16th February 2018

Mercer Group records strong revenue growth and positive EBITDA

Mercer Group is announcing 107% revenue growth to $16.4m and EBITDA profit of $96k for the six months to 31 December 2017.

Key points for the six months ending 31 December 2017:

- Total Group sales revenue of $16.4m, an increase of 107% vs prior comparative period (pcp).
- The Group achieved an EBITDA[1] profit of $96k vs pcp loss of $1.48m.
- The Stainless business performed strongly with sales revenue of $10.6m and EBITDA of $1.04m, a 35% and 254% improvement on the pcp respectively.
- Haden & Custance sales momentum has been slower than previously projected, reporting $6.3m of revenue for the six months and generating an EBITDA loss of $618k.
- The Group After Tax loss was $0.37m loss vs pcp $2.6m loss.
- During the period, the Group raised $2.9m in two placements.

While the performance of the Group is not where it needs to be, we are pleased to have recorded a positive group EBITDA for the half year. We remain confident that H&C can generate profitable growth going forward through a greater focus on sales origination in market its markets.

Mercer Stainless

Mercer Stainless had a strong six months, with revenue increasing 35% to $10.6m on pcp and generating strong profitability, with an EBITDA of $1.04m. This was achieved on the back of strong workflows in both the Christchurch and New Plymouth plants, and also as a result of the restructuring initiatives of the past two years. We continue to focus on broadening the customer base and improving operational performance.

Haden & Custance

H&C had a disappointing six months, generating revenue of $6.3m and an EBITDA loss of $618k. This was the result of a number of contracts being delayed and increased costs from the transfer of the Mercer machines business to H&C. We remain confident of the growth opportunity for H&C based on the core capability of the business and the fundamental demand drivers of automation.

We have completed a strategic plan to grow the business in North America based initially on H&C's specialist de-palletising, de-boxing and de-bagging technology in the cheese, butter, meat and poultry sectors with the further goal of then growing into the logistics industry. In Australia and New Zealand H&C will focus on its specialist solutions as well as general automation solutions.

In December 2017 H&C welcomed a new VP of Sales in the US. He comes with 20-years' experience of selling solutions to food companies in the US and is already opening up new opportunities in the red meat and poultry sectors. Demand for H&C's automated solutions is strong, based on increasing costs of labour, labour shortages, food safety issues and health and safety concerns.

In New Zealand and Australia, H&C is reconnecting to its customer base having effectively exited the market a number of years ago. The same dynamics around automation exist in these markets and we have already seen a growing pipeline of opportunities.

S-Clave

S-Clave is entering the next step as we await delivery of the tooling which we are now expecting in March, when we will commence the manufacture of the single use containers for market trials. Our partnership with Atherton's remains strong as we enter this critical phase in the commercialisation.

Edendale

We are in discussions with the various parties involved in and related to the Edendale silo collapse, with a target to having an outcome by the end of March. We will continue to keep shareholders updated as these discussions progress.

Outlook

We are now focusing on continuing to grow the scale of the Mercer Group.

H&C provides us with a significant growth opportunity in the medium term and we are investing in the market and its operating platform to achieve this. In the short term, the business has decent workflows that should result in a stronger second half of the financial year.

We are still targeting having the S-Clave in market this financial year. While this will be a significant milestone for the Group, its growth, if successful, will occur over the years ahead.

Mercer Stainless has adequate workflows for the second half of the financial year but continues to operate in a competitive, cyclical environment.

Richard Rookes	John Dennehy
CEO	Chairman

[1]EBITDA is a non-GAAP measure of earnings or losses before interest expense, Taxation, Depreciation and Amortisation