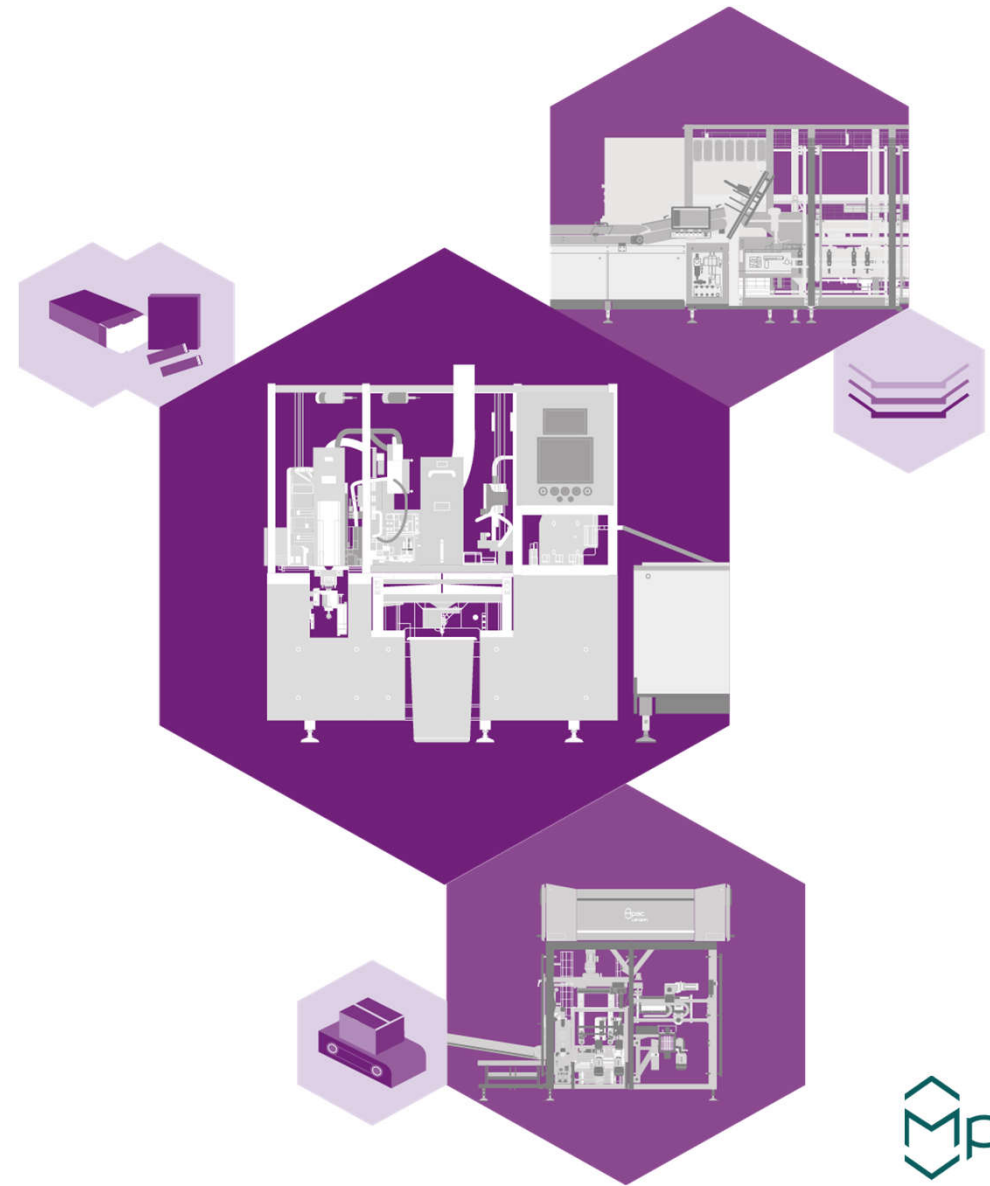


iM **pactful**  
innovation

# Mpac Group plc

2019 Full Year Results  
March 2020



# Agenda

1

1. Overview
2. Full Year 2019 Financial Highlights
3. Mpac Lambert and full line solutions
4. Strategic Update
5. Outlook
6. Appendices

**Overview**

Review

2



Tony Steels  
**Chief Executive**



## Overview

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### 2019 Full Year Summary

- Excellent progress made on strategic initiatives, resulting in a step change in financial performance
- Successful acquisition and integration of Lambert Automation
- Order intake growth ahead of expectations
- Revenue increase of 52% over prior year
- Significant growth sales, underlying operating profit by leveraging efficiencies
- Excellent project delivery and service performance
- Vision of full turnkey solutions customer proposition realised
- Significant progress made on innovation roadmap
- One Mpac business model impactful
- Triennial valuation concluded on UK pension scheme with significant reduction in actuarial deficit



# Overview

## Mission, Vision & Values

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### Mission

- To be a global leader of high speed packaging and automation solutions
- Customer focused, responsive and flexible through operational excellence underpinned by a global competitive supply chain
- Broaden application and customer scope by leveraging market leading technology

### Vision

- Double digit (CAGR) organic growth
- Sustainable 10% ROS
- Free cash flow in excess of £10m
- Increase our underlying EPS to 75p; Market cap to £100m
- Strategic and complimentary acquisition search

### Values

- **Integrity**
  - Deliver on our promises, respect and value others
- **Excellence**
  - Always striving to be better
- **Passionate**
  - Energised to deliver
- **Innovation**
  - Identify a need and deliver solutions
- **Collaboration**
  - Working together without boundaries for the collective goal



## Overview Our Leadership

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Michael van Frederici  
MD Langen EMEA



Warren Limbert  
MD Lambert



Will Wilkins  
Group Finance Director



Theo Rovers  
Innovation Director



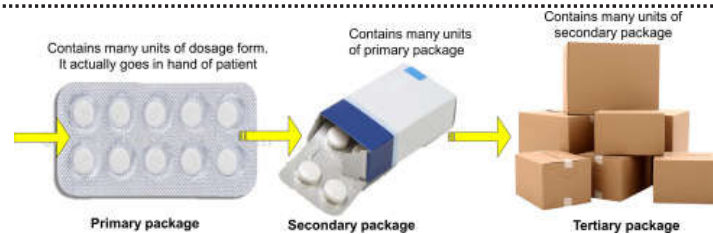
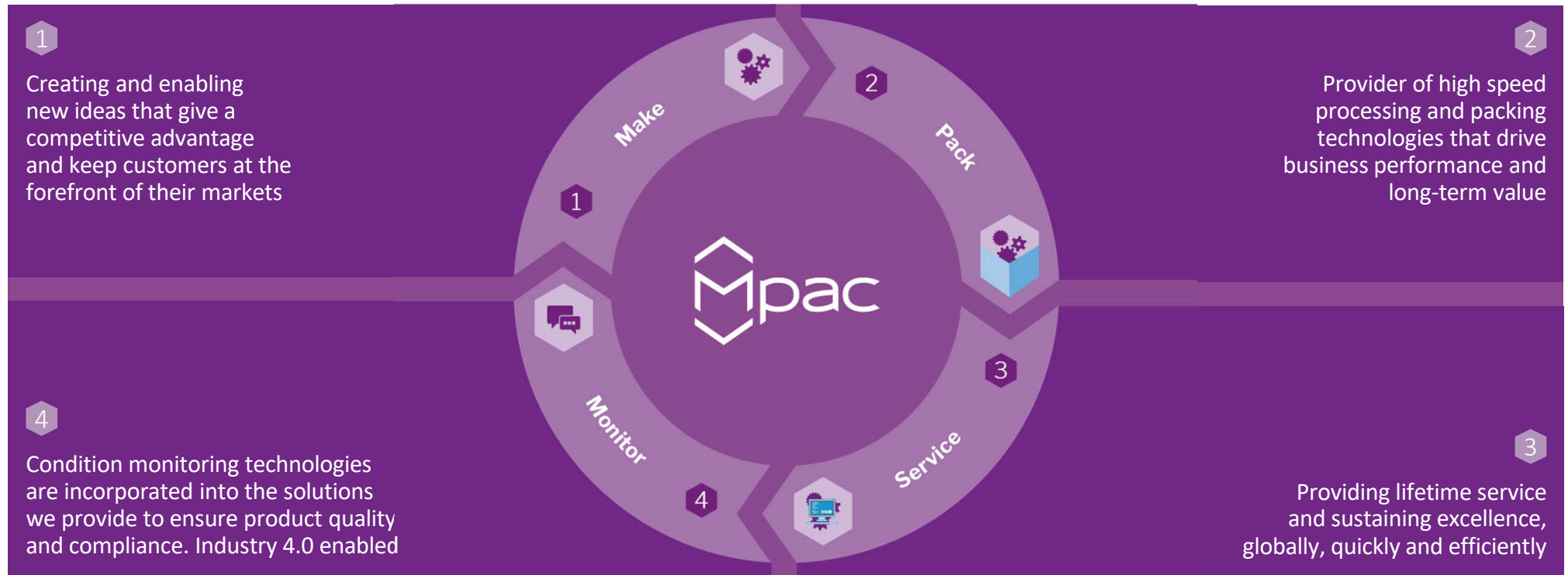
Michael Brown  
MD Americas

### Executive Leadership Team

# Overview

## What we do

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## 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



**FERRERO**

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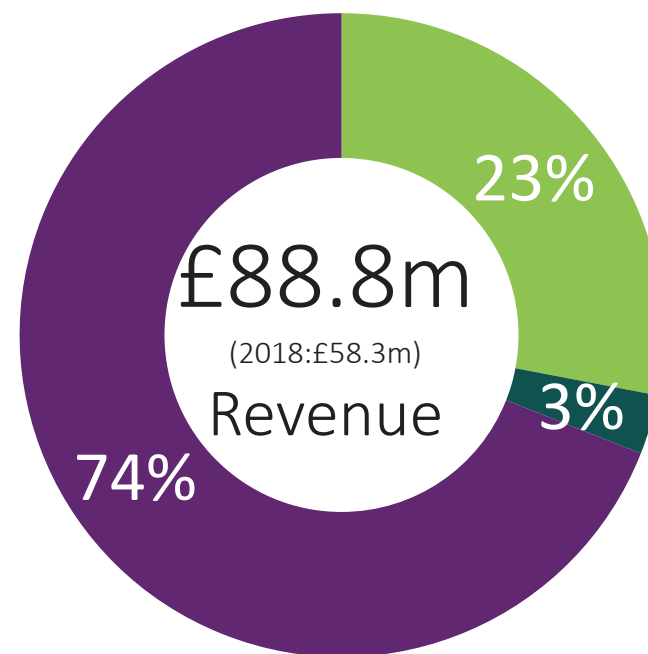
**P&G**

**PHILIPS**

**3M**



Full Year 2019 Sales by Sector (%)

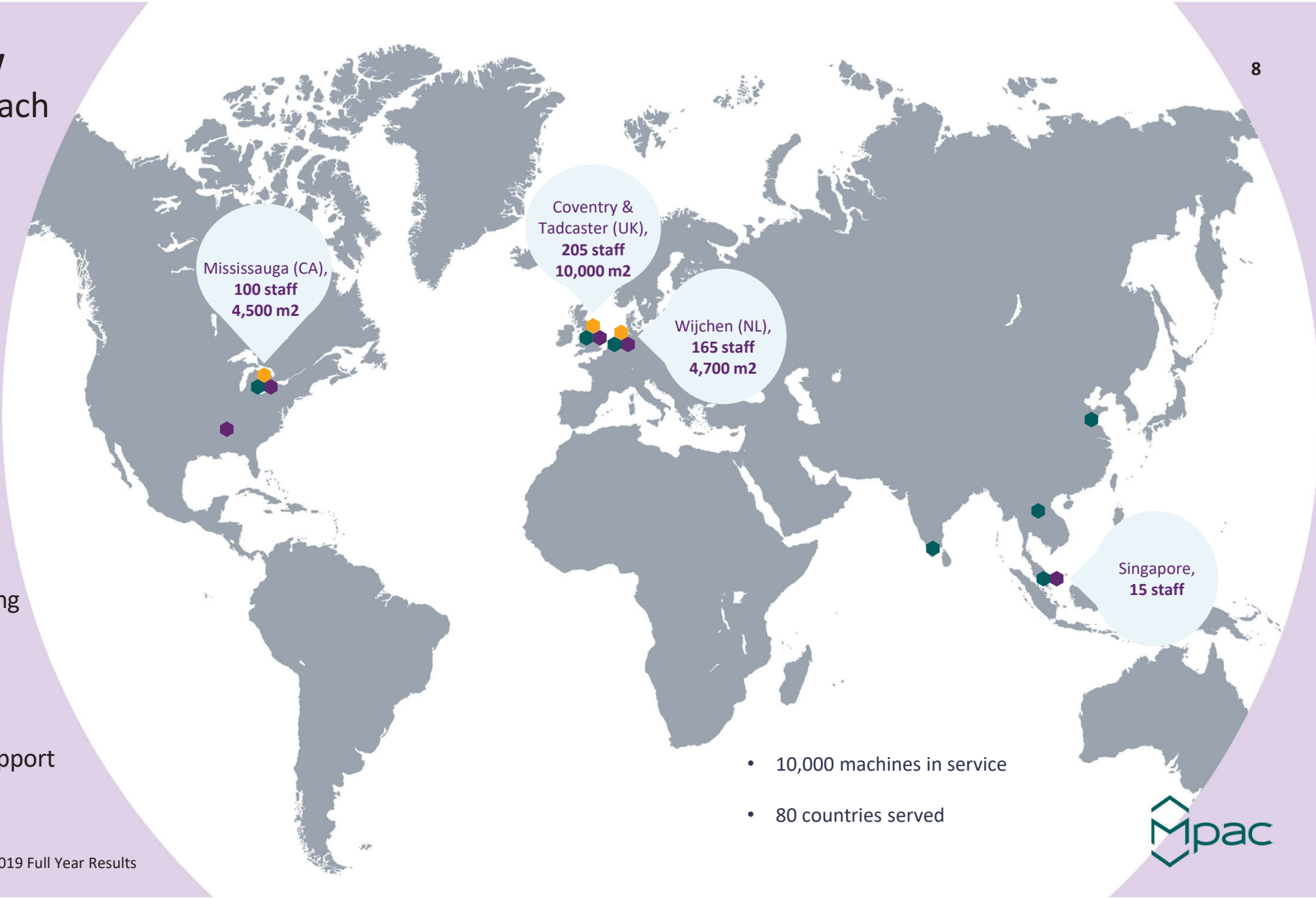




# Overview

## Global Reach

- Manufacturing
- Sales
- Customer Support



- 10,000 machines in service
- 80 countries served



# Sustainability vision

Our sustainability vision is broadening and growing with us...

We promise to do our part in protecting the planet's future; partnering with our customers to support their reduction in packaging materials usage and the effective adoption of biodegradable and recyclable materials.

Mpac develops flexible and innovative solutions to support our customers to achieve their sustainability goals.

Mpac encourages internal activities which support the culture and adoption of continuous improvement in sustainability.



## Acquisition



# Acquisition

## Company Overview



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### Business summary

- Mpac Lambert provides customers with full process provision from design process consultancy to implementation of full turnkey multiple line automation systems and maintenance support
- 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 6,500 sq.m. facility in Tadcaster, North Yorkshire with a strong R&D ethos represented by the Wainman Innovation Centre



P&G

3M



PHILIPS



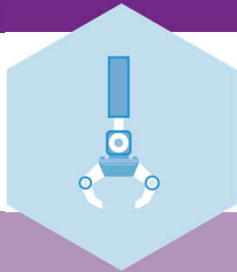
Johnson & Johnson



# Acquisition

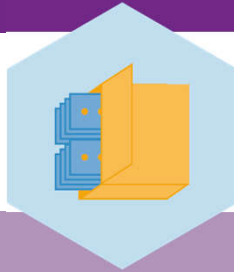
## Core Competencies

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



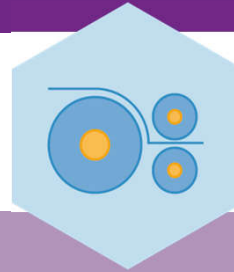
### Assembly Systems

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 Systems

Build to print and  
manufacture of precision  
components



# Mpac Lambert acquisition accelerates innovation

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## Enabling full line solution selling

### Investment in Innovation

# £1.8m

(2018: £1.4m)



### Full line solutions offering

The acquisition of Mpac Lambert provides Mpac with additional capacity and technology to accelerate the development of an integrated full automation and packaging platform focussed upon customers in the Healthcare sector.



### Investing in a sustainable future

Environmental and sustainability concerns from our customers and end consumers necessitate innovative packaging processes. The focus on reducing packaging materials and removing packaging stages has led to a revolution within the industry which Mpac is well placed to meet the demands of with both existing and future solutions. Our strategy for innovation is designed to deliver flexible and rapid solutions to meet the fast pace of change in our customers' markets.



### The future of innovation and automation: Industry 4.0

The next phase in our development roadmap of Industry 4.0 enhancements which provides platforms to unlock the potential from the vast amount of data generated during production to improve our customers efficiency and waste reduction targets.

2019

Financial Highlights

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Will Wilkins  
**Group Finance Director**



## 2019 Full Year Financial Highlights

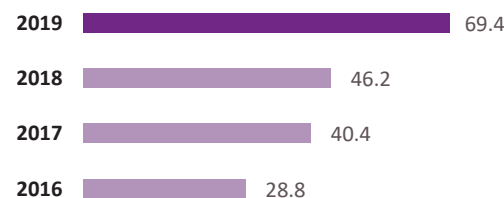
15

- Increase in Group order intake of £23.8m (37%) to **£87.6m** (2018: £63.8m) and 18% on a like for like basis
- Increase in Group sales of **£30.5m** (52%) to **£88.8m** (2018: £58.3m) and 24% on a like for like basis
- Growth in gross profit margin to 29% (2018: 24%)
- Underlying PBT **£7.5m** and underlying operating profit of **£7.7m** (2018: £1.4m)
- Lambert integration completed and performed ahead of expectations
- Closing net cash of **£18.0m** (Dec 2018: £27.0m)
- Underlying earnings per share of **39.5p** (2018: 4.5p)
- 2019 final dividend proposed of **1.5p per share**

Mpac Group plc 2019 Full Year Results

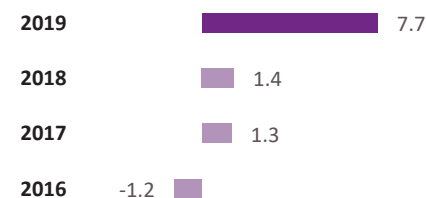
### OE Revenue (£m)

**£69.4m**



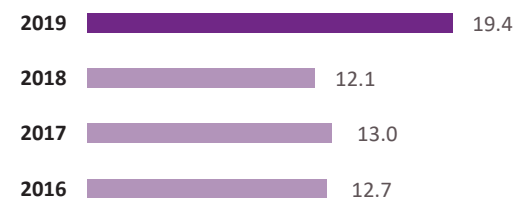
### Underlying operating profit (£m)

**£7.7m**



### Service Revenue (£m)

**£19.4m**



### Gross profit (%)

**29.3%**



# Group Income Statement

## For the year to 31 December 2019

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	2019 (£'m)	2018 (£'m)	change
<b>Revenue</b>	<b>88.8</b>	<b>58.3</b>	<b>+52%</b>
-Original Equipment	69.4	46.2	+50%
-Services	19.4	12.1	+60%
<b>Gross profit</b>	<b>26.0</b>	<b>14.0</b>	<b>+86%</b>
Gross profit margin	29%	24%	+5%
Distribution costs	(7.2)	(5.0)	
Administration expenses	(10.3)	(7.2)	
Other operating expenses	(0.8)	(0.4)	
<b>Underlying operating profit</b>	<b>7.7</b>	<b>1.4</b>	<b>+6.3m</b>
Underlying operating profit margin	8.7%	2.4%	+6.3%
Net financing expense	(0.2)	-	
Non-underlying items	(2.1)	(8.8)	
Taxation	0.5	1.4	
Profit after tax for the period	5.9	6.0	
Basic earnings per share	29.7p	(30.1)p	
<b>Underlying earning per share</b>	<b>39.5p</b>	<b>4.5p</b>	

### Key highlights:

- Excellent financial performance, with increase in OE and Service revenue and margins
- Organic revenue growth of 52% (24% on a like-for-like basis)
- Performance underpinned by strategic growth drivers and initiatives
- Margins and revenue growth supported by strong 2019 opening order book
- Non-underlying items include acquisition costs, amortization of Lambert intangibles and pension administration charges
- £10m borrowing facility entered into in June 2019 committed until June 2022
- Utilisation of tax relief and credits result in £0.3m underlying tax credit

## 2019 Full Year

### Cash bridge and working capital

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Financial bridge on net cash (£m)



#### Working capital

Inventories	-£3.2m	OE projects in stock
Trade debtors	+£5.2m	General trading levels
Trade creditors / Contract assets/liabilities	-£4.5m	Flush through of 2018 orders to HY2 delivery
Provision	+£0.4m	

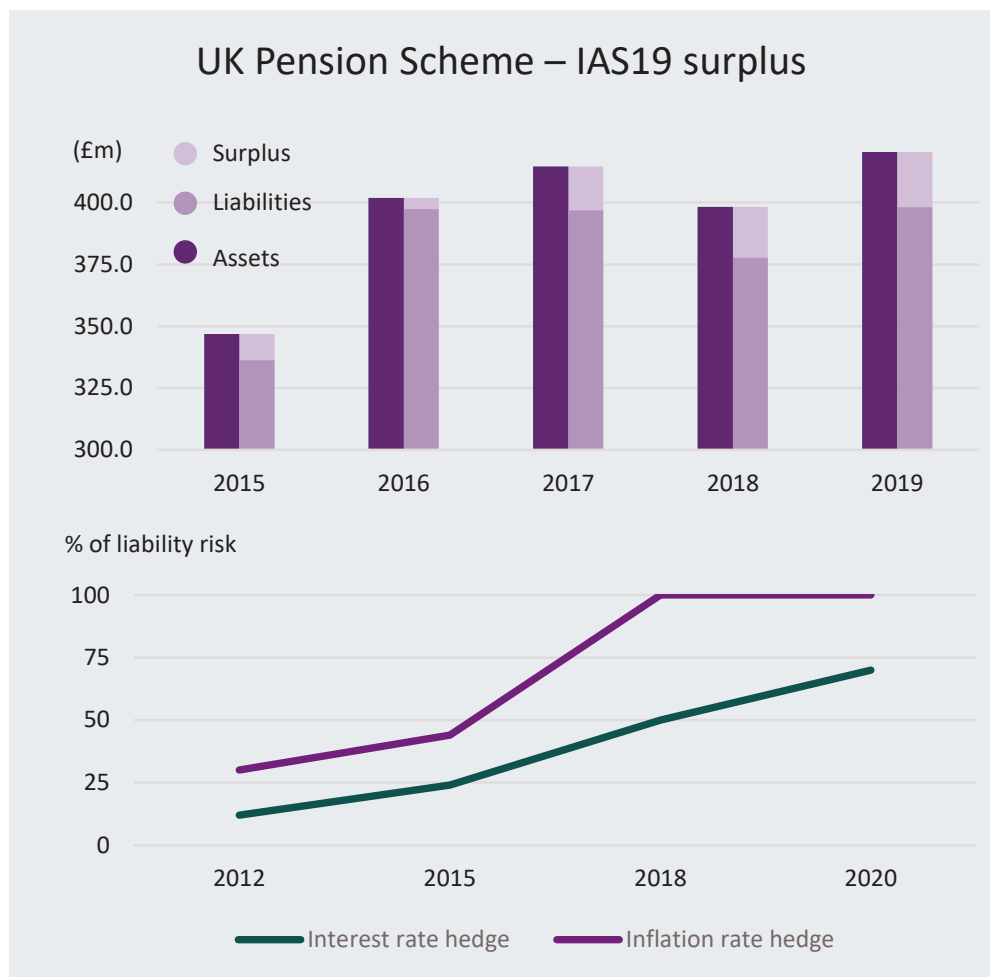
#### Acquisition cash flows

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	



## 2019 Pension scheme

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Mpac Group plc 2019 Full Year Results

### UK Scheme

- Actuarial deficit reduced from £70m to £35m, including £8.5m GMP equalisation charges
- Structured de-risking process undertaken, balancing :
  - Asset growth to eliminate the deficit through growth assets
  - Liability Driven Investment (“LDI”) to manage risk
- Leveraged LDI assets providing 100% cover against liability inflation risk and 70% cover against discount rates
- Equity exposure down to 11% of the fund assets

### 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
- Migration of scheme assets to LDI to hedge risk



## Overview

Strategic update

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Tony Steels  
**Chief Executive**

## Strategic update

On track to deliver

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Global leader of ingenious high speed assembly and packaging automation solutions



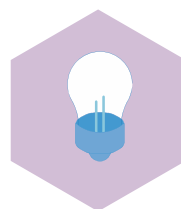
### Going for Growth

Improved customer performance



### Make Service a Business

Improved operational performance



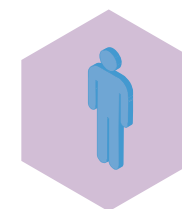
### Innovation

Go beyond our customers' expectations



### Operational Efficiency

Improved returns and cash generation



### People

Engage, retain and develop

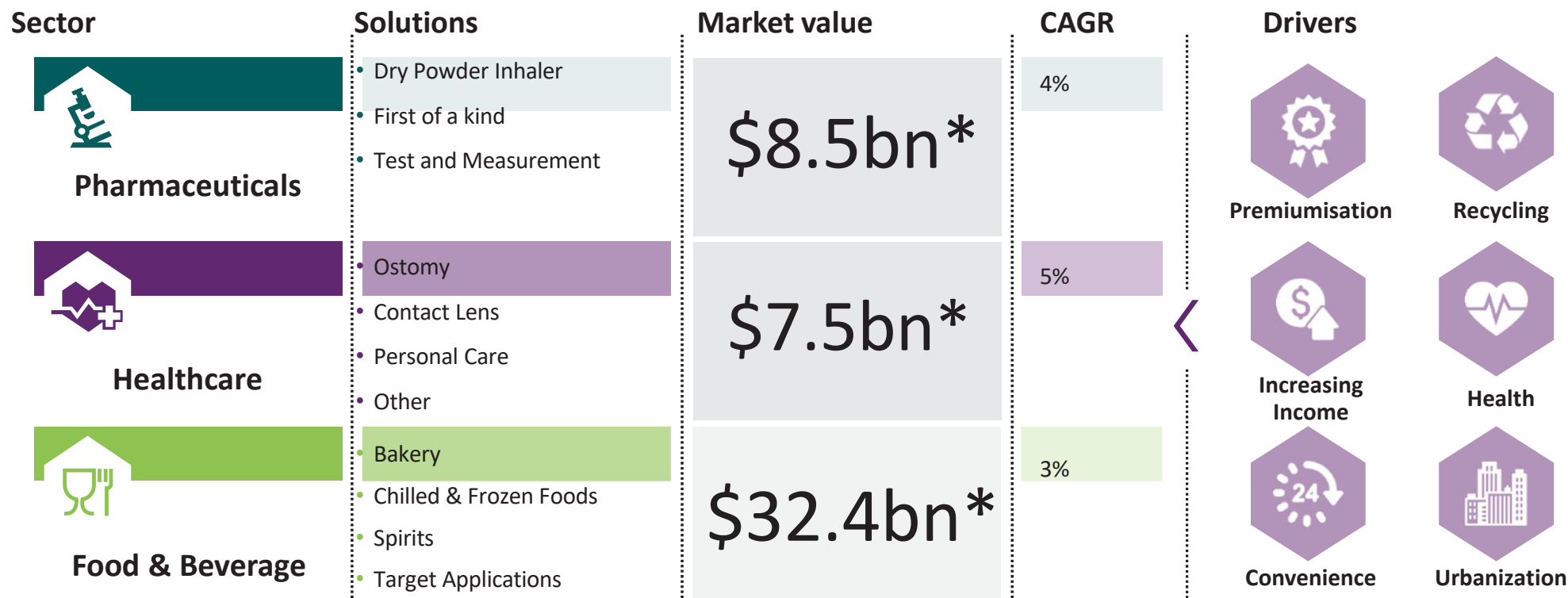
Target 10% organic growth and improved ROS over medium term

Transforming our business performance

## Strategic update

### Addressable growth markets

21



\* PMMI – Period 2017 – 2021 & Fairgrove Report

**Leadership in higher margin segments in long-term growth markets**

# Strategic update

## Strategic priorities

22



### During 2019

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

### Future plans

- Full solutions offering to Healthcare customers
  - Integrated packaging solutions
  - Industry 4.0 Commercialisation
  - Global Key Account Management
- 
- Upgrade programmes
  - Life cycle ROI proposition
  - Service systems enhancements
  - Product innovation – Industry 4.0
- 
- Flexible resource model
  - Phased ERP launch
  - Supply chain efficiency
  - Talent development and retention

## Functional Excellence and Cross Functional Alignment



# 2019 Service as a Business

## Performance optimisation



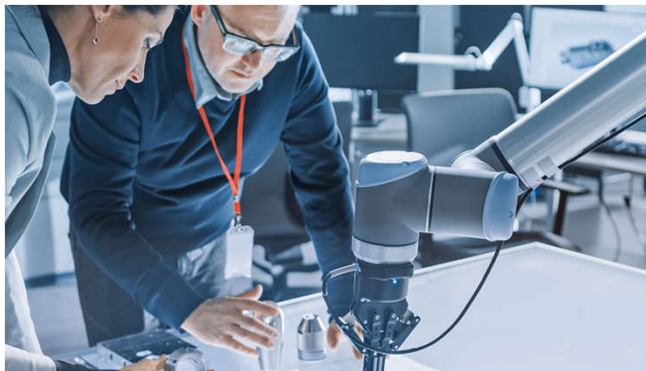
### Innovation in Service

Delivering an advanced HMI with all automation and packaging machines to ensure that our customers benefit from the shift in performance available to them from Industry 4.0



### Investment in skills and resource

Our global service team cover all regions providing localised best in class customer support. Our Service team has grown by 39% in 2019.



### Delivering improved overall equipment efficiency and life cycle ROI

Our Service engineers work collaboratively with our customers to improve production efficiency and the return on investment of their equipment.



MAINTENANCE SERVICES



MODERNISATIONS AND UPGRADES



LONG-TERM SERVICE AGREEMENTS



SPARE PARTS



PRODUCT TRAINING



REMOTE SUPPORT

## Strategic update

### Outlook

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- One Mpac business model delivering on strategic plans
- Mid term report verifies strategy on track and advises areas to re-focus
- Integration of Mpac Lambert completed
- Innovation roadmap will deliver further new products to be commercialised in 2020
- Full solution customer offering in 2020
- £10m secured committed borrowing facility entered into and available to drive growth
- Focus remains on organic growth but with active assessment on further acquisition opportunities
- Strong and diverse closing order book gives confidence for 2020
- Order prospect pipeline remains robust and results are in line with market expectations
- We remain in continuous contact with key customers and suppliers to monitor the impact on Mpac from the spread of the coronavirus



# Appendices

## Appendices

### Income Statement

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	2019 £m	2018 £m
Sales	88.8	58.3
<b>Underlying operating profit*</b>	<b>7.7</b>	<b>1.4</b>
Non-underlying operating loss	(2.4)	(9.0)
Operating profit/(loss)	5.3	(7.6)
Net Interest receivable/(payable)	0.1	0.2
Profit/(loss) before tax	5.4	(7.4)
Tax credit	0.5	1.4
Profit/(loss) for the period	5.9	(6.0)
Underlying EPS*	39.5p	4.5p
Basic EPS*	29.7p	(30.1)p

\* before non-underlying items

- Revenue increase of 52% over 2018
- Non underlying items of £2.4m include:
  - Acquisition costs £0.9m
  - Amortisation £0.9m
  - Pension admin costs £1.2m
  - Past service gain £(1.1)m
  - Reorganisation costs £0.3m
- Underlying tax credit of £0.3m reflects R&D credits and utilisation of tax losses
- Non-underlying net financing income of £0.3m is pension related (2018: £0.2m)
- Significant increase in underlying operating profit to £7.7m (2018: £1.4m)

# Appendices

## Segmental Information

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	2019 £m	2018 £m
<b>Sales</b>		
<b>Original Equipment</b>		
Americas	45.8	20.5
EMEA	17.6	20.1
Asia Pacific	6.0	5.6
<b>Total Original Equipment</b>	<b>69.4</b>	<b>46.2</b>
<b>Service</b>		
Americas	11.0	6.4
EMEA	7.2	4.6
Asia Pacific	1.2	1.1
<b>Total Service</b>	<b>19.4</b>	<b>12.1</b>
<b>Total sales</b>		
Americas	56.8	26.9
EMEA	24.8	24.7
Asia Pacific	7.2	6.7
<b>Total sales by region</b>	<b>88.8</b>	<b>58.3</b>
Gross Profit	26.0	14.0
Selling, Distribution and Admin cost	(18.3)	(12.6)
<b>Underlying operating profit/loss</b>	<b>7.7</b>	<b>1.4</b>

### Original Equipment 'OE'

- OE revenue increase 50% over 2018
- Americas revenue increase of >100%
- EMEA impacted by fewer first-of-a-kind orders

### Services

- Services revenue increase of 60% over 2018
- Significant revenue growth in Americas

### Sector Analysis

- Significant revenue growth in OE and Services in the Americas with growth predominantly in Healthcare sector
- Lambert 2019 revenue mainly related to Americas projects



## Appendices

### Cash Flows

28

	Dec 2019 £m	Dec 2018 £m
Cash flows from operating activities	5.1	(0.9)
Cash flows from investing activities	(12.7)	(1.2)
Cash flows from financing activities	(1.2)	(0.1)
<b>Net cash flows</b>	<b>(8.8)</b>	<b>(2.2)</b>
Opening net funds	27.9	30.3
Exchange	(0.2)	(0.2)
<b>Closing net funds</b>	<b>18.9</b>	<b>27.9</b>

- Cash flows from operating activities in 2019 include:
  - £2.1m working capital increase
  - £2.9m of pension payments
  - Re-organisation costs paid of £1.0m
- Cash flows from investing activities include:
  - Acquisition of Lambert £10.6m net
  - Capex of £2.0m primarily related to the new engineering and business systems

## Appendices

### Working Capital

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	Dec 2019 £m	Dec 2018 £m
(Increase)/decrease in inventories	(3.2)	1.7
Decrease /(Increase) in contract assets	1.8	(1.3)
Decrease/(increase) in trade receivables	5.2	(1.3)
Increase/(decrease) in trade payable	4.7	(1.4)
Increase in provisions	0.4	0.1
(Decrease)/increase in contract liabilities	(11.0)	4.1
<b>Net working capital (increase)/decrease</b>	<b>(2.1)</b>	<b>1.9</b>

- Increase in working capital reflects the build phasing of long term projects alongside project cash flows
- Significant increase in OE order intake in Q4 2018 unravelled in the second half of 2019 and full year working capital levels reflect normal levels of contract assets
- Inventory increase mainly relates to current OE projects due to be completed in first half of 2020
- Contract liabilities movement reflects the accounting for OE orders HY2 2018 compared to HY1 2019

## Appendices

### Balance Sheet

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	Dec 2019 £m	Dec 2018 £m
Intangible assets	16.3	1.0
Investment property	0.8	0.8
Property, plant & equipment (including right of use)	10.9	4.4
Net working capital (excl. pension & tax)	(1.0)	(1.7)
Pension schemes (after tax)	10.1	7.1
Current and deferred tax (excl. pensions)	(0.2)	2.0
Lease liabilities (IFRS16)	(4.8)	-
Deferred consideration	(2.6)	-
Net cash	18.0	27.0
<b>Equity</b>	<b>47.5</b>	<b>40.6</b>

- Intangible assets from Lambert acquisition - £15.3m
- UK pension scheme surplus static as a result of the return on plan assets offset by the movement in the discount rate. (1.9% v 2.7%)
- IFRS 16 adopted – Right of use assets capitalised amounting to £4.7m
- Main equity movements include the following:
  - £5.9m retained profit for the period
  - £1.1m favourable movement in hedging reserve



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