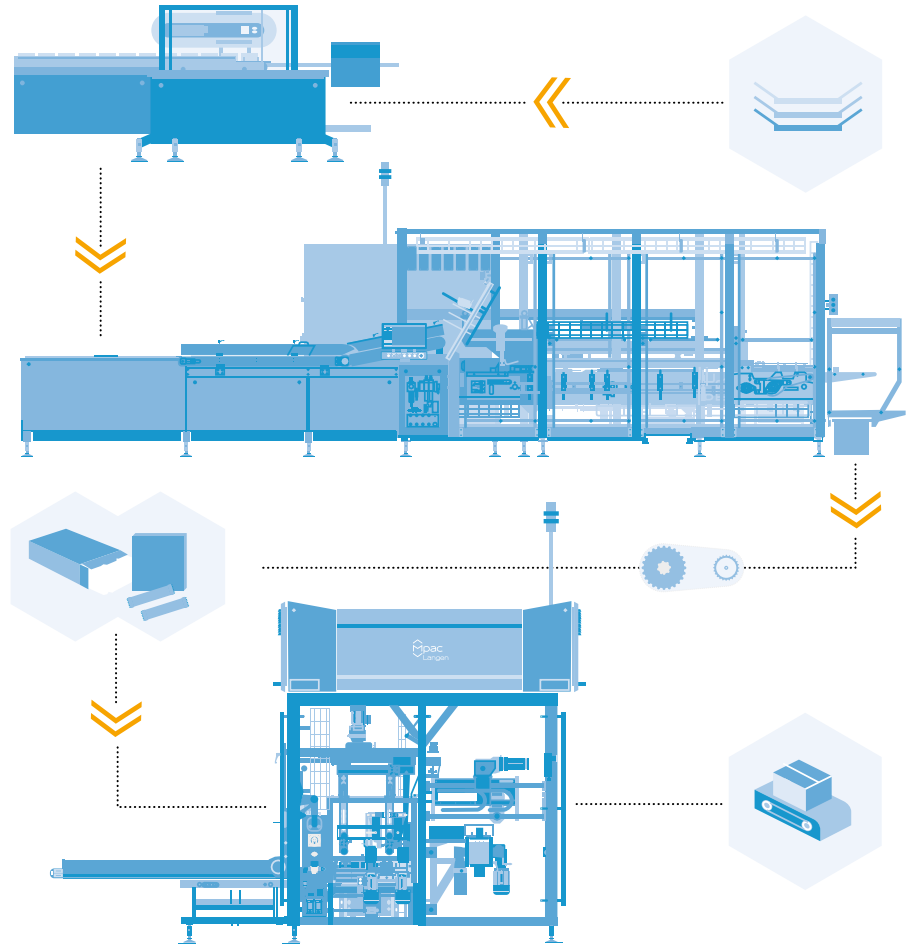




Mpac Group plc

Ingenious packaging solutions

2019 Half Year Results
September 2019





1. Overview and what we do
2. Acquisition – Lambert Automation Limited (“Lambert”)
3. Half Year 2019 Financial Highlights
4. Strategic Update
5. Outlook
6. Appendices



Tony Steels
Chief Executive

Overview

2019 Half Year Summary

- KPIs showing positive momentum
- Significant growth in underlying operating profit, leveraging efficiencies
- Excellent project delivery and service performance
- Acquisition of Lambert completed in May 2019 and integration progressing to plan
- Vision of full turnkey solutions customer proposition realised
- Innovation roadmap underpinning progress made in 2019
- One Mpac business model progressing
- Order book and prospects provides confidence in full year expectations
- Triannual valuation concluded on UK pension scheme with significant reduction in actuarial deficit

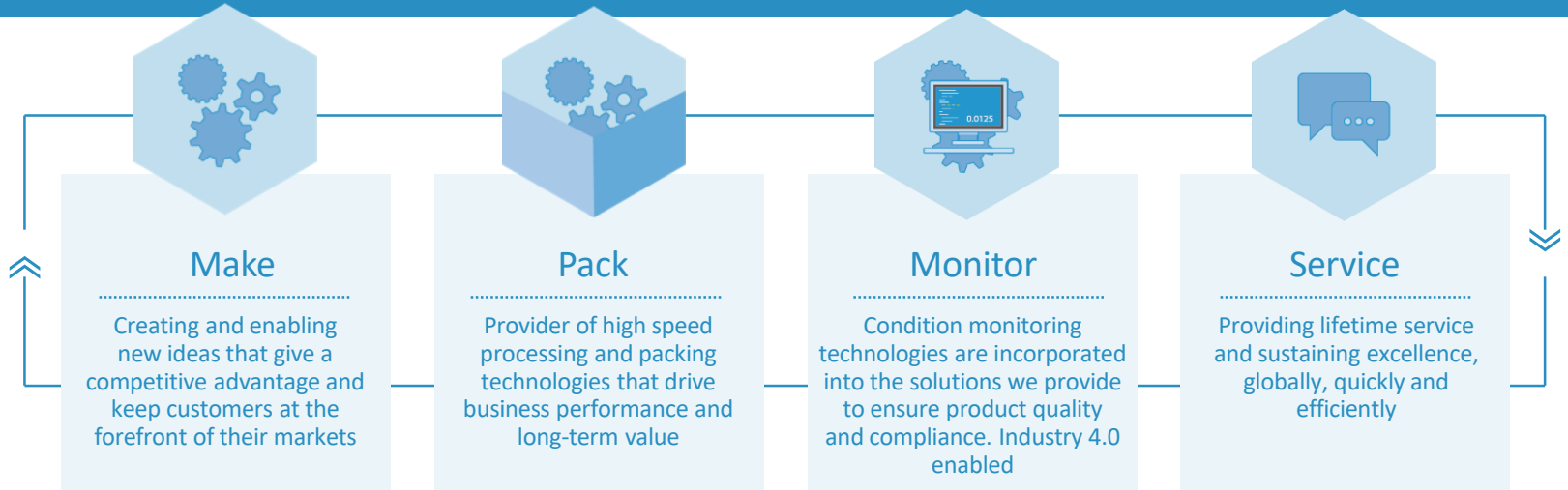
Our clients



Overview

What we do

Global leader in high-speed packaging solutions



Pre solution

- » Feasibility studies
- » Concept proving

Products and automation

- » Bespoke solutions
- » Machine build
- » Data extraction and analysis
- Industry 4.0 ready

Life cycle management

- » Installation commissioning
- » Condition monitoring
- » Performance service agreements

Overview

Key Markets

Mpac has a highly skilled and experienced team dedicated to finding practical solutions for our customers.

Operating in the Pharmaceutical, Healthcare and Food and Beverage sectors, we meet the ever-increasing demand of our customers' manufacturing processes and operational objectives.

Cross industry experience and expertise means that customers benefit from the diversity of ideas and concepts.



Pharmaceutical

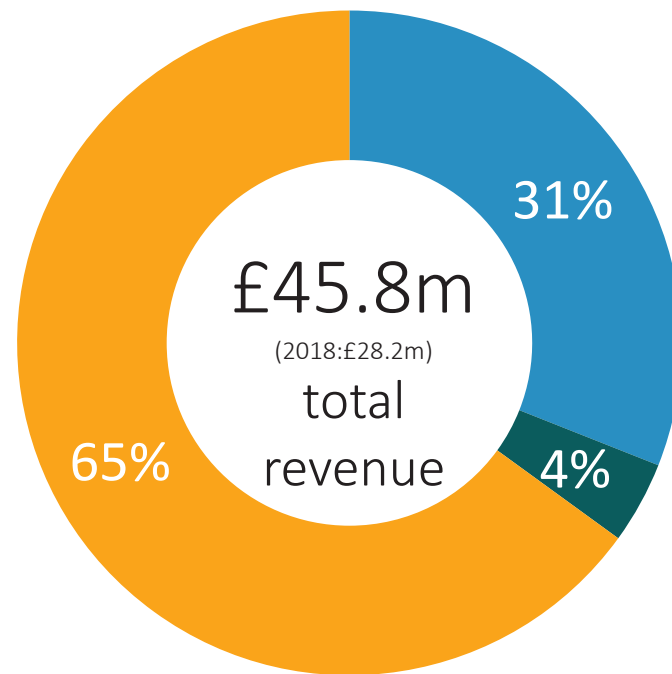


Healthcare



Food and Beverage

HY 2019 Sales by Sector (%)



Overview

Global Reach



-  Manufacturing
-  Sales
-  Customer Support

Acquisition Overview



Acquisition 2019

Acquisition

Company Overview



Industry focus



Food &
Beverage



Pharma



Healthcare

Key facts at acquisition

Sales:	£20.6m	} (3yr average)
EBITDA:	£1.8m	
EBITDA %:	8%	
Employees:	c.160	
Ownership:	Private	
Location:	Tadcaster, UK	
Year started:	1973	

Business summary

- Lambert provides customers with full process provision from design process consultancy to implementation of full turnkey multiple line automation systems and maintenance support
- The business has three key operating units – Automation Systems, Equipment Engineering and Precision Components manufacture
- Expertise in medical devices/healthcare and other FMCG sectors with customer such as P&G, Convatec, CooperVision, 3M, Philips Advent and Johnson & Johnson
- The business operates from a 70,000 sq.ft. facility in Tadcaster, North Yorkshire with a strong R&D ethos represented by the Wainman Innovation Centre



Design & build bespoke machinery, early stage product & process innovation, and through life service & support



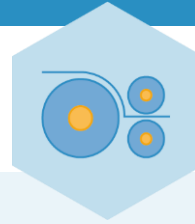
Assembly Systems

Medical Devices, Drug Delivery Devices, Healthcare Products and FMCG



Packaging Systems

Custom packaging solutions, often integrated with assembly or web handling systems



Web Handling Systems

Wound care, critical care and surgical pouches



Manufacturing

Build to print and manufacture of precision components

2019

Financial Highlights

10



Will Wilkins
Group Finance Director

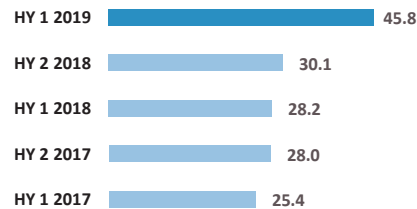
2019 Half Year

Financial Highlights

- Increase in Group sales of **£17.6m to £45.8m** (2018: £28.2m)
- Increase in order intake on a like for like basis of **39%**
- Gross **profit margin increase** to 29% (2018: 21%)
- Underlying PBT **£4.5m** and underlying operating profit of **£4.6m** (2018: breakeven)
- **Acquisition** of Mpac Lambert for initial consideration of £15.0m
- Closing net cash of **£10.5m** (2018: £25.8m; Dec 2018: £27.9m)
- Underlying earnings per share of **21.3p** (2018: 1.6p loss per share)
- 2019 interim dividend nil – future dividend policy to be considered in the context of 2019 result

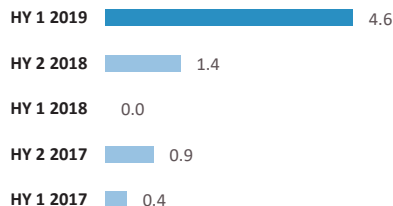
Half Year Sales (£m)

£45.8m



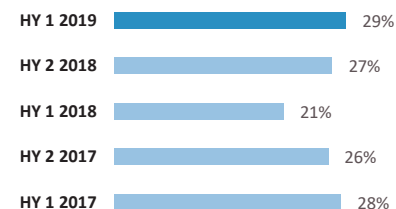
Underlying operating profit (£m)

£4.6m



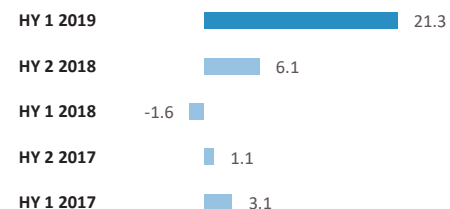
Gross profit (%)

29%



Underlying EPS (p)

21.3p



Group Income Statement

For the six months 30 June 2019

	H1 2019 (£'m)	H1 2018 (£'m)	change
Revenue	45.8	28.2	62%
-Original Equipment	37.1	22.2	67%
-Services	8.7	6.0	45%
Gross profit	13.1	5.9	222%
<i>Gross profit margin</i>	29%	21%	+8%
Distribution costs	(3.1)	(2.4)	
Administration expenses	(5.0)	(3.3)	
Other operating expenses	(0.4)	(0.2)	
Underlying operating profit	4.6	-	+4.6m
<i>Underlying operating profit margin</i>	10%	-	+10%
Net financing income	0.1	0.1	
Non-underlying items	(1.8)	(0.7)	
Taxation	(0.3)	(0.3)	
Profit after tax for the period	2.6	(0.9)	
Underlying earnings per share	21.3p	(1.6)p	+22.9p

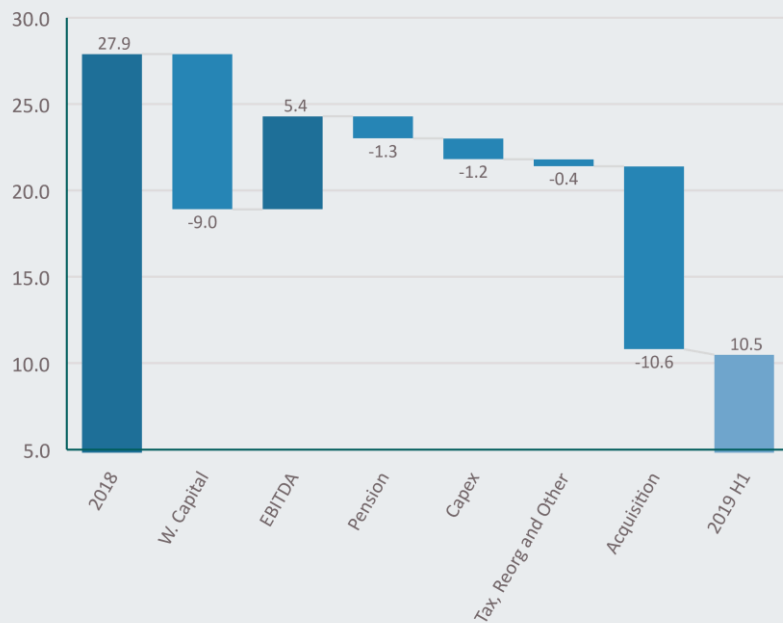
Key highlights:

- Excellent first half performance, with increase in OE and Service revenue and margins
- Organic revenue growth of 42%, increasing to 62% with the inclusion of Mpac Lambert revenue
- Performance underpinned by strategic growth drivers and initiatives
- Margins and revenue growth supported by strong 2019 opening order book
- Non-underlying items include acquisition and pension administration charges
- £10m borrowing facility entered into in June 2019 committed until June 2022
- Utilisation of tax relief and credits reduced marginal tax rate

2019 Half Year

Cash bridge and working capital

Financial bridge on net cash (m)



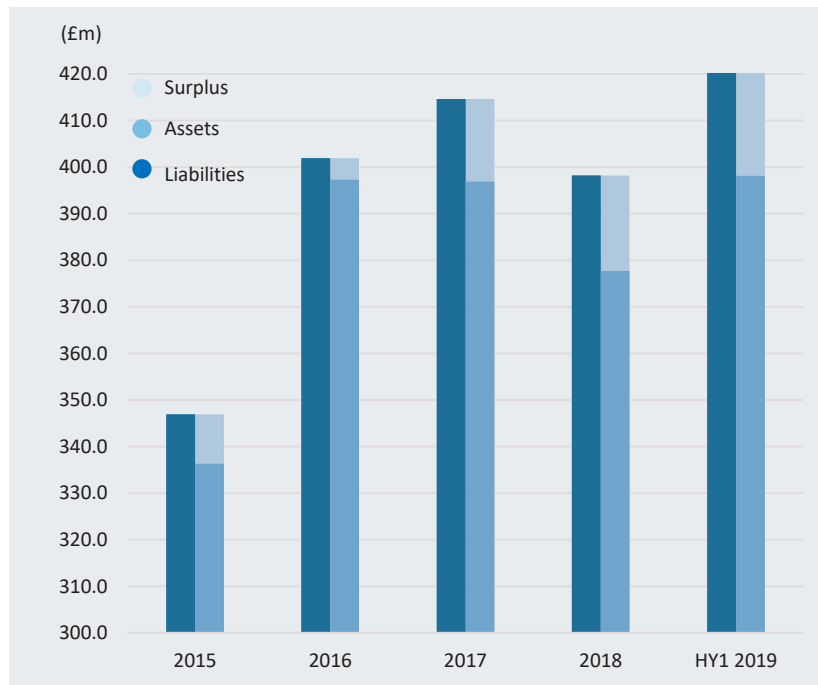
Working capital

Inventories	+£3.2m	OE projects in stock
Trade debtors	+£1.3m	General trading levels
Trade creditors / Contract assets/liabilities	+£4.8m	Flush through of 2018 orders to HY2 delivery
Provision	-£0.3m	

Acquisition cash flows

Initial consideration	-£15.0m	Debt and cash free basis
WC adjustment	-£1.8m	From lock box dates
Cash acquired	+£6.2m	Lambert cash on acquisition
Net cash	-£10.6m	

UK Pension Scheme – IAS19



UK Scheme

- Actuarial deficit reduced from £70m to £35m, including £8.5m GMP equalisation charges
- IAS19 surplus at June 2019 of £29.3m (Dec 2018: £20.5m)
- June 18 actuarial valuation finalised in June 2019
- Mature scheme with >4,000 members (>70% pensioners)
- Current payments £1.9m pa until 2024

US Scheme

- IAS19 deficit of £6.2m
- Mature scheme with >250 members (60% pensioners)
- Scheme closed in 2011
- Current annual payments of £1.0m due to I&TM disposal, reducing in 2020 and returning to normal levels (£0.2m) by 2023

Strategy

- Funding level increased to >92% based upon June 18 valuation
- Recovery period until July 2024
- Actuarial valuation continues to be based on prudent financial assumptions
- Accelerated progress toward elimination of actuarial deficit

Overview

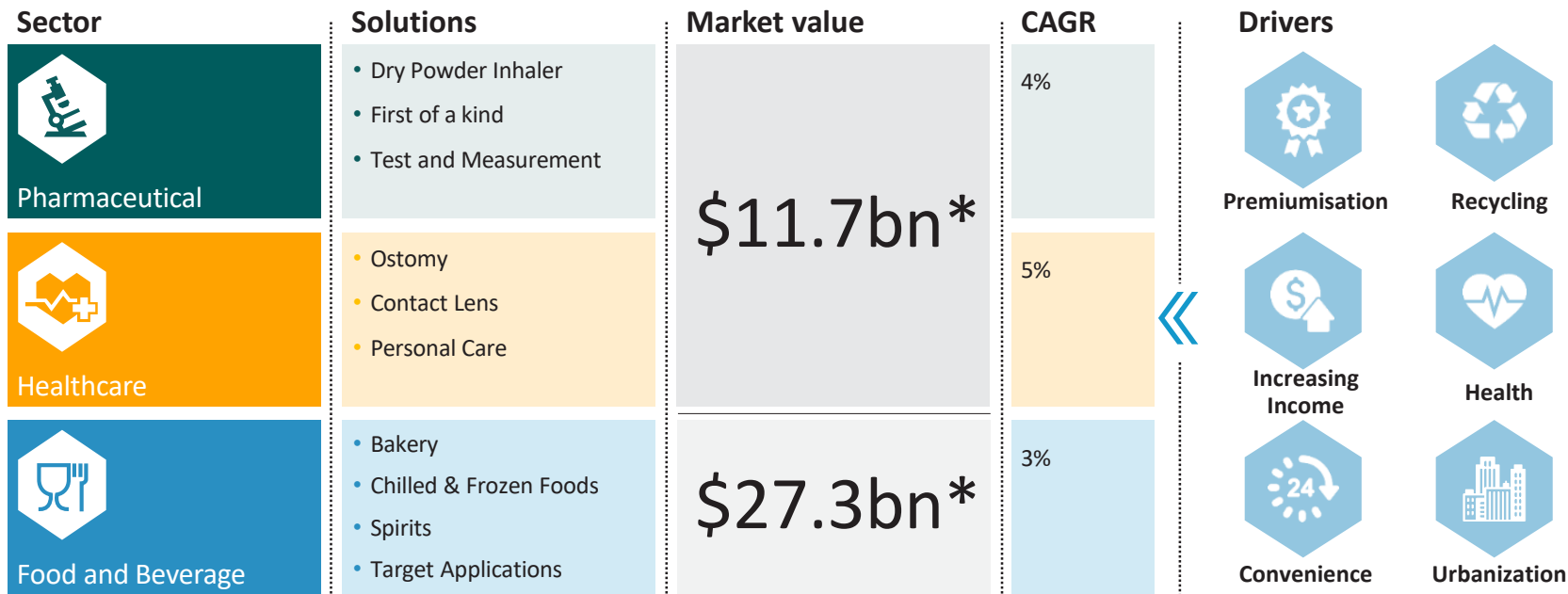
Strategic update



Tony Steels
Chief Executive

Strategic update

Addressable growth markets



* PMMI – Period 2017 - 2021

Leadership in higher margin segments in long-term growth markets



During 2019

- Innovation to expand Case Packing range
- New customer acquisition
- Increased USA sales presence
- Pipeline management training
- Regional service management and footprint
- Traction with contractual agreements
- Focused operational excellence
- Expanded resources fully deployed
- Global supply chain
- Engineering platform complete
- Common project management processes
- Cross business resource utilisation

Future plans

- New customer acquisition
- Sales coaching and performance management
- Product development roadmap
- Full and cross solution selling
- Upgrade programmes
- Promote contractual agreements
- Develop rental stream
- Product innovation – Industry 4.0
- Flexible project management resource
- Phased ERP launch
- Supply chain efficiency
- Talent development and retention

Functional Excellence and Cross Functional Alignment

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



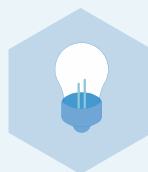
Going for Growth

Improved customer performance



Make Service a Business

Improved operational performance



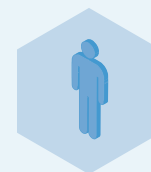
Innovation

Go beyond our customers' expectations



Operational Efficiency

Improved returns and cash generation



People

Engage, retain and develop

Target 10% organic growth and improved ROS over medium term



Transforming our business performance

Strategic update

Outlook

- One Mpac business model delivering on strategic plans
- Integration of Mpac Lambert on track
- Full solution customer proposition being developed
- Services business gaining momentum – shared best practice
- Innovation roadmap will deliver further new products to be commercialised in 2020
- Order book in line with previous year and prospects pipeline remains robust
- Results for full year 2019 are expected to be front half loaded
- Full year underlying profit before tax ahead of expectations
- Focus remains on organic growth and ongoing assessment on further acquisition opportunities
- £10m secured committed borrowing facility entered into and available to drive growth





Appendices

Appendices

Income Statement

	June 2019 £m	June 2018 £m
Sales	45.8	28.2
Underlying operating profit*	4.6	0.0
Non-underlying operating items	(1.8)	(0.7)
Operating profit/(loss)	2.8	(0.7)
Net Interest receivable	0.1	0.1
Profit/(loss) before tax	2.9	(0.6)
Taxation	(0.3)	(0.3)
Profit/(loss) for the period	2.6	(0.9)
Underlying EPS*	21.3p	(1.6)p
Basic EPS*	12.6p	(3.9)p

* before non-underlying items

- Revenue increase of 62% over 2018
- Significant increase in underlying operating profit to £4.6m (2018: breakeven)
- Non underlying items of £1.8m include:
 - One off acquisition costs £0.8m
 - Pension admin costs £0.4m
 - Provisions for discontinued operations £0.3m
 - Amortisation of intangibles £0.2m
- Non-underlying net financing income of £0.2m is pension related (2018: £0.1m)
- Underlying profit for the period £4.2m (2018: Loss 0.3m)

Appendices

Half Year Segmental Information

	June 2019 £m	June 2018 £m
Revenue		
Original Equipment		
Americas	27.2	9.1
EMEA	7.9	11.7
Asia Pacific	3.1	2.4
Total Original Equipment	38.2	23.2
Service		
Americas	3.9	2.4
EMEA	3.1	2.1
Asia Pacific	0.6	0.5
Total Service	7.6	5.0
Total sales		
Americas	31.1	11.5
EMEA	11.0	13.8
Asia Pacific	3.7	2.9
Total sales by region	45.8	28.2
Gross Profit	13.1	5.9
Selling, Distribution and Admin cost	(8.5)	(5.9)
Underlying operating profit/loss	4.6	-

Original Equipment (OE)

- OE revenue increase 65% over half year 2018
- Americas revenue increase of 298%
- EMEA revenue decrease 32%

Services

- Services revenue increase of 52% from half year 2018
- Significant revenue growth in Americas

Sales by sector

- Revenue from Healthcare market increased by 301%
- Revenue from Food and Beverage market increased by 5%

Appendices

Cash Flows

	June 2019 £m	Dec 2018 £m	June 2018 £m
Cash flows from operating activities	(5.7)	(0.9)	(3.7)
Cash flows from investing activities	(11.8)	(1.2)	(0.5)
Cash flows from financing activities	(0.1)	(0.1)	-
Net cash flows	(17.6)	(2.2)	(4.2)
Opening net funds	27.9	30.3	30.3
Exchange	0.2	(0.2)	(0.3)
Closing net funds	10.5	27.9	25.8

- Cash flows from operating activities in 2019 include:
 - £7.9m working capital increase
 - £1.3m of pension payments
 - Re-organisation costs paid of £1.4m
- Cash flows from investing activities include:
 - Acquisition of Lambert £10.6m net
 - Capex of £1.1m primarily related to the new engineering and business systems

Appendices

Working Capital

	June 2019 £m	Dec 2018 £m	June 2018 £m
(Increase)/decrease in inventories	(3.2)	1.7	(0.1)
(Increase)/decrease in contract assets	(3.2)	(1.3)	3.3
(Increase)/decrease in trade receivables	(1.3)	(1.3)	(2.4)
Increase/(decrease) in trade payable	8.0	(1.4)	(1.6)
Increase/(decrease) in provisions	0.3	0.1	-
Increase/(decrease) in contract liabilities	(9.6)	4.1	(1.6)
Net working capital (increase)/decrease	(9.0)	1.1	(2.4)

- Increase in working capital reflects the increasing scale of the business in the first half
- Significant increase in OE order intake in Q4 2018 brought advance payments associated with project build in 2019
- Inventory increase mainly relates to WIP of current OE projects due to be completed in second half of 2019
- Contract liabilities movement reflects the accounting for OE orders HY2 2018 compared to HY1 2019

Appendices

Balance Sheet

	June 2019 £m	Dec 2018 £m	June 2018 £m
Intangible assets	15.3	1.0	0.9
Investment property	0.8	0.8	0.8
Property, plant & equipment (including right of use)	11.3	4.4	4.0
Net working capital (excl. pension & tax)	-	(1.7)	3.3
Pension schemes (after tax)	13.0	7.1	17.0
Current and deferred tax (excl. pensions)	2.1	2.0	1.2
Deferred consideration	(2.6)	-	-
Net cash/(debt)	9.6	27.0	24.9
Equity	49.5	40.6	52.1

- UK pension scheme surplus increased by £8.8m as a result of the return on plan assets offset by the movement in the discount rate. (2.2% v 2.7%)
- IFRS 16 adopted – Right of use assets capitalised amounting to £11.3m
- Main equity movements include the following:
 - £2.6m retained profit loss for the period
 - £5.2m net actuarial gains
 - £0.4m favourable translation reserve movement
 - £0.7m favourable movement in hedging reserve

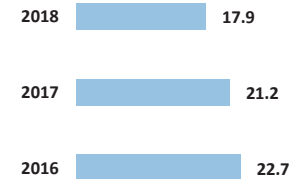
Lambert Acquisition

Headline financials

• Initial purchase price		
• Initial consideration	£15.0m	
• Discounted deferred consideration	£ 0.4m	
• Discounted earn out	£ 2.1m	
• Lock box adjustment	£ 1.9m	
• Total fair value		£19.4m
• Assets acquired		
• Working capital	£ 1.5m	
• Surplus cash	£ 2.4m	
• Fixed assets	£ 1.1m	
• Goodwill	£14.4m	
• Total fair value		£19.4m
• Cashflow		
• Cash paid (cash and debt free basis)	£15.0m	
• Working capital adjustments	£ 1.8m	
• Net cash outflow on acquisition		£16.8m
• Cash acquired	£ 6.2m	
• Net cash outflow		£10.6m

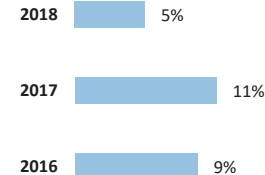
Revenue (£m)

Average £20.6m



EBITDA margin (%)

Average 8%





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