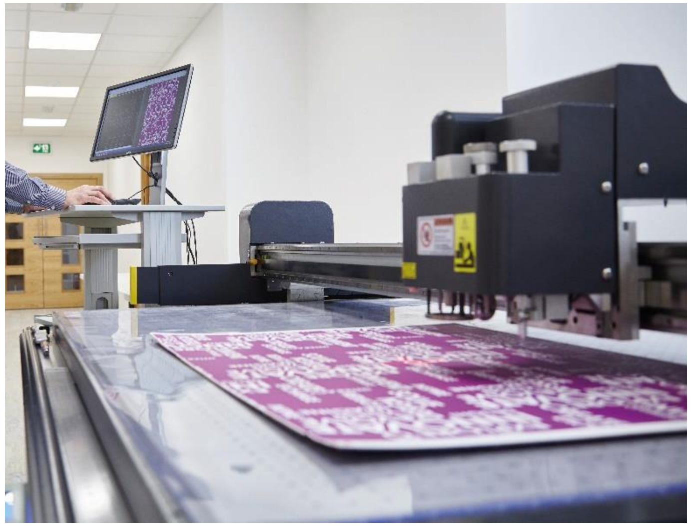
2022 Interim Results

Overview

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



Executive Summary

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

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

Resilience

- 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

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

Results

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

* 2021 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

	H1 2022 £m	H1 2021 £m
EBIT	**9.6**	8.5
DA	**6.4**	7.1
EBITDA	**16.0**	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	**(3.7)**	(2.9)
Movement in bank debt/funds	**(12.1)**	(8.1)

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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	**123.5**	111.0
Gross margin	**32.3%**	32.7%
Overheads	**31.0**	27.2
PBITA	**8.9**	9.1
PBITA Margin	**7.2%**	8.2%
Net Promoter Score	**46**	50

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Packaging Distribution

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

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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

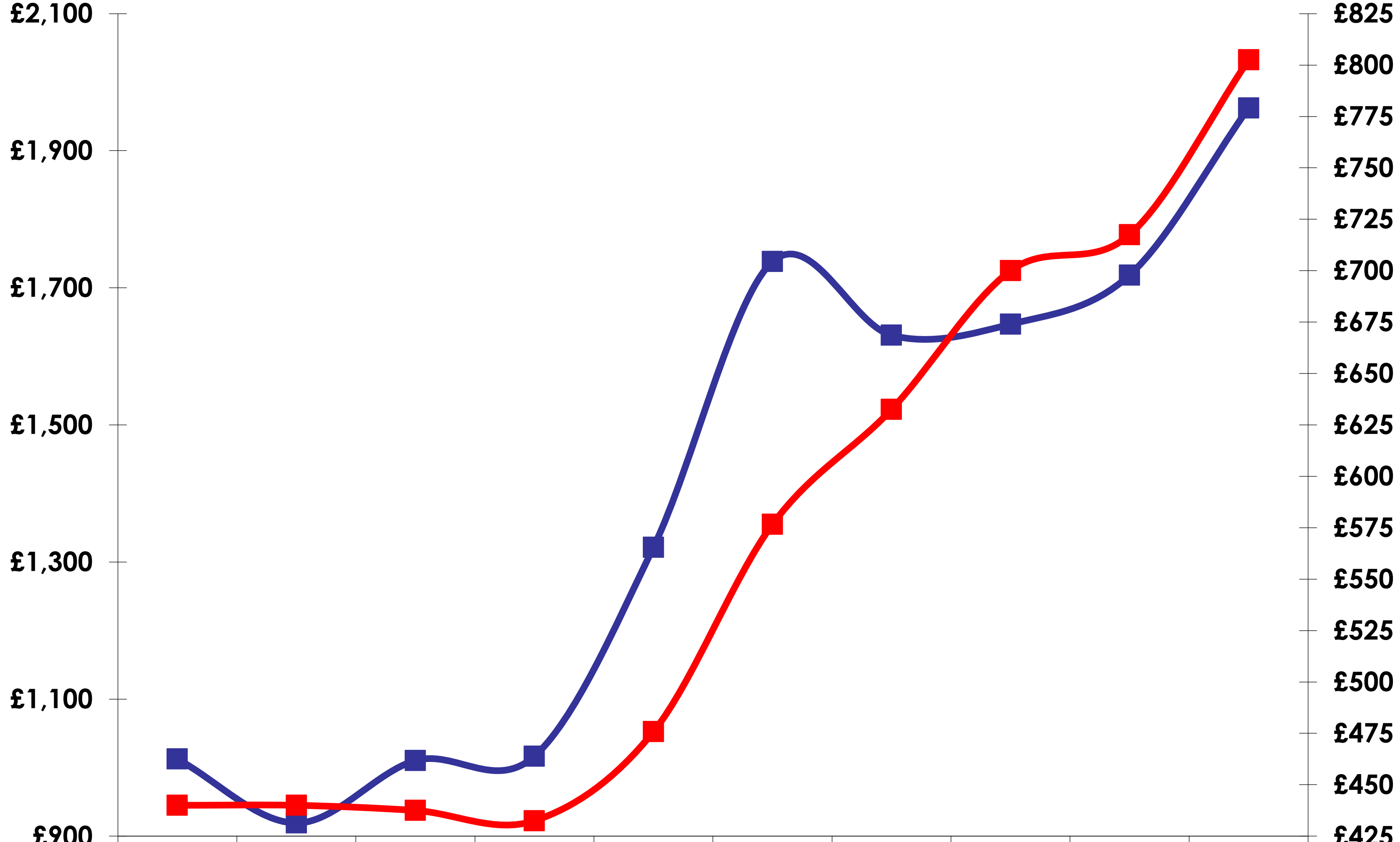
- Sales growth £2.7m – Organic £1.6m; Acquisition £1.1m
- Good progress in 'Follow the Customer' strategy
- Acquisition of PackMann provides platform to build in Northern Europe

PACKMANN

Supply chain challenges remain

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

Packaging Distribution – Raw Material Movements



	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022
Polymer £/tonne	£1,013	£919	£1,010	£1,017	£1,322	£1,738	£1,631	£1,647	£1,719	£1,963
Paper £/tonne	£440	£440	£438	£433	£476	£577	£633	£700	£718	£803

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

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Macfarlane Design and Manufacture

- 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*	**17.7**	13.0
Gross margin	**40.5%**	42.7%
Overheads	**4.7**	3.8
PBITA	**2.5**	1.7
PBITA Margin	**14.1%**	13.4%
Sales to Distribution % of base business excluding GWP	**27%**	27%

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 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

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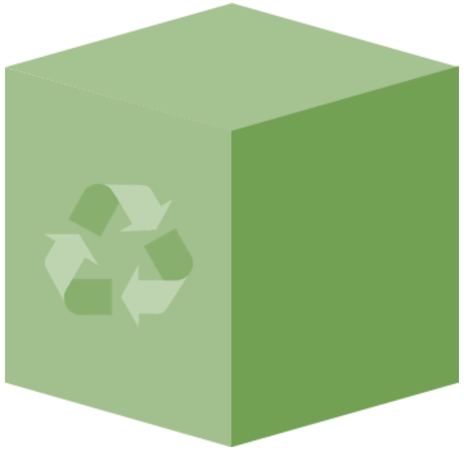
Packaging Distribution – Acquisitions 2014 to H1 2022

Acquisition	Location	Sales	EBITDAx	Placing price	Integrated
Lane	Reading	£3m	5-6x	N/A	✓
Network	Wolverhampton	£9m	5-6x	Sep-14 **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	✓
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

Sustainability – Supporting our Customers

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 C02 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
- Ecovardis Gold Award
- Awaiting CDP rating

Sustainability – Implementation our ESG Program

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

Macfarlane Labels

- 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)

Pension Scheme Surplus £m

	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*
Bond yield ↑ 1.90% to 3.80% (2021↑ 0.55%)	**22.9**	8.1	*8.1*
Investment returns	**(23.8)**	(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

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
Total investments		**76.5**	96.5	100.5
Liabilities	Members			
Active members	3 (10)			
Deferred members	176 (187)			
Pensioners	375 (366)			
Total liabilities	**554** (563)	**67.7**	91.9	92.2

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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

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

- **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

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