



Munters

Q4 and Full-year report 2021

Klas Forsström, President and CEO

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Significant strategic progress in 2021



Delivery on growth strategy

- Record high demand - driven by transition to battery-powered vehicles and increased data traffic
- AirTech - growth in prioritized markets – Battery, Data Centers and Services
- FoodTech - growth in Americas and EMEA, offset by a weak market in China
- Decision to expand capacity in battery segment - new facility in the Czech Republic being constructed



Supply chain challenges due to the pandemic impacted profitability

- Price increases throughout the year to mitigate higher raw material and freight costs – some positive effects in the second half year, but major effect in 2022
- Difficulties anticipating timing of deliveries of input goods and components affected a facility in the industrial sub-segment in the US in the fourth quarter

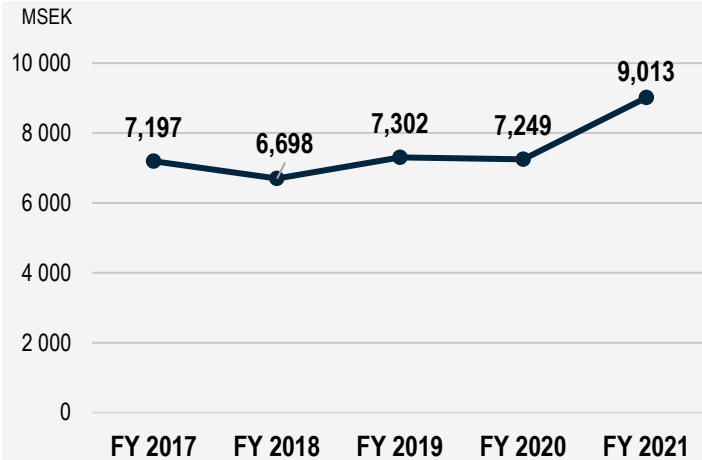


Strong focus on sustainability

- Worked towards our target to reach zero net emissions from our operations by 2030
- Joined UN Global Compact on Gender Equality initiative
- Added Sustainability targets to the financing facilities (*Sustainability Linked Loan set up in November*)

Record high order intake

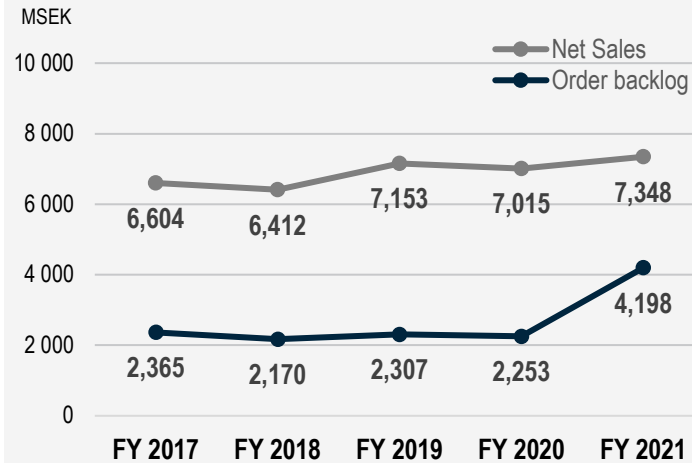
Record high order intake



Order intake, FY increased by +24%

- AirTech: driven by strong growth in Battery and Data Centers
- FoodTech: growth in Americas and EMEA

Increased net sales and order backlog

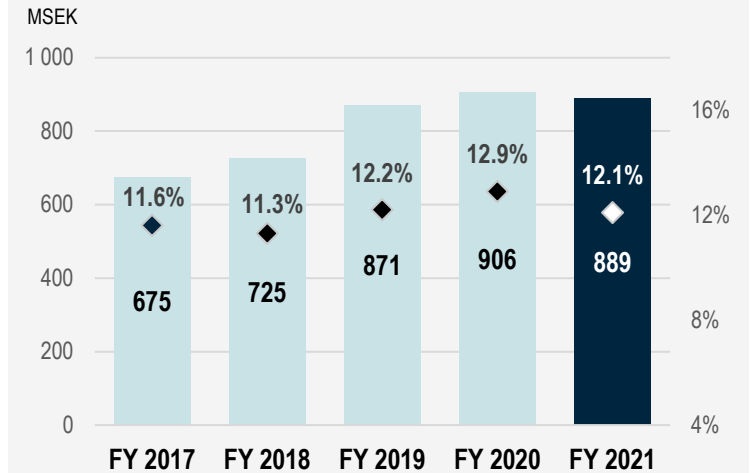


Net sales, FY increased +5%

- AirTech: mainly driven by Battery, Data Centers and Services
- FoodTech: good growth in Americas and stable growth in EMEA

Order backlog, FY increased +86%

Adj. EBITA negatively impacted



Adj. EBITA at MSEK 889, EBITA-margin 12.1%

- adj. EBITA was impacted negatively by supply chain constraints, high raw material prices and freight costs as well as the time lag of the effect from our own price increases
- FoodTech margin negatively impacted by lower volumes in China on the back of a strong 2020

Order intake Q4 – strong growth in all regions

Americas

- AirTech – Strong growth across all segments, especially Battery and Data Centers. Services showed especially strong growth
- FoodTech – Both Climate and Digital solutions experienced growth

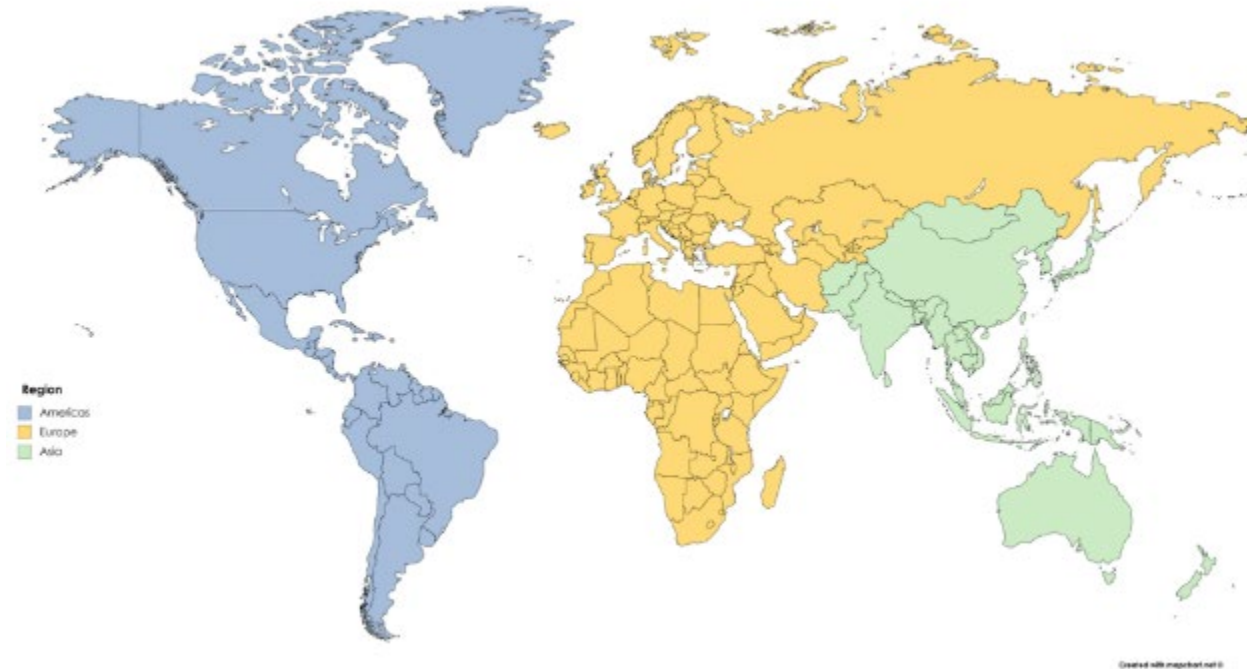
EMEA

- AirTech – growth, mainly in Food and Components to Data Centers
- FoodTech – EMEA grew driven mainly by increased orders for Climate Solutions to Greenhouses and the Broiler market

APAC

- AirTech – Good development, driven primarily by the battery boom
- FoodTech – Stable growth within Broiler, Layer and Greenhouse offset by weak Chinese Swine market

Regional split	Americas	EMEA	APAC
Share of total order intake	56%	25%	19%
Y/Y change in %*	92%	35%	35%
Y/Y FX-adj. change in %	89%	35%	29%



Supply chain constraints continue to impact our business

Sourcing

- Global logistics constraints
- Difficulties anticipating timing of deliveries of input goods and components

Cost

- Increased raw material prices
- Higher freight costs
- Time lag of impact from Munters price increases

Trend commodity price development (YoY)

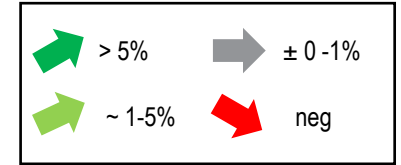
Steel	+++
Pig Iron	++
Copper	++
Aluminium	++
Polypropylene	+++
Container rate	+++
Energy prices	+++

Source: Munters analysis

Very strong demand combined with constraints and high costs has led to increasing lead times and record high order backlog



AirTech – strong demand in Battery and Food sub-segment



Customer segment	% order intake FY 2021	Market Outlook *	Comments
Industrial	45%	➤	Strong growth, especially in the Battery and Food sub-segment
...whereof Battery	20%	➤	Continued strong growth, booming growth in APAC
...whereof Food processing	7%	➡	Recovering well after slow development during the first phases of the pandemic
...whereof Other	18%	➡	Solid underlying markets performance
Data Centers	15%	➤	Strong demand from co-location operators in Americas
Components**	12%	➤	Good growth driven by strong demand from end markets Batteries and Data Centers
Clean Technologies	5%	➡	Grew slightly, driven by increased demand from the Process sub-segment
Commercial	5%	➡	Steady replenishment market for Supermarkets
Services	18%	➡	Growth in all regions, especially strong growth in Americas

* Market outlook and comments are indicative and refer to the coming six months

** Dehumidification rotors and humidification pads sold through OEM channels




Munters helps US candy producer reach their sustainability goals








- US producer of confectionery, pet food, and more for over a century
- The customer has net zero emissions commitment of green house gases by 2050
- Munters developed Munters RightDry® technology, a dehumidification technology using non-fossil fuel energy source. Waste heat from the factories is used as regeneration source
- More than 100 desiccant dehumidification systems installed at the customers' factories worldwide



Sustainable innovation for a healthier planet

FoodTech – a market in transformation

	> 5%		± 0 -1%
	~ 1-5%		neg

Customer segment	% order intake FY 2021	Market Outlook *	Comments
Climate solutions	94%		Stable/increasing demand in most markets, China development remains weak
...whereof Broiler	~46%		Stable demand in all markets
...whereof Swine	~22%		Weak development in China and EU, improving in Americas
...whereof Layer	~15%		Cage-free regulation driving long-term demand
...whereof Greenhouse	~6%		Growth driven by increased demand
...whereof Dairy	~4%		Good milk prices continue to support investments in Americas.
Digital solutions	6%		Strong trend in all regions to use data through IoT and software to increase yield and improve animal welfare and sustainability

* Market outlook and comments are indicative and refer to the coming six months

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Major deliveries on strategic priorities

Strategic priorities:	Focus areas	2021	2022
Customers	Improve go-to-market models and pricing strategies	<ul style="list-style-type: none"> Example: Launch of Centre of excellence for Battery, enabling closer cooperation with customers 	<ul style="list-style-type: none"> Continued focus on targeted segments
Innovation	Focus investments in R&D and product portfolio alignment and adjustment	<ul style="list-style-type: none"> Reduced product assortment by 40% Launched new products: AT: SyCool, DSS Pro; FT: Amino software 	<ul style="list-style-type: none"> Bringing R&D and innovation closer to the market
Markets	Growing in prioritized markets and strengthen Services	<ul style="list-style-type: none"> FoodTech strategy launched Strategic market segments generated strong growth 	<ul style="list-style-type: none"> Focus on prioritized markets Acquisitions an important part of future growth
Excellence in everything we do	Continuous improvements, lean activities in complete value chain, manufacturing footprint and working capital	<ul style="list-style-type: none"> Expanded capacity – initiated building production site in Czech Republic, optimized operating working capital, etc. 	<ul style="list-style-type: none"> Price strategy execution Secure capacity to mitigate supply constraints
People	Leadership and competence development in line with strategic priorities	<ul style="list-style-type: none"> Joined UN Global Compact Gender Equality initiatives New Head of HR & Sustainability 	<ul style="list-style-type: none"> Continued leadership development HR system roll-out

MTech Systems secures important SaaS contract

- MTech Systems, a company within FoodTech, secured an important contract to deliver its Software-as-a-Service (SaaS) solution
- FoodTech's strategy is to connect the entire food production value chain with innovative software and precision farming equipment
- The solution uses MTech's advanced information management tool that consolidates the numerous supply-chain operations, from farms to food production facilities

Munters FoodTech – contributing to feeding the world in a sustainable way



 **MTech Systems**
a Munters company

 **Munters**

Acquisition of Edpac - strengthened European presence

- An Ireland-based manufacturer of data center cooling equipment and air handling systems
- A strategic step in our growth strategy - access to well-established production capacity and a prioritized customer base in the attractive, quickly growing European data center market
- Transfer of our proven technologies and engineering capabilities from the North America data center market
- Purchase price MEUR 29



Strengthening our solid base for continued growth in prioritized market segments



Sustainability progress in 2021

Munters purpose: For customer success and a healthier planet

Environment



- Target set for net zero emissions by 2030 from operations

Green electricity


53%
(2020: 50%)



CDP rating

C
(2020: C)

Social



- Increased proportion of women in management positions

Code of conduct for suppliers


100%
(2020: 100%)

Proportion of women in management positions

23%
(2020: 22%)



Governance



- Sustainability targets added to the loan facilities (SLL)

Total Recordable Incident rate (TRIR)

1.7
(2020: 1.2)



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CCC B BB BBB A AA AAA

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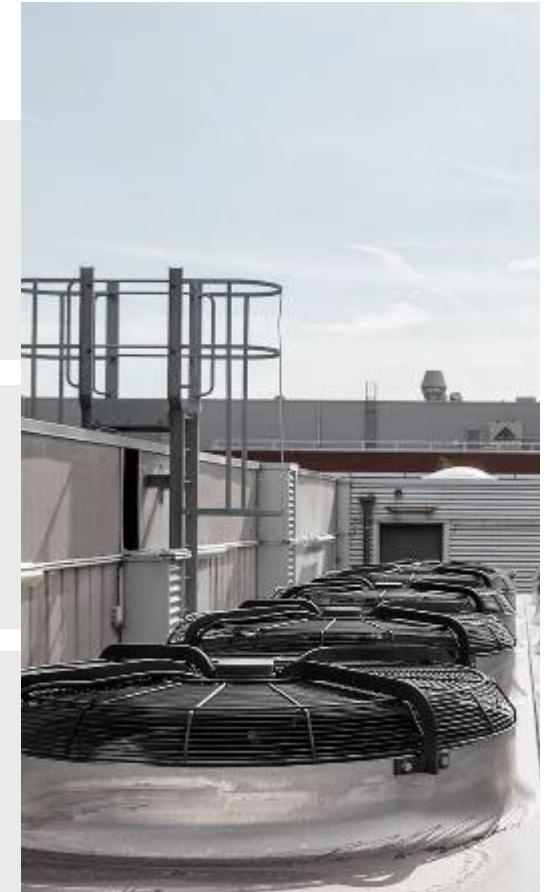
Appendix



Focus on prioritized areas delivers strong growth...

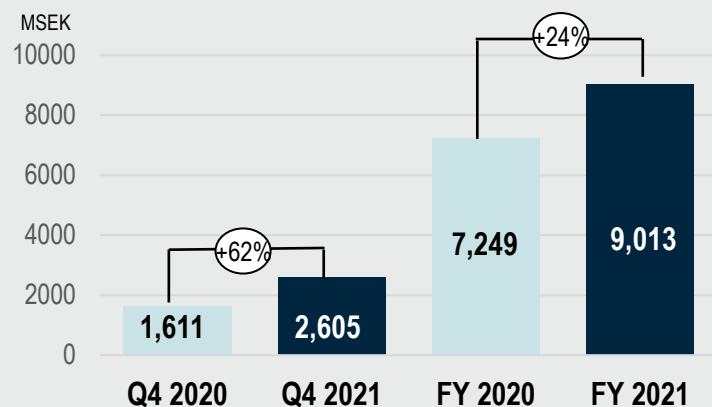
	Mid-term targets	Q4 2020	Q4 2021	FY 2020	FY 2021
1 Net sales growth Org. growth p.a. over a business cycle	5%	8%	10%	1%	10%
2 Adjusted EBITA-margin	14%	13.3%	10.6%	12.9%	12.1%
3 Capital structure (LTM*) (Leverage: Net debt / adj. EBITDA)	1.5x-2.5x	n.a.	n.a.	1.9x	2.2x

*LTM = Last Twelve Months



...with record high order intake in the quarter and full-year

Group order intake



Order intake, Q4: +62%, FX-adjusted +59%

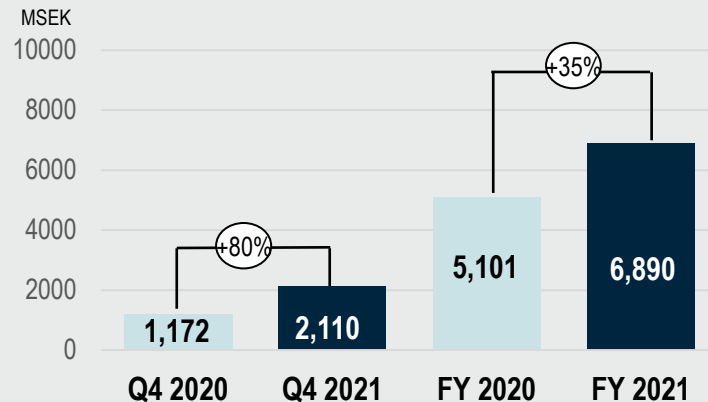
- AirTech order intake corresponding to some 80% of Group order intake in Q4 and FoodTech close to 20%

Order intake, FY: +24%, FX-adjusted +30%,

- AirTech order intake corresponding to 76% of Group order intake FY and FoodTech with some 24%

Book-to-Bill 1.2

AirTech order intake



Order intake, Q4: +80%, FX-adjusted +77%

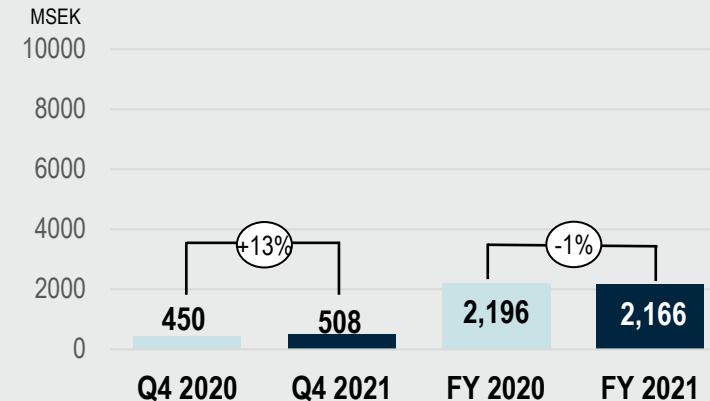
- Growth largely driven by Battery, Data Centers and the Food segment
- Clean Technologies grew slightly
- Services grew in all regions, especially Americas

Order intake, FY: +35%, FX-adjusted +42%

- Driven Battery, Data Centers and the Food segment. Battery represented 20% of order intake FY 2021 vs 10% FY 2020, Data Centers represents 15% of order intake FY 2021 vs 13% FY 2020
- Components grew driven by Batteries & Data Centers
- Services good growth in APAC and Americas

Book-to-bill 1.3.

FoodTech order intake



Order intake, Q4: +13%, FX-adjusted +11%

- Americas grew driven by both Climate and Digital solutions
- EMEA grew driven by orders for Climate Solutions to the Broiler and Greenhouse segments
- APAC declined, negatively impacted by a weak China market with few new contractions and outbreaks of the ASF

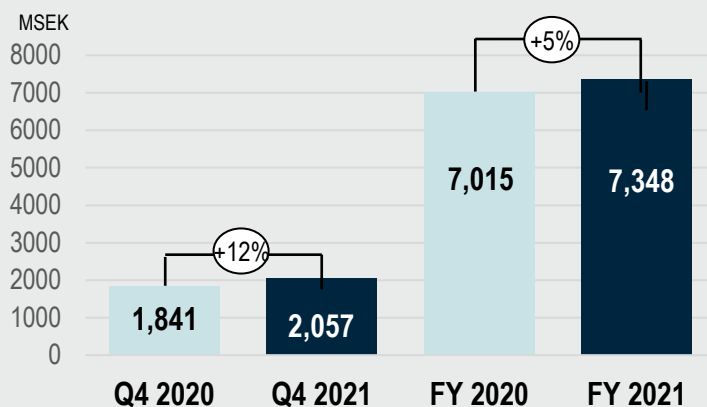
Order Intake, FY: -1%, FX-adjusted +3%,

- Americas experienced growth in Climate Solutions
- EMEA grew mainly driven by the broiler segment
- APAC was weak, negatively impacted by weak swine market in China on the back of a strong 2020

Book-to-bill 1.1

Solid customer deliveries, despite constraints...

Group net sales



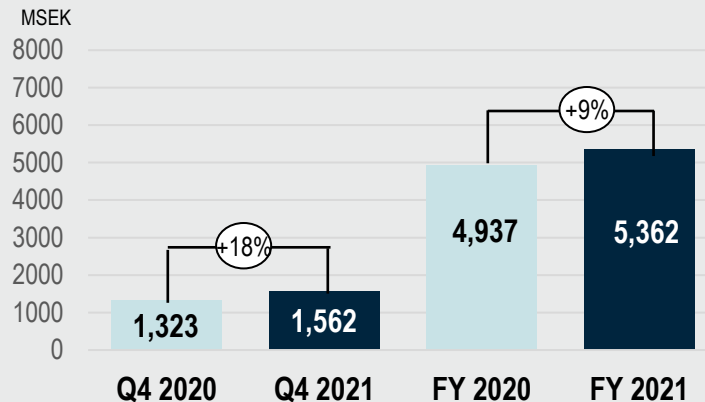
Net sales, Q4: +12%, FX-adjusted +10%

- AirTech net sales corresponding to almost 76% of Group net sales in Q4 and FoodTech close to 25%
- Services represent 18% (17) of total net sales

Net Sales, FY: +5%, FX-adjusted +10%

- AirTech net sales corresponding to nearly 73% of Group net sales FY and FoodTech close to 28%
- Services amounted to 15% (14) of total net sales

AirTech net sales



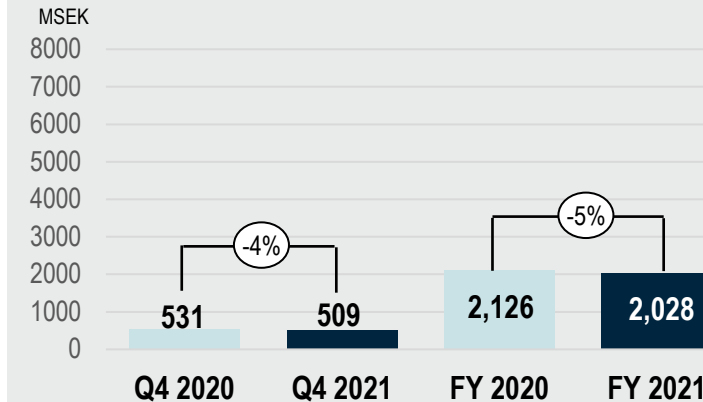
Net sales, Q4: +18%, FX-adjusted +17%

- Growth in all areas: Humidity Control, Data Centers and Clean Technologies. Growth mainly driven by Battery in Humidity Control
- Services grew, especially in Americas and APAC
- Services amounted to 23% (23) of total net sales

Net Sales, FY: +9%, FX-adjusted +14%

- Growth driven mainly by Battery and Pharma
- Services grew in Americas and APAC, whereas EMEA remained flat
- Services amounted to 21% (20) of net sales

FoodTech net sales



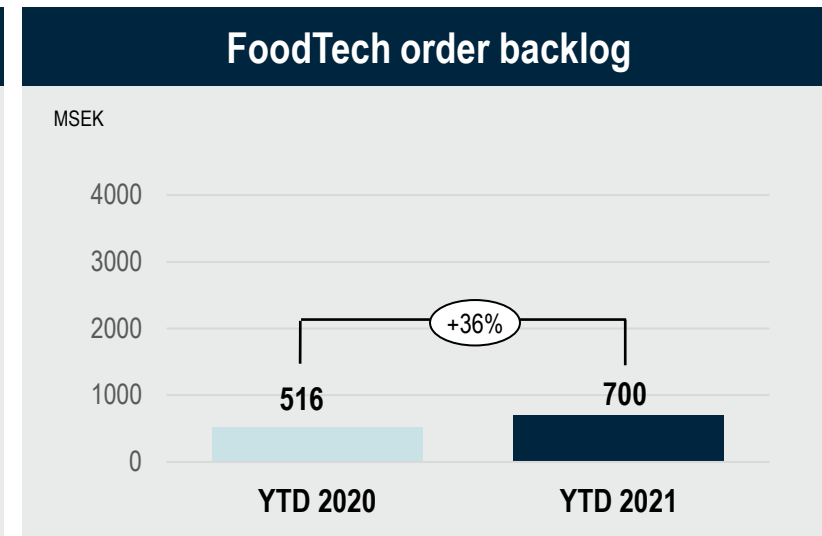
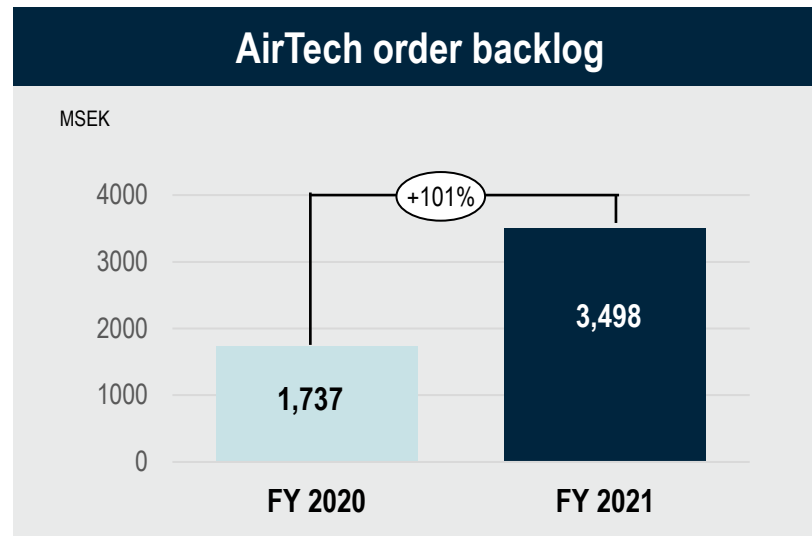
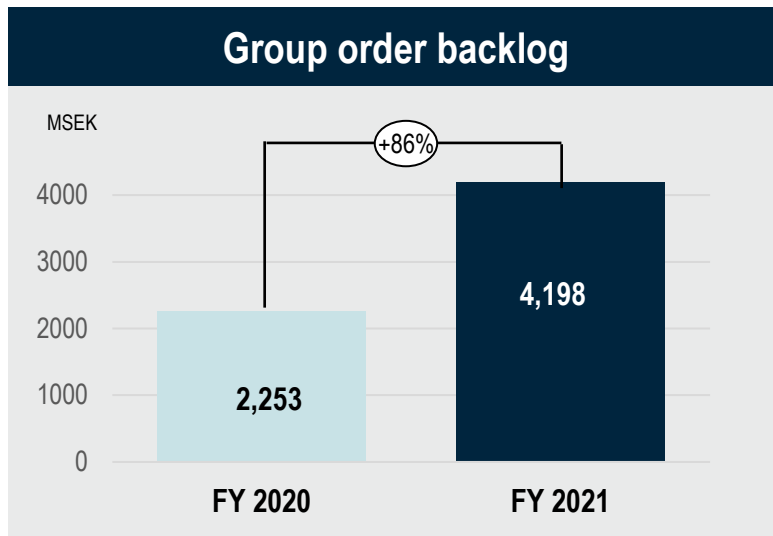
Net sales, Q4: -4%, FX-adjusted -6%

- Americas saw good growth in all sub-segments, with very strong growth in US broiler sub-segment
- EMEA good growth driven by Broiler, Layer and Greenhouse sub-segments
- Decline in APAC due to weak swine market in China, on the back of a very strong growth last year

Net Sales, FY: -5%, FX-adjusted -1%

- EMEA grew slightly, mainly in the Middle East and Southern Europe
- Decline in APAC, offsetting good growth in all sub-segments in Americas

...resulting in an order backlog at highest level ever



Order backlog, FY: +86%, FX-adjusted +72%

Order backlog, FY: +101%, FX-adjusted 86%

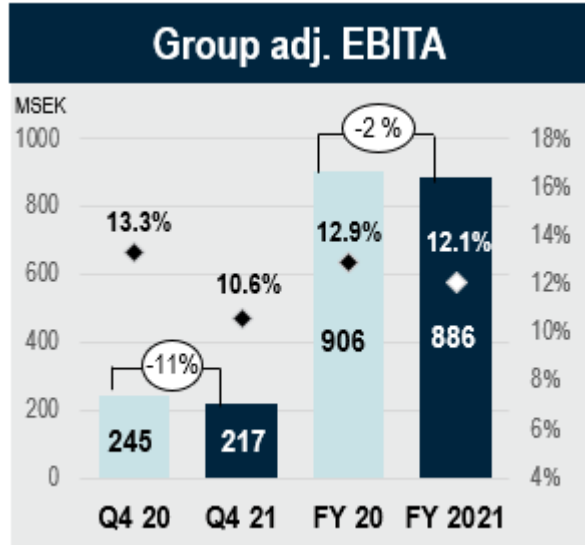
Order backlog, FY: +36%, FX-adjusted 25%

- Growth driven by Humidity Control and esp. the Battery sub-segment, as well as Data Center

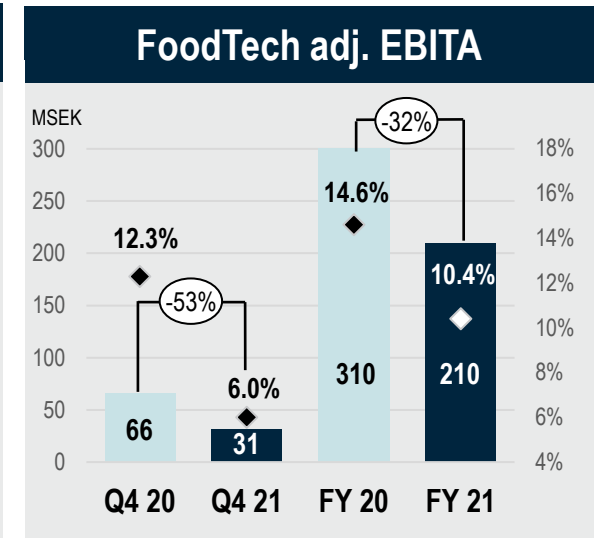
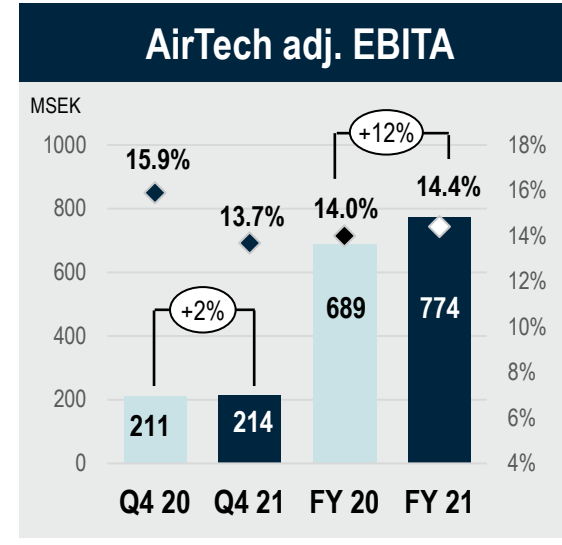
- Growth driven by Climate Solutions in EMEA and Americas, as well as Digital Solutions in Americas

Order backlog record high as a consequence of very high demand, change of business mix with more large projects in AirTech and increased lead times

Adj. EBITA weaker due to lower volumes in China



	Q4	FY
2020 adj. EBITA %	13.3%	12.9%
2021 adj. EBITA %	10.6%	12.1%
Volume	+	+
Business mix	--	-
Supply chain	--	-
Net pricing	--	-



Q4: margin impacted by lower volumes in China and supply chain constraints

- Despite increased volumes mainly in AirTech margin was negatively impacted from supply chain constraints, higher costs and changed business mix in AirTech
- Positive effects from price increases, additional increases implemented in Q4 - main impact to come through in 2022
- Effects of the pandemic related to specific US facility affected margin negatively

FY: margin just below 2020, as start of year was strong

- Strong start in first half year, especially strong AirTech margin in Q1, offset by supply chain challenges in second half
- Negative impact from supply chain challenges started in Q2
- Consecutive price increases made during 2021, mainly coming into effect 2022
- FoodTech margins negatively impacted by weak swine market in China, on the back of very strong volumes in 2020

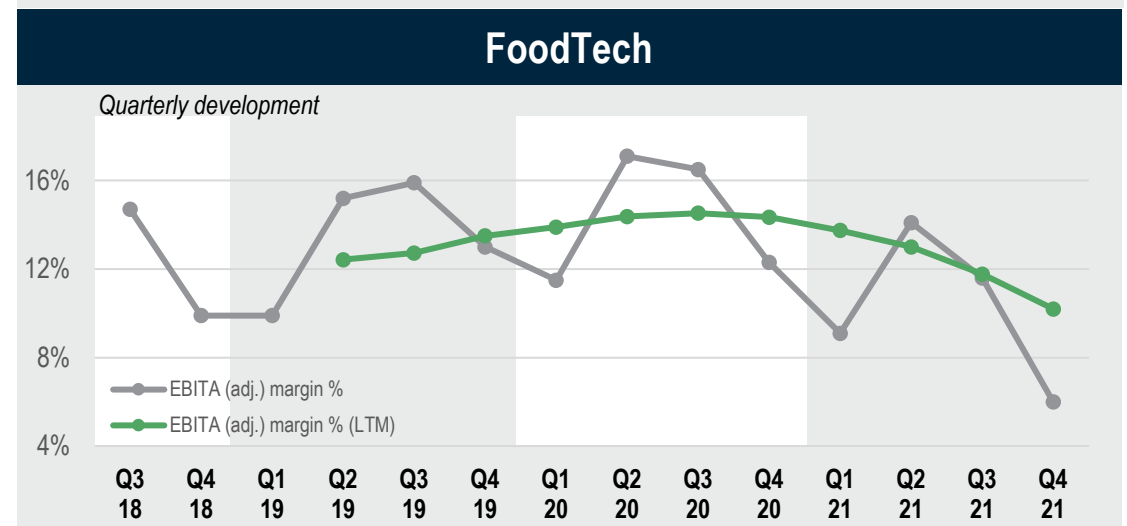
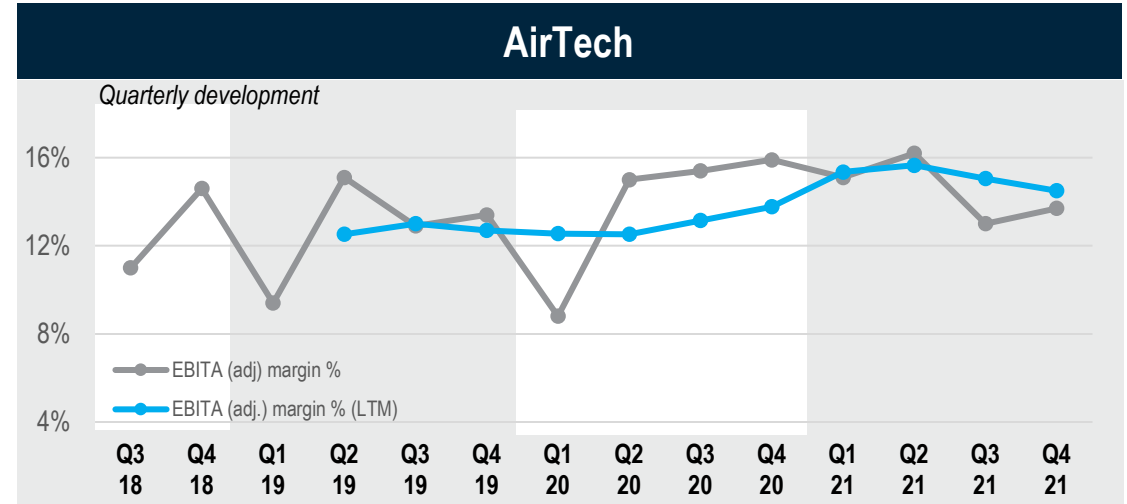
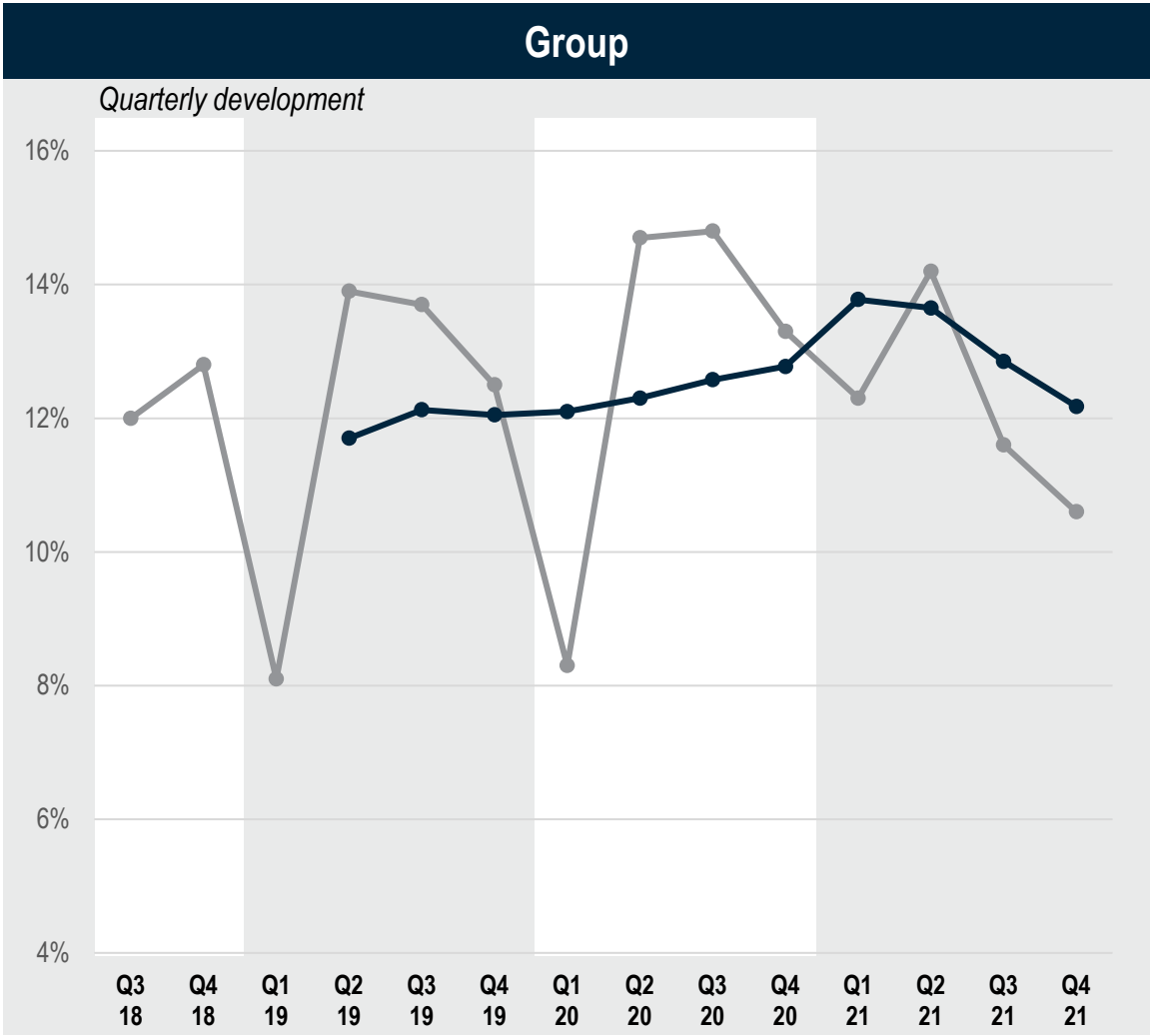
AirTech: Increased volumes and efficiency improvements offset by constraints, business mix change and higher costs

- Some effects from sales price increases in Q4 - main impact to come in 2022
- Q4 margin: negatively impacted by constraints in the supply chain, higher raw material prices and freight costs and a changed business mix. Also, difficulties anticipating timing of deliveries of input goods and components affected a facility in the US in Q4
- FY margin: improved slightly because of increased net sales, high utilization rates and efficiency improvements - partly offset by the challenges in Q4

FoodTech: impacted by weak swine market in China as well as supply chain constraints

- FY and Q4 margin decreased due to lower volumes in China, on the back of very strong volumes in 2020. Also impacted by supply chain constraints and increased costs
- Some positive effects of sales prices increases visible in second half year but major effect to come through in 2022

2021 EBITA-margin impacted by supply chain constraints and lower volumes



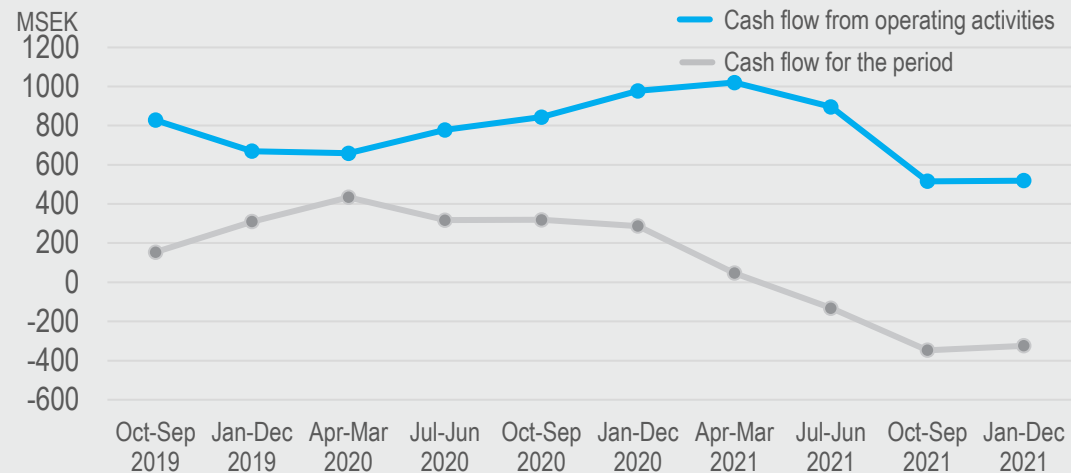


Measures for strategy implementation on track

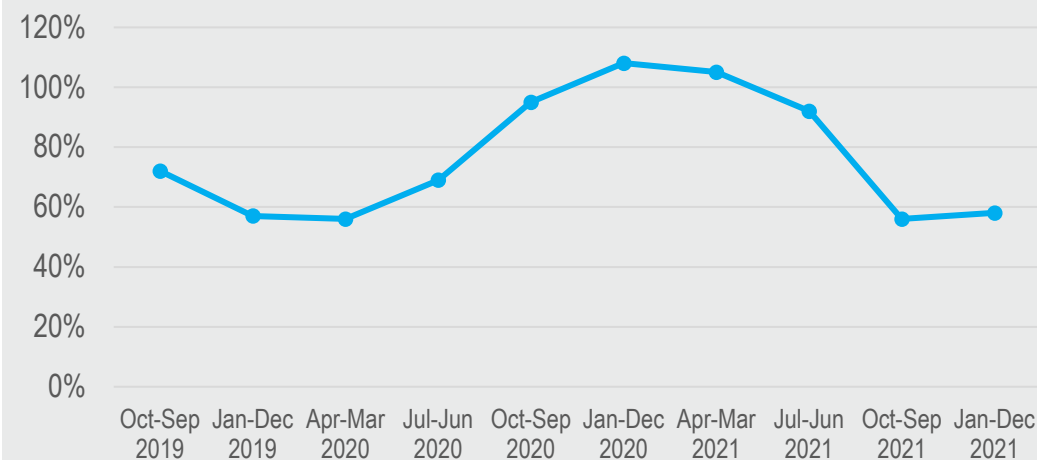
	2020	2021	Status end 2021	Focus 2022
AirTech	<ul style="list-style-type: none"> Measures for strategy implementation, mainly in AirTech Total costs and expenses about MSEK 200 Full year program savings of MSEK 70 once measures realized 		<ul style="list-style-type: none"> Approx. 70% of savings realized Delayed implementation due to Corona – fully implemented 2023 	<ul style="list-style-type: none"> Strategy implementation activities to continue, preparation for finalization in 2023
FoodTech		<ul style="list-style-type: none"> Measures to accelerate strategy implementation in FoodTech Total costs and expenses about MSEK 140 Full year positive impact on EBITA of approx. MSEK 70 in 2023 	<ul style="list-style-type: none"> Strategy implementation progressing according to plan 	<ul style="list-style-type: none"> Strengthened footprint and offering More connected farms Accelerate the software development

Cash flow strong considering growth and supply chain constraints

Cash flow development, LTM*



Cash conversion LTM (OCF**/Adj. EBITA)



- Cash flow from operating activities was MSEK 416 (408) in the fourth quarter and MSEK 519 (959) for the full year
- Cash flow for the fourth quarter amounted to MSEK 224 (201) and MSEK -324 (287) for the full year. FY cash flow is affected by:
 - payment of dividend to external shareholders of MSEK -129
 - net amortization on external debt of MSEK -239
 - repurchasing of shares of MSEK -69 and exercised share options of MSEK 40

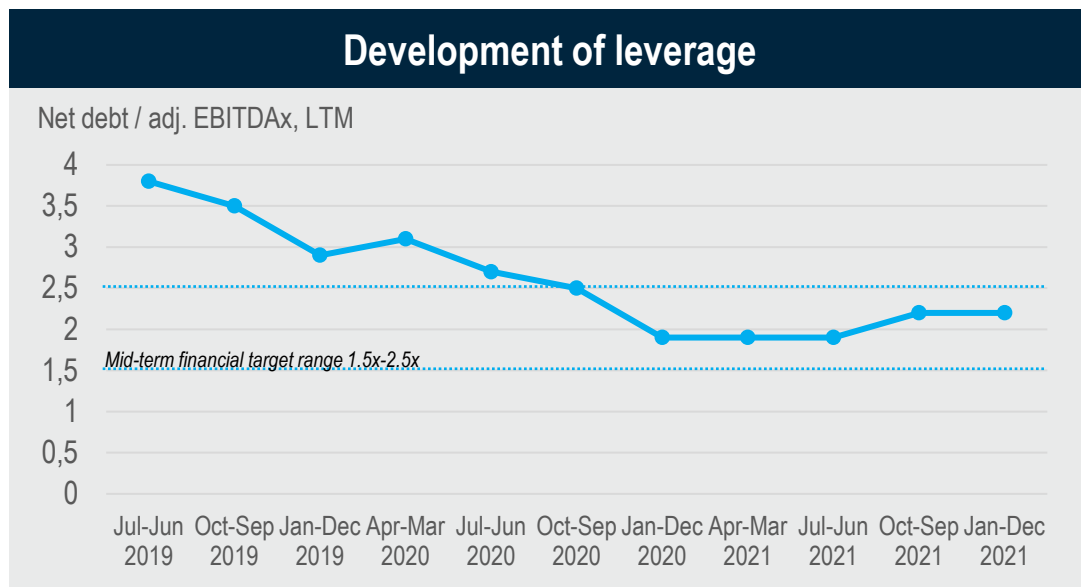
- Cash flow from changes in working capital, positive impact on cash flow in the quarter but a negative impact for the full year

*LTM = Last Twelve Months

**Operating cash flow

Cash flow development includes discontinued operations

Leverage remains in line with mid-term financial target range



- The leverage ratio end of December was 2.2x - flat from 2.2x end of September 2021 and slightly higher than 1.9x per year end 2020. The ratio was positively affected by good cash flow from working capital but off-set by negative currency effect on out-standing debt
 - Net debt at the end of December amounted to MSEK 2,389 compared to MSEK 2,536 at the end of September 2021 and MSEK 2,116 at year-end 2020

- Our strive for an environmentally and socially sustainable growth we have added sustainability targets to the loan facilities
- In line with our sustainability agenda the added KPIs targets focus on gender diversity, renewable electricity and growth in Services sub-sector

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Summary: Record high order intake strengthens way forward



Growth strategy on track

- Continued focus on growing in prioritized market segments characterized by solid longer-term growth - driven by the strong sustainability and digitalization trends
- Investment in selected competences, efficiency improvements, digitalization of our ways of working as well as production to continue in order to facilitate growth
- At the start of 2022:
 - acquisition of Edpac* strengthens our market reach, expansion in Europe for Data Centers
 - FoodTech (MTech Systems**) secures important SaaS contract



Strong focus on sustainability

- Work towards target to reach zero net emissions from our operations by 2030
- Ambition to raise service as a share of net sales to 30%
- Aim to increase the percentage of women in our workforce to 30% by 2025



Supply chain challenges will remain throughout the first half of 2022

- Difficulties anticipating timing of deliveries of input goods and components expected to continue
- Consecutive price increases important to mitigate raw material and freight costs

* see page 14 for further information

** see page 13 for further information

