



# Munters

**Q1 report 2021**

**Klas Forsström, President and CEO**

**Annette Kumlien, GVP and CFO**

# Agenda

## Highlights Q1 2021

Implementation of strategy

Q1 2021 financial highlights

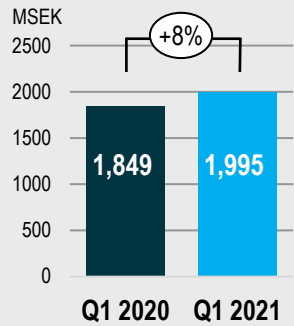
Summary



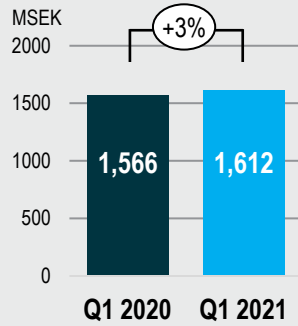
# Growth in first quarter driven by business area AirTech

## Strong growth

### Order intake



### Net sales



- Order intake increased FX-adj. by +20% (-8)
  - Driven by continued strong development in the Industrial segment in AirTech
- Order backlog increase FX-adj. by +11%
- Net sales increased FX-adj. by +14% (-7)
  - AirTech strong increase in Industrial segment; FoodTech good development in China
- Adj. EBITA improved to MSEK 198 (130), with an EBITA-margin of 12.3% (8.3)
  - AirTech improved margin significantly driven by higher net sales, lower indirect costs
- Leverage at 1.9x, down from 3.1x at end of March 2020

## Improved market conditions

- Market conditions improved, especially in industrial segment
- Major effect from Covid-19 pandemic from shortages in supply chain, expect challenges in securing this will remain for the coming months
- The execution of our strategy continued, with optimization of our footprint with a move and expansion of a production site for the Data Centers operation
- Strategy defined for business area FoodTech in the quarter. Going forward we aim at accelerate the implementation of the strategy in both the equipment and digital areas of the business



# Order intake Q1 – Growth in China and in the US

## Americas

- AirTech - growth driven by Industrial segment, primarily pharma and secondarily battery sub-segment, offsetting negative effect from exit of non-core Commercial segment. Data Centers and Services also show growth
- FoodTech – slight growth driven mainly by the swine, layer and dairy segments offset by weak broiler market

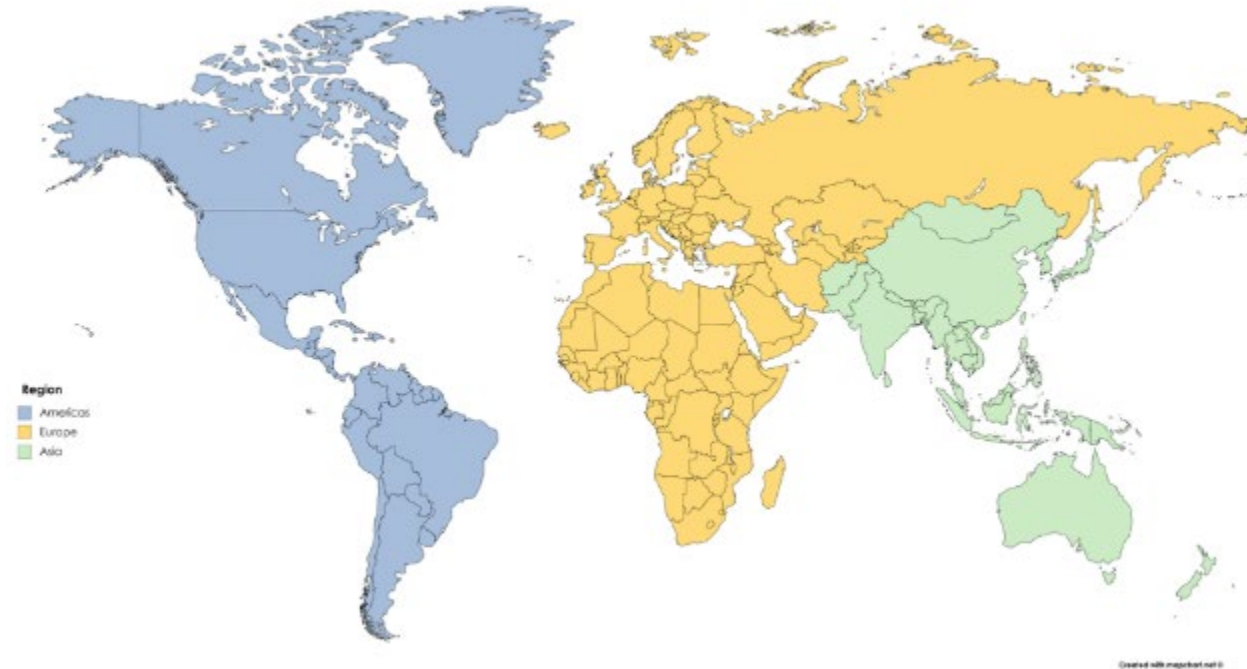
## EMEA

- AirTech – weak development driven by marine sub-segment in Mist Elimination partly offset by good development in battery sub-segment
- FoodTech – in general good growth in several areas, with good growth in the greenhouse segment










## Asia

- AirTech – strong growth in APAC driven by the battery and pharma sub-segment the Industrial. Also, the Component business and Services grew, partly offset by a weak development of Mist Elimination
- FoodTech - strong development driven by the swine segment in China, partly offset by some weaker markets in the region due to Covid-19

Regional split	Americas	EMEA	APAC
Share of total order intake	38%	33%	30%
Y/Y change in %*	-8%	1%	52%
Y/Y FX-adj. change in %	7%	7%	66%



# Recent market trends 2021 - AirTech

Customer segment	% of net sales		Market comments
	FY 2020	Recent trends	
Industrials	37%		Battery and Pharma pulling ahead with major investments
Lithium batteries	6%		Battery strong demand primarily in Asia
Food processing	8%		Modest activity during Covid pandemic
Others	23%		Pharma businesses driving demand growth
Data Centers	17%		Solid continuous growth driven by digitalization
Components	11%		Data Centers and Lithium Battery drive demand
Mist Elimination	7%		Recovery as large projects come back – still weak in Marine
Commercials	9%		Market is moving, but rather soft
Services	20%		Supported by strong Industrials – in spite of travel restrictions

# Recent market trends - FoodTech

Customer segment	% of net sales FY 2020	Recent trends	Market comments
Broiler	~50%	↓	US market temporarily slow
Swine	~30%	↑	High growth in China
Layer	~15%	→	Stable market with high interest in cage-free
Greenhouse	~5%	↑	Growth driven by increased demand
Dairy	<5%	→	Low growth in most markets



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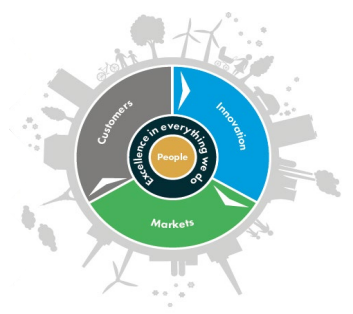
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# Strategic priorities – first quarter 2021



Strategic priorities:	Focus areas	Q1 achievement
Customers	Improve go-to-market models and pricing strategies	Further steps taken to ensure implementation of value selling and pricing strategies.
Innovation	Focus investments in R&D and product portfolio alignment and adjustment	Increased headcount in R&D, research lab inauguration in Sweden, and continued focus on product portfolio alignment.
Markets	Growing in prioritized markets and strengthen Services	Growth in prioritized areas, such as Batteries, Data Centers and Services.
Excellence in everything we do	Continuous improvements, lean activities in complete value chain, manufacturing footprint and working capital	Actions taken to further optimize footprint, ie decision about new production location Data Centers in the US.
People	Leadership and competence development in line with strategic priorities	Munters mentorship program launched.

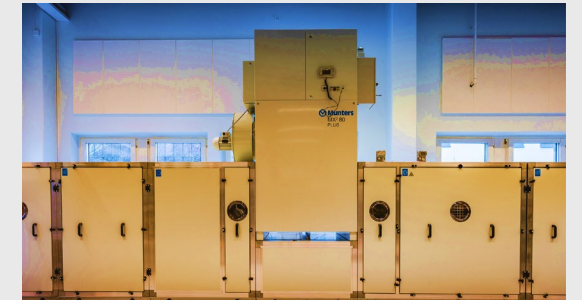


# Innovation – driving force for increased customer value

- Munters deliver smart energy efficient climate & dehumidification solutions and products used in mission critical processes with the highest quality and sustainability standards
- Often climate control systems account for a large share of energy consumption in many customers operations
- Our priorities are:
  - Develop modular concept platforms; to enable standardization as well as fast and cost efficient products development
  - Increase energy efficiency for our products and solutions
  - Develop connected equipment supported by common smart control platforms and IoT ecosystems

## Q1 2021:

- Expanded AirTech R&D organization to ensure implementation of strategic priorities
- New lab opened in Kista, Sweden
  - Shorten time to market and increased testing capabilities
  - Tests carried out for products adapted for global market
- Continued efforts towards assortment reduction



# Munters develop climate-friendly greenhouse solution

- Munters designed and realized the first climate-friendly solution dedicated semi-closed greenhouse in Italy
- Ensure an optimal climate throughout the year and monitor the greenhouse climate in a uniform way and leveraging solar radiations and outside air intake
- Increased yield, while helping growers to optimize the development of the crop in the best way






Munters is supplying Azienda Agricola Fratelli Lapietra with a mechanical ventilation management system; resulting in a maximized energy efficiency, increased productivity and excellent product quality.

# Increased focus on Sustainability

- Sustainability is one of the most important drivers for Munters' strategy today and in the future
- Initiatives in 2020 resulted in improvements in several key areas:
  - Increased use of electricity from renewable sources
  - Expanded scope of suppliers required to sign our Code of Conduct to also include indirect material suppliers, achieved 100%
  - Roll out of Safety Observation Program Stop, continuing in 2021
- Focus 2021:
  - Complete the process of integrating Sustainability in overarching strategy
  - Set clearer goals in priority areas
  - Strengthen management, analysis and reporting of sustainability indicators
  - Continue to improve and expand Green House Gas reporting and work on actions to reduce our carbon footprint
  - Continue to roll out training in priority areas

## Munters sustainability framework is divided into three areas

*Example of KPIs FY 2020 (2019):*

 <b>Resource efficiency</b>	Electricity from renewable sources: <b>50% (40)</b>
 <b>Responsible business</b>	Code of Conduct for Suppliers: <b>100% (92)</b>
 <b>People &amp; Society</b>	Total Recordable Incident Rate*: <b>1.2 (2.7)</b>

\*Only applicable to production locations

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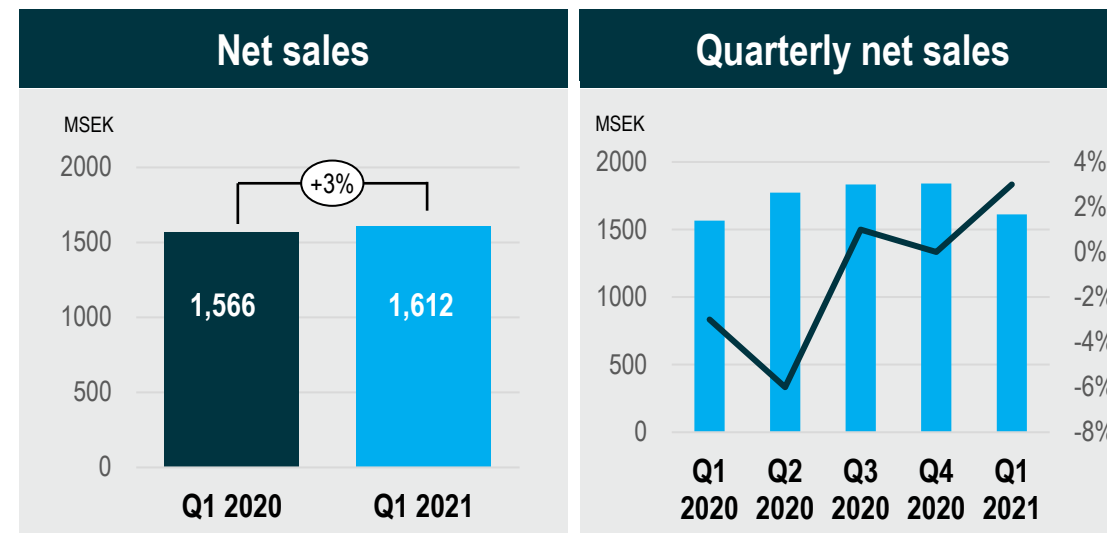
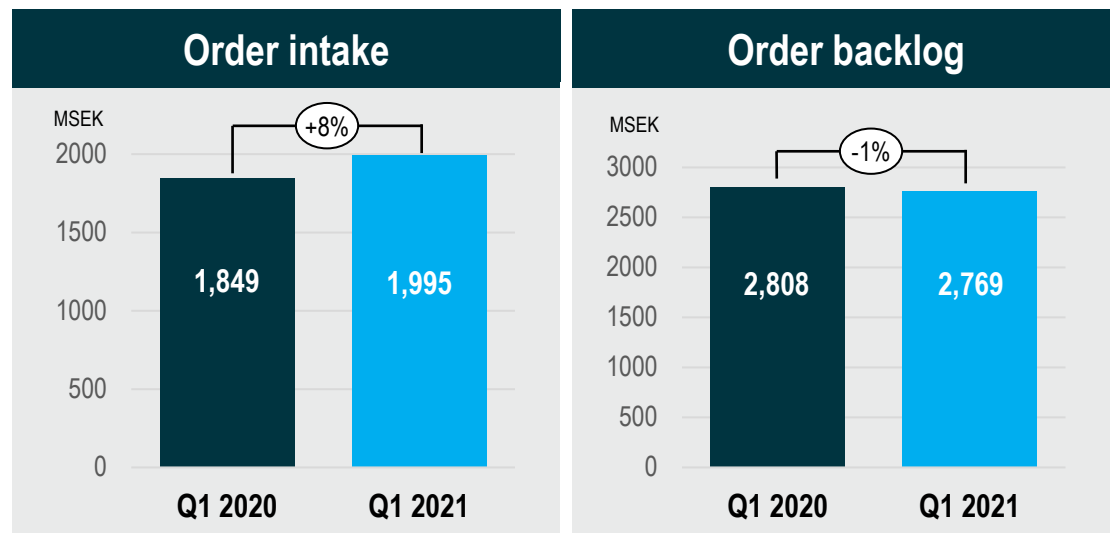
# Q1 2021 vs. Mid-term targets and Q1 2020

	Mid-term targets	Q1 2020	Q1 2021
<b>1</b> <b>Net sales growth</b> Org. growth p.a. over a business cycle	5%	-7%	14%
<b>2</b> <b>Adjusted EBITA-margin</b>	14%	8.3%	12.3%
<b>3</b> <b>Capital structure (LTM*)</b> (Leverage: Net debt / adj. EBITDA)	1.5x-2.5x	3.1x	1.9x



\*LTM = Last Twelve Months

# Group: Strong growth driven by AirTech



## Order intake, Q1: +8%, FX-adjusted +20%

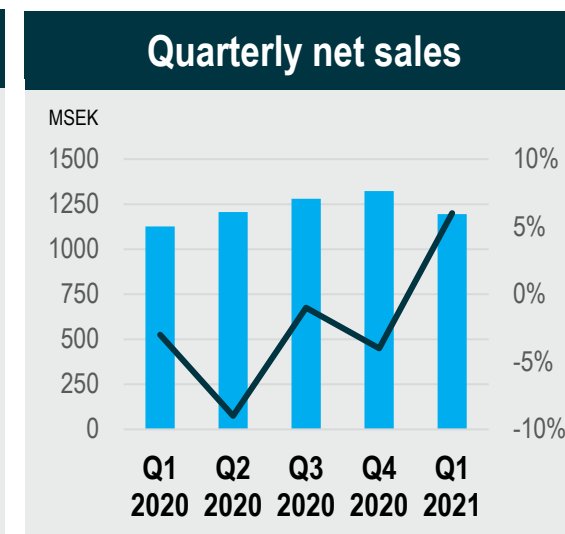
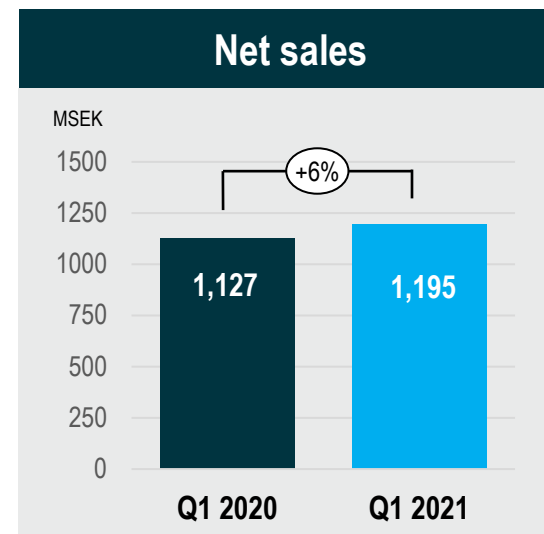
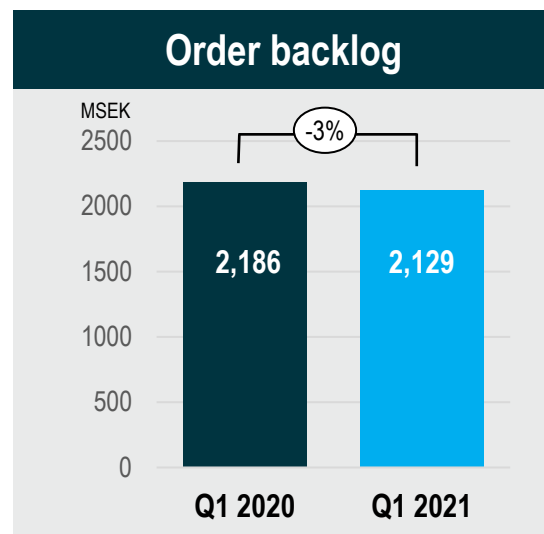
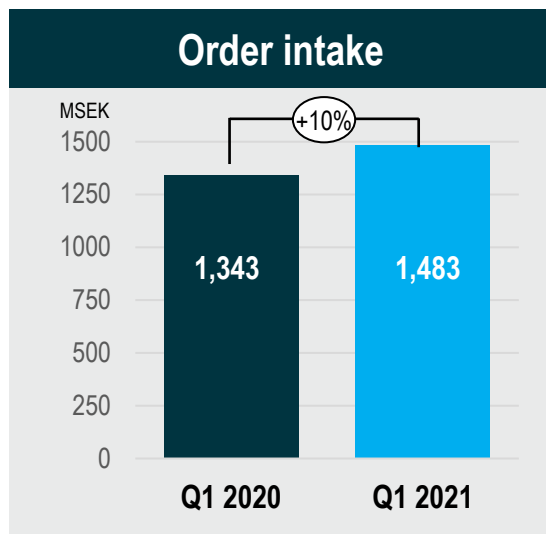
- AirTech: Strong increase driven by the industrial segment. Both the battery and pharma sub-segment had good growth. Data Center US increased, offset by decline in Mist Elimination. Excluding the non-core Commercial business US, FX adj. order intake was appr. +27%.
- FoodTech: All regions had growth in currency adjusted order intake. Continued strong growth in the swine segment in China. Growth in EMEA was driven by greenhouse segment, in the US swine, layer and dairy segments grew offset by a weak broiler market.

## Order backlog, Q1: -1%, FX-adjusted +11%

## Net sales, Q1: +3%, FX-adjusted +14%

- AirTech: Strong growth in battery, pharma sub-segments in industrial segment as well as in Services. Data Centers US grew, offset by a weak development in Mist Elimination. Excluding the non-core Commercial US business, FX adj. net sales was appr. +24%.
- FoodTech: Currency adjusted increase in net sales driven by a very strong growth in the swine segment in China. EMEA experienced weaker controller sales for the US broiler market
- Services net sales amounted to 14% of total net sales.

# AirTech: Strong growth driven by batteries and pharma sub-segment



#### Order intake, Q1: +10%, FX-adjusted +23%

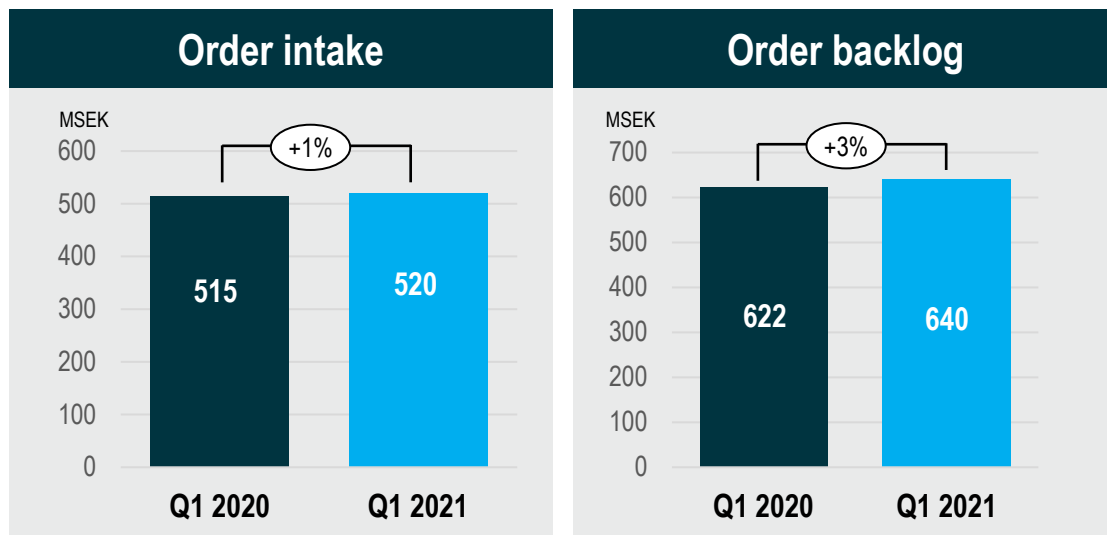
- Excluding order intake to non-core Commercial US business in Q1 2020 OI increased appr. +15% (FX-adj. +27%)
- Increase driven by strong growth in the Industrial segment, where the battery sub-segment in APAC had strong growth as well as the pharma sub-segment in the US had significant growth
- Components grew strongly driven by demand for rotors in the battery sub-segment mainly in APAC. Data Centers US grew, offset by Mist Elimination that was continued weak
- Service increased OI in APAC and Americas

#### Order backlog, Q1: -3%, FX-adjusted +10%

#### Net sales, Q1: +6%, FX-adjusted +17%

- Excluding net sales to exited non-core Commercial US business, net sales increased appr. +12% (FX-adjusted +24%)
- Services represented 18% of net sales
- Strong growth in Industrials, driven by battery and pharma sub-segments. Data Centers grew strongly, whereas Mist Elimination declined
- Services grew strongly, especially in Americas and APAC whereas EMEA flat
- APAC and EMEA grew and Americas flat

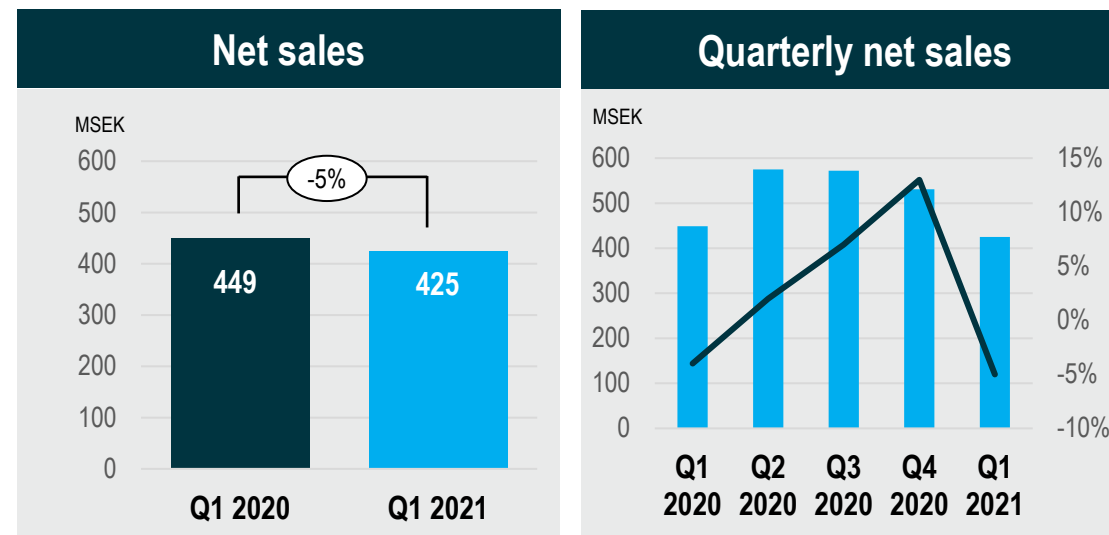
# FoodTech: Strong growth in China



## Order intake, Q1: +1%, FX-adjusted +12%

- In general, Covid-19 have had some negative effects on the market, for example customers in the broiler market postponing investments into new broiler houses
- In APAC China had strong growth driven by the swine segment. Also, development should be seen on the back of a weak Q1 2020
- In Americas the swine, layer and dairy segments had some growth, whereas the broiler market was weaker in the US
- EMEA had growth driven mainly by orders in the greenhouse segment

## Order backlog, Q1: +3%, FX-adjusted +15%

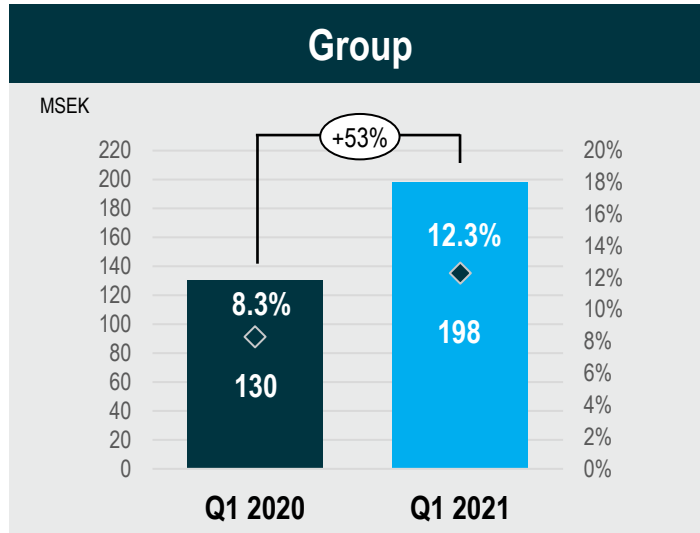


## Net sales, Q1: -5%, FX-adjusted +5%

- In general, NS was negatively impacted by delayed deliveries due to transportation squeezes in the supply chain
- APAC: good growth driven by China where the swine segment had a strong development
- Americas: the equipment NS had good growth, driven by the swine, layer and dairy business whereas the SW-business in MTech was flat
- EMEA: weak development, partly due to weaker sales our Israeli business due to weaker demand in the US broiler market

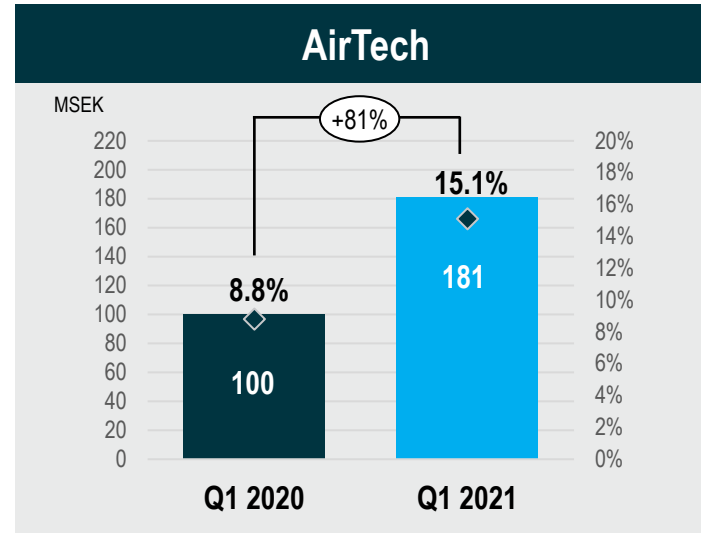


# Solid improvement adjusted EBITA Q1 2021



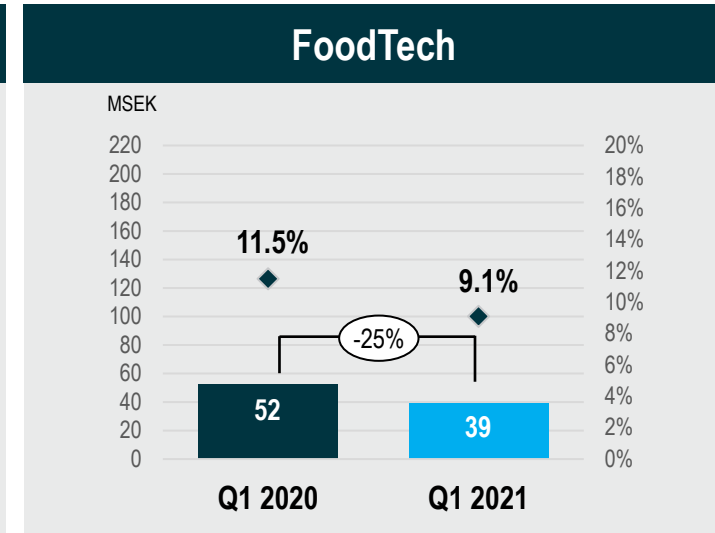
## Adjusted EBITA, Q1: Improved margin

- Adjusted EBITA increased to MSEK 198 (130), corresponding to an improved adjusted EBITA-margin of 12.3% (8.3).



## AirTech: Strongly improved margin

- Margin improvement was mainly driven by higher net sales and high utilization rates resulting in improved gross margins
- The exit of the non-core Commercial business contributed to improved margins
- Efficiency improvement measures led to continued lower indirect costs



## FoodTech: Decline in margin

- Margin decline in Q1 on the back of a strong margin in 2020
- Lower net of sales of controllers impacted margins slightly negative
- Somewhat increased transportation costs as a result of Covid-19

# Delivering on our strategic journey

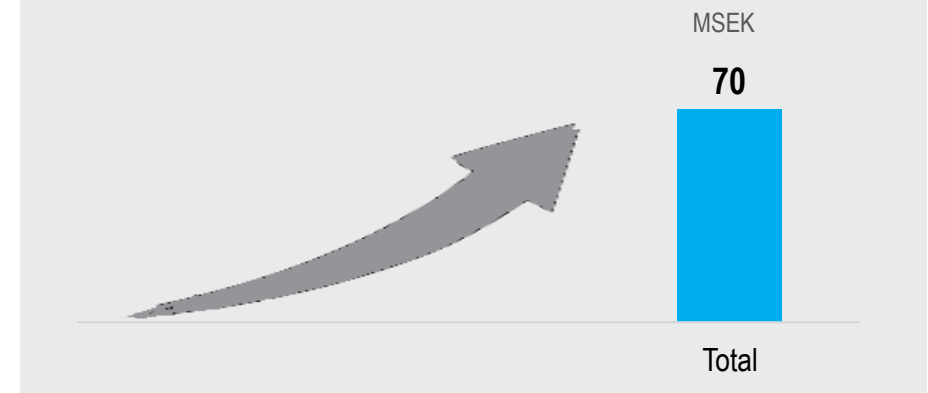
## Sharpening measures - status first quarter:

- Program announced in June 2020 aiming at sharpening the customer offering and footprint optimization. Program timeline to be delivered by end 2021
- Implementation is progressing according to plan, with expected closure as planned by year end
- Total cost for measures estimated at MSEK 176; MSEK 68 has been realized per end of March 2021:
  - MSEK 24 realized in the first quarter, mainly related to footprint optimization and various other measures taken to ensure execution of the strategy
- Savings, as earlier communicated, estimated to about MSEK 70, to reach full annual run-rate at year end

## Sharpening measures

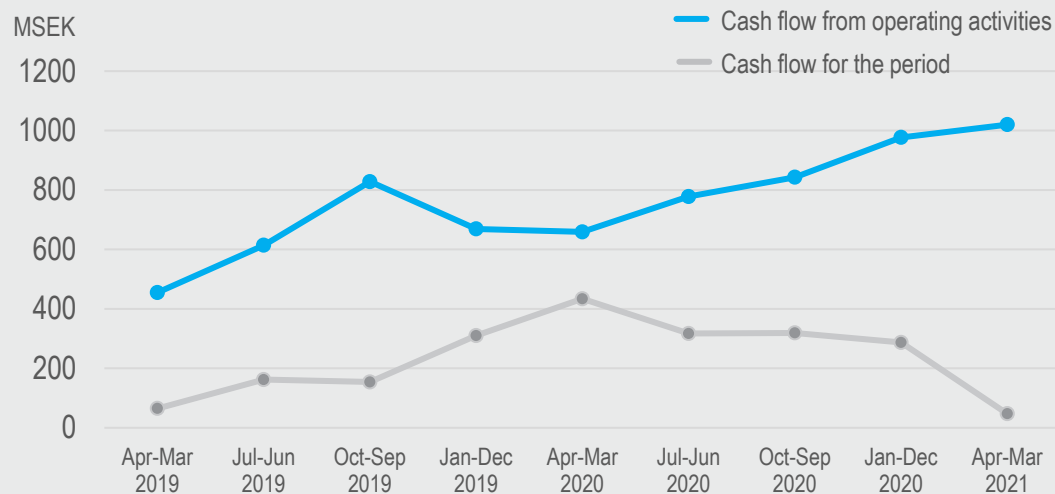
- Exit non-core part of the commercial business in the US within business area AirTech
- AirTech to expand Data Centers US manufacturing in Texas
- In the Netherlands, operations to be consolidated
- In addition, several other measures to be taken to ensure execution of the strategy

## Run-rate savings end of 2021



# Strong cash flow development

## Cash flow development, LTM\*



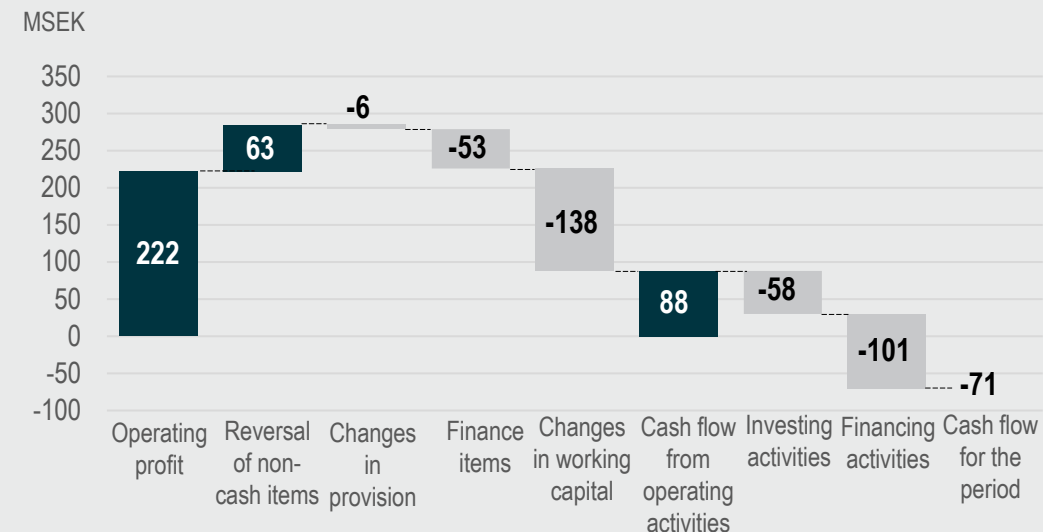
### Cash flow development:

- The improvement in cash flow from operating activities was mainly an effect of a positive operating profit development

\*LTM = Last Twelve Months

Cash flow development includes discontinued operations

## Cash flow for the period, Q1 2021

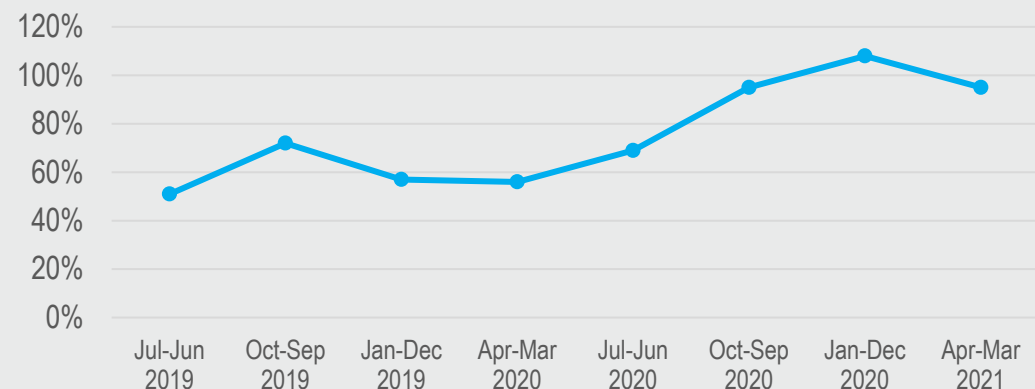


### Cash flow development:

- Cash flow from operating activities at MSEK 88
  - Improved profits more than compensated for a negative effect from changes in working capital. This is a result of build-up of projects. Also, inventory levels in FoodTech increased as a consequence of delayed transportation due to Covid-19 challenges in the supply chain
- MSEK 100 was amortized of the Revolving Credit Facility (RCF) in the quarter

# Leverage in line with mid-term financial target range

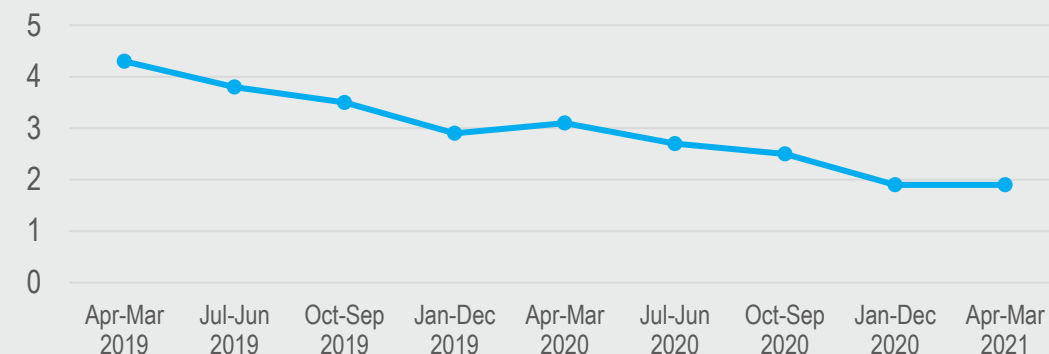
## Cash conversion (LTM OCF\*/Adj. EBITA)



- Cash conversion continued to be at a high level mainly as a result of intense work to improve cash management and working capital management
- In the first quarter operating cash flow was at a higher level than the first quarter 2020. The relative improvement was higher in adj. EBITA and hence the conversion rate came down slightly

## Development of leverage

Net debt / adj. EBITDAx, LTM



- Net debt at the end of March amounted to MSEK 2,208 compared to MSEK 2,116 at the end of December 2020. The increase in net debt was mainly driven by a negative exchange rate effect on outstanding borrowings related to USD/SEK of MSEK -134 in the quarter
- The leverage ratio per end of March was 1.9x which is the same ratio as per end of December 2020 as the strong cash flow from operations was offset by the negative FX-rate effect relating to USD/SEK

\*Operating cash flow  
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# Solid first quarter with improved market conditions

- Mixed impact from Covid-19, with major impact from shortages in the supply chain. We expect that challenges in securing the supply chain will remain for the coming months
- Strong growth in prioritized areas, improved profitability and good cash generation
- Our implementation of the long-term strategy progressed
  - Footprint optimization measures taken
  - Continued increased focus on innovation and R&D
  - Strategy defined for FoodTech - implementation to start in coming quarter both the equipment and digital areas of the business

We are well positioned in a long-term growing market driven by an increased need for sustainability, energy efficiency and digitalization



# Questions & Answers