NZX Release **25 August 2022**

A record year for MHM Automation

MHM Automation are pleased to announce a 32% increase in revenue to $67.6m and growth in operating EBITDA to $4.76m for the financial year to 30 June 2022.

This is a continuation of our growth strategy centred around automation and diversification of products, markets and geographies into which we sell. The continued growth was a credit to our committed team across all business units, and the strength of our diversified product portfolio.

Highlights for the 12 months to 30 June 2022

- 32% revenue growth to $67.6 million
- 21% operating EBITDA growth to $4.76 million
- Strengthened balance sheet
- A special dividend of $1 million was paid to shareholders
- At year end, $53 million of forward work was contracted, a record for MHM Automation
- A number of large projects successfully delivered in a challenging Covid dominated environment

RESULT OVERVIEW

$ THOUSANDS

	FY19	FY20	FY21	FY22
REVENUE	**38,090**	**48,040**	**50,989**	**67,568**
Operating EBITDA (note 5)	810	2,486	3,941	4,760
Operating EBITDA %	2.1%	5.2%	7.7%	7.0%
Net profit after tax	(1,034)	934	4,100	1,775
Cash	3,688	2,323	6,992	12,011
Debt	(6,355)	(3,599)	–	–
Operating cash flow	4,904	2,457	5,935	8,852
Dividend	–	–	984.0	–
Dividend % of NPAT	–	–	24.0%	–

Financial Performance

We continue to deliver on our Step 100 strategy, during the year our revenue increased to $67.6m an increase of 32% on the previous year. This was split 70% from our Automation business and 30% from Fabrication.

Our Automation business that generally produces higher margins grew revenues by $8m or 21% on prior year while the fabrication business increased revenue by $8.5m, a 71% increase on the prior year. The Automation business was again driven by the Milmeq chilling and freezing business, which continues to see ongoing demand for its plate freezer systems, particularly into the Australian red meat market. Some of our automation customers, particularly in the US, delayed their investment decisions during the year based on COVID uncertainty. However, this was more than offset by our fabrication business with a full year contribution from Southern Cross Engineering (SCE). The SCE business had a very good year, with strong sales into the timber and grain sectors. This was a demonstration of our continued drive for diversification of markets and products to reduce risk and build a more sustainable business.

Operating EBITDA was $4.76m for the 12 months to 30 June 2022.

During the year we implemented a new cloud based enterprise-wide ERP. This was a long overdue investment that positions us for margin improvement and provides us a scalable platform for further growth and acquisitions.

The after-tax profit of $1.8m was $2.3m down on the prior year. The prior year included $1.7m nonrecurring gain on disposal of a discontinued operation.

Financial Position

Our balance sheet continues to improve with strong working capital which is reflected in the Operating Cashflow – this was driven by multiple large projects awarded and completed during the year.

Given our strong sales performance we have a net contract liability $17.7m as at year end. This liability is now cash covered from a working capital position. In prior years at a point in time banking facilities would be required to offset the liability. This is significant step change in our balance sheet which we see improving at our current setting and sales momentum.

Our BNZ banking facilities of $5m have been rolled over to September 2023 and remain undrawn.

Closing cash was $12m, a $5m increase on the prior year.

Operating cashflows continued to strengthen with Operating cashflows of $8.8m up from $5.9m for the prior year.

The Group's liquidity as measured by cash and available facilities was $17m as at 30 June 2022. This has improved as mentioned above. In the ordinary course of business Contract Liabilities can be discharged from working capital.

Outlook

We have entered the 2023 financial year with the strongest order book we have ever had – as at 30 June 2022 we had $53m of forward work contracted. This has subsequently increased to $61m.

This workload is a testament to the great range of products and solutions that we design and deliver. Our focus on automation and leading IP is providing us a platform for growth.

While the economic outlook remains uncertain with slowing global growth, increasing funding costs and increasing inflation, we are confident in the year ahead.

Further, issues around human resource in the markets we sell into, whether it be increasing cost of employment or health and safety issues, means that automation and modernisation of process is only moving up the priority ladder with our customers. We see automation as a mega-trend that we are well positioned to participate in.

We also continue to look for further acquisition opportunities. We have reviewed, and continue to work on a number of potential acquisitions. We have a proven track record in the successful integration of acquisitions, and with the investment in our new cloud based ERP, we have a platform to achieve results.

For the 2023 financial year we are forecasting a further increase in revenue over the 2022 financial year, and EBITDA in excess of $5m. We will provide a more detailed forecast for the full year with our half year results.

Dividend Policy

The Board is pleased to announce the reinstatement of a dividend policy for MHM Automation, of 20% of adjusted Net Profit at Tax. This is a testament to the continued strengthening of the business. While we still retain an aggressive growth strategy to $100m revenue, we see a dividend policy as crucial for shareholders going forward.

As such, we are pleased to announce a dividend payment of $475,960, for details of the distribution please refer to the Distribution Notice that accompanies this release.

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