



# Munters – Investor Presentation

May 2022

# Agenda

Q1 highlights

AirTech

FoodTech



# Record high order intake strengthens way forward



Continued strong order intake driven by growing megatrends



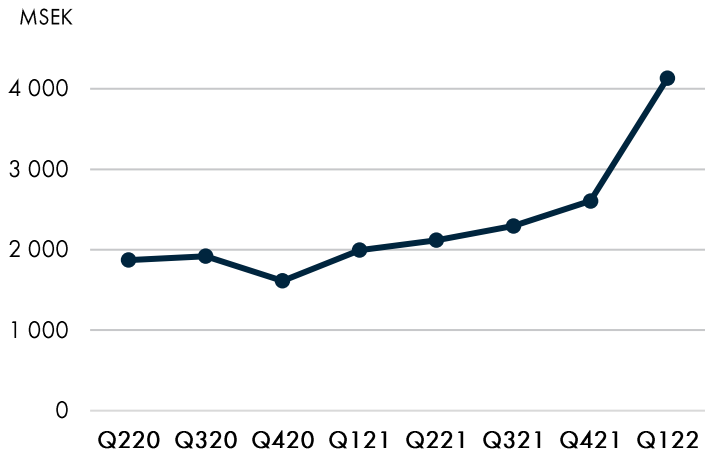
Price increases 2021 partly coming through and adjustments continue, partly offset by intensified supply chain challenges following war in Ukraine. Supply chain challenges expected to remain



Investments for growth continue, creating a stable platform for further growth opportunities and increased profitability

# Growing megatrends drive record high order intake

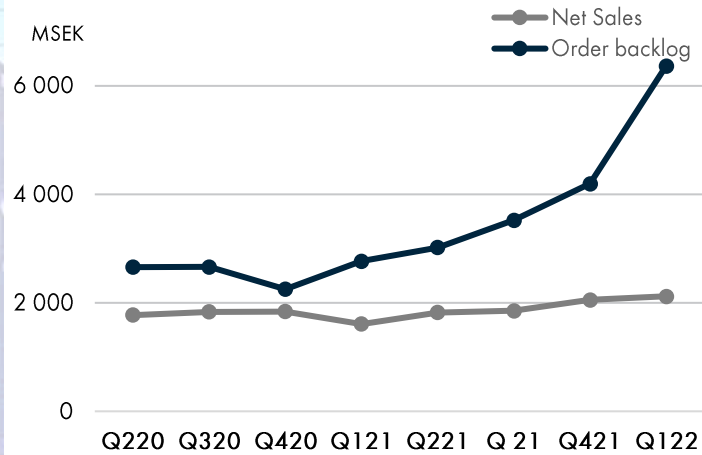
## Continued strong order intake...



### Order intake, Q1 increased by 107%

- Of which fx-adj. 91% and organic 87%
- Execution on strategic priorities :
  - Acquisition of Edpac
  - MTech SaaS order
  - SyCool Split order

## ...builds backlog and future net sales



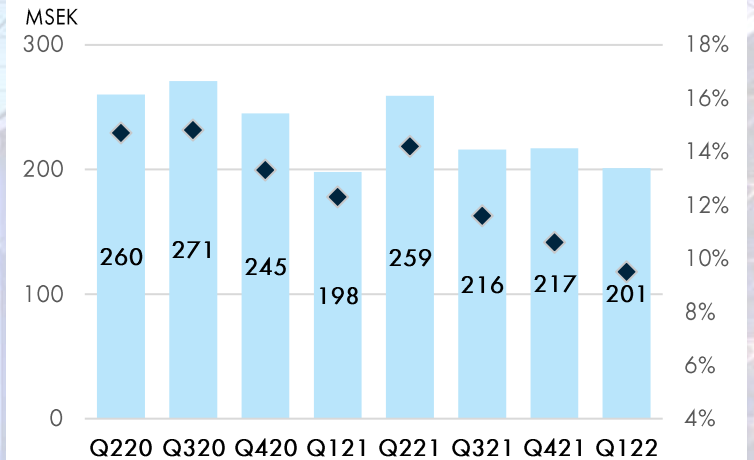
### Net sales, Q1 increased 32%

- Of which fx-adj. 21% and organic 16%

### Order backlog, FY increased 130%

- Of which fx-adj. 118% and organic 115%

## Price increases partly coming through



### Adj. EBITA-margin 9.5%

- Positive effect from customer price increases 2021 coming through. Offset by intensified supply chain challenges from war in Ukraine
- Investments in digitalize ways of working and competences to create stable platform for growth to continue throughout 2022
- The war in Ukraine as well as lingering effects of the pandemic, leads us to expect supply chain challenges will remain

# Adaptions of operations to facilitate growth

## Macro environment

- War in Ukraine has led to increasing energy, raw material and freight costs
- Lingering effects from pandemic, impacting supply chain

## Operations

- Difficulties anticipating timing of deliveries of input goods and components
- Continuous customer price increases
- Adaption of value chain; dual sourcing and regionalization
- Expansion of production facilities enables sales growth and development of production processes (ie higher degree of standardization and modularization)
- Investments in digitalizing ways of working

## Trend commodity price development (YoY)

Steel	+++
Pig Iron	++
Zinc	+++
Nickel	+++
Copper	++
Aluminum	++
Polypropylene (PP)	++
Container rate	++
Energy prices	+++

Source: Munters analysis

We expect supply chain challenges to remain

# Price increases coming through, intensified supply chain challenges

## Group adj. EBITA margin impact

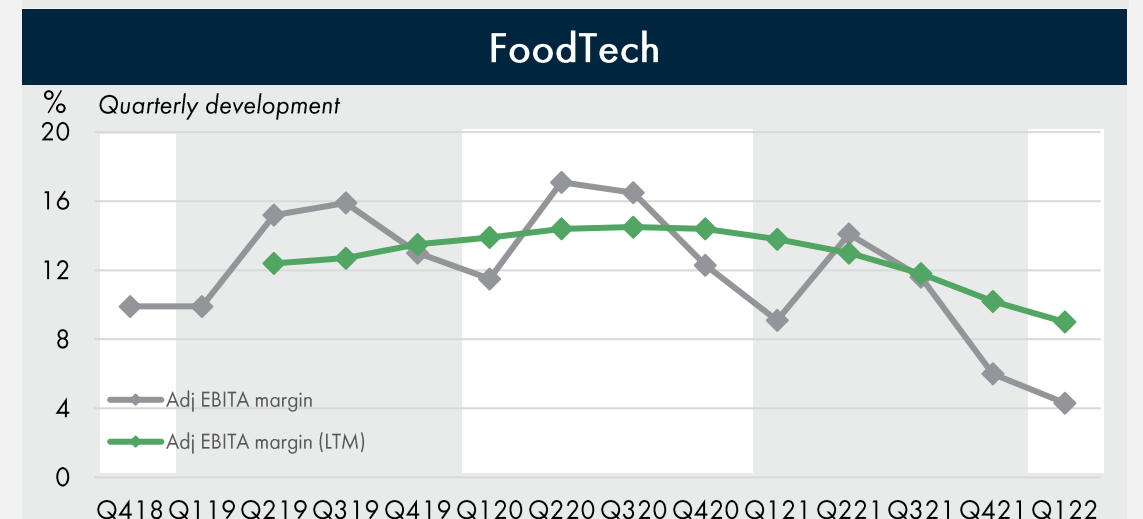
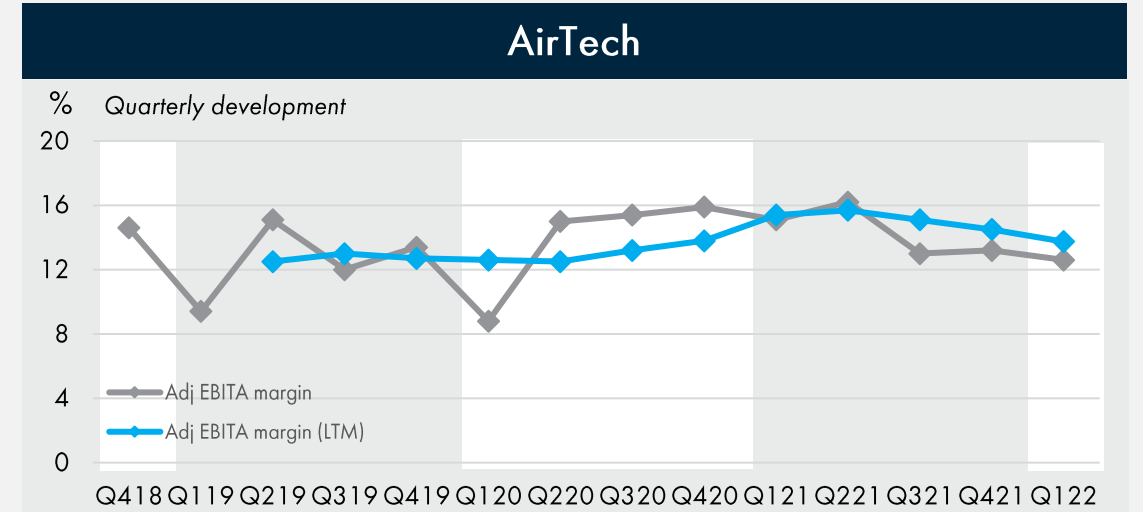
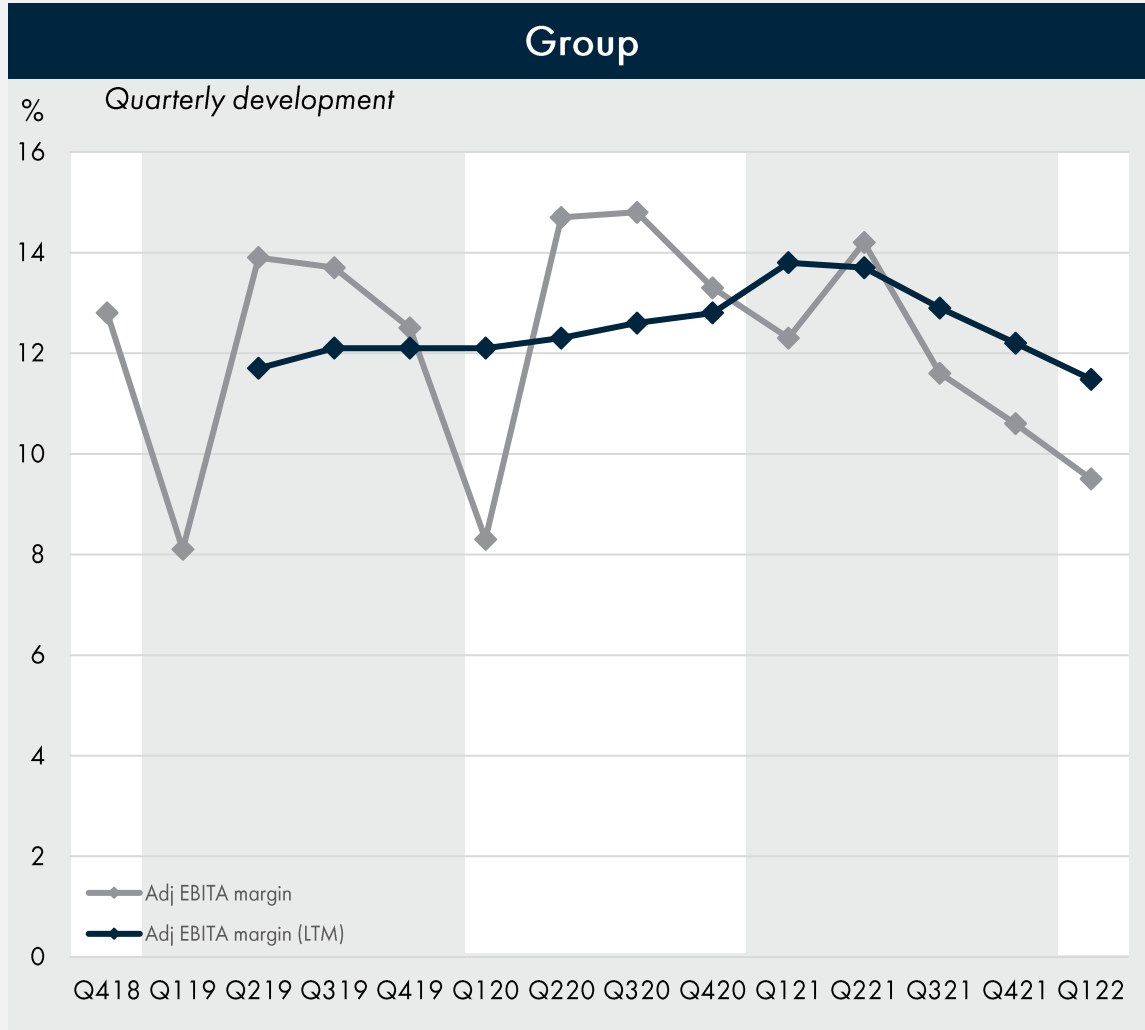
	Q1
2021 adj. EBITA %	12.3
Volume	+
Pricing	=
Business & regional mix	-
Supply chain	-
Operational challenges AirTech	--
2022 adj. EBITA %	9.5

Main factors affecting adj. EBITA margin in Q1:

- Positive impact from volume increase with good growth in AirTech and Digital solutions in FoodTech
- Increased customer prices in 2021 had a positive impact on margin
- Business & regional mix had a negative impact:
  - weak Chinese swine market in FoodTech
- War in Ukraine heightened supply chain challenges - increased energy, raw material prices and freight costs
- Operational challenges in AirTech due to supply chain constraints in the fourth quarter 2021 continued to weigh on the margin

# Quarterly development adj EBITA margin

Adjusted EBITA-margin



# Effects from the war in Ukraine



The current tragic situation and imposed sanctions on Russia has led Munters to suspend all business activities there for the foreseeable future

- Munters has ~1.5% of net sales p.a. and no employees in Russia
- IACs\* of MSEK -29 were identified in Q1 related to the war;
  - MSEK -18 recorded as a provision
  - MSEK -11 will be taken as incurred
- IACs mainly related to FoodTech; inventory write-downs, rightsizing and adaptations of the strategy
- Indirect effects mainly relate to increases of material prices and some logistical routes cut off in Asia and Europe
- Mid-term positive impacts from ongoing strategy implementation in FoodTech revised from MSEK 70 to MSEK 50 due to suspended sales to Russia

\*Items affecting comparability



# Sustainability integrated in every aspect of the business strategy

For customer success and a healthier planet

Achievements during the quarter:



2021 reporting of measurable Scope 1, 2 and 3 emissions in accordance with the Greenhouse Gas Protocol\*



2021 reporting according to the EU Taxonomy Directive - 35% of net sales eligible\*



Training of key employees on how to incorporate environmental impact in capital expenditure evaluations



Launched sustainability e-learning for the Board of Directors



New energy and water strategy set aiming at decreasing our environmental impact – targets set for consumption reduction and increase of renewable electricity usage



Strengthening sustainability focus within our product development, i.e. recruitment of a Global Eco Design Manager

\*See webpage and annual report 2021 for further information

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Q1 highlights

AirTech

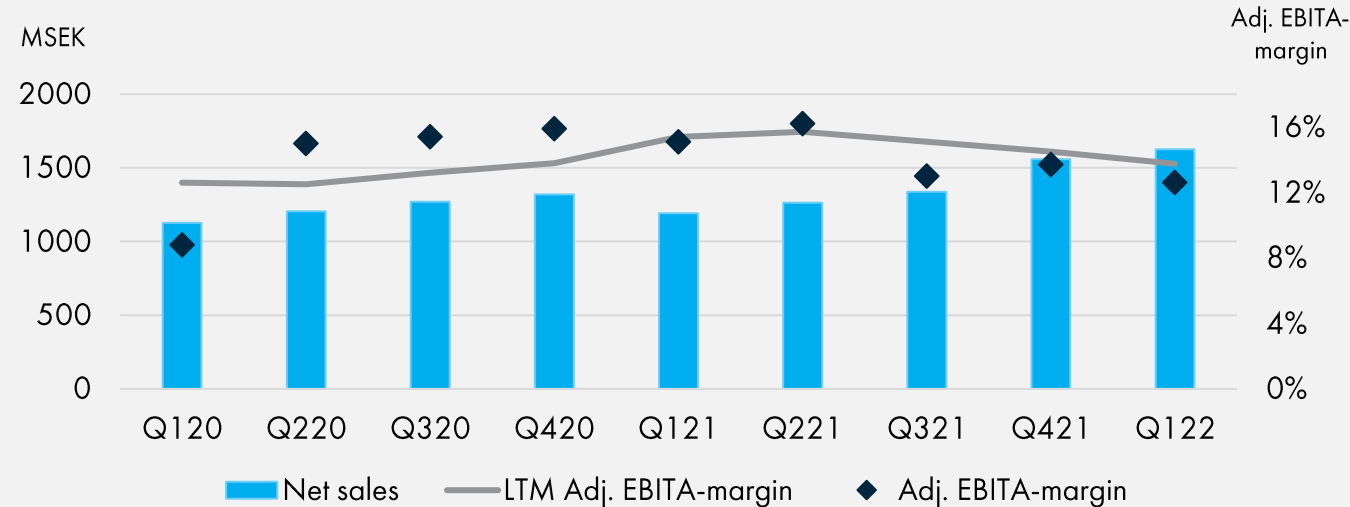
FoodTech



# Strong growth driven by transformative markets

- Record order intake driven by very strong growth in sub-segment Battery, Data Centers and Services
- Net sales increased driven mainly by sub-segment Battery and Services
  - Services grew in all regions and amounted to 19% of total net sales
- Adj. EBITA margin declined impacted by;
  - + increased volumes
  - + effects from our customer price increases
  - war in Ukraine – intensified supply chain challenges and increased energy, raw material prices and freight costs
  - operational challenges from supply chain constraints at a production unit in the Industrial sub-segment in the US continued

	MSEK	Q1 2022	Q1 2021	Change (%)		
				Organic growth	Acquisitions & divestments	Currency effects
Order intake		3,446	1,483	108	5	19
Order backlog		5,466	2,129			
Net sales		1,628	1,195	19	7	11
Adj. EBITA		206	181			
Adj. EBITA-margin, %		12.6	15.1			



# Strong demand within Data Centers









































Customer segment	% order intake Q1 2022	Market Outlook *	Comments
Industrial	25%		Strong growth, especially in the Battery and Food sub-segments
...whereof Battery	12%	***	Continued strong growth across all regions – Americas and EMEA catching up
...whereof Food processing	4%		Continued improvement after the slow-down seen during the pandemic
...whereof Other	9%		Solid underlying markets performance
Data Centers	52%	***	Strong demand from co-location operators in Americas
Components **	6%		Good growth driven by strong demand from end markets in sub-segments Batteries and Data Centers
Clean Technologies	3%		Growth driven by the power and process markets especially in the US and India
Commercial	2%		Steady replenishment market for supermarkets
Services	12%		Growth in all regions

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

\*\* Dehumidification rotors and humidification pads sold through OEM channels

\*\*\* Market outlook for Data Centers & Battery is strong with growth above 10 per cent

# Selection of market players

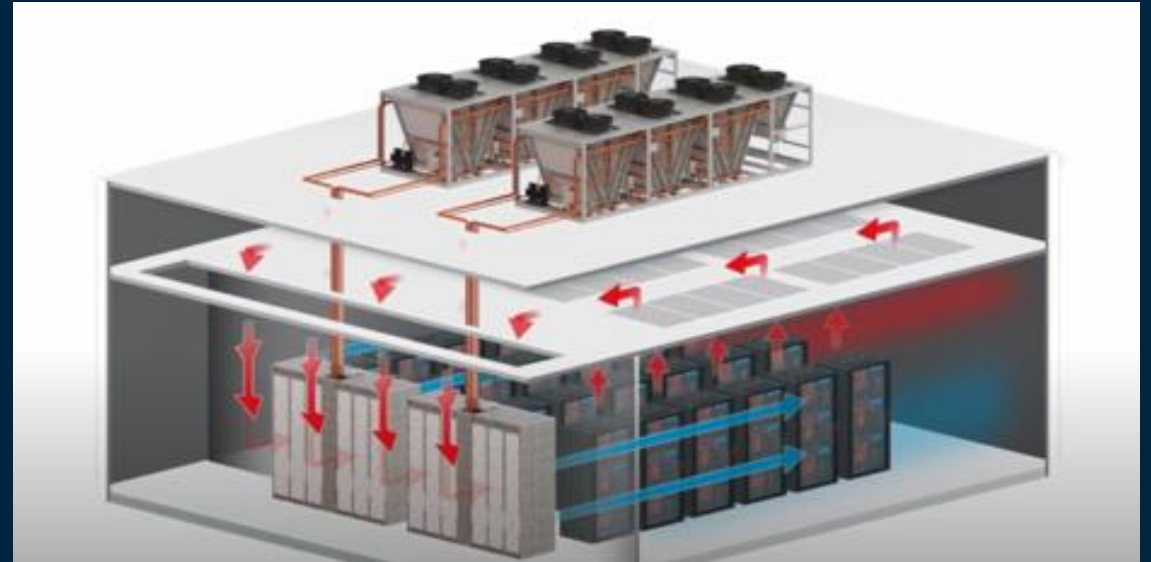
		Small (<1 BSEK)				Medium (1-2 BSEK)	Large (2-10 BSEK)	Extra Large (>10 BSEK)	
Humidity Control Technologies	Dehumidification	 AM	 AS	 AS	 AM	  AM/AS/EU	 ★ AS		
	Humidification	 AM	 AM	 AM	 AM		 ★ AM		
Data Center Technologies		 AM/AS	 EU	 AS	 AS		 ★ AS		
		 AM	 AS	 AS		 EU/AS	 EU/AS/AM		
Mist Elimination / Clean Technologies		 AS	 AM	 AS					
					 EU/AM	 AM		 EU/AS/AM	 EU/AS/AM
		 EU	 EU	 EU				 EU/AS/AM	
		 AM	 AM/AS/EU	 EU				 EU/AS/AM	 EU/AS/AM

★ A small business within a large company/conglomerate



# Our largest order ever for the delivery of SyCool Split

- Order received from leading data center colocation operator in US. Total value approx. MUSD 115 (including SyCool Split and field service work)
- Deliveries starting in Q4 2022 through Q1 2024
- Data center segment is a prioritized growth area, this order validates our strong market position
- Munters contributes to
  - high energy efficiency
  - zero water consumption
  - reliability
  - scalability
  - ease of maintenance and service support
  - compatible with forms of liquid cooling



## SyCool Split

- Energy efficient, thermosiphon-based dry cooling solutions for data centers.
- Minimizing environmental impact of data centers through free cooling without the use of water.
- Winner of Mission Critical magazine's 2021 Top Tier Product Award for Thermal Management Solutions.

# Munters solutions support carbon capture processes



## Benefits

- Carbon capture is the process of removing CO<sub>2</sub> from large emission sources\* by capturing and storing it safely in underground geological formations
- Technology solution applicable for large facilities in many industries

## Customer case

- Cement, steel and the chemical industry emit high levels of CO<sub>2</sub> when broken down and no green substitute exists
- Clean Technologies by Munters with Mass Transfer and gas-liquid separation solutions are critical parts of the carbon capture process
- Customer estimates a yearly reduction of CO<sub>2</sub> emissions by > 400,000 tons by the solution

## Munters role\*

- Munters gas-liquid separator to be used where liquids and gases need to be separated
- Munters equipment features an advanced type of inlet distributor (IDM) that introduces liquid mixtures into a vessel or a column
- The IDM liquid removal capacity has an efficiency of ~90% and evenly distributes the onward gas flow

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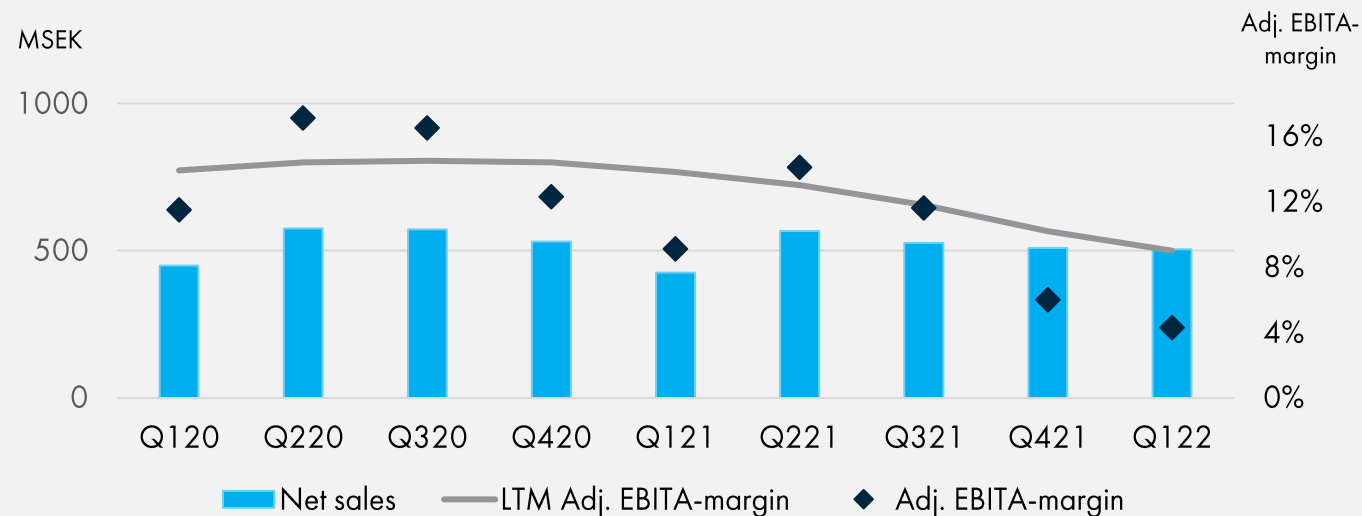




# Order intake growth driven by Americas

- Increase in order intake driven by good growth in Digital Solutions (SaaS orders) and Climate Solutions in Americas
- Net sales increased driven by good development in Climate Solutions in the US and EMEA, offset by a weak swine market in China, effects from the lingering pandemic and the war in Ukraine
- Adj. EBITA margin decreased impacted by;
  - + increased sales volumes in Americas
  - + effects from our customer price increases
  - war in Ukraine – intensified supply chain challenges and increased energy, raw material prices and freight costs
  - Substantially lower sales volumes in APAC - due to weak Chinese swine market
  - continued investments in Digital Solutions

	MSEK	Q1 2022	Q1 2021	Change (%)		
				Organic growth	Acquisitions & divestments	Currency effects
Order intake		698	520	25	-	9
Order backlog		885	640			
Net sales		505	425	10	-	9
Adj. EBITA		21	39			
Adj. EBITA-margin, %		4.3	9.1			

































# A market in transformation

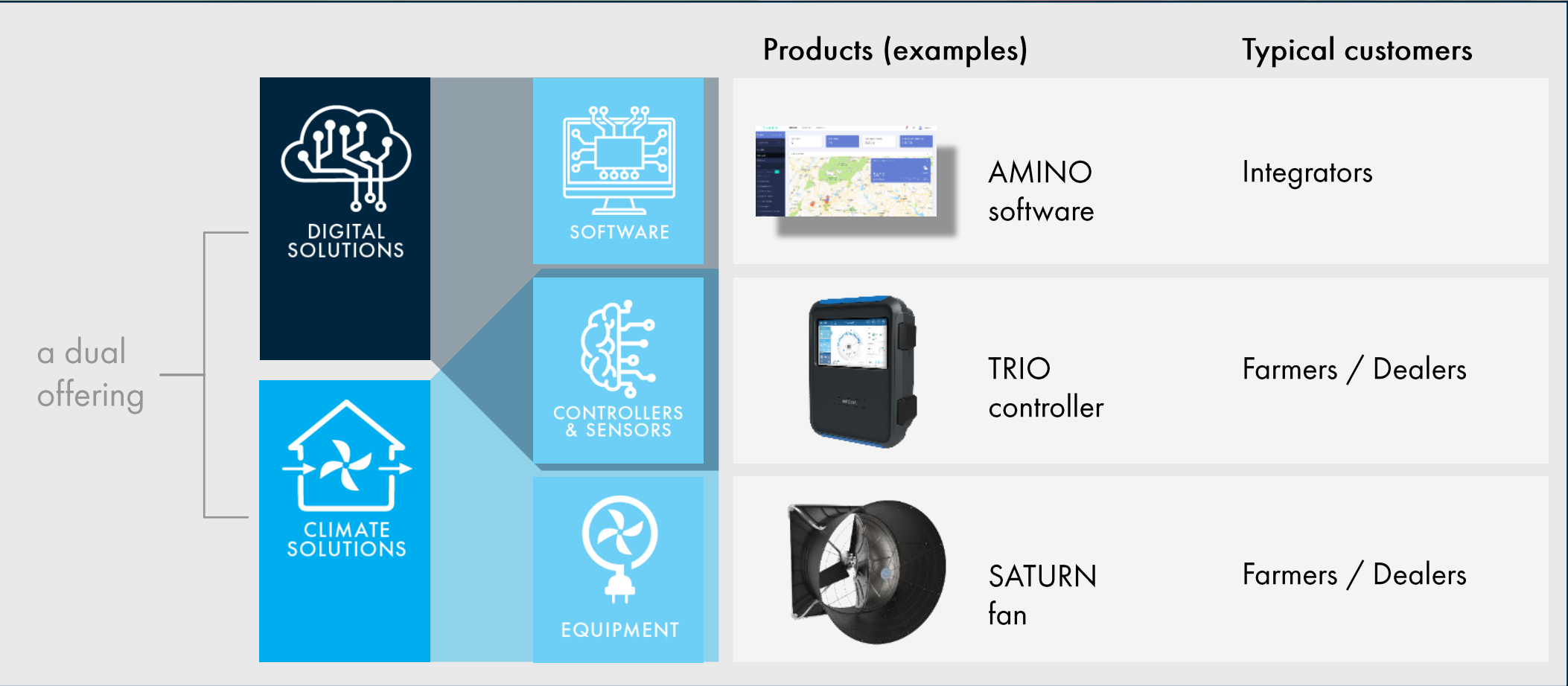
Customer segment	% order intake Q1 2022	Market Outlook *	Comments
Climate solutions	73%		Mixed market development with high demand in Americas, slower in EMEA and weak demand in APAC
...whereof Broiler	40%		Strong demand in Americas, EMEA slower due to Avian Flu and effect of supply chain constraints
...whereof Swine	15%		Weak development in APAC and EMEA improving in Americas
...whereof Layer	8%		Cage-free regulation driving long-term demand
...whereof Greenhouse	5%		Growth driven by increased demand
...whereof Dairy	5%		Good milk prices continue to support investments in Americas
Digital Solutions	27%		Strong trend in all regions with increased data usage through IoT and software aiming at increasing yield and improve animal welfare and sustainability

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

# Selection of market players

Fans	 EU/AS/AM  EU/AS/AM	 EU	 EU  EU/AS/AM  China  EU/AS	Fans
Cooling	 EU/AS/AM  AS	 EU	 AM  AS  Middle East  AM	Cooling
Inlets	 EU/AS/AM  EU	 EU  EU  AM	Inlets	
Controllers	 EU  EU/AS/AM	 EU/AS/AM  EU/AS/AM  EU/AS/AM  AM/AS  EU/AS/AM	Controllers	
Other	 EU/AS/AM	 EU	Other	

# FoodTech has a leading dual offering to our customers



FoodTech stands on two pillars, climate solutions and digital solutions

# US Integrator upgrades to Amino solution

## Amino- software platform for the future:

- Poultry farm management platform that connects the integrators supply chain
- An easy-to-use cloud-based SaaS solution
- Allows us to move away from on premises services



## First upgrade from Protein v7 to Amino done:

- First US integrator to implement MTech, moved from On premises solution to SaaS
- New revenue model implemented



## Implementation is a success story:

- Reduction of implementation time - Less than 2 weeks to implement vs. 2-3 months in previous upgrades
- We are reducing the learning curve from years to a few weeks
- Positive user adoption that will help with testimonials and success stories to convince all others to convert

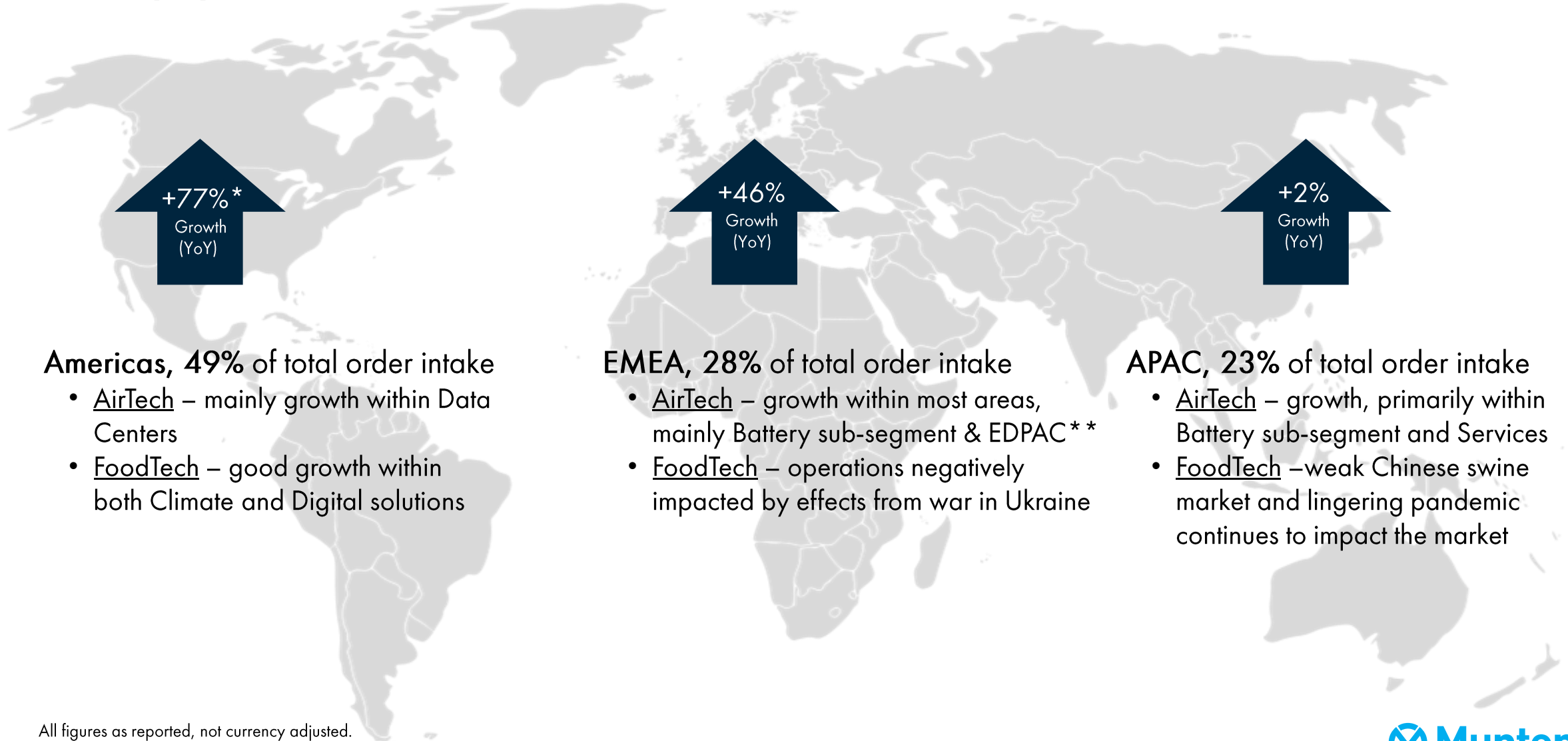




# Questions & Answers

# Appendix

# Strong growth in Americas for both business areas



## Americas, 49% of total order intake

- AirTech – mainly growth within Data Centers
- FoodTech – good growth within both Climate and Digital solutions

## EMEA, 28% of total order intake

- AirTech – growth within most areas, mainly Battery sub-segment & EDPAC\*\*
- FoodTech – operations negatively impacted by effects from war in Ukraine

## APAC, 23% of total order intake

- AirTech – growth, primarily within Battery sub-segment and Services
- FoodTech – weak Chinese swine market and lingering pandemic continues to impact the market

All figures as reported, not currency adjusted.

\*77% excludes major orders won in AirTech (Data Center order for SyCool Split of MUSD 115) and in FoodTech (SaaS solutions order of MUSD 20). Reported order intake growth +107%

24 \*\*EDPAC – an Ireland-based manufacturer of data center cooling equipment and air handling systems acquired in January 2022



# Strong growth and investing for the future

	Mid-term targets	Q1 2021	Q1 2022
<b>1</b> <b>Net sales growth</b> Org. growth p.a. over a business cycle	5%	14%	16%
<b>2</b> <b>Adjusted EBITA-margin</b>	14%	12.3%	9.5%
<b>3</b> <b>Capital structure (LTM*)</b> (Leverage: Net debt / adj. EBITDA)	1.5x-2.5x	1.9x	2.6x

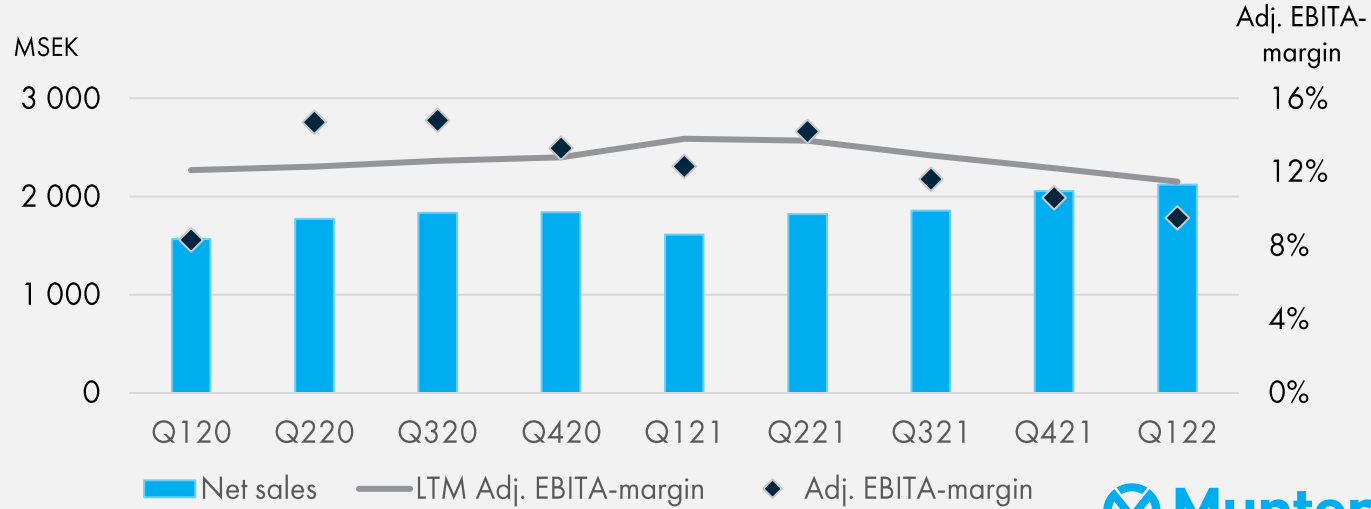


\*LTM = Last Twelve Months

# Another quarter with record high order intake

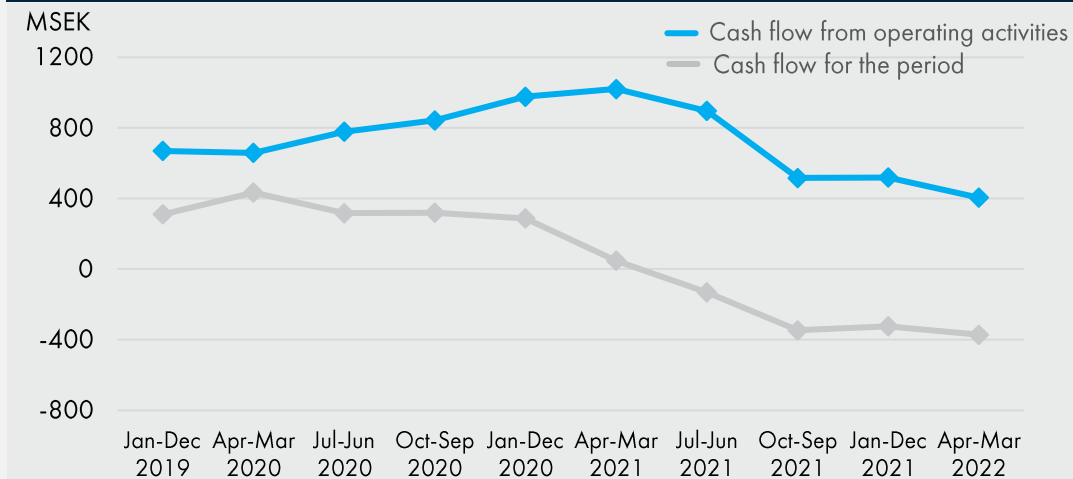
- Order intake at record levels
  - strong demand in markets driven by digitalization and electrification in business area AirTech
- Net sales increase mainly driven by business area AirTech
- Adj. EBITA margin seasonally strong but lower on the back of exceptionally high Q1 2021
- War in the Ukraine:
  - Mid-term positive impacts from ongoing strategy implementation in FoodTech revised from MSEK 70 to MSEK 50 due to suspended sales to Russia
  - Total IACs of MSEK -29 were identified in Q1 as a consequence of the war
- Focused investments in digitalizing our ways of working to continue in 2022

	MSEK	Q1 2022	Q1 2021	Change (%)		
				Organic growth	Acquisitions & divestments	Currency effects
Order intake		4,133	1,995	87	4	16
Order backlog		6,367	2,769	115	3	12
Net sales		2,121	1,612	16	5	10
Adj. EBITA		201	198			
Adj. EBITA-margin, %		9.5	12.3			



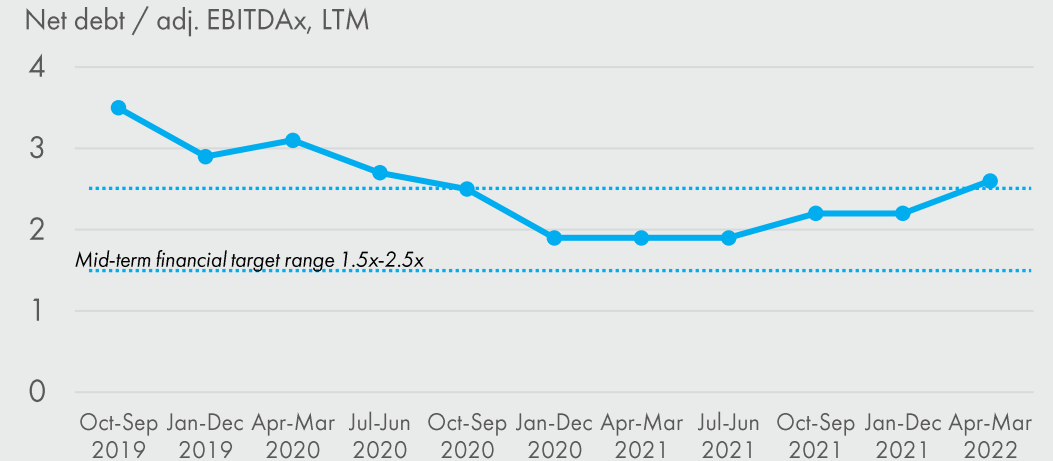
# Growth journey Q1- acquisition and increasing volumes

## Cash flow development, LTM\*



- Operating cash flow lower as:
  - lower level of operating earnings
  - Volume growth led to negative change in working capital
    - inventory and account receivables
    - partly offset by increased advances from customers and accounts payables

## Development of leverage



- Leverage ratio increased mainly driven by:
  - EDPAC funded by debt
  - build-up of working capital



# Measures for strategy implementation on track

	2020	2021	Status Q1 2022	Focus 2022
AirTech	<ul style="list-style-type: none"> <li>• Strategy implementation measures</li> <li>• Total costs and expenses about MSEK 200</li> <li>• Full year positive impact on EBITA, approx. MSEK 70 in 2023</li> </ul>		<ul style="list-style-type: none"> <li>• Realized costs and expenses of about MSEK 145</li> <li>• Approx. 70% of savings realized</li> <li>• Implementation according to plan, finalization in 2023</li> </ul> <div style="display: flex; align-items: center; justify-content: center;"> <div style="margin-right: 10px;">●</div> <div style="margin-right: 10px;">●</div> </div>	<ul style="list-style-type: none"> <li>• Strategy implementation activities to continue, preparation for finalization in 2023</li> </ul>
FoodTech	<ul style="list-style-type: none"> <li>•</li> </ul>	<ul style="list-style-type: none"> <li>• Strategy implementation measures</li> <li>• Total costs and expenses about MSEK 140</li> <li>• Full year positive impact on EBITA of approx. MSEK 50 in 2023</li> </ul>	<ul style="list-style-type: none"> <li>• Realized costs and expenses of about MSEK 110</li> <li>• As planned, no savings realized</li> <li>• Long-term positive impacts from ongoing strategy implementation revised due to suspended sales to Russia, from MSEK 70 to 50</li> </ul> <div style="display: flex; align-items: center; justify-content: center;"> <div style="margin-right: 10px;">●</div> <div style="margin-right: 10px;">●</div> </div>	<ul style="list-style-type: none"> <li>• Strengthened footprint and offering</li> <li>• More connected farms</li> <li>• Accelerate the software development</li> </ul>