

2023

MHM
AUTOMATION

Preliminary
Full Year
Announcement



We are pleased to report our 2023 unaudited financial results.

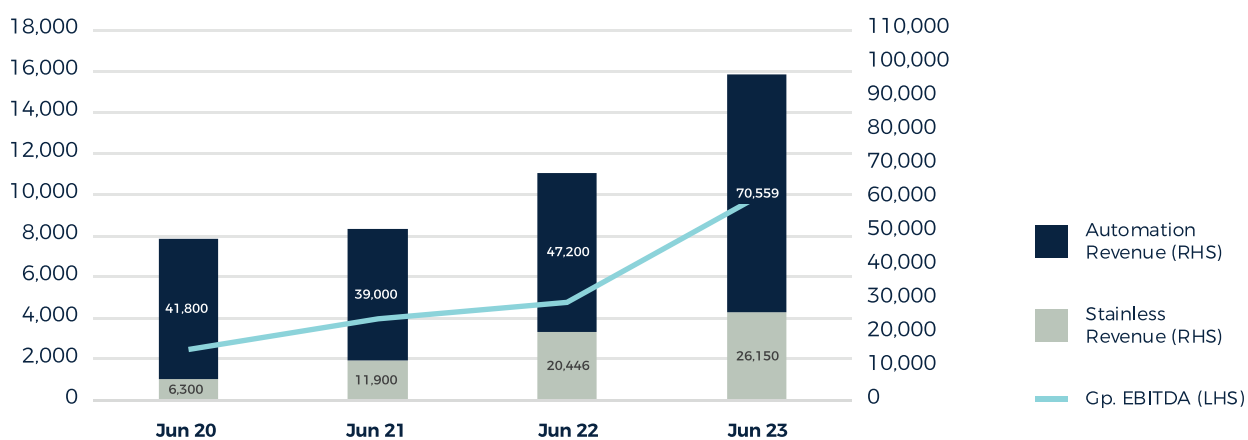
2023 was a record year for MHM, achieving revenue growth of 43% to \$96.7m and EBITDA growth of 107% to \$9.87m. We also completed the acquisition of Wyma which is a transformational acquisition that provides us with further scale and diversification.

HIGHLIGHTS

- > **ZERO LTIS**
on a 12 month trailing measure
- > 43% revenue growth, with
REVENUE OF \$96.7 MILLION
for the year
- > 107% increase in
OPERATING EBITDA TO \$9.87 MILLION
(10.2% of revenue)
- > Continued strong pipeline with
FORWARD SALES OF \$63 MILLION
at year end
- > **ACQUISITION OF WYMA**
settled on 1 May 2023
- > Delivery of MHM's
FIRST ASRS INSTALLATION
for an Australian customer
- > **NET BANK DEBT \$10.5 MILLION**
and interest expense \$467k
- > **DIVIDENDS OF \$1.011 MILLION**
paid during the year
- > **STEP 100 STRATEGY**
launched in 2021
EFFECTIVELY ACHIEVED,
a year early

SEGMENT REVENUE & OPERATING EBITDA

IN THOUSANDS OF NEW ZEALAND DOLLARS



The 2023 year was an exceptional year for MHM. It was the continuation of the strategy put in place in 2015 to focus on the design and delivery of automated and engineered solutions to the food and primary sectors globally. We saw solid demand for our products and services across the board. It is a credit to every member of the MHM Automation team to be able to deliver such growth in what was a challenging operating environment.

Across all of our business units we saw solid organic growth. Our diversification strategy has

been successful, with exposure to a variety of different sectors delivering breadth of performance. We were also able to cross sell automation capability to our blue-chip customer base.

In May 2023 we settled the acquisition of Wyma, a world leader in the post-harvest vegetable and fruit sectors. Wyma fits with our long-standing strategy of designing and supplying world leading equipment into the food sector, while also bringing us increased scale and diversification. Wyma is a significant step forward in our evolution.

Due to the ongoing uncertainty of achieving a working prototype, the Board has made a decision to fully impair the carrying value of the S-Clave technology intangible: \$4,486,000. This in no way implies that the objective of commercial trials will not be followed through and as the certainty of commercialisation increases we will reassess the level of the impairment.

These results are unaudited. Our audit process has been slower than anticipated due to the Wyma acquisition and settlement on 1 May 2023. We will be releasing our audited Annual Report and audit opinion during September.

CORPORATE INFORMATION

MHM Automation Limited is a limited liability company registered under the New Zealand Companies Act 1993 and is a Financial Market Conduct reporting entity under Part 7 of the Financial Markets

Conduct Act 2013. The financial statements of the Group have been prepared in accordance with the requirements of the New Zealand Stock Exchange (NZX) Main Board Listing Rules.

ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 30 June 2022.

PRELIMINARY FULL YEAR ANNOUNCEMENT

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2023

	Unaudited 30 June 2023	Audited 30 June 2022
IN THOUSANDS OF NEW ZEALAND DOLLARS		
Revenue		
Sale of goods and contract revenue	96,709	67,568
Other income	1,123	363
Total income	97,832	67,931
Expenses		
Changes in inventories of finished goods and work in progress	(870)	552
Raw materials and consumables used	(55,313)	(40,831)
Salaries and wages	(22,979)	(17,152)
Other expenses	(9,608)	(6,580)
Depreciation	(1,803)	(1,151)
Amortisation	(623)	(509)
Impairment	(4,486)	—
Income from operations before finance costs and taxation	2,150	2,260
Finance income	240	4
Finance costs	(1,025)	(83)
Net finance costs	(785)	(79)
Income from operations after finance costs and before taxation	1,365	2,181
Income tax credit (expense)	2,601	(406)
Profit/(loss) for the year attributable to owners	3,966	1,775
Other comprehensive income (loss)		
<i>Items that may be subsequently charged or credited to profit or loss</i>		
Currency translation differences on overseas subsidiaries	(71)	(66)
<i>Items that will not be classified to profit or loss</i>		
Gain on property revaluation, net of tax	20	103
Other comprehensive income (loss) for the year, net of tax attributable to owners	(51)	37
Total comprehensive income (loss) for the year attributable to owners	3,915	1,812
Basic earnings per share:		
Earnings (loss) per share attributable to shareholders of the company (cents)	5.66	2.70
Fully diluted earnings per share:		
Earnings (loss) per share attributable to shareholders of the company (cents)	5.66	2.70

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2023

IN THOUSANDS OF NEW ZEALAND DOLLARS

	Unaudited 30 June 2023	Audited 30 June 2022
ASSETS		
Current assets		
Cash and cash equivalents	8,099	12,011
Accounts receivable	13,635	11,135
Other debtors and prepayments	2,514	440
Contract assets	7,017	1,318
Finance lease receivable	11	11
Inventories	14,109	1,972
Income tax receivable	869	–
Total current assets	46,254	26,887
Non current assets		
Property, plant and equipment	15,415	8,995
Right-of-use assets	20,828	1,300
Intangible assets	43,135	5,514
Finance lease receivable	226	246
Deferred tax asset	–	482
Total non current assets	79,604	16,537
Total assets	125,858	43,424
LIABILITIES		
Current liabilities		
Contract liabilities	21,655	19,016
Derivative financial instruments	33	129
Trade and other payables	10,421	7,815
Income tax payable	374	438
Warranty provision	1,445	522
Employee entitlements	5,085	2,474
Loans and borrowings	3,036	–
Lease liabilities	1,442	733
Total current liabilities	43,491	31,127
Non current liabilities		
Deferred tax liability	816	–
Loans and borrowings	26,514	–
Lease liabilities	19,514	616
Total liabilities	90,335	31,743
Net assets	35,523	11,681
EQUITY		
Share capital	65,907	44,935
Asset revaluation reserve	4,143	4,123
Foreign currency translation reserve	(281)	(210)
Share based payments reserve	87	31
Accumulated losses	(34,333)	(37,198)
Total equity	35,523	11,681

PRELIMINARY FULL YEAR ANNOUNCEMENT

CONSOLIDATED STATEMENT OF MOVEMENTS IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2023

ATTRIBUTABLE TO THE OWNERS OF THE GROUP

IN THOUSANDS OF NEW ZEALAND DOLLARS	Share capital	Accumulated losses	Share based payments reserve	Foreign currency translation reserve	Asset revaluation reserve	Total equity
Audited Balance at 30 June 2021	44,634	(37,989)	–	(144)	4,020	10,521
Profit or loss for the year	–	1,775	–	–	–	1,775
Other comprehensive income	–	–	–	(66)	103	37
Total comprehensive income (loss) for the year	–	1,775	–	(66)	103	1,812
<i>Transactions with owners in their capacity as owners</i>						
Dividends	–	(984)	–	–	–	(984)
Shared based payment	–	–	332	–	–	332
Issue of new shares	301	–	(301)	–	–	–
Audited Balance at 30 June 2022	44,935	(37,198)	31	(210)	4,123	11,681
Profit or loss for the year	–	3,966	–	–	–	3,966
Other comprehensive income	–	–	–	(71)	20	(51)
Total comprehensive income (loss) for the year	–	3,966	–	(71)	20	3,915
<i>Transactions with owners in their capacity as owners</i>						
Dividends	–	(1,101)	–	–	–	(1,101)
Shared based payment	–	–	257	–	–	257
Issue of new shares	20,972	–	(201)	–	–	20,771
Unaudited Balance at 30 June 2023	65,907	(34,333)	87	(281)	4,143	35,523

PRELIMINARY FULL YEAR ANNOUNCEMENT

CONSOLIDATED STATEMENT OF CASH FLOW

AS AT 30 JUNE 2023

IN THOUSANDS OF NEW ZEALAND DOLLARS

	Unaudited 30 June 2023	Audited 30 June 2022
OPERATING ACTIVITIES		
Profit after tax	3,966	1,775
Income tax recognised in Profit or Loss	(2,601)	406
Tax paid	(462)	(129)
Finance costs	785	7
Depreciation, amortisation and impairment	5,904	983
Amortisation of right-to-use assets	1,009	677
Change in inventory provision	(734)	275
Change in expected credit loss	(4)	14
Change in warranty provision	135	–
(Gain) loss on sale of plant and equipment	(14)	4
Non-cash component of shares issued under employee share scheme	257	332
Derivative financial instruments	68	137
Changes in working capital	(1,519)	4,304
Interest paid	(242)	(7)
Net cash in flow from operating activities	6,549	8,778
INVESTING ACTIVITIES		
Cash was provided (to) from:		
Purchase of property, plant and equipment	(1,114)	(1,868)
Purchase of patents and development activities	(251)	(156)
Acquisition of new business	(11,656)	–
Finance lease	20	18
Proceeds from disposal of property, plant and equipment	35	2
Net cash from (to) investing activities	(12,966)	(2,004)
FINANCING ACTIVITIES		
Cash was provided from (to):		
Payment of principal portion of lease liabilities	(930)	(705)
Dividends paid to shareholders	(1,101)	(984)
Drawdown of borrowings	18,664	–
Repayment of borrowings	(14,057)	–
Net cash inflow from (to) financing activities	2,576	(1,689)
Net increase (decrease) in cash held	(3,841)	5,085
Cash at beginning of the period	12,011	6,992
Effect of exchange rate changes	(71)	(66)
Cash at the end of the period	8,099	12,011

The Statement of Cash Flow is exclusive of GST.

PRELIMINARY FULL YEAR ANNOUNCEMENT

SEGMENT INFORMATION

The Group is organised into the following reportable segments by product and services type:

AUTOMATION

This division houses the Group's Automation brands. It designs, manufactures, delivers and services automated solutions to a range of industries, predominantly in the food sectors.

H&C markets and sells its core cheese systems brand as well as providing automated solutions to other sectors. It also operates the Group's other brands which include Aico and Beta.

Milmeq is an established and respected brand in designing, manufacturing and installing chilling and freezing tunnels and plate freezing systems. Milmeq also has an asset management business that provides service, spare parts and support to its customers which complements H&C's already existing service and spares business.

There is significant customer crossover between H&C and Milmeq, as we continue to integrate and improve our Automation offering.

Wyma Engineering is also part of the automation division. It designs, manufactures and delivers post-harvest vegetable and fruit handling equipment throughout Australasia, Europe and USA.

FABRICATION

This division includes the Mercer Stainless and SCE workshops in Christchurch that sell, design and manufacture proprietary equipment for primary industries across New Zealand and Australia.

MERCER TECHNOLOGIES

This division manages the Group's research and development that sits outside of the Automation business. Currently the focus is on commercialising the S-Clave medical sterilisation technology in partnership with Atherton who are a world leader in sterilisation equipment and infection control products for the hospital, medical and scientific industries.

CORPORATE

This division incorporates the head office activities of the Group and includes rental received from the other segments in respect of properties they occupy.

The table below shows the sales revenue, earnings before interest, tax, depreciation, amortisation and impairments (Operating EBITDA) by segment.

IN THOUSANDS OF NEW ZEALAND DOLLARS	Unaudited 30 June 2023			Audited 30 June 2022		
	Total sales of goods and contract revenue	Segment result (Operating EBITDA)	Segment assets	Total sales of goods and contract revenue	Segment result (Operating EBITDA)	Segment assets
Fabrication	27,940	1,967	6,489	24,336	2,100	9,377
Automation	70,559	9,407	109,428	47,122	4,243	21,610
Mercer Technologies	—	(4)	—	—	(18)	4,485
Corporate	—	(1,495)	9,941	—	(1,565)	7,952
Intersegment eliminations	(1,790)	—	—	(3,890)	—	—
Sales, Operating EBITDA, Assets	96,709	9,875	125,828	67,568	4,760	43,424
ERP implementation costs	—	—	—	—	(285)	—
Acquisition costs Wyma	—	(371)	—	—	—	—
Share based payments	—	(442)	—	—	(555)	—
Depreciation, amortisation and impairment	—	(6,912)	—	—	(1,660)	—
Finance costs	—	(1,025)	—	—	(83)	—
Interest income	—	240	—	—	4	—
Income tax credit (charge)	—	2,601	—	—	(406)	—
Total sales, income (deficit) after tax, assets	96,709	3,966	125,828	67,568	1,775	43,424

Properties, deferred tax balances and certain development assets in progress have been included in the Corporate segment.

IN THOUSANDS OF NEW ZEALAND DOLLARS	Unaudited 30 June 2023	Audited 30 June 2022
Income (loss) from operations before finance costs and taxation	2,150	2,260
Add back depreciation, amortisation and impairment	6,912	1,660
Add back ERP implementation costs	—	285
Add back Wyma acquisition costs	371	—
Add back share based payments	442	555
Operating EBITDA	9,875	4,760

IN THOUSANDS OF NEW ZEALAND DOLLARS	Unaudited 30 June 2023	Audited 30 June 2022
Customers larger than 10% of total Group revenue in accordance with NZ IFRS 8.34:	12,566	8,916

Depreciation amortisation and impairment analysed by segment was:		
Fabrication	810	785
Automation	1,540	762
Mercer Technologies	4,552	10
Corporate	9	103
Total	6,911	1,660

Liabilities analysed by segment were:		
Fabrication	5,592	7,563
Automation	52,787	22,629
Mercer Technologies	1	1
Corporate	31,955	1,550
Total	90,335	31,743

Liabilities analysed by geographical location were:		
New Zealand	84,108	30,920
Australia and USA	860	823
Europe	5,367	—
Total	90,335	31,743

Assets analysed by geographical location were:		
New Zealand	106,719	37,505
Australia and USA	1,262	5,919
Europe	17,877	—
Total	125,858	43,424



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