



 **MOLINS** PLC

2016 Final Results & Strategy Update



Agenda

1. Overview

2. Summary 2016 results

3. Strategic review:

- Markets
- Technology
- Business review
- New organisation
- Key short-term objectives

4. Outlook

5. Appendices

Overview - Review

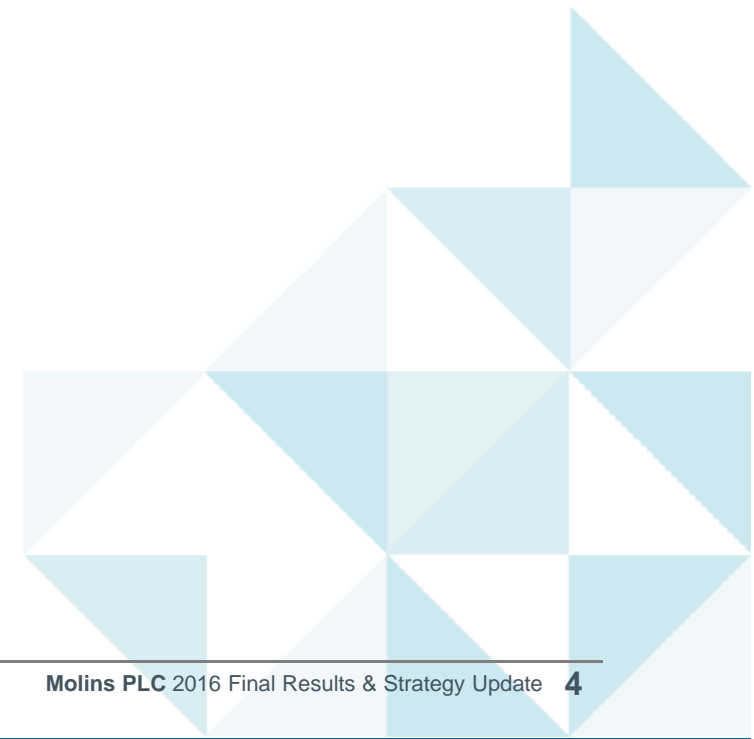
- > Comprehensive review of business confirms robust fundamental strengths:
 - leader of innovative high speed packaging & instrumentation solutions
 - growing service revenues and trend towards contracted support demonstrate significant opportunity
 - customer move to contracted not ad-hoc service support
 - growth opportunities from more rigorous new business focus
 - robust long term growth drivers in target pharmaceutical, healthcare, food and beverage markets
 - embedded partnerships with global blue chip customers
- > New “One Molins” 2021 strategy will drive sustainable growth & margin enhancement:
 - targeting 10% annual organic revenue growth, 10% ROS over medium term
- > Streamlined organisational structure already in place with global leadership and integrated regional competencies





Summary 2016 Results

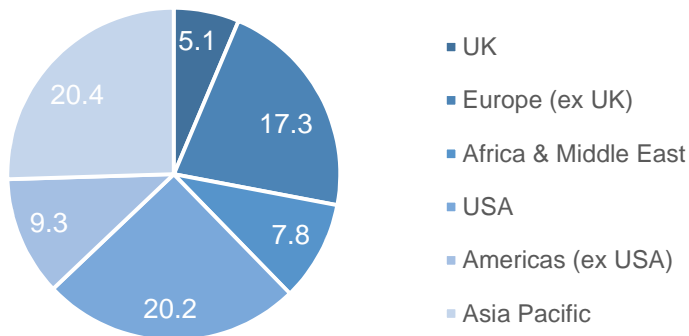
David Cowen – Group Finance Director



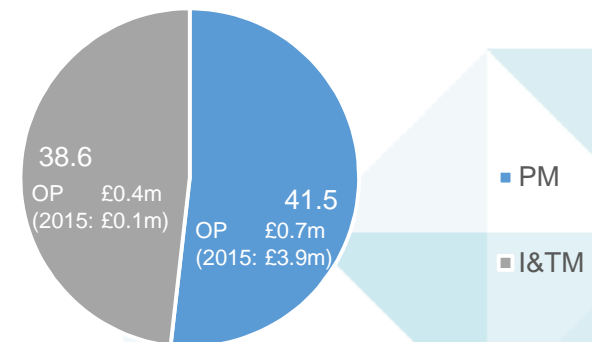
Overview – 2016 Financial Highlights

- > Growth in orders from packaging and services, offsetting decline in nicotine markets
- > Significantly higher order book at year end
- > Strong cash generation following £4.8m reduction in working capital
- > Net cash £0.8 million vs net debt of £3.2m previous year
- > Headcount reduced by 10% reducing costs progressively from Q4
- > Underlying PBT of £0.9m (2015: £3.8m)
- > Underlying EPS of 3.7p (2015: 15.1p)
- > Investment opportunities and low EPS led to decision not to pay a final dividend

Sales by destination (£m)

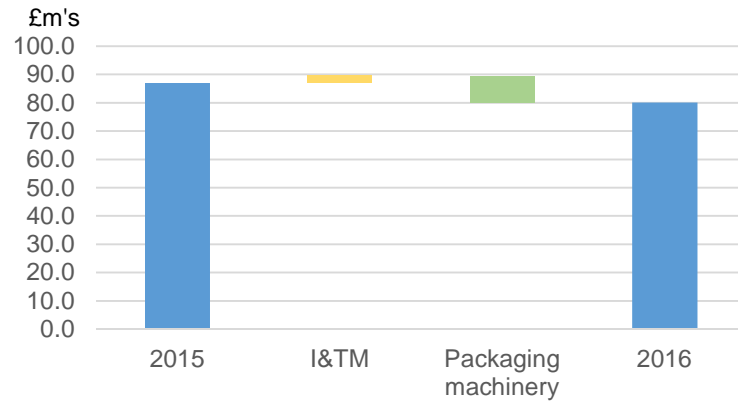


Sales by packaging machinery & instrumentation & tobacco machinery (£m)

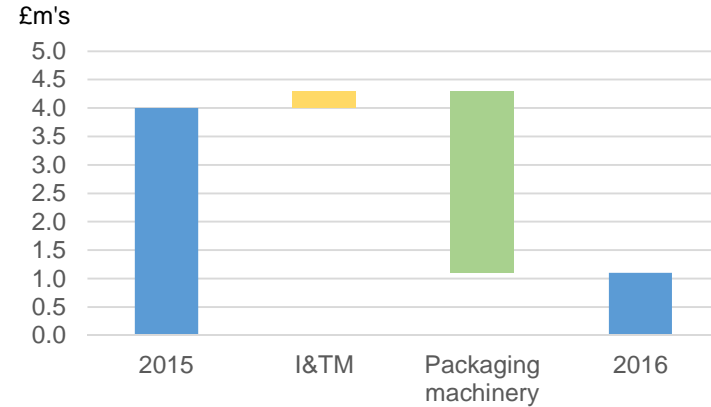


2016 Group Performance

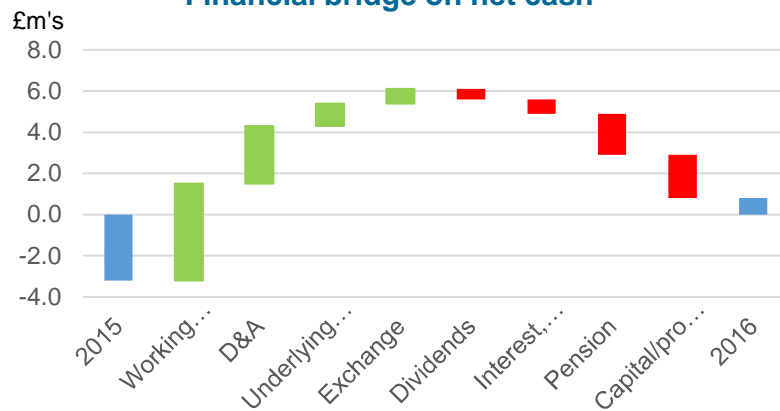
Financial bridge on revenue



Financial bridge on underlying operating profit



Financial bridge on net cash



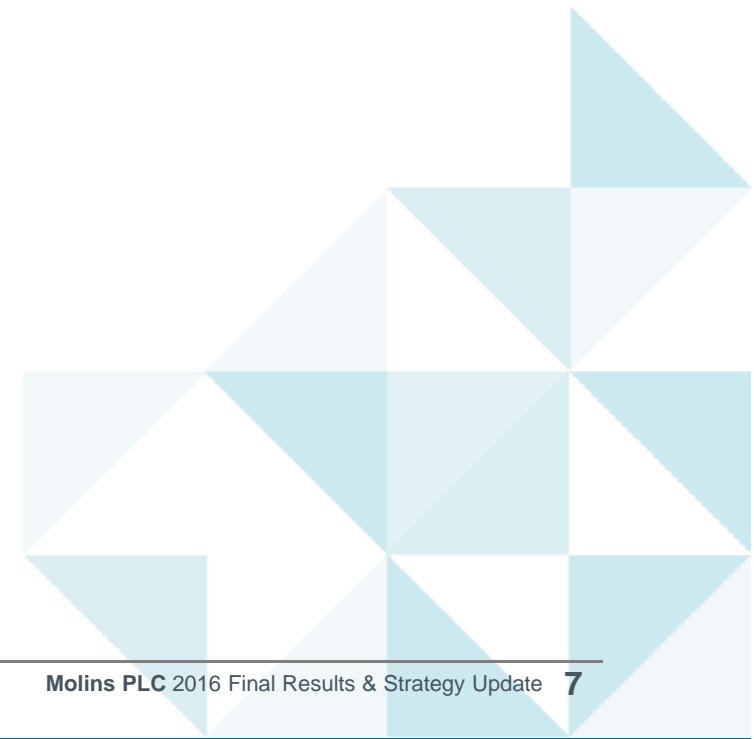
5 year revenue chart





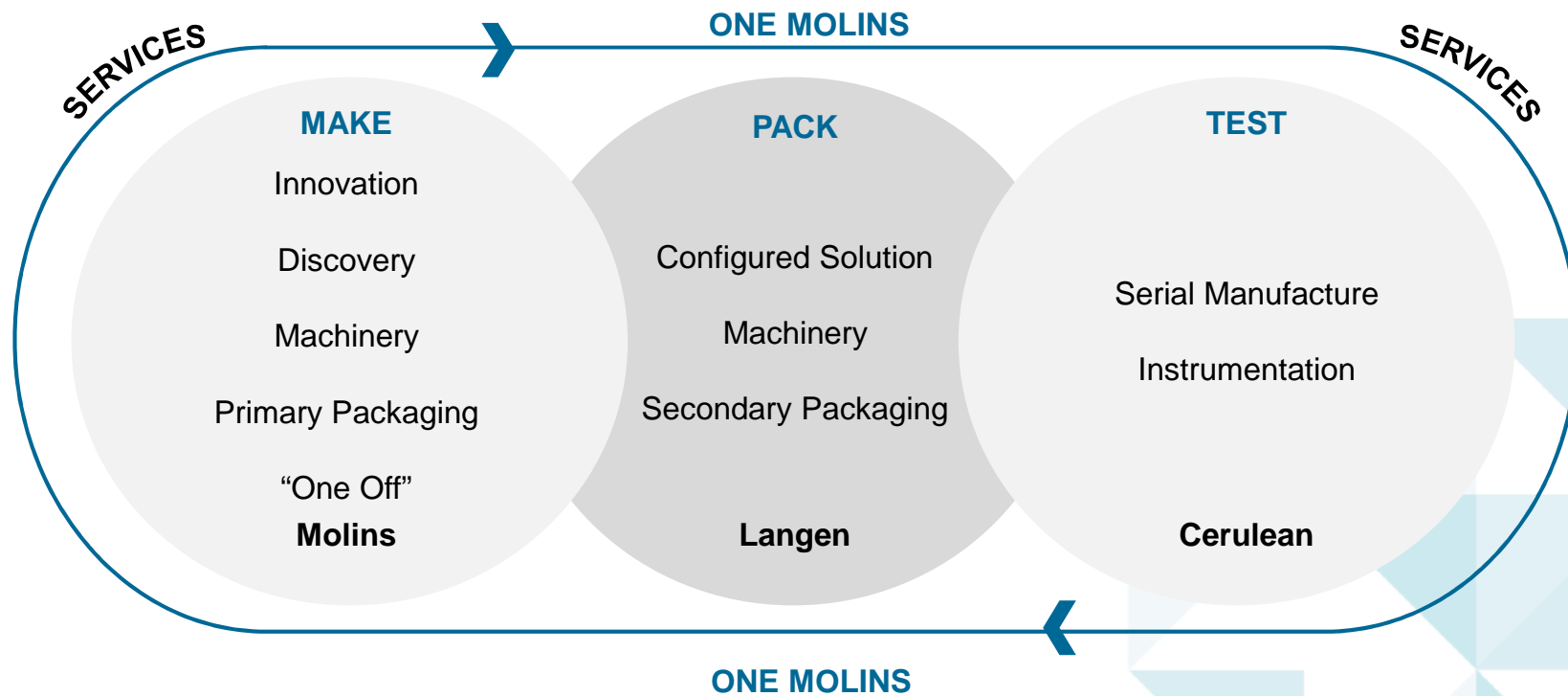
Strategic Review 'One Molins' 2021 vision

Tony Steels – Chief Executive







Mission

- > To be a global leader of high speed packaging solutions focused on attractive growth markets enhanced by a world class service offer programme to ensure customers achieve maximum return on their investments
- > Customer focused, responsive and flexible through operational excellence underpinned by a global competitive supply chain and internal activities optimised to maximise efficiency
- > Broaden application and customer scope by leveraging market leading technology and application know-how



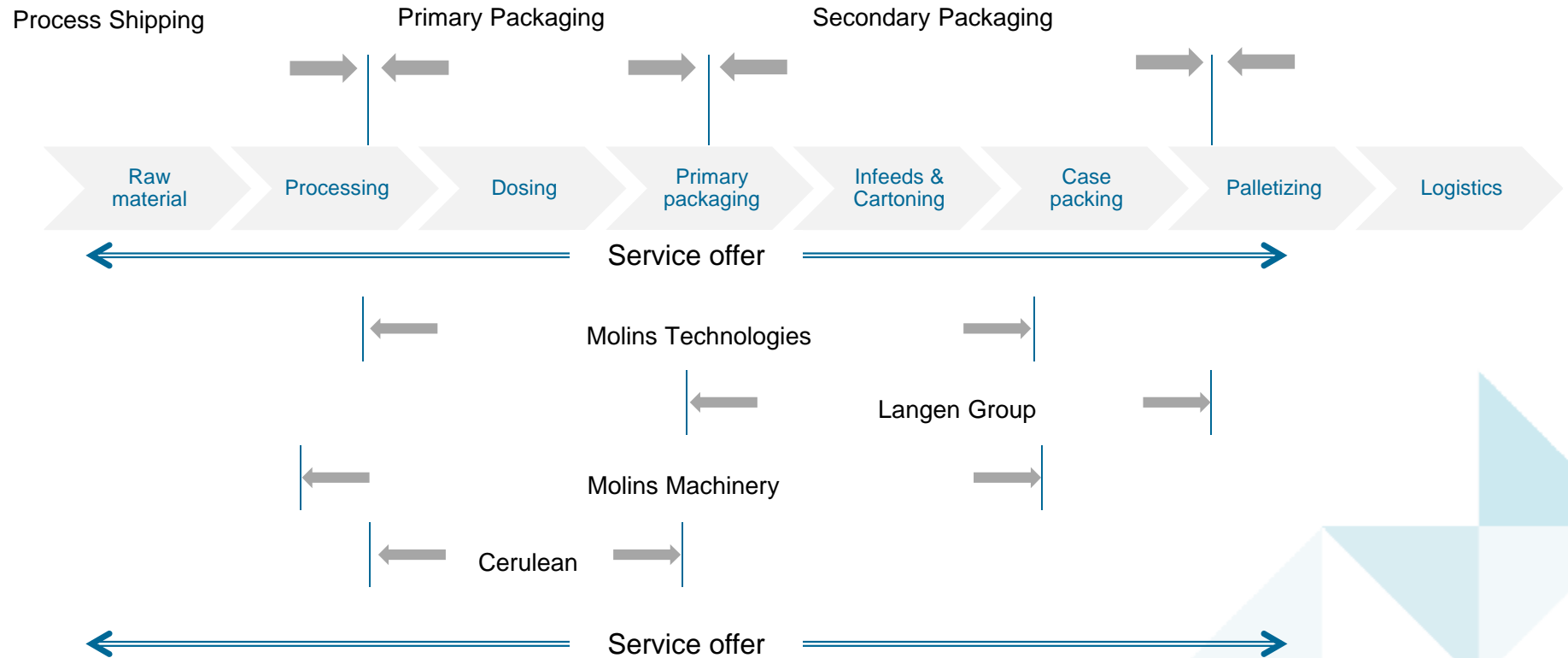
Addressable Growth Markets

SECTOR	SOLUTIONS	MARKET VALUE	CAGR	DRIVERS
Pharmaceutical	<ul style="list-style-type: none"> Dry Powder Inhaler First of a Kind Test and Measurement 	\$29 billion*	4.9%	 Premiumization  Recycling
			5.3%	
Healthcare	<ul style="list-style-type: none"> Ostomy Contact Lens Personal Care 	\$3.3 billion*	2.9%	 Convenience  Urbanization
			0.7%	
Food and beverage	<ul style="list-style-type: none"> Bakery Chilled & Frozen Foods Spirits LG Target Applications 			
Nicotine delivery	<ul style="list-style-type: none"> Making Packing Test and Measurement 	\$600 billion**		

Leadership in higher margin high performance segments in long term growth markets – supported by high cash generation of nicotine delivery

*PMMI 2016
 **Euromonitor 2015

Application Know-How



Over 100 qualified engineers, representing 15% of workforce
 Portfolio of knowledge intensive solutions to leverage across established customer base

Returns From Innovation – Case Studies

Global pharmaceuticals manufacturing company

> Challenge

To develop a new process for precision dosing, filling, and sealing; improve dose accuracy; reduce operating costs

> Solution

Innovative, continuous motion dosing head; high speed powder dosing

> Benefits

Increased output x2.5; increased operational efficiency, improved dose weight control and significant cost savings



Multinational food manufacturing brand

> Challenge

Automation of cereal bars into multicoloured presentations for bulk pack sale

> Solution

Robotic tote loading and unloading system with minimum human intervention

> Benefits

Increased output with reduced footprint, increased operational efficiency and labour cost savings



Leading nutrition and beverages business

> Challenge

Reduce damage from packing coffee sticks into bags

> Solution

Product drop accelerator integrating flexible stick counting system with vertical form, fill and seal machine

> Benefits

Automated production of stick packs into bags at high speed for multiple SKUs minimising labour requirements



International tobacco group

> Challenge

To develop a machine to replicate smoking in different environmental conditions for next generation products (NGP)

> Solution

A fully enclosed instrument with positive pressure conditioning and heat not burn specific electronics

> Benefits

Ability to produce evidence to support reduced risk for regulators world-wide



Business Review – Top Line Conclusions

Issues

- Large competitors offer full solution
 - European centric
 - Exposure to too few large customers
 - Limited cross selling
- Engineering led – lead time and complexity
- Fragmented and internalised
- Inconsistent focus
 - One off inefficiency
- Sub optimal margins

Market environment

Competitive landscape

Customer feedback

Product performance

Talent

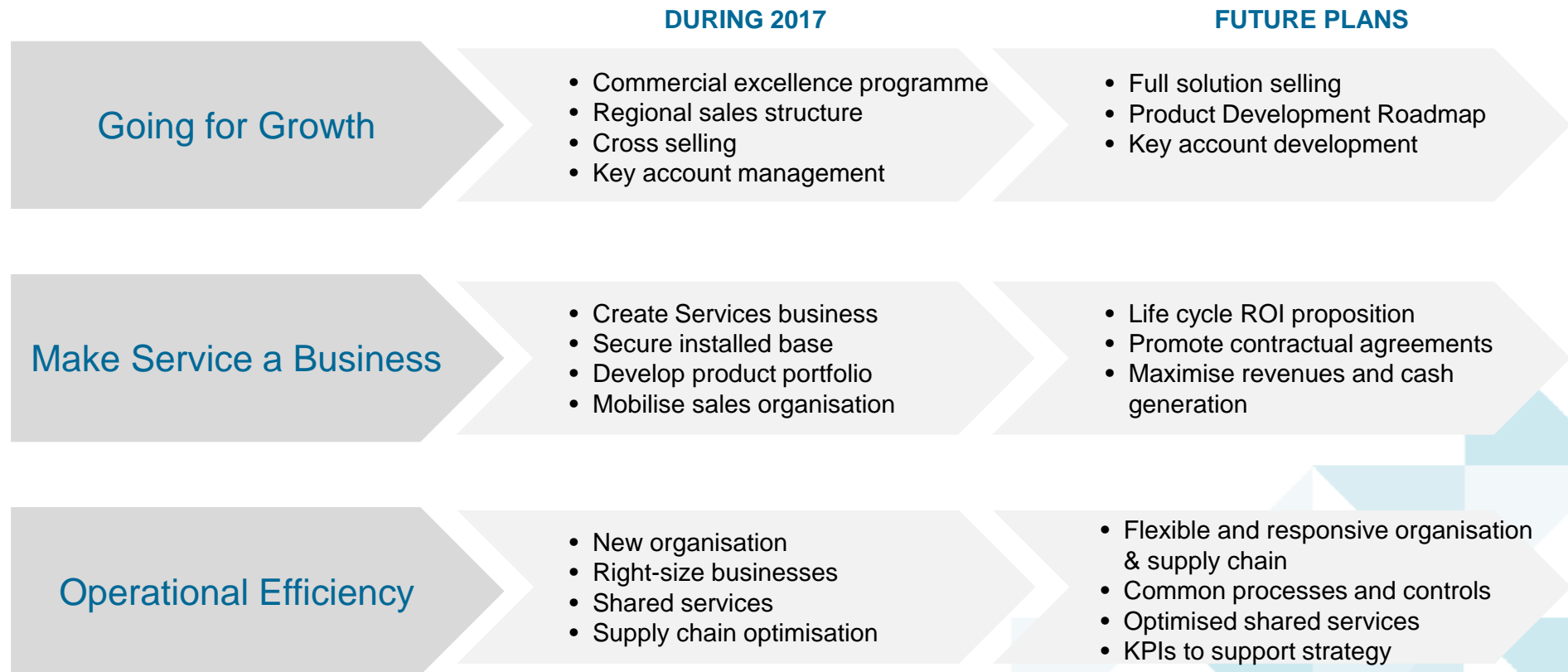
Operational performance

Financial performance

Opportunities

- Complete scope of applications
 - Extensive range of engineering competences across scope of applications
 - Focused on attractive growth markets
 - Instrumentation and testing know-how
- Improve engagement and focus on service
- Leverage and modulise expertise
- Joined up and focused on growth markets
- Sharing best practice
 - Increase process standardisation
 - Share service support
 - Sustainable higher margins

Strategic Priorities



The Journey

- New organisation
- Right-size
- Product roadmap
- Centralised services

One Molins & cost reductions

- “Commercial excellence”
- World class service offer
- Leverage capabilities
- Developing people

Leverage commonalities

- Modularisation
- Cross selling
- Broaden target market
- Develop mid-range packaging
- Build “full solution” capabilities in target markets

Sustainable growth

H1 2017

H2 2017

H1 2018

H2 2018

H1 2019

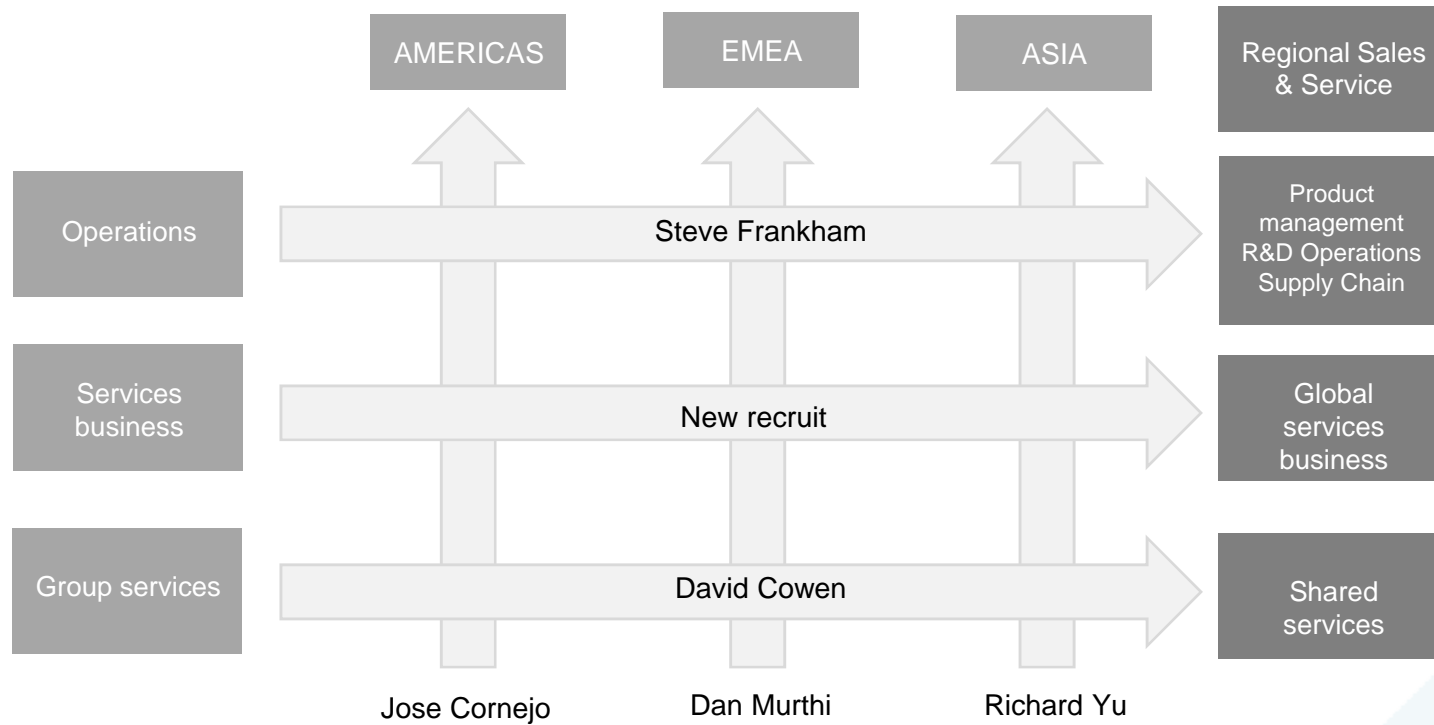
H2 2019

H1 2020

2021

New Organisation Structure

- Experienced and regionally embedded management team – supplemented by new hires in Service and HR



Improved focus on growth markets and local trends
 Develop marketing approach to support full solutions provider positioning

Immediate Self-Help Initiatives

Actions to date

- > Strategic review completed with engaged senior leaders
- > Efficiency improvement through
 - > Cost reductions
 - > Shared services
- > Regional commercial structure now in place
- > New leadership team identified and in place
- > One Molins organisation structure in place
- > Greater focus on customers and markets

Next steps

- > Appointment of global service head and HR director
- > Management incentivisation arrangements focused on order intake and margins
- > Further optimisation of headcount during 2017
- > Share and build application know-how
- > Disciplined investment plan for product roadmap
- > Implementation of commercial excellence programme
- > Embed regional cross-selling
- > Establish KPIs to measure progress:
 - > Key projects identified in the strategy work streams
 - > Momentum KPIs to drive change
 - > Business KPIs to monitor progress

Outcome



Global leader in “Make, Pack, Test, Service” high-speed packaging solutions

GROWTH

Improved customer performance

SERVICE AS A BUSINESS

Improved operational performance

OPERATIONAL EFFICIENCY

Improved returns and cash generation

Transforming our business performance - cultural, commercial, operational and financial

Target 10% annual organic growth and 10% ROS over medium term

Appendices

- > Detailed results
- > What we do
- > International management team

Income Statement

	2016 £m	2015 £m
Sales	80.1	87.0
Underlying operating profit*	1.1	4.0
Non-underlying items	(1.8)	(1.1)
Operating (loss)/profit	(0.7)	2.9
Net interest expense	(0.1)	(0.9)
(Loss)/ profit before tax	(0.8)	2.0
Taxation	0.2	(0.3)
(Loss)/ profit for the period from continuing operations	(0.6)	1.7
Discontinued operations	-	(5.8)
Loss for the period	(0.6)	(4.1)
Underlying EPS*	3.7p	15.1p
Basic EPS	(3.3)p	(20.9)p

* Before non-underlying items

- > Reduction in sales in Packaging Machinery from delayed orders
- > Lower performance in Packaging Machinery from lower sales and under-utilised operations
- > Non-underlying items include pension administration costs (£0.9m), reorganisation costs (£0.9m)
- > Underlying net interest expense of £0.2m; balance is pensions related (£0.1m interest income; treated as non-underlying)
- > Taxation rate of 16% on underlying profits (2015: 24%)

Cash Flows

	2016 £m	2015 £m
Cash flows from operating activities	6.2	3.6
Cash flows from investing activities	(2.0)	(2.7)
Cash flows from financing activities	(0.8)	(1.5)
Net cash flows	3.4	(0.6)
Opening net debt	(3.2)	(2.1)
Exchange	0.6	(0.5)
Closing net funds/(debt)	0.8	(3.2)

- > Cash flows from operating activities include:
 - > £4.1m cash profit
 - > £4.8m working capital decrease
 - > £2.0m pension deficit payments
 - > £0.3m reorganisation costs
 - > £0.2m tax paid
- > Cash flows from investing activities include:
 - > £0.9m net capital expenditure (2015: £0.9m)
 - > £1.2m product development expenditure (2015: £1.9m) across both divisions
 - > £0.1m interest received (2015: £0.1m)
- > Cash flows from financing activities include:
 - > £0.5m dividends paid (2015: £1.1m)
 - > £0.3m interest paid (2015: £0.3m)

Working Capital

	2016 £m	2015 £m
Inventories decrease	3.5	2.2
Receivables (increase)/decrease	(4.2)	6.4
Payables increase/(decrease)	5.6	(8.1)
Provisions decrease	(0.1)	(0.1)
Net working capital decrease	4.8	0.4

Balance Sheet

Net assets		2016 £m	2015 £m
Intangible assets:	Goodwill	7.8	7.4
	Product development & other intangibles	7.4	7.5
Property, plant & equipment		9.3	8.8
Net working capital (exc. pensions & tax)		9.9	12.7
Pension schemes (after tax)		(1.1)	2.9
Current & deferred tax (exc. pensions)		1.3	0.5
Net cash/(debt)		0.8	(3.2)
Equity		35.4	36.6
Net assets per share		176p	181p

- > Goodwill at December 2016 relates to Cerulean
- > Property, plant and equipment includes £0.8m of investment property
- > Tax balance includes £0.4m (2015: £0.5m) of current tax payable
- > Main equity movements in period include:
 - > £0.6m loss for the period
 - > £4.3m of actuarial losses (net of tax)
 - > £0.5m dividends paid
 - > £3.7m of translation gain
 - > £0.5m favourable change in hedging reserve

Pensions

		2016 £m	2015 £m
Value of assets	UK	401.9	346.9
	US	17.1	14.9
	Total	419.0	361.8
Net surplus/(deficit)	UK	4.6	10.6
	US	(6.8)	(6.6)
	Net before tax	(2.2)	4.0
	Deferred tax	1.1	(1.1)
	Net after tax	(1.1)	2.9

Pension administration costs	(0.9)	(0.9)
Net interest on pension scheme balances	0.1	(0.7)
Net pension charge before tax	(0.8)	(1.6)

- > Accounting valuation of the UK scheme reduced due to lower interest rates, partly offset by strong asset performance
- > Funding of UK scheme at £1.8m (+2.1%) per annum (17 year recovery period as from July 2012)
 - > triennial funding valuation as at June 2015 to be completed in next few months
- > Pension administration costs are funded by the pension schemes
- > Interest cost calculated by applying the discount rate at the beginning of the year to the opening IAS 19 valuation
- > Additionally the Company funds a statutory levy paid to the Pension Protection Fund

What We Do

Packaging Machinery

Molins Technologies

- > Innovative and first of a kind process and packaging applications
- > Technical consultancy and service solutions
- > Supports customer new product introduction
- > Improves competitiveness of existing customer products

Langen

- > High speed packaging solutions, horizontal cartoning, case packing and end of line robotics
- > Focus on flexible, multi-sized products
- > Application strengths, horizontal cartoning, and data management

Innovative and series processing and packaging solutions provider



What We Do

Instrumentation & Tobacco Machinery

Cerulean

- > Develops, manufactures and services, quality control and analysis solutions
- > Focus on regulatory environments

Molins Tobacco Machinery

- > Designs, manufactures and services secondary tobacco processing and packaging machinery
- > Application strength mid-speed processing machinery and service support

Processing, packaging, testing and regulatory control solutions provider



International Management Team



Tony Steels
Chief Executive

Previous Experience: Tony has an extensive knowledge in engineering as well as business development, both in and out of the UK

Qualifications: B.Sc B.Eng. (Hons) PhD

Career Highlights: Working in multi national companies including Cytec and Georg Fischer AG, in senior roles including Group Managing Director and Global Business Director.



David Cowen
Group Finance Director

Time Spent at Molins: 18 years

Qualifications: BSc (Econ) and Fellow Chartered Accountant

Career Highlights: Working in senior finance roles for Vickers PLC & Rolls-Royce & Bentley Motors.



Steve Frankham
Global Operations & BD Director

Time Spent at Molins: 10 years

Qualifications: BSc & PhD in Chemistry

Career Highlights: Holding multiple sales and managerial roles, as well as living and working in Hong Kong.



Dan Murthi
Global Commercial Director & Director EMEA

Time Spent at Molins: 5 years

Qualifications: B.Eng. (Hons) Management of Manufacturing Systems

Career Highlights: Working in the UAE and Germany, and working for Konecranes & Morris Material Handling.



Richard Yu
Director Asia

Time Spent at Molins: 7 years

Qualifications: BA in Business Administration, and Diploma in Mechanical Engineering

Career Highlights: Exceeding sales targets and realising substantial cost saving for past employers.



Jose Cornejo
Director Americas

Time Spent at Molins: 24 years

Qualifications: BSc in Mechanical Engineering, plus Professional Project Management Qualification

Career Highlights: Progressing through roles from Product Designer to Managing Director.

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