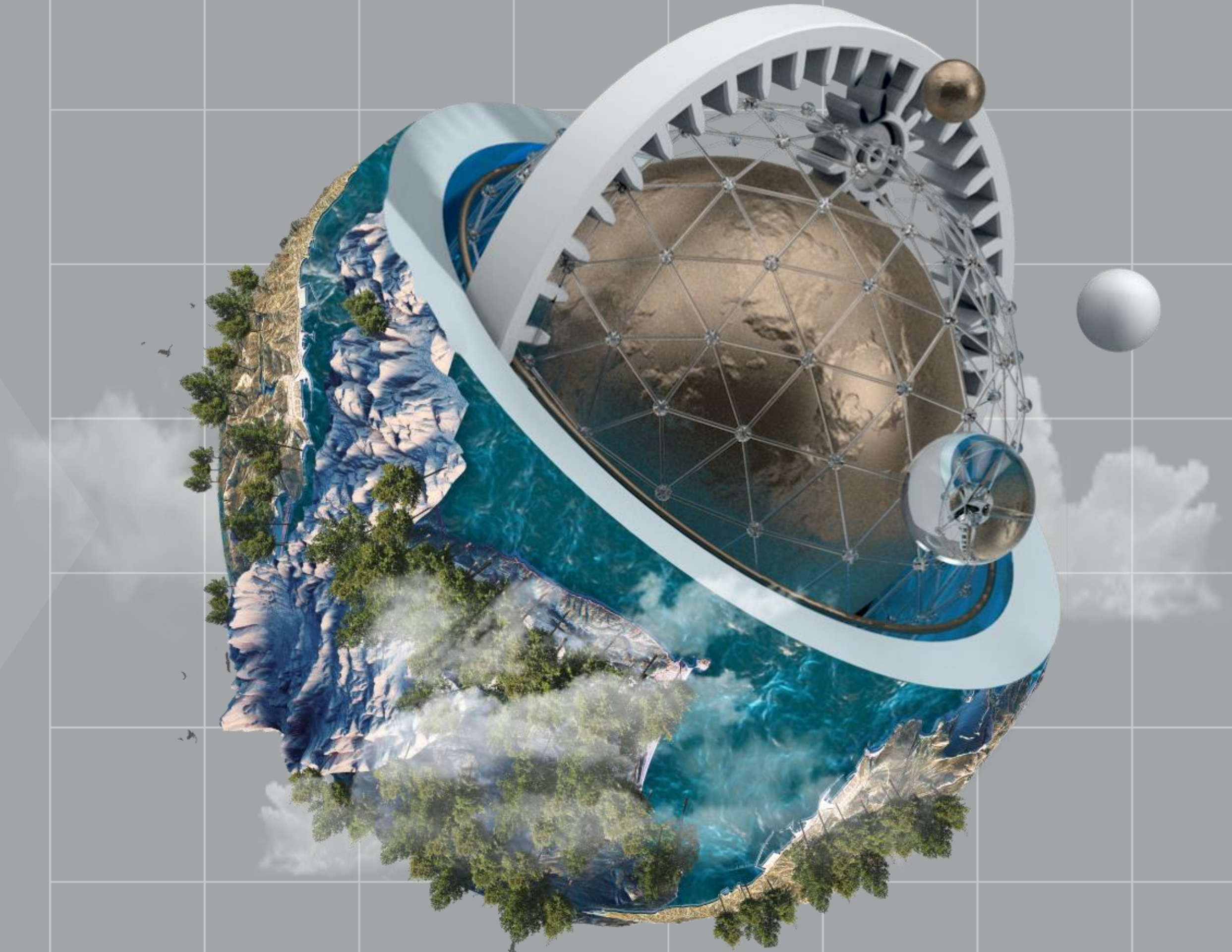
AUTOMATION ECOSYSTEMS

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



Mpac Group plc

2021 Half Year Results
September 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

Introduction: Tony Steels, CEO

"I am really pleased with the performance of the business in the first half of 2021. The strong momentum from H2 2020 has carried forward to 2021 with Original Equipment order intake up significantly. Good progress with the implementation of our strategic objectives provided the platform for the business to leverage the growth markets in which we operate. We remain well placed, serving markets with good underlying demand and therefore the Board believes that the results for full year 2021 will be above current market expectations and that the Group's long-term prospects remain positive."

Overview: 2021 half year summary

> Customer focus and agility of all colleagues underpinned performance
> Strong momentum on order intake, order book led by Americas region, improving outlook in EMEA
> Mpac Switchback performance ahead of expectations
> New facilities for Switchback incorporating Mpac USA HQ
> Regional Mpac Service strategy continues to develop with good progress in the USA and the use of digital solutions
> Roll out of One Mpac business processes reached a milestone and providing benefits
> Uptick in sales of newly developed products and continuation of customer developed options
> Strategic partnership with Freyr, a developer of clean, next generation, battery cell production capacity

Order intake

£51.7m

(H1 2020: £30.5m)

Revenue

£44.2m

(H1 2020: £36.8m)

Underlying PBT

£4.7m

(H1 2020: £2.5m)

Underlying EPS

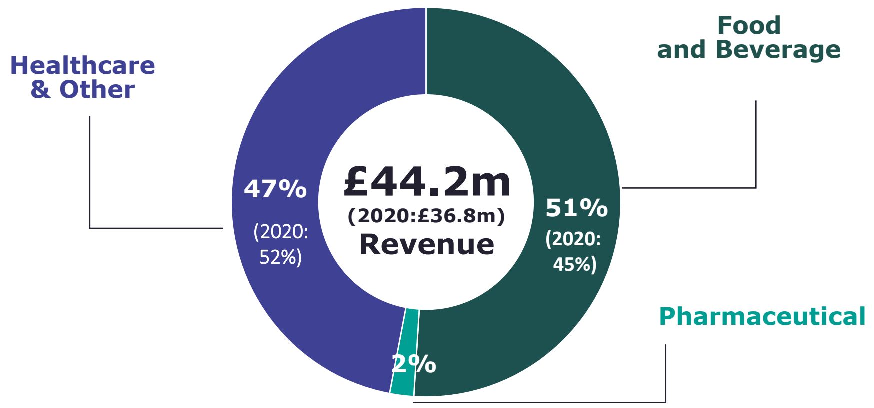
18.3p

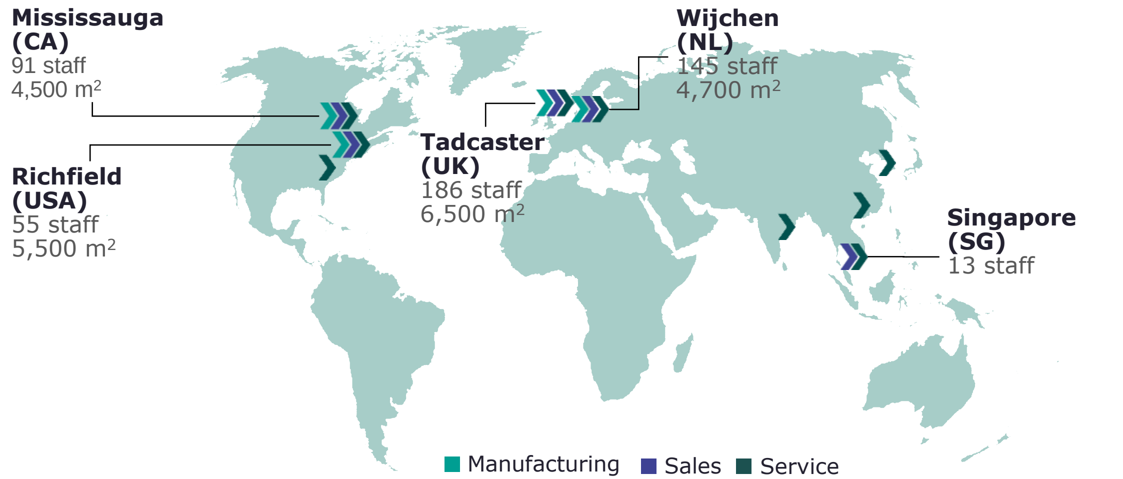
(H1 2020: 11.0p)

Overview: Operations and sectors

2	7	>10,000	4	~180	80
Innovation Centers	Customer Service Hubs	Machines in service	Global Manufacturing Facilities	Global Engineers & Designers	Countries served

Half Year 2021 Sales by Sector (%)





Who we are and what we do

Mpac Group plc is a global engineering and service provider of full line packaging and automation solutions in the essential growth sectors of healthcare, pharmaceutical, and food and beverage. We design, precision engineer and manufacture high-speed packaging and automation solutions.

Our sectors

Healthcare

We help achieve better patient outcomes through advanced products, processes & packaging formats. From contact lenses to wound care products.

Food & Beverage

Extensive expertise dealing with powders to liquids and cereals to confectionary, our packaging machinery covers a wide range of applications.

Pharmaceutical

We support clients' pharmaceutical advances cost effectively, from inhaler assembly to transdermal patches.

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

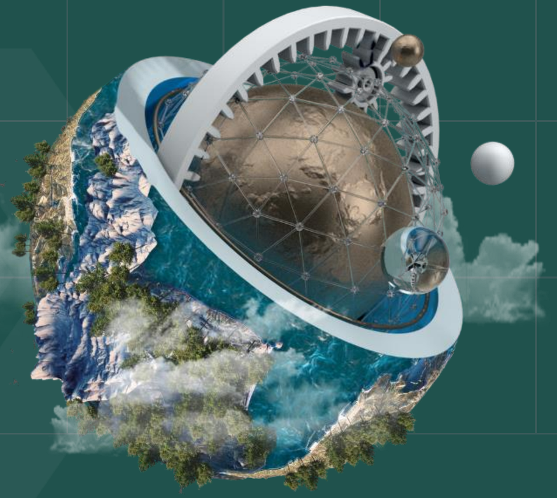
Helping businesses grow globally while embracing sustainability

> 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."



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's extensive know how and knowledge

Design and build

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

Install

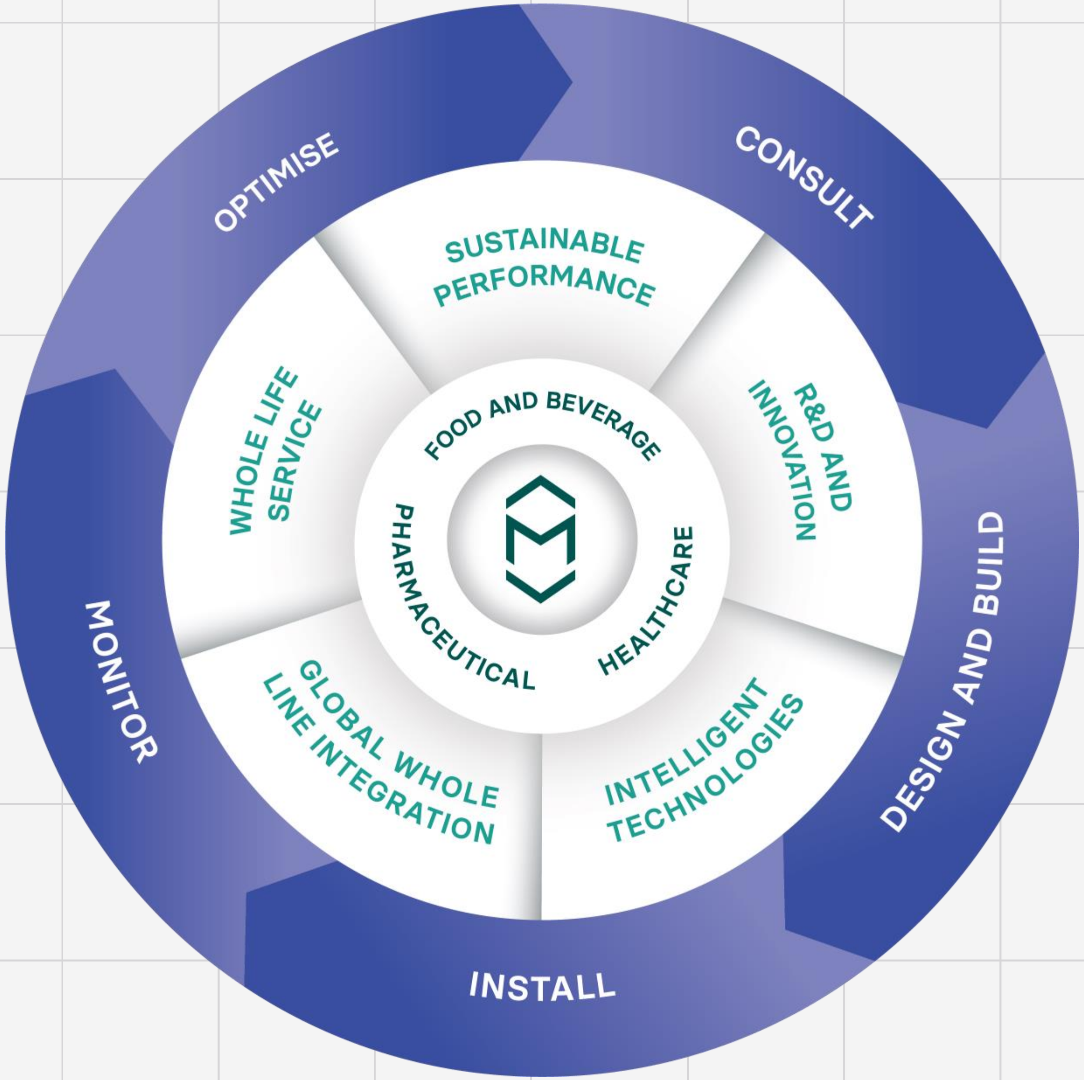
Support rapid ramp up of the new equipment to reach full productivity with effective training reducing start up costs

Monitor

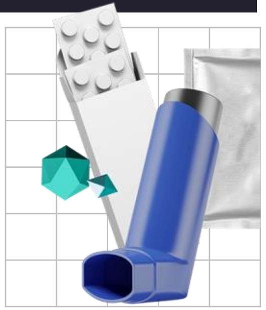
Expertise to connect to control system to provide a complete review of equipment performance

Optimise

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



Strategy: Addressable growth markets

Sector		Solutions	Market value	CAGR
Pharmaceutical		> Dry powder inhaler > Point of use drug delivery > Device assembly	**$4bn***	5%
Healthcare		> Ostomy > Contact lens > Personal care > Other	**$6.7bn***	4%
Food and Beverage		> Bakery > Chilled and frozen foods > Spirits > Craft beer	**$30.1bn***	4%

*PMMI – Jan 2021

Drivers

- Premiumisation
- Recycling
- Increasing income
- Health
- Convenience
- Urbanization

Leadership in higher margin segments in long-term growth markets

Strategic priorities

	H1 2021 progress		Looking ahead		
Going for growth	**Switchback** Momentum in realising commercial synergies	**Building Prospects** Market led approach generated new customers	**Switchback** Product launch in EMEA and new showcase USA facility	**Product Lines** Build global approach to expand sales	**New markets** Strategic partnership in clean energy storage market
Make Service a Business	**Americas** One Mpac approach in the Americas	**Customer proposition** Embed extended offer to include LTSA and Ind 4.0	**EMEA** One Mpac approach	**Upgrades** Develop preferred partner status	**Innovation** Mpac Cube – digital technologies
Operational efficiency	**One Mpac** Synergies across Eng, Assembly and Supply Chain	**ERP** Phased roll out completed in Canada and UK	**Mpac Business Systems** Roll out in Switchback	**One Mpac** Leverage benefits of integrated systems to improve margins	**Modularisation** Product optimisation to reduce lead times and improve responsiveness
Innovation	**Products** Healthcare platform and case packing solutions	**Technology** Extend suite of digital and Industry 4.0 products	**Markets** Market-led healthcare innovation and develop Switchback range into other sectors	**Products** Broaden range and options for case packing solutions	**Energy Storage** Automation solutions
People	**Engagement** Personal development plan process, employee health and wellbeing, satisfaction monitoring	**Retention** Development and retention of critical knowledge	**Skills** Launch Mpac Academy to attract and retain talent	**Communication** Step up internal communication via new intranet platform	**Engagement** Continued satisfaction survey and feedback

Strategy case study: New showcase and service facility for US customers

Leveraging prior investment in Switchback and providing Mpac's full offering and enhanced local service

Benefits of the new showcase facility

Full capability showcase	Enhanced local service	Inspiring team environment

- Strategically located close to customer base
- Move in date 16th August 2021
- 5,500m2 high-tech environment
- Showcase to US customers the full Mpac capability

> **"This new facility will offer our customers a strategic high-tech environment which will showcase all the Mpac offerings under one roof, while offering our personnel the space we need to grow all facets of the group in the US."**
>
> *Dave Shepherd, President Mpac Switchback*

> **"With our new Mpac USA facility, we will be able to serve our USA customers like never before and bring our customers even more success for decades to come."**
>
> *Aaron Carpenter, Sales Western USA*

Strategy case study: FREYR Battery and the drive to net zero

Protecting our planet is fast becoming a priority for everyone with commitments to get to net zero faster

The Energy Challenge

- **To develop high volumes of energy storage – best served through lithium-ion battery technology**

Mpac: Opportunity

- **Long term engagement to develop partnership and solution offering innovative scalable manufacturing approach for lithium battery production line, while reducing the unit cost**

Mpac: Added Value

- **Knowledge of latest linear motor technology, close loop technology and learnings from medical device assembly and pharmaceutical processing has built our expertise in:**

  - specialist material handling
  - web converting
  - high tolerance assembly
  - particulate control

Outcomes

- **Scalable solution that supports FREYR's growth plans and works in the micron range to achieve optimal process control**

FREYR

FREYR are developing environmentally friendly lithium-ion based battery cell facilities in Mo i Rana, Northern Norway. They will supply high-energy density and cost-competitive clean batteries to rapidly growing global markets using the best available technology and globally leading partners.

"We are delighted to be a partner to FREYR, supporting their vision of lithium-ion battery manufacturing at scale, for a more sustainable future.

Our automation ecosystems incorporate the know how, equipment and services to industrialise production of battery cell energy storage devices without any compromise on quality."

Tony Steels, CEO

Example showing the scale of an assembly and production packaging line.

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

> Developing manufacturing solutions for clean energy storage

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

Financial review: Will Wilkins, Group FD

"The return to growth and strong increase in margin and profitability in H1 was underpinned by our approach to operate as a single entity business model, 'One Mpac', and by leveraging the prior investment in business processes and systems."

Financial review: 2021 half year highlights

OE revenue	Service revenue	Underlying operating profit	Gross profit
£34.0m	**£10.2m**	**£4.8m**	**33.5%**

> Strong H1 order intake of £51.7m (H1 2020: £30.5m)

> Revenue of £44.2m (H1 2020: £36.8m) contributing to a closing order book of £62.0m (H1 2020: £55.5m)

> Gross profit margin increased to 33.5% (H1 2020: 30.7%)

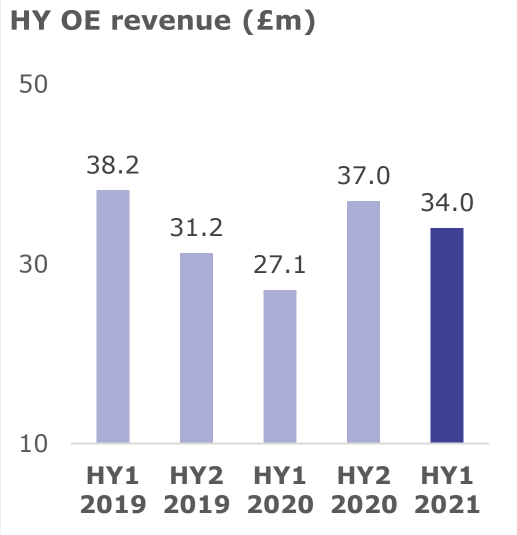
> Underlying operating profit £4.8m (H1 2020: £2.6m) and underlying PBT of £4.7m (H1 2020: £2.5m)

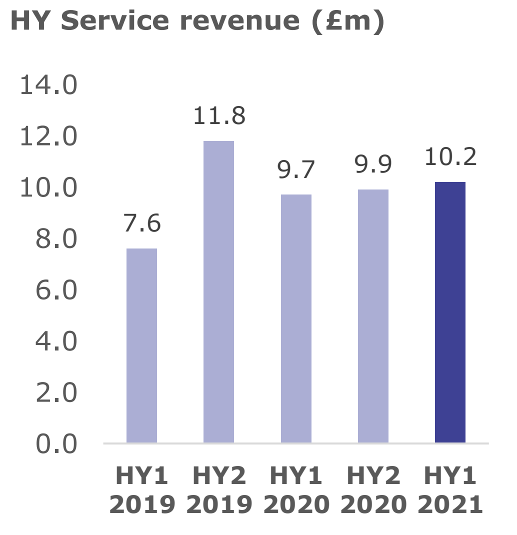
> Cash outflows from operating activities £3.3m (H1 2020: inflow £5.6m)

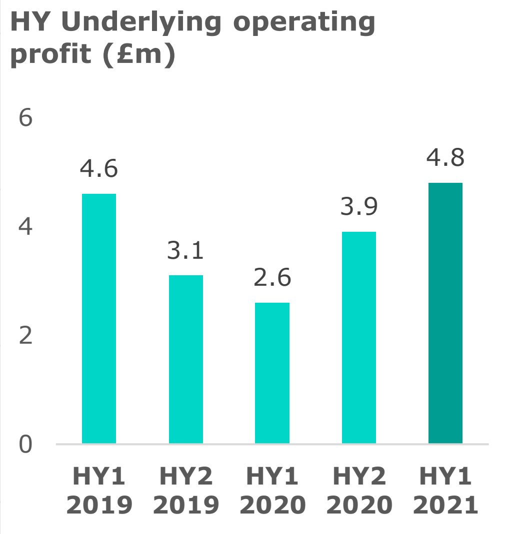
> Closing cash of £11.2m, expected to be the low point of the year (H1 2020: £23.4m)

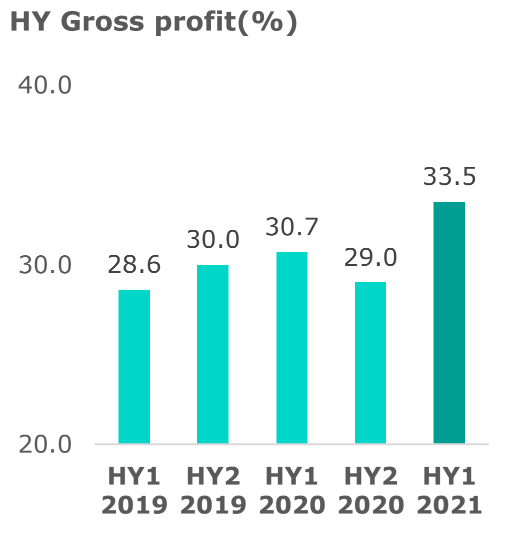
> Statutory PBT £2.8m (H1 2020: £1.4m)

> Underlying earnings per share of 18.3p (H1 2020: 11.0p)









Financial review: Group Income Statement

For the six months to 30 June 2021

> 25.5% OE revenue growth v H1 2020

> Service revenue growth over 2020 despite continuing constraints on I&C and field service revenue generation opportunities

> Original equipment margins strong and driver for overall margin growth

> Gross and net profit margins increase with leverage of prior investment in single entity processes and systems

> Prior year administration costs include the impact of one off cost savings

> Underlying operating margin of 10.9% (H1 2020: 7.1%)

> Non-underlying items include amortisation of intangibles and pension administration charges

> Tax charge of £0.7m but minimal cash tax expected via utilisation of tax assets

	H1 2021 (£m)	H1 2020 (£m)	**Change**
Revenue	**44.2**	**36.8**	**+20.1%**
– Original Equipment	*34.0*	*27.1*	*+25.5%*
– Services	*10.2*	*9.7*	*+5.2%*
Gross profit	**14.8**	**11.3**	**+3.5m**
Gross profit margin	*33%*	*31%*	
Selling, marketing and distribution costs	(3.1)	(3.3)	
Administration expenses	(6.4)	(4.9)	
Other operating expenses	(0.5)	(0.5)	
Underlying operating profit	**4.8**	**2.6**	
Underlying operating profit margin	*10.9%*	*7.1%*	
Net financing (expense)/income	(0.1)	0.1	
Non-underlying items	(1.9)	(1.3)	
Taxation	(0.7)	(0.2)	
Profit after tax for the period	2.1	1.2	
Basic earnings per share	10.6p	6.0p	
Underlying earnings per share	**18.3p**	**11.0p**	

Financial review: Balance Sheet

For the six months to 30 June 2021

- Tangible fixed assets includes the Coventry site at £1.4m, sold in July 2021 for £1.7m, net of costs
- Net pensions assets of £24.5m driven by 0.5% increase in discount rates and liability matching programmes
- Actuarial valuation as at 30 June 2021 to be conclude by mid-2022
- Inventory level reflects project procurement required to maintain project execution schedule in H2
- Trade & other receivables include £9.3m of contract assets, reduced due to the timing of progress on major contracts, with a number of significant milestones hit in Q1 2021
- Trade and other payables include £12.3m of contract liabilities, a reduction of £5.9m due to the unwind of customer deposits received in Q4 2020
- Deferred consideration in respect of Lambert due in Q2 2022 and included within Trade and other payables
- Deferred consideration in respect of Switchback included within long term liabilities

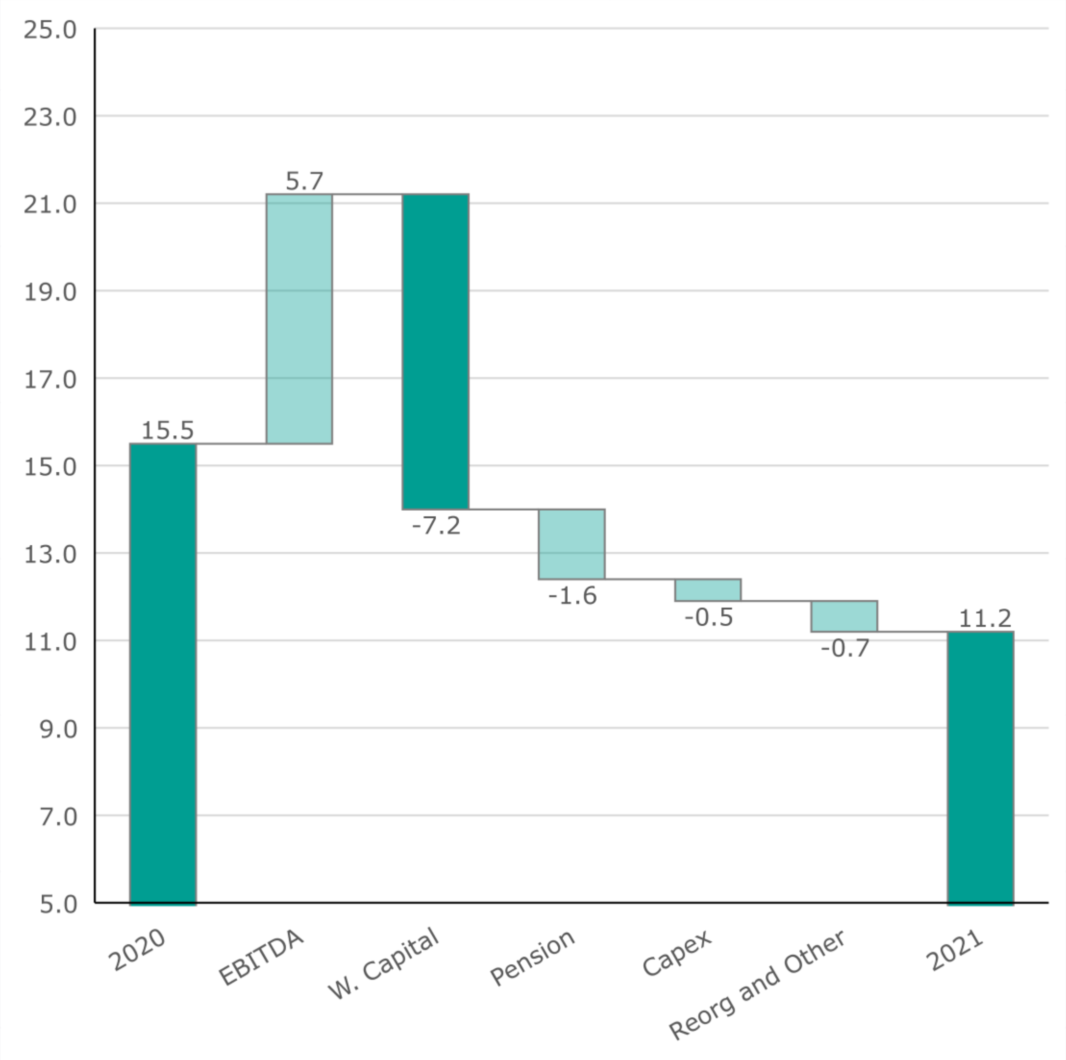
	H1 2021 (£m)	YE 2020 (£m)	**Change**
Intangible Assets	26.3	27.4	-4%
Tangible fixed assets, including leased items	9.2	9.9	-7%
UK Pensions asset	26.8	14.0	+91%
Deferred Tax asset	1.0	1.8	-44%
Non-current assets	*63.3*	*53.1*	+19%
Inventories	4.9	3.5	+40%
Trade & other receivables	27.3	33.0	-17%
Cash	11.2	15.5	-28%
Current Assets	*43.4*	*52.0*	-17%
Trade & other payables	(34.6)	(43.7)	-22%
Net current assets	*8.8*	*8.3*	+6%
Total assets less current liabilities	*72.1*	*61.4*	+18%
Deferred tax on UK pension surplus and acquired intangibles	(11.1)	(6.8)	+63%
Lease liabilities	(3.2)	(3.4)	-6%
US Pension deficit	(2.3)	(3.0)	-23%
Loans and deferred consideration	(1.5)	(3.8)	-61%
Net assets	**54.0**	**44.4**	+22%

Financial review: 2021 half year
Cash bridge and working capital

Cash flow		
Inventories	-£1.4 m	Stocking of parts and materials to support H2 project schedule
Debtors	+£5.0m	Project stage of completion and pro-active cash management
Creditors / Contract assets/liabilities	-£10.7m	Timing of orders and project stage of completion – significant deposits received before FY 2020
Provision	-£0.1m	

- Working capital increase partially due to the unwind of the £7.5m working capital decrease in 2020
- £10.0m borrowing facility entered into in Jun 2019 committed until June 2022 – further £5.0m on an accordion basis
- Continued debt free and strong balance sheet
- Strong cash generation in Q3 2021
- Continued focus on working capital management to deliver growth in performance within current working capital levels in H2

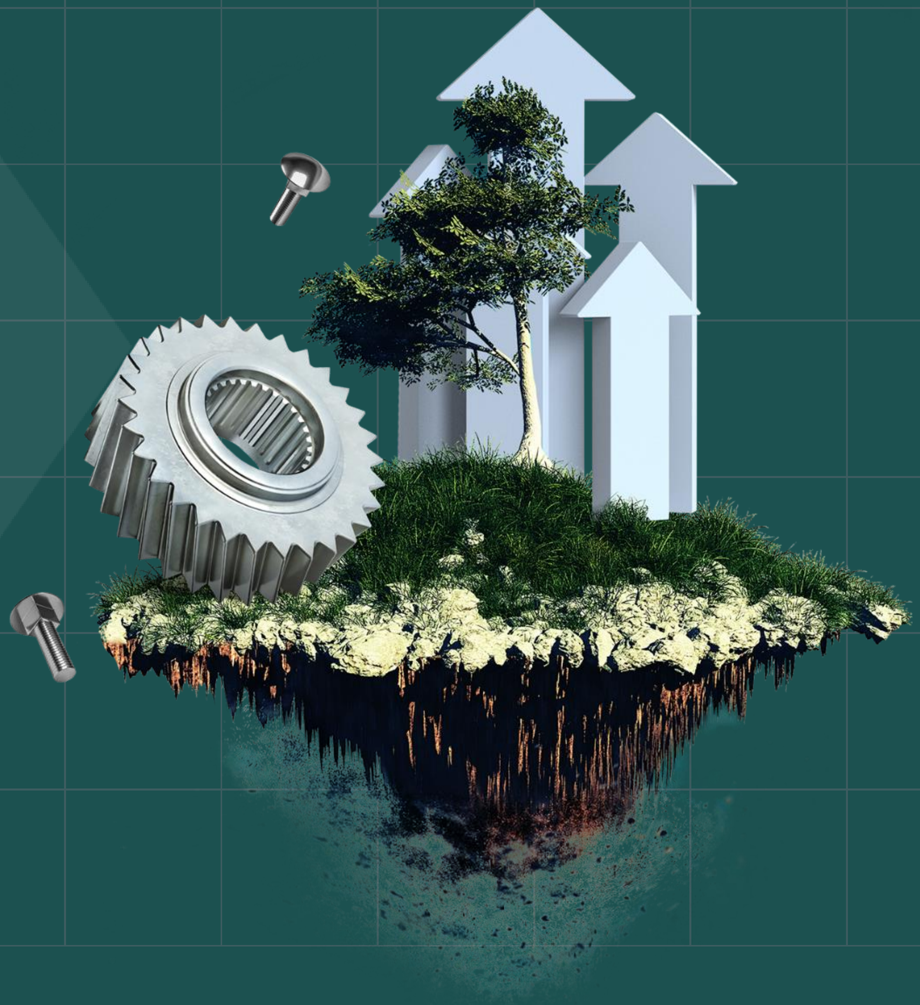
Financial bridge on net cash (£m)



Strategic update: Outlook

- Prior investment in One Mpac generating increased operating leverage and improved return on sales
- Strong and diverse opening order book and good start to Q3 2021 provides excellent coverage of 2021 revenue
- Project prospects pipeline continues to build
- Development of strategic partnership in clean energy storage sector provides adjacent growth sector
- Leverage One Mpac infrastructure to support growth
- Launch Switchback into EMEA market in H2 2021
- £10.0m secured committed borrowing facility plus £1.0m overdraft available to drive growth
- Focus remains on organic growth with active assessment on further acquisition opportunities
- Full Year 2021 results expected to be ahead of current market expectations

Appendices



Appendices: Income Statement

> Revenue increase of 20% over 2020

> Non underlying items of £1.9m include:
- Amortisation £0.9m
- Pension admin costs £0.6m
- Reorganisation costs £0.2m

> Non-underlying net financing income of £0.1m is pension related (2020: £0.2m)

> Underlying operating profit of £4.8m (2020: £2.6m)

	H1 2021 £m	H1 2020 £m
Sales	44.2	36.8
Underlying operating profit*	**4.8**	**2.6**
Non-underlying operating loss	(1.9)	(1.3)
Operating profit	2.9	1.3
Net interest (payable)/receivable	**(0.1)**	0.1
Profit before tax	**2.8**	1.4
Tax charge	(0.7)	(0.2)
Profit for the period	**2.1**	1.2
Underlying EPS*	18.3p	11.0p
Basic EPS	10.6p	6.0p

* before non-underlying items

Appendices: Segmental information

Original Equipment ('OE')

- Strong OE revenue in Americas driven by conversion of the strong opening order book and Switchback acquisition in H2 2020
- EMEA impacted by timing of customer investment cycles
- APAC region continues to be impacted by Covid-19 and related travel restrictions

Service

- Increasingly diverse customer base
- Stable position in EMEA and APAC
- Continues to be affected by Covid-19 and restrictions to site-based service work

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

	H1 2021 **£m**	H1 2020 £m
Sales		
Original equipment		
Americas	24.7	12.8
EMEA	8.3	12.0
Asia Pacific	1.0	2.3
Total original equipment	**34.0**	**27.1**
Service		
Americas	5.4	5.4
EMEA	4.1	3.4
Asia Pacific	0.7	0.9
Total service	**10.2**	**9.7**
Total sales		
Americas	30.1	18.2
EMEA	12.4	15.4
Asia Pacific	1.7	3.2
Total sales by region	**44.2**	**36.8**
Gross profit	14.8	11.3
Selling, distribution & administration	(10.0)	(8.7)
Underlying operating profit	**4.8**	**2.6**

Appendices: Cash flows

> Cash flows from operating activities in 2021 include:
- £7.2m working capital increase
- £1.6m of pension payments
- Reorganisation costs paid of £0.3m

> Cash flows from investing activities include:
- Capital and product development expenditure of £0.5m

	H1 2021 £m	H1 2020 £m
Cash flows from operating activities	(3.3)	5.6
Cash flows from investing activities	(0.4)	(0.8)
Cash flows from financing activities	(0.6)	(0.5)
Net cash flows	**(4.3)**	**4.3**
Opening net funds	15.5	18.9
Exchange	-	0.2
Closing net funds	**11.2**	**23.4**

Appendices: Working capital

- Working capital movements driven by the timing of contracts orders, the conversion of billing milestones to cash and revenue generation
- Overall increase in working capital of £7.2m reflects the difference in stage of completion of long-term projects and associated cashflows
- Timing of new order intake critical to working capital movements, with high deposit payments in Q4 2020 not repeated in Q2 2021, but Q3 2021 has seen deposit receipts notably increase, restoring cash above the 1 January 2021 position
- Current order book supports growth forecasts without further increases in working capital to December 2021

	H1 2021 £m	H1 2020 £m
(Increase)/decrease in inventories	(1.4)	2.8
Increase in contract assets	-	(5.4)
Decrease in receivables	5.0	5.3
Decrease in payables	(4.8)	(5.5)
Decrease in provisions	(0.1)	(0.1)
(Decrease)/increase in contract liabilities	(5.9)	6.4
Net working capital (increase)/decrease	**(7.2)**	**3.5**

Appendices: Pension scheme

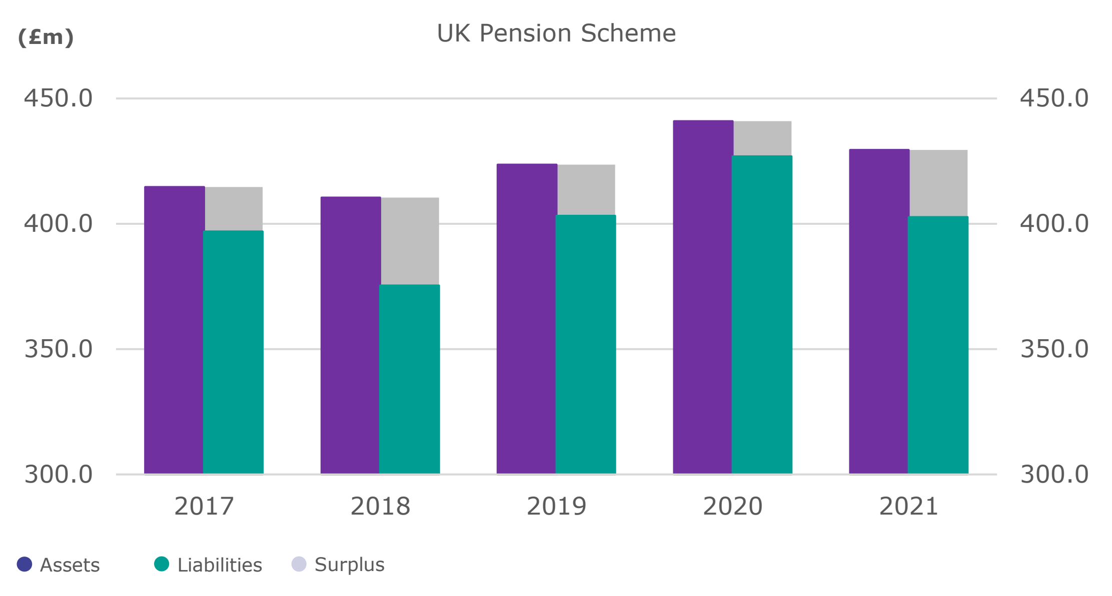
UK scheme

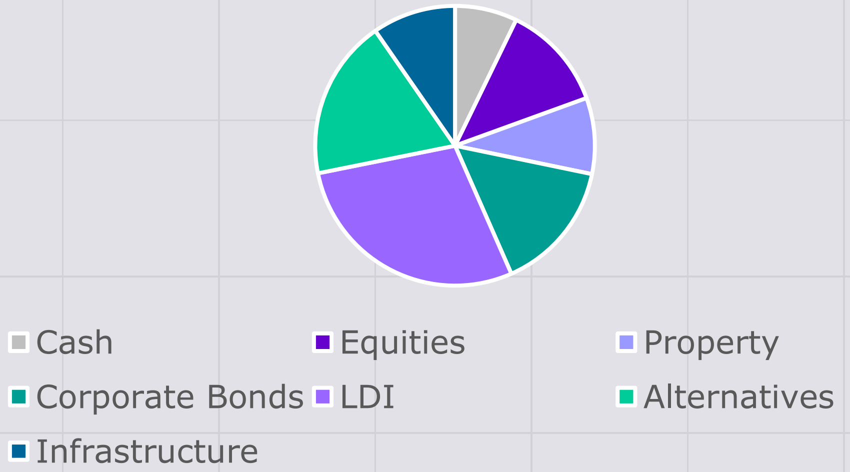
- Accounting surplus £26.8m (31 December 2020: £14.0m)
- Actuarial valuation due at 30 June 2021, to be concluded by mid-2022
- Company being supported by Isio through the valuation process
- Impact of RPI reform to be fully reflected in the valuation, with changes in funding levels being reflected in the future investment strategy of the scheme
- Leveraged LDI assets providing 100% cover against liability inflation risk and 70% cover against discount rates

Strategy

- Funding level increased to c.96% based upon June 18 valuation assumptions but impact of RPI reform to be assessed
- Recovery period currently runs until July 2024
- Actuarial valuation assumptions for 2021 to be agreed with the trustee
- Further evaluation of options for the scheme to be considered in the context of the next valuation
- Focus remains on decoupling the scheme from the company at the earliest opportunity

UK Pension Scheme – IAS19 surplus





Appendices: Mpac Switchback (acquired September 2020)

Company Overview

Industry focus

- [x] Food & Beverage
- [ ] Pharma
- [x] Healthcare

Key facts at acquisition

Sales:	$14.2m (FY19)
EBITDA:	$2.1m (FY19)
EBITDA %:	14.8%
Employees:	45
Ownership:	Private
Location:	Richfield, Ohio, USA
Year started:	2004

Business overview

- Design, manufacture and sale of secondary packaging equipment, including cartoners, tray formers and case-packers, mainly into the US market
- Leading position in high growth craft beverage industry
- Products generally lower speed/price than top tier/global participants
- Leadership position in US craft brewing market which represents c. 60% of sales
- Potential for expansion into Europe through strategic relationships
- Sales growth of 24% CAGR (2016 – 2019)
- The business operates from a 30,000 sq.ft. facility in Richfield, Ohio, close to Cleveland.

Appendices: Mpac Lambert (acquired May 2019)

Company Overview

Industry focus

- [ ] Food & Beverage
- [x] Pharma
- [x] Healthcare

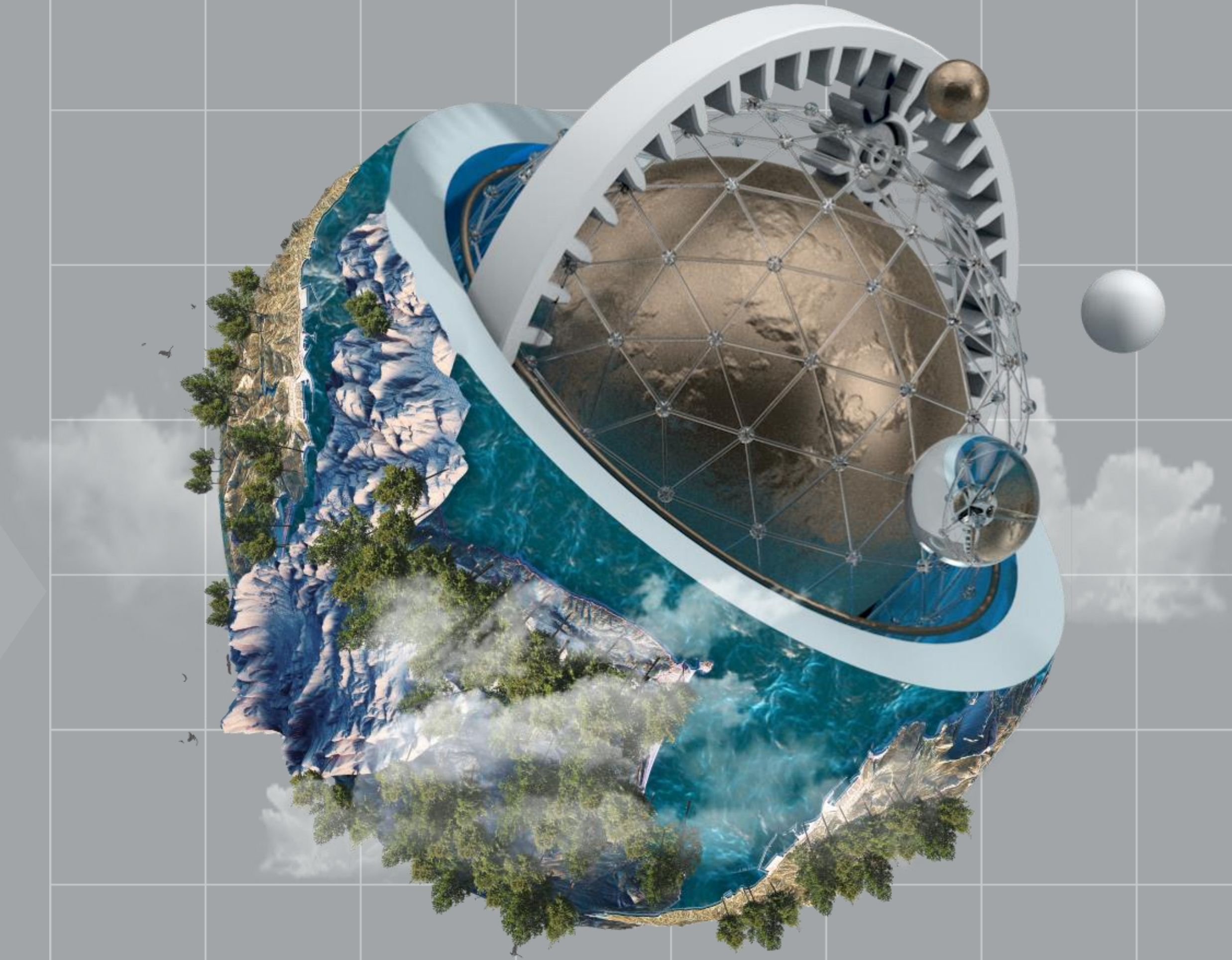
Key facts at acquisition

Sales:	£20.6m (3yr average)
EBITDA:	£1.8m (3yr average)
EBITDA %:	8% (3yr average)
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

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



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