



# MUNTERS

Q4 report 2020

Klas Forsström, President and CEO

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# Agenda

Highlights Full Year 2020

Implementation of strategy

Fourth quarter and Full Year 2020 results

Summary

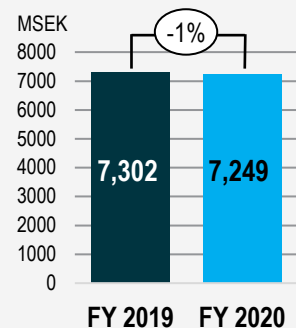




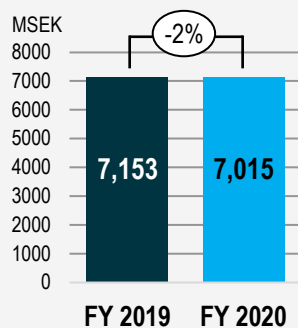
# A stronger base for the future growth journey

## Stable net sales and improved profitability

### Order intake



### Net sales



## Challenging market conditions



- Order intake increased FX-adj. by +2%
- Net sales increased FX-adj. by +1%
- Adj. EBITA improved to MSEK 906 (871)
- Adj. EBITA-marg. increased to 12.9% (12.2)
  - Both AirTech and FoodTech showed good improvements
- Leverage at 1.9x, down from 2.9x at YE 2019
- 2020 dividend proposal of SEK 0.70 per share

- The pandemic had mixed impact on Munters, with the largest challenges in the second and fourth quarters
- Delays in deliveries to customers and postponed investments by customers
- All production units have been operational during the year, except one minor unit
- Still low visibility of market demand due to lingering Covid-19 outbreak

## Entering next phase on our journey



- New organization structure with clear responsibility and accountability in place
- Achieved growth in prioritized areas, product rationalization and improved ways-of-working
- Strong focus on turning Munters into a more customer centric company with zero impact on the planet, capturing growth drivers

# Order intake Q4 - decline in Americas and growth in EMEA

## Americas

- AirTech - Data Centers US had weak order intake, on the back of a strong 2019 partly offset by good development in driven by pharma, lithium battery and supermarket sub-segments. Services had positive development in the US
- FoodTech - weak development, driven mainly by an overcapacity in the swine market in the US

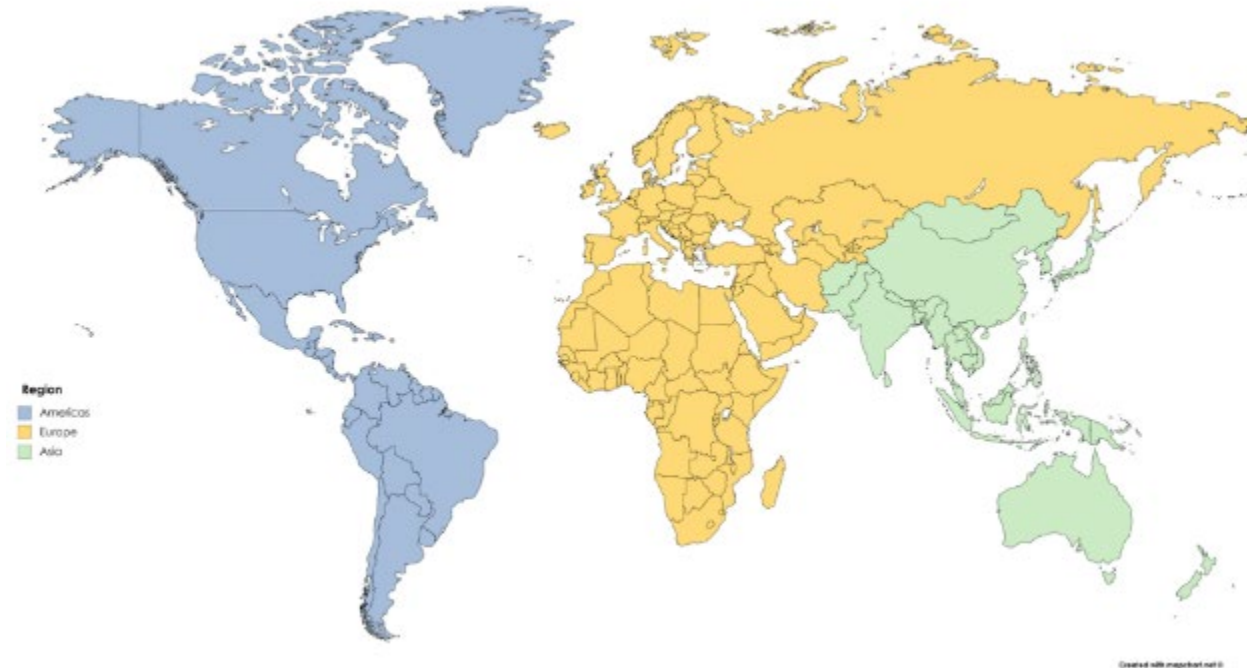
## EMEA

- AirTech – weak development driven by Mist Elimination partly offset by good development in lithium battery sub-segment
- FoodTech – weak development due to the effects from the Covid-19 pandemic, offset by a good development in our operations in Germany

## Asia

- AirTech - growth in APAC driven by strong performance in pollution control business in Mist Elimination
- FoodTech - stable development driven by the swine segment in China where the growth was good as an effect of the African Swine Fever (ASF) outbreak in 2019

Regional split	Americas	EMEA	APAC
Share of total order intake	45%	34%	22%
Y/Y change in %*	-25%	1%	-1%
Y/Y FX-adj. change in %	-15%	6%	6%



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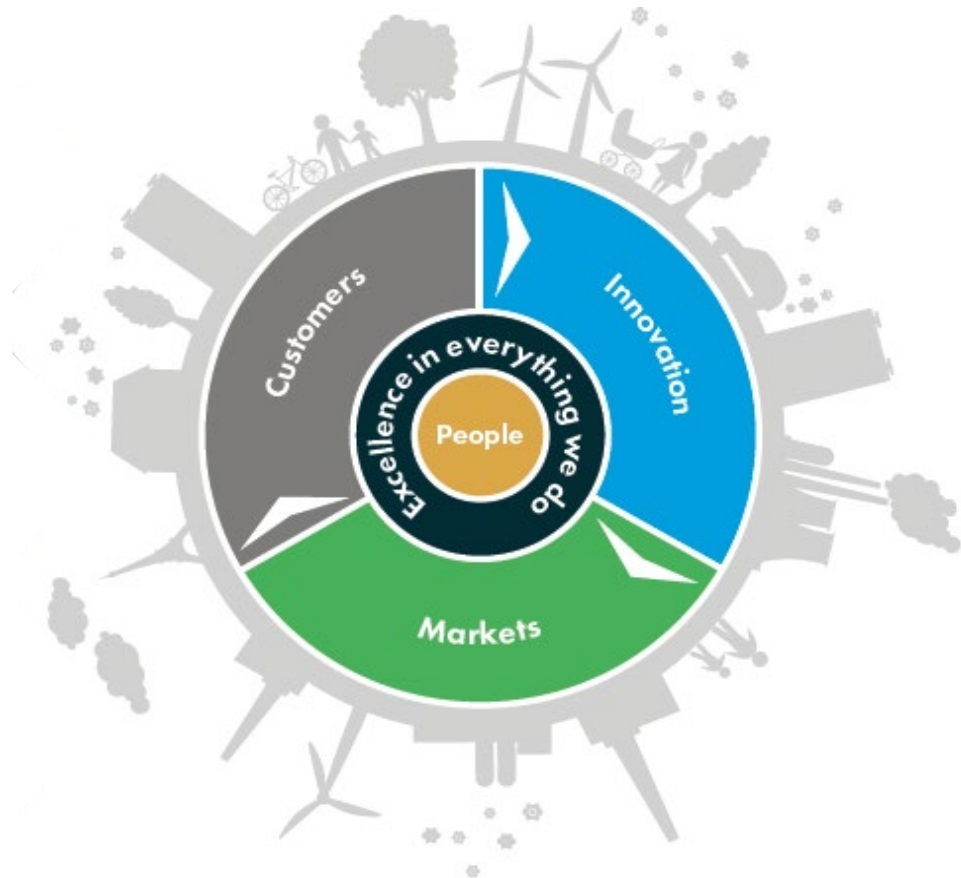
Summary



# Focus in 2020 and beyond

Purpose:

**For customer success and a healthier planet**



*Strategic priorities:*

	Focus areas
<b>Customers</b>	Improve go-to-market models and pricing strategies
<b>Innovation</b>	Focus investments in R&D and product portfolio alignment and adjustment
<b>Markets</b>	Growing in prioritized markets and strengthen Services
<b>Excellence in everything we do</b>	Continuous improvements, lean activities in complete value chain, manufacturing footprint and working capital
<b>People</b>	Leadership and competence development in line with strategic priorities

# Summary – strategy execution in 2020

Strategic priorities:	Achievement 2020	Long-term ambitions
<b>Customers</b>	Way forward set for both AirTech and FoodTech	Delivering minimum additional annual +0.5-1.0 % net price change
<b>Innovation</b>	Product portfolio reduction of >30% Ambition set to reduce components by 25% end 2023 (ie fasteners, metals, electrical components, etc)	Reduce product assortment by 40% in 2022 Core product offering modularized
<b>Markets</b>	Growth in prioritized markets including Services	Market position 1,2 or 3 in prioritized markets Services to reach more than 30% of net sales
<b>Excellence in everything we do</b>	Introducing leading ways-of-working processes, focus on footprint optimization and working capital	Align processes throughout the whole value chain Optimized working capital efficiency
<b>People</b>	New organizational structure and leadership team in place	Ensure a high level of employee engagement and inclusive culture with focus on diversity



# JBS partners with MTech for improved food traceability

**JBS/Pilgrims, which is the largest animal protein producing company in the world, partners with MTech Systems at Munters**

- MTech Systems to provide an Artificial Intelligence (AI) supply chain platform for improving end-to-end planning of the live supply chain to meet demands and company strategy
- The platform will provide a centralized end-to-end planning, starting with day old pullets all the way to delivering the broilers to the customer

JBS/Pilgrims Pride USA



- Help our customers optimize their value chain and improve sustainability.
- Creating prediction models to help prevent issues, waste of resources like feed or watching over animal welfare.

***Setting the base for traceability in the food chain***





# Expanding our Service offering during the pandemic

- Large potential for Munters in increasing the share of Services
- In 2020, Services increased to 14% of net sales and reached 17% of net sales in the fourth quarter; despite challenges due to the pandemic and difficulties accessing customer sites
- Munters uses IFS Remote Assistance™ in Service operations to ensure safety of field staff while delivering increased efficiency
  - Enables field technicians or customers to share real-life situational context so that service and repair instructions can be acted upon
- Long-term ambition:  
Services should represent more than 30% of net sales

Services creates a stronger, sustainable operations by providing reliable up-time and longer product lifetime



# Focus on excellence and efficiency in 2020

- **Working Capital**

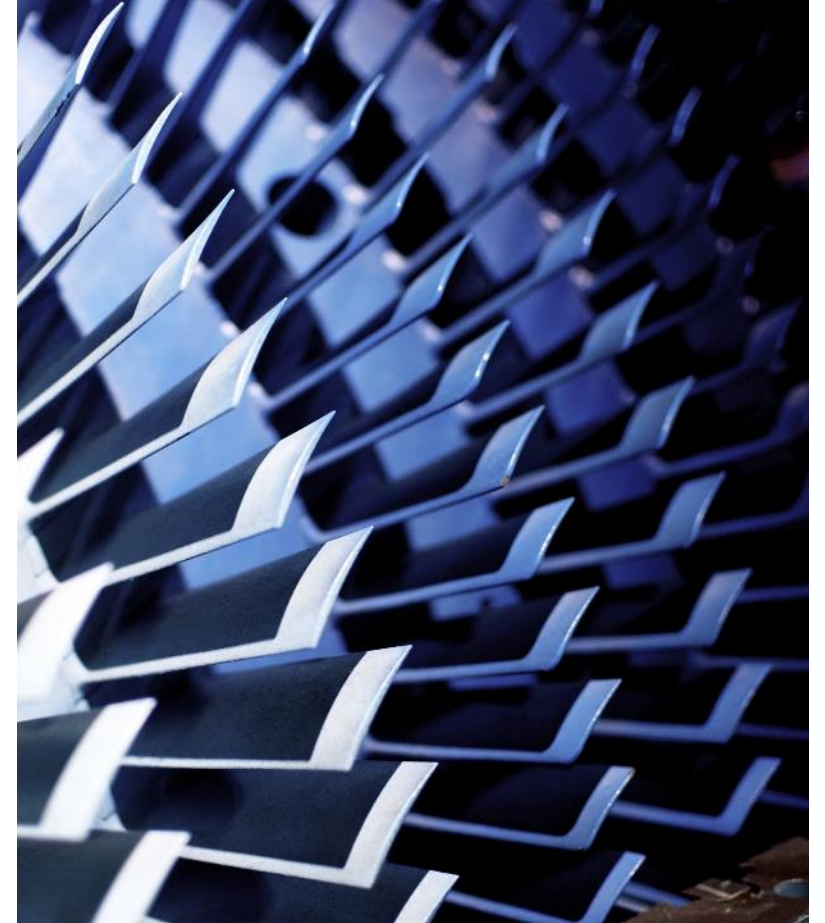
Program launched to improve Working Capital on all levels of the company resulting in more efficient capital management and lower leverage. Operating Working Capital has gone down to 10% of Net Sales in December 2020 compared to 14% in December 2019

- **Introducing leading ways-of-working**

Program initiated to ensure leading ways-of-working throughout the value chain including R&D processes, Product management, Sales-to-order and Delivery, Sourcing, Finance, Human resources and more

- **Strategy Execution**

Measures announced aiming at sharpening the customer offering and footprint optimization. Implementation progressing according to plan. Implementation to be completed during 2021



# New organizational structure complete

The organizational structure has been adapted to be more business oriented and customer focused with:

Clearer business ownership, aligning value chain within Business Areas, capturing logical synergies and value drivers across the Group:

- As of 2020 Head of Business Area has full P&L responsibility for respective area

Functional process responsibility:

- Strategic Operations, Stefan Måhl
- Innovation, Stéphane Darcq
- Commercial Excellence, Stefan Aspman



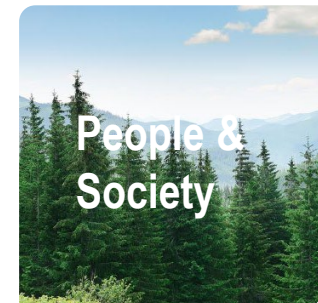


# Sustainability 2020

In 2020 Munters has:

- Created conditions for setting more ambitious sustainability goals during 2021 and integrated sustainability throughout the strategy
- Focused on analyzing and following up the company's carbon dioxide emissions and on strengthening safety, diversity and environmental work
- Conducted an employee survey for 2020 that showed great commitment and motivation among employees and a high level of confidence in management's decisions and actions during the pandemic

**Munters' sustainability agenda constitutes of three parts:  
Resource Efficiency, Responsible Business Practices, People & Society**



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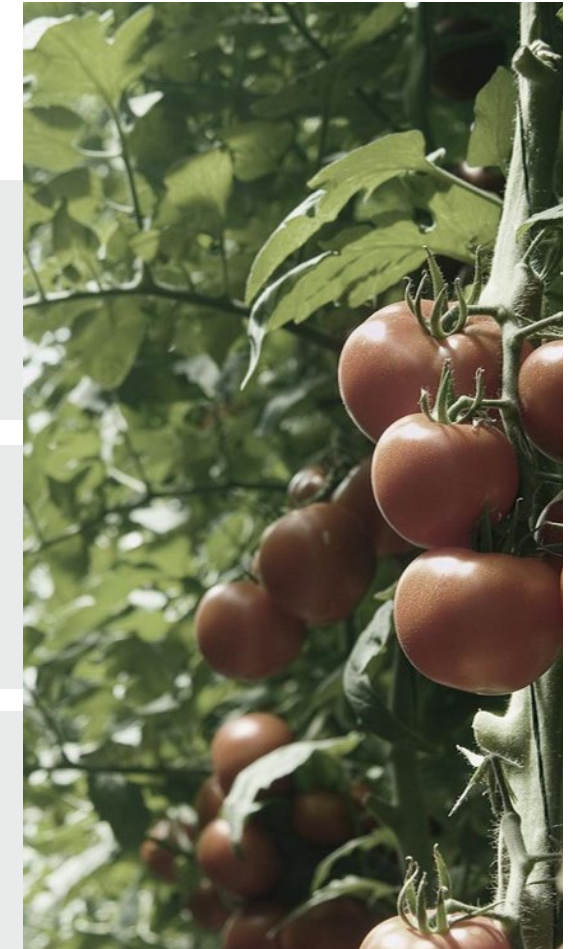
Summary



# Q4 and FY 2020 vs. Mid-term targets and FY 2019

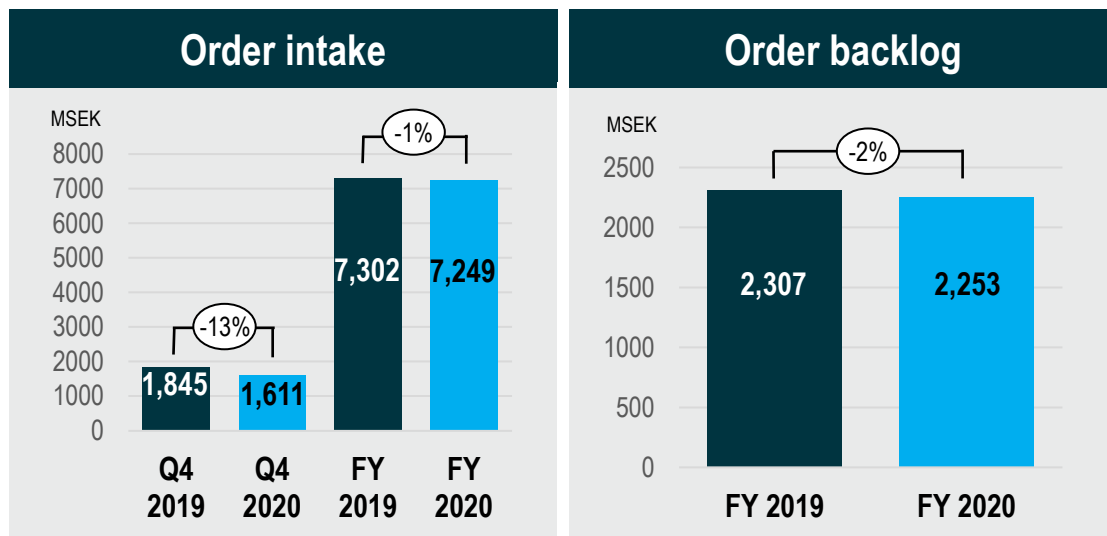
	Mid-term targets	Q4 2019	Q4 2020	FY 2019	FY 2020
<b>1</b> <b>Net sales growth</b> Org. growth p.a. over a business cycle	5%	-1%	8%	6%	1%
<b>2</b> <b>Adjusted EBITA-margin</b>	14%	12.5%	13.3%	12.2%	12.9%
<b>3</b> <b>Capital structure (LTM*)</b> (Leverage: Net debt / adj. EBITDA)	1.5x-2.5x	n.a.	n.a.	2.9x	1.9x

\*LTM = Last Twelve Months





# Group: Growth in organic Net Sales



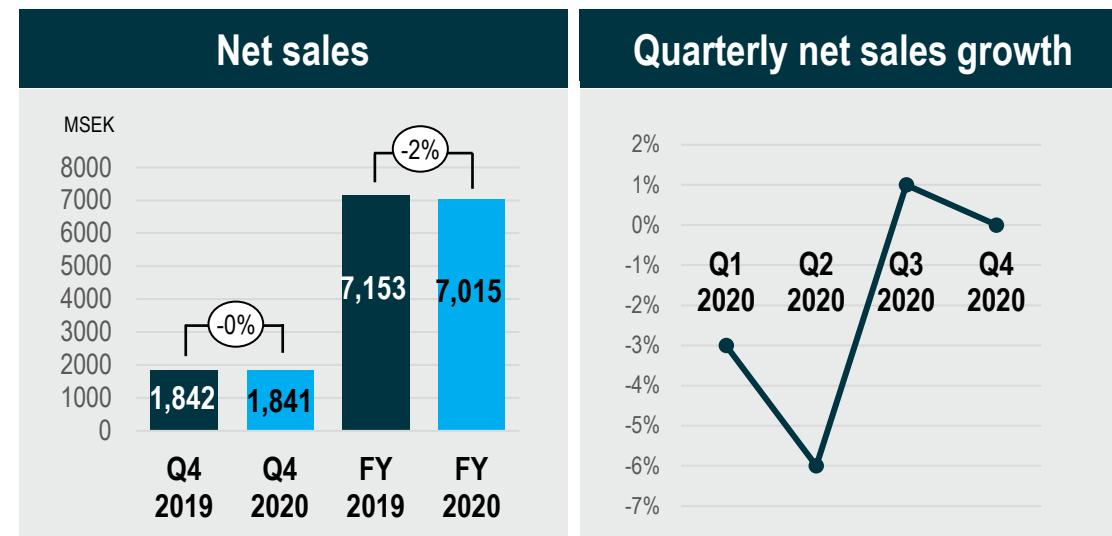
## Order intake, Q4: -13%, FX-adjusted -4%

- AirTech: The decrease was mainly due to a lower order intake in Data Centers US. Partly offset by growth in pharma, lithium battery and supermarkets sub-segments
- FoodTech: Continued growth in the swine segment in China. The broiler segment in EMEA grew despite the pandemic. Americas had flat development

## Order intake, FY 2020: -1%, FX-adjusted +2%

- Slight increase currency adjusted, mainly driven by Industrial in US for AirTech and continued growth in China for FoodTech
- Impact on demand from the Covid-19 outbreak was highest in Q2 and Q4

## Order backlog, Full Year 2020: -2%, FX-adjusted +9%



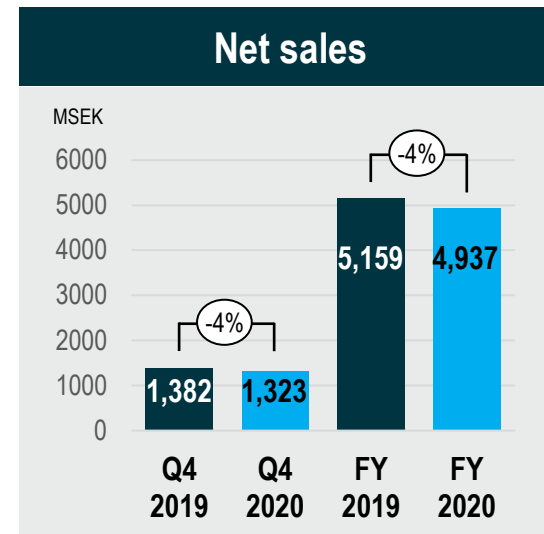
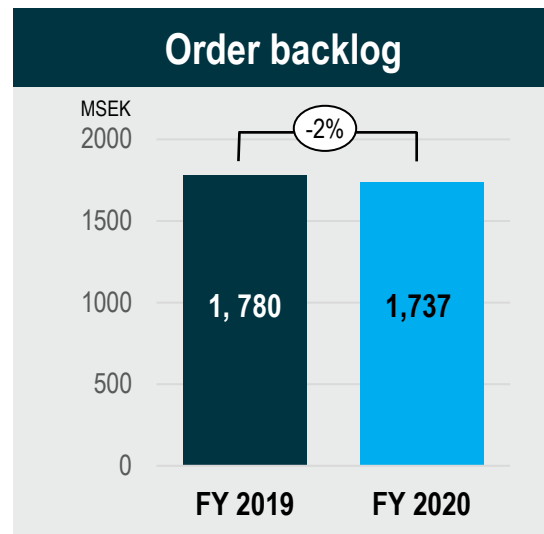
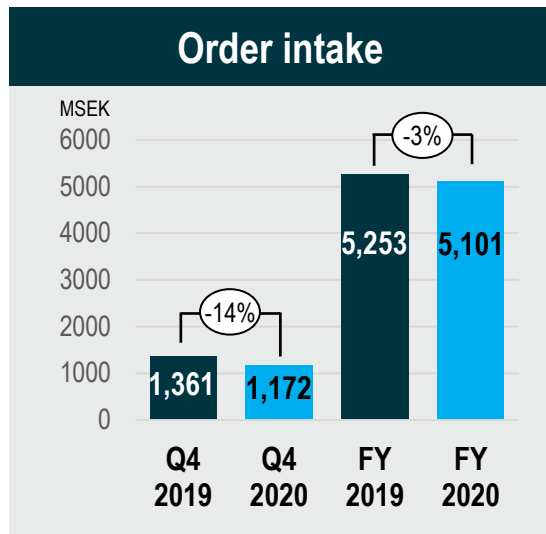
## Net sales, Q4: 0%, FX-adjusted +8%

- Services 17% of NS
- AirTech: Growth in pharma sub-segment driven by Covid-19 relief efforts, Services grew in supermarket sub-segment, Data Center US declined on the back of strong 2019, Exit of non-core Commercial July 2020 slight neg. impact.
- FoodTech: Growth driven by the swine segment in China. Slight growth in EMEA and decline in swine sub-segment in Americas

## Net Sales, FY 2020: -2%, FX-adjusted +1%

- Services 14% of NS
- Increase because of strong swine segment in China for FoodTech, offset by weak development in Mist Elimination in AirTech

# AirTech: Growth in pharma offset by decline in Mist Elimination



#### Order intake, Q4: -14%, FX-adjusted -5%

- Decline driven by lower order intake in Data Centers US (on the back of strong order intake in 2019.)
- Decline partly offset by a strong pharma sub-segment driven by Covid-19 relief efforts. Good growth achieved in Lithium battery (Europe), supermarkets (Americas) and Services (EMEA and Americas).

#### Order intake, Full Year 2020: -3% FX-adjusted 0%

- Flat development, currency adjusted. Strong development in Industrial, Lithium batteries and Services. Offset by weak development in Mist Elimination and exit of non-core Commercial segment in the US.

#### Order backlog, Full Year 2020: -2%, FX-adjusted +9%

#### Net sales, Q4: -4%, FX-adjusted +4%

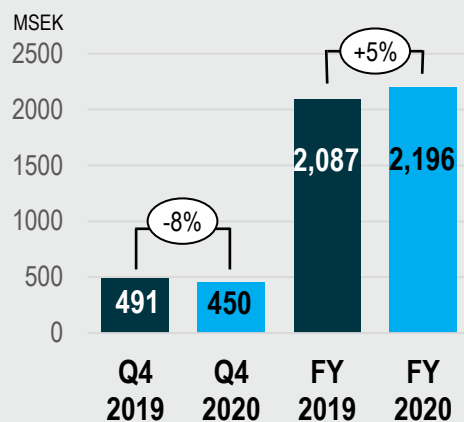
- Services 23% of NS
- Good growth in the pharma sub-segment driven by Covid-19 relief efforts and Services in supermarkets in Americas. Weak Mist Elimination segment and Data Centers US declined due to strong 2019. Exit of the non-core Commercial segment in July 2020, had a slight negative effect.

#### Net Sales, Full Year 2020: -4% FX-adjusted -2%

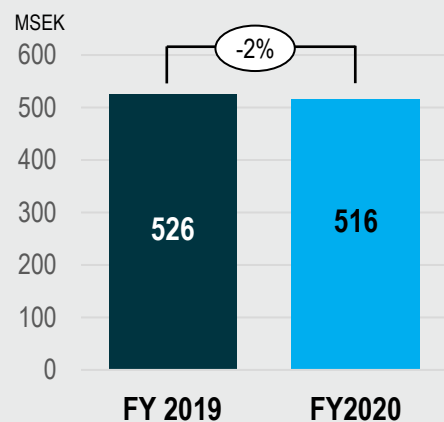
- Services 20% of NS
- The decline was mainly due to a weak Mist Elimination primarily driven by a continued weak marine sub-segment

# FoodTech: Good growth in China

## Order intake



## Order backlog



### Order intake, Q4: -8%, FX-adjusted +1%

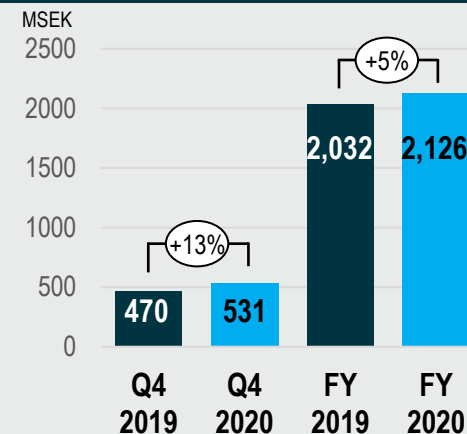
- EMEA had a slight increase in currency adjusted order intake driven by growth in the broiler segment partly, despite the Covid-19 outbreak.
- Good growth in the swine segment in China.
- Americas had flat development with good development in the broiler segment in Mexico and Brazil as well as the software and SaaS business for MTech Systems in the US.

### Order Intake, Full Year 2020: +5% FX-adjusted +9%

- The increase was mainly because of a very good development of order intake in Asia, driven by the swine segment in China. In Americas and Europe, demand was softer negatively affected by the Covid-19 pandemic.

### Order backlog, Full Year 2020: -2%, FX-adjusted +9%

## Net sales



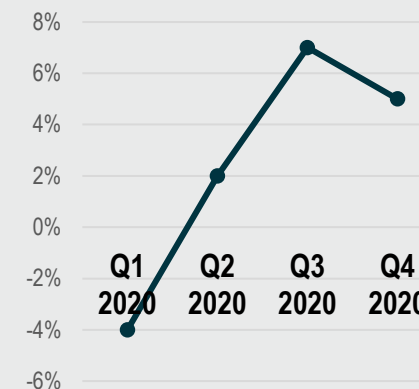
### Net sales, Q4: +13%, FX-adjusted +22%

- Increase because of a good growth in China with a strong development in the swine segment.
- EMEA had a slight currency adjusted growth driven by the broiler segment, mainly in Northern Africa and the Middle East. Partly offset by negative effects from the Covid-19 pandemic in Europe and Americas

### Net Sales, Full Year 2020: +5% FX-adjusted +8%

- Increase because of good growth in swine segment in China, offset by a flat development in Europe and decline in Americas

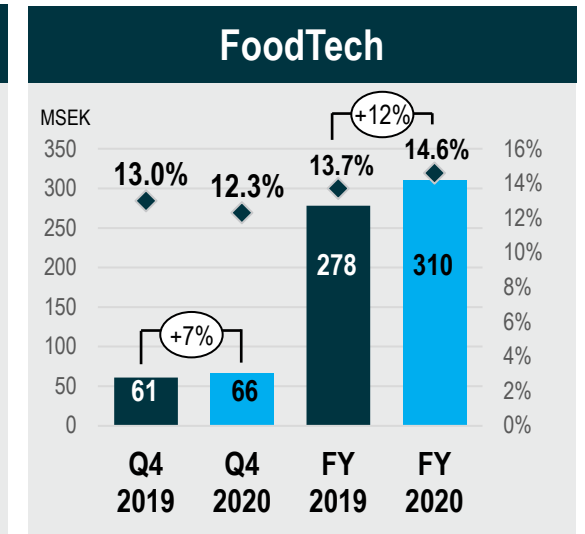
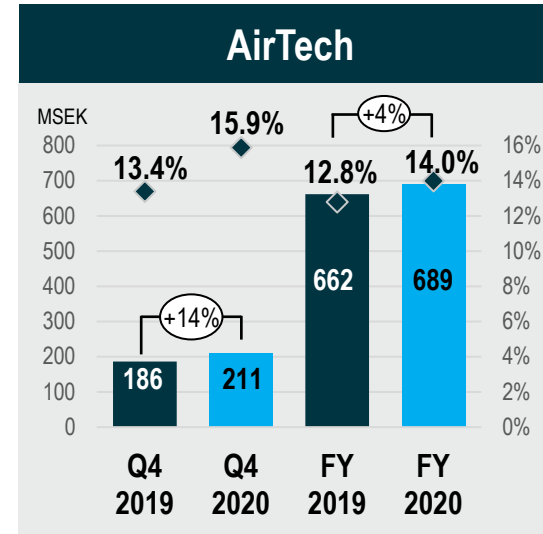
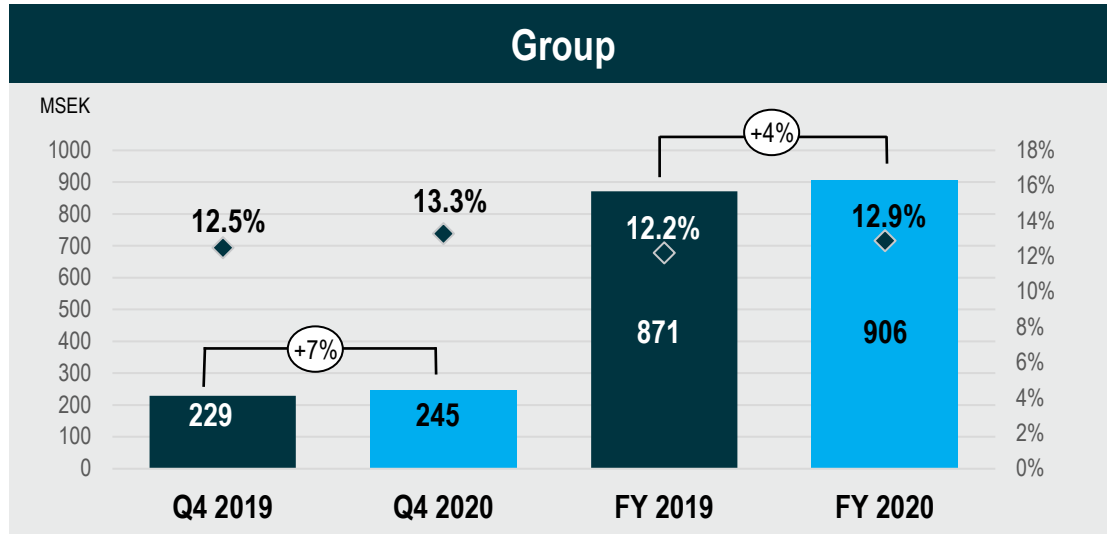
## Quarterly net sales growth





%

# Improved adjusted EBITA Q4 and FY 2020



### Adjusted EBITA, Q4: Improved margin

- Strengthened gross margin in AirTech mainly driven by continued efficiency improvements and a positive product mix
- Strong focus on cost control, leading to low indirect costs

### Adjusted EBITA, FY 2020: Improved margin

- Improved mainly because of continued efficiency improvements and a positive product mix

### AirTech: Improved margin

- Despite slightly lower net sales, strong margin improvement in both Q4 and Full Year. Driven by an improved gross margin and continued lower indirect costs.

### FoodTech: Decline in Q4 improved margin FY

- Slight margin decline in Q4 but improvement in Full Year, driven by increased net sales.

# Delivering on customer offering and footprint optimization

## Status fourth quarter:

- Implemented according to plan
- All measures expected to be implemented throughout 2021
- MSEK 44 total costs realized in the second half of 2020

## Sharpening measures:

- Measures announced in June 2020 aiming at sharpening the customer offering and footprint optimization
  - Initial total costs estimated at total MSEK 188 with MSEK 136 incurred as IACs in June 2020. The remaining costs will be expenses as incurred
  - In Q4 a provision was partly released of MSEK 12, which led to a total provision (IAC) in 2020 of MSEK 124
- Savings, as earlier communicated, estimated to about MSEK 70, to reach full annual run-rate end of 2021

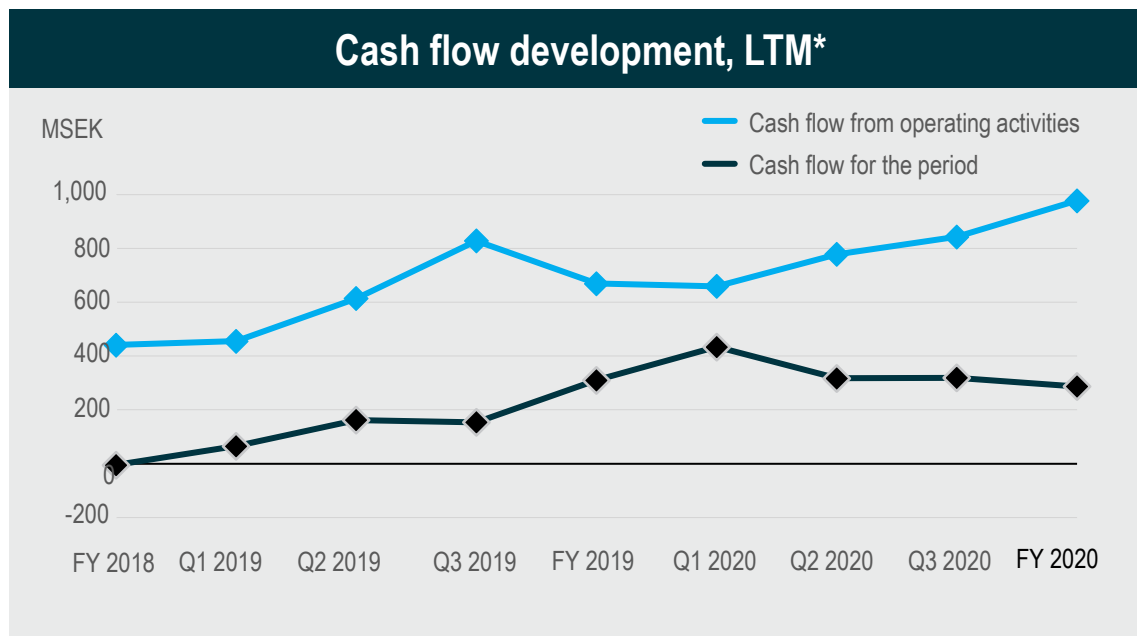
## Sharpening measures

- Exit non-core part of the commercial business in the US within business area AirTech
- AirTech to expand Data Centers US manufacturing in Texas
- In the Netherlands, operations to be consolidated
- In addition, several other measures to be taken to ensure execution of the strategy

## Run-rate savings end of 2021



# Strong cash flow development

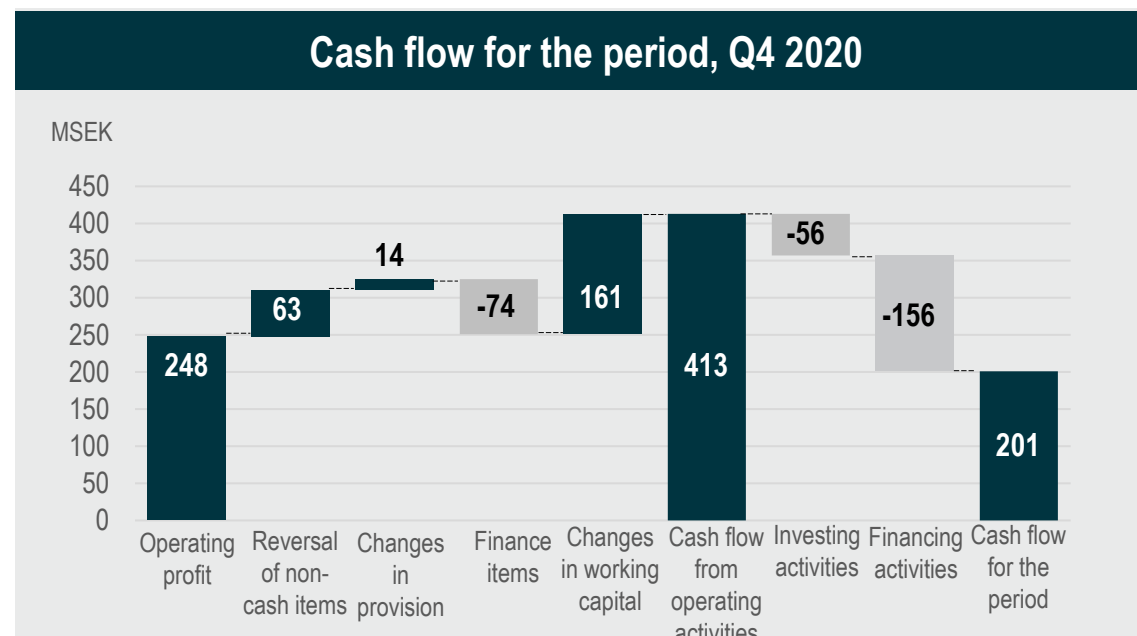


## Cash flow development:

- Good results and improved operating working capital drove cash flow improvement in 2020

\*LTM = Last Twelve Months

Cash flow development includes discontinued operations



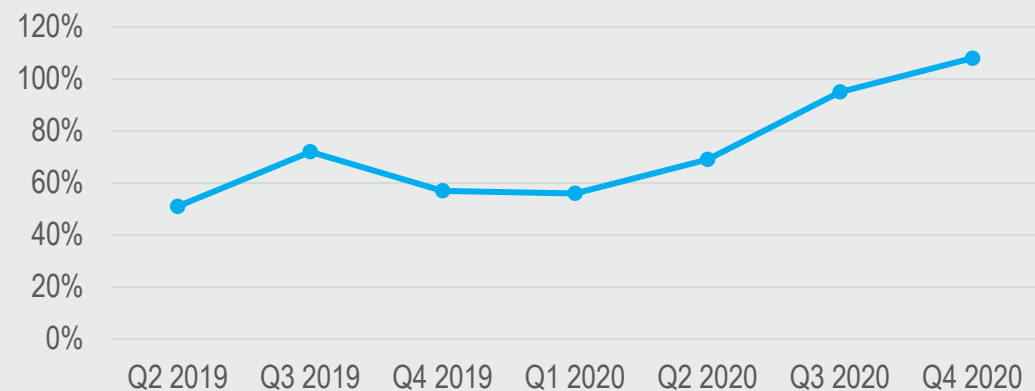
## Cash flow development:

- Strong Cash flow from operating activities:
  - Improved Operating profit (EBIT) in Q4 MSEK 248 (94)
  - Operating Working Capital (OWC) for Dec. 2020 down to MSEK 720 from MSEK 1,018; 10% of Net sales vs. 14% last year
- Cash flow from period:
  - Repayment of outstanding RCF drawings of MEUR 14 equivalent to MSEK 141 in Q4



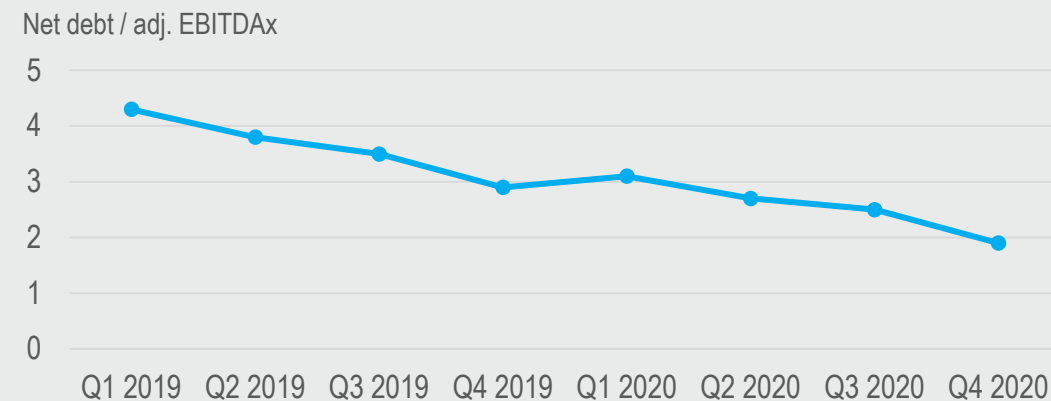
# Leverage in line with mid-term financial target range

## Cash conversion (OCF\*/Adj. EBITA)



- Strong cash generation and cash conversion contributed to lower leverage

## Development of leverage



- Create headroom for strategy implementation in times of a challenging business environment:
  - Leverage 1.9x end of year, decrease from 2.5x end of Sept
- Net debt decreased to MSEK 2,116 from MSEK 2,694 at end of Sept 2020 because of good cash flow and a positive exchange rate effect of MSEK 200 (USD/SEK) on outstanding interest-bearing borrowings

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# Strong performance despite a challenging market

- Focus on strategy execution to strengthening the base and turning Munters to a more customer-centric company striving for zero impact on the planet
- Continuous efficiency improvements and cost control resulted in increased profitability for the year
- Improved leverage at 1.9x down from 2.9x at year-end 2019
- Digitalization a key enabler for overall efficiency improvements and enhanced sustainability and growth
- The market visibility continues to be low



We are well positioned in a long-term growing market driven by climate change, energy efficiency and digitalization

# Questions & Answers