



NEWS RELEASE dated 28/2/14

S-Clave License agreement highlight for Mercer Group

Mercer has reported a surplus after tax of \$0.4m in the six months to 31 December 2013 versus \$0.6m in the prior year. This was generated off a trading profit (Earnings Before Interest, Tax, Depreciation and Amortisation, EBITDA)* of \$1.1m for the six months to 31 December 2013 (2012: \$1.4m). This result was underpinned by the sale of an S-Clave license to a large North American medical services company.

Highlights over the six month period include:

- Signing an S-Clave license agreement for North America;
- Securing the installations for Titan equipment to two new very large North American customers, due to take place in March;
- Secured \$600k of New Zealand Trade & Enterprise funding across the next two years to accelerate market penetration in North America; and
- Completing the tight-radius sinkware upgrade and starting to see the sales growth resulting.

Stainless Fabrication

This division comprises the fabrication workshops in Christchurch and New Plymouth, the Brisbane office, and Titan Slicers. The division has reported sales revenue of \$14.0m, some \$2.8m lower than last year. The Segment EBITDA was \$0.6m compared to \$2.0m in the same six month period last year.

The lower sales and profitability compared to the prior year was due in part to the large Maple Leaf Foods Titan order in the previous year. However the two workshops in Christchurch and New Plymouth also had lower earnings due to a small number of jobs not achieving expected margins. In addition, the introduction of Titan manufacturing in the Christchurch workshop from Nelson has taken longer than we had forecast and we have increased staffing levels in advance of expected Titan and Mercer equipment growth.

The current order book is full through to the end of June. We anticipate a stronger second half result from this division but we will continue to invest in people, particularly around Titan and other Mercer owned equipment.

Mercer Interiors

This division manufactures in New Zealand and supplies sinks, basins, tubs, toilets, laminate, solid surface material and other similar products to joiners, merchants, fabricators and other manufacturers. Mercer distributes the Wilsonart brand of laminate in the NZ market.

Overall revenue is \$4.7m, up by \$0.7m over last year. EBITDA was \$0.1m, flat on last year due to the staffing increases as we continue to build for the future. In November, the upgrade to our Christchurch sinkware plant to manufacture tight radius sinks was opened by the Prime Minister, John Key. Demand for the new sinkware is strong and we are gearing up to run a second shift at the plant in April 2014 once new production staff are secured.

In Australia, Mercer appointed Argent as our primary distributor, which is showing promising signs at this early stage. Unfortunately our secondary distributor was suddenly put into administration in January owing Mercer money.



Mercer Medical

Mercer Medical is a division supplying equipment and related products and services for sterilization, washing and disinfection. During the period, Mercer has increased its presence in the NZ market and made a number of MMM sterilizer and washer equipment sales. We expect this to continue to grow in the second half.

Corporate

This division includes Mercer Technologies which generated a strong result, signing a license agreement for our S-Clave technology with a large North American medical services company during the half year. We are now in the process of applying for funding support to assist us funding the next phase of the project in New Zealand. This will allow us to hire more Research and Development staff and ensure we develop the S-Clave technology for all international markets. The potential of this technology is significant to the value of the Company, albeit sales into hospitals are likely to be at least two years away.

Funding

During the six month period, Murray Capital Rakaia Fund Ltd Partnership exercised 34,371,533 warrants at a price of \$0.05 per share and subsequent to the period end on 2 February 2014, management exercised 17,857,142 shares at a price of \$0.07 per share. This funding supports the near term organic growth aspirations of Mercer.

Outlook

The Directors believe the Company should continue to invest in people and technology to drive sales growth and increase profitability in the medium term. The investment in people will impact earnings for 12 months as we front load the expense to lift medium term performance. Investment is currently being focused on S-Clave, Titan and Interiors. We believe that investment in these projects will drive shareholder value over time. We are currently forecasting EBITDA for the financial year of around \$2m, although this could be exceeded if the Titan installations that are beginning in North America convert to follow on sales before the end of June.

The Company continues to review complementary acquisition opportunities that come up from time to time, and one such opportunity is currently under consideration. If this proceeds to a signed Sale and Purchase agreement, the Company will announce further details.



*Reconciliation of surplus after tax to EBITDA

	Six months to 31 December 2013 unaudited	Six months to 31 December 2012 unaudited
EBITDA		
Stainless Fabrication	642	1,972
Mercer Interiors	64	105
Mercer Medical	97	16
Corporate	305	(724)
Total EBITDA	1,108	1,369
Depreciation and amortization	(415)	(424)
Finance costs	(231)	(198)
Share of profits of associate	15	59
Total Group surplus before taxation	477	806
Taxation	(70)	(217)
Total Group surplus after taxation	407	589

For further information, please contact Rodger Shepherd, Group CEO on +649 837 7540