

## Going for Growth: FY23 results ahead on all metrics

19 March 2024

For the year to 31 December 2023, Mpac Group reported results which were ahead on all key metrics. Revenue of £114.2m, +17%YoY, was 7% above ED outlook and EBITDA (adj.) of £10.7m, 12% above our outlook, a 9.4% margin (FY22: 7.0%). The closing order book of £72.5m was up 8%YoY, backed by record £118.5m order intake, an impressive +41%YoY. Mpac achieved its initial goal of a return to normalised operations and has established a firm platform for growth. Accordingly, the Group has launched a new five-year roadmap with an ambition to broadly double revenue from their existing businesses. We have raised our Fair Value from 485p/share to 530p/share with the prospect of FY25 adj. EBITDA c.40% above FY23.

### Rebound from supply chain constraints

Having responded to the FY22 constraints imposed by the disruption to supply chains, which resulted in increased debt but importantly maintained customer support and loyalty, Mpac has accelerated through FY23 from 4%YoY revenue growth in H1 to 30%YoY in H2; +17%YoY for the year. The Americas rebounded similarly: H1 -19%YoY, H2 +42%YoY, reflecting a turnaround in Original Equipment ('OE') contribution (H2 +55%YoY), ending +7%YoY for the year.

### Exposure to growing market verticals

The Group derives 40% and 36% of revenue from the Food & Beverage sector and Healthcare sector respectively, both of which display strong underlying growth drivers of product demand and environmentally innovative solutions. At present, Clean Energy accounts for 8% of revenue and continues to develop well. Mpac has retained its strong collaboration with FREYR Battery as well as diversifying the client base by adding Illika PLC. The Group also saw significant growth in Service revenue which now represent 28% of Group total.

### 5-year strategy launched

The new 5-year strategy emphasises five 'Pillars for Growth': a new 'Sales Excellence' programme to improve customer support and develop new markets; deployment of additional business tools to support the Service team proposition; a focus on project execution supported by integrated resources planning to reduce delivery lead-time and streamline supply chains; continued innovation, including the clean energy vertical; and a continued focus on talent acquisition, employee training and retention.

### Outlook: Fair Value 530p

We introduce FY25 estimates which indicate adj. EBITDA c.40% above FY23 results. **Given FY23 performance, the combination of underlying demand in Mpac's core verticals and the Group's innovative expertise, we raise our Fair Value to 530p/share, indicative of a FY24 EV/EBITDA multiple of 7.9x.**

Outlook					
Yr to 31 Dec (£m)	2021	2022	2023	2024E	2025E
Revenue	94.3	97.7	114.2	120.0	130.5
EBITDA (adj)	11.2	6.8	10.7	13.5	15.1
Pre-Tax Profit (adj)	8.6	3.5	7.1	10.5	12.2
EPS (adj, p)	39.4	13.1	26.2	38.4	44.0
Net debt / (Cash)	(13.6)	4.7	(2.1)	(4.1)	(6.1)
P/E	9.6x	28.9x	14.5x	9.9x	8.6x
EV/EBITDA	6.7x	11.1x	7.1x	5.6x	5.0x

Source: Company data, Equity Development estimates.

#### Company Data

EPIC	AIM: MPAC
Price (last close)	381p
52 weeks Hi/Lo	430p/183p
Market cap	£78m
ED Fair Value / share	530p
Proforma net debt / (cash)	£(2.1)m

#### 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 2024.

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## FY23 performance ahead of our outlook

As shown below, FY23 revenue grew 17%YoY (£114.2m), 7.1% ahead of ED outlook, EBIT (adj.) +100% YoY was 5.5% above ED outlook and EBITDA (adj.) +57.4%YoY was 11.5% ahead of ED estimates.

By geographical division:

- Americas revenue grew 7.4%YoY, 3.1% above ED E.
- EMEA revenue grew 27.5% YoY, 13.8% above ED E.
- Asia Pacific revenue grew 31.1%YoY, in line with ED E.

The year-end cash position improved from £4.2m in FY22 to £11.0m; net cash of £2.1m contrasted with net debt of £4.7m a year earlier. Gross profitability improved from 25.0% to 27.7%, resulting in c30%YoY growth, whilst cash from operations of £13.1m contrasted with cash absorption of £(12.8)m in FY22, boosted by £4.7m in working capital contribution versus £(17.7)m required in FY22. As expected, the easing of supply chain constraints in all regions and the availability of key electronic components (notably control units) which had held back project completion, resulted in accelerated shipments.

A slightly lower year-end order book at £72.5m versus £75.0m indicated in the January Trading Update was due to accelerated project completions.

The contribution to revenue from Service operations, an important part of Mpac's strategy for (profitable) customer development and support, was 27.8%, although H2 reverted to 23.1% (H1 33.3%) as Original Equipment demand recovered.

Reported basis EPS was 13.1p, adjusted basis, 26.2p/share.

FY23 results compared to ED estimates							
£m	FY22	H1 23	H2 23	FY23E	FY23R	YoY	vs Ests
Americas	52.8	24.4	32.3	55.0	56.7	7.4%	3.1%
EMEA	37.5	23.2	24.6	42.0	47.8	27.5%	13.8%
Asia Pac	7.4	5.2	4.5	9.6	9.7	31.1%	0.6%
Sum OE	74.6	35.2	47.2	72.0	82.4	10.5%	14.4%
Sum Service	23.1	17.6	14.2	34.6	31.8	37.7%	-8.2%
<b>Revenue:</b>	<b>97.7</b>	<b>52.8</b>	<b>61.4</b>	<b>106.6</b>	<b>114.2</b>	<b>16.9%</b>	<b>7.1%</b>
Gross	24.4	12.6	19.0	30.1	31.6	29.5%	5.0%
Margin	25.0%	23.9%	30.9%	28.2%	27.7%		
EBIT (adj.)	3.9	2.2	5.6	7.4	7.8	100.0%	5.5%
Margin	4.0%	4.2%	9.1%	6.9%	6.8%		
<b>EBITDA (adj.)</b>	<b>6.8</b>	<b>3.4</b>	<b>7.3</b>	<b>9.6</b>	<b>10.7</b>	<b>57.4%</b>	<b>11.5%</b>
Margin	7.0%	6.4%	11.9%	9.0%	9.4%		
PBT (adj.)	3.5	1.9	5.2	7.0	7.1	103%	1.5%
Cash	4.2	8.1	11.0	5.0	11.0		
Net debt / (cash)	4.7	(2.2)	(2.1)	(2.5)	(2.1)		
Inventory	9.6	10.2	11.1	14.6	11.1		
Working capital	(17.8)	7.3	(2.6)	7.0	4.7		

Source: Company data, Equity Development estimates.

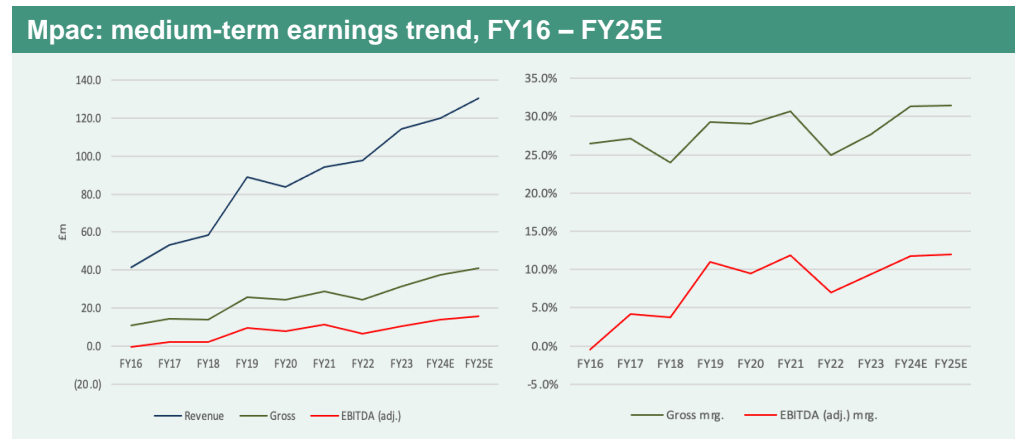
The Group noted £2.4m of non-underlying items for the year: reorganisation costs of £1.2m, acquired intangible amortisation of £1.6m and a £0.4m positive impact from pension scheme management.

## Outlook

As shown, our outlook to FY25 is based on accelerating top-line growth, +5.1%YoY in FY24 and +8.7% in FY25, associated improvement in gross profitability (31.3% and 31.4% respectively) and cost control which takes EBIT (adj.) profitability close to the medium-term Group target of 10% by FY25.

Outlook to FY25							
£m	FY22	FY23	FY24E	FY25E	23/22	24/23	25/24
Americas	52.8	56.7	59.6	64.8	7.4%	5.1%	8.7%
EMEA	37.5	47.8	50.2	54.6	27.5%	5.1%	8.7%
Asia Pac	7.4	9.7	10.2	11.1	31.1%	5.1%	8.7%
Sum OE	74.6	82.4	86.6	95.2	10.5%	5.1%	10.0%
Sum Service	23.1	31.8	33.4	37.4	37.7%	5.1%	12.0%
Service/Revenue	23.6%	27.8%	27.8%	28.7%			
<b>Revenue:</b>	<b>97.7</b>	<b>114.2</b>	<b>120.0</b>	<b>130.5</b>	16.9%	5.1%	8.7%
Gross	24.4	31.6	37.0	40.5	29.5%	17.0%	9.5%
Margin	25.0%	27.7%	30.8%	31.0%	2.7%	3.1%	0.2%
EBIT (adj.)	3.9	7.8	10.7	12.4	100%	36.9%	16.1%
Margin	4.0%	6.8%	8.9%	9.5%	2.8%	2.1%	0.6%
<b>EBITDA (adj.)</b>	<b>6.8</b>	<b>10.7</b>	<b>13.5</b>	<b>15.1</b>	57.4%	26.0%	12.0%
Margin	7.0%	9.4%	11.2%	11.6%	2.4%	1.9%	0.3%
PBT (adj.)	3.5	7.1	10.5	12.2	103%	47.6%	16.4%
Cash	4.2	11.0	13.0	15.0			
Net debt / (cash)	4.7	(2.1)	(4.1)	(6.1)			
Inventory	9.6	11.1	14.8	17.9			
Working capital	(17.8)	4.7	(2.3)	(3.2)			

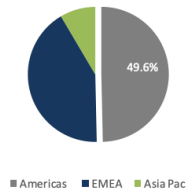
Source: Company data. Equity Development estimates. <sup>1</sup> Year-on-year change, change in margin.



Source: Company data. Equity Development estimates.

Footnote: we have reported on OECD and US consumer and business confidence (CCI and BCI) indicators as a guide to medium-term economic resilience and overall demand in Mpac's key market segments. These indicators have been suspended since November 2023 during an OECD website upgrade.

Our revenue outlook by operating region is summarised below.

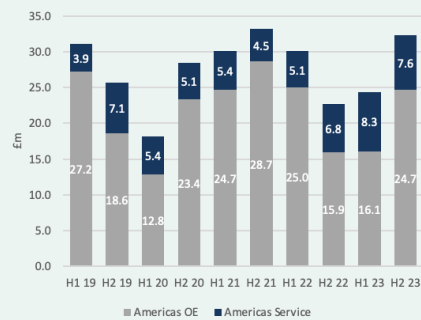


## Regional performance: Americas

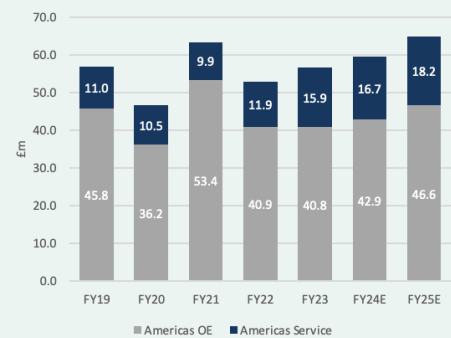
For FY23, the Americas division reported:

- Revenue of £56.7m, +7.4% YoY, and 49.6% of Group total.
- Original Equipment: £40.8m, -0.2% YoY (H1 -35.6%YoY; H2 +55.3%YoY), 35.7% of Group revenue. Demand recovered strongly in H2, at £24.7m compared to c.£16m in each of the prior two semi-annual periods.
- Service: £15.9m, +33.6% YoY, 28.0% of divisional total and 13.9% of Group total. Mpac noted strength in Service revenue, driven by demand from both the Healthcare and Food & Beverage verticals.

### Revenue semi-annual H1 19 - H2 23



### Annual outlook FY19 - FY25E

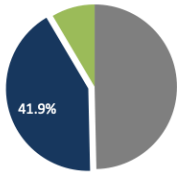


Source: Company data. Equity Development estimates.

### Revenue outlook to FY25

£m	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Americas OE	45.8	36.2	53.4	40.9	40.8	42.9	46.6
Americas Service	11.0	10.5	9.9	11.9	15.9	16.7	18.2
<b>Americas</b>	<b>56.8</b>	<b>46.7</b>	<b>63.3</b>	<b>52.8</b>	<b>56.7</b>	<b>59.6</b>	<b>64.8</b>
<i>Pct of total</i>							
Americas OE	51.6%	43.2%	56.6%	41.9%	35.7%	35.7%	35.7%
Americas Service	12.4%	12.5%	10.5%	12.2%	13.9%	13.9%	13.9%
Americas	64.0%	55.8%	67.1%	54.0%	49.6%	49.6%	49.6%
<i>YoY</i>							
Americas OE	123.4%	-21.0%	47.5%	-23.4%	-0.2%	5.1%	8.7%
Americas Service	71.9%	-4.5%	-5.7%	20.2%	33.6%	5.1%	8.7%
Americas	111.2%	-17.8%	35.5%	-16.6%	7.4%	5.1%	8.7%

Source: Company data. Equity Development estimates.



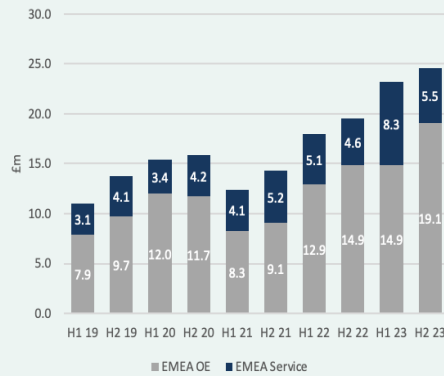
■ Americas ■ EMEA ■ Asia Pac

## Regional performance: EMEA

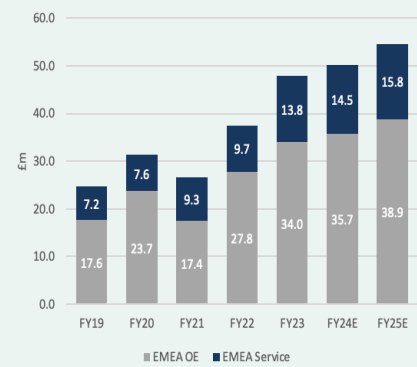
For FY23, the Europe, Middle East and Africa business division reported:

- Revenue of £47.8, +27.5% YoY, and 41.9% of Group total.
- Original Equipment: £34.0m, +22.3% YoY.
- Service: £13.8m, +42.3% YoY, 28.9% of divisional total, and 12.1% of Group total.

### Revenue semi-annual H1 19 - H2 23



### Annual outlook FY19 - FY25E



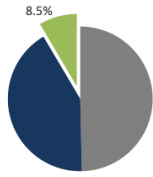
Source: Company data. Equity Development estimates.

### Revenue outlook to FY25

£m	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
EMEA OE	17.6	23.7	17.4	27.8	34.0	35.7	38.9
EMEA Service	7.2	7.6	9.3	9.7	13.8	14.5	15.8
EMEA	24.8	31.3	26.7	37.5	47.8	50.2	54.6
<i>Pct of total</i>							
EMEA OE	19.8%	28.3%	18.5%	28.5%	29.8%	29.8%	29.8%
EMEA Service	8.1%	9.1%	9.9%	9.9%	12.1%	12.1%	12.1%
EMEA	27.9%	37.4%	28.3%	38.4%	41.9%	41.9%	41.9%
<i>YoY</i>							
EMEA OE	-12.4%	34.7%	-26.6%	59.8%	22.3%	5.1%	8.8%
EMEA Service	56.5%	5.6%	22.4%	4.3%	42.3%	5.1%	8.7%
EMEA	0.4%	26.2%	-14.7%	40.4%	27.5%	5.1%	8.7%

Source: Company data. Equity Development estimates.

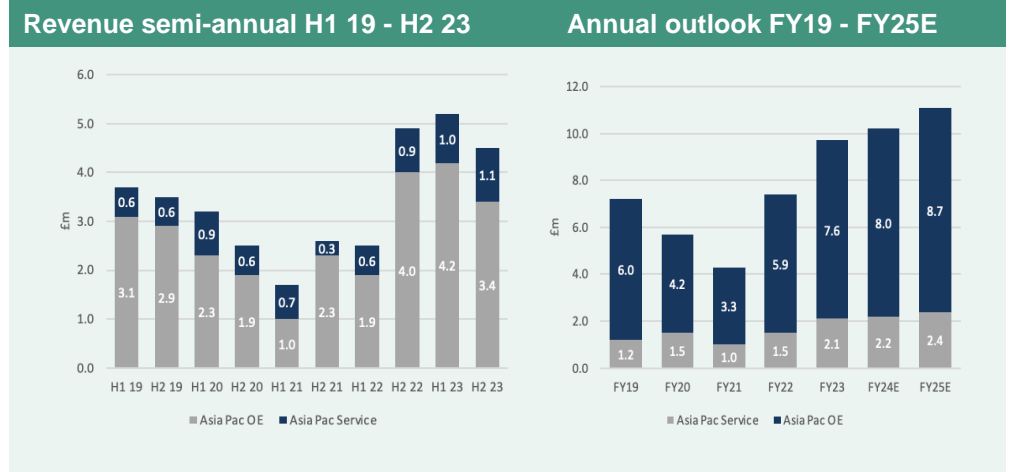
## Regional performance: Asia Pacific



■ Americas ■ EMEA ■ Asia Pac

For FY23, the Asia Pacific business division reported:

- Revenue of £9.7m, +31.1% YoY, and 8.5% of Group total.
- Original Equipment: £7.6m, +28.8% YoY.
- Service: £2.1m, +40.0% YoY, 21.6% of divisional total, and 1.8% of Group total.



Source: Company data. Equity Development estimates.

Revenue outlook to FY25							
£m	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Asia Pac OE	6.0	4.2	3.3	5.9	7.6	8.0	8.7
Asia Pac Service	1.2	1.5	1.0	1.5	2.1	2.2	2.4
Asia Pac	7.2	5.7	4.3	7.4	9.7	10.2	11.1
<i>Pct of total</i>							
Asia Pac OE	6.8%	5.0%	3.5%	6.0%	6.7%	6.7%	6.7%
Asia Pac Service	1.4%	1.8%	1.1%	1.5%	1.8%	1.8%	1.8%
Asia Pac	8.1%	6.8%	4.6%	7.6%	8.5%	8.5%	8.5%
<i>YoY</i>							
Asia Pac OE	7.1%	-30.0%	-21.4%	78.8%	28.8%	5.1%	8.7%
Asia Pac Service	9.1%	25.0%	-33.3%	50.0%	40.0%	5.1%	8.8%
Asia Pac	7.5%	-20.8%	-24.6%	72.1%	31.1%	5.1%	8.7%

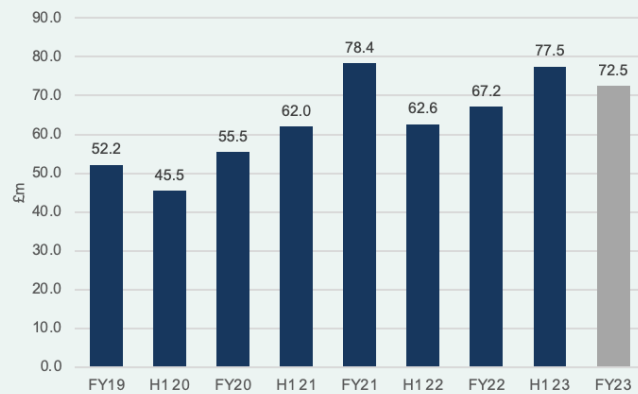
Source: Company data. Equity Development estimates.

## Service revenue on track, orders at a high

The FY23 revenue contribution from the profitable Service segment – equipment upgrades and engineering support – was 27.8% and we expect this to remain above 27%, in line with Mpac’s strategic goals. As illustrated, there was a H2 correction following a high proportional H1 contribution. This was due to the 12%YoY downturn in OE revenue because of supply chain and component issues constraining project completion and shipment.

**Of record total order intake** of £118.5m, just above FY21 at £117.9m, OE contributed £86.3m, +51%YoY, as orders delayed in FY22 were released, backed by indications of improved confidence across Mpac’s target markets. Service order intake rose 21%YoY (£32.2m). We note that the year-end closing order book stood at £72.5m, slightly below the £75m indicated at the Trading Update, resulting from the (IFRS15) requirement to account for materials purchased as ‘zero margin’ revenue at the year end and deduct from recorded orders.

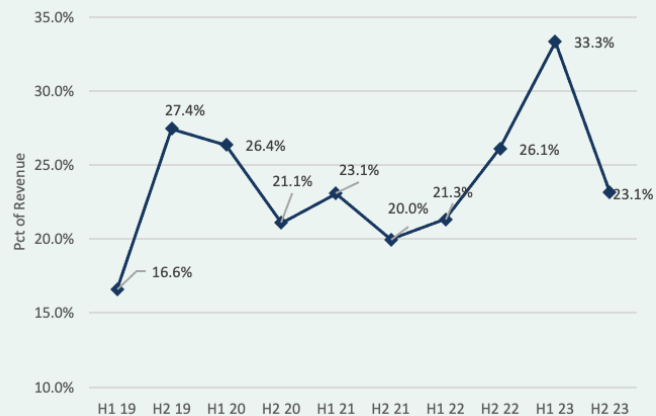
### Closing order book FY19 to FY23



Source: Company data.

The proportion of FY23 revenue derived from Service was 27.8%, in line with our c.27% benchmark outlook and Group strategy. For FY24-25 we expect this proportion to remain in the 27% - 28% range, supporting the contribution to profitability engendered by additional product development and engineering parts supplied to customers.

### Service revenue percentage of total H19 – H2 23



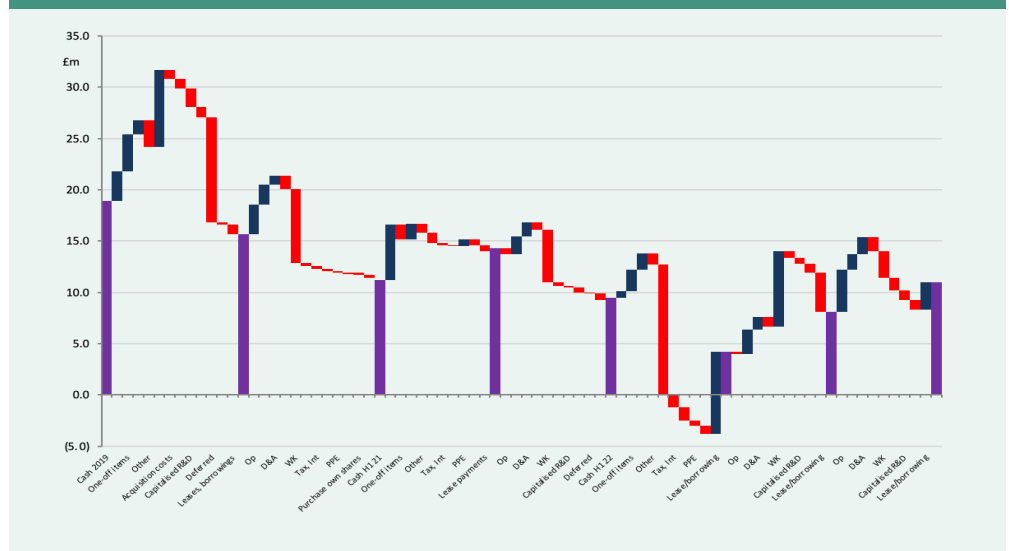
Source: Company data.

## Cashflow: supply chain management

The key features of FY23 cashflow management were:

- An Operating contribution of £8.4m (FY22: £4.9m) with EBIT (rptd.) contributing £3.9m (FY22: zero).
- A Working Capital contribution of £4.7m (FY22: £(17.7)m) with a H1-H2 pattern of £7.3m / £(2.6)m.
- CapEx held at a similar level, £1.1m vs £1.0m in FY22, and similarly capitalised R&D at £1.5m vs £1.4m in FY22.
- No net increase in borrowings (FY22: +£8.0m) for the year.
- A net increase in cash for the year of £6.8m (FY22: (10.6)m reduction) with a H1:H2 pattern of £4.3m and £2.5m.
- The Group retains a £20m HSBC (2022, 3-year) RCF, of which £8.0m was utilised during the year. The year-end cash position was £11.0m on a net basis, net cash of £2.1m.

### Semi-annual cashflow, FY19 – H2 23



Source: Company data. Equity Development estimates.

## Pension scheme update

At 31 December 2023 the IAS19 valuation of the Group pensions schemes was as follows:

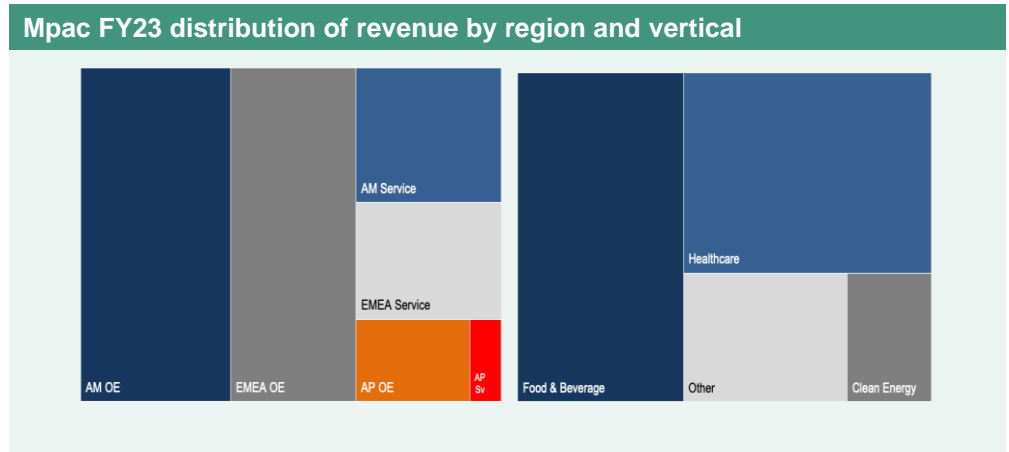
- UK: a FY23 net surplus of £32.2m; FY22, £31.5m; FY21, £35.7m. FY23 assets were valued at £309.0m (FY22: £311.2m), liabilities at £276.8m and £279.9m respectively. Mpac noted the utility of Liability Driven instruments, constructed to meet cash requirements. Payments to the scheme in FY22 and FY23 were each £2.0m. Overall, the UK scheme closed FY23 slightly ahead of the scheduled £2.0m p.a. recovery contribution required to reduce the June 2021 deficit of £28.4m (set at +2.1% annually over a four-and-a-half year period)
- US: a FY23 net deficit of £1.8m compared to a £2.1m net deficit in FY22, on total assets of £7.7m (FY22: £8.1m).



## Revenue distribution

As illustrated below, Mpac's operations have a global footprint; FY23: USA, 47% of revenue; UK, 16%; Europe, 27%; Americas, 7%; Asia Pacific, 8%; Africa & Middle East, 2%. By vertical, distribution was:

- Food & Beverage, 40% of total revenue, £45.8m.
- Healthcare, 36%, £41.6m.
- Clean Energy 8%, £9.1m (including FREYR Battery collaboration).
- Other, 16%, £17.7m.



Source: Company data.

## FREYR Battery update



Mpac reports continuing collaboration and work with FREYR Battery on both the July 2021 contract to develop casting and cell assembly for its proprietary 24m SemiSolid™ battery technology at the Norway Mo i Rana Customer Qualification Plant, and the June 2023 pre-engineering order for development of Gigafactory production lines as part of FREYR's strategy for Battery Energy Storage Systems (BESS) in renewable energy distribution networks. The Group reports that this clean energy vertical remains a focus, augmented in October 2023 by an engineering contract from Ilika PLC for scaling lithium-ion battery technology.

As we have noted, whilst Clean Energy remains a significant area of market development for Mpac, our medium-term earnings outlook does not currently include a commercial contribution from the collaboration with FREYR Battery.

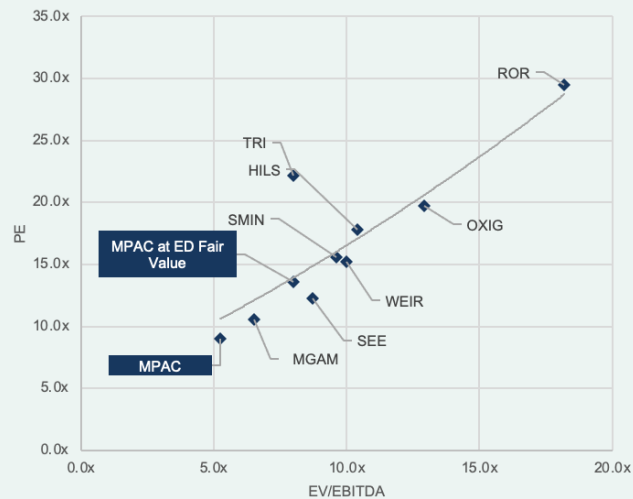
## Valuation considerations

Below illustrates (i) Mpac's current valuation (EV/EBITDA and PE) based on our FY24 outlook, (ii) valuation based on Equity Development Fair Value (implied EV/EBITDA, PE), and (iii) comparison with peers Smiths Group plc, Weir Group plc, Trifast plc, Rotork plc, Sealed Air Corp., Oxford Instruments plc, Morgan Advanced Materials plc and Hill & Smith plc. Data is based on the +1 year forward consensus earnings outlook (source: Koyfin).

- The overall market cap-weighted EV/EBITDA multiple for the peer group is 11.2x, and PE, 17.5x.
- **Our ED Fair Value of 530p** implies a Mpac +1 year, FY24, EV/EBITDA multiple of 7.9x and PE of 13.9x.

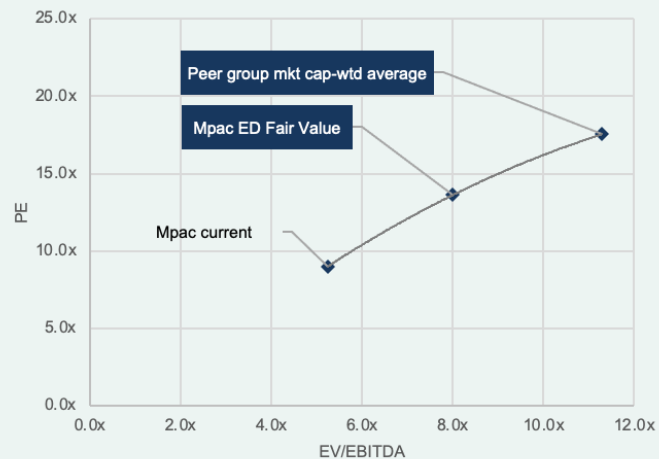
As the chart illustrates, Mpac's relative positioning remains at an indicative discount to its peers.

### Mpac valuation versus peers



Source: Equity Development estimates, Koyfin. Best fit polynomial shown.

### Mpac valuation versus peer group average



Source: Equity Development estimates, Koyfin. Best fit polynomial shown.

## SUMMARY FINANCIALS

<b>P&amp;L: FY21 – FY25E</b>					
<b>P&amp;L Year to 31 Dec (£m)</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24E</b>	<b>FY25E</b>
Equipment revenue	74.1	74.6	82.4	86.6	95.2
Service revenue	20.2	23.1	31.8	33.4	37.4
<b>Revenue</b>	<b>94.3</b>	<b>97.7</b>	<b>114.2</b>	<b>120.0</b>	<b>130.5</b>
<b>Gross</b>	<b>28.9</b>	<b>24.4</b>	<b>31.6</b>	<b>37.0</b>	<b>40.5</b>
<i>Margin</i>	<i>30.6%</i>	<i>25.0%</i>	<i>27.7%</i>	<i>30.8%</i>	<i>31.0%</i>
COGS	(65.4)	(73.3)	(82.6)	(83.0)	(90.0)
Distribution	(6.8)	(8.1)	(8.8)	(9.4)	(9.8)
Admin	(12.4)	(11.9)	(14.6)	(15.0)	(16.3)
Other	(0.9)	(0.5)	(0.4)	(1.9)	(2.0)
Sum operating costs	(20.1)	(20.5)	(23.8)	(26.3)	(28.1)
One-off costs	(0.5)	(3.9)	(3.9)	(3.0)	(3.0)
EBIT Reported	8.3	0.0	3.9	7.7	9.4
<b>EBIT Adjusted</b>	<b>8.8</b>	<b>3.9</b>	<b>7.8</b>	<b>10.7</b>	<b>12.4</b>
<i>Margin</i>	<i>9.3%</i>	<i>4.0%</i>	<i>6.8%</i>	<i>8.9%</i>	<i>9.5%</i>
Amortisation	(0.6)	(0.9)	(0.8)	(0.7)	(0.6)
Depreciation	(1.8)	(2.0)	(2.1)	(2.1)	(2.1)
EBITDA Reported	10.7	2.9	6.8	10.5	12.1
<b>EBITDA Adjusted</b>	<b>11.2</b>	<b>6.8</b>	<b>10.7</b>	<b>13.5</b>	<b>15.1</b>
<i>Margin</i>	<i>11.9%</i>	<i>7.0%</i>	<i>9.4%</i>	<i>11.2%</i>	<i>11.6%</i>
Financial income	0.0	0.0	0.0	0.0	0.0
Financial expense	(0.2)	(0.4)	(0.7)	(0.2)	(0.2)
PBT Reported	8.0	0.2	4.7	7.5	9.2
PBT Adjusted	8.6	3.5	7.1	10.5	12.2
Tax	(0.4)	(0.6)	(2.0)	(2.6)	(3.2)
PAT Reported	7.6	(0.4)	2.7	4.9	6.0
<b>PAT Adjusted</b>	<b>7.9</b>	<b>2.7</b>	<b>5.3</b>	<b>7.9</b>	<b>9.0</b>
Basic wtd. av. shares (m)	19.9	20.3	20.5	20.5	20.5
Diluted wtd. av. shares (m)	20.1	20.6	20.5	20.5	20.5
EPS Rptd Basic (p)	38.2	(2.0)	13.2	23.7	29.4
EPS Rptd Dil.(p)	37.9	(1.9)	13.2	23.7	29.4
EPS Adj. Basic (p)	39.7	13.3	26.2	38.4	44.1
<b>EPS Adj. Dil. (p)</b>	<b>39.4</b>	<b>13.1</b>	<b>26.2</b>	<b>38.4</b>	<b>44.0</b>

Source: Company data, Equity Development estimates.

**Cashflow FY21 – FY25E**

Cashflow Year to 31 December (£m)	FY21	FY22	FY23	FY24E	FY25E
<b>Operating profit</b>	<b>8.3</b>	<b>0.0</b>	<b>3.9</b>	<b>7.7</b>	<b>9.4</b>
One-off items	0.5	3.9	3.9	3.0	3.0
Amortisation	0.6	0.9	0.8	0.7	0.6
Depreciation	1.8	2.0	2.1	2.1	2.1
Other non-cash	0.4	0.3	0.0	0.0	0.0
Pension	(2.6)	(2.1)	(2.3)	(3.0)	(3.0)
<b>Operating Cash Flow</b>	<b>9.0</b>	<b>5.0</b>	<b>8.4</b>	<b>10.5</b>	<b>12.1</b>
<b>Working capital</b>					
(Increase)/Decrease inventories	(2.2)	(3.7)	(1.7)	(3.7)	(3.1)
(Increase)/Decrease in contract assets	(4.4)	(6.4)	1.7	0.1	0.1
(Increase)/Decrease in receivables	1.0	(5.3)	(0.3)	(4.2)	(4.5)
Increase/(Decrease) in payables	(1.1)	2.8	1.8	5.5	4.3
(Increase)/Decrease in contract liabilities	(0.7)	(5.7)	(0.1)	(0.1)	(0.1)
Increase / Decrease in provisions	(0.8)	0.5	3.3	0.0	0.0
<b>Movement in working capital</b>	<b>(8.2)</b>	<b>(17.8)</b>	<b>4.7</b>	<b>(2.3)</b>	<b>(3.2)</b>
<b>Cash generated by operations</b>	<b>0.8</b>	<b>(12.8)</b>	<b>13.1</b>	<b>8.1</b>	<b>8.9</b>
Acquisition costs	(0.3)	(0.8)	(0.8)	0.0	0.0
Tax (paid)/received	(0.1)	(0.4)	(1.1)	(2.6)	(3.2)
Net cash from operations	0.4	(14.0)	11.2	5.5	5.7
<b>Investing activities</b>					
Interest received	0.0	0.0	0.0	0.0	0.0
Sale of PPE	2.0	0.0	0.0	0.0	0.0
Capitalised R&D	(0.2)	(1.4)	(1.5)	(1.5)	(1.5)
PPE	(1.5)	(1.0)	(1.1)	(1.2)	(1.2)
Acquired cashflow/deferred payment	(0.6)	(0.8)	0.0	0.0	0.0
<b>Net cash used in investing</b>	<b>(0.3)</b>	<b>(3.2)</b>	<b>(2.6)</b>	<b>(2.7)</b>	<b>(2.7)</b>
<b>Net OpFCF</b>	<b>0.1</b>	<b>(17.2)</b>	<b>8.6</b>	<b>2.9</b>	<b>3.0</b>
<b>Financing activities</b>					
Borrowings	0.0	8.0	0.0	0.0	0.0
Interest paid	(0.3)	(0.3)	(0.7)	(0.2)	(0.2)
Purchase own shares	(0.2)	0.0	0.0	(0.2)	(0.2)
Lease payments	(0.9)	(1.1)	(1.1)	(0.5)	(0.5)
Net cash from financing	(1.4)	6.6	(1.8)	(0.9)	(0.9)
<b>Net increase in cash / equivalents</b>	<b>(1.3)</b>	<b>(10.6)</b>	<b>6.8</b>	<b>2.0</b>	<b>2.1</b>
Cash at beginning of year	15.5	14.5	4.2	11.0	13.0
Forex	0.3	0.3	0.0	0.0	0.0
<b>Cash at year end</b>	<b>14.5</b>	<b>4.2</b>	<b>11.0</b>	<b>13.0</b>	<b>15.0</b>
<b>Net debt / (Cash)</b>	<b>(13.6)</b>	<b>4.7</b>	<b>(2.1)</b>	<b>(4.1)</b>	<b>(6.1)</b>

Source: Company data, Equity Development estimates.

**Balance sheet: FY21 – FY25E**

Balance Sheet Year to 31 December (£m)	FY21	FY22	FY23	FY24E	FY25E
<b>Fixed Assets</b>					
Intangible assets	25.3	25.4	24.0	23.3	22.7
PPE net	4.0	4.0	4.1	3.2	2.3
Property	0.8	0.8	0.8	0.8	0.8
Right of use	5.8	5.0	5.9	5.9	5.9
Employee benefits	35.7	31.5	32.2	32.2	32.2
Deferred tax, other	1.4	1.3	0.9	0.9	0.9
<b>Sum Fixed Assets</b>	<b>73.0</b>	<b>68.0</b>	<b>67.9</b>	<b>66.3</b>	<b>64.8</b>
<b>Current Assets</b>					
Inventories	5.5	9.6	11.1	14.8	17.9
Trade receivables	34.5	46.7	46.8	51.0	55.4
Tax assets	0.6	0.6	1.1	1.1	1.1
Cash, Equivalents	14.5	4.2	11.0	13.0	15.0
Contract assets	0.0	0.0	0.0	0.0	0.0
<b>Sum Current Assets</b>	<b>55.1</b>	<b>61.1</b>	<b>70.0</b>	<b>79.8</b>	<b>89.4</b>
Total Assets	128.1	129.1	137.9	146.1	154.2
<b>Current Liabilities</b>					
Trade payables	(39.5)	(38.4)	(43.8)	(49.3)	(53.6)
Leases	(1.8)	(1.4)	(1.3)	(1.3)	(1.3)
Provisions	(0.6)	(1.0)	(0.9)	(0.9)	(0.9)
Tax, Other	(0.7)	(0.1)	(0.9)	(0.9)	(0.9)
<b>Sum Current Liabilities</b>	<b>(42.6)</b>	<b>(48.9)</b>	<b>(54.9)</b>	<b>(60.4)</b>	<b>(64.7)</b>
Total Assets less Current Liabilities	85.5	80.2	83.0	85.6	89.4
<b>Long-term Liabilities</b>					
Borrowings	(0.9)	(0.9)	(0.9)	(0.9)	(0.9)
Employee benefits	(2.5)	(2.1)	(1.8)	(3.0)	(3.0)
Tax	(12.5)	(11.1)	(11.4)	(6.8)	(6.8)
Leases	(4.2)	(3.9)	(4.9)	(3.4)	(3.4)
Deferred consideration	0.0	0.0	0.0	0.0	0.0
<b>Sum Long-term liabilities</b>	<b>(20.1)</b>	<b>(18.0)</b>	<b>(19.0)</b>	<b>(14.1)</b>	<b>(14.1)</b>
Total liabilities	(62.7)	(66.9)	(73.9)	(74.5)	(78.8)
Net Assets	65.4	62.2	64.0	71.5	75.3
<b>Capital &amp; Reserves</b>					
Share Capital	5.0	5.1	5.1	5.1	5.1
Share Premium	26.0	26.0	26.0	27.3	25.1
Capital Reserve	3.7	2.1	3.8	5.2	5.2
Retained earnings	30.7	29.0	29.1	34.0	40.0
<b>Equity</b>	<b>65.4</b>	<b>62.2</b>	<b>64.0</b>	<b>71.5</b>	<b>75.3</b>
Net debt / (Cash)	(13.6)	4.7	(2.1)	(4.1)	(6.1)

Source: Company data, Equity Development estimates.



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