

## FREYR 3-year supply agreement

15th September 2022

Mpac Group has announced that it has signed a framework agreement with FREYR Battery, for an initial three-year period, for the exclusive supply of casting and unit cell assembly equipment to FREYR's battery cell production line at FREYR's Giga Arctic plant in Mo I Rana, Norway. This is an important step towards the commercialisation at scale of Mpac's technology at the start of FREYR Battery's major investment in next-generation clean energy provision, and a clear validation of Mpac's commitment to this new market vertical.

### Swift progress in clean energy diversification

Mpac noted ongoing discussions with FREYR Battery (NYSE: FREY, mkt. cap. US\$1.52bn) at its recent H1 22 results (8<sup>th</sup> September Equity Development report *Staying the course*). H1 growth in its EMEA division (revenue of £12.9m, +56%YoY) in part underpinned by a contract to design and build the development line for FREYR's Customer Qualification Plant in July 2021, a project which remains on track for completion in December. **Progress has been rapid since Mpac entered the renewable energy sector in mid-2021.** The framework agreement to supply casting and unit cell assembly equipment is based on SemiSolid lithium-ion battery technology developed by 24M Technologies (see: [www.24-m.com](http://www.24-m.com)).

### Recent H1 results

At H1 22 Mpac reported revenue of £50.6m, +14.5%YoY, a closing order book of £62.6m, EBITDA (adj.) of £2.5m and a cash position of £9.5m.

### Clean energy opportunity

Market estimates indicate that global storage battery capacity is forecast to grow at a 28% CAGR by 10x to 4.9TWh by 2030. FREYR Battery is addressing the need to store clean energy, e.g. from wind turbines, for distribution into power networks and to smooth supply provision. It recently doubled its initial target for installed clean energy annual production capacity to over 200GWh by 2030. The Mo I Rana Giga Arctic facility is expected to supply 29GWh, followed by Giga 3 and 4 plants at the same location, adding up to 43GWh. There is planned US-based capacity of another 50GWh.

As indicated by the 3-year agreement announced today, **Mpac will seek long-term partnerships** in this rapidly-growing segment of the clean energy sector, using its expertise to add production (and battery-size) scale, and with this achieve cost reductions for its clients.

At this stage our outlook to FY24 remains unchanged, but we are sensitive to updates in this rapidly-developing addition to Mpac's core markets. **Our fair value for Mpac is 485p/share, indicative of a FY24 EV/EBITDA multiple of 6.7x.**

#### Outlook to FY24

Yr to 31 Dec (£m)	2019	2020	2021	2022E	2023E	2024E
Revenue	88.8	83.7	94.3	96.0	103.6	113.4
EBITDA (adj)	9.8	7.9	11.2	6.1	8.5	12.9
Pre-Tax Profit (adj)	7.5	6.3	8.6	3.3	5.8	10.3
EPS (adj, p)	38.7	31.4	39.4	13.8	21.3	41.1
Net debt / (Cash)	(18.0)	(14.6)	(13.6)	(11.6)	(17.1)	(19.5)
P/E	6.6x	8.2x	6.5x	18.6x	12.0x	6.3x
EV/EBITDA	4.1x	5.1x	3.6x	6.6x	4.7x	3.1x

Source: Company data, Equity Development estimates.

#### Company Data

EPIC	AIM: MPAC
Price (last close)	258p
52 weeks Hi/Lo	665p/210p
Market cap	£52.0m
ED Fair Value / share	485p
Proforma net cash	£11.6m

#### Share Price, p



Source: LSE

#### 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 as 3M, J&J, Nestlé, GSK, P&G, Philips Advent, AstraZeneca, Unilever, Kellogg's, Diageo and Bausch & Lomb.

#### Next event

Full year FY22 results: March 2023.

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## FINANCIALS

### P&L: FY20– FY24E

(£m)	FY20	FY21	H1 22	H2 22E	FY22E	FY23E	FY24E
Equipment revenue	64.1	74.1	39.8	35.2	75.0	81.0	89.1
Service revenue	19.6	20.2	10.8	10.2	21.0	22.6	24.3
<b>Revenue</b>	<b>83.7</b>	<b>94.3</b>	<b>50.6</b>	<b>45.4</b>	<b>96.0</b>	<b>103.6</b>	<b>113.4</b>
<b>Gross Sum</b>	<b>24.3</b>	<b>28.9</b>	<b>10.7</b>	<b>13.3</b>	<b>24.0</b>	<b>28.7</b>	<b>35.4</b>
<i>Gross Margin</i>	29.0%	30.6%	21.1%	29.3%	25.0%	27.8%	31.2%
COGS	(59.4)	(65.4)	(39.9)	(32.1)	(72.0)	(74.8)	(78.0)
Distribution	(6.8)	(6.8)	(3.4)	(4.1)	(7.5)	(8.1)	(8.8)
Admin	(9.9)	(12.4)	(5.8)	(6.2)	(12.0)	(12.9)	(14.2)
Other	(1.1)	(0.9)	(0.3)	(0.7)	(1.0)	(1.7)	(1.8)
Sum operating costs	(17.8)	(20.1)	(9.5)	(11.0)	(20.5)	(22.7)	(24.8)
One-off costs	(3.6)	(0.5)	(1.8)	(1.8)	(3.6)	(3.6)	(3.6)
EBIT Reported	2.9	8.3	(0.6)	0.5	(0.1)	2.4	6.9
<b>EBIT Adjusted</b>	<b>6.5</b>	<b>8.8</b>	<b>1.2</b>	<b>2.3</b>	<b>3.5</b>	<b>6.0</b>	<b>10.5</b>
<i>Margin</i>	7.8%	9.3%	2.4%	5.1%	3.6%	5.8%	9.3%
Amortisation	(0.3)	(0.6)	(0.3)	(0.4)	(0.7)	(0.6)	(0.5)
Depreciation	(1.1)	(1.8)	(1.0)	(0.9)	(1.9)	(1.9)	(1.9)
EBITDA Reported	4.3	10.7	0.7	1.8	2.5	4.9	9.3
<b>EBITDA Adjusted</b>	<b>7.9</b>	<b>11.2</b>	<b>2.5</b>	<b>3.6</b>	<b>6.1</b>	<b>8.5</b>	<b>12.9</b>
<i>Margin</i>	9.4%	11.9%	4.9%	7.9%	6.4%	8.2%	11.4%
Financial income	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial expense	(0.2)	(0.2)	(0.1)	(0.1)	(0.2)	(0.2)	(0.2)
PBT Reported	2.9	8.2	(0.4)	0.3	(0.3)	2.2	6.7
<b>PBT Adjusted</b>	<b>6.3</b>	<b>8.6</b>	<b>1.1</b>	<b>2.2</b>	<b>3.3</b>	<b>5.8</b>	<b>10.3</b>
Tax	1.3	(0.4)	(0.3)	(0.2)	(0.5)	(1.5)	(2.0)
PAT Reported	4.2	7.8	(0.7)	0.2	(0.8)	0.7	4.7
<b>PAT Adjusted</b>	<b>6.3</b>	<b>7.9</b>	<b>0.7</b>	<b>2.1</b>	<b>2.8</b>	<b>4.3</b>	<b>8.3</b>
Basic wtd. Av. shares (m)	20.0	19.9	20.0	20.0	20.0	20.0	20.0
Diluted wtd. av. shares (m)	20.1	20.1	20.3	20.3	20.3	20.3	20.3
EPS Reported Basic (p)	21.0	39.2	(3.5)	1.0	(4.0)	3.6	23.7
EPS Reported Diluted (p)	20.9	38.9	(3.4)	1.0	(3.9)	3.6	23.4
EPS Adjusted Basic (p)	31.6	39.7	3.5	10.5	14.1	21.6	41.7
<b>EPS Adjusted Diluted (p)</b>	<b>31.4</b>	<b>39.4</b>	<b>3.4</b>	<b>10.3</b>	<b>13.8</b>	<b>21.3</b>	<b>41.1</b>

Source: Company data, Equity Development estimates.

**Cashflow FY20 – FY24E**

(£m)	FY20	FY21	H1 22	H2 22E	FY22E	FY23E	FY24E
<b>Operating profit</b>	<b>2.9</b>	<b>8.3</b>	<b>(0.6)</b>	<b>0.5</b>	<b>(0.1)</b>	<b>2.4</b>	<b>6.9</b>
One-off items	3.6	0.5	1.8	1.8	3.6	3.6	3.6
Amortisation	0.3	0.6	0.3	0.4	0.7	0.6	0.5
Depreciation	1.1	1.8	1.0	0.9	1.9	1.9	1.9
Other non-cash	0.4	0.4	0.4	(0.4)	0.0	0.0	0.0
Pension	(3.0)	(2.6)	(1.1)	(1.9)	(3.0)	(3.0)	(3.0)
<b>Operating Cash Flow</b>	<b>5.3</b>	<b>9.0</b>	<b>1.8</b>	<b>1.3</b>	<b>3.1</b>	<b>5.5</b>	<b>9.9</b>
<b>Working capital</b>							
(Increase)/Decrease inventories	0.2	(2.2)	(0.5)	0.5	(0.0)	1.3	(0.4)
(Increase)/Decrease in contract assets	(1.7)	(4.4)	(4.7)	3.7	(1.0)	(2.0)	(3.0)
(Increase)/Decrease in receivables	(0.6)	1.0	6.1	(3.2)	2.9	3.2	(2.7)
Increase/(Decrease) in payables	4.1	(1.1)	1.5	(0.8)	0.7	3.2	4.1
(Increase)/Decrease in contract liabilities	5.4	(0.7)	(7.6)	5.6	(2.0)	(3.0)	(3.0)
Increase / Decrease in provisions	0.1	(0.8)	0.1	(0.1)	0.0	0.0	0.0
<b>Movement in working capital</b>	<b>7.5</b>	<b>(8.2)</b>	<b>(5.1)</b>	<b>5.7</b>	<b>0.6</b>	<b>2.6</b>	<b>(5.0)</b>
<b>Cash generated by operations</b>	<b>12.8</b>	<b>0.8</b>	<b>(3.3)</b>	<b>7.0</b>	<b>3.7</b>	<b>8.2</b>	<b>5.0</b>
Acquisition costs	(0.9)	(0.3)	0.0	0.0	0.0	0.0	0.0
Tax (paid)/received	(0.7)	(0.1)	(0.2)	0.2	0.0	0.0	0.0
Net cash from operations	11.2	0.4	(3.5)	7.2	3.7	8.2	5.0
<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)	(0.1)	(0.2)	(0.2)	(0.2)
Assets under const	0.0	0.0	0.0	0.0	0.0	0.0	0.0
PPE	(1.2)	(1.5)	(0.6)	(1.0)	(1.6)	(1.7)	(1.7)
Acquired cashflow/deferred payment	(10.3)	(0.6)	0.0	(3.3)	(3.3)	0.0	0.0
<b>Net cash used in investing</b>	<b>(13.1)</b>	<b>(0.3)</b>	<b>(0.6)</b>	<b>(4.5)</b>	<b>(5.1)</b>	<b>(1.9)</b>	<b>(1.9)</b>
<b>Net OpFCF</b>	<b>(1.9)</b>	<b>0.1</b>	<b>(4.1)</b>	<b>2.8</b>	<b>(1.3)</b>	<b>6.3</b>	<b>3.0</b>
<b>Financing activities</b>							
Borrowings	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest paid	(0.2)	(0.3)	(0.1)	(0.1)	(0.2)	(0.2)	(0.2)
Purchase own shares	(0.2)	(0.2)	0.0	0.0	0.0	0.0	0.0
Lease payments	(0.9)	(0.9)	(0.6)	0.1	(0.5)	(0.5)	(0.5)
Net cash from financing	(1.3)	(1.4)	(0.7)	0.0	(0.7)	(0.7)	(0.7)
<b>Net increase in cash / equivalents</b>	<b>(3.2)</b>	<b>(1.3)</b>	<b>(4.8)</b>	<b>2.8</b>	<b>(2.0)</b>	<b>5.6</b>	<b>2.3</b>
Cash at beginning of year	18.9	15.5	14.5	9.5	14.5	12.5	18.0
Forex	(0.2)	0.3	(0.2)	0.2	0.0	0.0	0.0
<b>Cash at year end</b>	<b>15.5</b>	<b>14.5</b>	<b>9.5</b>	<b>12.5</b>	<b>12.5</b>	<b>18.0</b>	<b>20.4</b>
<b>Net debt / (Cash)</b>	<b>(14.6)</b>	<b>(13.6)</b>	<b>(8.6)</b>	<b>(11.6)</b>	<b>(11.6)</b>	<b>(17.1)</b>	<b>(19.5)</b>

Source: Company data, Equity Development estimates.

**Balance sheet: FY20 – FY24E**

(£m)	FY20	FY21	H1 22	FY22E	FY23E	FY24E
<b>Fixed Assets</b>						
Intangible assets	27.4	25.3	25.4	25.3	24.7	24.2
PPE net	5.1	4.0	4.2	3.7	3.4	3.3
Property	0.8	0.8	0.8	0.8	0.8	0.8
Right of use	4.0	5.8	5.8	5.8	5.8	5.8
Employee benefits	14.0	35.7	59.7	35.7	35.7	35.7
Deferred tax, other	1.8	1.4	1.5	1.4	1.4	1.4
<b>Sum Fixed Assets</b>	<b>53.1</b>	<b>73.0</b>	<b>97.4</b>	<b>72.7</b>	<b>71.8</b>	<b>71.2</b>
<b>Current Assets</b>						
Inventories	3.5	5.5	6.3	5.5	4.3	4.7
Trade receivables	32.2	34.5	33.8	31.6	28.4	31.1
Tax assets	0.8	0.6	0.2	0.6	0.6	0.6
Cash, Equivalents	15.5	14.5	9.5	12.5	18.0	20.4
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>50.1</b>	<b>51.3</b>	<b>56.7</b>
Total Assets	105.1	128.1	147.2	122.8	123.1	127.9
<b>Current Liabilities</b>						
Trade payables	(41.1)	(39.5)	(35.1)	(40.2)	(43.4)	(47.5)
Leases	(0.8)	(1.8)	(1.8)	(1.8)	(1.8)	(1.8)
Provisions	(1.4)	(0.6)	(1.2)	(0.6)	(0.6)	(0.6)
Tax, Other	(0.4)	(0.7)	(0.7)	(0.7)	(0.7)	(0.7)
Contract liabilities	0.0	0.0	0.0	0.0	0.0	0.0
<b>Sum Current Liabilities</b>	<b>(43.7)</b>	<b>(42.6)</b>	<b>(38.8)</b>	<b>(43.3)</b>	<b>(46.5)</b>	<b>(50.6)</b>
Total Assets less Current Liabilities	61.4	85.5	108.4	79.5	76.6	77.3
<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)	(3.0)	(3.0)	(3.0)
Tax	(6.8)	(12.5)	(20.6)	(6.8)	(6.8)	(6.8)
Leases	(3.4)	(4.2)	(4.0)	(3.4)	(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>(14.1)</b>	<b>(14.1)</b>	<b>(14.1)</b>
Total liabilities	(60.7)	(62.7)	(67.1)	(57.4)	(60.6)	(64.7)
Net Assets	44.4	65.4	80.1	65.4	62.5	63.2
<b>Capital &amp; Reserves</b>						
Share Capital	5.0	5.0	5.0	5.0	5.0	5.0
Share Premium	26.0	26.0	26.0	26.8	21.7	17.6
Capital Reserve	5.2	3.7	3.8	3.7	5.2	5.2
Retained earnings	8.2	30.7	45.3	29.9	30.6	35.4
<b>Equity</b>	<b>44.4</b>	<b>65.4</b>	<b>80.1</b>	<b>65.4</b>	<b>62.5</b>	<b>63.2</b>
Net debt / (Cash)	(14.6)	(13.6)	(8.6)	(11.6)	(17.1)	(19.5)

Source: Company data, Equity Development estimates.



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