2021 Interim Results

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Executive Summary

	H1 2021	H1 2020 Restated*	*H1 2019 Restated**
Operating profit before amortisation & impairment('PBITA')	**£11.1m**	£5.5m	*£5.9m*
Profit before tax ('PBT')	**£7.8m**	£3.5m	*£3.8m*

- Group sales £134m, 26% growth on H1 2020
- PBITA £11.1m, 103% growth on H1 2020 ; PBT £7.8m, 121% growth on H1 2020
- Distribution sales growth of 21% and PBITA growth of £3.8m reflects resilient demand from customers, the benefit of the Carters acquisition, strong gross margins partly offset by higher costs
- Manufacturing Operations sales growth of 51% and PBITA growth of £1.8m with a strong recovery from Design and Manufacture and the benefit of the GWP acquisition
- Impairment of historic goodwill in the Manufacturing Operations of £1.0m
- Pension in £4.6m surplus, an improvement of £6.1m from H1 2020; reduced contributions commenced from May 2021
- Net bank debt of £8.7m increased by £8.1m in H1 2020 following acquisition costs of £12.2m
- Interim dividend of 0.87p per share payable 14 October 2021, with a record date 17 September 2021 (H1 2020: 0.70p per share)

* 2020/2019 restated to reflect the rectification of backdated customs duties on export business in the Manufacturing Operations (previously 2020 Profit before Tax : £3.5m; 2019 Profit before Tax £3.8m)

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Financial Summary – H1 2021

Revenue and profit	Revenue ▲ 26%	PBT ▲ 121%	PBITA ▲ 103%
Returns and balance sheet	Pre-tax ROCE ► 19%	Bank debt ▲ £8.7m	Pension in surplus ▲ £4.6m
EPS and dividend	Diluted EPS ▲ 112%	Dividend cover ▲ 4.4x	Dividend per share ▲ 0.87p

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Results £m

	H1 2021		H1 2020 Restated*		*H1 2019 Restated**	
Sales		**133.5**		105.5		*107.5*
Gross profit	**33.9%**	**45.3**	33.0%	34.8	*30.9%*	*33.2*
Overheads		**34.2**		29.3		*27.3*
Operating profit before amortisation and impairment		**11.1**		5.5		*5.9*
Amortisation/impairment		**2.6**		1.3		*1.1*
Operating profit		**8.5**		4.2		*4.8*
Interest		**0.7**		0.7		*1.0*
Profit before tax		**7.8**		3.5		*3.8*
Diluted EPS	**3.79p**		1.79p		*1.95p*	
Dividend	**0.87p**		0.70p		*0.69p*	
Dividend cover	**4.4x**		2.6x		2.8x	

* 2020/2019 restated to reflect the rectification of backdated customs duties on export business in the Manufacturing Operations (previously 2020 Profit before Tax : £3.5m; 2019 Profit before Tax £3.8m)

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Cash Flow £m

	H1 2021	H1 2020 Restated*	*H1 2019 Restated**
EBIT	**8.5**	4.2	*4.8*
DA	**7.1**	5.4	*5.4*
EBITDA	**15.6**	9.6	*10.2*
Working Capital	**(0.4)**	9.9	*1.5*
Lease Obligations	**(3.4)**	(3.2)	*(3.3)*
Interest	**(0.7)**	(0.6)	*(0.9)*
Acquisitions	**(12.2)**	(0.9)	*(2.8)*
Tax	**(2.0)**	(0.8)	*(0.9)*
Capital expenditure	**(0.9)**	(0.6)	*(1.3)*
Pension	**(1.2)**	(1.5)	*(1.7)*
Dividend	**(2.9)**	-	*(2.6)*
Movement in bank debt	**(8.1)**	11.9	*(1.8)*

* EBIT and working capital restated, no impact on movement in bank debt

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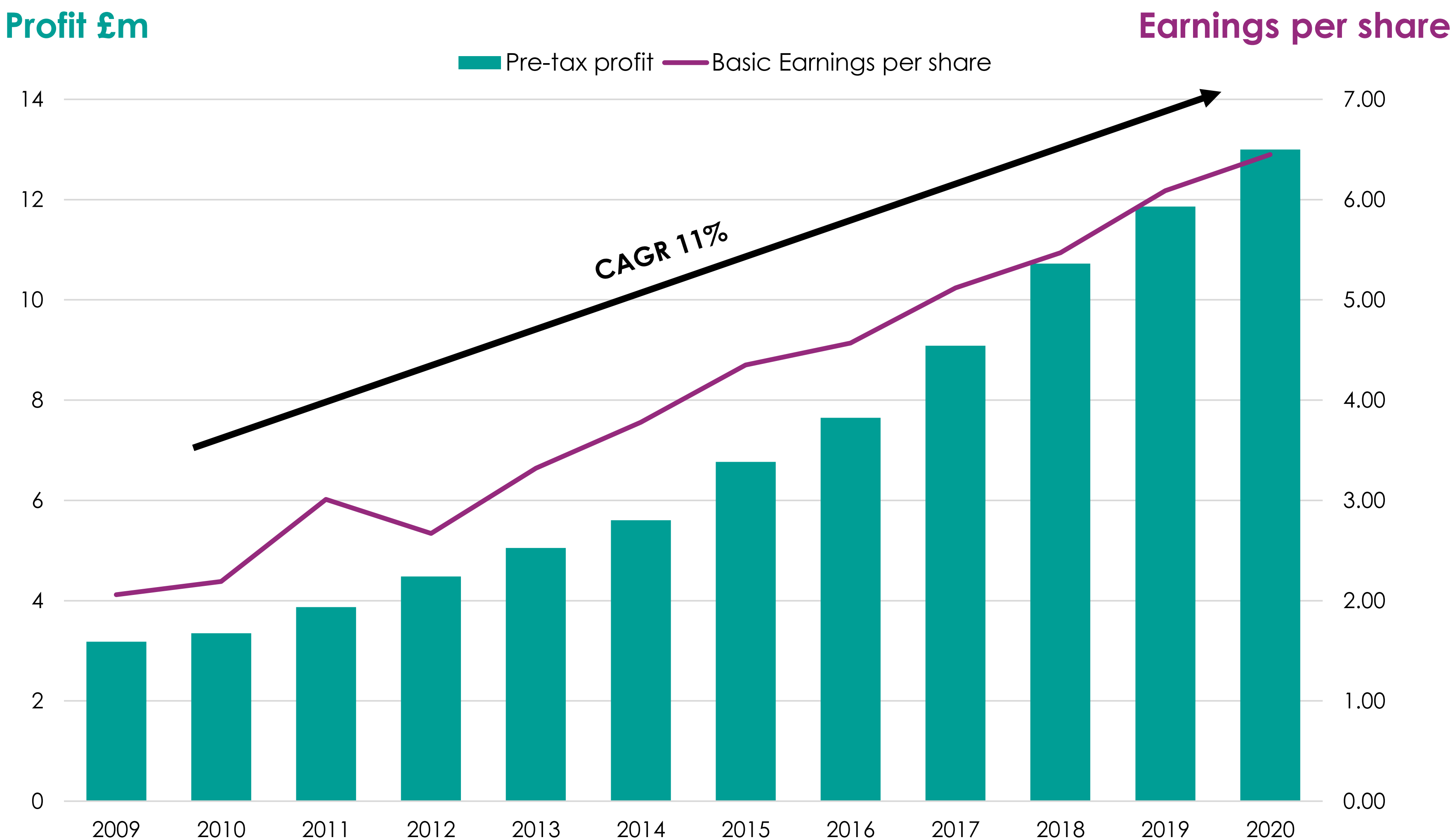
Profit Progression



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Packaging Distribution- Financial Overview

£m	**H1 2021**	H1 2020	*H1 2019*
Revenue	**111.0**	91.5	*93.1*
Gross margin	**32.7%**	32.2%	*30.0%*
Overheads	**27.2**	24.2	*22.4*
PBITA	**9.1**	5.3	*5.6*
PBITA Margin	**8.2%**	5.8%	*6.0%*
Net Promoter Score	**50**	52	*46*

- Results include Carters acquisition which is performing well
- Organic sales increase of 19.4% versus 2020, driven by e-commerce retail and recovery of some industrial sectors
- New business growth of £4.3m, 9% above 2019 and 47% above 2020, which was impacted by Covid-19 in Q2 2020
- Gross margin reflects effective management of inflation in input pricing on paper and polymer based products
- Overhead increase due to higher transport costs, increased accrual for employee incentives and the acquisition.

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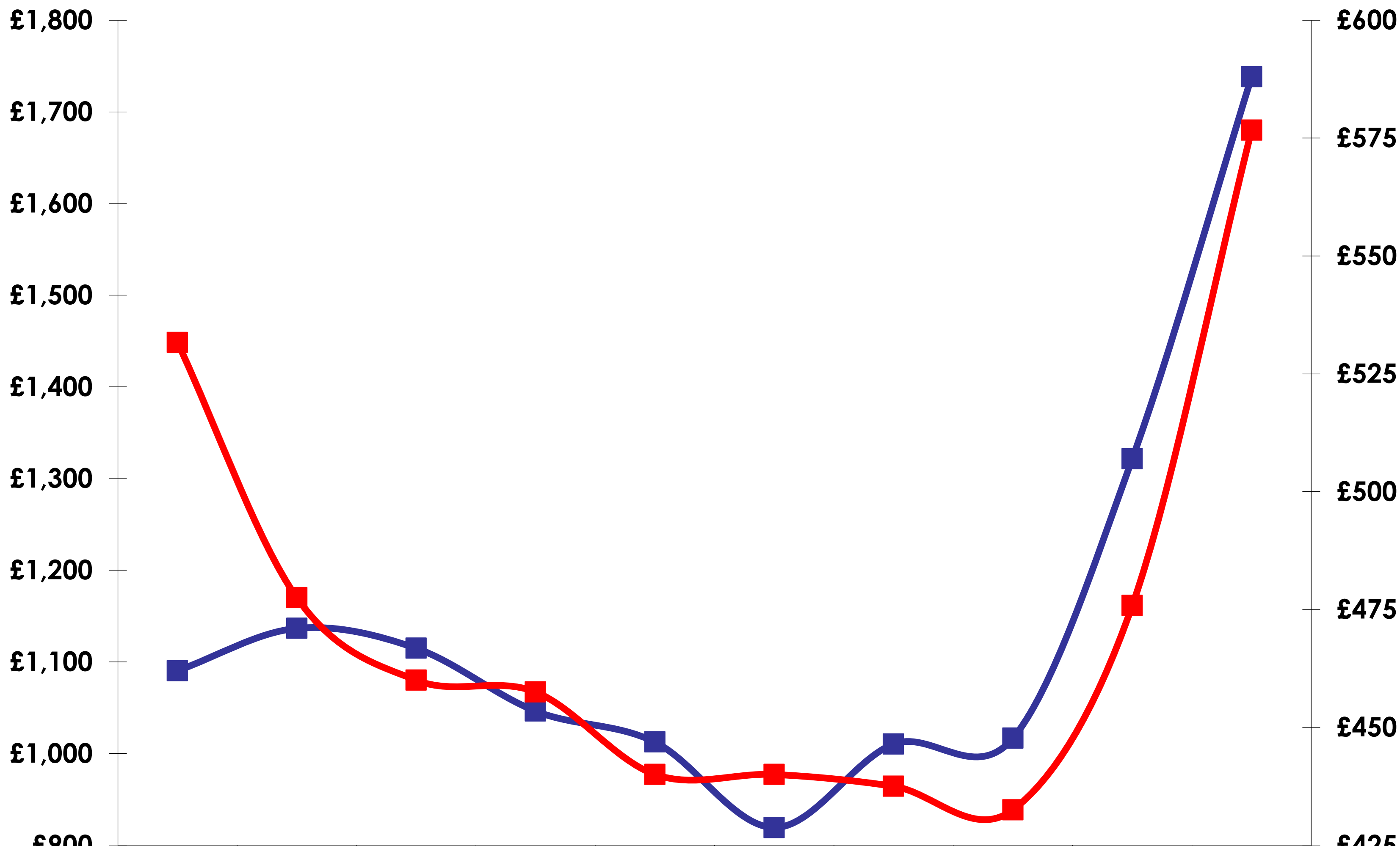
Packaging Distribution – Raw Material Movements



	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021
Polymer £/tonne	£1,090	£1,137	£1,115	£1,046	£1,013	£919	£1,010	£1,017	£1,322	£1,738
Paper £/tonne	£532	£478	£460	£458	£440	£440	£438	£433	£476	£577

Packaging Distribution- Operational Overview

- Strong demand from e-commerce retail and medical
- Recovery in automotive, home & garden and electronics
- Continued weak demand from high street retail and hospitality
- Retail c.28% (H1 2020 c.27%) of Distribution revenue with structural shift to on line purchasing
- Key new customer wins – Bella & Duke, Parsley Box
- Significant inflation in input prices and shortage of supply of some materials
- Operating cost increases due to difficultly recruiting/retaining staff, particularly logistics.
- Further acquisitions being progressed; execution likely in 2022
- European "Follow the Customer" programme progressing with J&J, Farnell, Scholle, Flowtech

Packaging Distribution – Organic Growth

The Significant Six
Approach

- Reduce damage rate
- Improve the speed of packing
- Reduce logistics costs
- Increase customer loyalty
- Reduce storage costs
- Reduce admin costs

Supported by our
Innovation Lab

Recent
Customer wins

Dunelm
IKEA
halfords
THE BODY SHOP

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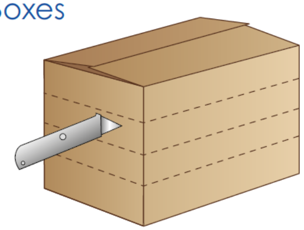
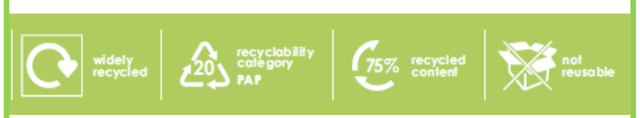
Packaging Distribution- Environmental Action Plan

- We support our customers to make an “informed choice” about the packaging they use to reduce their environmental impact
- As a distributor we are ideally placed to provide that “informed choice”
- Key actions…………

Launched an Environmental Impact Rating providing clear visibility of the environmental credentials of our products

Double Wall Boxes





Trained our sales teams to support our customers to reduce material usage and waste


MACFARLANE PACKAGING

Steps to Sustainability

Certificate of Achievement
Awarded to

YOUR BUSINESS

7,573 rolls of plastic tape have been removed

1 Tonne — The weight of plastic tape removed from your operation

2.7 Tonnes — The size of CO²e emissions removed from tape material manufacturing

Expanded our range of packaging that is recyclable and made with recycled content

Over 80% of our product families are **recyclable**

Over 70% of our product families are made with some **recycled content**

** Based on weight of product families sold in 2019

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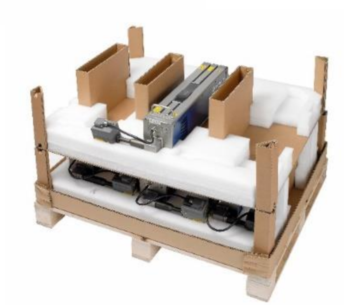
Packaging Distribution – Acquisitions 2014 to H1 2021

Acquisition	Location	Sales	EBITDA multiple	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 2022
Tyler	Leicester	£2.5m	5x	N/A	✓
Harrisons	Leyland	£3.5m	5x	N/A	H2 2021
Ecopac	Aylesbury	£6.5m	6x	N/A	H1 2022
Leyland	Leyland	£4.0m	5x	N/A	H2 2021
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

Macfarlane Design and Manufacture



£m	**H1 2021**	H1 2020 Restated	*H1 2019 Restated*
Revenue	**13.0**	5.5	*6.9*
Gross Margin	**42.7%**	37.1%	*36.3%*
PBITA	**1.9**	0.0	*0.2*
Sales to Distribution % of base business excluding GWP acquisition	**27%**	24%	*20%*

- H1 2021 results include GWP acquisition which is performing ahead of expectations
- Organic growth of 17.7% with strong recovery from defence and automotive sectors offset by continued weakness in aerospace
- New business development focused on growth sectors- medical, electronics and defence
- Strengthened partnership with Distribution
- Effective management of inflation in input prices and realignment of cost base in H2 2020 have contributed to a recovery back to profit in the base business

Macfarlane Labels

£m	**H1 2021**	H1 2020 Restated	*H1 2019 Restated*
Revenue	**11.4**	9.8	*8.9*
Gross margin	**31.5%**	32.9%	*30.5%*
PBITA	**0.1**	0.2	*0.1*
Self-Ad/Reseal-it %	**44/56**	53/47	*50/50*

- Re-sealable labels revenue 17% above H1 2020 and machinery sales higher in H1 2021
- Self-adhesive label sales down 1% versus H1 2020
- Strong demand from food sector offsetting slowdown in household essentials sector
- Higher transport costs and adverse currency movements impacting profitability
- Efficiency investment in new printing press in Kilmarnock will help to offset impact of raw material price increases

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Pension Scheme £m

	H1 2021	H1 2020
Opening (deficit)	**(1.5)**	(6.5)
Ongoing accrual/Interest cost	**(0.1)**	(0.1)
Contributions	**1.3**	1.6
Bond yield ↑ 0.55% to 1.90% (2020 ↓ 0.5%)	**8.1**	(8.2)
Investment returns	**(3.2)**	7.0
Net effect of other assumptions	**0.0**	0.2
Closing surplus / (deficit)	**4.6**	(6.0)

- Increase in bond yields costs offset by LDIs
- LDI provided > 85% hedge vs. interest liabilities
- Deficit recovery contributions for 2021 £1.3m in H1; £0.6m in H2
- Contributions reducing from £3.0m per annum to £1.3m per annum from H2 2021until 2024.

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Pension Scheme Details £m

Investments		**H1 2021**	H2 2020
Growth assets			
Diversified Growth Funds		**32.6**	24.0
Equities		**25.5**	20.0
European Loan Fund		**6.6**	6.1
Long-term Property Fund		**6.6**	6.1
Matching assets			
Liability-driven Investments		**24.9**	32.7
Cash		**0.3**	6.8
Total investments		**96.5**	95.7
Liabilities	Members		
Active members	**10** (14)	**4.3**	5.7
Deferred members	**187** (194)	**36.1**	34.3
Pensioners	**366** (371)	**51.5**	61.8
Total liabilities	**563** (579)	**91.9**	101.8

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Profitable Growth in Packaging Distribution

Growth	Proposition	Capability
Retail	Reduce total cost of packaging and improve sustainability	Expertise, 3PL partnerships and customer referrals
Industrial	Rationalise packaging supplier base to reduce costs and improve sustainability	UK national network IT capability
Geographic expansion	Rationalise packaging supplier base to reduce costs	"Follow the Customer" programme
Acquisition	Regional infill leveraging existing network	Experience and case studies

Performance Improvement	Proposition	Capability
Sourcing	Reduce input prices	Leverage scale Strategic supplier base
Operations	Reduce property costs Reduce cost to serve	Streamline property footprint Logistics best practice

Profitable Growth in Manufacturing

Growth	Proposition	Capability
Aerospace, Medical, Electronics	Unique protection for high value, fragile Items	Leading-edge MOD approved design and sector expertise
Re-sealable Labels	Ease of opening, food waste reduction and brand integrity	Proven technology

Performance Improvement	Proposition	Capability
Commercial Approach	Margin protection against volatile ordering patterns	Activity-based pricing
Operations	Improved operational efficiency	Selective investment and best practice focus

Conclusions

- **Strong performance in H1 2021** driven by strength of e-commerce retail and recovery of certain industrial sectors and the benefit of acquisitions
- **H2 2021 will be challenging** with further input price inflation, continuing supply constraints and operating cost increases
- Board expects FY 2021 to be **ahead of its previous expectations**
- **Trading Agenda**:
  - Use "Significant Six" Programme to add value for customers and drive **organic growth** in key market segments – E-Commerce Retail, National Accounts, 3PL
  - Management of **inflation in input prices**
  - Actions in place for **cost reduction** through site consolidation and integration
  - Manufacturing focus on **operational efficiency** and **sales focus on sustainable growth sectors**
  - Pipeline of further acquisition targets now being pursued for 2022
- **Balance Sheet Agenda**:
  - Lower **pension deficit contributions from H2 2021**
  - Continued focus on cash generation - **working capital efficiency**
- Significant **bank facilities in place until December 2025** to support growth plans

Macfarlane Business Case

A simple and flexible business model

Strong operating companies with differentiated propositions

Good market positions with growth potential

Clear plans and a track record of performance