

22 March 2023

AIM: MPAC



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**Mpac Group plc**  
**("Mpac", "the Company" or "the Group")**

**Mpac, the global packaging and automation solutions Group, today announces its results for the 12 months to 31 December 2022**

***FY22 trading performance and outlook for FY23 in line with market expectations***

**Financial Summary**

- Order intake of £83.8m (2021: £117.9m) contributing to a closing order book of £67.2m (2021: £78.4m)
- Group full year revenue up 4% to £97.7m (2021: £94.3m)
- Strong Service revenue growth, up 14% to £23.1m (2021: £20.2m)
- Underlying profit before tax of £3.5m (2021: £8.6m)
- Underlying earnings per share of 13.3p (2021: 39.7p)
- Statutory profit before tax of £0.2m (2021: £8.2m)
- Basic loss per share of 2.2p (2021: earnings per share of 39.1p)
- Net debt £4.7m (2021: Net cash £13.6m)

**Operational and Strategic highlights**

- Strong recovery of performance in H2 driven by unwinding of supply chain issues, cost saving mitigations and leveraging One Mpac integrated business systems
- Service revenue growth, supported by the increasing use of digital technologies, driven by regional strategy
- Framework agreement signed with FREYR Battery ("FREYR"), a developer of next-generation battery cell production capacity, for the exclusive supply of battery cell automation lines
- Shipment of initially completed modules of battery cell assembly automation line to FREYR Battery
- Launch of Mpac Cube service product line offering to enhance our customers connectivity, productivity and sustainability in addition to conventional service products

**Current trading and outlook**

- The Group has started 2023 in line with expectations with encouraging order intake and a healthy pipeline of prospects, better positioned to address what remains a challenging trading environment

Tony Steels, Chief Executive, commented:

“Mpac once again demonstrated its agility in implementing mitigations to deliver a second half recovery. This was in the face of increased macro-economic uncertainty and unprecedented volatility in the global supply chain which impacted both the lead time of customers’ order placement and caused operational challenges. The Group responded dynamically to continue to meet customer expectations and increase service revenue. The Group ended 2022 with a strong closing order book and a healthy prospect pipeline, providing good coverage over 2023 forecast revenue.”

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## **OPERATING REVIEW**

### **Tony Steels**

#### **Introduction**

In recent years the Group has made substantial progress in its strategic plans to deliver growth from the resilient food and beverage and healthcare markets, which have attractive long term growth drivers. However, well documented short-term operational challenges caused by macro-economic headwinds and volatile global supply chains resulted in lower order intake, reduced operational efficiency, and extended project build time frames during 2022. Against this backdrop, the Group was successfully able to implement a range of mitigation measures which drove an improved financial performance in the second half of the year. These included securing stock, establishing alternative sources of electronic component supply, increased focus on reliable planning data from our ERP system, close management of our supply chain, negotiating price increases and implementing cost saving initiatives. It is also thanks to the dedication and resourcefulness of our employees that our customers' expectations have continued to be met during this challenging period for Mpac.

In 2022 the Group continued to make progress in the development of casting and unit cell assembly equipment for the battery cell production line at the FREYR Battery ("FREYR") Customer Qualification Plant in Norway. During H2, changes requested by FREYR have resulted in a revised plan for delivery of the line in Q1 2023, and commissioning in Q2 2023. In September 2022, the Group announced a framework agreement for the supply of assembly equipment to the production lines intended by FREYR to follow-on from the initial Qualification Plant.

2022 was a milestone for Mpac seeing the first graduates from our Mpac Academy, which is developing future leaders for the Group. Also, for the first time, Mpac was at the Pack Expo trade show in Chicago as a truly integrated business, offering sales and service throughout the Americas through unified teams.

Our search for further complementary acquisition targets continues. However, the focus of management remains on delivering organic growth and extending our commercial reach to new customers with new products and services, supported by a comprehensive, market-led development roadmap.

The fundamentals of Mpac remain strong and the business has again demonstrated resilience in managing short term operational challenges. The Board is excited about the next phase for the Group, given our strong position in the growing healthcare and food & beverage sectors and we remain on track to meet our long-term strategic objectives.

#### **Supply chain**

Disruption to the supply of critical, customer-specified chip based electronic components continues; however, the Group has been proactive in implementing mitigation measures as discussed above. Delays to parts delivery extended project build times, resulting in increased levels of working capital of £17.8m, which was funded by a combination of free cash and borrowing against existing committed bank facilities. The increase in working capital is expected to unwind as the backlog of projects are largely cleared in H1 2023.

#### **Strategic update**

##### Going for Growth

*Offering comprehensive "Automation Ecosystems" in our target sectors, driven by understanding customer needs and providing innovative solutions.*

Our goal remains to grow Group revenue at a double-digit rate year on year. The overall addressable end market is substantial and growing, though macro-economic uncertainty has impacted the timing of customer investment, extending decision-making cycles. However, the fundamentals of the markets in which we operate remain strong.

During 2022 we further consolidated and focused our regional sales structure through extensive training and sales tools, supporting cross selling and delivering a wider range of machines to new and existing customers. Our One Mpac model was reinforced with significant investment in trade shows, most notably the flagship Chicago packaging exhibition, Pack Expo, in September, resulting in a significant uptick in both followers and lead generation.

Innovation remains the key to long term sustainable growth. We have made significant progress in 2022 developing technologies to support our solutions for the clean energy sector in collaboration with 24M and FREYR. Furthermore, we have launched additional products marketed under the Mpac Cube brand, which incorporates innovations focused on improved machine performance and digital enhancements as well as further Industry 4.0 enabled technology. Our recently

launched case packing solutions have become a key product to offer our customers in combination with other Mpac solutions.

### Make Service a Business

*A comprehensive portfolio of service products to maximise customers' return on investment.*

Service continues to grow year on year supported by investments in innovation and building resources located in the regions our customers operate. Mpac Cube was further developed during the year to incorporate our service, installation and commissioning, spare parts, site service and training, together with retrofits and upgrades. In addition, a suite of digital products is now available to provide customers with advanced engineering, information management, connected services and machine insights, ensuring our customers can fully embrace Industry 4.0.

Our goal is to generate 30% of our revenue from these services and we are well on track to meet this target.

In 2022 we also enhanced our Service model, developing the Americas healthcare service business unit, which provides proactive and responsive technical support specific to the installed machine base. This remains a key focus as we enter 2023.

### Operational Efficiency

*Operational excellence and flexible supply chains, increasing responsiveness to our customers.*

Our goal is to be a flexible organisation which can respond with agility to our customers' needs, leveraging our global internal resources as one. Short term operational challenges in 2022 highlighted the benefits of the prior investment in business systems which played a key part in mitigating the impact for the full year.

Our global ERP and business systems blueprint, implemented in our facilities in the Netherlands, Canada and the UK, will be rolled out to our facility in the US during 2023.

We are proud to have completed the inaugural year of our Mpac Academy and will look to extend this in 2023 with a graduate development programme, to include recent graduates, aimed at enlarging our graduate intake across all disciplines in the Group and providing them with a broad base of training, to support their career and future development with Mpac.

### **Environmental, Social & Governance**

We are fully committed to improving our Environmental, Social & Governance performance in all areas. Sustainability is at the core of the Mpac business model. Our engineered automation and packaging solutions provide customers with sustainable and environmentally sound equipment that support the global megatrends of reductions in packaging, particularly single-use plastics, reduced waste and increase overall equipment effectiveness. Our end-to-end capabilities help our customers to achieve their sustainability goals.

### **Acquisition strategy and update**

The Board continues to seek and evaluate potential acquisition opportunities, the focus of which is to find businesses that will enhance our customer proposition in automation and packaging solutions by extending our product range and our access to a broader range of customers in our key market sectors. Several opportunities are currently under evaluation and further updates will be provided as appropriate.

### **Outlook**

The Group has a strong order book and prospect pipeline and continues to focus on meeting customer commitments.

Economic conditions of rising energy costs, higher interest rates, skilled labour shortages and ongoing semi-conductor supply constraints are expected to continue from 2022 into 2023, setting the context for customer investments and decision-making. The measures implemented to respond to the short-term operational challenges of increasing inflation and supply chain disruption in 2022 have placed the Group in a good position to successfully manage any ongoing disruption.

The Group remains focused on executing its long-term strategy of delivering OE and Service growth at improved margins, increasingly through our digital services customer offering, together with increased operational efficiencies.

We continue to work with our customer, FREYR, to develop and build a clean energy casting and unit cell assembly line and, while timelines have been extended, this project has the potential to open the clean energy sector to Mpac. Delivering the

initial development line and establishing Mpac's position as a trusted partner to provide battery assembly automation in this exciting and rapidly developing market will be a focus for the Group in 2023.

The Board believes the Group's long-term prospects are positive and the new financial year has started in line with its expectations. Whilst the macro-economic and geopolitical uncertainty looks likely to continue, Mpac is well positioned to meet its strategic objectives.

**Tony Steels**

Chief Executive

## FINANCIAL REVIEW

### Will Wilkins

#### Revenue and operating results

Group revenues of £97.7m (2021: £94.3m) represent an increase of 4% compared to the previous year. OE revenue remained broadly level at £74.6m (2021: £74.1m), underpinned largely by growth in EMEA and from the clean energy sector. Services revenue grew by 14% to £23.1m (2021: £20.2m), driven predominantly by growth in the Americas and Asia Pacific. The rate of revenue growth in all regions was impacted by lengthening supply chain lead times and operational inefficiencies from erratic supplies of key electronic components.

Overall order intake for the Group fell by 29% to £83.8m (2021: £117.9m), due primarily to the impact of lengthening customer investment decision making in the light of a more challenging economic outlook.

The closing 2022 order book reduced to £67.2m (2021: £78.4m), albeit with increased customer diversification. The value of the closing order book, whilst below the prior year, continues to provide good coverage over the forecast 2023 revenue. We remain vigilant to project execution risk and the impact on operational efficiency of supply chain disruption.

The Group was significantly impacted by the supply chain crisis in 2022, which resulted in a reduction in market profit guidance, announced in July 2022. Pleasingly, the measures that we implemented have been successful and the Group reported a full year underlying operating profit of £3.9m, ahead of revised market guidance. Extended project build times led to an increase in the volume of partially complete projects at the year end and resulted in higher working capital. After the cost of debt to fund the increase in working capital, underlying profit before tax for the year of £3.5m was in line with revised market guidance.

We manage the business in two parts, OE and Service and across three regions, Americas, EMEA and Asia.

#### Revenue

|          | 2022 | 2021 |
|----------|------|------|
|          | £m   | £m   |
| Americas | 52.8 | 63.3 |
| EMEA     | 37.5 | 26.7 |
| Asia     | 7.4  | 4.3  |

#### Revenue

|                 | 2022 | 2021 |
|-----------------|------|------|
|                 | £m   | £m   |
| Food & Beverage | 45.7 | 45.3 |
| Healthcare      | 30.1 | 29.2 |
| Clean Energy    | 11.1 | 2.6  |
| Other           | 10.8 | 17.2 |

Individual OE contracts, and to a lesser extent the Service contracts, can be large. Accordingly, a few significant orders can have a disproportionate impact on the growth rates seen in individual sectors and regions from year to year.

#### Original Equipment

OE order intake of £57.2m (2021: £96.0m) was 40% below the prior year due to customer orders being brought forward into 2021. OE revenues of £74.6m (2021: £74.1m) were in line with the prior year.

OE revenue generated in the Americas region was 23% below the prior year at £40.9m (2021: £53.4m). The decrease in revenue was primarily driven by supply chain delays impacting project deliveries in the food & beverage sector.

In EMEA, OE revenue in the year was £27.8m (2021: £17.4m) with the increase due primarily to the growth within the clean energy sector in 2022. OE Revenue in Asia was £5.9m (2021: £3.3m).

#### Service

Order intake for the Service division was 21% above 2021 at £26.6m (2021: £21.9m). Service revenue of £23.1m (2021: £20.2m) was 14% above the prior year.

Service revenue in the Americas showed strong growth at £11.9m compared to £9.9m in 2021, with the increase being driven largely by the healthcare and food & beverage sectors. EMEA revenue in the year was £9.7m compared to £9.3m in 2021. Asia revenue in the year was £1.5m compared to £1.0m in 2021.

### Operating results

Gross profit was £24.4m (2021: £28.9m) and underlying selling, distribution and administration costs were £20.5m (2021: £20.1m).

Underlying operating profit was £3.9m (2021: £8.8m). Underlying profit after tax was £2.7m (2021: £7.9m) and statutory loss for the year was £0.4m (2021: profit of £7.8m).

Non-underlying items merit separate presentation in the consolidated income statement to allow a better understanding of the Group's financial performance, by facilitating comparisons with prior periods and assessments of trends in financial performance. Pension costs, acquisition-related items, reorganisation costs and property transactions are considered non-underlying items as they are not representative of the core trading activities of the Group and are not included in the underlying profit before tax measure reviewed by key stakeholders.

Net financing income was £0.2m (2021: expense of £0.1m). Tax on underlying profit before tax was £0.8m (2021: £0.7m). The tax charge on the Group's profit before tax was £0.6m (2021: £0.4m).

### **Reconciliation of underlying profit before tax to profit before tax**

|  | <b>2022</b>  | <b>2022</b>  | 2021  | 2021  |
|--|--------------|--------------|-------|-------|
|  | <b>£m</b>    | <b>£m</b>    | £m    | £m    |
| Underlying profit before tax                                     |              | <b>3.5</b>   |       | 8.6   |
| <i>Non-underlying items</i>                                      |              |              |       |       |
| <i>Defined benefit pension scheme – other costs and interest</i> | <b>(0.8)</b> |              | (1.0) |       |
| <i>Acquisition costs</i>   | <b>(0.3)</b> |              | (0.4) |       |
| <i>Reorganisation costs</i>                                      | <b>(0.6)</b> |              | -     |       |
| <i>Release of deferred consideration</i>                         | -            |              | 2.4   |       |
| <i>Acquired intangible asset amortisation</i>                    | <b>(1.6)</b> |              | (1.6) |       |
| <i>Deferred consideration interest</i>                           | -            |              | (0.1) |       |
| <i>Profit on disposal of Coventry facility</i>                   | -            |              | 0.3   |       |
| <i>Non-underlying items total</i>                                |              | <b>(3.3)</b> |       | (0.4) |
| <b>Profit before tax</b>   |              | <b>0.2</b>   |       | 8.2   |

### **Dividends**

Having considered the opportunities for investment in the growth of the Group, the Board has decided that it is not appropriate to pay a final dividend. No interim dividend was paid in 2022. Future dividend payments will be considered by the Board in the context of future growth opportunities and when the Board believes it is prudent to do so.

### **Cash, treasury and funding activities**

Cash at the end of the year was £4.2m (2021: £14.5m), after £8.0m of borrowings were drawn during the year and £0.3m of the Group's arranged overdraft facility was utilised. Net cash outflow before reorganisation was £12.8m (2021: inflow of £0.8m), after an increase in working capital of £17.7m (2021: £8.2m) and defined benefit pension payments of £2.1m (2021: £2.6m). Reorganisation and acquisition costs of £0.8m (2021: £0.3m) were paid in the year. Net taxation payments were £0.4m

(2021: £0.1m). Capital expenditure on property, plant and equipment was £1.0m (2021: £1.5m), and capitalised product development expenditure was £1.4m (2021: £0.2m). Net current assets at the end of the year were £12.2m (2021: £12.5m) and net assets at the year end were £62.2m (2021: £65.4m).

Deferred consideration of £0.8m in respect of the acquisition of Switchback in 2020, following the satisfaction of certain performance targets in the year to 30 September 2022, was paid in October 2022. The two-year performance criteria relating to the purchase of Switchback in 2020 has now concluded with the deferred consideration paid in full.

The Group entered into a three-year funding agreement with HSBC in 2022, which provides the Group with a £20.0m revolving credit facility to support future growth. This facility also provides a number of other opportunities to proactively manage the Group's cash and ensure that the Group is well placed to react to opportunities, both organic and acquisition related, as they arise. The Group utilised £8.0m of this facility in the year.

There were no significant changes during 2022 in the financial risks, principally currency risks and interest rate movements, to which the business is exposed, and the Group treasury policy has remained unchanged. The Group does not trade in financial instruments and enters into derivatives (mainly forward foreign exchange contracts) solely for the purpose of minimising currency exposures on sales or purchases in currencies other than the functional currencies of its various operations.

### **Working Capital**

The global supply chain crisis resulted in delays to project builds and more OE projects at the design and assembly stage of completion than at the start of the year. This change delayed the achievement of completion milestones, delaying invoicing to customers.

This build-up of contract assets peaked in the fourth quarter of 2022 following the supply of certain key electrical components. At the same time, order intake in the second half of 2022 was weighted towards the end of the year, which broadly did not allow for sufficient time for the collection of customer deposits before the year end. This combination of factors led to an increase in working capital which we expect to largely unwind in the first half of 2023.

### **Pension schemes**

The Group is responsible for defined benefit pension schemes in the UK and the US, in which there are no active members.

The IAS 19 valuation of the UK scheme's assets and liabilities was undertaken as at 31 December 2022 and was based on the information used for the funding valuation work as at 30 June 2021, updated to reflect both conditions at the 2022 year end and the specific requirements of IAS 19. The smaller US defined benefit schemes were valued as at 31 December 2022, using actuarial data as of 1 January 2022, updated for conditions existing at the year end. Under IAS 19 the Group has elected to recognise all actuarial gains and losses outside of the income statement.

The IAS 19 valuation of the UK scheme resulted in a net surplus at the end of the year of £31.5m (2021: £35.7m) which is included within the Group's assets. The value of the scheme's assets at 31 December 2022 was £311.2m (2021: £453.1m) and the value of the scheme's liabilities was £279.7m (2021: £417.4m). Despite the unprecedented volatility in financial markets around the world in 2022, the scheme's protection strategies, notably its use of Liability Driven Investments, ensured that the surplus was protected.

The IAS 19 valuations of the US pension schemes showed an aggregated net deficit of £2.1m (2021: £2.5m) with total assets of £8.1m (2021: £9.9m).

During the year the Company made payments to the UK defined benefit scheme of £2.0m (2021: £2.3m).

The UK scheme's triennial valuation as at 30 June 2021 was completed in the year, with the reported deficit reducing to £28.4m (30 June 2018: £35.2m). The contributions remained at the same level, but the recovery period reduced to four years and six months (30 June 2018: 6 years 1 month).



**Equity**

Group equity at 31 December 2022 was £62.2m (2021: £65.4m). The movement arises mainly from the loss for the year of £0.4m, a net actuarial loss in respect of the Group's defined benefit pension schemes of £3.7m and changes in the fair value of cash flow hedges of £1.3m; all figures are stated net of tax where applicable.

**Will Wilkins**

Group Finance Director

## CONSOLIDATED INCOME STATEMENT

|   |      | 2022             |                                      |               | 2021             |                                      |             |
|---|------|------------------|--------------------------------------|---------------|------------------|--------------------------------------|-------------|
|   | Note | Underlying<br>£m | Non-<br>underlying<br>(note 3)<br>£m | Total<br>£m   | Underlying<br>£m | Non-<br>underlying<br>(note 3)<br>£m | Total<br>£m |
| <b>Revenue</b>                            | 2    | <b>97.7</b>      | -                                    | <b>97.7</b>   | 94.3             | -                                    | 94.3        |
| Cost of sales                             |      | <b>(73.3)</b>    | -                                    | <b>(73.3)</b> | (65.4)           | -                                    | (65.4)      |
| <b>Gross profit</b>                       |      | <b>24.4</b>      | -                                    | <b>24.4</b>   | 28.9             | -                                    | 28.9        |
| Distribution expenses                     |      | <b>(8.1)</b>     | -                                    | <b>(8.1)</b>  | (6.8)            | -                                    | (6.8)       |
| Administrative expenses                   |      | <b>(11.9)</b>    | <b>(3.9)</b>                         | <b>(15.8)</b> | (12.4)           | (0.5)                                | (12.9)      |
| Other operating expenses                  |      | <b>(0.5)</b>     | -                                    | <b>(0.5)</b>  | (0.9)            | -                                    | (0.9)       |
| <b>Operating profit</b>                   | 2, 3 | <b>3.9</b>       | <b>(3.9)</b>                         | -             | 8.8              | (0.5)                                | 8.3         |
| Financial income                          |      | -                | <b>0.6</b>                           | <b>0.6</b>    | -                | 0.2                                  | 0.2         |
| Financial expenses                        |      | <b>(0.4)</b>     | -                                    | <b>(0.4)</b>  | (0.2)            | (0.1)                                | (0.3)       |
| <b>Net financing<br/>(expense)/income</b> |      | <b>(0.4)</b>     | <b>0.6</b>                           | <b>0.2</b>    | (0.2)            | 0.1                                  | (0.1)       |
| <b>Profit before tax</b>                  |      | <b>3.5</b>       | <b>(3.3)</b>                         | <b>0.2</b>    | 8.6              | (0.4)                                | 8.2         |
| Taxation                                  |      | <b>(0.8)</b>     | <b>0.2</b>                           | <b>(0.6)</b>  | (0.7)            | 0.3                                  | (0.4)       |
| <b>Profit for the period</b>              |      | <b>2.7</b>       | <b>(3.1)</b>                         | <b>(0.4)</b>  | 7.9              | (0.1)                                | 7.8         |
| <b>Earnings/(loss) per ordinary share</b> |      |                  |                                      |               |                  |                                      |             |
| Basic                                     | 5    |                  |                                      | <b>(2.2)p</b> |                  |                                      | 39.1p       |
| Diluted                                   | 5    |                  |                                      | <b>(2.2)p</b> |                  |                                      | 38.1p       |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

|  | <b>2022</b><br><b>£m</b> | 2021<br>£m |
|--|--------------------------|------------|
| Profit for the period  | <b>(0.4)</b>             | 7.8        |
| <b>Other comprehensive income/(expense)</b>                                |                          |            |
| <b>Items that will not be reclassified to profit or loss</b>               |                          |            |
| Actuarial gains/(losses)   | <b>(5.0)</b>             | 20.7       |
| Tax on items that will not be reclassified to profit or loss               | <b>1.3</b>               | (7.9)      |
|  | <b>(3.7)</b>             | 12.8       |
| <b>Items that may be reclassified subsequently to profit or loss</b>       |                          |            |
| Currency translation movements arising on foreign currency net investments | <b>2.1</b>               | (0.2)      |
| Effective portion of changes in fair value of cash flow hedges             | <b>(1.3)</b>             | (1.0)      |
| Reclassified to income statement from hedge reserve                        | -                        | (0.3)      |
|  | <b>0.8</b>               | (1.5)      |
| <b>Other comprehensive income/(expense) for the period</b>                 | <b>(2.9)</b>             | 11.3       |
| <b>Total comprehensive income/(expense) for the period</b>                 | <b>(3.3)</b>             | 19.1       |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

|  | Share<br>capital<br>£m | Share<br>premium<br>£m | Translation<br>reserve<br>£m | Capital<br>redemption<br>reserve<br>£m | Hedging<br>reserve<br>£m | Retained<br>earnings<br>£m | Total<br>equity<br>£m |
|--|------------------------|------------------------|------------------------------|--|--------------------------|----------------------------|-----------------------|
| Balance at 1 January 2021  | 5.0                    | 26.0                   | 0.5                          | 3.9                                    | 0.8                      | 10.0                       | 46.2                  |
| Profit for the period  | -                      | -                      | -                            | -                                      | -                        | 7.8                        | 7.8                   |
| Other comprehensive<br>(expense)/income for the period                 | -                      | -                      | (0.2)                        | -                                      | (1.3)                    | 12.8                       | 11.3                  |
| <b>Total comprehensive<br/>(expense)/income for the period</b>         | -                      | -                      | (0.2)                        | -                                      | (1.3)                    | 20.6                       | 19.1                  |
| Equity-settled share based<br>transactions                             | -                      | -                      | -                            | -                                      | -                        | 0.3                        | 0.3                   |
| Purchase of own shares   | -                      | -                      | -                            | -                                      | -                        | (0.2)                      | (0.2)                 |
| <b>Total transactions with owners,<br/>recorded directly in equity</b> | -                      | -                      | -                            | -                                      | -                        | 0.1                        | 0.1                   |
| Balance at 31 December 2021  | 5.0                    | 26.0                   | 0.3                          | 3.9                                    | (0.5)                    | 30.7                       | 65.4                  |
| Profit for the period  | -                      | -                      | -                            | -                                      | -                        | (0.4)                      | (0.4)                 |
| Other comprehensive<br>(expense)/income for the period                 | -                      | -                      | 2.1                          | -                                      | (1.3)                    | (3.7)                      | (2.9)                 |
| <b>Total comprehensive<br/>(expense)/income for the period</b>         | -                      | -                      | 2.1                          | -                                      | (1.3)                    | (4.1)                      | (3.3)                 |
| Equity-settled share based<br>transactions                             | -                      | -                      | -                            | -                                      | -                        | 0.1                        | 0.1                   |
| Purchase of own shares   | 0.1                    | -                      | -                            | -                                      | -                        | (0.1)                      | -                     |
| <b>Total transactions with owners,<br/>recorded directly in equity</b> | 0.1                    | -                      | -                            | -                                      | -                        | -                          | 0.1                   |
| <b>Balance at 31 December 2022</b>                                     | <b>5.1</b>             | <b>26.0</b>            | <b>2.4</b>                   | <b>3.9</b>                             | <b>(1.8)</b>             | <b>26.6</b>                | <b>62.2</b>           |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

|  | Note | 2022<br>£m    | 2021<br>£m    |
|--|------|---------------|---------------|
| <b>Non-current assets</b>                    |      |               |               |
| Intangible assets                            |      | 25.4          | 25.3          |
| Property, plant and equipment                |      | 4.0           | 4.0           |
| Investment property                          |      | 0.8           | 0.8           |
| Right of use assets                          |      | 5.0           | 5.8           |
| Employee benefits                            | 4    | 31.5          | 35.7          |
| Deferred tax assets                          |      | 1.3           | 1.4           |
|  |      | <u>68.0</u>   | <u>73.0</u>   |
| <b>Current assets</b>                        |      |               |               |
| Inventories                                  |      | 9.6           | 5.5           |
| Trade and other receivables                  |      | 47.3          | 34.5          |
| Current tax assets                           |      | 0.6           | 0.6           |
| Cash and cash equivalents                    |      | 4.2           | 14.5          |
|  |      | <u>61.7</u>   | <u>55.1</u>   |
| <b>Current liabilities</b>                   |      |               |               |
| Lease liabilities                            |      | (1.4)         | (1.8)         |
| Trade and other payables                     |      | (39.0)        | (39.5)        |
| Current tax liabilities                      |      | (0.1)         | (0.7)         |
| Provisions                                   |      | (1.0)         | (0.6)         |
| Interest-bearing loans and borrowings        |      | (8.0)         | -             |
|  |      | <u>(49.5)</u> | <u>(42.6)</u> |
| <b>Net current assets</b>                    |      | <u>12.2</u>   | <u>12.5</u>   |
| <b>Total assets less current liabilities</b> |      | <u>80.2</u>   | <u>85.5</u>   |
| <b>Non-current liabilities</b>               |      |               |               |
| Interest-bearing loans and borrowings        | 7    | (0.9)         | (0.9)         |
| Employee benefits                            | 4    | (2.1)         | (2.5)         |
| Deferred tax liabilities                     |      | (11.1)        | (12.5)        |
| Lease liabilities                            |      | (3.9)         | (4.2)         |
| Deferred contingent consideration            |      | -             | -             |
|  |      | <u>(18.0)</u> | <u>(20.1)</u> |
| <b>Net assets</b>                            |      | <u>62.2</u>   | <u>65.4</u>   |
| <b>Equity</b>                                |      |               |               |
| Issued capital                               |      | 5.1           | 5.0           |
| Share premium                                |      | 26.0          | 26.0          |
| Reserves                                     |      | 2.1           | 3.7           |
| Retained earnings                            |      | 29.0          | 30.7          |
| <b>Total equity</b>                          |      | <u>62.2</u>   | <u>65.4</u>   |

## CONSOLIDATED STATEMENT OF CASH FLOW

|  | Note | 2022<br>£m    | 2021<br>£m   |
|--|------|---------------|--------------|
| <b>Operating activities</b>  |      |               |              |
| Operating profit   |      | -             | 8.3          |
| Non-underlying items included in operating profit                  |      | 3.9           | 0.5          |
| Amortisation   |      | 0.9           | 0.6          |
| Depreciation   |      | 2.0           | 1.8          |
| Profit on the sale of property, plant and equipment                |      | -             | 0.1          |
| Other non-cash items   |      | 0.2           | 0.3          |
| Pension payments   |      | (2.1)         | (2.6)        |
| Working capital movements:   |      |               |              |
| - (increase)/decrease in inventories                               |      | (3.7)         | (2.2)        |
| - increase in contract assets                                      |      | (5.9)         | (4.4)        |
| - decrease/(increase) in trade and other receivables               |      | (6.3)         | 1.0          |
| - (decrease)/increase in trade and other payables                  |      | 1.7           | (1.1)        |
| - (decrease)/increase in provisions                                |      | 0.5           | (0.8)        |
| - (decrease)/increase in contract liabilities                      |      | (4.0)         | (0.7)        |
| <b>Cash flows from continuing operations before reorganisation</b> |      | <b>(12.8)</b> | <b>0.8</b>   |
| Acquisition and reorganisation costs paid                          |      | (0.8)         | (0.3)        |
| <b>Cash flows from operations</b>                                  |      | <b>(13.6)</b> | <b>0.5</b>   |
| Taxation paid  |      | (0.4)         | (0.1)        |
| <b>Cash flows from operating activities</b>                        |      | <b>(14.0)</b> | <b>0.4</b>   |
| <b>Investing activities</b>  |      |               |              |
| Proceeds from sale of property, plant and equipment                |      | -             | 2.0          |
| Capitalised development expenditure                                |      | (1.4)         | (0.2)        |
| Acquisition of property, plant and equipment                       |      | (1.0)         | (1.5)        |
| Net cash flow on acquisition/payment of deferred consideration     |      | (0.8)         | (0.6)        |
| <b>Cash flows used in investing activities</b>                     |      | <b>(3.2)</b>  | <b>(0.3)</b> |
| <b>Financing activities</b>  |      |               |              |
| Interest paid  |      | (0.3)         | (0.3)        |
| Purchase of own shares   |      | -             | (0.2)        |
| Proceeds from borrowings   |      | 8.0           | -            |
| Principal elements of lease payments                               |      | (1.1)         | (0.9)        |
| <b>Cash flows used in financing activities</b>                     |      | <b>6.6</b>    | <b>(1.4)</b> |
| <b>Net decrease in cash and cash equivalents</b>                   | 6    | <b>(10.6)</b> | <b>(1.3)</b> |
| Cash and cash equivalents at 1 January                             |      | 14.5          | 15.5         |
| Effect of exchange rate fluctuations on cash held                  |      | 0.3           | 0.3          |
| <b>Cash and cash equivalents at 31 December 2022</b>               |      | <b>4.2</b>    | <b>14.5</b>  |

## NOTES TO ANNOUNCEMENT

### 1. General information

The Group's accounts have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 that were effective at 31 December 2022.

The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 December 2022 or 2021. Statutory accounts for 2021 have been delivered to the Registrar of Companies. The auditors have reported on the 2022 and 2021 statutory accounts; their reports were (i) unqualified, (ii) did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their reports and (iii) did not contain statements under section 498 (2) or (3) of the Companies Act 2006.

### 2. Operating segments

Segment information

|   | 12 months to 31 Dec 2022 |               |             | 12 months to 31 Dec 2021 |               |             |
|---|--------------------------|---------------|-------------|--------------------------|---------------|-------------|
|   | OE<br>£m                 | Service<br>£m | Total<br>£m | OE<br>£m                 | Service<br>£m | Total<br>£m |
| <b>Revenue</b>  |                          |               |             |                          |               |             |
| Americas  | 40.9                     | 11.9          | 52.8        | 53.4                     | 9.9           | 63.3        |
| EMEA  | 27.8                     | 9.7           | 37.5        | 17.4                     | 9.3           | 26.7        |
| Asia Pacific  | 5.9                      | 1.5           | 7.4         | 3.3                      | 1.0           | 4.3         |
| <b>Total</b>  | <b>74.6</b>              | <b>23.1</b>   | <b>97.7</b> | <b>74.1</b>              | <b>20.2</b>   | <b>94.3</b> |
| <b>Gross profit</b>   |                          |               | 24.4        |                          |               | 28.9        |
| Selling, distribution & administration                        |                          |               | (20.5)      |                          |               | (20.1)      |
| <b>Underlying operating profit</b>                            |                          |               | 3.9         |                          |               | 8.8         |
| Unallocated non-underlying items included in operating profit |                          |               | (3.9)       |                          |               | (0.5)       |
| <b>Operating profit</b>                                       |                          |               | -           |                          |               | 8.3         |
| Net financing expense   |                          |               | 0.2         |                          |               | (0.1)       |
| <b>Profit before tax</b>                                      |                          |               | 0.2         |                          |               | 8.2         |

Geographical information

|                      | Revenue<br>(by location of customer) |            |             |            |
|----------------------|--------------------------------------|------------|-------------|------------|
|                      | 2022<br>£m                           | 2022<br>%  | 2021<br>£m  | 2021<br>%  |
| UK                   | 9.2                                  | 9          | 7.7         | 8          |
| Europe (excl. UK)    | 26.7                                 | 27         | 17.2        | 18         |
| Africa & Middle East | 1.6                                  | 2          | 0.7         | 1          |
| USA                  | 45.8                                 | 47         | 56.9        | 61         |
| Americas (excl. USA) | 7.0                                  | 7          | 7.2         | 7          |
| Asia Pacific         | 7.4                                  | 8          | 4.6         | 5          |
|                      | <b>97.7</b>                          | <b>100</b> | <b>94.3</b> | <b>100</b> |

### 3. Non-underlying items

|  | 2022         | 2021         |
|--|--------------|--------------|
|  | £m           | £m           |
| Acquisition costs  | (0.3)        | (0.4)        |
| Reorganisation costs   | (0.6)        | -            |
| Amortisation of acquired intangible assets                                 | (1.6)        | (1.6)        |
| Release of deferred consideration costs                                    | -            | 2.4          |
| Defined benefit pension scheme administration costs and interest           | (0.8)        | (1.0)        |
| UK Defined benefit pension scheme – Past service cost for GMP equalisation | -            | -            |
| Profit on disposal of Coventry facility                                    | -            | 0.3          |
| Interest on deferred and contingent consideration                          | -            | (0.1)        |
| <b>Total non-underlying expense before tax</b>                             | <b>(3.3)</b> | <b>(0.4)</b> |

### 4. Employee benefits

The Group accounts for pensions under IAS 19 Employee benefits.

The most recent formal actuarial valuation of the scheme was carried out as at 30 June 2021 using the projected unit credit method. The market value of the scheme assets at that date was £431.4m and the funding level was 94% of liabilities, which represented a deficit of £28.4m. The principal terms of the deficit funding agreement between the Company and the Fund's Trustees, which is effective until 31 December 2035, but is subject to reassessment every three years are that the Company will continue to pay a sum of £2.0m per annum to the scheme (increasing at 2.1 per cent. per annum) in deficit recovery payments.

The funding agreement focusses the scheme and the company on achieving a funding level which should permit the scheme to achieve risk transfer to an alternative arrangement which the company would not be liable for the performance of. Based on annual tests, once the funding level on a technical provisions basis reaches 103%, contributions will be redirected to an escrow account which can only be used by the scheme to either enable risk transfer or remedy a future deficit arising and would be returned to the company should risk transfer be achieved without the funds being required. Should the funding level reach 110% of technical provisions (including the value of the escrow account), contributions cease.

The deficit recovery period from 30 June 2021 was estimated to be four years and six months, which is scheduled to be formally reassessed following the completion of the actuarial valuation being carried out as at 30 June 2024.

Formal valuations of the USA defined benefit schemes were carried out as at 1 January 2022, and their assumptions, updated to reflect actual experience and conditions at 31 December 2022 and modified as appropriate for the purposes of IAS 19, have been applied.

Profit before tax includes charges in respect of the defined benefit pension schemes' administration costs of £1.4m (2021: £1.2m) and a net financing income on pension scheme balances of £0.6m (2021: £0.2m). In respect of the UK scheme, the Group paid deficit recovery contributions of £2.0m (2021: £1.9m). A contribution of £nil (2021: £0.4m), in accordance with the profit-sharing arrangement in the previous schedule of contributions, was also paid. Contributions to the US scheme totalled £0.1m (2021: £0.3m)

Employee benefits include the net pension asset of the UK defined benefit pension scheme of £31.5m (2021: £35.7m) and the net pension liability of the USA defined benefit pension schemes of £2.1m (2021: £2.5m), all figures before tax.

### 5. Earnings per share

Basic earnings per ordinary share is based upon the loss for the period of £0.4m (2021: profit of £7.8m) and on a weighted average of 20,261,505 shares in issue during the year (2021: 19,920,895). The weighted average number of shares excludes shares held by the employee trust in respect of the Company's long-term incentive arrangements.

Underlying earnings per ordinary share amounted to 13.3p for the year (2021: 39.7p) and is based on underlying profit for the period of £2.7m (2021: £7.9m), which is calculated on profit before non-underlying items.



## 6. Reconciliation of net cash flow to movement in net funds

|  | 2022<br>£m    | 2021<br>£m   |
|--|---------------|--------------|
| <b>Net decrease in cash and cash equivalents</b>     | <b>(10.6)</b> | <b>(1.3)</b> |
| <b>Change in net funds resulting from cash flows</b> | <b>(10.6)</b> | <b>(1.3)</b> |
| Translation movements                                | 0.3           | 0.3          |
| <b>Movement in net funds in the period</b>           | <b>(10.3)</b> | <b>(1.0)</b> |
| Opening net funds                                    | 7.6           | 10.4         |
| Movement in interest bearing loans and borrowings    | (8.0)         | -            |
| Movement in lease liabilities                        | 0.7           | (1.8)        |
| <b>Closing net funds</b>                             | <b>(10.0)</b> | <b>7.6</b>   |

## 7. Analysis of net funds

|   | 2022<br>£m    | 2021<br>£m |
|---|---------------|------------|
| Cash and cash equivalents – current assets                      | 4.2           | 14.5       |
| Interest-bearing loans and borrowings – current liabilities     | (8.0)         | -          |
| Interest-bearing loans and borrowings – non-current liabilities | (0.9)         | (0.9)      |
| Lease liabilities   | (5.3)         | (6.0)      |
| <b>Closing net funds</b>  | <b>(10.0)</b> | <b>7.6</b> |

## 8. Contingent consideration

### *Switchback*

The contingent consideration arrangement required the Group to pay the former owners of Switchback up to US\$1.0m (£0.7m) in 2021 and 2022 with a minimum payment of US\$0.5m in each if Switchback's annual adjusted EBITDA is at least \$1.1m and 50% of the excess over US\$1.1m, up to US\$2.1m. The business achieved the target of US\$2.1m in both the first and second year and consequently a payment of \$1.0m (£0.6m) was paid in both years. The two-year performance criteria relating to the purchase of Switchback in 2020 has now concluded.

## 9. Annual Report and Accounts

Shareholders will be notified, on or around 31 March 2023 of the availability of the Annual Report and Accounts, together with the Company's Notice of Annual General Meeting ("AGM"), via a Regulatory Information Service announcement. Copies of the documents will be available on the Group's website at [www.mpac-group.com](http://www.mpac-group.com). Shareholders that have elected to receive a hard copy of the Annual Report and Accounts, together with the Notice of AGM will receive them shortly after. Details of arrangements for voting at the AGM will also be notified to shareholders at the same time. The AGM will be held at 12 noon on 17 May 2023 at the offices of Hudson Sandler LLP, 25 Charterhouse Square, London, EC1M 6AE.