

AGM statement: momentum maintained

17 May 2023

In a statement accompanying the AGM, Mpac Group reports that the positive momentum of Q4 22 has been maintained, with order intake and quotation activity significantly ahead year-on-year. As expected, pressure on working capital has eased - the completion of orders and shipment of equipment means that Q1 23 closed with a positive net cash position, which is expected to be maintained in H1. This is a clear validation of the steps undertaken in the latter part of FY22 and a strong positive indicator for the current year. We note that Mpac expects trading to be second-half weighted, with the order book sufficient to meet revenue expectations. The positive momentum reported should continue.

Supply chain pressure eases

During the course of FY22, additional working capital amounting to £17.8m was required to counter the impact of supply chain disruption whilst meeting clients' needs. As expected, this pressure has eased, as reflected in the level of contract assets – projects awaiting final factory sign-off – which peaked in Q4 22, from which the shipment of finished equipment has followed. Consequently, as indicated in today's statement, FY22 net debt of £4.7m is expected to revert towards a positive FY23 year-end net cash position as increased order intake brings in added customer deposits; our estimate is net cash of £7.5m.

As previously noted, with the AGM, Tony Steels retires, and Adam Holland takes over as CEO.

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

The core message of this AGM statement is that **Mpac continues to focus on its key markets**, notably Healthcare and Food & Beverage, where the shortage of key components in FY22 constrained the ability to deliver, and where there is now evidence of healthy demand. At this stage our estimates are unchanged, albeit in anticipation of updates on order levels - which closed FY22 at £67.2m – and performance towards H2.

We last raised estimates at the 16th January Trading Update (see: Equity Development report [Trading Update: FY22 in line and FY23 encouraging](#)): FY23 revenue outlook from £103.6m to £104.7m, and (adj.) EBITDA by 13% to £9.6m, margin 9.2%. Our FY24 outlook remains 11%YoY revenue growth and 35.0%YoY growth in (adj.) EBITDA to £13.0m, 11.2% margin.

Our fair value for Mpac remains 485p/share, indicative of a FY24 EV/EBITDA multiple of 7.9x, whilst the current trading multiple for FY24 EV/EBITDA is 4.0x.

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	5.9x	17.7x	9.1x	6.1x
EV/EBITDA	4.6x	7.6x	5.4x	4.0x

Source: Company data, Equity Development estimates.

Company Data

EPIC	AIM: MPAC
Price (last close)	230p
52 weeks Hi/Lo	460p/210p
Market cap	£48m
ED Fair Value / share	485p
Proforma net debt (Dec 2022)	£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, September 2023.

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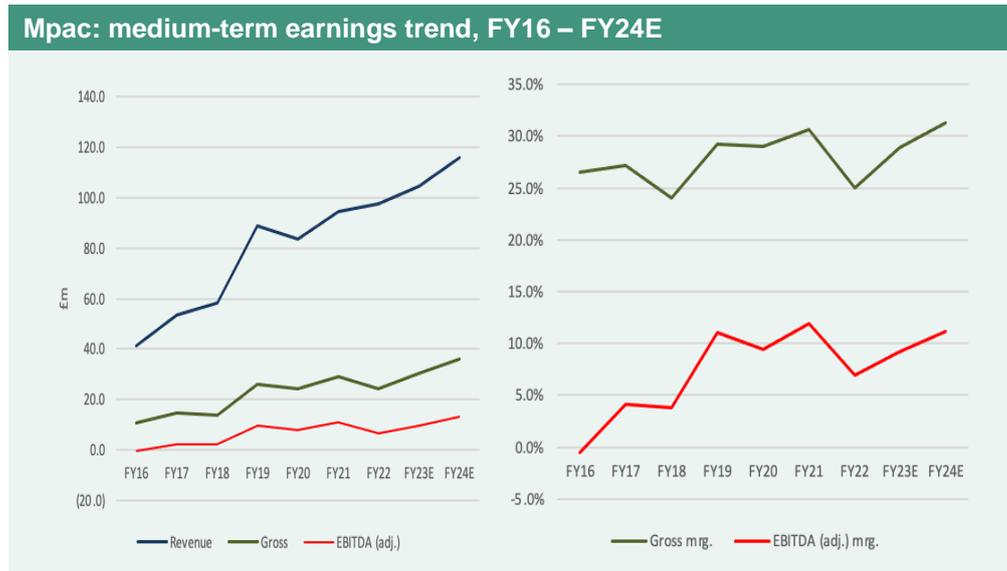
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FY23 and FY24 outlook

Below we summarise our reiterated FY23 and FY24 earnings outlook.

FY22 performance, outlook FY23, FY24							
Year to 31 Dec (£m)	H1 22	H2 22	FY22	FY23E	FY24E	FY23YoY	FY24YoY
Revenue	50.6	47.1	97.7	104.7	115.7	7.2%	10.6%
Gross	10.7	13.7	24.4	30.3	36.3	24.2%	19.7%
Margin	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%
EBIT Adjusted	1.2	2.7	3.9	7.4	10.9	90.3%	46.7%
Margin	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%
EBITDA Adjusted	2.5	4.3	6.8	9.6	13.0	41.5%	35.0%
Margin	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%
PBT Adjusted	1.1	2.4	3.5	7.0	10.5	100.7%	49.3%
Margin	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%
PAT Adjusted	0.7	2.0	2.7	5.2	7.8	93.5%	49.1%
EPS Rptd Basic (p)	(3.5)	0.0	(5.9)	11.0	23.6	N.M.	115.4%
EPS Adj. Dil. (p)	3.4	9.7	13.1	25.5	38.1	94.4%	49.1%

Source: Company data. Equity Development estimates.



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
Revenue	83.7	94.3	50.6	47.1	97.7	104.7	115.7
Gross	24.3	28.9	10.7	13.7	24.4	30.3	36.3
<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
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%	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
EBITDA Adjusted	7.9	11.2	2.5	4.3	6.8	9.6	13.0
<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
PBT Adjusted	6.3	8.6	1.1	2.4	3.5	7.0	10.5
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
PAT Adjusted	6.3	7.9	0.7	2.0	2.7	5.2	7.8
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
EPS Adjusted Diluted (p)	31.4	39.4	3.4	9.7	13.1	25.5	38.1

Source: Company data, Equity Development estimates.

Cashflow FY20 – FY24E

Cashflow Year to 31 December (£m)	FY20	FY21	H1 22	H2 22	FY22	FY23E	FY24E
Operating profit	2.9	8.3	(0.6)	0.6	0.0	4.4	7.9
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)
Operating Cash Flow	5.3	9.0	1.8	3.2	5.0	6.6	10.0
Working capital							
(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
Movement in working capital	7.5	(8.2)	(5.1)	(12.7)	(17.8)	3.1	0.2
Cash generated by operations	12.8	0.8	(3.3)	(9.5)	(12.8)	9.7	10.2
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)
Net cash from operations	11.2	0.4	(3.5)	(10.5)	(14.0)	7.9	7.5
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)	(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
Net cash used in investing	(13.1)	(0.3)	(0.6)	(2.6)	(3.2)	(2.5)	(2.5)
Net OpFCF	(1.9)	0.1	(4.1)	(13.1)	(17.2)	5.5	5.0
Financing activities							
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)
Net increase in cash / equivalents	(3.2)	(1.3)	(4.8)	(5.8)	(10.6)	4.2	3.7
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
Cash at year end	15.5	14.5	9.5	4.2	4.2	8.4	12.0
Net debt / (Cash)	(14.6)	(13.6)	(8.6)	4.7	4.7	(7.5)	(11.1)

Source: Company data, Equity Development estimates.

Balance sheet: FY20 – FY24E

(£m)	FY20	FY21	H1 22	FY22	FY23E	FY24E
Fixed Assets						
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
Sum Fixed Assets	53.1	73.0	97.4	68.0	65.9	64.9
Current Assets						
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
Sum Current Assets	52.0	55.1	49.8	61.1	64.9	69.8
Total Assets	105.1	128.1	147.2	129.1	130.8	134.6
Current Liabilities						
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)
Sum Current Liabilities	(43.7)	(42.6)	(38.8)	(48.9)	(43.7)	(48.0)
Total Assets less Current Liabilities	61.4	85.5	108.4	80.2	87.1	86.6
Long-term Liabilities						
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
Sum Long-term liabilities	(17.0)	(20.1)	(28.3)	(18.0)	(14.1)	(14.1)
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
Capital & Reserves						
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
Equity	44.4	65.4	80.1	62.2	73.0	72.5
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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