

# 2019 ANNUAL GENERAL MEETING

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6 March 2019



# Weighing in rough seas? Challenge accepted.

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When we brought accurate data collection to the fishing grounds with the first motion-compensating marine scales forty years ago, we tipped the scales towards increased efficiency throughout the value-chain.

# Celebrating 40 years

The **2018 Annual Report** is dedicated to the 40<sup>th</sup> anniversary of Marel's first motion compensating marine scales.

By being **data-driven from day one**, we tipped the scales towards increased efficiency throughout the value chain.

This is a great example of both the **power of numbers**, and how our extraordinary and talented team here at Marel use their **power in numbers**.

2018 Annual Report - [marel.com/ar2018](https://www.marel.com/ar2018)



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# CEO'S OPERATIONAL REPORT

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Árni Oddur Thórdarson,  
Chief Executive Officer





## ACTIVE CONSUMERS ARE LOOKING FOR A BALANCED DIET

**EUR 1,200bn**

annual retail value of poultry  
meat and fish industries

**3bn people**

belong to the rising middle  
class worldwide, half in Asia

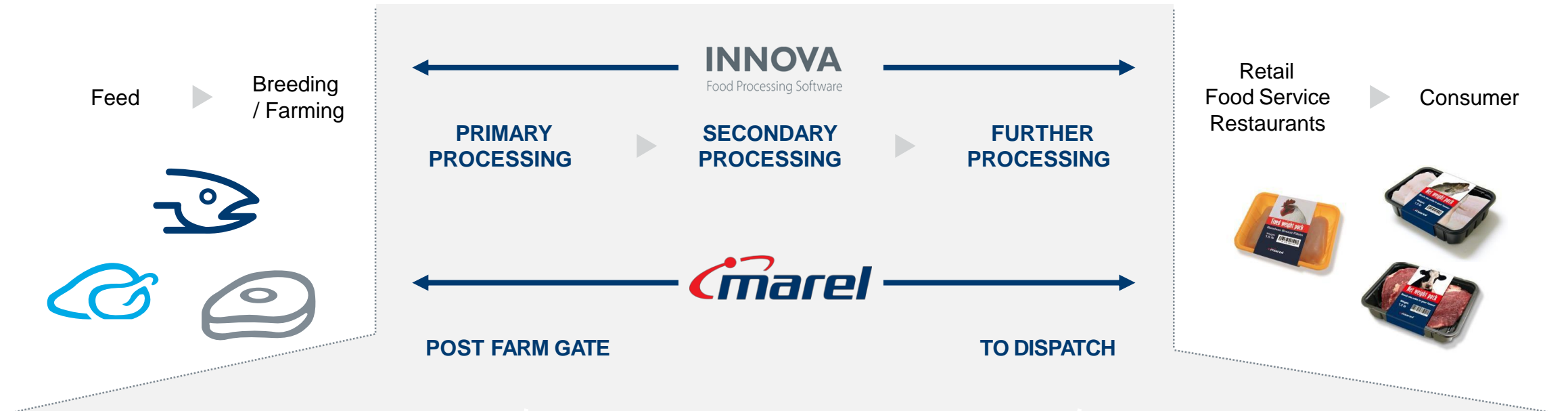
**3-4%**

global annual growth of  
urbanized middle class

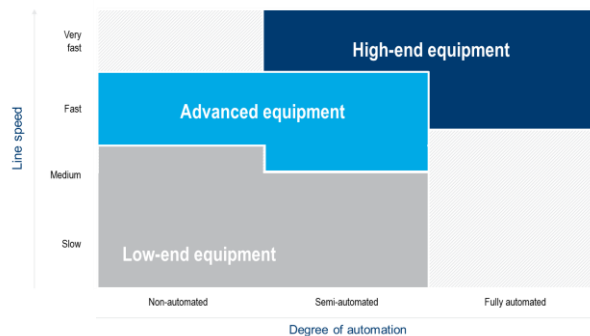
# MAREL'S PLAYING FIELD HAS GRADUALLY EXPANDED



Today Marel is a mission critical one-stop-shop for solutions, software and services for the poultry, meat and fish industry



## ADVANCED, HIGH-END EQUIPMENT | MANUFACTURING WORLDWIDE | SALES & SERVICE NETWORK



Sales 650 FTEs | Service 1,350 FTEs

Note: 1. Includes service and spare parts.

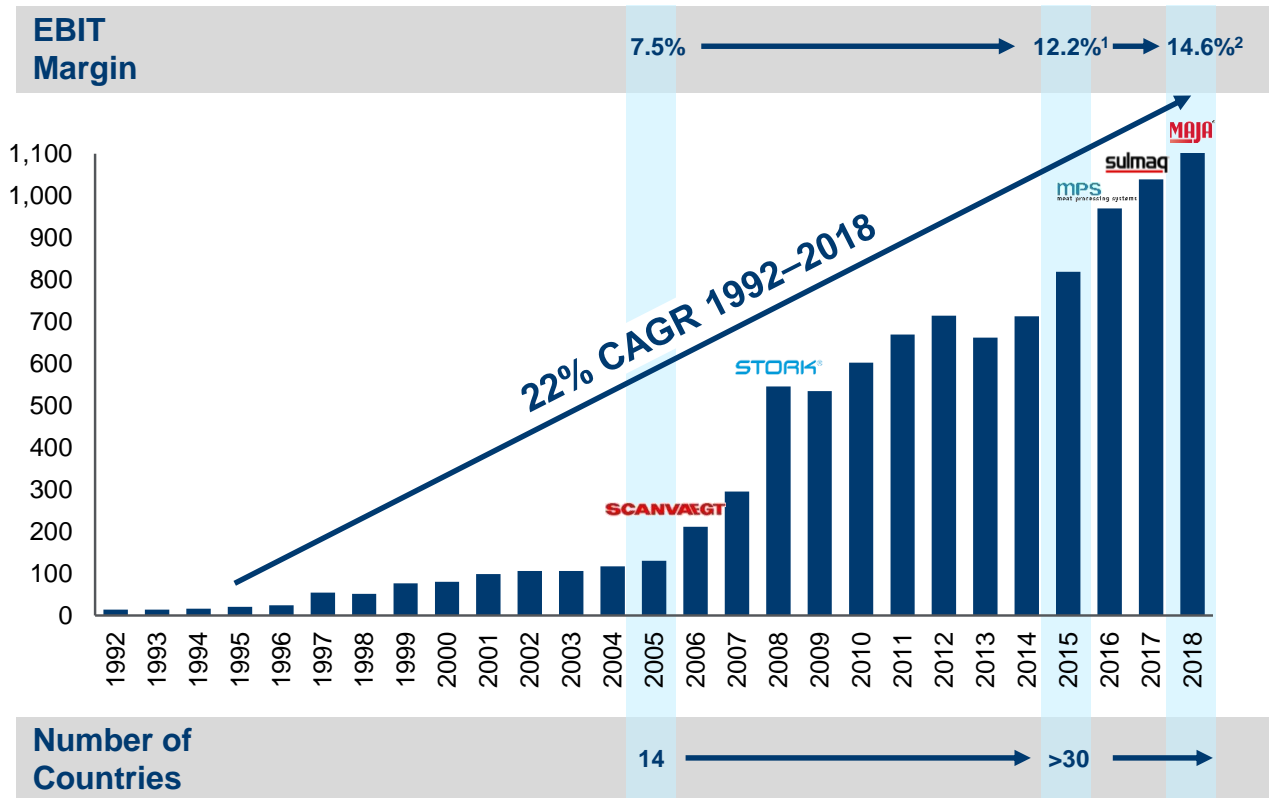
# STRONG TRACK RECORD OF GROWTH



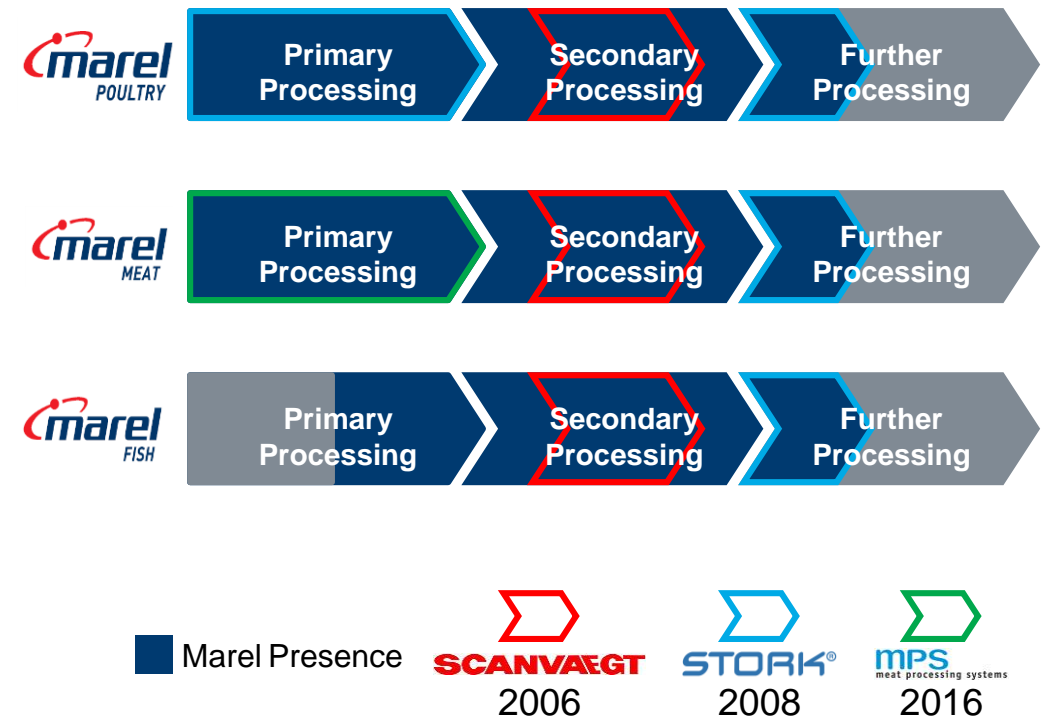
Marel has grown organically and through strategic acquisitions to become the leading global provider of advanced food processing systems and services

## STRONG REVENUE GROWTH SINCE 1992

EUR m



## EXAMPLES OF HISTORICAL ACQUISITIONS



Source: Company information. Note: 1. 2015 EBIT adjusted for refocusing cost and acquisition costs. 2. Operating income adjusted for PPA related costs, including depreciation and amortization. PPA refers to amortization of acquisition-related intangible assets.

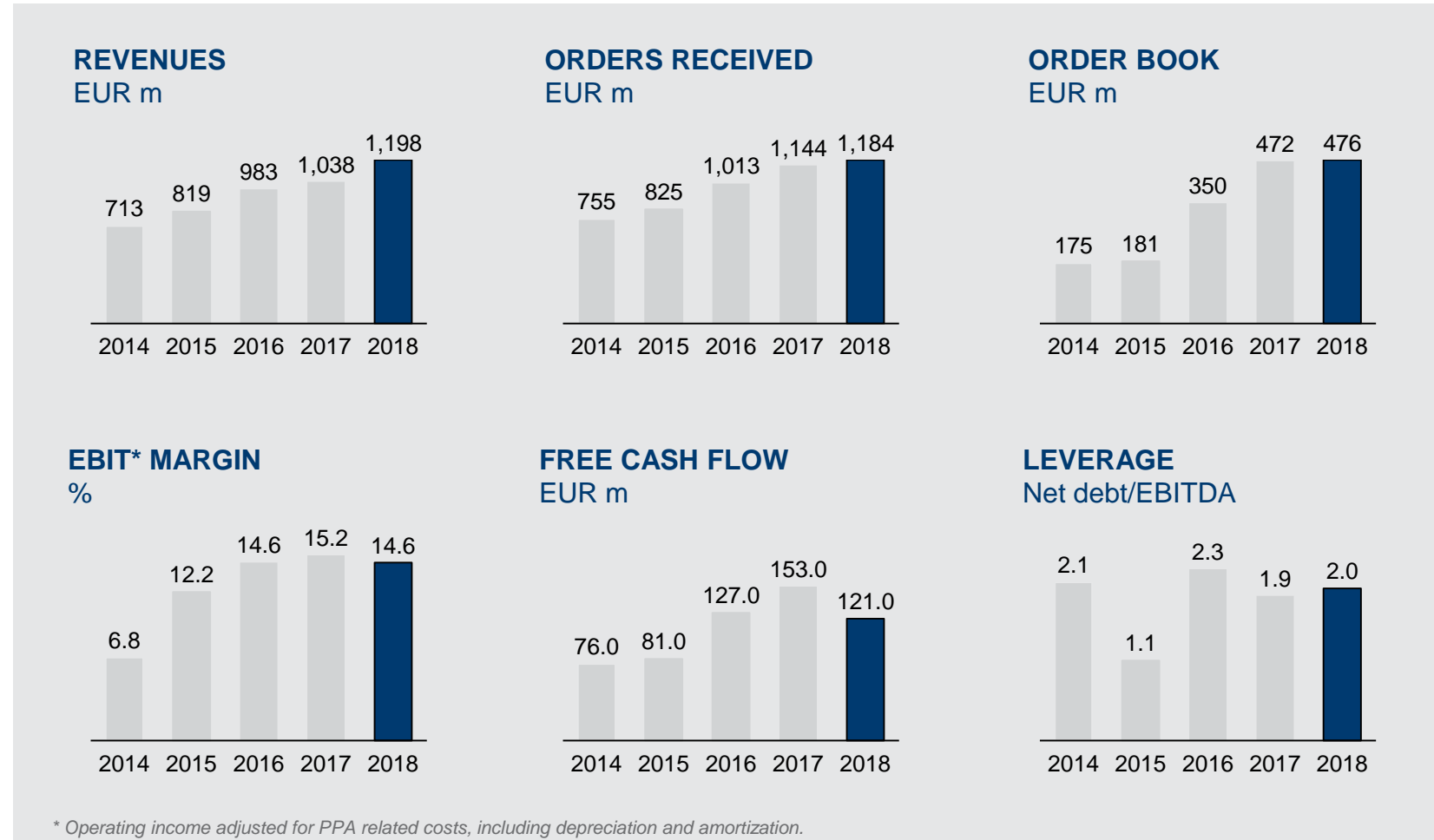
# STRONG ORGANIC GROWTH AND 14.6% EBIT\* MARGIN



Revenues were a record EUR 1.2 billion in 2018, up 15.4% from the previous year. Thereof, 12.5% was organic growth.

## HIGHLIGHTS

- Gross margin stable at 39%
- Strong order book of EUR 476m, or around 40% of trailing twelve month revenues
- Net profit was EUR 123m, up 26.4%
- Earnings Per Share was up 31%
- EUR 134m paid out in dividends, share buybacks and for the MAJA acquisition
- Strong operational cash flow and leverage at x2.0 net debt/EBITDA





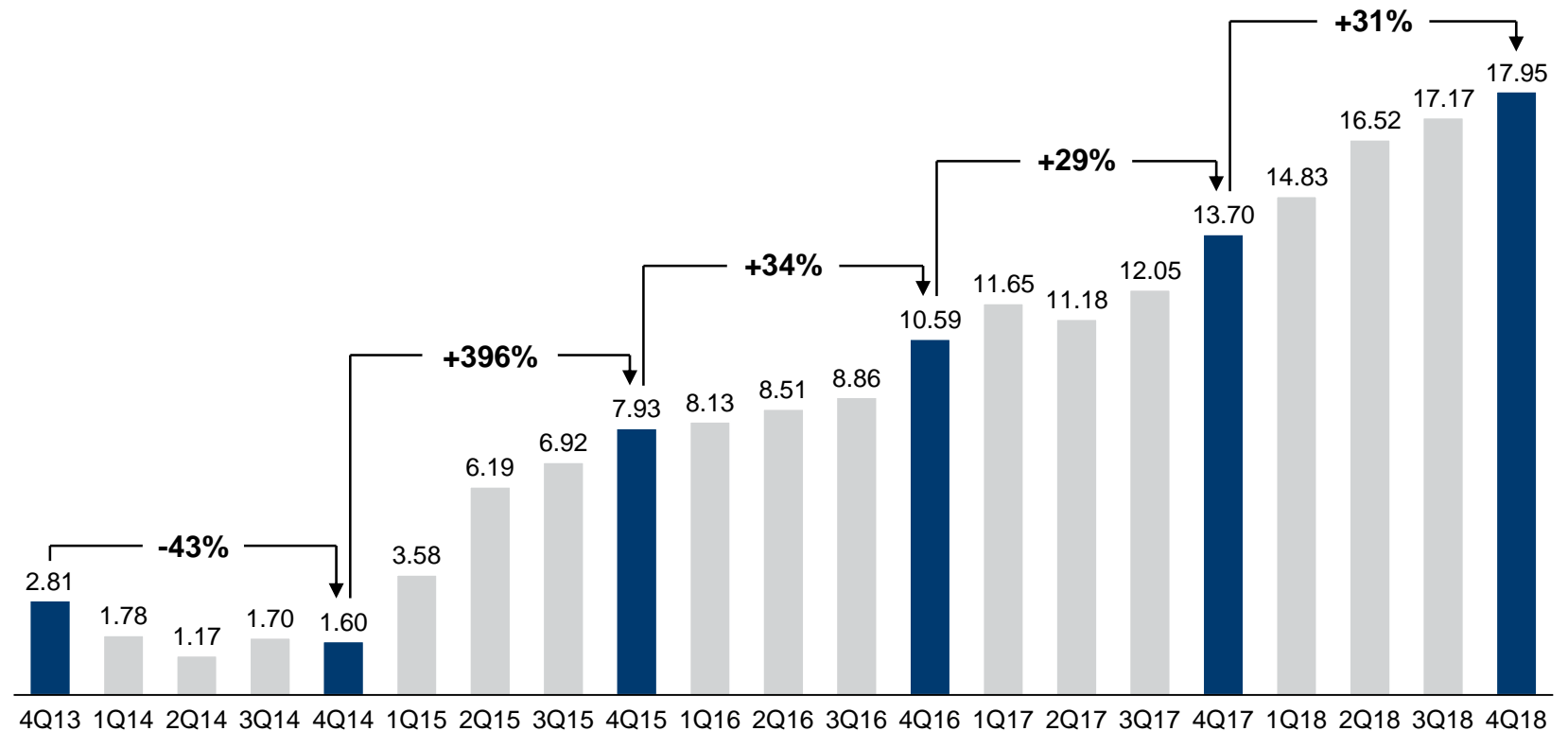
# EARNINGS PER SHARE



Favorable development in Earnings per Share (EPS) over recent quarters, management expects EPS to grow faster than revenues

- Robust growth and operational improvements with best in class cash flow
- Cash flow reinvested in innovation, infrastructure and global reach to sustain growth and value creation
- Dividends paid out in recent years within the targeted dividend policy of 20-40% of net profit
- Proposal to AGM on dividend payout of EUR 5.57 cents per share, or approximately 30% of net result

**EARNINGS PER SHARE (EPS)**  
Trailing twelve months, euro cents



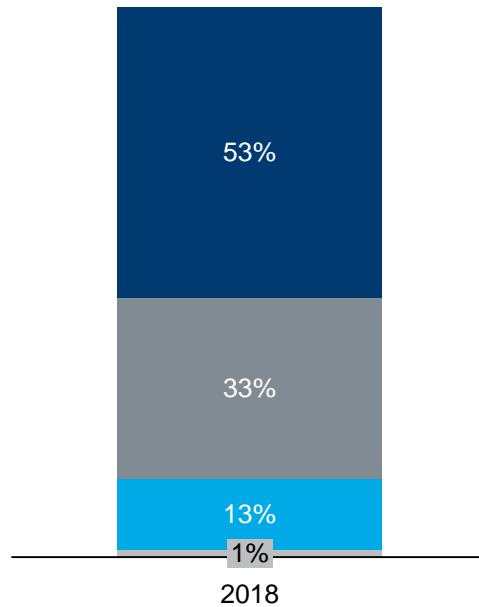
# GOOD QUALITY OF EARNINGS



Strong track record of a well diversified revenue structure across industries, business segments and geographies

## REVENUES BY INDUSTRY

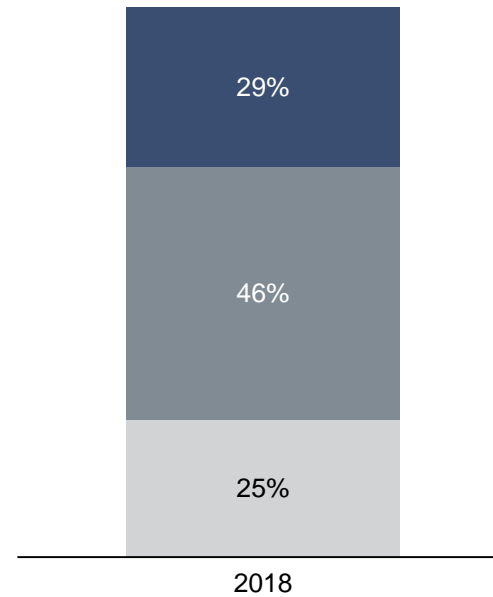
%



- Poultry
- Meat
- Fish
- Other

## REVENUES BY GEOGRAPHY

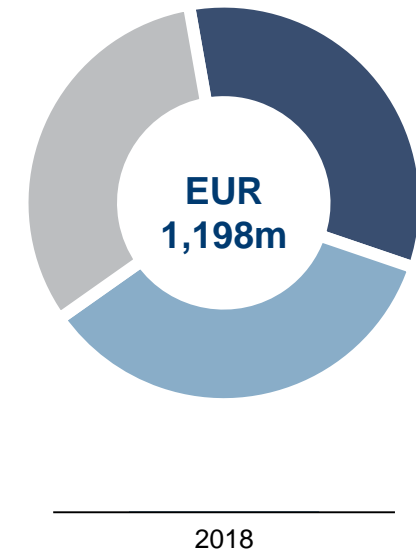
%



- North-America
- Europe
- Rest of the world

## REVENUES BY BUSINESS MIX

%



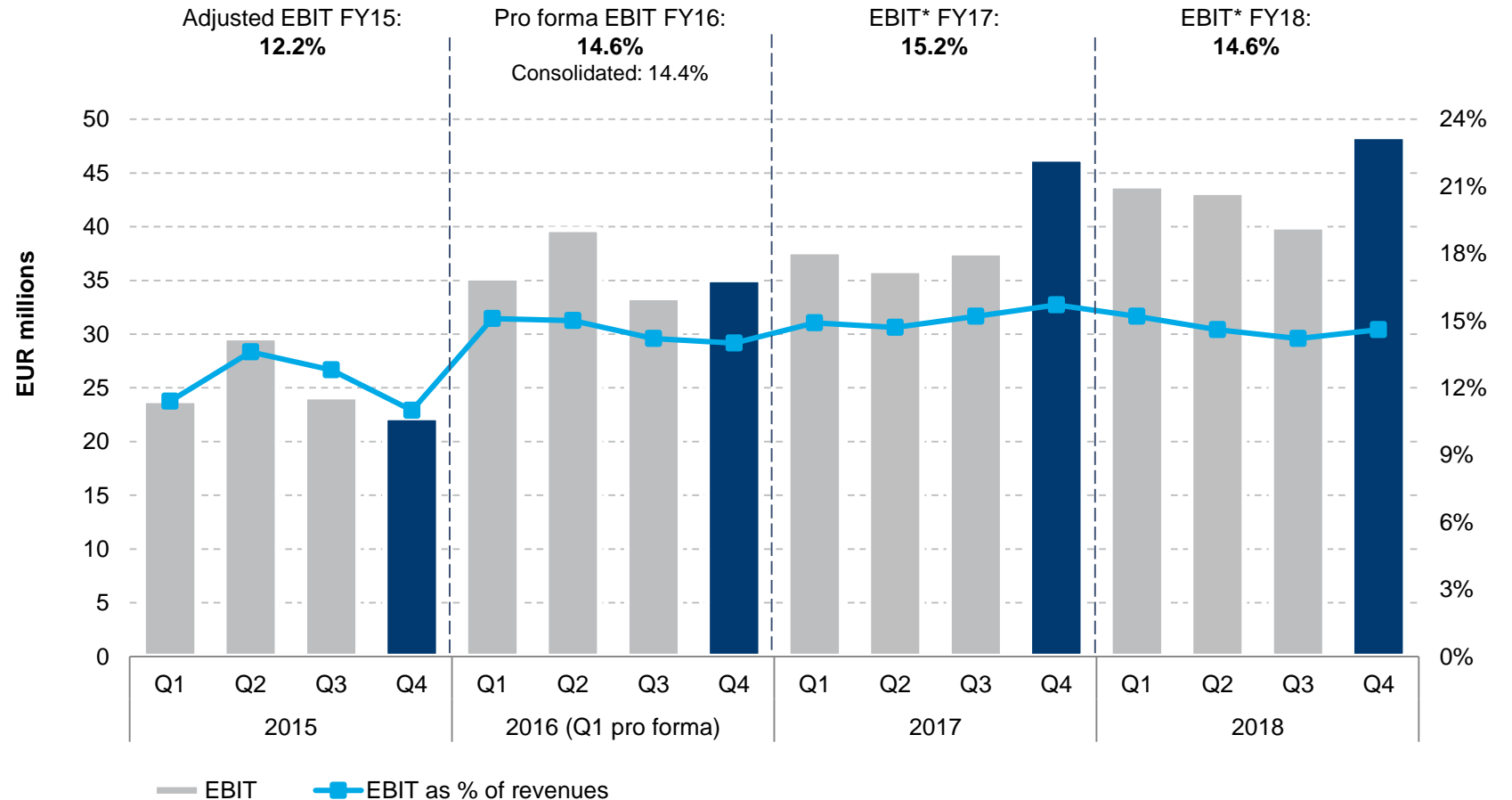
- Greenfield and projects
- Modernization and standard equipment
- Maintenance Service and repairs

# STRONG AND STEADY OPERATIONAL PERFORMANCE



Double-digit revenue growth in the quarter of 12.2% YoY with a profit margin of 14.6% EBIT\*

- EBIT\* margin of 14.6% in 4Q18 and 14.6% in FY18
- Revenues increased by 12.2% YoY in 4Q18 leading to an increase in EBIT\* by 4.3% YoY
- 6.2% of revenues invested in innovation in 2018, compared to 5.7% in 2017
- Ongoing and continued investment in the future scalability of our platform, IT infrastructure and global reach



\*Operating income adjusted for PPA related costs, including depreciation and amortization in 2016-2018. 2015 EBIT adjusted for refocusing cost and acquisition costs.

# BALANCED REVENUE MIX

Poultry continues to be the biggest revenue driver. Global reach and focus on full-line offering across the poultry, meat and fish industries counterbalances fluctuations in operations.

## POULTRY



**18.4% EBIT margin FY18**

- Strong growth and operational performance
- Full-line offering of standard equipment and modules from post farm gate to dispatch of consumer products
- Integrated system to handle a line speed of 15,000 birds per hour introduced in 2018

**With the most complete product range and one of the largest installed base worldwide, competitive position remains strong**

*All financial numbers relate to the 2018 Consolidated Financial Statements. Other segments account for around 1% of the revenues.*

## MEAT



**11.3% EBIT\* margin FY18**

- Orders received for Marel Meat strong in 2018
- Bolt-on acquisition of MAJA, to strengthen secondary processing offering, closed 14 August
- Management is targeting medium and long-term EBIT margin expansion for Marel Meat

**Focus going forward on increased standardization and modularization**

*\* Operating income adjusted for PPA related costs, including depreciation and amortization.*

## FISH



**7.9% EBIT margin FY18**

- The full year of 2018 delivered strong revenues for Marel Fish, up 20.3% and solid operational improvements year-on-year
- Management is targeting medium and long-term EBIT margin expansion for Marel Fish

**Focus on full-line offering for wild whitefish, farmed salmon and farmed whitefish**

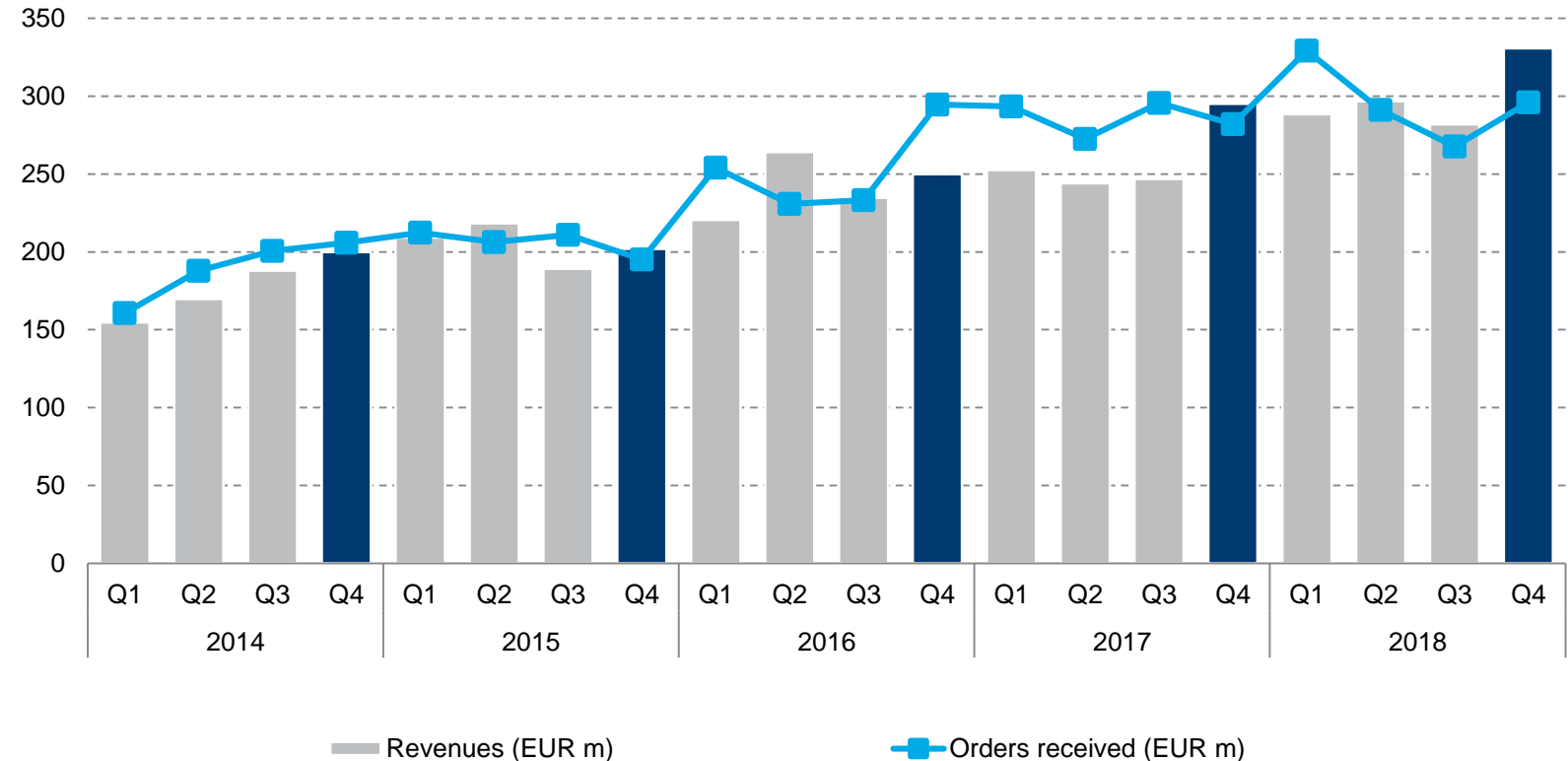
# ORDERS RECEIVED



Orders received in Q4 2018 amounted to EUR 296 million and revenues were EUR 331 million. For the full year, orders received were EUR 1,184 million and total revenues were EUR 1,198 million.

- At year-end, the order book was around 40% of trailing twelve months revenues
- Orders received were up 3.5% YoY
- Book-to-bill was 0.99 in 2018, compared to 1.10 for FY17
- Greenfields and projects with long lead times constitute the vast majority of the order book
- Standard equipment and spare parts run with shorter cycles than larger projects

**REVENUES AND ORDERS RECEIVED**  
EUR m



# INCOME STATEMENT: FULL YEAR 2018



Revenues in 2018 were EUR 1.2 billion with an adjusted EBIT of EUR 175 million or 14.6% EBIT margin. Gross profit was EUR 468 million or 39.0% of revenues.

In EUR million (unless stated otherwise)	FY 2018	Of revenues	FY 2017	Of revenues	Change
Revenues	1,197.9		1,038.2		+15.4%
Cost of sales	(730.4)		(631.5)		+15.7%
<b>Gross profit</b>	<b>467.5</b>	<b>39.0%</b>	<b>406.7</b>	<b>39.2%</b>	<b>+14.9%</b>
Selling and marketing expenses	(133.7)	11.2%	(120.5)	11.6%	+11.0%
Research and development expenses	(73.7)	6.2%	(57.8)	5.6%	+27.5%
General and administrative expenses	(84.9)	7.0%	(71.0)	6.8%	+19.6%
<b>Adjusted result from operations</b>	<b>175.2</b>	<b>14.6%</b>	<b>157.4</b>	<b>15.2%</b>	<b>+11.3%</b>
PPA related costs	(14.3)		(17.1)		+16.4%
<b>Result from operations</b>	<b>160.9</b>	<b>13.4%</b>	<b>140.3</b>	<b>13.5%</b>	<b>+14.7%</b>
Net finance costs	(14.9)		(20.3)		-26.6%
<b>Result before income tax</b>	<b>146.0</b>		<b>120.0</b>		<b>+21.7%</b>
Income tax	(23.5)		(23.1)		+1.7%
<b>Net result</b>	<b>122.5</b>	<b>10.2%</b>	<b>96.9</b>	<b>9.3%</b>	<b>+26.4%</b>

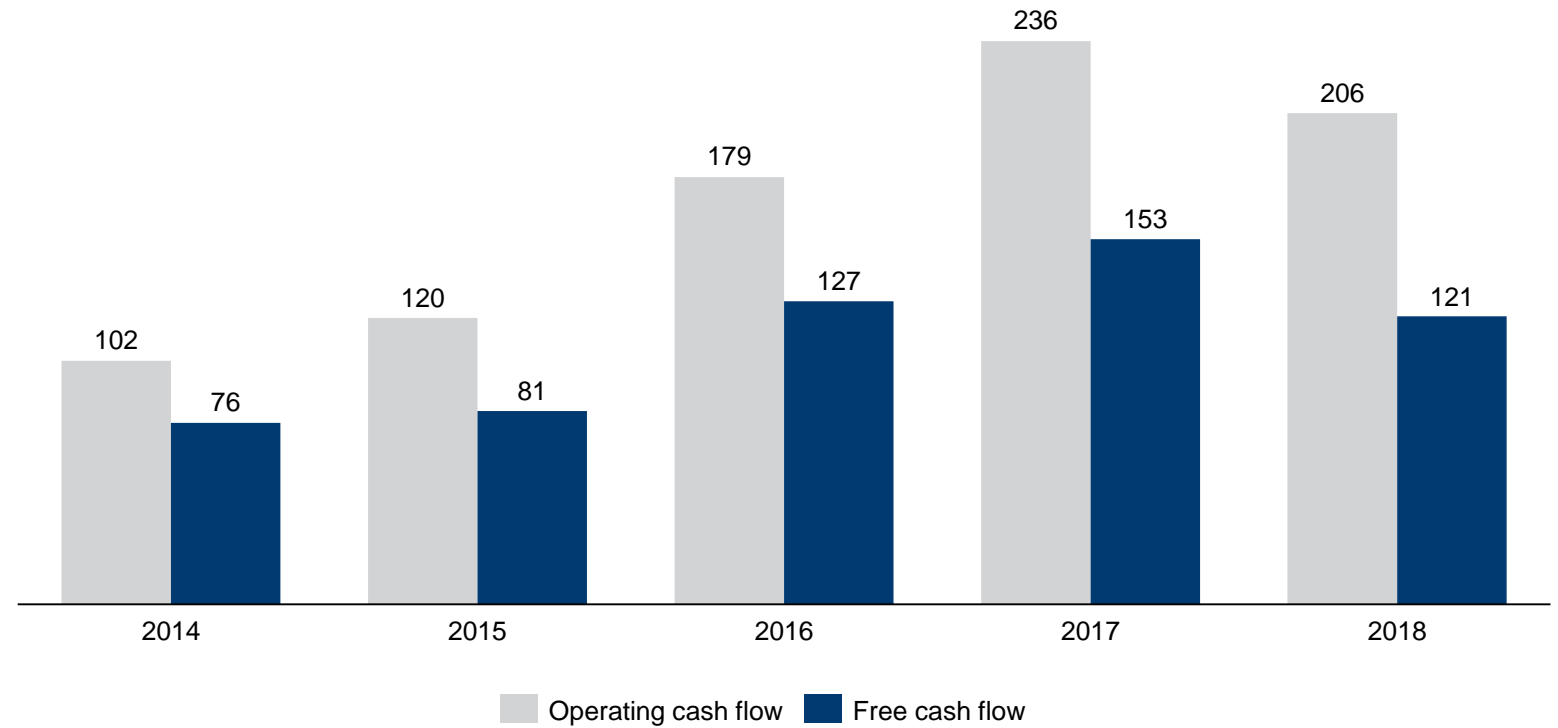
# STRONG CASH FLOW



Strong cash flow enabled both deleveraging and the undertaking of strategic acquisitions, free cash flow in 2018 amounted to EUR 121 million

- Strong operating cash flow, slightly down in line with book-to-bill ratio
- Investments of EUR 54m in 2018 in both tangibles and intangibles to maintain and support future growth, investments above normalized levels
- Free cash flow is strong, EUR 121m in line with operational performance and revenue growth

**CASH FLOW**  
EUR m



Free cash flow defined as cash generated from operating activities less tax and investments

# BALANCE SHEET: EQUITY AND LIABILITIES



## 2018 Consolidated Financial Statements

### HIGHLIGHTS

- Leverage was 2.0x at a similar level as end of 2017
- Contract liabilities (production contracts) reflect down payments from customers on projects that will be produced
- Trade and other payables rose in line with higher volumes

### EQUITY AND LIABILITIES

In EUR million	31/12 2018	31/12 2017	Change
<b>Group equity</b>	<b>560.9</b>	<b>541.9</b>	<b>+3.5%</b>
Borrowings	429.3	370.5	15.9%
Lease liability	27.1	0.2	-
Deferred income tax liabilities	57.3	61.3	-6.5%
Provisions	9.2	8.6	+7.0%
Other liabilities	3.0	3.6	-16.7%
Derivative financial instruments	1.4	2.7	-48.2%
<b>Non-current liabilities</b>	<b>527.3</b>	<b>446.9</b>	<b>+18.0%</b>
Contract liabilities	212.1	209.6	1.2%
Trade and other payables	217.0	195.9	+10.8%
Current income tax liabilities	9.3	11.0	-15.5%
Borrowings	24.8	26.2	-7.3%
Lease liability	6.7	-	-
Provisions	7.8	9.1	-14.3%
<b>Current liabilities</b>	<b>477.7</b>	<b>451.8</b>	<b>+5.7%</b>
<b>Total liabilities</b>	<b>1,005.0</b>	<b>898.7</b>	<b>+11.8%</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,565.9</b>	<b>1,440.6</b>	<b>+8.7%</b>

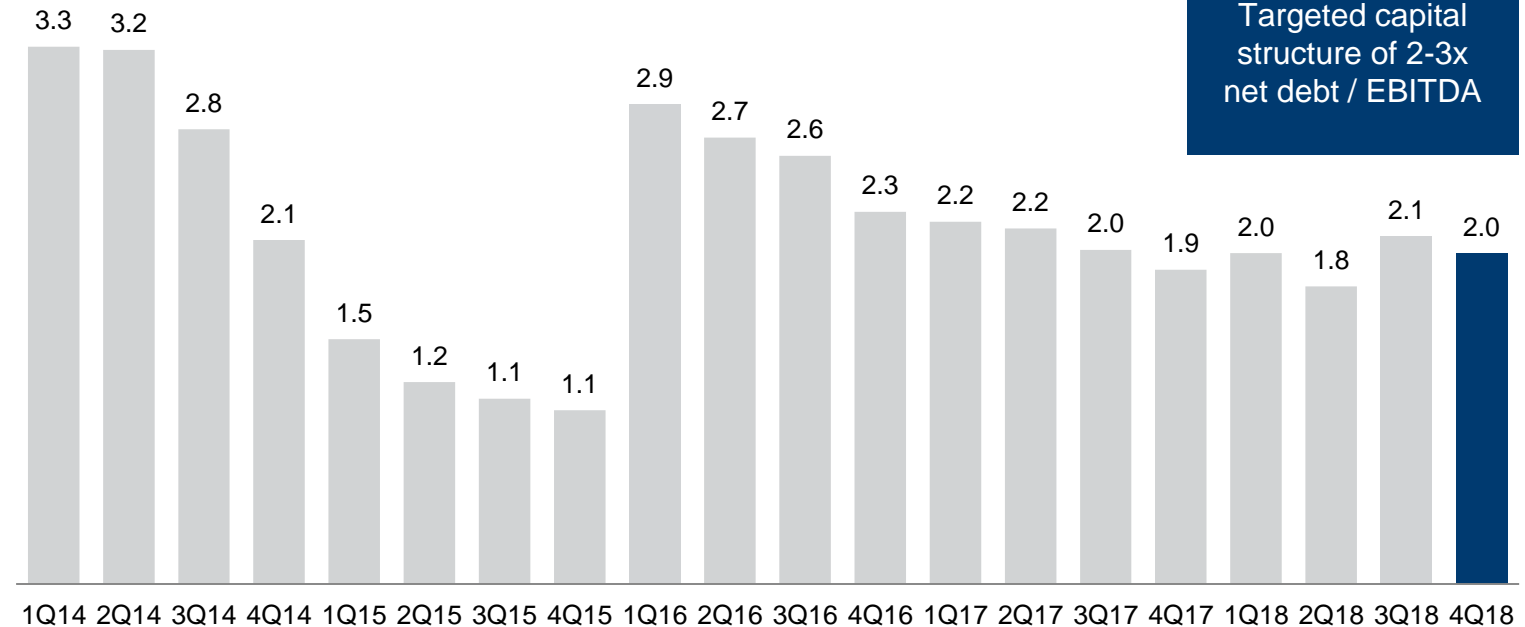


# LEVERAGE REMAINS AT LOWER END OF TARGET

In addition to raising its first issue in the Schuldschein market of EUR 140 million in 2018, Marel also paid out EUR 134 million in dividends, share buybacks and for the MAJA acquisition

- First issue in the Schuldschein market of EUR 140m with a mixture of floating and fixed tranches in maturities of 5 & 7 years
- Because of oversubscription the Schuldschein was increased to EUR 140m from EUR 100m
- Vast majority placed in the 5-year tranche priced at 110bp over EURIBOR, and the 7-year priced at 130bp over EURIBOR
- Joint bookrunners were ABN AMRO, Bayerische Landesbank, and UniCredit

**LEVERAGE RATIO**  
Net debt / EBITDA



**MAREL  
CURRENT  
BORROWER  
PROFILE**

Net debt  
EUR 432m

Equity ratio  
36%

Leverage ratio  
2.0x

Interest cover  
19x EBITDA

# FINANCIAL TARGETS



In the period 2017-2026, Marel is targeting 12% average annual revenue growth through market penetration and innovation, complemented by strategic partnerships and acquisitions

	TARGET	FY18	FY17	FY16	
<b>REVENUE GROWTH*</b>	12% average annual revenue growth in 2017-2026*	<b>15.4%</b>	5.6%	20.1%	<p>Marel enjoys a balanced exposure to global economies and local markets. Market conditions have been exceptionally favorable but are currently more challenging in light of geopolitical uncertainty and the general slowdown in global economic growth.</p> <p>In the long term*, management expects 4-6% average annual market growth. Marel aims to grow organically faster than the market, driven by innovation and market penetration.</p> <p>Solid operational performance and strong cash flow is expected to support 5-7% revenue growth on average by acquisition.</p>
<b>INNOVATION INVESTMENT</b>	~6% of revenues	<b>6.2%</b>	5.6%	6.5%	To support new product development and ensure continued competitiveness of existing product offering.
<b>Earnings per Share (euro cent)**</b>	EPS to grow faster than revenues	<b>17.95</b>	13.70	10.59	Marel's management expects Earnings per Share to grow faster than revenues.
<b>LEVERAGE</b>	Net debt/ EBITDA x2-3	<b>x2.0</b>	x1.9	x2.3	The leverage ratio is estimated to be in line with the targeted capital structure of the company.
<b>DIVIDEND POLICY</b>	20-40% of net profit	<b>30%</b>	30%	20%	Dividend or share buy-back targeted at 20-40% of net profits. Excess capital used to stimulate growth and value creation, as well as paying dividends.

\*Growth is not expected to be linear but based on opportunities and economic fluctuations. Operational results may vary from quarter to quarter due to general economic developments, fluctuations in orders received and timing of deliveries of larger systems.

\*\*Trailing twelve months, EUR cents

**35** years since foundation

Listed on Nasdaq Iceland since 1992

Marel has created excellent value for its shareholders

+ 2,500

EUR 1.2bn  
of revenues

Compounded average revenue growth of

~ 20%

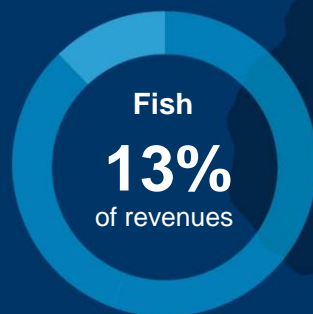
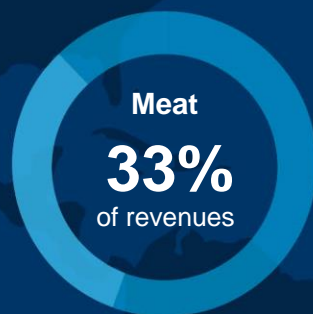
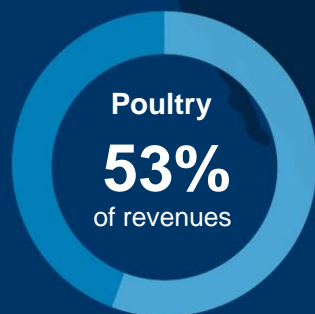
a year since 1992

30 countries

6 CONTINENTS



~6,000  
employees



~ 6%  
OF REVENUES  
INVESTED IN  
INNOVATION