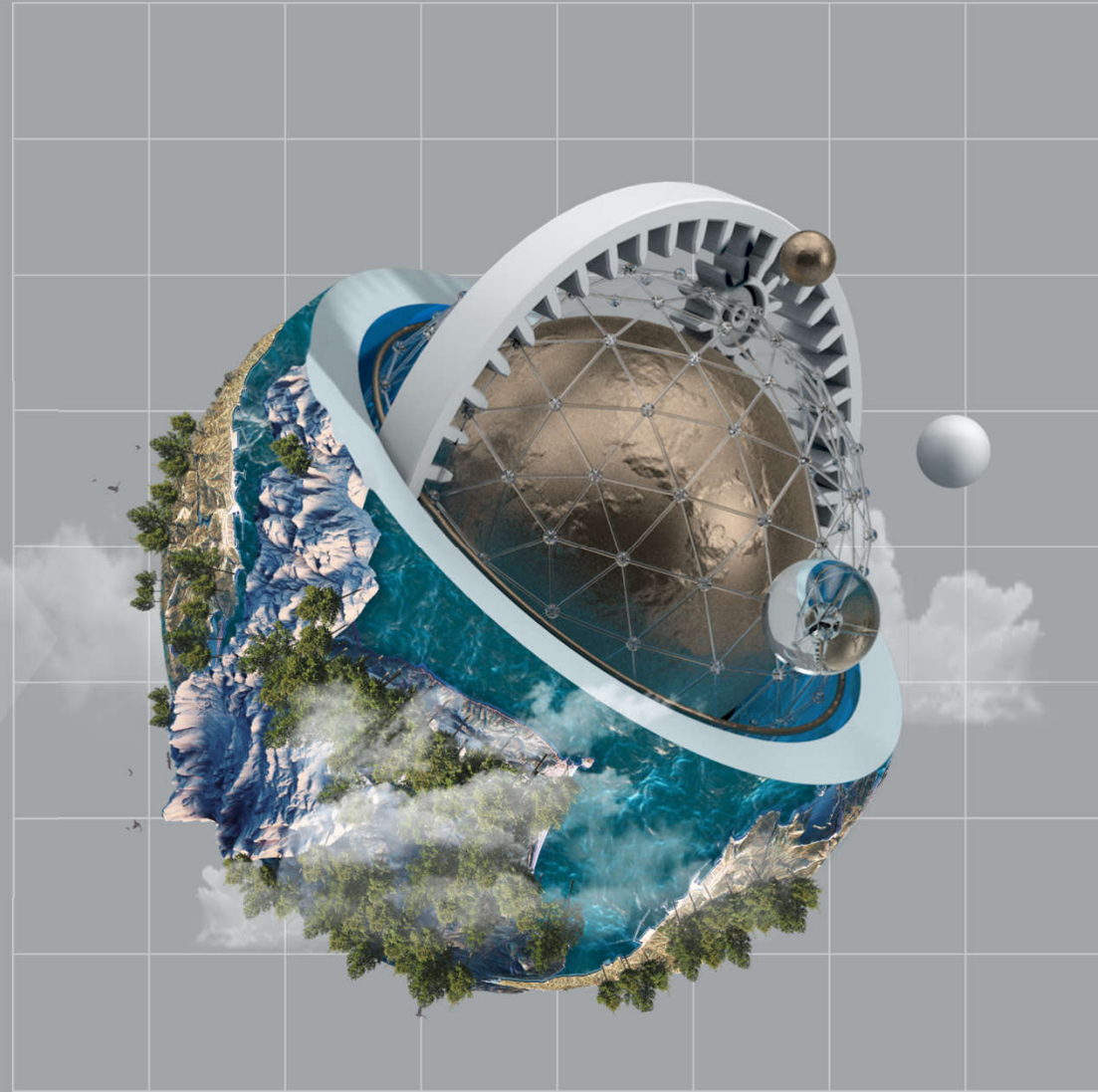




We create automation ecosystems that enhance manufacturing to help businesses adapt and grow

Mpac Group plc

2020 Full Year Results
March 2021



Introduction

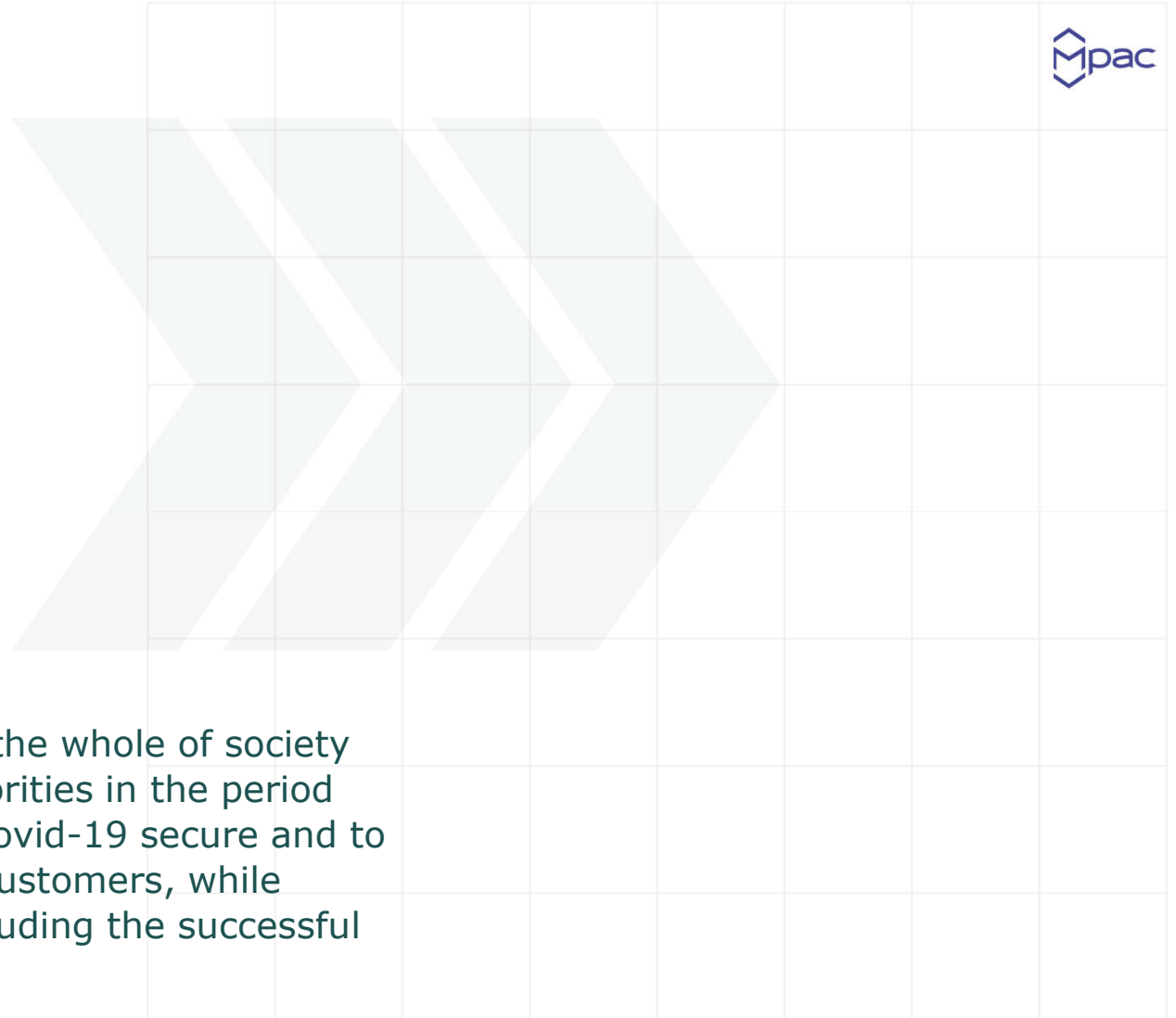
Mpac Group plc is an international company listed on the London Stock Exchange, with a long and proud history of delivering innovation and excellence on a global basis.

Our business is focused on the creation of global manufacturing solutions that make and package the products millions of people worldwide depend on.

Agenda

- 01 Overview
- 02 Strategy and business model
- 03 Switchback acquisition
- 04 Covid-19 case study
- 05 Sustainability
- 06 Financial review
- 07 Outlook
- 08 Appendices

Introduction: Tony Steels, CEO



“2020 has been a year like no other with the whole of society facing unprecedented challenges. Our priorities in the period were to ensure our facilities were made Covid-19 secure and to develop remote solutions to support our customers, while driving forward on our strategic aims, including the successful acquisition of Switchback”.

Overview: 2020 full year summary

- > Covid-19 resilience, agility and flexibility ensured Mpac continued to provide essential customer service support
- > Prior investment in expansion of Americas commercial footprint leveraged market strength
- > H2 Original Equipment quote activity, prospect pipeline and order intake returned to growth to pre-pandemic levels
- > Agility to adapt, use of remote servicing technology and development of digital service solutions delivered good strategic progress in Service business
- > Successful acquisition of Switchback - trading ahead of management expectations
- > Implementation of common business processes and successful roll out of Group Enterprise Resource Planning (ERP)
- > Exciting portfolio of new platform based products launched in the year
- > Restructuring and integration of the Coventry operations into the Tadcaster site



Order intake

£83.9m

(2019: £87.6m)

Revenue

£83.7m

(2019: £88.8m)

Underlying PBT

£6.3m

(2019: £7.5m)

Cash

£15.5m

(2019: £18.9m)

Overview: Ingenuity without limits

Who we are

Mpac Group plc is a global provider of full-line packaging and automation solutions to our customers in essential growth sectors.

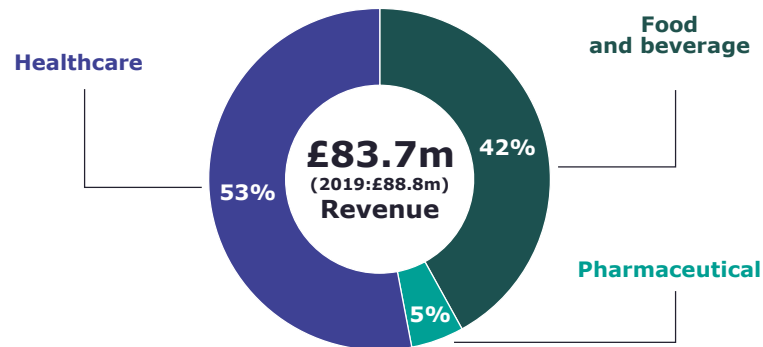
➤ We support 'all brands and all locations' with our global Service operation.

What we do

We understand our customers' needs to provide high-speed packaging and automation solutions, including, primary, secondary and end-of-line packing equipment with integrated monitoring solutions.

➤ Our philosophy is 'ingenuity without limits'.

Full Year 2020 Sales by Sector (%)



Our Sectors

Pharmaceutical



We support our customers pharmaceutical advances cost effectively, from inhaler assembly to transdermal patches

Food and beverage



With extensive expertise in dealing with powders to liquids, cereals to confectionary, our packaging machinery covers a wide range of applications

Healthcare



We help achieve better patient outcomes through advanced products, processes and packaging formats. From contact lenses to wound care products, we've got it covered

Overview: Expanding customer partnerships

Whole Line

Using limitless ingenuity to align global manufacturing

- > Global whole-line integration
- > Streamlining processes and identifying efficiencies
- > Creating opportunities for new products

Whole Life

Maintaining peak overall equipment effectiveness for the lifespan of machines

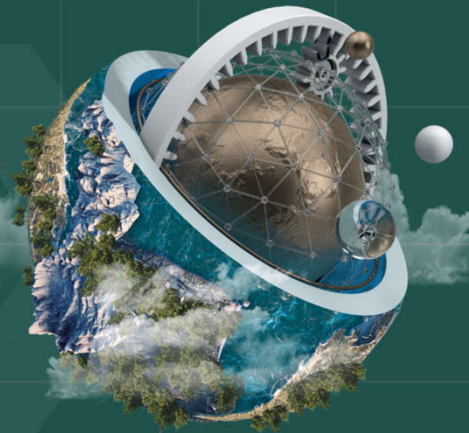
- > Hands-on global experts providing local support
- > Maintaining peak OEE over machine lifespan
- > Transformational digital services

Whole Planet

Helping businesses grow globally while embracing sustainability

- > Next-generation manufacturing for the next generation
- > Building efficient machines to optimise businesses' performance and in turn, reduce the damaging effects on the environment
- > Reducing transportation footprints with remote service assistance and smaller carton sizes

"Our end-to-end manufacturing capabilities help leading food and beverage, healthcare and pharmaceutical businesses to meet their expanding objectives in a changing world. We design and monitor connected machinery – automation ecosystems – that optimise our customers' manufacturing processes."



Overview: Where we operate

The Group serves its customers through its wide geographic spread of sales, service and manufacturing locations. We support our international customer base through shared resources and infrastructure.

Americas

Established for more than 50 years in the region, the Group operates from its facilities in Ontario, Canada and Ohio, USA

Europe, Middle East & Africa

The Group supports both its multinational and regional customers from its sites in the UK and the Netherlands; together with extensive sales, engineering and field support services deployed across the region.

Asia Pacific

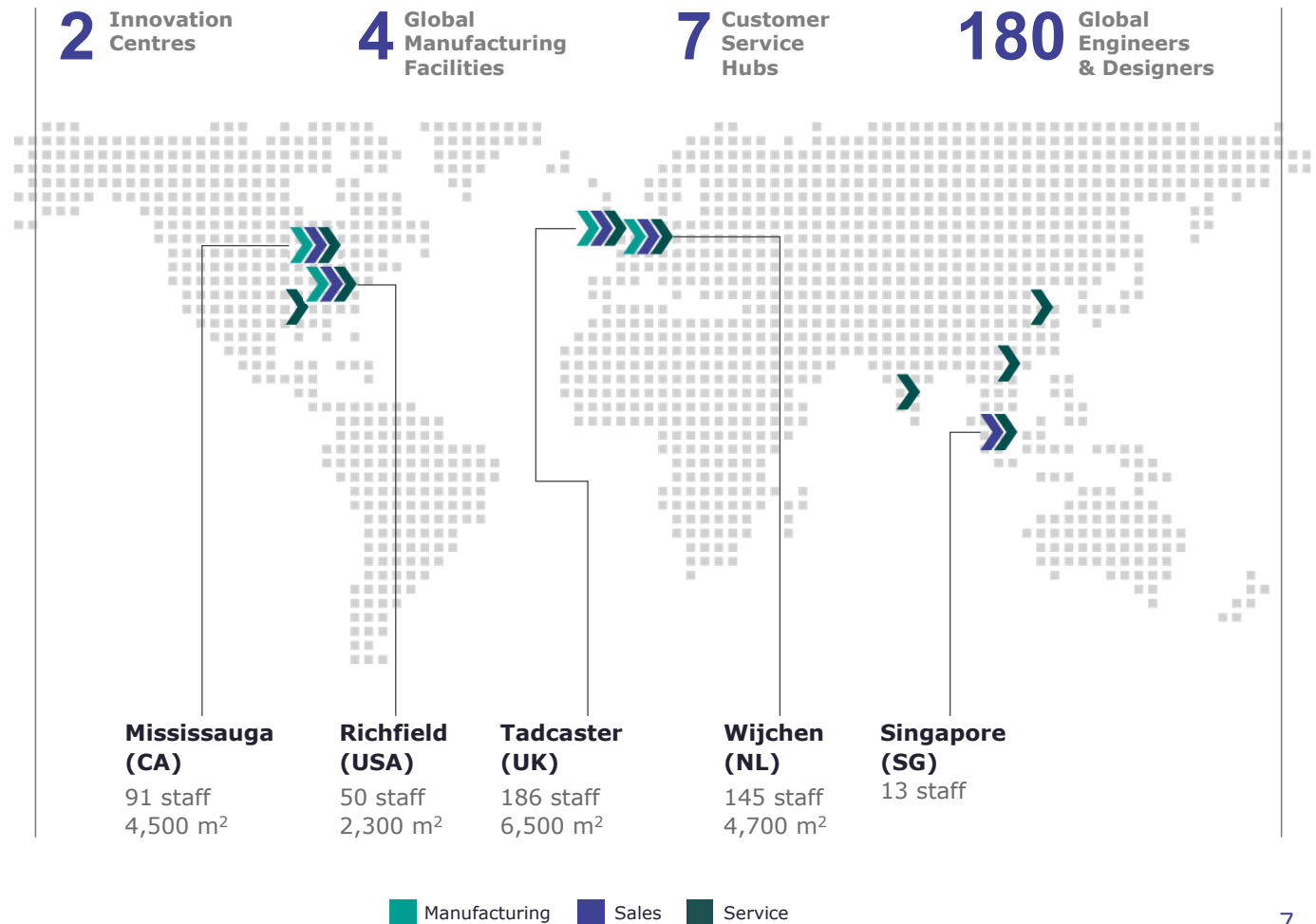
The Group supports the region from its principal base in Singapore as well as through its field service engineers and agents across Asia Pacific.

10,000

Machines in service

80

Countries served



Strategy: Business model

“We channel limitless ingenuity to create and optimise whole line manufacturing ecosystems. With many parts, in many countries, our world-class productivity helps our clients achieve more with less.”

Consult

Early customer engagement and buy in using Mpac extensive know how and knowledge

Design and build

Produce equipment which fulfils the customer current needs and potential future needs

Install

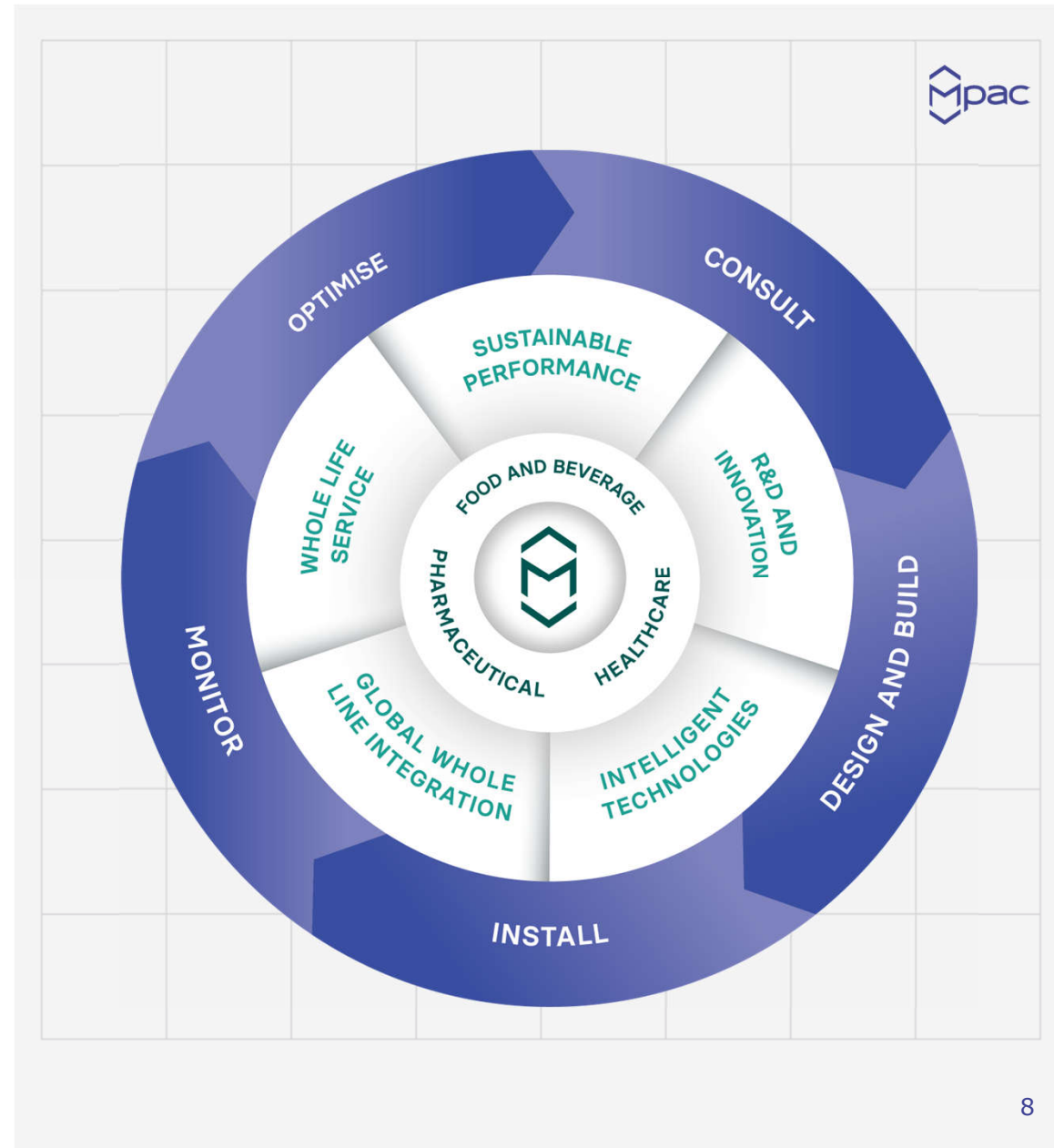
Support rapid ramp up of the new equipment to reach full productivity with effective training reducing start up costs

Monitor

Expertise to connect to control system to provide a complete review of equipment performance

Optimise

Ensure equipment stays up-to-date with the latest modernisations and automation upgrades



Strategy: Goals and priorities update

An update on our strategic priorities

Going for growth

2020 progress

- > Switchback acquisition completed
- > Chief Commercial Officer recruited
- > Full solutions capability established, focusing on customers in the healthcare sector
- > New customer acquisition, focus in the Americas

Future plans

- > Launch of the Switchback product range into EMEA
- > Develop customer opportunities in the Covid space
- > Extend our commercial footprint in EMEA
- > Opening of Group showcase facility in Americas

Service as a business

2020 progress

- > Agility to adapt to Covid-19 with remote support
- > Continued roll-out of service systems enhancements
- > Development of regional service management and extended reach
- > Launch of Americas service team

Future plans

- > Deploy digital technologies
- > Development of Americas healthcare focused business unit
- > Develop life-cycle ROI and long-term service agreement proposition
- > Focus on installed fleet upgrades

Operational efficiency

2020 progress

- > Roll out of Group ERP system in the Netherlands
- > Consolidated UK sites
- > Common platforms and systems
- > Development of global supply chain

Future plans

- > Expand USA footprint
- > ERP phased roll out continues in Canada, USA and UK
- > Maximize benefits from common platforms
- > Optimise cross business resources utilisation

Innovation

2020 progress

- > Full-line solution development targeting the healthcare sector
- > Development of end-of-line case packing solutions
- > Commercial launch of Industry 4.0 products
- > Leveraging Digital Technologies

Future plans

- > Extend suite of Digital Products - Industry 4.0 products
- > Focus on market led innovation – healthcare sector
- > Broaden range of end-of-line solutions
- > Develop Switchback range into healthcare and food and beverage sectors

People










2020 progress

- > Prioritising employee health and wellbeing
- > Development and retention of critical knowledge
- > Employee satisfaction monitoring
- > Embedded personnel development plan review process

Future plans

- > Creation of Mpac academy to attract the best young talent
- > Focus on internal communication via new intranet platform
- > Investment in employee development and training
- > Continued review and feedback cycle

Strategy: Addressable growth markets

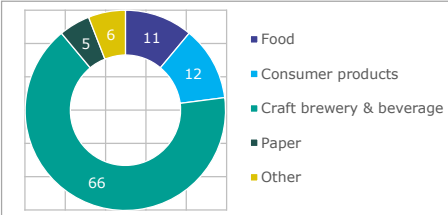
Sector	Solutions	Market value	CAGR	Drivers	
Pharmaceutical 	<ul style="list-style-type: none"> > Dry powder inhaler > Point of use drug delivery > Device assembly 	\$4bn*	5%	<div style="display: flex; justify-content: space-around;"> <div style="text-align: center;"> Premiumisation  </div> <div style="text-align: center;"> Recycling  </div> </div>	
Healthcare 	<ul style="list-style-type: none"> > Ostomy > Contact lens > Personal care > Other 	\$6.7bn*	4%	<div style="display: flex; justify-content: space-around;"> <div style="text-align: center;"> Increasing income  </div> <div style="text-align: center;"> Health  </div> </div>	
Food and beverage 	<ul style="list-style-type: none"> > Bakery > Chilled and frozen foods > Spirits > Craft beer 	\$30.1bn*	4%	<div style="display: flex; justify-content: space-around;"> <div style="text-align: center;"> Convenience  </div> <div style="text-align: center;"> Urbanization  </div> </div>	

*PMMI - Jan 2021

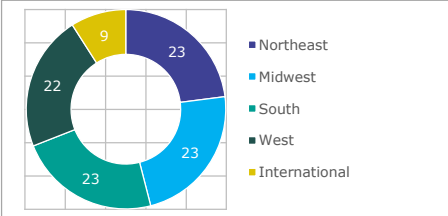
Leadership in higher margin segments in long-term growth markets

Strategy: Switchback acquisition

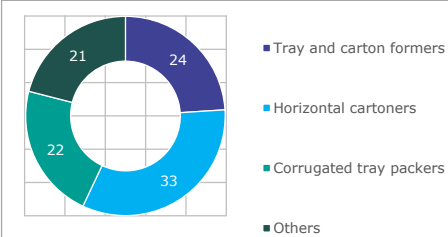
Current industry mix %



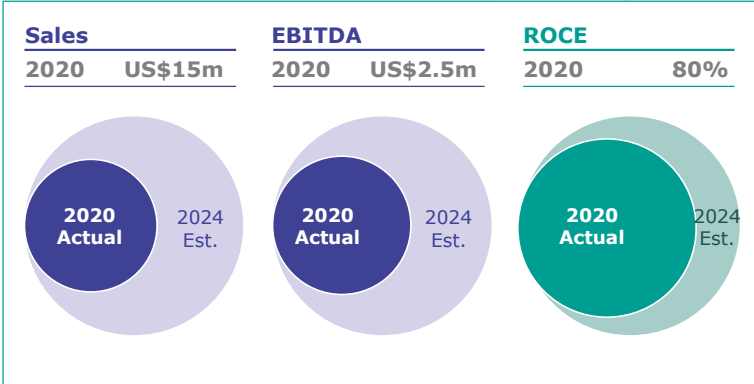
Current geographic mix %



Sales by product



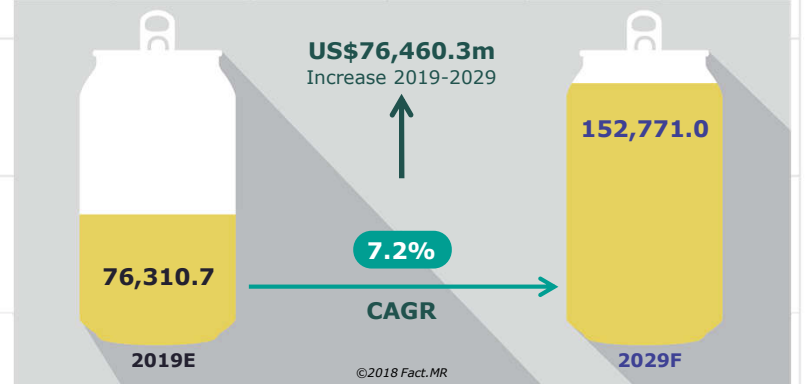
Performance



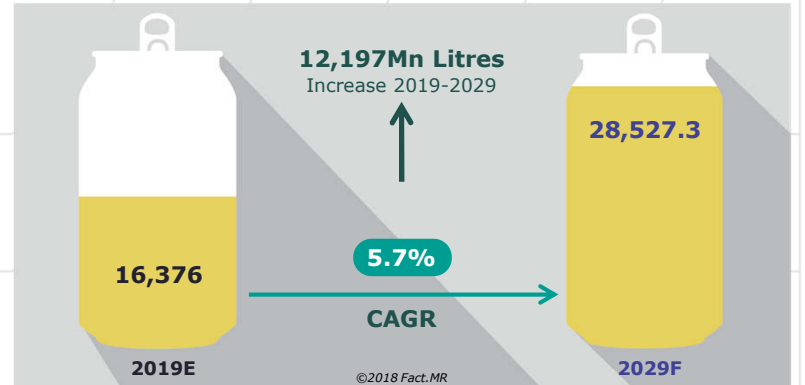
Mpac & Mpac Switchback - locations



Global Craft Beer: Market Value (US\$m) Forecast 2019-2029



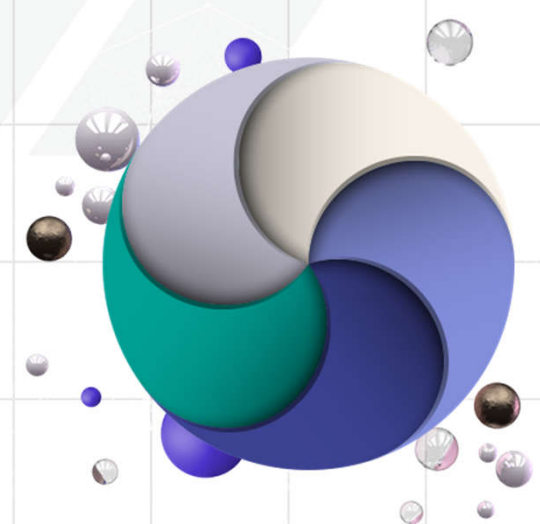
Global Craft Beer: Consumption (Mn Litres) Forecast 2019-2029



The Switchback acquisition represents another key stage in the strategic development of Mpac

Strategy: Covid-19 review

- > Prioritising protecting the health and wellbeing of our employees and their families with social distancing, use of PPE and enhanced facility cleaning
- > Pivot to a fast recovery plan which included the launch of a new website, virtual exhibition, and offering newly developed digital solutions
- > Mpac accelerated strategic development during the pandemic, focusing on developing remote servicing solution
- > Deployed available resource to accelerate development of the next generation of industry 4.0 technologies
- > Sites remained open throughout, serving customers in the critical pharmaceutical, healthcare, and food and beverage sectors
- > Cash preservation and cost reduction measures implemented
- > Access government support when available to retain highly skilled employees
- > Order intake returned to pre-pandemic levels in H2 2020



Strategy: Case study Covid-19 test kit

Providing a solution to support the battle against Covid-19

The Challenge

- A blue-chip contract manufacturer required production capacity of a point of care Covid-19 test.
- Upgraded system needed to be functional within six months to have an impact on the pandemic.
- The test is complex to assemble, with 42 parts assembled across multiple machines.

Why Mpac

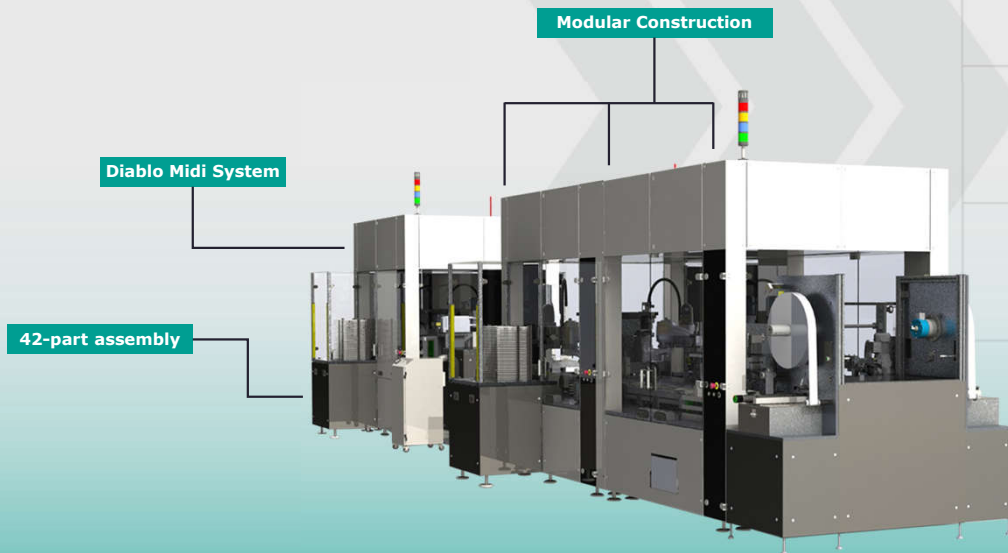
- Mpac offers modularity, connectivity and innovation.
- Mpac's new Diablo platform and strong reputation gave our customer the confidence in our solution.
- Mpac was selected for its fully automated solution.

The Solution

- Integration of customer process by arranging the modular cells into two separate elements.
- The Diablo Midi's smart modular construction offers significant operational benefits.
- Design, build and commissioning for each cell is run in parallel and we are using Digital Twin technology to advance testing of machine code.

The Benefits

- Flexibility and a future proof solution.
- Mpac supports the customer beyond initial requirement.
- Lead time. The customer needed to innovate quickly and introduce new features or variants to their core product range.
- Responsiveness and innovation makes Mpac a great choice as a solution supply partner.



"Our customer selected the Mpac system due to the modularity, connectivity and innovation, which alongside our reputation, gave them the confidence to work with a new supplier for such a critical element of the project and fight against the spread of the virus."

Sustainability vision

Like our manufacturing ecosystems, we want to protect the wider ecosystems in which we all live in.

So, we build efficient machines with unstoppable OEE, helping to optimize our customers' businesses performance and in turn, reduce the damaging effects on the environment.

- > achieving sustainability goals together
- > reducing single use plastics
- > lengthen machine lifespans
- > reducing transportation footprint with remote support and smaller carton sizes



Purpose statement

"To create automation ecosystems that enhance manufacturing to help businesses to adapt and grow. Advancing the world with manufacturing solutions which make a difference."



Financial review: Will Wilkins, Group FD

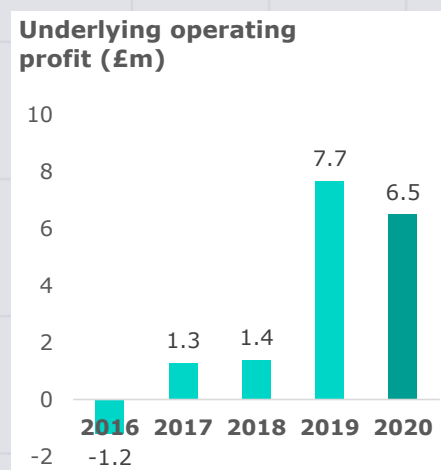
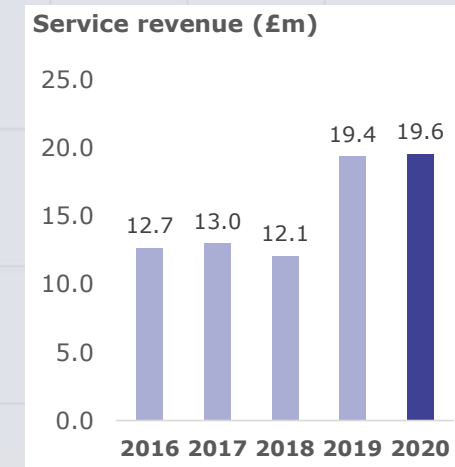
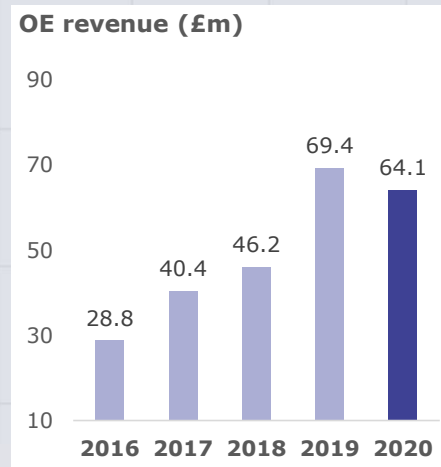


“Our consistent aim is to be a customer focused, responsive and flexible Group, achieved through organisational excellence, underpinned by a global supply chain and supported by a single business model, ‘One Mpac’.”

Financial review: 2020 full year highlights

OE revenue	Service revenue	Underlying operating profit	Gross profit
£64.1m	£19.6m	£6.5m	29.0%

- > Strong H2 order intake contributing to FY order intake of £83.9m (2019: £87.6m)
- > Revenue of £83.7m (2019: £88.8m) contributing to a closing order book of £55.5m (2019: £52.2m)
- > Gross profit margin unchanged at 29% (2019: 29%) despite operational challenges
- > Underlying operating profit £6.5m (2019: £7.7m) and underlying PBT of £6.3m (2019: £7.5m)
- > Cash flows from operating activities £11.2m (Dec 2019: £5.1m)
- > Closing cash of £15.5m (Dec 2019: £18.9m)
- > Statutory PBT £2.9m (2019: £5.4m)
- > Underlying earnings per share of 31.4p (2019: 39.5p)



Financial review: Group Income Statement

For the year to 31 December 2020

- > 20% H2 OE revenue growth v H2 2019 after Covid-19 impacted H1
- > FY Service revenue growth over 2019 despite constraints on I&C and field service revenue generation opportunities
- > Profit margins broadly maintained
- > Cost control measures implemented at the start of the pandemic and spend focused on fast recovery plan
- > Underlying operating margin of 7.8% (2019: 8.7%)
- > Non-underlying items include Switchback acquisition costs, amortisation of intangibles and pension administration charges. (2019 included a £1.1m past service US pension scheme credit)
- > Utilisation of tax relief and credits result in £nil underlying tax charge (2019: credit £0.3m) and £0.4m non-underlying tax credit (2019: credit £0.2m)

	2020 (£m)	2019 (£m)	Change
Revenue	83.7	88.8	-5.7%
- Original Equipment	64.1	69.4	-7.6%
- Services	19.6	19.4	+1.0%
Gross profit	24.3	26.0	-1.7m
<i>Gross profit margin</i>	29%	29%	
Selling, marketing and distribution costs	(6.8)	(7.2)	
Administration expenses	(9.9)	(10.3)	
Other operating expenses	(1.1)	(0.8)	
Underlying operating profit	6.5	7.7	
<i>Underlying operating profit margin</i>	7.8%	8.7%	
Net financing expense	(0.2)	(0.2)	
Non-underlying items	(3.4)	(2.1)	
Taxation	0.4	0.5	
Profit after tax for the period	3.3	5.9	
Basic earnings per share	16.3p	29.7p	
Underlying earnings per share	31.4p	39.5p	

Financial review: 2020 full year Cash bridge and working capital

Working capital

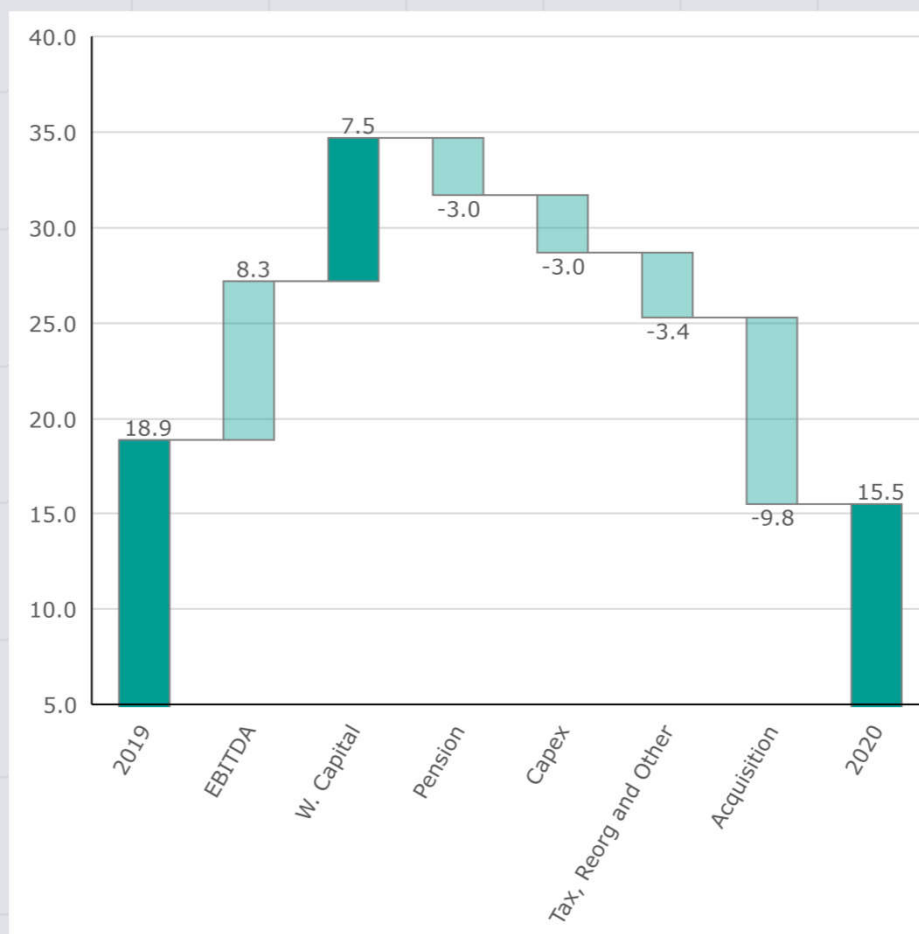
Inventories	+£0.2 m	OE projects in stock
Trade debtors	-£0.6m	General trading levels
Trade creditors / Contract assets/liabilities	+£7.8m	Flush through of 2019 orders to 2020 delivery
Provision	+£0.1m	

Switchback acquisition cash flows

Initial consideration	-£10.2m	Debt and cash free basis
Cash acquired	+£0.4m	Switchback cash on acquisition
Net cash	-£9.8m	

- > Cash preservation measures implemented contributed to the funding of Switchback acquisition
- > £10m borrowing facility entered into in Jun 2019 committed until Jun 2022 – further £5m on an accordion basis
- > Debt free and cash generative
- > Continued focus on working capital management

Financial bridge on net cash (£m)



2020 Pension scheme

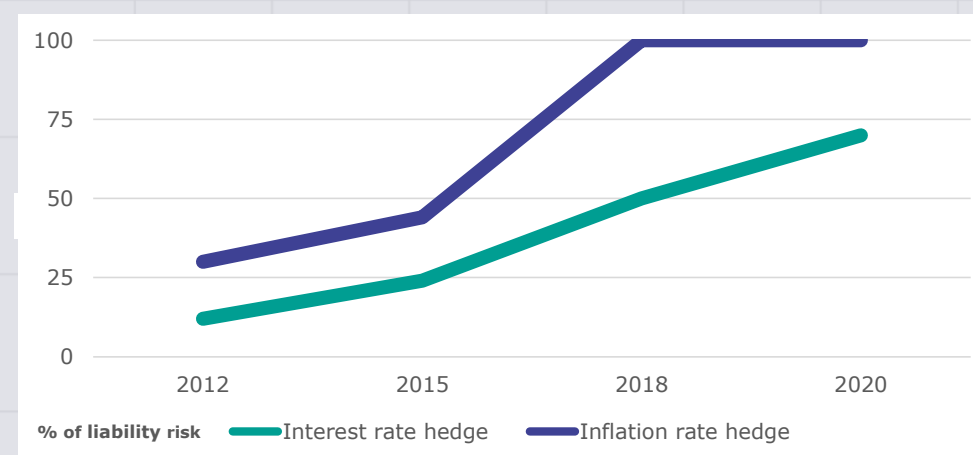
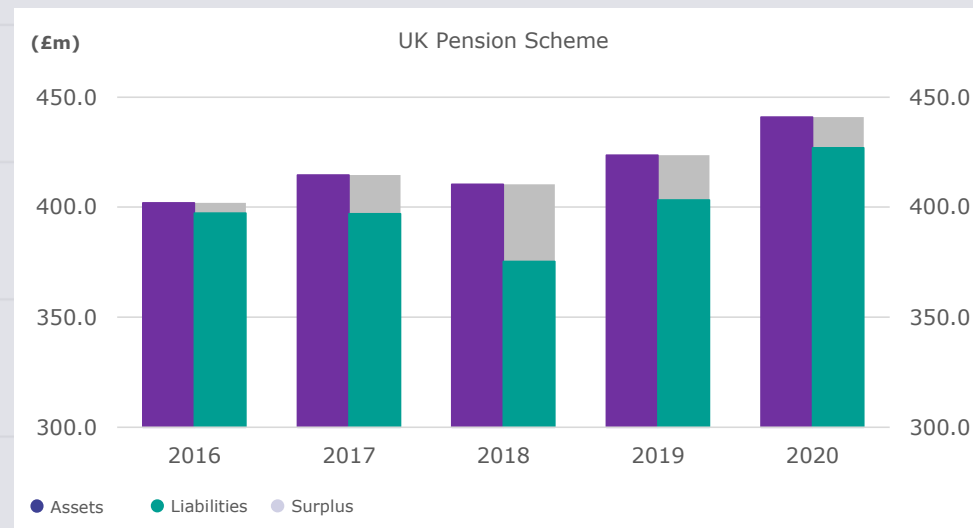
UK scheme

- > Accounting surplus £14.0m (2019: £20.4m)
- > Actuarial deficit reduced from £70m to £35m after 2018 triannual update
- > Next valuation as of 30 June 2021 to be concluded by mid 2022
- > 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
- > Impact of RPI reform to be determined during valuation

Strategy

- > Funding level increased to ~95% based upon June 18 valuation assumptions
- > Recovery period runs until July 2024
- > Actuarial valuation based on prudent financial assumptions
- > Migration of scheme assets to LDI to hedge risk partially shielded the scheme from continued decline in discount rates
- > Further evaluation of options for the scheme to be considered in the context of the next valuation

UK Pension Scheme – IAS19 surplus

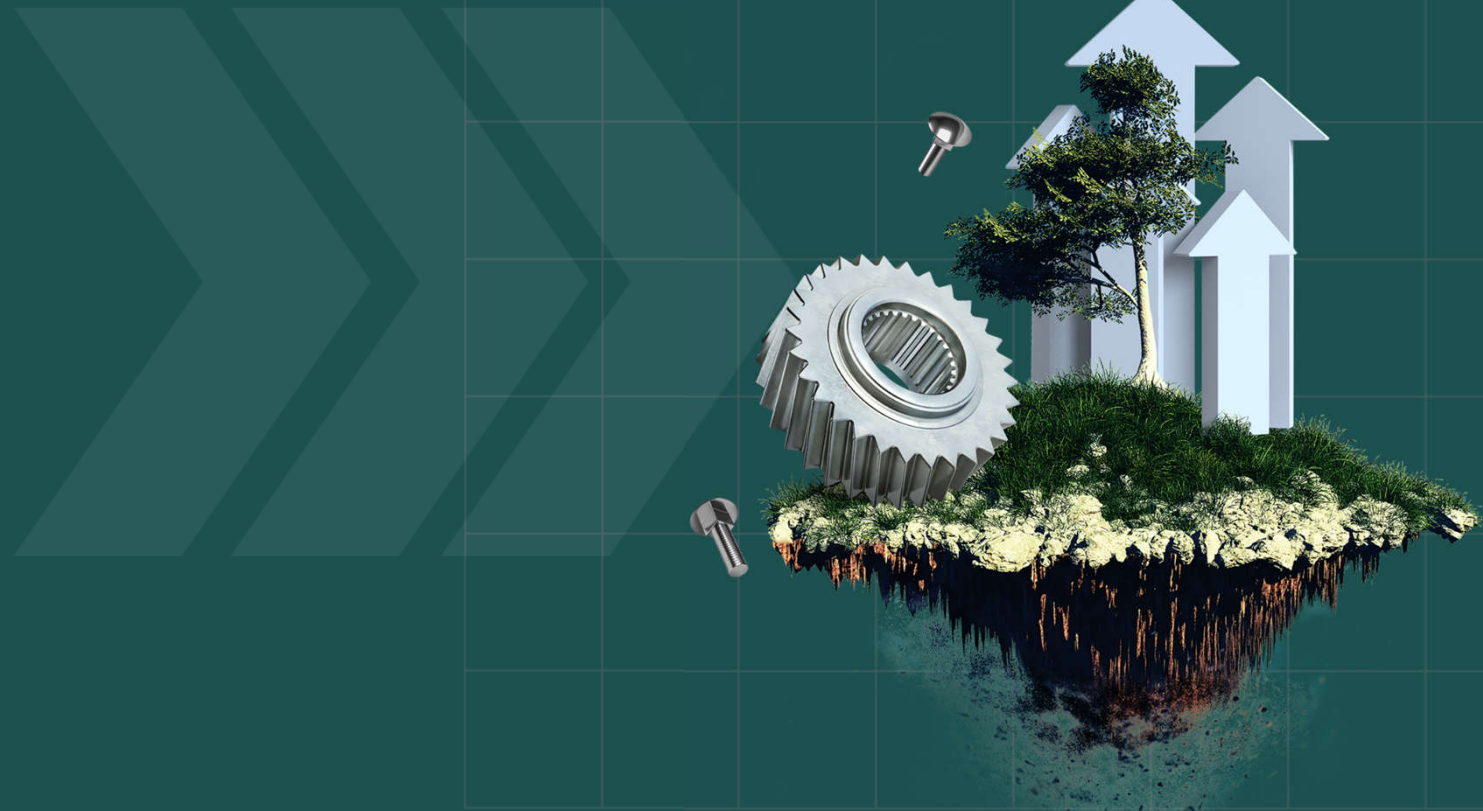


Strategic update: Outlook

- > Prior investment in One Mpac enabled resilient performance and flexible utilisation of resource across sites
- > Fast recovery plan implemented, provides framework to maximise opportunity as market confidence returns
- > Strong and diverse opening order book and good start to 2021 provides robust coverage of 2021 revenue
- > Solid prospect pipeline positions Mpac to take advantage of opportunities in essential healthcare and food and beverage sectors
- > Commercial roll-out of new digital solutions enhance Service opportunities
- > Leveraging Switchback globally
- > £10m secured committed borrowing facility plus £1.0m overdraft available to drive growth
- > Focus remains on organic growth but with active assessment on further acquisition opportunities



Appendices



Appendices: Income Statement

- > Revenue decrease of 5.7% over 2019
- > Non underlying items of £3.6m include:
 - Acquisition costs £0.4m
 - Amortisation £1.6m
 - Pension admin costs £0.9m
 - Past service cost (GMP) £0.2m
 - Reorganisation costs £0.5m
- > Underlying tax charge £nil reflecting use of R&D credits and utilisation of tax losses
- > Non-underlying net financing income of £0.2m is pension related (2019: £0.3m)
- > Resilient underlying operating profit of £6.5m (2019: £7.7m)



	2020	2019
	£m	£m
Sales	83.7	88.8
Underlying operating profit*	6.5	7.7
Non-underlying operating loss	(3.6)	(2.4)
Operating profit	2.9	5.3
Net interest receivable/(payable)	-	0.1
Profit before tax	2.9	5.4
Tax credit	0.4	0.5
Profit for the period	3.3	5.9
Underlying EPS*	31.4p	39.5p
Basic EPS	16.3p	29.7p

* before non-underlying items

Appendices: Segmental information

Original Equipment ('OE')

- > Strong OE revenue in Americas after 100% increase in 2019
- > EMEA benefited from full year of Lambert
- > APAC region was first to be impacted by Covid-19 plus concentration of customer base

Services

- > Increasingly diverse customer base
- > Stable position in EMEA and APAC

Sector Analysis

- > Americas remains largest market for both OE and Service with revenue predominantly in the healthcare sector from Langen and Lambert product ranges
- > Switchback all Americas revenue and all food and beverage
- > Even split of EMEA revenue between healthcare and food and beverage



	2020 £m	2019 £m
Sales		
Original equipment		
Americas	36.2	45.8
EMEA	23.7	17.6
Asia Pacific	4.2	6.0
Total original equipment	64.1	69.4
Service		
Americas	10.5	11.0
EMEA	7.6	7.2
Asia Pacific	1.5	1.2
Total service	19.6	19.4
Total sales		
Americas	46.7	56.8
EMEA	31.3	24.8
Asia Pacific	5.7	7.2
Total sales by region	83.7	88.8
Gross profit	24.3	26.0
Selling, distribution and admin cost	(17.8)	(18.3)
Underlying operating profit/loss	6.5	7.7

Appendices: Cash flows

- > Cash flows from operating activities in 2020 include:
 - £7.5m working capital decrease
 - £3.0m of pension payments
 - Re-organisation costs paid of £0.9m
- > Cash flows from investing activities include:
 - Acquisition of Switchback £9.8m net of £0.4m cash on acquisition
 - Capitalised development expenditure of £1.8m includes investment in systems (£1.2m) and capitalised product development (£0.6m)



	Dec 2020 £m	Dec 2019 £m
Cash flows from operating activities	11.2	5.1
Cash flows from investing activities	(13.1)	(12.7)
Cash flows from financing activities	(1.3)	(1.2)
Net cash flows	(3.2)	(8.8)
Opening net funds	18.9	27.9
Exchange	(0.2)	(0.2)
Closing net funds	15.5	18.9

Appendices: Working capital

- > 2019 balances restated to reflect FRC guidance of application of IFRS 15 issued in Sept 2020 and reclassification of inventory and contract balances as a result of subsequent review
- > No change to total working capital in current or prior years
- > Working capital movements driven by the timing of contracts orders, the conversion of billing milestones to cash and revenue generation
- > Overall decrease in working capital of £7.5m reflects a higher percentage of long-term project balances converted to cash before end of year
- > Increase in contract liabilities impacted by acquisition of Switchback (~£3.0m) which was cash generative in the period from acquisition until the year end



	Dec 2020 £m	Dec 2019 - restated £m
(Increase)/decrease in inventories	0.2	(0.2)
(Increase) in contract assets	(1.7)	(2.4)
(Increase)/decrease in trade receivables	(0.6)	4.7
Increase in trade and other payable	4.1	2.8
Increase in provisions	0.1	0.4
Increase/(decrease) in contract liabilities	5.4	(7.4)
Net working capital decrease/(increase)	7.5	(2.1)

Appendices: Balance sheet

- > Intangible assets from Switchback acquisition - £2.6m
- > Goodwill of £13.2m (Lambert £5.7m : Switchback £7.5m)
- > UK pension scheme surplus fell as a result of the excess return on plan assets (£27.5m) and experience gains (£3.0m) being offset by the decrease in the discount rate (1.4% vs 1.9%; £38.5m)
- > Falling discount rates cause the future interest income from the scheme to fall; Interest income was £0.6m in 2019; £0.4m in 2020 and will fall to £0.2m in 2021.
- > Main equity movements include the following:
 - £3.3m retained profit for the period
 - £0.5m favourable movement in hedging reserve movement in hedging reserve
 - £6.6m of actuarial losses recognised in the statement of comprehensive income



	Dec 2020	Dec 2019
	£m	£m
Intangible assets	27.4	16.9
Investment property	0.8	0.8
Property, plant & equipment (including right of use)	9.1	10.3
Net working capital (excl. pension & tax)	(6.8)	(1.0)
Pension schemes (after tax)	6.1	10.1
Current and deferred tax (excl. pensions)	0.3	(0.2)
Lease liabilities	(4.2)	(4.8)
Deferred consideration	(2.9)	(2.6)
Net cash	14.6	18.0
Equity	44.4	47.5

Our machines are installed in global blue chips including:





We create automation ecosystems that enhance manufacturing to help businesses adapt and grow

Mpac Group plc
13 Westwood Way
Westwood Business Park
Coventry CV4 8HS
Tel: +44 (0)2476 421100
Email: ho@mpac-group.com

mpac-group.com

