

# Mercer



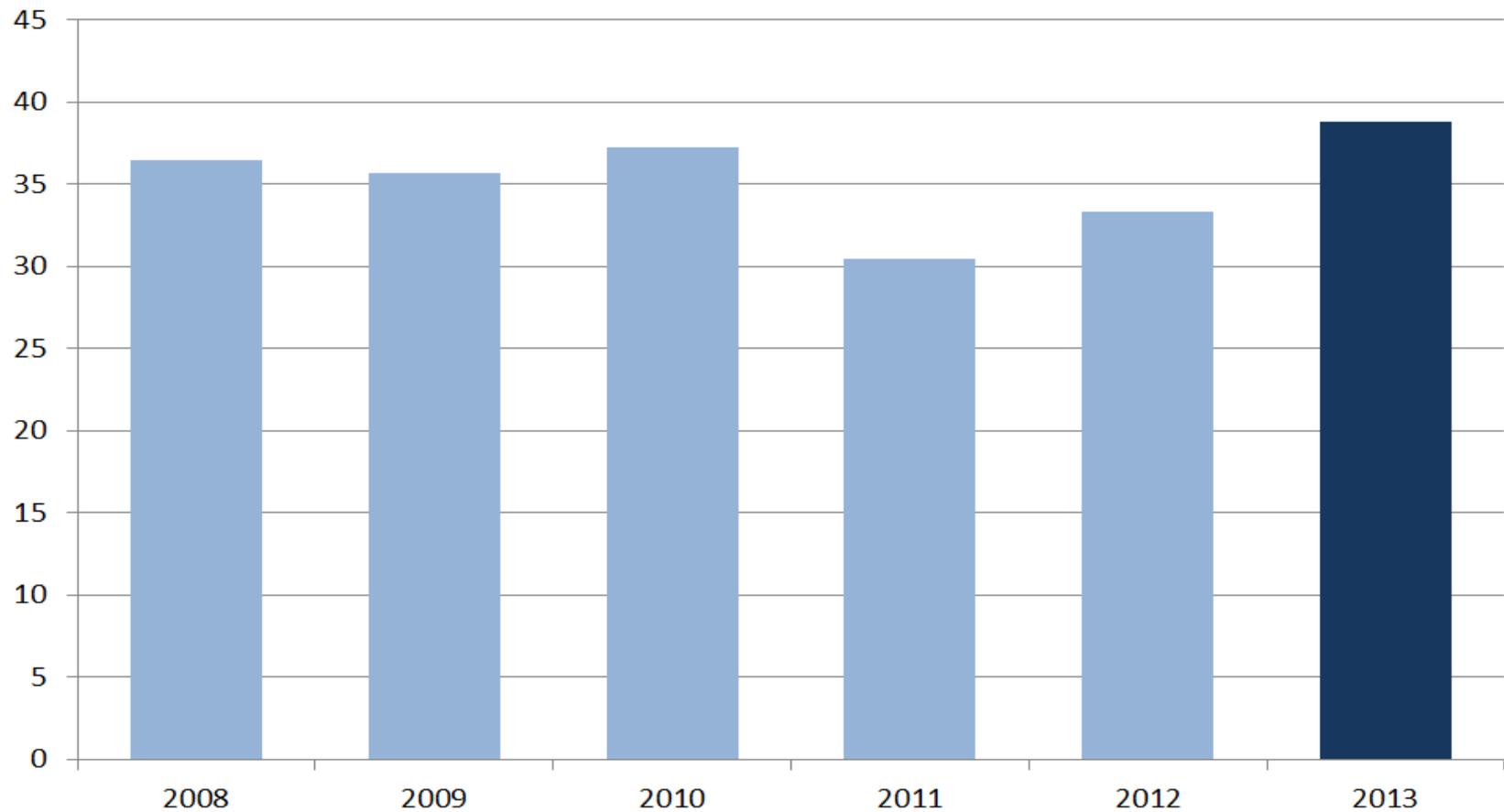
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Mercer Group Limited

Annual General Meeting – Chairman's Presentation

December 2013

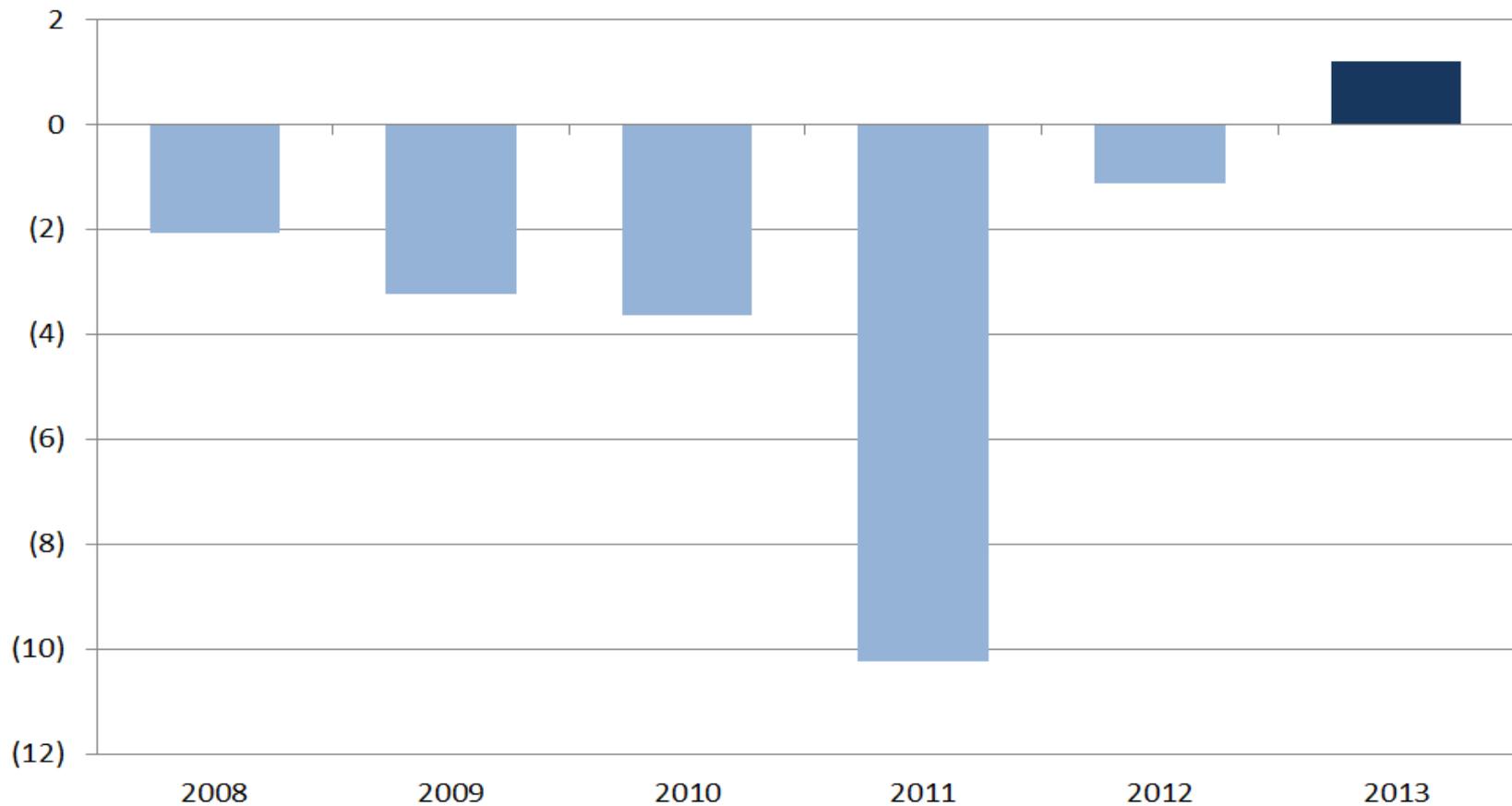
## Mercer Group Revenue Performance (\$m)



# 2013 Performance



## Mercer Group Surplus (Deficit) Before Taxation (\$m)



# Mercer



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# 2013 Objectives Largely Met



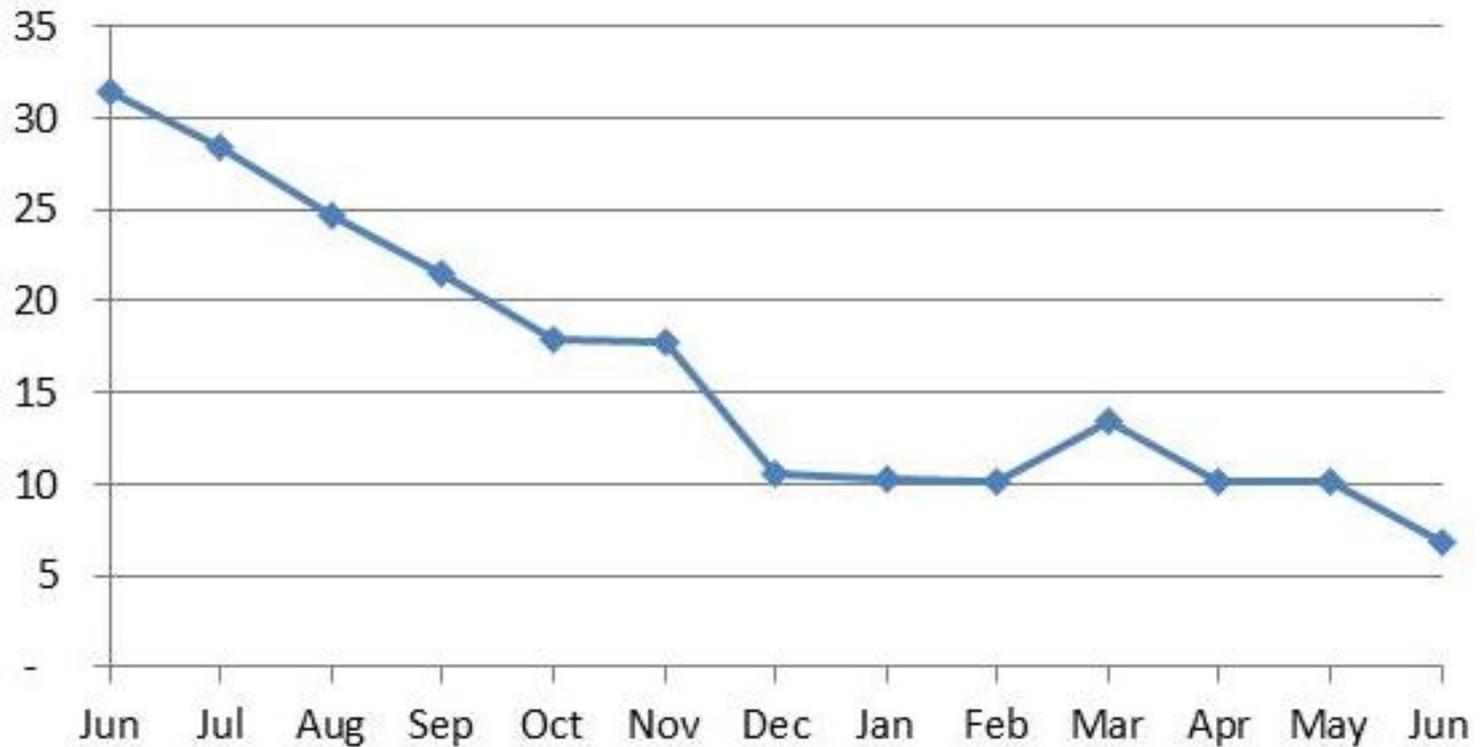
2013 Objectives	2013 Outcomes
Achieve EBITDA* of at least \$3m	X EBITDA of \$2.5m was achieved. This includes some one-off costs that we have absorbed into the result that we didn't budget (including for example \$0.2m in rent payments for an empty building that couldn't be sub-let). This is well up on 2012.
Meet banking covenants	✓ Achieved
LTIFR tracking below 10	✓ Achieved LTIFR of seven for the year.
Commercialise an R&D project	✓ Mercer has successfully developed tight radius pressed sinkware that it is now selling. We have also developed the Ultraclave this year and made good progress on commercialising the S-Clave technology.
Revenue growth of at least \$10m versus 2012	X Revenue growth of \$5.5m was achieved.

\* Reconciliation to surplus before tax set out on page 7

# Our Safety Record is Improving



## LTIFR 12 Month Rolling - Group



## 2013 Financial Performance was a Strong Improvement over Prior Years



### 2013 Comparative Financial Performance Summary

<b>\$m</b>	<b>FY 13 EBITDA</b>	<b>FY 13 DA</b>	<b>FY13 Surplus before finance costs</b>	<b>FY 12 EBITDA</b>	<b>FY 12 DA</b>	<b>FY12 Surplus before finance costs</b>
Stainless Fabrication	3.2	(0.3)	2.9	1.0	(0.3)	0.7
Mercer Interiors	0.3	(0.3)	-	-	(0.3)	(0.3)
Mercer Medical	0.2	-	0.2	0.2	-	0.2
Corporate	(1.2)	(0.3)	(1.5)	(1.1)	(0.2)	(1.3)
<b>Total</b>	<b>2.5</b>	<b>(0.9)</b>	<b>1.6</b>	<b>0.1</b>	<b>(0.8)</b>	<b>(0.7)</b>

# 2013 was a Year of Investment



- Last year we selected four key areas of priority for investment.
- These investments complement our ongoing improvement to our core existing businesses.

## Mercer 2013 Investment Summary

Investment	\$ Invested
Titan Slicers	\$1.0m for 75% \$1.0m for working capital
Titan ivs500 slicer	\$0.4m for further development
S-Clave	\$0.6m in 2013
New tight radius sinkware	\$0.3m

# Future Strategic Growth



Mercer core = New Zealand expertise and best practice

Stainless Steel  
Fabrication

Food Processing  
Equipment

Sinkware

Medical  
Sterilisation

Research and  
Development

Finance



From this core expertise, Mercer generates World leading products and solutions to sell globally  
**Vision: to provide innovative and high quality Stainless, Interior and Medical solutions to the world**

TITAN  
by Mercer

BETAVAC  
by Mercer

PV VALVE  
by Mercer

SINKWARE  
by Mercer

S CLAVE  
by Mercer

MERCER  
CONCENTRATOR

Developing solutions for international markets



Australia

Canada

North America

Europe

Asia

- 2013 was a much improved result over recent years built off Darfield Stage 2, Open Country Dairy cheese hall upgrade, four slicing lines to Maple Leaf (MLF) in Canada.
- Strong Aico meat packaging equipment orders at present, particularly into Australia.
- Secured Yili – Oceania Dairy tank and silo package.
- Lot of dairy expansion forecast in South Island over next few years.
- Move to manufacturing Titan Slicers in Christchurch has now been completed.
- Aiming to maximise the percentage of work we do that is Mercer IP owned versus 3<sup>rd</sup> party fabrication.



# Titan – Part of Stainless Division



- Mercer paid \$1m for 75% of Titan in July 2012 and has put in \$1m working capital by June 2013 and invested \$0.4m in R&D.
- MLF installation is nearly complete (expected by Christmas). This has taken longer than expected.
- There is an expected market demand of 1,400 slicers in North America over the next 10 years. So sales is now our priority and we have good orders coming in for calendar year 2014.
- We continue to add resource into Titan to allow us to expand globally. NZTE is providing up to \$0.6m of funding over the next three years.

## Titan Slicer



- Residential consents are rising again, c.20,000 in the last twelve months from a low of 14,000, albeit still lower than levels from 2007 which were 27,000.
- Also with Christchurch rebuild getting underway, future industry macro-economic conditions look very favourable.
- Our new tight radius bowl is selling well. The plant expansion was opened by John Key.
- We are currently recruiting new staff to man a second shift.
- During 2014, once we have the sinkware plant capacity increased we will pursue other export opportunities that are beginning to present themselves.

## Mercer Plant Expansion



- In August 2013 we changed our main distributor in Australia to Argent and we believe that they will significantly increase our sales.
- We also sell through Tekform into the kitchen joiner market.



- The business continues to provide leading technical sterilisation services to hospitals in New Zealand.
- MMM sterilisers and washers have been successfully introduced into the New Zealand market.
- We expect to sell at least 15 machines in this financial year.
- We are reviewing an opportunity to expand into Australia based upon MMM support.



- 18 months ago, we set up a division to focus on converting R & D projects into revenue opportunities. We have put renewed energy into the Technologies Division.

## Key Projects Underway

Project	Status
S-Clave	Technology proven: move into commercialisation phase
Milk / juice concentrator	IP secured, new analysis underway
Benchtap autoclave (ultraclave)	Extensive commercial testing underway, release shortly
Leak detector	Completed

- On 9<sup>th</sup> December 2013, Mercer announced that it had successfully licensed the S-Clave technology to a substantial US Corporation for the North American market.
- S-Clave is breakthrough technology for sterilisation that results in surgical instruments being vacuum packed in a non-porous bag, thereby reducing the risk of hospital infection which is the fifth biggest cause of death in the US.
- Mercer has 3 international patents, either issued or pending.
- The key terms of the agreement are:
  - Licensee has exclusivity in medical and laboratory sector in the North American market.
  - Licensee has non-exclusive license in the rest of the world excluding South East Asia and Australasia.
  - US\$0.7m net payment to Mercer.
  - License fees of at least 5% average on equipment and bags in the future.
  - Milestones are in place to maintain exclusivity, including a further payment of US\$1.0m in three years' time.
- Mercer plans to continue to develop the S-Clave technology here in New Zealand to a commercialisation phase. We expect this to cost in the region of \$2m and we are currently exploring all funding options.

# Medium Term Growth Opportunities

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- Further development of Titan Slicers increasing our sales presence in North America in particular.
- Increasing the range of equipment and markets for Mercer owned Packaging and Food Processing equipment.
- Further expansion of our sinkware plant to enable increased international sales of our new tight radius range.
- Continued investment in people and process to drive operating performance improvements across all divisions.
- Development of S-Clave and other new technologies over the next five years.
- Currently exploring a number of small acquisitions where they fit with our strategy: **“To provide innovative and high quality Stainless, Interiors and Medical solutions to the World”**.

# 2014 Objectives

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- Increase profitability over the prior year.
- LTIFR below 10 for 2014.
- Secure funding for the next stage of S-Clave development.
- \$3m of headroom in banking facility by year end (excluding any acquisitions).

# Mercer



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