



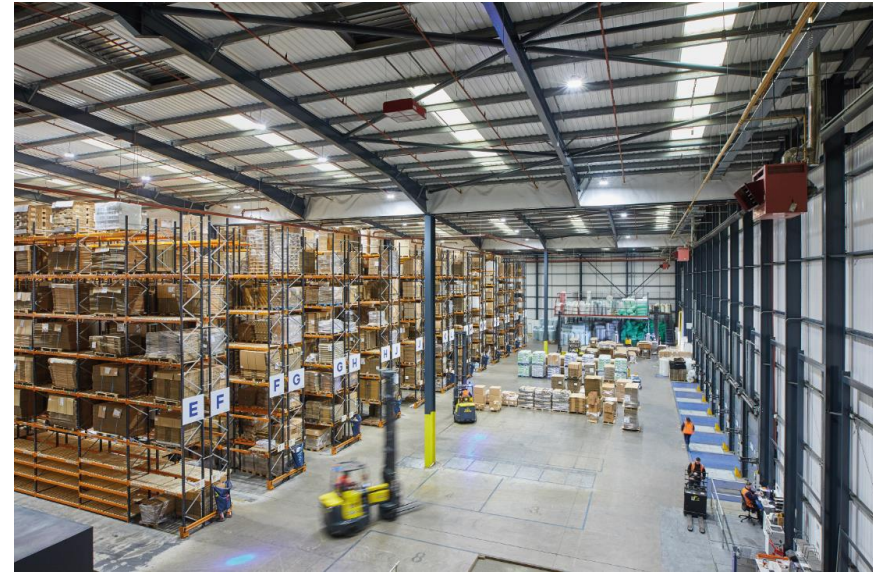
2024 Interim Results



Overview

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- Executive Summary
- H1 2024 Results/Cash Flow
- Business Review
 - Packaging Distribution
 - Manufacturing Operations
- Pension Scheme
- Conclusions
- Appendix- Background Information



£m	H1 2024 £m	H1 2023 £m
Adjusted operating profit (AOP) *	12.5	12.8
Adjusted profit before tax (APBT) *	11.6	12.0
Profit before tax (PBT)	9.7	10.0

* Before charging amortisation (H1 2024: £2.2m; H1 2023: £2.0m) and crediting deferred contingent consideration adjustments (H1 2024: £0.2m; H1 2023: £-m).

- Challenging market conditions – weak demand and sales price deflation
- Focus on “Self Help Programme”....
 - New Business Growth
 - More Effective Sourcing
 - Continue Acquisition Programme – Allpack Direct / Polyformes
 - Control Costs
 - Strong Balance Sheet
- Market expectations broadly unchanged for full year 2024
- Well positioned for market recovery





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	APBT*	AOP*
	▼ 8%	▼ 3%	▼ 2%
Returns and balance sheet	Pre-tax ROCE	Bank funds	Pension surplus
	▼ 17%	▲ £0.8m	▲ £10.2m
EPS and dividend	Diluted EPS**	Dividend cover***	Dividend per share
	▼ 4%	▼ 4.7x	▲ 0.96p

* Before charging amortisation (H1 2024: £2.2m; H1 2023: £2.0m) and crediting deferred contingent consideration adjustments (H1 2024: £0.2m; H1 2023: £-m).

** Increase in average corporation tax rate to 25% (H1 2023: 23.5%).

*** H1 2024 diluted EPS divided by interim dividend



Income Statement

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	H1 2024 £m	H1 2023 £m
Revenue	<u>129.6</u>	<u>141.6</u>
Gross Profit	51.5 [39.7%]	51.3 [36.2%]
Operating expenses	<u>(39.0)</u>	<u>(38.5)</u>
Adjusted operating profit	12.5	12.8
Amortisation and deferred contingent consideration adj.	<u>(1.9)</u>	<u>(2.0)</u>
Operating profit	10.6	10.8
Interest	<u>(0.9)</u>	<u>(0.8)</u>
Profit before tax	<u>9.7</u>	<u>10.0</u>
Diluted EPS	4.51p	4.70p
Dividend	0.96p	0.94p
Dividend cover	4.7x	5.0x



Cash Flow

	H1 2024 £m	H1 2023 £m
EBIT	10.6	10.8
DA	<u>7.1</u>	<u>6.7</u>
EBITDA	17.7	17.5
Working Capital	1.1	6.4
Lease Obligations	(4.2)	(3.5)
Interest	(1.1)	(1.1)
Tax	(3.4)	(2.2)
Acquisitions	(4.1)	(11.4)
Net capital expenditure	(1.4)	(1.3)
Pension	0.2	(0.6)
LTIP adj.	0.1	0.3
Purchase of own shares	(0.4)	-
Dividend	<u>(4.2)</u>	<u>(4.0)</u>
Movement in bank debt	<u>0.3</u>	<u>0.1</u>



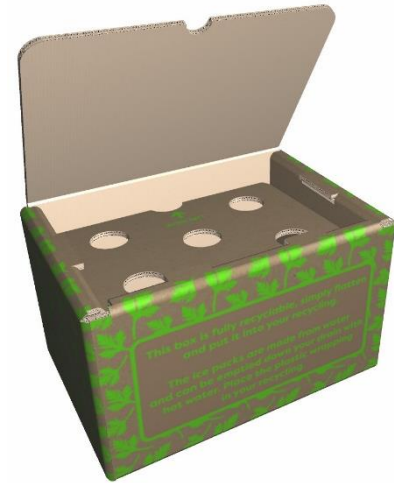
	Priorities	Approach	H1 2024 Outcomes
1	Management of working capital and investment in capital expenditure to support organic growth	Working capital managed against benchmark number of days. Capital expenditure prioritised (i) essential/ replacement (ii) by investment returns	Cash inflow of £0.3m Capital expenditure of £1.4m
2	Earnings enhancing acquisitions	Based on investment returns and within a disciplined multiple to EBITDA range	£4.1m acquisition investment: <ul style="list-style-type: none">£2.1m on 2024 acquisitions£2.0m deferred consideration
3	Sustainable and progressive dividend	Based on business performance and appropriate dividend cover	2023 final dividend of £4.2m paid in May 2024 (2.65p per share) Dividend cover 2.6 times (Diluted EPS/(Interim + Final))
4	Return surplus cash to shareholders	Through share buybacks or enhanced dividends	£0.4m of shares purchased to satisfy future LTIPs/deferred bonus



Packaging Distribution

- Organic revenue reduced by 13% versus H1 2023, with subdued demand from existing customers and price deflation
- Good contribution from Gottlieb acquired in April 2023 and Allpack Direct acquired in March 2024
- New business revenue of £4.5m; up 10% vs H1 2023 with strong pipeline activity
- Effective management of gross margin and good control of operating expenses
- Improvement in adjusted operating profit margin from 7.6% to 8.4%
- Further progress on NPS

£m	H1 2024	H1 2023
Revenue	110.9	124.0
Gross margin	42.0 [37.9%]	42.4 [34.2%]
Operating expenses	32.7	33.0
Adjusted operating profit	9.3	9.4
Adjusted operating profit margin	8.4%	7.6%
Net Promoter Score	61	56



Packaging Distribution

Revenue Change 2024 H1 vs 2023 H1

Revenue reduced in
2024 H1 vs 2023 H1

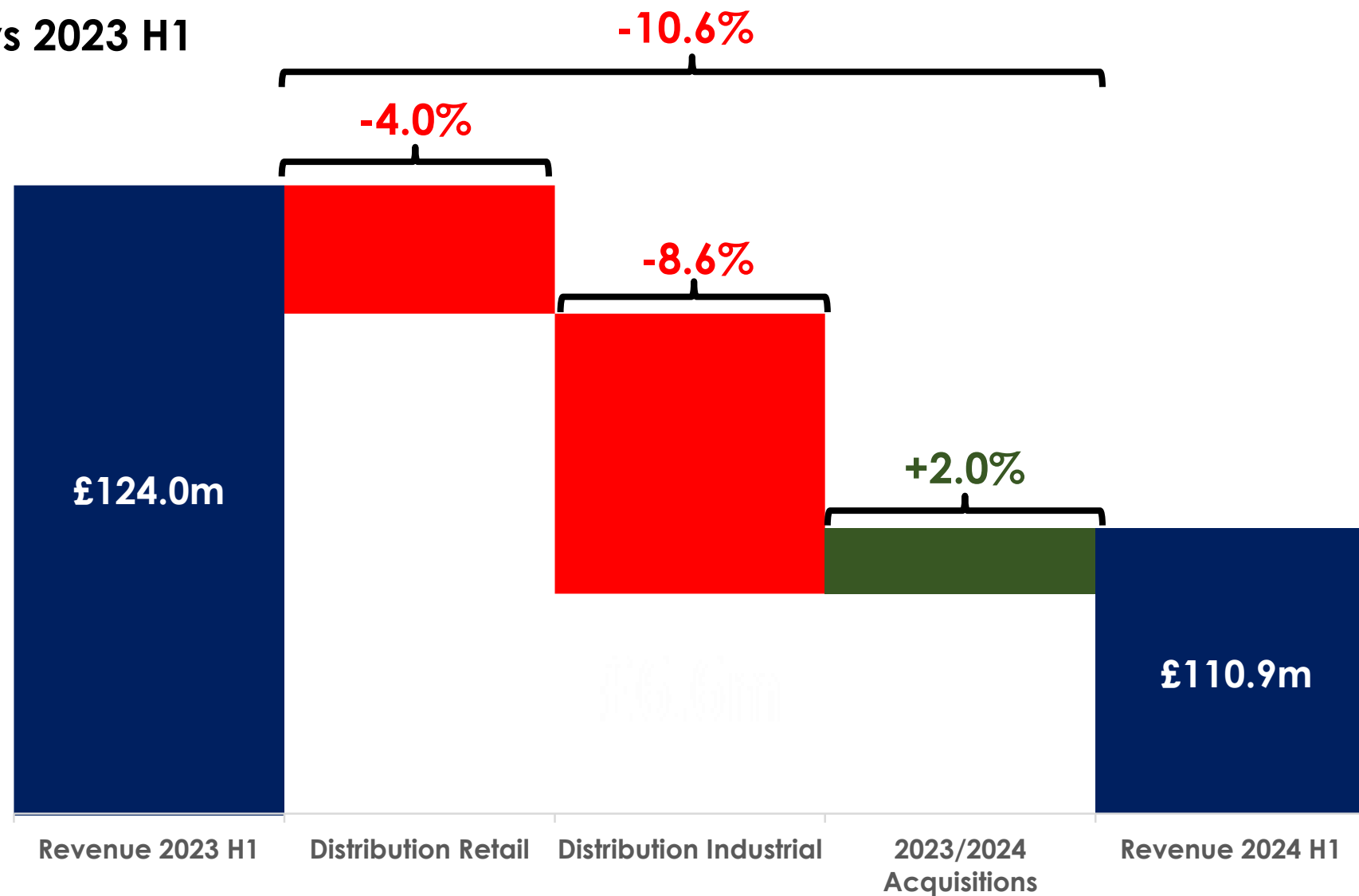
-10.6%

Organic contraction
- 12.6% :

- Weak demand
- Customer churn
- Price deflation

Acquisitions **2.0%**
positive contribution to
revenue change:

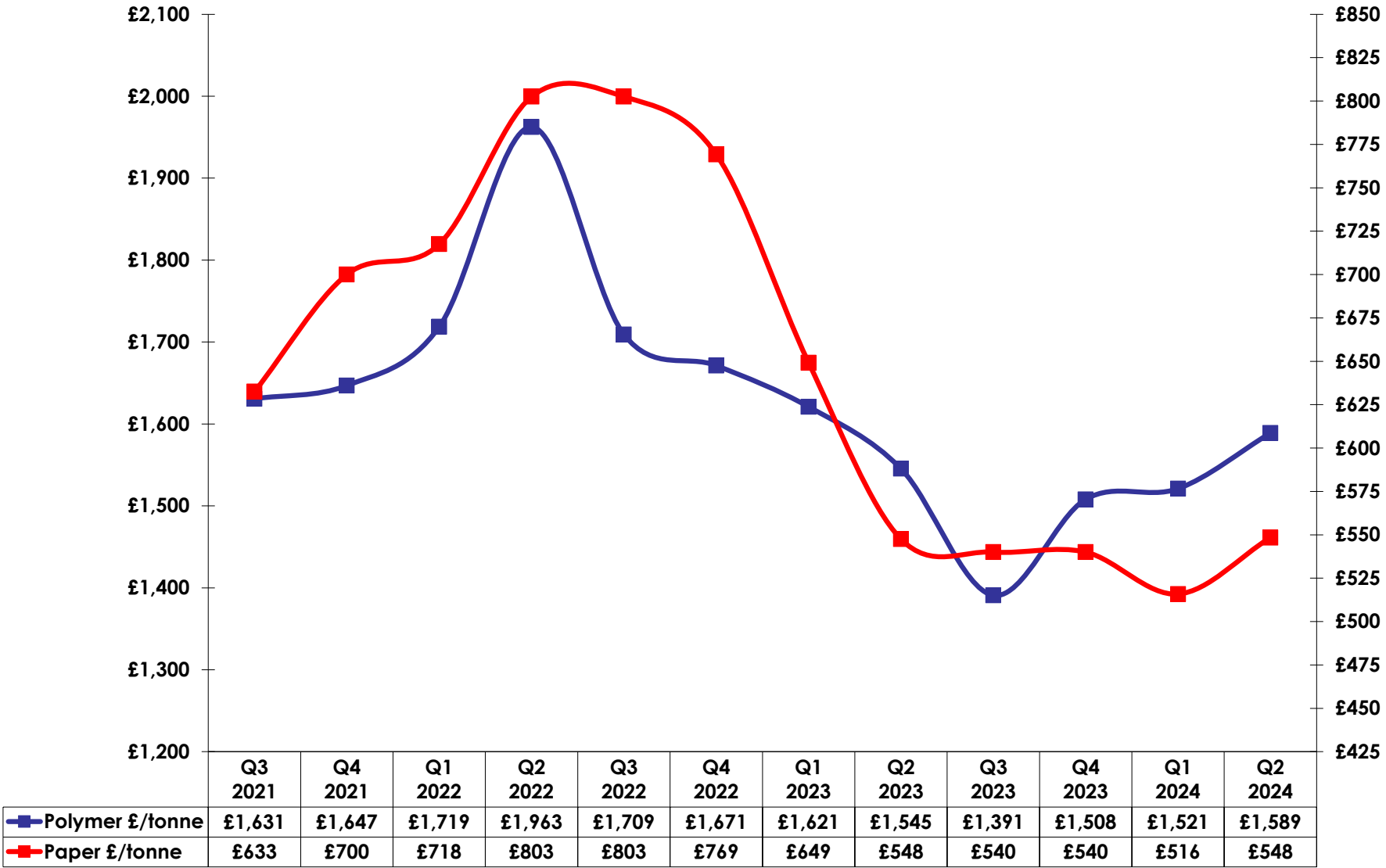
- Gottlieb
- Allpack Direct


















	H1 2024		H1 2023	
	£m	% of Sales	£m	% of Sales
Employee costs	17.7	15.9%	18.0	14.5%
Transport (excluding employee costs)	3.4	3.1%	3.3	2.7%
Utility costs	0.5	0.5%	0.7	0.5%
IT	1.4	1.3%	1.4	1.1%
Other	9.0	8.1%	9.4	7.7%
Overheads (pre acquisitions)	32.0	28.9%	32.8	26.5%
Acquisitions (Gottlieb/Allpack)	0.7	0.6%	0.2	0.1%
Total Overheads	32.7	29.5%	33.0	26.6%



Packaging Distribution – Raw Material Price Movements



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
Allpack Direct		Bury St Edmunds	2024	£3.0m	5x	N/A	Ongoing



Packaging Distribution Action Plan for 2024-2026

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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>	



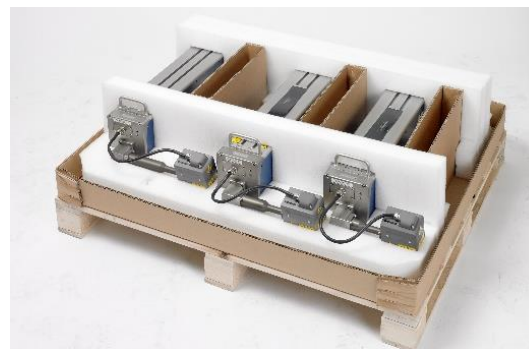
Manufacturing Operations



- 6% increase in revenue due to:
 - solid contribution from B&D and Suttons acquired in 2023: offset by
 - organic reduction of 3% primarily due to price deflation
- Partnership with Distribution continues to develop
- Effective management of gross margin
- Reduced profit margins due to higher operating expenses
- Acquisition of Polyformes in July 2024 will benefit H2 2024 (FY23 revenue £9.3m)



£m	H1 2024	H1 2023
Revenue *	21.3	20.2
Gross margin	9.4 [44.3%]	8.9 [44.2%]
Operating expenses	6.2	5.5
Adjusted operating profit	3.2	3.4
Adjusted operating profit margin	15.1%	16.8%
Sales to Distribution (as % of revenue)	12%	13%

* Including inter-divisional sales to Distribution



Acquisition		Location	Year	Sales	EBITDA x	Placing price	Integrated
GWP	GWP Group	Swindon/Salisbury	2021	£13.1m	5.5x	N/A	Ongoing
Suttons	 Suttons PERFORMANCE PACKAGING	Chatteris	2023	£7.4m	5x	N/A	Ongoing
B&D Group	 Barum & Dewar	Southampton	2023	£2.6m	5.5x	N/A	Ongoing
Polyformes	<u>Polyformes</u>	Leighton Buzzard	2024	£9.3m	5x	N/A	Ongoing

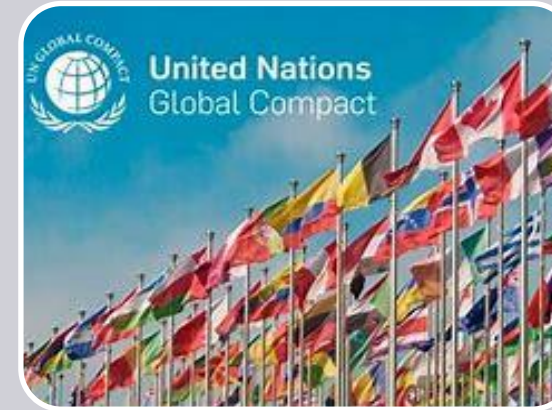


Manufacturing Operations Action Plan for 2024-2026

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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
Process of integration underway: <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

- 9 Fully electric trucks now operational in the fleet
- Solar Panels installed at our GWP manufacturing site
- 42% of our Company Car Fleet now fully electric
- 90% + of electricity sourced from certified renewables
- Completed our Scope 3 Mapping Baseline

Supporting our Customers

- Launched our new Sustainability Report
- 8 Sustainability Workshops held with over 80 customers
- Dedicated support on regulation – including hosting our first EPR webinar
- Ongoing programme of optimisation reducing our customers CO₂
- Work commenced on our new customer website

Our Colleagues & the Community

- Launched our World Class Sales Training Academy Programme
- Commenced our Group induction process for new colleagues
- Developed our new Group Training Portal
- 7% increase in positive safety observations
- Continued support to our Charity Partners and over 330 hours volunteering

Doing Business the Right Way

- Joined the UN Global Compact for responsible business
- Ranked in the top 10% of businesses globally by EcoVadis
- Continuous improvement of controls to counter fraud and corruption risks
- Completing our 3rd CDP return
- Strengthened management's personal sustainability objectives

Pension Scheme - £m Surplus

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£m	H1 2024	H1 2023	2023
Opening surplus	9.9	10.2	10.2
Administration costs/interest income	-	0.3	0.4
Contributions	-	0.6	1.3
Change in actuarial assumptions (Discount rate ↑ 0.60% to 5.10% (H1 2023 ↑ 0.50%; 2023 ↓ 0.30%))	3.8	3.5	(3.5)
Investment returns	(3.5)	(1.8)	1.5
Closing surplus	10.2	12.8	9.9

Investments (£m)	H1 2024	H1 2023	2023
Multi-asset Diversified Fund	4.9	12.3	10.2
Securitised Credit Funds	17.4	-	13.0
Multi-asset Credit Funds	10.0	1.0	9.8
Liability-driven Investments	34.7	21.0	32.1
Equities	-	21.6	-
European Loan Fund	-	5.6	-
Long-term Property Fund	-	7.0	-
Cash	1.3	0.8	7.4
Total investments	68.3	69.3	72.5
Liabilities (£m)			
Total liabilities	58.1	56.5	62.6

- 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
- Working with trustees and advisers to prepare scheme for buy-out
- Implications of Virgin Media case to be assessed in H2 2024



Conclusions

- Responding to challenging market conditions in H1 2024 through:
 - Improvement in **new business growth**
 - Effective **management of deflation in pricing**
 - Actions to **control operating costs**
 - Execution of **one quality acquisition**- Allpack Direct
- Demand continues to be weak at the start of H2 2024 but with the actions taken **full year profit expectations remain broadly unchanged**
- Clear action plans in place for further growth including the **acquisition of Polyformes** (July 2024) and **a strong acquisition pipeline**; underpinned by strong **cash generation**
- **Re-financing** of current bank facilities committed to 31 December 2025 is **well advanced**.
- Good progress on **ESG Agenda**



Macfarlane Business Case

