



MOLINS PLC

2017 Half Year Results



Agenda

1. What we do
2. Sale of I&TM – post 30 June 2017
3. 2017 HY Results
4. Strategic review:
 - Overview
 - Markets
 - Technology
 - Strategic Priorities
 - New organisation
 - Key short-term objectives
5. Outlook
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What We Do

Packaging Machinery

Molins Technologies (MTECH)

- > Innovative and first of a kind machinery for process and packaging applications
- > Technical consultancy and service solutions
- > Supports customer new product introduction
- > Improves competitiveness of existing customer products
- > USPs
 - > Supports customers from initial concept development through total project lifecycle
 - > Diverse market sector experience
 - > High spec automation, including multiple web converting, micro dosing and filling



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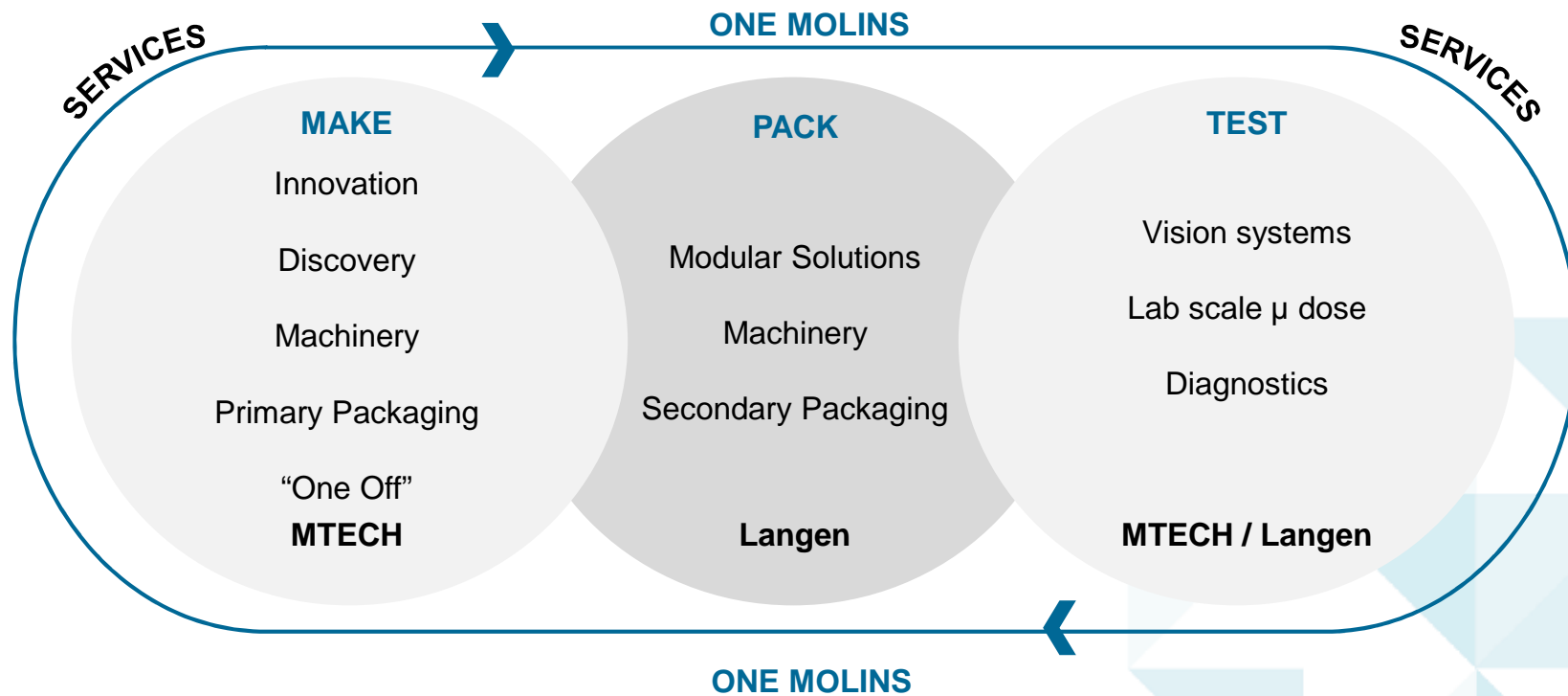
- > High speed packaging solutions, horizontal cartoning, case packing and end of line robotics
- > Focus on flexible, multi-sized products
- > Application strengths, horizontal cartoning, and data management
- > USPs
 - > High speed infeed applications
 - > Hygienic design
 - > Global presence



Innovative global leader in packaging solutions

Mission

- > To be a global leader of high speed packaging solutions focused on attractive growth markets enhanced by a world class service offer programme to ensure customers achieve maximum return on their investments
- > Customer focused, responsive and flexible through operational excellence underpinned by a global competitive supply chain and internal activities optimised to maximise efficiency
- > Broaden application and customer scope by leveraging market leading technology and application know-how



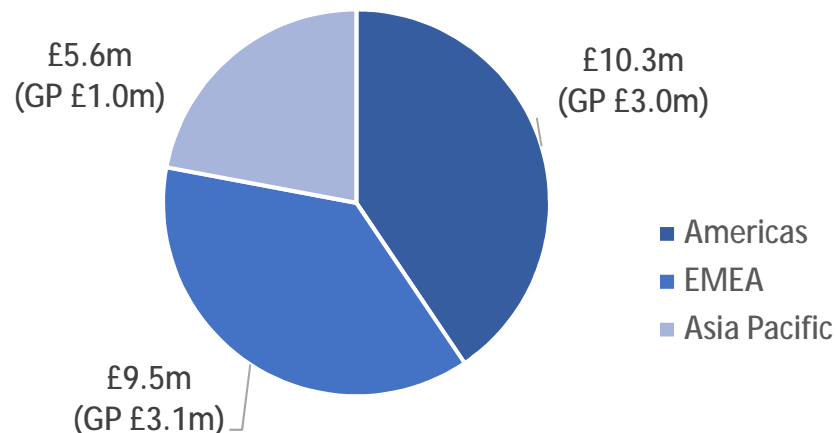
Sale of I&TM – post 30 June 2017

- > Strategic review initiated in June 2016
- > Conclusions of the review recognised that the Group's accessible markets have two contrasting dynamics:
 - > Pharmaceutical, healthcare, nutrition and beverage end-markets expanding at 5% per annum, with attractive underlying long-term growth drivers
 - > The nicotine delivery market undergoing a shift as sales of traditional products are under pressure due to health awareness and government tax schemes, and the introduction of a large number of new nicotine delivery products
 - > Cerulean subject to increasing competitive pressures
- > The sale of I&TM for £30m (£27.3m net of fees and taxes) announced 8 June and completed on 1 August provides the opportunity to convert the value of all I&TM related assets, including intangible assets (inclusive of the Molins name), into cash, which will:
 - > Provide the Board with the platform to execute its strategy of focusing on attractive growth markets
 - > Provide the Company with greater potential to invest in and acquire complementary businesses in its packaging machinery activities
 - > Strengthen the Company's balance sheet, leaving it in a net cash-positive position and not reliant on debt funding over the short-term
 - > In summary, provide the Board the opportunity to accelerate the execution of its strategy

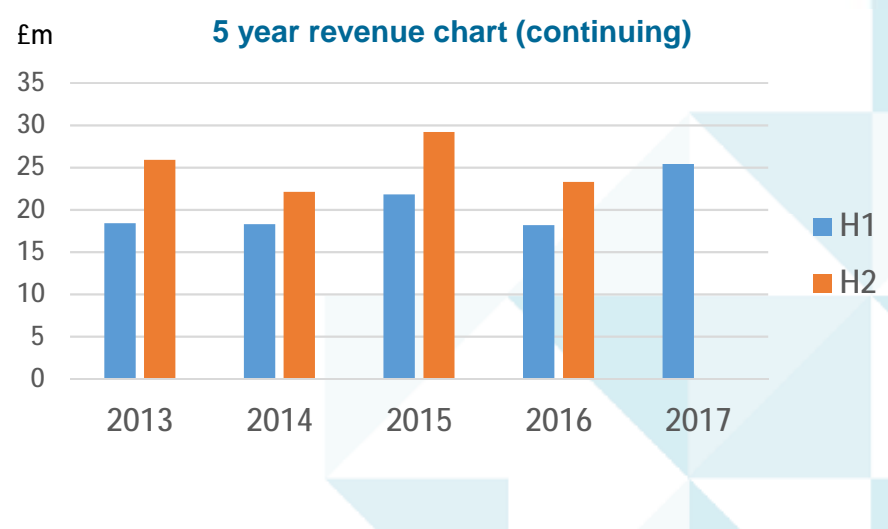
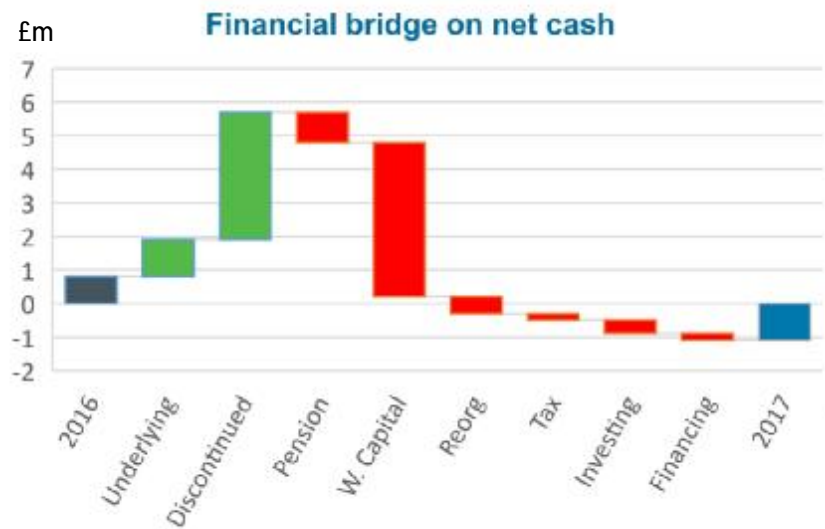
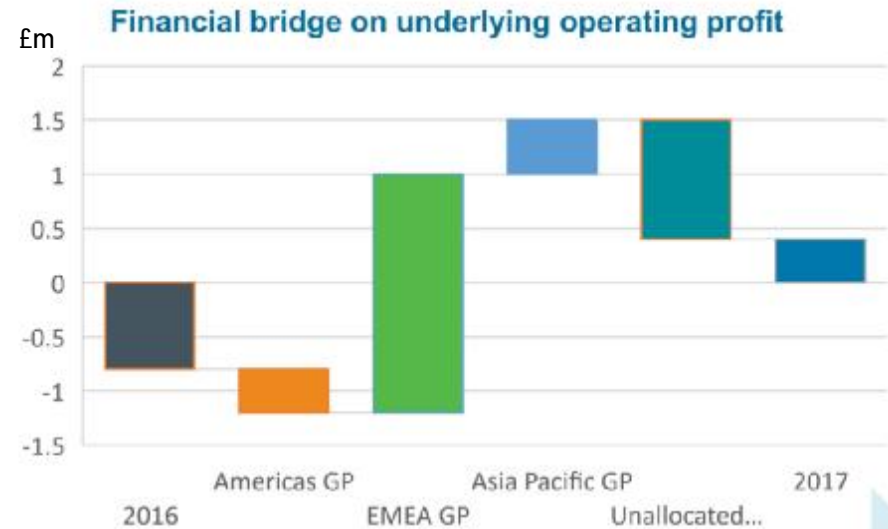
Overview – 2017 HY Financial Highlights

- > Assets held for sale and discontinued operations
 - > Sale of Instrumentation & Tobacco machinery (I&TM) division (complete 1 August 2017)
 - > Sale of property in Canada
 - > Entered unconditional agreement on 16 June 2017 to sell manufacturing facility in Mississauga, Canada for C\$11.7m (£6.7m) payable in cash on completion
- > Order intake ahead of same period last year
- > Increase in Group sales from Continuing Operations of 40% to £25.4m (2016: £18.2m)
- > Increase in EMEA region sales £9.5m (2016: £6.0m) and Asia sales £5.6m (2016: £1.8m)
- > Net debt £1.1 million (2016: £0.8m net cash)
- > Underlying PBT from continuing operations of £0.3m (2016: £0.9m loss)
- > Profit from I&TM (discontinued operations) of £1.9m (2016: £0.7m), less costs incurred on disposal in period (£1.3m)
- > Underlying EPS of 3.1p (2016: 4.2p loss per share)
- > Future dividend policy to be considered in the context of 2017 full year results - no interim dividend

Sales by region (£m)



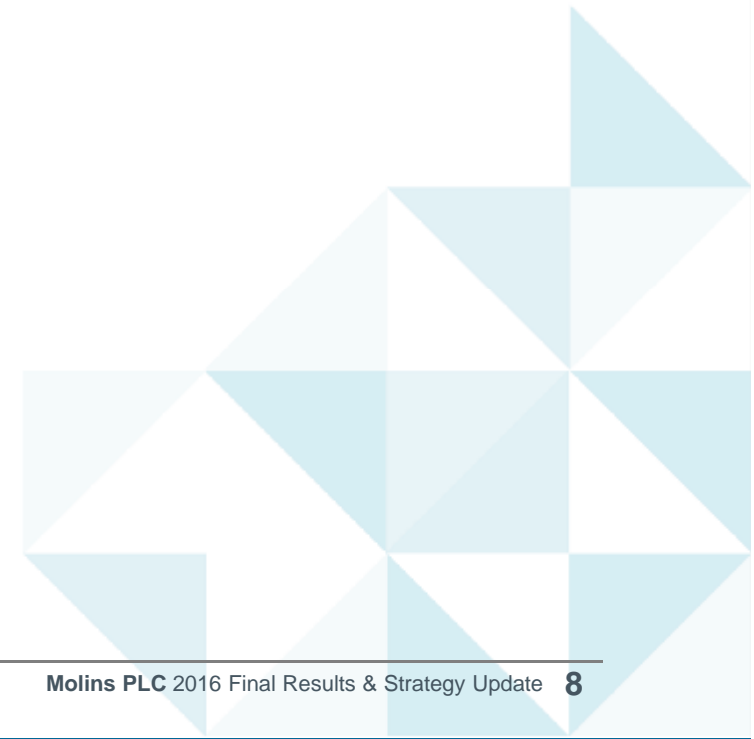
2017 HY Group Performance





Strategic Review 'One Molins' 2021 vision

Tony Steels – Chief Executive



Overview - Review

- > Comprehensive review of business confirms robust fundamental strengths:
 - leader of innovative high speed packaging solutions
 - growing service revenues and trend towards contracted support demonstrate significant opportunity
 - customer move to contracted not ad-hoc service support
 - growth opportunities from more rigorous new business focus
 - robust long term growth drivers in target pharmaceutical, healthcare, food and beverage markets
 - embedded partnerships with global blue chip customers
 - sale of I&TM enables full focus on growth strategy
- > “One Molins” 2021 strategy will drive sustainable growth & margin enhancement:
 - targeting 10% annual organic revenue growth, 10% ROS over medium term
- > Streamlined organisational structure already in place with global leadership and integrated regional competencies









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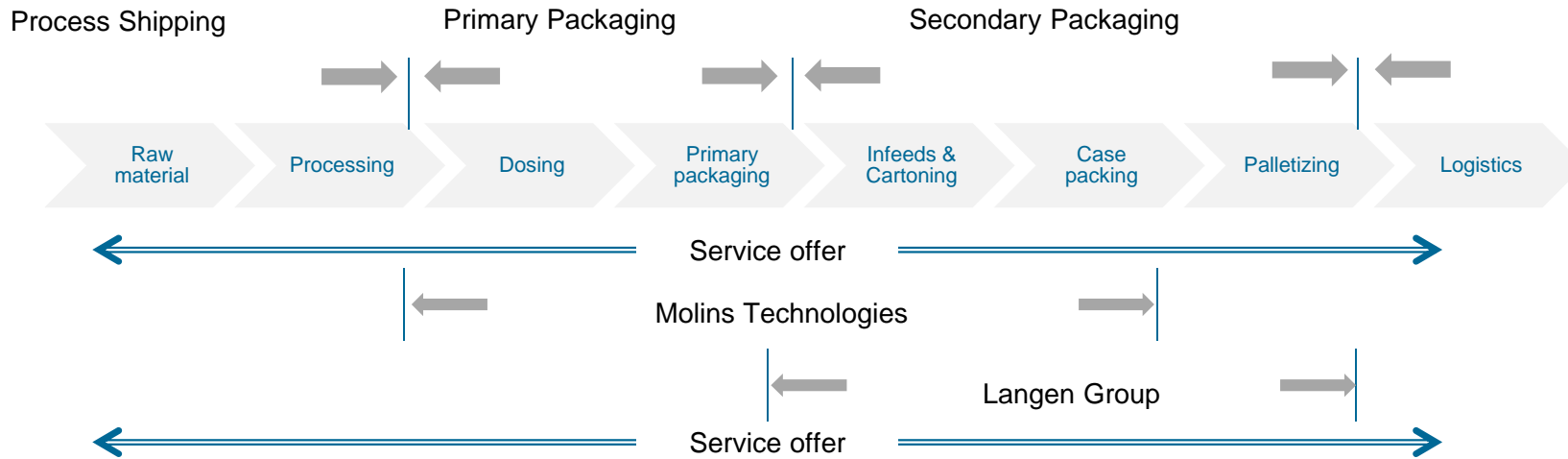
Addressable Growth Markets

SECTOR	SOLUTIONS	MARKET VALUE	CAGR	DRIVERS
Pharmaceutical	<ul style="list-style-type: none"> Dry Powder Inhaler First of a Kind Test and Measurement 	\$29 billion*	4.9%	 Premiumization  Recycling
Healthcare	<ul style="list-style-type: none"> Ostomy Contact Lens Personal Care 		5.3%	 Increasing income  Health
Food and beverage	<ul style="list-style-type: none"> Bakery Chilled & Frozen Foods Spirits LG Target Applications 	\$3.3 billion*	2.9%	 Convenience  Urbanization

Leadership in higher margin high performance segments in long term growth markets – supported by high cash generation of nicotine delivery

*PMMI 2016

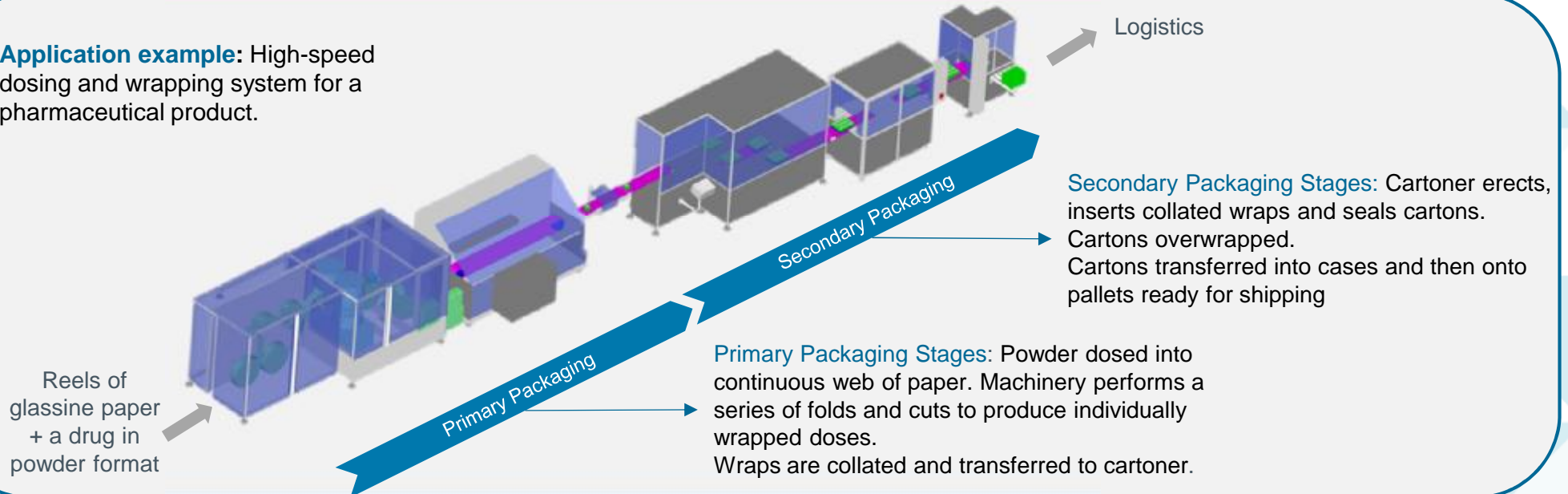
Application Know-how



Over 60 qualified engineers, representing 20% of workforce.

Portfolio of knowledge intensive solutions to leverage across established customer base

Application example: High-speed dosing and wrapping system for a pharmaceutical product.



Secondary Packaging Stages: Cartoner erects, inserts collated wraps and seals cartons. Cartons overwrapped. Cartons transferred into cases and then onto pallets ready for shipping

Primary Packaging Stages: Powder dosed into continuous web of paper. Machinery performs a series of folds and cuts to produce individually wrapped doses. Wraps are collated and transferred to cartoner.

Strategic Priorities



The Journey

- Name change
- Post sale reorganisation
- Product roadmap
- Centralised services

One Molins & cost reductions

- “Commercial excellence”
- World class service offer
- Leverage capabilities
- Developing people

Leverage commonalities

- Modularisation
- Cross selling
- Broaden target market
- Develop mid-range packaging
- Build “full solution” capabilities in target markets

Sustainable growth

H1 2017

H2 2017

H1 2018

H2 2018

H1 2019

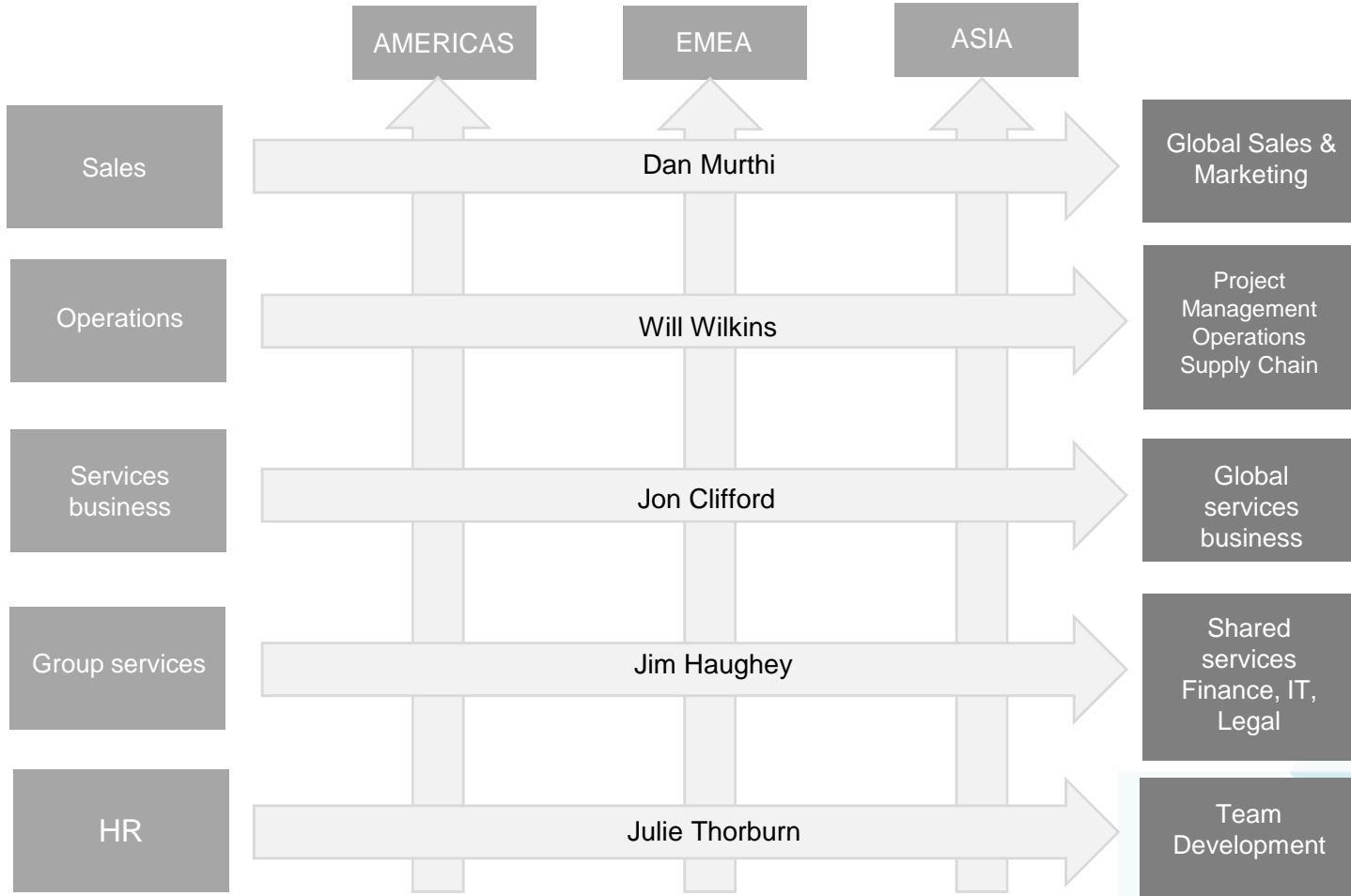
H2 2019

H1 2020

2021

New Organisation Structure

- Experienced management team – supplemented by new hires in Finance, Service and HR



Improved focus on growth markets and local trends
Develop marketing approach to support full solutions provider positioning

Key Short Term Objectives

Actions to date

- > Strategic review completed with engaged senior leaders
- > Disposal of nicotine delivery businesses
- > Efficiency improvement through
 - > Cost reductions
 - > Shared services
- > Regional commercial structure in place
- > New leadership team in place
 - > External appointments of global services director, HR director and finance director
 - > Internal appointments of sales director and operations director
- > Greater focus on customers and markets

Next steps

- > Name change
- > Canadian business move to showcase location
- > Share and build process know-how prepare for new ERP
- > Disciplined investment plan for product roadmap
- > Implementation of commercial excellence programme
- > Embed regional solution selling
- > Established KPIs to measure progress:
 - > Key projects identified in the strategy work streams
 - > Momentum KPIs to drive change
 - > Business KPIs to monitor progress

Outcome



Global leader in “Make, Pack, Test, Service” high-speed packaging solutions

GROWTH

Improved customer performance

SERVICE AS A BUSINESS

Improved operational performance

OPERATIONAL EFFICIENCY

Improved returns and cash generation

Transforming our business performance - cultural, commercial, operational and financial

Target 10% annual organic growth and 10% ROS over medium term

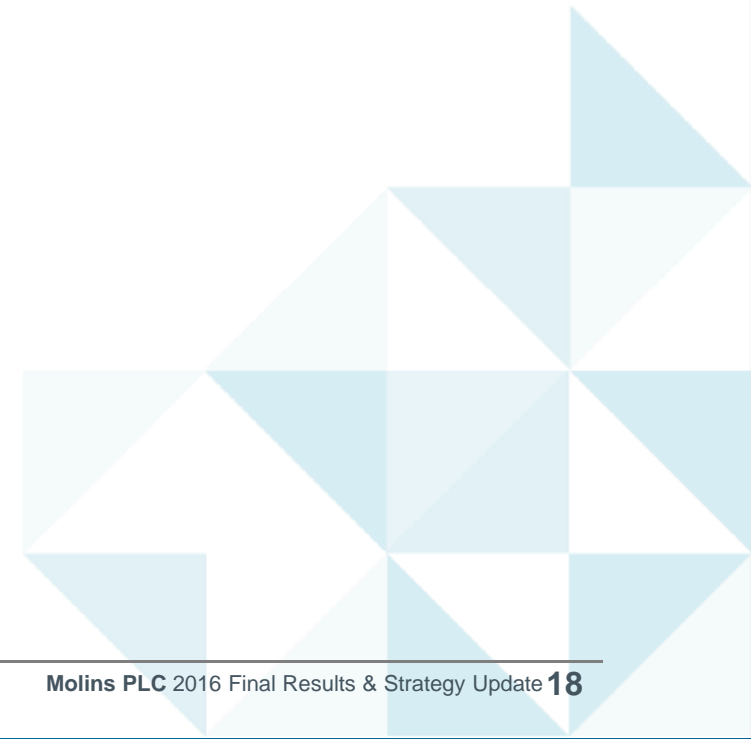
Outlook

- > Order intake and sales both strongly ahead of the same period last year in the continuing operations and prospects remaining strong in the second half
- > Focus on organic development in growth markets, through the leveraging of global position, development of products and most particularly through an improved services offering to customers.
- > Acquisition strategy
 - > Process developed for evaluating potential acquisition targets against set of criteria consistent with strategic direction
 - > Search for businesses that will enhance the Group's presence in packaging solutions in the pharmaceutical, healthcare, nutrition and beverage markets, as well as enhance the full solution customer proposition in these markets



Summary 2017 Results

Daniel Jackson – Group Financial Controller



Income Statement

	H1 2017 £m	H1 2016 £m	FY 2016 £m
Sales	25.4	18.2	41.5
Underlying operating profit/(loss)*	0.4	(0.8)	(1.2)
Non-underlying items	(0.4)	(0.4)	(1.7)
Operating profit/(loss)	-	(1.2)	(2.9)
Net interest expense	(0.2)	(0.1)	(0.2)
(Loss)/ profit before tax	(0.2)	(1.3)	(3.1)
Taxation	0.5	0.3	0.7
(Loss)/ profit for the period from continuing operations	0.3	(1.0)	(2.4)
Discontinued operations	0.6	0.7	1.8
Profit/(loss) for the period	0.9	(0.3)	(0.6)
Underlying EPS*	3.1p	(4.2)p	(6.0)p
Basic EPS	4.3p	(1.5)p	(3.3)p

* Before non-underlying items (Continuing Operations)

- > Started 2017 financial year with order book ahead of 2016 leading to improved sales
- > Increase in EMEA region sales £9.5m (2016: £6.0m) and Asia sales £5.6m (2016: £1.8m)
- > Non-underlying items include pension administration costs (£0.4m)
- > Underlying net interest expense of £0.1m; balance is pensions related
- > Tax credit of £0.5m on continuing operations
 - > UK losses leading to tax credit
 - > Profit in Canada where no charge is recognised due to tax loss utilisation
- > Trading profit after tax from discontinued operations of £1.9m (2016: £0.7m), less costs incurred on disposal in the period (£1.3m)

Cash Flows

	H1 2017 £m	H1 2016 £m	FY 2016 £m
Cash flows from operating activities	(1.3)	0.1	6.2
Cash flows from investing activities	(0.4)	(1.3)	(2.0)
Cash flows from financing activities	(0.2)	(0.5)	(0.8)
Net cash flows	(1.9)	(1.7)	3.4
Opening net debt	0.8	(3.2)	(3.2)
Exchange	-	0.3	0.6
Closing net funds/(debt)	(1.1)	(4.6)	0.8

- > Cash flows from operating activities include:
 - > £4.6m working capital increase
 - > £0.9m pension deficit payments
 - > £3.8m inflow from discontinued operations
 - > £0.5m reorganisation costs paid relating to actions taken in 2016
 - > £0.2m tax paid
- > Cash flows from investing activities include:
 - > £0.2m net capital expenditure (2016: £0.1m)
 - > £0.2m on discontinued operations (2016: £0.7m)
- > Cash flows from financing activities include:
 - > Nil dividend paid (2016: £0.3m)
 - > £0.1m interest paid (2016: £0.2m)

Working Capital (from continuing operations)

	H1 2017 £m	H1 2016 £m	FY 2016 £m
Inventories decrease/(increase)	0.4	(0.8)	0.6
Receivables (increase)/decrease	1.3	0.9	(3.5)
Payables (decrease)/increase	(6.2)	(1.4)	7.2
Provisions decrease	(0.1)	(0.1)	-
Net working capital (increase)/decrease	(4.6)	(1.4)	4.3

- > Strong order intake in late 2016 resulted in favourable working capital as customer deposits were not significantly utilised on projects
- > Reversal in H1 2017 as projects have progressed

Balance Sheet

Net assets		H1 2017 £m	H1 2016 £m	FY 2016 £m
Intangible assets:	Goodwill	-	7.6	7.8
	Product development & other intangibles	1.0	7.7	7.4
Property, plant & equipment		4.0	9.5	9.3
Net working capital (exc. pensions & tax)		3.0	15.4	9.9
Pension schemes (after tax)		3.2	(6.4)	(1.1)
Current & deferred tax (exc. pensions)		2.3	1.2	1.3
Net cash/(debt)		(1.1)	(4.6)	0.8
Net assets in disposal group held for sale		28.3	-	-
Equity		40.7	30.4	35.4
Net assets per share		202p	151p	176p

- > Property, plant and equipment includes £0.8m of investment property
- > Tax balance includes £0.2m of current tax receivable (2016: £0.1m tax payable)
- > Net assets held for sale include:
 - > I&TM
 - > Goodwill £7.9m
 - > Product development £5.8m
 - > Property, plant and equipment £3.2m
 - > Net working capital £9.9m
 - > Canadian property £1.5m
- > Main equity movements in period include:
 - > £0.9m profit for the period
 - > £3.8m of actuarial gains (net of tax)
 - > £0.2m of translation gain
 - > £0.5m favourable change in hedging reserve

Discontinued operations & assets held for sale

> Sale of I&TM

- > Net consideration received of circa £27.3m after fees and taxes
 - > £1.5m retained within an escrow account, £0.75m released after 12 months and the balance after 24 months, subject to any deductions arising from valid warranty or indemnity claims made by G.D under the Sale Agreement
- > One-off contribution to the Pension Fund of 10% of the net cash proceeds (circa £2.7m)
- > Balance of the net proceeds of £23.1m used to repay a small amount of net bank debt and the rest will be retained by the Company to execute its growth strategy for the Continuing Group
- > Molins to change its name before the end of January 2018

> Sale of property in Canada

- > Entered unconditional agreement on 16 June 2017 to sell manufacturing facility in Mississauga, Canada for a gross consideration of C\$11.7m (£6.7m)
 - > Payable in cash on completion, except deposit received of C\$0.5m (£0.3m)
 - > Net proceeds, after fees and taxes, are expected to be approximately C\$10.2m (£5.9m)
 - > Book value of the asset subject to the sale as at 31 December 2016 was C\$2.6m (£1.5m)
- > Completion of the transaction expected to take place by the end of November 2017
- > Entered into 10 year contract to lease a newly built facility (approx. 8 miles from current location)
 - > Annual cost of approximately C\$0.6m (£0.35m)
 - > Expected move to new building in Q4; lease term and payments commence from 1 November 2017
 - > Expected move to the new building in Q4
 - > Expected spend approx. C\$1.7m (£1.0m) to adapt the building to our needs

Pensions

		H1 2017 £m	H1 2016 £m	FY 2016 £m
Value of assets	UK	403.8	370.9	401.9
	US	16.7	16.8	17.1
	Total	420.5	387.7	419.0
Net surplus/(deficit)	UK	11.1	(1.9)	4.6
	US	(6.6)	(8.1)	(6.8)
	Net before tax	4.5	(10.0)	(2.2)
	Deferred tax	(1.3)	3.6	1.1
	Net after tax	3.2	(6.4)	(1.1)

Pension administration costs (funded by the schemes)	(0.4)	(0.4)	(0.9)
Net interest on pension scheme balances (calculated by applying discount rate at the beginning of the period to the opening valuation)	(0.1)	-	0.1
Net pension charge before tax	(0.5)	(0.4)	(0.8)

UK Scheme

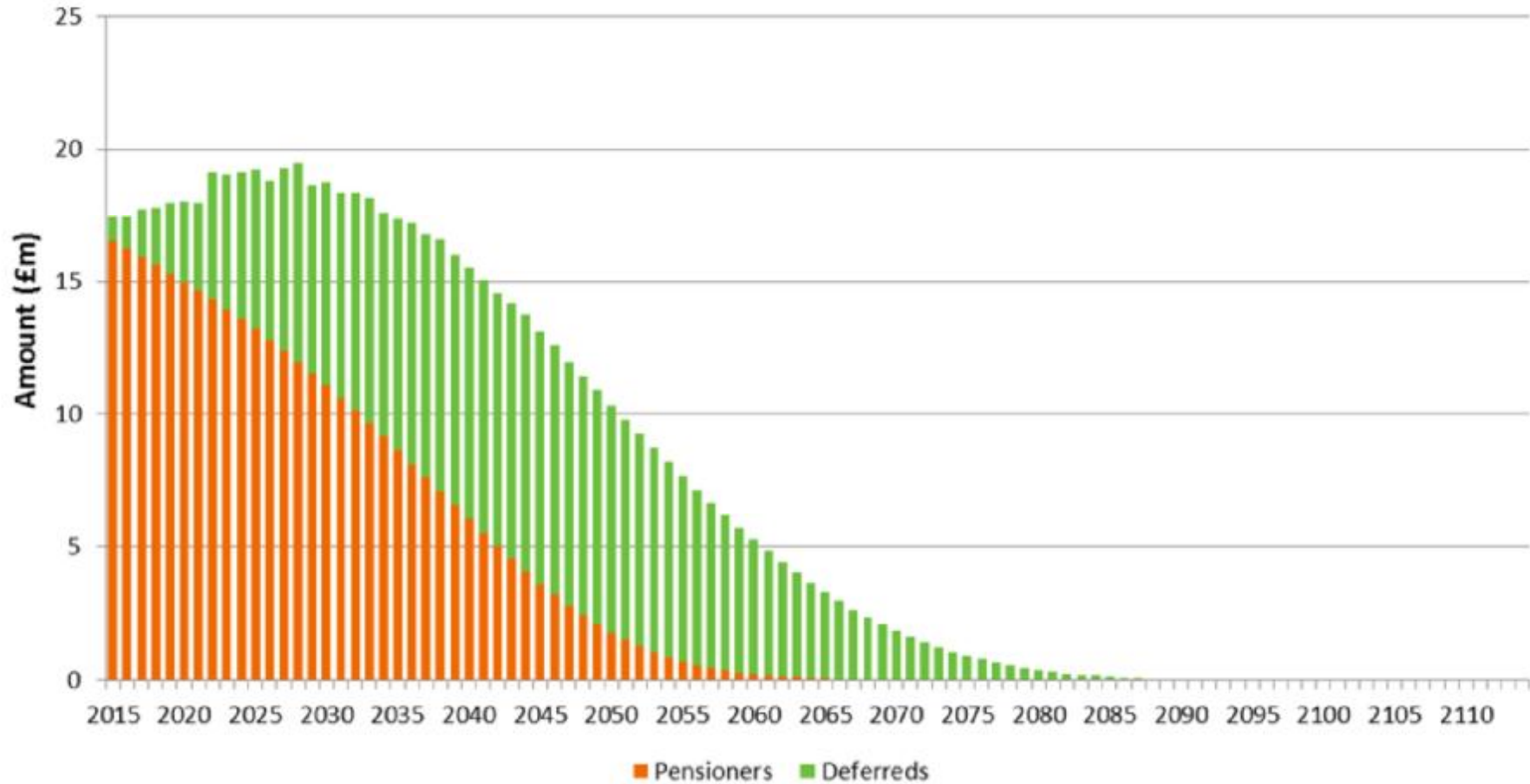
- > IAS 19 surplus of £11.1m before tax (December 2016: £4.6m surplus)
 - > Assets increased by £1.9m to £403.8m
 - > Liabilities decreased by £4.6m to £392.7m, with discount rate of 2.4% (December 2016: 2.5%) and decrease in inflation rate of 0.1%
 - > Interest rate sensitivity: 10bp rise = £5.9m deficit reduction
- > Mature scheme
 - > 4,300 members of which 2,900 are pensioners
 - > Pensioner payroll £17m pa, peaking at £19m pa (nominal) in 2025
- > Closed to future accrual in 2012
- > Recovery plan at £1.8m (+2.1%) pa (recovery period ends 2029), plus 10% of net proceeds from sale of I&TM and profit share of 33% of underlying OP between £5.5m and £10.0m – the Company also funds statutory levy paid to the Pension Protection Fund

US Schemes

- > IAS 19 deficit of £6.6m before tax (December 2016: £6.6m)
 - > Assets of £16.7m, liabilities of £23.3m, with discount rate of 3.7% (December 2016: 4.0%)
 - > Interest rate sensitivity: 10bp rise = £0.3m deficit reduction
- > Mature scheme
 - > 280 members of which 155 are pensioners
 - > Pensioner payroll is £1.5m pa
- > Closed to future accrual in 2011
- > Funding payments in accordance with regulation - £0.2m in 2017, expected to increase to £0.5m in 2018

UK defined benefit pension scheme

Projected benefit payments (nominal, £m)



- > Data as at 1 July 2015
- > Peak of cash flows expected around 2025 to 2030 at c £19m pa, from current levels of c. £17m

Executive Leadership Team



Tony Steels
Chief Executive Officer

Previous Experience: Tony has an extensive knowledge in engineering as well as business development, both in and out of the UK.

Qualifications: B.Sc B.Eng. (Hons) PhD

Career Highlights: Working in multinational companies including Cytec and Georg Fischer AG, in senior roles including Group Managing Director and Global Business Director.



Jim Haughey*
Finance Director

Previous Experience: Jim has extensive experience working within the Engineering, Industrial Distribution and Engineering Services sectors.

Qualifications: B.A. (Econ) (Hons) Chartered Accountant

Career Highlights: Working in senior finance roles and having extensive experience in M&A within multinational companies including Bridon, FKI Plc and Bodycote Plc.

* Start date 2 Oct 2017



Dan Murthi
Sales and Marketing Director

Time Spent at Molins: 5 years

Qualifications: B.Eng. (Hons) Management of Manufacturing Systems

Career Highlights: Working in the UAE and Germany, and working for Konecranes & Morris Material Handling.



Will Wilkins
Operations Director

Time Spent at Molins: 5 years

Qualifications: Fellow Chartered Accountants England and Wales

Career Highlights: Working in senior finance and operational roles for multinational companies in the UK and mainland Europe



Julie Thorburn
HR Director

Previous Experience: Julie has extensive experience in global manufacturing organisations who have gone through major change programmes.

Qualifications: BA (Hons) Business Studies, MBA

Career Highlights: Working in multinational companies including SCA Hygiene Products and Schneider Electric as HR Director for their UK & Ireland businesses.



Jon Clifford
Services Director

Previous Experience: Jon is an experienced International Manager previously having worked for Siemens, inc 5 years in the Middle East as CEO of Energy Service for Siemens.

Qualifications: BA (Hons) Law and Business

Career Highlights: Driving transformational change from OE to Global Service business with Siemens Industrial Turbomachinery and driving year-on-year book and bill growth.

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