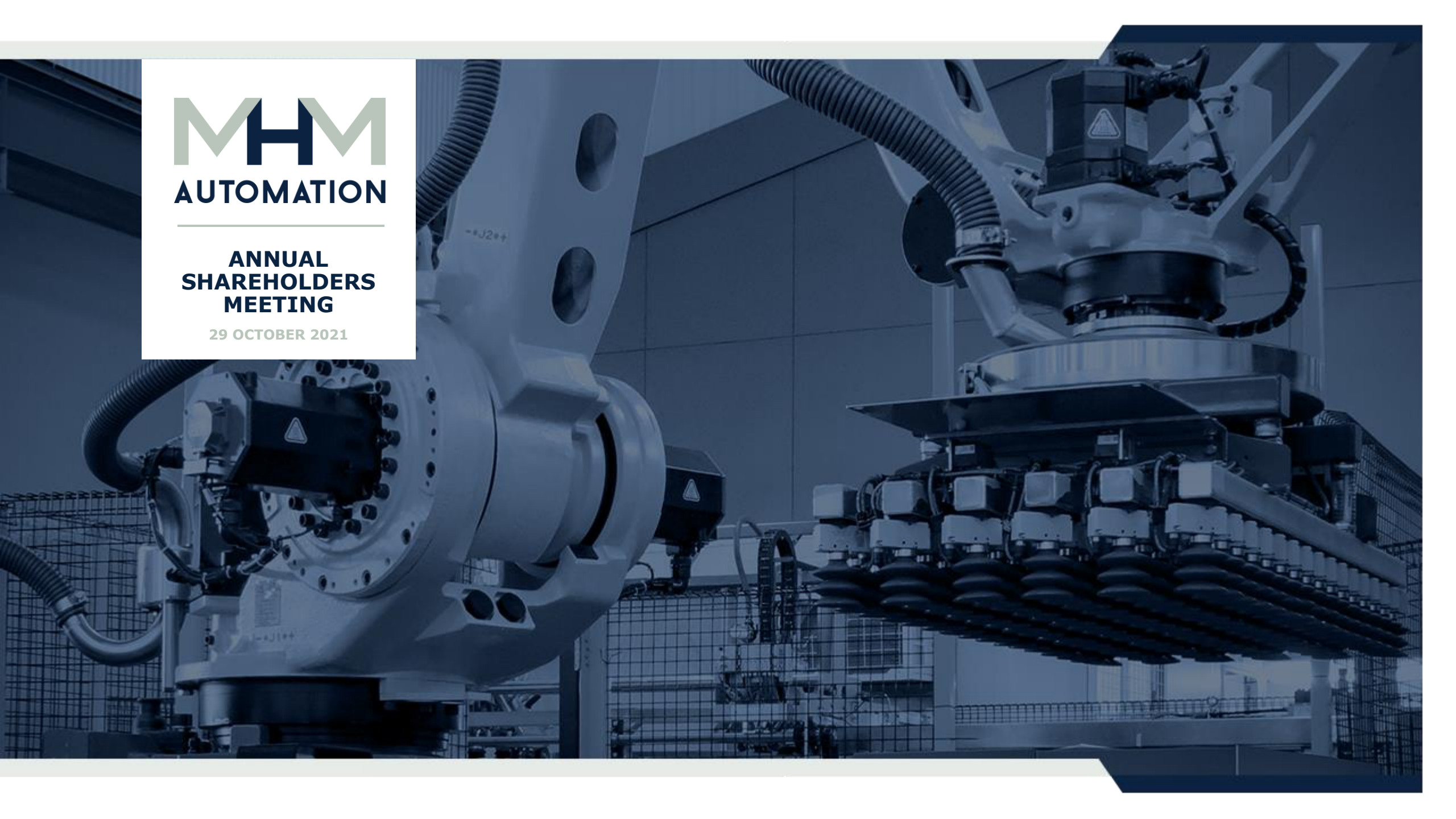




**ANNUAL
SHAREHOLDERS
MEETING**

29 OCTOBER 2021



EVOLUTION AND GROWTH

FOCUS ON AUTOMATION AND IP

BOARD OF DIRECTORS



Colin Neal

DIRECTOR

Colin founded Big Chill, a significant refrigerated trucking company in New Zealand. Colin brings a wealth of experience in supply chain logistics and procurement with an extensive network of local and international contacts.

Colin has several other business interests, both public and private. In addition to Colin's investment in Mercer Group he has most recently acquired Smiths City. His private investments include supplying meal products to supermarket chains and food related industries.



Paul Smart

INDEPENDENT DIRECTOR

Paul is a Chartered Accountant and a long-standing member of the Institute of Directors. He also holds a BBS (Finance).

As an executive, Paul has served as CFO of New Zealand's largest energy company, Meridian Energy, and prior to that, founding CFO of Sky Television.

As a professional director Paul has acted as a director, audit and finance chair and board chair for a range of companies from listed to large private companies. He is currently a non-executive director of ArborGen Holdings, Geo40, Argus Fire Systems Service and SolarCity.



George Rolleston

DIRECTOR

George joined the board in February 2019. He is the founder and Managing Director of Asset Growth Fund, based in Melbourne. He is also the director of a number of private New Zealand and Australian companies that span a range of industries.

He has a Masters of Applied Finance and a Bachelor of Law degree. George represents the interests of the majority shareholder, Asset Management Limited.

BOARD OF DIRECTORS



Trevor Burt

CHAIR AND INDEPENDENT

A Chartered Fellow of the NZ Institute of Directors, Trevor is an experienced director of large scale companies and is currently Chairman of New Zealand Lamb Company Ltd, Chairman of Rua Bioscience Ltd and a director of Market Gardeners Ltd and Landpower NZ Ltd. He was a previous Chairman of Ngai Tahu Holdings Corporation Ltd and Lyttelton Port Ltd and former Deputy Chairman of PGG Wrightson Ltd.

Trevor's executive career was with the global companies Linde Group and the BOC Group and he led businesses in Australia, China, USA, and Germany, retiring from the Executive Board of the Linde Group in 2007. Since moving back to New Zealand, Trevor has had a very successful career in governance of companies in a wide range of sectors including energy, retail, distribution, and food

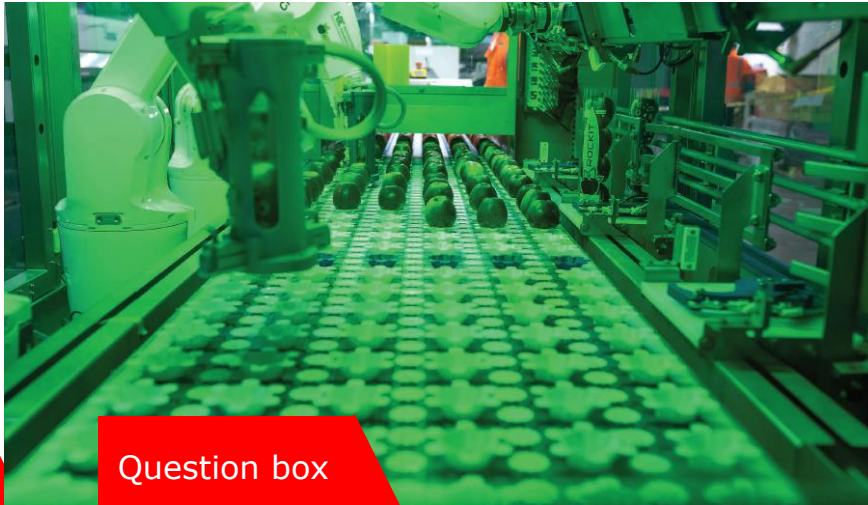


Richard Rookes

CEO

Richard was appointed CEO in July 2015. Since that time, he has driven the strategic changes across the business with a view to transition the Group towards a technology-led future.

Prior to joining Mercer Group, Richard was an investment banker in New Zealand and the UK. Richard holds a B.Com, Diploma for Graduates and a Post Graduate Diploma in Commerce, all from the University of Otago



Voting Card

Question box



Get a Voting Card



Ask a Question

Downloads

Notice of meeting

Annual report

AGENDA

- 1 | Welcome
- 2 | Chair's address
- 3 | CEO address
- 4 | Questions
- 5 | Resolution
- 6 | General business



HIGHLIGHTS & CHAIR'S ADDRESS

CHAIR'S ADDRESS

HIGHLIGHTS FOR THE YEAR AS CHAIR:

+ Health & Safety

Top of industry metrics

+ Improved Financial Performance

- Net profit \$4.1m
- Revenue of \$51m
- EBITDA \$3.7m

+ Special Dividend

\$1m special dividend paid September 2021

+ \$4m property sale

New Plymouth workshop sold

+ SCE

Acquisition of Southern Cross Engineering

+ Cashflow

Strong operating cashflows and cash position

+ COVID-19

Continues to be managed well, US market is opening up again

CHAIR'S ADDRESS

GOVERNANCE FOCUS FOR 2022:

+ Continued operational improvements

+ Implementation of new strategy

+ Focus on H&S

+ Governance:

- Dividend policy
- Sustainability roadmap
- Board and Governance Review
- Ongoing compliance

A blue-tinted photograph of an industrial clean room. In the center, a white ABB robotic arm stands upright. To its left, another ABB arm is labeled 'Clean Room'. To the right, a white HSC AUTOMATE robotic arm is visible. The floor is covered with a grid of small, dark, circular objects. The background shows industrial equipment and a clean, sterile environment.

CEO'S ADDRESS

HEALTH AND SAFETY

Further investment in our people and systems

HIGHLIGHTS FROM 2020-2021

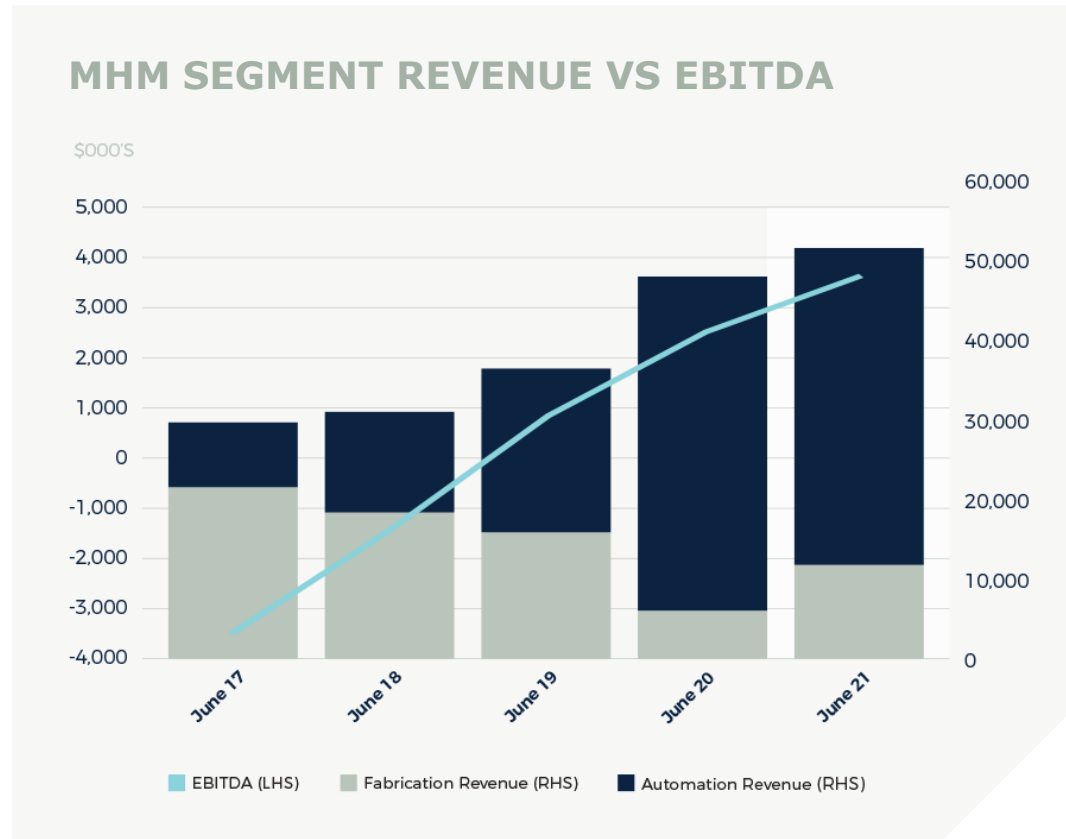
- Investment in a Health and Safety Specialist
- Commissioned a full Health and Safety Gaps Analysis Audit Report with recommendations for improvement
- Investment in new plant and respiratory equipment
- Property upgrades

PLANS FOR 2021-2022

- Implementation of the 'one group' strategy for Health and Safety systems
- A new Health and Safety Strategy Plan for implementation
- Centralised electronic reporting system, accessible anywhere, with real time reporting
- Development of an integrated management system with quality systems and aligned with AS/NZS ISO 45001

FINANCIAL PERFORMANCE

Continuation of revenue growth, profitability and margin improvement across the group.



+ Revenue of \$51m

Up 6.1% on the prior year, largely driven by the continued strong performance of the Milmeq chilling and freezing business in Australia

+ EBITDA \$3.73m

- A 50% increase on the prior year's \$2.48m
- Margin improvement to 7% from 5%

+ Net profit \$4.1m

+ Total income to shareholders of \$6m

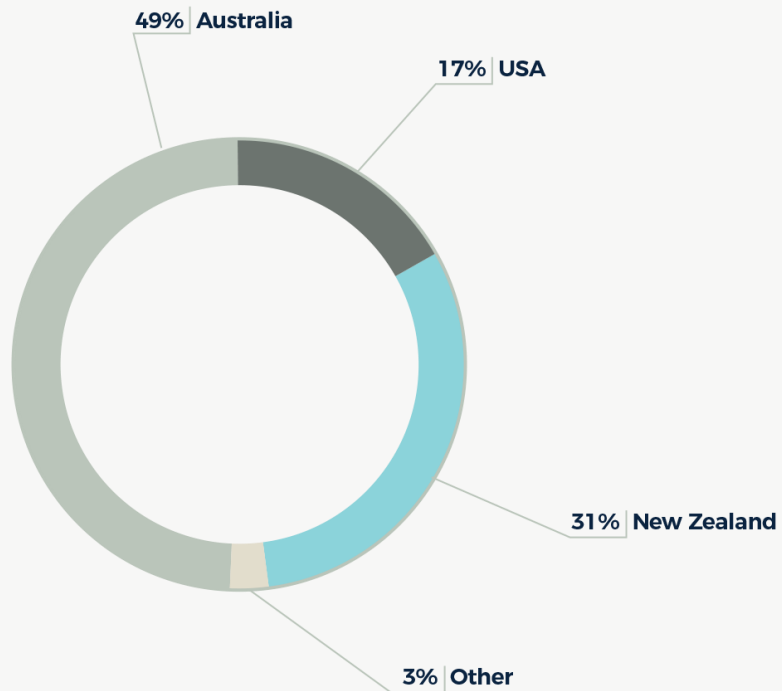
(includes gain on property)

+ Automation

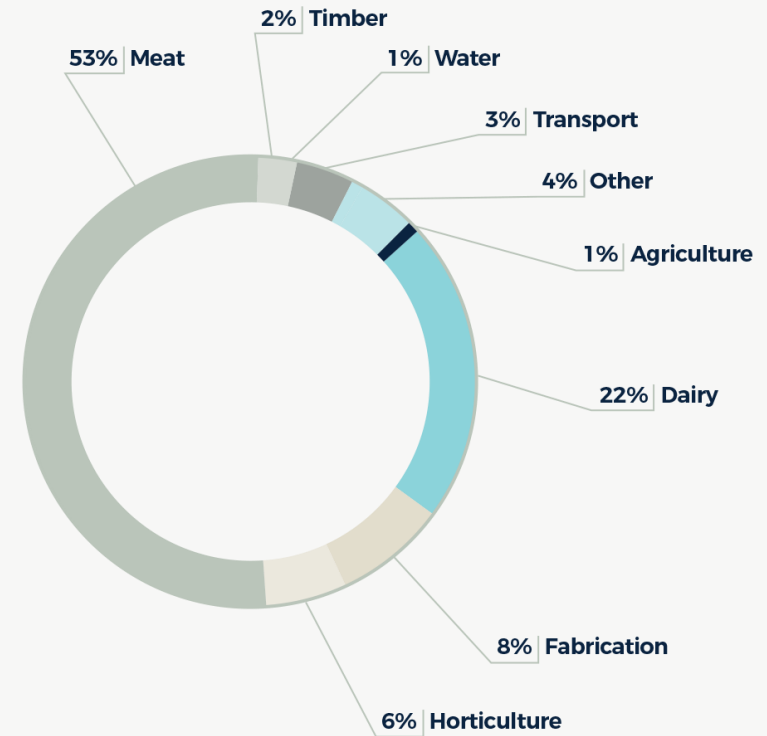
78% of group sales revenue

FINANCIAL PERFORMANCE

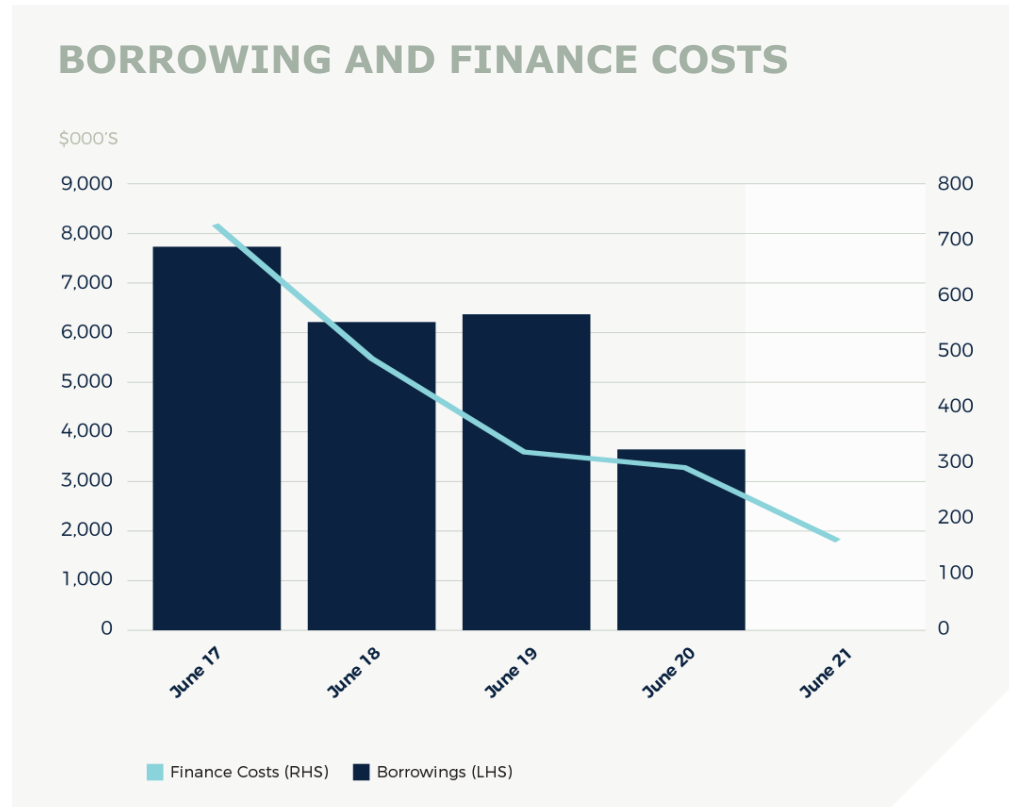
REVENUE BY GEOGRAPHY



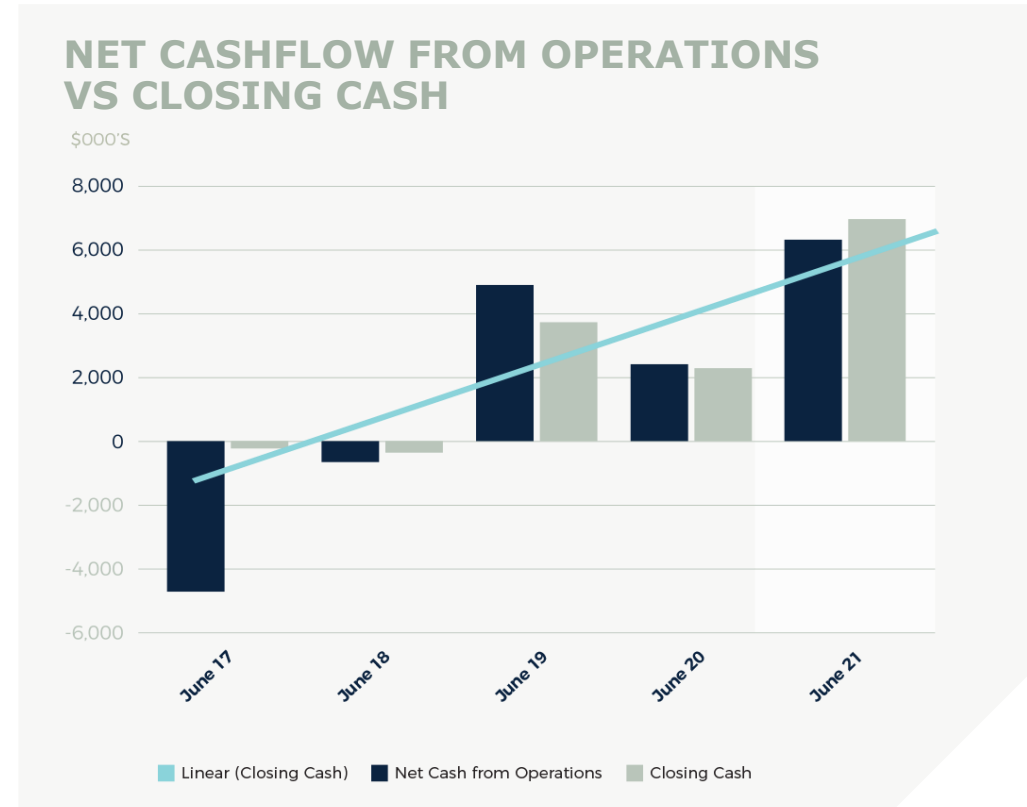
REVENUE BY SECTOR



FINANCIAL PERFORMANCE

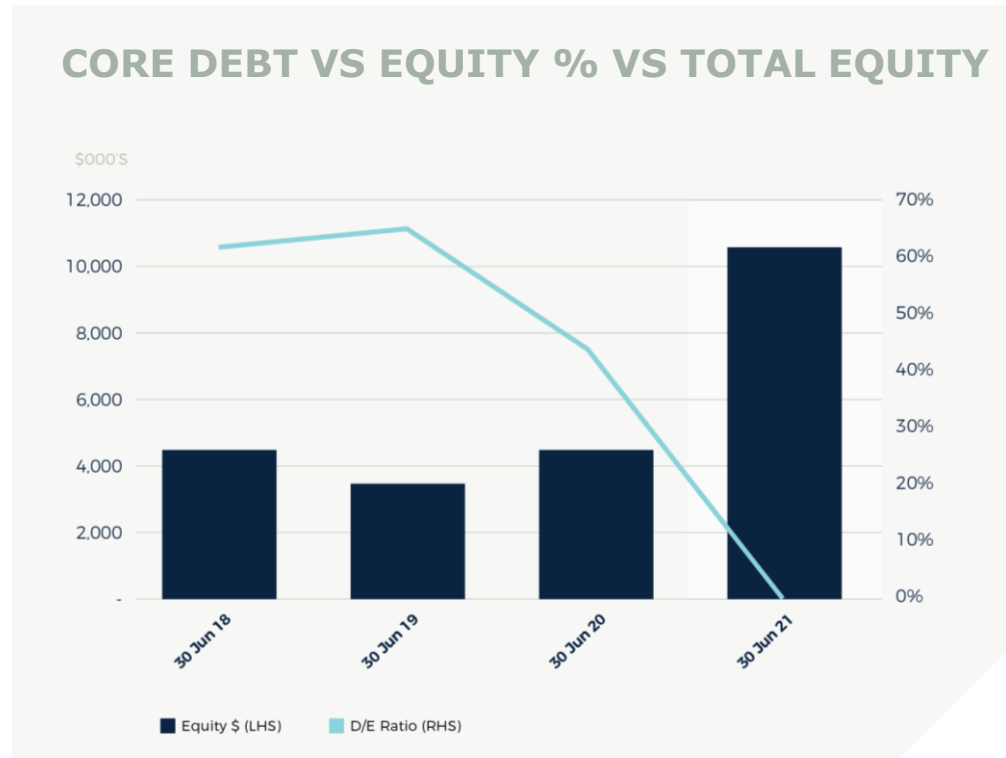


- Borrowings nil at year end, with \$6m undrawn bank facilities, we remain undrawn.
- Strong liquidity of \$13m maintained as at 30 September 2021 (cash plus undrawn facilities)



- Strong operating cash flow of \$5.9m
- \$6m cash on hand at year end - a reflection of strong order book and forward booked work

FINANCIAL PERFORMANCE



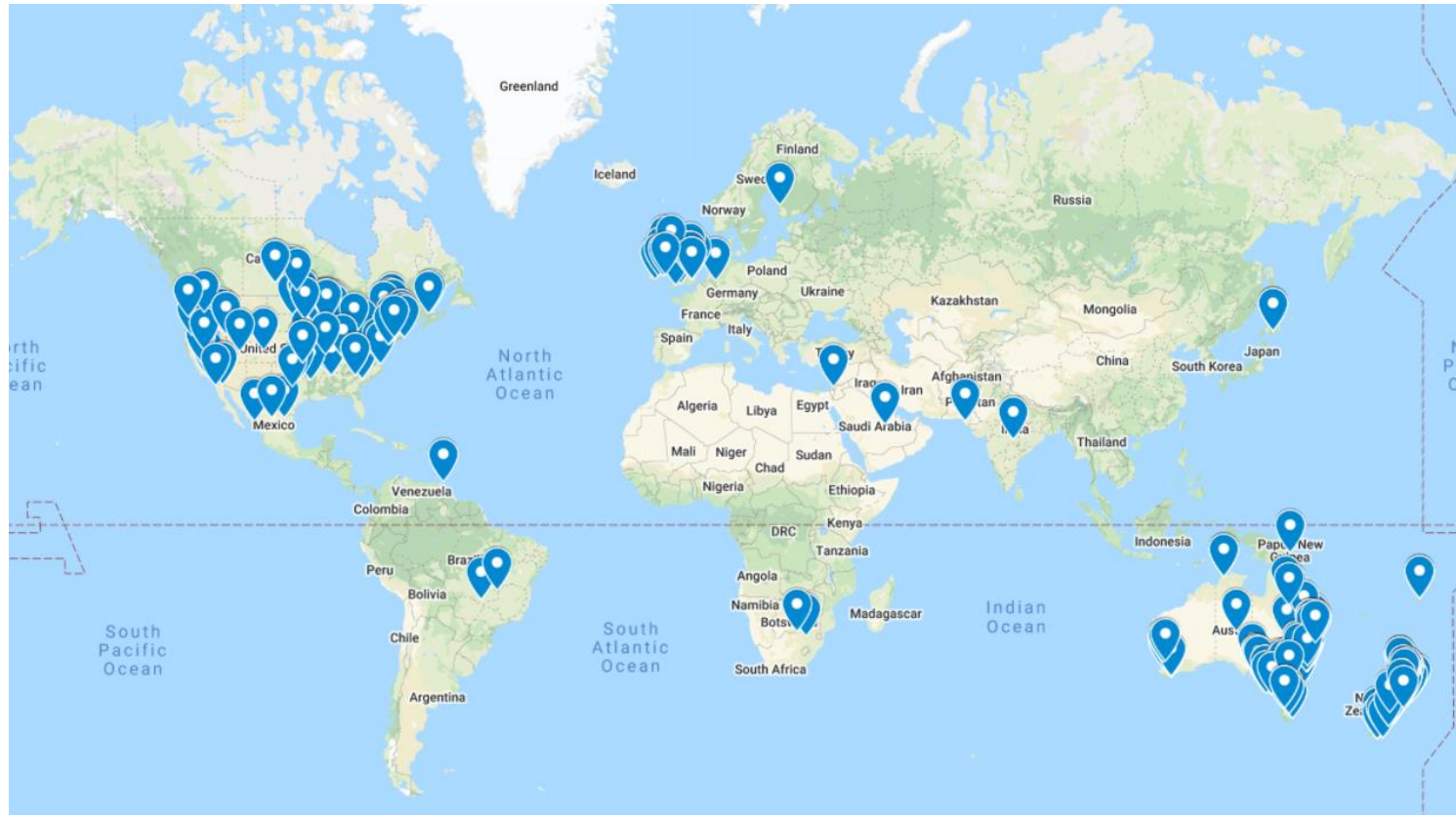
- Improving Equity position – total equity increased from \$4.5m to \$10.5m during the year
- Share price increase of 156% during the year - closing market cap of \$42m
- Special dividend of \$1m paid in September

PROPERTY UPDATE

- Sale of New Plymouth property for \$4m, generating a net after tax gain on sale of \$1.65m.
- Christchurch site renovated and strengthened. Revaluation uplift of \$1.9m as at June 21.
- This work is now complete which will see a further revaluation uplift of \$794k
- We now operate from a modern head office that we are proud of and is a good asset on the balance sheet

WHERE WE OPERATE

MHM Automation has completed more than 500 installations for food processing companies worldwide.



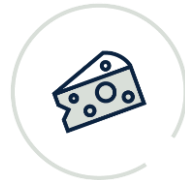
**WHAT
DO WE
DO?**

SECTORS AND PRODUCTS

CORE MARKET SECTORS:



Meat



Dairy/Cheese



Agriculture



Horticulture



Timber



Logistics

OUR BUSINESS HAS 5 KEY PRODUCT CATEGORIES:



**Chilling &
Freezing**



Packaging



**Reverse Packaging
& Materials
Handling**



**Timber
Processing**



**Industrial &
Fabrication**

BRANDS WE OWN



BRANDS WE REPRESENT

(Australia/New Zealand)



KEY MEAT CUSTOMERS



KEY DAIRY/CHEESE CUSTOMERS



KEY HORTICULTURE, AG, TIMBER, INDUSTRIAL CUSTOMERS





AUTOMATION

Our Automation business comprises the Milmeq and H&C Automation businesses. It operates out of Christchurch, Hastings, Auckland, Brisbane and Green Bay, Wisconsin.

+ 78% of revenue
As we continue the focus on technology and automation

+ \$53m
Revenue (prior to inter company eliminations)

+ EBITDA \$4.8m
Margin improvement for the year to June from 3.9% to 9.1%

CHALLENGES FOR OUR AUTOMATION BUSINESS:

➤ People
Hard to find the right resource

➤ MIQ
Business model relied on international travel

➤ Execution
Opportunities are not the issue... resourcing and border challenges are!



AUTOMATION

+ Plate freezing systems

into the Australian red meat industry drove performance in 2021 and will continue to do so into 2022. Excellent team based in Brisbane

+ Our strategy

of diversification of products and markets continues to benefit our performance.

NOTABLE SUCCESSES DURING THE YEAR INCLUDE:

- Further projects with Rockit Apples as we have worked with them as a key innovation partner
- First freezing tunnel sale into North America
- Installed and commissioned our first robotic de-boxing system in the US red meat industry
- Commenced our first ASRS project in the Australian red meat industry
- On-boarding of Scan American Corp as our sales agent into the red meat sector in USA

AUTOMATION CASE STUDY

ROCKIT APPLES | rokit

AN EXAMPLE OF:

- + Partnership
- + Innovation
- + Vision systems
- + Industry leading robotic technology
- + Machine learning

Rockit Apples exports snack-sized apples packed in tubes for on-the-go consumption to more than 30 countries

MHM have been working with Rockit Apples on the development of a robotic solution to put the apples in the tubes.



AUTOMATION CASE STUDY

ROCKIT APPLES | rokit

Comments from Mark O'Donnell, Rokit Apples CEO:

"MHM Automation was the natural choice as they are a global leader in their field"

"While packing apples into tubes sounds simple, in reality it is incredible technology. The robots are reading the size and shape of each apple as it goes past and working out which apples to put into their tube to maximise the fill of that tube; it's really clever stuff"

We are continuing to partner with Rokit Apples on further automation projects.





AUTOMATION CASE STUDY

MIDFIELD GROUP



AN EXAMPLE OF:

- + Trusted partnership relationship
- + Repeat customer
- + Industry leading solutions
- + Cross selling

Midfield Group is a multi faceted meat processing company located at Warrnambool in Victoria, Australia

The Midfield Group have had a long relationship with the Milmeq business.

MHM Automation currently has three major projects in progress automating the process from boning room to palletizing. This includes:

- Four SSO plate freezers
- Chilling and freezing ASRS
- Palletising

This breadth of offering combined the expertise across the Milmeq, H&C and Mercer product lines, showing the true benefit of the consolidation of three great businesses.

FABRICATION

The Fabrication business comprises the Mercer Stainless and Southern Cross engineering businesses. It operates from two workshops in Christchurch

+ \$12.5m
Fabrication revenue

+ EBITDA \$0.6m
4.7% margin

- Closure of the New Plymouth site, with work redeployed to our Hawkes Bay and Christchurch manufacturing sites
- The acquisition of certain assets of Southern Cross Engineering (SCE) has provided further diversification away from the reliance on the dairy sector
- The fabrication business also manufactures in house for the Milmeq product range
- Long term customer relationships, particularly in dairy continue to underpin this business while we drive further diversification



SOUTHERN CROSS ENGINEERING



Acquired **JANUARY 2021**

- Christchurch based engineering business with long history
- Purchase price was nil
- Acquired IP, long standing relationships and key staff
- Provided entry into new markets that aligned with long term strategy and provides further diversification:
 - **Timber** – NZ/AU import and distribution agent for world leading IP. Growth sector
 - **Grain** – world leading grain stacker IP
 - **Boilers** – cross sell into existing dairy and meat customers
 - **Service** – large service business which is key strategic growth area across MHM
- Successfully integrated into MHM
- Generated \$5.6m revenue and \$900k GM since January 2021





S-CLAVE

S-Clave is a patented system that sterilises medical equipment in a non-porous container system.

The benefits for the hospital or medical centre:

- Fast turnaround – sub 20-minute cycle versus around an hour for existing process
- Single-use container is non-porous so sterility can be guaranteed
- Faster cycle time is more energy efficient
- Container system is better for storage and transport
- Easier for sterilisation departments to pack and handle



S-CLAVE

- Making progress towards commercialisation with Atherton's.
- Key technical hurdle of film for the lidding process successfully achieved.
- Some sidewall strengthening required so containers hold shape under vacuum – not seen as a significant hurdle
- Hospitals in Melbourne being engaged to review the S-Clave process currently
- Target hospital trials by end of financial year
- Despite the delays, the S-Clave still offers a significant value opportunity for MHM Automation

STRATEGIC UPDATE

TRANSITION SINCE 2018:

- + Revenue from \$29m to \$52m
- + EBITDA from -\$1.4m to \$3.7m
- + Acquisitions of Milmeq and SCE
- + Rebrand to MHM Automation

BUILDING TO NEXT STAGE OF EVOLUTION BASED ON OUR KEY STRENGTHS:

- + Automation macro trend
- + Products and solutions that are world class, many in top three globally in their market
- + Blue chip customer base
- + New ERP

STRATEGIC UPDATE

WHAT IS THE OUTCOME?

- + **Profitable growth**
- + **Consistency of operating performance**
- + **Aligned people**

HOW WILL WE ACHIEVE THIS?

- + **Further diversification:**
 - Products
 - Markets
 - Geographies
- + **Focus on products and service... diversify away from reliance on projects**
- + **Leverage our blue chip customer base**

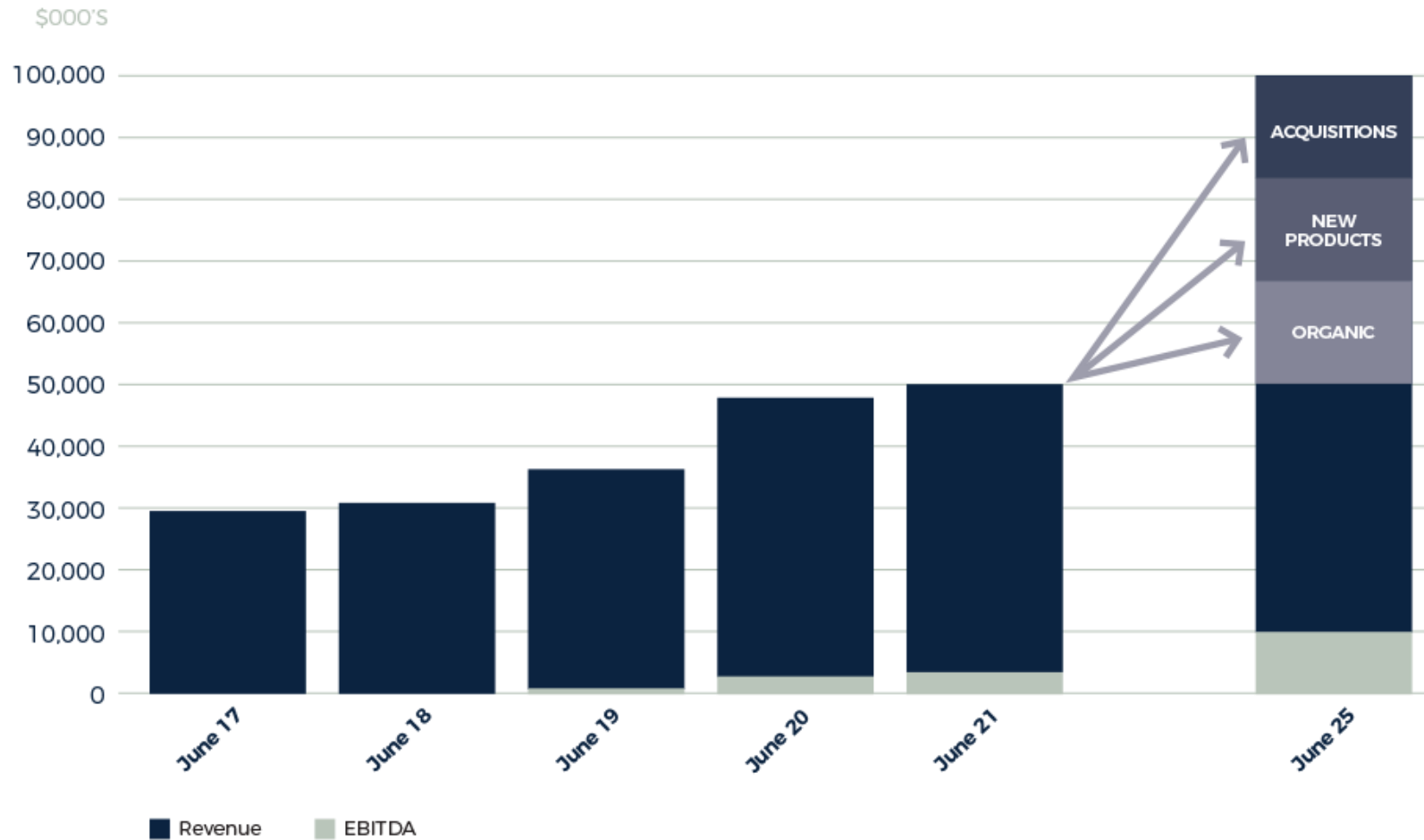
STRATEGIC UPDATE

STEP 100

➤ **Three years** ➤ **\$100m revenue** ➤ **\$10m EBITDA**

The logical next step for MHM Automation.

STEP 100



NOTE:
Growth figures are forecast only. Further detail will be provided in due course.

STEP 100 – HOW DO WE ACHIEVE THIS

Organic growth

- Focus on core IP driven products that are top three in their given market sector
- Key accounts managed from a global perspective – cross selling between the historical businesses
- Enter new markets and geographies where opportunities for MHM IP sit (focus of growth in Australia and USA)
- Expanding service offering

Product development

- Increasing in investment in new product development and R&D
- Focus on product developments that align with current portfolio and customer groups... MRT, reverse packaging into logistics, robotic solutions
- Target full solutions alongside core products

Continued acquisitions

- Proven track record of value adding acquisitions
- Focus on IP driven businesses that align with automation led strategy
- Targeted approach
- Many NZ businesses exporting great products that do not have scale to invest – MHM Automation can be a consolidator driving scale and ability to invest in markets and further development

MARKET OUTLOOK

Positive across all sectors. Increased investment expenditure from offshore customers, US customers back online.



Red meat

- Strong demand from Australian red meat sector for automation and freezing looking to continue through the 2022 calendar year
- Building on the sale of our first freezing tunnel into USA



Horticulture/Agriculture

- On going labour shortages driving automation investment
- Diversified our offering into agricultural sector via partnerships



Dairy

- US cheese converters have re-engaged on investment, with repeat purchase for reverse packaging and broader automation requirements.
- Increased investment in new primary cheese production in the US



Industrial

- Increased diversity and sustainability from timber and food processing demand.
- Increasing demand for our service offering

OPERATING OUTLOOK

Continuation of growth and profitability improvement

\$42m contracted revenue as at 30 September 2021

- \$37m Automation: chilling & freezing, materials handling and reverse packaging
- \$5m Fabrication

Strong pipeline of opportunities now being converted

Half year forecast: Revenue \$27 - \$30m EBITDA \$2.0 - \$2.25m

Increased investment required to deliver on sales and service opportunities

- Increasing resource in Australia
- Increased demand for our solutions in the US

- **QUESTIONS**

- **RESOLUTION**



To record the reappointment of BDO as auditors of the Company and to authorise the directors to fix the auditors' remuneration.

- **GENERAL BUSINESS**



DISCLAIMER

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Mercer 



milmeq



MHM
AUTOMATION

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