

Trading Update: FY22 in line and FY23 encouraging

16th January 2023

In a Trading Update today, Mpac Group reports performance for the year to 31 December 2022 in line with expectations, with a strong FY22 closing order book; the outlook for FY23 is “encouraging”. We have raised our FY22 (adj.) EBITDA outlook by 8% and FY23 by 13%.

Improved order intake

Reflecting resilient demand in the core Healthcare and Food & Beverage segments, order intake in the second half of FY22 was significantly above first half levels, leading to a healthy year-end **closing order book of £69.0m** (H1 22: £62.6m). In addition, Service order intake and contribution to revenue continued to grow. Mpac adds that, inclusive of modified specifications, the development and installation of the clean energy project for FREYR remains on track for completion in Q2 23.

Supply chain mitigation leading to cash generation

As highlighted in July (ED report 11 July 2022: [FY22 first half trading update: supply chain pressure](#)) Mpac was required to adjust its operations to meet the impact of the worldwide disruption of supply chains and related macro-economic factors. The response was good management of components sourcing and stock levels, in addition to alternative routes of sourcing. This resulted in the ability to better meet customers' expectations and, in H2, improve profitability. The exercise required additional working capital – in areas such as inventory build - and adapting to lengthened project build timing, for which we estimate Mpac has ample balance sheet resources. We expect the pressure on working capital to unwind in H1 23, with estimated FY22 year-end net debt of £4.2m reverting towards an estimated 31 December 2023 net cash position of £5.3m.

FY23: our (adj.) EBITDA estimate raised by 13%

At H1 22 Mpac reported revenue of £50.6m, +14.5%YoY, (adj.) EBITDA of £2.5m and a net cash position of £8.6m. We expect an improvement in gross profit from £10.7m in H1 22 (21.1% margin) to £13.7m in H2 22 (30.2% margin) and **have raised our estimates as follows:**

- **FY22E:** (adj.) EBITDA outlook raised by 8.2% to £6.6m.
- **FY23E:** revenue raised from £103.6m to £104.7m; (adj.) EBITDA **+12.9% to £9.6m**, +46%YoY.
- **FY24E:** revenue raised from £113.4m to £115.8m; (adj.) EBITDA from £12.9m to £13.0m.

Our fair value for Mpac remains 485p/share, indicative of a FY24 EV/EBITDA multiple of 7.9x compared to 4.6x at current EV.

Forecasts to FY24

Yr to 31 Dec (£m)	2021	2022E	2023E	2024E
Revenue	94.3	95.8	104.7	115.8
EBITDA (adj)	11.2	6.6	9.6	13.0
Pre-Tax Profit (adj)	8.6	3.5	7.0	10.5
EPS (adj, p)	39.4	14.3	25.8	38.3
Net debt / (Cash)	(13.6)	4.2	(5.3)	(7.4)
P/E	7.0x	19.2x	10.7x	7.2x
EV/EBITDA	5.3x	9.0x	6.2x	4.6x

Source: Company data, Equity Development estimates.

Company Data

EPIC	AIM: MPAC
Price (last close)	256p
52 weeks Hi/Lo	574p/210p
Market cap	£52.4m
ED Fair Value / share	485p
Proforma net debt	£4.2m

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

Full year FY22 results: week commencing 20 March 2023.

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SUMMARY FINANCIALS

P&L: FY20 – FY24E

P&L Year to 31 Dec (£m)	FY20	FY21	H1 22	H222E	FY22E	FY23E	FY24E
Equipment revenue	64.1	74.1	39.8	28.5	68.3	74.4	81.9
Service revenue	19.6	20.2	10.8	16.7	27.5	30.3	33.9
Revenue	83.7	94.3	50.6	45.2	95.8	104.7	115.8
Gross Sum	24.3	28.9	10.7	13.7	24.4	30.3	36.2
<i>Gross Margin</i>	29.0%	30.6%	21.1%	30.3%	25.5%	28.9%	31.3%
COGS	(59.4)	(65.4)	(39.9)	(31.5)	(71.4)	(74.4)	(79.5)
Distribution	(6.8)	(6.8)	(3.4)	(4.1)	(7.5)	(8.2)	(9.0)
Admin	(9.9)	(12.4)	(5.8)	(6.2)	(12.0)	(13.0)	(14.5)
Other	(1.1)	(0.9)	(0.3)	(0.7)	(1.0)	(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)	(2.5)	(4.3)	(1.0)	0.0
EBIT Reported	2.9	8.3	(0.6)	0.2	(0.4)	6.4	10.9
EBIT Adjusted	6.5	8.8	1.2	2.7	3.9	7.4	10.9
<i>Margin</i>	7.8%	9.3%	2.4%	6.0%	4.1%	7.1%	9.4%
Amortisation	(0.3)	(0.6)	(0.3)	(0.1)	(0.4)	(0.1)	0.0
Depreciation	(1.1)	(1.8)	(1.0)	(1.3)	(2.3)	(2.1)	(2.1)
EBITDA Reported	4.3	10.7	0.7	1.6	2.3	8.6	13.0
EBITDA Adjusted	7.9	11.2	2.5	4.1	6.6	9.6	13.0
<i>Margin</i>	9.4%	11.9%	4.9%	9.1%	6.9%	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)	(0.0)	(0.8)	6.0	10.5
PBT Adjusted	6.3	8.6	1.1	2.4	3.5	7.0	10.5
Tax	1.3	(0.4)	(0.3)	(0.3)	(0.6)	(1.8)	(2.7)
PAT Reported	4.2	7.8	(0.7)	(0.2)	(1.4)	4.2	7.8
PAT Adjusted	6.3	7.9	0.7	2.2	2.9	5.2	7.8
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)	(7.0)	21.1	38.8
EPS Reported Diluted (p)	20.9	38.9	(3.4)	(1.0)	(6.9)	20.8	38.3
EPS Adjusted Basic (p)	31.6	39.7	3.5	11.0	14.5	26.1	38.8
EPS Adjusted Diluted (p)	31.4	39.4	3.4	10.8	14.3	25.8	38.3

Source: Company data, Equity Development estimates.

Cashflow FY20 – FY24E

Cashflow Year to 31 December (£m)	FY20	FY21	H1 22	H222E	FY22E	FY23E	FY24E
Operating profit	2.9	8.3	(0.6)	0.2	(0.4)	6.4	10.9
One-off items	3.6	0.5	1.8	2.5	4.3	1.0	0.0
Amortisation	0.3	0.6	0.3	0.1	0.4	0.1	0.0
Depreciation	1.1	1.8	1.0	1.3	2.3	2.1	2.1
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)
Operating Cash Flow	5.3	9.0	1.8	1.8	3.6	6.6	10.0
Working capital							
(Increase)/Decrease inventories	0.2	(2.2)	(0.5)	0.5	(0.0)	1.2	(0.5)
(Increase)/Decrease in contract assets	(1.7)	(4.4)	(4.7)	(7.8)	(12.5)	0.0	(3.0)
(Increase)/Decrease in receivables	(0.6)	1.0	6.1	(3.1)	3.0	2.8	(3.0)
Increase/(Decrease) in payables	4.1	(1.1)	1.5	(0.9)	0.6	3.7	4.6
(Increase)/Decrease in contract liabilities	5.4	(0.7)	(7.6)	(2.2)	(9.8)	0.0	0.0
Increase / Decrease in provisions	0.1	(0.8)	0.1	(0.1)	0.0	0.0	0.0
Movement in working capital	7.5	(8.2)	(5.1)	(13.6)	(18.7)	7.7	(1.9)
Cash generated by operations	12.8	0.8	(3.3)	(11.8)	(15.1)	14.4	8.1
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)	(0.4)	(0.6)	(1.8)	(2.7)
Net cash from operations	11.2	0.4	(3.5)	(12.2)	(15.7)	12.6	5.4
Investing activities							
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)
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	(0.8)	(0.8)	0.0	0.0
Net cash used in investing	(13.1)	(0.3)	(0.6)	(2.0)	(2.6)	(1.9)	(1.9)
Net OpFCF	(1.9)	0.1	(4.1)	(14.2)	(18.3)	10.7	3.5
Financing activities							
Borrowings	0.0	0.0	0.0	0.0	7.1	(6.2)	0.0
Interest / other paid	(0.2)	(0.3)	(0.1)	(0.3)	(0.4)	(0.4)	(0.4)
Purchase own shares	(0.2)	(0.2)	0.0	(0.4)	(0.4)	(0.4)	(0.4)
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)	(0.6)	5.8	(7.5)	(1.3)
Net increase in cash / equivalents	(3.2)	(1.3)	(4.8)	(14.8)	(12.5)	3.2	2.2
Cash at beginning of year	18.9	15.5	14.5	9.5	14.5	2.0	5.3
Forex	(0.2)	0.3	(0.2)	0.2	0.0	0.0	0.0
Cash at year end	15.5	14.5	9.5	(5.1)	2.0	5.3	7.4
Net debt / (Cash)	(14.6)	(13.6)	(8.6)	4.2	4.2	(5.3)	(7.4)

Source: Company data, Equity Development estimates.

Balance sheet: FY20 – FY24E

(£m)	FY20	FY21	H1 22	FY22E	FY23E	FY24E
Fixed Assets						
Intangible assets	27.4	25.3	25.4	25.3	25.2	25.2
PPE net	5.1	4.0	4.2	3.3	2.8	2.5
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
Sum Fixed Assets	53.1	73.0	97.4	72.3	71.7	71.4
Current Assets						
Inventories	3.5	5.5	6.3	5.5	4.3	4.8
Trade receivables	32.2	34.5	33.8	31.5	28.7	31.7
Tax assets	0.8	0.6	0.2	0.6	0.6	0.6
Cash, Equivalents	15.5	14.5	9.5	2.0	5.3	7.4
Sum Current Assets	52.0	55.1	49.8	39.6	38.8	44.5
Total Assets	105.1	128.1	147.2	111.9	110.6	115.9
Current Liabilities						
Trade payables	(41.1)	(39.5)	(35.1)	(40.1)	(43.9)	(48.5)
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)
Sum Current Liabilities	(43.7)	(42.6)	(38.8)	(43.2)	(47.0)	(51.6)
Total Assets less Current Liabilities	61.4	85.5	108.4	68.7	63.6	64.3
Long-term Liabilities						
Borrowings	(0.9)	(0.9)	(0.9)	(6.2)	0.0	0.0
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
Sum Long-term liabilities	(17.0)	(20.1)	(28.3)	(19.4)	(13.2)	(13.2)
Total liabilities	(60.7)	(62.7)	(67.1)	(62.6)	(60.2)	(64.8)
Net Assets	44.4	65.4	80.1	49.3	50.4	51.1
Capital & Reserves						
Share Capital	5.0	5.0	5.0	5.0	5.0	5.0
Share Premium	26.0	26.0	26.0	11.3	6.7	(0.4)
Capital Reserve	5.2	3.7	3.8	3.7	5.2	5.2
Retained earnings	8.2	30.7	45.3	29.3	33.5	41.3
Equity	44.4	65.4	80.1	49.3	50.4	51.1
Net debt / (Cash)	(14.6)	(13.6)	(8.6)	4.2	(5.3)	(7.4)

Source: Company data, Equity Development estimates.



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