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Marel: Intention to Float on Euronext Amsterdam in Q2 2019

Marel hf. (the “Company” or “Marel”), a leading global provider of advanced processing equipment, systems, software and services to the poultry, meat and fish industries, today announces its intention to proceed with a public offering and listing (the “Offering”) on Euronext Amsterdam, in addition to its listing on Nasdaq Iceland. The planned Offering will consist of new share capital up to 100 million primary shares (equivalent to approximately 15% of issued share capital) from a capital increase. The listing is expected to be a pre-summer listing, subject to market conditions.

- The listing on Euronext Amsterdam will increase the awareness of Marel and its brand with a broader international investor base. In addition, the Offering will strengthen Marel’s capital structure and provide a global currency for acquisitions in support of its growth strategy.
- Founded in 1983, Marel is a leading global provider of advanced processing equipment, systems, software and services to the poultry, meat and fish industries. The Company had EUR 1.2 billion in revenues in 2018 and has over 6,000 employees in over 30 countries and on six continents.
- The Company has a large and diversified blue-chip customer base in more than 140 countries, with long-term customer relationships driving balanced revenues, of which 35% are revenues from services and spare parts that are recurring by nature.
- Marel is committed to innovation and targets to invest on average ~6% of its revenues in Research & Development. Marel has developed Innova, a unique proprietary software platform that enables food processors to collect data in real-time to monitor yield, throughput, capacity and overall quality with traceability built into every step. Today, there are over 2,000 installations world-wide of the Innova software.
- Marel has expanded to become a technological leader developing solutions across the poultry, meat and fish processing industries that improve yield and throughput as well as ensuring quality, safety and sustainability of production and animal wellbeing.
- Marel has an experienced management team with a proven track record of strong financial results, cash generation, shareholder returns, successful acquisitions and operational improvement.
- Marel targets to grow its revenue by 12% on average annually in 2017-2026, comprising 4-6% organic growth and on average 5-7% via acquisitions. The food processing market Marel operates in is forecast to grow 4-6% annually.¹
- Since its listing in 1992 on Nasdaq Iceland, Marel has delivered a revenue CAGR of 22% through a combination of organic revenue growth and successfully integrated acquisitions, creating excellent value for its approximately 2,500 shareholders. As of 17 May 2019, Marel represents around 36% of the total market capitalization on the Icelandic exchange and is the exchange’s most actively traded stock. The dual listing on Euronext Amsterdam, in addition to its listing on Nasdaq Iceland, is a natural next step in the Company’s growth strategy.

¹ Information on market data is based on Marel’s analysis of data that has been extracted or derived from third party reports, market research, government and other publicly available information and independent industry publications, as the case may be, including the United States Department of Agriculture (the “USDA”), the Food and Agriculture Organisation of the United Nations (the “FAO”), Brookings, the Groundfish Forum and Ragnar Tveterås.

Árni Oddur Thórdarson, CEO, commented:

“This is an exciting day for Marel as we announce our intention to float on Euronext Amsterdam in addition to our listing in Iceland. We are well positioned in highly attractive end-markets, supported by secular growth trends such as population growth, the rising middle class, and urbanisation that are driving demand for quality food that is produced sustainably and affordably. Marel is at the centerpoint of these prevailing trends and in partnership with our customers, our innovative approach is transforming the way food is processed. The dual listing will support our target of 12% average annual revenue growth in 2017-2026 which we will aim to achieve through market penetration and innovation, complemented by strategic partnerships and acquisitions.”

Ásthildur Margrét Otharsdóttir, Chairman of the Board commented:

“This marks an important milestone in the history of Marel which has transformed from a start-up in the University of Iceland to a leading global provider of advanced processing equipment, systems, software and services to the poultry, meat and fish industries. The listing on Euronext Amsterdam will complement our existing Icelandic listing and provide access to a broader international investor base. Furthermore, the offering will strengthen Marel’s capital structure and provide our experienced management team with the platform and global currency for acquisitions to continue our ambitious growth strategy.”

Investment highlights

Attractive end-markets, supported by secular growth trends

- Marel focuses on the high-growth meat, poultry and fish markets, which the Company’s management estimates has a consumer value of EUR 1,200 billion. Thereof, EUR 12 billion is addressable by Marel, defined as the market for food processing equipment, systems, software and services from post-farm to dispatch, and forecast to grow by 4-6% annually on average from 2017 until 2026.
- The main drivers of expected market growth are underlying production growth, an increased need for automation, throughput and yield, as well as an increased focus of consumers and regulators on sustainability, food safety, nutrition, health and wellness.
- Global demographics strongly support the anticipated market growth for animal protein consumption. While the world population is anticipated to exceed 10 billion by 2050, both urbanisation and the number of people entering the middle class is expected to accelerate especially in Asia). By 2030, an estimated ~2 billion additional people will be part of the middle class, with increased protein consumption typically correlated with higher income.

Leading global full-line solutions provider with market-leading technology driven by commitment to customers and innovation

- A global pure play provider aiming to cover the full processing value chain for poultry, meat and fish processing solutions.
- Marel designs, manufactures, sells and services technologically advanced processing solutions ranging from standard equipment to full-line processing systems, with sophisticated software capabilities and services.
- Longstanding target to invest ~6% of annual revenues in innovation to maintain technological leadership within the industry, to secure competitive advantage and to support organic growth. Marel invested EUR 73.7 million in innovation in 2018 and is able to leverage resources, expertise and technology across its three segments.

Large and diversified global customer base served by a global sales and service network and a well-established manufacturing platform with scale benefits

- Marel has a large and diversified global customer base (the single largest customer accounts for approximately 5% of total revenues), which includes some of the world's leading poultry, meat and fish processors, and ranges from large international leaders to local processors in over 140 countries worldwide.
- Global sales and service network ensures local presence and supports Marel's large and growing installed base driving resilient and recurring service and spare parts revenues.
- Marel's revenues are geographically balanced, diversified and a significant proportion (2018: 35%) comprised of maintenance, service and spare parts that are recurring by nature.
- Marel's turnover was around EUR 1.2 billion in 2018, an increase of 15.4% year-on-year, of which 12.5% was organic growth, and Marel sees strong potential to further consolidate the food processing solutions market in order to increase scale.
- Global reach and focus on full-line offering across the poultry (53% of 2018 revenues), meat (32%) and fish (13%) industries provides balance to fluctuations in customer demand.

Experienced and disciplined management team with proven track record

- Experienced management team with long-standing industry experience and leadership roles.
- Refocusing programme launched in 2014 contributed to 25% revenue growth during 2014-2015 while delivering substantial margin improvements.
- Solid track record of balanced organic growth and acquisitions and disciplined capital allocation.
- Strong cash flow generation enabling investments in the business creating shareholder value.
- As of 31 March 2019, Marel's order book² of EUR 474.7 million represents 38.5% of Marel's last-twelve-month revenues and a book-to-bill ratio³ of 0.99.

Clear strategy to deliver targeted growth

- Accelerate full-line offering through continuous product development.
- Capitalize on strong innovation investment to drive growth and market penetration.
- Expand installed base and long-term client relationships.
- Achieve further growth through strategic acquisitions based on a clear M&A strategy.

Financial targets

- In the period 2017-2026, Marel is targeting 12% average annual revenue growth through market penetration and innovation, complemented by strategic partnerships and acquisitions. (Growth is not expected to be linear but based on opportunities and economic fluctuations. Operational results may vary from quarter to quarter due to general economic developments, fluctuations in orders received and timing of deliveries of larger systems.)

² Order book reflects Marel's estimates, as of the relevant order book date, of potential future revenues to be derived from contracts for equipment, software, service and spare parts which have been financially secured through down payments and/or letters of credit in line with the relevant contract terms. These estimates reflect the estimated total nominal values of amounts due under the relevant contracts less any amounts recognized as revenues in Marel's financial statements as of the relevant order book date.

³ Book-to-bill ratio is calculated by dividing the value of orders received during the period by the value of revenues billed during the period.

- Marel's management expects 4-6% average annual market growth in the long term. Marel aims to grow organically faster than the market, driven by innovation and growing market penetration.
 - Maintaining solid operational performance and strong cash flow is expected to support 5-7% revenue growth on average via acquisitions.
 - Marel's management expects basic earnings per share (EPS) to grow faster than revenues.
- Marel targets a leverage ratio (calculated as Net Debt divided by LTM EBITDA) of between 2.0 to 3.0. Excess capital will be used to stimulate growth and create value.

Dividend policy

Marel targets returns to shareholders through dividends and share buybacks of 20-40% of net profits. Over the past five years, the payout ratio has been between 20-30% and excess capital has been used to stimulate growth and create further value. For the financial year 2018, Marel paid out to shareholders a dividend corresponding to 30% of net profits for 2018, which was a 33% increase in dividend per share compared with the previous year.

Financial highlights

EUR million	FY2016	FY2017	FY2018	Q1 2019
Revenues	970 ⁵	1,038	1,198	325
Adj. EBIT Margin¹	14.4%	15.2%	14.6%	14.6%
Orders received²	1,006 ⁵	1,144	1,184	323
Order book³	350	472	476	475
Free Cash flow⁴	131	153	121	44
Leverage	2.3x	1.9x	2.0x	2.2x

Source: Company information. Note: ¹ EBIT adjusted for PPA related costs, including depreciation and amortization from 2016 - 2019. PPA refers to amortization of acquisition-related intangible assets. ² Orders received represents the total nominal amount, during the relevant period, of customer orders for equipment, software, service and spare parts registered by Marel during the relevant period. ³ The order book reflects Marel's estimates, as of the relevant order book date, of potential future revenues to be derived from contracts for equipment, software, service and spare parts which have been financially secured through down payments and/or letters of credit in line with the relevant contract terms. These estimates reflect the estimated total nominal values of amounts due under the relevant contracts less any amounts recognized as revenues in Marel's financial statements as of the relevant order book date. ⁴ Free cash flow defined as cash generated from operating activities less tax and net investments. ⁵ Pro-forma adjusting for the MPS acquisition orders received and revenues were EUR 1,013m and EUR 983m in 2016, respectively.

Shareholder structure

As at 17 May 2019, Marel had 2,464 shareholders. The ten largest shareholders held 66.5% of the share capital, with Icelandic pension funds holding a total of 38.4%. Principal shareholder Eyrir Invest hf. holds 28.4% of issued shares, followed by two Icelandic pension funds, i.e. Pension Fund of Commerce (LIVE) (9.9%) and Gildi (5.7%). As of 17 May 2019, Marel held 11,126,814 (1.7%) treasury shares. The free float of Marel shares was 71.6%.

At the 2019 annual general meeting, shareholders approved a proposal to increase share capital by up to ISK 100,000,000 nominal value (~EUR 730,000) by issuing new shares and waive their pre-emptive rights to subscribe for these new shares.

Transaction highlights

- Marel intends to proceed with a listing and Offering on Euronext Amsterdam, in addition to its listing on Nasdaq Iceland.
- The Offering consists of (i) a public offering in the Netherlands and Iceland and (ii) private placements to certain institutional investors in various other jurisdictions, including: (x) a private placement in the United States of America to persons reasonably believed to be "qualified institutional buyers" as defined in, and in reliance on, Rule 144A under the US Securities Act of 1933, as amended (the "US Securities Act") or pursuant to another available exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act; and (y) a private placement to institutional buyers outside the United States, where all offers and sales will be made in compliance with Regulation S under the US Securities Act.
- The planned Offering will consist of up to 100 million new shares (equivalent to approximately 15% of issued share capital), including an all-primary over-allotment option.
- Timing is expected to be a pre-summer listing, subject to market conditions.
- The Offering is expected to be available to institutional investors and retail investors in the Netherlands and Iceland, and to certain qualified institutional investors in various jurisdictions.

Citi and J.P. Morgan are acting as Joint Global Coordinators for the planned Offering and dual listing. ABN Amro, ING and Rabobank are acting as Joint Bookrunners. Arion Bank and Landsbankinn are acting as Joint-Lead Managers and Icelandic Retail Managers. STJ Advisors is acting as independent financial advisor to Marel on the dual listing.

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About Marel

Marel is a leading global provider of advanced food processing equipment, systems, software and services to the poultry, meat and fish industries. Our united team of more than 6,000 employees in over 30 countries delivered EUR 1.2 billion in revenues in 2018. Annually, Marel invests around 6% of revenues in innovation. By continuously advancing food processing, we enable our customers to increase yield and throughput, ensure food safety and improve sustainability in food production. Marel was listed on NASDAQ Iceland in 1992 and has around 2,500 shareholders.

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