

# Munters

Q4 report 2022

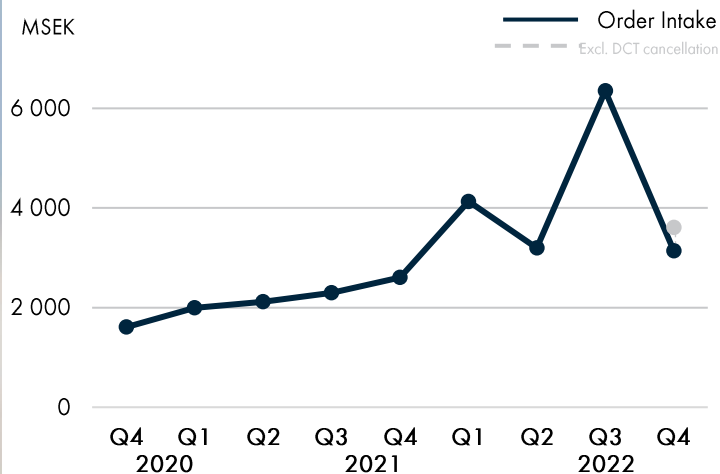
Klas Forsström, President and CEO

Annette Kumlien, GVP and CFO

Ann-Sofi Jönsson & Line Dovärn, Investor Relations

# A quarter with organic growth and strong underlying demand

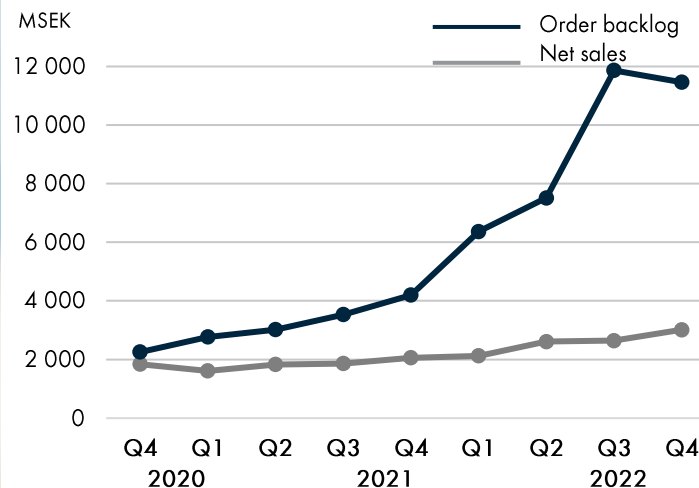
## Strong underlying demand



Order intake, Q4 FX-adj. +1% (organic growth -1%):

- order intake up +20% FX-adj., excl. DCT cancellation of MSEK 465
  - Caused by a whole project being stopped or redirected and is not related to Munters as a specific supplier
- 2 large battery orders from a multinational automotive manufacture in Americas, MUSD 54

## Solid organic net sales growth



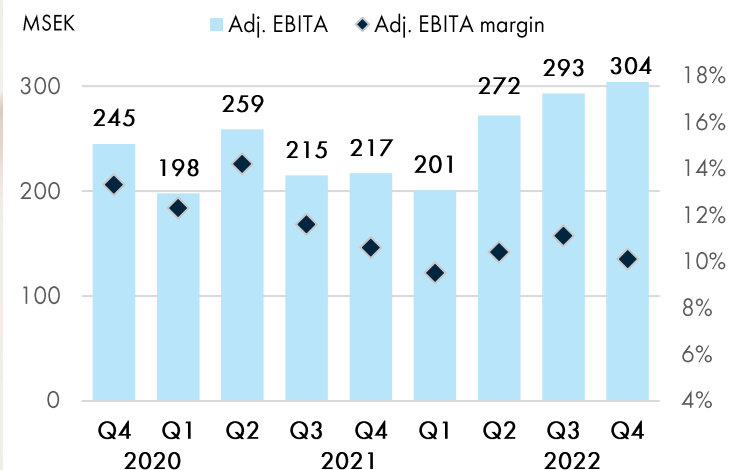
Net sales, Q4 FX-adj. +30% (organic growth +26%):

- AT and DCT showed strong growth
- offset by FT, weak market in APAC & EMEA

Order backlog, FY, FX-adj. +145% (organic growth +140%)

Book-to-bill Q4: 1.0, FY: 1.6

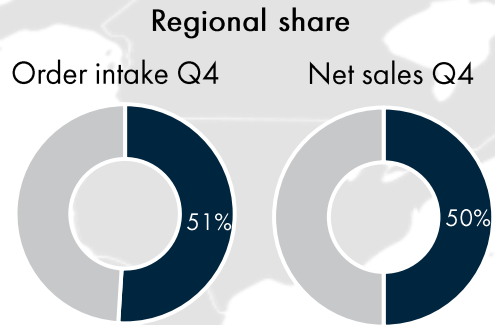
## Investments in digitization and automation



Adj. EBITA margin Q4 10.1%, FY 10.3%:

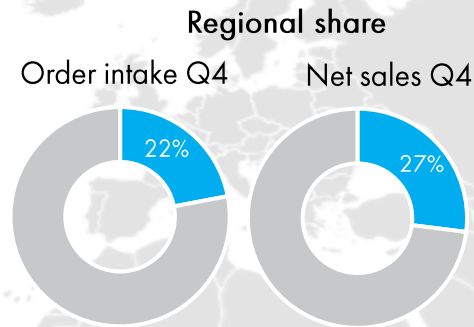
- lower FT volumes in APAC & EMEA
- price increases offset by business mix change in DCT
- strategic investments for scalability in digitization and automation increased

# Q4 – strong growth in all regions



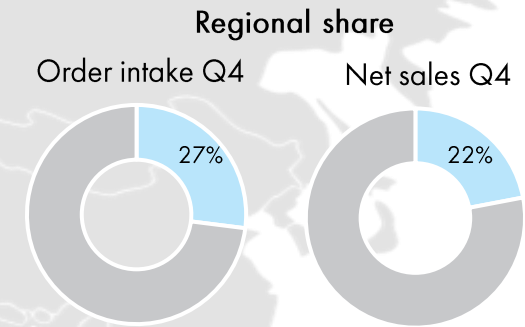
## Americas - order intake Q4

- AirTech – good growth in mainly battery and Service
- DCT – continued high demand from the colocation market with a larger enterprise order
- FoodTech – growth within Digital Solutions and broiler & dairy segments in Climate Solutions



## EMEA - order intake Q4

- AirTech – good growth in battery
- DCT – stable demand from colocation market
- FoodTech – underlying weak market situation due to the war in Ukraine and inflationary pressure



## APAC- order intake Q4

- AirTech – growth in battery, as well as Component & CT\* segments
- FoodTech – continued weak swine market in China

All figures as reported, not currency adjusted.  
\* Clean Technologies

# Market challenges remain, slightly improved over Q3

## Global market situation



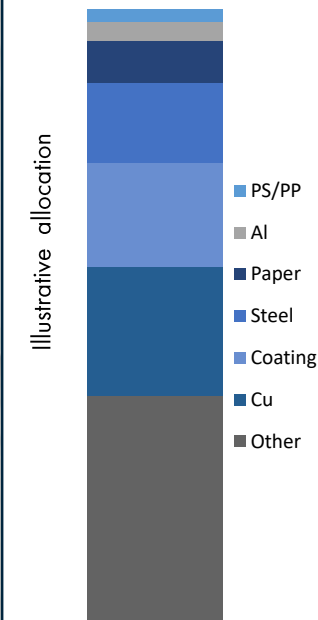
- Macroeconomic uncertainties
- Geopolitical instability, war in Ukraine
- Lingering Covid-19

## Consequences of market situation

- Inflationary pressure resulting in higher input costs
- Component shortages primarily in electronics
- Weakened demand from the farming industry in EMEA
- Rising energy prices in EU & Americas
- Limited freight alternatives and high costs remain for road freight

## Supply chain impact

Munters main raw materials directly/indirectly impact\*



Trend commodity price development

	QoQ	YoY
Steel	-	--
Copper	+	-
Aluminium	+	-
PS/PP	+	-
Freight costs	-	-
Energy prices (EU)	-	-

Source: Munters analysis

\*PS - Polystyrene, PP - Polypropylene, Al - Aluminium, CU - Copper

# AirTech – Order intake strong in all customer segments



Customer segment	% order intake FY 2022	Market Outlook *	Comments
Industrial	59%	➤	Overall strong outlook
...whereof battery	37%	➤***	Very strong demand driven by electrification trend and investments in new battery production facilities in all regions
...whereof food processing	7%	➡	Continued stable market outlook
...whereof other	15%	➡	Good demand from other industrials, regional variations
Components **	11%	➤	Demand expected to remain strong in key markets. Some sales to battery segment through other system providers
Clean Technologies	6%	➡	Growth driven by primarily process industries
Commercial	4%	➡	Steady replenishment market for supermarkets
Services	20%	➤	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

# Munters acquires Hygromedia and Rotor Source



*“With these acquisitions we strengthen our position as a leading supplier of desiccant dehumidification technology systems for numerous industrial processes ”*

- Hygromedia LLC - manufacturer of desiccant dehumidification media. Specializes in components, supplying desiccant rotor manufacturers in the US, Europe & Asia
- Rotor Source Inc. - supplier of rotors and cassettes to original equipment manufacturers (OEM)
- Located in Baton Rouge, La., US, about 30 employees & 2021 revenue at MUSD 11.5 with accretive EBITA-margin. Acquisitions took place in November 2022

- Provides us with additional channels to market
- In line with our strategy to strengthen our core business
- Strengthens offering to customer segments within lithium-ion battery, pharmaceuticals, electronics, food processing, aerospace, among others.

# Strong service growth in 2022

Ambition: Share of service long-term to represent 30 percent of Group net sales

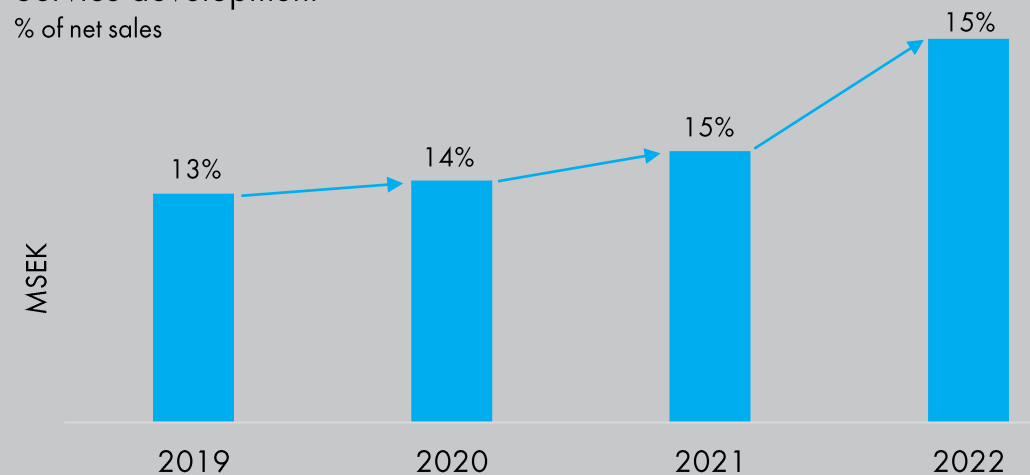
- **AirTech** – generates majority of Service net sales
- **DCT** – minor Service sales, as main part of business Greenfield installations

*Not reported as part of Service today:*

- **FoodTech** – SaaS (Software-as-a-Service) business  
Q4 NS: 6% at MSEK 33  
Q4 SaaS ARR\*: +44% at MSEK 133



Service development  
% of net sales



# Q4 – Good growth in the battery segment

*“The two orders received in Q4 confirm our strategy and purpose - for customers’ success and contributing to a sustainable society”*



- » Climate control systems to a multinational automotive manufacturer
- » combined value of MUSD 54 (~ MSEK 560)
- » includes systems developed specifically for the battery segment, as well as field service support programs
- » deliveries expected Q3 2023 to Q4 2024

## Lithium-ion battery production

optimal battery quality & performance achieved through manufacturing:

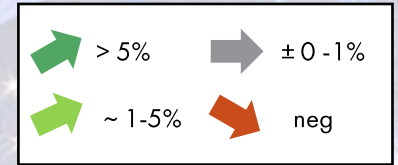
- in highly controlled environments - characterized by ultra-low humidity levels, a critical requirement for high-spec battery production




## Benefits of Munters’ climate control systems (dry rooms):

- engineered to meet the most demanding production requirements
- built to maximise manufacturing uptime and reliability
- achieving Ultra-Low dew points for superior battery product life, quality, and yield
- savings on energy consumption and operating costs such as energy-efficient Green PowerPurge\*



# Data Center Technologies – strong demand in Colocation



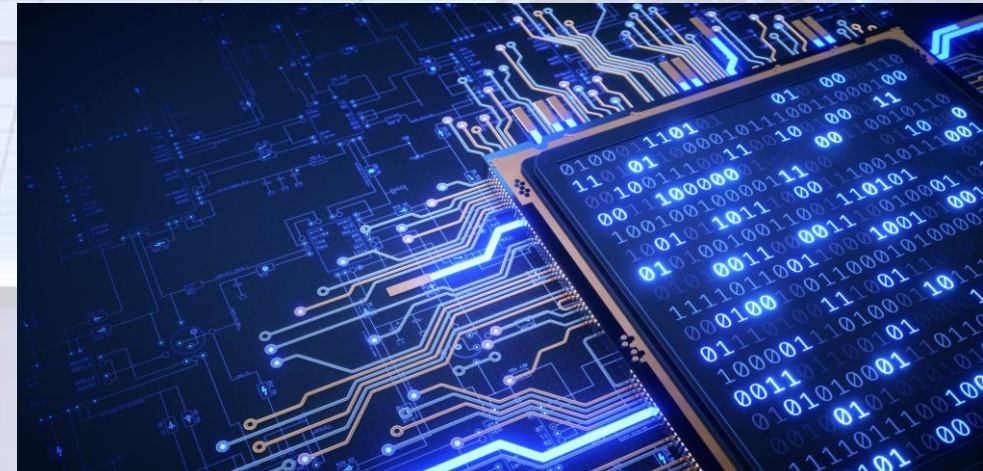
Customer Segments	% order intake FY 2022	Market Outlook *	Comments
Hyperscalers	5%		Increase in cloud traffic and connectivity services continues to drive hyperscale growth. Hyperscalers are recalibrating their data center design to higher density cooling as well as moving some capacity into the colocation market
Colocation	93%		Strong demand driven by greater use of colocation sites by enterprises and Hyperscales, specifically orders for the newly launched SyCool product range and other split systems solutions
Telco & enterprises	2%		Expect to see growth in the telco activity related to 5G and edge computing

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

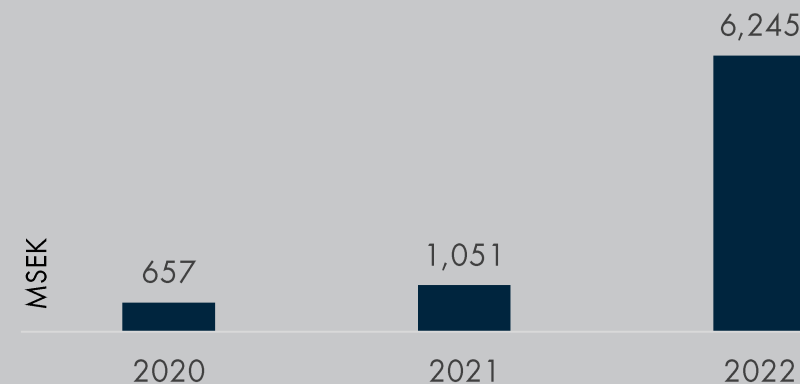
# Customer rescopes data center projects and design

## Order cancellation for DCT in Q4:

- DCT cancellation for orders received during 2022
  - Cancelled: evaporative cooling solutions, ~MSEK 465
- Cancellation caused by whole project being stopped or redirected, not related to Munters as a specific supplier
- Order intake increased +6% FX-adj., excl. DCT cancellation
- Strong demand in Americas & EMEA



DCT order intake



# Technology shift ongoing in the cooling market

DataCenter Magazine: *“Munters has a pivotal impact on the sustainability of the entire industry at large”*



Our highly energy-efficient SyCool Split system uses zero water. The product won *Mission Critical's Top Tier Product Award for Thermal Management Solutions* in 2021





## FACTS








- Operators and colocation require critical cooling technology to become more efficient, competitive and sustainable.
- Improving cooling technologies is critical to ensure the data center industry achieves its sustainability targets
- This demand has driven an exceptional degree of innovation from data center cooling companies across the world

» *Munters have been recognized by DataCenter Magazine as a leader and innovator in data center cooling*

- *We are recognized across the industry for innovation & exceptional sustainability standards, with solutions precisely designed for mission-critical processes.*
- *Our technologies enable customers to reduce their resource consumption, carbon emission and improve operational efficiencies*

# FoodTech – Challenging market

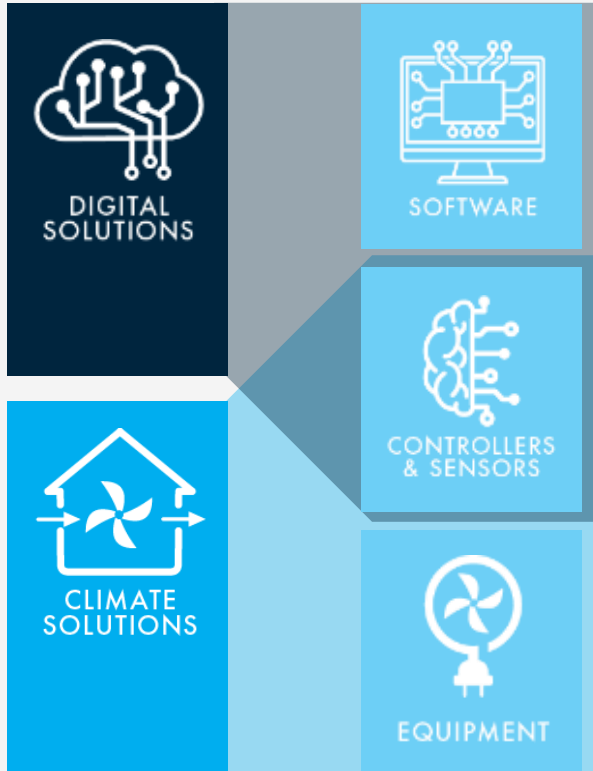
 > 5%	 ± 0 -1%
 ~ 1-5%	 neg

Customer segment	% order intake FY 2022	Market Outlook *	Comments
Climate Solutions	77%		Mixed market development - growth in Americas, slow down in EMEA and weak demand in APAC, especially China
...whereof Broiler	46%		Continued strong demand in Americas. EMEA slower due to high food prices and energy costs
...whereof Swine	13%		Weak development in APAC and EMEA
...whereof Layer	9%		Cage-free regulation driving long-term demand; EMEA investments on hold due to high raw material costs
...whereof Greenhouse	5%		Growth driven by increased demand
...whereof Dairy	4%		Strong milk prices continue to support investments in Americas
Digital Solutions	23%		Strong trend in all regions with increased data usage through IoT and software aiming at increasing yield and improving animal welfare and sustainability

\* Market outlook and comments are indicative and refer to the coming six months  
 12 Controllers included in Climate Solutions Financials

# FoodTech on a challenging market

## A dual offering



## Market situation

- **Americas:** stable situation with pockets of growth for equipment, strong growth for DS
- **EMEA:** Weak market due to war in Ukraine & inflationary pressure
- **APAC:** Weak market mainly due to weak swine market in China

## FoodTech 2022

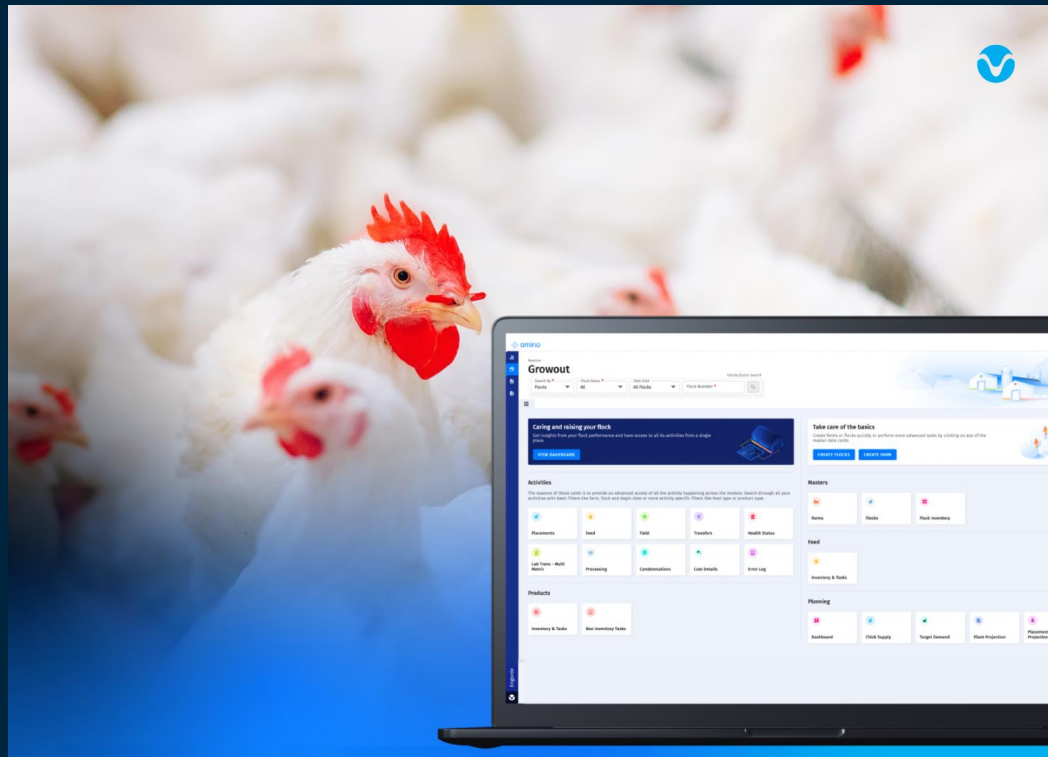
### Climate Solutions:

- Price adjustments more than offset volume decrease
- Adjustment of European business – reduction of employees in Germany & Italy
- Adjustment of APAC – consolidated Chinese operations into one unit, strengthened sales hub Vietnam

### Digital Solutions:

- Strong progression, Q4 increase SaaS ARR\* 44%
- High investments in developing the offering, hiring rate high

# Order signed with a large poultry producer



*"This vital partnership continues the successful execution of our strategy focused on helping feed our growing world population"*

- » MTech Systems within FT secured an important Software-as-a-Service (SaaS) contract with one of North America's largest poultry producers
- » The order has a value of MUS\$ 4.3 (~ MSEK 46)
- » MTech Systems will deploy the Amino platform, its newest and most innovative SaaS solution.
- » The contract enables the poultry producer to better control and analyze their full value chain including breeding, hatching, feeding and growing
- » Project to commence in Q2 2023 with completion of all sites by Q2 2024

# Our purpose - For customer success and a healthier planet

CDP rating

**B**

(2021: C)

Renewable electricity

**72%**

(2021: 53%)

Recycling rate

**52%**

(2021: 54%)

Energy efficiency\*\*

**0.62**

(2021: 0.80)

Allbright  
Even gender  
distribution in mgmt  
team placed us on  
the Greenstock  
Exchange List



Total Recordable  
Incident rate (TRIR)

**1.8**

(2021: 1.7)

Percentage women in  
workforce

**21%**

(2021: 22%)

Percentage women  
leaders\*\*\*

**22%**

(2021: 23%)



Environmental fines

**SEK 0**

(2021: SEK 0)

Service share of net  
sales

**15%**

(2021: 15%)

Code of conduct for  
suppliers

**100%**

(2021: 100%)

Financial figures Dec 2022

\* Reported in accordance to GHG Protocol

\*\* Electricity consumption in production facilities relative to production value (MWh/production value SEK 000) as of LTM Q4, 2022. Production value for 2021 adjusted for fx

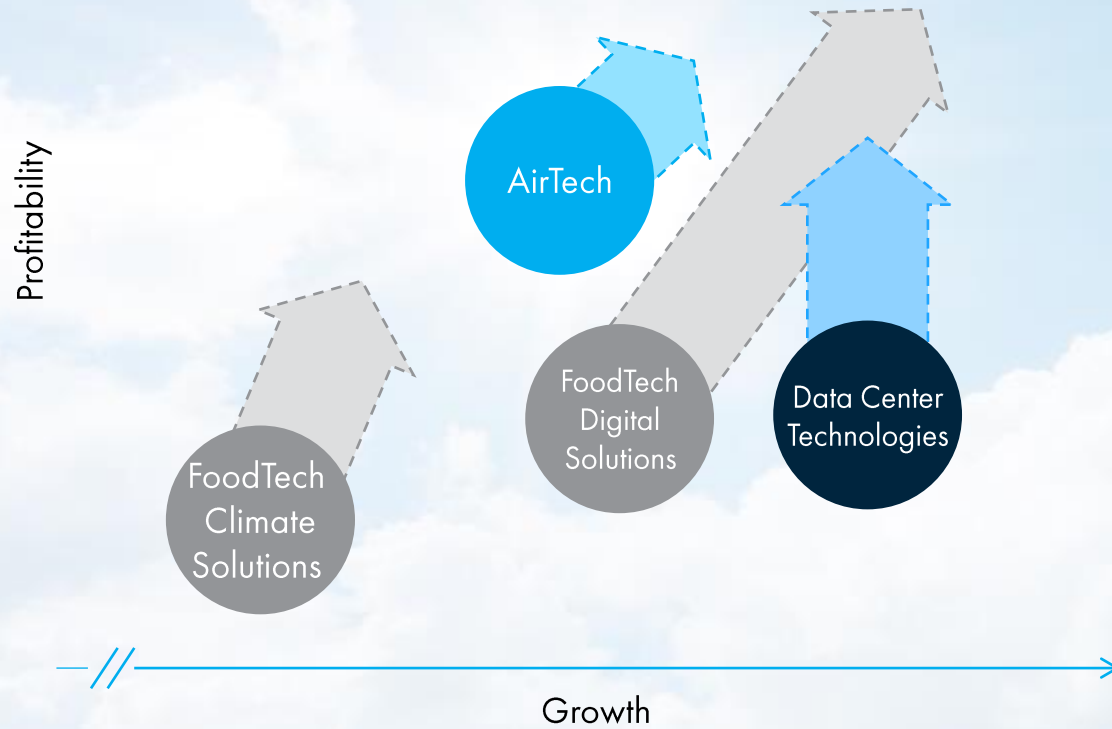
\*\*\* Salary setting managers

# Munters focus areas



ILLUSTRATIVE

Direction of long-term positioning – 2023 and beyond



## Focus areas 2023 and beyond

### AirTech

- Continued progression on profitable growth
- Service & energy efficient solutions key drivers

### DCT

- Step by step improved profitability
- Expanding market leading offer

### FoodTech

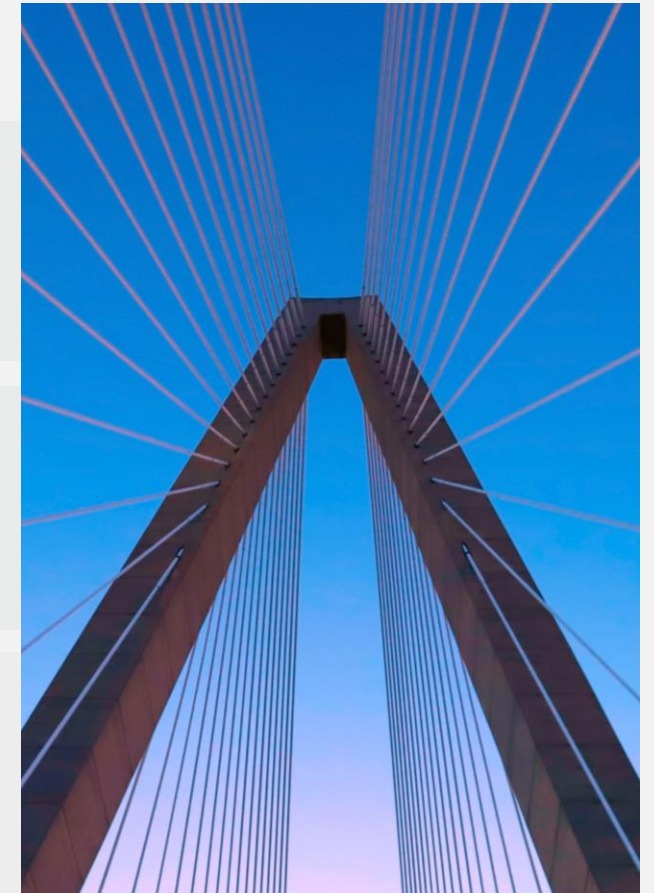
- Digital Solutions – growth & profitability, through SaaS ARR
- Climate Solutions – stability & profitability



# Financial highlights

# Record strong growth and stable margin

	Mid-term targets	Q4 2021	Q4 2022	FY 2021	FY 2022
<b>Net sales growth</b> Org. growth p.a. over a business cycle	10%	10%	26%	10%	23%
<b>Adjusted EBITA-margin</b>	>14%	10.6%	10.1%	12.1%	10.3%
<b>OWC/net sales*</b>	13-10%	13.1%	12.7%	13.1%	12.7%



\*Average OWC (Operating Working Capital) last twelve months as % of net sales for the same period

# Strong organic net sales growth & underlying demand

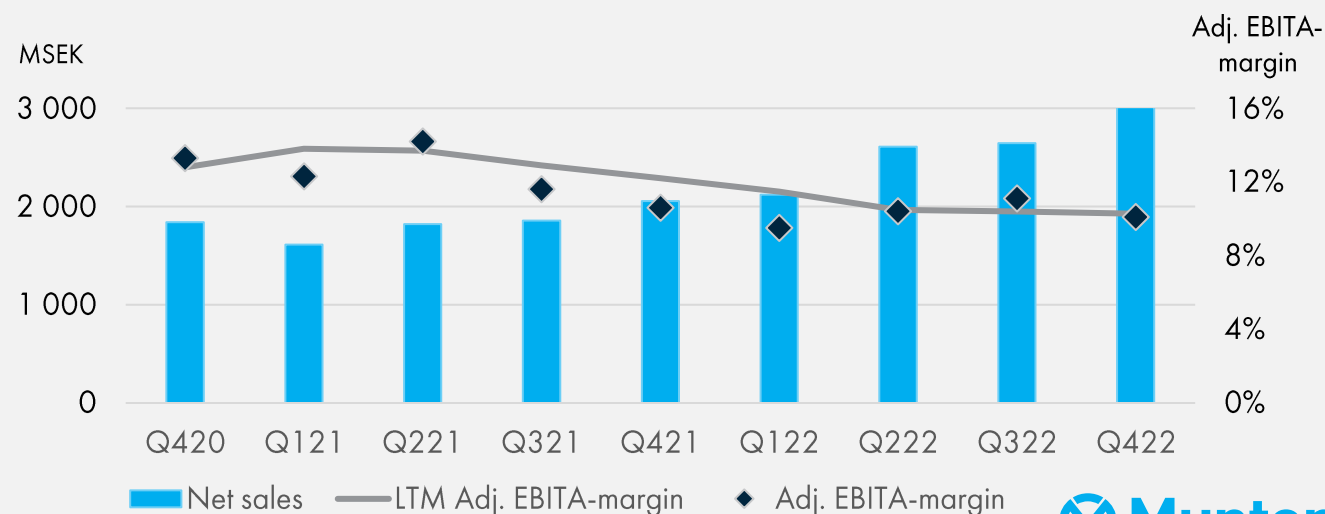
## Q4 comments:

- **OI** strong (+20% FX-adj. excl. DCT cancellation):
  - AT strong, 2 large battery orders
  - DCT underlying good demand excl. cancelled orders
  - FT, China & EMEA remained weak, partly offset by good growth in Americas
- **NS** increased, mainly:
  - Price increases ~8% of net sales
  - DCT and battery in AT
  - FT flat, Americas up offset by weak China & EMEA
  - Services 16% of total net sales
- **Adj. EBITA margin** lower mainly due to:
  - FT lower volumes in China & EMEA
  - DCT business mix change & increased costs
  - Increased investments in digitization & automation
  - Offset by improved AT margin

**FY 2022:** record order intake, strong growth and continued investments to ensure growth

MSEK	Q4 2022	Q4 2021	Change (%)			FY 2022	FY 2021
			Organic growth	Structural growth*	Currency effects		
Order intake	3,143	2,605	-1	2	19	16,830	9,013
Order backlog	11,463	4,198	140	5	28	11,463	4,198
Net sales	3,011	2,057	26	4	16	10,386	7,348
Adj. EBITA	304	217				1,070	889
Adj. EBITA-margin	10.1	10.6				10.3	12.1

\* Acquisitions & divestments



# Increased investments in digitization and automation

## Group adj. EBITA margin impact

	Q4
2021 adj. EBITA %	10.6
Volume	++
Net pricing	++
Operational challenges	-
Supply chain	-
Investments	-
Business & regional mix	--
2022 adj. EBITA %	10.1

## Main factors affecting adj. EBITA margin in Q4:

- Positive impact from volume increases in DCT & AT
- Price increases more than compensated for the increased raw material and freight costs in AT and FT
- Operational challenges less impact in Q4 than in Q3; actions identified for improvement on-going
- Supply chain challenges remains with some bottlenecks and component shortages, albeit lower level than in previous quarter
- Strategic investments for scalability in digitization and automation continued
- Business & regional mix had a negative impact:
  - weak market for FT in APAC & EMEA
  - a changed business mix in DCT

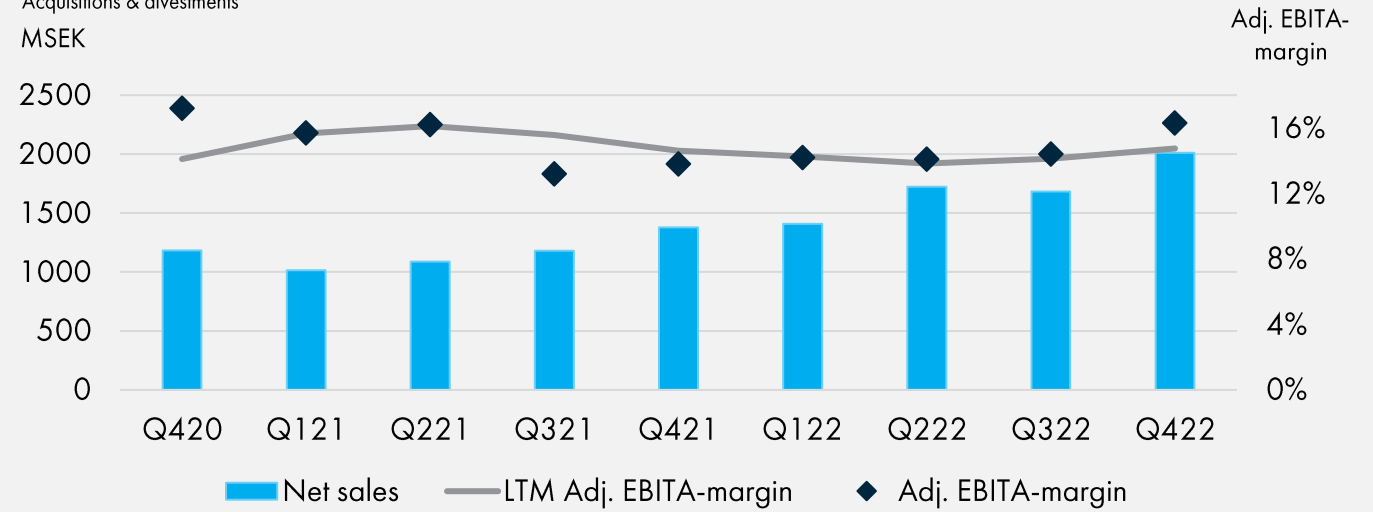
# Strong growth in Battery & Services

## Q4 comments:

- **OI** increased in all regions
  - Battery strong all regions, especially Americas (2 large orders, MUSD 54)
  - Services good growth, mainly Americas
- **NS** increased
  - Price increases ~ 7% of AT net sales
  - Battery & Components good growth all regions
  - CT grew strong in Americas, good growth in EMEA
  - Services growth, especially Americas & APAC. Services 24% of AT net sales
- **Adj. EBITA margin** improved, impacted by;
  - + Strong volume growth
  - + Efforts to increase manufacturing efficiency
  - + Net price increases more than compensated for higher material & freight costs
  - Continued high level of work to secure components & manage lead times

	MSEK	Q4 2022	Q4 2021	Change (%)			FY 2022	FY 2021
				Organic growth	Structural growth*	Currency effects		
Order intake		2,642	1,749	32	1	18	8,399	5,842
Order backlog		4,698	2,796				4,698	2,796
Net sales		2,013	1,380	29	2	15	6,830	4,664
Adj. EBITA		329	190				1,014	682
Adj. EBITA-margin		16.3	13.8				14.8	14.6

\* Acquisitions & divestments



**FY 2022:** strong growth especially in the battery sub-segment, Services & CT

# Strong net sales growth, driven by colocation in Americas

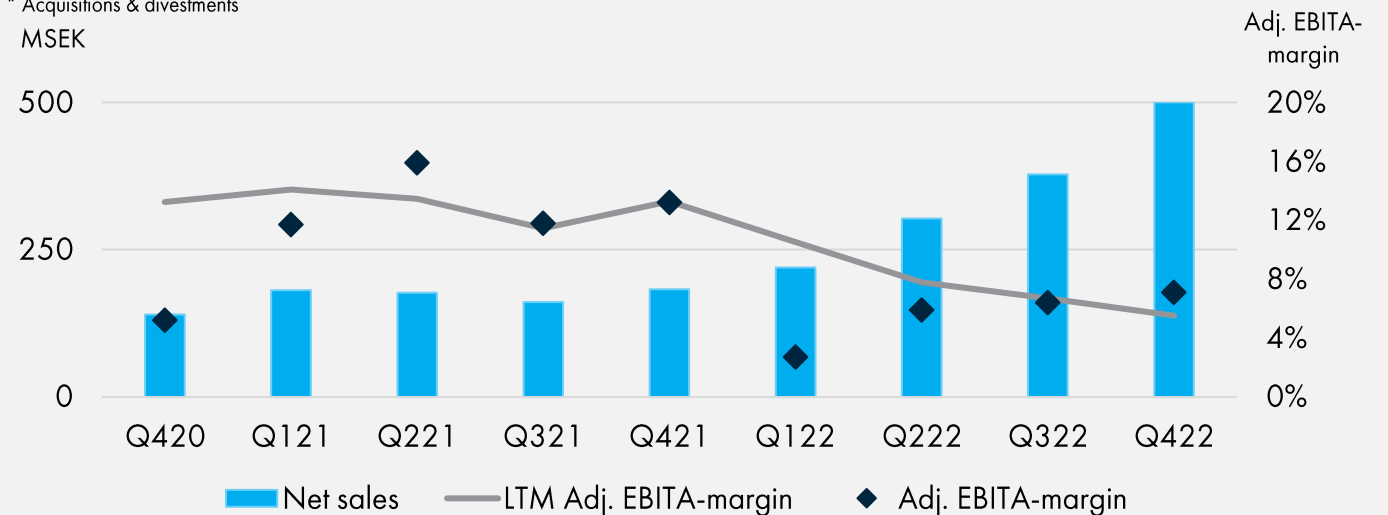
## Q4 comments:

- **OI** increased +6% FX-adj., excl. cancellation of MSEK 465\*
  - Excl. cancellations both Americas & EMEA grew
- **NS** strong increase
  - Strong growth in colocation customers in US
  - Price increases ~6% of DCT net sales
- **Adj. EBITA margin** declined, impacted by;
  - + Volume growth in both regions & ramp-up of production in Virginia facility
  - Different business mix compared to last year
  - Price increases still lagging increased material & freight costs

**FY 2022:** very strong growth in both Americas & EMEA, Munters largest orders ever received during the year

MSEK	Q4 2022	Q4 2021	Change (%)			FY 2022	FY 2021
			Organic growth	Structural growth*	Currency effects		
Order intake	30	361	-131	9	31	6,245	1,051
Order backlog	5,937	703				5,937	703
Net sales	500	183	106	26	41	1,401	702
Adj. EBITA	36	24				84	92
Adj. EBITA-margin	7.1	13.2				6.0	13.2

\* Acquisitions & divestments  
MSEK



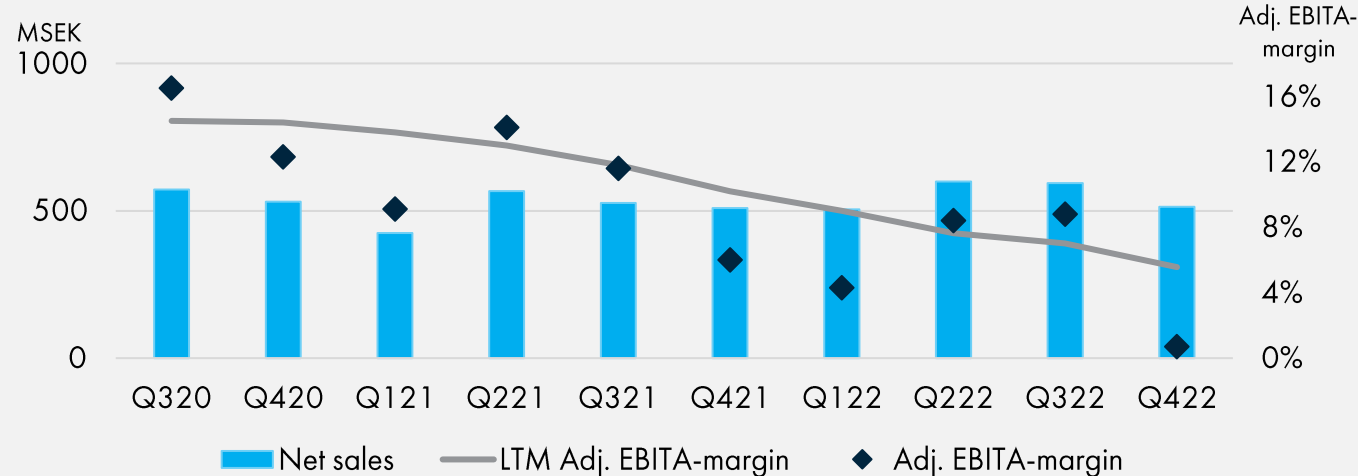
\* Cancellation of orders received earlier in 2022 for evaporative cooling solutions. The cancellation is caused by a whole project being stopped or redirected and is not related to Munters as a specific supplier.

# Stable net sales in challenging markets

**Q4 comments:**

- **OI** declined
  - EMEA & China continued weak markets
  - Americas grew: DS\* up, CS\*\* flat
- **NS** declined
  - Price increases ~8% of FT net sales
  - Americas: DS growth, CS flat with growth in broiler & layer
  - EMEA declined due to the overall weak market demand
- **Adj. EBITA margin** declined, impacted mainly by;
  - + Price increases cont. offset higher material & freight costs
  - + Cont. actions to consolidate manufacturing footprint & gain operational efficiency benefits in China
  - Cont. lower volumes in China & EMEA
  - Activities to resolve operational challenges & lower volumes in EMEA
  - Cont. high investments in Digital Solutions

MSEK	Q4 2022	Q4 2021	Change (%)			FY 2022	FY 2021
			Organic growth	Structural growth	Currency effects		
Order intake	483	508	-17	-	12	2,242	2,166
Order backlog	828	700				828	700
Net sales	514	509	-11	-	12	2,211	2,028
of which SaaS	33	23	44			119	86
of which SaaS ARR	133	93	44			133	93
Adj. EBITA	4	31				128	210
Adj. EBITA-margin	0.7	6.0				5.8	10.4

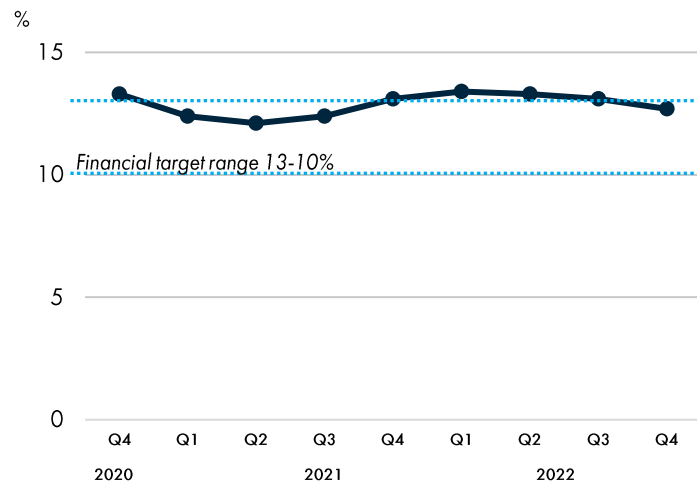


**FY 2022:** DS grew in US, large SaaS deals signed. CS weak development in APAC & EMEA

\*Digital Solutions, \*\* Climate Solutions

# Strong focus on cash flow management

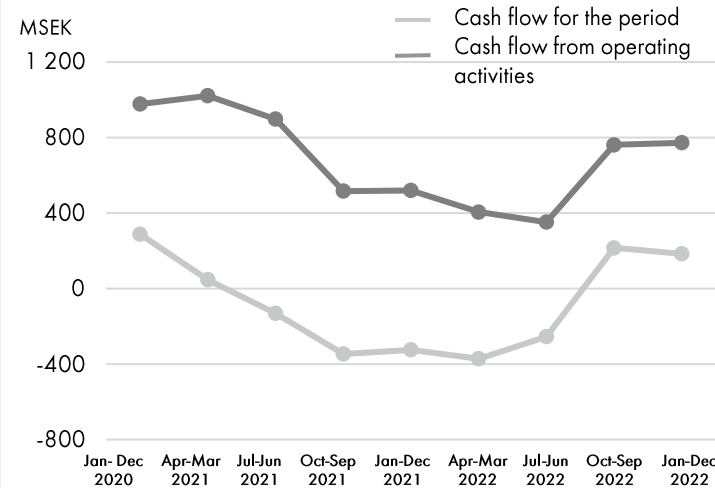
## OWC/net sales



### Cash flow from operating activities:

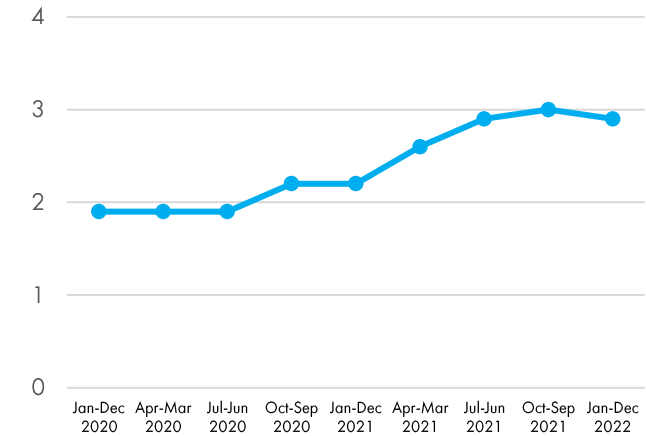
- Q4 slightly higher:
  - higher operating earnings
  - positive impact from working capital MSEK 189 (232), mainly driven by the growth
- FY 2022 higher:
  - driven by increased operating earnings
  - partly offset by changes in working capital MSEK -84 (-175), mainly driven by the growth

## Cash flow development, LTM \*



## Development of leverage

### Net debt / adj. EBITDAx, LTM



### Leverage ratio change mainly driven by:

- Q4 - improved operating earnings and OWC, offset by acquisitions of Hygromedia & Rotor Source
- FY – increased mainly due to acquisitions, IFRS 16 leases, partly offset by increased operating earnings





# 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

2022	2023	2024
Increased corporate costs: <ul style="list-style-type: none"><li>• ERP project</li><li>• Rollout of HCM system</li></ul>	Increased corporate costs: <ul style="list-style-type: none"><li>• ERP roll out</li><li>• Cont. rollout of HCM system</li></ul>	Finalization of various digitalisation initiatives
<ul style="list-style-type: none"><li>• Digitalising &amp; automizing process<ul style="list-style-type: none"><li>• Pricing strategies</li><li>• Innovation</li></ul></li><li>• LEAN &amp; best in practice manufacturing</li></ul>		



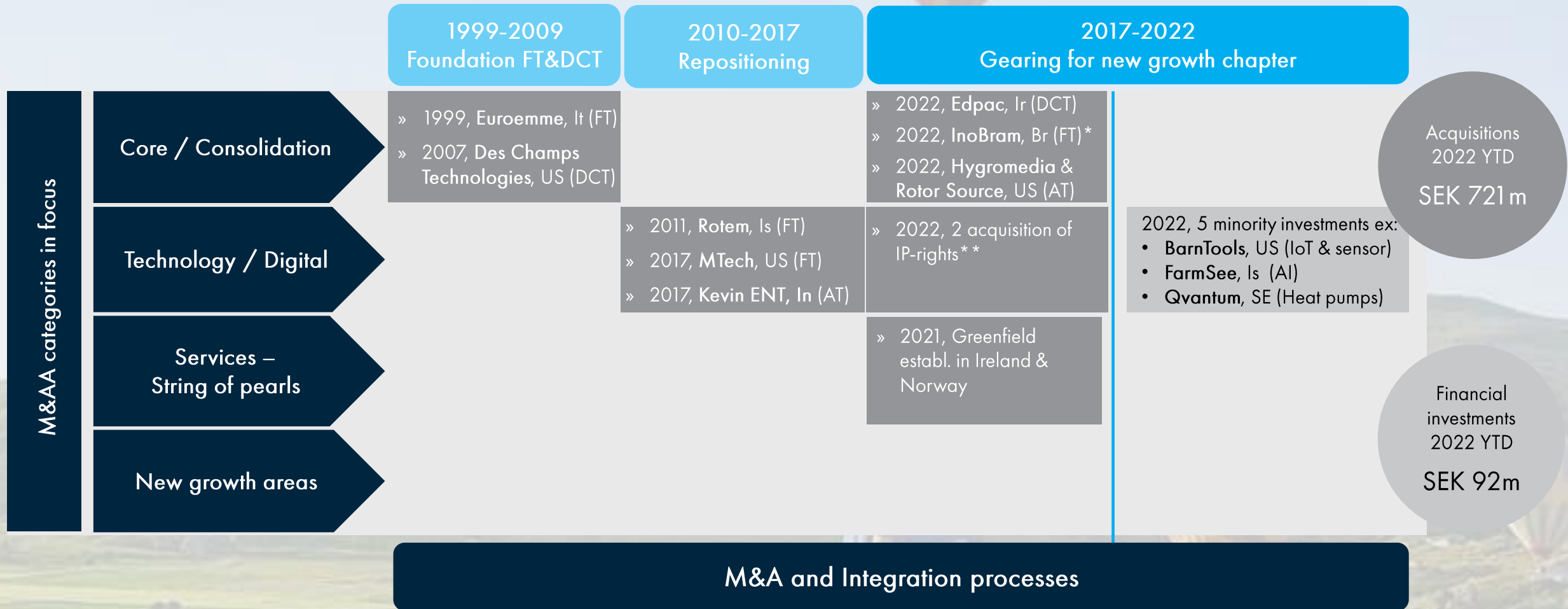
# Measures for strategy implementation on track

	2020	2021	Status Q4 2022	Focus 2023
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 180</li> <li>• Approx. 75% of savings realized</li> <li>• Implementation according to plan, finalization in Q1 2023</li> </ul>	<ul style="list-style-type: none"> <li>• All implementations initiated and will be closed during the year</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>• Approx. 50% of savings realized</li> <li>• Implementation according to plan</li> </ul>	<ul style="list-style-type: none"> <li>• Continued acceleration of Digital Solutions</li> <li>• Growth in new markets &amp; through solution sales</li> <li>• Operational efficiency for equipment scalability</li> </ul>

\*These programmes were started in 2020 and 2021, DCT is not included



# Inorganic strategies to boost overall growth



\* subject to certain corporate and regulatory approvals  
 \*\*IP-rights - Intellectual property rights

# Summary

# 2022 – Delivering on strategy with record growth



Strong demand resulting in record order backlog and very strong organic growth



Increased capacity to meet growing demand today and in coming years



Continued investments in digitization and automation & growth by acquisitions



# Questions & Answers