

## Trading update: H1 meets expectations

11 July 2023

In a Trading Update for the first half to 30 June 2023, Mpac reports that trading was in line with management expectations, reiterating - as stated at the AGM in May - that performance remains second half weighted, supported by the strength of the order book and projects underway. The Group closed H1 with a strong balance sheet and positive net cash.

### Order intake ahead

Mpac notes that order intake for the year to date is significantly ahead at £62.4m compared to £32.8m a year earlier, with the H1 closing order book at £78.4m, +25%YoY above the start of FY23 (£62.7m).

### Service income strong, supply chain issues eased

The performance of (higher margin) Service operations has also been strong, whilst the Group is able to report that supply chain issues that impacted completion of Original Equipment projects have now largely eased. This adds confidence for second half performance and a return to normalised margins: our FY23 gross margin outlook is 28.9%, for FY24 31.3% (FY19: 29.3%; FY20: 29.0%). Consequently, as noted at the AGM, the Group closed the half with positive net cash; we expect net debt of £4.7m to revert towards a positive FY23 net cash position of £7.5m.

On site commissioning of the assembly line at **FREYR's Battery Customer Qualification Plant** (CQP) in Norway continues.

### Outlook reiterated: FY23 (adj.) EBITDA estimate £9.6m

This Trading update provides confidence for second half performance: the resumption of more normalised supply chain conditions, an order book which matches FY21 levels (£78.4m) backed by a positive cash position. At the January 16<sup>th</sup> Trading Update (see: Equity Development report [Trading Update: FY22 in line and FY23 encouraging](#)) we raised our FY23 revenue outlook from £103.6m to £104.7m, and (adj.) EBITDA by 13% to £9.6m.

**Our FY24 outlook remains 11%YoY revenue growth and 35.0%YoY growth in (adj.) EBITDA with fair value for Mpac seen at 485p/share, indicative of a FY24 EV/EBITDA multiple of 7.9x.**

### Forecasts to FY24

Year to 31 Dec (£m)	2021	2022	2023E	2024E
Revenue	94.3	97.7	104.7	115.7
EBITDA (adj)	11.2	6.8	9.6	13.0
Pre-Tax Profit (adj)	8.6	3.5	7.0	10.5
EPS (adj, p)	39.4	13.1	25.5	38.0
Net debt / (Cash)	(13.6)	4.7	(7.5)	(11.1)
P/E	5.3x	16.0x	8.3x	5.6x
EV/EBITDA	4.2x	6.9x	4.9x	3.6x

Source: Company data, Equity Development estimates.

### Company Data

EPIC	<b>AIM: MPAC</b>
Price (last close)	210p
52 weeks Hi/Lo	328p/210p
Market cap	£47m
ED Fair Value / share	485p
Proforma net debt	£4.7m

### Share Price, p



Source: ADVFN

### Description

Mpac Group is a specialist provider of high-speed packaging and automation systems employing c.500 people. The group comprises: Mpac Langen; Mpac Lambert; and, acquired in 2020, Mpac Switchback.

The Group generates over 90% of revenue internationally. Core customer verticals include the healthcare, food & beverage and clean energy sectors. Clients include: Advent, AstraZeneca, Bausch & Lomb, Dexcom, Diageo, GSK, J&J, Kellogg's, Nestlé, Philips, P&G, 3M, and Unilever.

### Next event

Interim results, 7 September 2023.

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## FY23 and FY24 outlook

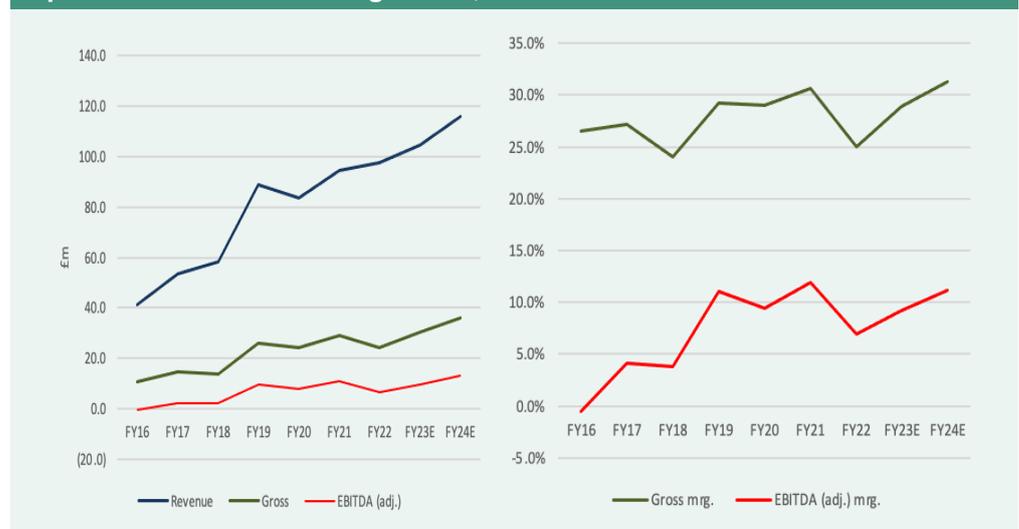
Summary of our outlook.

### FY22 performance, outlook FY23, FY24

Year to 31 Dec (£m)	H1 22	H2 22	FY22	FY23E	FY24E	FY23YoY	FY24YoY
<b>Revenue</b>	<b>50.6</b>	<b>47.1</b>	<b>97.7</b>	<b>104.7</b>	<b>115.8</b>	<b>7.2%</b>	<b>10.6%</b>
<b>Gross</b>	10.7	13.7	24.4	30.3	36.3	24.2%	19.7%
<i>Margin</i>	21.1%	29.1%	25.0%	28.9%	31.3%	4.0%	2.4%
EBIT Reported	(0.6)	0.6	0.0	4.4	7.9	N.M.	78.4%
<b>EBIT Adjusted</b>	<b>1.2</b>	<b>2.7</b>	<b>3.9</b>	<b>7.4</b>	<b>10.9</b>	<b>90.3%</b>	<b>46.7%</b>
<i>Margin</i>	2.4%	5.7%	4.0%	7.1%	9.4%	3.1%	2.3%
EBITDA Reported	0.7	2.2	2.9	6.6	10.0	128.4%	50.8%
<b>EBITDA Adjusted</b>	<b>2.5</b>	<b>4.3</b>	<b>6.8</b>	<b>9.6</b>	<b>13.0</b>	<b>41.5%</b>	<b>35.0%</b>
<i>Margin</i>	4.9%	9.1%	7.0%	9.2%	11.2%	2.2%	2.0%
PBT Reported	(0.4)	0.4	(0.4)	4.0	7.5	N.M.	86.1%
<b>PBT Adjusted</b>	<b>1.1</b>	<b>2.4</b>	<b>3.5</b>	<b>7.0</b>	<b>10.5</b>	<b>100.7%</b>	<b>49.3%</b>
<i>Margin</i>	2.2%	5.1%	3.6%	6.7%	9.1%	87.2%	35.0%
PAT Reported	(0.7)	0.0	(1.2)	2.2	4.8	N.M.	115.4%
<b>PAT Adjusted</b>	<b>0.7</b>	<b>2.0</b>	<b>2.7</b>	<b>5.2</b>	<b>7.8</b>	<b>93.5%</b>	<b>49.1%</b>
EPS Rptd Basic (p)	(3.5)	0.0	(5.9)	11.0	23.6	N.M.	115.4%
<b>EPS Adj. Dil. (p)</b>	<b>3.4</b>	<b>9.7</b>	<b>13.1</b>	<b>25.5</b>	<b>38.1</b>	<b>94.4%</b>	<b>49.1%</b>

Source: Company data. Equity Development estimates.

### Mpac: medium-term earnings trend, FY16 – FY24E



Source: Company data. Equity Development estimates.

## SUMMARY FINANCIALS

P&L: FY20 – FY24E							
P&L Year to 31 Dec (£m)	FY20	FY21	H1 22	H2 22	FY22	FY23E	FY24E
Equipment revenue	64.1	74.1	39.8	34.8	74.6	79.7	84.1
Service revenue	19.6	20.2	10.8	12.3	23.1	25.0	31.7
<b>Revenue</b>	<b>83.7</b>	<b>94.3</b>	<b>50.6</b>	<b>47.1</b>	<b>97.7</b>	<b>104.7</b>	<b>115.8</b>
<b>Gross</b>	<b>24.3</b>	<b>28.9</b>	<b>10.7</b>	<b>13.7</b>	<b>24.4</b>	<b>30.3</b>	<b>36.3</b>
<i>Margin</i>	29.0%	30.6%	21.1%	29.1%	25.0%	28.9%	31.3%
COGS	(59.4)	(65.4)	(39.9)	(33.4)	(73.3)	(74.4)	(79.6)
Distribution	(6.8)	(6.8)	(3.4)	(4.7)	(8.1)	(8.2)	(9.0)
Admin	(9.9)	(12.4)	(5.8)	(6.1)	(11.9)	(13.0)	(14.5)
Other	(1.1)	(0.9)	(0.3)	(0.2)	(0.5)	(1.7)	(1.9)
Sum operating costs	(17.8)	(20.1)	(9.5)	(11.0)	(20.5)	(22.9)	(25.4)
One-off costs	(3.6)	(0.5)	(1.8)	(2.1)	(3.9)	(3.0)	(3.0)
EBIT Reported	2.9	8.3	(0.6)	0.6	0.0	4.4	7.9
<b>EBIT Adjusted</b>	<b>6.5</b>	<b>8.8</b>	<b>1.2</b>	<b>2.7</b>	<b>3.9</b>	<b>7.4</b>	<b>10.9</b>
<i>Margin</i>	7.8%	9.3%	2.4%	5.7%	4.0%	7.1%	9.4%
Amortisation	(0.3)	(0.6)	(0.3)	(0.6)	(0.9)	(0.1)	0.0
Depreciation	(1.1)	(1.8)	(1.0)	(1.0)	(2.0)	(2.1)	(2.1)
EBITDA Reported	4.3	10.7	0.7	2.2	2.9	6.6	10.0
<b>EBITDA Adjusted</b>	<b>7.9</b>	<b>11.2</b>	<b>2.5</b>	<b>4.3</b>	<b>6.8</b>	<b>9.6</b>	<b>13.0</b>
<i>Margin</i>	9.4%	11.9%	4.9%	9.1%	7.0%	9.2%	11.2%
Financial income	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial expense	(0.2)	(0.2)	(0.1)	(0.3)	(0.4)	(0.4)	(0.4)
PBT Reported	2.9	8.2	(0.4)	0.4	(0.4)	4.0	7.5
<b>PBT Adjusted</b>	<b>6.3</b>	<b>8.6</b>	<b>1.1</b>	<b>2.4</b>	<b>3.5</b>	<b>7.0</b>	<b>10.5</b>
Tax	1.3	(0.4)	(0.3)	(0.5)	(0.8)	(1.8)	(2.7)
PAT Reported	4.2	7.8	(0.7)	0.0	(1.2)	2.2	4.8
<b>PAT Adjusted</b>	<b>6.3</b>	<b>7.9</b>	<b>0.7</b>	<b>2.0</b>	<b>2.7</b>	<b>5.2</b>	<b>7.8</b>
Basic weighted av. shares (m)	20.0	19.9	20.0	20.3	20.3	20.3	20.3
Diluted weighted av. shares (m)	20.1	20.1	20.3	20.6	20.6	20.5	20.5
EPS Reported Basic (p)	21.0	39.2	(3.5)	0.0	(5.9)	11.0	23.6
EPS Reported Diluted(p)	20.9	38.9	(3.4)	0.0	(5.8)	10.9	23.4
EPS Adjusted Basic (p)	31.6	39.7	3.5	9.9	13.3	25.8	38.4
<b>EPS Adjusted Diluted (p)</b>	<b>31.4</b>	<b>39.4</b>	<b>3.4</b>	<b>9.7</b>	<b>13.1</b>	<b>25.5</b>	<b>38.1</b>

Source: Company data, Equity Development estimates.

**Cashflow FY20 – FY24E**

Cashflow Year to 31 December (£m)	FY20	FY21	H1 22	H2 22	FY22	FY23E	FY24E
<b>Operating profit</b>	<b>2.9</b>	<b>8.3</b>	<b>(0.6)</b>	<b>0.6</b>	<b>0.0</b>	<b>4.4</b>	<b>7.9</b>
One-off items	3.6	0.5	1.8	2.1	3.9	3.0	3.0
Amortisation	0.3	0.6	0.3	0.6	0.9	0.1	0.0
Depreciation	1.1	1.8	1.0	1.0	2.0	2.1	2.1
Other non-cash	0.4	0.4	0.4	(0.1)	0.3	0.0	0.0
Pension	(3.0)	(2.6)	(1.1)	(1.0)	(2.1)	(3.0)	(3.0)
<b>Operating Cash Flow</b>	<b>5.3</b>	<b>9.0</b>	<b>1.8</b>	<b>3.2</b>	<b>5.0</b>	<b>6.6</b>	<b>10.0</b>
<b>Working capital</b>							
(Increase)/Decrease, inventories	0.2	(2.2)	(0.5)	(3.2)	(3.7)	1.0	(0.9)
(Increase)/Decrease, contract assets	(1.7)	(4.4)	(4.7)	(1.7)	(6.4)	0.0	(3.0)
(Increase)/Decrease, receivables	(0.6)	1.0	6.1	(11.4)	(5.3)	(0.6)	(0.3)
Increase/(Decrease), payables	4.1	(1.1)	1.5	1.3	2.8	2.8	4.4
(Increase)/Decrease, contract liabilities	5.4	(0.7)	(7.6)	1.9	(5.7)	0.0	0.0
Increase / (Decrease), provisions	0.1	(0.8)	0.1	0.4	0.5	0.0	0.0
<b>Movement in working capital</b>	<b>7.5</b>	<b>(8.2)</b>	<b>(5.1)</b>	<b>(12.7)</b>	<b>(17.8)</b>	<b>3.1</b>	<b>0.2</b>
<b>Cash generated by operations</b>	<b>12.8</b>	<b>0.8</b>	<b>(3.3)</b>	<b>(9.5)</b>	<b>(12.8)</b>	<b>9.7</b>	<b>10.2</b>
Acquisition costs	(0.9)	(0.3)	0.0	(0.8)	(0.8)	0.0	0.0
Tax (paid)/received	(0.7)	(0.1)	(0.2)	(0.2)	(0.4)	(1.8)	(2.7)
<b>Net cash from operations</b>	<b>11.2</b>	<b>0.4</b>	<b>(3.5)</b>	<b>(10.5)</b>	<b>(14.0)</b>	<b>7.9</b>	<b>7.5</b>
<b>Investing activities</b>							
Interest received	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sale of PPE	0.2	2.0	0.1	(0.1)	0.0	0.0	0.0
Capitalised R&D	(1.8)	(0.2)	(0.1)	(1.3)	(1.4)	(1.4)	(1.4)
PPE	(1.2)	(1.5)	(0.6)	(0.4)	(1.0)	(1.1)	(1.1)
Acquired cashflow/deferred payment	(10.3)	(0.6)	0.0	(0.8)	(0.8)	0.0	0.0
<b>Net cash used in investing</b>	<b>(13.1)</b>	<b>(0.3)</b>	<b>(0.6)</b>	<b>(2.6)</b>	<b>(3.2)</b>	<b>(2.5)</b>	<b>(2.5)</b>
<b>Net OpFCF</b>	<b>(1.9)</b>	<b>0.1</b>	<b>(4.1)</b>	<b>(13.1)</b>	<b>(17.2)</b>	<b>5.5</b>	<b>5.0</b>
<b>Financing activities</b>							
Borrowings	0.0	0.0	0.0	8.0	8.0	0.0	0.0
Interest paid	(0.2)	(0.3)	(0.1)	(0.2)	(0.3)	(0.4)	(0.4)
Purchase own shares	(0.2)	(0.2)	0.0	0.0	0.0	(0.4)	(0.4)
Lease payments	(0.9)	(0.9)	(0.6)	(0.5)	(1.1)	(0.5)	(0.5)
Net cash from financing	(1.3)	(1.4)	(0.7)	7.3	6.6	(1.3)	(1.3)
<b>Net increase in cash / equivalents</b>	<b>(3.2)</b>	<b>(1.3)</b>	<b>(4.8)</b>	<b>(5.8)</b>	<b>(10.6)</b>	<b>4.2</b>	<b>3.7</b>
Cash at beginning of year	18.9	15.5	14.5	9.5	14.5	4.2	8.4
Forex	(0.2)	0.3	(0.2)	0.5	0.3	0.0	0.0
<b>Cash at year end</b>	<b>15.5</b>	<b>14.5</b>	<b>9.5</b>	<b>4.2</b>	<b>4.2</b>	<b>8.4</b>	<b>12.0</b>
<b>Net debt / (Cash)</b>	<b>(14.6)</b>	<b>(13.6)</b>	<b>(8.6)</b>	<b>4.7</b>	<b>4.7</b>	<b>(7.5)</b>	<b>(11.1)</b>

Source: Company data, Equity Development estimates.

**Balance sheet: FY20 – FY24E**

<b>(£m)</b>	<b>FY20</b>	<b>FY21</b>	<b>H1 22</b>	<b>FY22</b>	<b>FY23E</b>	<b>FY24E</b>
<b>Fixed Assets</b>						
Intangible assets	27.4	25.3	25.4	25.4	25.3	25.3
PPE net	5.1	4.0	4.2	4.0	2.0	1.0
Property	0.8	0.8	0.8	0.8	0.8	0.8
Right of use	4.0	5.8	5.8	5.0	5.0	5.0
Employee benefits	14.0	35.7	59.7	31.5	31.5	31.5
Deferred tax, other	1.8	1.4	1.5	1.3	1.3	1.3
<b>Sum Fixed Assets</b>	<b>53.1</b>	<b>73.0</b>	<b>97.4</b>	<b>68.0</b>	<b>65.9</b>	<b>64.9</b>
<b>Current Assets</b>						
Inventories	3.5	5.5	6.3	9.6	8.6	9.5
Trade receivables	32.2	34.5	33.8	46.7	47.3	47.6
Tax assets	0.8	0.6	0.2	0.6	0.6	0.6
Cash, Equivalents	15.5	14.5	9.5	4.2	8.4	12.0
Contract assets	0.0	0.0	0.0	0.0	0.0	0.0
<b>Sum Current Assets</b>	<b>52.0</b>	<b>55.1</b>	<b>49.8</b>	<b>61.1</b>	<b>64.9</b>	<b>69.8</b>
Total Assets	105.1	128.1	147.2	129.1	130.8	134.6
<b>Current Liabilities</b>						
Trade payables	(41.1)	(39.5)	(35.1)	(38.4)	(41.2)	(45.5)
Leases	(0.8)	(1.8)	(1.8)	(1.4)	(1.4)	(1.4)
Provisions	(1.4)	(0.6)	(1.2)	(1.0)	(1.0)	(1.0)
Tax, Other	(0.4)	(0.7)	(0.7)	(0.1)	(0.1)	(0.1)
<b>Sum Current Liabilities</b>	<b>(43.7)</b>	<b>(42.6)</b>	<b>(38.8)</b>	<b>(48.9)</b>	<b>(43.7)</b>	<b>(48.0)</b>
Total Assets less Current Liabilities	61.4	85.5	108.4	80.2	87.1	86.6
<b>Long-term Liabilities</b>						
Borrowings	(0.9)	(0.9)	(0.9)	(0.9)	(0.9)	(0.9)
Employee benefits	(3.0)	(2.5)	(2.8)	(2.1)	(3.0)	(3.0)
Tax	(6.8)	(12.5)	(20.6)	(11.1)	(6.8)	(6.8)
Leases	(3.4)	(4.2)	(4.0)	(3.9)	(3.4)	(3.4)
Deferred consideration	(2.9)	0.0	0.0	0.0	0.0	0.0
<b>Sum Long-term liabilities</b>	<b>(17.0)</b>	<b>(20.1)</b>	<b>(28.3)</b>	<b>(18.0)</b>	<b>(14.1)</b>	<b>(14.1)</b>
Total liabilities	(60.7)	(62.7)	(67.1)	(66.9)	(57.8)	(62.1)
Net Assets	44.4	65.4	80.1	62.2	73.0	72.5
<b>Capital &amp; Reserves</b>						
Share Capital	5.0	5.0	5.0	5.1	5.0	5.0
Share Premium	26.0	26.0	26.0	26.0	31.6	26.3
Capital Reserve	5.2	3.7	3.8	2.1	5.2	5.2
Retained earnings	8.2	30.7	45.3	29.0	31.2	36.0
<b>Equity</b>	<b>44.4</b>	<b>65.4</b>	<b>80.1</b>	<b>62.2</b>	<b>73.0</b>	<b>72.5</b>
Net debt / (Cash)	(14.6)	(13.6)	(8.6)	4.7	(7.5)	(11.1)

Source: Company data, Equity Development estimates.



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