

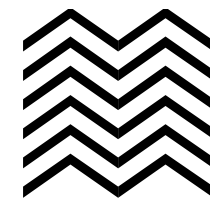


Mpac Group plc

# Ingenious Packaging Solutions

2018 Half Year Results

September 2018



# Agenda



1. Overview
2. 2018 – H1 Financial Highlights
3. Strategic Update
4. Outlook
5. Appendices





Tony Steels  
**Chief Executive**





## Overview

### Half Year Summary



- Good progress on strategic developments
- Prospects remain robust
- Customer investment confidence softened
- Revenue growth continues
- Profit set back due to technically challenging legacy contracts
- Cost saving initiatives implemented
- Technical review of order book completed



CooperVision™  
Live Brightly.

**FERRERO**

**DIAGEO**



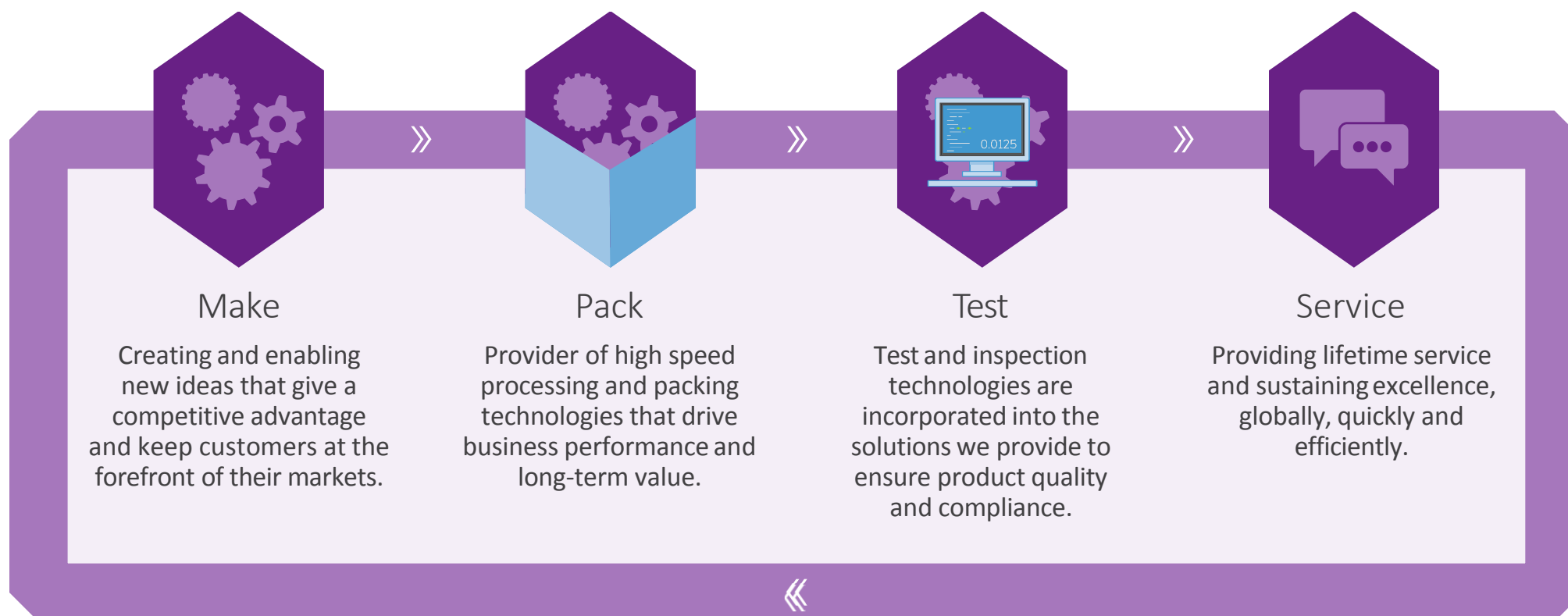


## Overview

### What we do



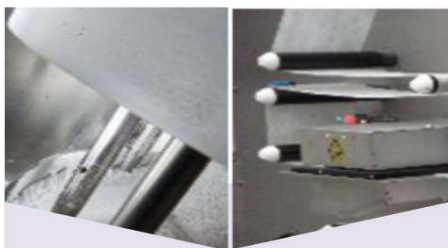
### Global leader in “Make, Pack, Test, Service” high-speed packaging solutions





## Overview

### Core skills and experience



#### Fill Solutions and web handling

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

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



#### Assembly automation, robotics and high specification automation

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

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.



## Overview

### 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



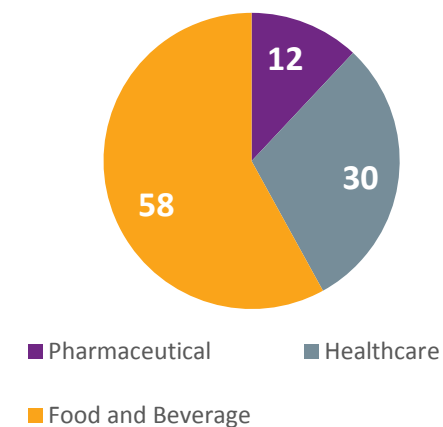
#### Healthcare



#### Food & Beverage



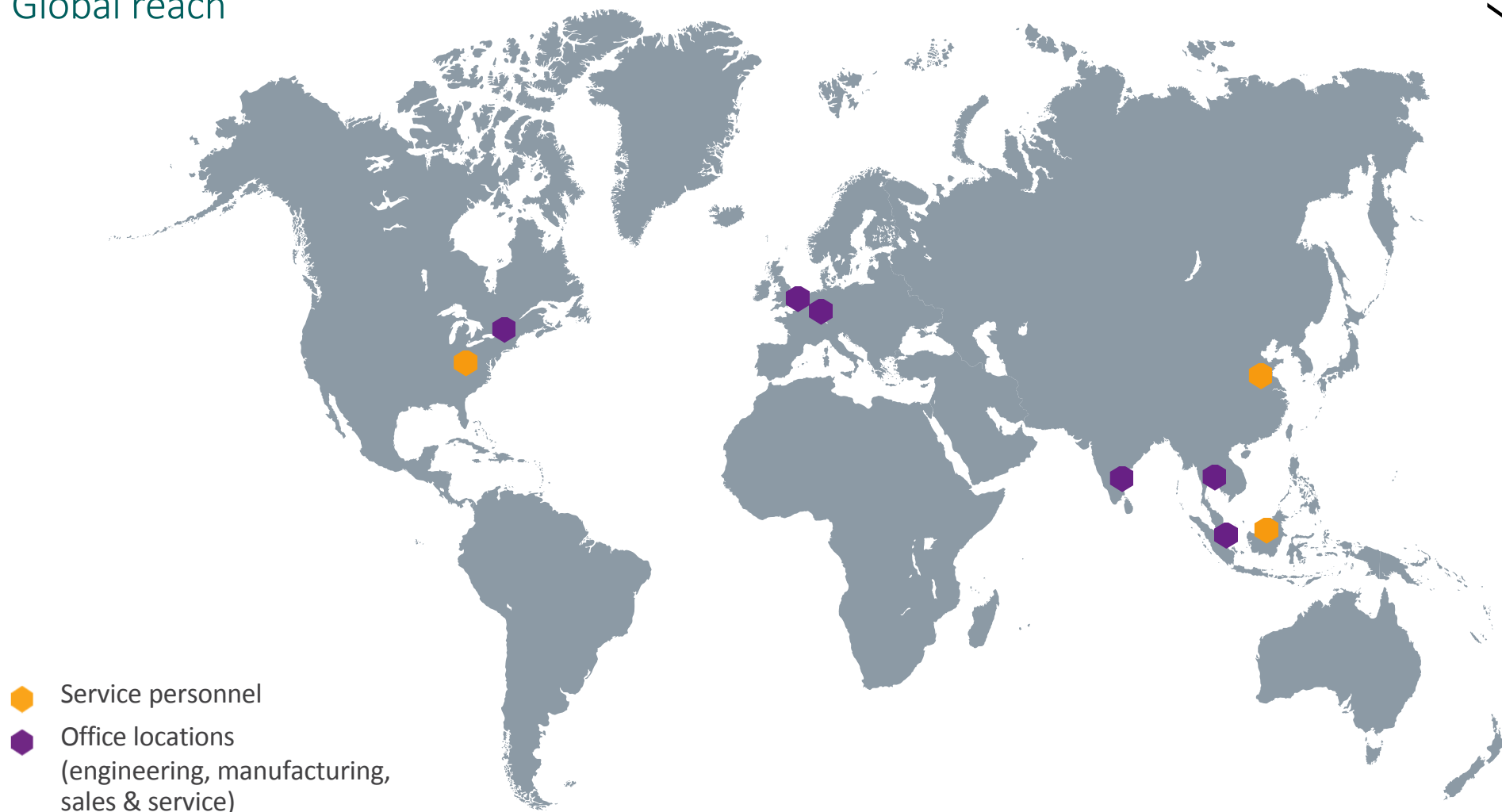
#### Sales by Sector %







## Overview

### Global reach



-  Service personnel
-  Office locations  
(engineering, manufacturing,  
sales & service)





Will Wilkins  
**Group Finance Director**



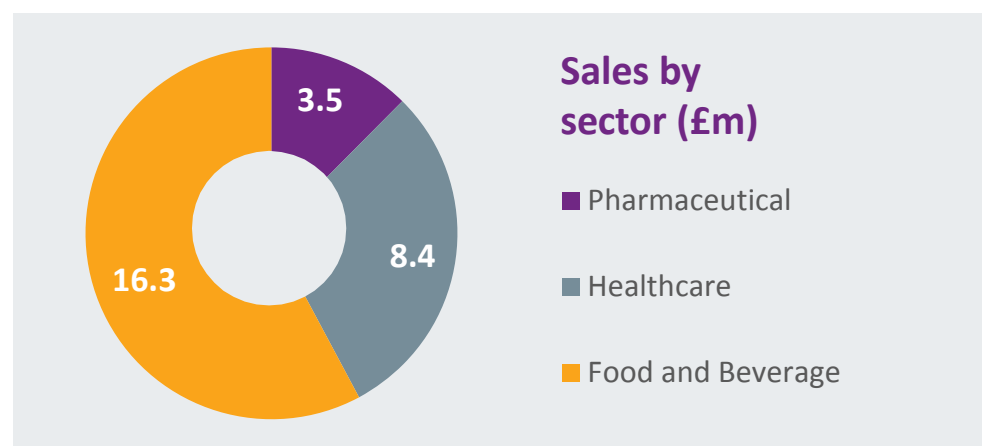
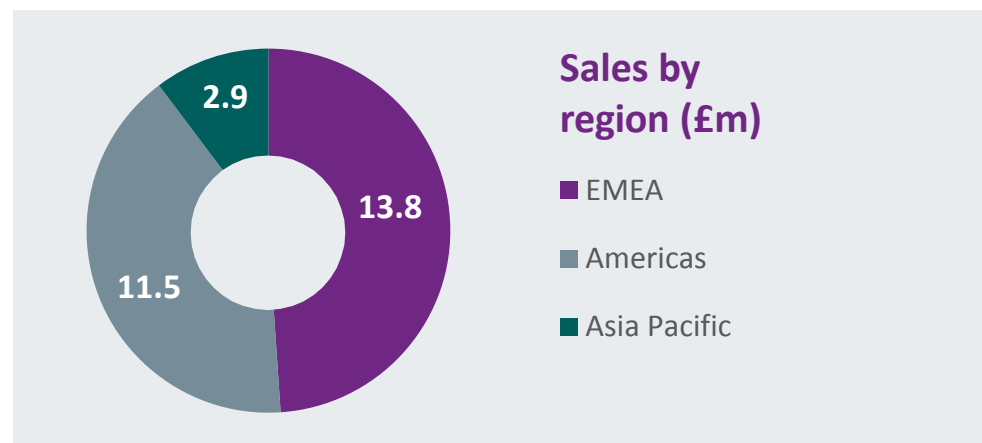


## 2018 – H1

### Financial highlights



- Increase in Group sales – continuing operations of **£2.8m** (11%) to **£28.2m**
- Order intake headwinds, but closing order book broadly in line with June 2017
- Breakeven underlying PBT (2017: £0.4m)
- Technically challenging contracts reduced gross profit by **c£1.0m**
- Original Equipment margins on remaining projects slightly down on June 2017
- Closing net cash of **£24.9m** (2017: £-1.1m) (Dec 2017: £29.4m)
- Underlying loss per share of **1.6p** (2017: 3.1p earnings per share)
- 2018 interim dividend **nil** – Future dividend policy to be considered in the context of 2018 result

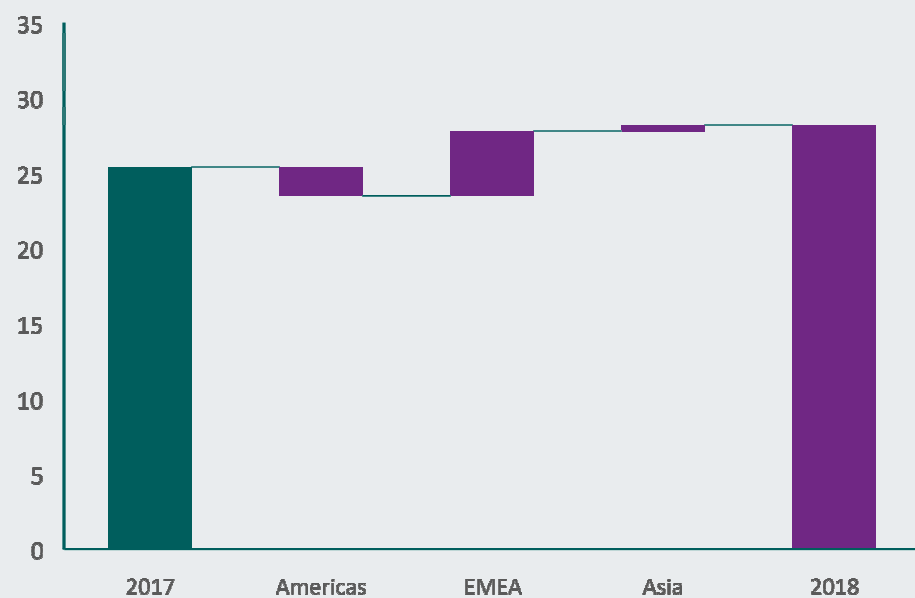




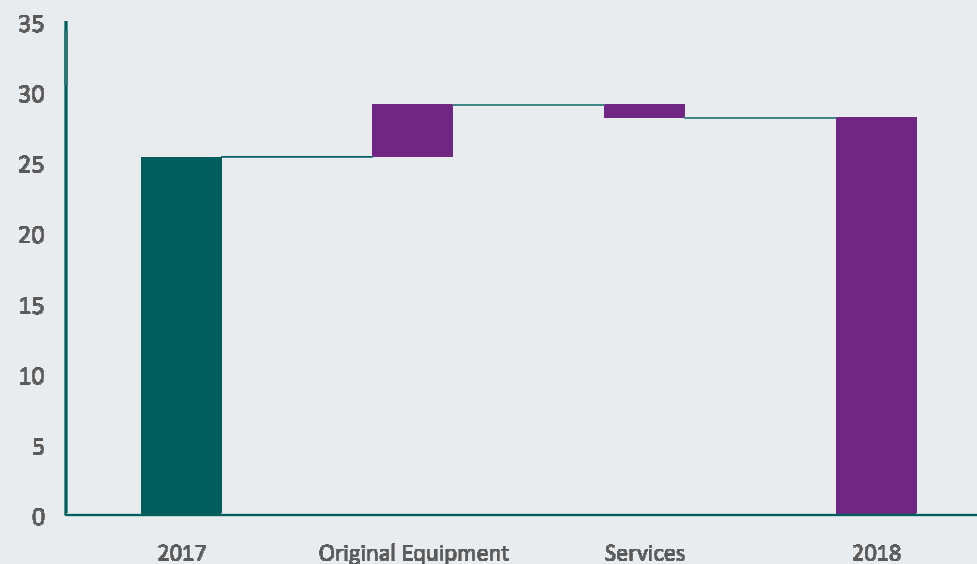
## 2018 – H1 Group performance



### Financial bridge on revenue by region



### Financial bridge on revenue by product category

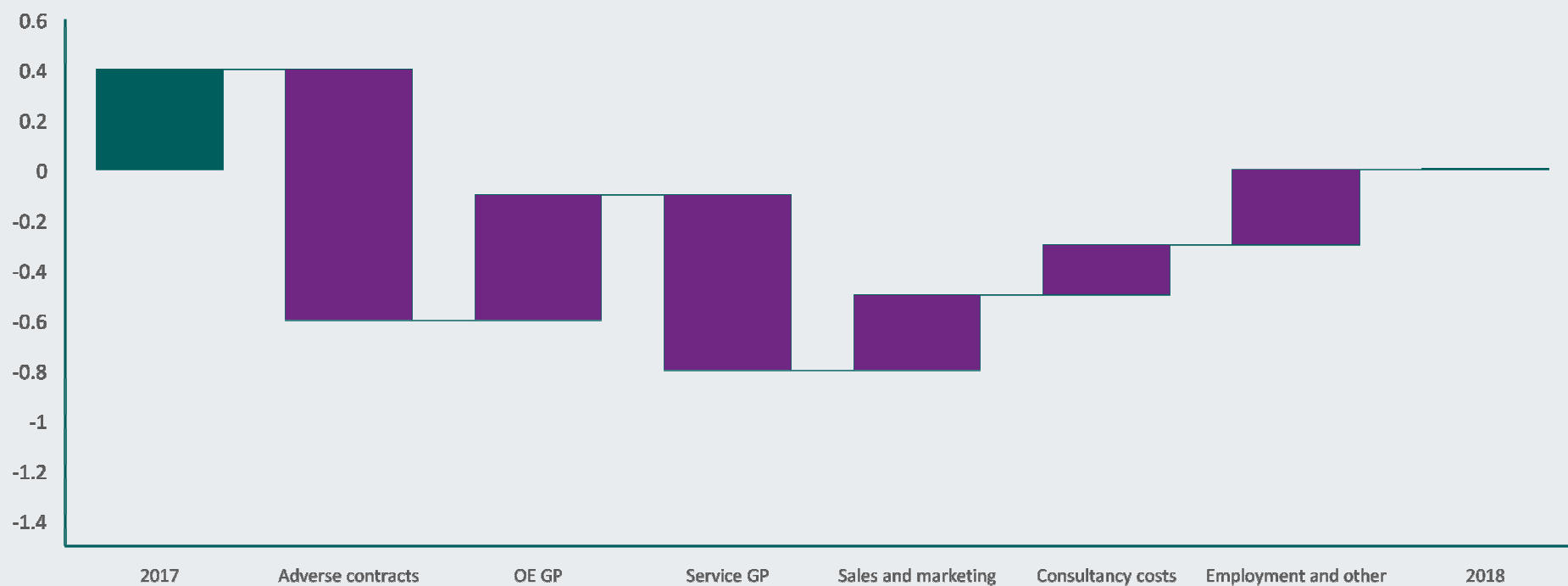




## 2018 – H1 Group performance



### Financial bridge on underlying operating profit



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

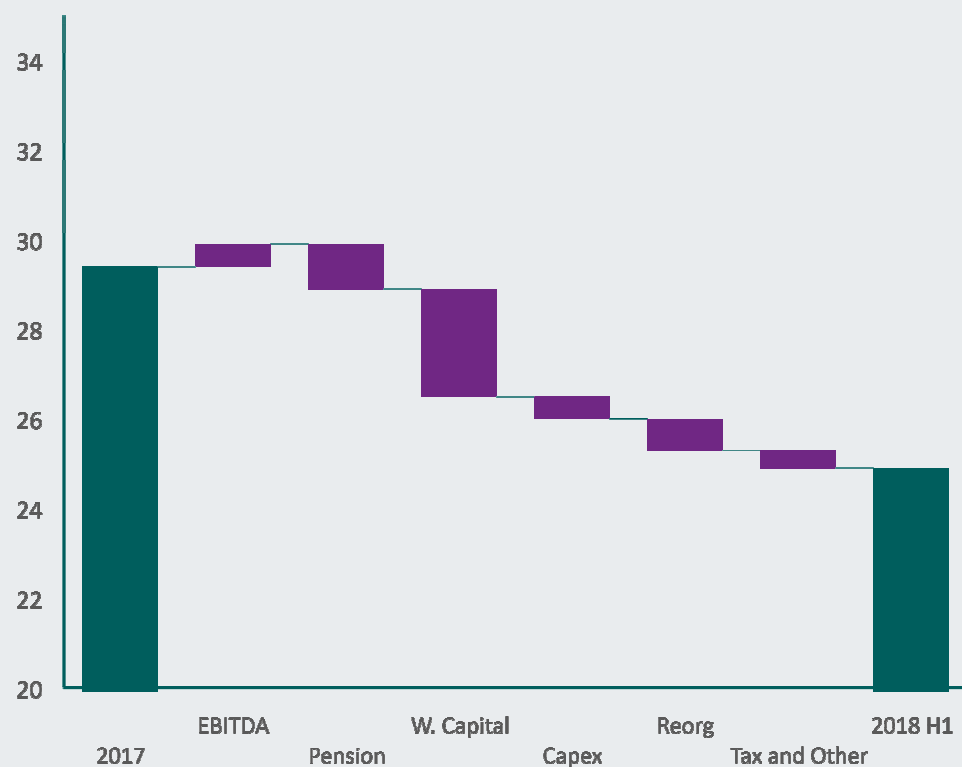




## 2018 – H1 Group performance



### Financial bridge on net cash



### 5 year revenue chart (continuing)

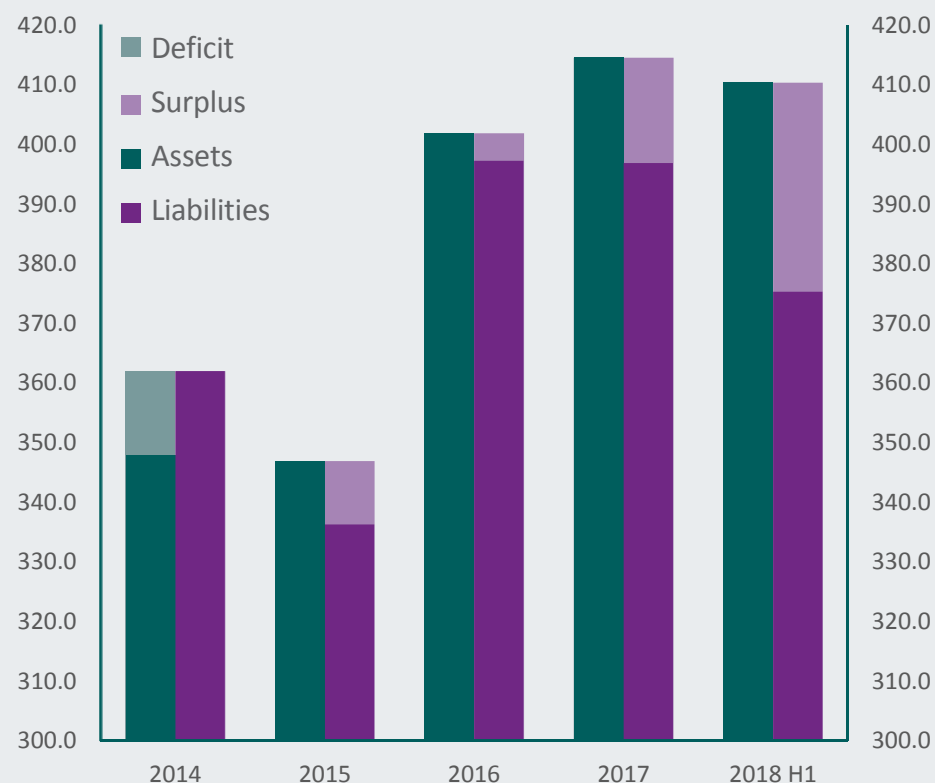




## 2018 – H1 Pensions



### UK Pension Scheme



General based upon 2017 data

PPF stated 66% of pensions schemes were in deficit  
of schemes in deficit, the median funding level was 86%  
Molins scheme was 87% funded (2<sup>nd</sup> quartile)

### UK Scheme

IAS19 surplus of £35.1m  
Mature scheme with 4176 members (69% pensioners)  
Scheme closed in 2012  
Current payments £1.9m pa until 2029

### US scheme

IAS19 deficit of £5.8m  
Mature scheme with 279 members (59% pensioners)  
Scheme closed in 2011  
Current payments of £1.3m due to I&TM disposal, reducing to normal levels by 2023

### Strategy

Elimination of the technical provision deficit and decoupling the scheme from the company  
Tri-annual valuation to commence HY2  
New advisors appointed and objectives set





2018 – H1

## Residential development application



### History

- Former company sports ground and residential property location in Monks Risborough, Bucks, in an area designated as green belt and of outstanding natural beauty (AONB)
- Residential property and land valued at cost of £0.8m

### Application

- Initial planning application made in 2015 for change of use to residential development
- Secretary of State refused application in 2016 and revised proposal submitted in 2017

### Future

- The current submissions seeks that the site be released from the green belt and made available for residential planning
- Decision likely in first half of 2019





Tony Steels  
**Chief Executive**







## Strategic update

### Mission



#### 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

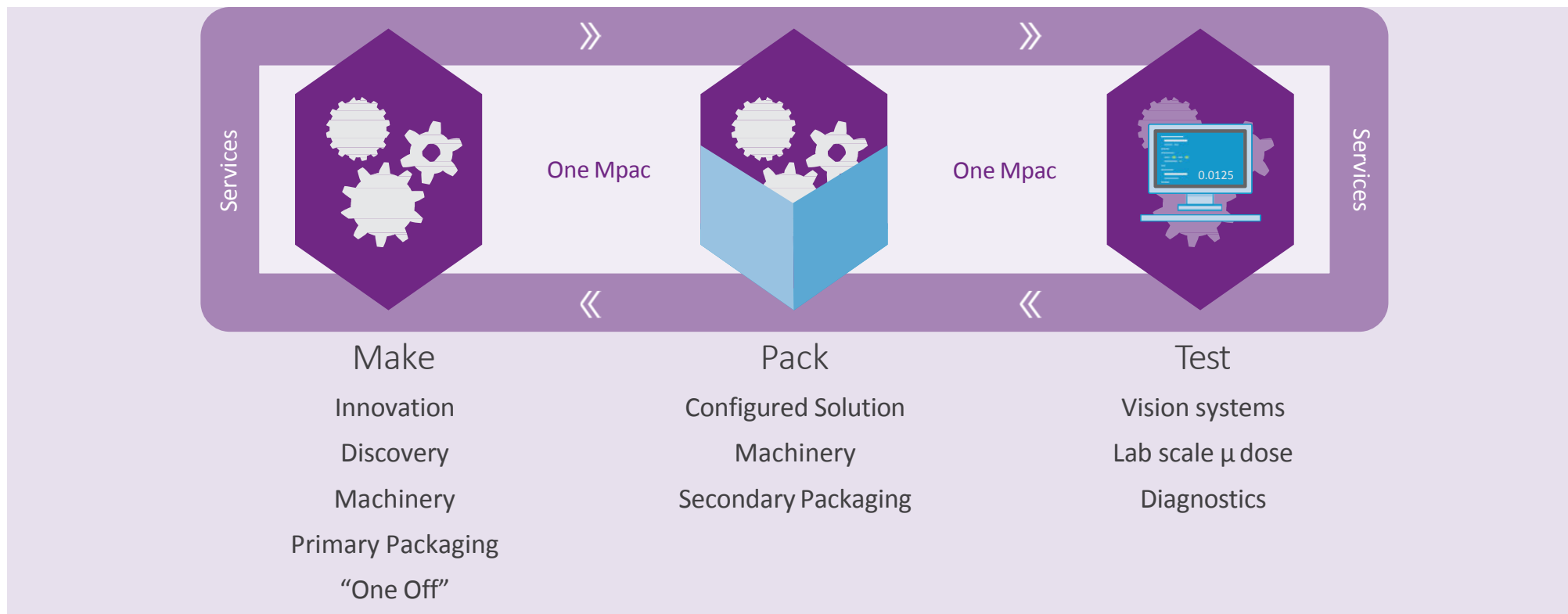
**Organic revenue growth in excess of market and improved ROS**











## Strategic update

### One Mpac business model



**Single entity business model – common processes**



Sector	Solutions	Market value	CAGR	Drivers
Pharmaceutical	<ul style="list-style-type: none"> <li>› Dry Powder Inhaler</li> <li>› First of a kind</li> <li>› Test and Measurement</li> </ul>	\$11.7 billion*	4.1%	 Premiumisation  Recycling
Healthcare	<ul style="list-style-type: none"> <li>› Ostomy</li> <li>› Contact Lens</li> <li>› Personal Care</li> </ul>		5.3%	 Increasing Income  Health
Food and beverage	<ul style="list-style-type: none"> <li>› Bakery</li> <li>› Chilled &amp; Frozen Foods</li> <li>› Spirits</li> <li>› LG Target Applications</li> </ul>	\$27.3 billion*	2.8%	 Convenience  Urbanization

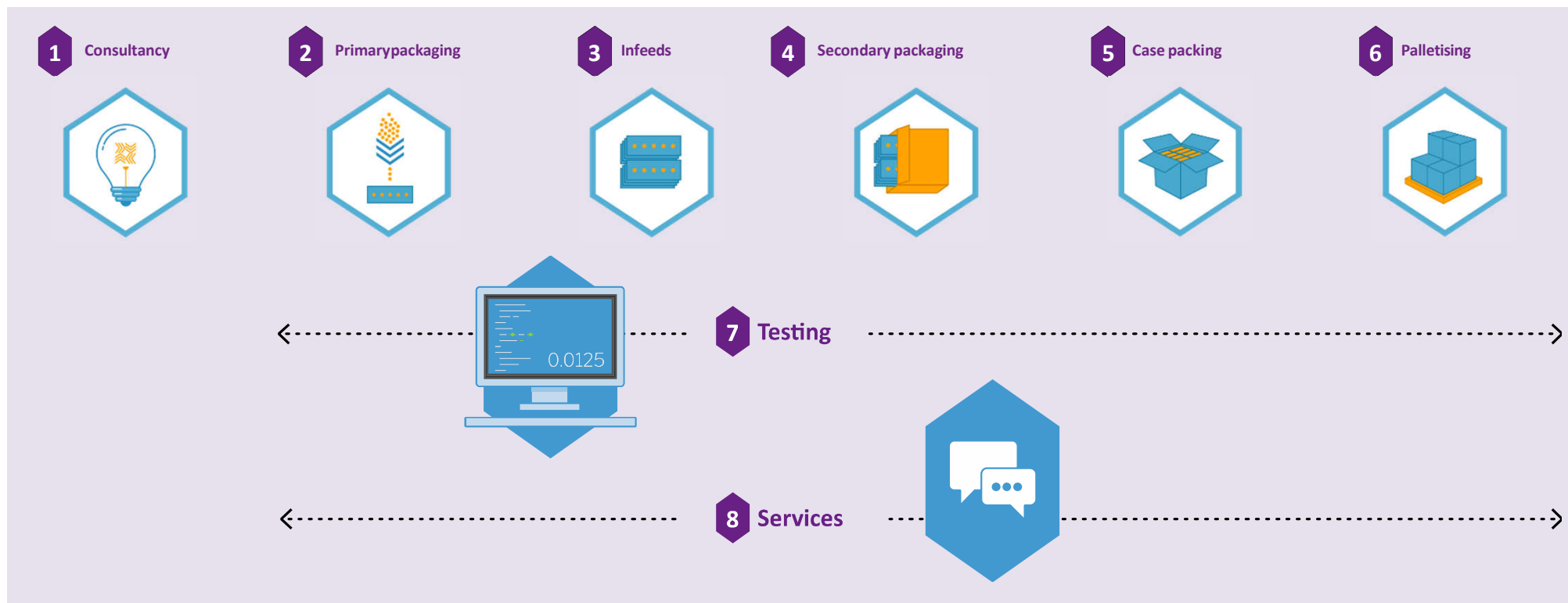
\*PMMI 2016 – Period 2017 - 2021

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



## Strategic update

### Application know-how



**Knowledge based solutions to leverage across established customer base**





## Strategic update

### Case study facial tissues



#### Challenge / need

Customer trialled and now launching a new “smaller box” product needing to compress tissue clip >50%

#### Solution

Mpac Innovative solution to compress the clip combined with a proven cartoner. Real synergy across the group

#### Customer Benefits

Reduce storage space requirements as the clips are half size, lead time and cost savings as production will be centralised into one facility. UK automated solution lower cost per unit than hand packed in China





## Strategic update Strategic priorities



Going for  
Growth



Make Service  
a Business



Operational  
Efficiency

### During 2018



- › New case packer launched to market
- › Re-branding completed
- › First full solution order
- › Pipeline management



- › Regional service management
- › Focus on KPI and local performance
- › Foundations for growth
- › Capacity and resource strengthened



- › Global project management
- › Engineering platform progressing
- › Modular supply chain created
- › Successful move to new Canadian facility

### Future plans

- › Full solution selling
- › Product development roadmap
- › Key account development
- › Brand and product management

- › Life-cycle ROI proposition
- › Promote contractual agreements
- › Develop product portfolio
- › Incorporate Industry 4.0

- › Employee engagement and recognition
- › Common ERP and business systems
- › Global supply chain
- › KPIs to support strategy

### Functional Excellence and Cross Functional Alignment





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 improved ROS

**Transforming our business performance**





#### Outlook:

- Original Equipment order pipeline remains robust
- Current OE project portfolio has undergone a detailed review
- Leveraging global technical experience and skills to support project execution
- Foundations in place for Service growth
- Prime focus is on organic growth
- Acquisition search continues
- Future prospects remain strong and a significant order has been secured for delivery in 2019







# Appendices





## Appendices

### Income Statement



	2018	2017
	£m	£m
Sales	28.2	25.4
Underlying operating profit*	0.0	0.4
Non-underlying loss	(0.7)	(0.4)
Operating loss	(0.7)	0.0
Net Interest receivable / (payable)	0.1	(0.2)
Loss before tax	(0.6)	(0.2)
Taxation	(0.3)	0.5
Profit/(loss) for the period from continuing operations	(0.9)	0.3
Discontinued operations	0.0	0.6
Profit/(loss) for the period	(0.9)	0.9
Underlying EPS*	(1.6)p	3.1p
Basic EPS*	(3.9)p	4.3p

- › Sales increase 11% over 2017
- › Technically challenging contracts reduce underlying operating profit to breakeven
- › Underlying breakeven PBT (2017 £0.4m)
- › Non underlying items of £0.7m include:
  - › Pension admin costs £0.5m
  - › Abortive acquisition costs £0.1m
  - › Re-organisation costs £0.1m.
- › Underlying interest expense of £nil, non-underlying is pension related of £0.1m
- › Underlying tax relates to Netherlands (£0.3m).
- › Underlying EPS (1.6)p (2017 H1:3.1p) represents impact of the tax charge in the Netherlands.

\* before non-underlying items





## Appendices

### Segmental Information



	2018 £m	2017 £m
<b>Sales</b>		
<b>Original Equipment</b>		
Americas	9.1	10.2
EMEA	11.7	7.3
Asia Pacific	2.4	2.0
<b>Total Original Equipment</b>	<b>23.2</b>	<b>19.5</b>
<b>Service</b>		
Americas	2.4	3.2
EMEA	2.1	2.2
Asia Pacific	0.5	0.5
<b>Total Service</b>	<b>5.0</b>	<b>5.9</b>
<b>Total sales</b>		
Americas	11.5	13.4
EMEA	13.8	9.5
Asia Pacific	2.9	2.5
<b>Total sales by region</b>	<b>28.2</b>	<b>25.4</b>
Gross Profit	5.9	7.1
Selling, Distribution and Admin cost	(5.9)	(6.7)
<b>Underlying operating profit/loss</b>	<b>0.0</b>	<b>0.4</b>

### Original Equipment (OE)

- › OE sales increase 19% over 2017 level
- › Asia sales increase 20%
- › EMEA sales increase 60%

### Service

- › Order intake headwinds affect service business

### Sales by Sector

- › Sales to Healthcare market increase by 24%
- › Sales to the Pharmaceutical and Food and Beverage markets show progress over H1 2017





## Appendices

### Cash Flows



	2018	2017
	£m	£m
Cash flows from operating activities	(3.7)	(5.1)
Cash flows from investing activities	(0.5)	(0.4)
Cash flows from financing activities	0.0	(1.2)
Cash flows from discontinued operations	-	3.8
<b>Net cash flows</b>	<b>(4.2)</b>	<b>(2.9)</b>
Opening net funds	30.3	8.7
Exchange	(0.3)	0.0
<b>Closing net funds</b>	<b>25.8</b>	<b>5.8</b>

- › Cash flows from operating activities in 2018 include:
  - › £2.4m working capital increase, in line with activity
  - › £1.0m of pension payments
  - › Re-organisation costs paid of £0.7m
- › Cash flows from investing activities include:
  - › Capex of £0.6m primarily related to the new Canadian building and product development





## Appendices

### Working Capital



	2018	2017
	£m	£m
Inventories (increase)/decrease	(0.1)	0.4
Receivables decrease	3.3	1.3
Payables decrease	(1.6)	(6.2)
Contract balances increase	(4.0)	0.0
Provisions decrease	0.0	(0.1)
<b>Net working capital (increase)/decrease</b>	<b>(2.4)</b>	<b>(4.6)</b>

- › Strong order intake in late 2017 resulted in favourable working capital movements as customer's deposits were not significantly utilised on projects
- › The Group has seen a corresponding outflow of working capital as projects have progressed through the year
- › Order intake headwinds has reduced advanced payments which normally accompany orders
- › Net working capital increased in line with the increase in activity





## Appendices

### Balance Sheet



	2018	2017
	£m	£m
Intangible assets: Product Development	0.9	1.0
Investment property	0.8	0.8
Property, plant & equipment	4.0	3.2
Net working capital (excl. pension & tax)	3.3	3.0
Pension schemes (after tax)	17.0	3.2
Current and deferred tax (excl. pensions)	1.2	2.3
Net cash/(debt)	24.9	(1.1)
Net assets in disposal group held for sale	0.0	28.3
<b>Equity</b>	<b>52.1</b>	<b>40.7</b>

- › Group net cash balances increase by £26.0m over H1 2017 to £24.9m, increase includes the H2 2017 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
- › UK pension scheme surplus increase as a result of the movement in the discount rate. (2.6% v Dec 2017: 2.3%)
- › Main equity movements include the following:
  - › £0.9m retained loss for the period
  - › £11.2m actuarial gains (net of tax)
  - › £(0.5)m unfavourable translation reserve movement
  - › £(0.5)m unfavourable movement in hedging reserve

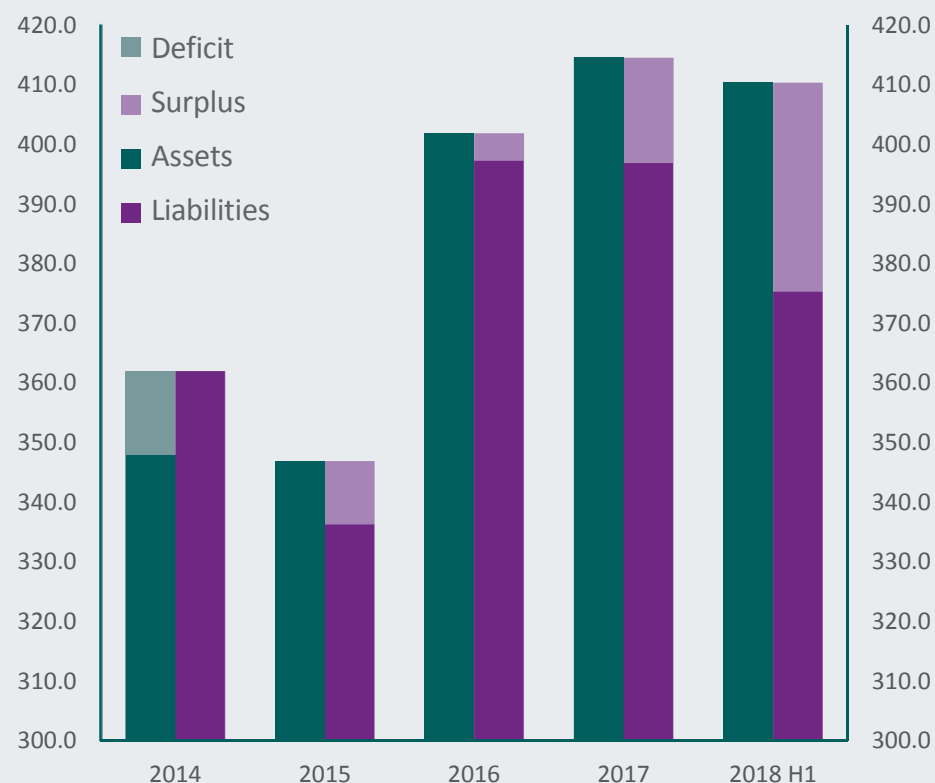




## 2018 – H1 Pensions



### UK Pension Scheme



### UK Scheme

- › IAS 19 surplus £35.1m (Dec 2017: £17.6m)
  - › Assets reduce by £4.2m to £410.4m
  - › Liabilities reduced by £21.7m to £375.3m, with a discount rate of 2.6% (Dec 2017: 2.3%) and a CPI inflation rate of 2.0% (Dec 2017: 2.1%)
  - › Interest rate sensitivity: 10bp rise = £5.4m surplus increase
- › Mature scheme
  - › 4,176 members with 2,887 (69%) pensioners, with an average age of 75.8 years
  - › Pensioner payroll of £16.7m, peaking at £19m in 2025 – 2030
- › Scheme closed to new entrants and future accrual in 2012
- › Current recovery plan in place since June 2012, at £1.8m (+2.1%) pa until 2029. Also 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 £5.8m (2017: £6.2m)
  - › Assets reduced by £0.7m to £16.0m
  - › Liabilities reduced by £1.1m to £21.8m, with a discount rate of 4.0% (Dec 2017: 3.5%)
  - › 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 – £1.3m in 2018, with a steady reduction to more normal levels by 2023





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