



2024 Results



- Executive Summary
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- Conclusions



Macfarlane Group designs, manufactures & distributes protective packaging to customers across the UK/Europe to:

.....protect their products through the supply chain

.....ensure their products are cost effectively packed, stored and transported

.....reduce their working capital and administration burden

.....optimise their packaging to minimise its environmental impact

How we differentiate:

European coverage with local service

Breadth of product / service offer

Added value customer proposition

Longstanding supplier partnerships

Expertise and focus on protective packaging



£m	2024 £m	2023 £m	Change
Adjusted operating profit (AOP) *	27.4	27.6	(1%)
Adjusted profit before tax (APBT) *	25.0	25.8	(3%)
Profit before tax (PBT)	20.9	20.3	3%

* Before charging amortisation and (crediting)/charging deferred contingent consideration adjustments.

- 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
- APBT in line with market consensus
- Re-financing of current bank facilities committed to November 2027 with options to extend two years
- Completion of acquisition of Pitreavie and strong new business pipeline at start of 2025

Acquisition of Pitreavie Group

Background

- A well-established protective packaging manufacturer and distributor based in Scotland
- 2024 sales of £24.8m and adjusted EBITDA of £2.5m
- Operating activities that complement Macfarlane business model
- An experienced management team

Transaction Details

- A maximum cash consideration of £18m including earn out potential of £4m based on achieving agreed profit growth targets over 24 months.

Growth Potential

- Macfarlane access to important food and drink sector in Scotland
- In-house sourcing using Pitreavie manufacturing capability
- Potential sales and cost synergy opportunities

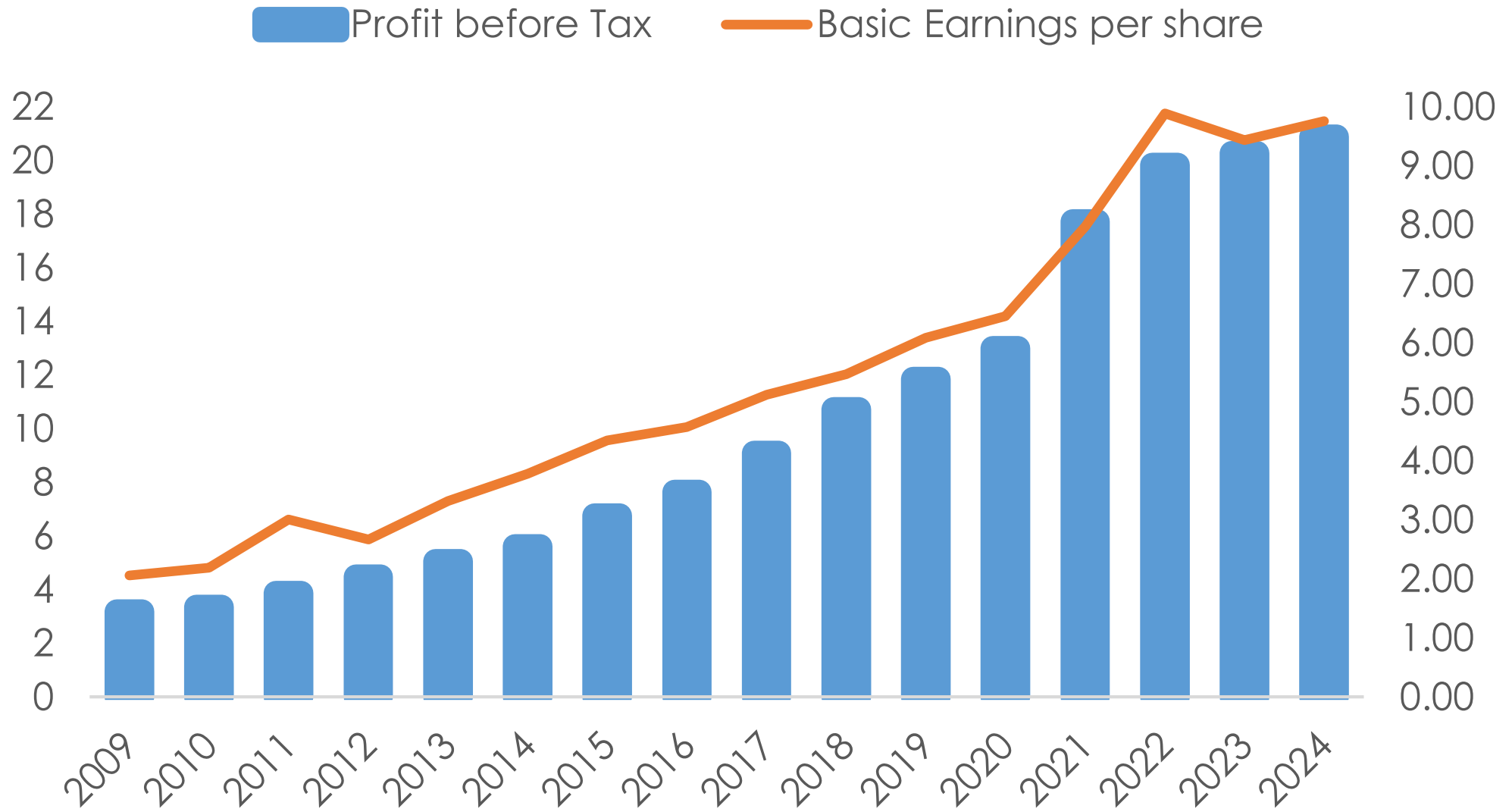


Revenue and profit	Revenue ▼ 4%	APBT* ▼ 3%	PBT ▲ 3%
Returns and balance sheet	Pre-tax ROCE = 18%	Bank debt ▼ £1.9m	Pension surplus ▼ £9.6m
EPS and dividend	Diluted EPS ▲ 4%	Dividend cover ▲ 2.7x	Dividend per share ▲ 3.66p

* Before charging amortisation and (crediting)/charging deferred contingent consideration adjustments.



Profit Progression



Income Statement

	2024 £m	2023 £m
Revenue	<u>270.4</u>	<u>280.7</u>
Gross Profit	105.4 [39.0%]	105.7 [37.6%]
Operating expenses	<u>(78.0)</u>	<u>(78.1)</u>
Adjusted operating profit	27.4	27.6
Amortisation and deferred contingent consideration adj.	<u>(3.8)</u>	<u>(5.5)</u>
Operating profit	23.6	22.1
Interest	<u>(2.7)</u>	<u>(1.8)</u>
Profit before tax	<u>20.9</u>	<u>20.3</u>
Diluted EPS	9.74p	9.34p
Dividend	3.66p	3.59p
Dividend cover	2.7x	2.6x

Cash Flow

	2024 £m	2023 £m
EBIT	23.6	22.1
DA	<u>14.6</u>	<u>15.2</u>
EBITDA	38.2	37.3
Working Capital	(1.4)	4.6
Lease Obligations	(8.3)	(7.5)
Interest	(3.1)	(2.3)
Tax	(6.8)	(5.4)
Acquisitions	(12.1)	(14.5)
Net capital expenditure	(2.9)	(2.1)
Pension	0.4	(1.2)
LTIP adj.	(0.3)	0.6
Purchase of own shares	(0.4)	-
Dividend	<u>(5.7)</u>	<u>(5.5)</u>
Movement in bank debt	<u>(2.4)</u>	<u>4.0</u>

	Priorities	Approach	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	Working capital investment £1.4m Capital expenditure of £2.9m
2	Earnings enhancing acquisitions	Based on investment returns and within a disciplined multiple to EBITDA range	£12.1m acquisition investment: <ul style="list-style-type: none"> • £9.1m on 2024 acquisitions • £3.0m deferred consideration
3	Sustainable and progressive dividend	Based on business performance and appropriate dividend cover	Dividends of £5.7m paid in 2024 (3.61p per share) Dividend cover 2.7 times (Diluted EPS/(Interim 2024 + Proposed Final 2024))
4	Return surplus cash to shareholders	Through share buybacks or enhanced dividends	£0.4m of shares purchased to satisfy future LTIPs/deferred bonus



- Organic revenue reduced by 8% versus 2023, with weak 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 £13.6m; up 23% vs 2023 with strong pipeline activity
- Effective management of gross margin and good control of operating expenses
- Improvement in adjusted operating profit margin from 8.6% to 8.8%
- Further improvement on NPS

£m	2024	2023
Revenue	228.8	244.9
Gross margin	84.9 [37.1%]	87.5 [35.7%]
Operating expenses	64.7	66.5
Adjusted operating profit	20.2	21.0
Adjusted operating profit margin	8.8%	8.6%
Net Promoter Score	62	60



Packaging Distribution

Revenue Change 2024 vs 2023

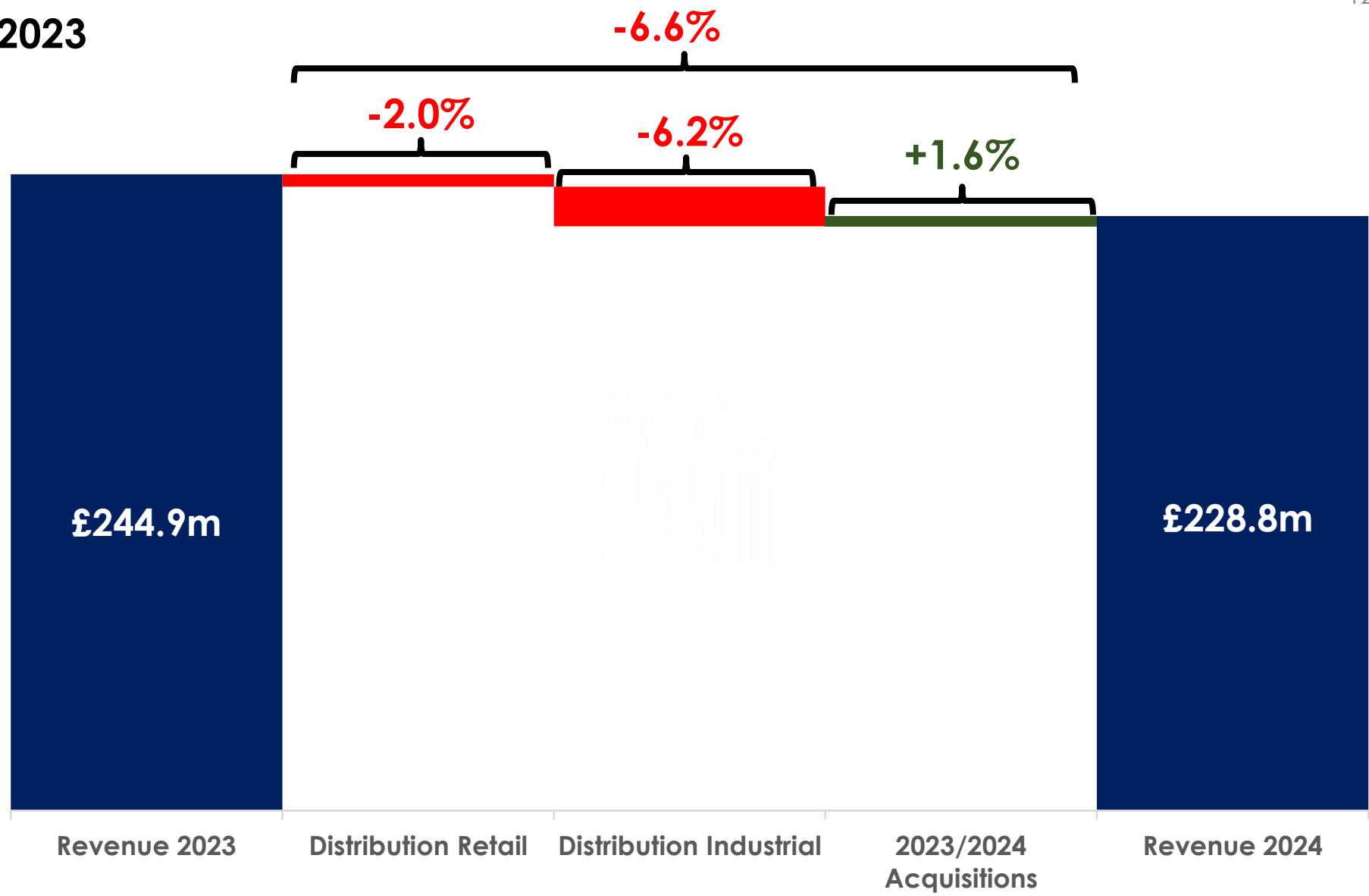
Revenue reduced in 2024 vs 2023 **-6.6%**

Organic contraction **-8.2%:**

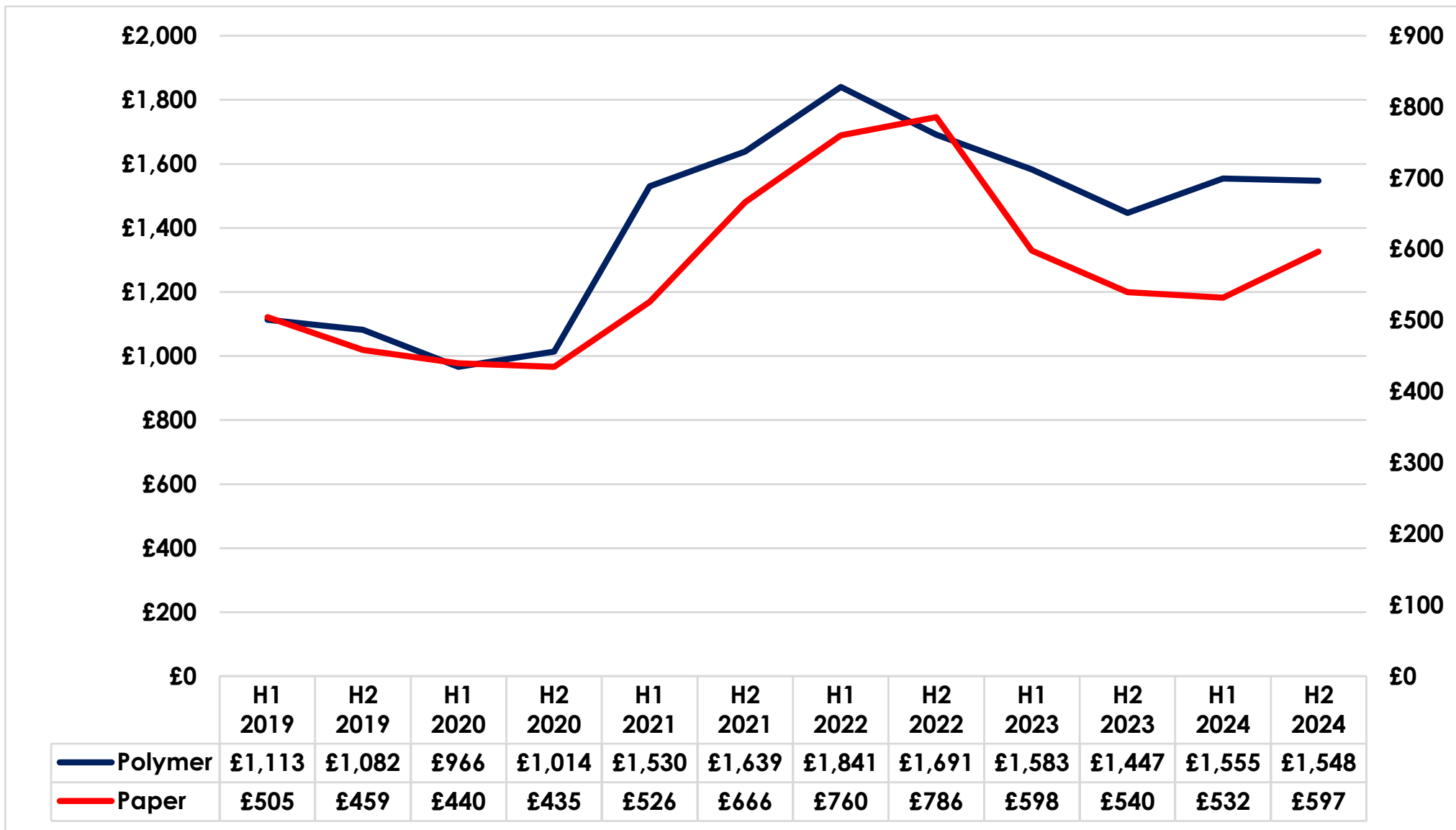
- Weak demand
- Customer churn
- Price deflation

Acquisitions **1.6%** positive contribution to revenue change:

- Gottlieb
- Allpack Direct



Packaging Distribution – Raw Material Price Movements



Packaging Distribution

Operating expenses

	2024		2023	
	£m	% of Revenue	£m	% of Revenue
Employee costs	36.0	15.7%	38.7	15.8%
Transport (excluding employee costs)	6.7	2.9%	6.5	2.7%
Property (IFRS 16 depreciation)	5.6	2.4%	5.1	2.1%
Utility costs	0.9	0.4%	1.2	0.5%
IT	2.8	1.2%	2.8	1.1%
Other	<u>11.2</u>	<u>5.0%</u>	<u>11.6</u>	<u>4.7%</u>
Operating expenses (pre-acquisitions)	<u>63.2</u>	<u>27.6%</u>	<u>65.9</u>	<u>26.9%</u>
Acquisitions (Gottlieb/Allpack Direct)	<u>1.5</u>	<u>0.7%</u>	<u>0.6</u>	<u>0.2%</u>
Total operating expenses	<u>64.7</u>	<u>28.3%</u>	<u>66.5</u>	<u>27.1%</u>

Packaging Distribution Acquisitions

Acquisition		Location	Year	Sales	EBITDAx	Placing price
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
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
PackMann		Germany	2022	£11.0m	6x	N/A
Gottlieb		Manchester	2023	£4.5m	5x	N/A
Allpack Direct		Bury St Edmunds	2024	£3.0m	5x	N/A



Packaging Distribution Action Plan for 2025-2027

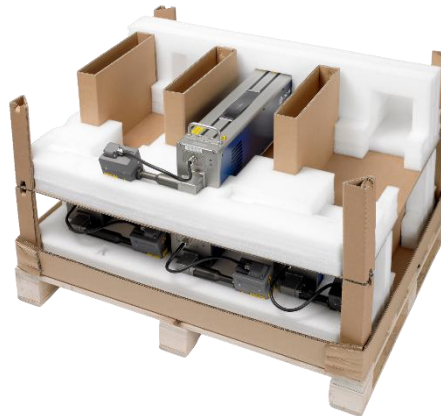
New Business Growth	Cost Inflation	Sourcing	Environmental Challenge	Pricing
<p>Fully utilise benefits of Significant Six Programme and Innovation Labs</p> <p>Leverage benefits of Microsoft Dynamics</p> <p>Implement World Class Sales Programme</p>	<p>Improve productivity to offset impact of costs inflation</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>2025 - E Midlands Consolidation</p>	



- 16% increase in revenue due to:
 - good contribution from Polyformes acquired July 2024
 - organic sales in line with 2023 despite price deflation and MOD slow down
- Partnership with Distribution continues to develop
- Slightly lower gross margins due to pass through of price reductions to customers
- Operating profit margins remain strong

£m	2024	2023
Revenue *	47.5	40.9
Gross margin	20.5 [43.2%]	18.2 [44.5%]
Operating expenses	13.3	11.6
Adjusted operating profit	7.2	6.6
Adjusted operating profit margin	15.3%	16.1%
Sales to Distribution (as % of revenue)	12%	13%

* Including inter-divisional sales to Distribution



Acquisition		Location	Year	Sales	EBITDA x	Placing price
GWP		Swindon/Salisbury	2021	£13.1m	5.5x	N/A
Suttons		Chatteris	2023	£7.4m	5x	N/A
B&D Group		Southampton	2023	£2.6m	5.5x	N/A
Polyformes		Leighton Buzzard	2024	£9.3m	5x	N/A
Pitreavie Group		Glasgow x 2, Aberdeen, Glenrothes	2025	£24.8m	5-6x	N/A



Manufacturing Operations Action Plan for 2025-2027

New Business	Cost Inflation	In House Supply	Environmental Challenge
Targeted sector growth: <ul style="list-style-type: none"> • Medical • Electronics • Aerospace • Space • Food & Drink 	Improve productivity to offset impact of cost inflation	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 • Polyformes • Pitreavie 	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
- 32% reduction in carbon emissions since baseline
- 86% of electricity sourced from certified renewables
- Completed our Scope 3 Mapping Baseline

Supporting our Customers

- 250 customers engaged through our Innovation Labs
- 19 sustainability workshops with over 260 customers
- Scaled up our support to customers on new packaging regulations ("EPR")
- Achieved a customer Net Promoter Score of 62 (B2B average: 35)
- Work commenced on our new customer website

Our Colleagues & the Community

- Launched our World Class Sales Training Academy
- Increased positive safety observations and maintained a low AFR
- Action taken to address colleague priorities on induction, training and benefits
- Launched our Macfarlane match scheme on all staff fundraising
- Provided over 410 hours of volunteering to charity partners

Doing Business the Right Way

- Joined the UN Global Compact for responsible business
- Ranked in the top 10% of businesses globally by EcoVadis
- Completed our 3rd CDP return and improved our score to a management level (B)
- Awarded Cyber Essentials accreditation
- Awarded the London Green Economy Mark by the London Stock Exchange

Existing Regulation

Plastic Packaging Tax – UK Tax on non-recycled plastic packaging

Extended Producer Responsibility – Levy on household packaging. Reporting has started – initial fees to commence October 2025

Digital Markets Competition and Consumers Act – extended anti-greenwashing powers for CMA

Regulation anticipated within 12 months

Corporate Sustainability Reporting Requirements* – Mandatory and comprehensive sustainability reporting requirements for large EU business

Deforestation Regulations* - Comprehensive due diligence requirements on all forest derived products placed on EU market.

Green Claims Directive- Wide sweeping EU anti-greenwashing measures to govern sustainability marketing claims

Future Regulation (2-5 years)

Packaging and Packaging Waste Regulations –Reforms to EU packaging market aimed at reducing packaging used, improving efficiency, recyclability and growing the reusable packaging market

Corporate Sustainability Due Diligence* – Mandatory due diligence requirements for large EU businesses to understand their overall sustainability impact

International Financial Reporting Standards – Expected UK adoption of International standards to align and mandate sustainability reporting within UK corporate reporting

**These regulations are only anticipated to apply to Large EU businesses initially, typically with turnovers in excess of 40m euros*

£m	2024	2023
Opening surplus	9.9	10.2
Administration costs/interest income	-	0.4
Contributions	-	1.3
Change in actuarial assumptions <small>(Discount rate ↑ 1.00% to 5.50% (2023 ↓ 0.30%))</small>	6.6	(3.5)
Investment returns	(6.9)	1.5
Closing surplus	9.6	9.9

Investments (£m)	2024	2023
Multi-asset Diversified Fund	2.9	10.2
Securitised Credit Funds	16.9	13.0
Multi-asset Credit Funds	10.2	9.8
Liability-driven Investments	32.6	32.1
Cash	1.5	7.4
Total investments	64.1	72.5
Liabilities (£m)		
Total liabilities	54.5	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
- Review of implications of Virgin Media case assessed no further action required at this stage



- Responded to challenging market conditions in 2024
- No expectation of market improvement in 2025 and additional challenge of EPR legislation and labour cost increases
- However,.....
 - Good **new business momentum**
 - **Added value** proposition which will help customers address the EPR challenge
 - Launch of **new trading website**
 - Key **new hires** to strengthen team in UK and Europe
 - Well-developed **acquisition pipeline** in both UK and Europe (*acquisition of Pitreavie in January 2025*)
 - Close **control of cost base**, to offset impact of National Insurance and Minimum Wage increases
 - Strong **balance sheet** and new bank facility



