ROBINSON

Robinson plc

Half-year Report
Interim Results for the six months ended 30 June 2023

Robinson plc ("Robinson" the “Company” or the “Group” stock code: RBN), the custom manufacturer of plastic and paperboard packaging based in Chesterfield, announces its interim results for the six months ended 30 June 2023.

Financial

- Revenue down 4.3% to **£24.3m** (2022: £25.4m)
- Gross margin in line with the prior year at **18%** (H1 2022: 18%)
- Operating profit before exceptional items and amortisation of intangible assets reduced to **£0.5m** (2022: £1.5m)
- Exceptional costs of **£0.5m** (2022: profit of £2.0m) – included profit on sale of properties of £2.1m in 2022
- Loss before tax of **£0.9m** (2022: profit of £2.8m)
- Interim dividend of **2.5p** per share announced (2022: 2.5p)
- Net debt of **£9.0m** (31/12/2022: £9.2m), after capital expenditure of **£1.1m** and proceeds on sale of property of **£0.7m**

Operational

- Good progress on transition to Interim CEO
- Restructuring program implemented in June, with exceptional costs of c.£0.4m and annual savings of c.£0.7m, of which £0.4m will benefit 2023
- Sale of part of surplus property in Chesterfield completed in May with proceeds of £0.7m
- Pension escrow account funds returned to the Company on 14 August 2023
- Conditional contract signed to sell 1.3 acres of Walton Works property on 11 August 2023

Alan Raleigh, Chairman, commented:

“The results for the first half of 2023 reflect the current very challenging macroeconomic conditions, which we expect to continue for the rest of 2023. Despite these conditions, we are now seeing more new business activity with existing and potential new customers, which provides opportunities for additional sales in 2023 and beyond.

We are progressing well with the previously announced major project in Denmark, with production equipment now installed in our factory and product trials underway; this investment is expected to begin to benefit sales and profit from 2024.

The demand slowdown that we anticipated has supressed volumes and resulted in lower than desired sales and earnings in the first half of 2023, however, we expect higher sales volumes due to recent business wins and seasonality, and the benefit of the restructuring program actioned in June, to lead to an improved result in the second half of the year. Based on trading in the first half and our anticipated pipeline, we expect adjusted[1] operating profit in the 2023 financial year to be marginally ahead of 2022 and in line with current expectations.

We continue to progress our surplus property disposal agenda, which along with the buy-out of the defined benefit pension scheme and return of the escrow funds will reduce indebtedness and result in a simpler and more streamlined organisation which is able to compete and win in a volatile marketplace.

We remain committed in the medium-term to delivering above-market profitable growth and our target of 6-8% adjusted[1] operating margin.”

Robinson plc
Helene Roberts, CEO
Mike Cusick, Finance Director

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finnCap Limited
Ed Frisby / Seamus Fricker, Corporate Finance
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About Robinson:

Being a purpose-led business, Robinson specialises in custom packaging with technical and value-added solutions for food and consumer product hygiene, safety, protection, and convenience; going above and beyond to create a sustainable future for our people and our planet. Its main activity is in injection and blow moulded plastic packaging and rigid paperboard luxury packaging, operating within the food and beverage, homecare, personal care and beauty, and luxury gift sectors. Robinson provides products and services to major players in the fast-moving consumer goods market including Procter & Gamble, Reckitt Benckiser, SC Johnson and Unilever.

Headquartered in Chesterfield, UK, Robinson has plants in the UK, Poland and Denmark. Robinson was formerly a family business with its origins dating back to 1839, currently employing nearly 400 people. The Group also has a substantial property portfolio with development potential.

Chairman's Statement

Dear Shareholders

The results for the first half of 2023 reflect the very challenging circumstances we are continuing to experience across our operations due to the ongoing macroeconomic uncertainty and volatility.

We noted 12 months ago that sales volumes would come under further pressure during the second half of 2022 due to the effect of inflation, the cost-of-living crisis, the de-listing of some products by our customers and certain of our customers continuing to prioritise existing business over innovation projects, a characteristic which started during the pandemic. As we expected, these factors and other challenges have manifested in lower sales in the current period.

Sales in the first half of the year are 4% below the comparative period in 2022, which includes a sales volume reduction of 12%. Of the Group volume reduction, 5% relates to a single UK customer that made supply chain changes during the period and is experiencing issues which have impacted our business with them. As well as the issues with this specific customer, demand has noticeably reduced across the premium products in our portfolio due to inflation and the cost-of-living crisis.

As demand has softened, we have stepped up sales activity and as a result we now have a portfolio of opportunities close to completion, which if converted would comprise more than 10% of annual sales and partially mitigate the softness in demand for our current customers' portfolio of products. We are prioritising the management and execution of the previously announced capital investment project in our Denmark operation, which we expect will benefit sales and profit in 2024.

In response to the significant cost inflation experienced in 2022, we were successful in passing on inflationary cost increases to customers and gross margins were 18% (H1 2022: 18%). Margins are under pressure, primarily due to the operational gearing effect of 12% lower sales volumes and continued inflation in input costs.

Operating costs in the first half were £4.0m (2022: £3.2m). The increase of £0.8m includes:

- £0.2m of new roles brought into the business to improve our operational capabilities and support our efforts to grow sales volumes, including the major new project in Denmark.
- £0.2m of inflation in wages and salaries in response to double digit market inflation and substantial mandatory minimum wage increases across our three countries of operation.
- £0.1m related to property and insurance as the costs of maintaining, repairing and rebuilding premises have escalated, and the insurance market has hardened since the previous renewal.
- £0.1m due to the movement in foreign exchange rates.

Whilst most of these cost increases were anticipated, our efforts to increase sales prices to recover the inflation were insufficient to cover these operating cost increases. As a result of these inflationary pressures, we implemented a restructuring program in June, which resulted in exceptional costs of c.£0.4m and annual savings of c.£0.7m, of which £0.4m will benefit 2023.

Operating profit before exceptional items and amortisation of intangible assets reduced by £1.0m versus the same period last year, to £0.5m. This is in line with the six-month period to 31 December 2022, where operating profit before exceptional items and amortisation of intangible assets was also £0.5m.

Including the exceptional items, the Group made a loss before tax of £0.9m (2022: profit before tax £2.8m).

Defined benefit pension scheme

In December 2022, the Scheme completed a buy-in of all the Group's defined benefit pension scheme liabilities with a plan to complete a full buy-out during 2023, following a data cleanse exercise. The administration and payroll functions were handed over to Legal and General Assurance Society Limited from 1 August 2023 and the data cleanse is ongoing, with completion expected before the end of the year.

The Company announced on 14 August 2023 that it had reached agreement with the trustees of the Scheme for the funds held in the pension escrow account, totalling c.£3.3m, to be returned to the Group (of which, £2.7m was already loaned to the Company). The Group will recognise an exceptional profit of c.£3.3m in its income statement for the 12 months to 31 December 2023.

Property

As previously announced, part of the Walton Works surplus property in Chesterfield, known as "Mill Lane", was sold on 30 May 2023. The consideration of £700,000 was received in cash and used to reduce bank debt.

On 11 August 2023, the Company also exchanged contracts for the sale of c.1.3 acres of the Walton Works surplus property. Completion is subject to conditions, notably including satisfactory planning approval, and is expected to take around 12-18 months. The consideration payable on completion would be £1,500,000 in cash, with estimated Company costs of £400,000. The net proceeds of £1,100,000 would be used by the Company to reduce current bank debt.

Including this property transaction, which is not yet completed, the Directors estimate that the current market value of the remaining surplus properties held by the Group is approximately £7,400,000.

We would expect further sales of surplus property in Chesterfield to be achieved in the next 12 months. The intention of the Group remains, over time, to realise value from the disposal of surplus properties and to reinvest the proceeds in developing our packaging business.

Net debt and capital expenditure

Net debt has decreased to £9.0m (31/12/2022: £9.2m) including capital expenditure of £1.1m (2022: £1.1m) and the receipt of £0.7m proceeds on sale of surplus property in the period. With total credit facilities of £18.1m at 30 June 2023, the Group considers it has sufficient headroom for the foreseeable future.

The return of the funds in the pension escrow account reduced net debt by a further c.£3.3m on 14 August 2023.

Dividend

Despite the short-term market challenges we face, the Board has confidence in the medium-term prospects for the business and therefore announces that it intends to pay an interim dividend of 2.5p per share to be paid on 13 October 2023 to shareholders on the register at 22 September 2023 (record date). The ordinary shares ex-dividend date is 21 September 2023.

The current intention of the Board is to pay a total dividend of 5.5p (2022: 5.5p) per share for the year ending 31 December 2023.

CEO position

A previously announced, Dr Helene Roberts will resign as CEO and a Director of the Company on 1 September 2023, at which point Sara Halton will assume responsibility as the Interim CEO for a transitional period whilst the Board conducts a search for a new CEO. We thank Helene for her enormous contribution to the business.

Outlook

Despite the ongoing challenging macroeconomic conditions, we are now seeing more new business activity with existing and potential new customers, which provides opportunities for additional sales in 2023 and beyond.

We are progressing well with the previously announced major project in Denmark, with production equipment now installed in our factory and product trials underway; this investment is expected to begin to benefit sales and profit from 2024.

The demand slowdown that we anticipated has supressed volumes and resulted in lower than desired sales and earnings in the first half of 2023, however, we expect higher sales volumes due to recent business wins and seasonality, and the benefit of the restructuring program actioned in June, to lead to an improved result in the second half of the year. Based on trading in the first half and our anticipated pipeline, we expect adjusted[1] operating profit in the 2023 financial year to be marginally ahead of 2022 and in line with current expectations.

We continue to progress our surplus property disposal agenda, which along with the buy-out of the defined benefit pension scheme and return of the escrow funds will reduce indebtedness and result in a simpler and more streamlined organisation which is able to compete and win in a volatile marketplace.

We remain committed in the medium-term to delivering above-market profitable growth and our target of 6-8% adjusted[1] operating margin.

Alan Raleigh
Chairman
17 August 2023

1. before amortisation of intangible assets and exceptional items

Condensed consolidated income statement and statement of comprehensive income

Condensed consolidated income statement	£'000	**Six months to 30.06.23**	Six months to 30.06.22	Year to 31.12.22
Revenue		**24,348**	25,444	50,529
Cost of sales		**(19,911)**	(20,781)	(41,765)
Gross profit		**4,437**	4,663	8,764
Operating costs		**(3,968)**	(3,172)	(6,731)
Operating profit before amortisation of intangible assets		**469**	1,491	2,033
Exceptional items		**(476)**	1,967	1,714
Amortisation of intangible assets		**(492)**	(472)	(947)
Operating (loss)/profit		**(499)**	2,986	2,800
Finance income - interest receivable		**4**	-	-
Finance costs		**(379)**	(232)	(507)
(Loss)/profit before taxation		**(874)**	2,754	2,293
Taxation		**(33)**	(25)	51
(Loss)/profit for the period		**(907)**	2,729	2,344
(Loss)/earnings per ordinary share (EPS)		p	p	p
Basic and diluted (loss)/earnings per share		**(5.4)**	16.3	14.0

Condensed consolidated statement of comprehensive income	£'000	**Six months to 30.06.23**	Six months to 30.06.22	Year to 31.12.22
(Loss)/profit for the period		**(907)**	2,729	2,344
Items that will not be reclassified subsequently to the Income Statement:				
Remeasurement of net defined benefit liability		**99**	96	180
Deferred tax relating to items not reclassified		**(19)**	(18)	(34)
		80	78	146
Items that may be reclassified subsequently to the Income Statement:				
Exchange differences on translation of foreign currency goodwill and intangibles		**(17)**	52	176
Exchange differences on translation of foreign currency deferred tax balances		**7**	(9)	(26)
Exchange differences on translation of foreign operations		**198**	45	481
		188	88	631
Other comprehensive income for the period		**268**	166	777
Total comprehensive (expense)/income for the period		**(639)**	2,895	3,121

Condensed consolidated statement of financial position

£'000		30.06.23	30.06.22	31.12.22
Non-current assets				
Goodwill		**1,583**	1,526	1,570
Other intangible assets		**2,401**	3,320	2,924
Property, plant and equipment		**22,458**	23,467	22,960
Deferred tax asset		**1,272**	1,145	1,294
		27,714	29,458	28,748
Current assets				
Inventories		**4,622**	5,458	5,155
Trade and other receivables		**9,623**	10,972	9,522
Cash at bank and on hand		**3,975**	2,148	5,097
Current tax asset		**-**	-	110
Assets classified as held for sale		**-**	-	642
		18,220	18,578	20,526
Total assets		**45,934**	48,036	49,274
Current liabilities				
Trade and other payables		**8,146**	7,652	9,543
Borrowings		**5,281**	1,530	5,535
Current tax liabilities		**69**	115	-
		13,496	9,297	15,078
Non-current liabilities				
Borrowings		**7,701**	12,782	8,743
Deferred tax liabilities		**1,299**	1,235	1,395
Provisions		**116**	128	116
		9,116	14,145	10,254
Total liabilities		**22,612**	23,442	25,332
Net assets		**23,322**	24,594	23,942
Equity				
Share capital		**84**	84	84
Share premium		**828**	828	828
Capital redemption reserve		**216**	216	216
Translation reserve		**(179)**	(910)	(367)
Revaluation reserve		**3,498**	3,865	3,856
Retained earnings		**18,875**	20,511	19,325
Equity attributable to shareholders		**23,322**	24,594	23,942

Condensed consolidated statement of changes in equity

£'000	Share capital	Share premium	Capital redemption reserve	Translation reserve	Revaluation reserve	Retained earnings	Total
At 31 December 2021	**84**	**828**	**216**	**(998)**	**4,107**	**17,433**	**21,670**
Profit for the period	-	-	-	-	-	2,729	2,729
Other comprehensive income	-	-	-	88	-	78	166
Total comprehensive income for the period	-	-	-	88	-	2,807	2,895
Credit in respect of share-based payments	-	-	-	-	-	25	25
Transactions with owners	-	-	-	-	-	25	25
Transfer from revaluation reserve as a result of property transactions	-	-	-	-	(246)	246	-
Tax on revaluation	-	-	-	-	4	-	4
At 30 June 2022	**84**	**828**	**216**	**(910)**	**3,865**	**20,511**	**24,594**
Loss for the period	-	-	-	-	-	(385)	(385)
Other comprehensive income	-	-	-	543	-	68	611
Total comprehensive income/(expense) for the period	-	-	-	543	-	(317)	226
Dividends paid	-	-	-	-	-	(898)	(898)
Credit in respect of share-based payments	-	-	-	-	-	20	20
Transactions with owners	-	-	-	-	-	(878)	(878)
Transfer from revaluation reserve as a result of property transactions	-	-	-	-	(9)	9	-
At 31 December 2022	**84**	**828**	**216**	**(367)**	**3,856**	**19,325**	**23,942**
Loss for the period	-	-	-	-	-	(907)	(907)
Other comprehensive income	-	-	-	188	-	80	268
Total comprehensive income for the period	-	-	-	188	-	(827)	(639)
Credit in respect of share-based payments	-	-	-	-	-	19	19
Transactions with owners	-	-	-	-	-	19	19
Transfer from revaluation reserve as a result of property transactions	-	-	-	-	(358)	358	-
At 30 June 2023	**84**	**828**	**216**	**(179)**	**3,498**	**18,875**	**23,322**

Condensed consolidated cash flow statement

£'000	Six months to 30.06.23	Six months to 30.06.22	Year to 31.12.22
Cash flows from operating activities			
(Loss)/profit for the period	**(907)**	2,729	2,344
Adjustments for:			
Depreciation of property, plant and equipment	**1,617**	1,576	3,151
Profit on disposal of property, plant and equipment	**(3)**	(2,275)	(1,454)
Profit on disposal of assets held for sale	**(58)**	-	(737)
Amortisation of intangible assets	**492**	472	947
Decrease in provisions	**-**	-	(12)
Finance income	**(4)**	-	-
Finance costs	**379**	232	507
Taxation charged/(credited)	**33**	25	(51)
Other non-cash items:			
Pension current service cost and expenses	**99**	96	180
Charge for share options	**19**	25	45
Operating cash flows before movements in working capital	**1,667**	2,880	4,920
Decrease/(increase) in inventories	**533**	(362)	36
(Increase)/decrease in trade and other receivables	**(43)**	(826)	671
(Decrease)/increase in trade and other payables	**(1,022)**	(168)	1,951
Cash generated by operations	**1,135**	1,524	7,578
Corporation tax received/(paid)	**53**	(136)	(317)
Interest paid	**(379)**	(232)	(492)
Net cash generated by operating activities	**809**	1,156	6,769
Cash flows from investing activities			
Interest received	**4**	-	-
Acquisition of property, plant and equipment	**(1,112)**	(1,132)	(2,584)
Proceeds on disposal of property, plant and equipment	**23**	3,516	2,600
Proceeds on disposal of assets held for sale	**700**	-	975
Deferred consideration paid	**-**	(2,311)	(2,261)
Net cash (used in)/generated by investing activities	**(385)**	73	(1,270)
Cash flows from financing activities			
Loans repaid	**(805)**	(1,474)	(1,501)
Loans drawn down	**236**	-	440
Net proceeds from sale and leaseback transactions	**-**	439	439
Capital element of lease payments	**(1,005)**	(830)	(1,714)
Dividends paid	**-**	-	(898)
Net cash used in financing activities	**(1,574)**	(1,865)	(3,234)
Net (decrease)/increase in cash and cash equivalents	**(1,150)**	(636)	2,265
Cash and cash equivalents at 1 January	**5,096**	2,775	2,775
Effect of foreign exchange rate changes	**29**	9	57
Cash and cash equivalents at end of period	**3,975**	2,148	5,097
Cash at bank and on hand	**3,975**	2,148	5,097
Bank overdrafts	**-**	-	-
Cash and cash equivalents at end of period	**3,975**	2,148	5,097

Notes to the condensed consolidated financial statements

1. Basis of preparation

Robinson plc (the Company) is a public limited company incorporated and domiciled in the United Kingdom and its ordinary shares are admitted to trading on the AIM market of the London Stock Exchange. For the year ended 31 December 2022, the Group prepared consolidated financial statements in accordance with UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006. These condensed consolidated interim financial statements (the interim financial statements) have been prepared under the historical cost convention adjusted for the revaluation of certain properties. They are based on the recognition and measurement principles of IFRS in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

Standards effective from 1 January 2023

None of the standards, interpretations, and amendments effective for the first time from 1 January 2023 have had a material effect on the financial statements. There are no standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

Accounting policies

The interim report is unaudited and has been prepared on the basis of IFRS accounting policies. The accounting policies adopted in the preparation of this unaudited interim financial report are consistent with the most recent annual financial statements, being those for the year ended 31 December 2022. The financial information for the six months ended 30 June 2023 and 30 June 2022 has not been audited and does not constitute full financial statements within the meaning of Section 434 of the Companies Act 2006.

The financial information relating to the year ended 31 December 2022 does not constitute full financial statements within the meaning of Section 434 of the Companies Act 2006. This information is based on the Group's statutory accounts for that period. The statutory accounts were prepared in accordance with UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006 and received an unqualified audit report and did not contain statements under Section 498(2) or (3) of the Companies Act 2006. These financial statements have been filed with the Registrar of Companies, a copy is available upon request from the Company's registered office: Field House, Wheatbridge, Chesterfield, S40 2AB, UK or from its website at robinsonpackaging.com.

Going concern

The Directors have performed a robust assessment, including a review of the forecast for the 12-month period ending 31 December 2023 and longer-term strategic forecasts and plans, including consideration of the principal risks faced by the Group including stress testing of the business, as detailed in the 2022 Annual Report (page 73). Following this review, the Directors have a reasonable expectation that the Group has adequate resources to continue in business for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the condensed consolidated financial statements.

2. Accounting estimates and judgements

The preparation of half year financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements as at and for the year ended 31 December 2022.

3. Risks and uncertainties

The principal risks and uncertainties which may have the largest impact on performance in the second half of the year are the same as disclosed in the 2022 Annual Report on pages 18-19. The principal risks set out in the 2022 Annual Report were: Acquisition performance; Customer relationships; Raw material supply and input prices; IT and digital security; Environment; Debt leverage; Operational gearing; Foreign currency; Market competitiveness; and People.

The Board considers that the principal risks and uncertainties set out in the 2022 Annual Report have not changed and remain relevant for the second half of the financial year.

4. Earnings per share

The calculation of basic and diluted earnings per ordinary share for continuing operations shown on the income statement is based on the profit for the period divided by the weighted average number of shares in issue, net of treasury shares. The potentially dilutive effect of further shares issued through share options is also applied to the number of shares to calculate the diluted earnings per share.

	Six months to 30.06.23	Six months to 30.06.22	Year to 31.12.22
(Loss)/profit for the period (£'000)	**(907,000)**	2,729,000	2,344,000
Weighted average number of ordinary shares in issue	**16,753,445**	16,753,445	16,753,445
Effect of dilutive share option awards*	**-**	-	-
Weighted average number of ordinary shares for calculating diluted earnings per share	**16,753,445**	16,753,445	16,753,445
Basic (loss)/earnings per share (pence)	**(5.4)**	16.3	14.0
Diluted (loss)/earnings per share (pence)	**(5.4)**	16.3	14.0

*In the six months to 30.06.23 and six months to 30.06.22 there was no difference in the weighted average number of shares used for the calculation of basic and diluted earnings per share as all the share options outstanding were out-of-the-money and not dilutive.

5. Dividends

		£'000	**Six months to 30.06.23**	Six months to 30.06.22	Year to 31.12.22
Ordinary dividend paid:	2021 final of 3.0p per share		**-**	-	490
	2022 interim of 2.5p per share		**-**	-	408
			-	**-**	**898**

The 2022 final dividend of 3.0p (2021: 3.0p) per share was paid to shareholders on 21 July 2023. An interim dividend of 2.5p (2022: 2.5p) is proposed to be paid on 13 October 2023. Neither the final nor interim dividend have been included as a liability in the financial statements.

6. Interim report

Electronic copies of this interim report will be sent on 18 August 2023 to those shareholders who have requested such copies and this interim report is also available from Robinson plc's website at robinsonpackaging.com.