



20
22

ANNUAL SHAREHOLDERS MEETING



27 OCTOBER 2022

A blue-tinted photograph of an industrial factory floor. Several white robotic arms, with 'ABB' and 'HE AUTOMATE' visible on them, are positioned around a conveyor belt. The scene is dimly lit, with overhead lights creating a soft glow. The entire image is framed by a thin white border.

FY 2022

**ANOTHER RECORD YEAR
FOR MHM AUTOMATION**

BOARD OF DIRECTORS

➤ **Trevor Burt** *Chairman*

A Chartered Fellow of the NZ Institute of Directors, Trevor is an experienced director of large-scale companies. He 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.

➤ **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 Chair of Tamata Hauha and Vortex Power Systems, Audit Committee Chair of Arborgen Holdings and Geo40 and a Director of Argus Fire Systems and Genus ABS (NZ).

BOARD OF DIRECTORS

➤ **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 MHM Automation, Richard was an investment banker in New Zealand and the UK. Richard holds a BCom, Diploma for Graduates and a Post Graduate Diploma in Commerce, all from the University of Otago.

He is also a chartered member of the Institute of Directors.

➤ **Colin Neal**

Director

Colin founded Big Chill, a significant refrigerated trucking company in New Zealand. He 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 MHM Automation, he has most recently acquired Smiths City. His private investments include supplying meal products to supermarket chains and food related industries.

➤ **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 Business (Law). George represents the interests of the majority shareholder, Asset Management Limited.



HELP NUMBER
0800 200 220

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Question box



?
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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 FY22:

- **Good progress on STEP 100**
- **Strong Covid management**
- **Dividend payments recommenced**
- **Strong financial performance**
 - + **Revenue of \$68m** an increase of 32% on the prior year
 - + **EBITDA \$4.8m**, a 21% increase on the prior year
 - + **Net profit** after tax of \$1.8m
 - + **Strong operating cashflows** and cash position

CHAIR'S ADDRESS

GOVERNANCE FOCUS FOR FY23:

- **Further progress on STEP 100**
- **Continued to strengthen financial performance**
- **Focus on H&S – new system Mango implemented**
- **Improving governance**
 - Sustainability roadmap commencing
 - Board structure review

VALUATION COMPARISON

MHM Automation Ltd

\$0.63

↑75.00% +0.27 5Y

Oct 26, 10:00:28 AM UTC+13 · NZD · NZE · Disclaimer

1D 5D 1M 6M YTD 1Y 5Y MAX



MHM Automation L...	\$0.63	+\$0.27	↑75.00%	
Scott Technology L...	\$2.83	-\$0.52	↓15.52%	×
S&P/NZX 50 Index	10,985.57	+2,900.58	↑35.88%	×

Source: Google Finance

- 23% annual revenue growth since FY19
- EBITDA CAGR improvement of c. 80% since transition to profit in FY19
- 5 year share price change +75%
- MHM market cap \$42m
- MHM implied FY23H1 EBITDA multiple c. 5-6x
 - SCT EBITDA multiple c. 9-10x
 - NZX EV/EBITDA multiple 14x¹

¹Source: Jardens Market Multiples (FY-2) 3-Oct-2022

The image shows a factory floor with several white industrial robotic arms. One arm on the left has 'ABB' and 'Clean Room' written on it. Another arm on the right has 'HSE AUTOMATION' and 'PROCEAD' visible. The robots are positioned over a conveyor belt filled with small, dark, round objects. The entire scene is overlaid with a semi-transparent blue filter. A white border is visible around the edges of the image.

CEO'S ADDRESS

HEALTH AND SAFETY

Continuing to evolve, with investment in our people and systems

HIGHLIGHTS FROM 2021-22

- **Roll-out of Mango, our centralised reporting system**
- **Focused improvements to workshop, to support common work tasks**
- **Investment in health and safety training for our workshop**
- **Building a stronger H&S culture**

PLANS FOR 2022-23

- **Continue to roll out Mango modules to the group**
- **Focus on worker engagement and participation**
- **Focus on critical risks and their controls**
- **Continue to develop the health and safety management system, aligned with AS/NZS ISO 45001**

FINANCIAL PERFORMANCE

Continuation of growth margin improvement across the group

+ Revenue of \$67.6m

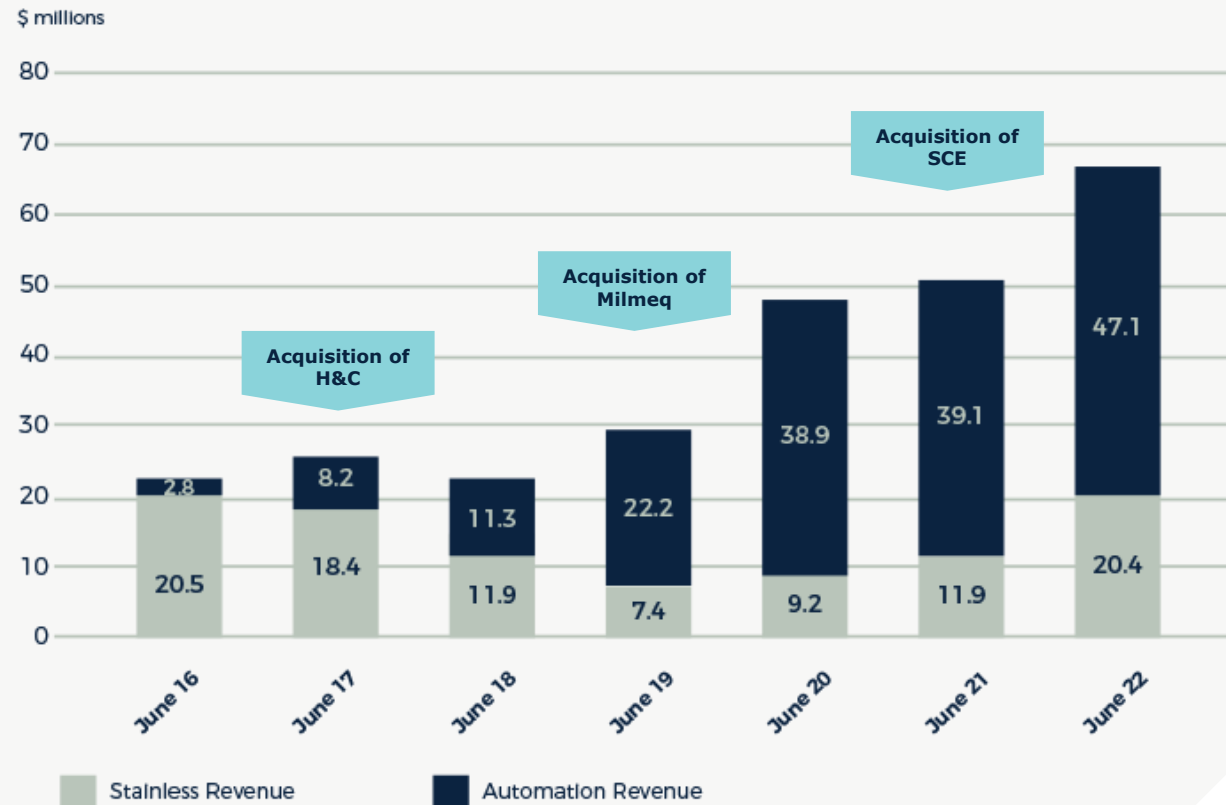
Up 32% on the prior year, largely driven by:

- Continued performance of the Milmeq chilling and freezing business in Australia
- The fabrication business benefiting from the first full year with SCE

+ Automation

70% of group sales revenue

MHM TRAILING REVENUE GROWTH BY SEGMENT



FINANCIAL PERFORMANCE

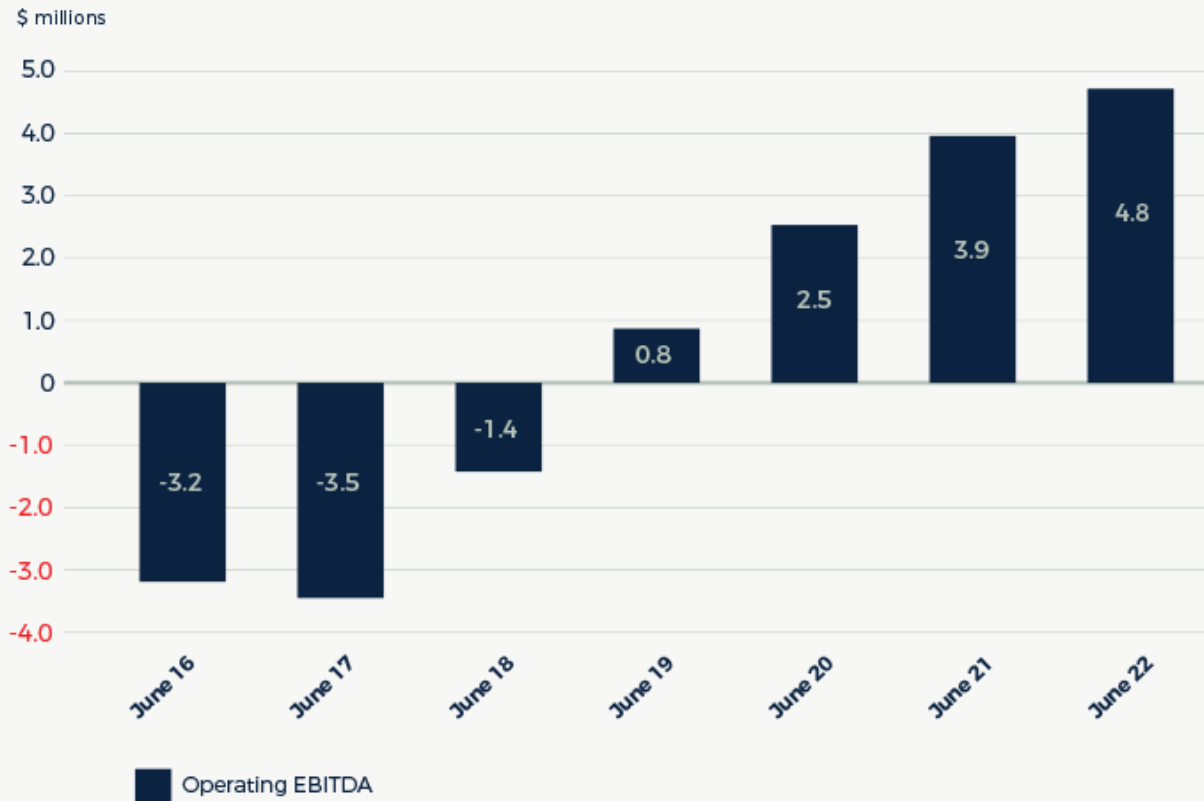
Continuation of growth margin improvement across the group

+ EBITDA
\$4.76m

A 21% increase on the prior year's \$3.9m

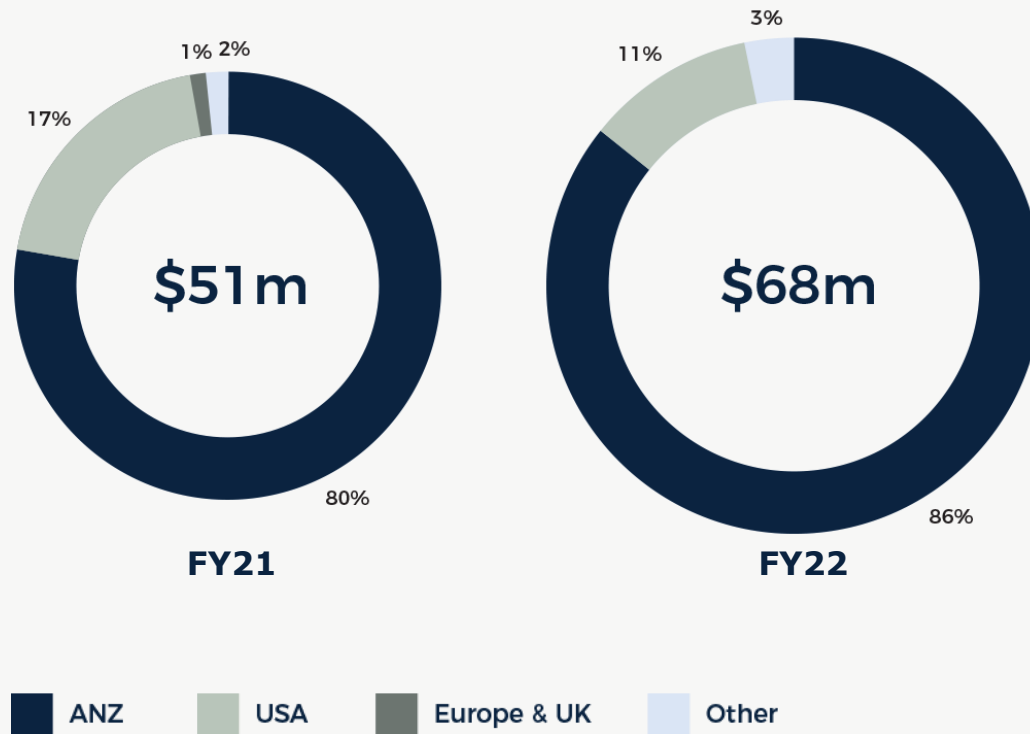
+ Net profit
\$1.78m

MHM TRAILING GROUP EBITDA



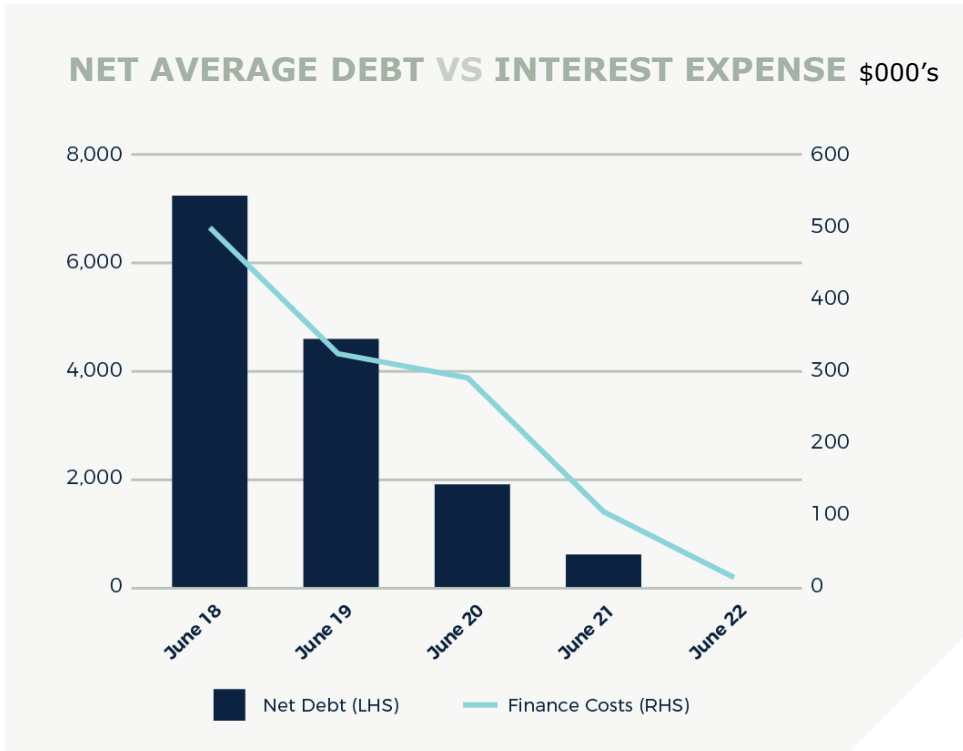
FINANCIAL PERFORMANCE

SALES REVENUE BY REGION

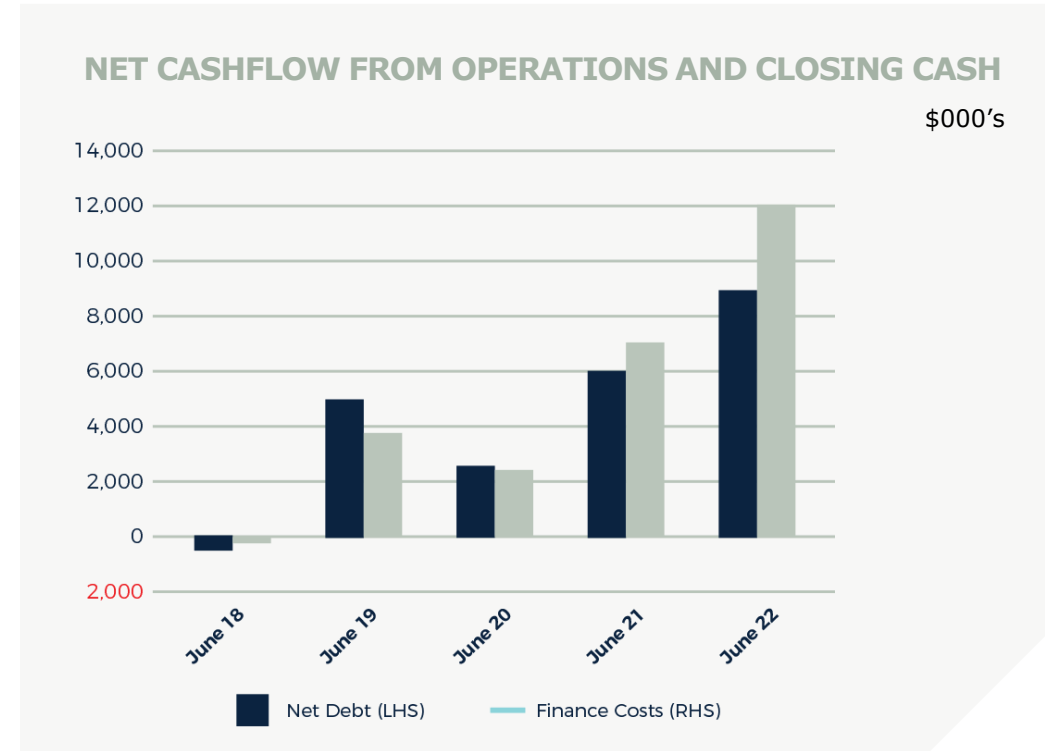


- + Revenue growth**
Driven by the strategy to diversify revenue streams and develop a technology-led company focused on automation
- + Export sales**
62% of total revenue
- + Australia**
Was our largest market at 48% of revenue
- + USA**
Continues to be an important market for us but growth has been difficult due to Covid-related travel restrictions

FINANCIAL PERFORMANCE

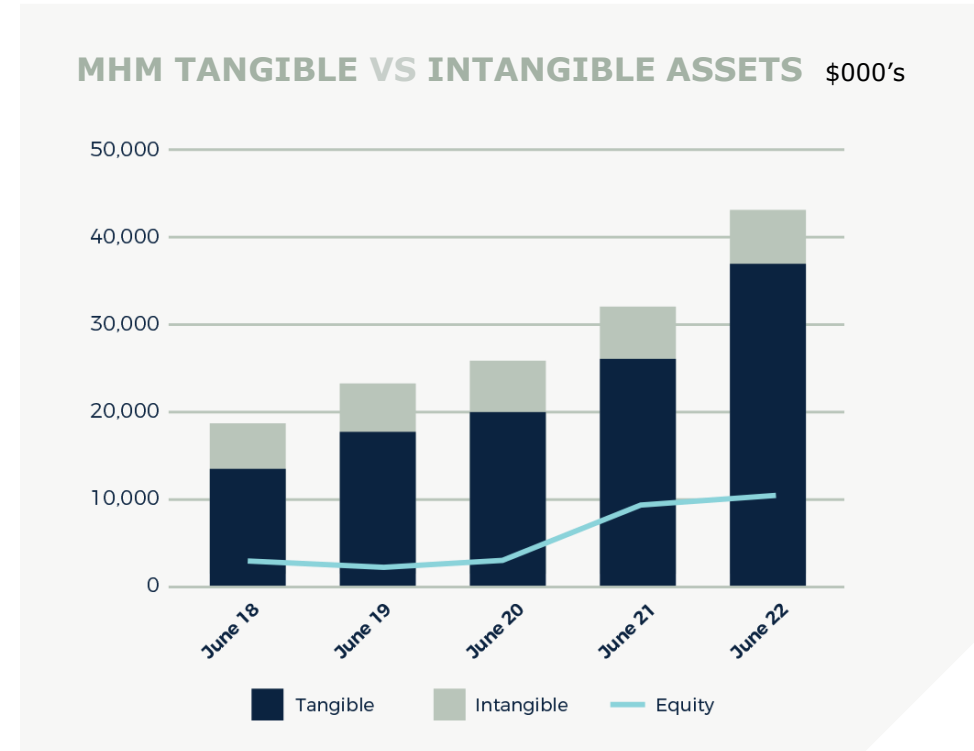
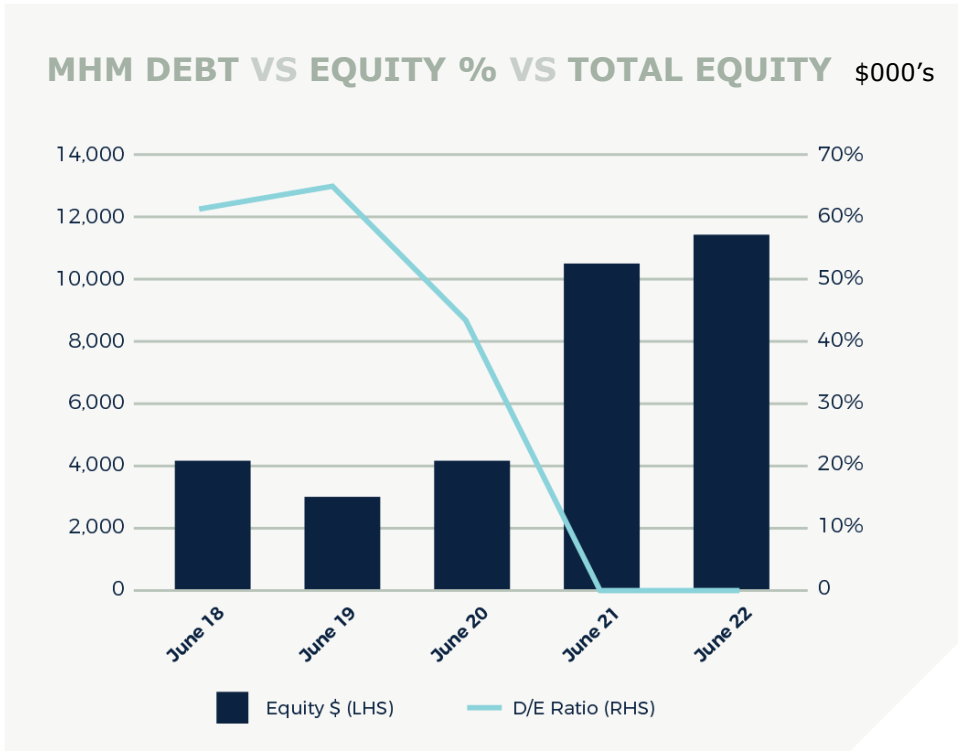


- Borrowings nil at year end, with \$6m undrawn bank facilities. We remain undrawn.
- Strong liquidity of \$20m maintained as at 30 September (cash plus undrawn facilities)



- Strong operating cash flow of \$8.8m
- \$12m cash on hand at year end; a reflection of strong order book and forward work

EQUITY POSITION



- Improving equity position - total equity increased from \$10.5m to \$11.7m during the year
- Business model is highly cash generative and has light capital requirements
- Dividend of 20% of NPAT paid in September

WHAT DO WE DO?

MHM Automation designs and supplies innovative, engineered solutions to the primary and logistics sectors worldwide.

CORE MARKET SECTORS



**Food &
Beverage**



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

Mercer 



HC



milmeq



AUTOMATION

Milmeq and H&C comprise our automation business, which operates out of Hastings, Auckland, Brisbane and Green Bay, Wisconsin.

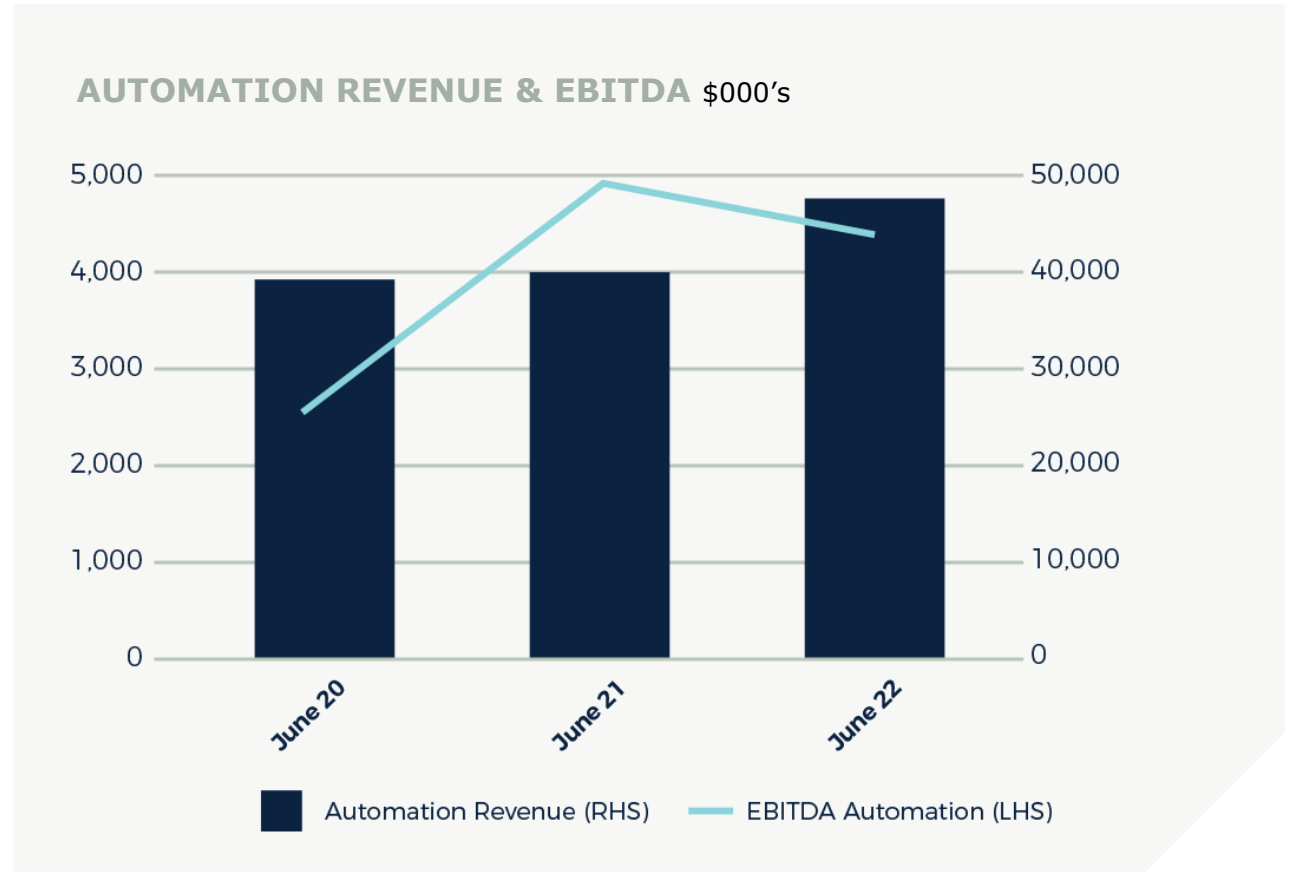
Automation provides 70% of our revenue, as we continue the focus on technology and automation.

+ Revenue \$47m

70% of total group revenue

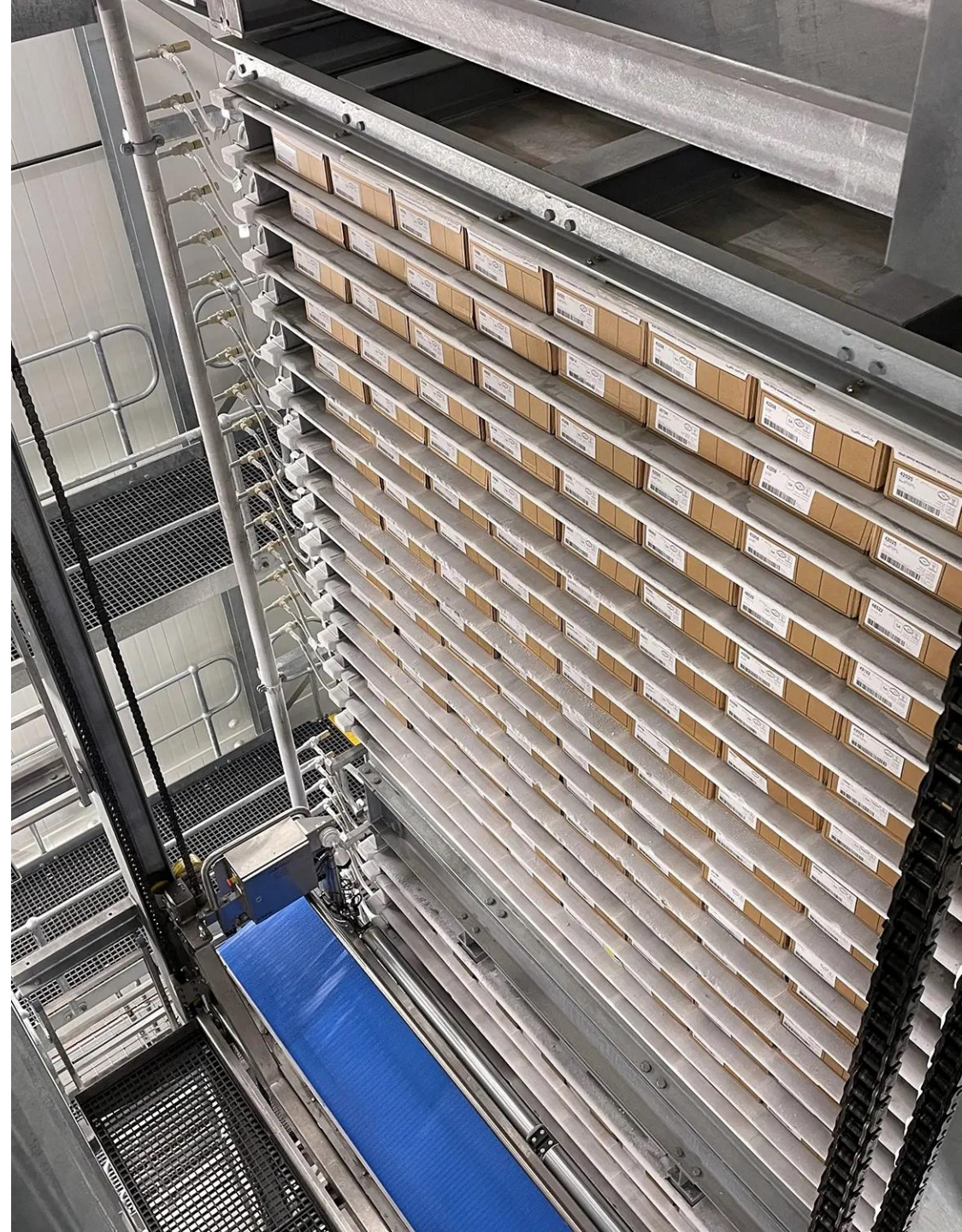
+ EBITDA \$4.2m

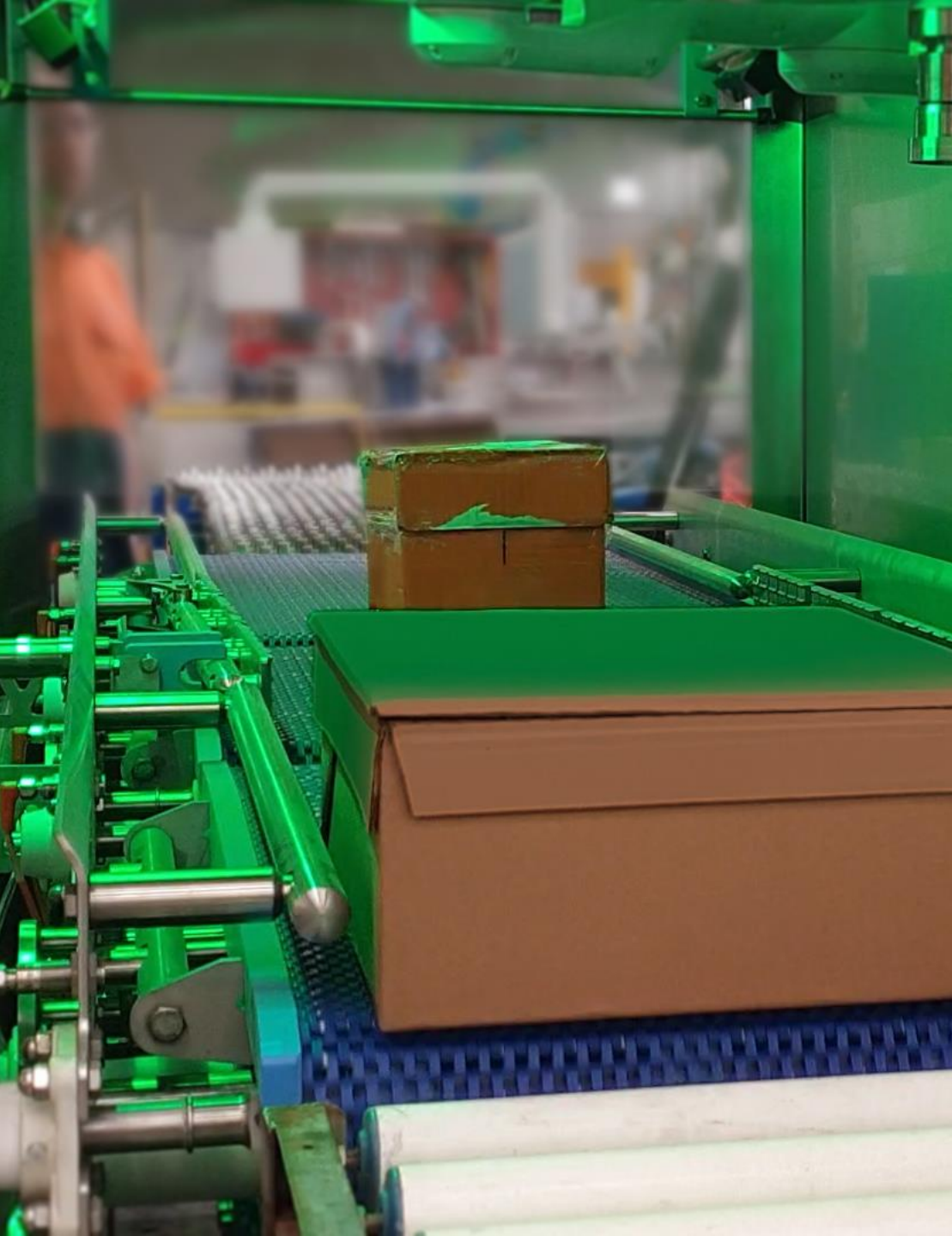
9% for the year to June 2022



AUTOMATION

- Continued strong run with plate freezing systems into Australian red meat market
- US business picking up after slower period during Covid
- The business handled the Covid disruption very well; installations and commissioning were still world class
- Covid disruption cost c. \$700k during the year which resulted in some margin erosion
- H&C saw the benefit of large project in H2 of the financial year following Brisbane floods, this is also rolling into the 2023 financial year
- Demand for our products and services remains strong. Increasing demand for Milmeq tunnels globally
- Resourcing continues to be a challenge and a constraint for growth





AUTOMATION CASE STUDY

MEAT DE-BOXING SYSTEMS

AN EXAMPLE OF:

+ **Using world leading de-boxing technology to solve a problem in a new industry**

+ **Selling into a global customer base with opportunity for further cross selling**

- We have adapted our cheese industry technology for the meat industry. This application utilises our Universal Robotic Box Cutter, a newly developed product and the first of its kind, with the ability to open boxes of varying shapes and sizes on the fly, without operator intervention
- Now sold three systems: two to Tyson Foods, one to Lower Foods, all in the USA
- De-boxing systems open and remove bulk meat product from boxes, delivering it to the production line ready for further processing

AUTOMATION CASE STUDY

MEAT TUNNEL INTO USA

AN EXAMPLE OF:

✚ **Growing market opportunity based on food safety requirements, H&S and human resource constraints – these are driving increased automation**

- Milmeq carton tunnels are used to cool cheddar cheese and freeze meat
- Milmeq has meat freezing tunnels in NZ, Australia and Europe
- Secured our first meat freezing tunnel in the USA market which is now installed and in the final stages of product commissioning
- The meat tunnel can freeze 125 tonnes of product in 24 hours using an air temperature of -48 deg C
- Tunnel is fully automated with no operator requirement





AUTOMATION CASE STUDY

FLOOD RECOVERY PROJECT

AN EXAMPLE OF:

- + Automation capability
- + Repeat customer (reputation)
- + Can do attitude
- + Committed team

- Brisbane based company plant severely flood damaged in February 2022
- We were the supplier of their significant conveying/palletising equipment, which was critical for production
- Within two weeks of the flood a full team that swelled to 20 people assembled on site to commence the eight month project
- Robots and all electrical items were replaced despite long lead times
- Project revenue since inception currently \$7m
- Given the nature of the project and utilisation of outsourced local labour, the project had a positive impact on the second half of the financial year and will have a similar impact on first half of 2023 calendar year

FABRICATION



Mercer Stainless and SCE comprise our fabrication business, which operates from two workshops in Christchurch.

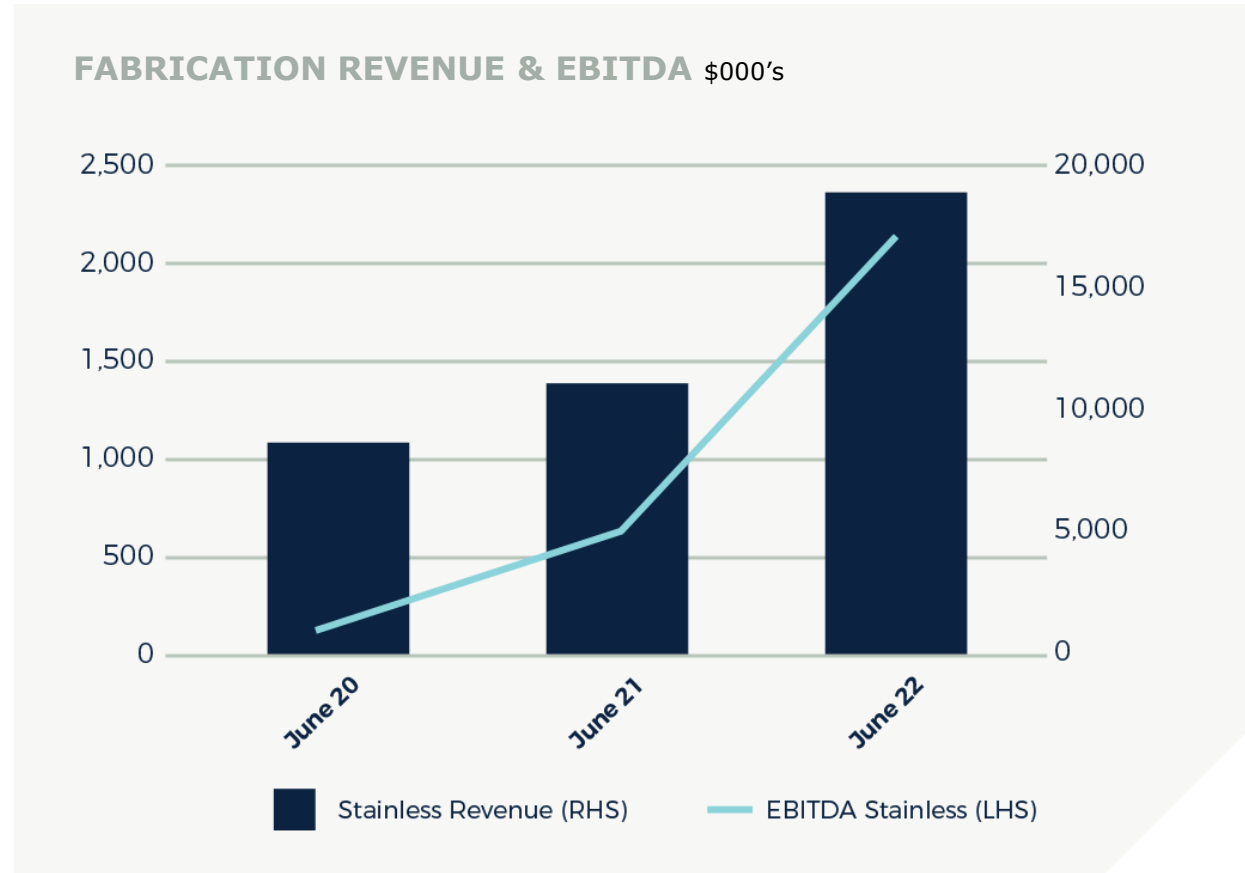
Fabrication had strong financial performance in FY22.

+ Revenue \$20.4m

Up 79%

+ EBITDA \$2.1m

3.5x lift (8.6% margin)



Excludes New Plymouth branch closed in FY20, SCE settled January 2021.

FABRICATION

FY22 was the first full year with SCE.

The SCE acquisition has materially outperformed expectations.

It has provided exposure to the timber, grain and agri sectors.

Highlights

- Mercer securing significant cheese equipment builds from Tetra Pak; the result of a long-standing, trusted relationship
- Sale of eight SCE grain stackers to Australian customers
- Strong agency sales into timber industry
- Cross pollination of workshop capability, adding to strength by diversifying workflows





FABRICATION CASE STUDY

GRAIN STACKERS

AN EXAMPLE OF:

- + Industry leading IP acquired with SCE
- + Diversification + Manufacturing/project capability

- The SCE Grain stacker is the benchmark in the Australian grain and wheat industry
- On the back of a strong growing season and increasing global demand, we received orders for eight grain stackers. All are being built in our Christchurch facilities
- The SCE grain stacker can move 500 tonnes of grain an hour, is manoeuvrable and transportable.

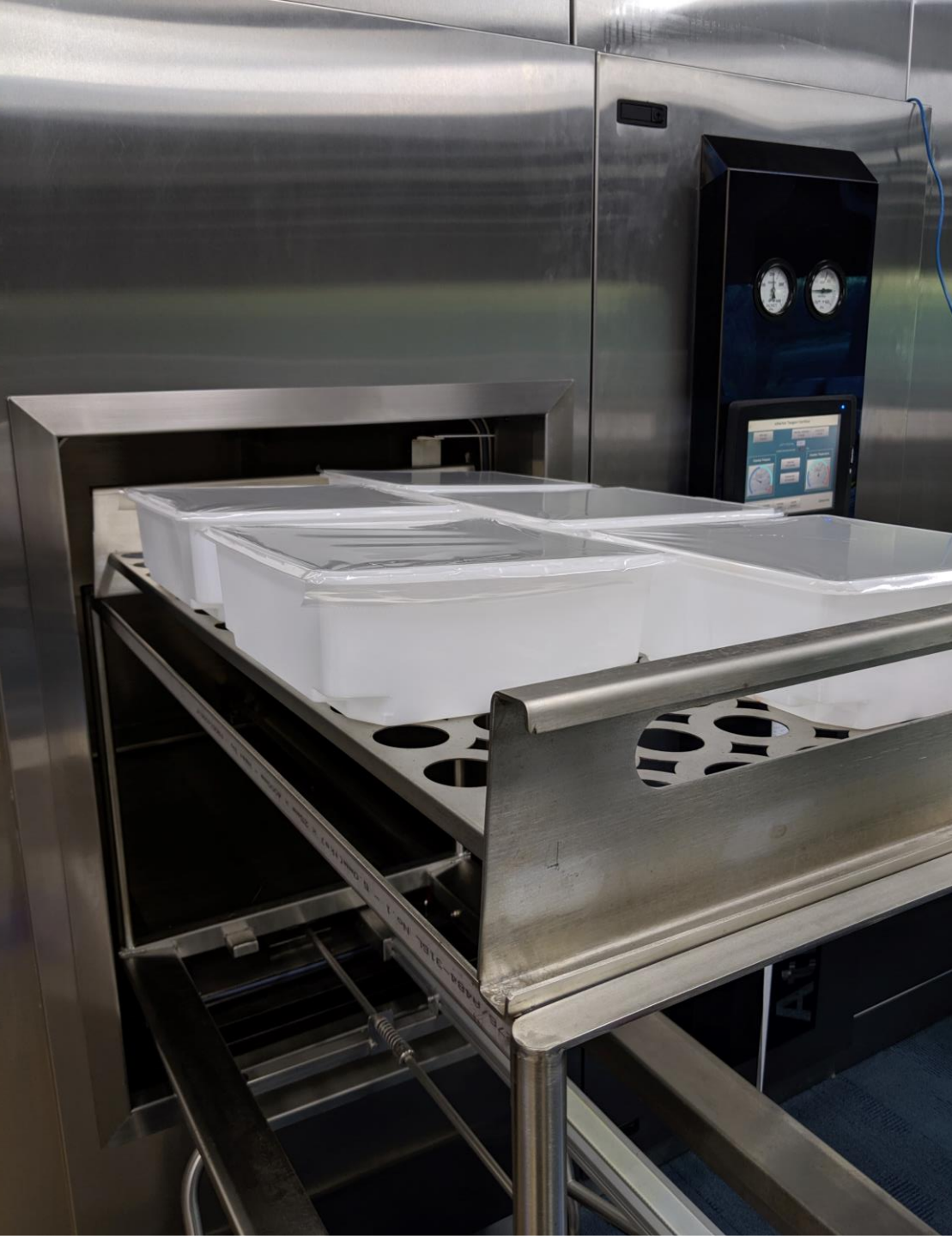
S-CLAVE

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

Progress

- S-Clave was approved for registration on the Australian Register of Therapeutic Goods by the Therapeutic Goods Administration. This clears the way for hospital tests.
- Tooling completed
- Film tested and successful
- External party review of product and process
- Significant further testing

Underway

- Finalising brace for side wall strength
- Preparing for accelerated timeframe testing
- Targeting hospital trials in the next six months

STRATEGIC UPDATE

STEP 100

➤ **Three years**

➤ **\$100m revenue**

➤ **\$10m EBITDA**

STEP 100 - UPDATE

+ Organic growth

Plan:

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

Progress update:

Organic revenue growth of 23%

Resourcing strategy to grow chilling and freezing business to allow for delivery of more projects per year

Cross selling of capability underway, particularly with automation into Milmeq customers

Service business growth now 10% of revenue

+ Product development

Plan:

Increasing 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

Progress update:

IoT now coming standard on all Milmeq equipment, rolling out across all products

Testing new AMR (autonomous mobile robot) with Milvus as partner. Rolling out to customers and seeing real demand

ASRS project underway in Australia

Further work with Rokit Apples on lidding machines

STEP 100 - UPDATE

+ Continued acquisitions

Plan:

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

Progress update:

Actively in discussions with a number of companies

Targeting at least one acquisition in 2023

Have capital structure to support larger acquisitions if required

OPERATING OUTLOOK

Continuation of growth and profitability improvement

+ **\$54m contracted revenue as at 30 September 2022**

\$44m automation; chilling & freezing, materials handling and reverse packing

\$10m fabrication

+ **Half year forecast: Revenue \$37 - \$40m - EBITDA \$4 - \$4.25m**

*Revenue 31% increase on prior comparative period

*EBITDA 96% increase on prior comparative period

+ **Strong pipeline of opportunities now converting to sales revenue/margin**

+ **Increased investment required to deliver on sales and service opportunities**

Increasing resource in Australia

Increased demand for our solutions in the US

*Forecast FY23H1 Revenue & EBITDA use guidance range mid point



QUESTIONS

RESOLUTIONS 1-4

- 1 | Election and Rotation of Director – Paul Smart**
- 2 | Election and Rotation of Director – George Rolleston**
- 3 | Directors Remuneration**
- 4 | The reappointment of BDO as auditors**

RESOLUTION 1

RE-ELECTION OF DIRECTOR:



➤ 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 Chair of Tamata Hauha and Vortex Power Systems, Audit Committee Chair of Arborgen Holdings and Geo40 and a Director of Argus Fire Systems and Genus ABS (NZ).

RESOLUTION 2

RE-ELECTION OF DIRECTOR:



➤ 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 Business (Law). George represents the interests of the majority shareholder, Asset Management Limited.

RESOLUTION 3

DIRECTOR REMUNERATION

- **No record of a director pool being established**
- **Proposed fees;**
 - Director \$60,000**
 - Chair \$100,000**
- **Fees benchmarked to the Institute of Directors/and EY 2022 report and NZX listed companies.**

RESOLUTION 4

RE-APPOINTMENT OF AUDITOR

Pursuant to section 207T of the Companies Act 1993, BDO is automatically re-appointed at the Annual Meeting as auditor of the Company.

The resolution authorises the Board to fix the remuneration of BDO as the Companies auditor.





GENERAL BUSINESS

DISCLAIMER

This document contains summary information about MHM Automation Limited (MHM) as at 27 October 2022. The information is subject to change without notice and does not purport to be complete or comprehensive. It should be read in conjunction with MHM's other periodic and continuous disclosure announcements lodged with the NZX, which are available at www.nzx.com.

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Mercer 



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