NZX Release **28 February 2023**

MHM Automation Limited (MHM) increases revenue and profitability in half year to 31 December 2022

Highlights of the six-months to 31 December 2022:

- Revenue growth of 45% to $42.8m
- EBITDA growth of 109% to $4.44m
- Net profit after tax $3.08m
- Continuation of sales momentum and strength of sales pipeline
- Maintaining high levels of contracted forward orders, currently at $54.9m
- Dividend payment policy executed and $476k paid in September 2022
- Continued optimisation of supply chain via our ERP
- Strong performance from our fabrication business showing the benefits of our diversification strategy.
- Scoping for our sustainability journey is well underway. A full update will be provided with our annual results

Financial Performance

IN THOUSANDS OF NEW ZEALAND DOLLARS	H1 DEC 19	FY JUN 20	H1 DEC 20	FY JUN 21	H1 DEC 21	FY JUN 22	H1 DEC 22	H1 FY21-22 % CHANGE	H1 FY19-22 3 YR CAGR
Sales revenue	25,956	49,103	25,089	51,404	29,523	67,697	42,821	45.0%	18.2%
EBITDA	896	2,486	1,459	3,941	2,121	4,760	4,439	109.3%	70.5%
EBITDA%	3.5%	5.1%	5.8%	7.7%	7.2%	7.0%	10.4%		
NPAT	447	934	372	4,100	1,409	1,775	3,083	118.8%	90.4%

Revenue for the half year increased 45% to $42.8m up from $29.5m in the previous period. Sales momentum has been strong across all the businesses. Our focus on preserving margin through our various stage gates to our customers has been effective. The ongoing focus on cost and supply chain management contributed to a 109% increase in EBITDA to $4.4m (FY22 H1: $2.12m). This has been achieved with tight inventory management which has assisted our strong working capital position. We are also pleased to report that this EBITDA performance meets one of our strategic milestones of achieving 10% EBITDA margins across the group. Net profit after tax increased 119% to $3.08m.

Our diversification strategy has served us well over the last couple of years with global uncertainties. That said, in the six months to 31 December 2022 all our businesses were performing well with strong customer demand for our products and solutions. We also continue to grow our service and spare parts business, which reached 6% of revenues for the half year. This high level of utilisation of our resources both workshop and human capital helped drive a strong EBITDA performance.

Our Automation business has responded well to customer demand. The H&C team have been working at above full capacity with the successful flood recovery project in Brisbane, while maintaining throughput of other projects. This demonstrated the capability and culture of the H&C team.

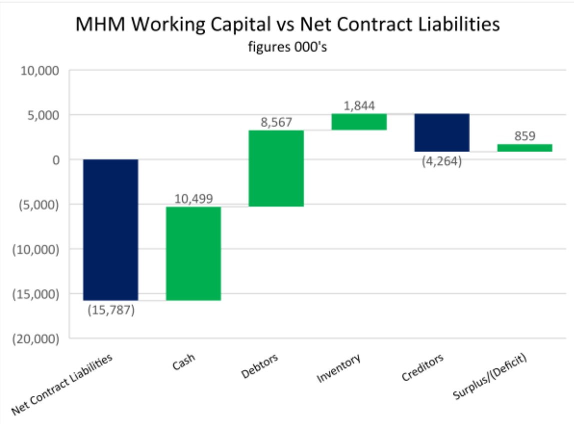
The chilling and freezing business continued its strong run in the Australian red meat sector continuing to invest in automation. We are in the final stages of delivering a freezing tunnel solution into North America and will continue the drive to grow this market.

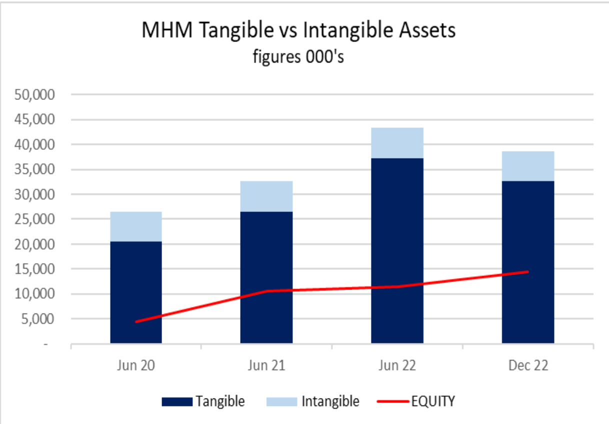
The fabrication business has also had several large orders for specialist alphamatic cheddaring equipment for a long-standing global customer.

The group remains undrawn on bank facilities, with closing cash of $10.5m. Total liquidity from cash and undrawn facilities was $16.5m at balance date.

Financial Position

Strong sales conversion and workflows continue to strengthen our balance sheet. As at 31 December 2022 the working capital for operations is a surplus of $859,000. During the period a dividend of $476,000 was paid to shareholders.





Closing Equity was $14.5m an increase of $2.8m from the June 2022 close.

S-Clave

The S-Clave continues to be a work in progress. Testing has shown good results and we are now focused on shelf life testing as one of the final milestones to hospital tests. By the end of the financial year we hope to have the shelf life testing completed and be ready for hospital trials.

WYMA Acquisition

On 21 December 2022 we announced the conditional agreement to acquire Wyma Engineering Limited. We are working through the conditions and remain on track to settle the transaction on 3 April 2023. There will be a special meeting of shareholders to approve the transaction to be held in March 2023 with details to be released. Our banker BNZ has given credit approval on the facilities required to settle the transaction. The major Shareholders are supportive of the transaction.

This is a pivotal transaction that potentially doubles our size and achieves our Step 100 strategy allowing us to refresh and align strategy with WYMA.

The table below are the Revenues and EBITDA of the respective businesses with a combined proforma estimate of the combined businesses.

Table of proforma Revenue and EBITDA.

	AUDITED	UNAUDITED	
12 MONTHS TO	MHM 30 June 2022	Wyma 31 March 2022	Proforma
Revenue snapshot ($ millions)	67.7	57.3	125.0
EBITDA[1] ($ millions)	4.8	10.5	15.3
EBITDA percentage of Revenue	7.0%	18.3%	12.2%

[1] *EBITDA normalised for share based payments*

Outlook

We are confident that the 2023 financial year (to June 30) will continue to see positive momentum, with the contracted forward work of $54.9m, which is $14.9m up on the prior period (note, the $54.9m is deliverable over the FY23 and FY24 fiscal years). The amount to be recognised within fiscal FY23 has the effect of underwriting our full year performance.

We continue to invest in frontline sales and service staff to support our strong forward order book. With travel firmly back on the cards we have welcomed in person meetings with our customers and key partners. Our US based agent Scan American Corp have generated several sales of our core technology into the US red meat sector which is pleasing. At the same time, we are also in the process of relocating sales and service resource to the US to further support our customers in market.

Our Australasian customers continue to invest and increase automation. We see this trend continuing for the next 12 months, particularly in chilling and freezing. To support this activity we are looking to increase our sales and service capabilities in Australia to support the pool of customers from Milmeq, H&C and SCE.

The fabrication business has a full order book through the remainder of the financial year. We are seeing strong demand for our specialist cheese equipment relationships, while the SCE technology (such as the grainstackers) is also seeing sustained demand.

Outside of our core business today, we are also looking forward to the acquisition of Wyma (subject to it completing in April). This acquisition will provide MHM with further scale and diversification and is aligned with our Step 100 strategy. The integration of the Wyma business will take place over the remainder of 2023 and into 2024.

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