

MHM Automation Limited (MHM) increases profitability in half year to 31 December 2020

Highlights of the six-month period to 31 December 2020:

Financial:

- Total Operating Revenue of \$24.7m
- Operating EBITDA of \$1.46m, a 63% increase on the prior period.
- Continuing Operations Net Surplus after tax \$469k vs \$255k for the prior period
- All Operations Net Profit after tax \$372k
- Net Debt of \$1.2m as at 31 December 2020
- During the period the New Plymouth building was sold for \$3.95m. Settlement occurred after balance date. The gain on disposal will be reported in the results to 30 June 2021.

Strategic:

- Rebrand to MHM Automation to better reflect who we are as a business and our strategic direction
- Restructure to 'one group' to position the company for margin improvement and provide a platform for growth
- Appointment of Scan American Corp in US to represent the company in the North American meat processing and pharmaceutical sectors
- Sale of our first Milmeq freezing tunnel into the North American red meat market
- Commenced the first ASRS project into the Australian red meat industry with our European partners TGW and Inther.
- Successful exit of New Plymouth operation and sale of our property at \$1.9m above book value
- Acquisition of Southern Cross Engineering announced in December (settled in January 2021).

Financial Performance

MHM Summary Financial Performance

	6 months to 31-Dec-2020	6 months to 31-Dec-2019	% Change
<i>values are 000's. (Debit)/Credit</i>			
Sales Revenue			
Automation	20,897	21,243	-2%
Fabrication	3,832	4,435	-14%
MHM H1 Sales Revenue	24,729	25,678	-4%
EBITDA	1,459	896	63%
Income from continuing operations	469	255	84%
Income from all operations	372	447	-17%

Non recurring and abnormal items

	6 months to 31-Dec-2020	6 months to 31-Dec-2019	\$ 000's change
<i>values are 000's. (Debit)/Credit</i>			
Non recurring items	(245)	260	(505)
Discontinued operation	(97)	192	(289)

Sales Revenue (excluding wage subsidies) of \$24.7m for the six months was down 4% on the prior period, mainly due to declining Stainless revenue following the closure of our New Plymouth stainless site. Travel restrictions due to COVID impacted certain Automation project deliveries and the subsequent timing of revenue recognition. Our Automation sales revenue was 85% of group sales for the period.

Operating EBITDA of \$1.46m was an increase of 63% on the restated prior period of \$896k. The table above shows the impact of the discontinued business. Automation EBITDA of \$1.56m was 54% up on the prior period. We are continuing to drive improvement in margins of our automation projects. During the period the warranty provisioning for automation was increased by \$347k, due to an increased number of completed projects which are now in a warranty period (typically 12 – 24 months).

The pre-tax profit of \$565k was 3% up on the prior year. This includes \$245k of cost relating to the closure of New Plymouth vs the comparative that included \$260k for the Milmeq acquisition adjustment. The after tax profit for all operations was \$372k which was 17% down on the prior period, this included a \$97k loss from the discontinued operation in the current period.

Net debt was \$1.2m which was unchanged from 30 June 2020. Total liquidity from cash and undrawn facilities was \$5.3m.

Outlook

We are confident that the financial year to 30 June 2021 will see increased operational profitability from the prior year. The Milmeq product set has strong workflows and is now taking orders for delivery in the back half of 2022. The H&C automated solutions have seen increasing demand and have a strong pipeline of more orders which we expect to convert in the short term. The stainless fabrication business has recently secured a number of large contracts that see those operations largely committed for the financial year.

Longer term we are focused on delivering a sustainable growth strategy that is focused on technology and automation. We are still building the platform to grow and increase profitability, with the focus on:

1. The one group process, bringing all of our product brands under the MHM Automation umbrella, including a new cloud based ERP and operating structure. This is vitally important to allow us to have a platform from which to increase margins and be an enabler of growth.
2. Building our growth strategy in the global markets, based off our core IP in vision systems, automation, machine learning and data analytics, in conjunction with our trusted customer relationships. This growth strategy will be a mix of new markets, new products and the cross selling of capability across the MHM customer base
3. Continuing to invest in product development, innovation and R&D.

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