



**Mercer Group Ltd
Annual Meeting
15 November
2017**

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Agenda



Welcome

Chairman's address

CEO review

General business

Refreshments

Welcome

Our Vision

To design and supply innovative food processing and packaging systems to the World.



Responsible

We care about our people, our customers and our environment.

Professional

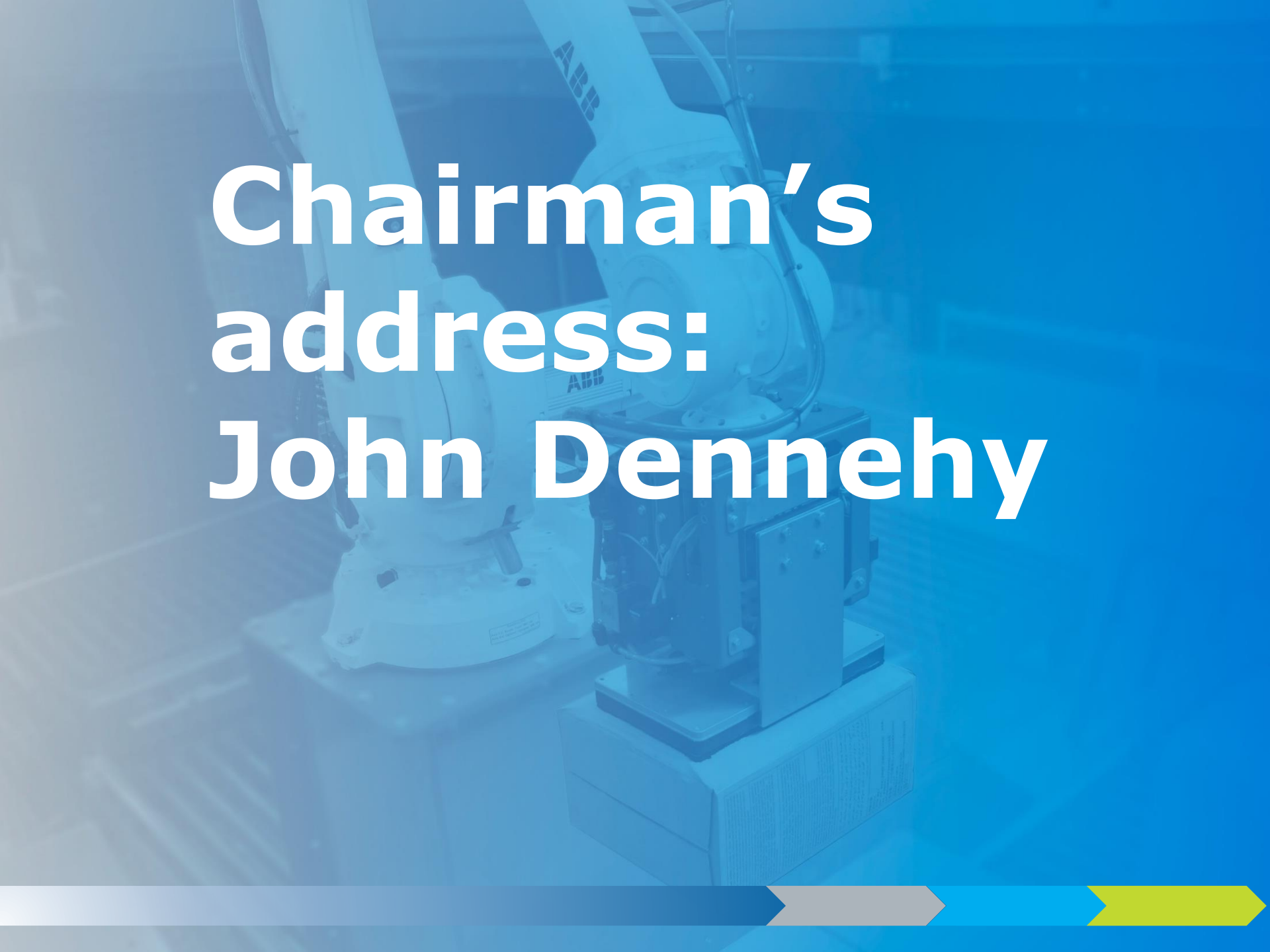
We communicate openly, act with integrity, and strive for excellence

Customer focus

We build long-term partnerships by providing quality solutions to our customers

Committed

Each of us is accountable to deliver results to all our stakeholders

The background of the slide is a blue-tinted photograph of an industrial robotic arm, specifically an ABB model, mounted on a base. The arm is white and blue, with the ABB logo visible. It is positioned in a factory or industrial setting. The text is overlaid on the left side of the image.

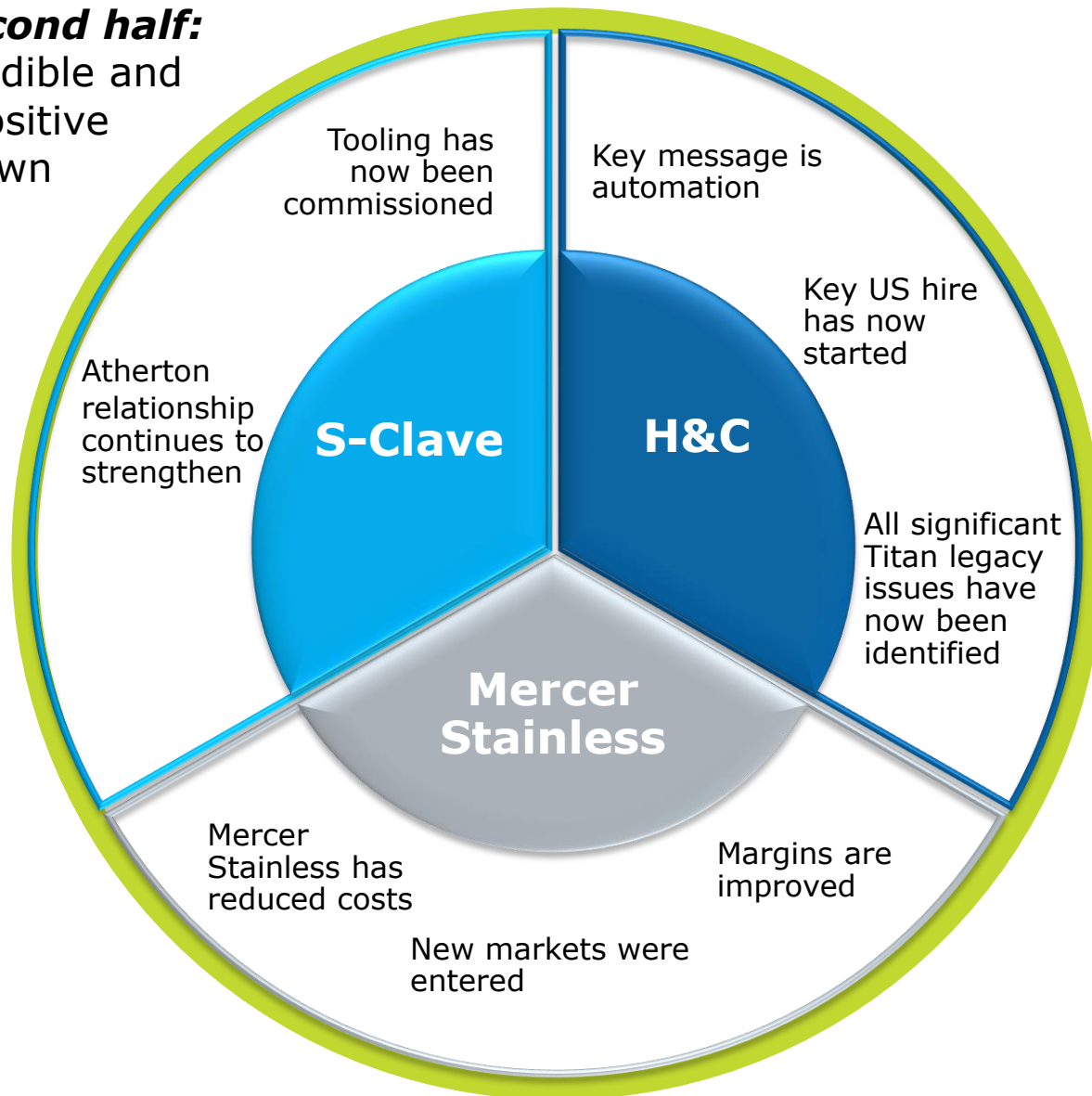
Chairman's address: John Dennehy



Transition – Where are we?

2017 – Second half:

Our first credible and verifiable positive EBITDA shown



Challenges and Opportunities

Execution

The prime focus of the CEO is Execution of the strategy

Capital

Capital is currently constrained, but we believe resolvable

Safety

Keeping our staff safe – maintain tertiary ACC accreditation

Distance

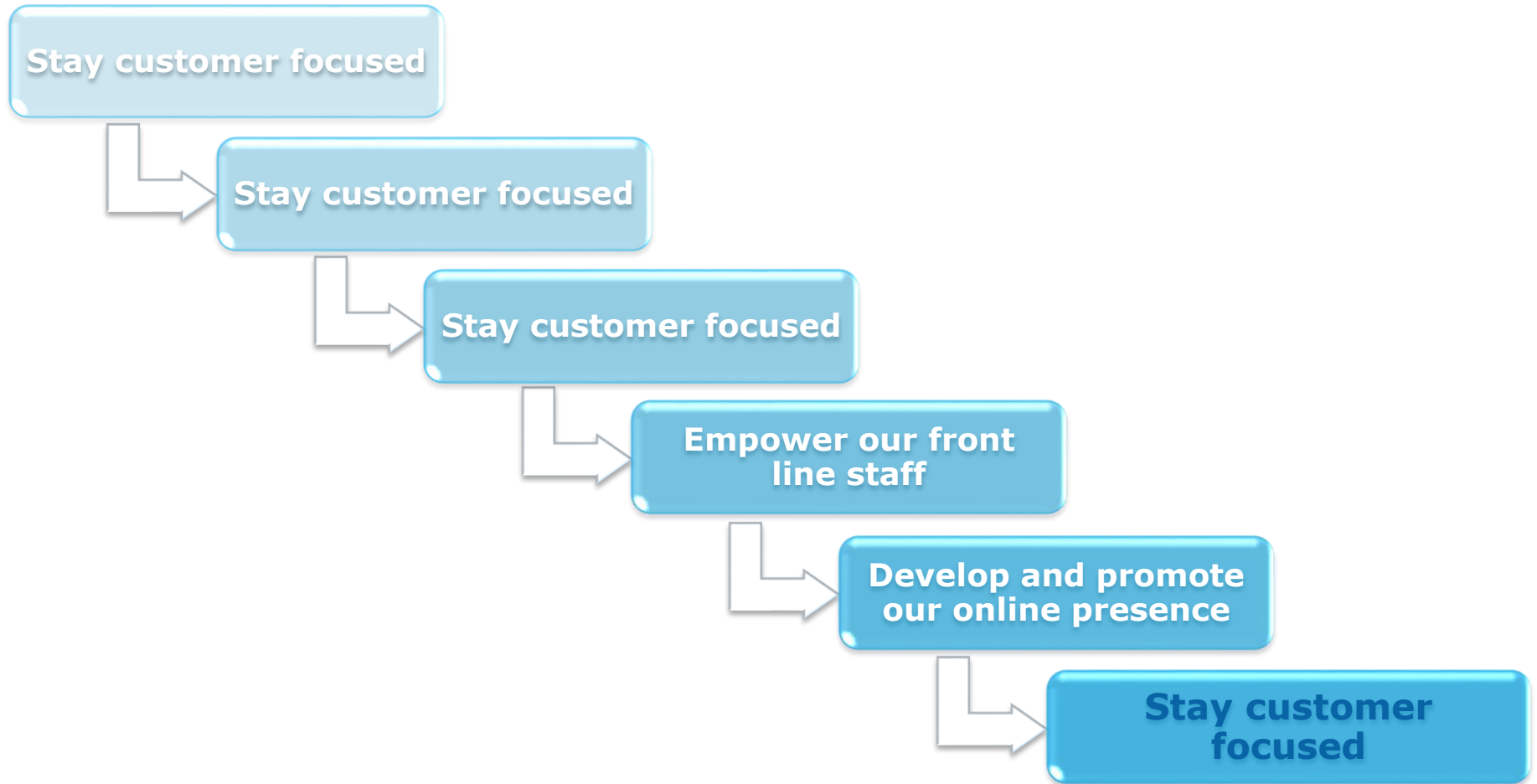
Tyranny of distance to H&C – NZ/AUS opportunities have largely taken secondary focus, except for a few big customers. There are untapped opportunities here.



Where are we going?



How do we get there?



A blue-tinted background image of an industrial robotic arm, likely an ABB model, mounted on a base. The arm is positioned diagonally across the frame. The text 'CEO review: Richard Rookes' is overlaid in white, bold, sans-serif font. At the bottom, there is a decorative horizontal bar with four colored segments: dark blue, grey, light blue, and yellow, each with a chevron shape pointing to the right.

CEO review: Richard Rookes

***Positioning the business for
growth and profitability***

Year in review



Mercer Stainless - Improved **Health & Safety**, resulting in tertiary qualification from ACC



Successful rights issue undertaken in November 2016



Acquisition of Haden & Custance in December 2016



Staffing - The completion of the restructuring of the Group



Positive normalised **EBITDA** for the second half of the financial year



Financial performance

Group Sales by segment - figures 000's

	Jun-17	Jun-16	change
Stainless Fabrication	21,570	24,548	(2,978)
Machines (H&C) ¹	8,222	2,820	5,402
Mercer Technology	65	71	(6)
Corporate	0	0	0
Intercompany eliminations	(3,235)	(4,131)	896
Total Revenue	26,622	23,308	3,314

Notes:

¹ FY16 is Titan Slicer only, FY17 is both H&C and Titan Slicer



- Total Revenue increased 14% year on year.
- Stainless revenue down \$3m or 12%, due to down sizing direct labour with headcount reduced by 21%
- Machines including H&C was 30% of revenue, with 7 months trading for H&C



Financial performance

Group Earnings by segment - figures 000's

	Jun-17	Jun-16	change
Stainless Fabrication	(298)	(2,204)	1,906
Machines	(1,626)	(1,351)	(275)
Mercer Technology	28	(64)	92
Corporate	(1,576)	455	(2,031)
Reported EBITDA	(3,472)	(3,164)	(308)
<i>adjust for non recurring items:</i>			
Insurance Settlement		(2,608)	2,608
Asset Impairments & Restructuring costs	2,244	2,306	(62)
Capital raising costs	392		392
Other	280		280
Normalised EBITDA	(556)	(3,466)	2,910



- Reported EBITDA was \$3.5m loss, adjusting for non-recurring items normalized EBITDA loss was \$0.556m
- For the second half the group traded EBITDA positive after adjusting for non recurring items
- Restructuring cost are now completed
- Staff cost reduced by \$2.1m year on year
- Titan operating costs have been reduced with the product under new management at H&C



Financial position

Capital Employed

figures 000's

	Jun-17		Jun-16	
		Debt / Equity		Debt / Equity
Net Debt*	(7,919)	45%	(10,526)	56%
Equity	(9,510)	55%	(8,337)	44%
Total Capital Employed	(17,429)		(18,863)	

Funding Other Net Assets

Current Assets	8,469	7,424
Current Liabilities	(5,686)	(5,871)
Non-Current Assets	14,646	17,310
Total Other Net Assets	17,429	18,863
Net Tangible Assets	16,811	15,445

Note

* Net Debt includes: Cash, overdraft and borrowings



Financial position

2017

Reduced borrowings by \$2.3m

Debt to Equity ratio strengthened 45:55

Non current assets reduced by \$2.1m due to deferred tax assets derecognized post the rights issue.

Further debt reduction of \$0.5m in October 2017

9% reduction in cost of funds p.a.

MGL retains \$2.85m of tax assets off balance sheet

2018



Capital Structure

\$7m underwritten rights issue was undertaken in November 2016

20:1 share consolidation in January 2017

60,632,706 shares on issue

Interests related to H Rolleston control 56% of the company

Raised \$1.2m at \$0.40 in August 2017



Mercer Group today



Hastings based automation company with an office in the US. Specialises in de-boxing and de-bagging of bulk cheese, but has capability set far broader.



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

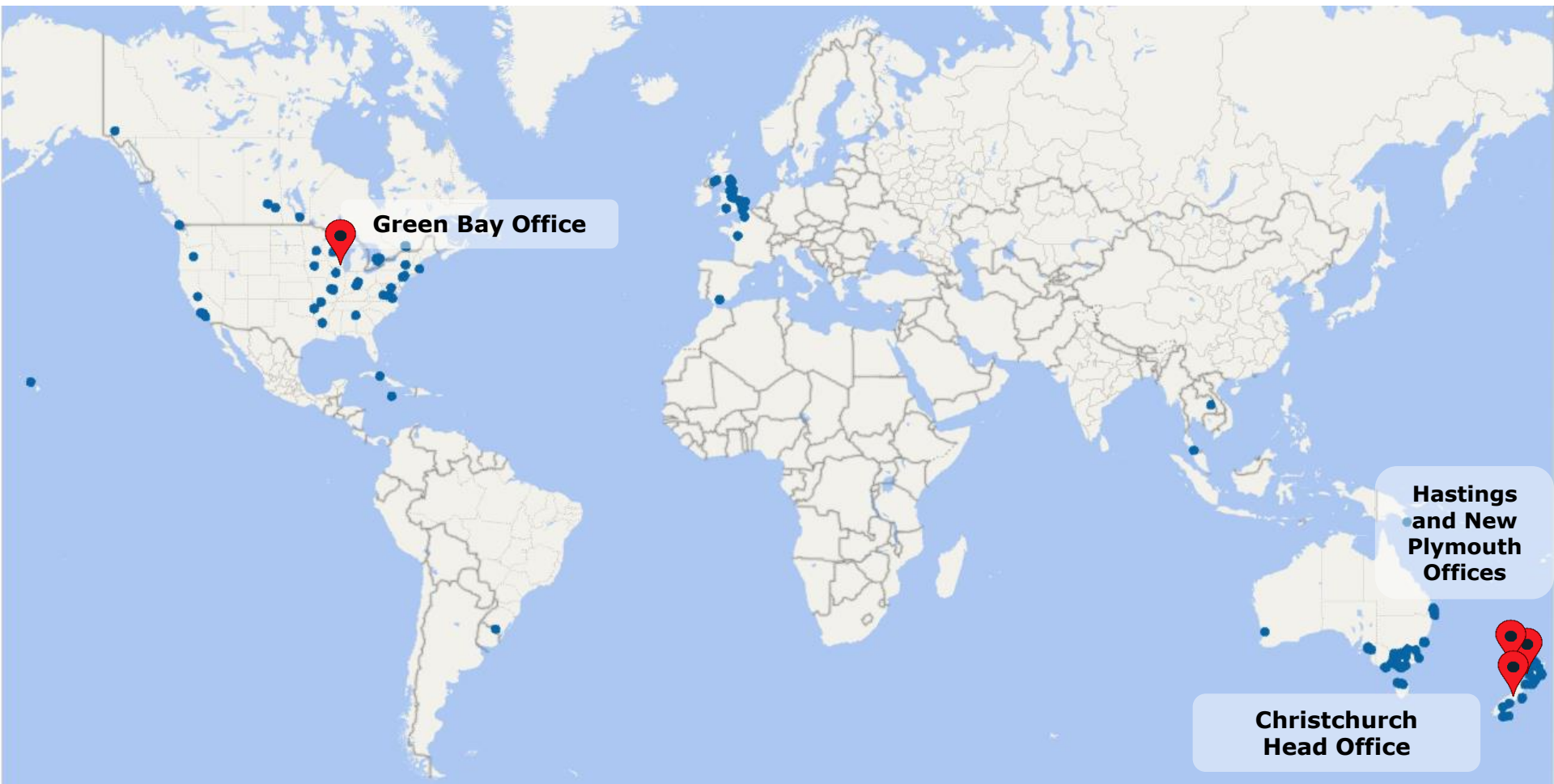


Sterilisation technology that is close to commercialisation

While these three businesses run separately from each other, there is some market synergy between Mercer Stainless and Haden & Custance, the automation story is relevant to customers across both businesses.



Mercer Group today



Haden & Custance



Haden & Custance ('H&C') is an automation business.

Acquired in December 2016 as part of our strategy to transform the Mercer Group to a technology led company.

Transferred Titan, AiCo and Beta range to H&C. These lines fit better here given the H&C operational model (design, assemble and deliver), capability (mechanical, electrical and controls resource in house) and culture (design led philosophy). It also allowed for cost reduction of over \$1m.

H&C has a strong reputation with existing customers.

H&C has been focused on a specialised niche of De-Boxing and De-Bagging of bulk cheese in the USA.

We are increasing resource in that market while also selling broader automation capability in NZ/AU.



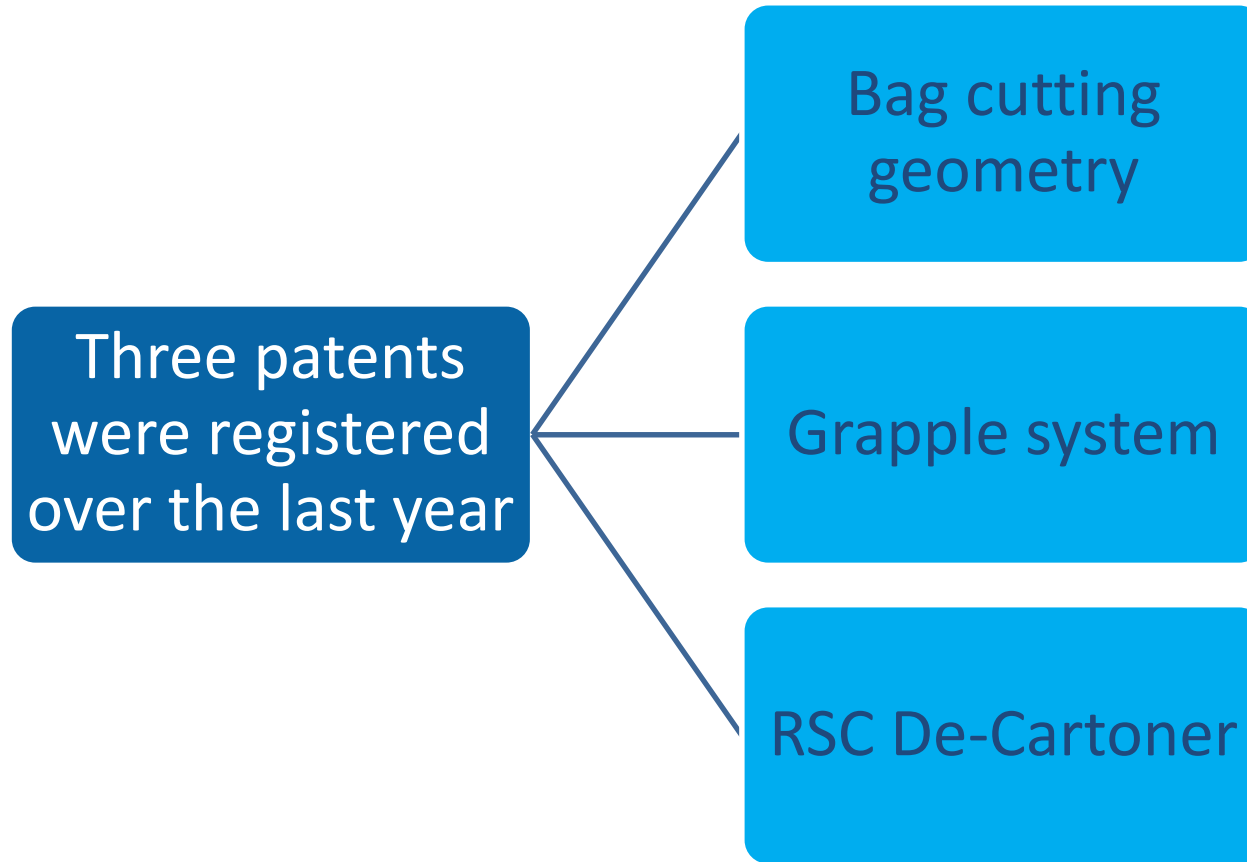
Haden & Custance – capability set



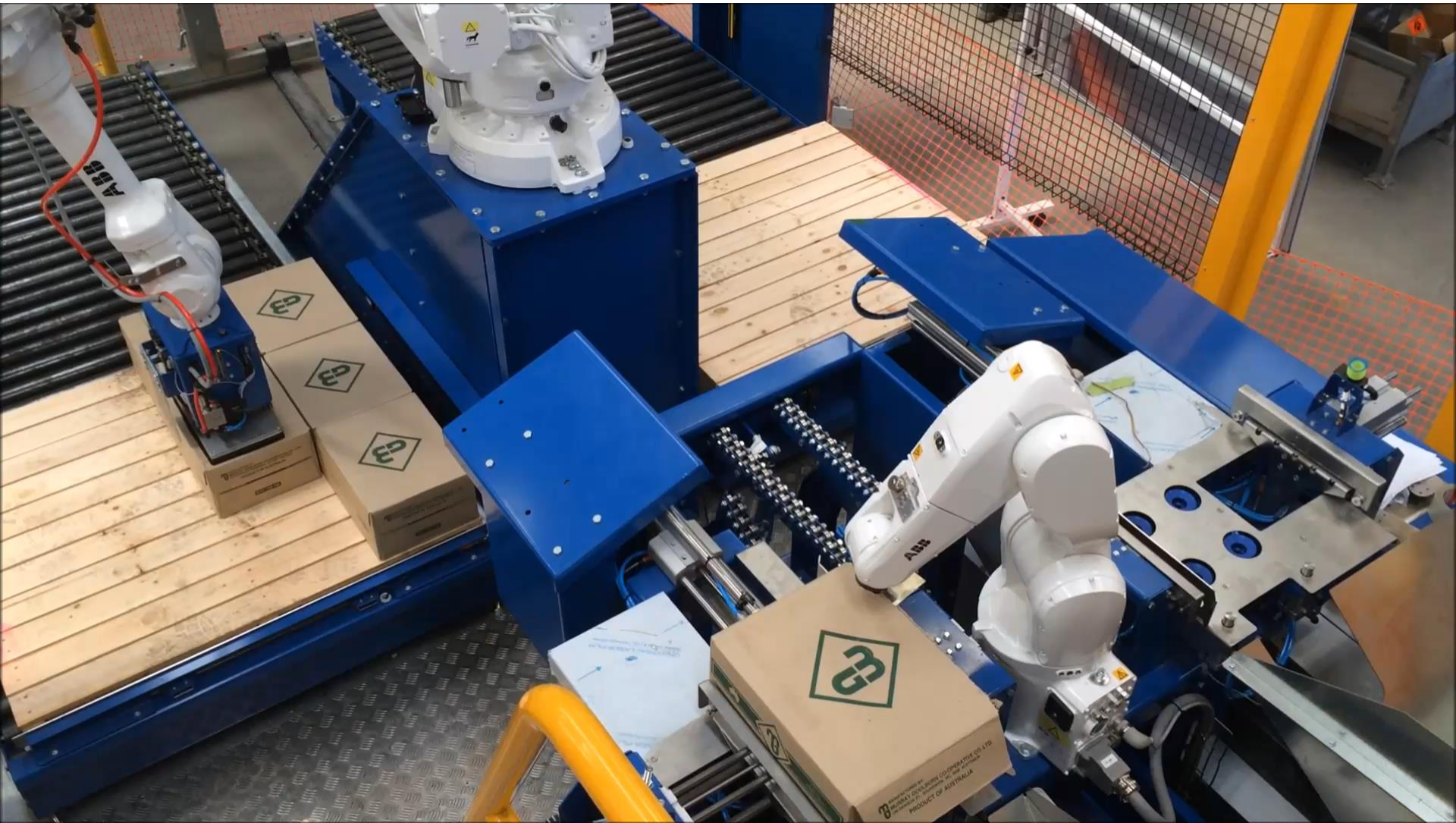
Capability		
AGV integration	Slicing	Case erecting
Depalletising systems	Product handling	Bag sealing
De-packaging		Bag integrity Screening
Scanning / Quality control		End of Line Palletizing
Sorting		Product Handling
Bulk product handling		Scanning / Quality Control
Pallet Management		Pallet Management
		AGV Integration
← Complete line integration →		



Haden & Custance – capability set



Haden & Custance – capability set



Haden & Custance - outlook



➤Dual strategy for **organic growth**:

- US – Expanding the offering into other sectors such as protein and e-commerce
- NZ/AU – rebuild H&C's market position in the automation space, leveraging the existing H&C customer base and the Mercer Stainless customer base.



➤Continue to **seek bolt on acquisitions** to give us scale and increased breadth of offering.



➤Market for **automation** services is growing. The message from all customers is consistent:

- Hard to find people
- Health and safety issues
- Food safety

All of these dynamics give us confidence that we can grow H&C to \$50m plus in the next three years



Mercer Stainless

Mercer Stainless had a strong second half of the financial year

We now have the structure right with cost base appropriate

Moved machines to H&C , this gives Mercer Stainless focus

Entered the wine market with a number of large orders following the Kaikoura earthquake

Mercer Stainless is now clear in what it is – a fabricator of stainless equipment for the dairy, wine and food sectors in NZ

Both Christchurch and New Plymouth plants are operating well



Outlook for the 2018 financial year is good, the business has had a strong start to the new financial year.

Continued effort to diversify the revenue streams moving forward



S-Clave



Continuing to make progress

During the year we considered capital raising options for the S-Clave, ultimately decided it is best to retain ownership in MGL at this point

Market feedback continues to be strong giving us confidence in product

Plan is to have the S-Clave in market in the first half of 2018 – dependent on the outcome of final testing once tooling is complete

In the final stages of development:

- ✓ Committed to tooling for the single use containers.
- ✓ All testing to date has been positive so now need to manufacture the final product.
- ✓ Final technical hurdles (sealing of the container and snorkel) can be signed off after this.
- ✓ We are finalising agreements with our Australian partner - Atherton.
- ✓ Potentially recruiting new person in Australia to work with Atherton to roll the S-clave product out to market.



Where to from here

Mercer Group's vision is to design and supply innovative food processing and packaging systems to the world.

- ✓ H&C has brought us closer to this vision, automation is a hot topic in all businesses.
- ✓ We have a deep customer base across NZ/AU through H&C and Mercer Stainless and growing position in North America. We have a broad offering of technology-led products and solutions that there is a market need for.
- ✓ We will look to invest in the technology-led ends of our business.
- ✓ We need to grow to give us scale and diversification of revenue. This will be organic but we will continue to look for acquisitions that align with our strategy and vision.
- ✓ The S-Clave continues to represent a significant value creation opportunity.
- ✓ Will be investing in the brands and online presence.



Outlook

Medical Technology

Consumables
business model

If commercialized
successfully,
economic model
is attractive.

S-Clave

S-Clave to be in
market before the end
of the financial year

H&C

H&C has seen a
number of large sales
delayed, but is having
a stronger end to the
half year.

The outlook for the
second half of the
financial year is better.

Automation

Value upside is significant
if we can grow profitable.

The sector trades on
high P/E multiples.

Mercer Stainless

Mercer Stainless has a strong
start to the financial year.

Provider of key
products and services
to NZ's largest primary
export sectors



Outlook

H&C business is “lumpy” and subject to order delays which could negatively impact us in the short term.

The current forecast will see MGL post on EBITDA profit for H1 and the full year, to show a continuation of the turnaround of the Company.

Some legacy issues, particularly related to Titan, continue to cost the business.

We remain capital constrained and will be considering options around capital structure in the next few months.



A blue-tinted photograph of an industrial robotic arm, likely an ABB model, mounted on a base. The arm is positioned diagonally across the frame. The background is a blurred industrial setting. The text 'General business' is overlaid in white, bold, sans-serif font.

General business

Resolutions

- 1. Election and rotation of directors**
- 2. Issue of share options to John Dennehy**
- 3. Issue of share options to Richard Rookes**
- 4. Issue of share options to Ian McGregor**
- 5. Appointment of auditors**

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Thank you