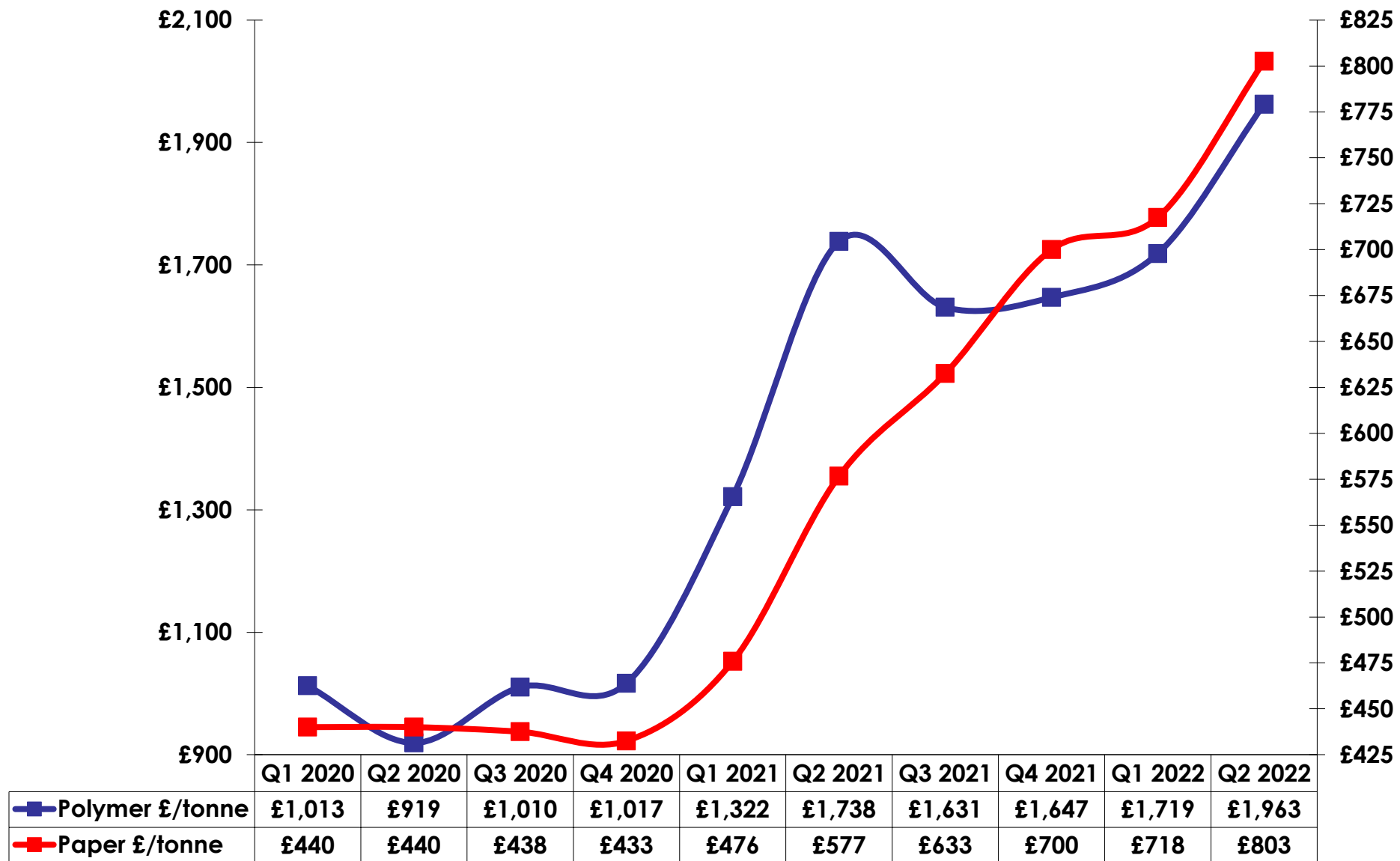
## Supply chain challenges remain

- Continued inflation in input prices
- Supply chain returning to normal lead times



# Packaging Distribution – Raw Material Movements

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# Packaging Distribution Challenges for 2022-2024

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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



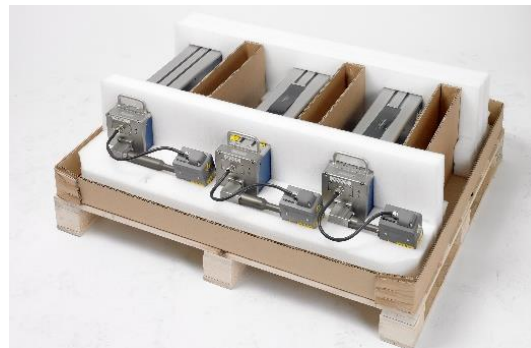
# Macfarlane Design and Manufacture

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- Strong performance from GWP acquired in February 2021 performing well ahead of expectations
- Organic growth of 19% in the base business with strong recovery from the aerospace sector
- Effective management of inflation in input prices has maintained a strong gross margin
- New business development focused on growth sectors- medical, electronics and defence
- Opportunities to integrate GWP more closely with the Group to realise sales opportunities and operating efficiencies
- Strong partnership with Distribution

\* Including intra-segment sales to Distribution

£m	H1 2022	H1 2021
Revenue*	<b>17.7</b>	13.0
Gross margin	<b>40.5%</b>	42.7%
Overheads	<b>4.7</b>	3.8
PBITA	<b>2.5</b>	1.7
PBITA Margin	<b>14.1%</b>	13.4%
Sales to Distribution <small>% of base business excluding GWP</small>	<b>27%</b>	27%



**GWP**Group

**MACFARLANE**  
PACKAGING  
DESIGN AND MANUFACTURE

# Packaging Manufacturing Challenges for 2022-2024

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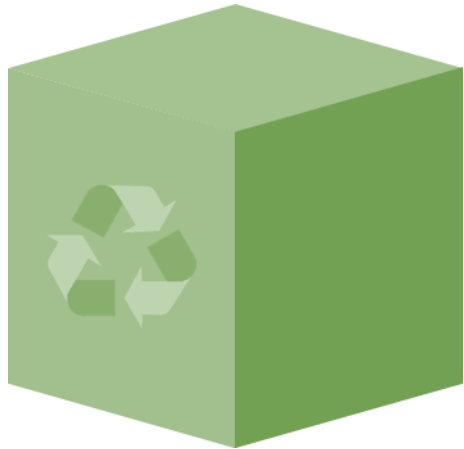
Business Performance	Salary Inflation	Plastic Tax	Environmental Challenge	Recruitment And Working Flexibility	GWP in-house Growth Opportunities
Sustain the business performance particularly gross margin, as supply conditions return to normal, and we potentially move into a deflationary cycle	Improve 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 space	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



# Packaging Distribution – Acquisitions 2014 to H1 2022

Acquisition	Location	Sales	EBITDAx	Placing price	Integrated
Lane 	Reading	£3m	5-6x	N/A	✓
Network 	Wolverhampton	£9m	5-6x	Sep-14 <b>37.5p</b>	✓
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 <b>58.0p</b>	SRP 2023 earliest
Greenwoods 	Nottingham	£15m	5x	Sep-17 <b>66.0p</b>	H1 2022
Tyler 	Leicester	£2.5m	5x	N/A	✓
Harrisons 	Leyland	£3.5m	5x	N/A	✓
Ecopac 	Aylesbury	£6.5m	6x	N/A	✓
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
PackMann 	Germany	£11.0m	6x	N/A	Ongoing

**Helping customers** choose packaging that enables them to achieve their sustainability objectives



## 2022 Update

- Rollout of the **Packaging Optimiser** tool to help customers reduce their CO2 footprint
- **High utilisation of Innovation Lab** to design bespoke environmentally-friendly packaging solutions for our customers
- Board Approval of new **Northern Innovation Lab**, with a focus on our industrial customers, expected to be ready in 2023
- Ecovadis Gold Award
- Awaiting CDP rating





In our 2021 Annual Report, we outlined several ESG initiatives we will implement from 2022 onwards. Our first ever ESG report is now also available on our website. Key progress this year is as follows:

Area	2022 Progress
Environmental	New pilot 16T Electric Truck starting in Q4
	First Disclosure made to CDP, with improvement actions identified
Social	New volunteer day introduced for all staff
	Successfully embedded new bi-annual staff surveys
Governance	Appointment of first ever female Chair of Board
	New Remuneration Chair to be appointed
	Further Board diversity planned

- The Labels Division sold to The Reflex Group in December 2021 for £6.3m
- Loss in H1 2022 represents adjustment related to finalising the completion accounts
- H1 2021 reflected the operating performance of the business (£0.2m profit) less goodwill impairment (£1.0m)

£m	H1 2022	H1 2021
Revenue	-	11.4
Loss before tax	(0.1)	(0.8)



	H1 2022	H1 2021	2021
Opening deficit	8.3	(1.5)	(1.5)
Ongoing accrual/Interest cost	0.1	(0.1)	(0.1)
Past service costs (2021: re Sale of Labels; 2020: GMP)	-	-	(0.3)
Contributions	1.3	1.3	2.0
<b>Bond yield ↑ 1.90% to 3.80% (2021 ↑ 0.55%)</b>	<b>22.9</b>	8.1	8.1
<b>Investment returns</b>	<b>(23.8)</b>	(3.2)	1.3
Net effect of other assumptions	0.0	0.0	(1.2)
Closing surplus	8.8	4.6	8.3

- Increase in bond yields costs partially offset by LDIs
- LDI provides hedge vs. movements in bond yields and inflation
- Contributions H1 2022 includes £0.6m deficit contributions and £0.7m to satisfy debt on cessation of Labels as a sponsoring employer
- 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.



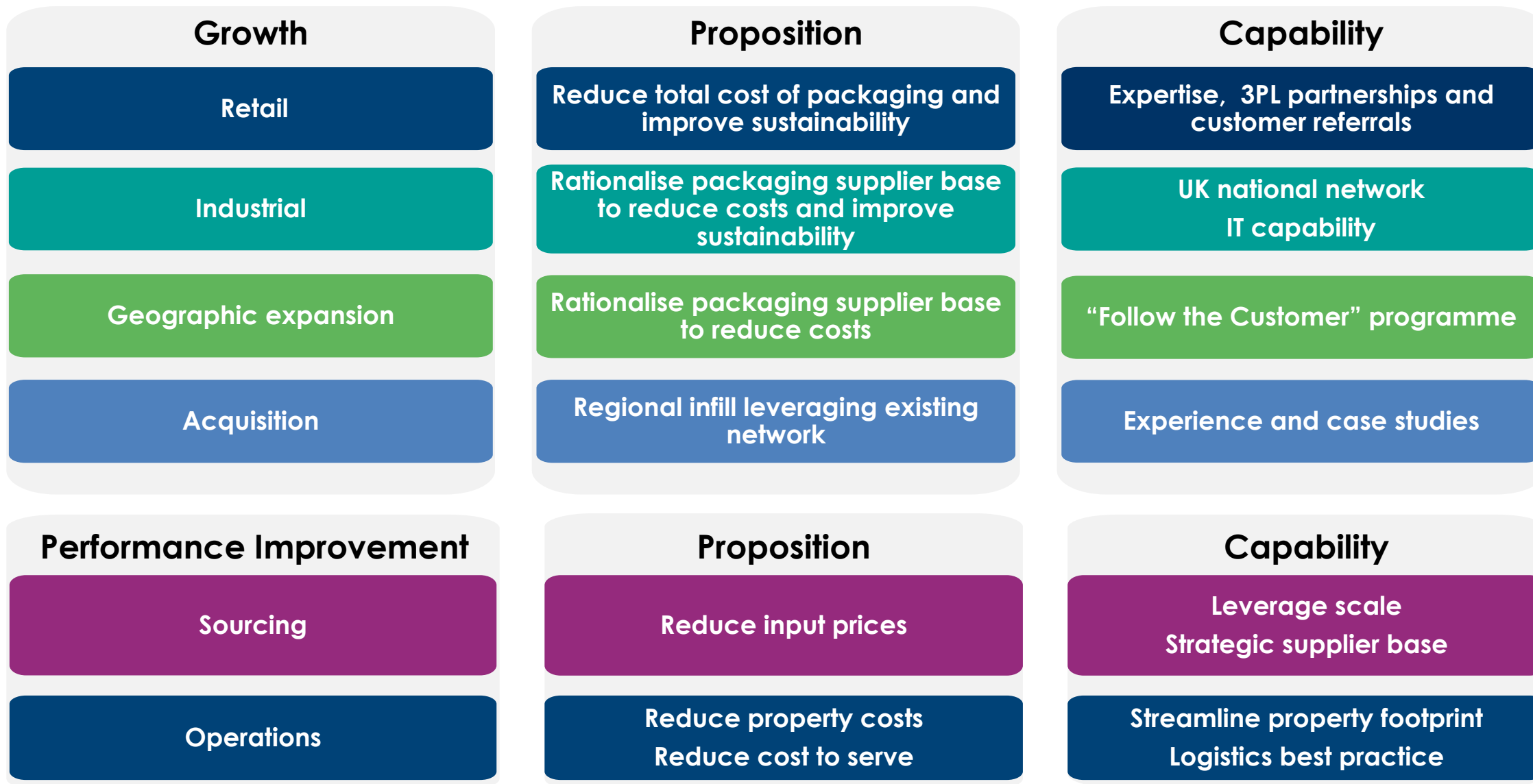
# Pension Scheme Details £m

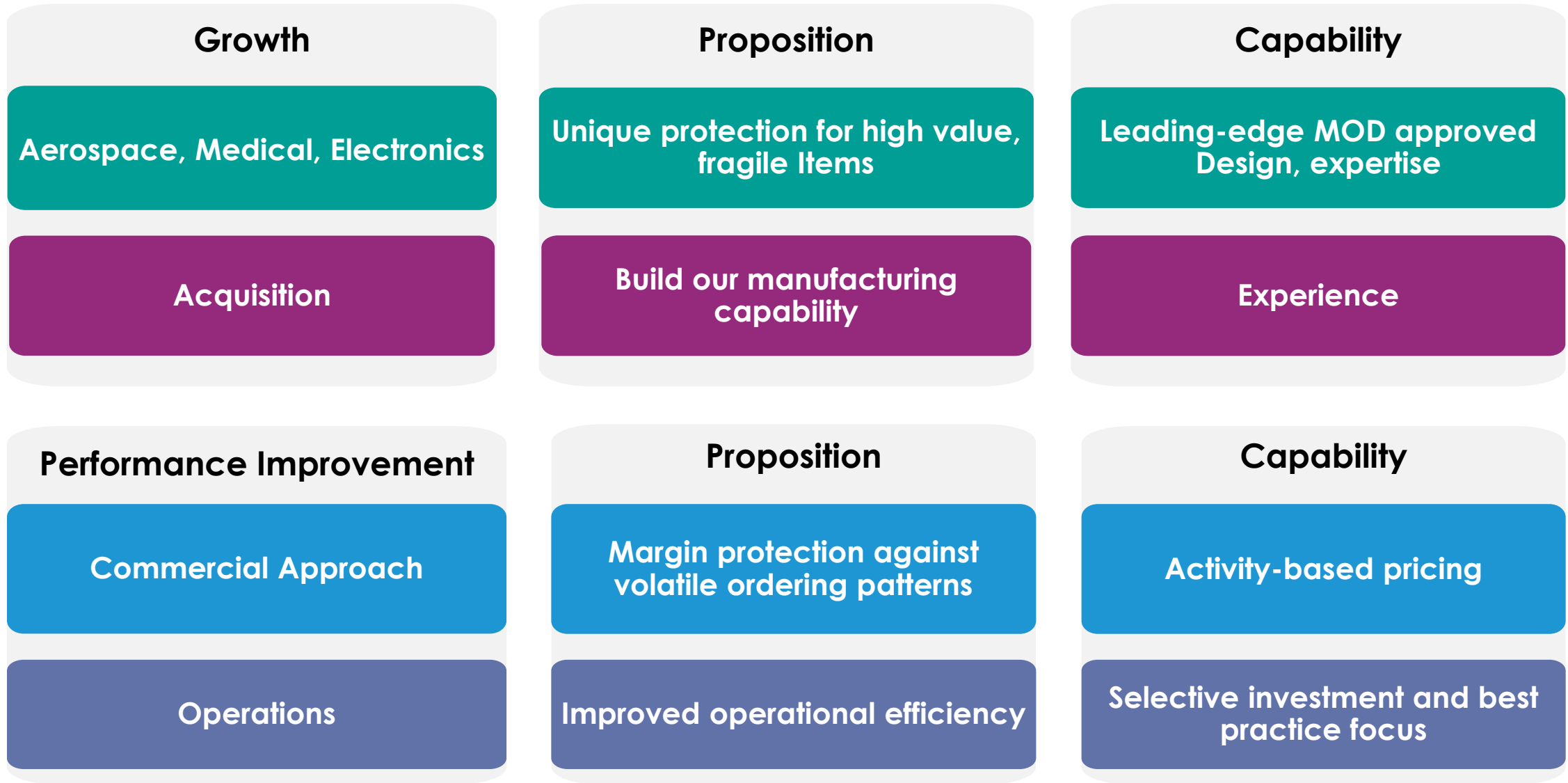
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Investments		H1 2022	H1 2021	2021
Growth assets				
Diversified Growth Funds		27.1	32.6	29.1
Equities		20.5	25.5	26.4
European Loan Fund		6.3	6.6	6.8
Long-term Property Fund		7.3	6.6	7.0
Matching assets				
Liability-driven Investments		14.3	24.9	30.6
Cash		1.0	0.3	0.6
<b>Total investments</b>		<b>76.5</b>	96.5	100.5
Liabilities	Members			
Active members	3 (10)			
Deferred members	176 (187)			
Pensioners	<u>375</u> (366)			
<b>Total liabilities</b>	<b><u>554</u></b> (563)	<b>67.7</b>	91.9	92.2



# Profitable Growth in Packaging Distribution





# Conclusions

- **Solid performance in H1 2022** against background of inflationary pressures in operating costs, investments in IT/new distribution centre and marked **slowdown in the e-commerce sector**
- **Good progress in Europe** both organically and through recent acquisition
- Business model **remains resilient**
- H2 2022 will continue to be challenging but management has a proven track record of performance and our **full year outlook remains unchanged**
- 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** - New Chair announced and Remuneration Chair recruitment well advanced



