MACFARLANE GROUP

2025 Interim Results

Overview

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Our Purpose

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**

Executive Summary

£m	H1 2025 £m	H1 2024 £m	*Change*
Adjusted operating profit (AOP) *	**9.8**	12.5	(22%)
Adjusted profit before tax (APBT) *	**7.9**	11.6	(32%)
Profit before tax (PBT)	**5.0**	9.7	(49%)

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

- Challenging market conditions – weak demand, slow customer decision making, competitive environment, rising costs
- Focus for remainder of 2025…..
    - Seasonal trading benefit
    - New business growth
    - Managing increases in raw material prices
    - Mitigating rising operating costs
    - Synergy benefits from Pitreavie acquisition
    - Management of working capital
- Strong balance sheet
- Bank facilities committed to November 2027 with options to extend two years
- Allocation of capital to share buyback

Financial Summary – H1 2025

Revenue and profit	Revenue ▲ 13%	AOP* ▼ 22%	APBT* ▼ 32%
Returns and balance sheet	Pre-tax ROCE ▼ 14%	Bank debt ▼ £15.2m	Pension surplus ▼ £9.2m
EPS and dividend	Adj. Diluted EPS* ▼ 30%	Dividend cover** ▼ 2.4x	Dividend per share = 0.96p

* Before charging amortisation, charging/(crediting) deferred contingent consideration adjustments and related tax

** H1 2025 diluted EPS divided by interim dividend

Income Statement

	H1 2025 £m	H1 2024 £m
Revenue	**146.6**	129.6
Gross Profit	**55.4 [37.8%]**	51.5 [39.7%]
Operating expenses	**(45.6)**	(39.0)
Adjusted operating profit	**9.8**	12.5
Amortisation and deferred contingent consideration adj.	**(2.8)**	(1.9)
Operating profit	**7.0**	10.6
Interest	**(2.0)**	(0.9)
Profit before tax	**5.0**	9.7
Diluted EPS	**2.34p**	4.51p
Dividend	**0.96p**	0.96p
Dividend cover	**2.4x**	4.7x

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Cash Flow

	H1 2025 £m	H1 2024 £m
EBIT	**7.0**	10.6
DA	**9.0**	7.1
EBITDA	**16.0**	17.7
Working Capital	**1.4**	1.0
Interest	**(2.1)**	(1.1)
Tax	**(3.2)**	(3.4)
Other movements	**0.3**	0.4
Net cash inflow from operating activities	**12.4**	14.6
Acquisitions *	**(15.1)**	(4.1)
Net capital expenditure	**(1.3)**	(1.4)
Lease obligations	**(4.7)**	(4.2)
Purchase of own shares	**(0.2)**	(0.4)
Dividend	**(4.3)**	(4.2)
Net cash flows from investing/financing activities	**(25.6)**	(14.3)
Movement in net bank debt	**(13.2)**	0.3

* Including bank borrowings inherited of £4.4m

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Packaging Distribution

- Marginally lower revenue versus H1 2024, with weak customer demand, particularly in retail sector
- New business revenue of £3.7m; 18% lower than H1 2024
- Strong new pipeline activity, but slower decision-making by customers
- Gross margins lower than the elevated levels of H1 2024 and stabilising
- Higher operating expenses due to:
  - increases in National Insurance, National Minimum Wage
  - property rent increases
  - East Midlands property consolidation incurring dual costs
- Adjusted operating profit margin reduced to 4.3%
- Strong NPS score maintained

£m	H1 2025	H1 2024
Revenue	**110.4**	110.9
Gross profit [margin]	**39.3 [35.6%]**	42.0 [37.9%]
Operating expenses	**34.5**	32.7
Adjusted operating profit	**4.8**	9.3
Adjusted operating profit margin	**4.3%**	8.4%
Net Promoter Score	**61**	61

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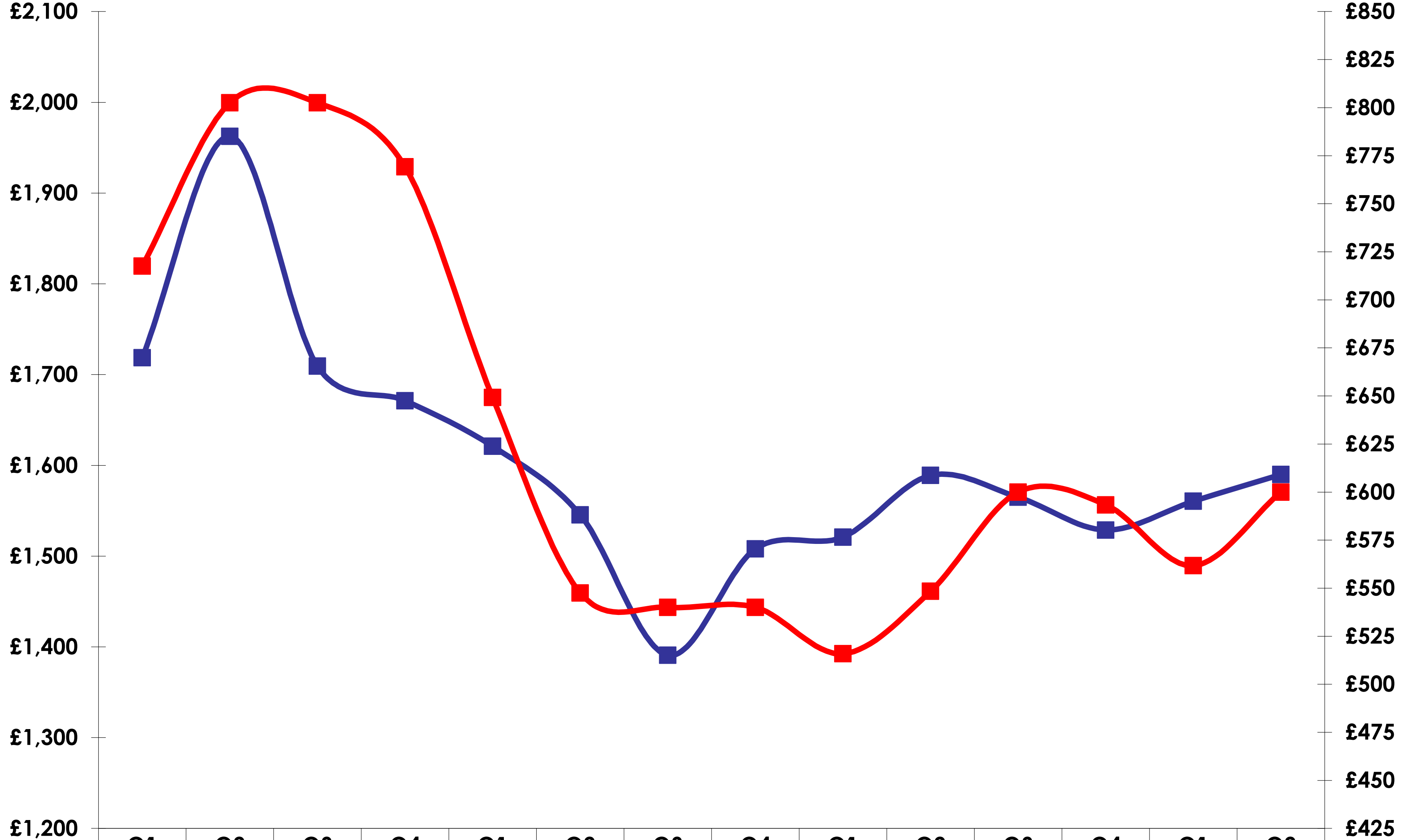
Packaging Distribution – Raw Material Price Movements



	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q3 2024	Q4 2024	Q1 2025	Q2 2025
Polymer £/tonne	£1,719	£1,963	£1,709	£1,671	£1,621	£1,545	£1,391	£1,508	£1,521	£1,589	£1,565	£1,529	£1,560	£1,590
Paper £/tonne	£718	£803	£803	£769	£649	£548	£540	£540	£516	£548	£600	£593	£562	£600

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Packaging Distribution
Operating expenses

	H1 2025		H1 2024	
	£m	**% of Revenue**	£m	% of Revenue
Employee costs	**19.5**	***17.6%***	18.6	*16.8%*
Transport (excluding employee costs)	**3.6**	***3.2%***	3.5	*3.1%*
Property (incl. IFRS 16 adjustments)	**6.2**	***5.6%***	5.0	*4.5%*
Utility costs	**0.4**	***0.4%***	0.5	*0.5%*
IT	**1.5**	***1.4%***	1.4	*1.3%*
Other	**3.3**	***3.0%***	3.7	*3.3%*
Total operating expenses	**34.5**	***31.2%***	32.7	*29.5%*

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

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Packaging Distribution Action Plan for 2025-2027

New Business Growth	Cost Inflation	Sourcing	Environmental Challenge	Pricing
Fully utilise benefits of Significant Six Programme and Innovation Labs Leverage benefits of…… - World Class Sales Programme - Microsoft Dynamics	Improve productivity to offset impact of costs inflation	Strengthen partnerships with key suppliers Improve utilisation of in-house supply opportunities	Leverage skills/ knowledge/ tools to support the sustainability goals of our customers	Maintain close management of sales pricing in line with input pricing changes

Online Capability	UK Acquisitions	Europe	Property
Deliver benefits from the website recently re-launched to improve online presence and visibility	Continue to successfully identify and execute quality UK acquisitions	Increase the pace of progress in Europe through Follow the Customer Programme Identify and execute quality European acquisitions	Manage the property footprint to ensure space is fully optimized: 2025 - East Midlands consolidation

Manufacturing Operations

- £17.9m increase in revenue due to:
  - good contribution from Polyformes acquired July 2024 and Pitreavie acquired in January 2025 of £17.8m
  - organic growth of 0.3%
- Partnership with Distribution continues to develop- 15% growth in internal buying
- Lower margins due to impact of Pitreavie (lower margin business) and to a lesser extent raw material price increases
- Operating expenses under control

£m	H1 2025	H1 2024
Revenue *	**39.2**	21.3
Gross profit [margin]	**16.1 [41.0%]**	9.4 [44.3%]
Operating expenses	**11.1**	6.2
Adjusted operating profit	**5.0**	3.2
Adjusted operating profit margin	**12.7%**	15.1%
Sales to Distribution (as % of revenue)	**8%**	12%

* Including inter-group sales

MACFARLANE PACKAGING DESIGN AND MANUFACTURE

Suttons PERFORMANCE PACKAGING

GWPGroup

Barum & Dewar

Pitreavie Packaging Reimagined

Polyformes

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Manufacturing Operations Acquisitions

Acquisition		Location	Year	Sales	EBITDA x	Placing price
GWP	GWPGroup	Swindon/Salisbury	2021	£13.1m	5.5x	N/A
Suttons	Suttons PERFORMANCE PACKAGING	Chatteris	2023	£7.4m	5x	N/A
B&D Group	Barum & Dewar	Southampton	2023	£2.6m	5.5x	N/A
Polyformes	Polyformes	Leighton Buzzard	2024	£9.3m	5x	N/A
Pitreavie Group	Pitreavie Packaging Reimagined	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: • 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: • 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

Sustainability

GREEN ECONOMY MARK
LONDON STOCK EXCHANGE

Reducing our Impact

- Converted the largest truck in our delivery fleet to fully electric
- Solar panels installed at new Nottingham distribution site
- 32% reduction in carbon emissions since 2019
- 85% + of electricity sourced from certified renewables
- Scaling up engagement with suppliers on sustainability issues

Supporting our Customers

- 18% increase in customers engaged through our Innovation Labs
- 12 sustainability events hosted with over 100 customers
- Ongoing support to customers on new packaging regulations
- Retained a customer Net Promoter Score of 61 - well above the B2B average (35)
- Launched our new customer website

Our Colleagues & the Community

- Continued roll out of our World Class Sales Training Academy
- Increased proactive observations and extensive work to mitigate manufacturing risks
- Launched our new Performance Development Toolkit and Learning Management System
- Revamped recruitment and onboarding processes to promote diversity

Doing Business the Right Way

- Continued membership of 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
- Scaled up ethical assurance on supply chain
- Awarded the London Green Economy Mark by the LSE

UK and EU Sustainability Regulatory Environment

Existing Regulation

Plastic Packaging Tax

Extended Producer Responsibility (EPR)

Digital Markets and Competition and Consumers Act

Regulation anticipated within 12 months

EPR Phase 2 – Modulated Fees based on recyclability

EU Deforestation Regulations

EU Empowering Consumers Directive

Future Regulation (2-5 years)

EU Packaging and Packaging Waste Regulations

Deposit Return Scheme

International Sustainability Reporting Standards

Pension Scheme – working towards buy-in

£m	**H1 2025**	H1 2024	*2024*
Opening surplus	**9.6**	9.9	*9.9*
Administration costs/interest income	**0.2**	-	*0.1*
Change in actuarial assumptions (Discount rate unchanged at 5.50% (H1 2024 ↑ 0.60%: 2024 ↑ 1.00%)	**0.3**	3.8	*6.5*
Investment returns	**(0.9)**	(3.5)	*(6.9)*
Closing surplus	**9.2**	10.2	*9.6*

Investments (£m)	**H1 2025**	H1 2024	*2024*
Multi-asset Diversified Fund	**2.4**	4.9	*2.9*
Securitised Credit Funds	**16.6**	17.4	*16.9*
Multi-asset Credit Funds	**10.3**	10.0	*10.2*
Liability-driven Investments	**32.6**	34.7	*32.6*
Cash	**1.0**	1.3	*1.5*
Total investments	**62.9**	68.3	*64.1*
Liabilities (£m)			
Total liabilities	**53.7**	58.1	*54.5*

- Increase in bond yields offset by LDIs which provide hedge vs. movements in bond yields and inflation
- **No company contributions** required going forward
- Review of implications of Virgin Media case assessed no further action required at this stage
- Working with trustees and advisers to prepare scheme for buy-in in **next 6-12 months**

Capital Allocation

	Priorities	Approach	H1 2025 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 reduction £1.4m Net capital expenditure of £1.3m
2	Earnings enhancing acquisitions	Based on investment returns and within a disciplined multiple to EBITDA range	£15.1m acquisition investment: • £13.9m on 2024 acquisitions • £1.2m deferred consideration
3	Sustainable and progressive dividend	Based on business performance and appropriate dividend cover	Dividends of £4.3m paid (2.70p per share) Dividend cover 2.4 times (Diluted EPS/Interim 2025)
4	Return surplus cash to shareholders	Through share buybacks or enhanced dividends	£0.2m of shares purchased of £4m, 12-month buyback programme which commenced in June 2025

Conclusions

- Economic headwinds in H1 2025 resulting in **weak demand, customer uncertainty** and **rising operating costs**

- No expectation of market improvement in H2 2025 but benefit of seasonal uplift.

- Performance improvement in H2 2025 through management action………
  - Conversion of the strong new **business pipeline**
  - Effectively manage **raw material price changes**
  - Drive **operational efficiencies** to offset rising labour and property costs
  - Realise the benefits of the **East Midlands consolidation**
  - Support customers to manage the **impact of EPR**
  - Deliver synergies from the **Pitreavie acquisition**
  - Strong **management of working capital**
- Development of **acquisition pipeline** in both UK and Europe
- Continue the **share buyback programme**

Macfarlane Business Case

A simple, flexible and resilient business model

Strongly focused operating companies with differentiated propositions

Good market positions with growth potential

A track record of performance and clear plans to sustain growth