



Munters

Q2 report 2022

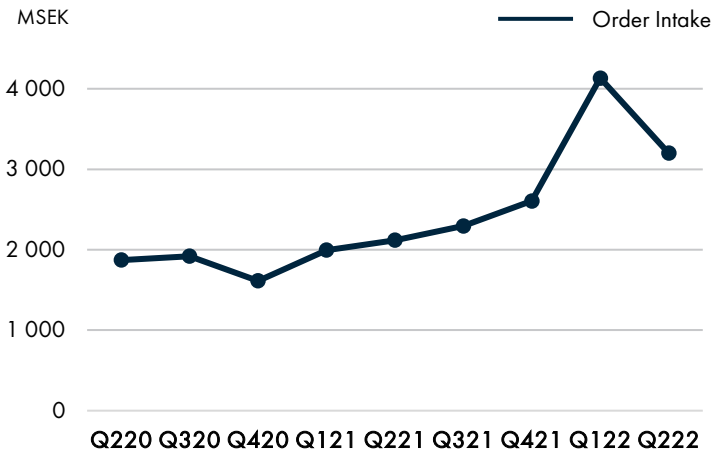
Klas Forsström, President and CEO

Annette Kumlien, GVP and CFO

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Strong growth in a quarter marked by continued challenges

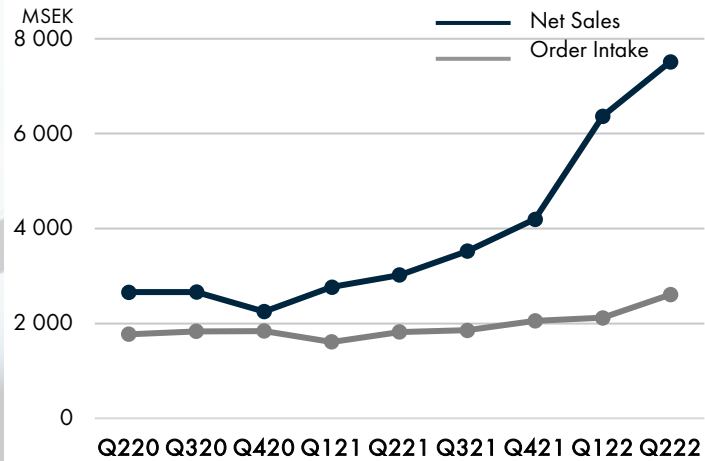
Strong order intake



Order intake, Q2 increased by 51% driven by:

- Data Center Technologies (DCT) in Americas
- Battery and Service in AirTech
- fx-adj. 35% and organic 33%

Increased focus to manage lead times



Net sales, Q2 organic growth 25% driven by:

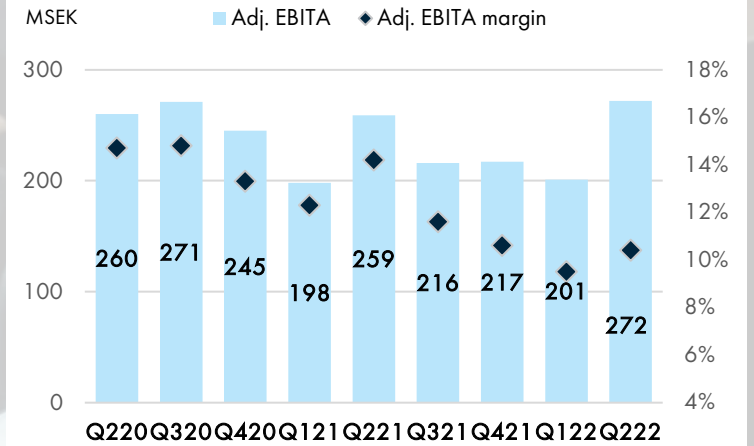
- DCT in Americas and Battery and Service in AirTech
- offset by weak market in China for FoodTech
- fx-adj. 29% and organic 25%

Order backlog, FY increased 149%

- fx-adj. +117% and organic 114%

Book-to-bill 1.2

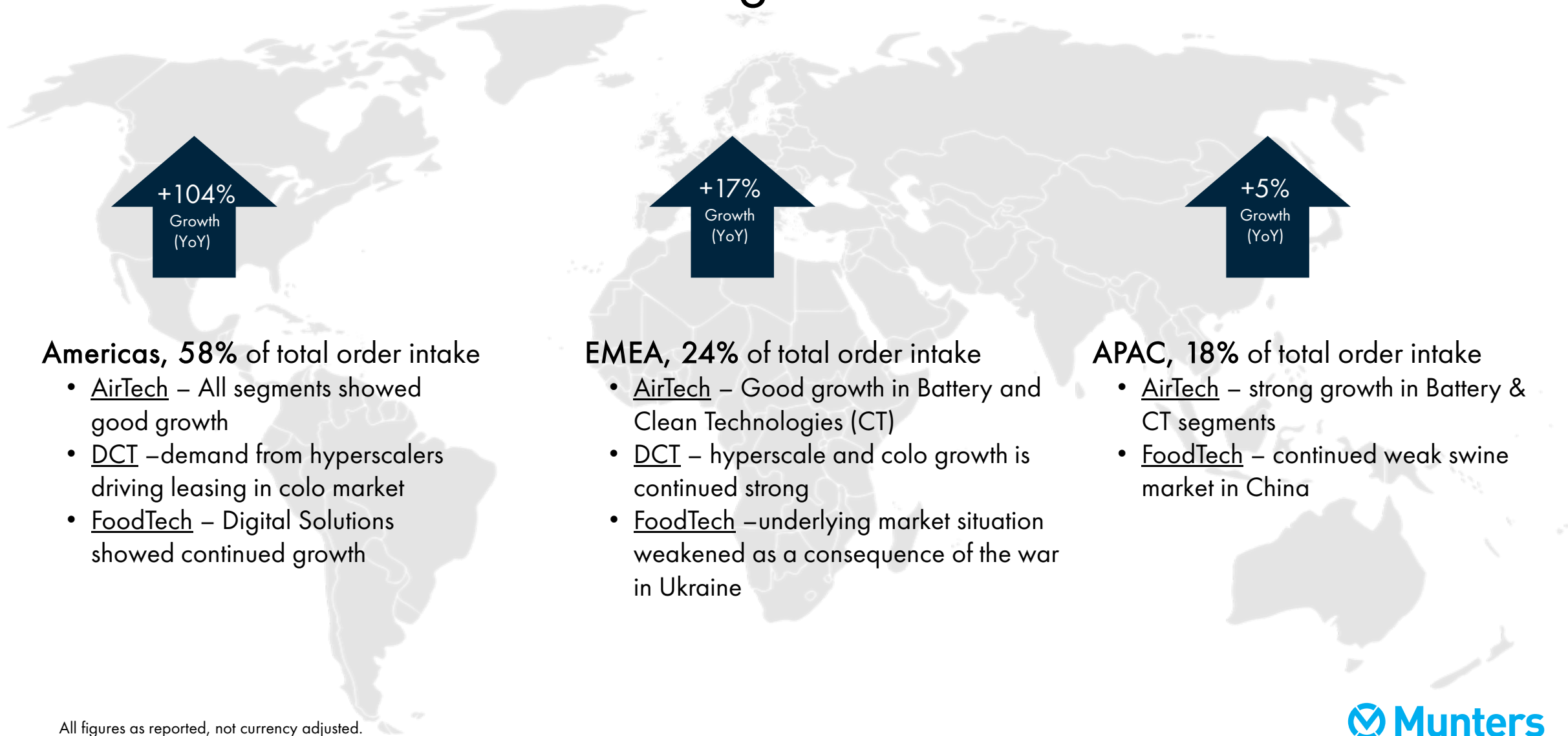
Price increases compensated for inflation



Adj. EBITA-margin 10.4% impacted by:

- our price increases compensated for inflationary pressure
- offset by increased work to secure components shortages and increased costs
- a changed business mix in DCT
- lower volumes in APAC & EMEA for FoodTech
- operational challenges
- increased strategic investments to capture market opportunities

Q2 - Americas main driver of growth



All figures as reported, not currency adjusted.

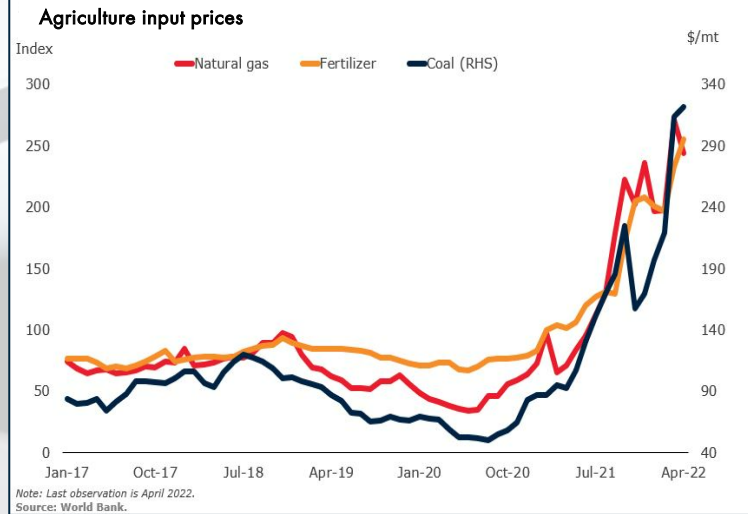
Intensified global challenges

Market situation



- War in Ukraine
- Lingering Covid-19 outbreak
- Overcapacity in the swine market in China

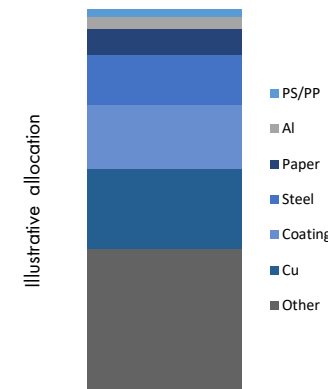
Consequences of market situation



- Inflationary pressure
- Rising input costs for the farming industry
- Weakened market in EMEA
- Lockdowns in China due to Covid-19

Supply chain impact

Munters main raw materials directly/indirectly impact*



Trend commodity price development

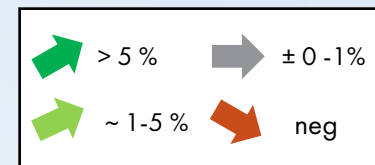
	QoQ	YoY
Steel	-	-
Copper	-	-
Aluminium	-	+
PS/PP	-	+
Container rate	-	=
Energy prices (EU)	+	++

Source: Munters analysis

- Supply chain constraints and component shortages
- Limited freight alternatives and rising costs

*PS - Polystyrene , PP – Polypropylen, Al – Aluminium, CU – Copper

AirTech – Very strong demand within Battery



Customer segment	% order intake Q2 2022	Market Outlook *	Comments
Industrial	50%	➦	Demand expected to remain strong
...whereof Battery	25%	➤ ***	Continued strong growth expected, driven by Americas and EMEA
...whereof Food processing	8%	➦	Demand expected to continue to pick-up
...whereof Other	16%	➦	Solid underlying markets performance
Components **	14%	➤	Demand expected to remain strong for components in key markets
Clean Technologies	8%	➦	Growth driven by primarily Process industries
Commercial	6%	➡	Steady replenishment market for supermarkets
Services	23%	➦	Growth in all regions and continued high demand for our Services

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

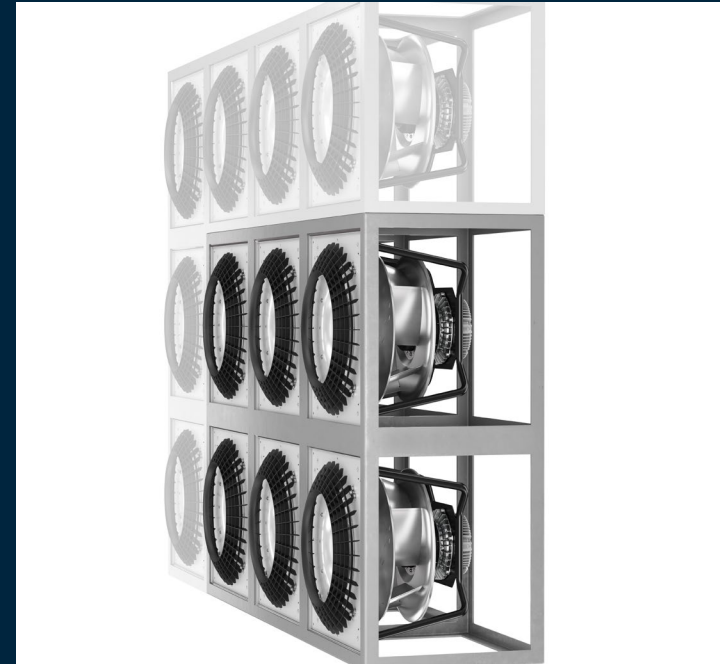
** Dehumidification rotors and humidification pads sold through OEM channels

*** Market outlook for Battery is strong with growth above 10 per cent

Belgian air hub chooses Munters for fan optimization

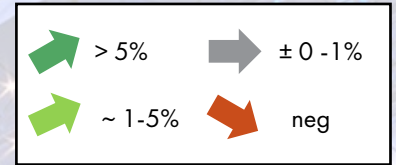
- Liège Airport in Belgium is the 7th biggest cargo airport in Europe and the 22nd biggest in the world
- Massive amount of energy is used for creating a comfortable indoor climate for passengers, shopkeepers and employees
- Two extraction units were upgraded, and one fan unit replaced, which significantly reduced electricity consumption and reduced CO2 emissions

CO2 emissions reduced by ~20 tonnes per year



Liège Airport modernized its passenger terminal climate control units with the help of Munters. Fan upgrades save energy and reduce CO2 emissions

Data Center Technologies – hyperscalers driving growth



Customer Segments	% order intake Q2 2022	Market Outlook *	Comments
Hyperscalers	5%	➤	Increase in cloud traffic and connectivity services continues to drive hyperscale growth
Colocation	93%	➤	Colo growth largely driven by increased leasing from hyperscale customers, specifically orders for the newly launched SyCool product range
Telco & enterprises	2%	➤	Slower growing segment as more enterprise data centres are moving to cloud or colocation hosted solutions Edpac solutions fit in well with Enterprise and Telco markets

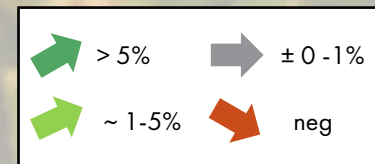
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US Footprint Expansion

- Brand new state of the art facility opening in Roanoke region, Virginia
 - 365,000 square feet (34,000 m²) of manufacturing, office and R&D testing facility
 - represents over a 50% manufacturing increase over current Virginia facility
 - access to larger labor pool
 - completed in Q3, completely moved in Q4 2022
- Further expansion of data center production in Texas facility
 - SyCool Split production to begin in Texas in addition to Virginia
 - Texas to continue to focus on key accounts for DCT and Air Tech



FoodTech – a market in transformation



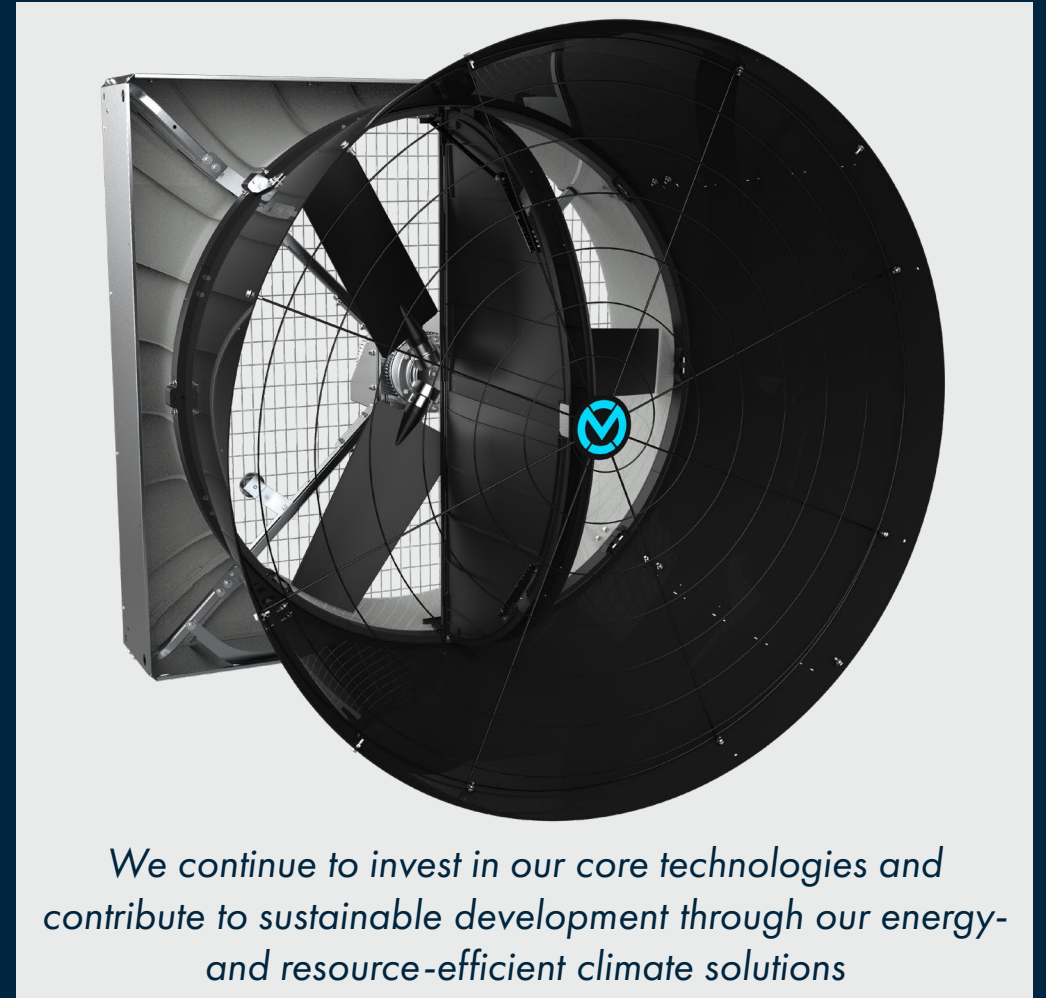
Customer segment	% order intake Q2 2022	Market Outlook *	Comments
Climate solutions	87%	➡	Mixed market development with growth in Americas, slow down in EMEA and weak demand in APAC
...whereof Broiler	53%	➡	Continued strong demand in Americas, EMEA slower due to Avian Flu and effect of supply chain constraints
...whereof Swine	15%	➡	Weak development in APAC and EMEA
...whereof Layer	11%	➡	Cage-free regulation driving long-term demand
...whereof Greenhouse	6%	➤	Growth driven by increased demand
...whereof Dairy	3%	➡	Good milk prices continue to support investments in Americas
Digital Solutions	13%	➤	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

New product launch of Saturn FIVE ...

... following Saturn ONE introduced two years ago


- Saturn series - lasts longer, use less components and reduce running costs while ensuring a healthy environment for animals.
- Modular - fully flexible configuration to meet the needs of any farm
- Sustainable - increases airflow while reducing operating costs, maintenance and energy consumption. Saves up to 60% on electricity costs
- Reliable - long service life and corrosion resistance features with Munters Protect, stainless steel and composite materials



Climate change is our most important megatrend

For customer success and a healthier planet

Selection of achievements during the quarter:



Mandatory training for all non-production employees of our **Code of Conduct** policy

- provides transparency and understanding of behaviors expected at Munters
- illustrates when to escalate issues and who to turn to for support

creating an environment where people feel safe to come forward with concerns and questions



Updated **sustainability scorecard** for new products – helps determine the impact categories: raw materials, production, use phase and end-of-life



Opening of **Munters Academy** – a place for colleagues to gather and learn about the latest air treatment systems and technologies in both theory and practice

Financial highlights

Strong growth in a quarter marked by continued challenges

	Mid-term targets	Q2 2021	Q2 2022	YTD 2021	YTD 2022
Net sales growth Org. growth p.a. over a business cycle	5%	13%	25%	13%	21%
Adjusted EBITA-margin	14%	14.2%	10.4%	13.3%	10.0%
Capital structure (LTM*) (Leverage: Net debt / adj. EBITDA)	1.5x-2.5x	n.a.	n.a.	1.9x	2.9x

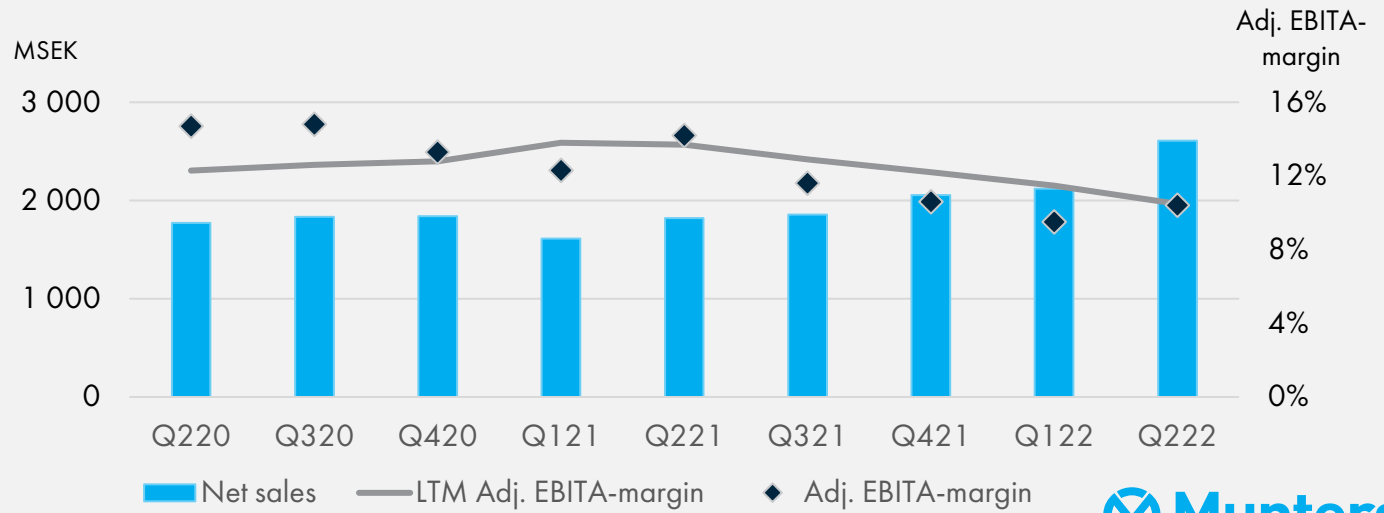
*LTM = Last Twelve Months



Growth and investments to capture market opportunities

- Order intake increased, driven by strong growth in DCT Americas and Battery and Service in AirTech
- Order backlog continued to increase
- Net sales increased driven mainly by DCT and AirTech
 - Services amounted to 14% of total net sales
 - Price increases ~ 9% of the organic growth in Q2
- In adj. EBITA our price increases compensated for inflationary pressure, offset mainly by costs due to component shortages, business mix change in DCT, lower volumes for FoodTech in EMEA and APAC and operational challenges
- Investments fuel our strategic journey, to continue in 2022

	MSEK	Q2 2022	Q2 2021	Change (%)		
				Organic growth	Acquisitions & divestments	Currency effects
Order intake		3,200	2,118	33	2	17
Order backlog		7,515	3,018	114	3	32
Net sales		2,610	1,822	25	4	14
Adj. EBITA		272	259			
Adj. EBITA-margin, %		10.4	14.2			



Growth and net price increases offset by increased costs

Group adj. EBITA margin impact

	Q2
2021 adj. EBITA %	14.2
Volume	++
Net pricing	=
Business & regional mix	--
Supply chain	--
Investments	-
Operational challenges	-
2022 adj. EBITA %	10.4

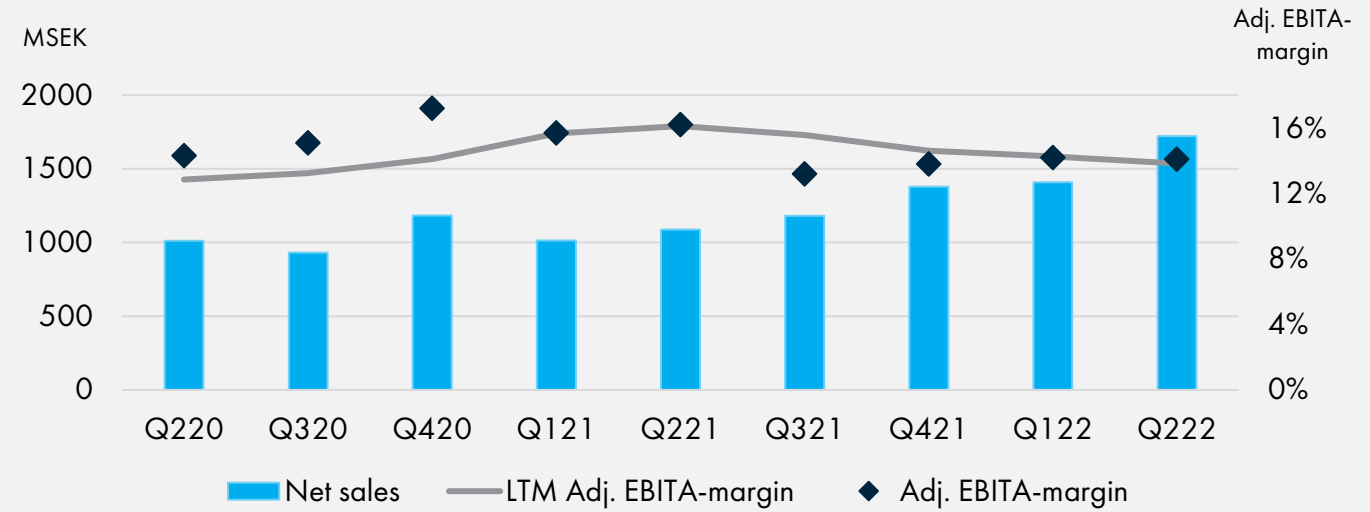
Main factors affecting adj. EBITA margin in Q2:

- Positive impact from volume increase with good growth in AirTech and Data Center Technologies
- Net price increases offset by inflationary pressure
- Business & regional mix had a negative impact:
 - weak market for FoodTech in EMEA & APAC
 - a changed business mix in DCT
- Supply chain challenges - War in Ukraine has led to increased energy and freight costs and component shortages
- Strategic investments for scalability
- Operational challenges in two units

Strong growth in transformative segments

- Order intake increased in all regions. Good growth in Battery but also Food, Components, CT and Services
- Net sales increased with good growth in all regions
 - Services net sales ~ 20% of AirTech net sales
 - price increases ~ 6% of the organic growth in Q2
- Adj. EBITA margin impacted by;
 - + strong volume growth
 - + customer price compensated for inflationary pressure
 - increasing work to secure components and manage lead times
 - operational challenges at a production unit in the Industrial sub-segment in the US continues

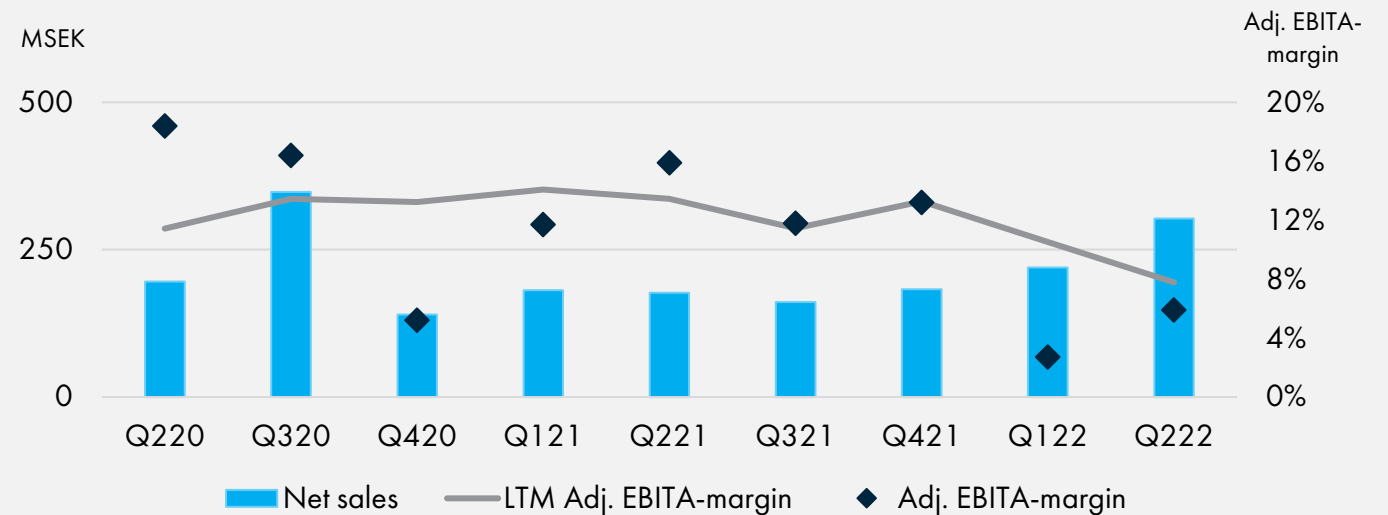
	MSEK	Q2 2022	Q2 2021	Change (%)		
				Organic growth	Acquisitions & divestments	Currency effects
Order intake		1,727	1,315	19	-	12
Order backlog		3,204	1,998			
Net sales		1,723	1,088	43	-	15
Adj. EBITA		242	177			
Adj. EBITA-margin, %		14.1	16.2			



Strong growth in both Americas and EMEA

- Order intake increased strongly driven by co-location customers in Americas
- Net sales increased driven by both EMEA and Americas
 - price increases ~2% of the organic growth in the quarter
- Adj. EBITA margin impacted by;
 - + volume growth in both Americas and EMEA
 - increasing work related to component shortages led to increased lead times and increased costs
 - a changed business mix in the quarter

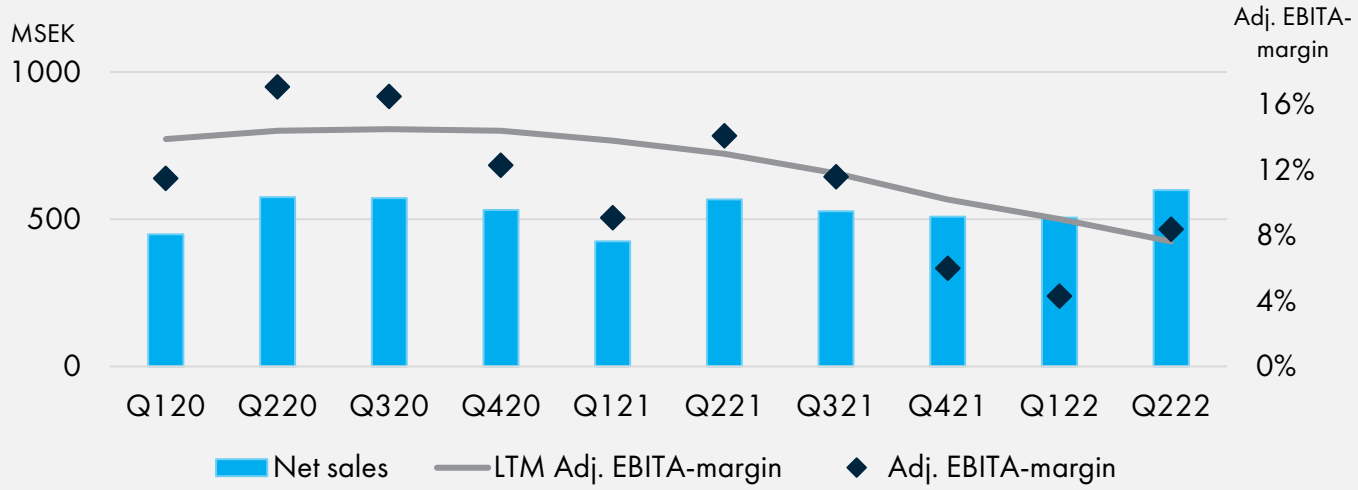
	MSEK	Q2 2022	Q2 2021	Change (%)		
				Organic growth	Acquisitions & divestments	Currency effects
Order intake		939	180	318	85	18
Order backlog		3,369	319			
Net sales		303	177	10	39	23
Adj. EBITA		18	28			
Adj. EBITA-margin, %		5.9	15.9			



Increased sales, challenging market environment

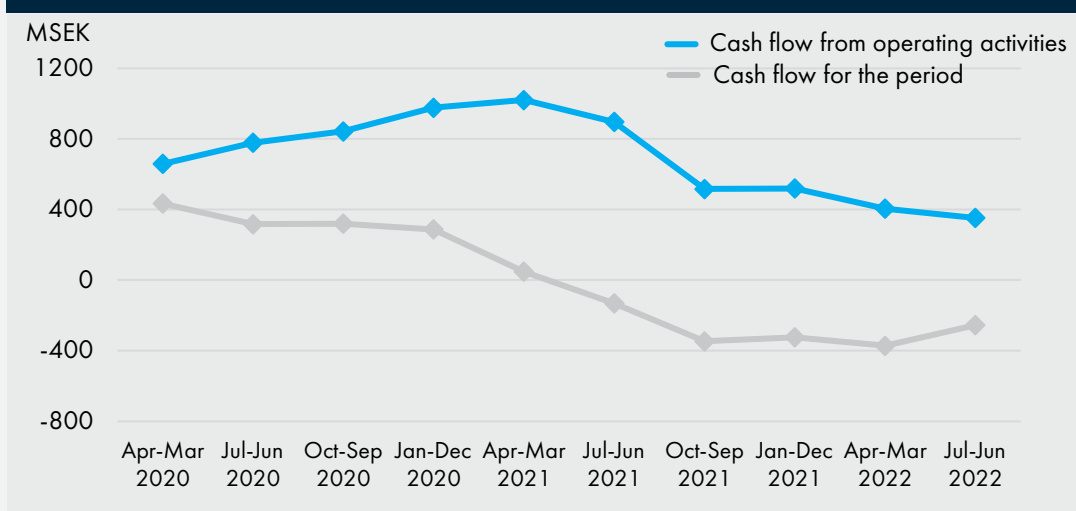
- Order intake decreased due to weak markets in APAC and EMEA. Digital Solutions in Americas grew
- Net sales increased slightly. Americas grew in the Broiler & Layer segments. APAC declined due to continued weak market in China. EMEA flat development
 - price increases ~10% of organic growth
- Adj. EBITA margin impacted by;
 - + increased sales in Digital Solutions in Americas
 - continued lower sales volumes in APAC
 - further investments in Digital Solutions
 - war in Ukraine - uncertainties on the market which resulted in lower order intake in EMEA and operational challenges in a production unit

	MSEK	Q2 2022	Q2 2021	Change (%)		
				Organic growth	Acquisitions & divestments	Currency effects
Order intake		554	636	-22	-	9
Order backlog		942	700			
Net sales		599	567	-5	-	10
Adj. EBITA		50	80			
Adj. EBITA-margin, %		8.4	14.1			



Strong growth – increased operating working capital

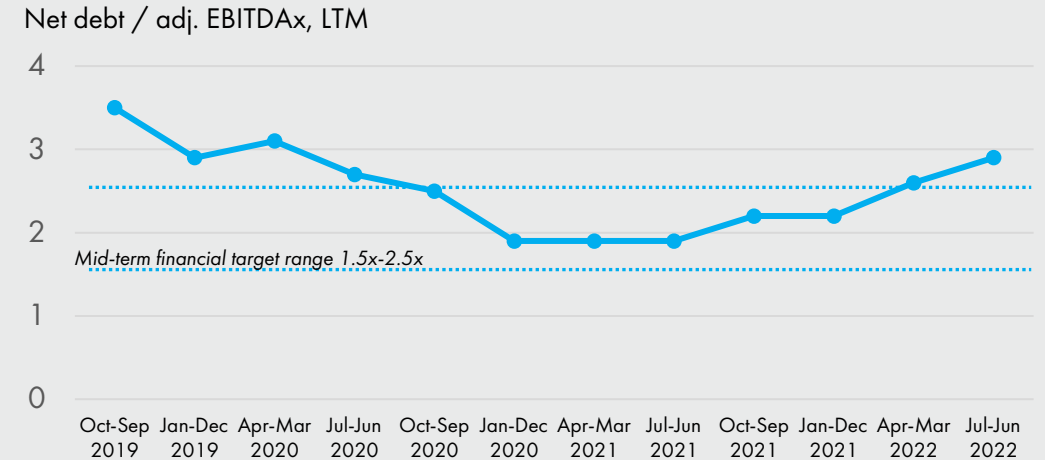
Cash flow development, LTM*



Operating cash flow lower as:

- level of operating earnings lower
- negative impact from change in working capital driven by strong order intake:
 - increased inventory levels and accrued income
 - partly offset by increased advances from customers and better terms with suppliers

Development of leverage



Leverage ratio increased mainly driven by:

- EDPAC acquisition funded by debt
- negative exchange rate impact
- build-up of working capital because of strong growth in order intake
- dividend pay-out

Increasing investments to capture market opportunities



Commercial excellence

Digitalization

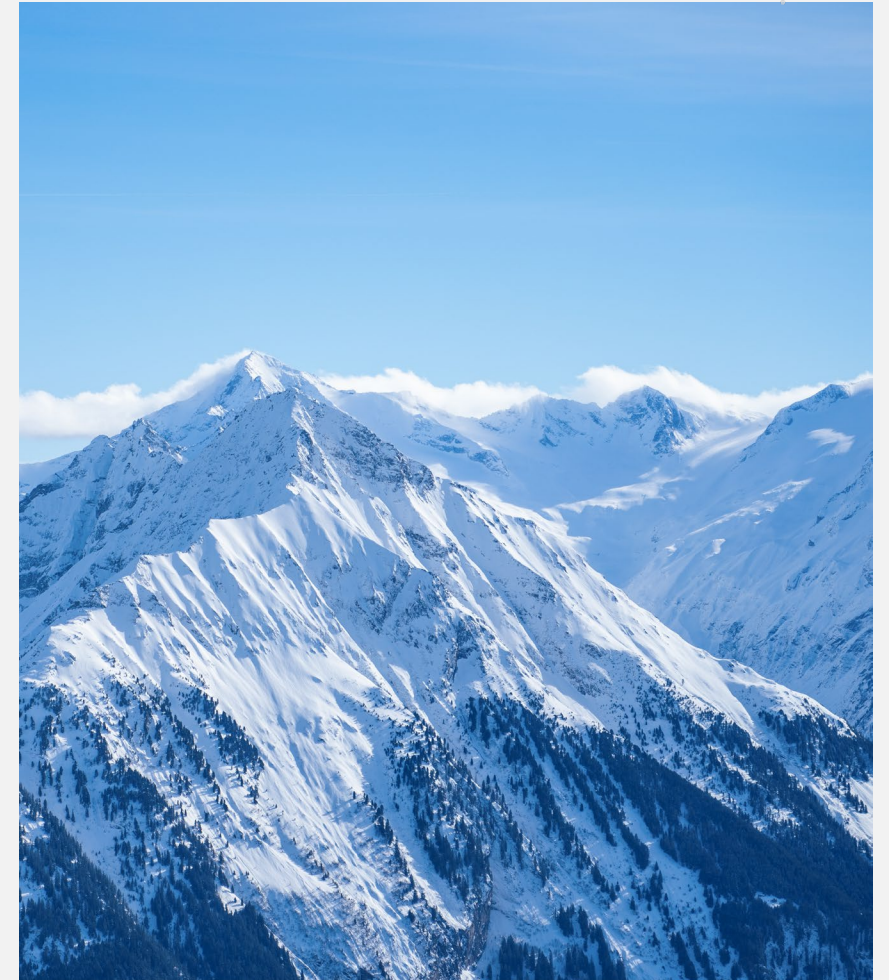
Innovation

Manufacturing excellence

Investing in people



Create a scalable
business to capture
growth and become more
efficient and profitable





Measures for strategy implementation on track

	2020	2021	Status Q2 2022	Focus 2022
AirTech	<ul style="list-style-type: none"> • Strategy implementation measures • Total costs and expenses about MSEK 200 • Full year positive impact on EBITA, approx. MSEK 70 in 2023 		<ul style="list-style-type: none"> • Realized costs and expenses of about MSEK 180 • Approx. 75% of savings realized • Implementation according to plan, finalization in 2023 	<ul style="list-style-type: none"> • Strategy implementation activities to continue, preparation for finalization in 2023
FoodTech	<ul style="list-style-type: none"> • 	<ul style="list-style-type: none"> • Strategy implementation measures • Total costs and expenses about MSEK 140 • Full year positive impact on EBITA of approx. MSEK 50 in 2023 	<ul style="list-style-type: none"> • Realized costs and expenses of about MSEK 110 • As planned, no savings have yet been realized 	<ul style="list-style-type: none"> • Strengthened footprint and offering • More connected farms • Accelerate the software development



Inorganic strategies to boost overall growth



Summary

Climate change is our most important value driver



Well positioned and continue to take advantage of the strong megatrends of digitalization, electrification and increased demand for sustainable solutions



Price increases compensated for inflationary pressure, and we continue to adjust prices



Increasing investments to capture market opportunities



Questions & Answers