

23 August 2018

MACFARLANE GROUP'S INTERIM RESULTS FOR THE SIX MONTHS TO 30 JUNE 2018

Financial Highlights £000	2018	2017	Year on Year Change
Group turnover	£102,007	£89,824	+14%
Profit before tax	£3,526	£2,535	+39%
Interim dividend	0.65p	0.60p	+8%
Diluted earnings per share	1.81p	1.52p	+19%

Stuart Paterson, Chairman of Macfarlane Group PLC, today said: -

“Macfarlane Group has performed well in the first half of 2018. Group sales of £102.0m, were 14% ahead of the comparable period last year and profit before tax of £3.5m, was 39% higher than in 2017. This strong performance in the first six months of 2018, supplemented by the expected seasonal uplift from the e-commerce sector in the second half of the year, gives the Board confidence that its full year expectations for 2018 will be achieved.

Packaging Distribution grew its sales by 14% in the first half of 2018, with 5% achieved from organic growth and the remainder from the 2017 acquisition of Greenwoods, which is performing well. Gross margin in Packaging Distribution rose to 29.3%, (2017: 29.0%). Operating profit for the division at £3.7m was £1.0m ahead of 2017, an increase of 39%.

Sales in our Manufacturing Operations were 11% above 2017, with strong demand for composite packs for export markets. Both manufacturing businesses experienced lower gross margins as a result of increased raw material prices and unfavourable sales mix, resulting in operating profit of £0.2m, slightly below that achieved in 2017.

After charging net interest of £0.4m, (2017: £0.4m), the Group profit before tax grew by 39% to £3.5m (2017: £2.5m).

Net debt at 30 June 2018 was £11.1m, £3.6m below the level of £14.7m at 31 December 2017. The Group is operating well within its existing bank facility of £30.0m. Consistent with our normal pattern, we expect to be strongly cash generative from trading in the second half of 2018, enabling us to finance up to £4.0m in deferred consideration as forecast, relating to the acquisitions of Nelsons for Cartons and Packaging Limited and Greenwoods Stock Boxes, made in earlier years. Both of these companies are continuing to trade strongly.

On 31 July 2018 and 2 August 2018, we concluded the acquisitions of Tyler Packaging (Leicester) Limited (“Tyler”) and Harrisons Packaging Limited (“Harrisons”), two successful packaging distributors, based in Leicester and Leyland respectively. The maximum net cash consideration including deferred payments for both acquisitions is estimated to be £3.5m.

The pension scheme deficit reduced to £9.4m at 30 June 2018 from £11.8m at 31 December 2017, mainly due to the continued payment of deficit reduction contributions during the six month period.

The Board is recommending an 8% increase in the interim dividend to 0.65p per share to be paid on 11 October 2018 to shareholders on the register as at 21 September 2018 (2017: 0.60p per share).

Our strategy is to deliver sustainable profit growth by focusing on added value products and services in our target market sectors, combined with the execution of value-enhancing acquisitions. Macfarlane Group's performance in the first half of 2018 reflects the successful implementation of our strategy and we are confident that the Group will continue to make further progress in the remainder of 2018."

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Notes to Editors:

- Macfarlane Group PLC is headquartered in Glasgow, Scotland, listed on the London Stock Exchange (LSE: MACF) in the Industrials Sector and has more than 60 years' experience in the UK packaging industry
- Macfarlane Group's businesses are:
 - **Macfarlane Packaging** is the leading UK distributor of a comprehensive range of protective packaging products
 - **Labels** designs and prints high quality self-adhesive and resealable labels, principally for FMCG companies
 - **Packaging Design and Manufacture** designs and produces protective packaging for high value, fragile products
- Macfarlane Group employs over 900 people at 31 sites, principally in the UK, but also in Ireland and Sweden
- The company has 20,000+ customers in the UK, Europe and USA providing 600,000+ lines to a wide range of industry sectors including: consumer goods; food manufacturing; logistics; internet retail; mail order; electronics; defence and aerospace

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