

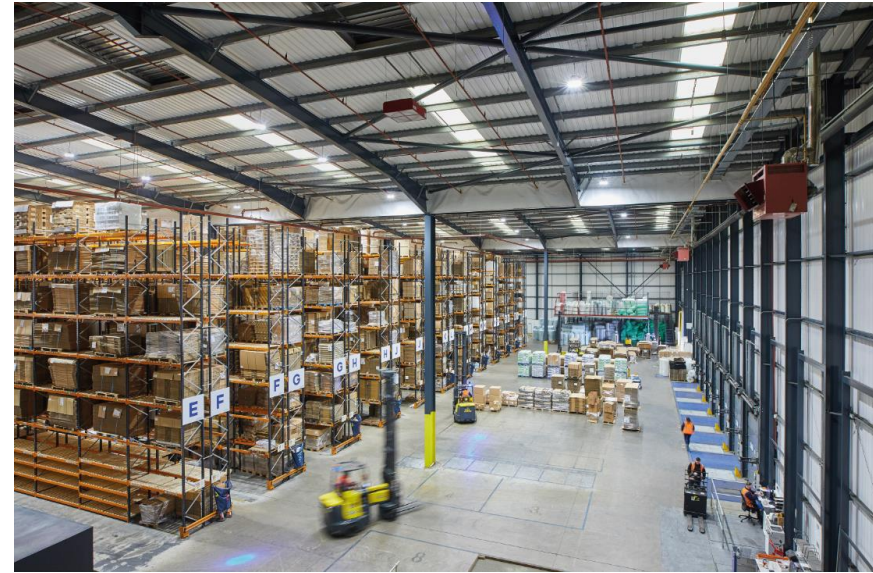


2023 Results



Overview

- Executive Summary
- 2023 Results/Cash Flow
- Business Review
 - Packaging Distribution
 - Manufacturing Operations
- Pension Scheme
- Conclusions
- Appendix- Background Information



£m	2023 £m	2022 £m	Change
Adjusted operating profit (AOP) *	27.6	25.1	10%
Adjusted profit before tax (APBT) *	25.8	23.5	10%
Profit before tax (PBT)	20.3	19.9	2%

* Before charging amortisation (2023: £4.0m; 2022: £3.6m) and deferred contingent consideration adjustments (2023: £1.5m; 2022: £nil)

- Challenging market conditions – weak demand and cost inflation
- Focus on “Self Help Programme”
 - New Business Growth
 - Sales Momentum in Europe – “Follow the Customer”
 - More Effective Sourcing
 - Accelerate Acquisition Programme – Gottlieb/Suttons/B&D
 - Control Costs
- 2023 profit growth reflects a successful response to the challenging market conditions and the resilience of the Macfarlane business model





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



Revenue and profit	Revenue ▼ 3%	APBT* ▲ 10%	AOP* ▲ 10%
Returns and balance sheet	Pre-tax ROCE ▼ 18%	Bank funds ▲ £0.5m	Pension surplus ▼ £9.9m
EPS and dividend	Diluted EPS** ▼ 5%	Dividend cover ▲ 2.6x	Dividend per share ▲ 3.59p

* Before charging amortisation (2023: £4.0m; 2022: £3.6m) and deferred contingent consideration adjustments (2023: £1.5m; 2022: £nil)

** Increase in average corporation tax rate to 23.5% (2022: 19.0%)



Income Statement

	2023 £m	2022 £m
Revenue	<u>280.7</u>	<u>290.4</u>
Gross Profit	105.7 [37.6%]	98.1 [33.8%]
Operating expenses	<u>(78.1)</u>	<u>(73.0)</u>
Adjusted operating profit	27.6	25.1
Amortisation and Deferred Contingent Consideration Adj.	<u>(5.5)</u>	<u>(3.6)</u>
Operating profit	22.1	21.5
Interest	<u>(1.8)</u>	<u>(1.6)</u>
Profit before tax	<u>20.3</u>	<u>19.9</u>
Diluted EPS	9.34p	9.84p
Dividend	3.59p	3.42p
Dividend cover	2.6x	2.9x



Cash Flow

	2023 £m	2022 £m
EBIT	22.1	21.4
DA	<u>15.2</u>	<u>12.8</u>
EBITDA	37.3	34.2
Working Capital	4.6	(8.0)
Lease Obligations	(7.5)	(7.2)
Interest	(2.3)	(1.7)
Acquisitions	(14.5)	(8.7)
Disposal	-	0.2
Tax	(5.4)	(5.3)
Net capital expenditure	(2.1)	(3.1)
Pension	(1.2)	(1.8)
LTIP adj.	0.6	0.6
Dividend	<u>(5.5)</u>	<u>(5.1)</u>
Movement in bank debt	<u>4.0</u>	<u>(5.9)</u>

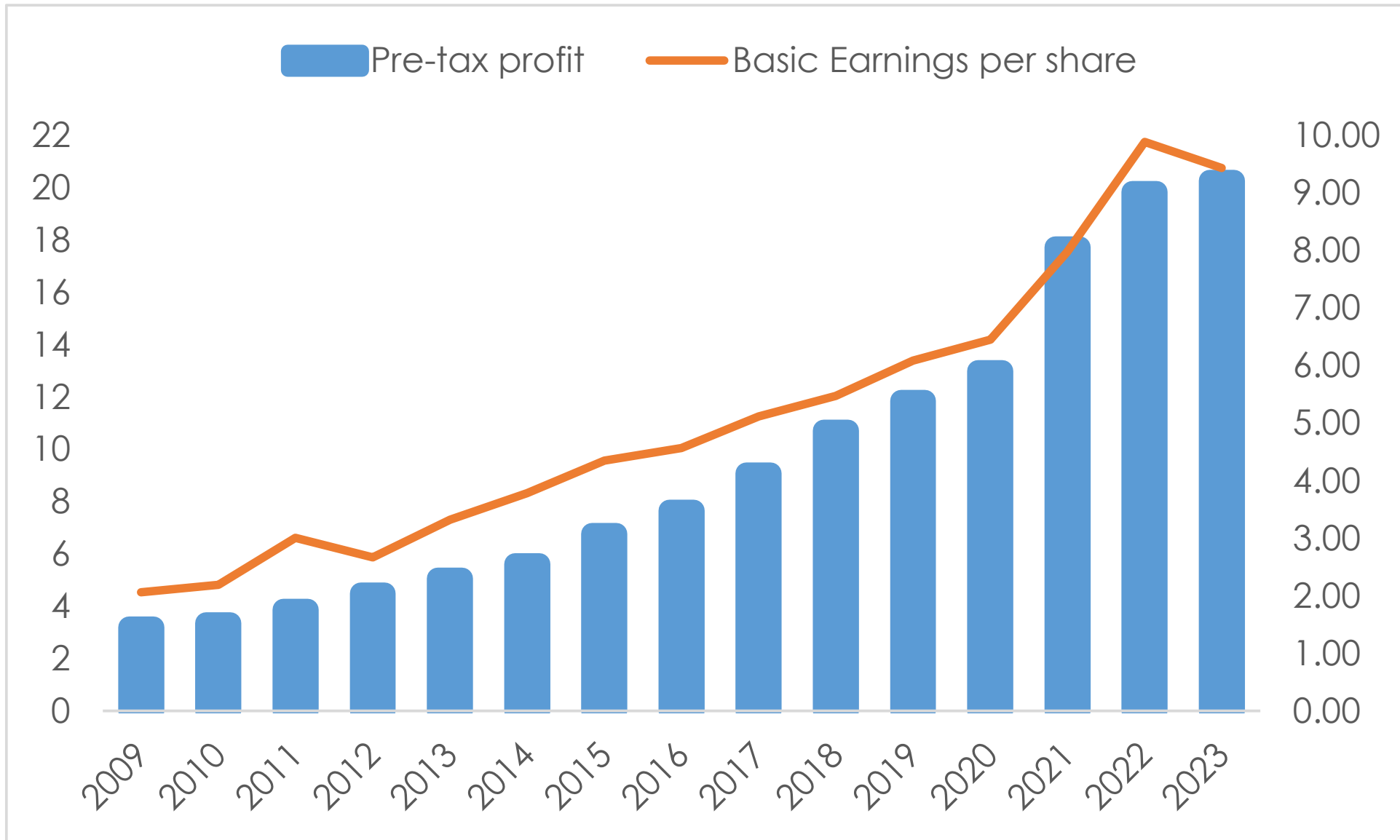


Capital Allocation

	Priorities	Approach	2023 Outcomes
1	Management of working capital and investment in capital expenditure to support organic growth	Working capital managed against benchmark number of days. Capital expenditure prioritised (i) essential/ replacement (ii) by investment returns	Cash inflow - £33.5m Capital expenditure - £2.2m
2	Earnings enhancing acquisitions	Based on investment returns and within a disciplined multiple to EBITDA range	£14.5m acquisition investment: <ul style="list-style-type: none">• £11.6m on 2023 acquisitions• £2.9m deferred consideration
3	Sustainable and progressive dividend	Based on business performance and appropriate dividend cover	2023 dividend 3.59p per share Dividend cover 2.6 times
4	Return surplus cash to shareholders	Through share buybacks or enhanced dividends	None in 2023



Profit Progression



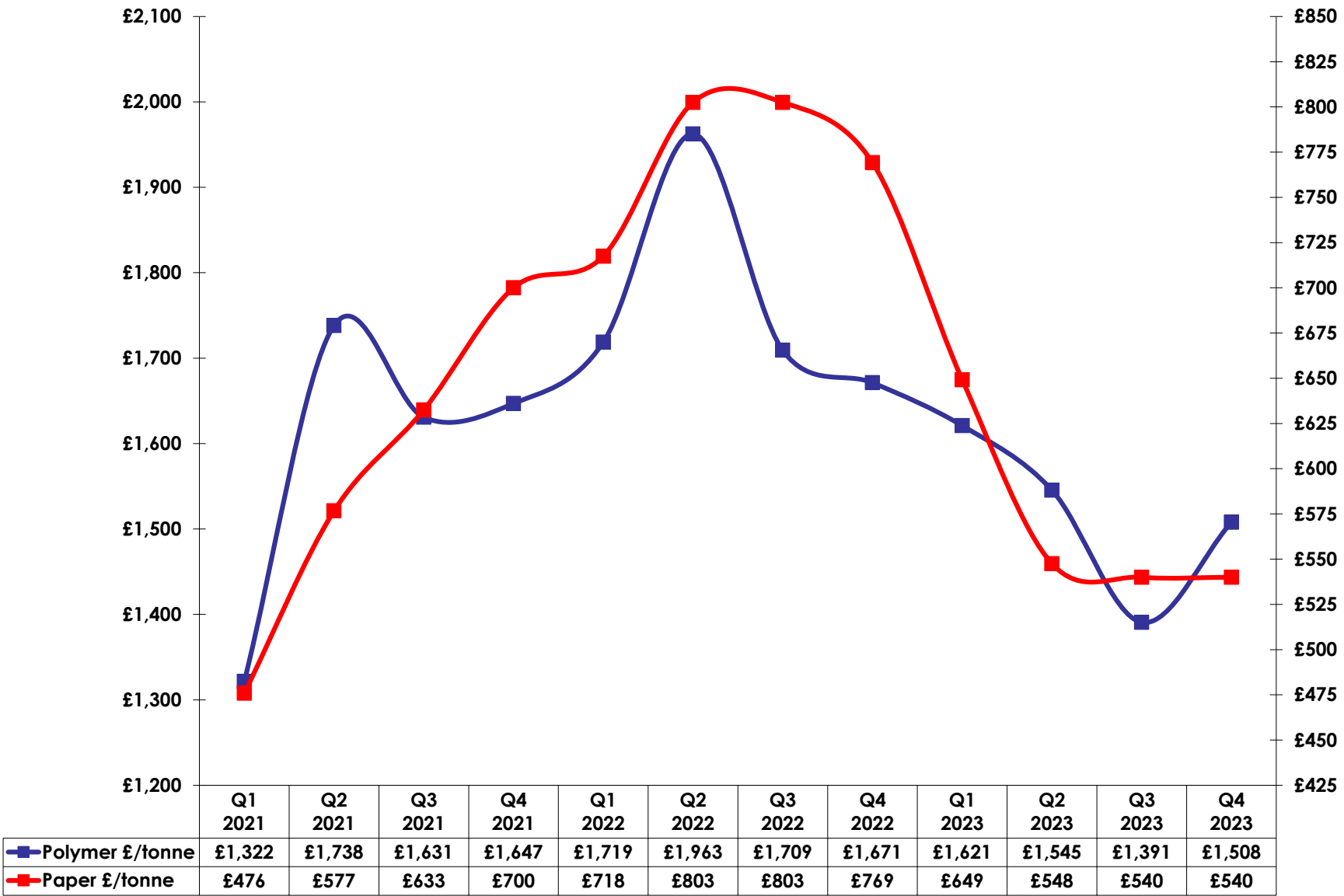
Packaging Distribution

- Organic revenue reduced by 9% versus 2022, with weak demand in the UK and Ireland being offset by good progress in Europe
- Strong performances from Gottlieb acquired in April 2023 and PackMann acquired in May 2022
- New business revenue of £11.1m; up 24% vs 2022
- Improvement in NPS from 50 to 60
- Starting to benefit from new Innovation Lab
- Effective management of gross margin to offset increase in overheads due to inflation in energy/employee costs

£m	2023	2022
Revenue	244.9	259.7
Gross margin	87.5 [35.7%]	83.5 [32.1%]
Operating expenses	66.5	63.6
Adjusted operating profit	21.0	19.9
Adjusted operating profit margin	8.6%	7.7%
Net Promoter Score	60	50



Packaging Distribution – Raw Material Movements



Packaging Distribution

Revenue Change 2023 vs 2022

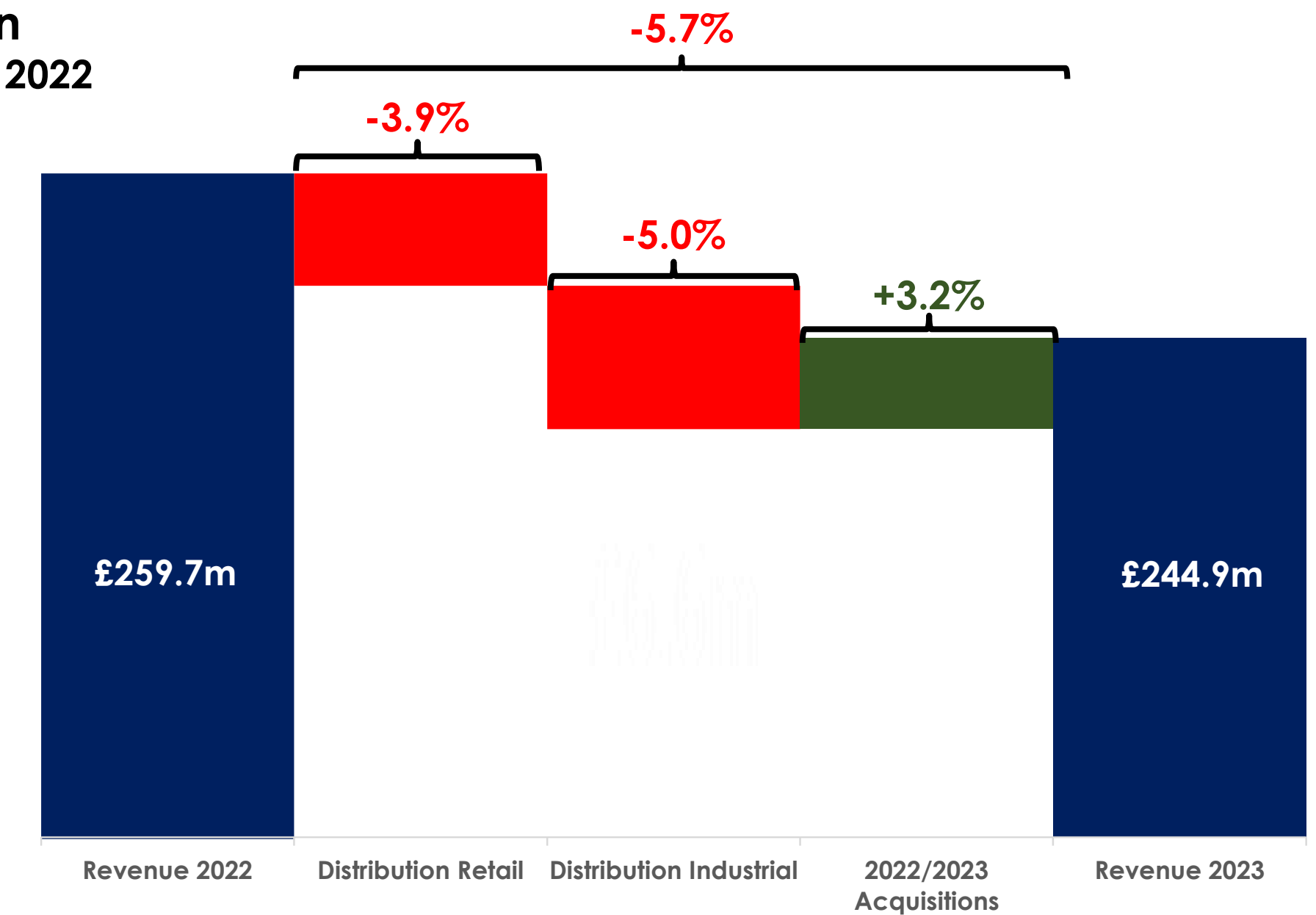
Revenue reduced in 2023 vs 2022
-5.7%

Organic contraction
- 8.9% :

- Weak demand
- E.comm retail slow
- Customer churn
- Price deflation

Acquisitions **3.2%**
 positive contribution to revenue change:

- PackMann
- Gottlieb



Packaging Distribution

Operating expenses change 2023 vs 2022

	2023		2022	
	£m	% of Revenue	£m	% of Revenue
Employee costs	36.6	15.0%	35.3	13.6%
Transport (excluding employee costs)	6.0	2.4%	6.6	2.5%
Utility costs	1.2	0.5%	0.8	0.3%
IT	2.8	1.1%	2.9	1.1%
Other	<u>15.6</u>	<u>6.3%</u>	<u>15.4</u>	<u>6.0%</u>
Operating expenses (pre-investments)	<u>62.2</u>	<u>25.3%</u>	<u>61.0</u>	<u>23.5%</u>
New NW RDC start-up	-	-%	0.5	0.2%
Acquisitions (Gottlieb/PackMann)	<u>4.3</u>	<u>1.8%</u>	<u>2.1</u>	<u>0.8%</u>
Operating expenses (investments)	<u>4.3</u>	<u>1.8%</u>	<u>2.6</u>	<u>1.0%</u>
Total operating expenses	<u>66.5</u>	<u>27.1%</u>	<u>63.6</u>	<u>24.5%</u>

Packaging Distribution Acquisitions

Acquisition	Location	Year	Sales	EBITDAx	Placing price	Integrated
Lane 	Reading	2014	£3m	5-6x	N/A	✓
Network 	Wolverhampton	2014	£9m	5-6x	Sep-14 37.5p	✓
One 	Bingham	2015	£5m	5x	N/A	✓
Colton 	Teesside	2016	£3m	5x	N/A	✓
Edward McNeil 	Glasgow	2016	£3m	5x	N/A	✓
Nelsons 	Leicester	2016	£9m	5-6x	Jul-16 58.0p	No plans
Greenwoods 	Nottingham	2017	£15m	5x	Sep-17 66.0p	✓
Tyler 	Leicester	2018	£2.5m	5x	N/A	✓
Harrisons 	Leyland	2018	£3.5m	5x	N/A	✓
Ecopac 	Aylesbury	2019	£6.5m	6x	N/A	✓
Leyland 	Leyland	2019	£4.0m	5x	N/A	✓
Armagrip 	Durham	2020	£1.5m	5x	N/A	✓
Carters 	Redruth	2021	£5.3m	6x	N/A	Ongoing
PackMann 	Germany	2022	£11.0m	6x	N/A	Ongoing
Gottlieb 	Manchester	2023	£4.5m	5x	N/A	Ongoing

Packaging Distribution Action Plan for 2024-2026

New Business Growth	Cost Inflation	Sourcing	Environmental Challenge	Pricing
<p>Fully utilise benefits of Significant Six Programme and Innovation Labs</p> <p>Leverage benefits of Microsoft Dynamics</p> <p>Implement World Class Sales Programme</p>	<p>Improve productivity to offset salary inflation in an increasingly competitive labour market</p>	<p>Strengthen partnerships with key suppliers</p> <p>Improve utilisation of in-house supply opportunities</p>	<p>Leverage skills/ knowledge/ tools to support the sustainability goals of our customers</p>	<p>Maintain close management of sales pricing in line with input pricing changes</p>
Online Capability	UK Acquisitions	Europe	Property	
<p>Re-launch website to improve online presence and visibility</p>	<p>Continue to successfully identify and execute quality UK acquisitions</p>	<p>Increase the pace of progress in Europe through Follow the Customer Programme</p> <p>Identify and execute quality European acquisitions</p>	<p>Manage the property footprint to ensure space is fully optimized:</p> <p>2024 - E Midlands - National DC</p>	



Manufacturing Operations

- Strong performance from Suttons acquired in February 2023 and B&D acquired in September 2023
- Organic revenue 3% below 2022 with weaker demand from existing customers and price deflation
- New business revenue 11% above 2022
- Partnership with Distribution continues to grow with revenue of £5.2m in 2023 (2022: £4.3m)
- Effective management of gross margin, offsetting inflation in overheads
- Overhead increase of 24% due to the acquisitions (15%) and inflation in energy/employee costs (9%)

£m	2023	2022
Revenue*	40.9	35.0
Gross margin	18.2 [44.5%]	14.6 [41.7%]
Operating expenses	11.6	9.4
Adjusted operating profit	6.6	5.2
Adjusted operating profit margin	16.1%	14.9%
Sales to Distribution (as % of revenue)	13%	12%

* Including inter-segment sales to Distribution



GWP Group
MACFARLANE PACKAGING
 DESIGN AND MANUFACTURE




Suttons
 PERFORMANCE PACKAGING

■ Barum & Dewar



Manufacturing Operations

Acquisitions

Acquisition	Location	Year	Sales	EBITDAx	Placing price	Integrated
GWP 	Swindon/Salisbury	2021	£13.1m	5.5x	N/A	Ongoing
Suttons 	Chatteris	2023	£7.4m	5x	N/A	Ongoing
B&D 	Southampton	2023	£2.6m	5.5x	N/A	Ongoing



Manufacturing Operations Action Plan for 2024-2026

New Business	Salary Inflation	In House Supply	Environmental Challenge
Targeted sector growth: <ul style="list-style-type: none"> • Medical • Electronics • Aerospace • Space 	Improve productivity to offset salary inflation in an increasingly competitive labour market	Strengthen in-house supply relationship with Distribution	Support our customers in achieving their sustainability goals
Integration	Execute UK Acquisitions	Pricing	Investment
Commence process of integrating : <ul style="list-style-type: none"> • Macfarlane PDM • GWP • Suttons • B&D 	Develop and execute further UK acquisitions in the specialist protective packaging space	Maintain close management of sales prices in line with cost price changes	Make selective capital investments to reduce costs and improve customer service





Reducing our Impact

- * 37% reduction in carbon intensity since 2019
- * 22% absolute reduction in our carbon footprint since 2019
- * 5 trucks and 32% of company cars now fully electric
- * Solar panels installed at our Grantham manufacturing site
- * 89% of electricity sourced from renewables
- * 417 tonnes of carbon avoided through driver efficiencies
- * Commenced Scope 3 baseline mapping

Supporting our Customers

- * Over 100 customer visits to our Innovation Labs – supporting the achievement of their sustainability goals
- * Extended our range of sustainable packaging products
- * Launched our most sustainable stock box range
- * 88% of Distribution packaging is recyclable
- * Achieved a customer Net Promoter Score of 60
- * Dedicated support to customers on forthcoming government regulation

Our Colleagues & the Community

- * 66% reduction in accident frequency since our baseline year
- * 80% of managers completing our diversity and inclusion training
- * Supporting our lowest paid and achieved a 0% gender pay gap
- * 1/3 females in leadership positions
- * Complimentary storage and over 200 deliveries to our charity partner Blue Cross
- * Over 750 of volunteering hours donated to a range of good causes

Doing business the right way

- * Achieved Ecovadis Gold Award
- * Strengthened our TCFD
- * Completed our second full disclosure to CDP
- * ESG committee well established with senior leaders and direct reporting line to the Board
- * Majority of senior management have personal performance objectives on ESG
- * Supplier Code of Conduct launched in 2023

Pension Scheme - £9.9m Surplus

£m	2023	2022
Opening surplus	10.2	8.3
Service costs/admin. costs/interest income	0.4	-
Contributions	1.3	2.0
Change in actuarial assumptions (Discount rate ↓ 0.3% to 4.50% (2022 ↑ 2.70%))	(3.5)	29.4
Investment returns	1.5	(29.5)
Closing surplus	9.9	10.2

Investments (£m)	2023	2022
Multi-asset Diversified Fund	10.2	20.3
Securitised Credit Funds	13.0	-
Multi-asset Credit Funds	9.8	-
Liability-driven Investments	32.1	23.3
Equities	-	12.7
European Loan Fund	-	6.5
Long-term Property Fund	-	5.7
Cash	7.4	2.0
Total investments	72.5	70.5
Liabilities (£m)		
Total liabilities	62.6	60.3

- Increase in bond yields offset by LDIs which provide hedge vs. movements in bond yields and inflation
- Triennial actuarial valuation 1-May-23 completed in Feb-24 with no company contributions required going forward
- Reallocation of assets in 2023 to reduce volatility and increase liquidity
- Working with trustees and advisers to prepare scheme for buy-out



Conclusions

- Resilient and flexible business with strong market positions:
 - **Solid performance in 2023** against backdrop of weakening customer demand
 - Executed **three high quality acquisitions**- one in Distribution & two in Manufacturing
 - Continued **good progress in Europe**
 - Positive **new business momentum**
- **Inflation in operating costs** have been **offset** by **effective input price management**
- Good progress against our **ESG objectives**
- 2024 will remain challenging due to **uncertainty over customer demand**.
- However, with **strong new business momentum, a well-developed pipeline of potential acquisitions, the continued effective management of input prices and operational efficiencies** we expect to make progress in 2024
- Plans underpinned by excellent **cash generation** and increased bank facilities to £35m until December 2025



