

MPAC GROUP PLC

More focused

Today's trading update will not come as a great surprise after the deteriorating trading environment revealed in April. The more important question is how the planned disposal of Lambert or its timing, especially given the sharp increase in net debt last year, is construed. We argue that the proposed sale of Lambert is a significant and positive development for the group, and if this goes unnoticed in the short term it should represent an investment opportunity. Lambert has not delivered the synergies promised when it was acquired in 2019, albeit with the benefit of hindsight, and its expertise in highly customised solutions looked increasingly non-core with the current strategy of focusing on scalable, full-line packaging machinery solutions. It would also be futile to quibble over the timing; if it doesn't fit strategy and frees resources then now is as good a time as any. Whilst we have cut our EBIT forecasts for FY26 by 24% on a continuing basis, there is no visibility on when it will recover meaningfully. Consolidation is the only high-level invariant, and it is inevitable that excess capacity and price competition will intensify this process. Mpac continues to be active in this process, externally and internally, but the rewards have yet to hit the bottom line.

Revised forecasts: We have revised our FY26 and FY27 forecasts to account for the planned disposal of Lambert and the trading update, with the headline P&L numbers shown on a continuing basis. Based on our assumptions of what Lambert would have contributed in FY26, we estimate that the bulk of the impact of competitive pressures will be felt by EBIT margin of the continuing business which we now expect to be 2.7% lower in FY26 than we had foreseen in April. However, we expect good free cashflow and the proceeds from Lambert sale to cut net debt to £31.1m at end-FY26 compared with our previous forecast of £39.6m.

Key financials and multiples

	£m	2023A	2024A	2025A	2026E*	2027E*
Revenue		114.2	122.4	174.1	140.7	155.7
Pre-Tax Profit (adj)		7.1	10.6	13.5	9.0	12.0
EPS (adj, p)		26.2	35.0	35.9	24.5	32.7
P/E		19.5	9.8	7.3	7.1	10.5
Free cash flow		11.2	2.6	1.6	15.2	15.6
Net cash / (debt)		2.1	(37.5)	(47.9)	(31.1)	(23.8)

* continuing basis; Source: Company reports, Tring Triangle

Equity Research

Publication date:
8 June 2026

Market: AIM

Sector: Automated packaging equipment & services

Share price: 265p (as of 5 June 2026)

52-week high – 495p

52-week low – 226p

Capitalisation - £80m

Net Debt (end-2025):
£47.9m

Major shareholders:

Schroders: 14%

Fidelity: 7.6%

Charles Stanley: 6.4%

Interactive Investor: 6.1%

Hargreaves Landsown: 5.7%

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The planned disposal of Lambert announced today is more significant than the accompanying trading update. The business was increasingly at odds with the group direction towards scalable, fuller line packaging machinery solutions. Founded in 1973, Lambert specialises in highly customised automation solutions for product-specific assembly processes, including specialist filling and dosing, primarily in the medical and consumer healthcare markets. The Tadcaster-based business, with approximately 160 people, was acquired by Mpac in 2019 for £15m to enable Mpac to engage earlier in client's investment cycles whilst giving Lambert access to Mpac Group's global reach. However, the cross-synergies expected have not been realised and Mpac has agreed to sell the business to Mech.i.Tronic S.p.A, an Italian business which designs and produces custom mechatronic solutions, for an initial cash consideration of £16m.

The consideration includes the sale of SIGA Vision, which was acquired by Lambert in August 2024 for £0.1m. Completion of the sale is subject to certain conditions, notably formal clearance issued by the Secretary of State in accordance with the National Security and Investment Act 2021 and is expected to be approved during Q3. Further earn-out consideration of up to £4m may become payable subject to the financial performance of Lambert during FY26.

Mpac Group Brands and Packaging Offerings

Lambert	Product Assembly
Lambert	Filing & Dosing
BCA	Product Handling & Infeed
Langen, Switchback	Cartoning
Langen, Switchback	Tray Forming
Langen, Switchback	Case packing
CSi	Palletising

Source: Mpac, Tring Triangle

Following the disposal of Lambert, Mpac Group will be focused on high-speed secondary and end of line automated packaging solutions which can be scaled across various end-use sectors. Management has confirmed that the net proceeds from the disposal will be used to reduce net debt, which stood at £47.9m at end-FY25. Inevitably, there will be some concern that the pressure on the balance sheet has forced the sale of Lambert, but we believe that now is as good a time as any especially as Lambert didn't fit the strategy and was absorbing resources including capital and management time that can now be focused on the continuing business.

Trading update

Today, Mpac has also confirmed that there has been no let up on the competitive environment it highlighted in April. The economic uncertainty in North American and Western Europe continues to impact capex decisions. Lower OE volumes have increased pricing pressure, and this combined with lower operational leverage continues to impact margins. With order book of £98.8m at end-May higher than £90m reported at end-FY25, it appears that the bulk of the pressure is on margins rather than revenues.

The table below shows the calculations behind our new P&L FY26 and FY27 forecasts based on a continuing basis. We have cut FY26 revenue forecast for the continuing business by 1% with EBIT now expect to be 24% lower.

Profit & Loss Bridge

<i>year-end December, £m</i>	FY 26 Old	Discontinued	FY26 Old (Continuing)	Trading update delta	FY26 New (Continuing)
Revenue	170.1	27.0	143.1	2.4	140.7
EBIT (Adjusted)	18.9	2.1	16.8	4.0	12.8
<i>EBIT margin</i>	<i>11.1%</i>	<i>7.8%</i>	<i>11.8%</i>		<i>9.1%</i>
Depreciation & Amortisation	-5.1	-0.8	-4.3	0.2	-4.5
EBITDA (Adjusted)	24.0	2.9	21.1	3.8	17.3
<i>EBITDA margin</i>	<i>14.1%</i>	<i>10.7%</i>	<i>14.8%</i>		<i>12.3%</i>

Source: Tring Triangle estimate

Forecasts for FY26 and FY27

Given the poor visibility, management continues to be focused on operational efficiency, overhead costs and cash generation. However, given the cyclical nature of the business we would expect some recovery in FY27, so we are currently forecasting 11% top-line growth. Competitive pressures may take longer to abate so we expect EBIT margins to remain flat in FY27.

For investors, the most important metric at least in the short term, will be free cashflow. Whilst the trading environment is not helping, we are expecting free cashflow of £15m in FY26 with the disposal of Lambert further helping to reduce net debt to £31.1m at end-FY26 compared with £47.9m at end-FY25.

Profit & Loss					
<i>year-end December, £m</i>	FY23A	FY24A	FY25A	FY26E*	FY27E*
Revenue	114.2	122.4	174.1	140.7	155.7
Gross profit	31.6	36.8	63.2	45.3	50.1
<i>Gross margin</i>	<i>27.7%</i>	<i>30.1%</i>	<i>36.3%</i>	<i>32.2%</i>	<i>32.2%</i>
Other operating costs	(23.8)	(24.8)	(45.1)	(32.5)	(35.9)
One-off costs	(3.9)	(8.6)	(23.3)	0.0	0.0
EBIT (Reported)	3.9	3.4	(5.2)	12.8	14.2
EBIT (Adjusted)	7.8	12.0	18.1	12.8	14.2
<i>EBIT margin</i>	<i>6.8%</i>	<i>9.8%</i>	<i>10.4%</i>	<i>9.1%</i>	<i>9.1%</i>
Amortisation	(0.8)	(1.0)	(1.0)	(1.0)	(1.0)
Depreciation	(2.1)	(2.3)	(3.3)	(3.4)	(4.4)
EBITDA (Adjusted)	10.7	15.3	22.4	17.2	19.6
<i>EBITDA margin</i>	<i>9.4%</i>	<i>12.5%</i>	<i>12.9%</i>	<i>12.2%</i>	<i>12.6%</i>
Financial income	0.0	0.0	0.0	0.0	0.0
Financial expense	(0.7)	(1.4)	(4.6)	(3.8)	(2.2)
Profit Before Tax (Reported)	4.7	3.4	(7.7)	7.2	10.2
Profit Before Tax (Adjusted)	7.1	10.6	13.5	9.0	12.0
<i>Underlying tax rate</i>	<i>25%</i>	<i>25%</i>	<i>20%</i>	<i>18%</i>	<i>18%</i>
Tax (adj)	(1.8)	(2.7)	(2.7)	(1.6)	(2.2)
Tax	(2.0)	(2.0)	(1.8)	(1.6)	(2.2)
Net Profit (Reported)	2.7	1.4	(9.5)	5.6	8.1
Net Profit (Adjusted)	5.3	7.9	10.8	7.4	9.9
Avg. no. of shares (diluted, m)	20.5	22.6	30.1	30.2	30.2
EPS (Adjusted, p)	26.2	35.0	35.9	24.5	32.7

* continuing basis; Source: Company reports, Tring Triangle estimate

Cashflow					
<i>year-end December, £m</i>	FY23A	FY24A	FY25A	FY26E	FY27E
EBIT	3.9	3.4	(5.2)	12.8	14.2
One-off items/Discontinued	3.9	8.6	23.3	(1.0)	0.0
Amortisation	0.8	1.0	1.0	1.0	1.0
Depreciation	2.1	2.3	3.3	3.4	4.4
Other non-cash	0.0	0.0	0.0	0.0	0.0
Pension	(2.3)	(2.3)	(2.5)	(2.0)	0.0
Movement in working capital	4.7	(7.4)	(13.7)	2.7	(1.8)
Cash generated by operations	13.1	5.6	6.2	16.9	17.8
Acquisition costs, other	(0.8)	(1.4)	(2.7)	0.0	0.0
Tax (paid)/received	(1.1)	(1.6)	(1.9)	(1.7)	(2.2)
Free cashflow	11.2	2.6	1.6	15.2	15.6
Acquisition	0.0	(54.8)	0.0	0.0	0.0
Sale of PPE	0.0	0.4	0.2	15.5	0.0
Capitalised R&D	(1.5)	(3.2)	(4.1)	(2.0)	(0.7)
Capex	(1.1)	(1.9)	(0.6)	(4.0)	(4.4)
Acquired cashflow/deferred payment	0.0	0.0	(1.0)	0.0	0.0
Net cash used in investing	(2.6)	(59.5)	(5.5)	9.5	(5.1)
Borrowings	0.0	38.5	(4.7)	(6.8)	(13.0)
Interest paid	(0.7)	(1.2)	(4.2)	(4.3)	(2.2)
Purchase own shares	0.0	0.0	0.0	0.0	0.0
Lease payments	(1.1)	(1.2)	(2.0)	(1.0)	(1.0)
Net cash from financing	(1.8)	64.5	(10.9)	(12.1)	(16.2)
Net increase in cash / equivalents	6.8	7.6	(14.8)	12.6	(5.6)
Exchange rate movements	0.0	(0.4)	(1.4)	0.0	0.0
Cash at year end	11.0	18.2	2.0	14.6	8.9

Source: Company reports, Tring Triangle estimate

Balance sheet					
<i>year-end December, £m</i>	FY23A	FY24A	FY25A	FY26E	FY27E
Intangible assets	24.0	117.4	108.4	107.4	106.4
PPE net	4.1	5.8	4.7	3.7	3.7
Property	0.8	0.8	0.8	0.8	0.8
Right of use	5.9	9.4	9.3	9.3	9.3
Employee benefits	32.2	39.4	7.6	12.1	0.0
Deferred tax, other	0.9	5.3	3.5	3.5	3.5
Total Fixed Assets	67.9	178.1	134.3	136.8	123.7
Inventories	11.1	15.9	16.2	17.3	17.1
Trade receivables	46.8	59.4	60.7	57.8	66.1
Tax/other	1.1	0.8	0.8	0.8	0.8
Cash, Equivalents	11.0	18.2	9.6	14.6	8.9
Total Current Assets	70.0	94.3	87.3	90.5	92.9
Trade payables	(43.8)	(72.1)	(61.7)	(59.7)	(66.1)
Leases	(1.3)	(2.2)	(2.8)	(2.8)	(2.8)
Provisions	(0.9)	(2.8)	(1.6)	(1.6)	(1.6)
Tax/other	(0.9)	(2.2)	(2.2)	(6.0)	(6.0)
Loans	(8.0)	(41.2)	(51.5)	(39.7)	(26.7)
Total Current Liabilities	(54.9)	(120.5)	(119.8)	(109.8)	(103.2)
Borrowings	(0.9)	(14.5)	(6.0)	(6.0)	(6.0)
Employee benefits	(1.8)	(1.5)	(1.4)	(3.0)	(3.0)
Tax	(11.4)	(19.1)	(9.5)	(4.2)	(4.2)
Leases	(4.9)	(7.5)	(8.2)	(8.2)	(8.2)
Deferred/other	0.0	(1.3)	(1.4)	(1.8)	0.0
Net Assets	64.0	108.0	75.3	94.3	92.0
Share Capital	5.1	7.5	7.5	7.5	7.5
Share Premium	26.0	61.8	61.8	61.8	61.8
Capital Reserve	3.8	3.6	4.1	4.1	4.1
Retained earnings	29.1	35.1	1.9	20.9	18.6
Equity	64.0	108.0	75.3	94.3	92.0
Net cash/(debt) excl. leases	2.1	(37.5)	(47.9)	(31.1)	(23.8)

Source: Company reports, Tring Triangle estimate

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