

# Smarter processing

**Q2 2018**

**Investor meeting**

July 26, 2018



## ARNI ODDUR THORDARSON

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Chief Executive Officer



## LINDA JONSDOTTIR

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Chief Financial Officer

# STRONG ORGANIC GROWTH AND SOLID PERFORMANCE

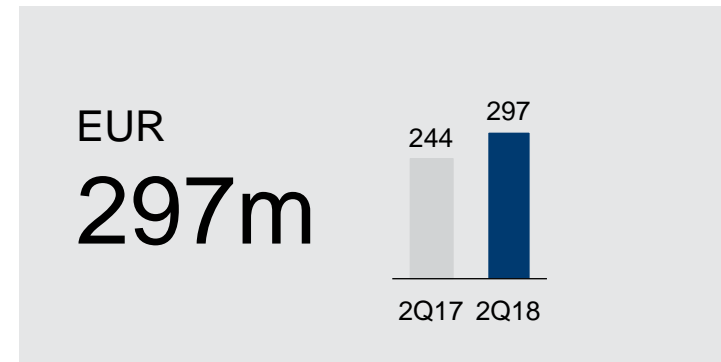


Revenues were a record EUR 297m in 2Q18 and the adjusted EBIT margin was 14.6%. EBIT was EUR 43m, up 20% year-on-year.

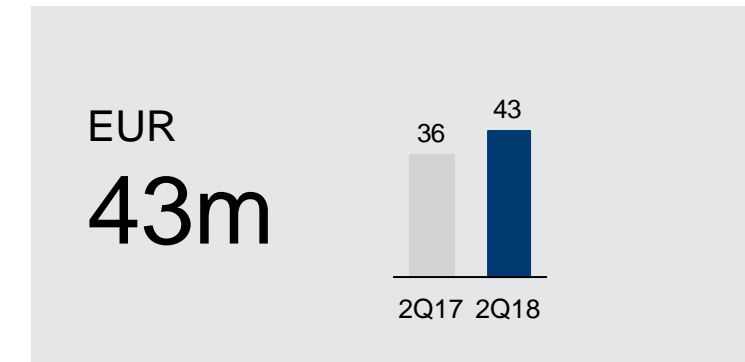
## HIGHLIGHTS

- Record revenues of EUR 297m in 2Q18, up 22% YoY
- Adjusted EBIT result from operations was EUR 43m, up 20% YoY
- EBIT\* margin was 14.6%
- Orders received were good across all sectors and geographies, up 7% YoY
- Strong order book provides good foundation for future quarters

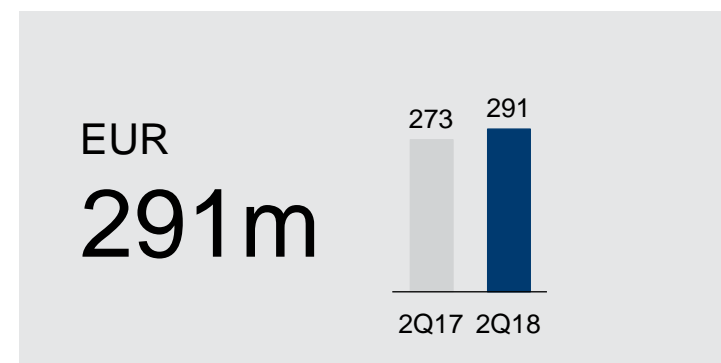
## REVENUES



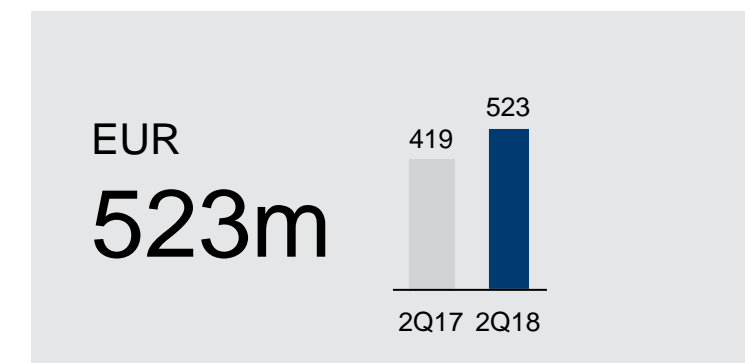
## ADJUSTED EBIT\*



## ORDERS RECEIVED



## ORDER BOOK



\* Operating income adjusted for amortization of acquisition-related (in) tangible assets (PPA)

# BALANCED REVENUE MIX

Focus on the three industries creates an overall balanced product mix and counterbalances fluctuations in operations

## POULTRY



52% of revenues  
17.4% EBIT margin

- Strong quarter with robust order intake, strong volume and solid operational performance
- Good market conditions and strong competitive position

**Marel is reaping the benefits of a steady flow of innovative products with standard blocks and full line offering**

## MEAT



32% of revenues  
12.8% EBIT\* margin

- Marel is now a full-line supplier to the meat processing industry
- Agreement to acquire MAJA, a German food processing equipment manufacturer, to accelerate market penetration

**Focus going forward on increased standardization and modularization**

## FISH



15% of revenues  
8.5% EBIT margin

- Strong order intake and improved operational results, still below long-term targets
- Continued investments in innovation and standardization have delivered good order intake and better margins

**Focus on full-line offering for wild whitefish, farmed salmon and farmed whitefish**

*All financial numbers relate to the 2018 Condensed Consolidated Interim Financial Statements. Other segments account for 1% of the revenues.*

*\* Operating income adjusted for amortization of acquisition-related (in)tangible assets (PPA)*

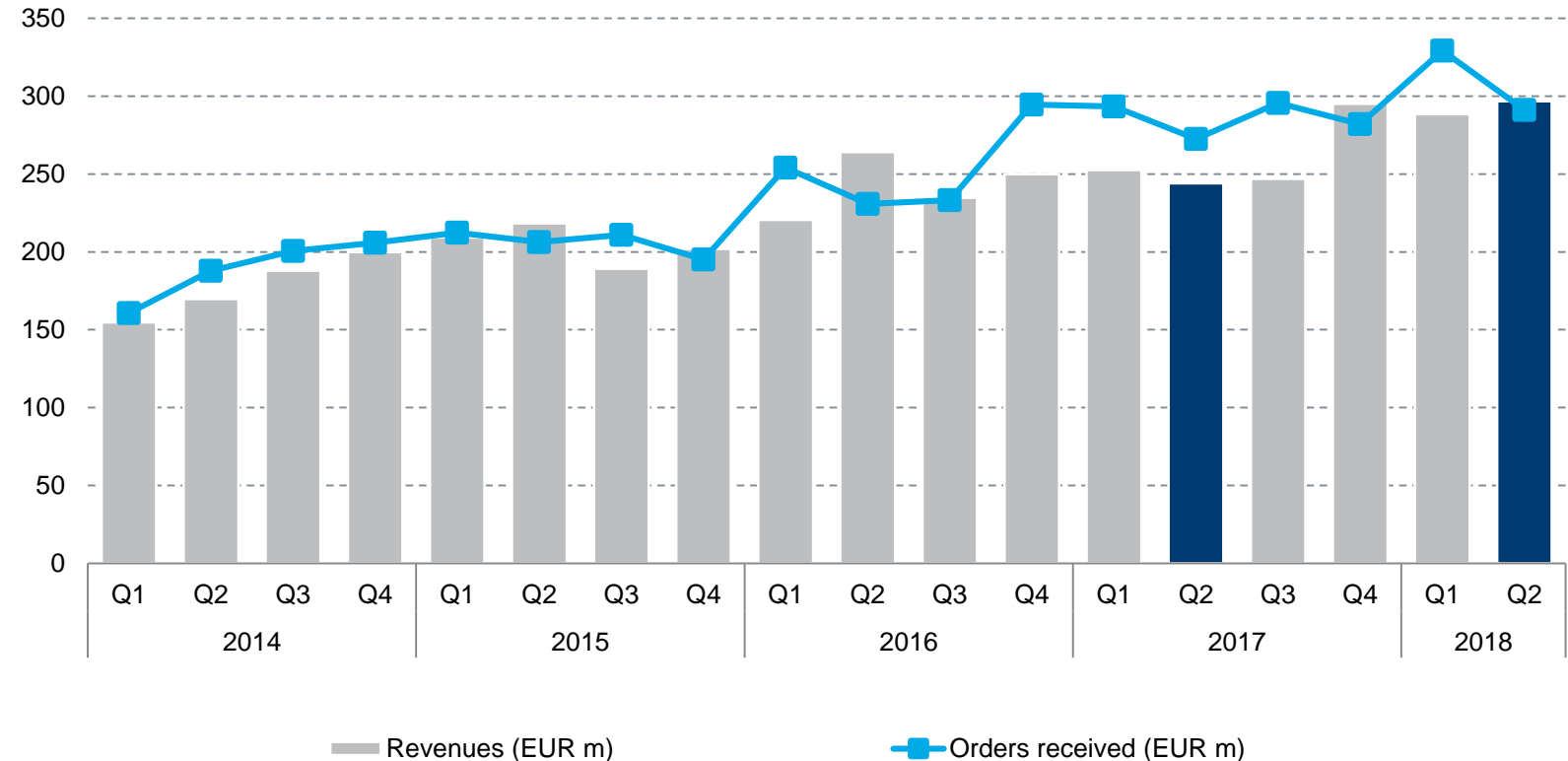
# ORDERS RECEIVED



Orders received in Q2 2018 amounted to EUR 291 million, compared to revenues of EUR 297 million

- At quarter-end, the order book was 46% of trailing twelve months revenues
- Greenfields and projects with long lead times constitute the vast majority of the order book
- Standard equipment and spare parts run with shorter cycles than larger projects
- Maintenance, spare parts and services, represent over a third of revenues

**REVENUES AND ORDERS RECEIVED**  
EUR m



# SOLID OPERATIONAL PERFORMANCE

LINDA JONSDOTTIR

Chief Financial Officer

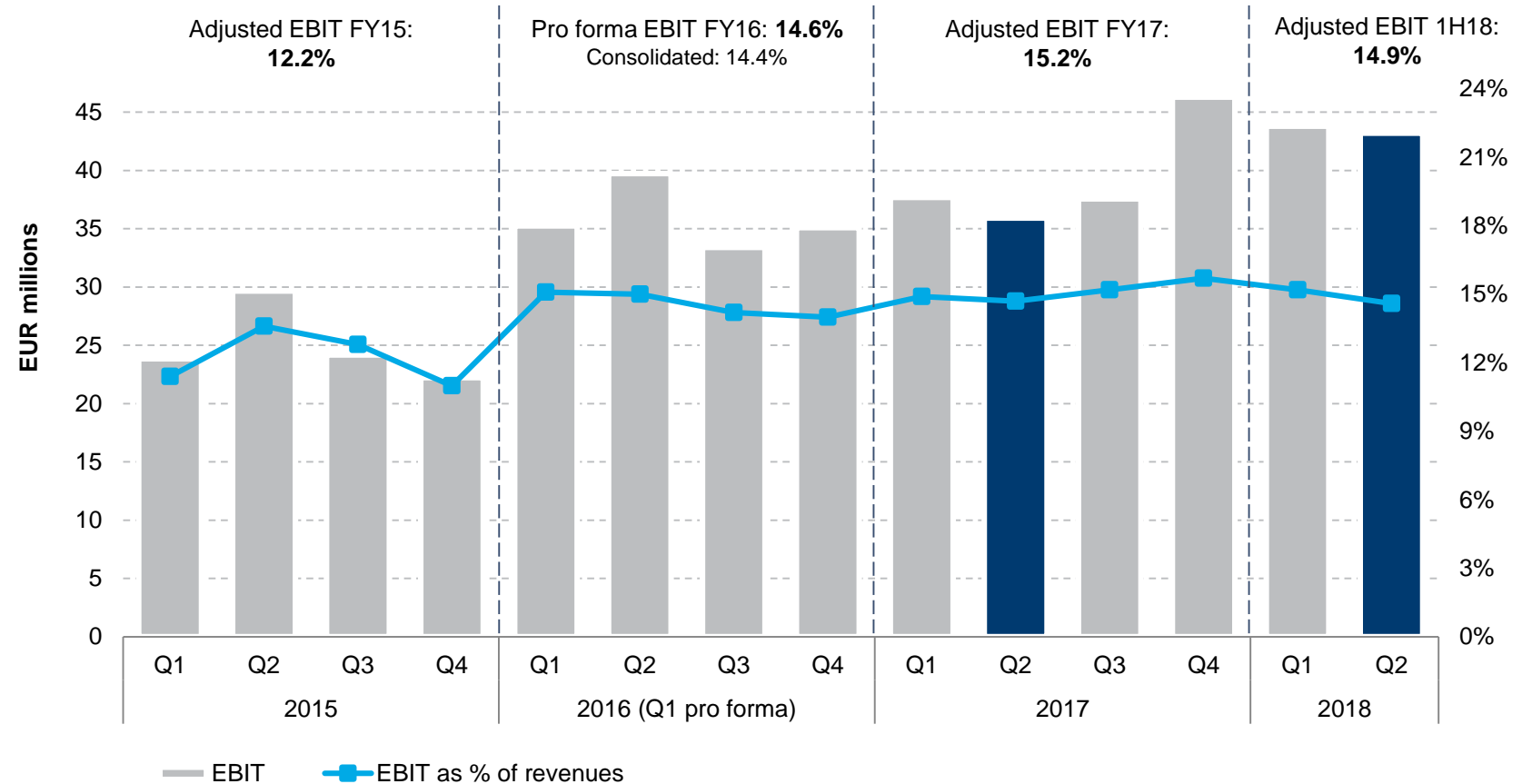


# FIRM STEPS TAKEN TO IMPROVE PROFITABILITY



Strong revenue growth with a stable and healthy profit margin of around 15% EBIT

- Adjusted EBIT was EUR 43m, up 20% YoY
- Stable EBIT margin of 14.6% in 2Q18 and 14.9% in 1H18
- Improved flexibility with more scalable operations following 'Simpler, Smarter, Faster' and strategic investments in innovation and infrastructure
- Ongoing and continued investment in future platform to serve customers' needs better and sustain competitive edge



Note: Operating income adjusted for amortization of acquisition-related intangible assets (PPA) in 2016-2018. 2015 EBIT adjusted for refocusing cost and acquisition costs.

# INCOME STATEMENT: Q2 2018



Gross profit was EUR 115.0m or 38.8% of revenues and net result was EUR 29.5 million, or 9.9% of revenues

In EUR million unless stated otherwise	Q2 2018	Of revenues	Q2 2017	Of revenues	Change
Revenues	296.7		244.0		+22%
Cost of sales	(181.7)		(147.6)		+23%
<b>Gross profit</b>	<b>115.0</b>	<b>38.8%</b>	<b>96.4</b>	<b>39.5%</b>	<b>+19%</b>
Selling and marketing expenses	(33.5)	11.3%	(29.1)	11.9%	+15%
Research and development expenses	(16.7)	5.6%	(14.2)	5.8%	+18%
General and administrative expenses	(21.6)	7.3%	(17.2)	7.1%	+26%
<b>Adjusted result from operations</b>	<b>43.2</b>	<b>14.6%</b>	<b>35.9</b>	<b>14.7%</b>	<b>+20%</b>
Amortization of acquisition-related (in)tangible assets	(2.3)		(6.3)		-63%
<b>Result from operations</b>	<b>40.9</b>	<b>13.8%</b>	<b>29.6</b>	<b>12.1%</b>	<b>+38%</b>
Net finance costs	(3.1)		(6.7)		-54%
<b>Result before income tax</b>	<b>37.8</b>		<b>22.9</b>		<b>+65%</b>
Income tax	(8.3)		(4.3)		+93%
<b>Net result</b>	<b>29.5</b>	<b>9.9%</b>	<b>18.6</b>	<b>7.6%</b>	<b>+59%</b>



# ORDER BOOK

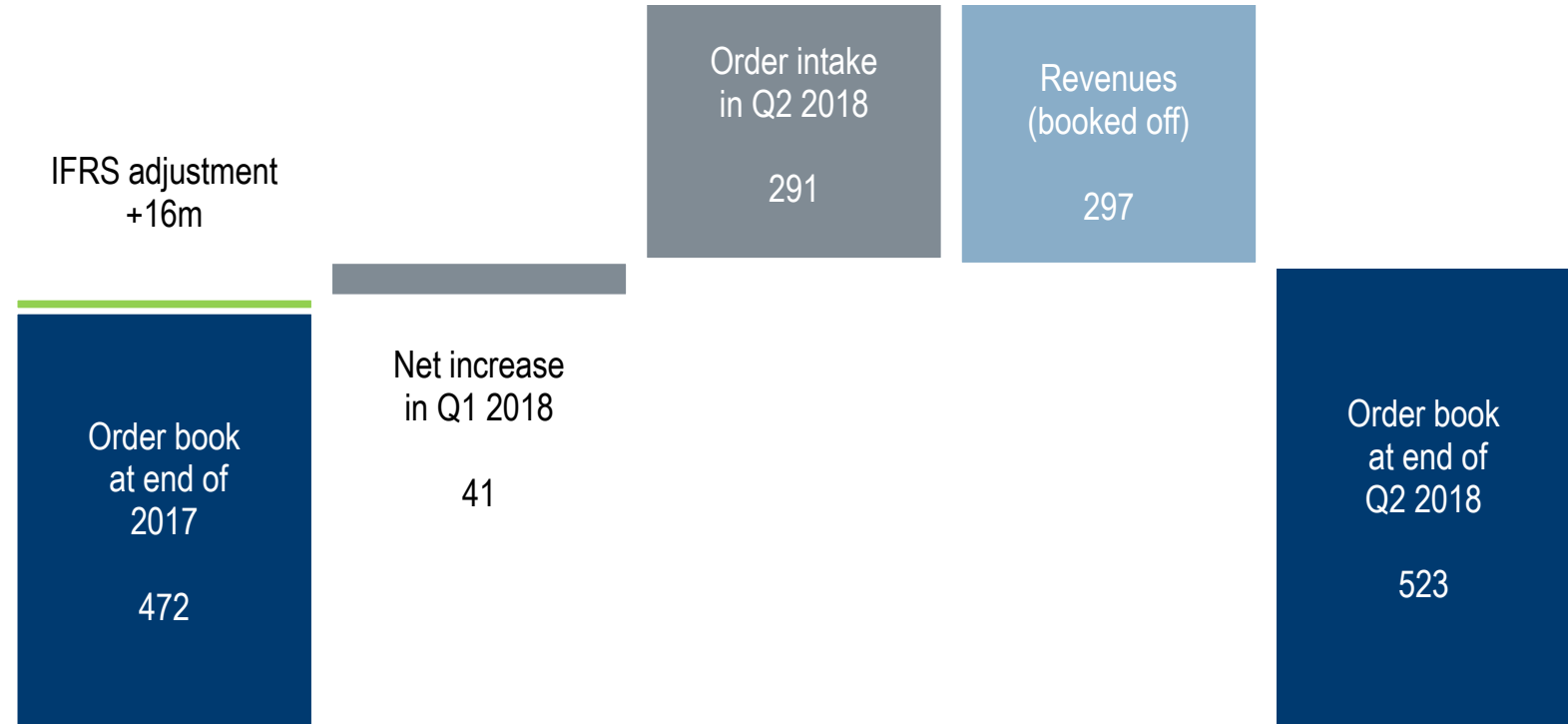


Strong order book of EUR 523m, projects are well distributed geographically

## HIGHLIGHTS

- Order book at quarter-end was EUR 523m
- IFRS adjustment on opening balance was EUR 16m and delay of revenues in 1H18 was EUR 4m
- Strong order book provides good foundation for future quarters

## ORDER BOOK EUR m



# BALANCE SHEET: ASSETS



Q2 2018 Condensed Consolidated Interim Financial Statements

## HIGHLIGHTS

- Marel continues to invest in its manufacturing and innovation facilities and improving the working environment across the company
- Lease assets were added to the balance sheet in 1Q18 in relation to IFRS16
- Working capital items impacted by higher volumes
- Overall working capital is decreasing compared to YE17, primarily caused by down payments on projects

## ASSETS

In EUR million	30/6 2018	31/12 2017	Change
Property, plant and equipment	153.5	144.7	+6%
Right of use assets	30.8	-	-
Goodwill	640.3	643.9	-1%
Intangible assets (excluding goodwill)	258.5	262.7	-2%
Trade and other receivables	3.2	4.0	-20%
Derivative financial instruments	2.0	0.9	+122%
Deferred income tax assets	9.6	4.4	+118%
<b>Non-current assets</b>	<b>1,097.9</b>	<b>1,060.6</b>	<b>+4%</b>
Inventories	132.9	124.4	+7%
Contract assets	30.0	48.2	-38%
Trade receivables	136.0	128.9	+6%
Other receivables and prepayments	56.4	46.6	+21%
Cash and cash equivalents	27.9	31.9	-13%
<b>Current assets</b>	<b>383.2</b>	<b>380.0</b>	<b>+1%</b>
<b>TOTAL ASSETS</b>	<b>1,481.1</b>	<b>1,440.6</b>	<b>+3%</b>

# BALANCE SHEET: EQUITY AND LIABILITIES



Q2 2018 Condensed Consolidated Interim Financial Statements

## HIGHLIGHTS

- Borrowings decreased due to strong cash flow
- Leverage was x1.8, down from x2.0 in 1Q18
- Lease liability was added to the balance sheet in 1Q18 in relation to IFRS16
- Contract liabilities (Production contracts) reflect down payments from customers on projects that will be produced

## EQUITY AND LIABILITIES

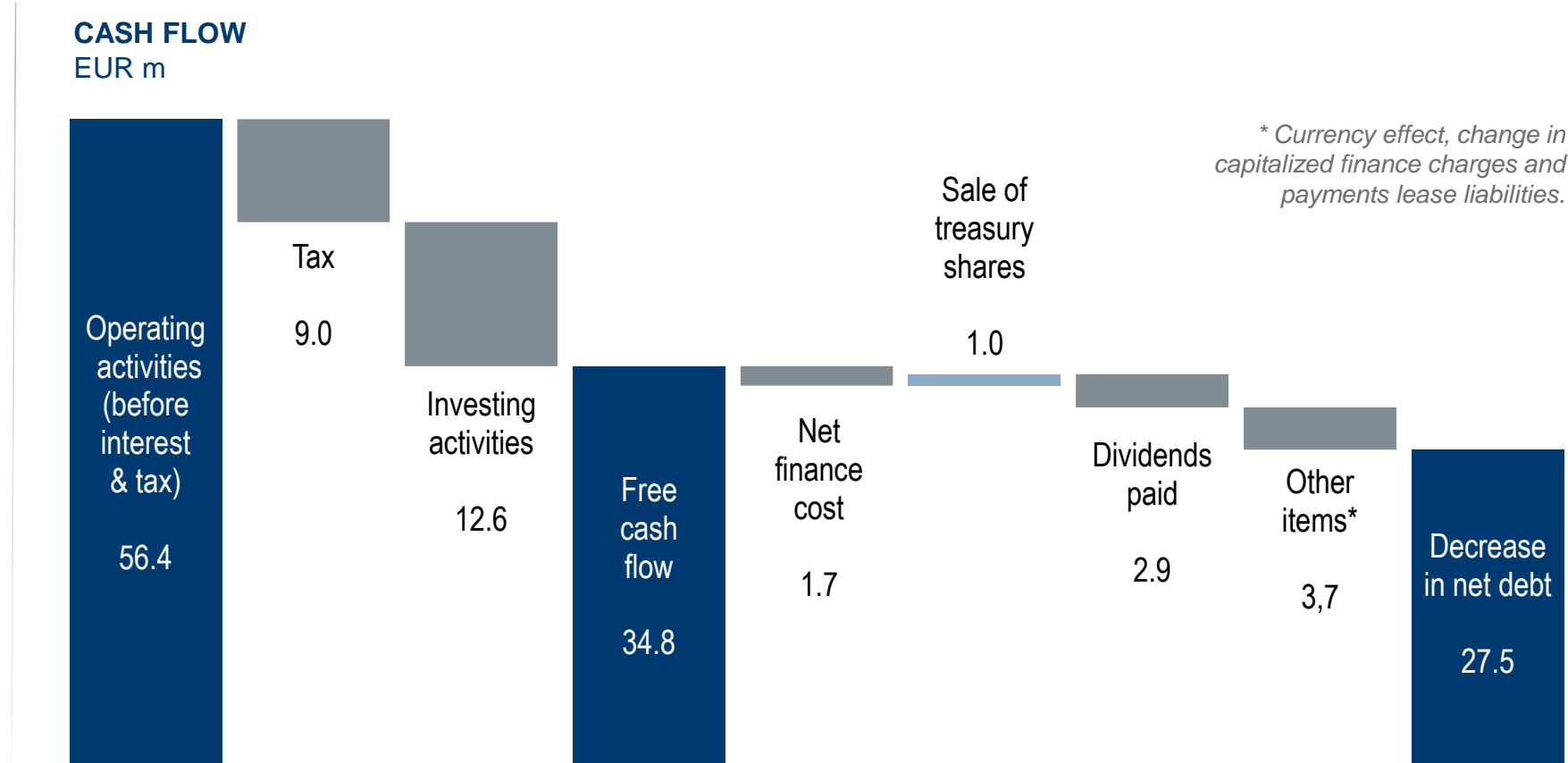
In EUR million	30/6 2018	31/12 2017	Change
<b>Group equity</b>	<b>536.1</b>	<b>541.9</b>	<b>-1%</b>
Borrowings	363.2	370.5	-2%
Lease liability	24.3	0.2	-
Deferred income tax liabilities	63.5	61.3	+4%
Provisions	7.7	8.6	-10%
Other liabilities	3.5	3.6	-3%
Derivative financial instruments	1.9	2.7	-30%
<b>Non-current liabilities</b>	<b>464.1</b>	<b>446.9</b>	<b>+4%</b>
Contract liabilities	227.4	209.6	+8%
Trade and other payables	197.7	195.9	+1%
Current income tax liabilities	15.6	11.0	+42%
Borrowings	23.9	26.2	-9%
Lease liability	7.0	-	-
Provisions	9.3	9.1	+2%
<b>Current liabilities</b>	<b>480.9</b>	<b>451.8</b>	<b>+6%</b>
<b>Total liabilities</b>	<b>945.0</b>	<b>898.7</b>	<b>+5%</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,481.1</b>	<b>1,440.6</b>	<b>+3%</b>

# STRONG CASH FLOW



Strong cash flow enabled continued investment in infrastructure and the overall platform, free cash flow in Q2 2018 amounted to EUR 35 million

- Strong free cash flow at similar levels as last quarter
- Strong order intake results in working capital improvements
- Good cash conversion despite focus on investments to grow the business



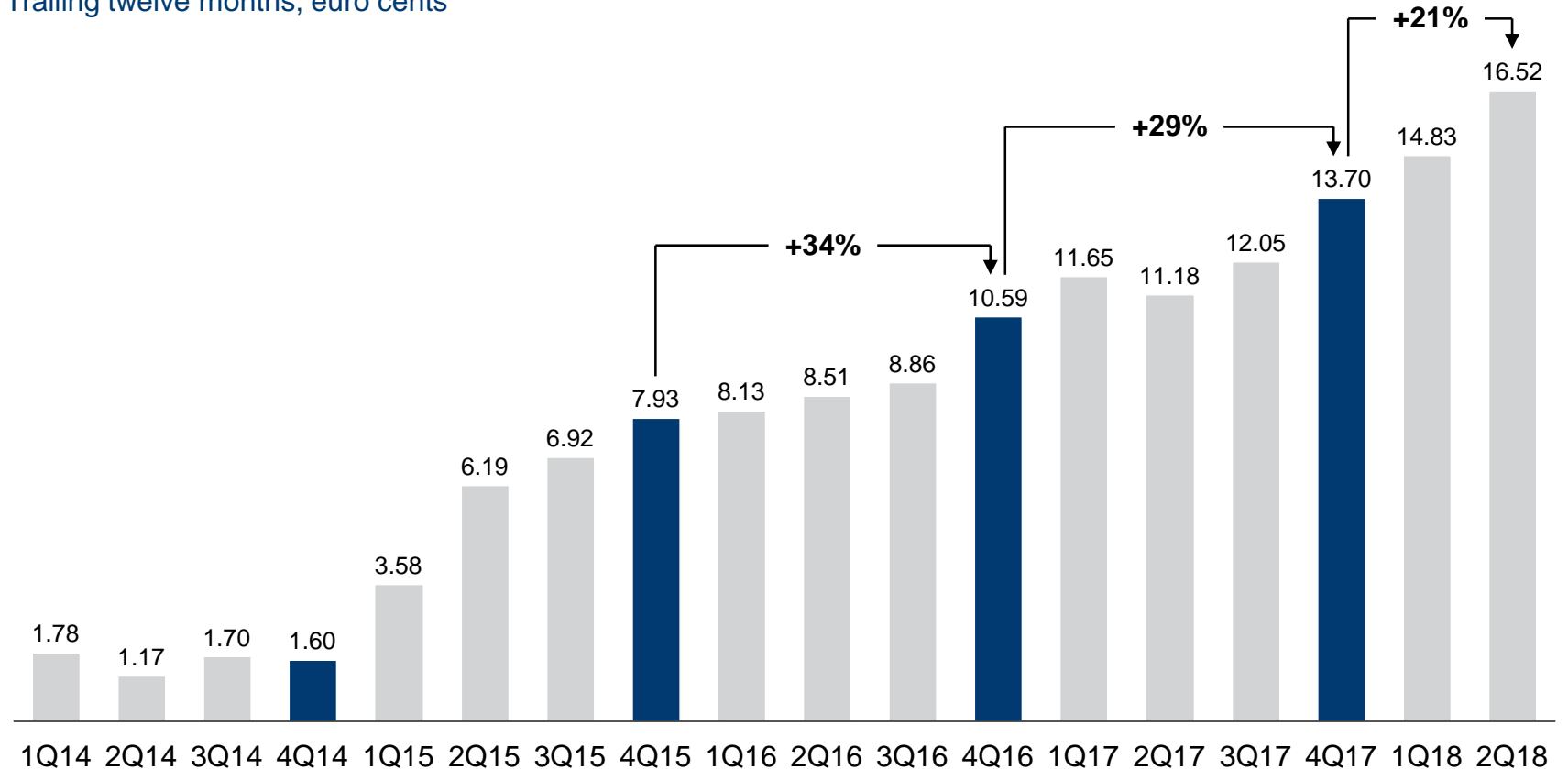
# EARNINGS PER SHARE



Favorable development in Earnings per Share (EPS) over recent quarters, management expects EPS to grow faster than revenues

- In 2018 a dividend equivalent to 30% of 2017 net results was paid to shareholders
- Dividends or share buy-backs are targeted at 20-40% of the net result
- The Board of Directors has authorized management to purchase own shares for nominal value of 20 million, thereof 10 million have been executed

**EARNINGS PER SHARE (EPS)**  
Trailing twelve months, euro cents

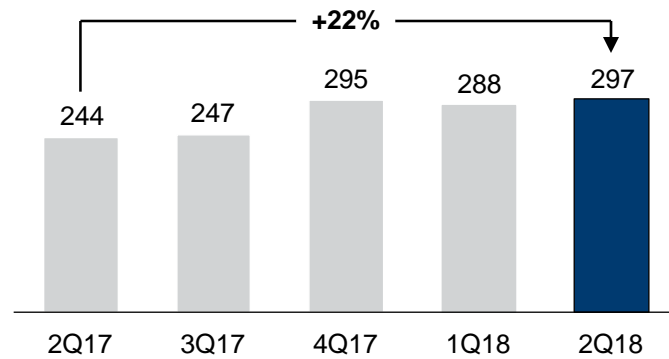


# KEY FIGURES QOQ

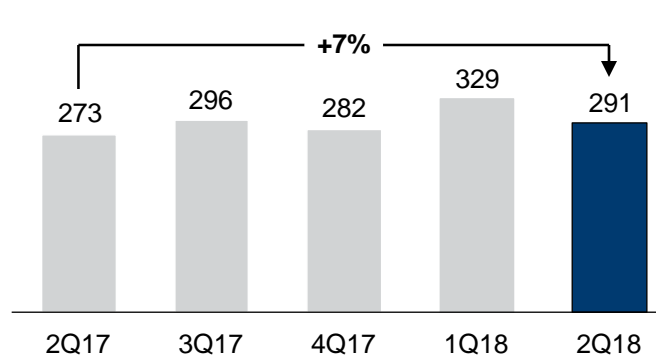


Quarterly comparison of the Condensed Consolidated Interim Financial results

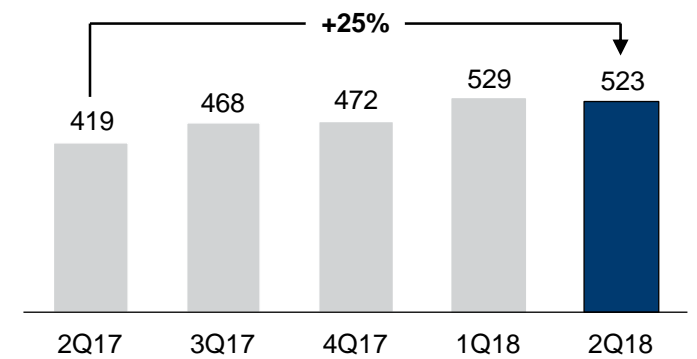
## REVENUES EUR m



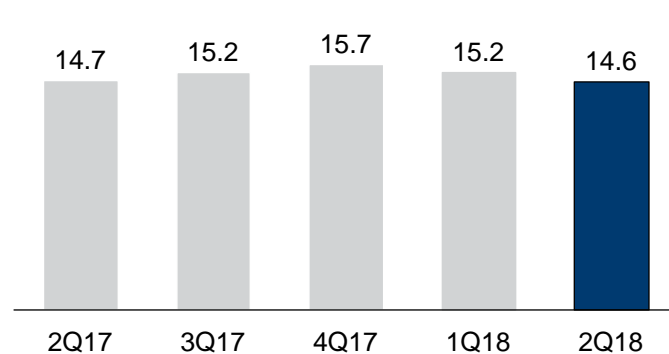
## ORDERS RECEIVED EUR m



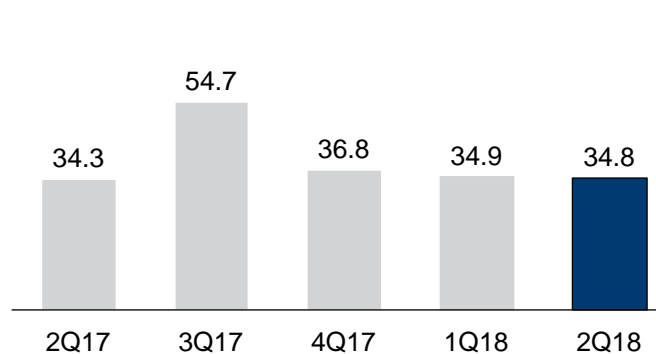
## ORDER BOOK EUR m



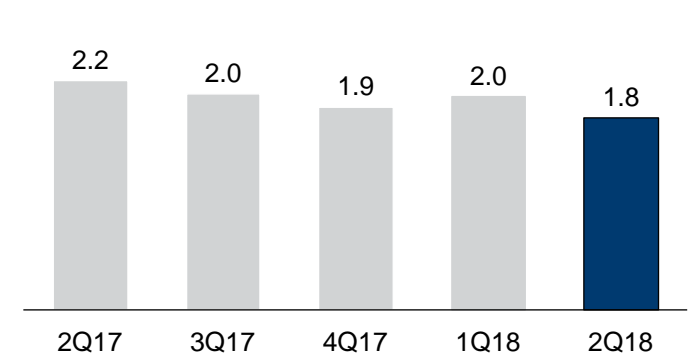
## ADJUSTED EBIT MARGIN %



## FREE CASH FLOW EUR m



## LEVERAGE Net debt/EBITDA



# BUSINESS & OUTLOOK

ARNI ODDUR THORDARSON

Chief Executive Officer



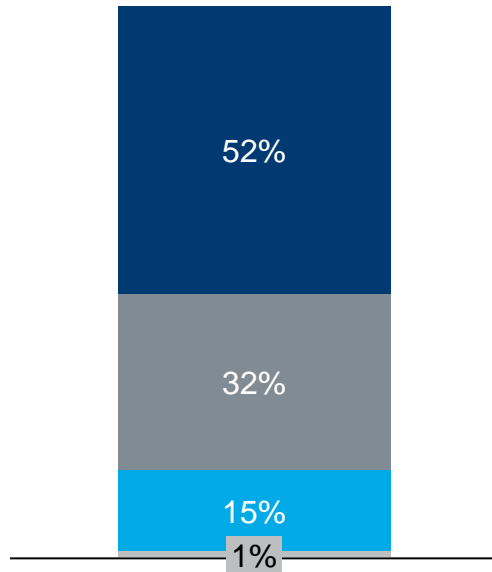
# GOOD QUALITY OF EARNINGS



Strong track record of a well diversified revenue structure across business segments and geographies

## REVENUES BY INDUSTRY

%

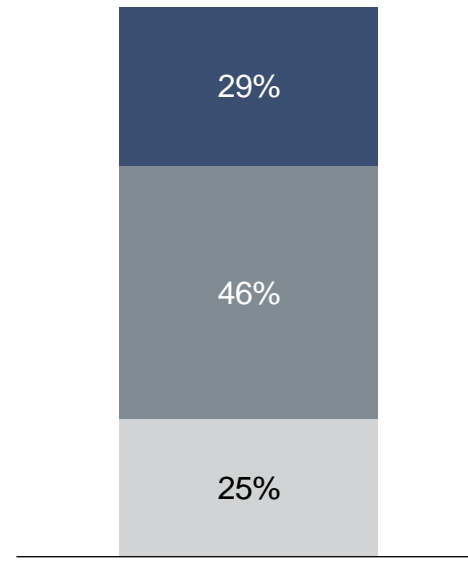


2Q18

- Poultry
- Fish
- Meat
- Other

## REVENUES BY GEOGRAPHY

%

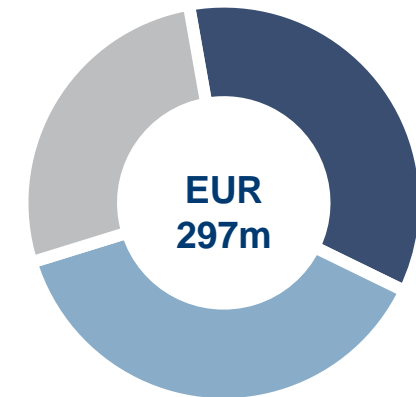


2Q18

- North-America
- Europe
- Rest of the world

## REVENUES BY BUSINESS MIX

%



2Q18

- Greenfield and projects
- Modernization and standard equipment
- Maintenance Service and repairs



# SUCCESSFUL LARGE GREENFIELD PROJECTS



Costco and Leroy are great examples of how Marel is transforming food processing in partnership with its customers



- Next generation plant for salmon processing
- Almost fully automated
- Plant up and running from May 2018
- Good project execution
- Training via virtual reality



*Why don't we become your European plant in the US?*

*"Part of our process will be to get everything to talk to each other, and Innova has that technology."*

*"Anything we can do with Marel to improve technology here in the US, we certainly want to partner with them."*

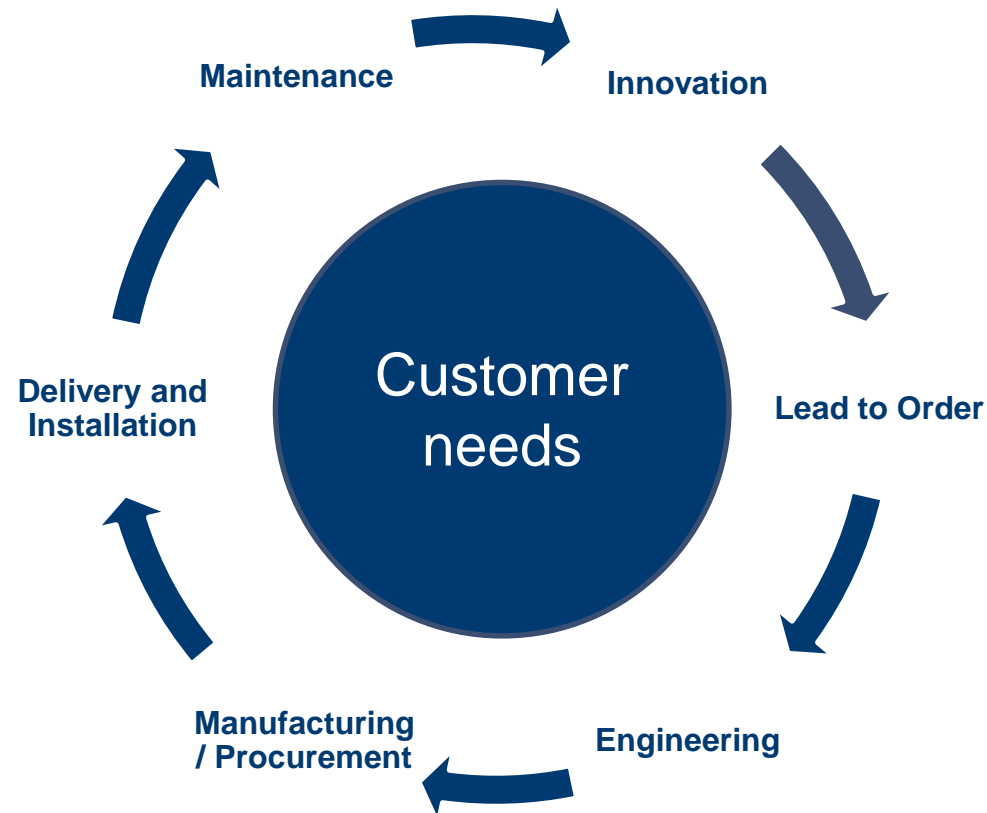
# PASSIONATE TO SERVE CUSTOMER NEEDS



Marel's ambitious growth target is derived from a comprehensive value chain, where each component must excel in the process of delivering products and services to a satisfied customer

- In partnership with our customers, we are transforming the way food is processed
- We have a dedicated team of 5,500 employees
- We are rolling out innovative products every year
- We put emphasis on good co-operation with suppliers

... and deliver the right quality at the right time to customers and shareholders



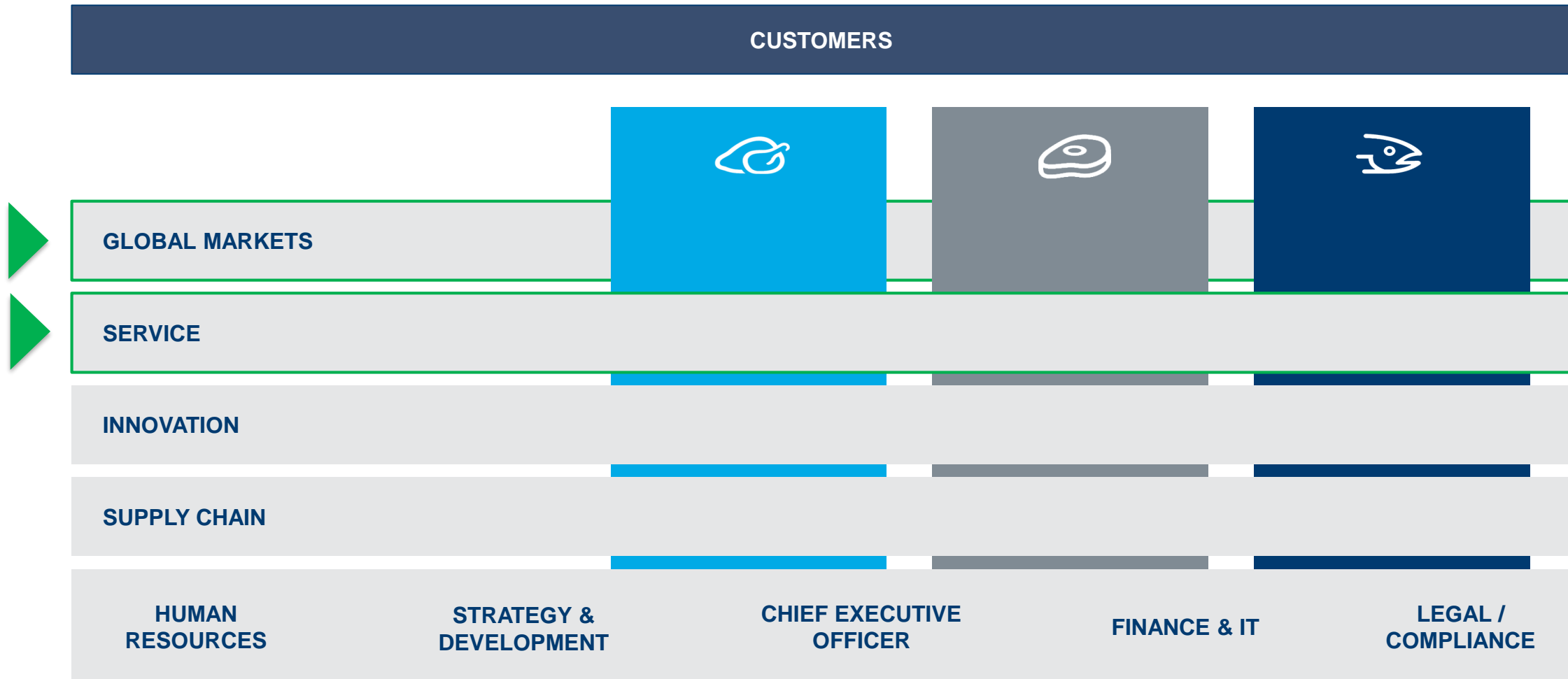
Think global, act local.

Think local, act global.

# ORGANIZATIONAL CHART



To better align strategy with execution, Marel announced changes to its organizational structure in June 2018 where the Commercial function was split into Global Markets and Service



## EINAR EINARSSON

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### Executive Vice President Global Markets

Einar Einarsson is Marel's Executive Vice President of Global Markets. Einar has managed Marel's sales and service operations in North America since he became President of Marel Inc. in the US in 2003.

Under Einar's leadership in the US, Marel has made significant progress in successfully engaging with customers and expanding the North America operations. Prior to his US posting, he held several positions within Marel.



## ULRIKA LINDBERG

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### Executive Vice President Service

Ulrika Lindberg is Marel's Executive Vice President of Service. She has extensive managerial experience in senior sales and services positions at large international organizations.

Before joining Marel she was the Vice President of Global Service at Alfa Laval and has held various management positions worldwide for Alfa Laval and Tetra Pak.





# MAJA, A GERMAN FOOD PROCESSING MANUFACTURER



Agreement to acquire Maja is in line with Marel's strategic objective to be a full-line supplier of advanced food processing solutions & standard equipment, and accelerate market penetration through acquisitions

- MAJA's innovative product offering and solid market position complements Marel's commitment to innovation and extensive global presence
- Specializes in skinning, ice machines and portioning with main focus on the meat market
- A family-owned company, founded in 1955 and based in Kehl-Goldscheuer, Germany
- Managed by second generation owners, Joachim Schill and Reinhard Schill, that will stay with the business
- With MAJA on board, Marel can continue to increase scale to better serve customer needs and drive innovation

2017 revenues  
~EUR 30m

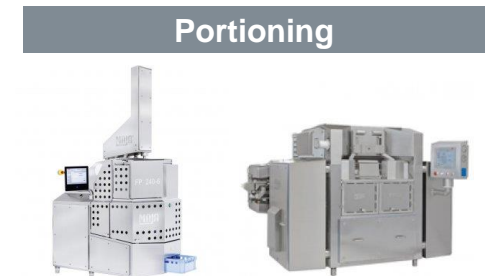
High quality  
manufacturing site in  
Germany

~200 Employees

Long-standing  
relationship with  
Sulmaq in Brazil

Innovative  
company culture

Well managed  
business with  
experienced  
employees



# ALTERNATIVE LISTING

As part of Marel’s ambitious growth strategy, STJ Advisors have been engaged to evaluate potential listing alternatives to further advance its global vision and drive continued shareholder returns

# 1

## LISTING IN REYKJAVIK CONTINUED

No change to current set up where Marel is listed on Nasdaq Iceland

# 2

## CROSS LISTING OR DUAL LISTING

Listing on Nasdaq Iceland continued and a second listing added internationally

# 3

## DELISTING IN ICELAND AND RELISTING ON AN INTERNATIONAL EXCHANGE

In the process, the form and constitution of shares is expected to remain the same





# 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

	TARGET	2Q18	FY17	FY16	
<b>REVENUE GROWTH*</b>	12% average annual revenue growth in 2017-2026*	22% YoY	6%	20%	<p>In light of the results delivered in the beginning of the year and robust order book, we expect strong organic revenue growth and good operational results for the full year 2018. The third quarter is expected to be softer than other quarters in 2018 due to seasonality and product mix.</p> <p>In the long term*, management expects 4-6% average annual market growth. Marel aims to grow organically faster than the market, driven by innovation and market penetration. Solid operational performance and strong cash flow is expected to support 5-7% revenue growth on average by acquisition.</p>
<b>INNOVATION INVESTMENT</b>	~6% of revenues	5.6%	5.5%	6.5%	To support new product development and ensure continued competitiveness of existing product offering
<b>Earnings per Share (euro cent)**</b>	EPS to grow faster than revenues	16.5	13.7	10.6	Marel's management expects Earnings per Share to grow faster than revenues
<b>LEVERAGE</b>	Net debt/ EBITDA x2-3	x1.8	x1.9	x2.3	The leverage ratio is estimated to be in line with the targeted capital structure of the company
<b>DIVIDEND POLICY</b>	20-40% of net profit	-	30%	20%	Dividend or share buy-back targeted at 20-40% of net profits. Excess capital used to stimulate growth and value creation, as well as paying dividends

\*Growth will not 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.

\*\*Trailing twelve months, EUR cents

# Q&A

ÁRNI ODDUR THORDARSON  
CEO

LINDA JONSDOTTIR  
CFO



THANK YOU