

## Clean energy equipment contract win

27th July 2021

**Mpac has announced that Mpac Lambert has signed a contract with FREYR Battery to supply casting and unit cell assembly equipment for the battery cell production line at FREYR's Customer Qualification Plant in Mo i Rana, Norway.**

Founded in 2018 and NYSE-listed (FREY) with a market capitalisation of US\$1.04bn, FREYR develops and manufactures lithium-ion cell batteries based on wind- and hydro-based clean energy sources, targeting 43GWh of capacity by 2025. The company partners with leaders in the manufacture of clean energy batteries including Siemens Energy, Itochu, Maersk, and Scatec Solar.

It targets growing global battery demand projected at up to 9,200GWh by 2030 (Bloomberg New Energy Finance), principally from electric vehicles and for domestic storage, and aims to be one of the lowest carbon-cost battery cell producers at only 19% of the global average (FREYR Capital Markets presentation 22<sup>nd</sup> June 2021).

Mpac reports that it was prequalified to tender for the FREYR contract following nearly three years of cooperation with lithium-ion technology specialist 24M Technologies Inc, to industrialise and scale 24M's *SemiSolid* lithium-ion battery technology. Founded in 2010 as a MIT spin-off, 24M's approach combines higher energy battery efficiency with streamlined production processes and reduced CO<sup>2</sup> output, and signed a License and Services agreement with FREYR in December 2020.

To construct and install the assembly line at the Mo i Rana pilot plant, Mpac will combine 24M's battery casting processes with its automation and production systems expertise. Beyond this pilot project, Mpac's contract includes options with FREYR for delivery of casting and unit cell assembly equipment systems at its mass production Gigafactories, of which six are planned by 2029.

### Entry point to a major new vertical

Against the background of growing pressure to reduce CO<sup>2</sup> emissions – for example with the planned cessation of combustion engine sales in the UK from 2030 – there is clear global demand for electric vehicles and the associated establishment of battery Gigafactories. Mpac's automation production expertise is clearly suited to this growing source of demand whilst 24M and FREYR are at the forefront of Gigafactory development.

**FY21 outlook.** The FREYR contract establishes Mpac's presence at a key point in the development of commercial battery supply to customers for evaluation with the transition from pilot production to subsequent volume output. Given the time-frame of FREYR's roadmap we envisage that any impact on Mpac's earnings outlook at this stage lies beyond FY21 and therefore reiterate estimates outlined in our 8<sup>th</sup> July H1'21 Trading Update report, namely:

- FY21 revenue of £95m, +13.5%YoY.
- FY21 EBITDA (adj.) of £9.8m, + 24.0% YoY.

### Fair value retained

Following 15% share price appreciation since our previous Mpac note that was published on July 8<sup>th</sup> [H1'21 Trading Update – accelerated momentum](#) Mpac shares currently trade on a prospective FY21 EV/EBITDA of 9.9x and PE of 17.1x.

**We reiterate our fair value for Mpac of 600p / share.**

#### Company Data

EPIC	<b>AIM: MPAC</b>
Price	552p
52 weeks Hi/Lo	591p/253p
Market cap	£111m
ED Fair Value / share	600p
Proforma net cash (FY21E)	£13.0m

#### Share Price, p



Source: ADVFN

#### Description

Mpac Group is a specialist provider of high-speed packaging and automation systems employing c.500 persons.

The Group generates 88% of revenue internationally. Core customer verticals include the healthcare, pharmaceuticals and food/beverage sectors, with clients such as 3M, J&J, Nestlé, GSK, P&G, Philips Advent, AstraZeneca, Unilever, Kellogg's, Diageo and Bausch & Lomb.

Interim Results are expected to be released on 2 September 2021.

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