



Mpac Group plc

Ingenious Packaging Solutions

2017 Full Year Results

March 2018



Agenda



1. Overview
2. 2017 Financial Highlights
3. Strategic Update
4. Outlook
5. Appendices



OVERVIEW - REVIEW



Tony Steels – Chief Executive

Strategic Update



Transformational year of progress against the strategic plan:

- Strategic plans accelerated by the divestment of the I&TM business
- Continuing business 100% focused on target growth markets
- Order intake, order book and sales all exceeded strategic plan
- Leveraged embedded partnerships with global blue chip customers
- Profitability turned around
- Moved Canadian & Singapore operations to new customer showcase environment
- Launch of new branding Mpac
- New Leadership team onboarded



What we do?



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



Make

Creating and enabling new ideas that give a competitive advantage and keep customers at the forefront of their markets.



Pack

Provider of high speed processing and packing technologies that drive business performance and long-term value.



Test

Test and inspection technologies are incorporated into the solutions we provide to ensure product quality and compliance.



Service

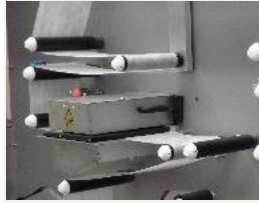
Providing lifetime service and sustaining excellence, globally, quickly and efficiently.

Core Skills & Experience



Dosing and filling

We are specialists in the design of precision powder dosing and powder micro-dosing, and powder filling machines.



Web handling

High-speed web handling, forming, cutting, punching, folding, sealing, printing, verification.



Assembly automation and robotics

We have designed robotic cells allowing the manufacture of a wide variety of different product concepts on the same base machine.



High specification automation

Continuous motion, indexing mechanisms, control systems, vision systems, ultrasound, lasers.



Cartoning

End load cartoners have been a core competency of ours from the beginning. Applications include stick packs, contact lenses, tissue, premium spirits, bag-in-box.



Case Packing

We have a long history of providing reliable and robust case packing and palletising equipment. Our highly flexible standard solutions commonly load RSC, HSC and tray containers.

Key Markets



Mpac has a highly skilled and experienced team dedicated to finding practical solutions to your challenges.

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



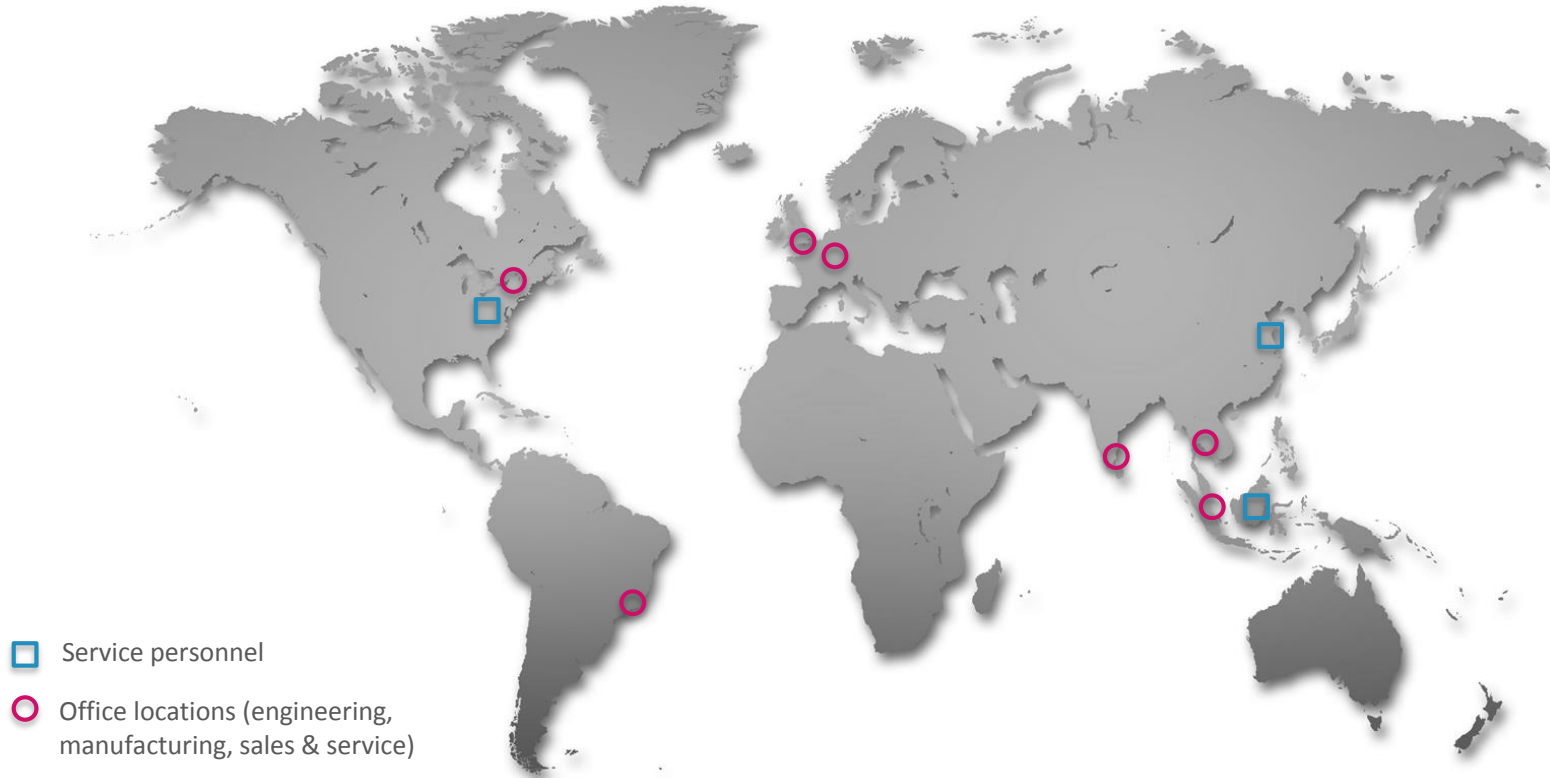
Healthcare



Nutrition & Beverage



Global Reach





2017 FINANCIAL HIGHLIGHTS

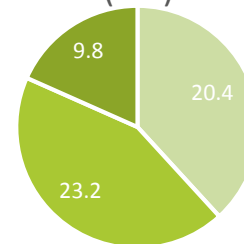
Jim Haughey – Group Finance Director

Overview – 2017 Financial Highlights



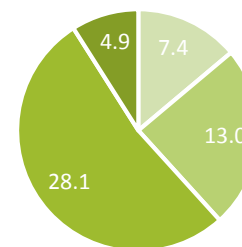
- Order intake increased 21% year on year
- Closing order book 35% increase over 2017 opening position
- Increase in Group sales - continuing operations of £11.9m (29%)
- Underlying operating profit of £1.3m (2016: £1.2m loss)
- Underlying PBT of £1.1m (2016: £1.5m loss)
- Disposal of Tobacco division generated £25.9m net proceeds (£23.5m following additional pension payment)
- Sale of Canadian property generates £6.8m net proceeds
- Closing net cash of £29.4m (2016: £0.8m)
- Underlying EPS of 4.2p (2016: 6.0p loss per share)
- 2018 final dividend nil - Future dividend policy to be considered in the context of 2018 result
- Priority organic growth then acquisitions

Sales by region 2017
(£m)



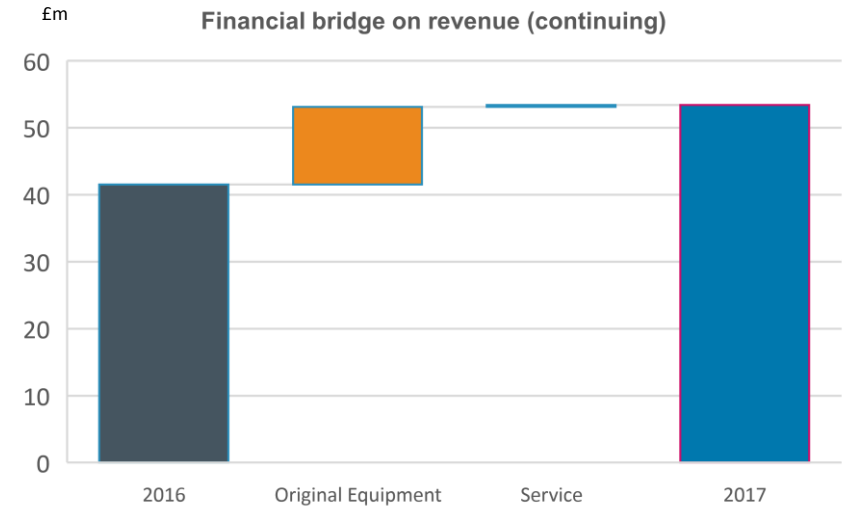
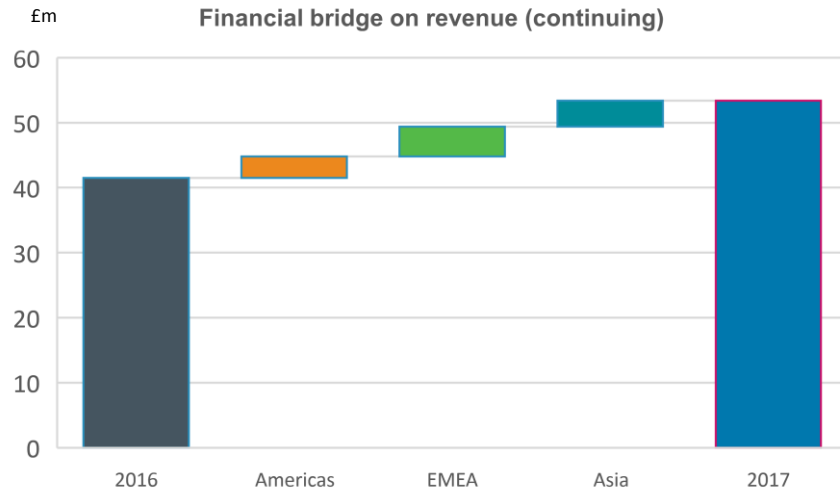
■ Europe ■ Americas ■ Asia Pacific

Sales by sector 2017
(£m)

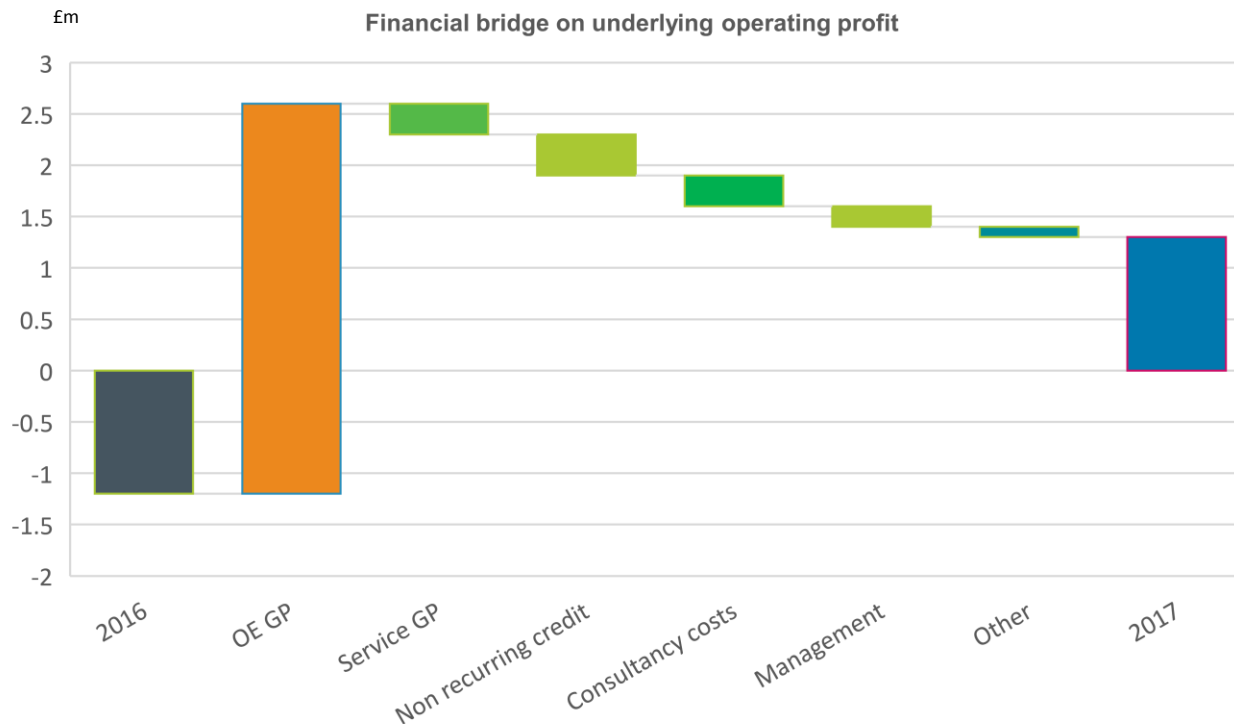


■ Pharma ■ Healthcare ■ F&B ■ Other

2017 Group Performance

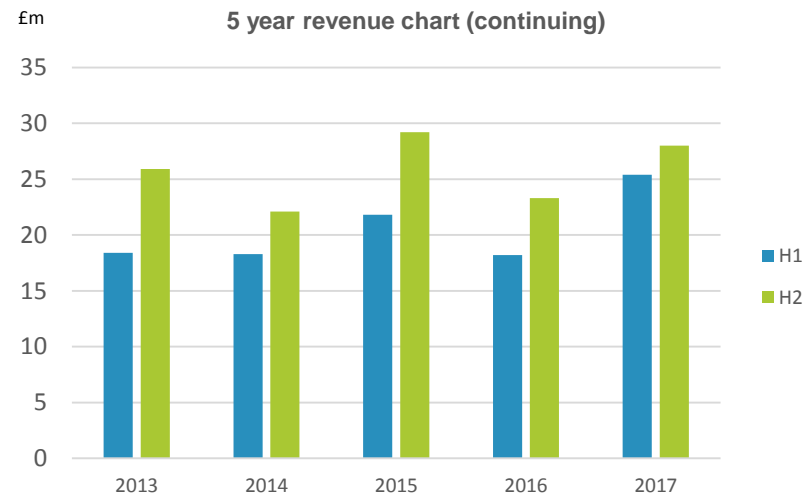
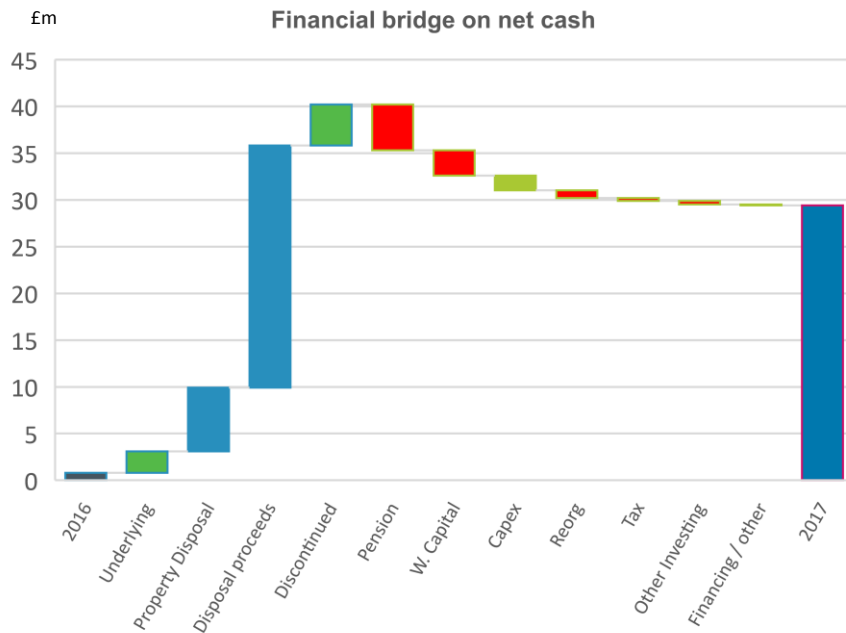


2017 Group Performance



OE GP = Original Equipment Gross Profit
Service GP = Service Gross Profit

2017 Group Performance



Pensions



UK Pension Surplus

General

- PPF stated 66% of pensions schemes were in deficit
- Of the deficit schemes, the Median funding level was 86%
- Molins scheme was 87% funded (2nd quartile)

UK Scheme

- IAS19 surplus of £17.7m
- Mature scheme with 4233 members (68% pensioners)
- Scheme closed in 2012
- Current payments £1.8m pa until 2029

US scheme

- IAS19 deficit of £6.8m
- Mature scheme with 279 members (59% pensioners)
- Scheme closed in 2011
- Current payments of £0.7m, increasing to £1.1m, and then reduces to normal levels post 2023



STRATEGIC UPDATE

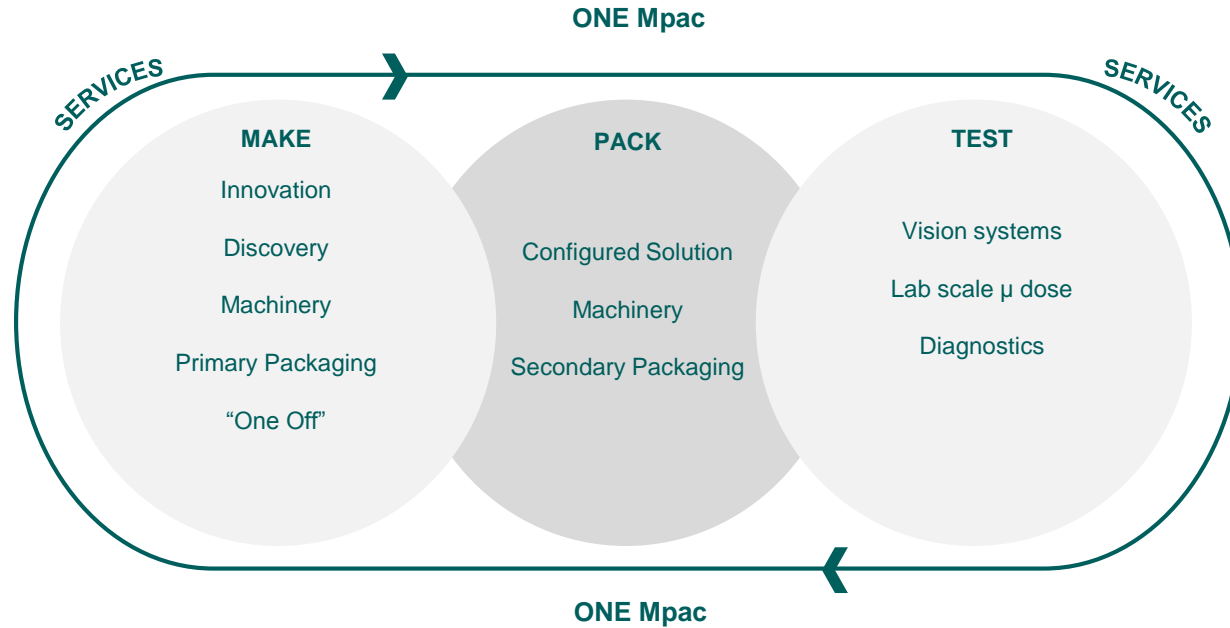


Tony Steels – Chief Executive

- 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

10% annual organic revenue growth, 10% ROS over medium term







One Mpac Business Model



Single entity business model – common processes

Addressable Growth Markets



SECTOR	SOLUTIONS	MARKET VALUE	CAGR	DRIVERS
Pharmaceutical	» Dry Powder Inhaler	\$29 billion*	4.9%	 
	» First of a kind			
	» Test and Measurement			
Healthcare	» Ostomy	\$29 billion*	5.3%	 
	» Contact Lens			
	» Personal Care			
Food and beverage	» Bakery	\$3.3 billion*	2.9%	 
	» Chilled & Frozen Foods			
	» Spirits			
	» Target Applications			

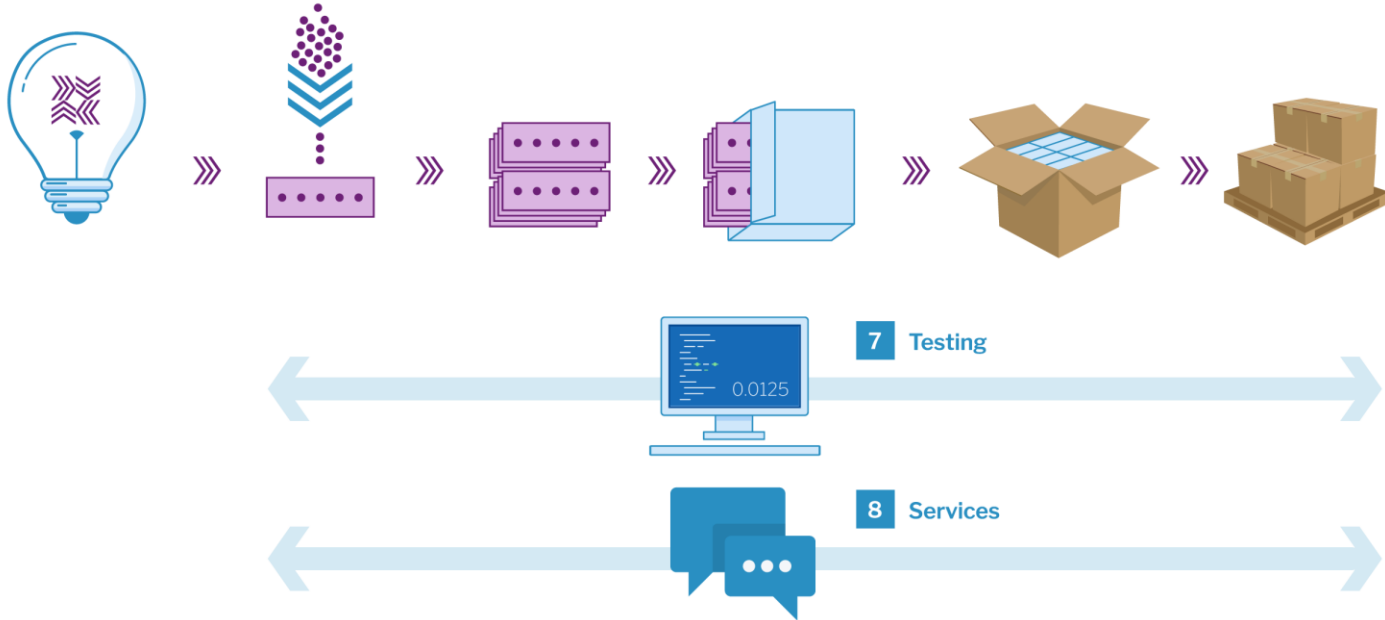
*PMMI 2016 – Period 2017 - 2021

Leadership in higher margin segments in long-term growth markets

Application Know-how



- 1 Consultancy
- 2 Primary packaging
- 3 Infeeds
- 4 Secondary packaging
- 5 Case packing
- 6 Palletising



Knowledge based solutions to leverage across established customer base

Case Study Contact Lenses



Challenge

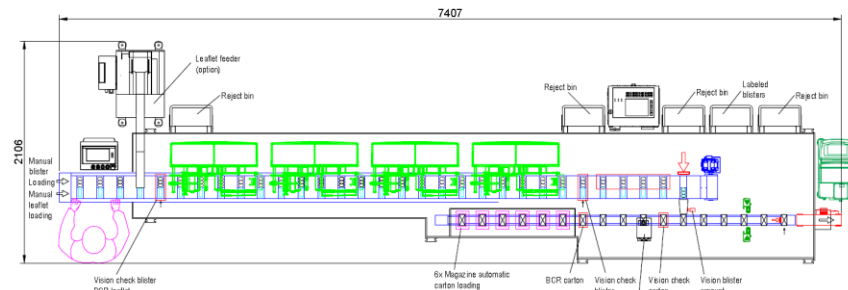
Customer USP - historical brands and SKU's are retained. Some maybe only used 3~4 /yr. Minimum batch was 20 packs leading to high inventory, manufacturing costs and product expiry

Solution

Store in unbranded state. Individual label blisters and load labelled blisters into correct branded packet and label again

Benefits

Batch size of one. 75% reduction in inventory loss due to product expiry. Product data labelling integrity. First line with new concept of flexible packaging

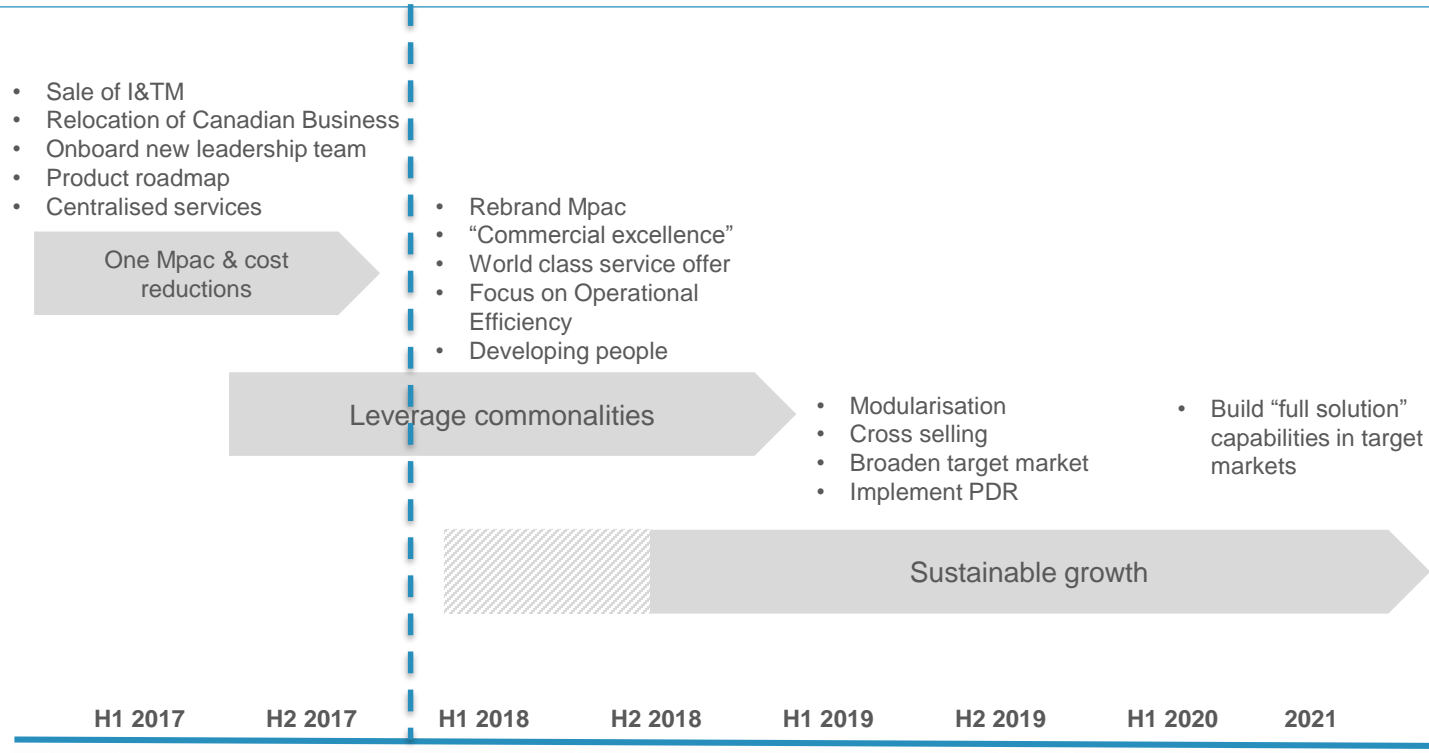


Strategic Priorities



Functional Excellence and Cross Functional Alignment

The Journey - update



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

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

Transforming our business performance

- Company entered 2018 with stronger order book than a year before
- Sustained focus on development of continuing operations
- Order intake and sales strongly ahead of last year
- Prime focus on organic growth
- Consideration of complementary acquisitions



Appendices



Income Statement



	2017 £m	2016 £m
Sales	53.4	41.5
Underlying operating profit *	1.3	(1.2)
Non-underlying items	3.3	(1.7)
Operating profit / (loss)	4.6	(2.9)
Net Interest Payable	(0.3)	(0.2)
Profit / (loss) before tax	4.3	(3.1)
Taxation	(1.9)	0.7
Profit / (loss) for the period from continuing operations	2.4	(2.4)
Discontinued operations	(0.8)	1.8
Profit / (loss) for the period	1.6	(0.6)
Underlying EPS *	4.2p	(6.0)p
Basic EPS	8.4p	(3.3)p
Basic EPS from continuing Operations	12.2p	(12.3)p

* before non-underlying items

- Sales increase 21% over 2016
- Underlying operating profit increase of £2.5m to £1.3m
- Underlying PBT increase of £2.6m in year to £1.1m
- Non underlying items of £3.3m include:
 - Canada property profit of £4.8m
 - Pension admin costs £(0.8)m
 - Re-organisation costs £(0.7)m, with significant management changes within all group operations.
- Loss on discontinued operations of £(0.8)m includes:
 - IT&M trading PBT of £0.8m
 - Net loss on disposal of £(0.1)m
 - US deferred tax adjustment – Pensions £(2.6)m
 - Recycle of translation reserve of £1.1m
- Underlying interest expense of £0.2m, non-underlying is pension related of £0.1m
- Underlying tax relates to Netherlands (£0.3m), non underlying relates to £1.7m of deferred tax on pension scheme movements.
- Underlying EPS increased by 10.2p to 4.2p.

Segmental Information



	2017 £m	2016 £m
Sales		
Original Equipment		
Americas	16.4	13.6
EMEA	15.8	11.2
Asia Pacific	8.2	4.0
Total Original Equipment	40.4	28.8
Service		
Americas	6.8	6.3
EMEA	4.6	4.6
Asia Pacific	1.6	1.8
Total Service	13.0	12.7
Total sales		
Americas	23.2	19.9
EMEA	20.4	15.8
Asia Pacific	9.8	5.8
Total sales by region	53.4	41.5
Gross Profit	14.5	11.0
Selling, Distribution and Admin cost	(13.2)	(12.2)
Underlying operating profit / loss	1.3	(1.2)

Original Equipment (OE)

- OE sales increase 40% over 2016 level
- Asia sales double
- EMEA sales increase 41%

Service

- A modest 2.4% increase in turnover, as the Group's new service team is established

Sales by Sector

- Sales to Food and beverage market increase 31%
- Sales to Healthcare market increase by 25%
- Sales to the Pharmaceutical market increase by 7.4%

Cash Flows



	2017 £m	2016 £m
Cash flows from operating activities	(2.1)	6.2
Cash flows from investing activities	30.7	(2.0)
Cash flows from financing activities	(7.3)	(6.0)
Net cash flows	21.3	(1.8)
Opening net funds	8.7	9.8
Exchange	0.3	0.7
Closing net funds	30.3	8.7

- Cash flows from operating activities include:
 - £2.7m working capital increase, in line with activity
 - £4.9m of pension payments, including £2.4m due to the sale of I&TM, and £0.7m US scheme payments
 - £4.4m cash inflow from discontinued operations
 - Re-organisation costs paid of £0.8m
- Cash flows from investing activities include:
 - Net proceeds from sale of I&TM of £25.9m
 - Proceeds from disposal of Canadian property of £6.8m
 - Capex of £1.6m primarily related to the new Canadian building
- Cash flows from financing activities include:
 - Repayment of Loan £7.0m
 - Interest paid of £0.2m
 - No dividends were paid in the year (2016: £0.5m)

Working Capital (continuing operations)



	2017 £m	2016 £m
Inventories decrease	0.7	0.7
Receivables (Increase) / decrease	(6.4)	(3.5)
Payables Increase / (decrease)	3.1	7.2
Provisions decrease	(0.1)	0.0
Net working capital (increase) / decrease	(2.7)	4.4

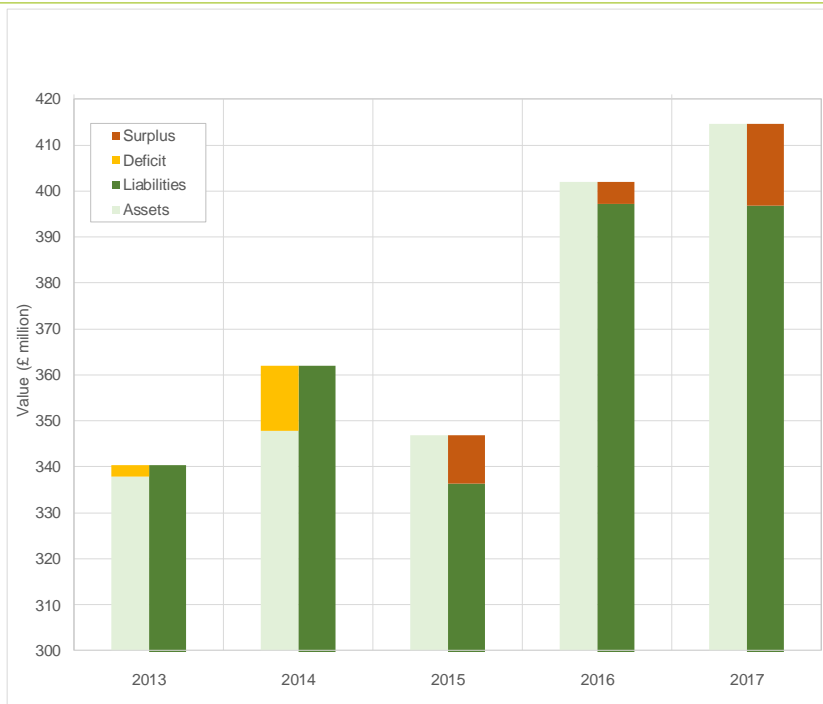
- Strong order intake in late 2016 resulted in favourable working capital as customers deposits were not significantly utilised on projects
- The Group has seen a corresponding outflow of working capital as projects have progressed through the year
- Net working capital increase in line with the increase in activity

Balance Sheet



		2017 £m	2016 £m
Intangible assets :	Goodwill	0.0	7.8
	Product Development	0.9	7.4
Property, plant & equipment		4.8	9.3
Net working capital (excl. pension & tax)		1.2	9.9
Pension schemes (after tax)		5.2	(1.1)
Current and deferred tax (excl. pensions)		1.3	1.3
Net cash/ (debt)		29.4	0.8
Equity		42.8	35.4

- Group net cash balances increase by £28.6m to £29.4m, increase includes the net impact of:
 - Net disposal proceeds on sale of I&TM of £25.9m (£23.5m after additional UK pension payments of £2.4m)
 - Proceeds on disposal of the Canadian property of £6.8m
- PPE includes £0.8m investment property
- Net assets sold include:
 - I&TM
 - Goodwill £8.0m
 - Product development £5.7m
 - PPE £3.1m
 - Working capital / other £11.1m
 - Canadian Property £1.9m
- Main equity movement include the following:
 - £1.6m profit for the period
 - £5.9m actuarial gains (net of tax)
 - £0.6m translation gain
 - £0.4m favourable movement in hedging reserve
 - £(1.1)m Recycle of translation reserve on disposal.



UK Pension Surplus

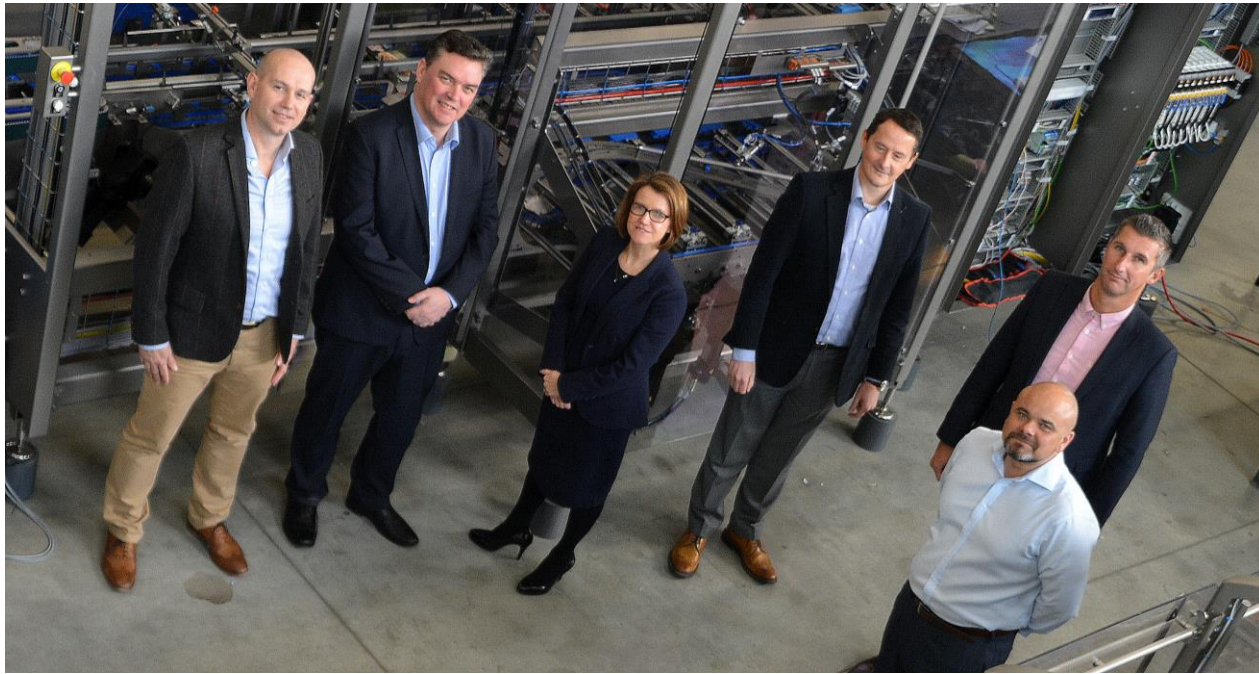
UK Scheme

- IAS 19 surplus £17.7m (2016: £4.6m)
 - Assets increased by £12.7m to £414.6m
 - Liabilities reduced slightly by £0.4m to £396.9m, with a discount rate of 2.3% (2016: 2.5%) and a CPI inflation rate of 2.1% (2016: 2.2%)
 - Interest rate sensitivity: 10bp rise = £5.8m surplus increase
- Mature scheme
 - 4,233 members with 2,896 (68%) pensioners, with an average age of 75.5 years.
 - Pensioner payroll of £17m, peaking at £19m in 2025 – 2030
- Scheme closed to new entrants and future accrual in 2012
- Current recovery plan in place since August 2017, at £1.8m (+2.1%) pa until 2029. Also includes £2.4m of net proceeds of I&TM (paid in the year) and a profit share of 33% of underlying operating profit between £5.5m and £10.0m.
- Company also funds the levy to the Pension Protection Fund (PPF)

US Scheme

- IAS 19 deficit £6.2m (2016: £6.8m)
 - Assets reduced by £0.4m to £16.7m
 - Liabilities reduced by £1.0m to £22.9m, with a discount rate of 3.45% (2016: 4.0%)
 - Interest rate sensitivity: 10bp rise = £0.3m deficit reduction
- Mature scheme
 - 279 members with 164 (59%) pensioners.
 - Pensioner payroll of £1.4m pa.
- Closed to future accrual in 2011
- Funding payments in accordance with regulation - £0.7m in 2017, expected to increase to £1.1m in 2018

Executive Leadership Team



New Executive Leadership Team



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