

FY21 interim results: a strong rebound

2 September 2021

For the six months to 30 June 2021 Mpac Group reported a strong recovery in both orders, +69%YoY, and revenue, +20%YoY, as a result of which we have raised our FY21 revenue outlook from £95.0m to £97.5m (+16.4%YoY) and for FY22, from £100.0m to £105.0m. We have also raised our fair value / share estimate from 600p to 660p.

- H1 Group order intake grew 69.4%YoY to £51.7m (H1 20: £30.5m), with a closing order book of £62.0m, +11.7% above the FY20 level of £55.5m (H1 20: £45.5m).
- H1 Group revenue rose 20.1%YoY to £44.2m, with 25.5%YoY growth in the contribution from Original Equipment (OE), to £34.0m (76.9% of total), boosted by completion of a number of large contracts; also a positive lead indicator for H2 demand in the Services segment.
- H1 EBIT (adjusted) was £4.8m +84.6%YoY, 10.9% margin, reflecting the positive contribution from completion of long-term contracted projects, whilst EBITDA (adjusted) rose 72.7%YoY to £5.7m (H1 20: £3.3m), 12.9% margin.
- Profit before tax (adjusted) was £4.7m (H1 20: £2.5m) and underlying EPS (adjusted, diluted) 18.5p/share (H1 20: 10.9p) and basic EPS 10.6p (H1 20: 6.0p).
- The period-end cash balance was £11.2m, net £10.3m (FY 20: £15.5m, net £14.6m). Mpac reiterated its interest in potential acquisition opportunities to augment its presence in the key verticals healthcare, food & beverage and pharmaceuticals, also noting the addition of a presence in the clean energy sector via its contract with FREYR Battery, announced in July.

Strategy and trends. Mpac's high-speed packaging and automation systems are increasingly in demand in the key market segments it serves – healthcare, food & beverage and pharmaceuticals – as these industries adjust to the demands of environmentally-friendly packaging and efficient production processes. The Group's recent (July 27th) tie-up with FREYER Battery for the prototype volume production of lithium-ion battery cells has added a fourth vertical with significant growth potential and environmental credentials. At the interim the Group reported progress on unifying its widely-distributed operations with initiation of a global ERP system following deployment of unified engineering, CRM and project management systems under the 'One Mpac' initiative. This strategy is aligned with the development of 'Industry 4.0' process by its clients, including full digital replication of systems, robotics, extension of operational life and upgrades, and enhanced interfaces. H1 21 results demonstrate progress on three fronts: strong demand; expansion of markets (US) and verticals (clean energy); and progress on strategic initiatives such as 'One Mpac'.

FY21 outlook. On the basis of strong H1 performance indicators and supported by continuing evidence of a rebound in demand in key verticals and markets such as the US, we have raised our FY21 and FY22 outlook:

- FY21 revenue outlook raised from £95.0m to £97.5m, from +13.5%YoY to +16.4%YoY.
- FY22 revenue outlook raised from £100.0m to £105.0m.
- FY21 EBITDA (adj.) raised 5.0% from £9.8m, to £10.3m, from +24.1%YoY to +30.4%YoY.

This places Mpac on a prospective FY22 EV/EBITDA of 9.5x and PE of 15.8x. The medium-term outlook to FY23 indicates revenue CAGR at a healthy 10.3% and EBITDA CAGR of 16.5% placing Mpac on a 3 years' forward EV/EBITDA of 8.9x.

All of this leads us to raise our fair value for Mpac shares from 600p to 660p.

Company Data

EPIC	AIM: MPAC
Price (last close)	600p
52 weeks Hi/Lo	600p/253p
Market cap	£121m
ED Fair Value / share	660p
Proforma net cash	£10.6m

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 comprises: Mpac Langen; Mpac Lambert; and, acquired in 2020, Mpac Switchback.

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.

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H1 21 performance

Revenue, underpinned by Americas' strength

The strength of the period-end order book, at £62.0m, **gives confidence to our second half outlook** and raised FY21 revenue estimate of £97.5m (previous: £95.0m).

This is against the background of overall H1 20%YoY revenue growth:

- Americas region revenue grew 65.4%YoY to £30.1m, augmented by a £6.6m contribution from Mpac Switchback, and 93%YoY growth in the Americas OE segment (£24.7m). This region contributed 68.1% of total revenue compared to 55.8% in FY20.
- EMEA region revenue declined by 19.5%YoY to £12.4m as COVID-related restrictions limited new OE opportunities (where revenue declined 30.8%YoY to £8.3m), partially offset by a 20.6% increase in contribution from services (£4.1m).
- Asia Pacific (APAC) revenue declined to £1.7m (3.8% of total revenue), -46.9%YoY, as the region faced similar COVID-19 related barriers to business development; the services component declined by 22.2%YoY.

Strong profitability

H1 gross margin was strong at 33.5% compared to 30.7% a year earlier and 29.3% for FY20. Distribution costs at 7.0% of revenue were below H1 20 (9.0%), although admin costs increased from 13.3% in H1 20 to 14.5% reflecting the cost of managing COVID-19-related mitigation. Influenced by large project completions, adjusted EBIT at £4.8m (10.9% margin) rose 84.6%YoY and EBITDA profitability was similarly strong at 12.9% of revenue compared to 9.0% a year earlier. Adjusted diluted EPS rose 70.1% YoY to 18.5p/share (reported: 10.6p/share).

COVID-19: impact on travel and new business

The Group noted its ability, backed by adaptation to remote and digital-based services provision, to provide essential support across its global operations for its key healthcare, food & beverage and pharmaceutical market verticals, but travel restrictions affected EMEA and APAC regional operations impacting on opportunities to develop new business.

Progress on strategic initiatives

Mpac noted the successful integration of Switchback in the US, acquired in September 2020 and, in particular, the cross-sale of products and services from its other group operations, Mpac Langen and Mpac Lambert, into the US-based offering. Development of a new Service team in the US progressed the 'Make Service a Business' strategic initiative, backed by the development of remote services solutions for markets still affected by COVID travel restrictions, in the EMEA and APAC regions.

The introduction of unified business processes and systems across the Group represents another step towards the strategic goal of a 'One Mpac' single business platform; Mpac noted implementation of its global ERP system following unified engineering processes, CRM deployment and project management systems.

Addition of a fourth key vertical

As announced post period-end, Mpac entered the renewable energy sector with its contract with FREYER Battery to supply casting and unit cell assembly equipment (see [Equity Development report 27th July 2021](#)), adding to its exposure to three key verticals:

food & beverage (50.7% of H1 revenue); healthcare (36.9%); and pharmaceuticals (2.3%) which comprised 89.8% of H1 total, the remainder arising from one-off projects for specialised sectors plus initial demand from the FREYER clean energy storage initiative.

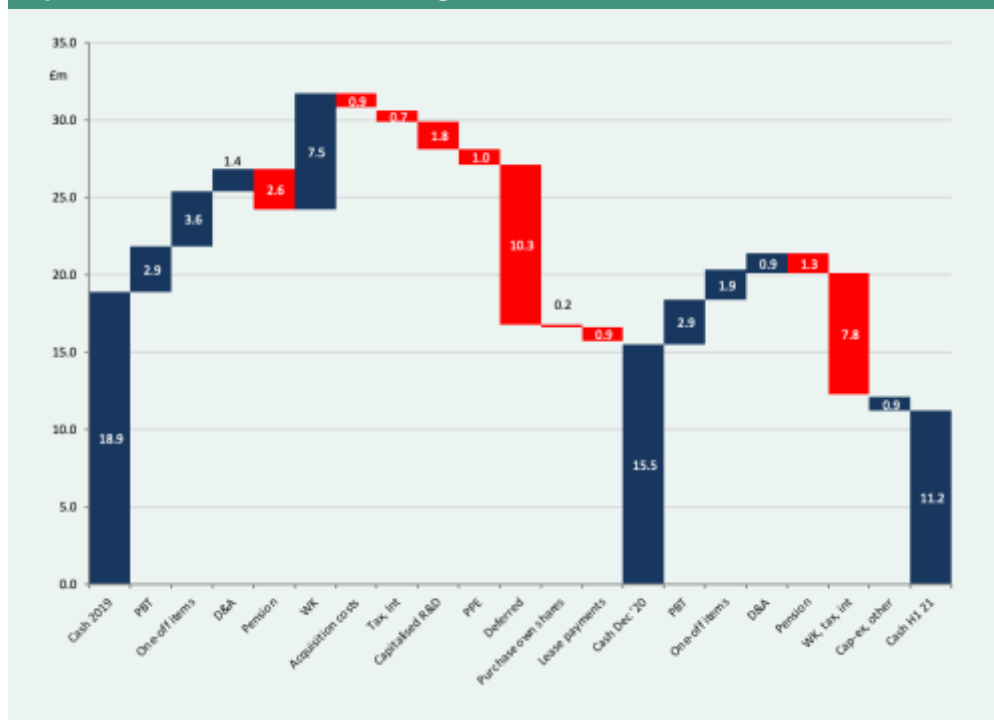
Sound cashflow management

As shown below, Mpac retained a **strong cash position** closing H1 at £11.2m (net £10.3m) following the acquisition in September 2020 of Switchback Group Inc., for an initial consideration of £10.2m. Mpac reported that the contribution from Group working capital movement subsequent to 30th June resulted in a net cash balance above that at January 2021. The key features of H1 cashflow were:

- Net outflow of £3.3m, primarily from increased working capital absorption of £7.2m, reflecting project completions, and the continued £1.6m contribution to defined employee pension schemes.
- Net cap-ex totalling £0.4m.

The Group retains its June 2022 £10.0m HSBC borrowing facility, which remains undrawn.

Mpac FY19 - H1 21 cashflow bridge



Source: Company data

Pensions provision - ongoing

Ahead of the next triennial review of its pension schemes in July 2024 and obligations, Mpac updated on the status of schemes as of 30th June. The UK scheme surplus (under IAS 19) was £26.8m compared with £14.0m at 31 December 2020, this resulting from liability matching and an increase in the discount rate.

The US pension schemes net valuation of £2.3m deficit was reduced from a £3.0m deficit at 31 December 2020. The Group continues top-up payments of £1.9m p.a. H1 administration costs were £0.6m compared to £1.1m in FY20.

Outlook: positive

The latest Q2 21 OECD outlook and recent UK business confidence data maintains the pattern of rebound and recovery which, with continued monitoring of the pandemic, points to continued recovery in FY22.

OECD Business Confidence Index, Europe, US



Source: OECD Business Confidence Index

The strength of Mpac's H1 21 order book leads us to upgrade our FY21 outlook, as outlined below, with the expectation of growth continuing into subsequent periods. We raise the FY21 revenue growth outlook from 13.5%YoY to 16.4%YoY; and raise FY21 EBITDA growth from 24.1%YoY to 30.4%YoY.

Forecasts and key ratios

Yr to 31 Dec (£m)	2019	2020	2021E	2022E	2023E	2021E	CAGR 20-23
Revenue	88.8	83.7	97.5	105.0	112.5	16.4%	10.3%
EBITDA (adj)	9.8	7.9	10.3	11.6	12.5	30.4%	16.5%
PBT (adj)	7.5	6.3	8.1	8.8	9.8	28.6%	15.8%
EPS (adj, p)	38.7	31.4	35.3	38.0	41.2	12.7%	9.5%
(Net debt) cash	18.0	14.6	10.6	10.6	17.6		
Ratios							
P/E	15.5x	19.1x	17.0x	15.8x	14.6x		
EV/EBITDA	11.3x	14.0x	10.7x	9.5x	8.9x		
Price /sales			1.24x	1.15x	1.08x		
Price/book			3.61x	4.19x	3.37x		
ROE			14.2%	21.4%	26.7%		
ROCE			10.6%	16.5%	20.8%		

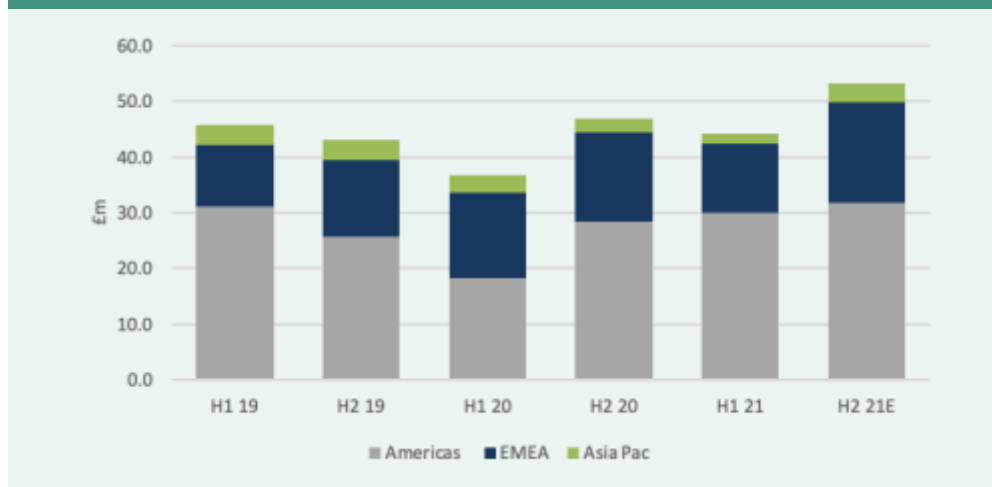
Source: Company data, Equity Development estimates

Valuation

The resulting impact on places Mpac on a prospective FY22 PE of 15.8x. A FY21 PE of 17.0x compares to a machinery and manufacturers' combined Q1 21 and Q2 21 average (US) of 24.9x (source: csimarket.com). The prospective FY22 EV/EBITDA multiple is 9.5x, and price/sales ratio 1.15x.

H1 21 revenue and H2E outlook summary

Semi-annual revenue H1 19 – H2 21E



Source: Company data, Equity Development estimates

Semi-annual regional revenue H1 19 – H2 21E

£m	H1 19	H2 19	H1 20	H2 20	H1 21	H2 21E
Americas OE	27.2	18.6	12.8	23.4	24.7	25.5
Americas Service	3.9	7.1	5.4	5.1	5.4	6.3
Americas	31.1	25.7	18.2	28.5	30.1	31.8
Americas Service/Total	12.5%	27.6%	29.7%	17.9%	17.9%	19.8%
EMEA OE	7.9	9.7	12.0	11.7	8.3	12.8
EMEA Service	3.1	4.1	3.4	4.2	4.1	5.3
EMEA	11.0	13.8	15.4	15.9	12.4	18.1
EMEA Service/Total	28.2%	29.7%	22.1%	26.4%	33.1%	29.3%
Asia Pac OE	3.1	2.9	2.3	1.9	1.0	2.6
Asia Pac Service	0.6	0.6	0.9	0.6	0.7	0.8
Asia Pac	3.7	3.5	3.2	2.5	1.7	3.4
Asia Pac Service/Total	16.2%	17.1%	28.1%	24.0%	41.2%	23.5%
Sum OE	38.2	31.2	27.1	37.0	34.0	40.9
Sum Service	7.6	11.8	9.7	9.9	10.2	12.4
Revenue	45.8	43.0	36.8	46.9	44.2	53.3
Service/Total	16.6%	27.4%	26.4%	21.1%	23.1%	23.3%
OE YoY			-29.1%	18.6%	25.5%	10.5%
Service YoY			27.6%	-16.1%	5.2%	25.2%
Rev YoY			-19.7%	9.1%	20.1%	13.6%

Source: Company data, Equity Development estimates

H1 21 performance and H2 outlook

P&L H1 19 - H2 21 outlook							
£m	H1 19	H2 19	H1 20	H2 20	H1 21	H2 21E	H1 YoY
Americas	31.1	25.7	18.2	28.5	30.1	31.8	65.4%
EMEA	11.0	13.8	15.4	15.9	12.4	18.1	-19.5%
Asia Pac	3.7	3.5	3.2	2.5	1.7	3.4	-46.9%
Revenue	45.8	43.0	36.8	46.9	44.2	53.3	20.1%
Gross Sum	13.1	12.9	11.3	13.0	14.8	14.5	31.0%
<i>Gross Margin</i>	28.6%	30.0%	30.7%	27.7%	33.5%	27.2%	
COGS	(32.7)	(30.1)	(25.5)	(33.9)	(29.4)	(38.8)	15.3%
Distribution	(3.1)	(4.1)	(3.3)	(3.5)	(3.1)	(3.9)	-6.1%
Admin	(5.0)	(5.3)	(4.9)	(5.0)	(6.4)	(6.4)	30.6%
Other	(0.4)	(0.4)	(0.5)	(0.6)	(0.5)	(0.7)	0.0%
Sum Op-ex	(8.5)	(9.8)	(8.7)	(9.1)	(10.0)	(11.0)	14.9%
EBIT Reported	2.8	2.5	1.3	1.6	2.9	1.9	123.1%
EBIT Adjusted	4.6	3.1	2.6	3.9	4.8	3.5	84.6%
<i>Margin</i>	10.0%	7.2%	7.1%	8.3%	10.9%	6.6%	53.7%
EBITDA Reported	3.6	3.8	2.0	2.3	3.8	3.0	90.0%
EBITDA Adjusted	5.4	4.4	3.3	4.6	5.7	4.6	72.7%
<i>Margin</i>	11.8%	10.2%	9.0%	9.8%	12.9%	8.6%	43.8%
Financial income	0.0	0.0	0.0	0.0	0.0	0.0	N.M.
Financial expense	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	N.M.
One-off	0.2	0.1	0.2	0.0	0.0	0.0	N.M.
PBT Reported	2.9	2.5	1.4	1.5	2.8	1.8	100.0%
PBT Adjusted	4.5	3.0	2.5	3.8	4.7	3.4	88.0%
Tax (adj)	(0.3)	0.3	(0.3)	0.3	(1.0)	0.0	233.3%
Tax	(0.3)	0.8	(0.2)	0.6	0.3	0.0	N.M.
PAT Reported	2.6	3.3	1.2	2.1	2.1	1.8	75.0%
PAT Adjusted	4.2	3.6	2.2	4.1	3.7	3.4	68.2%
EPS Reported Basic (p)	13.0	16.5	6.0	10.5	10.6	9.0	75.6%
EPS Reported Diluted (p)	13.0	16.4	5.9	10.5	10.5	9.0	77.0%
EPS Adjusted Basic (p)	21.0	18.0	11.0	20.5	18.6	17.0	68.8%
EPS Adjusted Dil (p)	20.9	17.9	10.9	20.4	18.5	16.9	70.1%

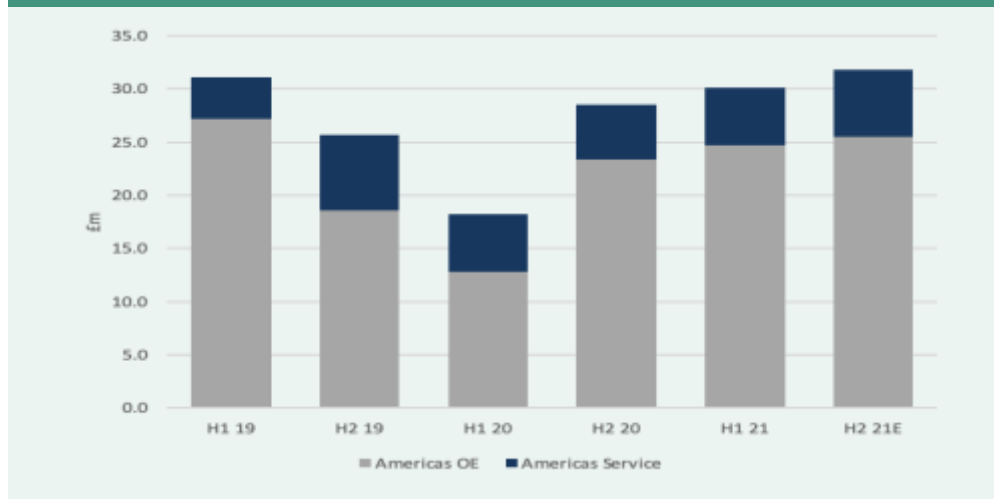
Source: Company data, Equity Development estimates

Americas region

Americas H1 revenue grew 65.4%YoY to £30.1m, with OE contributing £24.7m and services comprising 17.9% of regional total (£5.4m), compared to close to 30% in prior halves, diluted by the boost in new equipment sales. Mpac Switchback contributed £6.6m, 21.9% of H1 regional total. For FY21 we estimate:

- Revenue of £61.9m +32.5% YoY.
- Services revenue contribution of £11.7m, 18.9% of regional total, 12.0% of Group total.

Americas semi-annual performance and H2 21 outlook



Source: Source: Company data, Equity Development estimates

Americas semi-annual revenue and H2 21 outlook

£m	H1 19	H2 19	H1 20	H2 20	H1 21	H2 21E	FY21E
Americas OE	27.2	18.6	12.8	23.4	24.7	25.5	50.2
Americas Service	3.9	7.1	5.4	5.1	5.4	6.3	11.7
Americas	31.1	25.7	18.2	28.5	30.1	31.8	61.9
Pct of total							
Americas OE	59.4%	43.3%	34.8%	49.9%	55.9%	47.8%	51.5%
Americas Service	8.5%	16.5%	14.7%	10.9%	12.2%	11.8%	12.0%
Americas	67.9%	59.8%	49.5%	60.8%	68.1%	59.7%	63.5%
YoY							
Americas OE			-52.9%	25.8%	93.0%	9.0%	38.7%
Americas Service			38.5%	-28.2%	0.0%	23.5%	11.4%
Americas			-41.5%	10.9%	65.4%	11.6%	32.5%

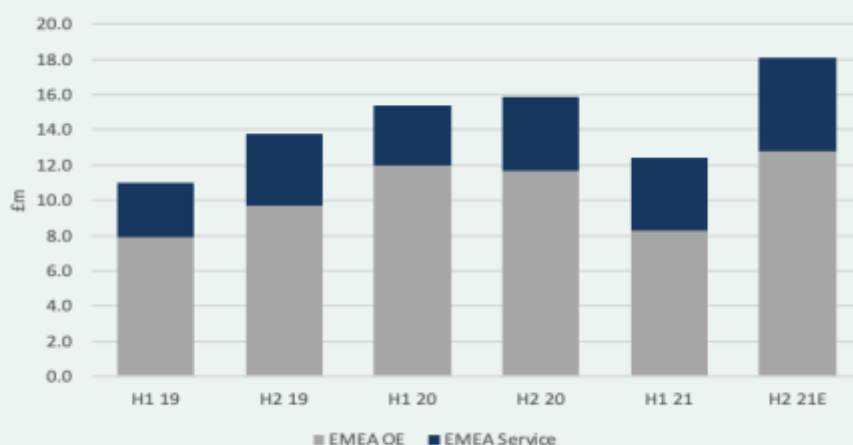
Source: Company data, Equity Development estimates

EMEA region

H1 revenue declined by 19.5%YoY to £12.4m, with the contribution from OE declining 30.8%YoY, reflecting the impact on business opportunities of COVID-19 travel restrictions in the region. Services revenue grew 20.6%YoY to £4.1m. For FY21 we estimate:

- Revenue of £30.5m, -2.6% YoY, i.e. a 13.8%YoY rebound in H2.
- Continued growth in Services revenue to £9.4m, +23.7%YoY with H2 contributing £5.3m (+26.2%YoY).

EMEA semi-annual revenue and H2 21 outlook



Source: Company data, Equity Development estimates

EMEA semi-annual revenue and H2 21 outlook

£m	H1 19	H2 19	H1 20	H2 20	H1 21	H2 21E	FY21E
EMEA OE	7.9	9.7	12.0	11.7	8.3	12.8	21.1
EMEA Service	3.1	4.1	3.4	4.2	4.1	5.3	9.4
EMEA	11.0	13.8	15.4	15.9	12.4	18.1	30.5
Pct of total							
EMEA OE	17.2%	22.6%	32.6%	24.9%	18.8%	24.0%	21.6%
EMEA Service	6.8%	9.5%	9.2%	9.0%	9.3%	9.9%	9.6%
EMEA	24.0%	32.1%	41.8%	33.9%	28.1%	34.0%	31.3%
YoY							
EMEA OE			51.9%	20.6%	-30.8%	9.4%	-11.0%
EMEA Service			9.7%	2.4%	20.6%	26.2%	23.7%
EMEA			40.0%	15.2%	-19.5%	13.8%	-2.6%

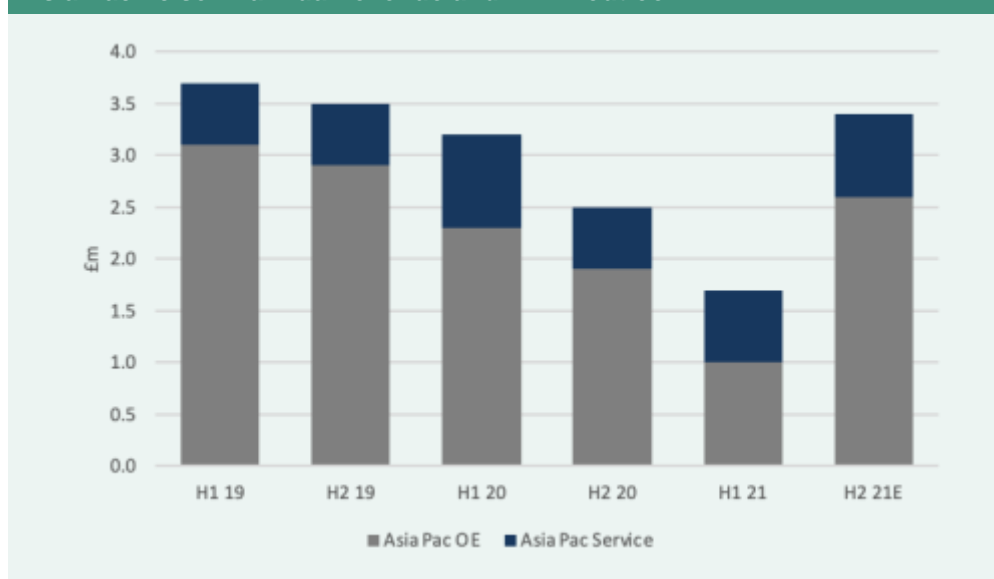
Source: Company data, Equity Development estimates

Asia Pacific region

H1 21 Mpac APAC performance reflected the situation affecting EMEA, i.e. COVID-19-related constraints on travel, business interaction and the opportunity to develop new revenue streams.

- H1 regional revenue declined 46.9% to £1.7m, 3.8% of Group total.
- However, we expect a 36.0%YoY rebound in H2 based on orders and OE revenue prospects (H2 estimated at £2.6m) to end the year at £5.1m, a 10.5%YoY overall decline.

Asia Pacific semi-annual revenue and H2 21 outlook



Source: Company data, Equity Development estimates

Asia Pacific semi-annual revenue and H2 21 outlook

£m	H1 19	H2 19	H1 20	H2 20	H1 21	H2 21E	FY21E
Asia Pac OE	3.1	2.9	2.3	1.9	1.0	2.6	3.6
Asia Pac Service	0.6	0.6	0.9	0.6	0.7	0.8	1.5
Asia Pac	3.7	3.5	3.2	2.5	1.7	3.4	5.1
Percent of total							
Asia Pac OE	6.8%	6.7%	6.3%	4.1%	2.3%	4.9%	3.7%
Asia Pac Service	1.3%	1.4%	2.4%	1.3%	1.6%	1.5%	1.5%
Asia Pac	8.1%	8.1%	8.7%	5.3%	3.8%	6.4%	5.2%
YoY							
Asia Pac OE			-25.8%	-34.5%	-56.5%	36.8%	-14.3%
Asia Pac Service			50.0%	0.0%	-22.2%	33.3%	0.0%
Asia Pac			-13.5%	-28.6%	-46.9%	36.0%	-10.5%

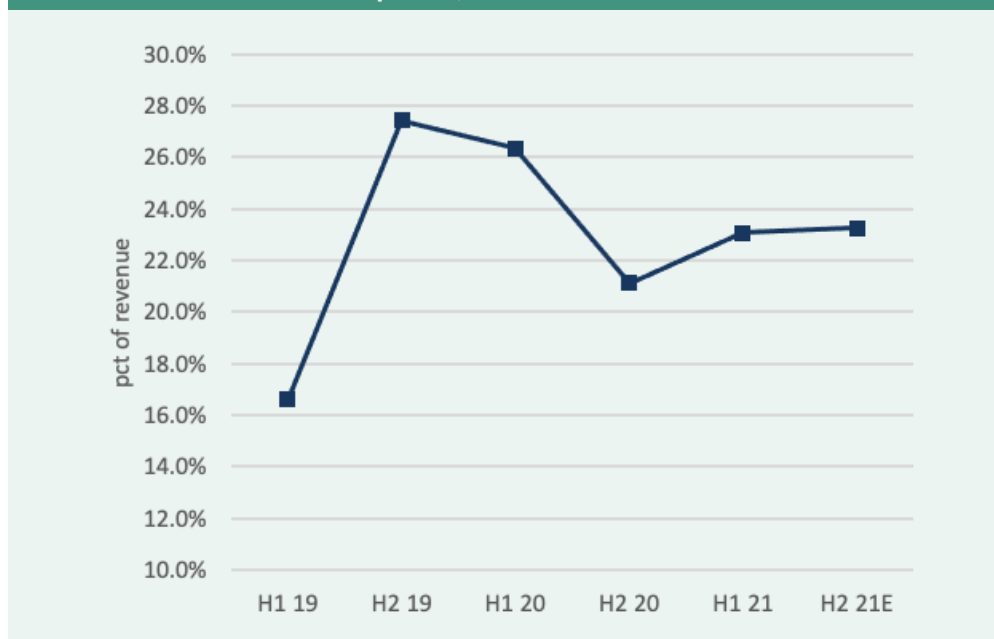
Source: Company data, Equity Development estimates

Strategic trends, Mpac vision

H1 interims show further evidence of progression of strategic initiatives:

- A **geographic focus** on manageable growth opportunities in Europe and the Americas, recently augmented by the acquisition of (rebranded) Mpac Switchback. Mpac noted the ability to introduce products and solutions from other group companies – Mpac Langen and Mpac Lambert – into the US market, via Mpac Switchback.
- Development of **new market verticals** as evident in the post-period July contract announced with Norwegian FREYR Battery to supply casting and unit cell assembly equipment for its prototype battery cell production line at FREYR's Customer Qualification Plant in Mo i Rana, Norway.
- Continual **product innovation** ("Ingenuity"). This remains key to continuity of product development, backed by service activities including client consultation, systems installation and training, subsequent monitoring and digital modelling.
- Development of **services revenue** streams. At the interim Mpac noted the addition of a services team at Mpac Switchback as part of the continuing development of services-based customer engagement.

Services revenue % of Group total, semi-annual H1 19 – H2 21E



Source Company data, Equity Development estimates

- **Improved efficiency – 'One Mpac' initiative.** As Mpac noted, in H1 it completed rollout of global ERP systems, adding to its established engineering, CRM and project management systems.

Semi-annual performance

P&L: H1 20 to H2 21 outlook

P&L Year to 31 Dec (£m)	H1 20	H2 20	H1 21	H2 21E	H1 YoY
Equipment revenue	27.1	37.00	34.0	40.9	25.5%
Service revenue	9.7	9.9	10.2	12.40	5.2%
Revenue	36.8	46.9	44.2	53.3	20.1%
Gross Sum	11.3	13.0	14.8	14.5	31.0%
Gross Margin	30.7%	27.7%	33.5%	27.2%	
COGS	(25.5)	(33.9)	(29.4)	(38.8)	15.3%
Distribution	(3.3)	(3.5)	(3.1)	(3.9)	-6.1%
Admin	(4.9)	(5.0)	(6.4)	(6.4)	30.6%
Other	(0.5)	(0.6)	(0.5)	(0.7)	0.0%
Sum operating costs	(8.7)	(9.1)	(10.0)	(11.0)	14.9%
One-off costs	(1.3)	(2.3)	(1.9)	(1.6)	
EBIT Reported	1.3	1.6	2.9	1.9	123.1%
EBIT Adjusted	2.6	3.9	4.8	3.5	84.6%
Margin	7.1%	8.3%	10.9%	6.6%	
Amortisation	(0.1)	(0.2)	(0.4)	(0.2)	
Depreciation	(0.6)	(0.5)	(0.5)	(0.9)	
EBITDA Reported	2.0	2.3	3.8	3.0	90.0%
EBITDA Adjusted	3.3	4.6	5.7	4.6	72.7%
Margin	9.0%	9.8%	12.9%	8.6%	
Financial income	0.0	0.0	0.0	0.0	
Financial expense	(0.1)	(0.1)	(0.1)	(0.1)	
PBT Reported	1.4	1.5	2.8	1.8	100.0%
PBT Adjusted	2.5	3.8	4.7	3.4	88.0%
Tax	(0.2)	0.6	0.3	0.0	
PAT Reported	1.2	2.1	2.1	1.8	75.0%
PAT Adjusted	2.2	4.1	3.7	3.4	68.2%
Basic wtd. Av. shares (m)	20.0	20.0	19.9	20.0	
Diluted wtd. av. shares (m)	20.2	20.1	20.0	20.1	
EPS Reported Basic (p)	6.0	10.5	10.6	9.0	75.6%
EPS Reported Diluted (p)	5.9	10.5	10.5	9.0	77.0%
EPS Adjusted Basic (p)	11.0	20.5	18.6	17.0	68.8%
EPS Adjusted Diluted (p)	10.9	20.4	18.5	16.9	70.1%

Source: Company data, Equity Development estimates

Semi-annual performance

Cashflow: H1 20 to H2 21 outlook

£m	H1 20	H2 20	H1 21	H2 21E
Operating profit	1.3	1.6	2.9	1.9
One-off items	1.3	2.3	1.9	1.6
Amortisation	0.1	0.2	0.4	0.2
Depreciation	0.6	0.5	0.5	0.9
Other non-cash	0.2	0.2	0.3	0.7
Pension	(1.1)	(1.9)	(1.6)	(1.4)
Operating Cash Flow	2.4	2.9	4.4	3.9
Working capital				
(Increase)/Decrease inventories	0.7	(0.5)	(1.4)	0.9
(Increase)/Decrease in contract assets	5.3	(7.0)	0.0	(1.5)
(Increase)/Decrease in receivables	(5.4)	4.8	5.0	(5.5)
Increase/(Decrease) in payables	(1.9)	6.0	(4.8)	9.1
(Increase)/Decrease in contract liabilities	4.9	0.5	(5.9)	(1.8)
Increase / Decrease in provisions	(0.1)	0.2	(0.1)	0.1
Movement in working capital	3.5	4.0	(7.2)	1.3
Cash generated by operations	5.9	6.9	(2.8)	5.2
Acquisition costs	(0.1)	(0.8)	(0.3)	0.0
Tax (paid)/received	(0.2)	(0.5)	(0.2)	0.0
Net cash from operations	5.6	5.6	(3.3)	5.2
Investing activities	0.0	0.0	0.0	0.0
Interest received	0.0	0.0	0.0	0.0
Sale of PPE	0.1	0.1	0.1	0.4
Capitalised R&D	(0.1)	(1.7)	(0.2)	(1.6)
Assets under construction	(0.3)	0.3	0.0	(0.3)
PPE	(0.5)	(0.7)	(0.3)	(2.2)
Acquired cashflow/deferred payment	0.0	(10.3)	0.0	(0.8)
Net cash used in investing	(0.8)	(12.3)	(0.4)	(4.5)
Net OpFCF	4.8	(6.7)	(3.7)	0.7
Financing activities				
Borrowings	0.0	0.0	0.0	0.0
Interest paid	(0.1)	(0.1)	(0.1)	(0.1)
Purchase own shares	0.0	(0.2)	(0.2)	0.0
Lease payments	(0.4)	(0.5)	(0.3)	(0.3)
Net cash from financing	(0.5)	(0.8)	(0.6)	(0.4)
Net increase in cash / equivalents	4.3	(7.5)	(4.3)	0.3
Cash at beginning of year	18.9	23.4	15.5	11.2
Forex	0.2	(0.4)	0.0	0.0
Cash at year end	23.4	15.5	11.2	11.5
Net cash/(debt)	22.5	14.6	10.3	10.6

Source: Company data, Equity Development estimates

Semi-annual performance

Balance sheet: H1 19 to H2 21 outlook

£m	H1 20	H2 20	H1 21	H2 21E
Fixed Assets				
Intangible assets	17.1	27.4	26.3	26.0
PPE net	5.3	5.1	3.4	6.2
Property	0.8	0.8	0.8	0.8
Right of use	4.5	4.0	3.6	4.0
Employee benefits	25.7	14.0	26.8	14.0
Deferred tax, other	1.8	1.8	2.4	2.4
Sum Fixed Assets	55.2	53.1	63.3	53.4
Current Assets				
Inventories	6.7	3.5	4.9	4.0
Trade receivables	11.8	32.2	26.5	29.4
Tax assets	0.1	0.8	0.8	0.8
Cash, Equivalents	23.4	15.5	11.2	11.5
Contract assets	10.4	0.0	0.0	0.0
Sum Current Assets	52.4	52.0	43.4	45.6
Total Assets	107.6	105.1	106.7	99.0
Current Liabilities				
Trade payables	(21.3)	(41.1)	(32.3)	(45.4)
Leases	(0.8)	(0.8)	(0.7)	(0.8)
Provisions	(1.2)	(1.4)	(1.2)	(1.4)
Tax, Other	(0.6)	(0.4)	(0.4)	(0.4)
Contract liabilities	(10.9)	0.0	0.0	0.0
Sum Current Liabilities	(34.8)	(43.7)	(34.6)	(48.0)
Total Assets less Current Liabilities	72.8	61.4	72.1	51.1
Long-term Liabilities				
Borrowings	(0.9)	(0.9)	(0.9)	(0.9)
Employee benefits	(4.9)	(3.0)	(2.3)	(3.0)
Tax	(10.3)	(6.8)	(11.1)	(6.8)
Leases	(3.8)	(3.4)	(3.2)	(3.4)
Deferred consideration	(2.7)	(2.9)	(0.6)	(3.2)
Sum Long-term liabilities	(22.6)	(17.0)	(18.1)	(17.3)
Total liabilities	(57.4)	(60.7)	(52.7)	(65.3)
Net Assets	50.2	44.4	54.0	33.2
Capital & Reserves				
Share Capital	5.0	5.0	5.0	5.0
Share Premium	26.0	26.0	26.0	10.9
Capital Reserve	5.0	5.2	4.8	5.2
Retained earnings	14.2	8.2	18.2	12.1
Equity	50.2	44.4	54.0	33.2
Net cash/(debt)	22.5	14.6	10.3	10.6

Source: Company data, Equity Development estimates

Outlook: P&L

P&L: FY19 – FY23E					
P&L Year to 31 Dec (£m)	FY19	FY20	FY21E	FY22E	FY23E
Equipment revenue	69.4	64.1	74.9	80.6	86.2
Service revenue	19.4	19.6	22.6	24.4	26.3
Revenue	88.8	83.7	97.5	105.0	112.5
Gross Sum	26.0	24.3	29.3	32.2	34.6
<i>Gross Margin</i>	29.3%	29.0%	30.1%	30.7%	30.8%
COGS	(62.8)	(59.4)	(68.2)	(72.7)	(77.8)
Distribution	(7.2)	(6.8)	(7.0)	(8.2)	(8.8)
Admin	(10.3)	(9.9)	(12.8)	(13.3)	(14.1)
Other	(0.8)	(1.1)	(1.2)	(1.7)	(1.8)
Sum operating costs	(18.3)	(17.8)	(21.0)	(23.2)	(24.7)
One-off costs	(2.4)	(3.6)	(3.5)	(3.6)	(3.6)
EBIT Reported	5.3	2.9	4.8	5.4	6.4
EBIT Adjusted	7.7	6.5	8.3	9.0	10.0
<i>Margin</i>	8.7%	7.8%	8.5%	8.6%	8.9%
Amortisation	(0.2)	(0.3)	(0.6)	(0.7)	(0.6)
Depreciation	(1.9)	(1.1)	(1.4)	(1.9)	(1.9)
EBITDA Reported	7.4	4.3	6.8	8.0	8.9
EBITDA Adjusted	9.8	7.9	10.3	11.6	12.5
<i>Margin</i>	11.0%	9.4%	10.6%	11.1%	11.1%
Financial income	0.0	0.0	0.0	0.0	0.0
Financial expense	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
PBT Reported	5.4	2.9	4.6	5.2	6.2
PBT Adjusted	7.5	6.3	8.1	8.8	9.8
Tax	0.5	0.4	0.3	0.0	0.0
PAT Reported	5.9	3.3	3.9	4.0	4.7
PAT Adjusted	7.8	6.3	7.1	7.6	8.3
Basic wtd. Av. shares (m)	20.0	20.0	20.0	20.0	20.0
Diluted wtd. av. shares (m)	20.1	20.1	20.1	20.1	20.1
EPS Reported Basic (p)	29.5	16.5	19.5	20.2	23.4
EPS Reported Diluted (p)	29.3	16.4	19.4	20.0	23.3
EPS Adjusted Basic (p)	39.1	31.6	35.6	38.2	41.5
EPS Adjusted Diluted (p)	38.7	31.4	35.3	38.0	41.2

Source: Company data, Equity Development estimates

Outlook: cashflow

Cashflow: FY19 – FY23E					
Cashflow Year to 31 December (£m)	FY19	FY20	FY21E	FY22E	FY23E
Operating profit	5.3	2.9	4.8	5.4	6.4
One-off items	2.4	3.6	3.5	3.6	3.6
Amortisation	0.2	0.3	0.6	0.7	0.6
Depreciation	1.9	1.1	1.4	1.9	1.9
Other non-cash	0.3	0.4	1.0	0.0	0.0
Pension	(2.9)	(3.0)	(3.0)	(3.0)	(3.0)
Operating Cash Flow	7.2	5.3	8.3	8.6	9.5
Working capital					
(Increase)/Decrease inventories	(0.2)	0.2	(0.5)	(0.3)	(0.3)
(Increase)/Decrease in contract assets	(2.4)	(1.7)	(1.5)	(1.0)	0.0
(Increase)/Decrease in receivables	4.7	(0.6)	(0.5)	(0.3)	(0.3)
Increase/(Decrease) in payables	2.8	4.1	4.3	3.5	3.5
(Increase)/Decrease in contract liabilities	(7.4)	5.4	(7.7)	(2.0)	0.0
Increase / Decrease in provisions	0.4	0.1	0.0	0.0	0.0
Movement in working capital	(2.1)	7.5	(5.9)	(0.1)	2.9
Cash generated by operations	5.1	12.8	2.4	8.5	12.3
Acquisition costs	(1.0)	(0.9)	(0.3)	0.0	0.0
Tax (paid)/received	1.0	(0.7)	(0.2)	0.0	0.0
Net cash from operations	5.1	11.2	1.9	8.5	12.3
Investing activities	0.0	0.0	0.0	0.0	0.0
Interest received	0.0	0.0	0.0	0.0	0.0
Sale of PPE	0.2	0.2	0.5	0.0	0.0
Capitalised R&D	(0.3)	(1.8)	(1.8)	(1.8)	(1.9)
Assets under construction	(0.6)	0.0	(0.3)	0.0	0.0
PPE	(1.4)	(1.2)	(2.5)	(2.6)	(2.8)
Acquired cashflow/deferred payment	(10.6)	(10.3)	(0.8)	(3.3)	0.0
Net cash used in investing	(12.7)	(13.1)	(4.9)	(7.8)	(4.6)
Net OpFCF	(7.6)	(1.9)	(3.0)	0.7	7.7
Financing activities					
Borrowings	0.0	0.0	0.0	0.0	0.0
Interest paid	(0.1)	(0.2)	(0.2)	(0.2)	(0.2)
Purchase own shares	(0.1)	(0.2)	(0.2)	0.0	0.0
Lease payments	(1.0)	(0.9)	(0.6)	(0.5)	(0.5)
Net cash from financing	(1.2)	(1.3)	(1.0)	(0.7)	(0.7)
Net increase in cash / equivalents	(8.8)	(3.2)	(4.0)	0.0	7.0
Cash at beginning of year	27.9	18.9	15.5	11.5	11.5
Forex	(0.2)	(0.2)	0.0	0.0	0.0
Cash at year end	18.9	15.5	11.5	11.5	18.5
Net cash/(debt)	18.0	14.6	10.6	10.6	17.6

Source: Company data, Equity Development estimates

Outlook: balance sheet

Balance sheet: FY19 – FY23E

Balance sheet year to 31 December (£m)		FY19	FY20	FY21E	FY22E	FY23E
Fixed Assets						
	Intangible assets	16.9	27.4	26.0	22.0	21.4
	PPE net	5.6	5.1	6.2	6.9	7.8
	Property	0.8	0.8	0.8	0.8	0.8
	Right of use	4.7	4.0	4.0	4.0	4.0
	Employee benefits	20.4	14.0	14.0	14.0	14.0
	Deferred tax, other	1.7	1.8	1.8	1.8	1.8
	Sum Fixed Assets	50.1	53.1	52.8	49.5	49.8
Current Assets						
	Inventories	3.2	3.5	4.0	4.3	4.6
	Trade receivables	28.0	32.2	29.4	28.8	30.8
	Tax assets	0.4	0.8	0.8	0.8	0.8
	Cash, Equivalents	18.9	15.5	11.5	11.5	18.5
	Contract assets	0.0	0.0	0.0	0.0	0.0
	Sum Current Assets	50.5	52.0	45.6	45.4	54.8
	Total Assets	100.6	105.1	98.4	94.9	104.6
Current Liabilities						
	Trade payables	(30.9)	(41.1)	(45.4)	(48.9)	(52.4)
	Leases	(0.9)	(0.8)	(0.8)	(0.8)	(0.8)
	Provisions	(1.3)	(1.4)	(1.4)	(1.4)	(1.4)
	Tax, Other	(0.7)	(0.4)	(0.4)	(0.4)	(0.4)
	Contract liabilities	0.0	0.0	0.0	0.0	0.0
	Sum Current Liabilities	(33.8)	(43.7)	(48.0)	(51.5)	(55.0)
	Total Assets less Current Liabilities	66.8	61.4	50.5	43.4	49.6
Long-term Liabilities						
	Borrowings	(0.9)	(0.9)	(0.9)	(0.9)	(0.9)
	Employee benefits	(3.1)	(3.0)	(3.0)	(3.0)	(3.0)
	Tax	(8.8)	(6.8)	(6.8)	(6.8)	(6.8)
	Leases	(3.9)	(3.4)	(3.4)	(3.4)	(3.4)
	Deferred consideration	(2.6)	(2.9)	(3.2)	(0.7)	0.0
	Sum Long-term liabilities	(19.3)	(17.0)	(17.3)	(14.8)	(14.1)
	Total liabilities	(53.1)	(60.7)	(65.3)	(66.3)	(69.1)
	Net Assets	47.5	44.4	33.2	28.6	35.5
Capital & Reserves						
	Share Capital	5.0	5.0	5.0	5.0	5.0
	Share Premium	26.0	26.0	10.9	2.2	4.5
	Capital Reserve	5.2	5.2	5.2	5.2	5.2
	Retained earnings	11.3	8.2	12.1	16.1	20.8
	Equity	47.5	44.4	33.2	28.6	35.5

Source: Company data, Equity Development estimates



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