

## Marel Q4 and full year 2015 Results

(All amounts in EUR)

### 2015 - Year of profitable growth and strategic moves

#### Q4 2015 - Solid performance and MPS acquisition

- Revenue for Q4 2015 totaled 201.9m [Q4 2014: 200.0m].
- Adjusted\* EBITDA for Q4 2015 was 30.0m or 14.9% of revenue [Q4 2014: 28.1m]. EBITDA was 23.6m or 11.7% of revenue [Q4 2014: 21.0m].
- Adjusted EBIT for Q4 2015 was 22.2m or 11.0% of revenue [Q4 2014: 16.1m]. EBIT was 14.6m or 7.2% of revenue [Q4 2014: 8.5m].
- Net result for Q4 2015 was 9.9m [Q4 2014: 3.0m]. Earnings per share were 1.40 euro cents in Q4 2015 compared with 0.41 euro cents in Q4 2014.
- Cash flow from operating activities before interest and tax in Q4 2015 was 26.9m [Q4 2014: 32.7m].
- The order book was at 180.9m at the end of the quarter compared with 187.7m at the end of Q3 2015 [Q4 2014: 174.9m].

#### Full year 2015 - Adjusted EBIT 100 million, 12.2% of sales

- Revenue for 2015 totaled 818.6m, an increase of 14.9% compared with previous year [2014: 712.6m].
- Adjusted EBITDA was 135.7m or 16.6% of revenue compared with 83.7m and 11.7% for 2014. EBITDA was 120.8m or 14.8% of revenue [2014: 66.7m and 9.4%].
- Adjusted EBIT was 99.9m or 12.2% of revenue compared with 48.8m and 6.8% for 2014. EBIT was 81.6m or 10.0% of revenue [2014: 29.2m and 4.1%].
- Net result for 2015 was 56.7m [2014: 11.7m]. Earnings per share were 7.93 euro cents compared with 1.60 euro cents in 2014.
- Cash flow from operating activities before interest and tax was 119.7m [2014: 102.2m]. Net interest bearing debt at the end of the year 2015 was 142.8m compared with 174.3m at the end of 2014.

Marel achieved 15% revenue growth in 2015. Revenue was 819 million with 12.2% adjusted EBIT or 100 million compared with 49 million in 2014 (6.8%). Net profit for 2015 is 57 million compared with 12 million last year. Cash flow and operational performance was strong leading to net debt/EBITDA at 1.05 at the end of the year compared with 2.08 at the end of 2014. Marel is entering the year 2016 with order book of 181 million compared with 175 million at the beginning of 2015.

Marel closed the acquisition of MPS on January 29, 2016. The purchase price is 382 million on a debt and cash-free basis. Preliminary numbers from MPS' operation show revenue of 158 million in 2015 and EBITDA of 41 million. Orders received were strong and totaled 190 million and MPS enters 2016 with order book of 140 million.

Marel has finalized long term all senior financing of an approximately 670 million with final maturity in November 2020. The financing is at favorable terms in line with Marel's financial strengths and current market conditions. Initial interest terms are EURIBOR/LIBOR plus a margin of 275 basis points which will vary in line with Marel's leverage ratio (Net debt/EBITDA) at the end of each quarter. Opening leverage post MPS acquisition is below 3x Net debt/EBITDA.

\*Before refocusing cost of €4.3m and acquisition cost of 3.3m in Q4 and before refocusing cost of €15.0m and acquisition cost of 3.3m for the full year 2015.

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Marel's earnings per share (EPS) in 2015 are 7.93 euro cents compared with 1.60 euro cents for 2014. The acquisition of MPS is expected to be highly accretive and will enhance EPS going forward. The Board of Directors will propose to the 2016 Annual General Meeting that dividend of 1.58 euro cent per outstanding share will be paid for 2015, corresponding to 11.3 million or approximately 20% of net profit for the year.

Pro-forma revenue for combined Marel and MPS in 2015 is 977 million with estimated adjusted EBIT of 133 million. Pro-forma order book is around 320 million entering 2016 compared with 280 million at the beginning of the year 2015. Management expects modest organic revenue and EBIT growth in 2016 compared with 2015 on pro-forma basis, before purchase price allocation in relation with the acquisition.

**Arni Oddur Thordarson, CEO:**

“2015 was a great year for Marel. We successfully concluded our two year refocusing program, rationalizing the product portfolio, optimizing our manufacturing footprint and streamlining the operation. We managed to engage even better with our customers while refocusing, resulting in a 15% increase in revenue with 100 million in operating profits in 2015 compared with 49 million in 2014.

With the acquisition of MPS we further enhanced Marel's position as a global leading provider of advanced systems and services to the poultry, meat and fish industries. In many ways we are now taking similar steps in the meat industry as were taken eight years ago in the poultry industry with the Stork acquisition, which stimulated organic growth and value creation for customers and shareholders.

Parallel to the acquisition of MPS we secured long term stable financing for the whole company that will support operational and financial flexibility going forward. We appreciate the continued trust from the banks that are supporting Marel as the consolidator in the industry.

MPS is concluding a great year just like Marel. Combined revenues last year were 977 million with adjusted EBIT of 133 million. After a period of strong growth, we expect modest organic growth in revenues and operating performance in 2016”.

## Key figures from Marel's operations in thousands of EUR

	Quarter4 2015	Quarter4 2014	Change in %	Quarter4 2015 YTD	Quarter4 2014 YTD	Change in %
Revenues	201,913	200,018	0,9	818.602	712.554	14,9
Gross profit before refocusing costs	79.864	75.413	5,9	319.515	255.797	24,9
Gross profit before refocusing costs as a % of Revenues	39,6	37,7		39,0	35,9	
Result from operations before refocusing and acquisition costs (EBIT)	22.233	16.058	38,5	99.895	48.778	104,8
EBIT before refocusing and acquisition costs as a % of Revenues	11,0	8,0		12,2	6,8	
Result from operations before refocusing costs (EBIT)	18.921	16.058	17,8	96.583	48.778	98,0
EBIT before refocusing costs as a % of Revenues	9,4	8,0		11,8	6,8	
EBITDA before refocusing and acquisition costs	30.024	28.122	6,8	135.751	83.666	62,3
EBITDA before refocusing and acquisition costs as a % of Revenues	14,9	14,1		16,6	11,7	
EBITDA before refocusing costs	26.712	28.122	(5,0)	132.439	83.666	58,3
EBITDA before refocusing costs as a % of Revenues	13,2	14,1		16,2	11,7	
Refocusing costs	(4.295)	(7.565)		(14.970)	(19.600)	
Result from operations (EBIT)	14.626	8.493	72,2	81.613	29.178	179,7
EBIT as a % of Revenues	7,2	4,2		10,0	4,1	
EBITDA	23.599	20.989	12,4	120.813	66.698	81,1
EBITDA as a % of Revenues	11,7	10,5		14,8	9,4	
Net result	9.862	2.995	229,3	56.696	11.731	383,3
Net result as a % of revenues	4,9	1,5		6,9	1,6	
Orders Received 1)	195.028	205.655	(5,2)	824.609	754.996	9,2
Order Book				180.887	174.880	3,4

1) Included are the service revenues.

	Quarter4 2015	Quarter4 2014	Quarter4 2015 YTD	Quarter4 2014 YTD
<b>Cash flows</b>				
Cash generated from operating activities, before interest & tax	26.850	32.669	119.739	102.201
Net cash from (to) operating activities	19.836	27.030	93.652	85.601
Investing activities	(10.838)	(3.997)	(17.859)	(28.395)
Financing activities	(9.383)	(25.085)	(10.723)	(55.623)
Net cash flow	(385)	(2.052)	65.070	1.583

### Financial position

Net Interest Bearing Debt	(142.760)	(174.347)
Operational working capital 2)	85.617	77.983

2) Third party Debtors, Inventories, Net Work in Progress and Third party Creditors.

### Key ratios

Current ratio		1,4	1,1
Quick ratio		1,0	0,7
Number of outstanding shares		704.666	728.611
Market cap. in millions of Euros based on exchange rate at end of period		1.252,6	648,9
Return on equity	9,0%	2,8%	13,0%
Earnings per share in euro cents	1,40	0,41	7,93
Leverage adjusted for refocusing and acquisition costs 3)		1,05	2,08
Leverage adjusted for refocusing costs 3)		1,08	2,08

3) Net Interest Bearing Debt/ LTM EBITDA

## **Simpler, Smarter, Faster refocusing program**

The two year Simpler, Smarter, Faster refocusing program was successfully completed in 2015 resulting in increased sales, improved operational and net profits and strong cash flow. The focus will now shift towards full potential program with the aim of further operational improvements, continuous innovation and focused investments to improve the business and support future growth and value creation.

During the two year refocusing program Marel managed to streamline the general business, refocus its product portfolio, optimize the manufacturing footprint and at the same time invest in further growth through innovation and advanced business tools. During the program the manufacturing footprint was reduced from 19 to 9 location and employees were reduced by 200 while at the same time revenue increased.

From the beginning of the refocusing program, taking into account the proceeds from sales of operations, the total cash-out cost of the refocusing program is estimated at 16 million, with 35 million P/L effect for the same period, thereof 4.3 million in Q4 2015. The refocusing cost in Q4 2015 is mainly due to manufacturing optimization and the transfer of manufacturing activities from Des Moines to Gainesville that were completed before year-end 2015.

Further streamlining of operations will take place in 2016 such as the streamlining of the operation in Seattle, U.S and in Marel's further processing segment, where the focus is on supporting poultry, meat and fish customers in further value creation.

## **Marel becomes a full-line supplier to the meat industry**

Marel announced the closing of its acquisition of MPS meat processing systems on January 29, 2016. The purchase price is 382 million on a debt and cash-free basis. Agreement of the acquisition was announced on November 21, 2015 and the closing was subject to anti-trust approvals that were obtained without reservation in January 2016.

United, the two companies will be at the forefront in developing full-line solutions and equipment for the meat processing industry. They have a good strategic and cultural fit with a highly complementary product portfolio and geographic presence, creating a strong platform to enhance further growth.

MPS is a leader in primary processing solutions for the pork and beef industry as well as in innovative solutions in water treatment and food logistics. Under the leadership of MPS' management, MPS has shown solid growth and profitability in recent periods. MPS has one of the largest installed bases in the industry and a large global base of customers.

The MPS acquisition enhances Marel's position as a leading global provider of advanced systems and solutions to the poultry, meat and fish industries and is fully in line with the company's previously announced growth strategy. This step will contribute to a more balanced revenue split between industry segments and geographies. On a pro-forma basis Marel's meat segment will now contribute close to 30% of revenue and EBITDA of Marel.

Preliminary MPS results show revenue of 158 million in 2015 and EBITDA of 41 million. MPS accounts are based on Dutch GAAP and will be transferred to IFRS in the first half of 2016. The results of 2016 will be affected by Purchase Price Allocation which involves allocating the purchase price to various balance sheet items including intangible assets. Orders received at MPS were strong and amounted to 190 million resulting in order book of close to 140 million at the end of the year.

Pro forma revenue for combined Marel and MPS is 977 million with estimated adjusted EBIT of 133 million. Combined order book is estimated around 320 million entering 2016 compared with around 280 million at the beginning of the year 2015.

Marel's advisory cost associated with the MPS acquisition is 3.3 million and is fully accounted for in Q4 2015 results of Marel.

## **Markets**

Market conditions in Marel's main markets were good in 2015. During Q4 order intake slowed down compared with previous quarters which are fully in line with what Marel communicated in Q3 2015.

Marel's poultry segment showed an excellent operational performance throughout the year. Meat and fish segments showed good operational improvements during the year although order intake and profitability slowed down during Q4.

### **Poultry**

Marel's poultry segment had an excellent year, with strong operational profit margins and volumes. The poultry segment generated 451 million in revenue and adjusted EBIT of 84.9 million (18.8% of revenue) in 2015. The poultry segment accounted for 55% of Marel's revenue in 2015. Market conditions in poultry remained favorable throughout the year. Projects were well distributed geographically and between different product types and sizes, including large projects in Germany, Italy, Poland, U.K. and Malaysia.

### **Fish**

Marel's fish segment saw improvements throughout the year. The fish segment generated 140 million in revenue and adjusted EBIT of 11.7 million (8.3% of revenue) in 2015. The fish segment accounted for 17% of Marel's revenue in 2015. The FleXicut Waterjet cutter continues to impress customers and has generated considerable attention following successful development projects in Iceland where several FleXicut machines were sold during the year.

### **Meat**

Marel's meat segment saw a significant improvement in 2015. Marel's meat segment generated 115 million in revenue and adjusted EBIT of 8.5 million (7.4% of revenue) in 2015. The meat segment accounted for 14% of Marel's revenue in 2015.

### **Further Processing**

Overall results for further processing are unacceptable although the year ended on a better note than previous quarters. Marel's further processing segment generated 101 million in revenue with negative adjusted EBIT of 1.5 million (-1.5% of revenue) in 2015. The further processing segment accounted for 12% of Marel's revenue in 2015. Marel is currently streamlining and investing in the further processing segment to support poultry, meat and fish customers in further value creation to return healthy future profitability.

## **Financial items**

### **Cash flow**

Operational cash flow before interest and tax is 26.9 million for Q4 2015 compared with 32.7 million at Q4 2014. For the full year 2014 operational cash flow from operating activities before interest and tax was 119.7 million compared with 102.2 million in 2014. Total operating working capital decreased slightly during the quarter but has stayed flat compared to year-end 2014. Marel returned a healthy cash flow from its operations.

In Q4 2015, Marel sold 0.8 million treasury shares for a total amount of 0.9 million. This sale was made to fulfil obligations of stock option agreements. At end of Q4 2015 Marel held 30.9 million treasury shares. There are 10.5 million outstanding stock options at the end of Q4 2015.

On January 29, 2016 Marel sold 10.8 million treasury shares for a total amount of 16.2 million to shareholders and the management of MPS. At February 3, 2016 Marel holds 20.1 million treasury shares.

## **Financing**

The balance sheet is healthy and net interest bearing debt amounts to 142.8 million at year-end 2015, compared with 174.3 million at year-end 2014. Strong EBITDA and cash flow resulted in a total net leverage ratio of 1.05 at the end of 2015 compared to 2.08 at the end of 2014.

Parallel to the acquisition of MPS, Marel entered into an approximately 670 million all senior long term financing agreement at favorable terms in line with current market conditions. The all senior loan facilities, which have now replaced the prior senior/junior structure, include a EUR 343 million term loan, a USD 105 million term loan as well as a EUR 225 million revolving credit facility. The loans mature in November 2020. Current interest terms are EURIBOR/LIBOR plus a margin of 275 basis points which will vary in line with Marel's leverage ratio (Net debt/EBITDA) at the end of each quarter. ABN Amro Bank, ING and Rabobank acted as Book-runner Mandated Lead Arrangers.

This financing provides Marel with strategic and operational flexibility to support value creation going forward. The financial position of Marel remains strong and the leverage ratio is estimated to be in line with the targeted capital structure of the company.

## **Dividend**

The Board of Directors will propose to the 2016 Annual General Meeting that a dividend of 1.58 euro cents per share be paid for the operational year 2015. The total dividend payment will be approximately 11,3 million euro corresponding to 20% of net profits. The proposed dividend is in line with Marel's targeted capital allocation and dividend policy.

The proposed dividend is in line with Marel's targeted capital allocation and dividend policy. If approved by Marel's shareholders, the company's shares traded on and after 3 March 2016 (Ex-Date) will be ex-dividend and the right to a dividend will be constricted to shareholders identified in the company's shareholders registry at the end of 4 March 2016, which is the proposed record date.

## **Outlook**

Combined pro-forma revenues of Marel and MPS last year were 977 million with adjusted EBIT of 133 million. After a period of strong growth, Marel expects modest organic growth in revenues and operating performance in 2016 compared with 2015 on pro-forma basis, before purchase price allocation in relation with the acquisition.

A commercially strong product portfolio and focused market approach together with tailwind in the market has driven strong revenue growth in recent quarters. The industry that Marel operates in has a history of 4-6% annual growth and it is expected that average annual growth will remain at that level in the long term. Marel's aim is to continue to grow faster than the market by leveraging its market presence and with continuous investments in innovation.

In the mid- and long-term, the company believes its innovative products and global presence in all segments will secure good growth and increased profitability. Results may vary from quarter to quarter due to general economic developments, fluctuations in orders received and deliveries of larger systems.

## **Presentation of results, February 4, 2016**

Marel will present its results at an investor meeting on Thursday, February 4, at 8:30 am (GMT), at the Company's headquarters at Austurhraun 9, Gardabaer. The meeting will also be webcasted at [marel.com/webcast](http://marel.com/webcast).

## **Publication days of Consolidated Financial Statements in 2016**

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|--------------------------------|------------------|
| ▪ 1 <sup>st</sup> quarter 2016 | April 25, 2016   |
| ▪ 2 <sup>nd</sup> quarter 2016 | July 27, 2016    |
| ▪ 3 <sup>rd</sup> quarter 2016 | October 26, 2016 |
| ▪ 4 <sup>th</sup> quarter 2016 | February 1, 2017 |

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Release of financial statements will take place after market closing on the aforementioned dates.

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