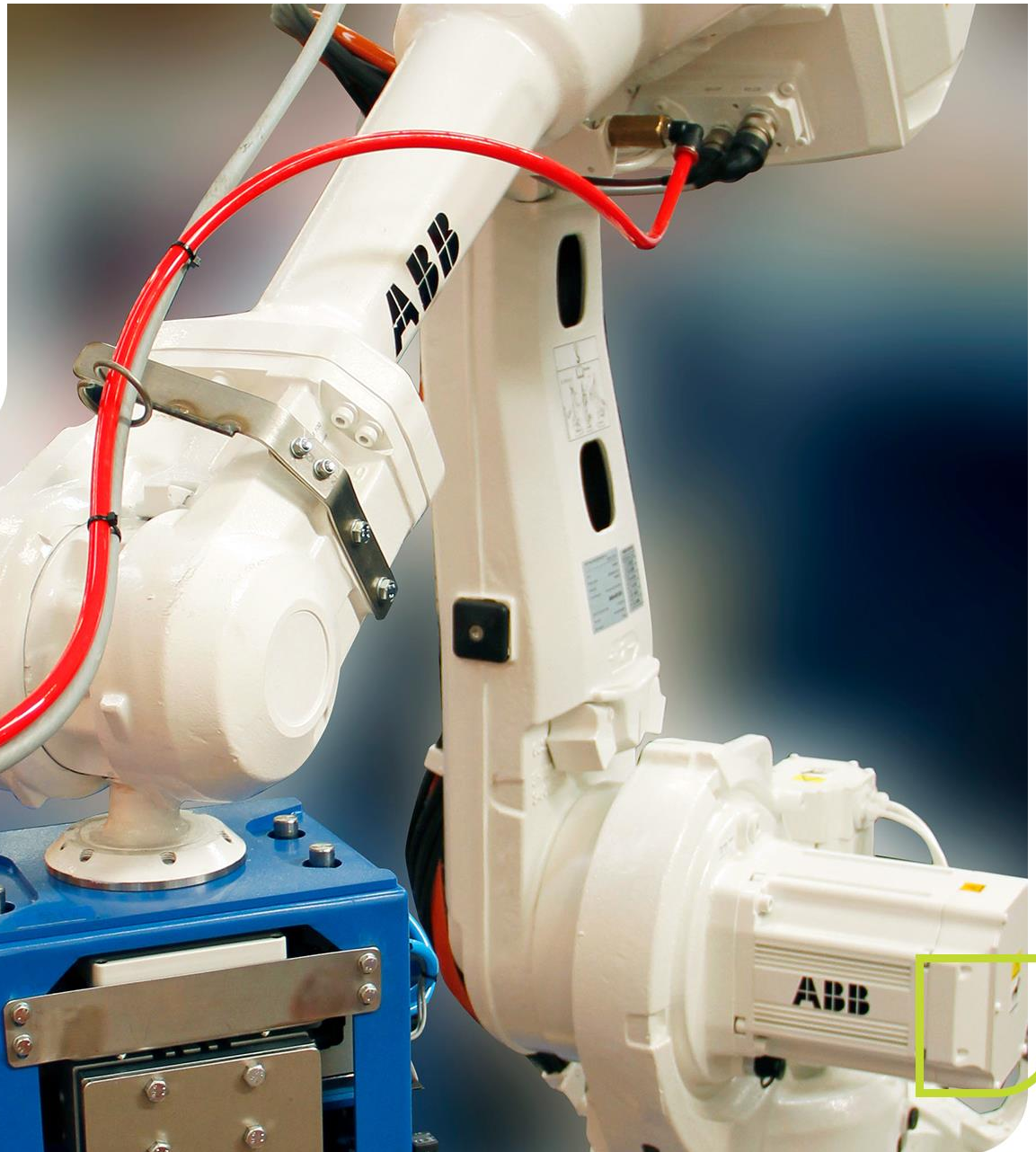




ANNUAL MEETING

23 OCTOBER 2019



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Continuing the evolution ...

Focus on automation
and technology



AGENDA

- 1 | Welcome
- 2 | Chairman's address
- 3 | CEO review
- 4 | General business
- 5 | Refreshments



CHAIRMAN'S ADDRESS:

John Dennehy





CEO REVIEW: Richard Rookes

HIGHLIGHTS

Exceptional Health & Safety performance across the Group

Top line revenue growth of 32% to \$38m

Return to positive EBITDA

Acquisition of Milmeq's Chilling and Freezing business

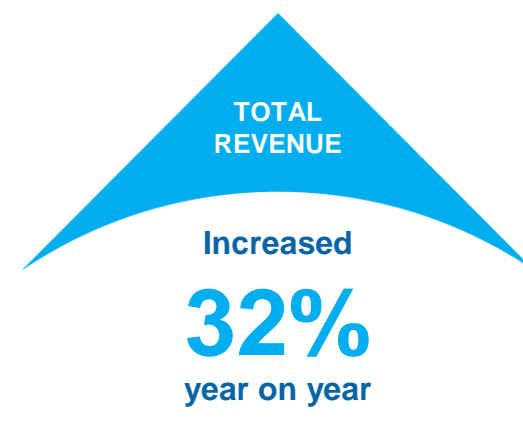
Further progress in S-Clave commercialisation

FINANCIAL PERFORMANCE

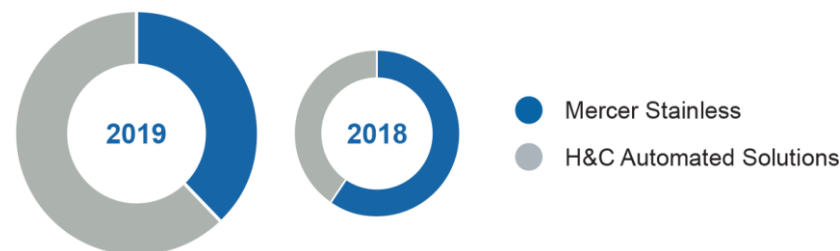
Group Sales by Segment

Credit/ (Debit)

<i>In Thousands of New Zealand Dollars</i>	Jun 19	Jun 18	Change \$
Stainless Fabrication	16,083	18,514	(2,431)
H&C Automated Solutions	26,650	12,503	14,147
Mercer Technologies	–	5	(5)
Corporate	–	–	–
Intersegment eliminations	(4,643)	(2,204)	(2,439)
Total Sales Revenue	38,090	28,818	9,272



- ❖ Total Revenue increased 32% year on year.
- ❖ Stainless revenue down \$2.4m or 13%
- ❖ H&C Automated Solutions revenue of \$26m, included \$3m for Milmeq. H&C like for like increased 92%

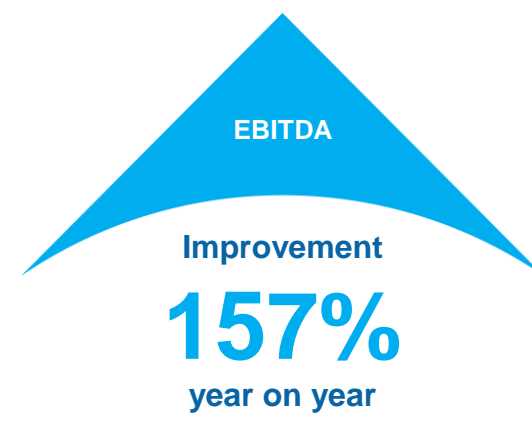


FINANCIAL PERFORMANCE

Group EBITDA by Segment

Credit/ (Debit)

<i>In Thousands of New Zealand Dollars</i>	Jun 19	Jun 18	Change \$
Stainless Fabrication	780	1,055	(275)
H&C Automated Solutions	471	(1,595)	2,066
Mercer Technologies	(3)	5	(8)
Corporate	(438)	(887)	(439)
Total EBITDA	810	(1,422)	2,222



Normalised for \$1.1m costs relating to Fonterra settlement

- ❖ Reported Group EBITDA before abnormals was a \$0.8m, a \$2.2m improvement from the prior year
- ❖ Stainless Fabrication posted a \$0.78m EBITDA profit, a \$0.27m decrease on prior year.
- ❖ H&C sales performance was strong, and there is improvement to be made on margins – we continued to invest in the key US market.

FINANCIAL POSITION

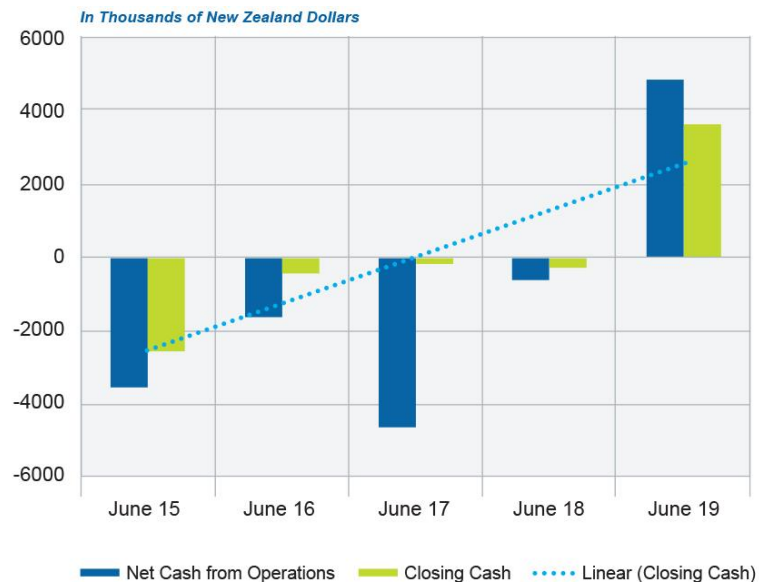
<i>In Thousands of New Zealand Dollars</i>	30 Jun 19		30 Jun 18		Movement		
	Audited		Audited		2018 to 2019		
Capital	<i>D/E</i>		<i>D/E</i>		<i>D/E</i>		Comment
Cash	3,673		(276)		3,949		Increased cash from contracts
Core Borrowings	(5,355)		(6,286)		931		Repayments to bank
Work Capital Advance	(1,000)				(1,000)		Milmeq working capital advance
Net Debt	(2,682)	44.0%	(6,562)	59.6%	3,880	-15.6%	
Equity	(3,415)	56.0%	(4,444)	40.4%	1,029	15.6%	\$1m Fonterra settlement recognised in full
Total Capital Employed	(6,097)		(11,006)		8,789		
Funding Net Assets							
Current Assets	8,347		5,444		2,903		Increased cash from contracts
Current Liabilities	(14,340)		(5,948)		(8,392)		Creditors \$2.8m cr, \$3.3 Wip in Advance
Non-Current Assets	12,090		11,510		580		\$0.7m intangibles, S-Clave and Milmeq
Total Net Assets (TNA)	6,097		11,006		(4,909)		

D/E = Debt to Equity

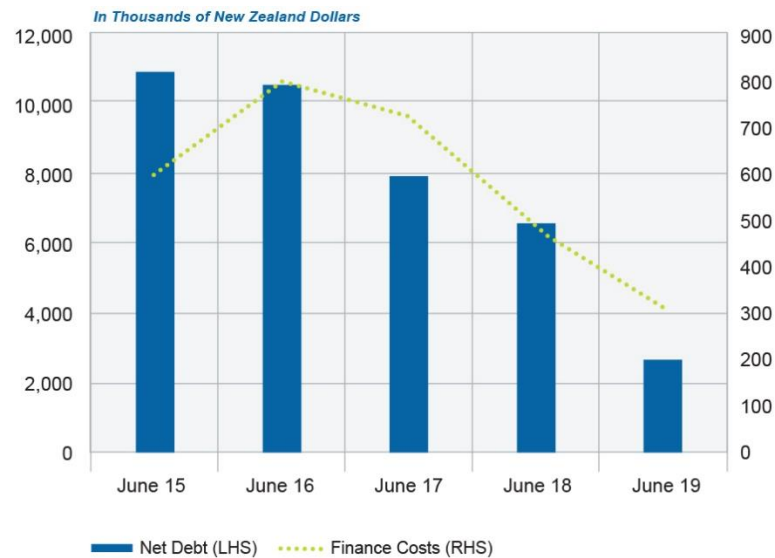
- ❖ Debt reduction of \$0.93m, with net debt of \$2.7m at year end
- ❖ The Group retains off balance sheet \$5.6m of tax assets to offset future taxable profits.
- ❖ Underlying operating cashflow improvement, \$4.9m vs. prior year \$(0.6m).

FINANCIAL POSITION

Net Cashflow from Operations vs Closing cash



Net Debt vs Interest Expense



MERCER GROUP TODAY

HEAD OFFICE - CHRISTCHURCH



Design and delivery of automated solutions for the dairy, meat and horticulture sectors globally.

Now comprises the H&C business and the Milmeq Chilling and Freezing business.

Offices in Hastings, Auckland and Brisbane



Fabricator of stainless products for the dairy, wine and food sectors with plants in Christchurch and New Plymouth.



Sterilisation technology that is on the brink of commercialisation.

H&C AUTOMATED SOLUTIONS

- ❖ **Revenue growth of 92% on a like for like basis**

- ❖ **Return to positive EBITDA**

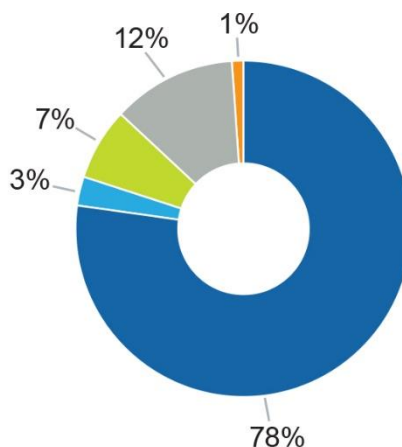
Although we note that margins were not where they should have been due to new product mix and growth requiring additional spend.

- ❖ **Diversification of the revenue base**

- ❖ **Acquired Milmeq's Chilling and Freezing business.**

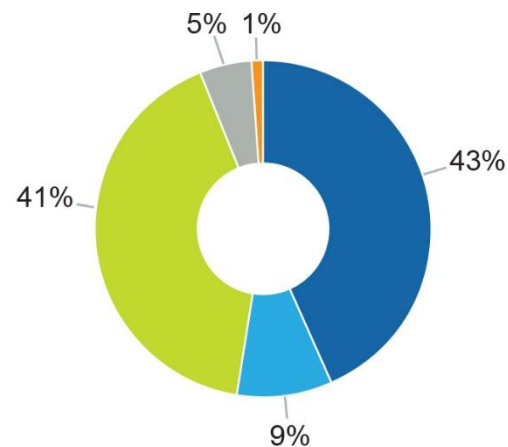
- ❖ **Will integrate the two businesses over next 12-24 months.**

Capital Sales won by sector FY18



Capital Sales won by sector FY19

Includes Milmeq sales



● Dairy processing

● Horticulture

● Red meat, poultry and fish processing

● Other manufacturing/processing

● Beverage manufacturing

H&C AUTOMATED SOLUTIONS

Installations in 2019



H&C AUTOMATED SOLUTIONS

Automation remains a key focus across all the sectors we operate in, driven by:

- ❖ Global scarcity of labour
- ❖ Increasing cost of labour
- ❖ Increasing focus on Health and Safety
- ❖ Increasing focus on food safety

Strategic focus:

- ❖ Diversification of the revenue base ... and cross selling opportunities
 - ❖ Products
 - ❖ Sectors
 - ❖ Geographies
- ❖ Consolidate position in core markets
 - ❖ Cheese converting / reverse packaging (H&C)
 - ❖ Cheese processing (Milmeq and AiCo)
 - ❖ Red meat (Milmeq)
- ❖ Enter new markets where we have a point of difference
 - ❖ Product development / R&D led
 - ❖ Secured first order for de-boxing equipment with large US based meat company. This successful implementation opens large new markets and opportunity for H&C where we have a unique offering
 - ❖ Developed an automated packhouse solution for a leading innovative horticulture company

MILMEQ

H&C acquired Milmeq's Chilling and Freezing business in February 2019.

Milmeq is a world leader in the design and supply of chilling and freezing systems to the dairy and meat industries globally.



Key value drivers:

- ❖ Installed base of more than 250 systems globally
- ❖ Leader in plate freezing technology with dominant position in Australian red meat sector
- ❖ World leader in cheese cooling tunnels
- ❖ Offices in Auckland and Brisbane providing further reach and depth of people
- ❖ Technology and market synergies with H&C
- ❖ Since acquired, orders for Milmeq equipment have been greater than \$30m, providing baseload work through the 2020 financial year and into the next year (given long dated nature of the projects)
- ❖ Deferred payment to be determined in January 2020. Expect to be c.\$1m, equating to c.1x EBITDA

MERCER STAINLESS

- ❖ Continued to generate adequate returns considering competitive environment
- ❖ Settled Edendale
- ❖ Investment outlook in the dairy sector weaker over next 12 months, but we are seeing early signs of new projects
- ❖ Continued drive for diversification ... entry into wine sector has been successful outside of Marlborough
- ❖ Strategic review of the business underway to position it for the future



S-CLAVE

- ❖ Reliance on third parties for tooling and other components have created a slower path to commercialisation than projected
- ❖ Development continues to be positive though
- ❖ Currently in the final stages of testing before hospital trials can begin
- ❖ The market remains large and attractive
- ❖ Capital requirements will increase before final launch



WHERE TO FROM HERE

1. Successful and efficient execution of workloads in front of us ... maintain a rigid focus on operational improvements and higher margins.
2. H&C and Milmeq have very good workloads through the 2020 financial year and solid pipelines.
3. Strategic and operational review to be undertaken following the Milmeq 'bedding in' ... too easy to 'chase shadows' in the automation game
 - Existing product sets
 - Sector focus
 - Regional strategy
 - Product development
 - Technology gaps
 - Existing business synergies
 - Capital requirements vs capital structure
4. Targeting hospital trials for S-Clave this financial year

OUTLOOK

We are forecasting a continuation of the growth and profitability improvement for the 2020 financial year

- ❖ After many years of change we now have stability and a settled structure and businesses with established brands, and large installed bases of equipment globally.
- ❖ Our reputation with customers is exceptionally positive, which is a great platform for growth when automation is such a key topic for them.
- ❖ We are undertaking a strategic planning process to ensure we are allocating resource to the right sectors to execute on the growth opportunities we have.
- ❖ Capital structure remains a constraint on the business
- ❖ We will be more proactive in getting our automation and technology led story into the market as there remains a disconnect between what our business is and what people think it is.

We thank shareholders for their ongoing support.

GENERAL BUSINESS



RESOLUTIONS

1. Election and rotation of director

2. Election of director

3. Appointment of auditors

4. Adoption of new constitution



THANK YOU

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