

FY22 results show a platform for growth

22nd March 2023

For the year to 31 December 2022, Mpac Group reported revenue of £97.7m, +3.6%YoY, EBITDA (adj.) of £6.8m, ahead of our outlook, -39.3%YoY, and PBT of £3.5m. Service revenue grew 14.4%YoY to 23.6% of the total. The year-end closing order book was £67.2m (FY21: £78.4m). Net debt was £4.7m, which we expect to revert to a £7.5m net cash position in FY23.

Orders underpin FY23 earnings visibility

The FY22 closing order book was £67.2m with order intake at £83.8m, compared to £83.9m in FY20 and £117.9m in FY21. **By FY24 we expect a return to top line growth of above 10%YoY and EBITDA growth of above 30%YoY, with revenue from Service approaching 30% of total.**

Supply chain pressure eases

As expected, Mpac required additional working capital in order to meet customer expectations and offset the impact of supply chain disruption. This amounted to £17.8m (ED estimate: £18.7m), including inventory build to £9.6m. We forecast this to unwind as the backlog of projects completes in H1 23; Mpac reports that contract assets – projects awaiting final factory sign-off – peaked in Q4 22 as the supply of key electrical components improved, allowing project completion prior to shipment. Cashflow was also constrained by the timing of customer deposits carried over into FY23. The easing of supply chain factors, completion of projects and shipment of product means that we expect working capital to improve to above £3m, and FY22 net debt of £4.7m to revert towards an estimated 31 December 2023 net cash position of £7.5m. Mpac continued to progress development of casting and unit cell assembly equipment for the battery cell production line at FREYR's Battery Customer Qualification Plant (CQP) in Norway. Agreed changes resulted in a revised plan for delivery in Q1 2023, and commissioning in Q2 2023.

Appointment of new CEO

Tony Steels, who has led the Group since 2016, has announced his retirement. COO Adam Holland will become CEO post-AGM on 17 May. Adam joined Mpac in late 2022 having held senior positions worldwide at JCB, Siemens AG and Rolls-Royce.

FY23: (adj.) EBITDA estimate £9.6m

Following the January 16th Trading Update we raised our FY23 revenue outlook from £103.6m to £104.7m, (adj.) EBITDA by 13% to £9.6m, and our FY24 revenue outlook from £113.4m to £115.8m, with (adj.) EBITDA from £12.9m to £13.0m ([see note here](#)). We retain these estimates. **Our fair value for Mpac remains 485p/share, indicative of a FY24 EV/EBITDA multiple of 7.9x.**

Company Data

EPIC	AIM: MPAC
Price (last close)	279p
52 weeks Hi/Lo	534p/210p
Market cap	£57m
ED Fair Value / share	485p
Proforma net debt	£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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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	7.1x	21.2x	10.9x	7.3x
EV/EBITDA	5.5x	9.0x	6.4x	4.7x

Source: Company data, Equity Development estimates.

FY22: platform for growth

As shown below, FY22 results closely-matched our outlook. Backed by a closing order book of £67.2m and the easing of supply chain factors, we expect working capital absorbed in FY22 (notably a £12.7m increase in H2) to unwind and generate cash in H1 23. Original Equipment (OE) orders, at £57.2m, were 40.4% below FY21 (£96m), primarily due to delayed orders in the US Food & Beverage segment and an influx of orders in Q4 21. The contribution from Service revenue in particular, at 23.6% for the year and 26.1% in H2, is on track to meet the Group target of 30%; our FY24 estimate is 28.7%. By geographical division:

- Americas revenue was £52.8m, -16.6%YoY, 54.0% of total. The contribution from services was strong +20.2%YoY at £11.9m (FY21: £9.9m), from both healthcare and the food & beverage sectors.
- EMEA revenue was £37.5m, +40.4%YoY, 38.4% of total.
- Asia Pacific revenue was £7.4m, +72.1%YoY, 7.6% of total.

FY22 results compared to estimates

£m	FY21	H1 22	H2 22	FY22	FY22E	beta	YoY
Revenue:							
Americas	63.3	30.1	22.7	52.8	53.3	-0.9%	-16.6%
EMEA	26.7	18.0	19.5	37.5	34.6	8.4%	40.4%
Asia Pac	4.3	2.5	4.9	7.4	7.9	-6.3%	72.1%
Sum OE	74.1	39.8	34.8	74.6	68.3	9.2%	0.7%
Sum Service	20.2	10.8	12.3	23.1	27.5	-16.0%	14.4%
Group revenue:	94.3	50.6	47.1	97.7	95.8	2.0%	3.6%
Gross	28.9	10.7	13.7	24.4	24.4	0.0%	-15.6%
<i>Margin</i>	30.6%	21.1%	29.1%	25.0%	25.5%	-0.5%	
EBIT (adj.)	8.8	1.2	2.7	3.9	3.9	0.0%	-55.7%
<i>Margin</i>	9.3%	2.4%	5.7%	4.0%	4.1%	-0.1%	
EBITDA (adj.)	11.2	2.5	4.3	6.8	6.6	3.0%	-39.3%
<i>Margin</i>	11.9%	4.9%	9.1%	7.0%	6.9%	0.1%	
PBT (adj.)	8.6	1.1	2.4	3.5	3.5	0.0%	-59.3%
<i>Margin</i>	9.1%	2.2%	5.1%	3.6%	3.7%	-0.1%	
Cash	14.5	9.5	4.2	4.2	2.0		
Net debt / (cash)	(13.6)	(8.6)	4.7	4.7	4.2		
Inventory	5.5	6.3	9.6	9.6	5.5		
Working capital change	(8.2)	(5.1)	(12.7)	(17.8)	(18.7)		

Source: Company data, Equity Development estimates.

Operating profit and working capital

FY22 gross profit of £24.4m was as estimated (25.0% margin), with a strong H2 improvement to £13.7m (29.1% margin: H2 21, 28.1%) compared to £10.7m in H1 (21.1% margin). Strict control over operating costs (20.8% of revenue) resulted in EBIT (adj.) of £3.9m, exactly in line with our outlook. One-off items (non-underlying) totalled £3.3m, comprising: contribution to defined benefit pensions, £0.8m; acquisition-related costs, £0.3m; reorganisation-related costs, £0.6m; acquired intangible asset amortisation, £1.6m.

As outlined at the Interims, to maintain project momentum and meet clients' requirements, Mpac increased working capital requirements, resulting in a £(17.8)m movement (ED estimate £(18.7)m), including inventory build amounting to £9.6m (FY21: £5.5m). We expect this increase to unwind as projects complete from the start of H1 23. FY 22 also saw the return of exhibition participation; Mpac exhibited at Pack Expo International in Chicago in October 2022: see www.packexpointernational.com and packexpo22.

FY23 and FY24 outlook

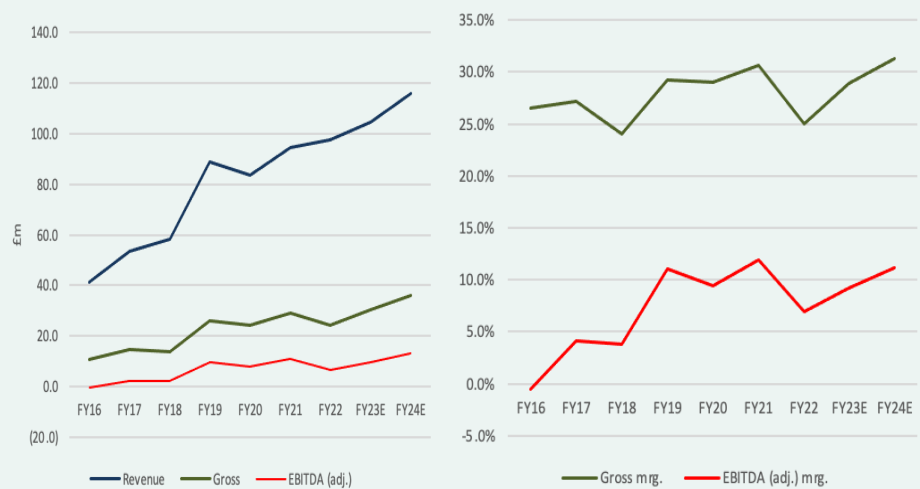
At the January 16th Trading Update (see: Equity Development report [Trading Update: FY22 in line and FY23 encouraging](#)) we raised our FY23 revenue outlook from £103.6m to £104.7m and (adj.) EBITDA +12.9% to £9.6m; and FY24 revenue outlook from £113.4m to £115.8m, with (adj.) EBITDA raised marginally from £12.9m to £13.0m. This outlook is maintained.

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	115.8	7.2%	10.6%
Gross	10.7	13.7	24.4	30.3	36.3	24.2%	19.7%
<i>Margin</i>	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%
<i>Margin</i>	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%
<i>Margin</i>	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%
<i>Margin</i>	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.

Mpac: medium-term earnings trend, FY16 – FY24E



Source: Company data. Equity Development estimates.



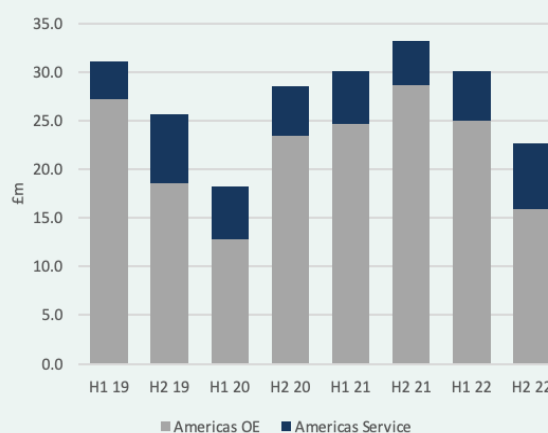
■ Americas ■ EMEA ■ Asia Pac

Regional performance: Americas

FY22 Americas performance displayed some weakness in H2 OE revenue, partially offset by a strong rebound in the contribution from Service provision. In summary, the US market contributed £45.8m, 47% of Group total, and the Americas, excluding the US, £7.0m, 7% of Group total. The division reported:

- Revenue of £52.8m, -16.6% YoY, and 54.0% of Group total.
- Original Equipment: £40.9m, -23.4% YoY, due to supply chain disruption impacting the Food & Beverage segment where, with the acquisition of Switchback in 2020, Mpac has a significant presence.
- Service: £11.9m, +20.2%YoY, 22.5% of divisional total and 12.2% of Group total.

Americas, semi-annual revenue H1 19 – H2 22



Source: Company data.

Americas, revenue FY19 – FY22

£m	FY19	FY20	FY21	FY22
Americas OE	45.8	36.2	53.4	40.9
Americas Service	11.0	10.5	9.9	11.9
Americas	56.8	46.7	63.3	52.8
<i>Pct of total</i>				
Americas OE	51.6%	43.2%	56.6%	41.9%
Americas Service	12.4%	12.5%	10.5%	12.2%
Americas	64.0%	55.8%	67.1%	54.0%
<i>YoY</i>				
Americas OE	123.4%	-21.0%	47.5%	-23.4%
Americas Service	71.9%	-4.5%	-5.7%	20.2%
Americas	111.2%	-17.8%	35.5%	-16.6%

Source: Company data.



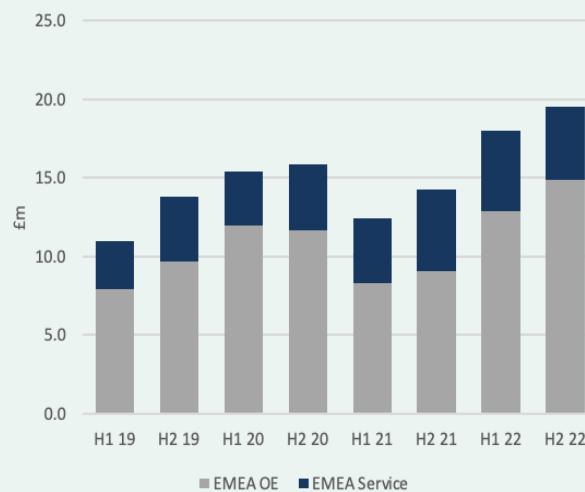
■ Americas ■ EMEA ■ Asia Pac

Regional performance: EMEA

FY22 Europe, Middle East and Africa revenue rebounded strongly, with H2 continuing the trend established from H1 21. Overall, Europe contributed £26.7m, 27% of Group total, the UK, £9.2m, 9% of total, and Africa & the Middle East, £1.6m, 2% of total. The division reported:

- Revenue of £37.5m, +40.4% YoY, and 38.4% of Group total.
- Original Equipment: £27.8m, +59.8% YoY.
- Service: £9.7m, +4.3% YoY, 25.9% of divisional total and 9.9% of Group total.

EMEA, semi-annual revenue H1 19 – H2 22



Source: Company data.

EMEA, revenue FY19 – FY22

£m	FY19	FY20	FY21	FY22
EMEA OE	17.6	23.7	17.4	27.8
EMEA Service	7.2	7.6	9.3	9.7
EMEA	24.8	31.3	26.7	37.5
<i>Pct of total</i>				
EMEA OE	19.8%	28.3%	18.5%	28.5%
EMEA Service	8.1%	9.1%	9.9%	9.9%
EMEA	27.9%	37.4%	28.3%	38.4%
<i>YoY</i>				
EMEA OE	-12.4%	34.7%	-26.6%	59.8%
EMEA Service	56.5%	5.6%	22.4%	4.3%
EMEA	0.4%	26.2%	-14.7%	40.4%

Source: Company data.



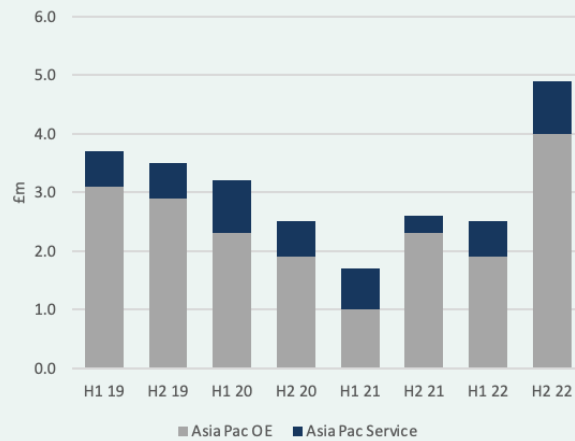
■ Americas ■ EMEA ■ Asia Pac

Regional performance: Asia Pacific

FY22 Asia Pacific revenue performed strongly, +72% YoY. The division reported:

- Revenue of £7.4m, +72.1% YoY, and 7.6% of Group total.
- Original Equipment: £5.9m, +78.8% YoY.
- Service: £1.5m, +50.0% YoY, 20.3% of divisional total, and 1.5% of Group total.

Asia Pacific, semi-annual revenue H1 19 – H2 22



Source: Company data.

Asia Pacific, revenue FY19 – FY22

£m	FY19	FY20	FY21	FY22
Asia Pac OE	6.0	4.2	3.3	5.9
Asia Pac Service	1.2	1.5	1.0	1.5
Asia Pac	7.2	5.7	4.3	7.4
<i>Pct of total</i>				
Asia Pac OE	6.8%	5.0%	3.5%	6.0%
Asia Pac Service	1.4%	1.8%	1.1%	1.5%
Asia Pac	8.1%	6.8%	4.6%	7.6%
<i>YoY</i>				
Asia Pac OE	7.1%	-30.0%	-21.4%	78.8%
Asia Pac Service	9.1%	25.0%	-33.3%	50.0%
Asia Pac	7.5%	-20.8%	-24.6%	72.1%

Source: Company data.

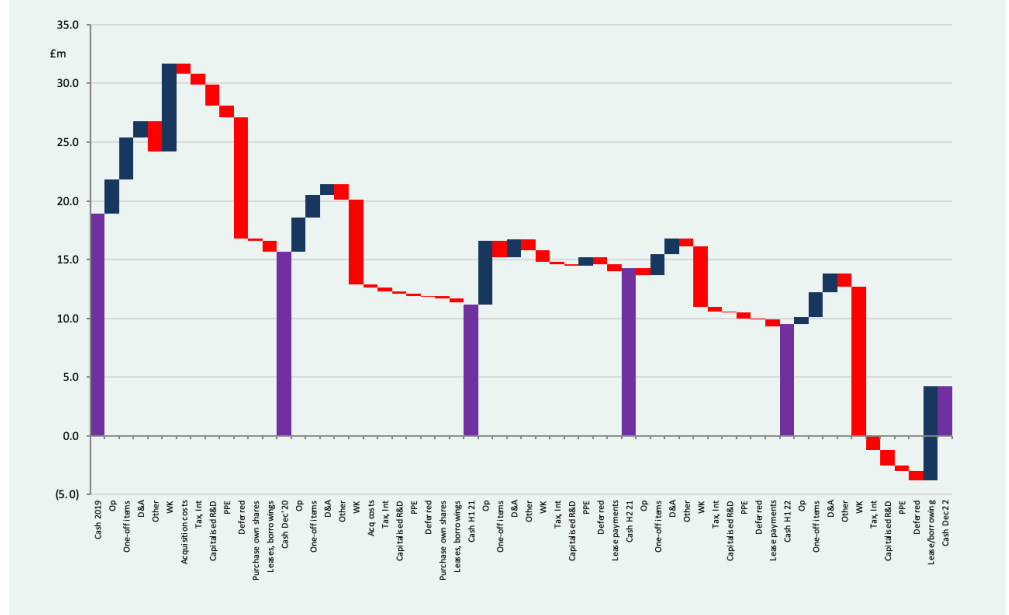
Cashflow: supply chain management

As illustrated, Mpac has maintained a **consistent, healthy cash balance** throughout a period of economic turbulence dominated by the COVID-19 pandemic and subsequent disruption of supply chain elements, and, latterly, the sharp rise in energy costs occasioned by the conflict in Ukraine. Notably, this has not required an injection of equity; pressure on working capital in FY22 was met by £8.0m in short-term borrowing. The key features of FY22 cashflow management, resulting in year-end cash of £4.2m and net debt of £4.7m, were:

- Increased working capital of £5.1m in H1 and £12.7m in H2, for the year £17.8m, including an increase in inventory to £9.6m. Mpac reports that contract assets – i.e. projects on the factory floor awaiting final completion – peaked in Q4 22 as the supply of key electrical components eased.
- Cap-ex held at £1.0m (FY21: £1.5m), with capitalised R&D at £1.4m (FY21: £0.4m).
- Final payment of £0.8m in deferred consideration on the acquisition of Switchback (2020).
- Utilisation of £8.0m of the £20.0m (3-year) HSBC revolving credit facility, and £0.3m of overdraft.
- No dividend is proposed.
- Mpac reports “several opportunities” for potential acquisition are being evaluated.

In FY23 we expect working capital to revert to a positive £3.1m contribution, to an estimated £9.7m in cash generated from operations.

Semi-annual cashflow, FY19 – H2 22



Source: Company data. Equity Development estimates.

Pension scheme surplus

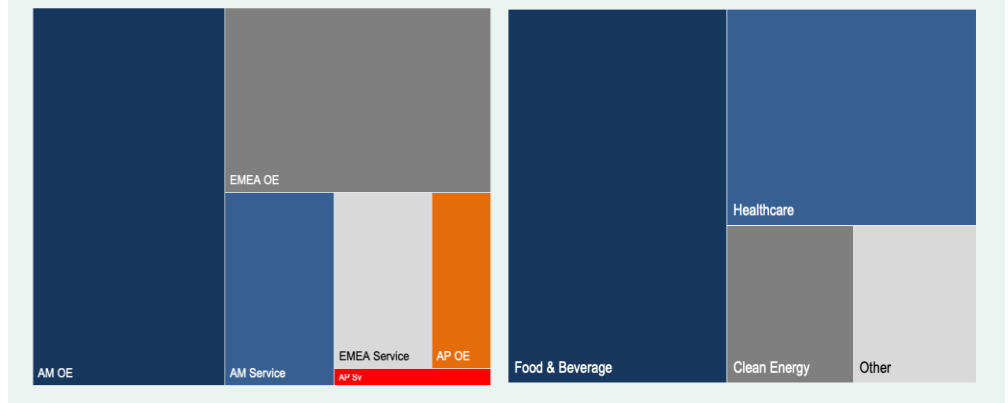
At 31 December 2022 the IAS19 valuation of the UK scheme resulted in a £31.5m net surplus (£311.2m minus £279.7m) compared to £35.7m in FY21. The US scheme had a £2.1m deficit. Payments to the UK scheme totalled £2.1m (FY21: £2.3m).

Outlook: macro indicators ease

As illustrated below, Mpac's operations have a global footprint, in FY22: USA, 47% of revenue; UK, 9%; Europe, 27%; Americas, 7%; Asia Pacific, 8%; Africa & Middle East, 2%. By vertical, distribution was:

- Food & Beverage, 46.8% of total revenue, £45.7m.
- Healthcare, 30.8%, £30.1m.
- Clean Energy 11.4%, £11.1m (FREYR Battery collaboration).
- Other, 11.1%, £10.8m.

Mpac FY22 distribution of revenue by region and vertical



Source: Company data.

The latest February 2023 OECD Business Confidence and Consumer Confidence Indices show indications of slowing negative momentum, amounting to a generally more positive background for opportunities across Mpac's markets.

The Group's core verticals, Food & Beverage and Healthcare, amounting to 77.6% of FY22 revenue, have proven resilient to cyclical downturns, whilst Clean Energy (11.4% of FY22 revenue) introduces additional growth potential.

OECD Business & Consumer Confidence Indices: OECD, US



Source: [OECD Business Confidence Index](#); [OECD Consumer Confidence Index](#)



FREYR Battery: anticipating exponential demand

In FY22 Mpac continued to progress development of casting and unit cell assembly equipment for the battery cell production line at the FREYR Battery Customer Qualification Plant (CQP) at Mo i Rana, Norway (location shown, source: Google Maps). H2 changes agreed with FREYR resulted in a revised plan for delivery in Q1 2023, with commissioning set for Q2 2023. At FY22 results (February 27th), FREYR highlighted completion of the CQP as the platform for “initial GWh scale production” of its proprietary 24m SemiSolid™ battery technology (illustration left), and updated on construction of its Norway Mo i Rana facility (shown below). FREYR’s strategy aims to meet demand for Battery Energy Storage Systems (BESS) in renewable energy distribution networks.

At this stage, our base case Mpac medium-term earnings outlook does not include a commercial contribution from the collaboration with FREYR Battery.



Mpac FREYR Battery CQP line



Source: Company data. [FREYR 4Q and Full Year 2022 Earnings Call presentation](#) Slide 6.

FREYR Battery Mo i Rana facility, construction



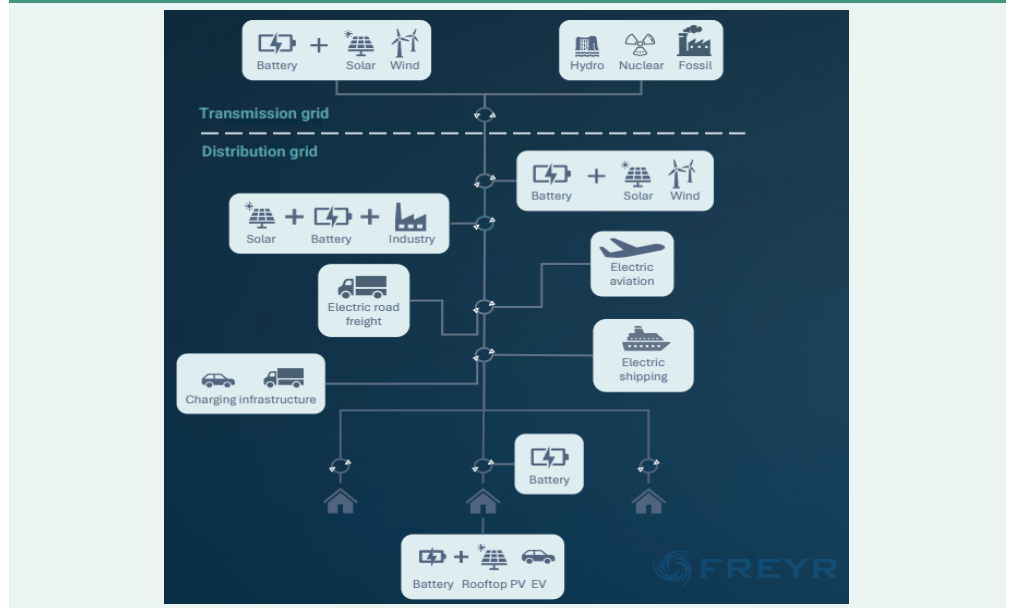
Source: Company data. [FREYR 4Q and Full Year 2022 Earnings Call presentation](#) Slide 20.

Anticipating exponential growth in demand for battery storage

FREYR's strategy is focussed on the role of BESS (battery energy storage system) at key points in the distribution of clean electricity generation, for example in transportation (consumer and commercial Electric Vehicles), smoothing energy supplies against variable elements such as wind generation. As illustrated by successive IEA upgrades to projections of storage capacity,

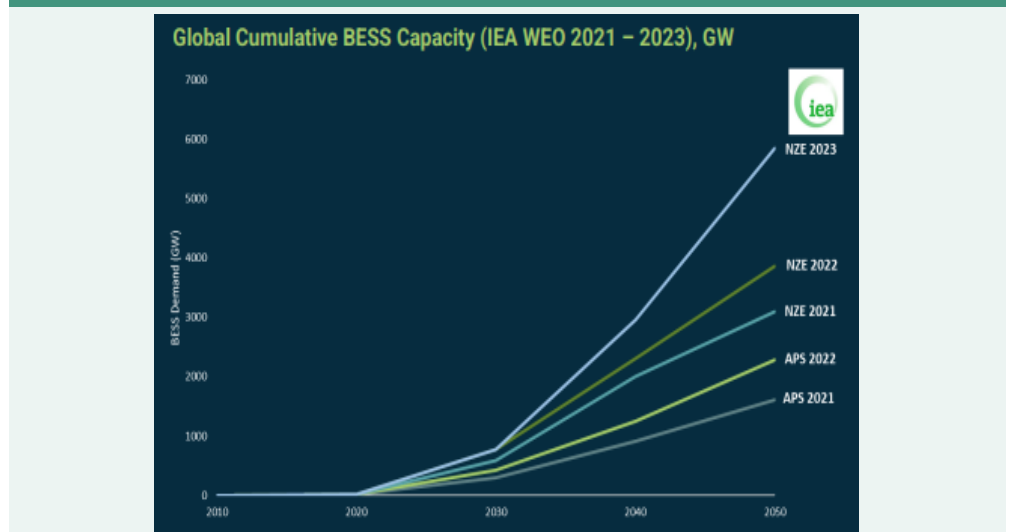
FREYR expects that BESS demand will not increase *linearly*, but instead grow at an accelerated pace once the transition towards clean energy solutions gathers momentum, as has been the case in the adoption of other novel technologies.

FREYR Battery: BESS ecosystem, showing role of battery storage



Source: Company data. FREYR 4Q and Full Year 2022 Earnings Call presentation, IEA. Slide 13.

FREYR Battery: long-term outlook for battery storage capacity



Source: Company data. FREYR 4Q and Full Year 2022 Earnings Call presentation, IEA. Slide 14.

Valuation considerations

Our outlook places Mpac on a prospective FY24 PE of 7.3x and EV/EBITDA of 4.7x, at our Fair Value, indicative of 12.7x and 7.9x respectively. This compares to a machinery and manufacturers' Q4 22 average PE (US) of 22.4x (source: csimarket.com) and, for the industrials representative group shown below, a prospective market cap-weighted average EV/EBITDA multiple of 15.1x, and PE of 22.2x.

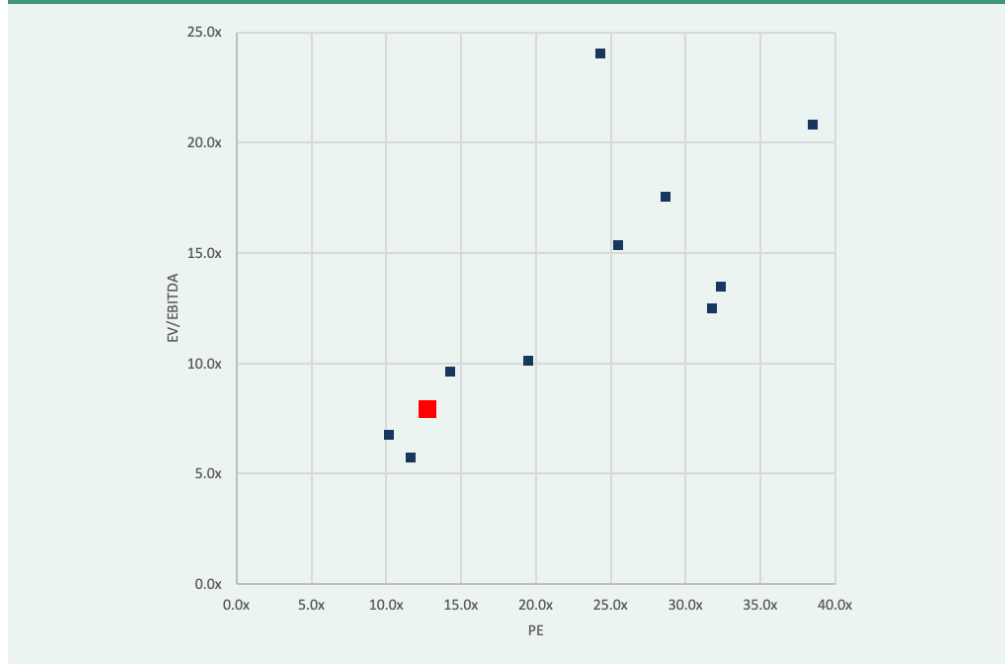
Comparative valuations

Company	Code	Sh price (p)	M cap (£m)	EV/EBITDA	PE
600 Group	SIXH.L	9.7	11.3	32.3x	13.5x
Avingtrans	AVG.L	457	146.2	57.1x	10.5x
Hill & Smith Holdings	HILS.L	1,366	1,087	31.8x	12.5x
Morgan Adv Mats	MGAM.L	303	864	11.7x	5.7x
Oxford Instruments	OXIG.L	2,577	1,502	38.5x	20.8x
Renishaw	RSW.L	4,208	3,062	25.5x	15.4x
Rotork	ROR.L	315	2,712	28.6x	17.5x
Sealed Air	SEE.L	48.0	7,248	14.2x	9.6x
Smiths Industries	SMIN.L	1,748	6,974	24.3x	24.0x
Trifast	TRI.L	71.0	96.6	10.1x	6.8x
Weir Group	WEIR.L	1,950	5,060	19.5x	10.1x
				15.1x	22.2x

Source: Company data. Yahoo Finance.

Location of Mpac at Equity Development Fair Value, highlighted in red.

Comparative valuation, PE : EV/EBITDA



Source: Company data. Yahoo Finance.

SUMMARY FINANCIALS

P&L: FY20 – FY24E							
P&L Year to 31 December (£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	115.8
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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