



2022 Results



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Executive Summary- results ahead of market expectations and last year

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	2022 £m	2021 £m
Operating profit before amortisation (PBITA) from continuing operations	25.1	23.4
Profit before tax from continuing operations	19.9	18.7

- Group sales £290m, 10% growth on 2021
- PBITA £25.1m, 7% growth on 2021 ; PBT £19.9m, 7% growth on 2021
- Distribution sales growth of 8%; PBITA increased by £0.2m
- Manufacturing Operations sales growth of 23% and PBITA growth of £1.5m
- Pension in £10.2m surplus, an improvement of £1.9m from 31 December 2021
- Net bank debt of £3.4m (net bank funds of £2.5m at 31 December 2021)
- Final dividend proposed of 2.52p per share payable 1 June 2023, with a register date 12 May 2023
- Stuart Paterson retired as Chair on 30 September 2022 and was replaced by Aleen Gulvanessian





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 – 2022

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Revenue and profit*

Revenue



10%

Profit before tax



7%

PBITA



7%

Returns and balance sheet

Pre-tax ROCE



20%

Bank debt



£3.4m

Pension surplus



£10.2m

EPS and dividend

Diluted EPS



24%

Dividend cover



2.9x

Dividend per share



3.42p

* from continuing operations



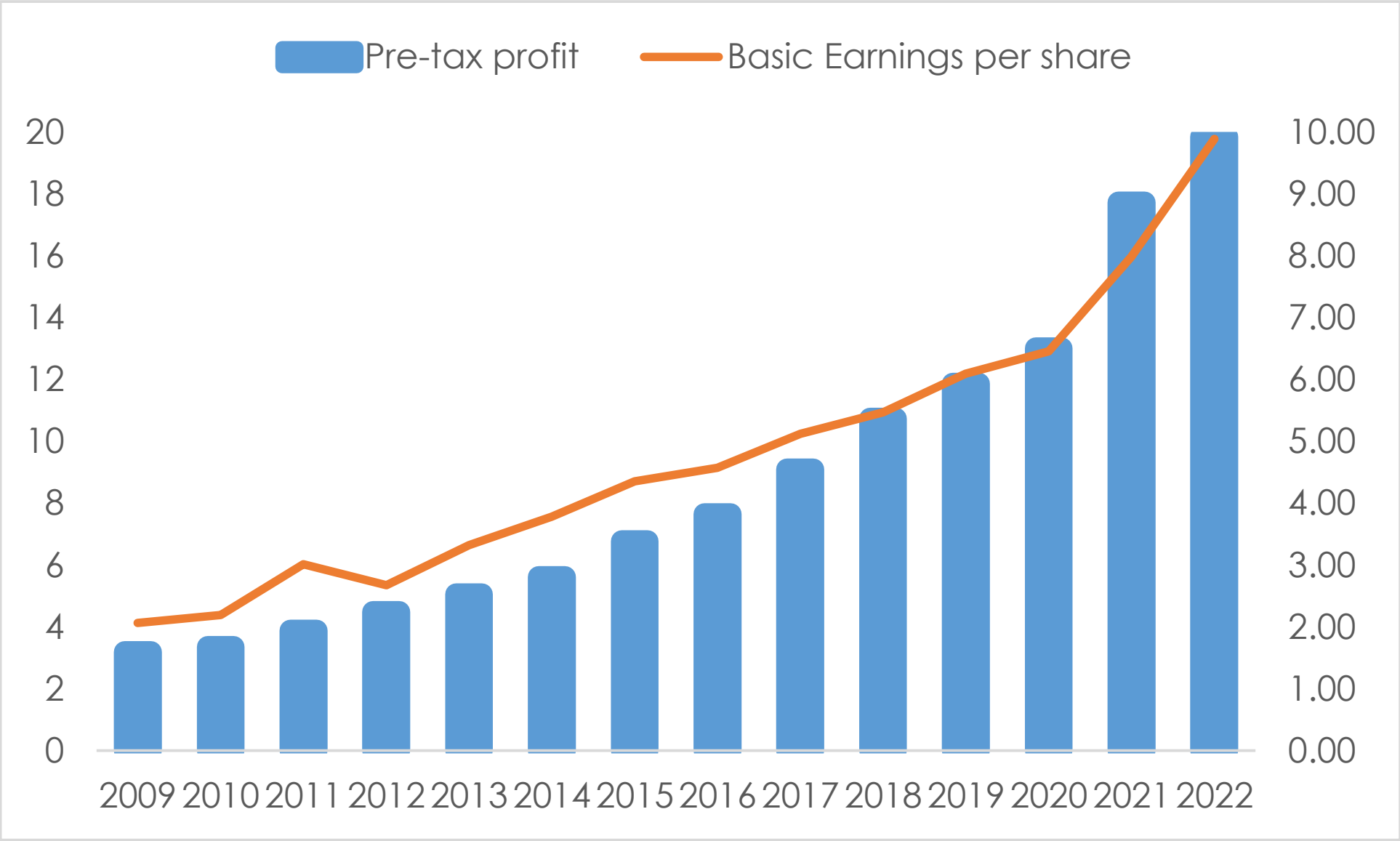
	2022 £m	2021 £m
Sales from continuing operations	<u>290.4</u>	<u>264.5</u>
Gross Profit	98.1 33.8%	89.5 33.8%
Overheads	<u>(73.0)</u>	<u>(66.1)</u>
Operating profit before amortisation	25.1	23.4
Amortisation	<u>(3.6)</u>	<u>(3.3)</u>
Operating profit	21.5	20.1
Interest	<u>(1.6)</u>	<u>(1.4)</u>
Profit before tax from continuing operations	19.9	18.7
Loss before tax from discontinued* operations	<u>(0.1)</u>	<u>(1.0)</u>
Profit before tax from total operations	<u>19.8</u>	<u>17.7</u>
Diluted EPS	9.78p	7.90p
Dividend	3.52p	3.20p
Dividend cover	2.9x	2.5x

Cash Flow

	2022 £m	2021 £m
EBIT	21.4	19.1
DA	<u>12.8</u>	<u>13.8</u>
EBITDA	34.2	32.9
Working Capital	(8.0)	(2.0)
Lease Obligations	(7.2)	(7.5)
Interest	(1.7)	(1.4)
Acquisitions	(8.7)	(12.2)
Disposal	0.2	5.2
Tax	(5.3)	(5.0)
Net capital expenditure	(3.1)	(1.9)
Pension	(1.8)	(1.5)
LTIP adj.	0.6	0.7
Dividend	<u>(5.1)</u>	<u>(4.3)</u>
Movement in bank debt/funds	<u>(5.9)</u>	<u>3.0</u>



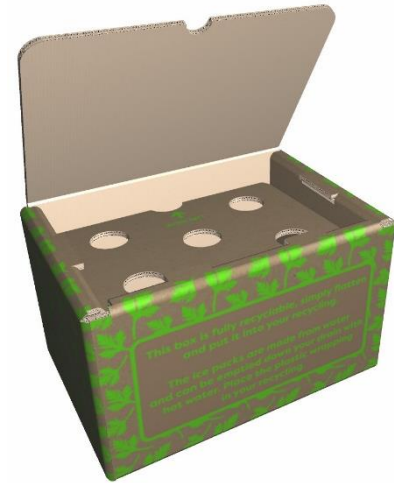
Profit Progression- 13 years of growth



Packaging Distribution

- Results include the benefit of acquisitions of Carters in March 2021 and PackMann completed end of May 2022
- Organic sales increase of 5% versus 2021, driven by good progress in Europe, price inflation offset by slowdown in e-commerce sector
- New business revenue growth of £8.9m lower than 2021 impacted by customers less inclined to switch suppliers in difficult trading environment
- Gross margin stability reflects effective management of inflation in input pricing on paper and polymer-based products
- Overhead increase of 10% due to the acquisitions, start-up costs for the new North-West RDC, investment in IT and inflation in labour, energy and logistics costs

£m	2022	2021
Revenue	259.7	239.5
Gross margin	32.1%	32.4%
Overheads	63.6	57.9
PBITA	19.9	19.7
PBITA Margin	7.7%	8.2%
Net Promoter Score	50	48



Packaging Distribution- overhead cost analysis

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	2022		2021		
	£m	% of Sales	£m	% of Sales	Management Actions
Employee costs (excluding incentives)	29.7	11.4%	26.8	11.2%	Investment in IT (MS Dynamics, Warehouse Management, Slimstock); site consolidations; recruitment/retention
Employee incentives	<u>2.6</u>	<u>1.0%</u>	<u>5.1</u>	<u>2.1%</u>	2021 was an exceptional year
Employee costs (including incentives)	32.3	12.4%	31.9	13.3%	
Transport (excluding employee costs)	6.4	2.5%	5.8	2.4%	Site consolidation; reduce dependency on diesel; fleet efficiencies tools (Paragon, Greener fleet)
Utility costs	0.8	0.3%	0.5	0.2%	Costs expected to more than double in 2023
Bad Debts	0.2	0.1%	-	-	Continued strong management of debt book and risk assessment of new opportunities
Other	<u>17.1</u>	<u>6.6%</u>	<u>17.0</u>	<u>7.1%</u>	Comprising mainly property, warehouse, depreciation, legal & professional costs
Overheads (pre-investments/start-up)	<u>56.8</u>	<u>21.9%</u>	<u>55.2</u>	<u>23.0%</u>	
IT Investment	2.9	1.1%	1.6	0.7%	Hybrid working IT infrastructure; MS Dynamics; Warehouse Management; Slimstock - £0.4m of upfront costs in 2022
New NW RDC start-up	0.5	0.2%	-	-	Dual site and moving costs
Acquisitions (PackMann/Carters)	3.4	1.3%	<u>1.1</u>	<u>0.5%</u>	
Overheads (investments/start-up)	<u>6.8</u>	<u>2.6%</u>	<u>2.7</u>	<u>1.2%</u>	
Total Overheads	<u>63.6</u>	<u>24.5%</u>	<u>57.9</u>	<u>24.2%</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 2021 which benefited from Covid-19 lockdowns
- Retail c.26% (2021 c.30%) of Distribution revenue
- Key new customer wins – Moonpig, myenergi, Siemens, Lloyds Pharmacy

Progress in Europe

- Sales growth £10.7m – Organic £2.9m; Acquisition £7.8m
- Good progress in ‘Follow the Customer’ strategy
(Johnson & Johnson, Thermo Fisher, Scholle, Premier Farnell)
- Acquisition of PackMann in May 2022 provides platform to build in Northern Europe

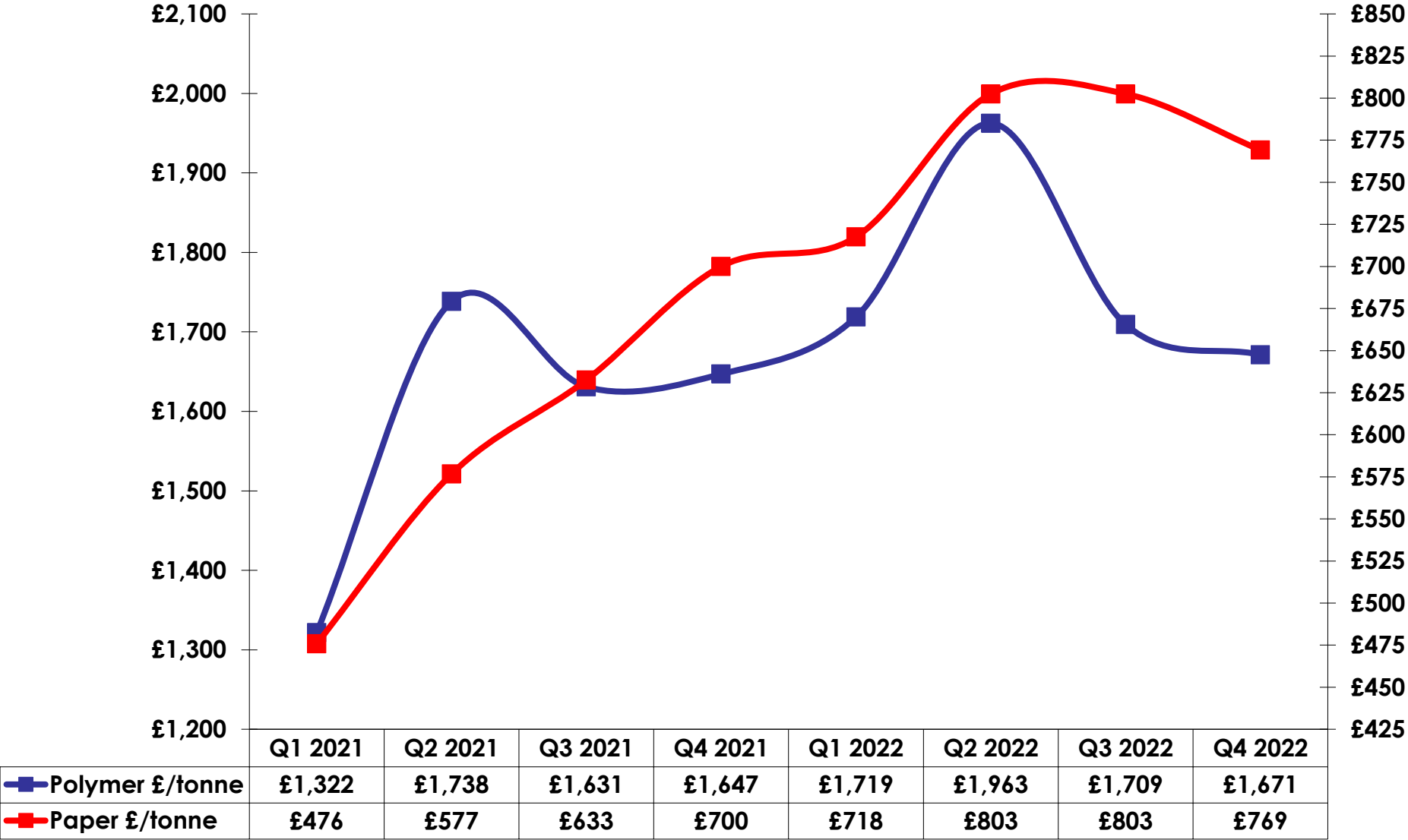


Supply chain challenges remain

- Inflation in input prices in H1 2022, softening in H2 2022
- Supply chain returned to normal lead times



Packaging Distribution – Raw Material Movements



Packaging Distribution Challenges for 2023-2025

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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 impact the new Plastic Tax 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.	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



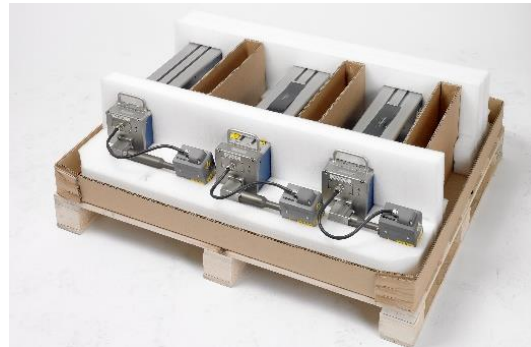
Macfarlane Design and Manufacture

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- Strong performance from GWP acquired in February 2021 performing well ahead of expectations
- Organic growth of 15% 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	2022	2021
Revenue*	35.0	28.5
Gross margin	41.7%	41.6%
Overheads	9.4	8.2
PBITA	5.2	3.7
PBITA Margin	14.9%	13.0%
Sales to Distribution <small>% of base business excluding GWP</small>	26%	27%

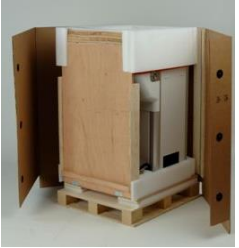


GWPGroup

MACFARLANE
PACKAGING
DESIGN AND MANUFACTURE

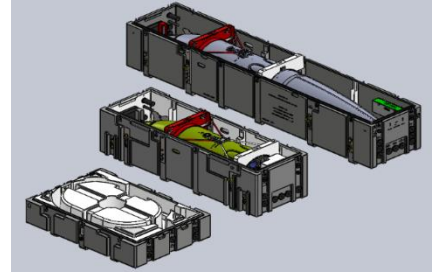
Macfarlane Design and Manufacture – Key Customers

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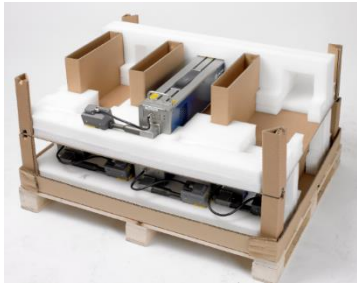
Medical & Scientific

Aerospace & Defence



Electronics

General Industrial













Packaging Manufacturing Challenges for 2023-2025

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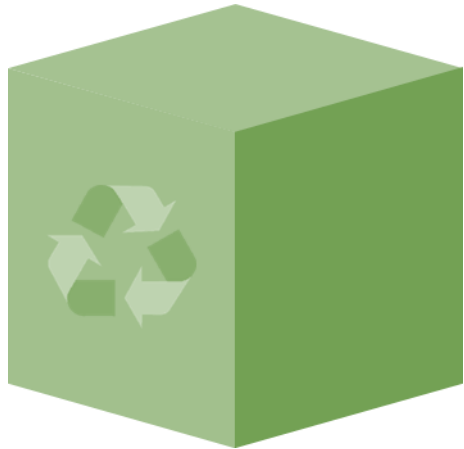
Business Performance	Salary Inflation	Plastic Tax	Environmental Challenge	Recruitment And Working Flexibility	GWP in-house Growth Opportunities
Sustain the business performance particularly gross margin, as supply conditions return to normal, and we potentially move into a deflationary cycle	Improve productivity to offset salary inflation in an increasingly competitive labour market	Manage the impact the Plastic Tax 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.	Build 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 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 2023
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
- New **Northern Innovation Lab**, with a focus on our industrial customers, opening in Q1 2023
- Ecovadis Silver Status
- Awaiting CDP rating



Sustainability – Implementation of our ESG Program

In our 2022 Annual Report, we outlined several ESG initiatives we have implemented in 2022.

Our ESG report is available on our website. Key progress this year is as follows:

Area	2022 Progress
Environmental	Delivery of first 16T Electric Truck in December 2022
	11% reduction in CO2e emissions
	Increase in energy from renewable sources to 88% (2021: 67%)
	Minimised impact of Plastic tax on customer by switching to products with higher recycled content
	Appointment of Head of Sustainability in January 2023
	First CDP disclosure
Social	New volunteer day introduced for all staff
	Successfully embedded bi-annual staff surveys
Governance	Appointment of Aleen Gulvanessian as Chair of Board
	Laura Whyte appointed as Remuneration Chair
	Board diversity improved with 33% female representation



Pension Scheme Surplus

£m	2022	2021
Opening surplus/(deficit)	8.3	(1.5)
Current service (cost) and interest income/(cost)	0.1	(0.1)
Past service cost (2022: Scheme Closure: 2021: re Sale of Labels)	(0.1)	(0.3)
Contributions	2.0	2.0
Change in actuarial assumptions (Bond yield ↑ 1.90% to 4.80% (2021 ↑ 0.55%))	29.4	6.9
Investment returns	(29.5)	1.3
Closing surplus	10.2	8.3

- Increase in liabilities due to movement in bond yields offset by LDIs
- LDI provides hedge vs. movements in bond yields and inflation
- Contributions 2022 includes £1.3m deficit contributions and £0.7m to satisfy debt on cessation of Labels as a sponsoring employer
- Scheme closed to future accrual on 30-Nov-22
- Next triennial actuarial valuation 1-May-23 to be completed by Feb-24 which will reassess company contributions currently £1.3m per annum until May-24.



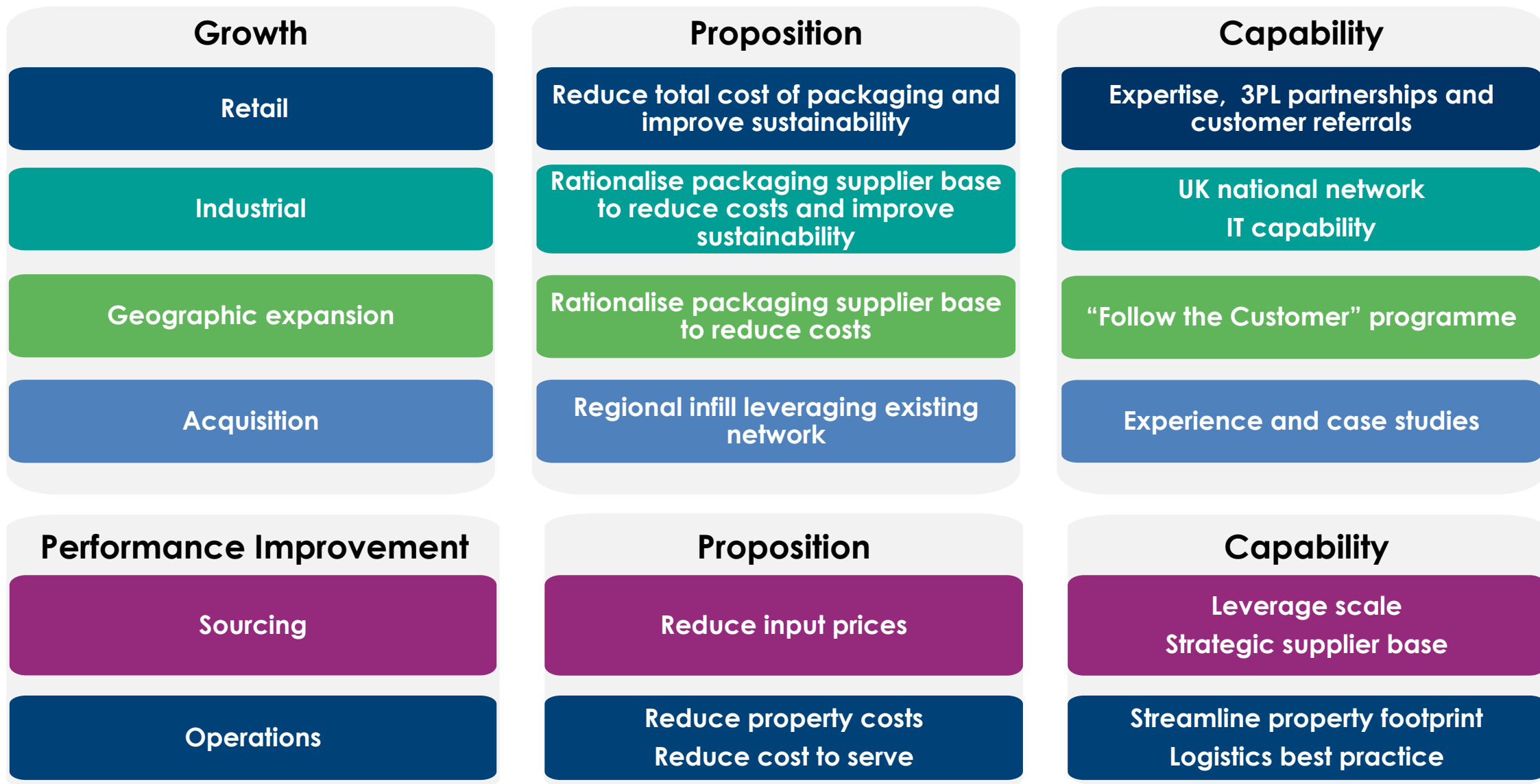
Pension Scheme Details £m

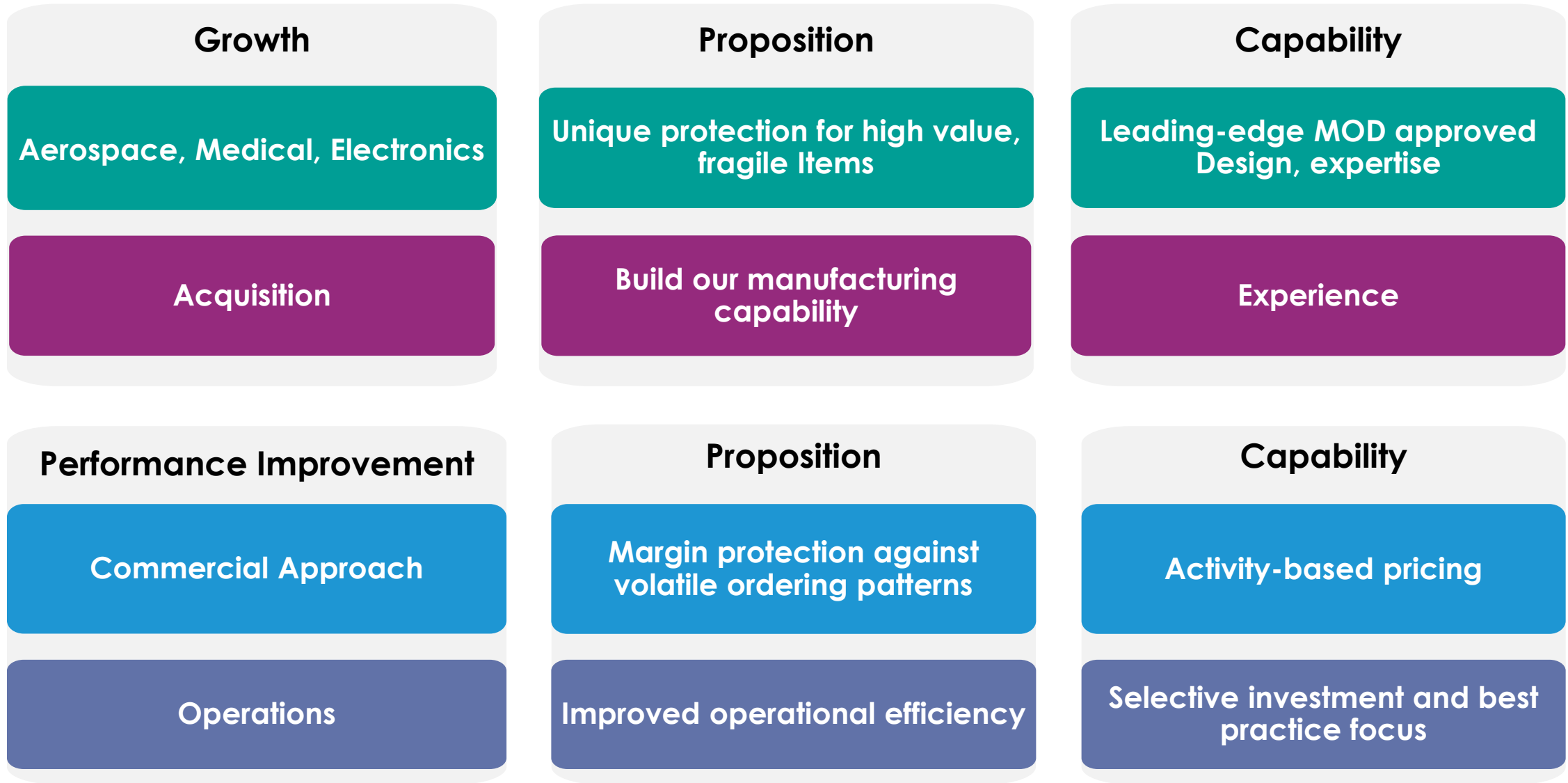
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Investments		2022	2021
Growth assets			
Diversified Growth Funds		12.7	29.1
Equities		20.3	26.4
European Loan Fund		6.5	6.8
Long-term Property Fund		5.7	7.0
Matching assets			
Liability-driven Investments		23.3	30.6
Cash		2.0	0.6
Total investments		70.5	100.5
Liabilities	Members		
Active members	- (10)		
Deferred members	173 (187)		
Pensioners	<u>379</u> <u>(366)</u>		
Total liabilities	<u>552</u> <u>(563)</u>	60.3	92.2



Profitable Growth in Packaging Distribution





Conclusions

- **Solid performance in 2022 with growth in sales and profit** while investing in the future and against the backdrop of inflationary pressures in operating costs and a marked slowdown in the e-commerce sector due to exceptional demand in 2021
- **Progress in Europe** both organically and through recent acquisition
- Business model **remains resilient**
- **Bank facilities** in place until December 2025 to support growth programme
- **ESG Agenda** well underway with good progress in 2022
- **2023** will continue to have challenges, but management has a proven track record of performance and we **expect to continue to make progress** both organically and through acquisition



