

MHM Automation

Automation and Materials Handling Go Global

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MHM Automation (MHM) designs and supplies innovative, engineered solutions for the food and primary industries worldwide, with a particular focus on state-of-the-art food processing and packaging technologies. Serving over 1000 global food processing companies, MHM operates primarily under two segments: Automation and Fabrication. In the last three years, MHM has intensified its focus on (1) automation and technology, and (2) diversification and expansion of its customer base. The recent transformative acquisition of Wyma Solutions (a specialist in post-harvest vegetable and fruit handling equipment) significantly improved scale for operational synergies, higher margins, global market expansion and sector diversification. After several acquisitions, MHM is now undertaking a significant consolidation of its product brands into a unified group MHM brand. The company's solutions aid clients in reducing energy costs, mitigating labour shortages, improving yields, enhancing worker safety, and improving food safety protocols. We consider MHM to be undervalued given (1) the Wyma acquisition and opportunity, (2) potential for margin uplift from increased service revenues and scale, and (3) long-term industry tailwinds. Our blended spot valuation is NZ\$1.36, +62% above the current share price, and representing an ~9x EV/EBITDA multiple on our FY24 estimates.

NZX Code	MHM	Financials: Jun/	22A	23E	24E	25E	Valuation (x)	22A	23E	24E	25E
Share price	NZ\$0.84	Rev (NZ\$m)	67.7	91.4	145.8	160.2	PE	31.3	11.6	6.9	5.5
Spot Valuation	NZ\$1.36	NPAT* (NZ\$m)	1.8	6.4	10.8	13.6	EV/EBIT	29.1	10.2	6.4	5.2
Risk rating	High	EPS* (NZc)	2.7	7.2	12.1	15.3	EV/EBITDA	13.8	8.5	5.4	4.4
Issued shares	89.0m	DPS (NZc)	1.5	1.3	1.5	1.8	Price / NTA	9.0	16.0	5.7	3.1
Market cap	NZ\$74.8m	Imputation (%)	0	0	0	50	Cash div yld (%)	1.8	1.5	1.8	2.1
Avg daily turnover	24.5k (NZ\$20k)	*Based on normalised profits					Gross div yld (%)	1.8	1.5	1.8	2.5

Elevating New Zealand innovation to global stages

MHM delivers innovative automation and materials handling solutions for its clients, catering to the rising demand for cost-effective and efficient processes across diverse industries. These include meat, fruit and vegetables, dairy/cheese production, food processing, logistics, and timber. Our forecasts reflect a solid demand outlook within these industries, as customers seek to leverage industrial process automation and optimisation technologies. Post-Wyma, we anticipate a robust compound annual growth rate (CAGR) of +8% in EBITDA over the next decade – aided by MHM growing the higher margin service share of revenues. The acquisition of Wyma diversifies MHM's global footprint as Wyma has an established presence in the European market, which MHM had yet to penetrate. Wyma's addition also creates potential for cross-selling MHM products and introduces a second production facility in Prague, complementing MHM's Christchurch facilities. This boosted scale and diversification, extending into new sectors and geographies and is a development we assess positively.

MHM Automation Limited (MHM)

Market Data (NZ\$)						Spot valuation (NZ\$)						
Priced as at 03 Aug 2023						0.84	Peers comparable					1.44
52 week high / low						0.97 / 0.62	DCF					1.27
Market capitalisation (NZ\$m)						74.8	n/a					n/a
Key WACC assumptions						DCF valuation summary (NZ\$m)						
Risk free rate						4.50%	Total firm value					146
Equity beta						1.35	(Net debt)/cash					(17)
WACC						10.1%	Less: Capitalised operating leases					(16)
Terminal growth						1.5%	Value of equity					113
Profit and Loss Account (NZ\$m)						Valuation Ratios						
	2021A	2022A	2023E	2024E	2025E		2021A	2022A	2023E	2024E	2025E	
Sales revenue	51.4	67.7	91.4	145.8	160.2	EV/Sales (x)	1.4	1.0	0.9	0.6	0.6	
Normalised EBITDA	3.9	4.8	9.2	17.0	21.0	EV/EBITDA (x)	18.4	13.8	8.5	5.4	4.4	
Depreciation and amortisation	(1.1)	(1.7)	(1.6)	(2.5)	(3.1)	EV/EBIT (x)	27.5	29.1	10.2	6.4	5.2	
Normalised EBIT	2.6	2.3	7.6	14.5	17.9	PE (x)	22.5	31.3	11.6	6.9	5.5	
Net interest	(0.2)	(0.1)	(0.7)	(2.0)	(1.7)	Price/NTA (x)	11.8	9.0	16.0	5.7	3.1	
Associate income	0	0	0	0	0	Free cash flow yield (%)	5.7	8.1	-60.9	13.8	6.2	
Tax	0.0	(0.4)	(0.5)	(1.8)	(2.6)	Adj. free cash flow yield (%)	5.7	8.1	-60.9	13.8	6.2	
Minority interests	0	0	0	0	0	Gross dividend yield (%)	n/a	1.8	1.5	1.8	2.5	
Normalised NPAT	2.4	1.8	6.4	10.8	13.6	Net dividend yield (%)	0.0	1.8	1.5	1.8	2.1	
Abnormals/other	1.4	(0.8)	0	0	0							
Reported NPAT	3.9	0.9	6.4	10.8	13.6	Capital Structure						
Normalised EPS (cps)	3.7	2.7	7.2	12.1	15.3	Interest cover EBIT (x)	11.5	28.6	10.7	7.3	10.7	
DPS (cps)	0	1.5	1.3	1.5	1.8	Interest cover EBITDA (x)	17.2	60.3	12.9	8.5	12.6	
						Net debt/ND+E (%)	-198.0	3,639.7	33.4	15.5	7.8	
						Net debt/EBITDA (x)	n/a	n/a	1.9	0.5	0.2	
Growth Rates						Key Ratios						
	2021A	2022A	2023E	2024E	2025E		2021A	2022A	2023E	2024E	2025E	
Revenue (%)	4.7	31.7	35.0	59.5	9.9	Return on assets (%)	8.1	5.2	8.1	14.1	15.8	
EBITDA (%)	58.5	20.8	93.3	85.1	23.5	Return on equity (%)	23.3	15.2	18.9	24.6	24.1	
EBIT (%)	94.6	-14.4	>100	90.2	23.3	Return on funds employed (%)	0.0	0.0	0.0	0.0	0.0	
Normalised NPAT (%)	>100	-27.5	>100	67.3	26.6	EBITDA margin (%)	7.7	7.0	10.1	11.7	13.1	
Normalised EPS (%)	97.1	-28.0	>100	67.3	26.6	EBIT margin (%)	5.1	3.3	8.4	10.0	11.2	
Ordinary DPS (%)	n/a	n/a	-16.7	20.0	16.7	Capex to sales (%)	2.1	3.0	38.9	3.3	3.3	
						Capex to depreciation (%)	-127	-176	-2,960	-245	-209	
Cash Flow (NZ\$m)						Segment Performance						
	2021A	2022A	2023E	2024E	2025E		2021A	2022A	2023E	2024E	2025E	
EBITDA	3.9	4.8	9.2	17.0	21.0	Automation	39.0	47.1	67.5	120.7	133.4	
Working capital change	(1.9)	(2.0)	(16.8)	3.0	(5.6)	revenue growth (%)	1%	21%	43%	79%	10%	
Interest & tax paid	(0.2)	(0.2)	(1.2)	(3.8)	(4.3)	% of total revenue	77%	70%	74%	83%	83%	
Other	4.1	6.3	0	0	0	EBITDA	3.8	3.2	7.3	14.9	18.7	
Operating cash flow	5.9	8.9	(8.8)	16.3	11.2	EBITDA growth (%)	61%	-17%	130%	104%	25%	
Capital expenditure	(1.1)	(2.0)	(35.5)	(4.8)	(5.3)	% of total EBITDA	97%	67%	80%	88%	89%	
(Acquisitions)/divestments	4.0	0	0	0	0	EBITDA margin	9.8%	6.8%	10.8%	10.8%	11.1%	
Other	(0.6)	(0.8)	(1.2)	(1.2)	(1.3)							
Funding available/(required)	8.3	6.1	(45.5)	10.3	4.6	Fabrication						
Dividends paid	0	(1.0)	(0.6)	(1.2)	(1.4)		11.9	20.4	23.7	24.9	26.6	
Equity raised/(returned)	0	0	17.0	0	0	revenue growth (%)	30%	71%	16%	5%	7%	
(Increase)/decrease in net debt	8.3	5.1	(29.1)	9.1	3.2	% of total revenue	23%	30%	26%	17%	17%	
						EBITDA	0.1	1.6	1.9	2.1	2.4	
						EBITDA growth (%)	9%	1462%	19%	12%	13%	
						% of total EBITDA	3%	33%	20%	12%	11%	
						EBITDA margin	0.8%	7.7%	7.9%	8.4%	8.9%	
Balance Sheet (NZ\$m)												
	2021A	2022A	2023E	2024E	2025E							
Working capital	3.3	5.3	22.1	19.1	24.7							
Fixed assets	7.5	9.0	19.4	21.5	23.8							
Intangibles	5.9	5.5	29.3	30.6	32.0							
Right of use asset	0.9	1.3	3.4	4.9	6.1							
Other assets	3.8	2.5	2.5	2.6	2.6							
Total funds employed	21.3	23.6	76.7	78.7	89.2							
Net debt/(cash)	(7.0)	(12.0)	17.1	8.0	4.8							
Lease liability	0.5	0.6	0.7	0.7	0.7							
Other liabilities	17.3	23.3	25.0	26.3	27.2							
Shareholder's funds	10.5	11.7	34.0	43.7	56.5							
Minority interests	0	0	0	0	0							
Total funding sources	21.3	23.6	76.7	78.7	89.2							

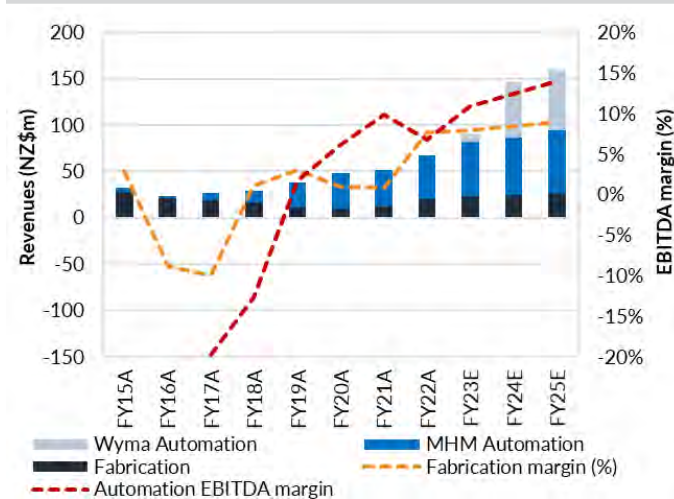
* Forsyth Barr target prices reflect valuation rolled forward at cost of equity less the next 12-months dividend** Information on Forsyth Barr's Carbon and ESG (CESG) ratings can be found at www.forsythbarr.co.nz/corporate-news-events/cesg-report

Executive Summary

Headquartered in Christchurch, MHM Automation is a premier automated solutions designer and manufacturer to the primary and materials handling sectors worldwide. The company is adept at meeting the rising demand for cost-effective and efficient processes across the meat, fruit and vegetables, dairy/cheese production, food processing, logistics, timber and agriculture industries. In an era where businesses strive to enhance efficiency and reduce costs, investment into process automation and industrial logistics is surging. The company's capabilities span chilling and freezing, fabrication, materials handling and palletising, packaging and reverse packaging, and post-harvest processing.

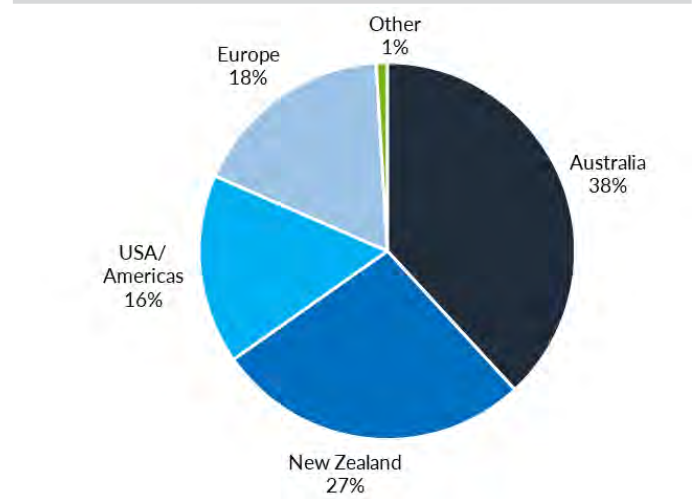
MHM's recent acquisition of Wyma Solutions further strengthens its position, providing operational synergies, global market expansion, further sector diversification and provides potential for cross-selling. An anticipated re-branding of its historical acquisitions into a unified MHM brand underscores the company's commitment to gearing up the business for growth. On our estimates MHM's future looks promising, with positive industry tailwinds driving our forecasts for an organic +8% EBITDA CAGR over the next decade. We pinpoint three core areas contributing to our positive investment view of MHM: (1) attractive valuation, (2) a re-branded MHM group growing its worldwide presence while lifting service revenues and margins over time, and (3) solid industry demand for automated processing and materials handling equipment.

Figure 1. MHM – Operating revenue and EBITDA margin



Source: Company, Forsyth Barr analysis

Figure 2. MHM – Revenue by geography (FY24 estimate)



Source: Company, Forsyth Barr analysis

MHM also owns S-Clave, a patented system for sterilising medical equipment, which is pre-revenue and going through accreditation and testing. We see this as non-core to MHM.

1) We consider the newly combined MHM and Wyma to be undervalued by the market

MHM is currently trading at ~6.3x FY24 EV/EBITDA, a multiple that we consider undervalues the company relative to its automation peers (which largely trade on 9.9x to 13.9x EV/EBITDA), even after adjusting for MHM's fabrication earnings and the lower multiples this sector trades on (largely between 6.4x and 7.5x FY24 EV/EBITDA). We assert that the market is currently overlooking the value enhancement from the 2023 Wyma acquisition and the resultant expanded global footprint and margin uplift. MHM has previously acquired three under-performing businesses which it has turned around, including H&C (2016), Milmeq (2019), Southern Cross Engineering (2021). Each of these acquisitions has brought different aspects of MHM's current business, building a platform for future growth.

We use an equal-weighted blend of a discounted cash flow (DCF) model and a comparables multiple valuation to arrive at a spot valuation for MHM of NZ\$1.36. This would represent ~9x EV/EBITDA on our FY24 estimates and implies a significant +62% premium to the most recent closing price, emphasising our view that MHM is undervalued. This valuation is driven entirely by organic growth and margin improvements and does not account for any potential future acquisitions. However, we consider further acquisition opportunities for MHM as likely. Given New Zealand's fragmented automation market, MHM is in a strong position to roll-up relevant New Zealand food and primary industry automation businesses that are subscale. MHM will then be able to take this technology to a world stage and cross-sell these products within its growing distribution footprint globally. Astute execution of this roll-up strategy could provide upside risk to our valuation.

2) The rebranded MHM group has potential to grow organically, plus lift service revenues and margins

MHM Automation provides premier automation solutions catering to various industries, including meat, dairy, food processing, timber, horticulture and industrial/logistics sectors. It is now undertaking a major rebranding initiative, consolidating under one united "MHM" brand. The prior four flagship brands were: Mercer, Haden and Custance (H&C), Milmeq, and Southern Cross Engineering (SCE). Its recent acquisition of Wyma Solutions has broadened its services to the post-harvest vegetable and fruit handling market. With the acquisition of Wyma, MHM will have an expanded presence in Europe and the United States.

MHM's future growth is projected to derive from the following:

1. Organic growth assisted by entering new geographic markets and cross-selling other group products to existing customers.
2. Expanding its higher margin service offering.
3. Development of new and existing products.
4. A continuation of the roll-up strategy of acquisitions within the automation sector.

MHM is leveraging for growth under current management, with footprints in broader geographic markets such as Australia, Europe and the United States. As demand for automation develops across numerous industries, MHM, supported by a global team, multi-location manufacturing capability, and a broader product suite, is poised to capitalise on the growing demand for automation in its core markets. We also identify a notable opportunity for MHM to broaden its service offering in tandem with product sales, which will aid the company in staying close to customers while offering earnings and margin opportunities. Integral to our valuation upside is MHM's expansion of service revenues from ~10% of sales to ~25–30% of sales in the next ten years. We see opportunities for product development to continue, with greater utilisation of smart technologies integrated into systems. Further acquisitions are also likely over time, something we would view favourably. A combination of these factors sees our estimates of MHM's EBITDA margin grow from 7.0% in FY22 to 13.1% in FY25 and towards 14.8% in FY33 when integrated with the much higher margin Wyma (18.3% EBITDA margin in FY22).

3) Strong industry tailwinds create growth opportunities

Industry tailwinds drive opportunities for MHM's automation solutions. These tailwinds include:

1. **Cost savings with a high ROI:** As the cost of implementing smart industrial automation solutions has significantly decreased in recent years they have become more accessible to industries. Advancements in software architecture for managing industrial systems have facilitated the integration of diverse devices and systems, reducing both the cost and complexity of such solutions. Alongside cost savings, efficiency gains from products can increase customer revenue, also contributing to an improved ROI. We see client payback periods ranging from two to five years as common.
2. **Workforce constraints:** Automation is a powerful tool to combat the challenges of limited workforce availability, absenteeism, and chronic industry skills shortages. Through automation, businesses can achieve faster production times, higher output, and increased competitiveness – benefits that MHM's customers can leverage.
3. **Growing ESG and energy pressures:** Escalating ESG pressures necessitate solutions. MHM Automation's suite of food industry solutions delivers precise, energy-efficient, and adaptable automation, catering to client needs. Amidst an inflationary environment, the demand for energy management solutions is rising as firms strive to curb their energy expenses and bolster efficiency. MHM's scalable energy management solutions can provide real-time monitoring and control of energy consumption, assisting clients in making informed decisions on energy cost reduction. For example, MHM's chilling and freezing solutions can deliver up to 30% energy savings against comparable systems.
4. **Health and safety concerns:** Automation can improve workplace safety by reducing the need for human intervention in potentially hazardous situations, such as operating dangerous or heavy machinery. This can help reduce the risk of workplace accidents and injuries, improving employee safety and potentially leading to cost savings from decreased worker compensation claims and downtime.
5. **Enhancing food safety:** Safety is paramount in the food industry. Automation solutions can significantly enhance food safety measures by minimising human contact, thereby reducing the risk of food contamination. By improving safety control, automation can also reduce wastage and enhance efficiency in the food production process.

Part 1. Investment thesis and valuation

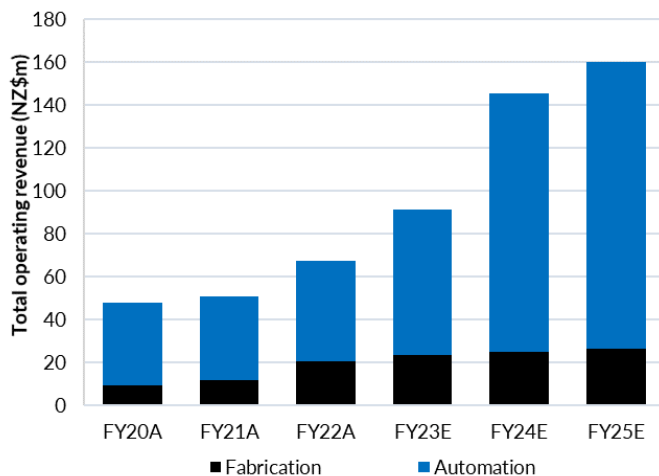
Our **spot valuation for MHM is NZ\$1.36**. This is derived from our blended valuation methodology, including (1) a discounted cash flow (DCF) valuation (50%) and (2) an analysis of comparable listed peers in both the global automation and steel industries (50%).

1. Discounted cash flow (DCF) valuation

Because we forecast a robust growth trajectory for MHM, a discounted cash flow (DCF) model is an appropriate method to capture the company's future prospects and estimate its value. We have conducted a thorough analysis of MHM's financials, expansion opportunities, and product development to arrive at a DCF valuation of NZ\$1.27. This valuation uses a weighted average cost of capital (WACC) of 10.1%, an asset beta of 1.125, a risk-free rate (Rfr) of 4.50%, and a terminal growth rate of +1.50% per year. Our key forecast assumptions include:

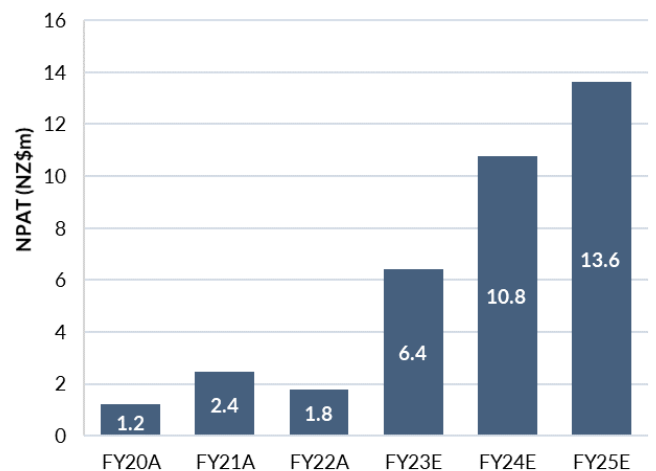
- A successful integration of Wyma into the group and MHM continues its growth organically
- A mild global recession in across FY24 creating macroeconomic headwinds to growth
- Group EBITDA margin grows to 14.8% by 2033, aided by a lift in services revenue and higher margin Wyma products

Figure 3. MHM – Segmental split of revenues (NZ\$m)



Source: Company, Forsyth Barr analysis

Figure 4. MHM – NPAT (NZ\$m)



Source: Company, Forsyth Barr analysis

Figure 5. MHM – Actual results and forecasts NZ\$m

	FY20	FY21	FY22	FY23E	FY23E	FY23E
Operating revenue	48.0	51.0	67.6	91.2	145.6	160.0
Other operating income	1.1	0.4	0.1	0.2	0.2	0.2
Changes in inventories of finished goods and work in progress	(0.1)	(0.4)	0.6	-	-	-
Raw materials and consumables used	(32.4)	(30.3)	(40.8)	(55.1)	(88.0)	(96.7)
Salaries and wages	(10.9)	(12.0)	(16.7)	(20.3)	(27.8)	(29.5)
Other expenses	(3.2)	(4.8)	(5.9)	(6.7)	(13.0)	(13.0)
EBITDA	2.5	3.9	4.8	9.2	17.0	21.0
Depreciation	(0.7)	(0.9)	(1.2)	(1.2)	(1.9)	(2.5)
Amortisation	(0.1)	(0.2)	(0.5)	(0.4)	(0.6)	(0.6)
Finance costs	(0.3)	(0.2)	(0.1)	(0.7)	(2.0)	(1.7)
Net Profit Before Tax	1.0	2.4	2.2	6.9	12.5	16.2
Taxation (expense)	0.2	0.0	(0.4)	(0.5)	(1.8)	(2.6)
Net Profit / (Loss) after Tax (from continuing ops)	0.9	4.1	1.8	6.4	10.8	13.6
Currency translation differences	(0.1)	0.0	(0.1)	-	-	-
Gain on property revaluation, net of tax	-	1.9	0.1	-	-	-
Comprehensive Profit (Loss)	0.9	6.0	1.8	6.4	10.8	13.6
Diluted EPS (NZcps)	1.4	6.3	2.7	7.2	12.1	15.3

Source: Company, Forsyth Barr analysis

FY23 outlook

On 27 July 2023, MHM released a trading update in anticipation of its FY23 financial results – which are expected to be available by the end of August, noting the Wyma acquisition may add complexity to this process. Although the auditing process is ongoing, MHM forecasts revenues of around NZ\$90m, a significant +32% increase from FY22. It expects EBITDA of approximately NZ\$9m, which would be a substantial +88% improvement from last year's NZ\$4.8m. Notably, the FY23 numbers incorporate the operations of Wyma for two months. This strong performance across the board has been credited to robust workflows in all divisions of MHM and the benefits reaped from strategic diversification, with all business units outperforming over the year.

We estimate FY23 operating revenue (NZ\$91.2m) and EBITDA (NZ\$9.2m) slightly ahead of the numbers provided by MHM in its trading update. Because MHM has significant tax assets, we predict this will flow through to NZ\$6.4m of NPAT. We anticipate the results commentary to focus on the integration of Wyma and highlight the company's objectives to capitalise on the escalating demand for process automation, and seeking synergies post-integration. The integration process for Wyma will likely take six to 12 months, with the rebranding across the group to one MHM brand likely to be discussed. With the acquisition of Wyma, MHM has effectively achieved its 'Step 100' strategy plan, which set objectives of NZ\$100m in revenue and NZ\$10m in EBITDA. Some investors may expect renewed targets; however, we consider it too early for MHM's management to reset new longer-term objectives at this stage. We expect MHM's accounts to reflect progress in paying down debt, complemented by an emphasis on operational efficiency and integration, thus setting the stage for a favourable FY24 result.

Figure 6. MHM – FY22 actual results and FY23 forecast (NZ\$m)

	FY22 Actual	FY23 Forecast	Change
Operating revenue	67.6	91.2	+35%
Other operating income	0.1	0.2	+35%
Changes in inventories of finished goods and work in progress	0.6	-	-100%
Raw materials and consumables used	(40.8)	(55.1)	+35%
Salaries and wages	(16.7)	(20.3)	+22%
Other expenses	(5.9)	(6.7)	+13%
EBITDA	4.8	9.2	+93%
Depreciation	(1.2)	(1.2)	+4%
Amortisation	(0.5)	(0.4)	-28%
Finance costs	(0.1)	(0.7)	+803%
Net Profit Before Tax	2.2	6.9	+217%
Taxation (expense)	(0.4)	(0.5)	+19%
Net Profit / (Loss) after Tax (from continuing ops)	1.8	6.4	+263%
Currency translation differences	(0.1)	-	
Gain on property revaluation, net of tax	0.1	-	
Comprehensive Profit (Loss)	1.8	6.4	+255%

Source: Company, Forsyth Barr analysis

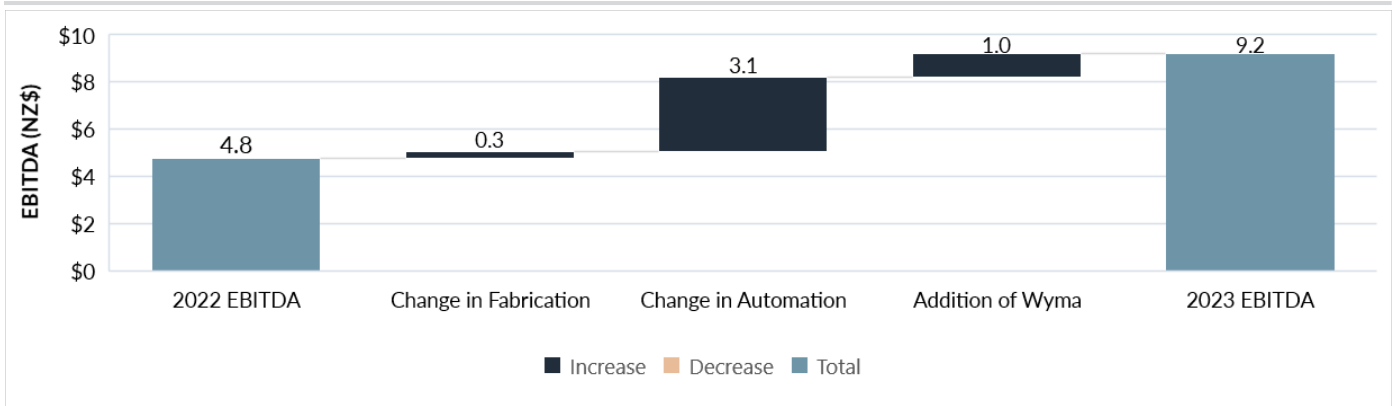
MHM's stated dividend policy is to pay up to 20% of NPAT, adjusted for abnormal items. We expect capital requirements and to desire to maintain a conservative level of gearing to factor in decision making as management endeavours to repay the debt taken on with the acquisition of Wyma. The company paid a unimputed 1.5cps special dividend in FY22 following the sale of its New Plymouth workshop. Our estimates see 1.25cps (unimputed) of dividends paid in FY23.

Figure 7. MHM – Operating revenue bridge FY22 reported to FY23 estimates



Source: Company, Forsyth Barr analysis

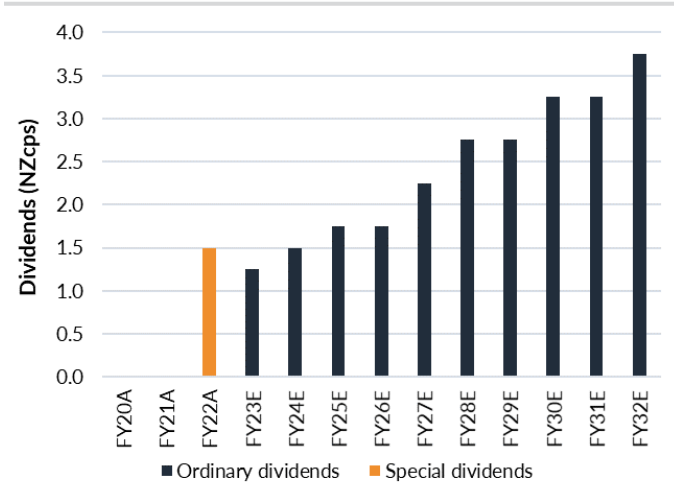
Figure 8. MHM – EBITDA bridge FY22 reported to FY23 estimates



Source: Company, Forsyth Barr analysis

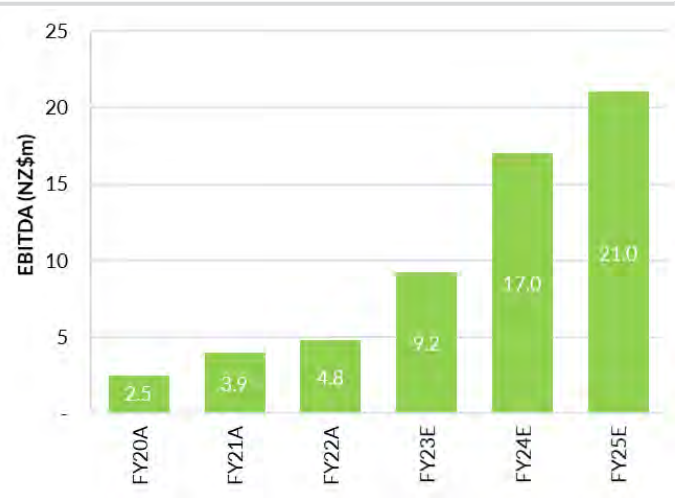
MHM's EBITDA bridge from FY22 to FY23E demonstrates strong organic growth, especially in the automation segment of the business. On our numbers, automation EBITDA (excluding Wyma) will essentially double from NZ\$3.2m in FY22 to NZ\$6.3m in FY23 as MHM automation segment benefited from strong revenue growth of +24% (after growing +21% in FY22) and an uplift in EBITDA margin from 6.8% in FY22 to 10.8%.

Figure 9. MHM – Dividends (NZcps)



Source: Company, Forsyth Barr analysis

Figure 10. MHM – EBITDA (NZ\$m)

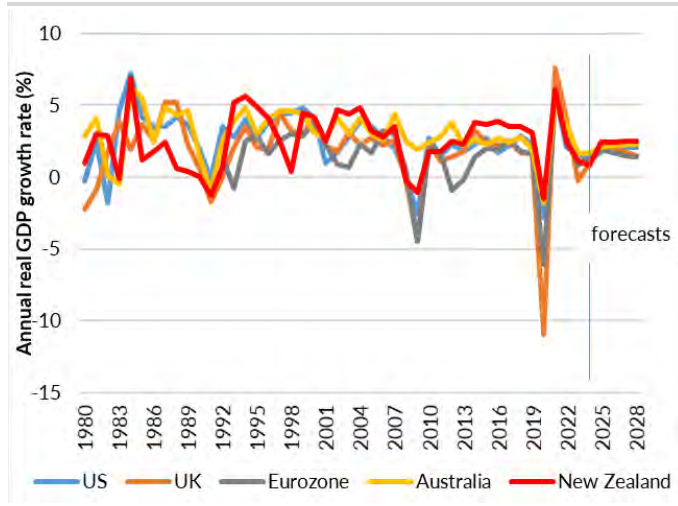


Source: Company, Forsyth Barr analysis

Macroeconomic outlook displaying headwinds

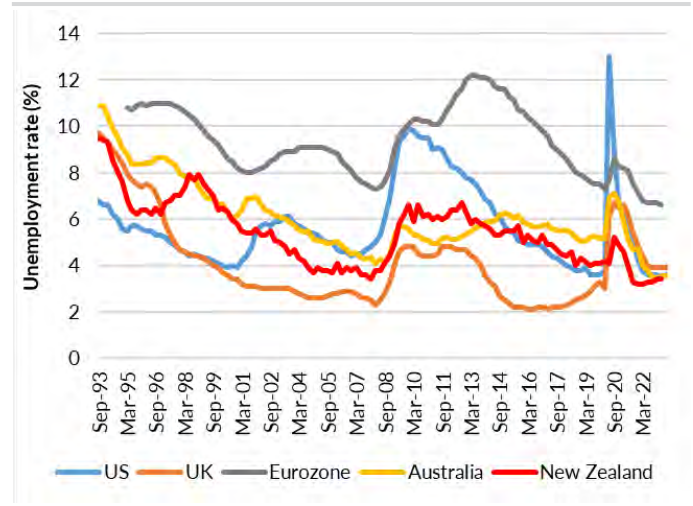
The global macroeconomic picture remains uncertain going into the second half of 2023 and 2024. Economies have been grappling with rampant inflation and cost of living crises in the wake of COVID-19. Central banks worldwide have instigated an unprecedented phase of rate hikes, seeing interest rates rise at the fastest pace in history. Contractionary monetary policy is starting to gain traction and headline inflation rates are coming down, although core inflation in many countries remains elevated. Most central banks are at, or near, the end of their hiking cycle and are expected to start cutting rates in 2024. However, consumers will likely remain under pressure with elevated interest rates and household cost inflation. As such, we see a period of subdued global economic performance as likely. Given a period of high wage inflation, general cost inflation and labour shortages with very low unemployment (see Figure 12), we do anticipate many industrial companies globally will continue to invest in automation to reduce the risks to manufacturing and processing capability.

Figure 11. GDP real annual growth rates (%)



Source: IMF, Forsyth Barr analysis

Figure 12. Unemployment rates across markets



Source: Reuters, Forsyth Barr analysis

2. Comparables multiple valuation

To supplement our DCF model, we use a comparables multiple valuation. We value MHM's automation and fabrication businesses separately because of the significant disparity in multiples between the automation and steel peer groups, and combine the two valuations to arrive at a comparables firm value of NZ\$1.44. Our valuation uses both P/E and EV/EBITDA multiples for FY24, one year forward and two year forward. FY23 is not utilised, given it would be backwards looking and only features two months of contribution from Wyma. To account for MHM's size, liquidity and risk profile relative to its larger and more established peers we also apply a 0.8x adjustment factor to peer multiples. We see this discount reducing over time.

Figure 13. Table of comparative multiples

Ticker	Name	Balance Date	Local Price	Market Cap (NZ\$m)	P/E			EV/EBITDA		
					Next Year	1yr Fwd	2yr Fwd	Next Year	1yr Fwd	2yr Fwd
Automation Peers										
SCT.NZ	Scott Technology Ltd	31/08/2023	3.36	279	18.8x	18.8x	13.9x	9.9x	9.9x	8.1x
JBT	John Bean Technologies Corp	31/12/2023	114.55	5,997	21.0x	22.1x	18.0x	13.1x	13.5x	11.5x
MARL.IC	Marel hf	31/12/2023	428	4,138	15.0x	17.2x	12.9x	9.9x	10.6x	9.1x
ABB	Abb Ltd	31/12/2023		122,993	19.5x	20.0x	20.6x	12.8x	13.0x	13.0x
EMR	Emerson Electric Co	30/09/2023	95.14	89,458	20.4x	20.6x	19.1x	16.4x	16.5x	15.1x
HON.O	Honeywell International Inc	31/12/2023	192.9	210,724	19.2x	19.8x	18.1x	14.1x	14.4x	13.7x
6645.T	Omron Corp	31/03/2024	7247	17,447	19.8x	20.9x	18.9x	10.8x	11.5x	10.4x
6954.T	Fanuc Corp	31/03/2024	4134	47,995	23.0x	25.6x	21.7x	14.7x	16.3x	14.0x
ROK	Rockwell Automation Inc	30/09/2023	304.28	57,510	22.9x	23.1x	21.3x	17.8x	17.9x	16.8x
SCHN.PA	Schneider Electric SE	31/12/2023	162.12	167,799	19.1x	19.6x	18.0x	13.6x	13.9x	13.1x
G1AG.DE	GEA Group AG	31/12/2023	38.41	12,526	15.1x	15.3x	14.7x	8.3x	8.5x	8.1x
Total Harmean					19.1x	19.9x	17.4x	12.3x	12.6x	11.4x
Fabrication Peers										
VSL.NZ	Vulcan Steel Ltd	30/06/2023	8	1,076	13.4x	13.3x	12.5x	9.7x	9.5x	8.8x
STU.NZ	Steel & Tube Holdings Ltd	30/06/2023	1.22	204	14.2x	13.8x	11.6x	7.5x	7.4x	6.8x
BSLAX	BlueScope Steel Ltd	30/06/2023	21.39	10,737	10.4x	10.5x	11.1x	5.0x	5.0x	5.1x
RUSTO	Russel Metals Inc	31/12/2023	38.3	2,909	11.1x	10.4x	11.3x	6.4x	6.1x	6.4x
STLD.O	Steel Dynamics Inc	31/12/2023	105.36	29,301	11.5x	9.4x	12.1x	7.4x	6.3x	7.8x
X	United States Steel Corp	31/12/2023	24.49	8,984	12.6x	9.2x	9.0x	4.3x	3.9x	3.6x
RYI	Ryerson Holding Corp	31/12/2023	33.01	1,868	10.3x	10.3x		6.4x	6.3x	
RS	Reliance Steel & Aluminum Co	31/12/2023	285.04	27,452	14.8x	14.1x	17.0x	9.7x	9.2x	10.7x
NUE.N	Nucor Corp	31/12/2023	169.59	70,097	14.1x	12.0x	14.5x	8.3x	7.4x	8.6x
CLF.N	Cleveland-Cliffs Inc	31/12/2023	16.71	13,985	8.2x	9.0x	7.1x	5.4x	5.5x	4.8x
Total Harmean					11.7x	10.9x	11.1x	6.6x	6.2x	6.3x

Source: Refinitiv, Forsyth Barr analysis

Given that automation is by far the most significant portion of our valuation the following charts below only include data on MHM's automation peers.

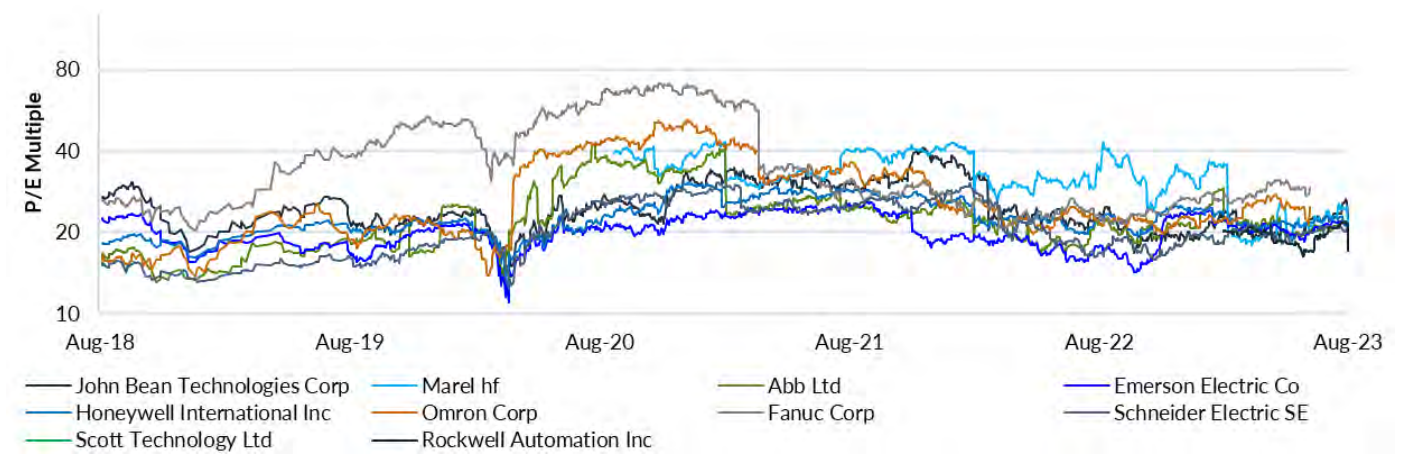
Figure 14. MHM – Historical share price performance of global automation peers



Source:Refinitiv, Forsyth Barr analysis

As seen in Figure 14, MHM has significantly outperformed the market over the last five years. Current management has turned around the business and driven growth both organically and through acquisitions. The market has reacted positively to the re-basing of EBITDA margins from loss-making between FY15 to FY18 to 7.1% in FY22 and estimated at 10.1% in FY23. We forecast that post the acquisition of Wyma, via scale, product mix towards automation, higher penetration of services and efficiencies, this margin story will continue towards 13.1% EBITDA margin in FY25, and beyond.

Figure 15. MHM – Historical peer forward P/E ratios of global automation peers



Source:Refinitiv, Forsyth Barr analysis

On 15 June 2023, Scott Technology (SCT), a locally listed competitor and relevant peer of MHM in the food processing industry, stated that it intends to undertake a strategic review of its ownership structure. Post discussions with its majority shareholder JBS (which owns 53.05% of SCT), SCT will explore options to maximise the value for all shareholders and has engaged a financial adviser to assist with the strategic review. The willingness of SCT's major shareholder to consider an offer under the right circumstances echoes trends within the industry seeking acquisition opportunities in the automation space. A takeover could crystallise investors' views on the inherent value of these businesses within the food processing automation sector, setting a potential benchmark for MHM and other players in the sector.

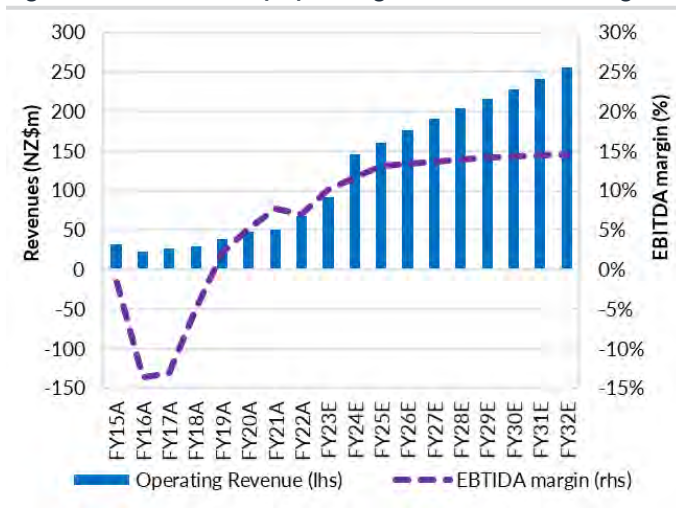
Part two: MHM Automation

Originally founded in 1884 as the South Island Dairy Association, MHM's history spans over 135 years. In the early 2010s MHM's focus was steel fabrication. However, after a challenging period for the business, MHM underwent a major restructuring operation that refocused the company on producing automated solutions for the food and primary sectors. Today, MHM has built a market-leading position in automated solutions, including chilling and freezing, palletising and conveying, post-harvest processing, reverse packaging and timber handling through (1) organic growth, (2) continued investment into R&D, and (3) a series of successful acquisitions. Core industries it services include meat, dairy, horticulture, food processing, timber processing and agriculture. Today, MHM is well-placed to pursue future growth opportunities by developing new products, cross-selling to its blue-chip multinational customer base and taking its premier technology into new sectors. Given its increased scale, continuing to pursue acquisitions in New Zealand's fragmented automation sector will also likely play a key role in MHM's future.

MHM holds its values as guiding principles for everything it does: "We are bold; We are aspirational; We are in it together; We stand by it". The company recognises the importance of its people and has put significant resource into attracting and retaining high-performing people with a diverse mix of skills and experience. MHM considers the deep industry knowledge and experience of its people to be one of the key differentiators for its customer experience.

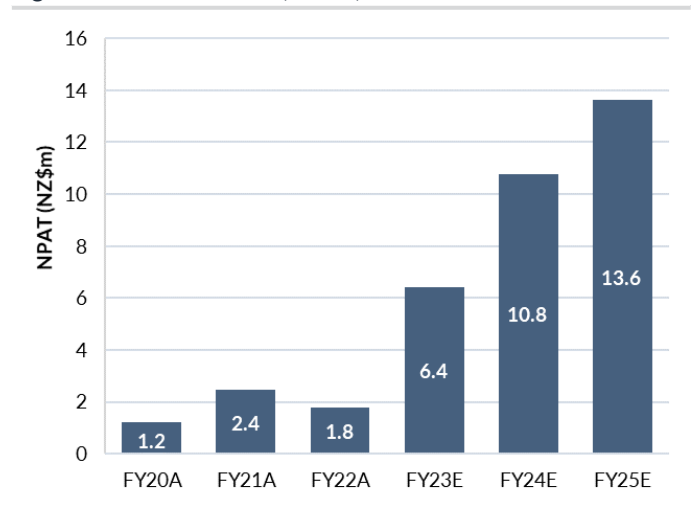
In the last five years, MHM has transformed from consistently loss making to producing a profit for three consecutive years. The business has renewed momentum, with revenues growing at a five year CAGR of +20% to FY22. This momentum culminated in the purchase of Wyma Solutions in May of 2023, a transformative move for MHM. The addition of Wyma essentially doubles the size of the business from a revenue and profitability perspective, and provides a gateway into the sizable European market. The move also provides a diversification benefit, with Wyma being a world-leading supplier of fruit and vegetable processing technology. With the acquisition, MHM has effectively achieved the Step 100 targets it set out in 2021, signalling its aggressive global expansion ambitions. More information on MHM's solutions for various industries can be found here: <https://mhmautomation.com/industries>

Figure 16. MHM – Group operating revenue/EBITDA margin



Source: Company, Forsyth Barr analysis

Figure 17. MHM – NPAT (NZ\$m)



Source: Company, Forsyth Barr analysis

Hyper-focussed on market leading solutions

At the core of MHM's strategy is focussing on market niches and technology where it can have a dominant position internationally. MHM has positioned itself in the food industry, where growing populations, labour shortages and historical underinvestment in equipment provide favourable demand tailwinds. MHM is a global leader in several market niches and technologies within the food sector. These include:

- Reverse packaging
- Plate freezing
- Chilling and freezing tunnels
- Grain stackers
- Vacuum packaging
- Post harvest fruit and vegetable processing and handling

Figure 18. MHM has a market-leading position in several products and solutions

Industry	Product/Solution	Description
Meat/Dairy	Reverse Packaging	Removing bulk product from its packaging, ready for further processing
Meat/Dairy	Plate Freezing	MHM is the word-leader in large-scale plate freezers for the meat processing industry
Meat/Dairy	Chilling and Freezing Tunnels	Automated systems for cooling or freezing meat and cheese products in cartons or crates
Agriculture	Grain Stackers	Handling system to transfer wheat from trucks to a grain bunker
Dairy	Vacuum Packaging	MHM's BetaVac vacuum packer is recognised as the world leader in the cheese space
Fruit/Vegetables	Post harvest processing and handling	Wyma is a world-leading provider of post harvest fruit and vegetable processing and handling

Source: Company, Forsyth Barr analysis

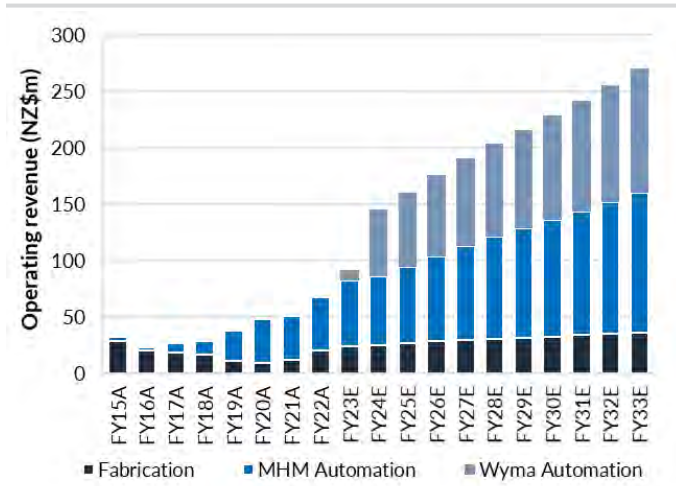
Financial recovery lays platform for organic growth

In the four years from FY15 to FY18, MHM reported an average net deficit from continuing operations of -NZ\$5.4m and cumulative revenue growth of -11%. However, the company has enjoyed a strong rebound since 2018. Revenues have more than doubled from NZ\$28.8m in FY18 to NZ\$67.6m in FY22, while EBITDA has improved from -NZ\$1.4m to NZ\$4.8m. FY22 NPAT of NZ\$1.8m marked the group's third consecutive year of profitability.

MHM's recovery has been orchestrated by repositioning the group's focus away from the anaemic profits of the fabrication industry and towards automation in food processing and technology. The automation segment of the business has grown from 13% of group revenues in FY15 to 70% of revenues in FY22. The automation segment's growth has given MHM much-needed scale whilst delivering consistently higher margins than the fabrication business. From FY19, when the automation segment first achieved profitability at the EBITDA line, to FY22, EBITDA margins in the segment have averaged 6.1%. Over the same period, EBITDA margins in fabrication were roughly half that at 3.1%.

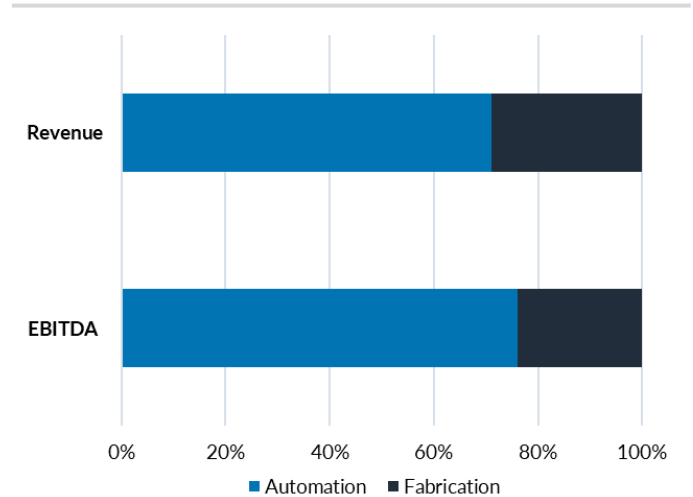
Led by automation, this recovery has laid the platform for MHM to aggressively pursue growth, as evidenced by the recent Wyma acquisition. More robust growth and profitability have capitalised the balance sheet, providing significant optionality. MHM was able to acquire Wyma partly because of its conservative capital structure. At the end of FY22, MHM had built a solid net cash position of NZ\$12m, with no debt. This provided the flexibility to finance roughly half of the up to NZ\$60m purchase price of Wyma with debt.

Figure 19. MHM – Revenue by segment (NZ\$m)



Source: Company, Forsyth Barr analysis

Figure 20. MHM – FY24 est. revenue and EBITDA contribution



Source: Company, Forsyth Barr analysis

Blue chip customer base with substantial cross selling potential

MHM's customer base comprises some of the world's largest and most prominent food processing and packaging companies. Its dairy customers include Fonterra, Kraft Heinz and Synlait. In the meat space, MHM counts Midfield, Tyson and JBS among the businesses it supplies to. These names are just a few examples of MHM's customers. Blue-chip food companies like these are often large-scale and capital-intensive, opening significant opportunities to cross-sell and generate additional revenues. An excellent example is MHM's interaction with Midfield, one of Australia's largest meat processing firms. Having already contracted MHM to install four plate freezers and several carton lidders and compactors, Midfield approached MHM to automate the back end of their production processes, including chilling and freezing, sorting and palletising. MHM supplied several solutions to Midfield to help automate all processes after the product is boxed and barcoded.

These included a six-mag Carton Lidder, four SSO Plate Freezer stacks, two Automated Storage and Retrieval Systems (ASRS) and a three-cell Robotic Palletising system. This was a substantial contract for MHM and one that proved the latent opportunity of having relationships with the large blue chip companies it counts as customers.

Major services opportunity

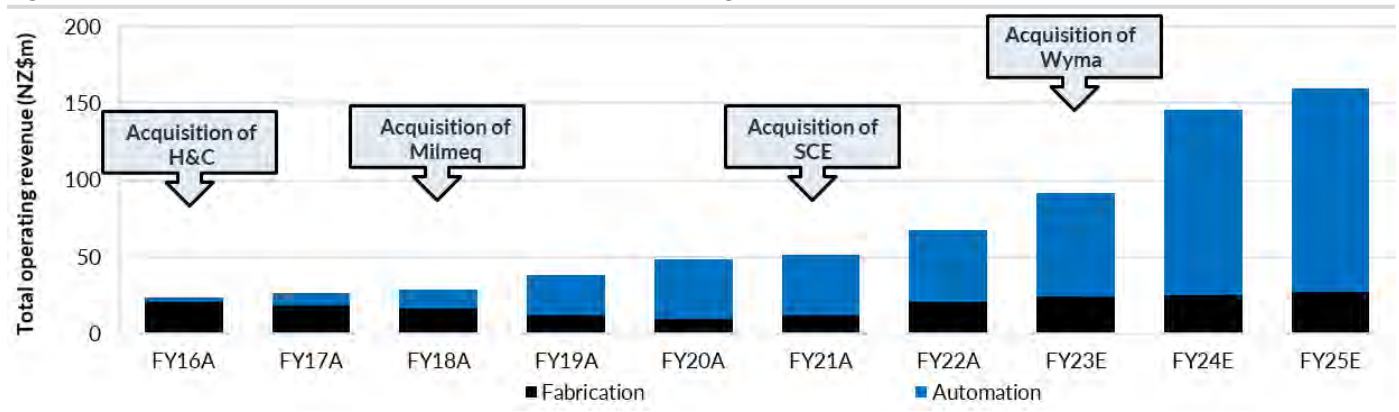
Currently, service and spare parts generate under 10% of MHM's revenues. There is a significant opportunity for growth in this part of MHM's business, given industry peers can often generate upwards of 30% of revenue from services. Further, the service contribution should rise organically through the full integration of Wyma, given ~35% of its revenue came from services in FY22. Service revenues generally come at much higher margins than installations, meaning expanding revenues can be extremely accretive to the bottom line. Growing the size of service offerings also provides the added benefit of smoothing out the lumpy nature of contract engineering.

A history of acquisitions as MHM built scale, with opportunities in the pipeline

MHM has successfully generated value from acquisitions in the last decade. In 2016, MHM (then Mercer Group) purchased Haden and Custance (H&C), a Hastings-based automation company in a deal worth NZ\$2.3m. Two years later, in 2018, MHM acquired the Chilling and Freezing business of Milmeq in a deal structured as a sale and purchase of business assets. Then in 2021, MHM bought fellow Christchurch engineering firm Southern Cross Engineering (SCE). These deals have provided scale and diversification to MHM's business and have been major drivers behind the growth experienced over the past few years.

The acquisitions of H&C, Milmeq, SCE and now Wyma demonstrate the magnitude of the "roll-up" opportunity in New Zealand's automation and engineering sector. Numerous New Zealand companies providing innovative automation solutions need scale to pursue international growth or invest the necessary capital into their business to grow. MHM's size, especially post-Wyma, provides a platform for consolidating these businesses. Drawing on the group's resources and leveraging its network of companies means MHM could realise the global potential of these previously resource constrained businesses.

Figure 21. MHM's recent acquisitions have proved very successful (graph shows year acquisition settled)



Source: Company, Forsyth Barr analysis

Step 100 achieved, now for the next stage of growth

In late 2021, MHM announced a new firm-wide strategy called "Step 100". The strategy laid out two core objectives: NZ\$100m of revenue and NZ\$10m of EBITDA within three years. In its presentation to shareholders at the 2021 annual meeting, MHM outlined acquisitions, new products and organic growth as the three factors it expected to drive this growth. Less than two years on, in 2023, the transformative Wyma acquisition means that MHM should be on track to achieve both the revenue and EBITDA objectives laid out as part of Step 100.

R&D, new product development and expansion into new sectors

MHM has a dedicated R&D team that is focussed on the development of new products. Examples of recent successes include the Gantry Palletiser and De-palletiser. The Gantry Palletiser is a simple and robust, small-footprint palletising unit capable of handling low to high load boxes, sacks or bags. Customers have benefitted from the product's relatively low up-front cost and ability to reduce labour requirements and minimise health and safety issues. Going forward, continued R&D will be critical to ensure MHM can supply market leading solutions across the food processing and packaging sectors.

R&D is not the only strategy employed by MHM to pursue new opportunities. Taking its world leading technology into new sectors has also been an effective growth driver. The blueprint for this strategy is MHM's deal with an American multinational food processing company. MHM was able to adapt and sell two of its reverse packaging systems, typically used in the dairy industry, for the company to use in the preparation of meat products for secondary processing. Because of the innovation in the underlying technology, MHM was able to be agile in response to its client's needs and win the contract.

Where appropriate, MHM will also partner with other firms to deliver leading technology solutions. Two prominent examples are the Carsoe Vertical Plate Freezers and the TGW ASRS.

Automated Storage and Retrieval System (ASRS) – a significant opportunity

MHM's ASRS, delivered in partnership with its technology partners TGW and Inther, is a major opportunity for the company. The ASRS uses shuttle robots to streamline the sorting, storage and retrieval of frozen and chilled goods. The ASRS has many benefits, including complete inventory management, integration with production and sales management, and high-level performance in frozen and chilled environments. MHM has successfully completed its first installation of this technology in 2023 and is expecting significant demand for further installations.

Key geographies and market opportunities

Prior to the Wyma acquisition, MHM's key geographies were Australia (49% of FY22 sales), New Zealand (38%) and the United States (11%). However, it had also made installations in Europe, Asia and Africa. Wyma provides significant geographic diversification to the group as it generated 43% of revenues from the Europe, Middle East and Africa regions in FY22, alongside 33% from Asia Pacific and 24% from the Americas.

Australia and New Zealand will continue to be pivotal markets for MHM moving forward. These two markets are strategically advantageous to MHM given the strong primary industries that operate within them, especially with regard to meat and cheese. The scale of the Australian market presents a sizeable growth opportunity, whilst lagging investment in New Zealand could be a catalyst for demand domestically. Decades of underinvestment in New Zealand's primary industries means large quantities of equipment will need to undergo modernisation in the foreseeable future, leading to demand for MHM's automated systems.

The acquisition of Wyma provides exposure to, and a gateway into, the large and potentially lucrative European market. Europe has a strong automation market, boosted by long-term investment cycles and a growing focus on sustainability. With an office in the Czech Republic, Wyma provides the added benefit of being seen as a local supplier alongside manufacturing and supply chain advantages.

Figure 22. MHM and Wyma's combined geographic footprint post acquisition



Source: Company

Figure 23. MHM and Wyma's combined industry footprint post acquisition

CORE MARKET SECTORS



Meat



Dairy/Cheese



Agriculture



Horticulture



Timber



Logistics

KEY PRODUCT CATEGORIES:



Chilling & Freezing



Packaging



Reverse Packaging & Materials Handling



Timber Processing



Industrial & Fabrication



Post Harvest

Source: Company

Note: Further and more specific details about the group's segments and products can be found in Appendix 1: MHM Segments and key products.

Part three: Industrial Automation

3.1 Overview

Industrial automation, encompassing innovative technologies like robotics, computer programming, and artificial intelligence (AI), has drastically reduced the dependency on human labour in industrial processes. By automating formerly manual tasks, businesses experience enhanced efficiency and accuracy, while witnessing promising returns on investment and significant strides towards sustainability outcomes. Driven by structural tailwinds, including global economic expansion stimulated by exponential population growth, industrial automation has become a globally significant industry.

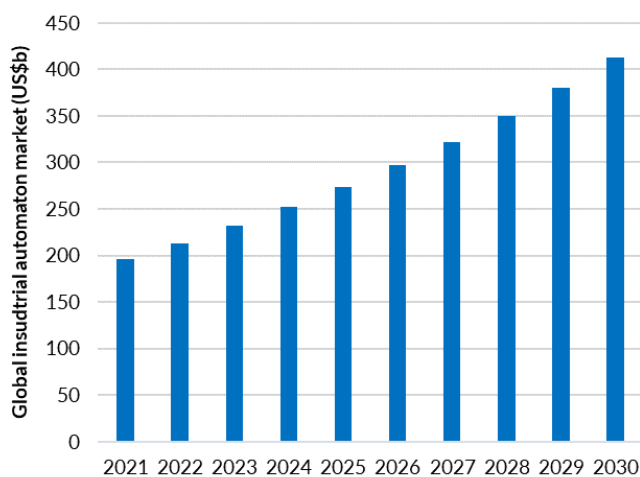
In recent times the industrial automation industry's growth has been facilitated by technological advancements that have equipped automated systems with the ability to perform increasingly complex tasks. Intense global manufacturing competition, chronic labour shortages, and an ongoing societal shift towards environmentally and socially sustainable business practices have increased demand. The COVID-19 pandemic that began in late 2019 significantly accelerated the adoption of industrial automation, as lockdowns, supply chain disruptions and border closures amplified its investment case.

The industry retains a robust growth outlook in the medium-term, with historical growth drivers expected to remain relevant. In the long-term, emerging technologies like AI and the Internet of Things (IoT) could revolutionise the industry and propel it onto an entirely new growth trajectory. However, this growth will likely come with challenges, most notably the growing need for specialised knowledge and experience to operate and maintain increasingly sophisticated automated systems.

Market size and future projections

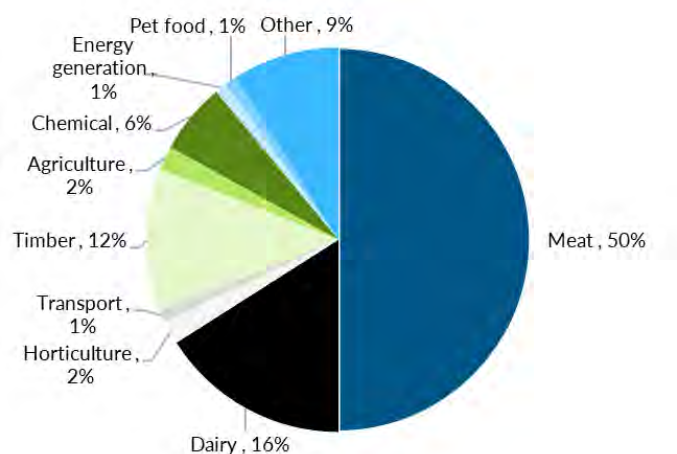
MHM has positioned itself in a growing industry with strong underlying demand drivers. In 2021, Precedence Research authored a report which estimated that the global industrial automation market was worth US\$197b. In this report, Precedence projected the market would grow at a CAGR of +8.6% to be worth US\$413b by 2030. Projections like those made by Precedence suggest strong tailwinds in demand for the wider automation industry which MHM operates in. This positive outlook is further compounded by trends within the key industries MHM's customers are concentrated in. Across the core meat, dairy, horticulture and vegetable processing sectors, persistent labour shortages and rising concerns for sustainability are among the factors that suggest a long runway of demand for the automation solutions which MHM provides.

Figure 24. The industrial automation market is expected to continue its robust growth



Source: Precedence Research, Forsyth Barr analysis

Figure 25. MHM's revenue split by industry (FY22)*



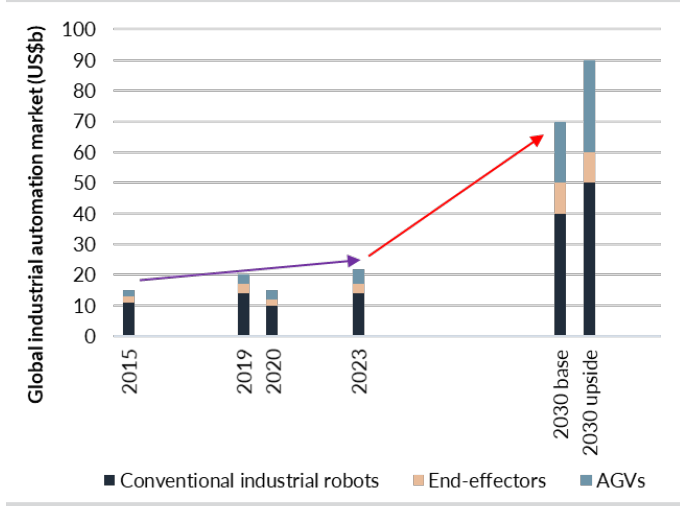
Source: MHM, Forsyth Barr analysis

*This is pre Wyma acquisition. Wyma's revenues come exclusively from the horticulture and vegetable processing industries.

3.2 Total addressable market and growth prospects

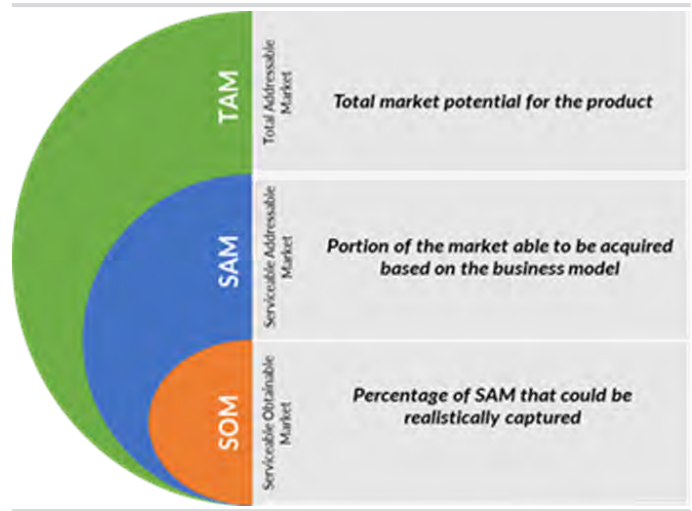
To estimate the total addressable market (TAM) for MHM we utilise projections from Boston Consulting Group (BCG). These projections use the same methodologies utilised in our initiation piece for Scott Technology (SCT). BCG forecast that the wider industrial automation sector will be worth US\$80b annualised in 2030, implying an +18% to +22% CAGR from the current US\$20b. See Figure 26. We utilise these forecasts and MHM's own market research to analyse the potential for MHM's automation products. Our forecasts for MHM's revenue over the medium-term remain conservative based on industry growth forecasts and also, to a lesser degree, MHM's own obtainable market estimations. We assess the opportunity in front of MHM in a three-stage model. The assessment framework is shown in Figure 27 below.

Figure 26. BCG's industrial automation growth projection



Source: BCG Forsyth Barr analysis

Figure 27. Our TAM/SAM and SOM framework

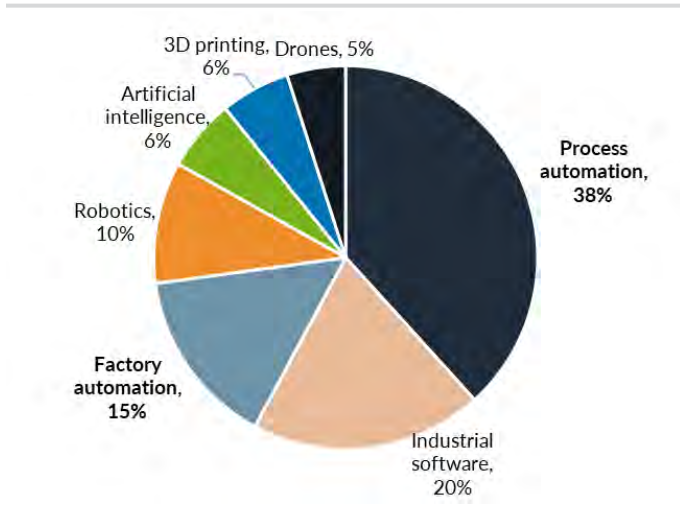


Source: Forsyth Barr analysis

Total addressable market

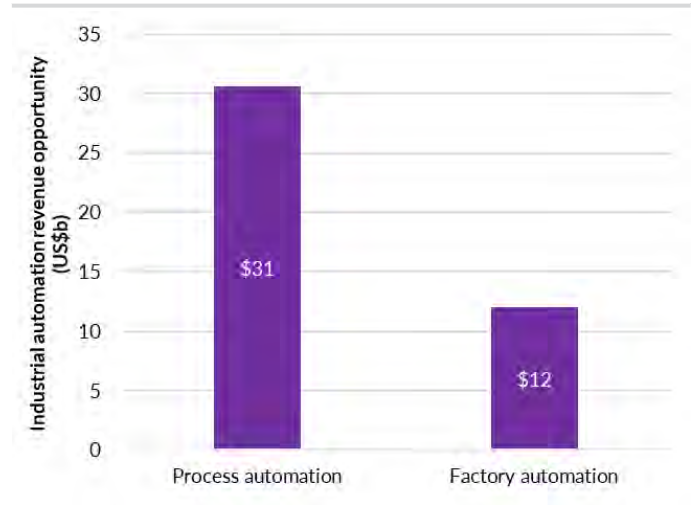
We have used various measures to assess TAM in each market segment. Where we have limited information or a general lack of segment drivers we have made relative assessments of industry potential, added-in risk factors and pushed out market entry to provide a more conservative assessment. In segments where we hold greater confidence in our assessment methodology, in the meat, dairy, fruit and vegetable sectors as an example, the risk assessment is lower and provides a more reasonable assessment of possible outcomes. TAM is an improbable level of revenue achievable across all industry participants, with full market penetration across a wide definition of the market. As such, it creates a potential total industry demand, albeit, we consider it unrealistically large. Our TAM calculation utilises global research and data, segmented by industry. We assess the TAM at US\$43b. This looks specifically at the 'Process Automation' and 'Factory Automation' segments of the wider industrial automation market. See Figures 28 and 29. Flowing a TAM assessment into more realistic terms requires identifying the Serviceable Addressable Market (SAM) within the TAM.

Figure 28. Segments of industrial automation (FY30)



Source: Statista, Forsyth Barr analysis

Figure 29. Industrial automation segments of TAM (US\$b)



Source: Forsyth Barr analysis

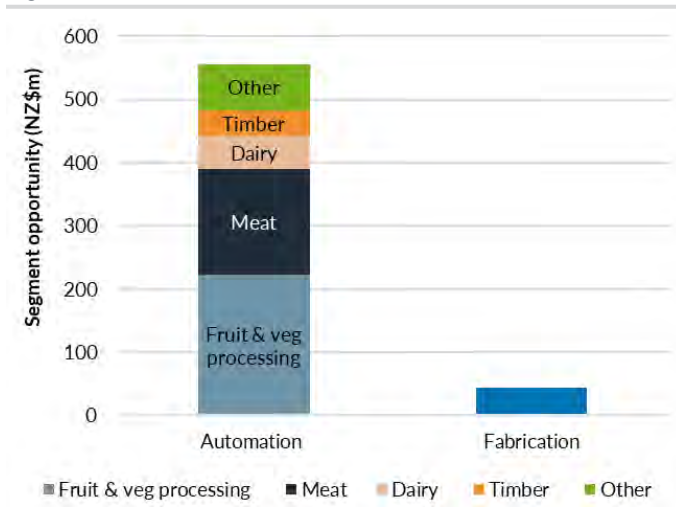
Serviceable addressable market

There are, in fact, limitations on any business model, be they geographic, local differences of use, or language barriers. Therefore, the SAM is more helpful in assessing businesses to objectively estimate the portion of the market a business could acquire in the most optimistic of outcomes. We assess the SAM at US\$3.2b. The third stage of assessing the market size is to make this more realistic and calculate the obtainable portion of the SAM.

Serviceable obtainable market

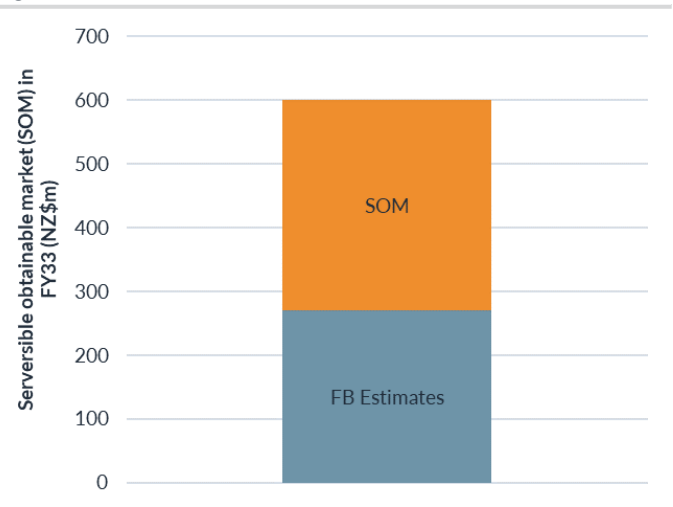
Given market share limitations, it is unlikely that any business could practically capture 100% of a market. Additionally, given that MHM cannot enter each market segment at once, competitors will likely adapt and replicate the product or service offerings, making achieving high market shares in markets entered years later much more difficult. Further, it is often difficult or impossible to sell to all potential customers in a market, no matter how compelling the network effect and product benefits are. Given this, an important additional measure is to calculate the Serviceable Obtainable Market (SOM) to determine how many customers would realistically benefit from buying MHM's product and system offerings. We have used our assessment of SAM to determine a level of achievability in our distinct period revenue estimates. We currently estimate the global Serviceable and Obtainable Market (SOM) for MHM to be NZ\$600m. This compares with our MHM distinct period assessment of revenues in FY33 of NZ\$270m, providing plenty of scope for exceptional management execution (see Figure 31 below).

Figure 30. MHM – SOM breakdown (FY33)



Source: Forsyth Barr analysis

Figure 31. FB estimates versus SOM estimates (NZ\$m in FY33)



Source: Forsyth Barr analysis

Figure 32. Our TAM/SAM and SOM framework in action



Source: Forsyth Barr analysis

3.3 Drivers of automation demand

Cost savings and return on investment

While many factors play a role in the decision-making process for investing in automation, for most companies the final decision ultimately comes down to return on investment (ROI). Automation's core value proposition is that it can generate operational savings and increased revenues, which over a long enough time frame may contribute to a positive ROI. Because investment in automation typically requires a significant upfront capital outlay, businesses often focus on the payback period as a measure of ROI. Generally, the payback period is defined as the time required to recoup the initial investment. The payback period for industrial automation projects can vary significantly depending on factors such as the project's complexity, the sector, and the specific operating context.

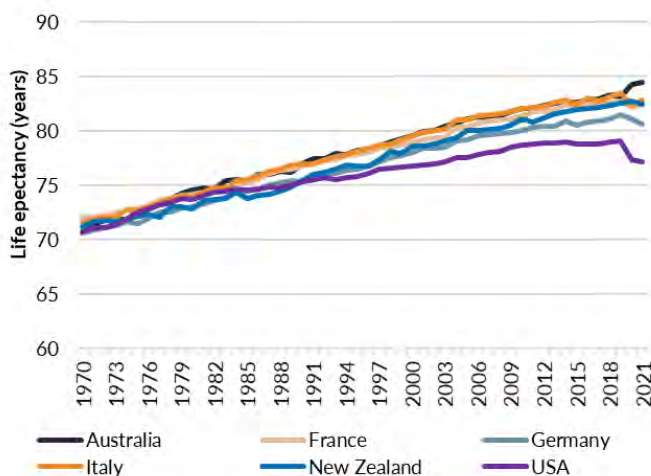
Automation delivers operational savings for businesses by completely eliminating or significantly reducing labour costs. In large developed markets like Europe and North America, which have relatively high labour costs, this makes automation incredibly valuable. As expanded on later in this report, automation can also improve health and safety outcomes for workers, minimising the cost of staff absences because of injury, illness or stress. From a revenue perspective, businesses accrue value from automation through increased capacity and greater quality. Automated systems typically provide superior efficiency and precision to manual labour, meaning more high standard goods can be produced and delivered to market.

Labour shortages

Alongside ROI, perhaps the single biggest driver for demand across MHM's key industries is chronic labour shortages. A combination of deteriorating population demographics, historically low levels of unemployment, and widening skills gaps have all placed immense pressure on businesses to find and retain the staff they need. Automation, increasingly, is relied upon to bridge gaps in labour forces and provide resilience against the challenging employment market.

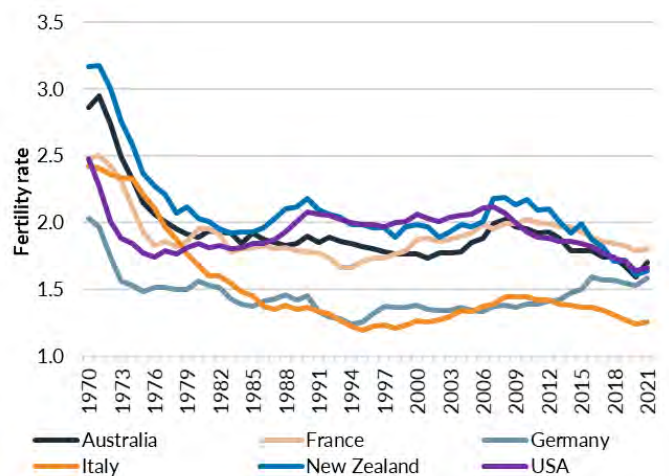
- Deteriorating population demographics:** In many of MHM's key geographical markets a juxtaposition of rising life expectancies and falling fertility rates is putting pressure on dwindling working-age populations to support growing cohorts of elderly. Life expectancies in these countries have been in multi-decade uptrends, thanks to rapid increases in living standards and access to modern healthcare among other factors. However, fertility rates – the ratio of child births to whole female population of childbearing age – have fallen concurrently. In aggregate, this has led to swift increases in the old-age-dependency ratio for these countries. The old-age-dependency ratio is defined as the number of individuals aged 65 and over per 100 work age people, i.e., those aged 20–64. In Europe, one of Wyma's critical markets, countries like Germany, Italy and France have old-age-dependency ratios greater than 25 which are expected to continue to worsen. In New Zealand, Australia and the USA, an elderly person is now supported by roughly three working age people. Twenty years ago, it was closer to five. As these trends continue to exacerbate, automation is set to play a central role with countries looking for solutions to maintain or grow production with a shrinking labour pool.

Figure 33. Life expectancies in MHM's key geographical markets have increased steadily in the last five decades...



Source: United Nations, Forsyth Barr analysis

Figure 34. meanwhile, fertility rates have fallen or plateaued over the same period

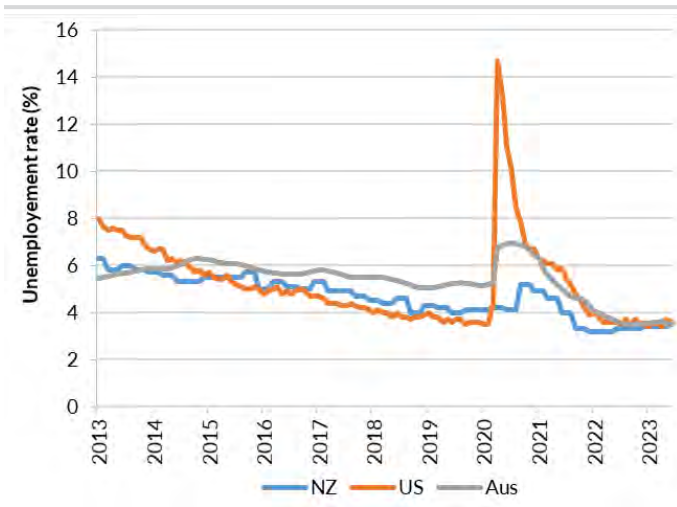


Source: OECD data, Forsyth Barr analysis

- Historically low levels of unemployment:** Economies worldwide are experiencing record-low levels of unemployment. During the June 2023 quarter New Zealand's unemployment edged slightly higher to 3.6% (from 3.4%). However, this is still significantly below the ten-year average of 4.6%, with similar trends evident in the United States and Australia. In tight labour markets, employees have the leverage to demand higher wages, increased benefits and more flexible working conditions. For industries like horticulture which struggle to attract workers even in favourable markets for employers, low levels of unemployment means losing out on workers who are able to find jobs in other sectors they view as more desirable. Concerted efforts from central banks around the world to tame inflation should relieve some pressure in labour markets and cause the unemployment rate to normalise in the next few years. Nevertheless, vulnerable industries have started to turn to automation to provide resilience against unfavourable labour dynamics in the future. MHM's customers – being concentrated in food processing and packaging – are among those in a growing subset of companies investing in automation to future proof operations against labour conditions like those being experienced today.

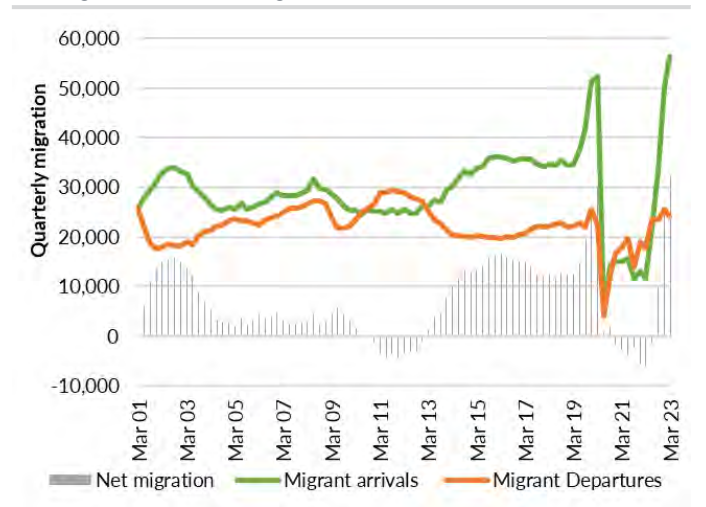
For many companies COVID-19 was a tipping point. Border closures, lockdowns and isolation rules constrained the supply and availability of domestic and international labour, exacerbating already low unemployment levels. Industries which rely on seasonal flows of labour from overseas were some of the hardest hit as New Zealand, historically a strong net gainer from international migration, experienced net outflows for seven consecutive quarters beginning March 2021.

Figure 35. The unemployment rates in New Zealand, the United States and Australia are near historical lows



Source: Stats NZ, St Louis Fed, Australian Bureau of Statistics, Forsyth Barr analysis

Figure 36. COVID-19 exacerbated labour supply issues in NZ as net migration fell into negative territory



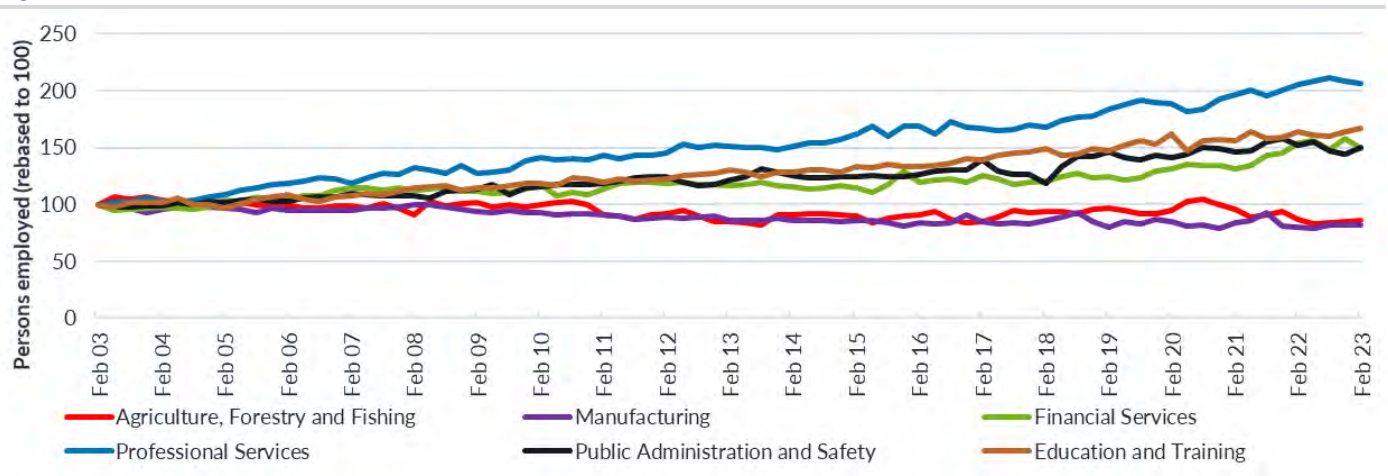
Source: RBNZ, Forsyth Barr analysis

- Sector focus: Horticulture.** New Zealand's horticulture industry has historically faced significant labour challenges. While shortages of workers to pick fruit have been well documented, packinghouses have also struggled to find employees. Fruit packing jobs are perceived as low paying and physically intensive. Work is also inconsistent and seasonal, leading many to take up more reliable roles in hospitality or construction for example. When unemployment is low, and employees have options, fruit packaging suffers even further. During the 2021 season, which was heavily affected by a reduction in foreign workers because of COVID-19, the New Zealand Apples and Pears Inc (NZAPI) estimated that that total export volumes would fall by -14% from the previous year at a cost of ~NZ\$100m. NZAPI said, "labour availability on orchards and in our post-harvest operations is well short of numbers needed by the industry despite doing all we can to attract New Zealanders into work". Because of seasons like 2021, packinghouses have begun to invest into automation. Automating the most repetitive and time consuming tasks can greatly improve packaging throughput, all with fewer workers than before. For example, MHM was engaged by New Zealand apple company Rockit Global to design an automated solution for packaging apples in Rockit's signature tube packaging. The solution was a bespoke design that included a visual system for identifying the heights of individual apples which allowed robots to select combinations of apples which perfectly fit each tube. Post installation, packaging increased by +300% to 100 apples per minute. The solution provided by MHM to Rockit Global meant workers could be redistributed away from time consuming packaging roles.

Chronic skills gaps

Despite being significant contributors to GDP and economic output in many regions, blue-collar industries like those that MHM serves – meat processing and dairy for example – suffer chronic skills gaps. Underinvestment in apprenticeships and other programmes which upskill young workers can explain some of these gaps. However, there has also been an inter generational switch in attitudes towards such jobs, which younger generations increasingly view as overly physically intensive, undervalued and with limited scope for career progression. Data from the Australian Bureau of Statistics supports this anecdote. Despite the Australian population increasing by over 30% in the last twenty years, the number of people employed in manufacturing roles (over 20% of these roles are food product manufacturing) has fallen -19% while -14% less people work in agriculture and fishing than they did in 2003. By contrast, the number employed in white-collar roles has risen rapidly. Education and Training (+67%), Public Administration and Safety (+50%), Professional Services (+106%) and Financial Services (+48%) are examples of industries where employment has ballooned in Australia. As workers in blue-collar industries begin to reach retirement age, employers are struggling to replace them with younger workers. Although there are signs that demand for these jobs is beginning to improve, as more “baby boomers” retire, industries are set to face escalating challenges attracting staff to cover their positions. Automation should see accelerated demand as this trend continues, with the need to reduce reliance on skilled workers within supply chains more evident than ever. The red meat industry, which in FY22 accounted for half of MHM's revenue, is one of the industries where automation is seeing strong demand on the back of chronic skills gaps.

Figure 37. Trends in Australian employment by industry



Source: Australian Bureau of Statistics, Forsyth Barr analysis

- Sector focus: Red meat.** The red meat industry, which is renowned for high levels of absenteeism, faces an uphill battle convincing younger generations of workers to come work for them. A job in meat processing has typically been associated with long hours of dangerous, manual work that is poorly paid. There are also risks of illness due to working with dead animals. This is why in New Zealand alone, there is estimated to be a shortage of 2000 workers, potentially costing the industry hundreds of millions of dollars annually. With these shortages showing no signs of abating, the industry has begun to turn towards automation as an alternative option. The Midfield Group, a major player in the Australian meat processing market, approached MHM wanting to automate the back end of its production processes, including chilling, freezing, sorting and palletising. One of Midfield Group's key priorities was reducing its reliance on manpower. MHM provided an integrated system, including automatic carton lidding, plate freezing, an automated storage and retrieval system (ASRS) and a three cell robotic palletising system, to achieve this objective. This system reduced labour requirements and the health and safety risks posed by the manual handling of heavy cartons at each stage, as well as providing food safety and traceability improvements.

In aggregate, deteriorating population demographics, historically low levels of unemployment and chronic skills gaps paint a bleak picture of labour supply in the industries MHM sells to. There is an apparent dichotomy between the crippling labour shortages facing these industries and the world's continued reliance on them to increase their output. The Pew Research Centre projects that the world's population will increase by over 2.8b people by 2100. These people will add a growing burden on producers to keep up with skyrocketing global demand. We view the convergence of these trends as a core driver of our growth expectations for MHM's business in the next decade and beyond. Ongoing labour shortages should provide the strong, organic demand for automation that underpins our positive view of the industry and MHM within it.

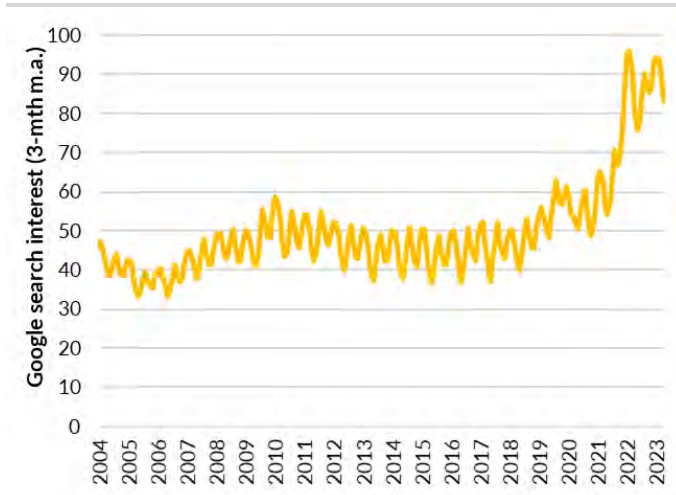
Sustainability and ESG

In the last decade, sustainability and ESG (Environmental, Social, and Governance) considerations have become global lodestars, guiding consumer and investor behaviours in the market. Industrial automation is emerging as a powerful tool in this transformative journey, helping industries realise their commitments to sustainability and safe work practices.

A 2022 IBM Institute for Business Value survey demonstrated the increased role of sustainability in consumer decision making. Approximately half of the 16,000 respondents surveyed affirmed paying an average premium of 59% for brands or products that had consciously committed to sustainability in the preceding 12 months. The magnitude of this trend is further underscored by data from Google Search Trends, illustrating a significant uptick in searches for 'sustainability' after nearly a decade and a half of inertia. Simultaneously, the rise of ESG investing has been nothing short of spectacular. Harvard data shows global ESG assets under management (AUM) have increased eightfold, skyrocketing from US\$2.2 trillion in 2015 to US\$18.4 trillion in 2021. With their base case projection, this figure is set to surge to an impressive US\$34 trillion by 2026, almost doubling the current figure.

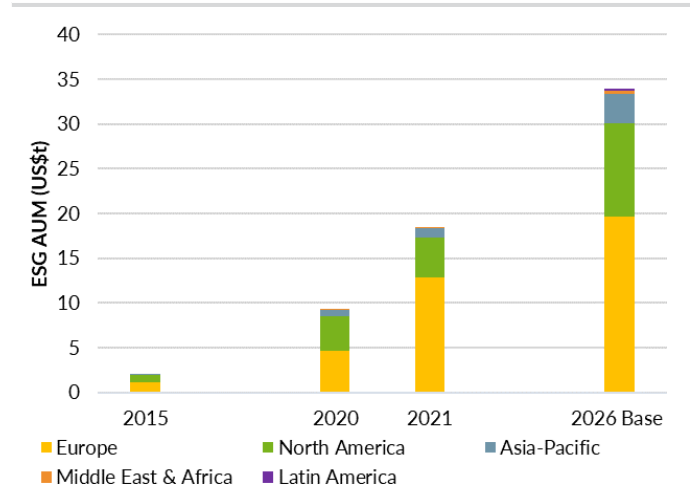
Companies are responding to this call for further sustainability by investing in practices that reduce their environmental and social footprints. Here, industrial automation offers considerable advantages. By automating systems, companies can optimise their operations, increase energy efficiency, improve worker safety and significantly reduce waste. It goes beyond these direct benefits as automation liberates labour and capital for other tasks within a workforce already constrained by labour shortages. These resources, previously tied up in manual, repetitive tasks, can be redirected and reinvested in initiatives that enhance sustainability. Moreover, automation can also drive social sustainability by improving working conditions and reducing workplace accidents, demonstrating alignment with the 'Social' and 'Governance' aspects of ESG.

Figure 38. "Sustainability" Google search interest time series



Source: Google Search Trends, Forsyth Barr analysis

Figure 39. Global ESG AUM and Harvard base projection



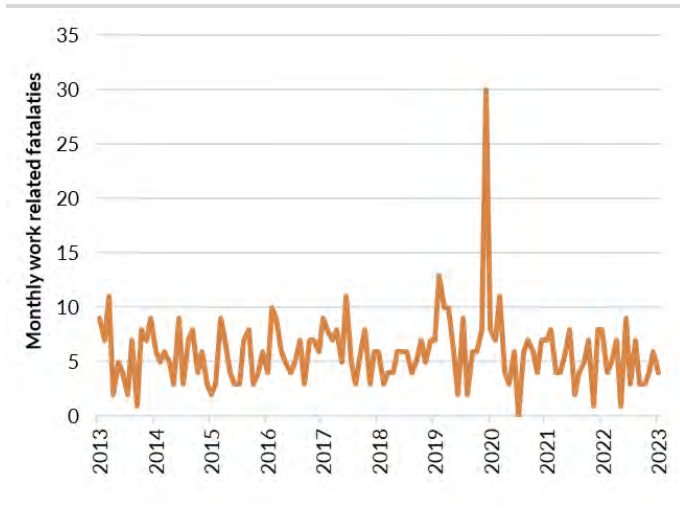
Source: Harvard, PWC, Forsyth Barr analysis

- Sector focus: vegetable processing and handling.** The demands of feeding an ever-growing global population has placed significant pressures on the agricultural sector, notably in the realm of vegetable processing and handling. Unfortunately, the rising demand for food has been met with a corresponding increase in waste production. A striking estimate from the United Nations (UN) is that one-third of the food produced annually is discarded, contributing 8–10% of global greenhouse gas emissions. Among various food groups, fruits and vegetables are implicated in producing the highest level of waste, accounting for a disconcerting 31.5% of total production. This figure is primarily due to the perishable nature of these commodities, alongside the inherent challenges in effectively handling and processing these products, which often results in substantial losses during various stages of production, transport, and retail. Automation can play a crucial role in mitigating this problem. Take the example of UK vegetable food producer Frederick Hiam Foods (FHF), which engaged Wyma to optimise its production lines for potatoes, onions, carrots and parsnips. Wyma identified several issues in FHF's existing production line, including ineffective destoning, inadequate crop cleaning and high requirements for manual intervention. Working alongside FHF, Wyma implemented a series of systems including a cyclone destoner to remove stones from the crop, a Vege-Polisher(TM) V2B to effectively clean the crop prior to cutting and an inspection conveyor to identify and remove substandard crop before it reaches the trimmers. Post-implementation, FHF has experienced a -30% decrease in water consumption and up to a -25% fall in general energy consumption. FHF has also seen an improvement in product quality, with crop efficiencies increasing from 60% to 90%.

Worker health and safety

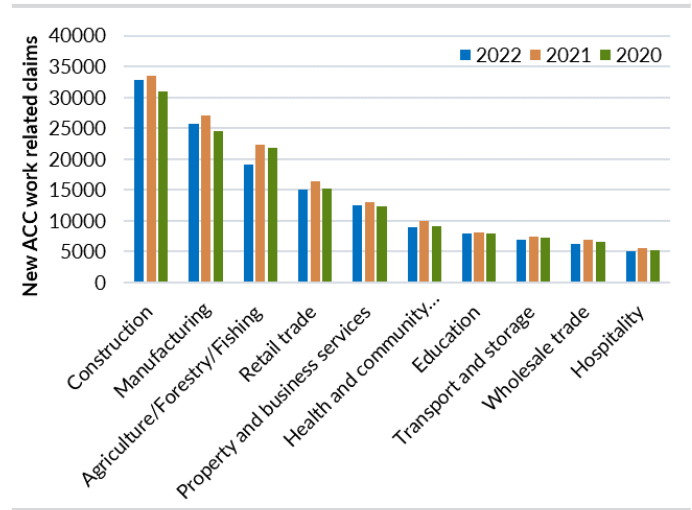
Despite significant improvements in workplace safety standards, occupational accidents and work-related illnesses continue to have a significant negative impact on industries worldwide. The International Labour Organisation reports approximately 340m occupational accidents and 160m victims of work-related illnesses globally annually. In New Zealand, for instance, the Accident Compensation Corporation (ACC) recorded 193,208 claims for work-related injuries in 2021, with the cost of active claims estimated at NZ\$1b. Work Safe data reveals that from January 2013 to 2023, 717 people lost their lives in work-related accidents, averaging nearly six fatalities per month. These statistics highlight the ongoing need for substantial workplace health and safety improvements. In New Zealand, the ACC's data shows that the construction, manufacturing, agriculture, forestry and fishing sectors reported the highest number of work-related injury claims over the last three years (2020, 2021, and 2022). Automation can address these challenges by taking over tasks which require a great deal of repeated physical exertion, minimising exhaustion and stress for workers. Similarly, automation can remove employees from unpleasant environments – ones that are wet and cold for example, lowering the likelihood of illness and boosting employee welfare at the same time.

Figure 40. Monthly work-related deaths in New Zealand



Source: Work Safe New Zealand, Forsyth Barr analysis

Figure 41. Work-related ACC claims by industry



Source: ACC, Forsyth Barr analysis

- Sector focus: Dairy processing.** Workers in the dairy processing industry are often exposed to injuries, illness and stress in their workplace environments. Much of this burden is attributed to the physically demanding nature of the work involved, which commonly includes lifting heavy items, maintaining poor postures for extended periods, and dealing with repetitive strain and overexertion. Given the physicality of tasks in this sector, employees are often subjected to daily strains and stresses that can accumulate over time, leading to chronic conditions or serious injuries. In addition, workers must often spend prolonged periods of time in uncomfortable environments like freezing rooms. Automation presents a promising solution to these ongoing issues. By integrating automated systems into dairy processing systems the need for employees to engage in physically strenuous and repetitive tasks is minimised. For example, automated lifting and handling equipment can significantly reduce the burden of heavy lifting, while autonomous vehicles and drones can expedite the transport process, delivering goods rapidly and safely. MHM provided reverse packaging solution for Cheese Merchants of America, automating the de-palletising, de-boxing, de-bagging and product inspection tasks, delivering unwrapped cheese blocks to the line ready for further processing. Along with enabling Cheese Merchants to scale up its operations amid a labour shortage, this system eliminates manual handling and the use of knives, thereby removing significant health and safety risks in its operation.

Government incentives and regulations

Governments worldwide are recognising the importance of automation in driving economic growth and competitiveness. As a result, many countries are implementing policies and initiatives to encourage investment in automation technologies. In some cases, governments provide direct financial incentives, such as grants, tax credits, or low-interest loans, to support businesses adopting automation and robotics technologies.

For example, the UK Government has launched several initiatives aimed at boosting the adoption of automation in British industry, including the Made Smarter programme and the Industrial Strategy Challenge Fund. These initiatives provide funding and support for businesses looking to invest in automation and other advanced technologies. Similarly, the European Union has invested in the development and implementation of robotics and automation technologies through programmes like Horizon 2020 and the Digital Europe Programme. In addition to financial incentives, governments are also introducing regulations and standards that promote the use of automation technologies in various industries. These regulations often focus on improving safety, reducing environmental impact, and ensuring product quality. For example, the European Union has introduced the Machinery Directive, which sets out safety requirements for machinery and equipment, including automated systems. By providing financial incentives and regulatory support, governments are helping to create a favourable environment for businesses to invest in automation technologies, further driving demand in the industrial automation market.

Automation also benefits from more general government incentives, designed to stimulate investment into a broad range of activities. Key examples which directly advantage MHM are accelerated depreciation schemes in Australia and the United States. These schemes allow businesses to depreciate assets by as much as 50% in the year of investment, significantly reducing the upfront cost burden. Because purchasing automated systems can often require large capital outlays, accelerated depreciation can drastically improve the feasibility of investment.

The role of food safety requirements

Food safety is an unequivocal priority in the global food industry, driving demand for automation solutions like those provided by MHM Automation. Given the severe implications of foodborne illnesses, regulatory bodies worldwide enforce strict food safety standards, necessitating companies in the food industry to adopt sophisticated measures to ensure hygiene and safety at all stages of food production and processing.

MHM's automation solutions play a role in enhancing food safety. By minimising human intervention in the food production process, they significantly reduce the risk of contamination, a leading cause of foodborne diseases or foreign bodies. Automation also ensures greater precision and control, leading to consistent adherence to safety standards. For instance, precise temperature control in chilling and freezing processes can prevent harmful bacteria growth, ensuring food products' safety.

Moreover, food recalls due to safety concerns can lead to substantial financial losses and reputational damage for food companies. MHM's automation solutions can mitigate this risk through stringent quality checks and traceability features, enabling rapid identification and isolation of any issues, thus minimising the scope and impact of potential recalls.

The increasing consumer awareness about food safety could also further drive the demand for MHM's solutions. Consumers today are more informed and conscious about the safety and quality of the food they consume, influencing how customer companies invest in safety measures, including automation.

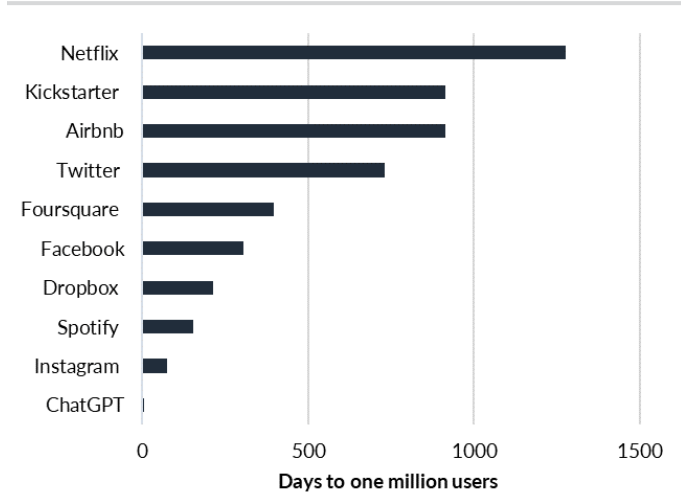
Lastly, as food processing operations scale up to meet growing demand, maintaining safety standards manually can become increasingly challenging. Automation solutions provide a scalable approach to maintaining and enhancing food safety as operations expand, making them an indispensable tool for forward-looking food companies. Consequently, food safety is a significant demand driver for MHM's automation solutions.

3.4 – Industry 4.0: AI and IoT

The forthcoming Fourth Industrial Revolution (4IR), often termed as Industry 4.0, is expected to have a significant economic influence. Firms that swiftly adjust to these alterations are likely to reap considerable rewards. This new industrial age will also require a transformation in the labour force's skill set. As robotics and automation become increasingly prevalent, the skills required for jobs will change drastically. Demand for manual work and basic literacy and numeracy skills is expected to decrease, while there will be a sharp increase in the need for technological, complex cognitive, and social-emotional skills. Highly operational sectors such as manufacturing, transportation, and retail are on the brink of substantial changes, since a large portion of their workforce performs tasks that can be automated or digitized. These sectors offer 1.3 times more automation potential than others. According to a study by McKinsey, up to 58% of work tasks in these sectors could be automated using current technology. Conversely, sectors like education are likely to undergo fewer changes, with only about 25% of tasks likely in line for automation.

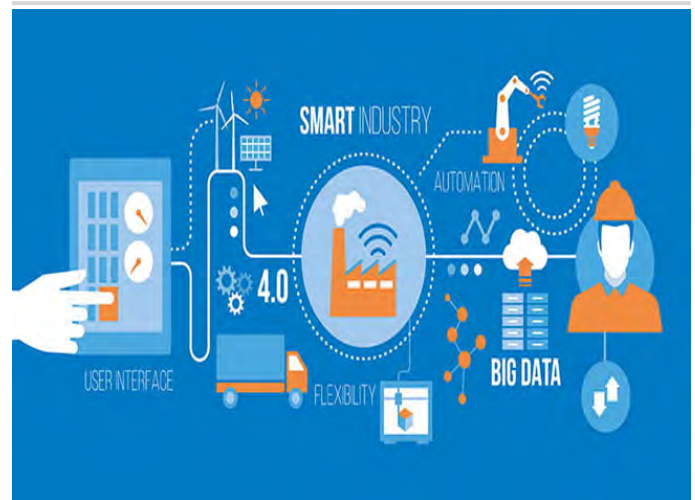
Emerging technologies like artificial intelligence (AI) and the Internet of Things (IoT) are set to reshape the potential of industrial automation. The launch of Open AI's Chat-GPT in 2022 was a milestone for AI, as the potent natural language processing tool reached a million users in just five days, outpacing Instagram's record from 2010. It hit the 100m users mark less than two months later. These advancements in AI are poised to transform industrial automation. As machine learning and natural language processing are integrated, industrial automation systems will be capable of achieving more complex objectives, learning from their errors, and communicating with each other. In essence, ongoing progress in AI is expected to enhance the capabilities of industrial automation systems significantly.

Figure 42. ChatGPT reached one million users in five days



Source: Exploding Topics, Forsyth Barr analysis

Figure 43. Visualisation of the Internet of Things (IoT)



Source: Bossard, Forsyth Barr analysis

The Internet of Things (IoT) signifies an interconnected network of physical devices with embedded sensor technology and software. These devices, through the internet, can accumulate and exchange data. In some instances IoT technologies are already being utilised in industrial settings. For instance, automated manufacturing plants leverage sensors to send real-time data to a central hub for monitoring operational efficiency and initiating maintenance as required. As IoT technology advances, we can expect the scope of industrial automation to broaden correspondingly.

The 4IR holds the potential to enhance the accessibility and efficiency of products and services for businesses, consumers, and all parties involved in the value chain. Preliminary findings suggest that successfully deploying 4IR technologies can optimise supply chains, increase productivity, reduce factory waste, and offer myriad benefits for employees, stakeholders, and consumers. The workforce's active engagement and commitment are vital to realising a successful 4IR transformation. Cultivating new skills within workers facilitates the company's ability to adapt to changes more effectively. This could involve re-evaluating training programs and skill development pathways and initiating long-term structural transformations. Businesses embracing 4IR may find it easier to attract and retain talent than those sticking with traditional manufacturing processes.

3.5 Challenges and barriers to adoption

So far this report has discussed the strong underlying growth drivers underpinning future growth expectations for the industrial automation market. However, several significant challenges facing the industry could materially impact growth forecasts like the one from Precedence research mentioned earlier in this report. These include (1) a growing need for skilled labour to operate complex automated systems and oversee their maintenance, (2) the large up-front capital requirements for investment, and (3) problems with integrating advanced automation capability into rudimentary industrial systems.

1. **Need for skilled labour.** While industrial automation can help to address the chronic labour shortages facing many manufacturing industries, its implementation creates the need for specialised knowledge and skills to run and maintain them. As automation becomes increasingly complex and integrates technologies such as artificial intelligence and advanced software systems, the cost of finding and employing those with the necessary experience and qualifications will likely intensify. Addressing this challenge will be front-of-mind for companies adopting automated systems.
2. **Large up-front capital requirements.** The most significant barrier for businesses in adopting industrial automation is the high up-front costs often accompanying installing automated systems. High up-front costs price out many businesses, despite technological advancements continuing to reduce costs and improve ROI. McKinsey's 2022 *Global Industrial Robotics Survey* found that the high cost relative to benefits was the number one bottleneck for automation adoption. 39% of automotive and 36% of food and beverage companies surveyed said the high cost of implementing automation solutions was a barrier to investment.
3. **Integration with old systems.** Another potential issue for industrial automation moving forward will be the growing disparity in technology between modern automation systems and old-fashioned, manually operated, industrial systems. As this disparity grows, integrating these systems' components with one another becomes increasingly difficult.

It should be noted that these challenges for the industrial automation industry may also create opportunities. As the need for skilled labour to run and maintain increasingly complex automated solutions intensifies, demand for after sales services should rise. Intuitively, a company who sells its own solutions should have unrivalled expertise in servicing its own equipment that enhances competitive positioning. Further, the challenge of integrating new and old systems could be interpreted as a tailwind for producers of automated solutions. As technology improves at pace, consistent and regular investment from manufacturers may be necessary to avoid falling behind the curve of adoption.

3.6 Key industry players

Our analysis of competitors found that MHM has no individual competitor to rival the company across all its divisions/products; however, players do exist when isolating one or more of MHM's business segments. The competitive landscape for many of the products and solutions MHM provides is diverse and fragmented, making it challenging to fully understand MHM's market position. This is compounded by (1) more prominent players sometimes only having a division of the business competing against MHM's product offerings, making it challenging to assess scale, and (2) many players being privately owned. Nevertheless, we endeavour to provide some context by identifying and analysing relevant competitors across these markets.

We analyse several dozen competitors across MHM's key product markets; freezing tunnels, ASRS, materials handling, reverse packaging and stainless steel as well as direct competitors to Wyma. A short synopsis for these companies, grouped by market, can be found in Appendix 1. For each market we also undertake a more comprehensive review of one or two significant competitors, providing an overview of the company's operations, its key products which compete with MHM and its strategy, funding and financials. To provide additional context to the wider automation industry, we further review an assortment of relevant peers who are not direct competitors to MHM but are used in our comparable valuation analysis.

Appendices

Appendix 1: MHM Segments and key products

Automation

MHM's Automation division designs, manufactures and delivers automated solutions and services to various industries, focussing on food-related industries. The division includes two of MHM's core legacy brands, 1) Milmeq, acquired in 2018, and 2) H&C, acquired in 2016, along with smaller product brands, AiCo (acquired in 1998) and BetaVac (acquired in 2004). In FY22, MHM Automation achieved divisional revenue of NZ\$47m, up +21% from FY21. However, EBITDA margins fell to 6.8% from the 9.8% achieved in FY21 due to supply chain issues and access to customer sites due to COVID disruptions and a lower H&C contribution. Milmeq chilling and freezing products delivered strong results over the year with large projects in the red-meat industry in Australia and delivered its first freezing tunnel to the US market. H&C performed stronger in its second half relative to its weak first six months, securing a number of new projects.

Chilling and freezing

Automated chilling and freezing systems for meat, poultry and dairy products in cartons or crates were added to the MHM product range as a result of its acquisition of Milmeq. The Milmeq brand established its global reputation for innovation by introducing automatic chilling, freezing tunnels and plate freezers to the meat and dairy industries. These systems are typically custom-designed and installed on-site, with ongoing maintenance and support services. Key products include:

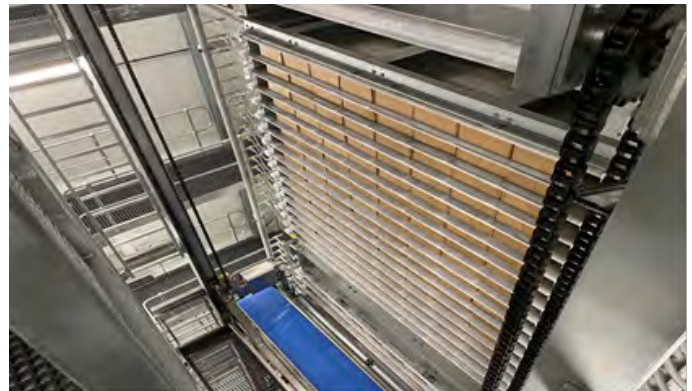
- **Horizontal plate freezers:** The world's fastest and most energy-efficient system for freezing meat cartons. The freezers contain refrigerant-filled plates which make direct contact with cartons of product to provide a rapid and energy-efficient freeze, and interfacing conveyor systems for automatic loading and unloading. Plate freezers offer clear benefits for clients, reducing a typical 48-hour blast freezing cycle to 24 hours, and saving 20–30% on energy use. There are two variants; full stack closing, fixed conveyor (FCF) Plate Freezers, which are the simplest and most popular design; and single Station Opening (SSO) plate freezer which are the world's largest horizontal plate freezers, with a capacity of up to 3,017 cartons (or 84 tonnes of product). To date, more than 200 Milmeq plate freezers have been installed across Australia.
- **Chilling and freezing tunnels:** Automatic carton tunnels are designed for fast freezing or chilling meat and poultry products. The tunnels use an air blast system that provides uniform cooling or freezing of the product in cycles between two and 48 hours. Automatic conveying systems provide hands-free loading and unloading of products timed to achieve the desired temperature. There are two variants; the Single Retention Time (SRT) Tunnel is most popular, accommodating varying product types/carton sizes requiring the same chill or freeze time, and renowned for its simplicity and reliability of operation. Multiple Retention Time (MRT) Tunnels are also available, to accommodate various product types that require various chilling or freezing times.
- **Cheese cooling tunnels:** These tunnels are a variation of the SRT tunnels designed explicitly for cheese processors. This system provides a first in, first out, 24-hour cooling cycle for bulk cheese in cartons or crates to maintain quality, colour, and flavour. First developed in collaboration with the cheese-making industry in the 1970s, they are suitable for a wide range of cheese products.
- **Automated Storage and Retrieval Systems (ASRS):** High performance shuttle systems for tracking, sorting, storing and retrieving cartons or totes. Specifically designed for operation in chilled and frozen environments and particularly applicable to the meat industry. Delivered by MHM together with TGW and Inther.

Figure 44. MHM's FCF Plate Freezer



Source: Company

Figure 45. MHM's SSO Plate Freezer



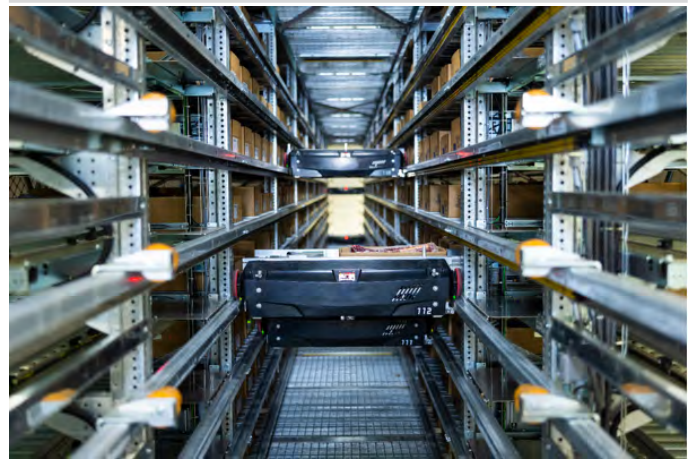
Source: Company

Figure 46. MHM's SRT freezing/chilling tunnels



Source: Company

Figure 47. MHM's ASRS



Source: Company

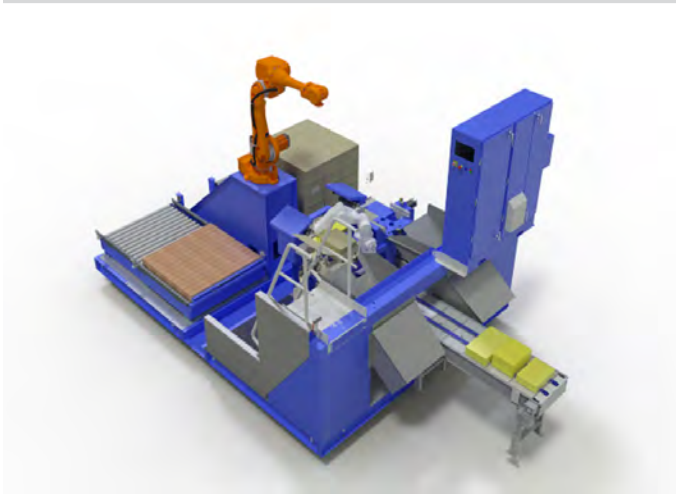
Reverse packaging and product handling

MHM Automation diversified into product handling and reverse packaging with its acquisition of H&C. Today it is recognised globally as a specialist in removing packaging from products ready for further processing, as well as providing a broad range of materials handling technologies. It is a dominant player in the US secondary cheese processing sector, with growing presence in primary and secondary meat processing in Australia and the US, and opportunities in logistics and e-commerce fulfilment. Key products include:

- **3D de-palletiser (3DD):** The system automates the removal of cartons from pallets stacked in random patterns utilising its vision system to detect the configuration of cartoned products. This machine is the first in the world to de-palletise all product patterns without having to reset the programming.
- **Gantry palletiser and de-palletiser:** With a small footprint, the palletiser and de-palletiser can handle low to high-load boxes, sacks or bags. Its gantry-style operation means low upfront investment and a quick payback in operations where a robotic palletiser cannot be justified.
- **Mechanical de-boxer:** Designed to remove cardboard cartons from 20kg blocks of cheese at a rate of 16 blocks per minute.
- **Robotic de-boxing cell:** A modular multi-format de-cartoning system designed to handle cheese products in various carton types. It de-palletises, removes the product from the box and re-palletises it or delivers it to the line ready for further processing.
- **Mechanical de-bagger:** Specifically designed to automate the removal of vacuum bags from 20kg blocks of cheese. It can de-bag 12 blocks per minute with no manual handling required.
- **Robotic de-bagger:** Capable of removing vacuum bags from virtually any size or type of cheese block without resets/staff inputs.
- **Defect and foreign object detection unit:** This visual defect recognition system detects anomalies (mould, defects and foreign objects) on the surface of cheese blocks based on colour. It provides a critical control point after blocks are de-bagged and before further processing. All sides of the block are inspected at a rate of up to 23 blocks per minute.

- **Robotic palletising system:** Providing efficient and reliable stacking of boxes onto pallets in high throughput operations. With its integrated vision system it is capable of handling boxes of multiple shapes and sizes. These systems can be installed with multiple cells and typically include auto check-scanning, stretch wrapping and labelling.
- **Universal robotic box cutter:** The unit opens boxes of varying shapes and sizes safely, efficiently, and hygienically. It removes the need for operators to open boxes/cartons with knives manually. It uses vision technology to determine the size and shape, automatically adjusting the cut profile. This technology was developed to meet the needs of secondary meat processors but is relevant to a wide range of industries, including e-commerce fulfilment.
- **Tube filling:** This unit is a robotic system developed for apple packing (into tubes for Rockit Global), but MHM indicates it could be customised for other applications. The system visually inspects the apples and picks and packages them into plastic tubes.
- **Autonomous mobile robots (AMRs):** To handle pallet and crate movements in congested environments, without the need for pallet conveyors. Capable of working safely around people, the AMRs use digital maps, onboard cameras and laser-based navigation systems to avoid other AMRs and work environment obstacles. The technology has been proven and has an attractive ROI.
- **Collaborative robots (cobots):** Work alongside people to automate repetitive or ergonomically challenging tasks. Custom-designed end effectors allow these cobots to perform a wide array of tasks, effectively replacing a person in the production environment, and can safely work alongside others. The cobots have a 5kg payload.

Figure 48. MHM's robotic de-boxing cell



Source: Company

Figure 49. MHM's robotic palletiser and de-palletiser



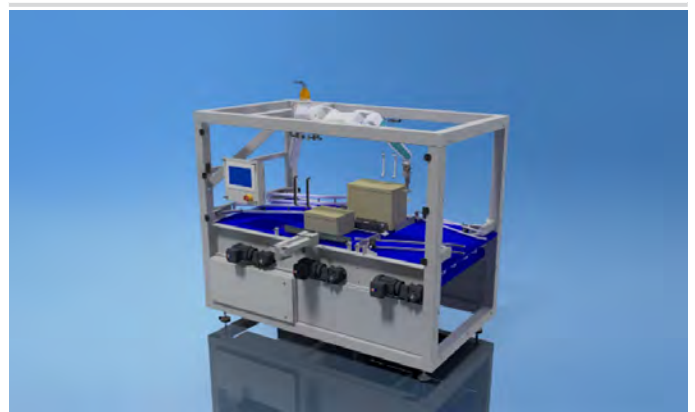
Source: Company

Figure 50. MHM's universal robotic box cutter (UBC)



Source: Company

Figure 51. MHM's high-speed universal robotic box cutter



Source: Company

Figure 52. MHM's tube filling robots



Source: Company

Figure 53. MHM's gantry palletiser and de-palletiser



Source: Company

Figure 54. MHM's autonomous mobile robots



Source: Company

Figure 55. MHM's collaborative robots



Source: Company

Packaging

MHM produces cheese vacuum packaging systems known as BetaVac. This is recognised as the world's leading system for cheese packaging. Its variants include:

- **BetaVac vacuum packers**
- **BetaTest leak detector**, an inline cheese block leak detection system for vacuum-packed cheese blocks and other products.
- **BetaTurn block turners** allow product re-orientation before or after vacuum packing to save space on a production line.

MHM also produces a range of cartoning and packaging equipment under the AiCo brand, from carton erectors, stuffers, lidders and closers, to specialised solutions for the meat and horticulture industries. Its products include:

- **Carton erectors**, which can automatically erect cartons at a speed of 10–25 cartons per minute, providing carton solutions for chilled and frozen products in the meat and horticulture industries.
- **Carton lidders and closers**, which place and seal lids on cartons for the meat, poultry, seafood and horticulture industries.
- **Meat compactor**, which automatically compacts meat into corrugated cartons to deliver flat boxes for efficient container loading. Normally installed with a carton lifter to produce consistency in packed cartons, it is estimated to increase container load by up to 8%.
- **Weigh inline scale and labeller** is a functional scale that incorporates weighing, scanning and labelling in a single machine and is suitable for a hygienic wash down. It is able to weigh, scan and label up to 30 large cartons per minute.

Figure 56. MHM's carton lifter



Source: Company

Figure 57. MHM's BetaVac vacuum packer



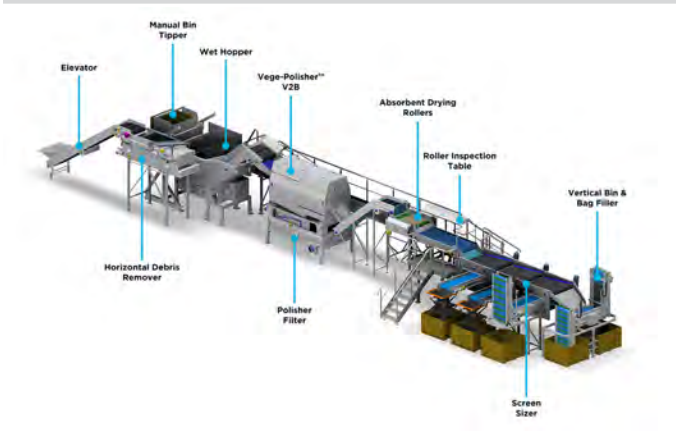
Source: Company

Wyma

MHM purchased Wyma for up to NZ\$60m in 2023. Wyma specialises in the design, development and manufacturing of post-harvest vegetable and fruit handling processing solutions. Its first product, the VegePolisher™ has been in the market since the 1990s. It is a Christchurch-headquartered business with a production facility in Prague and service capability in Australia and the United Kingdom. It has customers in over 50 countries. In FY22 (March year-end versus June year-end for MHM), Wyma reported revenue was NZ\$53.7m and EBITDA of NZ\$9.2m. Wyma's processing lines aggregate most of the individual products it offers and can vary in scale and configuration to meet the customer's needs. Wyma also provides integration equipment, including support structures, conveyors, electrical integration, and programming.

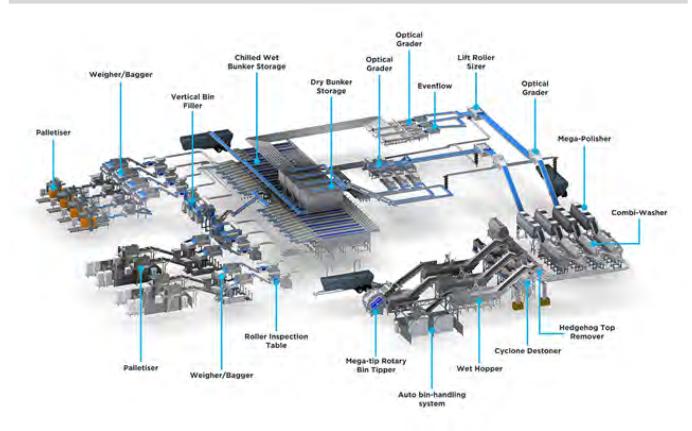
- **Potato lines** that can process between 5 and 90 tonnes of potatoes per hour. Potatoes are tipped onto a processing line from large storage bins or direct from trucks. They are then soaked, destoned, washed, and polished (with processing water able to be reused). Clean potatoes are then cooled to preserve shelf life, dried, sized, graded, and packed into large bins or immediately packaged and palletised.
- **Onion lines** processing between 5 and 25 tonnes per hour. Once tipped, onions have soil and debris removed from them before the option of topping and brushing them. They are then conveyed to an inspection table and fed into a sizer, enabling multiple grades of onions to be processed at once. Alternatively, optical grading technology can remove the need for manual inspection with the onions then stored in bins or immediately packaged and palletised.
- **Carrot lines** that can process up to 45 tonnes of product per hour. In the same way the other processing lines operate, carrots post-tip are topped, destoned and cleaned before being moved through the automatic grading and sizing system and can then be stored in bins or immediately packaged and palletised.
- **Fruit lines** that gently tip fruit onto conveying systems for cleaning and polishing before grading and weighing, with fruit then able to be stored in bins or immediately packaged and palletised.

Figure 58. Wyma small potato processing line



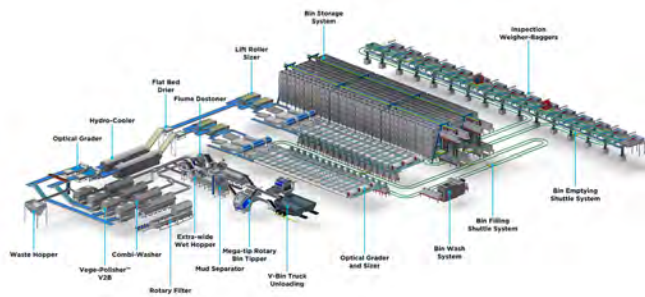
Source: Company

Figure 59. Wyma large carrot processing line



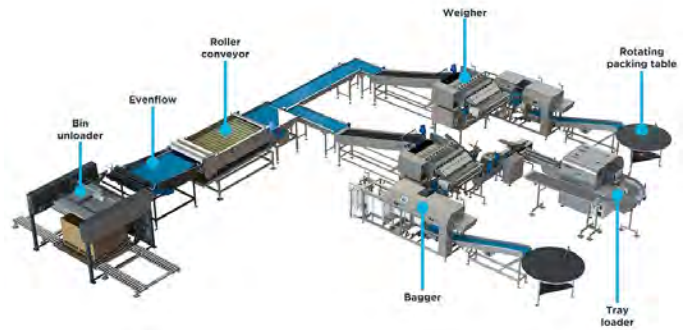
Source: Company

Figure 60. Wyma large potato processing line



Source: Company

Figure 61. Wyma fruit packing line



Source: Company

Fabrication

MHM’s Fabrication division combines the former businesses of Mercer Stainless and SCE (Southern Cross Engineering), which MHM undertook in 2021. The division recorded revenue of NZ\$20.4m in FY22, up +71% from FY21, with a full year of SCE incorporated for the first time. Management has indicated that SCE has performed ahead of expectations and is pleased with the diversification brought into new industries such as timber. Divisional EBITDA rose to NZ\$1.6m. Whilst offering services to external customers, the Fabrication business is also crucial in producing the products and solutions of the automation business.

Stainless fabrication

MHM is a leader in the stainless steel fabrication industry, specialising in the design and manufacture of proprietary plant and equipment for the Australian and New Zealand dairy, wine and food processing sectors. Its products include:

- **Stainless silos** and tanks suitable for storing and blending liquids, powders and free-flowing solids. The containers can be custom-built up to a capacity of 500,000 litres.
- **Acid tanks** are custom-designed and fabricated storage tanks used in various industries and suitable for storing and blending a range of liquids. MHM can produce tanks up to a capacity of 500k litres catering to heating, cooling and agitation specifications.
- **Cooking vessels**, including kettles, pressure cookers, cooking pans, mixing, pasteurising and cooling vessels.
- **Powder bins** and hoppers are custom-manufactured for storing and handling powders and other free-flowing solids.
- **Wine and beer tanks** are custom fabricated for the fermentation and storage of wine and other beverages.
- **Road and rail tanks** for the transportation of liquids by road and rail. The stainless steel tanks can be insulated or non-insulated.
- **Pressure vacuum valves (PV-valve)** – a patented system for road and rail tankers, providing protection during filling, emptying and transportation. It is the world’s first pressure relief valve for mechanised tank protection with dairy level clean in place (CIP).
- A broad range of **contract fabrication services**, leveraging MHM's experience working on complex and high-end projects.

Figure 62. MHM's stainless steel silos



Source: Company

Figure 63. MHM's road and rail tanks



Source: Company

Mild steel fabrication

MHM offers heavy fabrication services, producing a range of products for the timber processing, agriculture and fertiliser, and industrial sectors. Key products include:

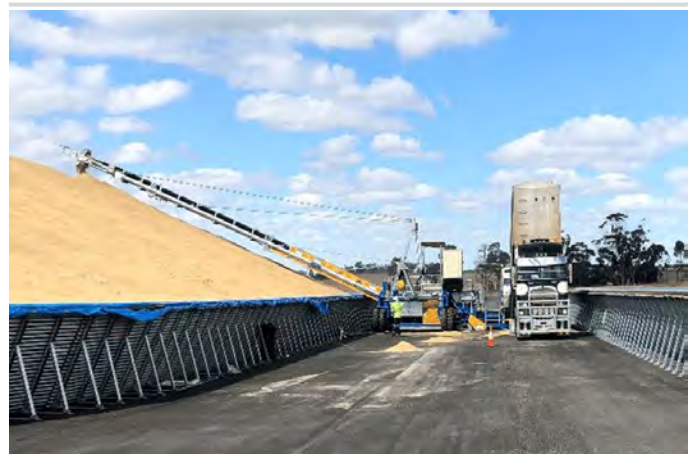
- **Grain stackers** – industry-leading mobile grain stackers with a drive over the grid for handling bulk grain and wheat, capable of unloading a truckload of wheat onto a grain bunker in under three minutes. Currently, more than 45 are in operation in Australia and the Middle East.
- **Timber processing equipment** including log cranes, de-barking, sorting, screening, storage, stacking and chip screening systems. Complete line solutions are also delivered, working in partnership with international technology suppliers including Leadermac, Stenner and System TM.
- **Screen cleaners and waste conveyors** for the intake screens of hydropower stations.
- **Conveyors** – custom-designed systems for a wide range of bulk product handling applications in in-plant, long-distance overland and stockpiling.
- **Bulk storage silos** suitable for grain, biogas, wastewater treatment plants and aluminium smelters. MHM has partnered with AGI and BSP to provide these solutions for the Australasian market.
- **Boilers and heat plants** for commercial and industrial facilities.
- **Mild steel fabrication** for custom projects, small and large, with particular experience in equipment for Antarctica, and hydro power generation.

Figure 64. MHM's ice runway compaction cart for Antarctica



Source: Company

Figure 65. MHM's grain stackers



Source: Company

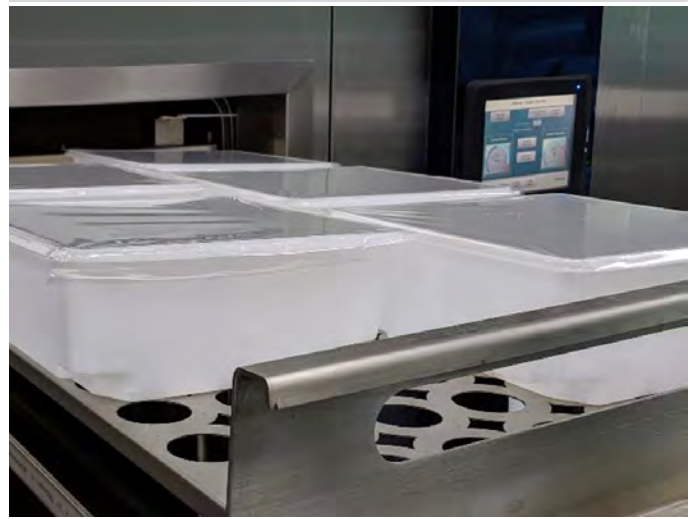
Mercer Technologies

MHM's Mercer Technologies division holds all the development and patents costs for the commercialisation of the S-Clave medical sterilisation technology, which is being completed in partnership with Atherton, a world leader in infection control and sterilisation for the medical industry. The S-Clave is a patented system for sterilising medical equipment in a non-porous container. In FY22 S-Clave was approved for registration on the Australian Register for Therapeutic Goods, clearing the way for hospital tests. The system is continuously tested and modified.

S-Clave

- Fast turnaround (sub 20 minutes versus ~one hour for existing processes).
- Single-use container, non-porous, guaranteeing sterility.
- Energy efficient given faster cycle.
- Container system, better for transport, storage, packing and handling.

Figure 66. S-Clave



Source: Company

Appendix 2: Customer stories



Boning room to palletising solution: Midfield Group

Established in 1975, Midfield Group is an Australian-based meat processor with more than 1,500 employees whose product is consumed in over 90 countries. Midfield processes beef, lamb, veal, mutton and by-products in its factory in Warrnambool, Victoria.

MHM has aided Midfield in the automating of its back-end operation at its factory that processes ~2,000 cattle and ~14,000 sheep per day. Midfield has a product output of ~12,000 frozen cartons and ~6,200 chilled cartons daily across ~240 SKUs. MHM’s solutions follow Midfield’s processes of boxing and barcoding the product. MHM has delivered the following products/solutions to Midfield:

- A six-mag Carton Lidder
- Four SSO Plate Freezers (each with the ability to freeze 3,072 cartons in 24 hours)
- Two Automated Storage Shuttle Systems (one for chilled product and one for frozen)
- One three-cell Robotic Palletising system with scanning, stretch wrapping and labelling features

These new MHM products delivered to Midfield followed 13 Milmeq Plate Freezers and several AiCo Carton Lidders previously supplied and installed. MHM’s solutions have yielded many benefits, including 1) freeing up space for Midfield to further expand its processing, 2) reducing labour requirements, 3) mitigating some safety risks posed by eliminating manual tasks, 4) efficiently managing inventory, and 5) reducing energy consumption

Figure 67. MHM's three-cell Robotic Palletising system



Source: Company

Figure 68. MHM's Apple Tube Filling Robots



Source: Company

Apple Tube Filling Robots: Rockit Global



Rockit Global is a New Zealand-based company that exports snack-sized apples that are packed into tubes for on-the-go consumption to more than 30 countries. Rockit exports more than 100m apples annually (with a future seasons goal of 500m), with its factory aiming to package 400,000 to 500,000 tubes of apples daily.

MHM has designed and supplied an automated system to package the apples into their tubes which was previously a labour-intensive manual task. The four systems that MHM has delivered have increased throughput by three times to allow Rockit to scale up to meet its global growth targets. Each system contains three robots that have a vision system to pick the appropriately sized apples and package them into plastic tubes. Rockit has re-trained its employees who were previously packing tubes for other jobs elsewhere in its packhouse. Rockit CEO said, “The biggest innovation in the plant is the robots, they’re what gets everyone excited when they walk in. While packing apples into tubes sounds simple, in reality it is incredible technology”.

Following the success of the Apple Tube Filling system MHM has continued to work with Rockit to develop further automation solutions around the orientation and placement of apples on the infeed convey prior to the tube filling.

Appendix 3: 1H23 result highlights

MHM reported a strong result for the 1H23, with a significant increase in both revenue and profitability. Total operating revenue reached NZ\$42.8m, representing a +45% increase compared to the prior period. The company attributes this growth to strong sales momentum across all businesses and successful diversification efforts. EBITDA for 1H23 rose by +109% to NZ\$4.4m, achieving one of MHM's strategic milestones of a 10.4% EBITDA margin across the group, relative to 7.2% for FY22. Meanwhile, the net profit after tax (NPAT) increased by +119% to NZ\$3.1m. During the period, a dividend payment of NZ\$476k was paid to shareholders.

The company's fabrication business performed particularly well, showcasing the benefits of diversification. Key project highlights included a NZ\$8m palletising project delivered in a record timeframe to a Queensland-based manufacturer following flood damage. Additionally, the company successfully installed the first Milmeq SRT freezing tunnel in the North American meat sector, further expanding its international reach. MHM is also making progress on its S-Clave project. During the period MHM announced the agreement to acquire Wyma Engineering Limited, a leading manufacturer of post-harvest vegetable and fruit handling equipment, which will further scale and diversify the company.

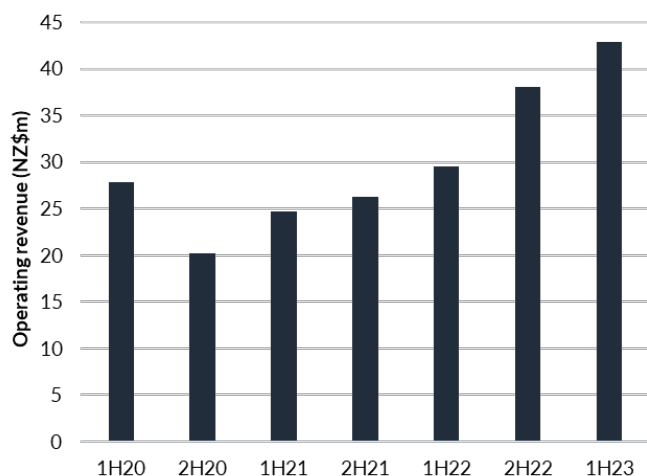
MHM's CEO Richard Rookes said he expected the positive momentum to continue for the remainder of FY23 and beyond, with almost NZ\$55m of contracted forward work, deliverable over FY23 and FY24.

Figure 69. MHM – 1H23 result

	1H22 Actual	1H23 Actual	Change
Operating revenue	29.5	42.8	+45%
Other operating income	0.1	0.0	-64%
Changes in inventories of finished goods and work in progress	0.4	0.6	+52%
Raw materials and consumables used	(17.2)	(26.1)	+52%
Salaries and wages	(7.6)	(9.5)	+24%
Other expenses	(3.0)	(3.4)	+14%
EBITDA	2.1	4.4	+109%
Depreciation	(0.5)	(0.7)	+27%
Amortisation	(0.2)	(0.2)	+8%
Finance costs	(0.0)	0.1	-258%
Net Profit Before Tax	1.3	3.3	+146%
Taxation (expense)	0.1	(0.2)	-419%
Net Profit / (Loss) after Tax (from continuing ops)	1.4	3.1	+119%
Currency translation differences	-	(0.0)	
Gain on property revaluation, net of tax	-	-	
Comprehensive Profit (Loss)	1.4	3.1	+119%
Diluted EPS	2.15	4.66	+117%

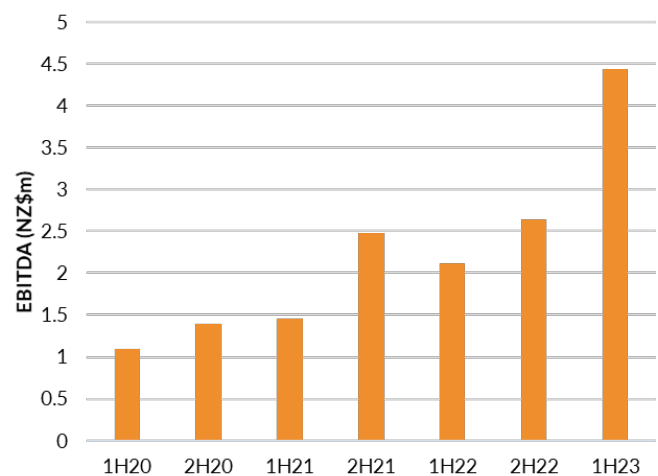
Source: Forsyth Barr analysis

Figure 70. MHM – Half-year operating revenue



Source: Forsyth Barr analysis

Figure 71. MHM – Half-year EBITDA



Source: Forsyth Barr analysis

Appendix 4: Competitor analysis

MHM operates in a fragmented competitive environment, with different competitors for many of its core products and solutions. We provide a brief synopsis for various competitors in these markets, alongside a more comprehensive review of several key competitors and comparable listed companies used in our multiples analysis.

Figure 72. Freezing tunnels competitor analysis

Company	Overview
AAT Freezing	AAT Freezing is an Austrian company with over 40 years of experience in plant engineering. Its primary product offering is its BoxFreezer line, which it first created in 1983. The BoxFreezer line suits beef, pork, mutton, poultry, fish, ready meals, fruit and vegetables. AAT also offers freezer control, freezer move and transport and freezer care services.
Advanced Equipment	Advanced Equipment provides tunnel and spiral freezer manufacturing services from its HQ in Canada. The firm boasts over three decades of experience designing, engineering and manufacturing refrigeration solutions. Advanced Equipment has made over 400 installations across 20 countries and five continents. Its tunnel-freezing technology is built to handle poultry, red meat, vegetable and seafood products, and can handle many different types of packaging, including carton boxes, crates, trays or containers.
Advanced Freezers BV	Advanced Freezers BV is a Netherlands-based company engaged in the supply of cooling and freezing equipment. Founded in 2001, the company primarily serves the European market with its solutions, including carton box freezers, spiral freezers, and IQF tunnel freezers. The IQF tunnel freezer offers a flexible design, efficient freezing, and quick installation. Advanced Freezers BV's customer base ranges from small-scale manufacturers to prominent European producers across virtually every food processing sector.
Calibre Limited	Calibre Limited is a privately held company involved in designing, installing, commissioning and supporting Material and Product Handling, Building Management, Security and CCTV systems, and Industrial Freezing and Chilling solutions, among others. Based in Auckland, the company serves various industries, from meat and food processing to warehousing, storage and distribution. Calibre's industrial chiller/Freezer Tunnel systems and product sorting systems are designed to complement each customer's individual requirements. They can be customised for fixed or variable time retention, temperature control and integrated sorting.
GEA Group AG	GEA Group AG is a German engineering company listed on the Frankfurt Stock Exchange. The group's market capitalisation is over 6b Euro, generating more than 5b Euro of revenue in FY22. Its products and solutions cover a variety of industries, including food and beverages, chemicals, dairy, oil and gas and pharmaceuticals. GEA provides a suite of heating and refrigeration services, including turnkey cooling installations, custom-engineered systems, compressors and controls and heat pumps to meet precise temperature requirements.
Heinen	Heinen was initially established as an iron foundry in Germany in 1856. However, the company entered a joint venture in 1982 to manufacture spiral freezers. Two years later, Heinen started designing and manufacturing these spiral freezers on its own and, in 2010, rebranded to Heinen Freezing GmbH & Co. KG. Today, it is a market leader in freezing solutions, providing systems that help keep fish, dairy, poultry, meat, vegetables and grocery store goods cold.
NH3	NH3 is a UK-based engineering and contracting firm specialising in industrial freezing and chilling. The company designs, installs and maintains bespoke refrigeration plants. NH3 has also developed a range of world-class freezing tunnels and supplies control systems and aftermarket servicing. Its freezing tunnels suit various meat, poultry and dairy products, including beef, ham and bacon, poultry, cheese, fish and bread.

Source: Company websites, Forsyth Barr analysis

Figure 73. Materials handling competitor analysis

Company	Overview
Autoline	Autoline Automation is based in New Zealand and is a trusted robotics and productivity solutions supplier. Its products include robotic welding, robotics for automation and conveyors. One of Autoline's core offerings in the automation space is its materials handling products. These include a collaborative robot palletiser, robotic palletising and its Auto-CoPal – an automated solution which picks cartons or boxes from a conveyor belt and places them on a pallet in the required configuration.
Automac	Automac Engineering Limited is an Auckland company specialising in designing and manufacturing conveyors and packaging machinery for the food and beverage processing industries. The firm's directors have over 30 years of combined experience in these industries. Automac has provided solutions to suppliers in the snack food, OEM, dairy, meat, poultry, seafood and materials handling sectors.
CR Automation	CR Automation provides transformative automated solutions to industries from its Hastings base. Its services enable the industry to become cleaner, safer, sustainable and energy efficient while remaining competitive and profitable. CR Automation's core services encapsulate post-harvest, water, machine safety, robotics and automation. Its robotic division helps automate tasks involving heavy lifting and repetitive movements. One of CR Automation's most innovative product offerings is the Autonomous Mobile Robot (AMR) which turns manual materials handling processes into robotic delivery routes.
Design Energy	Design Energy is a leading New Zealand robotic automation company. Its capabilities encapsulate bespoke solutions, robots and cobots, industrial automation, engineering, R&D, and servicing and support. Design Energy's flagship product is AutoMATE™, its platform for supplying high-performing turnkey robotic automation solutions. Through AutoMATE™, Design Energy has automated a range of processes from stacking, packing and materials handling to laboratory processes.
Fibre King	Fibre King, founded in 1926, has almost 100 years of experience designing, manufacturing and maintaining end-of-line packaging equipment. The company serves markets in Australia, New Zealand, Asia, the US, Canada and the Middle East. Fibre King's product range is made up of case packers, palletisers, case and tray handling, and crate equipment. The industries which Fibre King serves include fresh produce, dairy, meat and packaged food.
Foodmach	Foodmach is an Australian company which provides intelligent solutions for the food, beverage and industrial manufacturing industries. The company was founded in 1972 and has expanded to employ over 100 staff from Melbourne, Brisbane and Adelaide offices. Foodmach designs, manufactures, and delivers automated solutions, including conveyor belts, palletising and depalletising. It has made successful installations for customers across the beverage, wine, dairy, bakery, snack food, packaging and fast-moving consumer goods market segments.
HMPS	The HMPS group is an Australian firm encapsulating the original HMPS brand, PROPAC Industrial and Integrated Machinery. HMPS designs and engineers robotic and automation machinery to meet the various needs of its customers. Its core product line includes the vertical form fill seal, bag in box, robotic palletisers, case packing and carton erecting and sealing solutions. HMPS primarily serves the food and beverage industry, including companies in dairy, meat and poultry and beverage sub-sectors.
JMP Holdings	JMP Holdings is a New Zealand-based firm supplying cargo protection and materials handling products. It partners with global manufacturers in Europe, Australasia, Asia and North America to distribute a selection of products across an array of industries. JMP's materials handling products include the Reefer Pallet for frozen and refrigerated goods. The Reefer Pallet has a life span of over ten years and a lightweight design, making it easy to handle. It is also resistant to heat or cold and can withstand temperatures as low as -50 degrees Celsius or as high as +60 degrees Celsius.
PHS Innovate	PHS Innovate is an Auckland-based company specialising in 'end-of-line' materials handling solutions. Since 1955, PHS has provided in-house design, manufacturing, electrical, controls and service support. Its products include palletisers, depalletisers, conveyor systems, pallet handling, warehouse automation and case packing. PHS has supplied solutions to several large multi-national companies, including Fonterra and Unilever.
Proactive	Proactive Process Solutions Group is an American group that services the manufacturing industry. It offers services in electronics, packing, industrial and materials handling. Proactive has offices across the United States, in Texas, Oklahoma, Arkansas and Louisiana.

Source: Company websites, Forsyth Barr analysis

Figure 74. Reverse packaging competitor analysis

Company	Overview
ALPMA	The ALPMA group, headquartered in Germany, is a global company which specialises in solutions for the dairy industry, with a focus on cheese. Founded in 1942, the company has four divisions; process technology, cheese technology, cutting technology and packaging technology. It has subsidiaries worldwide, allowing it to serve markets in Europe, Asia, Australasia, Africa, South America and North America.
Cornerstone Automation (CASI)	Cornerstone Automation (CASI) designs, manufactures, installs and services automation solutions for e-commerce, retail and warehouses. Based in Frisco, Texas, CASI serves the e-commerce, retail, food and beverage, third-party logistics, electric vehicle manufacturing and pharmacy industries. Within food and beverage, CASI's innovative technology helps businesses cut and open boxes and precisely remove various packaging films without damaging the contents.
Dero Group	Dero Group is based in the Netherlands, providing tailor-made production automation. Its product line covers robotics, cheese, convenience, end-of-line, fresh produce, and post and parcel. Within cheese, Dero Group's automated solutions perform a range of processes, including pressing, brining, treatment, processing, handling, packaging, product checking and system integration.
Fresco NZ	Fresco Systems serve a global market from its factory in New Zealand and offices across the world. The company collaborates with clients to design, manufacture and integrate customised process solutions. Fresco focusses on the dairy, food, beverage, chemicals, paints and plastic industries.
GROBA	GROBA is a Netherlands-based company which develops and produces machines for the cheese-processing industry. Its solutions cover unpacking, derinding, block cutting, slicer feeding, shredding, portioning, handling and cheese snacks and shapes. Since being established in 1977, GROBA has supplied its solutions to over 60 countries worldwide.
Marchant Schmidt	Marchant Schmidt is an international manufacturing company that operates out of its base in Milwaukee, United States. The company has two segments: Valve and Machining Division (VMS) and Stainless Steel Fabrication Division. The VMS segment's core business is repairing, rebuilding and manufacturing replacement parts for FMC and Stork continuous cookers. Still, it has also branched out into other areas of the food industry. One area of expansion has been cheese-converting machinery.

Source: Company websites, Forsyth Barr analysis

Figure 75. ASRS competitor analysis

Company	Overview
Dematic	Dematic, a member of the KION group, is a global company with more than 11,000 employees. For over 200 years it has been solving supply chain challenges with innovative automation and technology. Dematic designs the AutoStore™ Storage and Retrieval System, a compact, scalable robotic storage and piece-picking solution that flexes with customer demands.

Source: Company websites, Forsyth Barr analysis

Figure 76. Stainless fabrication competitor analysis

Company	Overview
ETech	ETech is a Palmerston North-based steel engineering company. For over 30 years the company has built capability in engineering design, flatbed laser cutting, tube laser cutting, bending and folding, stainless fabrication, orbital welding, assembly and installation, shipping and packaging, bead blasting, polishing and knuckling.
Hendl & Murray	Hendl & Murray Engineering operates out of a workshop facility in Hamilton, specialising in the design, fabrication and installation of stainless steel tanks, vessels, silos, process plant and equipment, together with on-site piping, services installation and pipe-bridge contracts. After its inception in 1976, Hendl & Murray Engineering initially served local dairy farmers in the Waikato region but now caters to a global market.
HSM Engineering	HSM is a stainless fabrication business which has been at the forefront of stainless steel tank manufacturing and design in New Zealand for over 30 years. Its experience spans the brewing and beverage, dairy, food, water treatment, chemical and industrial and pharmaceutical industries. Across these industries, HSM provides tank and vessel fabrication, tank design, stainless fabrication and turnkey solutions.
Longveld	Longveld is a New Zealand engineering and fabrication firm based in Hamilton. It provides profile cutting, fabrication, engineering design, collaboration projects, bespoke customisation, mobility-impaired design and prototyping services. These services have helped customers across the dairy, food and beverage, water, marine, aquaculture, art and sculpture, future foods, medical, veterinary and transport industries.
Mulcahy	Mulcahy is an Auckland-based business which describes itself as a total solutions provider for manufacturers. Its broad capabilities are in design, laser cutting, tube laser cutting, punching, bending, automated deburring, polishing, machining and shipping.
Page Macrae	Page Macrae is a New Zealand engineering firm with two offices in Taupo and Mount Maunganui. Its engineering services encapsulate fabrication and maintenance, production manufacturing, piping, stainless steel and port equipment and bulk materials handling. Page Macrae has been operating for nearly 70 years.
Protech	Protech Design, which has its main office in Auckland, focusses on sprinkler systems, alarm systems, special hazards, building hydrant systems and fire equipment.
Stainless Engineering	Stainless Engineering is a specialist in fabricating high-quality stainless steel tanks and industrial equipment made from stainless steel. The company has been manufacturing in Auckland for over 40 years. Its services include project engineering, press brakes, repairs and installations, qualifications, CNC laser cutting, glass bead blasting, brewery products and industrial piping.
Stainless Design	Stainless Design operates in the sheet metal fabrication industry from its base in Hamilton. It services a range of industries using all grades of mild steel, stainless steel and aluminium. Stainless Design's services can be categorised as engineering, fabrication, machining, steel laser cutting, rotary tube laser cutting, CNC folding and finishing and polishing.
Tira (NDA)	Tira, formerly named NDA, is a group of speciality steel fabrication companies operating across New Zealand and Australia. Its four divisions are Tira nda, Tira crown, Tira water and Tira industry. Across these four divisions, Tira fabricates various products, such as cheese machines, milk storage tanks and pipework. The company also manufactures process and packaging equipment for customers in the wine, dairy, food and beverage, water and energy industries.

Source: Company websites, Forsyth Barr analysis

Figure 77. Wyma competitor analysis

Company	Overview
Allround	Allround has locations in the Netherlands and India. It provides a range of individual vegetable processing machines and complete lines for processing cabbages, onions, potatoes and carrots. Allround's machinery includes a receiving hopper, washing machine, onion topper, polisher, grader, weigher and bagger. The company also provides extensive storage solutions.
Briand	Briand, a subsidiary of the Simon Group, is a specialist designer-manufacturer of vegetable cultivation equipment. The company, based in France, has a range of solutions which cater to the post-harvest treatment of vegetables. These include washing, grading, weighing and packaging. Briand's salad-vegetable washers and leek washer-peelers have gained international acclaim, with over 1000 machines delivered worldwide.
DT Dijkstra	DT Dijkstra is based in the Netherlands and specialises in grading and cleaning for the food and agriculture industries. Its high-performance optical sorting technology utilises intelligent software to sort any batch of carrots consistently and efficiently automatically. The cleaning product line caters to potato processing, removing soil and undesirable material from the product. Alongside its individual grading and cleaning machines, the company also provides logistical and installation services.
Flauw	Flauw services the agri-food industry, designing, manufacturing, assembling and maintaining automated solutions from its base in France. Its products include receivers, scrubbers, calibrators, bouncers, washers, polishers, fillers, driers, handlers and sorters.
Gillenkirch	Gillenkirch is a German-based company with four decades of mechanical and plant engineering experience. It designs, develops and manufactures high-quality machines and individual complete solutions for receiving, washing, sorting, storing, conveying, weighing and packaging potatoes, carrots and onions.
Htech	Htech is a Czech firm which provides processing and handling, packaging and palletising solutions for fresh vegetables, fresh fruit, bulk products and frozen fish fillets and seafood. Its carrot, onion and potato line technology includes receivers, designers, washers, polishers, tailers, cleaners, sorters, weighers, packers and palletisers.
Niagri Engineering	Niagri Engineering designs, manufactures and provides maintenance services for root crop and vegetable handling equipment from its base in England. The company is family owned and has been operating for over 35 years. Its products are mainly built for potato, carrot and parsnip handling and can be purchased individually or integrated into a complete line.
Noble	Noble is a French designer-manufacturer of machinery and complete processing lines for potatoes, carrots, onions, turnips and celeriac, among other applications. The company was founded in 1975 and has a range of more than 150 machines and variants. These include fully integrated complete processing lines, reception technology, tippers and fillers, washers and polishers, cleaning, sizing and grading, sorting, storage and conveyors.
Schneider	Schneider, headquartered in Germany, manufactures machines and systems for tuber and root vegetable processing alongside conveying technology with applications in various industrial settings. It also provides project planning and installation of complete processing systems. Schneider's vegetable processing solutions cover the entire processing flow, from receiving to packaging and are designed to work with potatoes, carrots, onions, celery, beetroot and pickles.
Tolsma Grisnich	Tolsma Grisnich is a Dutch vegetable processing and storage business. The company has over 75 years of experience in the efficient storage and primary processing of potatoes, onions and carrots. Its primary processing solutions cover dry and wet cleaning, sorting and logistics. On the storage side, Tolsma Grisnich provides ventilation, refrigeration, control and track and trace technology.
Tong Engineering	Tong Engineering is a global vegetable-handling equipment company which has been in business for over 90 years. Based in the UK, Tong Engineering specialises in bespoke solutions for post-harvest vegetable processing. Its products encapsulate vegetable grading, cleaning, washing, sorting, processing, conveying and weighing. Although Tong Engineering's products can be used for various vegetables, the company is renowned for its potato processing lines. Tong Engineering has an annual turnover of ~£19m.

Source: Company websites, Forsyth Barr analysis

GEA Engineering: Overview



GEA Group AG (GEA) is a German multinational that provides engineering systems to the food, beverage and pharmaceutical sectors. Founded in 1881, GEA now employs more than 18,000 employees across 62 countries. Its five divisions are separation & flow technologies, liquid & power technologies, food and healthcare technologies, farm technologies, and heating and refrigeration technologies. GEA competes with MHM in the heating and refrigeration space, specifically with its tunnel freezing product line.

See <https://www.gea.com/en/index.jsp> for more information.

Flagship brands and products:

- GEA's **IQF Tunnel Freezers** provide superior quality individual quick freezing (IQF). The line of Tunnel Freezers prioritises hygiene, gentle handling and efficiency. Different models cater to different products; for example, the GEA A-Series is suitable for fried potato products, while the GEA AY-series can be optimal for fruit and vegetables.
- GEA's range of **Carton Freezers** can freeze or chill products in cartons, plastic totes or shrink-wrap. Its Variable Retention Time Tunnel uses efficient temperature control with robust material handling to give customers flexible freezing systems.
- GEA also makes **Spiral Freezers**, which can discretely handle products with a maximum capacity of seven tons per hour. The spiral freezers utilise airflow technology and evaporators to efficiently transfer heat and optimise product quality and yield.

More information about GEA's heating and refrigeration products is available here: <https://www.gea.com/en/heating-refrigeration/index.jsp>

Strategy, funding and financials:

GEA focusses on enhancing the efficiency and sustainability of production processes across its core food, beverage and pharmaceuticals industries. The company's stated purpose is "engineering for a better world", which it contributes to by reducing CO2 emissions, plastic usage and food waste throughout production processes. GEA is listed on the Frankfurt Stock Exchange and is a member of the STOXX® Europe 600 index. As of 21 July 2023, GEA's market capitalisation was €\$7bn. In FY22, GEA generated €5.2bn in revenue and EUR\$0.7b of EBITDA before restructuring measures, equating to a normalised EBITDA margin of 13.8%. GEA paid a €0.95 dividend per share in FY22.

Dematic: Overview



Dematic is an American materials handling systems, software and service business. It is a member of the Frankfurt Stock Exchange listed Kion Group AG (KGX). From its base in Atlanta, Georgia, Dematic employs over 11,000 people globally and has installed approximately 8000 solutions for its customers. Dematic provides solutions to the apparel, food and beverage, grocery, manufacturing, third-party logistics, consumer goods, general merchandise, healthcare, parcel and wholesale business-to-business industries. MHM recognises Dematic as a critical competitor for its innovative ASRS (automated storage and retrieval system) solution.

See <https://www.dematic.com/en-au/> for more information.

Flagship products:

- Dematic's **AutoStore™ Storage and Retrieval System** is a compact, scalable robotic storage and piece-picking solution that flexes to customer demands. AutoStore™ allows four times more inventory to be stored than a conventional storage system in the same space. It also increases order processing speed and eliminates worker exertion from carrying and transporting goods. In addition, AutoStore™ is an energy-efficient solution. According to Dematic, ten AutoStore™ robots use the same power as a single conventional vacuum cleaner. AutoStore™ is suitable for various high-density storage environments, including internet retailers, general merchandise, sporting goods, grocery, electronic component distribution, industrial supplies, aftermarket parts, apparel, healthcare, pharmaceutical and personal care.

More information can be found here: <https://www.dematic.com/en-au/products/storage/autostore/>

Strategy, funding and financials:

Dematic was acquired by the Kion Group in 2016 for US\$3.25bn. The Kion Group, headquartered in Germany, is a multinational company which sells intralogistics services, warehouse automation equipment and industrial trucks. The company is listed on the Frankfurt Stock Exchange with a market capitalisation of over €4.5bn. In FY22, the Kion Group generated €11.7bn in revenue, €1.2bn in EBITDA and €0.1bn in NPAT. The group had €5.6bn of net assets as of the last balance date. Dematic contributed €3.8bn of revenue to the group's financials in FY22. However, Dematic was unprofitable, returning an adjusted EBIT of -€0.05bn. As of 30 December 2022, Dematic had assets of €5.8bn and liabilities of €2.9bn.

PHS Innovate: Overview



PHS Innovate (formerly Scott Package Handling Systems Limited) is an Auckland-based company specialising in 'end-of-line' materials handling solutions. Since 1955, PHS has provided in-house design, manufacturing, electrical, controls and service support. Its products include palletisers, depalletisers, conveyor systems, pallet handling, warehouse automation and case packing. PHS has supplied solutions to several large multinational companies, including Fonterra and Unilever.

See <https://phsinnovate.com/> for more information.

Flagship products:

- PHS Innovate's **Palletiser** range includes a robotic case palletiser, crate palletiser, robotic bag palletiser and a low-level layer palletiser. This range caters to most applications, such as cases, bags and shrink-wrapped products.
- PHS Innovate's **Depalletiser** product line is made up of the high-level bulk depalletiser, crate depalletiser, low-level bulk depalletiser semi-automatic, robotic depalletiser and automatic bulk depalletiser. This range caters to bottles, cans and other containers.
- PHS Innovate's **Pallet Handling Solutions** are designed to work as individual products or as part of an integrated automated solution. Products include pallet handling conveyors, pallet dispensers/stackers, slip sheet dispensers, pallet shuttle cars and high-capacity pallet dispensers.

More information can be found here: <https://phsinnovate.com/products/>.

Strategy, funding and financials:

PHS Innovate prides itself on having a collaborative and innovative approach, which has helped the company build rapport in the market. A philosophy of continuous improvement means PHS Innovate looks to embrace technological change and stay at the forefront of automation and robotics. The company is focussed on handling and storing cases, bags and pallets within the food and beverage sector. PHS Innovate is a private company, so little information is available about its funding and financials.

ALPMA Group: Overview



The ALPMA Group, headquartered in Germany and through its branches and subsidiaries is a "full-range supplier for dairies worldwide". ALPMA owns (1) LTH Dresden, a specialist in project planning for the food industry, (2) ALPMA Sulbana, an expert in plant construction for pizza cheese manufacturing, (3) Servi Doryl, which focusses on cheese mould production, and (4) Secril, another cheese mould production expert. ALPMA serves markets in North America, South America, Africa, Europe, Asia and Oceania through its subsidiaries and agencies.

See <https://alpma.com/> for more information.

Flagship products:

- ALPMA's process technology products include membrane filtration, CreamoProt® and its plant-based line.
- In the Cheese production space, ALPMA's products include curd preparation, mould filling, whey drainage, cleaning, portioning, mechanisation and brining systems.
- ALPMA has a cutting technology product line that includes de-palletising, de-boxing, de-bagging, inspection and pre-cutting equipment. Its technology allows customers to cut cheeses into various portion sizes and shapes.

More information can be found here: <https://alpma.com/products/>.

Strategy, funding and financials

ALPMA aspires to provide a unique product range to its dairy customers from a single supplier model. Its machines are industry-leading from a technical and technological standpoint, and it also can provide complete system solutions for dairy processing. The business relies on the constancy and stability of being family-orientated and taking a values-based approach. Across the group, ALPMA employs approximately 875 people. As a private company, no information about ALPMA's funding and financials is available.

Cornerstone Automation (CASI): Overview



A player in the industrial automation arena, Cornerstone Automation (CASI) designs, manufactures, and deploys sophisticated automation solutions to bolster manufacturing, packaging, and distribution efficiency. CASI designs, manufactures and deploys advanced automation solutions that optimise manufacturing, packaging, and distribution efficiency. Its product portfolio ranges from warehouse control systems, robotic integration, and conveyor systems to high-speed sortation – providing bespoke solutions. Moreover, CASI's products leverage cutting-edge technologies like AI and machine learning to deliver precision and cost-effectiveness. Based in the United States, CASI extends its operations worldwide, catering to various industries, from e-commerce and retail to pharmaceuticals and food and beverage.

See <https://casiusa.com/about/> for more information.

Flagship brands and products:

- **ABOT (Autonomous Mobile Robot)** is a state-of-the-art, intelligent automated transport system designed to manoeuvre in complex warehouse environments, increasing efficiency and safety in material handling. ABOT utilises advanced AI algorithms to autonomously navigate and optimise workflows in industrial settings.
- **SolidSuite WMS** is a comprehensive warehouse management software package that provides robust control over inventory, labour, and warehouse logistics. It offers scalability, welcomed by many businesses of varying sizes.
- **Checkweighers and Cubing Systems** offer precision weighing and dimensional solutions, providing real-time data that enhances parcel auditing, shipping accuracy, and warehouse storage optimisation.
- **Pharmaceutical Verification System (PVS)** ensures stringent quality control in the pharmaceutical sector by verifying product integrity and compliance with regulatory standards.

More information is available here: <https://www.cornerstoneautomation.com/>

Strategy, funding and financials:

Centred around innovation and customer-centric product development, CASI focusses on enhancing operational efficiencies across sectors. CASI is focussing on global expansion, strategically tapping into emergent markets where the demand for automation technologies is burgeoning. The company is a private company and its financials are not disclosed.

Tira (formerly NDA): Overview



Tira, previously known as NDA, is the largest speciality steel fabrication company across New Zealand and Australia but also sells into the US through its subsidiary SHECO. Established in 1894, the firm boasts over 125 years of experience in the sector. Tira's work lies in designing, manufacturing, and installing stainless steel components and systems, catering to a vast array of industries such as dairy and food, beverage, water, chemical, pharmaceutical, transport and energy. It employs 260 staff and is structured into four divisions 1) 'nda' for steel tanks, 2) 'Crown' for the wine and beverage industries, 3) 'water' for tanks, vats and vessels, and 4) industry for equipment for the chemical, gas and pharmaceuticals industries.

See <https://www.tira.co.nz/> for more information.

Flagship brands and products:

Tira's product catalogue is expansive and diverse, offering services that encapsulate the following:

- Cheese machines

- Water storage & filtration tanks
- Pipework and mechanical installation services
- Shell and tube heat exchangers
- Evaporators
- Pressure vessels
- Process vessels
- Columns
- Reactors
- Dryers
- Storage tanks are utilised across industries for various purposes, such as storage and fermentation in the dairy, brewing and wine industries
- Road tankers
- Pharmaceutical equipment

Strategy, funding and financials:

Tira operates with a customer-centric ethos, aiming to deliver high-quality products and services consistently. The company prides itself on its strong legacy of innovation, having developed several patented technologies that set it apart in the industry. Tira states it is equally dedicated to sustainability, advocating using recycled materials whenever feasible. In terms of financials, Tira's last reported financials were for the year ending 31 December 2021, where it reported revenue of NZ\$137.7m and a consolidated net loss of NZ\$4.3m. The consolidated company has total assets of NZ\$241m and interest-bearing debt of NZ\$97m as of 31 December 2021, offsetting the NZ\$5.4m in cash. It produced a positive operating cash flow of +NZ\$9.0m but invested -NZ\$6.9m in property, plant and equipment and intangibles and lease payments of -NZ\$4m. The auditors report highlighted "*material uncertainty related to going concern*" where "*the Group incurred a net loss before tax of \$5.6m during the year ended 31 December 2021 and, as of that date, the Group's current liabilities exceeded its current assets by \$92.5m. The Company and Group are reliant on shareholder and lender support to continue as a going concern as the current committed bank facilities are due to expire on 31 October 2023*".

Haith: Overview



Haith is a UK based company which specialises in root crop processing machinery and automation. The family owned business was established in 1947 and has since grown to employ over 120 people. In 2022, Haith received the Queen's Award for Innovation & Enterprise, the highest accolade in the UK.

Flagship products:

- **Washing and drying** – Haith's washing and drying product line offers gentle, effective and efficient solutions for a wide range of root vegetables and capacity levels. Key individual products include the Barrel Washer, Brush Washer and SupaWash.
- **Polishing and Peeling** – Haith designs a range of polishing and peeling machinery which provide packers with a finished product that has a higher value and longer shelf life. Its Root Veg Polisher comes in two variations – Direct Drive and Belt Drive. Along with its Root Veg Peeler, the entire product line is suitable for a wide range of root vegetables including potatoes, onions and carrots.
- **Destoning** – Haith supplies an extensive range of de-stoning equipment which ensures stones are removed from the produce flow prior to the washing process. Its SupaFlume De-Stoner comes in two variations, freestanding and washer mounted, and is suitable for potatoes, carrots and beetroots. The Cyclone De-Stoner caters to a wider range of vegetables including parsnips, radishes and celeriac.
- **Other** – Haith also offers a wide range of equipment and solutions which cover virtually every aspect of post-harvest vegetable processing. This includes filling, tipping, sizing, soil and waste extraction, conveying, receiving, packing, inspection and sorting and water treatment.

Strategy, funding and financials:

Haith has been a proudly family owned business for more than 70 years. The company has a strong culture focussed on continual innovation and development and prioritises being able to serve the UK vegetable industry's changing needs. One area of technological advancement Haith has honed in on is 3D design, which has enabled its customers to better understand the technology they will be purchasing. Haith is a privately owned, family business. See <https://www.haith.co.uk/> for more information.

Scott Technology: Overview



Headquartered in New Zealand, Scott Technology (SCT.NZ) is a leading designer and manufacturer of innovative automation solutions. SCT is executing its 'Scott 2025' strategy, shifting away from bespoke designs towards productisation and service offerings. SCT is a global business operating across its three core segments, 1) meat processing, 2) mining sample preparation, and 3) materials handling/logistics. Its other segment of products includes its Appliance system.

Flagship brands and products:

- **Meat processing** – SCT is a market leading provider of automation solutions for the meat processing industry. Offering fully automated lamb carcass processing at 12 carcasses per minute, safety bandsaw (BladeStop) boasting the world's fastest stopping time, automated poultry trusser capable of tying 24 birds per minute alongside other more customised solutions.
- **Mining sample preparation** – SCT owns the Rocklabs brand which produces sample preparation equipment and modular sample preparation systems for over 100 countries. SCT's automation equipment includes; crushers, rotating sample dividers, pulverisers, certified reference materials and Robofuel.
- **Materials handling and logistics** – SCT produces automated palletising solutions (end of line and multi-line) and automated guided vehicles (AGVs) after purchasing both Alvey and Transbotics in 2018.

Principles and values

SCT's market-leading products are transforming industries by replacing dangerous, dirty, repetitive manual processes with cost-effective, productive, safe automation. SCT's long history of sector expertise and its R&D has created innovative automation products, offering significant global potential. It continues to invest in innovation while remaining cognisant of being a profitable and repeatable sales business. Its products aid customers with labour and skills shortages, as well as rising health and safety awareness.

Strategy, funding and financials

SCT is executing its 'Scott 2025' strategy, shifting away from bespoke designs towards productisation and service offerings. SCT is listed on the NZX with a market capitalisation of NZ\$225m as it is 51% owned by JBS (one of the world's largest meat producers). In FY22 SCT reported revenue of NZ\$224m (26% Meat, 26% Mining, 32% MHL and 17% other) and NPAT of NZ\$12.7m, we forecast revenue to grow +8% in FY23 and +12% in FY24. SCT reported an EBITDA margin of 10.7% in FY22.

See <https://scottautomation.com/en/> for more information.

Frontmtec: Overview



Headquartered in Kolding, Denmark, Frontmtec is a leading end-to-end automated solutions provider in the food industry, specialising in the red meat processing sector alongside other hygiene-sensitive industries and the utilities industry.

Flagship brands and products:

- **Pork Solutions** – Frontmtec systems are provided for the entire value chain of the pork meat industry, handling capacities from 100 to 1,400 pigs per hour with the support of intelligent and user-friendly software that helps to ensure high processing efficiency and minimal risk of work-related injuries. Its pork processing equipment includes primal cutting, deboning and trimming, logistics and packaging.

- **Beef Solutions** – Solutions in addition to primal cutting and deboning of cattle and calves, including logistics and packaging. It offers equipment and systems for unclean and clean lines in the beef processing industry, which includes stunning, dehiding, conveyor systems, dressing lines, offal removal, carcass grading, cooling and by-product processing.
- **Lamb solutions** – The Company also provides cutting and deboning, packing and chill room solutions to the lamb sector for capacities from 100 to 800 animals per hour.
- **Hygiene division** – Provides disinfection and hygiene systems for businesses throughout the food, pharmaceutical, cosmetics, and packaging industries and public organisations. Solutions come in the form of boot and sole cleaners where you can choose between a continuous process or a separate unit such as a hygiene station located at the entrance. Frontmatec has a patented self-cleaning system for sole brushes and a two-track Compact Hygiene Station.
- **Logistics Systems** – The simple, flexible and automatic transport of products in trays. Frontmatec’s logistics solutions include tray handling, storage, packing and ergonomic systems. Tray handling includes transport systems of several kinds of different trays to sorting stations, stackers, lifts and shafts, and pallet lifts. Storage systems involve fully automatic storage of internally and externally filled trays. Packing systems involves film wrappers, bulk packing, automatic bin filling, cartoning and palletising whilst ergonomic systems entail everything from simple lifting and tilting units to complete weighing and measuring devices, as well as trolleys and meat bins.
- **Software and Automation** – In addition to the equipment, these systems are designed for control, monitoring and improving yield, throughput, uptime, effectiveness and food safety. Their Food Processing Software allows tracking of raw materials to finished goods. They can also solve everything relating to PLC and HMI technology, ranging from small single-machine controls to large complex and redundant solutions.

Principles and Values

Frontmatec’s values define who it is and serves as the foundation of its global organisation. It values putting the customer first while never compromising on its craftsmanship and expertise. Its principles and beliefs is its DNA, which involves four facets. First, the Company delivers high-quality customised solutions with true craftsmanship, and timely, professional reactions to any issues. Secondly, the Company guarantees to fulfil its promise to provide high-quality solutions that are innovative, thoroughly tested and reliable. Thirdly, the Company is proud of its culture of flexibility, strong work ethic and unyielding customer dedication. Fourthly, the business states that its quality, dedication, reliability and personal service “runs in its blood”.

Strategy, funding and financials

Frontmatec is a privately owned company. In FY21 the group had revenues of DKK1.4bn with a 30.4% gross margin and EBITDA margin of 13.0%. For HY22, the company had total revenue of DKK955m alongside a gross margin of 29.4% and EBITDA margin of 15.2%.

See <https://www.frontmatec.com/> for more information.

Sorma Group: Overview



Sorma Group is a multinational leader in the design and manufacture of automated machinery for the post-harvest of fruit and vegetables, it also produces technical packaging materials. Started in 1973, Sorma has grown to 10 production sites worldwide and designed over 200 models of machines. The group also provides servicing for the sold equipment and offers second hand resales of no longer needed machines.

Flagship brands and products:

- **Machinery** – Sorma’s post-harvest machinery is suitable for a range of fruit and vegetables from Apples, Carrots, Onions, Potatoes, Tomatoes, Grapes, Lettuces and more. The machinery is designed to feed the product from bins, boxes or other storage containers, pre-sort out the unsuitable products, treat the produce (washing, polishing and drying), optically sort based on the quality, shape, size and colour, bagged (or boxed etc) and palletised. Traceability systems are used throughout the system to track individual packets of produce.

- **Packaging** – Sorma produces specialised packing for all types of fruit and vegetables. These packaging solutions include; net bags, movies and flowpacks (poly bags), punnets, and boxes. All of these packaging systems are compatible with Sorma's packaging machinery and are designed to extend and preserve the produce and extend shelf life where possible.
- **Sorters** – Sorma's designed and manufactured optimal sorters are the core of any automated pack house system. Its use improves product quality, a reduction in waste and considerable cost reductions. The systems includes nine video cameras taking 108 photos per fruit (over the whole product surface), and processing 15 fruits per second.

Mission, purpose, principles and values

Sorma displays a customer focus, seeking to present itself as the success partners of its customers; flanking them step-by-step in all their needs. Sorma looks for partners able to represent its identity and guarantee the service already offered by its companies. Sorma is also focussing on the sustainability of the Group, desiring to improve its environmental, social and economic sustainabilities.

Strategy, funding and financials

Sorma Group is privately owned and headquartered in Italy. Its FY21 revenue was EU€53m. Sorma works with distributors/dealers across the world (in countries that Sorma doesn't directly operate) that sell its machines and manage client relationships locally.

For further information see: <https://sormagroup.com/en/>

CR Automation: Overview



CR Automation is a New Zealand company focussing on optimising and automating operations in the food, beverage, water and post-harvest industries. Founded in 2004, the company has grown to completing projects in food processing, pallet manufacture and post-harvest fruit handling treatment and packaging.

Flagship brands and products:

- **Automation** – Supplying a variety of high payload robots, customer end effector design and manufacture, high-speed picking, carton palletising, out-of-the-ordinary product handling. These solutions enhance the production processes, increasing efficiency, reliability, repeatability and safety.
- **Post-harvest** – CR Automation's solutions for the post-harvest industry include; fruit washing (high pressure, brush), carton handling (empty and filled) and palletising. This equipment is applicable for apples, citrus fruit, kiwifruit, stone fruits, cherries, or avocado.
- Also offered by CR Automation are safety solutions (guarding, controllers and PLCs, installations and integration of systems), project management, electric engineering, mechanical design, process engineering, software engineering, business intelligence, industrial IT, reverse engineering, legacy surveys.

Mission, purpose, principles and values

CR Automation has developed close relationships with local and international customers, working together to understand and improve its operations with automation solutions.

Strategy, funding and financials

The company is 50% owned by Jenkins Group (a New Zealand based company focussing on the supply of specialised fruit labelling, packaging and handling systems for the fruit and produce industries). Jenkins Group has the dealer/distribution right to sell Sorma Group automation products in New Zealand. Jenkins Group is family owned.

Further information can be found here: <https://www.crautomation.nz/>

Hector: Overview



Hocor Industrial Refrigeration is an Australian-based company specialising in the refrigeration for the food and beverage industries. Hocor's innovative, efficient and sustainable refrigeration solutions for the meat, dairy, wine, beer industries have seen it become one of the leading refrigeration specialists across Australia and Asia.

Flagship brands and products

- **Plate Freezer** – Hocor designs and manufactures its plate freezers that can reduce freezing costs by up to 50%, ensuring they are cost-effective and efficient for its customers. The horizontal plate freezers include automatic loading and unloading of cartons, gas detection and maximised transport space. The freezers are also serviced by Hocor's in-house maintenance and ongoing support capabilities.
- **Tunnel Freezer** – Hocor's tunnel freezers utilise automatic blast freezers to ensure consistent freezing of all cartons. The systems can accommodate a range of carton sizes which is important for the food and beverage industries where these can vary between products. The system is fully automatic and operates over a 24-hour freezing cycle. Like with the plate freezer, it is also serviced by Hocor.
- **Evaporative Condensers** – This product is part of the cooling cycle. An evaporative condenser removes the heat from the refrigerant system through air and water spray technology, converting vapor to cooled liquid. The products have energy-efficient running costs and are suitable for a broad range of refrigeration products.
- **Ice Tanks**: To take advantage of cheaper energy costs, ice tanks make ice off-peak, store it and then use it to produce cold air when energy costs are higher. The tanks have been seen to dramatically reduce energy costs and achieve a sizable return on investment.
- **Heat pumps**: An alternative to a conventional boiler system, the heat pump system extracts heat from the refrigeration system and transfers the energy to be used elsewhere. The system reduces the customer's usage of gas or diesel and results in operational savings and a lower carbon footprint.

Mission, purpose, principles and values

While Hocor remains a 'local' Australian company, it has a global focus and aims to know its customers' businesses to deliver the best solutions for industrial refrigeration. Hocor has also focussed on sustainability with offering natural refrigerants, paving the way for a net zero future.

Strategy, funding and financials

Hocor is a family-owned company, that, while headquartered and manufactures its equipment in Australia, sells in to New Zealand and Asia.

See <https://hocor.com.au/> for more information.

Marel: Overview



Marel is an Iceland-based global leader in food processing equipment. Its products target the production of high quality, safe and affordable food with solutions, services and software to the poultry, meat and fish processing industries. It recently acquired exposure to pet food, aqua feed and plant-based proteins. With a network of around 7,000 people in over 30 countries, the company considers it is always close by and ready to help. From the first spark of inspiration to implementing a solution, Marel has committed to excellence in everything it does.

Flagship brands and products:

Operating across six core industries in poultry, meat, fish, prepared foods, water treatment and intralogistics, plus additional non-core operations. In more detail:

- **Poultry** – offering solutions and services for processing of all usual types of poultry, all possible stages in the process and at any required production capacity. Besides broiler processing, we also specialize in technology and systems for processing turkeys, ducks and other breeds such as layers and parent stock. Poultry represents ~47% of revenue.
- **Meat** – delivering state-of-the-art meat processing equipment, systems and software across the entire production value chain, from the reception of live animals to the dispatch of finished products. It works across processes in the slaughter, cutting and

processing hall as well as case ready and food service packing, all integrated with software. Meat represents ~38% of group revenue.

- **Fish** – a global supplier of advanced standalone equipment and integrated systems to the fish industry helping to optimise yield, quality, throughput and other critical factors across the whole value chain. Ranging from individual units for specific processes such as weighing, cutting and bone removal, to complete solutions such as grading, filleting, portion-cutting and slicing lines, Marel's equipment is built for the harsh fish processing environment, with hygiene and safety always in mind. Fish represents ~12% of revenue.
- **Prepared food** – fully integrated lines to standalone equipment at every step in the process. Solutions include software that collects and collates data, allowing customers to improve performance and enhance productivity.
- **Water Treatment** – processes minimise water stress with internationally recognised water treatment solutions for all types of food processing wastewater. These help processors minimise wastewater, enhance efficiency and increase sustainability. Marel has more than 50 years of experience in wastewater treatment in the food processing industry, specialising in meat, poultry and fish.
- **Intralogistics** – solutions help organisations optimise, integrate, automate, store and manage the flow of crated goods within a facility, primarily within the food processing industry where products are conveyed, moved, buffered and stored at various stages of the value chain.
- **Other** – Marel also has products and services across retail, baked goods, food servicing, pet food, and fruit and vegetables.

Mission, purpose, principles and values

Marel primarily engages in providing equipment, systems and services for the poultry, meat and fish processing industry. In FY22 Marel is expected to produce revenues of EU\$1360m and NPAT of EU\$97m. Gross margin was 36.3% in the FY21 year with a net margin of 7% and ROE of ~10%. The stock trades on a forward PE multiple of 18x and is anticipated to pay a 1.6% dividend yield.

See <https://marel.com/en> for more information.

Mecalux: Overview



Mecalux is a global intralogistics technology company founded in 1966, offering warehouse automation and software development solutions. Headquartered in Spain, it is a specialist in pallet racking, picking shelves, automated warehouses and logistics software, as well as offering advice on storage systems. Mecalux brings over 50 years of experience and selling to over 70 countries with 20 offices, 11 production centres and seven research and development centres for technological development. Mecalux is the leading storage company in Spain and third in the world in its field. Mecalux group also encompasses the brands Esmena and Interlake.

Flagship brands and products:

- **Automated warehouses** – This division offers automated solutions for managing, optimising storage, preparing and dispatching goods. It includes stacker cranes, conveyors, and shuttle systems for pallets and boxes.
- **Warehouse management software solutions, Easy WMS** – Is scalable, user-friendly and manages over 1,000 warehouses in all sectors. It can be installed in both SaaS (cloud) and On-Premise mode, and integrated with automated systems. The software boasts that it can increase storage capacity by up to 40%, decrease handling operations by up to 30% and eliminate errors by up to 99%.
- **Mecalux Pallet racks** – Designed to enable palletisation with direct access to each pallet or by compacting. The Company also offers clad-rack warehouses in which the racking forms part of the building's construction.
- **Mecalux Picking shelves** – Are designed to store individual boxes or single products, which are ideal for manually stored or retrieved goods. Longspan shelving is suitable for manually picking products, while the Movibloc mobile shelving units can be mounted upon mobile bases that move along rails.

Mission, purpose, principles and values

The Company has aggressively targeted growth and development since its inception, driven by strategically opening new branches, advancing its sales distribution networks, the continuous emphasis on R&D, its automated warehouse division, and the logistics portal Logismarket. This strategy has allowed Mecalux to develop a superior, high-quality product offering, alongside excellent client service.

Strategy, funding and financials

Mecalux is a private company with approximately 5,500 employees. The Company operates in many international markets, designing, manufacturing and servicing its logistics and warehouse automation software to customers globally.

More information can be found on the company website: <https://www.mecalux.com/>

TAVIL Group: Overview



Located in the Spain, TAVIL dates back to 1925. TAVIL has a 102,000m² production site specialising in the construction of machinery and automatic lines for packing, palletising and handling. TAVIL designs, develops and produces customised solutions and turnkey projects worldwide. Its brands cover various industries, including meat products, ready meals, snacks and confectionery, nutritional products, paints, stationery, dairy products, pet food, and body and home care. It sees its competitive advantage coming from its one installation – multiple formats systems that allow for automatic changeovers of the packing and palletising line via operator touch-screens. Its new autonomous trolley system is being launched shortly. It sees its automation systems as helping to save long-term costs and inflation within clients' operations.

Flagship brands and products:

- **Multi-format packing high-speed line** – Compact and modular configuration, allowing push-button operation for different products and boxes.
- **Multi-format packing multi-line** – Multi-line and modular configuration, making simultaneous works possible with different products and boxes.
- **Multi-format palletising centres** – Complete automatic solutions with multi-pallet and interlayer dispensers, pre-mosaic tables, finished pallet transfer, wrapper, labeller and other devices. Versatile installations with a universal gripper to simultaneously palletise boxes, trays, totes, pails and bales. Pallet software for the easy edition of pallet patterns, SCADA communication and customized control architecture.
- **Handling complete lines** – Automatic transport and warehouse for crates and boxes including elevators, automatic loaders, palletisers/de-palletisers and crate washers. Reading and identification of crates and boxes by RFID and scanning. Data management software for global control of transport and storage systems.

Mission, purpose, principles and values

TRAVIL talks about its global awareness and drive for quality, safety and the environment. Within quality, it is focussed on quality and long-lasting equipment, 5s quality management, 'fat' and 'sat' for all projects and Industry 4.0. Safety drivers include the adaptability to international safety regulations, installation audits by certified safety organisations in all countries and performance level D. Environmentally, its technology is designed for smart energy-saving patterns. TRAVIL sees itself as a green company, environmentally friendly, with a commitment to 100% recycling.

Strategy, funding and financials

TRAVIL is a privately held Spanish company. Its revenues are approximately EU\$80m and over the past twenty-five years the company has grown at around +5% per annum.

See <https://tivil.com/> for more information.

CSi palletising: Overview



CSi started in 1964. CSi is a Netherlands-based company that has installed systems across the globe but primarily focussed in Europe, the US and Asia. It provides complete end-of-line palletising solutions to some of the world's most significant consumer packaged goods (CPG) and fast-moving consumer goods (FMCG) companies. The company utilises autonomous mobile robots (AMR) to help fully automate the transport of heavy pallets of materials within CPG/FMCG facilities. CSi palletising has a variety of equipment, from standard belt conveyors, roller conveyors, case accumulation conveyors, case elevators and sorters to the more specialist conveyor

types, such as zone accumulation conveyor and tote handling systems. Its MOre software suite, targeting Industry 4.0 applications, helps FMCG companies to increase their productivity by closing the information gap between IT systems and factory floor controls.

Flagship brands and products:

- **Case Transport Line** – The vital link between the production packing lines and downstream case handling systems are the belt conveyors, roller conveyors, case accumulation conveyors, case elevators and sorters to the more specialist conveyor types, such as zone accumulation conveyors and tote handling systems.
- **Palletising solutions** – CSi palletising has a wide range of palletising technology, from simple robot palletising cells to fast and sophisticated multi-load palletising machines.
- **Pallet handling** – Pallet handling modules such as roller and chain conveyors, transfer cars, elevators and turntables are often integrated with labelling and barcode equipment.
- **Industry 4.0** – Its software suite aims to increase productivity and achieve the maximum performance from its product handling and internal logistics systems. CSi's software suite is called "MOre". Designed to provide required data the way customers demand and when to close the information gap between your IT systems and your factory floor controls.

Mission, purpose, principles and values

CSi is proud that it is a "family type" organisation. The personal well-being, collegiality and development of its employees are stated as key. Its goal is to help customers in their goals to create higher throughputs and higher efficiency.

Strategy, funding and financials

The company is management owned following a management buyout in 2001.

See www.csiportal.com for more information.

John Bean Technologies (JBT): Overview



John Bean Technologies Corporation (JBT) is a global technology solutions company and provides services to the food and beverage, aviation support, and other automated industries. JBT operates through three segments: FoodTech, AeroTech and Automated Systems. JBT operates globally and serves multi-national and regional markets. JBT is listed on the NYSE with a market capitalisation of US\$3.2b.

Flagship brands and products:

- **FoodTech** – Segment provides a range of process automation solutions throughout the food production value chain extending from primary processing through to packaging systems for a variety of food and beverage groups. This includes poultry, beef, pork, seafood, ready-to-eat meals, fruits, vegetables, dairy, bakery, pet foods, soups, sauces and juices.
- **AeroTech** – Segment supplies customised solutions and services used for applications in the air transportation industry, including airport authorities, airlines, airfreight, ground handling companies, militaries and defence contractors.
- **Automated Systems** – Involve JBT's AGVs it has designed and built to serve clients' needs across numerous industries. JBT offers an array of AGVs from forked, towing, unit load or special application solutions.

Principles and values

JBT was founded in the 1880s with an innovative continuous spray pump for orchard spraying, through numerous acquisitions and organic growth JBT has evolved into a global technology solutions company. JBT has a single purpose and set of values across the entire group, underpinned by a strong foundation of putting its customers first. The customer first philosophy is aimed at increasing customer profitability through high levels of engagement and understanding their business to propose the best automation solutions to enable higher growth rates and margin expansion. JBT focusses on relentless continuous improvement to ensure its competitive advantage remains while growing. JBT also targets disciplined acquisitions that add complementary solutions across its portfolio.

Strategy, funding and financials

JBT is a publicly listed company. In FY21 JBT achieved US\$1.9b in revenue growth of +8% from FY20. JBT saw a 30.4% gross profit margin in FY21 with US\$118m in net income for the year (up +9% from FY20). JBT's 3Q22 results were strong with revenue of US\$557m and net income of US\$34.2m for the quarter (up from US\$478m and US\$29.3m in 3Q21 respectively).

See <https://www.jbtc.com/> for more information.

Appendix 5: Foodpro 2023 Australian exhibition



Foodpro 2023, Australia's premier event for the food manufacturing industry, was a pivotal opportunity for New Zealand-based innovators. The event, which ran from 23 to 26 July at the Melbourne Convention and Exhibition Centre, hosted more than 380 exhibitors, providing a platform for them to showcase their cutting-edge solutions to both Australian and international visitors.

MHM Automation, a New Zealand-based company renowned for its innovative solutions in the food processing and packaging sector, was a key participant in Foodpro 2023. Recently, MHM launched two revolutionary products – the Automated Robots and the H&C Gantry Palletiser and De-Palletiser. These solutions are specially designed to transform the way food processing and logistics companies handle materials. MHM's solutions have made significant strides in making automation more accessible and effective for operations of diverse scales, from small to medium enterprises. This new development is a testament to MHM's commitment to driving efficiencies across the industry and its role as a leading player in the automation space.

Foodpro 2023 also saw the participation of other notable New Zealand companies. These included Argus, Bucher-Alimentech, Thermaflo, FPS Food Process Solutions, HD Process NZ, Kando Innovation, and Cuddon Freeze. Notably, Cuddon Freeze presented its environmentally-friendly commercial conductive batch freeze dryers, underscoring New Zealand's commitment to sustainable practices in the industry. These companies, with their range of innovative solutions, contributed significantly to the event's spirit of innovation and progress in the food and beverage industry.

Figure 78. Foodpro 2023 exhibition in Australia



Source: Company,

Appendix 6: SWOT analysis

Figure 79. MHM: Strengths, Weaknesses, Opportunities and Threats (SWOT) analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> ■ Acquisition of Wyma increases exposure to post-harvest vegetable and fruit handling markets, providing a more comprehensive product and service offering. ■ MHM has an installed base of leading technology and IP. Many of its products are top three in their niche globally. ■ The acquisition nearly doubles MHM's revenue and substantially increases profitability. ■ Strong alignment of automation offerings and business models. ■ In-house manufacturing, supply chain and inventory management, cost efficiencies, and talent and technology transfer across the wider group. ■ General automation cross-selling, service and spares capabilities. ■ Wyma has an established presence in Europe, which is a growth market for MHM's existing business. ■ The company remains in a strong financial position post its acquisition of Wyma. ■ MHM has established relationships with many global leaders in food processing and a long and deep knowledge of the key industries it services. 	<ul style="list-style-type: none"> ■ Integration of acquisitions could present some operational and cultural challenges. ■ Competition: The automated equipment market is competitive, requiring ongoing R&D investments. ■ The fabrication segment is highly competitive with low margins. ■ Continuous innovation will likely be needed to stay ahead of technological advancements.
Opportunities	Threats
<ul style="list-style-type: none"> ■ Expansion into new market sectors providing diversification of products and markets, reducing dependency on a single market or product line. ■ Increased visibility and scale in the European market. ■ Cross-selling opportunities between MHM and Wyma product lines. ■ Capitalising on global mega-trends, such as increased automation and demand for higher quality and safer foods. ■ The roll-up opportunity in New Zealand's automation sector appears significant given the number of quality, but sub-scale, automation businesses which lack the resources to take solutions to global markets. ■ Growing awareness and regulations around food safety may drive demand for MHM's automated solutions. 	<ul style="list-style-type: none"> ■ Potential economic downturns or global uncertainties that may affect customer demand. ■ Changes in regulations surrounding food safety and handling may impact the market for automated equipment. ■ New advancements in technology may lead to obsolescence of current products or services. ■ Competitors could copy MHM's products and produce them cheaply overseas. ■ Fluctuations in currency rates might affect profitability, especially since MHM operates in different geographic locations. ■ Risk of losing key personnel or expertise.

Source: Forsyth Barr analysis

Appendix 7: Company history

Figure 80. Company history

Date	Event
1884	Original Mercer company (J Mercer and Sons) was established in Christchurch, New Zealand
1920	Silver Dolphin Industries was established as manufacturing arm of South Island Dairy Association
1952	Milmeq is established (under name Refrigeration Engineering) providing chilling and freezing equipment (purchased by the group in 2018)
1959	Mercer Group Limited (MGL) was listed on NZX
1965	Haden and Custance was established (purchased by the group in 2016)
1970s	Haden and Custance moves into providing palletising and other manufacturing solutions Milmeq developed automatic chilling and freezing tunnels
1980	South Island Dairy purchased J Mercer and Sons
1988	Broadway Industries purchased South Island Dairy, starts trading as Mercer Stainless
1990s	Robots introduced into Haden Custance systems for the dairy industry Milmeq developed large-scale plate freezers for the meat processing industry
1998	AiCo Materials Handling was purchased and integrated into Mercer Stainless
2003	Medisys was purchased and a new division established (Mercer Medical)
2004	Mercer Technologies division established, integrating Mercer Medical and AiCo products with an R&D focus Purchased Equipment Maintenance Ltd (owners of BetaVac brand), integrated into Mercer Technologies
2007	Purchased InMotion Engineering (Australian company)
2008	Purchased Duratech Wholesale and integrated into Mercer Products
2009	Mercer Technologies split into Mercer Medical and Mercer Stainless (kept Mercer Products)
2016	Haden and Custance purchased
2017	BetaVac and AiCo products were moved into Haden and Custance
2018	Milmeq was purchased and rebranded H&C Automated Solutions
2020	Mercer Group rebranded as MHM automation with three operating entities (Mercer Stainless, H&C, Milmeq)
2021	Southern Cross Engineering was acquired
2022	Announced the conditional agreement to acquire Wyma for up to NZ\$60m
2023	Settled acquisition of Wyma

Source: MHM, Forsyth Barr analysis

Appendix 8: Board and management profiles and remuneration

Figure 81. Board of director profiles

Board Member	Position	Description
Trever Burt	Independent Director/ Chairman	Trever is a Chartered Fellow of the NZ Institute of Directors, currently Chairman of New Zealand Lamb Company Ltd and a director of Market Gardeners Ltd and Landpower NZ Ltd. He was a previous Chairman of Ngai Tahu Holdings Corporation Ltd and Lyttelton Port Ltd, and former Deputy Chairman of PGG Wrightson Ltd. Trevor's executive career was with the global companies Linde Group and the BOC Group and he led businesses in Australia, China, USA, and Germany, retiring from the Executive Board of the Linde Group in 2007.
Richard Rookes	CEO/Director	See management description below
George Rolleston	Director	George joined the board in February 2019. He is the founder and Managing Director of Asset Growth Fund, based in Melbourne. He is also the director of a number of private New Zealand and Australian companies that span a range of industries. He has a Masters of Applied Finance and a Bachelor of Business (Law) degree. George represents the interests of the majority shareholder, Asset Management Limited.
Paul Smart	Independent Director	Paul is a Chartered Accountant and a long-standing member of the Institute of Directors. He also holds a BBS (Finance). As an executive, Paul has served as CFO of New Zealand's largest energy company, Meridian Energy, and prior to that, founding CFO of Sky Television. As a professional director Paul has acted as a director, audit and finance chair and board chair for a range of companies from listed to large private companies. He is currently a non-executive director of ArborGen Holdings, Geo40, Argus Fire Systems Service and SolarCity.
Andrew Barclay [^]	Managing Director of Wyma	Andrew is the Managing Director at Wyma Solutions and has been a part of the business since 2001. Andrew is involved across all facets of the business but his passions are product development and technical solutions. With extensive travel in New Zealand and overseas, Andrew has developed a strong understanding of the industry and built relationships with customers all over the world.

Source: MHM, Forsyth Barr analysis.

[^]Andrew Barclay will become a major shareholder at 22.9% and will join the Board of MHM, while also staying on in an executive capacity as Managing Director of the Wyma operations.

Figure 82. Management profiles

Management	Position	Description
Richard Rookes	CEO	Richard was appointed CEO in July 2015. Prior to joining MHM Automation, Richard was an investment banker in New Zealand and the UK. Richard holds a B.Com, Diploma for Graduates and a Post Graduate Diploma in Commerce, all from the University of Otago. He is also a chartered member of the Institute of Directors.
Ian McGregor	CFO	Ian is responsible for leading the finance team to implement financial and operational improvements across the business. He joined MHM Automation in 2016, bringing with him a wealth of experience and financial acumen. His previous roles included CFO at Fisher & Paykel Finance and Manager Group Treasury at Fonterra. Ian holds a Bachelor of Business Studies and is a CPA.
John Fredericksen	COO	John leads the MHM Automation operations team to ensure all projects are delivered in full, on time and to specification, as well as driving a culture of continuous improvement and engineering excellence. He was appointed to this position in 2020, having previously worked 17 years at SCE in operations and engineering management roles and five years as a regional manager for WSP. John is a member of Engineering New Zealand.
Tony Johnson	GM Sales & Marketing	Tony leads the sales and marketing team to build relationships and develop best-in-class solutions for MHM's clients around the globe. Joining MHM in 2023, Tony brought a wealth of international experience in leadership and sales roles. He previously worked for several, food, technology solution and project delivery companies in New Zealand, Australia, Malaysia and Denmark including more than 17 years with Milmeq and haarslev.
Shane Daly	Head of Innovation	Shane leads the innovation team to develop new products to meet emerging requirements within the global food and primary industries. He joined the company in 2014, having previously held engineering management, R&D and product development roles at SCE, Glidepath and Marley Plastics.
Aine Keating	Head of People and Culture	Aine leads the development and execution of all people-related strategies. Aine has worked in human resources and recruitment positions across civil construction and infrastructure, wholesale trade and retail, before joining MHM Automation in 2022. Aine holds a Bachelor of Commerce, has affiliations with HRNZ and CIPD in the UK and Ireland.
Ross Coppard	Sales Manager - Stainless	Ross leads the sales of stainless fabrication services, managing relationships with new and longstanding clients. Ross first joined Mercer Stainless in 1987 as an apprentice draughtsman.

Source: MHM, Forsyth Barr analysis

Figure 83. Remuneration of board of directors

Name	Category	Total FY22 Compensation(NZ\$)	Number of shares	Shareholding %
Trever Burt	Independent Director/Chairman	73,913	700,000	0.8%
Colin Neal*	Director	48,500	3,300,410	3.7%
George Rolleston	Director	49,022	20,721,297	23.3%
Paul Smart	Independent Director	48,500	327,846	0.4%
Richard Rookes	CEO/Director	See executive directors	2,500,861	2.8%
Andrew Barclay^	Wyma Managing Director	N/A	20,381,000	22.9%
Total		219,935	47,931,414	53.9%

Source: MHM, Forsyth Barr analysis

* Following the appointment of Andrew Barclay to the Board of MHM, Colin Neal announced his retirement from the MHM Board. Colin's resignation will be effective from Friday, 30 June 2023.

^ Andrew Barclay will become a major shareholder at 22.9% and will join the Board of MHM, while also staying on in an executive capacity as Managing Director of the Wyma operations.

Figure 84. Remuneration of executive directors

Name	Position	Category	FY22 Total (NZ\$)
Richard Rookes	CEO/Managing Director	Total compensation	\$898,607
		Salary & Benefit	\$428,327
		STI	\$100,000
		LTI	\$370,280
		STI as % of base	23%
		LTI as % of base	86%

Source: MHM, Forsyth Barr analysis

Figure 85. FY22 employee remuneration and incentives in excess of \$100,000 pa

Remuneration range (NZ\$)	Number of employees
100,000 – 109,999	13
110,000 – 119,999	17
120,000 – 129,999	14
130,000 – 139,999	4
140,000 – 149,999	7
150,000 – 159,999	2
160,000 – 169,999	1
170,000 – 179,999	1
180,000 – 189,999	5
190,000 – 199,999	1
200,000 – 209,999	1
210,000 – 219,999	1
220,000 – 229,999	2
280,000 – 289,999	1
340,000 – 349,999	1
560,000 – 569,999	1
900,000 – 909,999	1
Total	73

Source: MHM, Forsyth Barr analysis

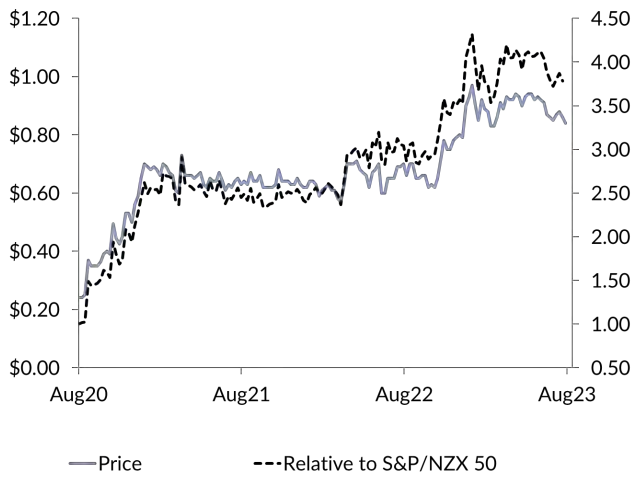
Appendix 9: Key terms and definitions

Figure 86. Key terms and definitions

Term	Definition
AI	Artificial Intelligence
ASRS	Automated storage and retrieval system
BCG	Boston Consulting Group
CAGR	Compound annual growth rate
Cobot	Collaborative robots
COGS	Cost of Goods Sold
DCF	Discounted cash flow
DPS	Dividend per share
EBITDA	Earnings before interest, taxes, depreciation and amortisation
EPS	Earnings per share (EPS) describes the amount of profit a company makes per outstanding share of common stock. EPS is indicative of the profitability of a company
ESG	Environmental, Social and Governance
EV	Enterprise value
EV/EBITDA	Enterprise value-to-EBITDA is a financial ratio that measures how much it would cost to purchase a company's value in terms of its EBITDA
EV/Sales	Enterprise value-to-sales is a financial ratio that measures how much it would cost to purchase a company's value in terms of its sales
Fertility rate	The total number of children that would be born to each woman if she were to live to the end of her child-bearing years and give birth to children in alignment with the prevailing age-specific fertility rates
H&C	A subsidiary of MHM that designs and manufactures automated handling systems
IoT	Internet of things
Life expectancy	The average period that a person may expect to live
Machine learning	A sub-sector of AI and computer science focussing on leveraging data and algorithms to replicate the way that humans learn, progressively improving its accuracy
Mercer Stainless	A subsidiary of MHM; a stainless steel fabricator and equipment manufacturer
MHM	MHM Automation (MHM.NZ)
Milmeq	A subsidiary of MHM that designs and manufactures chilling and freezing systems to the food industry
NPAT	Net profit after tax
Old-age-dependency ratio	The ratio of elderly people in a population (i.e. aged 65 and over) to working age people (i.e. 15–64 years old)
Payback period	The time taken to recoup an initial investment
PE	Price-to-Earnings is a financial ratio measuring a company's current share price to its EPS
R&D	Research & Development expenses
Rfr	Risk free rate
ROI	Return on investment
Step 100	Strategy announced by MHM in 2021 with the objective of achieving NZ\$100m in revenue and NZ\$10m in EBITDA by 2025
SAM	Serviceable Addressable Market
SCE	Southern Cross Engineering is a subsidiary of MHM that designs, manufacturers, installs and services equipment for the meat, dairy, grain, timber and infrastructure sectors
SCT	Scott Technology
SOM	Serviceable Obtainable Market
TAM	Total Addressable Market
WACC	Weighted average cost of capital
4IR	The fourth industrial revolution

Source: Forsyth Barr analysis

Figure 87. Price performance



Source: Forsyth Barr analysis

Figure 88. Substantial shareholders

Shareholder	Latest Holding
Asset Management Limited	27.7%
Jajar Investments	22.9%

Source: NZX, Forsyth Barr analysis, NOTE: based on SPH notices only

Figure 89. International valuation comparisons

Company (metrics re-weighted to reflect MHM's balance date - June)	Code	Price	Mkt Cap (m)	PE		EV/EBITDA		EV/EBIT		Cash Yld	
				2023E	2024E	2023E	2024E	2023E	2024E		
MHM Automation	MHM NZ	NZ\$0.84	NZ\$75	11.6x	6.9x	8.5x	5.4x	10.2x	6.4x	1.8%	
Scott Technology*	SCT NZ	NZ\$3.48	NZ\$283	21.8x	19.6x	11.1x	9.9x	16.2x	14.0x	2.8%	
John Bean Technologies Corp	JBT US	US\$123.61	US\$3,933	27.5x	23.9x	16.4x	14.3x	25.3x	20.1x	0.3%	
Marel Hf	MAREL NA	€3.00	€2,313	n/a	19.1x	15.4x	11.8x	28.3x	19.2x	1.2%	
Abb-Reg	ABBN SW	US\$34.86	US\$65,607	22.2x	17.4x	14.5x	11.7x	17.7x	13.9x	2.8%	
Emerson Electric Co	EMR US	US\$91.35	US\$52,207	20.9x	20.7x	15.5x	14.6x	20.0x	17.6x	2.3%	
Honeywell International Inc	HON US	US\$194.13	US\$128,895	23.8x	20.2x	16.5x	14.5x	19.5x	16.4x	2.2%	
Omron Corp	6645 JP	¥7622.00	¥1,571,998	21.0x	22.1x	11.4x	12.7x	15.4x	16.1x	1.4%	
Fanuc Corp	6954 JP	¥4348.00	¥4,361,366	25.4x	27.2x	16.5x	17.4x	20.9x	22.5x	2.3%	
Rockwell Automation Inc	ROK US	US\$336.29	US\$38,631	31.4x	26.0x	22.4x	20.3x	25.5x	21.9x	1.5%	
Schneider Electric Se	SU FP	€162.04	€92,822	23.2x	19.8x	15.4x	14.0x	19.0x	16.4x	2.2%	
Gea Group Ag	G1A GR	€38.64	€6,974	16.7x	16.0x	9.5x	8.5x	13.2x	11.6x	2.7%	
Compc Average:				23.4x	21.1x	15.0x	13.6x	20.1x	17.2x	2.0%	
EV = Mkt cap+net debt+lease liabilities+min interests-investments				MHM Relative:		-50%	-67%	-43%	-60%	-49%	-63%

Source: *Forsyth Barr analysis, Bloomberg Consensus, Compc metrics re-weighted to reflect headline (MHM) companies fiscal year end

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